

DISHONORED CHECKS
(1987)

3622

Purpose/Use: Processing dishonored checks.

Reference/Authority: Accounting Procedures Handbook, Sections 3630, 3631, and 3632;
Government Code, 17051;
SAM 8043-43.1, 8710.1 8776.55, and 8779.55, and 870-90/1-.7.

Source: Payee, Bank

Forms/Related Documents: Application for Discharge from Accountability and Claim
Reimbursement, STD 27;
Check or Money Order;
Check Request;
Letter;
Report of Deposit, 44X;
Report of Collections, AO-197;
Return Item Advice Letter.

Due Date(s): As needed.

Distribution: See procedures.

When bank returns dishonored check with Return Item Advice Letter:

- Locate Report of Collections (AO-197) on which check was recorded, in file.
- Write the AO-197 date and number on white copy of advice letter and initial.
- Prepare a worksheet for the Dishonored Checks file, including the following information:
 - Name of payee.
 - Address.
 - Type of collection.
 - Receiving region.

- AO-197 number and date.
- Advice letter number and date.
- Amount of check.
- Attach advice letter to worksheet.
- Place worksheet in file.
- Unless it can be determined that CDF is responsible (delay in deposit) add a \$5.00 penalty to amount of check and write a letter requesting a cashier's check or money order from payee and process as follows:
 - Mail, first class (non-certified), if check is \$200.00 or less.
 - Mail, certified (with return receipt requested), if \$200.01 or more.
 - If AO-197 was prepared outside DAO, copy of letter to preparer.
 - Attach copy of letter to worksheet in Dishonored Checks file.
- Prepare a check request on 6" X 4" paper listing all dishonored checks not yet bought back.
 - Include Advice Letter number(s), name(s) of payee(s), amount(s) of check(s), current date and name(s) and address(s) of bank(s).
 - Forward to DAO-Revolving Fund which will prepare check, initial and write check number on request, and return both.
 - Attach request to worksheet in Dishonored Check file.
- Forward check to Collection Section of bank and receive goldenrod copy of Advice Letter.
 - Remove copy of Advice Letter from worksheet and forward to DAO-Revenue Clerk.
 - Attach goldenrod copy of Advice Letter to worksheet.

Immediately following the end of each month, write and forward a letter to DAO-Revenue Clerk, with carbon copy to unit supervisor, listing outstanding dishonored checks from worksheets and attachments in Dishonored Check file. Include:

- Organization
- Amount of check.
- Type of collection.
- Advice letter number.
- Check number and date.
- Dates letter written.
- Any other information relative to collection.
- Name and address if payee.

Upon completion of the above letter, write collection letters and process as follows:

- If \$5.00 or less, mail first class (non-certified). Second and third letters must make reference to prior letters. Third letter must cite legal action to be taken.
- If between \$5.01 and \$200.00, mail certified, return receipt requested. Second and third letters must make reference to prior letters. Third letter must state that an offset will be made against Franchise Tax Board refunds or any other amounts the state owes to the debtor if payment is not made.

Write letter to unit supervisor requesting approval for write-off of all dishonored checks \$50.00 or less 60 days after second collection letter. The unit supervisor will approve and initial and return.

- Forward original to DAO-Revenue Clerk.
- Place duplicate in file.
- Remove related worksheet and attachments from Dishonored Check file and place in Dishonored Checks Written Off file.

Write letter to unit supervisor which lists all dishonored checks in the amount of \$50.01 to \$200.00 not cleared 30 days after third letter. The unit supervisor will determine course of action to be taken and advise.

If payee cannot be located, request payee's address from:

- U.S. Postal Service.
- Department of Motor Vehicles.
- U. S. Internal Revenue Service.
- See SAM 8710.1 for further information.

If it becomes evident that payee will not pay:

- Initiate an offset procedure. See SAM 8790.1-.7.
- Seek a judgment from small claims court.
- Contact the State Attorney General's Office regarding court action.
- Contact a collection agency.
- Request relief from accountability from the Board of Control.
 - Prepare Application for Discharge from Accountability and Claim for Reimbursement (STD 27). Include full description of all collection efforts.

When reimbursement is received, prepare a Report of Collections (AO-197) and Report of Deposit (STD 44X), then deposit check or money order.

- Write AO-197 number on related Advice Letter and worksheet in Dishonored Checks file and forward advice letter to DAO-Revenue Clerk.
- Write a letter of acknowledgment to payee, attaching dishonored check.
- File worksheet and all related attachments in closed file.

FORMS AND/OR FORMS SAMPLES: RETURN TO ISSUANCE HOME PAGE FOR FORMS/FORMS SAMPLES SITE LINK.

[\(see next section\)](#)

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