DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 05: "DISBURSING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME CROSSWALK: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, CHAPTER 1: "PURPOSE, ORGANIZATION, AND DUTIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.3 and 3.5	Incorporated relevant information from the Office of the Under Secretary of Defense memorandum titled, "Department of Defense Accounting for Funds Held Outside of Treasury Implementation Guidance" (FPM25-01), dated January 27, 2025.	Revision

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES

1.0 GENERAL

1.1 Purpose

The purpose of this volume is to established disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers (COs), and other accountable officials throughout the DoD. If new legislation conflicts with Volume 5, the highest-level guidance governs.

1.2 Authoritative Guidance

This volume is issued by authority of ***DoD Instruction (DoDI) 7000.14***, DoD Financial Management Policy; implements the ***Treasury Financial Manual (TFM) Volume I***; and establishes policies for disbursing throughout the DoD. It applies to the Secretary of Defense (SecDef), Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoD Inspector General, Defense Agencies, and DoD Field Activities (collectively known as DoD Components).

1.3 Recommended Changes and Requests for Deviation or Exception

Recommended changes and exceptions to policy must be sent through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO). Coordinate requests for deviations from or exceptions to Volume 5 with Accounting and Finance Policy, Strategy, Policy and Requirements (SPR) Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPTA/IN), 8899 East 56th Street, Indianapolis, IN 46249-0050, dfas-in.disbursingpolicy@mail.mil.

1.4 Use of Volume 5

1.4.1. Volume 5 cites specific U.S. Department of the Treasury (Treasury) accounts (e.g., **F3880) where the asterisks ** represent the appropriate DoD Component designator, (i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force and Space Force, or 97 for Defense Agencies).

1.4.2. Volume 5 prescribes the use of specific forms (see DoD ***(DD) Forms Management Program***). DoD Components using systems and producing their own forms in lieu of those prescribed that were in operation at the time of Volume 5's initial issuance (December 16, 1993) may continue using these systems and forms until DoD implements a single standard disbursing system. A DoD Component electing to use a computer-generated version of a prescribed DD Form must use an exact replica of that form or submit a request for exception in accordance with ***DoD 7750.08***, DoD Forms Management Program Procedures, to the address in paragraph 1.3.

1.4.3. Refer to the Definitions chapter for terms used herein.

2.0 ORGANIZATION

2.1 DFAS

DoD Directive 5118.05 established DFAS under the authority vested in the SecDef by Title 10, United States Code (U.S.C.), section 113, (***10 U.S.C. § 113***). DFAS is under the direction, authority, and control of the OUSD(C)/CFO. The DFAS Director is the principal DoD executive for finance and accounting requirements, procedures, functions, and the performance of the duties identified in the directive.

2.2 Disbursing Policy

DFAS-ZPTA/IN is under the direction, authority, and control of the Director, SPR. This division:

2.2.1. Develops and promulgates standard DoD disbursing policy and cash management guidance;

2.2.2. Responds to all inquiries pertaining to disbursing policy and cash management within DoD;

2.2.3. Initiates, changes, and implements DoD disbursing policy and cash management guidance according to Treasury regulations;

2.2.4. Acts as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations; and

2.2.5. Performs technical reviews of relief-of-liability cases for DoD Components and activities, including the quarterly minor loss reports.

*2.3 DoD Disbursing Offices and Officers

DoD Component Heads, through command channels, ensure that DOs in their commands follow this volume. Commanders monitor disbursing operations, requiring DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. Commanders ensure DOs are accountable for Funds Held Outside of Treasury (FHOT) and report transactions in accordance with ***I TFM 2-3400***. DOs, in turn, direct disbursing operations accordingly (see Chapter 2, paragraph 2.1).

2.4 COs, Departmental Accountable Officials (DAOs), and Payment Review Officials

Commanders ensure that COs, DAOs, and payment review officials in their commands follow Chapter 5, paragraph 3.5.

3.0 ACCOUNTABILITY AND RESPONSIBILITY

3.1 Liability

Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds (see Chapter 5, section 7.0 and Chapter 6, section 3.0).

3.2 Knowledge of Laws Governing Disbursements

Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

3.3 Accountable Officials

Accountable individual, accountable official and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in ***31 U.S.C. § 3527*** to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a ***DD Form 577***, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials (see Chapter 2, section 3.0).

3.3.1. Disbursing Officials. These include DOs, DDOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under ***31 U.S.C. § 3321(c)(2)***, the SecDef is required to designate personnel of an agency as disbursing officials to disburse public money available for expenditure by the agency (see Chapter 2, paragraph 1.1).

3.3.2. COs. Under ***31 U.S.C. § 3325(a)(1)***, "a disbursing official in the executive branch of the United States Government shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers." Thus, a DoD agency cannot disburse a payment unless it is certified by a properly appointed CO. These statutory "COs" must be officers or employees of the Federal agency concerned, and are "accountable" because unless granted relief they are pecuniarily liable under ***31 U.S.C. § 3528(a)*** for any payments they erroneously certified. Appointment as a CO is a precondition to enforcement of pecuniary liability under 31 U.S.C. § 3528(a) (see Chapter 5, paragraph 4.1).

3.3.3. DAOs

3.3.3.1. In certifying payments, DoD's statutory COs often are required to rely on information and data provided by agency systems and by other personnel. For this reason, Congress authorized DoD to impose potential pecuniary liability to an additional class of agency officers and employees: those who are formally appointed as a DAO under ***10 U.S.C. § 2773a***. The SecDef may designate any DoD civilian employee or member of the U.S. armed forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible

for providing COs with information, data, or services that are directly relied upon by the CO in the certification of vouchers for payment. Title 10 U.S.C. § 2773a does not, however, statutorily mandate that the DoD organizations appoint DAOs to perform such activities; instead, appointment of DAOs to perform any particular function or class of functions is an option available to management for inclusion in risk management and internal control program (see paragraph 3.6).

3.3.3.2. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied upon by COs, agency managers, and appointing authorities take into account considerations that include mission requirements and functions under their responsibility, the availability of resources, the sufficiency of other internal controls, and whether or not a governing policy or directive mandates performance of some function only by a properly appointed DAO (see Chapter 5, paragraph 3.5).

3.3.4. Foreign National Personnel. A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment established in accordance with the ***DoDI 1400.25-V1231*** or a predecessor authority. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces' foreign nationals. Although the host government is the official legal employer of the foreign national personnel, it grants operational control to U.S. forces for the day-to-day management of such personnel (see DoDI 1400.25-V1231).

3.3.4.1. In deciding whether to appoint foreign nationals in overseas areas as COs and DAOs, organizations should consider whether enforcement of pecuniary liability of such individuals to the United States is precluded as a legal or practical matter by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment both as COs and DAOs because the agency is the legal employer, and such individuals qualify as officers or employees of the United States. If not constrained by such agreements or by local law, the DoD has the ability to enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts.

3.3.4.2. Foreign national indirect hire employees cannot be appointed as COs or DAOs because the United States cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the legal employer. However, this regulation does not prohibit organizations from assigning indirect hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or to perform services relied upon by COs to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

3.3.5. Contractors and Contractor Support Personnel. Do not appoint contractors and contractor support personnel as DAOs or COs.

3.4 Accountable Officials and Inherently Governmental Functions

The Federal Activities Inventory Reform (FAIR) Act of 1998 (***Public Law 105-270***), as implemented by the Office of Management and Budget (OMB) (***31 U.S.C. § 501***) provides that, "the making of value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements" is an inherently governmental function, i.e., "a function that is so intimately related to the public interest as to require performance by Federal Government employees." For further information regarding inherently governmental functions, see the ***OMB's Office of Federal Procurement Policy Letter 11-01***, Performance of Inherently Governmental and Critical Functions, which provides a single definition of an inherently governmental function built around the well-established statutory definition in the FAIR Act, as well as establishes criteria for identifying of critical functions and for ensuring sufficient levels of internal agency oversight and management of functions closely associated with inherently governmental functions.

*3.5 FHOT

The DoD implemented new procedures for reporting FHOT, also known as Cash and Investments Held Outside Treasury. This guidance requires agencies to record cash obtained from the Treasury General Account to a DoD Treasury Appropriation Fund Symbol (TAFS) at the time of withdrawal. This applies to both monthly and daily reporters to Treasury's Central Accounting Reporting System (see I TFM 2-3400). FHOT refers to physical cash held by a DO, DDO, or paying agent in a vault or in a Limited Depository Account under the responsibility of the DO. DoD requires cash in domestic or foreign currency for essential operations and contingency missions when electronic funds transfer methods are inappropriate or not available. The DOs are accountable to the Treasury for all daily and monthly reported FHOT transactions. FHOT reporting or assigning cash to a DoD TAFS in any manner does not impact the DO accountability. DOs will continue to use all existing funds control processes.

3.6 Risk Management and Internal Control Program (RMIC)

RMIC are specific policies, procedures, and/or activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission, and are required by ***OMB Circular A-123***, Management's Responsibility for Internal Control, which implements ***31 U.S.C. § 3512(c)(1)***. Consistent with the guidelines in this paragraph, DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of RMIC to determine their adequacy, compliance, and effectiveness.

3.6.1. Standards of RMIC. Management determines applicability of these standards at the operational level.

3.6.1.1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

3.6.1.2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

3.6.1.3. Control Activities. RMIC activities ensure the implementation of management's directives and should be effective and efficient in achieving an organization's control objectives.

3.6.1.4. Information and Communications. Record and communicate information to management and others within an organization that needs it, in a specific form and inside a time frame that enables them to carry out their internal control and other responsibilities.

