BENJAMIN J. CAYETANO
GOVERNOR

RAYMOND H. SATO
COMPTROLLER

MARY PATRICIA WATERHOUSE
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119
HONOLULU, HAWAII 96810-0119

JUN 8 2000

DIRECTOR'S OFFICE
DEPT. OF
TRANSPORTATION
JUN 14 3 12 PM '00

COMPTROLLER'S MEMORANDUM NO. 2000-15

TO: All Department Heads

SUBJECT: Escheated Checks

This is to remind all department and agency personnel that any check that is being held in the departmental files should be promptly canceled if it has been determined that the payee is not entitled to that payment.

We have attached a copy of Comptroller's Memorandum No. 1998-10 dated April 14, 1998 which provides detailed background information and procedures to be followed.

It is especially important that those checks issued July 1, 1998 through June 30, 1999 be canceled to prevent those amounts being listed as claimable by the payees if, in fact, those payees are not entitled to payment. Please submit all checks to be canceled with the State Accounting Form C-53 by June 23, 2000.

If you have any further questions, please contact Sheila K. Walters or Eleanor Kaaina of our Pre-Audit Branch at 586-0650.

RAYMOND H. SATO
State Comptroller

Attachment

BENJAMIN J. CAYETANO
GOVERNOR

[redacted]
COMPTROLLER

MARY PATRICIA WATERHOUSE
[redacted] COMPTROLLER
ACTING

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

APR 14 1998

COMPTROLLER'S MEMORANDUM NO. 1998-10

TO: All Department Heads

SUBJECT: Escheated Warrants/Checks

Section 40-68, Hawaii Revised Statutes requires the State to accept claims for escheated warrants and checks. A warrant or check becomes escheated if the payee has not cashed the warrant or check before June 30 of the subsequent year in which it was issued. In previous years, escheated claims did not present any problems since the payee presented the warrant or check to the Department of Accounting and General Services (DAGS) or requested reissuance through the department who originally vouchered the payment.

In recent years, third party search companies and individuals have filed claims on behalf of the payees listed on the outstanding escheated warrant/check listing. These claims are made based on published listings maintained by DAGS. Additional review and investigation is necessary before these claims are processed since no warrants or checks are presented. In many cases, these individuals or companies are not entitled because they are not the correct payees or the warrants and checks should never have been issued.

Our reviews have found noncompliance with Section 40-56, HRS. This section requires the certification that goods and services have been received in good order and condition and that services have been fully performed before payments are made. Instead, we have found that invoices have been received and warrants and checks have been issued before goods and services were received. These warrants and checks were being held by the department until all goods and services were received. These improperly issued warrants and checks create problems when the payees do not complete performance and the warrants and checks remained in the department's possession and are subsequently either lost or filed away. By circumventing proper procedure and not voiding and canceling these improper warrants and checks, claims are being made for which payees are not entitled.

We have also found that warrants and checks that have not been received by those entitled to payment are being processed with new original invoices being requested rather than following the established procedures to request duplicate warrants and checks. By not adhering to the established procedures for stop payment and reissue of checks, the original warrants and checks remain outstanding and subsequently result in claims being made for which payees are not entitled.

In order to prevent erroneous claims from being made and to stop future similar errors from occurring, please instruct your staff to perform the following:

1. Return all warrants and checks found in departmental files with a short transmittal memorandum with the notation that such warrants and checks should be deleted from the escheated warrants and checks listing. For current checks issued from July 1, 1996 to today, warrant/check cancellation procedures should be followed.

2. Review stop payment and reissue procedures with departmental personnel assigned the responsibility of processing payments reported not received by the payees.

3. Examine Report MBJ1731R, Checks Outstanding More Than 180 Days, for follow up on why those checks remain on the outstanding listing.

If you or your staff have any questions or concerns, please contact Sheila K. Walters or Eleanor Kaaina of our Pre-Audit Branch at 586-0650.

MPWaterhouse

MARY PATRICIA WATERHOUSE
Acting Comptroller