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# Treasury Financial Manual

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## Chapter 4000

### TREASURY CHECK RECLAMATION PROCEDURES

This chapter prescribes procedures and notices regarding the Department of the Treasury's (Treasury's) check reclamations.

#### Section 4010—Authority

Under Section 15 of the Federal Reserve Act of December 23, 1913, as amended (12 U.S.C. 391), and Section 10 of the Federal Reserve Act of June 11, 1942, as amended (12 U.S.C. 265), the Secretary of the Treasury sets forth regulations to the Federal Reserve Banks (FRBs) as Government depositaries and fiscal agents. If Treasury determines that a check has been paid over a forged or unauthorized endorsement, the Commissioner, Bureau of the Fiscal Service (Fiscal Service), may reclaim the amount of the check from the presenting bank or any other endorser that breached its guarantee of endorsement (31 CFR 240.8).

#### Section 4015—Definition of Terms

For the purpose of this chapter, terms are defined as follows.

**Abandonment Notice to Banks**—A notice to financial institutions notifying them that they no longer owe a refund.

**Direct Debit**—A process that debits the financial institution's Federal Reserve master account for the full amount of the reclamation on the 31st calendar day, provided the financial institution has not submitted a protest and has not paid the reclamation by an authorization before the 30th calendar day from the reclamation date.

**Discharged Debt**—A debt that an agency has determined no longer warrants further collection action. Fiscal Service's Reclamation Branch discharges the debt in full or in part and thus prohibits further collection action.

**Enterprise Accounting System (EASy)**—Centralized accounting system used by all FRB offices for processing accounting data (debits and credits) against a financial institution's Federal Reserve master account via automated interface files and manual data entry.

**Federal Reserve Bank (FRB)**—A Federal bank that serves as the nation’s central bank. Functions include the handling of Federal Government deposits and checks, transferring funds through the Automated Clearing House network and Fedwire, as well as supervising and regulating federally chartered financial institutions.

**FedMail**—An application that receives large files for distribution via email or fax to financial institutions, depending on how the financial institution prefers to receive the information.

**FRB CA\$HLINK**—Functions as a deposit reporting and cash concentration system that expedites the flow of Government funds into the Treasury General Account (TGA).

**Presenting Bank**—A financial institution that presents checks directly to and receives provisional credits from an FRB for check payments.

**Reclamation**—A Fiscal Service demand to a presenting bank for refund of a check payment amount. Treasury uses this recovery procedure to obtain a refund from a presenting bank for improperly negotiated U.S. Treasury checks.

**Reclamation Deposit**—A deposit made by FRB Philadelphia or Fiscal Service to Treasury’s Agency Location Code (20-18-0009) after funds are recovered on reclamations from financial institutions.

**Reclamation Ticket Number**—A seven-digit number that appears on the Notice of Direct Debit (U.S. Treasury Check Reclamation).

**Standard Form (SF) 215: Deposit Ticket**—A document used to identify deposits in the CA\$HLINK System.

**Standard Form (SF) 5515: Debit Voucher**—A document used when it is necessary to reverse an SF 215.

**Treasury Check Information System (TCIS)**—A system that records and reconciles the worldwide issuance and payment of U.S. Treasury checks. TCIS initiates reclamations to presenting banks for forged or improperly negotiated U.S. Treasury checks.

**Treasury Receivable Accounting and Collection System (TRACS)**—A Fiscal Service internal accounting and debt recovery system that processes accounting for check claims, reclamation, and declination activity to and from the FRBs.

TRACS sends the following reports to financial institutions:

- Summary of Debt;
- Cumulative Notice of Discharged Debt;
- Abandonment Notice to Banks; and
- 1099C: Cancellation of Debt Items.

## **Section 4020—Notices**

## **4020.10—Notice of Direct Debit (U.S. Treasury Check Reclamation)**

The Notice of Direct Debit (U.S. Treasury Check Reclamation) includes the amount due, the reason for the reclamation, the direct debit date, the pertinent check locator information, the procedures for making payment, and the related laws and regulations governing the reclamation process.