3.6.1.5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

3.6.2. Separation of Duties. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties such as certification of fund availability; contracting (obligating the Government); authorizing, approving, and recording transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments to different individuals to minimize the risk of loss to the Government to the greatest extent possible.

3.6.2.1. Do not assign DOs duties that create potential conflicts of interest (see Chapter 2, paragraph 3.5).

3.6.2.2. Separation of duties is not always practical or possible due to time constraints, work force shortages, or the use of electronic systems. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. For example, payments and collections through the Intra-governmental Payment and Collection system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured, or financial systems which allow for adjustments to the data outside of the normal application include appropriate controls and audit trails for those adjustments. Other situations may require closer scrutiny. Report all situations of inability to separate appropriate responsibilities to the DO's commander, with a request for a waiver and recommendations to mitigate the risks.

3.6.3. Electronic and Digital Signatures

3.6.3.1. Signatures. Personnel may use electronic and digital signatures to receive, accept, and certify financial documents processed through automated information systems.

3.6.3.2. Requirements. ***Titles 15 U.S.C. § 7001*** and ***15 U.S.C. § 7021*** require that either of these media used by a person to sign (e.g., certify) any type of financial document be:

3.6.3.2.1. Unique to that person;

3.6.3.2.2. Under that person's sole control or custody;

3.6.3.2.3. Linked to the data signed throughout their processing so that if any of the data are changed, the electronic or digital signature is invalidated; and

3.6.3.2.4. Capable of being verified by the paying DO.

3.6.3.3. Digital Signature. A digital signature is an electronic signature (see ***DoDI 8520.02***, Public Key Infrastructure (PKI) and Public Key Enabling). Digital signature technology encrypts data; detects changes to digitally signed documents; and enables "authentication" of digital messages, assuring the recipient of a digital message of both the identity of the sender and the integrity of the message.

3.6.3.3.1. Digital signatures and certificates authenticate identity, control access through authorized user levels and PKI certificates or passwords and provide an encryption capability for information in transit or at rest.

3.6.3.3.2. Secure digital signatures cannot be rejected. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later deny the validity of the signature, claiming it was forged. The recipient of a digitally signed message has the capability to verify both the document's author and that the document was not altered either intentionally or accidentally after signature.

3.7 Prohibited Payments

Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Many tools to aid in this effort are available, among them the ***Specially Designated Nationals List*** maintained by Treasury's Office of Foreign Assets Control. This is a list of individuals and entities covered by ***Executive Order 13224***, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. Do not initiate, certify, or make payments or draw checks or warrants payable to individuals or organizations on this list (see also ***I TFM 4A-2030***).

4.0 PUNITIVE PROVISIONS

4.1 Misuse of Public Funds

Title 18 U.S.C. § 641 governs crimes of embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one's own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.

4.2 Conspiracy to Defraud the Government

Any person entering into an agreement or conspiracy to defraud the U.S. by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by ***Title 18 U.S.C. § 286***.

VOLUME 5, CHAPTER 2: "DISBURSING OFFICES, OFFICERS, AND AGENTS"

SUMMARY OF MAJOR CHANGES

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CHAPTER 2

DISBURSING OFFICES, OFFICERS, AND AGENTS

1.0 GENERAL

1.1 Overview

Title 31, United States Code (U.S.C.), section 3321(c) (2) (*31 U.S.C. § 3321(c)(2)*) allows the Secretary of Defense to designate personnel of DoD as disbursing officials to disburse public money available for expenditure. In order to disburse money, an activity must send a request to establish a disbursing office. When establishing disbursing offices and associated appointments of accountable positions, DoD Components must be cognizant of internal control guidelines provided in Chapter 1, paragraph 3.5.

1.2 Purpose

This chapter addresses policy on DoD's establishment of a disbursing office. A disbursing office is considered necessary for the efficient functioning of an operating activity. This chapter also addresses the appointment of the Disbursing Officer (DO) and other agents appointed to receive and maintain the custody of public funds.

1.3 Authoritative Guidance

Official funds will be received and disbursed by order or on the authority of the commanding officer, except when directed by a superior in the chain of command or when sanctioned by the Comptroller General of the United States. Under *31 U.S.C. § 3325* DoD DOs are authorized to disburse public funds on receipt of vouchers properly certified.

2.0 POLICY

2.1 Request for Establishment of a Disbursing Office

2.1.1. An activity requesting to establish a disbursing office at a new activity, or an activity receiving disbursing services from an external source, sends a memorandum through its chain of command. Each level of command endorses the request to indicate concurrence and provides any additional information required by the approving official. The chain of command forwards the memorandum to the Defense Finance and Accounting Service, Indianapolis (DFAS-IN), ATTN: Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKDC), 8899 East 56th Street, Indianapolis, IN 46249-0500. The request must include:

2.1.1.1. A statement justifying why an office is required and why the disbursing operation cannot be conducted by an existing disbursing activity;

2.1.1.2. Anticipated workload: number of military and civilian personnel to be supported, and commercial vendor services vouchers to be settled;

2.1.1.3. Proposed date of establishment;

2.1.1.4. Name and location of the nearest Federal Reserve Bank (FRB) or branch, and its distance from the proposed disbursing office. If there is no FRB or branch within a reasonable distance, include the name and location of the nearest designated depositary, if any, and its distance from the proposed office;

2.1.1.5. An estimation of U.S. Department of the Treasury (Treasury) checks needed for the first year of operation (see Chapter 7, paragraph 3.1);

2.1.1.6. Name, social security number, and rank or grade of the proposed DO, if known;

2.1.1.7. An estimation of monthly cash requirements (see Chapter 3, paragraph 2.3); and

2.1.1.8. Information on plans to implement an automated disbursing system.

2.1.2. The memorandum also addresses the appointment of the DO and agents to regularly receive and maintain custody of public funds. The DO may appoint any officer, enlisted member, or civilian employee they consider satisfactory as an agent.

2.2 Disbursing Station Symbol Number (DSSN)

2.2.1. DSSN. The DFAS-IN/JJFKDC obtains the DSSN from the Treasury's Bureau of Fiscal Service (Fiscal Service). DSSNs are permanent, and are either open or closed. Open DSSNs are open for an indefinite period. Some open DSSNs may be inactive, and may be either:

2.2.1.1. Contingency, available for use in a military contingency operation;

2.2.1.2. Temporarily deactivated for a specific reason, (e.g., a ship undergoing extensive overhaul for a period of several months may arrange for disbursing service from a shore-based disbursing office or activity); or

2.2.1.3. In settlement pending closure (see section 10.0).

2.2.2. Change in Designation or Location. Coordinate proposed changes in the designation or location (mailing address) of an operating DSSN, to include tactical deployment, with DFAS-IN/JJFKDC, who will advise Fiscal Service.

2.2.3. Use of DSSN. The DSSN must appear on all payments, collection vouchers, and Treasury and limited depositary account (LDA) checks processed by the disbursing activity.

2.3 Employer Identification Number (EIN)

The DO, who disburses taxable funds, should ensure payments received by entitlements' activities have secured an EIN to report taxable income or income and withholdings.

2.4 Reporting Activation of a Disbursing Office

The DO activating a disbursing office notifies Fiscal Service, Check Reconciliation Branch, through DFAS-IN/JJFKDC by memorandum immediately upon commencement of disbursing operations. Include in the memorandum: the name of the disbursing activity, DSSN assigned, DO's name, rank or grade, the opening date of the account, and the first and last serial number of all blank Treasury checks on hand in each check range. Send a copy of the memorandum to the supporting DFAS site.

3.0 APPOINTING DOs, DEPUTY DOs (DDOs), AND OTHER ACCOUNTABLE OFFICIALS

3.1 Persons Authorized to Have Custody of Public Funds

To ensure proper security and accounting for public funds, assign responsibility to a limited number of authorized persons to receive, maintain custody, and disburse or otherwise dispose of public funds.

3.2 Accountable Officials

Accountable Officials are officers or employees of an agency who are or who may be found to be pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records (see Chapter 1, section 3.0).

3.3 Appointments

Use the DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature, to appoint accountable officials. This form does not allow multiple appointments simultaneously. It is the only document required to support this type of appointment. Send a copy of the DD 577 and the required original specimen signature as specified in subparagraph 4.4.1 to DFAS-IN/JJFKDC to be maintained in the DO's files.

3.4 Exceptions

3.4.1. An individual who occasionally receives public funds does not need to be appointed formally as an accountable official. Funds may be received at times, at locations, and under circumstances that preclude any advance arrangement for their receipt. At some activities, collections are so infrequent that it is impractical to have a formal designation in effect. Funds received by persons other than those formally designated must promptly send funds received to their servicing disbursing office or to another person formally designated to receive them.

3.4.2. The DO at DFAS sites may hold appointments to more than one DSSN, and may serve concurrently as a DDO to other DFAS DOs. Each DDO appointed by a DFAS DO may serve under one or more of the DSSNs assigned to the appointing DO and may also serve more than one DFAS DO concurrently. DOs and DDOs at DFAS sites holding multiple DSSN appointments complete a separate DD 577 for each applicable DSSN.

3.4.3. The DO and DDOs aboard Navy vessels may serve concurrently in other accountable positions, (e.g., ship's stores officer, food service officer) when the ship's manpower authorization does not provide Supply Corps officers for each accountable function (see Chapter 1, subparagraph 3.5.2).

3.4.4. When directed by appropriate authority, DOs, DDOs, and their agents may accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping. Where personnel resources are limited, persons serving as DOs or other accountable officials may also serve as safekeeping custodians at the commander's discretion (see Chapter 16, paragraph 1.1).

