

EXAMINATION OF PAID CHECKS FOR ALTERATION OR FORGERY**8041.1**

(Revised 06/13)

ALTERATION—When departments find check amount and/or payee name has been altered, the Department of Finance (Finance), Office of State Audits and Evaluations (OSAE), the California State Auditor's Office (State Auditor), Investigations Division, and the State Treasurer's Office (STO), Item Processing Section, will be immediately notified. Alterations will generally be discovered when the monthly reconciliation of the bank and the centralized State Treasury accounts is performed. See SAM sections 7923 and 8060.

FORGERY—It is the department's responsibility to review checks for possible fraudulent endorsements. An endorsement is a signature or stamp on the back of a negotiable instrument, such as a check. Therefore, departments will at least test check endorsements for possible deviations. The purpose of this examination is to determine whether the name of the payee appears as the first endorsement and to attempt to detect fraud. Attention will be given to deviations from the normal, such as the following:

- (1) Endorsements in similar writing on several checks payable to different payees.
- (2) The same subsequent endorser on several checks.
- (3) A department employee being a subsequent endorser.
- (4) Effacement (erasing or wiping out) of endorsements.
- (5) Manual endorsements where stamped endorsements would be normal.

Departments that detect deviations from normal will investigate them and will notify Finance, OSAE, and the State Auditor, Investigations Division, immediately of any indication of fraud determined by their investigation. A letter also will be sent to the payee in duplicate requesting acknowledgment of payment if there is a reasonable question concerning the propriety of the endorsement.

If a department has been notified by a payee that a duly issued check has been lost, stolen, or not received, and the check in question is determined to have been paid by the STO, the issuing department will then initiate the following action:

1. Obtain the Forged Endorsement Affidavit, Form STO-CA-0034, from the STO, Item Processing Section at Item.Processing@Treasurer.ca.gov. Complete the section titled Description of Warrant/Check under item number (1). In the "Name of Payee" block, type the name exactly as typed on the check. If initials were used, type in parentheses the full name, if known. For example, if the check is made payable to J. Doe, type "J. Doe (John Doe)." Whenever possible, a street address should be indicated in addition to a post office box. On the top of the form, the department will indicate the department's address to which the payee will return the form.
2. The department will then forward the three copies of the Form STO-CA-0034, with a full and legible copy (front and back) of the alleged forged check attached to the top of each copy of the form to the payee to be signed. All three copies must be signed in ink. The payee's signature must be either witnessed by two disinterested parties or notarized. All three copies must be signed by witnesses; one notarized copy will suffice. The payee is to return all three copies to the department.
3. The department accounting officer or designee should review and compare the payee's signature with the endorsement on the check; the alleged forged endorsement should also be compared with any other material on file in the payee's handwriting. The department will, with reasonable justification and proper notice to the payee, refuse acceptance of the forgery affidavit if it is determined beyond reasonable doubt that any statement on the affidavit is perjured.
4. Acceptable affidavits, with copies of the alleged forged check, will be forwarded in triplicate to: STO, Item Processing Section, P.O. Box 942809, Sacramento, CA, 94209-0001.
5. Upon receipt by the STO, the first copy of the Form STO-CA-0034 will be charged back to the applicable bank. The second copy will be returned to the department with the date of charge-back indicated on the front. The third copy will be retained by the STO.

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SAM—CASH

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8041.1 (Cont. 1)

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6. The bank will be given 30 days from the date of charge-back in which to protest. Departments will be immediately notified by the STO as to any such action by the bank. Reissuance by the department prior to 30 days from the date of charge-back to the bank is at the department's own risk. See SAM section 8427 for procedures for handling forged warrants.