

# Chicago Public Schools Policy Manual

**Title: IMPOSITION OF CHARGES ON RETURNED PAYMENT INSTRUMENTS**

**Section: 403.7**

**Board Report: 03-1119-PO01**

**Date Adopted: November 19, 2003**

## **Policy:**

### **THE CHIEF EXECUTIVE OFFICER RECOMMENDS THE FOLLOWING:**

Adopt a policy for the imposition of charges on returned payment instruments due to insufficient funds, closed accounts, stop payments or other reasons.

**PRESENT POLICY:** None

### **DESCRIPTION:**

The Chicago Board of Education ("Board") and individual Chicago Public Schools receive payment instruments under a variety of circumstances including, but not limited to: health insurance payment under COBRA and Section 125; registration fees for professional development seminars; usage fees; cell phone call reimbursements; pager placement fees; reimbursement for corporate cards; and student fees. There are numerous occurrences of these instruments being returned unpaid. The Board and the individual schools are charged fees by the bank for every payment instrument that is returned for any reason, and there is no current policy to recover the fees and the processing costs incurred by CPS from the account holder or the beneficiary of the payment instrument.

### **POLICY TEXT:**

Whenever a payment instrument is not honored by the bank due to insufficient funds, closed account, refer to maker, or for any reason whatsoever, the Board or the individual school will charge the account holder, person or entity receiving the benefit derived from the instrument, including but not limited to CPS students and/or their parents/guardians, CPS school internal accounts, CPS personnel, CPS vendors and all other payment issuers, a \$34.00 processing fee in addition to the amount of the check to recover the bank fee(s) and any other processing costs pursuant to Chapter 2-32-070 of the Municipal Code of the City of Chicago. In collecting the \$34.00 processing fee and the payment instrument amount, along with any additional incurred costs, the Board or the individual school shall take no actions that violate the Illinois Wage Payment and Collection Act, 820 ILCS 115/9, or other applicable Illinois or federal law. This policy shall be made known to the payment instrument makers by the school or department accepting personal or corporate checks or other payment instrument. Money orders or cashier's checks are the preferred forms of payment as they alleviate most of the potential problems with returned unpaid items.

Reasonable cause standards for waiver of fees on returned unpaid instruments shall be guided by the following principles with questionable determinations to be made by the CPS Controller or school principal if they are recipients of the returned payment. The processing fee and any other costs incurred by the Board for an unpaid instrument shall not be charged to the account holder, person or entity receiving the benefit derived from payment if:

1. The payment instrument is returned by the account holder's bank/financial institution due to stale date of the instrument caused by CPS personnel not depositing the payment in a timely manner; or

2. The payment instrument is returned due to account closed if first deposit attempt occurs more than thirty (30) business days after the properly completed payment is presented to CPS; or
3. The account holder has written (including email) authority from the Controller or school principal, if they are the recipient of the payment instrument, to place a stop payment on the check or other instrument and a replacement payment has already been received by the Controller, school principal or designated school official for deposit; or
4. Return of an unpaid instrument is proved to be due to an error by the financial institution; or
5. A forgery has been determined to have occurred by the appropriate officials (the police, the bank or CPS Inspector General), and is deemed to be the cause of the returned unpaid instrument. The department receiving the instrument in consultation with the CPS Controller will determine if the fraud caused the returned unpaid instrument.

Failing to properly complete an instrument by not fully executing the payment with all appropriate authorization detail will not qualify for consideration of waiver of returned unpaid instrument fees.

When any unpaid returned instrument fee is resolved either through payment, replacement of the original instrument, or waiver, whenever possible, the original will be returned to the account holder and a copy will be maintained by the CPS department or school.

This policy does not limit CPS' ability to file a police report for deceptive practices as defined by 720 ILCS 5/17 or seeking civil damages under 720 ILCS 5/17-1a in the amount of three times the amount of the returned instrument, in addition to attorney fees, court costs, interest and private agency collection costs for any goods, services, penalty payment or any type of benefit which has been received by the account holder or beneficiary of an unpaid returned instrument.

**FINANCIAL REVIEW:**

Implementation of this policy will incur no additional cost to the Board.

**LEGAL REVIEW:**

This policy was reviewed by the Law Department to insure proper implementation.

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**Amends/Rescinds:**

**Cross References:**

**Legal References:**