3.5 Restrictions

Except as specifically authorized, do not assign DOs additional duties of order approving authority, certifying officer, custodian of any fund, or other conflict-of-interest assignment.

3.6 Terminations

Terminate appointments using Section IV of the appointing DD 577.

4.0 DOs

4.1 Eligibility

To be eligible for appointment as a DO, an individual must be a U.S. citizen and have previous experience as a DO or have completed (or agreed to complete) specific DO training as defined by the appointing authority.

4.2 Appointment

The commander, director, or other equivalent appoints a DO using a DD 577 (see paragraph 3.3).

4.3 Terminations

Terminate appointments using Section IV of the appointing DD 577.

4.4 Submission of DD 577 and Fiscal Service (FS) Form 3023, Specimen Signatures

4.4.1. Official Signature. Before commencing disbursing operations, a DO and all appointed DDOs determine which of their given names and/or initials will comprise their official signatures, and use them on all checks, vouchers, correspondence, and official documents pertaining to the DoD, Government Accountability Office (GAO), and Treasury. Send the DD 577 and FS 3023 to DFAS-IN/JJFKDC, having used permanent dark blue, blue-black, or black fade-resistant ink that is not readily soluble in water.

4.4.2. Official Signatures to Other Depositaries. If checks will be drawn on a depositary other than the Treasury, send the DO's official signature (as well as those of DDOs authorized to sign depositary checks) to the depositary. An officer whose signature is known to the depositary must certify the forms.

4.4.3. Change of Official Signature. A DO or DDO may change their official signature by submitting a new FS 3023 to DFAS-IN/JJFKDC.

4.4.4. Furnishing Additional Signatures When Transferred to a New Station. The DFAS-IN/JJFKDC files specimen signatures under each DSSN used and furnishes them to different banks upon request for use in cashing and processing checks, and may request that a DO or DDO furnish an additional FS 3023. Since an individual's signature may change over time, DFAS-IN/JJFKDC may request additional signatures if needed.

4.5 Commencement of Disbursing Duty

Immediately upon commencement of disbursing duties, a DO activating a new disbursing office, reactivating a disbursing office, or relieving another DO, prepares a memorandum that includes: name of the disbursing activity; DSSN assigned; DO's name, rank or grade; opening date of the account; and the beginning and ending serial numbers of all blank Treasury checks on hand in each check range. If applicable, also include the relieved DO's name and rank or grade. Keep the original memorandum in the disbursing office and sends copies to DFAS-IN/JJFKDC and the supporting DFAS site.

4.6 Transfer of Disbursing Duty

4.6.1. Joint Actions by the Outgoing and Incoming DOs. The outgoing and incoming DOs establish the date to transfer accountability, subject to command approval. Since accountability is reported daily by a full Central Accounting Reporting System (*CARS*) daily reporter, a transfer of disbursing duty is not required to occur on the last day of the month, as required for CARS non-daily reporters. In a daily reporting environment, the Standard Form *(SF) 1219*, Statement of Accountability, is no longer required to be submitted to the Treasury (see Chapter 15, section 6.0). When the transfer occurs, the outgoing and incoming DOs:

4.6.1.1. Verify cash on hand;

4.6.1.2. Verify all documents that support the SF 1219, as assets;

4.6.1.3. Verify and prepare a letter of transfer for all blank Treasury checks. Both DOs sign the letter. The incoming DO reports all checks issued by the outgoing DO that were not reported to the Treasury before the transfer of accountability. The incoming DO also resubmits any rejected entries. Include the numbers of the blank checks the incoming DO receives in the commencement of disbursing duties memorandum. The first check in the series must be the next sequential number after the last check listed on the outgoing DO's last check issue report. The last check receipted should be the same as the last check number previously ordered and received by the outgoing DO. Research any checks missing or out of sequence and void them if necessary;

4.6.1.4. Verify stored value card stock (see Chapter 10, subparagraph 2.12.1);

4.6.1.5. Verify postal money orders on hand;

4.6.1.6. Verify safekeeping deposits (see Chapter 16, paragraph 4.2);

4.6.1.7. Prepare a memorandum of relief for submission to the commander if required by local regulations;

4.6.1.8. Verify and transfer all documentation supporting balances in clearing accounts **F3880 (Unavailable Check Cancellations and Overpayments (Suspense)), **F3875 (Budget Clearing Account (Suspense)), and **F3885 (Undistributed Intra-governmental Payments). The Treasury Financial Manual (TFM), Volume 1, Part 4, Chapter 7000 (***I TFM 4-7000***) and ***I TFM 2-1500***, require these accounts be cleared to proper appropriations or funds as expeditiously as possible. To clear account **F3880, the outgoing DO presents a detailed list of individual subsidiary transactions, supporting documentation, and current status. Documented evidence includes certification that the DO or designated DDO personally reviewed the balances in the account within the last month (see Chapter 7, subparagraph 11.9.5); and

4.6.1.9. Validate unreconciled differences (e.g., check issue and deposit discrepancies, Intra-governmental Payment and Collection system differences). In addition, ensure that the outgoing DO's accountability, the balance amount on the ***DD 2657***, Daily Statement of Accountability, is reconciled with the DO Cash Treasury Account Symbol (TAS) on the daily CARS Account Statement. If the outgoing DO cannot provide documentation supporting the unreconciled items, they process the discrepancies as losses (see Chapter 6, section 4.0) or overages (see Chapter 6, section 8.0) of funds.

4.6.2. Actions by Outgoing DO. Upon relief from disbursing duty:

4.6.2.1. Terminate all DDO, agent, and cashier appointments and clear all related ***DD 1081(s)***, Statement of Agent Officer's Account;

4.6.2.2. Transfer all cash, negotiable instruments, money accounts, books, property, vouchers, and other retained records to the incoming DO;

4.6.2.3. Prepare and submit a final SF 1219. The incoming DO signs and marks it as "FINAL";

4.6.2.4. Prepare and submit a final SF 1179, Month End Check Issue Summary. The incoming DO signs and marks it as "FINAL";

4.6.2.5. Send a copy of the incoming DO's commencement of disbursing duty memorandum, including copies of all the letters of transfer of total accountability with the final SF 1219 to the DFAS site where financial reports are submitted;

4.6.2.6. Prepare and send a memorandum to the supporting DFAS site and DFAS-IN/JJFKDC advising of the date and check number of the last check issued;

4.6.2.7. Verify the destruction of signature plates or digitized signature medium being withdrawn from service (not to be used again). Follow the guidance in Chapter 7, subparagraph 5.2.6. When the medium has been destroyed, send a copy of the certificate of destruction to DFAS-IN/JJFKDC; and

4.6.2.8. Transfer custody of the check-signing machine to the incoming DO, if applicable.

4.6.3. Actions by the Incoming DO. The incoming DO ensures that all actions listed in this section are accomplished, documented, and verified before signing for the accountability. The actions listed are to be taken by an incoming DO before reporting to the new disbursing office or activity.

4.6.3.1. Upon commencement to disbursing duty:

4.6.3.1.1. Send the FS 3023 and memorandum to DFAS-IN/JJFKDC and the DFAS site that receives the DO's financial reports. If signatures have been furnished previously as a DO or DDO, submission of the FS 3023 is not required unless specifically requested or a change of official signature is desired. If the outgoing DO has an LDA with check stock, send specimen signatures to the LDA;

4.6.3.1.2. Contact the disbursing office or activity to determine if a check-signing machine is in use. Obtain all necessary information about the machine (make, model and number of media required);

4.6.3.1.2.1. If the incoming DO has never had a signature medium, provide three official signature specimens in addition to those required by paragraph 4.4, and request the required medium be ordered and received before the actual transfer date.

4.6.3.1.2.2. If a signature medium cannot be received or obtained before the actual date of transfer, the incoming DO may request DFAS-IN/JJFKDC to authorize the use of the outgoing DO's until a new one arrives, to allow continued efficient operations of the disbursing office. The incoming DO is accountable and pecuniarily liable for payments made on or after the date of the transfer of accountability.

4.6.3.1.3. Appoint at least one DDO and send the DD 577 and FS 3023 to DFAS-IN/JJFKDC. Appoint agents, cashiers, and other accountable officials as necessary;

4.6.3.1.4. Verify the adequacy of the safekeeping facilities for funds, blank checks, stored value cards, and other accountable documents. If the facilities are inadequate, report the deficiencies to the commander and request that proper facilities be provided (see Chapter 3, section 3.0);

4.6.3.1.5. Change all safe combinations;

4.6.3.1.6. Review cash on hand requirements. If the current cash holding authority is valid, the incoming DO may retain it until the normal resubmission date. Otherwise, the incoming DO submits a new cash holding authority request as soon as possible after assuming the account (see Chapter 3, paragraph 2.3); and

4.6.3.1.7. Notify all serviced activities, agencies, commercial concerns, and necessary stakeholders of the account holder change.

5.0 DDOs

5.1 Eligibility

An officer, enlisted member, or civilian employee acceptable to the DO and who is a U.S. citizen may be appointed as a DDO.

5.2 Appointment

DOs appoint their DDOs using the DD 577 (see paragraph 3.3).

5.3 Terminations

A DO may terminate a DDO's appointment at any time by completing Section IV of the appointing DD 577. When a DO is relieved from disbursing duties, they revoke the appointments of all DDOs. In all cases, send a copy of the DD 577 to DFAS-IN/JJFKDC. If another individual will succeed a DDO, send a copy of the appointing DD 577 and FS 3023 for the new DDO, with the copy of the notice of revocation to DFAS-IN/JJFKDC. If a DDO appointment is terminated for cause, include the reason for termination when sending the appropriate DD 577 to DFAS-IN/JJFKDC.

