



Treasury Financial Manual

Chapter 5000

UNPAID CHECKS

This chapter prescribes instructions for federal agencies to follow to recover funds from unpaid checks, including uncollected and lost checks, as well as returned items.

Section 5010—Introduction

Checks unpaid for any reason by the bank on which they are drawn, except as specified by the Department of the Treasury (Treasury), will be processed for fund recovery according to the procedures in this chapter and the Over the Counter Channel Application Network (OTCnet) Adjustment, Correction, or Rescission procedures as appropriate. Checks that have been lost, destroyed, or mutilated after receipt by the government will be managed in accordance with Section 5035.

Section 5015—Authority

The Secretary of the Treasury's authority to make and deliver Agreements of Indemnity is found at section 17306 of the Government Losses in Shipment Act, 40 U.S.C. § 721.

Section 5020—Definitions

The following terms are defined for the purposes of this chapter.

Adjustment, Correction, or Rescission (ACR) Request Form—A Check Capture or Deposit Reporting form for OTCnet which initiates ACR actions performed through the Collections Information Repository (CIR) by the OTCnet Customer Support area for Over the Counter (OTC) deposits. An authorized individual from federal agencies or financial institutions submits the ACR request form via email to the OTC Support Center.

Agency or Federal Agency—A department, agency, or sub agency in the executive, judicial, or legislative branch of the Federal Government, including wholly owned Government corporations.

Agency Depositor or Federal Agency Depositor—A person who is authorized to make deposits on behalf of the federal agency.

Agreement of Indemnity—An agreement made by the Secretary of the Treasury, on behalf of the Federal Government, that may enable the Government to obtain the replacement of a check (or other instrument) that is received by the Government, or an agent of the Government in the agent's official capacity, which is subsequently lost, destroyed, or so mutilated as to impair its value.

Over the Counter Channel Application Network (OTCnet)—A web-based application that integrates check capture and deposit reporting functionalities in one system. OTCnet enables federal agencies who receive OTC collections for cash, coins, and checks to prepare an electronic deposit ticket or convert the checks to electronic instruments for settlement.

Return Item—A returned unpaid check to the originator bank. Returned items in OTCnet include checks, cashier checks, money orders, and Treasury checks.

Section 5025—Return Items or Dishonored Checks

5025.10—Federal Agency Depositors

Upon receipt of an unpaid check from the depository, agency depositors will:

1. Log into OTCnet to get the corresponding debit voucher data;
2. Follow any internal agency guidelines and procedures to collect the amount as though no check had been received; and
3. Log into CIR to view the debit to the appropriate Agency Location Code (ALC).

5025.20—Depositaries

When a check is returned unpaid (i.e., checks returned for insufficient funds, stop payment, or closed accounts) to the depository with which the check was originally deposited, the depository will create a return item adjustment in OTCnet.

Section 5030—Charges to Wrong ALC

If the amount of an unpaid check to Treasury's General Account is charged to the wrong ALC, the depository should request from the Fiscal Service OTC Customer Support the appropriate ACR Request Form to initiate the correction or adjustment.

The federal agency whose ALC has been charged in error should contact the depository to request from Fiscal Service OTC Customer Support the appropriate ACR Request Form by email to correct the debit (see Contacts).

For any corrections that cannot be made in OTCnet, the ACR Request Form should be used.

Section 5035—Uncollected, Lost, Destroyed, and Mutilated Checks

5035.10—Replacement without an Agreement of Indemnity

The federal agency must attempt to obtain a replacement without an Agreement of Indemnity, immediately upon discovering loss, destruction, or mutilation of checks. If a check is lost, whether before or after deposit, federal agency depositors will notify the drawer to stop payment on the check and reissue a replacement check, and follow any internal guidelines and procedures. New checks received will be processed for deposit as new business.

5035.20—Agreement of Indemnity for Replacement

When a replacement cannot be obtained without an Agreement of Indemnity, the federal agency should

request an Agreement of Indemnity from Fiscal Service.

The following information must be included in the federal agency's request for an Agreement of Indemnity:

1. Copy of the check or money order, if available;
2. Complete description of the check including the type of check, issue date, amount, and payee;
3. Amount requested for reimbursement;
4. Name and address of the bank that will receive the Agreement of Indemnity, (i.e., the bank that will issue the replacement check);
5. Memo from the issuing bank, stating the check or money order has not been cashed; and
6. Complete address of the federal agency to which the replacement check is to be delivered.

Upon approval of the federal agency's request, the Fiscal Service will execute and deliver the Agreement of Indemnity to the bank issuing the replacement check.

Fiscal Service will send a copy of the Agreement of Indemnity and the transmittal letter to the federal agency that requested the Agreement of Indemnity, and to the federal agency that will receive the replacement check (if different from the requesting agency).

CONTACTS

Direct general inquiries concerning the ACR Request Form to:

OTC Customer Support Team
Toll Free Phone: 510-428-6824
Fax: 301-220-4588
Email: FiscalService.OTCChannel@citi.com

Direct inquiries concerning Agreements of Indemnity in connection with the replacement of checks to:

Department of the Treasury
Bureau of the Fiscal Service
Financial Management Division
3201 Pennsy Drive, Building E
Landover, MD 20785
Telephone: 304-480-6541
Email: Mary.Bowman@fiscal.treasury.gov

Direct general inquiries concerning this TFM Chapter to:

Federal Reserve Bank of St. Louis
OTC Support Team
Telephone: 1-866-771-1842
Email: stls.tga.support@stls.frb.org