

Procedure Section: P2131, Money Payment Procedures

Subsection: P2131C, Lost Checks, Stop Payment and Replacement

Procedure: P2131C

Effective Date: 04/01/1993

Bulletin: 93-08

Supersedes: N/A

Included Programs

All Programs

These procedures apply to single party, two party, and vendor checks.

If a check is cashed and the money is later stolen or lost, do not replace the check.

In order to be replaced, lost or stolen checks must be reported within 60 days of issuance. An exception is a lost or stolen Food Stamps Cash-Out check, which must be reported within the period of intended use (see P-2540 A).

When a client reports that a check (either computer-issued or D.O.-issued) has not been received or has been lost or stolen:

1. Check INQD in ACCESS to verify that the check was issued.
 - a. If no check was issued, issue D.O. check.
 - b. If check was issued, continue with 2 below.
2. Check to see if check was returned to D.O.
 - a. If the check was returned to D.O., give or mail check to client. Check address to see if it needs to be changed.
 - b. If check was not returned to D.O., continue with 3 or 4 below.
3. If the check was not received by the client, question client about correct address and any other pertinent information to establish that check is apparently lost or stolen; instruct client to notify D. O. if check is eventually received; continue with 5 below.

4. If the client received the check, ask client if the check was endorsed prior to its disappearance.
 - a. If the check was endorsed, advise client that it cannot be replaced until a stop payment can be guaranteed effective (i.e., until it is verified that the stop payment was called in before the check was cashed).
 - b. If the check was not endorsed, continue with 5 below.
5. Telephone Administrative Services Account Clerk immediately to request stop payment unless the check is cashed, returned or delayed.
 - a. If check is delayed, inform recipient of reason and expected date of receipt.
 - i. NOTE:
 - a) It is essential to call Administrative Services immediately upon learning that the check is missing. For a stop payment to be effective, the Administrative Services Account Clerk must have called in the stop payment to the bank before the check is cashed.
 - b) If the stop payment is effective, but the bank cashes the check, the bank may request that DSW buy back the check according to the Vermont Banking Association agreement. This request is made to the District Director who forwards it to the Fraud Chief, or the bank can make the request directly to the Fraud Chief. No D.O. action is needed.
 - c) If the stop payment is not effective and someone other than the client has cashed the check, it is the Department's responsibility to recover the money (see P-2131 C#8).
 - d) If for any reason the stop payment needs to be lifted (for instance, the client found a check which had previously been reported lost), notify the Administrative Services Account Clerk.
 - b. If check has not been delayed, cashed or returned, the Administrative Services clerk immediately inputs the stop payment on ACCESS.
 - c. The Account Clerk will usually know within 2 working days if a check has been cashed or a stop payment has been effective.
6. Have the client complete a DSW 109 (Theft Report) and take both copies to local police or State Police immediately to report loss. In the case of State Police, a phone call may be necessary to ensure an investigator is present to take the report. The copy signed by the police office should be returned to you. If the police refuse to sign the DSW 109, the District Director (or designee) can approve the replacement providing the client

completes the DSW 109, the police's refusal has been verified, and documentation of this verification is included in the case file).

- a. **EXCEPTIONS:** Do not complete a DSW 109 for checks made out to vendors. If the check was made out to both a client and vendor, only the client signs the DSW 109. Do not complete a DSW 109 for a stolen Cash-Out check.

- 7. Complete the bond form (State Treasurer Form #15 1M for state office checks, DSW 250C District Check Bond form for district office checks) in triplicate, and obtain recipient's signature witnessed by a Notary Public. Give a copy to client; place a copy in case record; send the original to the Administrative Services Account Clerk within 1 day of the request for stop payment.

Explain replacement procedure to the client.

When the client has returned with the DSW 109, immediately issue a replacement district check in the amount of the lost check.

NOTE: A check which was endorsed prior to its disappearance cannot be replaced until notification is received from the Administrative Services Account Clerk that the stop payment was effective. (See P-2131 C#5).

Have the client sign a DSW 228 (Lost/Stolen/Delayed Check Replacement), and distribute the copies as indicated on the form within 1 day of the check replacement.

NOTE: When completing the required forms, enter the original check's effective date as the date of the check.

Administrative Services

- a. Initiates the stop payment process. Upon receipt of the bond, files it for future use.
 - b. Forwards a copy of the endorsed check to the district office.
- 8. How Cashed Checks Which Were Reported Lost/Stolen Are Handled:
 - a. When a check which was reported lost or stolen by the client has been cashed, Administrative Services will send notification to the Fraud Unit or the District Office with a copy (front and back) of the cashed check.

If the check amount is \$600 or more, Administrative Services will notify the Fraud Unit and also send them the original of the bond. The Fraud Unit will establish a fraud record and assign the case to an investigator.
 - b. When the Fraud Unit receives notification, an immediate investigation (usually

within 30 days) will take place to determine all facts pertaining to the cashing of the check and its replacement. The investigator will obtain two original signed copies of the DSW 250B (Check Replacement Affidavit) for inclusion in the written report of investigation. Further assessment will be made to determine if welfare fraud/false pretenses appear to have been committed and to answer the question, "should credit be obtained from the cashing bank or business?"

A final written report on each case finding will be sent to Administrative Services and the District Director.

- c. If the check amount is less than \$600, Administrative Services will send the notification and copy to the District Director, who may delegate the required actions. Speak to the client about the cashed check and ask the client to sign the DSW 250B (Check Replacement Affidavit).
 - i. If the client signs it and the check was cashed by a business, take no further action.
 - ii. If the client signs it, and the check was cashed by a bank, and the District Director (or designee) determines that the Vermont Banking Association agreement has been followed (two acceptable forms of identification were noted on the check), take no further action.
 - iii. If the check was cashed by a bank and the District Director (or designee) determines that the Vermont Banking Association agreement has not been followed (two acceptable forms of identification were not noted on the check), ask the client to sign two originals of the DSW 250B. Send both originals to the Accountant in Accounts Receivable, Administrative Services with the copy of the check. The Accountant will contact the bank to get the check amount credited to the department.
 - iv. If the client does not sign the DSW 250B, initiate recoupment as client error (see P-2540 B#2 for Food Stamps and P-2231 C#1 for ANFC).

If in a twelve-month period more than two checks are reported lost or stolen and later cashed, the District Director should confer with the Fraud Chief to determine if a fraud referral is appropriate.

Revision History for P2131C

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