6.0 CHANGE IN THE STATUS OF DOs OR DDOs

6.1 Authorized Absence of DOs and DDOs

During an authorized absence, the DO remains accountable for the account unless or until it is officially transferred. Accountability does not need to be transferred unless, in the DO's judgment, not doing so would impair proper supervision. The DO must maintain an adequate system of controls to avoid errors and ensure the implementation and effectiveness of those controls. For relief of liability to be considered, the DO must show clearly what the procedures were and how they were implemented during the absence (e.g., records must show that any loss incurred was not the result of bad faith or lack of reasonable care).

6.2 Death, Disability, or Removal of a DO

6.2.1. Death, Disability, or Removal of a DO. When a DO dies, becomes disabled, or is removed from disbursing duty for cause (including unauthorized absence), a DDO under ***10 U.S.C. § 2773***, may continue to disburse under the accounts of the DO through the last day of the second month after the month of death, disability, or removal. If there is more than one DDO, the commander, DFAS Director, or designee, as appropriate, designates one DDO to disburse in the DO's name.

6.2.2. Responsibility of the Commander or DFAS Director. The commander, DFAS Director, or designee:

6.2.2.1. Seizes and seals all disbursing spaces, keys, property, and safe(s) to ensure the security of the funds, property, and spaces involved;

6.2.2.2. Appoints a board of at least three disinterested but qualified persons to inventory the vouchers, funds, and property on hand (see subparagraph 6.2.3);

6.2.2.3. Appoints based on the disbursing needs of the activity:

6.2.2.3.1. A custodian of the disbursing office's vouchers, funds, and property (see subparagraph 6.2.4); or

6.2.2.3.2. A qualified person (normally a DDO) to take charge of the DO's vouchers, funds, and property involved and perform as acting DO until regular relief reports (or is appointed), or until the last day of the second month following the date of death, disability, or removal (see subparagraph 6.2.5); and

6.2.2.4. Notifies the supporting DFAS site of all actions taken and provides an information copy to DFAS-IN/JJFKDC.

6.2.3. Responsibility of the Inventory Board. The appointed board, as prescribed in subparagraph 6.2.2.2, inventories all public funds, including advances to deputies, agents and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits; stored value cards, if applicable; and property of the DO in the presence of the immediate custodians and the appointed custodian, acting DO, or incoming DO. In addition, the appointed board must verify the departed DO's accountability balance on the DD 2657 is reconciled with the DO Cash TAS on the daily CARS Account Statement. If there is no documentation supporting the unreconciled items, the incoming DO processes the discrepancies as losses (Chapter 6, section 4.0) or overages (Chapter 6, section 8.0) of funds.

6.2.3.1. The board verifies all official records to determine that the cash on hand agrees with the records, verifies that all checks and stored value cards issued in the current accounting period have been properly accounted for, and inventories blank checks to determine if any are missing.

6.2.3.2. If the board discovers a shortage or deficiency, the commander takes the actions prescribed for losses of funds or deficiencies in the DO's account as prescribed in Chapter 6, section 4.0.

6.2.3.3. All members of the board prepare and certify an original and four copies of the inventory as true and accurate. The board turns over all public funds and property certified on the inventory to the appointed custodian, acting DO, or incoming DO. The incoming DO retains a copy of the inventory report, provides the original to the commander, and a certified/notarized copy to each member of the board.

6.2.4. Responsibility of the Custodian. The custodian, on receipt of the original inventory, assumes custody of the public funds, and property held by the former DO. No transactions other than collections may be conducted. When the disabled DO returns, or a new, permanent DO reports, the custodian and the DO inventory and transfer all vouchers, funds, and property as prescribed in the relief procedures.

6.2.5. Responsibility of the Acting DO

6.2.5.1. The DDO appointed to serve as the acting DO performs and is accountable for all official duties that would have been required of the DO, to include submitting financial reports for the DO as of the date of death, disability, or unauthorized absence. Include only those vouchers actually paid by the former DO in the reports. The DDO submits the reports in the name of the former DO.

6.2.5.2. Include in the reports: information on the date of death, disability, or unauthorized absence; and the fact that transactions included were made by the former DO. Include vouchers for which checks have been drawn but not delivered in the first reports covering transactions made by the DDO. Submit subsequent financial reports at the normally prescribed times in the name of the former DO, signed by the DDO, and include only transactions made by the DDO under authority of subparagraph 6.2.5.1. Do not merge the financial reports of transactions performed by an acting DO with those of the officer for whom they were appointed, or with those submitted by the regular relief after the disbursing duties are assumed.

6.2.5.3. The DDO signs all checks drawn in the manner normally used when the DDO signs checks. If the volume of checks warrants, the acting DO may use the former DO's signature plates. The acting DO is accountable and pecuniarily liable for all payments and official acts subsequent to the death, disability, or unauthorized absence of the DO.

6.2.6. Responsibility of the Incoming DO. If the commander appoints an individual as DO to relieve the deceased, disabled, or removed DO, the incoming DO is responsible for performing all actions required in subparagraph 6.2.3, and for rendering financial reports in his or her own name.

6.2.7. Administration of the Accounts of a Deceased, Disabled, or Removed DO. The commander should strive to protect the rights of a deceased, disabled, or removed DO, as well as the custodian, acting DO, or incoming DO so that, for any differences discovered during settlement of the accounts, responsibility may be assigned to the appropriate individual. The acting or incoming DO completes the vouchers, closes the accounts, maintains custody of records, and renders the final reports of the outgoing DO. Further, the individual signs documents prepared in connection with the administration and settlement of the accounts of the outgoing DO as follows:

_____
(Name of Disbursing Officer)

By_____
Acting (appointed per 10 U.S.C. § 2773)

The commander of an exonerated DO restored to duty, following arrest, suspension, or other disability, directs a second inventory to be taken by the restored DO and the custodian, acting DO, or incoming DO. The guidance in subparagraph 4.6.1 regarding the transfer of accountability from an outgoing to an incoming DO applies.

6.2.8. DDO at Branch Disbursing Office. Upon the death, disability, unauthorized absence, arrest, or other emergency absence of a DDO at a branch disbursing office, the local commander advises the DO as expeditiously as possible. Depending upon the circumstances, the DO requests the local commander to appoint a board to inventory the accountability and property of the DDO and appoint a suitable person to take custody of the accountability and property until the DO can take an inventory. If practical, the DO takes an inventory of the accountability and property in the presence of a competent witness.

7.0 OTHER AGENTS OF DOs

7.1 Agents

Officers, enlisted members, or civilian employees satisfactory to both the appointing officer and DO may be appointed as agents, (e.g., disbursing agents (DA), cashiers, paying agents (PA), collection agents, change fund custodians, imprest fund cashiers). No agent may be appointed or used over protest of the accountable DO, serve concurrently in any other accountable position, or be charged with the handling or custody of any other funds (see paragraph 3.5).

7.1.1. DOs' agents are pecuniarily liable under accountable official laws for losses of public funds in their possession. When appointing agents, appointing authorities should carefully consider appointing non-U.S. citizens as accountable officials. In some instances, foreign nationals and other non-U.S. citizens may be precluded from being held pecuniarily liable for losses of funds (see Chapter 1, subparagraph 3.3.3.3).

7.1.2. From a security standpoint, do not allow an excessive number of individuals access to public funds.

7.1.3. After an individual ceases to serve in an appointed position, the DO maintains appointing documents for a retention period following the guidance in Chapter 15, section 8.0. Appointments as agents of DOs are effective only while the DO continues to serve as DO of that disbursing activity.

7.1.4. The appointing officer terminates appointments when appropriate (e.g., when the DO is relieved, when the agent ceases to perform the duties for which appointed, or for cause (see subparagraph 4.6.2.1), using Section IV of the original appointing DD 577.

7.2 Disbursing Agents

7.2.1. Duties and Responsibilities. A DA is a DO's agent who is not a DDO. A DA's responsibilities can include all duties, assignments, and functions of a DDO except the authority to sign Treasury checks.

7.2.2. Establishing Positions. The appropriate major command or Defense Agency establishes DA positions in writing.

7.2.3. Appointments. The DO appoints DAs following paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the DA, a copy to the office where the duties are performed, and retains a copy on file.

7.3 Cashiers

7.3.1. Selection Criteria. An officer, enlisted member, or a civilian employee with working knowledge of the cash functions and operations, and acceptable to the DO, may be appointed as a cashier. The DO should also obtain a credit report, if access to a credit reporting service is available, charging the associated costs to the Operations and Maintenance funds available to the activity. Safeguard credit reports against unauthorized access.

7.3.2. Duties and Responsibilities. Cashiers disburse, collect, and account for cash; and perform other duties as required concerning the receipt, custody, safeguarding, and preparation of checks. A cashier may prepare DO accountability reports, but the DO, DDO, or DA must personally validate them.

7.3.3. Appointments. The DO appoints cashiers following paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the cashier, a copy to the office where the duties are performed, and retains a copy on file.