## **4020.20—Summary of Debt Statement**

This statement consists of a detailed listing of outstanding reclamation and associated information, Fiscal Service collection regulations, and an explanation of the columns on the Summary of Debt Statement. It includes the following:

- Four-digit check symbol and eight-digit check serial number;
- Payee's name;
- Reclamation date;
- Request ticket number;
- Amount of principal;
- Additional charges and fees associated with reclamation (interest charges, penalty charges, and administrative fees);
- Total amount due; and
- Status Codes:

A—Items at least 90 days old will become eligible for offset if payment is not received by Fiscal Service before the 25th day of the month.

B—Items are under protest and are not eligible for offset until protest is resolved.

C—Items are at least 120 days old and now are eligible to be referred for collection by offset.

Monthly, Fiscal Service electronically transmits the Summary of Debt Statement through the FRB to the presenting bank when a reclamation debt has not been paid in full. Fiscal Service uses the Summary of Debt Statement as a followup mechanism to indicate outstanding items for which the presenting bank is liable and any related charges and fees.

## **4020.30—Cumulative Notice of Discharged Debt**

Monthly, Fiscal Service electronically transmits the Cumulative Notice of Discharged Debt through the FRB to notify financial institutions of any canceled debt that TRACS will report to the Internal Revenue Service (IRS) on Form 1099-C: Cancellation of Debt. For questions on the Cumulative Notice of Discharged Debt, contact the Customer Service Branch (see the Contacts page).

A financial institution may elect to pay a discharged debt rather than having TRACS report it to IRS. In this case, the financial institution should direct the payment (authorization) to FRB Philadelphia with a copy of the Cumulative Notice of Discharged Debt to identify the check symbol and serial number of the payment.

#### **4020.40—Abandonment Notice to Banks**

If Fiscal Service determines that a financial institution is no longer liable for payment of a reclamation, Fiscal Service enters an abandonment code into TRACS. Weekly, TRACS sends the electronic abandonment notices through the FRB to notify financial institutions that they no longer owe a refund.

### **Section 4025—Treasury Check Reclamation Process**

#### **4025.10—Processing a Notice of Direct Debit (U.S. Treasury Check Reclamation)**

If Fiscal Service determines that a check has been improperly negotiated, it transmits the Notice of Direct Debit (U.S. Treasury Check Reclamation) through the FRB FedMail System to the appropriate financial institution.

#### **4025.20—Presenting Banks Payment Procedures**

Presenting banks have 30 days from the date of the Notice of Direct Debit (U.S. Treasury Check Reclamation) to pay the full amount of the reclamation before their Federal Reserve master account is debited. However, if the financial institution protests within 30 days from the date of the Notice of Direct Debit (U.S. Treasury Check Reclamation), the direct debit will not occur. If full payment is not received within 60 days, interest charges and administrative fees will begin to accrue on the 61st day. After 90 days, if the presenting bank has not paid the reclamation, penalty charges begin to accrue. To avoid accruing additional fees, the presenting bank should submit a copy of the Notice of Direct Debit (U.S. Treasury Check Reclamation) and payment to FRB Philadelphia (authorization). See the Contacts page.

If the Notice of Direct Debit (U.S. Treasury Check Reclamation) is not available, the financial institution may submit a copy of the current Summary of Debt Statement (see subsection 4020.20) or Cumulative Notice of Discharged Debt (see subsection 4020.30) by authorization to FRB Philadelphia to charge the financial institution's Federal Reserve master account. The financial institution indicates which reclamation it is paying on the Summary of Debt Statement or Cumulative Notice of Discharged Debt.

#### **4025.30—FRB Processing of Debit Authorizations**

Daily, after receiving authorization payments from the presenting banks, FRB Philadelphia:

- Prepares batches of authorization payments; and
- Posts authorizations to TRACS.

At the end of the processing day, TRACS collects the authorizations, posts accounting within TRACS, and sends the authorization file to FRB Philadelphia to be posted to EASy and FRB CA\$HLINK.

### **CONTACTS**

*Direct questions concerning this chapter to:*

Customer Service Branch

Philadelphia Financial Center

Bureau of the Fiscal Service

Department of the Treasury

PO Box 603

Bensalem, PA 19020

Telephone: 855-868-0151 (option #1)

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