

SAM - CASH

DISHONORED CHECKS

8043

(Revised 01/2017)

Dishonored checks are items deposited at a depository bank, but are returned to the State due to non-sufficient funds or other reasons preventing the bank from cashing the items. Depository banks attempt to deposit checks twice before being considered dishonored.

The depository bank will notify each department when a check is dishonored, which either cannot be re-deposited or has been re-deposited and dishonored a second time. Upon receipt of such notification, the department will within no more than ten (10) business days, draw a check on the account into which the deposit was made to purchase the dishonored check. The buy-back check will be made payable to the depository bank and will serve to clear all bank records affected by the return of dishonored check(s).

If the department has been notified by the depository bank that counterfeit money has been received, the department will follow the above buy back procedure and notify the California Highway Patrol. See SAM section 8072.1 for procedures for counterfeit currency.

The department will track and maintain a monthly count of the number of dishonored checks that were bought back from the depository banks. If deposits are made into more than one depository, a separate dishonored check count worksheet should be maintained for each bank. The State Treasurer's Office (STO) uses the total count of dishonored checks by centralized State Treasury System (CTS) account to compensate the depository bank for handling these items.

The STO has created a standardized Excel spreadsheet that departments can use to track dishonored check data. To request this worksheet, the department should e-mail Checks.Management@treasurer.ca.gov.

The following information should be reported to the STO:

- For the Non-Pre/Miscellaneous sorting check departments, the total number of dishonored checks bought back for the previous fiscal year will be reported by the last business day of July to the following web address: <http://www.treasurer.ca.gov/dishonoredchecks/>.
- Departments with the Pre/Miscellaneous Sort Deposit Contract will report monthly the total number of dishonored checks bought back by the 15th of each month and e-mail to Checks.Management@treasurer.ca.gov.

Departments will make certain checks are endorsed with identifiable information as a means for depositories to return dishonored checks. See SAM sections 8034.1 and 8034.5 on Endorsements.

Dishonored checks relating to deposits in banks outside the CTS will be returned in accordance with usual commercial practice. The bank will debit the account of the depositing department in such cases.