7.3.4. Restrictions. A cashier may not:

7.3.4.1. Sign checks;

7.3.4.2. Accept checks drawn (and endorsed to the cashier) in the name of the DO, DDO, or DA to procure and disburse cash for any purpose;

7.3.4.3. Prepare billing documents and accept collections for the same items. This restriction also applies to a DA performing cashier duties;

7.3.4.4. Prepare vouchers that they will later pay; and

7.3.4.5. Prepare vouchers on days when they perform cashier functions.

7.4 PA

7.4.1. Appointments. Commanders appoint PAs only when adequate payment, check cashing, or currency conversion services are not otherwise available (see paragraph 3.3). Appointments are for a specific transaction or time period. Do not appoint PAs solely as a convenience when a DO, DDO, DA, or cashier can make the required transactions. In unusual situations (e.g., payments or currency conversions must be made at remote locations where use of checks is not feasible), the DO may request a remote location commander appoint a PA to make the necessary payments for and in the name of the DO from cash advanced for that purpose.

7.4.2. Restrictions. PAs may not act as certifying officers (see Chapter 5, section 3.4) or purchasing officers. Escort officers serving as PAs for expenses related to official travel may likewise not be purchasing officers. See Chapter 1, subparagraph 3.5.2 for guidance on separation of duties and Chapter 5, subparagraph 3.1.2 for guidance applicable to micro-purchases in contingency operations.

7.5 Collection Agents

7.5.1. Establishing Positions. Commanders may establish collection agent positions to receive funds derived from functions such as hospitalization fees and other charges at medical facilities (e.g., communication charges, rentals and other charges at housing developments, fees for research or reproduction of records, safekeeping deposits where the safekeeping function is not performed by the DO, and similar functions when appropriate).

7.5.2. Appointments. The commander appoints collection agents following paragraph 3.3. Unless revoked by the appointing authority, collection agent appointments remain in effect through succeeding appointing authorities.

7.6 Change Fund Custodians

7.6.1. Duties and Responsibilities. A change fund custodian receives a change fund from the parent DO, safeguards it, is pecuniarily liable for any loss, and makes change for sales transactions. The commander provides a detailed description of duties to be performed.

7.6.2. Establishing Positions. The sales activity commander (e.g., commissary, hospital) establishes the position.

7.6.3. Appointments. The activity commander or designee appoints a change fund custodian following paragraph 3.3 in coordination with the parent DO.

7.7 Imprest Fund Cashiers

The activity commander appoints an imprest fund cashier following paragraph 3.3 to make authorized cash payments for materials and non-personal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. An imprest fund cashier may be an officer, enlisted person, or civilian employee who is not responsible for originating, approving, or processing imprest fund requirements. An imprest fund cashier (or alternate) may not have access to or control of more than one fund. The commander keeps the appointing document and approval for establishment of the imprest fund in a permanent file, and furnishes two copies of these documents to the cashier and one copy each to the DO and installation or activity contracting office (see section 9.0).

7.8 Alternate Agents

7.8.1. Agents. When required, one or more alternate agents may be designated to serve only during the absence of an appointed primary agent. Alternate agents for DDOs are not permitted. The official authorized to appoint the primary agent also appoints alternates following paragraph 3.3. When serving in place of the primary agent, the alternate agent is subject to all regulations applicable to the primary. Alternate agents may not merge funds received with those of the primary agent, and must also maintain separate records from those of the primary agent to establish the amount for which each is responsible. Alternate agents may not conduct operations involving the handling of public funds concurrently with the primary.

7.8.2. Alternate Imprest Fund Cashier. Under paragraph 3.3, a commander may appoint an alternate imprest fund cashier to provide service during a principal's absence. Appointment requirements for principal cashiers apply to alternate cashiers. Upon return of the principal, the alternate returns paid receipts, subvouchers, and residual cash to the DO.

7.8.2.1. Planned Absences. In planned absences of the principal cashier and with the appointing official's written authorization, the principal may advance cash to the alternate in any amount up to the limit of the fund, using a DD 1081 for the advance.

7.8.2.2. Unforeseen Absence. In the unforeseen absence of the principal cashier, the DO may advance funds to the alternate in the normal manner; these funds are in addition to the amount advanced to the principal under the established fund, but may not exceed the authorized amount of the fund.

7.9 Death, Disability, or Unauthorized Absence of Agents

In the event of the death, disability, or unauthorized absence of an agent, the appropriate commander follows paragraph 6.2 for deputies at branch offices, but appoints relieving agents following procedures applicable to the position involved. In the case of an imprest fund cashier, the relieving imprest fund cashier prepares the final voucher.

8.0 DEACTIVATING OR CLOSING A DSSN

8.1 Deactivation

8.1.1. DSSN Temporary Closure. To eliminate the necessity of submitting monthly financial and checking account reports during the period of inactivity, the DO deposits all currency, coin, and negotiable instruments; closes the LDA and, if applicable, properly disposes of all undeliverable checks; submits the memorandum required for closure of disbursing offices with additional information that the account is closed temporarily; and retains blank Treasury check stock for use when the disbursing operation is reactivated (see Chapter 7, section 3.7 for inventory and storage requirements). A DO preparing an office for closure ensures that the DO's accountability balance on the DD 2657 and the DO Cash TAS in CARS are reconciled (Agency Location Code settlement). The DO may reopen that same DSSN at any time by submitting the report of commencement of disbursing operations. Note: A DO may not close a DSSN temporarily if any cash or documents representing cash are on hand. Any assets on hand, including deficiencies such as dishonored checks or losses of funds, require monthly submission of an SF 1219.

8.1.2. Designation of a Settlement Office. The supporting DFAS site designates another disbursing office as the settlement office to handle uncleared transactions for the closed office.

8.1.3. Notification of Deactivation Pending Closure. The DO will:

8.1.3.1. Notify all affected activities, agencies, commercial concerns (including LDAs when applicable), and individuals of the disbursing office deactivation date and the name and location of the settlement office to which all accounts will be transferred;

8.1.3.2. Notify Fiscal Service by memorandum through DFAS-IN/JJFKDC that the disbursing office is being deactivated pending closure. Include the DSSN, date of deactivation, the office to which the accounts and records have been/will be forwarded for settlement, and the last check number of each check range issued by the DSSN. Also, include the date and check number of the last check signed in each check range by each DDO where separate check series are assigned to DDOs at branch offices. Send a copy of the memorandum to the supporting DFAS site. Once a disbursing office is reported to Fiscal Service as being in a settlement status, it may not be reopened or transferred to another location without Fiscal Service approval. Once the settlement office has met all requirements in section 8.0, pertaining to closing the disbursing office, Treasury will close the DSSN permanently;

8.1.3.3. Notify commanders and request termination of appointment for all agents they appointed;

8.1.3.4. Issue terminations of appointments to all DDOs, agents, and cashiers (see paragraph 3.6);

8.1.3.5. Notify commanders and request termination of the DO's and agents' authorities to hold cash at personal risk; and

8.1.3.6. Clear all outstanding agent advances (e.g., imprest fund cashier and change fund custodians).

8.2 Deposits

Deposit all currency, coin, negotiable instruments, and LDA balances to the credit of the Treasury (see Chapter 11, section 8.0).

8.3 Deposits Fund Account Balances

Transfer deposit fund account balances that could not be cleared to the designated settlement office. Send a detailed list of the persons owed or funds to be reimbursed with any documents or backup information with the SF 1081, Voucher and Schedule of Withdrawals and Credits, to the settlement office. The SF 1081 is the basis for adjusting the general ledger for the amounts transferred.

8.4 Undeliverable Checks

Cancel all undeliverable checks and return checks forwarded by other DOs as undeliverable to the forwarding DOs for cancellation (see Chapter 7, paragraph 10.3).

8.5 Blank Treasury Check Stock

Dispose of remaining blank check stock in accordance with Chapter 7. Report destroyed checks on the SF 1179 as "voids" (zero-dollar value issues).

8.6 Stored Value Cards

Stored Value Card stock must be treated like blank check stock (see paragraph 8.5).

8.7 SF 1219

Prepare and submit an SF 1219 (marked "FINAL") covering the period from the first day of the accounting period through the close of the last business day (see Chapter 15, section 6.0).

8.8 SF 1179

Prepare and submit an SF 1179 (marked "FINAL") covering the period from the first day of the accounting period through the close of the last business day. Include all checks issued during the period as well as the blank check stock destroyed and reported as "voids".

8.9 Equipment

Notify the supporting DFAS site of the availability of useable office equipment. The supporting DFAS site advises other DOs of the equipment available and facilitates transfers between disbursing offices, if requested. If no other disbursing office needs the equipment, the DO turns over the equipment to the supporting property disposal office. See Chapter 7, subparagraph 5.2.6 for disposition of signature media.

8.10 Discrepancies

A DO preparing an office for closure ensures that no discrepancies exist in their accountability. The supporting DFAS site reviews all accounts transferred to settlement offices and may order collection action against a relieved DO who submits a disbursing account to a settlement office with unresolved deficiencies in the accountability (e.g., dishonored personal checks, unconfirmed deposits, check issue records and reports, physical losses of funds, and unresolved open debit items in **F3875, **F3880, and **F3885 clearing accounts).

8.11 Closure

Only the Treasury may close a DSSN. Follow the policies within section 8.0 to pursue closing a disbursing office permanently. Once a disbursing office has been closed, it may be used only for settlement purposes. If the disbursing office is to be reopened, the DO must request and receive approval for reactivation from the Fiscal Service through DFAS-IN/JJFKDC. The Fiscal Service also must approve a new check range.

