

UNHONORED CHECK PROCESSING

1. The Kentucky State Treasury shall separate, by agency, checks that are received and deposited but are not honored for payment by the banks upon which they are drawn.
2. The unhonored checks for agencies other than the Department of Revenue (DOR) shall be separated into two groups: those with a Receivable (RE) document reference and those without.
 - a. For unhonored checks of the DOR, the State Treasury shall prepare a decrease Cash Receipt (CR) document that charges a DOR clearing account for the unhonored checks. The DOR shall distribute the unhonored checks to the proper accounts returning the clearing account to a zero balance.
 - b. For unhonored checks of agencies other than the DOR, the State Treasury shall prepare a Non-Sufficient Funds document for checks that contain a RE document reference. This document shall charge the originating agency's accounts for the amount of the unhonored checks.
 - c. For unhonored checks of agencies other than the DOR, which are received without a RE document reference or with only a CR document reference, the State Treasury shall prepare a decrease CR document that charges the unhonored checks against the originating agency's accounts. The originating agency shall distribute the unhonored checks to the proper accounts, if the agency prefers an account other than the one selected by the State Treasury. The originating agency shall take whatever actions are deemed appropriate to collect these unhonored checks.
3. A new check shall be submitted by the vendor to the responsible agency and processed on a CR document as new revenue.

Relates to: KRS 45.237; KRS 45.242; KRS 45.244; KRS 45.251;
KRS 45.301; KRS 45.306 and 200 KAR 38.070