

**RULES  
OF  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
DIVISION OF ACCOUNTS**

**CHAPTER 0620-1-10  
PROCEDURES FOR RETURNED CHECKS**

**TABLE OF CONTENTS**

0620-1-10-.01	Introduction	0620-1-10-.02	Remedies for Payments to the State with Dishonored Financial Instruments
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**0620-1-10-.01 INTRODUCTION.**

- (1) The Department of Finance and Administration has been granted authority over certain accounting and budget functions of state government. The Department has been directed by the Legislature to develop and implement a policy, with the State Treasurer and approval of the Comptroller, to recover the State's costs associated with checks, warrants, or drafts deposited to a state account that are subsequently returned unpaid to the drawer's bank. These regulations establish procedures to ensure that the State government pursues all available recourses in the event it receives payment in a form that is not honored by the financial institution on which the payment is drawn.

**Authority:** *Public Acts of 1988, Chapter 1037, Section 41, Item 30. Administrative History:* *Original rule filed May 30, 2001; effective August 13, 2001.*

**0620-1-10-.02 REMEDIES FOR PAYMENTS TO THE STATE WITH DISHONORED FINANCIAL INSTRUMENTS.**

- (1) In the event that any State department or agency is paid by check, draft, or warrant deposited to a State account that is subsequently returned unpaid to the drawer's bank, such department or agency shall undertake the following actions:
  - (a) Assess the handling charge against the maker or drawer of a check, warrant, or order which is not paid by the drawee due to insufficient or no funds, as authorized by T.C.A. § 47-29-102. Requests for an exception should be submitted to the Director of Statewide Accounting, Division of Accounts, Department of Finance and Administration for review and approval.
  - (b) If the check, warrant, or draft was used to obtain a license or permit, refer the matter to the appropriate agency, board, or commission for possible disciplinary or remedial action, up to and including revocation of the license or permit if available under applicable law.
  - (c) Utilize any available authority in applicable contracts, payment agreements, statutes, or regulations to recover the costs associated with recovery of the account on which the check, draft, or order was given, including interest and attorney's fees.
  - (d) To the extent that goods or services were paid for by such a check, draft, or order, take whatever actions are needed to recover the value of such goods and services and terminate the ongoing provision of goods or services.
  - (e) If the drawer of the check, draft, or order is entitled to any money from the public treasury of the State, take action to prevent such payments until the debt to the State is satisfied under the authority of T.C.A. § 9-4-604.

(Rule 0620-1-10-.02, continued)

- (f) If the drawer of the check, draft, or order is a state employee, seek assistance from the employing agency to recover the funds.
  - (g) If the check, draft, or order was not paid by the drawee bank due to an error of that bank, or another action that the agency considers not attributable to the intentional act or negligence of the drawer of the instrument, the agency shall waive the penalties provided by this Chapter.
  - (h) All actions taken under this Chapter shall be in accordance with and subject to any applicable Constitutional, statutory, and regulatory requirements under State and Federal law, including the due process requirements and the bankruptcy code. Agencies shall consult with staff attorneys and/or the Attorney General if necessary to obtain legal advice and assistance in complying with applicable laws and enforcing the State's remedies.
- (2) To the extent that the State is required to use a collection agency to obtain recovery on the account, assess the fee authorized by T.C.A. § 62-20-115 to the extent that this statute is applicable to the account at issue.

**Authority:** *Public Acts of 1988, Chapter 1037, Section 41, Item 30. Administrative History: Original rule filed May 30, 2001; effective August 13, 2001.*