9.0 IMPREST FUNDS

9.1 Overview

Imprest funds are generally not authorized for DoD activities. Exceptions are allowed for contingency and classified operations. Submit specific requests for exception in accordance with Chapter 1, paragraph 1.3. Include adequate justification and demonstrate that the use of a government purchase card, third party draft, purchase card convenience check, government travel card, or other reasonable alternatives are not feasible for the specific situation. Agencies granted the authority to disburse imprest funds must classify imprest fund transactions using established and appropriate TAS/Business Event Type Code (***TAS/BETC***). DOs advancing or receiving funds from an imprest fund cashier will treat the transactions similar to advancing other accountable agents. The ***Shared Accounting Module*** website provides ***Enterprise Reference Data*** for the TAS/BETCs. In lieu of imprest funds, use the government purchase card for micro-purchases of supplies and/or services and the government travel card for travel payments formerly made from the imprest funds. If an imprest fund is authorized, the DO and the imprest fund cashier keep a copy of the signed authorization to establish and maintain the fund. Detailed regulations concerning establishing, using, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are in:

9.1.1. ***I TFM 4A-30165***;

9.1.2. GAO Policy and Procedures Manual for Guidance of Federal Agencies, ***Title 7, Fiscal Guidance, Chapter 6***; and

9.1.3. The Federal Acquisition Regulation Part 13, ***subpart 13.305***.

9.2 Safeguarding Imprest Funds

Safeguard cash and disbursement documents at all times (e.g., safes, locked cash drawers) as prescribed in Chapter 3, section 3.0. The imprest fund cashier should maintain an organizationally and physically convenient location on the installation or activity to make payments to vendors or carriers. Do not commingle imprest funds with other cash funds (e.g., disbursing funds, change funds, or cash receipts for other funds). The imprest fund cashiers must be able to account for the full amount of funds being held at any given time. The responsible imprest fund cashier is accountable to the advancing DO for receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund, together with the cash on hand, in support of the total amount of the fund, and is subject to review by the DO at any time.

10.0 SETTLEMENT OF DO ACCOUNTS

10.1 Overview

The responsibility to clear outstanding items in the accounts of a DO relieved from disbursing duty is normally assigned to a designated settlement office (see subparagraph 8.1.2). The DO of the designated settlement office (referred to as the settlement officer), follows this guidance to resolve discrepancies in a relieved DO's accountability. All correspondence and vouchers initiated by the settlement officer should show the name and DSSN of the accountable officer, date and number of the voucher or account, and be signed "By (name of settlement officer), Settlement Officer for (name and DSSN of accountable officer)." Normally, the settlement officer is also responsible for other residual disbursing functions, (e.g., issuance of stop payment requests, required records research pursuant to claims against the government, and clearing of all suspense accounts).

10.1.1. Deficiencies. In all instances, the relieved DO is responsible for resolving deficiencies before relief, if possible. If a deficiency exists in the account of a relieved DO and it appears that no action was taken to remove it from the accountability and no relief request is pending, the settlement officer should initiate collection action against the accountable DO.

10.1.2. Non-tactical Disbursing Stations. At non-tactical disbursing stations, settlement duties are normally the responsibility of the relieving DO. When one of these stations is closed, the supporting DFAS site designates another non-tactical disbursing station within the site's area to assume the closed station's disbursing operations and perform the settlement function.

10.1.3. Tactical Disbursing Stations. For naval vessels and tactical units, the servicing DFAS site performs the duties of settlement officer for relieved DOs whether or not the disbursing function of the naval vessel or unit is closed.

10.2 Responsibility of Relieved Officers

Despite the appointment of a settlement officer, the relieved DO is responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under the authority of section 10.0 only relieves the DO of the paperwork incident to settlement of the account. Accountability for illegal, incorrect, or improper payments that cannot be adjusted despite the diligence of the settlement officer remains with the DO. The relieved DO should keep the settlement officer informed of his or her current mailing address at all times. The relieved officer should also answer inquiries related to settlement of outstanding items and furnish any advice or suggestions, which may be of assistance in the prompt and complete clearance thereof.

10.3 Settlement Officer Functions

The settlement officer is the incumbent DO. Subparagraphs 10.3.1 – 10.3.5 apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the DO performing the settlement functions is assigned. In addition to accounting for and taking settlement action on deficiencies which occurred during the incumbency of a former DO that were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the account of a former DO. Most of the transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions of a DO.

10.3.1. Transactions. The transactions described in the following subparagraphs are the most common types of transactions that will be encountered. On some occasions, the servicing DFAS site may direct accomplishment of specific transactions and will provide detailed instructions for those transactions.

10.3.1.1. Settlement History. In order to have a complete history of the settlement process, the settlement officer will maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders should be available for the next relieving DO.

10.3.1.2. Check Overdraft Receivables. Recording, reporting and clearing a check overdraft deficiency are prescribed in Chapter 7, section 8.0 and ***I TFM 4-6045.70***.

10.3.1.3. Losses of Funds. Losses of funds in the account of a former DO that were unresolved on the date of relief are recorded and reported until resolved.

10.3.1.4. Other Accountability. Other accountability items are unresolved deficiencies in the account of a former DO which cannot be classified as check issue overdrafts or losses of funds. These items are reported until resolved. Overpayments caused by the negotiation of both the original and recertified check are prescribed in Chapter 7, paragraph 11.13.

10.3.1.5. Removal of a Deficiency. The settlement officer can request removal of the deficiency on behalf of the former DO. The servicing DFAS site can provide specific instructions for removal of an accountability by correction of an erroneous collection voucher. Instructions pertaining to a relief of liability item are provided in Chapter 6, section 6.0.

10.3.1.6. Negotiable Instruments. Deposit negotiable instruments received to offset a deficiency in a former DO's account under the same guidelines as for other negotiable instruments. Document the deposit on an Optional Form ***(OF) 1017-G***, Journal Voucher.

10.3.2. Settlement Officer is Not Incumbent DO. This subparagraph applies only to DOs designated to settle the accounts of DOs of tactical units or naval vessels relieved from disbursing duty and the accounts of former DOs of closed disbursing stations. Settlement officers perform settlement functions for a DSSN other than the one to which assigned as a DO. Transactions to the account of the former DO will be similar to routine transactions of a DO.

10.3.2.1. Relieved DO. Any transaction affecting the accountability of a relieved DO, including the initial establishment of the settlement account, requires submission of monthly financial reports by the settlement officer for the relieved DO. The financial reports are submitted to the servicing DFAS site in the same manner as other financial reports.

10.3.2.2. Settlement Folders. In order to have a complete history of the settlement process, the settlement officer will maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders should be available to the next relieving DO as a part of the relief process.

10.3.2.3. Initial Establishment of the Settlement Account. Upon receipt of the final SF 1219 of the relieved DO, the settlement officer reviews it to determine if any deficiencies existed on the date of relief. In the case of a closed disbursing station where the DO is transferred without a relief, the settlement officer establishes the settlement account by preparation of the necessary files to resolve the deficiencies. In the case of naval vessels and tactical units, if there is a deficiency in the account of the relieved DO, the settlement officer establishes the settlement account as of the month following the receipt of the relieved DO's final SF 1219 by preparing a supplemental SF 1219. The designated settlement officer must:

10.3.2.3.1. Compute the actual accountability of the relieving DO on the date of relief by subtracting the amount established in the settlement account from the amount reported on the relieved DO's final SF 1219; and

10.3.2.3.2. Notify the relieving DO of the naval vessel or tactical unit that the settlement account is established and direct the DO to record the dollar value of the deficiency on the next SF 1219. The relieving DO attaches a copy of the message to the SF 1219 to support the transfer of accountability.

10.3.2.4. Recording Increases to a Settlement Account. After the date of relief, it may become necessary to record a deficiency into the account of a relieved DO.

10.3.3. Removal of Deficiencies. Removal of deficiencies from the accounts of former DOs can be accomplished by collection from the responsible individual, correction of erroneous documents, or relief of liability.

10.3.3.1. If the deficiency is recovered by collection from the responsible individual, the settlement officer document the collection on an OF 1017-G.

10.3.3.2. If the deficiency is removed by correction of erroneous documents, the corrected documents are reported on the supplemental SF 1219 prepared for the month in which the transaction is processed.

10.3.3.3. If a deficiency is removed by relief of liability, the Loss of Funds Adjudication Team, DFAS/ZPTA-IN team will provide a memorandum with a complete fund site to be charged for the transaction.

10.3.4. Preparation of Disbursement and Collection Vouchers. Normally, the preparation and processing of vouchers to settle the accounts of former DOs will not affect the disbursing account of the settlement officer. The settlement officer maintains a separate series of locally assigned voucher numbers (e.g., COOO1 for collections and DOOO1 for disbursements) for use in settlement transactions. Collection and disbursement voucher numbers (assigned to vouchers prepared to process settlement transactions) should not be taken from the voucher number logs of the DO at the settlement activity. In addition, the settlement officer does not maintain the DD 2657 for the former DO.

10.3.5. Financial Reports. The settlement officer submits financial reports for a former DO every month until the former DO's accountability is cleared. Normally, the documents required to be submitted are: a supplemental SF 1219; appropriate copies of deposit ticket or debit voucher; and any supporting disbursement or collection vouchers prepared. The general requirements in Chapter 15, section 7.0 pertain to preparation and submission of financial reports. In addition to the normal distribution requirements, one additional copy of each document is forwarded to the servicing DFAS site. In all cases, each document should clearly identify the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring a signature are signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

10.4 Settlement Procedures for Naval Vessels

10.4.1. Naval Vessels. Even though the DO assigned to naval vessels does not perform settlement functions, certain actions are required to be performed to assist the designated settlement officer. The incumbent DO follows the actions prescribed in section 10.0 for each of the transactions described which are received after the date of relief and which affect the accountability of the relieved DO.

