EXECUTIVE SUMMARY

Performance Audit of Stale-dated Checks
Issued by the Department of Administration
Report No. 06-04

The stale dating of checks is the process of canceling checks from six months to one year from the date of issuance. By law these checks must be held for three years in the event payees may come forward to claim the checks. If not claimed after three years, these checks revert to the Government of Guam as revenue. This process is known as escheatment. The Office of the Public Auditor (OPA) found that the process of stale dating checks is working effectively with the exception of those checks written from the Child Support account.

➢ Bank Accounts for the General Fund, Payroll, Income Tax Refund, and Public Assistance have been timely reconciled.

➢ The cancellation of stale-dated checks and the escheatment processes were up to date.

➢ Controls were effectively in place to safeguard issued checks that were returned and held by the Treasurer of Guam (TOG) before they were sent to Department of Administration's (DOA) Division of Accounts (Accounting) to be cancelled.

➢ Controls were in place to ensure that the checks reissued from the unclaimed checks account are reissued to the correct individuals.

DOA's handling of stale-dated checks allowed for the escheatment of $3,013,784 for FY 2004 and $860,367 for FY 2005 as revenue to the Government of Guam.

We found some systematic inefficiencies in the AS400 system that if corrected would improve bank reconciliations, and the cancellation of stale-dated checks. Examples include:

➢ The creation of outstanding checks listings is performed manually since the AS400 system is unable to generate outstanding checks listings in a spreadsheet format.

➢ Stale-dated checks are manually identified from the AS400 system. Coding of reissued and escheated checks would expedite research and reporting capabilities.

In addition, the following conditions pertaining to the Child Support account which is managed by the Office of the Attorney General's Child Support State Disbursement Unit (SDU) were found:

➢ SDU's APASI system reported undistributed collections of $2.4 million, which does not reconcile to DOA's cumulative liability for Child Support of over $6 million as of September 30, 2005.

- Due diligence of locating the recipients of Child Support has been lacking causing undistributed collections for Child Support to accumulate to over $6 million.

- SDU which maintains the individual accounts does not reconcile to DOA's control accounts. No reconciliation between the divisions has ever occurred.

- Stale-dated checks in the possession of SDU are not communicated to DOA Accounting to be cancelled.

OPA made several recommendations to the DOA, TOG, and to SDU to further improve the processes. Among these recommendations are:

- DOA to meet with and request Data Processing or their AS400 vendor to establish a program that can easily convert any AS400-generated report into a spreadsheet format.

- DOA to add the phrase "Void after Six Months of Issue" on the next printing of Government of Guam issued checks to remind recipients of the time limitation to cash the checks.

- TOG to deface stale-dated checks before they are sent to DOA Accounting to be cancelled.

- TOG to inform SDU of any undeliverable Child Support checks returned by mail immediately as they become known.

- SDU to reconcile the APASI system records with DOA's AS400 records.

- SDU to perform the required research to locate the intended recipients which is required under law 5 G.C.A. § 34111.

- SDU to deface and send Child Support checks in their possession to DOA Accounting to be cancelled in the AS400.

Reconciling problems between DOA Accounting and SDU will be addressed in a separate audit.

The Department of Administration, Treasurer of Guam and the Child Support Division of the Attorney General's Office concurred with these recommendations from this report.

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