

LOSS BY BANKS OF CHECKS DEPOSITED BY STATE
(Revised 1/78)

8035

When checks are lost, the agency will first ascertain the circumstances under which they were lost. The agency will try to establish whether the bank had possession of the checks at the time the loss occurred. If it appeared that the bank had possession of the checks and the loss was the result of the bank's negligence, the agency will refuse to reimburse the bank for the loss and will refer the matter to the Department of Finance, Fiscal Systems and Consulting Unit. If the agency is certain that no negligence is involved, it will draw a check on the account in which the deposit was made to reimburse the bank for the lost checks.

Department of Finance, Fiscal Systems and Consulting Unit, will be notified if the agency believes that there is probable negligence on the part of the organization transporting the checks or any other bank other than the depository bank.

It is realized that the question will arise as to what amounts to negligence on the part of the bank. It will be necessary to treat each case separately. Examples of possible negligence are:

1. The destruction of the checks by mistake.
2. Placing the checks in a position or place which would make it easy for someone to steal them.
3. Loss of checks because they have been misplaced by a bank employee or forwarded by the bank to the wrong party.

Agencies will assume that the bank will make every effort to trace lost items with the post office, correspondent banks, etc. and will not duplicate this effort. Agencies will request the drawers of the lost checks to place "stop payments" on them and draw replacement checks.