

Date: May 31, 2019  
Subject: Stale-dated cheques

### **Background:**

We currently have 11 stale-dated cheques that are still considered outstanding in the 2019 April bank reconciliation report. The Town has no policy with regards to stale-dated cheques and has used various administrative discretion in the past years.

I asked our new auditor about this on May 6<sup>th</sup> and he said I can make a list of stale-dated cheques and forward them to council to decide how they would like to handle the situation. He did not give us specific procedure on how to handle stale-dated cheques because it is up to the CAO and Council to decide the administration side of it.

### **Facts:**

Payment Canada considers cheque as stale-dated after 6 months, unless it is a certified cheque. This means that the item is old, but not necessarily invalid. Financial institutions may still honour these items, but there is no obligation to do so. Government of Canada cheques, money orders and bank drafts do not “stale-date”. Cheques issued by provincial governments are treated as regular cheques and may be considered stale after six months.

Local banks would normally not accept cheques after 6 months but due to technology that allows people to deposit cheques through their mobiles phones even, the bank could not see if what was deposited is stale-dated at the time of the deposit. Therefore, it is up to the company/issuer to report to the bank within 30 days any stale-dated cheques that has been cashed. Failure to do so within that specific timeframe will result to the bank’s inability to reverse the transaction.

I have contacted towns/RMs and ask them how they handle stale-dated cheques in their respective communities and below are the findings:

***Town of Wynyard*** contacts vendor before it gets stale-dated and voids cheque in the system after 6 months.

***Town of Foam Lake*** considers cheque as stale-dated after 6 months but only void the cheque in the system during year end processing. They re-issue cheque only if the vendor requests for it.

***R.M. of Lakeview*** voids cheques after 6 months without contacting the vendor. Cheques amounting to \$20 or more could be re-issued without any administrative fee.

***Town of White City*** contacts vendor before it gets stale-dated. They void cheques and put a stop payment after 6 months.

**Recommendation:**

That Town of Wadena create a policy on stale-dated cheques with the following consideration:

1. Timeframe

Recommend that cheque be considered as stale-dated after 6 months. Although financial institutions can use their discretion in honouring cheques, it would be good to stick with the common banking knowledge/practice.

2. Voiding cheque

Recommend that stale-dated cheques be voided in the system after 6 months and vendors be contacted prior to voiding the cheque. Payments are reversed to the expense accounts in the current fiscal year.

3. Re-issuing cheque

Recommend that cheque amounting to \$20 or more be re-issued once without any fee upon council's approval. Payee must request to re-issue the cheque in writing. If a claim is not made within the specified time period, the funds become the property of the Town of Wadena.

Below is a listing of cheques that are at least 6 months old, have never been cashed and have not yet become the property of the Town.

| <b>Date Issued</b> | <b>Cheque #</b> | <b>Amount</b> | <b>Description</b>          |
|--------------------|-----------------|---------------|-----------------------------|
| 5/31/2017          | 20817           | \$ 40.12      | Payroll                     |
| 6/21/2017          | 19316           | \$ 25.00      | Fence Permit Refund         |
| 8/11/2017          | 19474           | \$ 25.00      | Refund - Lessons            |
| 8/29/2017          | 19508           | \$ 42.00      | School swim covered         |
| 8/30/2017          | 19560           | \$ 375.00     | 14/15 SaskLotteries Balance |
| 9/19/2017          | 19631           | \$ 2.09       | Meter deposit refund        |
| 9/30/2017          | 21087           | \$ 33.10      | Payroll                     |
| 9/30/2017          | 21103           | \$ 19.98      | Payroll                     |
| 3/29/2018          | 20136           | \$ 91.84      | Account deposit refund      |
| 9/18/2018          | 20520           | \$ 92.00      | Water Samples for Pool      |
| 9/30/2018          | 20556           | \$ 3.00       | Account deposit refund      |

Prepared by: Lovely Magnaye