

DISHONORED CHECKS

8043

(Revised 2/99)

Agencies will make arrangements with their local bank to automatically resubmit for payment dishonored checks of the type that the banks ordinarily redeposit for their commercial customers. Experience has shown that about 70 percent of redeposited dishonored checks are paid.

The local bank will notify each agency when it has dishonored checks which either cannot be redeposited or has been redeposited and dishonored a second time. Upon receipt of such notification, the agency will draw a check on the account into which the deposit was made for the purpose of purchasing the dishonored checks. The checks will be made payable to the local bank and will serve to clear all records affected by the return of dishonored checks.

If the agency has been notified by the local bank that counterfeit money has been received, the agency will follow the above buy back procedure and notify the California Highway Patrol. (See SAM Section 8072.1 for procedures for counterfeit currency.)

A count of the total number of dishonored checks purchased during each fiscal year will be maintained for each centralized State Treasury System bank account. If deposits are made in more than one bank, a separate dishonored check count will be maintained for each bank. The State Treasurer's Office annually collects this information for use in compensating balance determinations.

Agencies will make certain that the branch bank number shown on their endorsement stamps is the number of the branch through which all dishonored checks are to be returned. This number is the medium by which banks know where to return dishonored checks.

Dishonored checks relating to deposits in banks outside the centralized State Treasury System will be returned in accordance with usual commercial practice. The bank will debit the account of the depositing agency in such cases.