

State Warrant Cancellations

Warrants Lost or Destroyed

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State Warrant Cancellations

- All warrants (aka checks) presented for payment are presented to the Federal Reserve Bank (FRB) from the Bank of First Deposit (BOFD)
- Warrant files and images are downloaded by Office of the State Treasurer (OST) from FRB
- Currently, when warrants previously cancelled by an Affidavit of Lost or Destroyed are presented for payment, the warrants are returned as “Stop Payment” back to the BOFD



State Warrant Cancellations History

- If an agency canceled warrants on an Affidavit of Lost or Destroyed Warrant and if the warrants were presented for payment to OST Warrant Services Unit, we would pay the items and notify the issuing state agency.
- If the warrant had been re-issued, the issuing agency would try to collect the funds.
- Some agencies were accustomed to having to collect funds, other agencies who rarely cancelled warrants would call and ask why we paid warrants that had been previously cancelled as they thought it would be a stop payment. We would explain by law we are required to pay all warrants within 180 days of date the warrants were issued.



State Warrant Cancellations – Risks:

- Did the payees fraudulently fill out the affidavits?
- Had the warrants been stolen and forged?
- Or did the payees not realize the warrant should have been returned to the issuing agency?



State Warrant Cancellations – change in RCWs:

In January 2018, OST proposed SB 6311 to modify three RCWs to help prevent possible fraud pertaining to these warrants or agencies having to collect on duplicated payments.

RCW 43.08.064 – Lost or destroyed warrants, instruments, or other evidence of indebtedness—Issuing Officer to issue duplicate.

In case of the loss or destruction of state warrant for the payment of money, or any bond or other instrument or evidence of indebtedness, issued by any state officer, or agency, such officer, or such agency through its appropriate office may issue or cause to be issued a duplicate in lieu thereof, ~~bearing the same number, class, or designation~~ in all respects and for the same amount as the original, ~~except that the word duplicate shall plainly appear upon the face of the new instrument in such manner as to clearly identify it as a duplicate instrument.~~ The duplicate instrument so issued shall be subject in all other respects to the same provisions of law as the original instrument.



State Warrant Cancellations – change in RCWs:

RCW 43.08.066 – Lost or destroyed warrants, instruments, or other evidence of indebtedness—Conditions on issuance.

Before a duplicate instrument is issued, the state treasurer or other issuing officer shall require the person making application for its issue to file in his or her office a written affidavit specifically alleging on oath that he or she is the proper owner, payee, or legal representative of such owner or payee of the original instrument, giving the date of issue, the number, amount, and for what services or claim or purpose the original instrument or series of instruments of which it is a part was issued, and that the same has been lost or destroyed, and has not been paid, or has not been received by him or her. ~~PROVIDED, That in the event that an original and its duplicate instrument are both presented for payment as a result of forgery or fraud, the issuing officer shall be the state agency responsible for endeavoring to recover any losses suffered by the state.~~



State Warrant Cancellations – change in RCWs:

RCW 43.08.068 - Lost or destroyed warrants, instruments, or other evidence of indebtedness—Records to be kept—Cancellations of originals—Notice

The state treasurer or other issuing officer shall keep a full and complete record of all warrants, bonds or other instruments alleged to have been lost or destroyed, which were issued by such agency, and of the issue of any duplicate therefor; and upon the issuance of any duplicate, the officer shall enter upon his or her books the cancellation of the original instrument and immediately notify the state treasurer, the state auditor, and all trustees and paying agents authorized to redeem such instruments on behalf of the state of Washington, of such cancellation. ~~The treasurer shall keep a similar list of all warrants, bonds or other instruments so canceled.~~



State Warrant Cancellations – Current Practice:

- Agency inputs cancellations in AFRS
- AFRS generates a cancellation file then sent to OST early mornings the following business day
- OST receives the JVs along with affidavits or original warrants which gets matched with the cancellation file from AFRS
- OST completes the cancellation process in OST's Treasury Management System (TM\$).
- OST reconciles the downloaded data from FRB to TM\$ to identify bank errors and warrants to be returned.



State Warrant Cancellations – Concerns:

- Financial Institutions would see the statement: “***NEGOTIABLE FOR 180 DAYS ON OR AFTER ABOVE DATE***” on the face of warrants below the dollar amount and question why we returned them since they are good for 180 days.
- There has not been any push back from Financial Institutions since OST started returning warrants as stop payment.



Thank you!

Questions?

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