10.4.2. Debit Voucher. Debit vouchers issued by a general depositary or the Treasury for dishonored personal checks, forged Treasury checks, or dual negotiation of both the original and recertified Treasury checks, are not recorded in the current DO's accountability unless the accounts of the DO who is accountable for the deficiency are subject to the 90-day retention period described in Chapter 15, paragraph 8.4 or the person who draws the check or endorser of the dishonored check is locally available for collection action. If neither of the foregoing conditions applies, the current DO forwards the debit voucher and copies of all related documents by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DOs account. If follow-up action previously initiated by the relieved officer results in recovery of funds, the relieving officer forwards the funds in the form of an exchange-for-cash Treasury check to the servicing DFAS site.

10.4.3. Unconfirmed Deposits. For unconfirmed deposits that are later confirmed by follow-up action after the date of relief, forward the confirmed copy of the deposit ticket by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DO's account for processing.

10.4.4. Financial Management Service (FMS) Form 5206. If an FMS 5206 is received during the 90-day retention period subsequent to relief, reproduce a copy of the applicable check issue record and disbursement voucher from the relieved DO's retained records and attach to the form. Send the documents by email to the servicing DFAS site with a cover letter indicating that the accountability should be recorded against the previous DO's account for processing. If one is received after the former DO's records have been sent to the DFAS site as prescribed in Chapter 15, paragraph 8.4, send the document with a cover letter to the servicing DFAS site for processing.

10.4.5. Daily Advice of Status (DAS). Upon receipt of a DAS from the Treasury indicating the original and recertified check issued by the previous DO were both negotiated and previous credit given by the Treasury or the canceled original check is being reversed, the current DO should take the same actions as prescribed in subparagraph 10.4.2 for debit vouchers.

VOLUME 5, CHAPTER 3: "OBTAINING AND SAFEGUARDING PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 3

OBTAINING AND SAFEGUARDING PUBLIC FUNDS

1.0 GENERAL

1.1 Overview

The U.S. Department of the Treasury (Treasury) holds funds appropriated by the Congress subject to disbursement by disbursing officers (DOs) of the United States. When necessary to disburse in cash, upon approval of the commander or other authority, DOs may obtain and maintain cash on hand at their personal risk (a cash holding authority (CHA)) for official disbursements and accommodation exchanges (see paragraph 2.1). The DO's official monthly accountability is recorded and reported on the Standard Form (SF) 1219, Statement of Accountability or an electronic equivalent to account for all public funds. DoD DOs must safeguard all items identified as public funds that they receive, and periodically account for them to the Treasury (see Chapter 15, paragraph 1.3). DOs outside the United States may maintain official checking accounts, known as limited depositary accounts (LDAs), in foreign currency with banks approved by the Treasury (see Chapter 14, section 2.0).

1.2 Purpose

The purpose of this chapter is to provide DoD DOs' responsibilities to obtain and safeguard cash, negotiable instruments, and other items that comprise public funds.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 (***31 U.S.C. § 3302***) authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 CASH OPERATIONS

2.1 Cash Held at Personal Risk

Funds that qualify as cash held at personal risk include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., paying agent (PA)), and cash on deposit in an LDA. DOs use cash to make miscellaneous cash payments, make change, conduct accommodation exchanges, and make other specifically authorized transactions.

2.2 Approving Authorities

A commander, director, equivalent civilian head, or designee has the authority to approve CHAs for DOs, Deputy DOs (DDOs), agents, and cashiers within their commands. The Defense Finance and Accounting Service (DFAS) Director or designee approves requests for DFAS DOs. DFAS DDOs, agents, and cashiers outside of the main DFAS disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO and the local

activity commander based on their responsibility to safeguard public funds (see section 3.0). Keep cash on hand at the minimum amount necessary to meet normal requirements. Approving authorities review each request to ensure that good cash management procedures are in effect.

2.3 Determining Cash Requirements

2.3.1. Considerations. DOs should consider daily cash collections of all DDOs, agents, cashiers, and other custodians of public funds over a representative period of time and average the results to determine cash requirements. If daily cash collections exceed disbursement and accommodation needs, no additional computation is necessary. If collections do not exceed disbursements, use the following table to compute the cash requirements according to the time to obtain funds from the source, weekly cash transaction volume, and the maximum amount authorized.

LEVELS OF AUTHORIZED CASH HOLDINGS		
If the source of funds is	and weekly requirements are:	hold cash to operate for:
Reasonably close (not more than 24 hours required to obtain cash)	$500 or less	4 weeks
	Over $500 but less than $5,000	2 weeks
	$5,000 but less than $100,000	1 week
	$100,000 and over	3 days
Not reasonably close (24-48 hours required to obtain cash)	$2,500 or less	4 weeks
	Over $2,500 but less than $50,000	2 weeks
	$50,000 and over	1 week
Remote (more than 48 hours required to	$50,000 or less	4 weeks
	Over $50,000	2 weeks

To preclude temporary increases due to extreme currency fluctuations, the portion of the DO's request to hold foreign currency at personal risk may be stated in foreign currency units. See Figure 3-1 for a suggested procedure for computing average daily cash requirements. Consider the following types of disbursements:

2.3.1.1. Routine cash payments;

2.3.1.2. Emergency cash payments;

2.3.1.3. Cash travel advances for non-cardholder temporary duty and permanent change of station travelers;

2.3.1.4. Foreign currency requirements for accommodation exchanges;

2.3.1.5. Personal check cashing transactions (see Chapter 4, section 3.0);

2.3.1.6. Cash transactions of remote DDOs, cashiers, and agents; and

2.3.1.7. Cash requirements for managing foreign government contributions (burden sharing funds).

2.3.2. Special Circumstances. When special circumstances require DOs to increase their CHA beyond the amounts discussed in subparagraph 2.3.1 (e.g., operational contingencies), describe the circumstances and duration of the expected need for increased cash in the request for approval to increase cash held at personal risk. If the circumstances are more than temporary (over 30 days) or expected to become permanent, the DO re-computes their CHA and submits a new request based on the anticipated services.

2.3.3. Cash Collections. DOs and their agents may hold cash collections for operating requirements within their CHA. Immediately deposit cash collections that increase cash on hand above the authorized limit (see Chapter 11, section 8.0).

2.4 Requests for Approval

2.4.1. A DO requests a CHA from the approving authority cited in paragraph 2.2. Do not include scheduled payday cash requirements (e.g., the amount required to cash payday paychecks) in a request. The approving authority ensures that the requested amount follows the guidance in paragraph 2.3 and that management controls exist to ensure the conduct of routine reviews of cash requirements. Submit requests semiannually, allowing enough time for CHA authority to become effective on October 1 and April 1 of each year. Also, submit a request whenever a review of cash requirements results in a major change. Include in the written request:

2.4.1.1. The name, title, and duty station of the accountable requestor;

2.4.1.2. A description of the transactions requiring the use of cash;

2.4.1.3. A statement that adequate facilities are available to safeguard the cash (see section 3.0); and

2.4.1.4. A breakdown of cash by accountable position.

2.4.2. A CHA request includes the amount to be held personally by the DO and the DO's DDOs, agents, cashiers, and other custodians of public funds, but not amounts to be held by authorized imprest fund cashiers and change fund custodians which receive separate approval. The approving authority approves all requests by an endorsement and returns them to the DO for retention. To preclude compromise of classified information, CHA requests for emergency and extraordinary expense funds may omit security items (e.g., duty station, description of payments, facility location, or other details), but keep this information on file for review by cleared personnel.

2.5 Obtaining Cash for Disbursing Purposes

Funds that qualify as cash held at personal risk, also known as DO's cash, include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., PA), negotiable checks (not check stock), and cash on deposit in an LDA. The Central Accounting Reporting System (***CARS***) DO cash Treasury Account Symbol (***TAS***) (see paragraph 2.6) balance amount should never exceed the approved cash holding authority amount or the balance amount of the day's ending cash on hand.

2.5.1. Available Procurement Methods

2.5.1.1. Exchange-for-Cash Checks. DOs may draw exchange-for-cash checks (see Chapter 7, section 7.0) payable to the DO or DDO who procures the cash. The DO or DDO endorses the check to the name of another DO or DDO, or the name of the financial institution. DOs may obtain cash from other DOs, a Federal Reserve Bank (FRB) or branch, or any commercial bank willing to provide the service, to include overseas Military Banking Facilities (MBFs). If a DO or DDO is unable to go to the bank to take possession of the funds due to excessive workload or location, he or she may arrange for the FRB or financial institution to ship the funds by registered mail or armored car. The local commander approves and funds this type of delivery.

2.5.1.2. U.S. Treasury Check/Electronic Funds Transfer (EFT) Exchange-for-Cash. DOs or DDOs may procure cash (U.S. dollars (USDs) or foreign currency) for authorized disbursements and accommodation transactions overseas using EFT. Coordinate with an authorized MBF or local LDA for an account to receive the transfer as an Automated Clearing House or International Treasury Services (***ITS.gov***) transaction, and determine the exchange rate on the date of crediting to the DO's account. DOs must cite the DO Cash TAS associated with their Service on the Optional Form ***(OF) 1017-G***, Journal Voucher, as stated in Chapter 7 when issuing a U.S. Treasury check or EFT-for-cash. These transactions are reported to the Payment Information Repository (***PIR***), which will feed the CARS daily account statement showing an increase to DO cash. Note–an issued U.S. Treasury check-for-cash is considered cash from a reporting standpoint regardless if negotiated.

2.5.1.3. Transfers Between DOs. DoD DOs may transfer funds among themselves following the same exchange-for-cash procedures used to procure cash. They may also accomplish these transfers utilizing the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and Standard Form (SF)1219, Statement of Accountability, but must coordinate to ensure they report this amount in the same reporting period (see Chapter 15, sections 5.0 and 6.0). For DOs on Treasury's daily reporting, transfers must be reported by both DOs via two Classification Transactions and Accountability (CTA) transactions to reflect a decrease to the DO providing the funds and an increase to the DO receiving the funds.

2.5.2. Notification to the Treasury. The Treasury Financial Manual, Volume I, Part 4A, Chapter 4000 ***(I TFM 4A-4000)*** identifies Treasury's requirement to maintain and update its operating cash balance (e.g., the government's cash flow). DOs must therefore provide the Treasury with advance notice of their cash requirements and other related information. For additional guidance on disbursement forecasting, see Chapter 9, section 3.0.

2.5.3. Cash Held for Operating Requirements. DOs that maintain physical cash associated with a ***DD 1131***, Cash Collection Voucher, must cite the appropriate Standard Line of Accounting, which will include the TAS/Business Event Type Code (TAS/BETC), for the collection transaction. Multiple collection vouchers may be consolidated under one transaction reported to Treasury at the end of day only if they fall under the same program TAS/BETC and Agency Location Codes. DOs must ensure that any consolidated transactions have an audit trail that can be validated at the individual transaction level. These transactions are reported to the CTA, which will feed the CARS daily account statement showing an increase to the DO cash TAS and an increase to the TAS on the collection voucher. This will increase DO accountability to reflect the entire amount of cash collected in as being retained for operating requirements.

2.5.4. Protection of Currency in Transit

2.5.4.1. Notification to Commander. A DO or another accountable official, either leaving the disbursing activity or arriving to pick up $10,000 and above, notifies the commander and the security police through the command or other duty officer. The DO must provide the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate, for entry in the ship or station log.

2.5.4.2. Transporting Cash. The commander of the installation requesting cash is responsible for securing that cash at all times. Deciding to have an armed escort, the number of escorts, and the type of transportation to be used is a command responsibility. The commander should consider such things as the amount of cash, distance and terrain, and type of transportation and local security forces available.

2.5.4.3. Liability. An accountable official (DO, DDO, agent, cashier, or other custodian of public funds) who has signed for the cash is pecuniarily liable for it, pending its return to the DO. An accountable official who feels that the command has not provided adequate security may refuse to disburse such funds and return them to the DO.

2.5.5. Verification of Money. The accountable official verifies all cash received before acceptance. Verify unsealed money by actual count before acceptance or immediately upon receipt of shipment. The DO or DDO, at their own risk, may bundle-count sealed new money bricks presented with the FRB's packaging intact. When opening a bundle, verify it immediately upon opening with individuals present to witness both the breaking of the seal and the count. The accountable official must report discrepancies immediately by issuing a claim to Treasury via the bank that provided the money. Identify the bundle or brick in question and include a signed statement from the witnesses. For a disapproved claim, follow the request for relief of liability procedures in Chapter 6, section 6.0. Verify and accept cash shipped to the accountable official in front of witnesses immediately upon receipt following these procedures, depending upon how the money is packaged.

2.5.6. Expenses. Charge bank fees and shipping costs incurred when procuring U.S. or foreign currency to the disbursing activity's operating fund account.

2.5.7. Accounting for Premiums on Sales of Public Moneys or Securities. Under ***31 U.S.C. § 3341***, a DO of the U.S. Government may sell government warrants, checks, drafts, or obligations not the property of the official at a premium, or dispose of the proceeds of the warrant, check, draft, or obligation, only if the official deposits the premium and the proceeds in the Treasury or with a depositary for the credit of the government. Credit General Fund Accounts XX 3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the USD equivalent (USDE).

2.5.8. Registered Mail Shipments. Send an exchange-for-cash check to an FRB or MBF by registered mail. Keep a copy of the check and report it on line 6.7, as Cash in Transit, (see Chapter 15, section 6.0) on the SF 1219 until the cash is received. When a DO is aware that the FRB or MBF has shipped the cash and has not received that cash within a reasonable period, contact the shipper to request the shipment be traced (see paragraph 5.5). This is the least preferred method to obtain cash. Use it only after determining that all other procurement methods are not feasible.

2.5.9. Obtaining Cash by Transfer From Officer Relieved. DOs may obtain cash funds by transfer from another DO without the issuance of an exchange-for-cash check only upon the relief of a DO and only from the DO being relieved (see Chapter 2, paragraph 4.6).

2.6 TAS for DO Cash

A TAS is established for each DoD Component to document the balance of DO cash held outside of the Treasury. The Treasury and the Office of Management and Budget determined that this fund group presents a reporting model consistent with the ***Statement of Federal Financial Accounting Standards 31*** for unique activities for other Federal Program Agencies to record non-fiduciary, non-budgetary activities with Government (Federal) sources or Funds. DOs operating in a CARS daily reporting environment must classify each cash transaction with the DO Cash TAS. Cash funds obtained via a U.S. Treasury check or EFT are classified through PIR. Operating cash reductions and accommodation exchange transactions are reported through Collections Information Repository (**CIR**). Cash disbursements,

cash collections, and cash transfers between DOs not deposited and/or maintained in the DO's accountability are reported through CTA. The TAS for DO cash does not impact the current DO reporting environment as referenced in Chapter 15. DFAS Accounting sites utilize monthly SF 1219 data to report the DO Cash to the proper TAS. The TASs for DO cash are:

2.6.1. 017 X 6950 DO Cash, Department of Navy;

2.6.2. 021 X 6951 DO Cash, Department of Army;

2.6.3. 057 X 6952 DO Cash, Department of Air Force;

2.6.4. 097 X 6953 DO Cash, Defense Agencies; and

2.6.5. 096 X 6954 DO Cash, Corps of Engineers, Civil.

2.7 Reconciling Disbursing Officer Cash

DOs must reconcile daily all transactions reported on the DD 2657 and DO Cash TAS reflected on the CARS daily account statement. Funds obtained for disbursing purposes are reported through and reconciled with PIR (Chapter 11, paragraph 10.4). Cash deposited and accommodation transactions are reported through and reconciled with CIR (Chapter 11, paragraphs 11.3 and 11.4). Cash disbursements, cash collections, and cash transfers between DOs not deposited and/or maintained in the DO's accountability are reported through and reconciled with CTA. To facilitate the reconciliation of cash transactions, DOs must maintain a log of all cash transactions, annotating the DO Cash TAS associated with each transaction. The log of cash transactions must include:

2.7.1. The ***DD 2659***, Voucher Control Log; and

2.7.2. The detailed deposit activity report; or

2.7.3. A system generated report from the disbursing system.

3.0 SAFEGUARDING CASH AND RELATED DOCUMENTS

3.1 Expectations

The commanders' and DOs' responsibilities to safeguard cash and other assets, related instruments, and supporting documents are described in paragraph 3.2. All accountable officials are responsible for safeguarding public funds. DOs should minimize the number of accountable officials required to store public funds. Use the most secure container, vault, or safe available to safeguard, in order of priority, currency, undelivered checks, negotiable instruments, paid vouchers, blank U.S. Treasury and LDA checks (see Chapter 7, paragraph 3.7), signature media, valuables (see Chapter 16, section 3.0), and other records. The command security program must consider the maximum amount of each of these items that would normally be on hand at any time. Store classified material separately from public funds and documents.

3.2 Responsibilities

3.2.1. The Commander. The responsibilities of the Commander include:

3.2.1.1. Approves a DO's request to hold cash at personal risk, and is responsible for ensuring unannounced quarterly verification of cash and other assets in the disbursing office (see Appendix A);

3.2.1.2. Provides every individual entrusted with public funds with a vault, safe, or other adequate secure facility (e.g., a strong box) for the exclusive use of the assigned individual. If it is not possible to provide separate safes, furnish separate locked compartments in a safe or separate strongboxes stored in a safe or vault. Always store public funds separately from other funds;

3.2.1.3. Develops a security program and publishes it in a command instruction or notice. The security program must provide adequate protection for the maximum amount of public funds and related documents and instruments on hand at any given time;

3.2.1.4. Ensures personnel protection is included in the overall disbursing security program. This includes the requirements for periodic review of the adequacy of the security measures in place and for testing the security equipment for proper operation on a semiannual basis;

3.2.1.5. Provides armed guards for the escort of public funds to and from the disbursing office. When necessary, acquires an armored car service using locally-available mission funds (see subparagraph 2.5.4); and

3.2.1.6. Provides fire protection of government facilities and funds.

3.2.2. DOs.

3.2.2.1. DOs safeguard all public funds they collect or otherwise have in their custody or control, and they are accountable and subject to pecuniary liability for their loss. DOs are prohibited from lending, using, depositing, or exchanging public funds in their possession for other funds except as specifically allowed by law. DOs secure public funds until ordered by proper authority to transfer or disburse them. When DOs receive orders for transfer or payment, they execute transactions and perform all other duties as imposed by law or regulations in conformity to the law. In case of disaster, DOs should secure and preserve the accounts of all personnel, public money, and other papers and property in order of their importance as circumstances permit (see section 8.0).

3.2.2.2. DOs, DDOs, agents, cashiers, custodians, or alternates with custody of public funds assign each person a separate secured container. Although all appointed or assigned accountable officials are liable for any loss of public funds in their custody, the DO holds overall responsibility and is subject to pecuniary liability, jointly or severally, for any losses associated with these personnel. Therefore, DOs ensure that all DDOs, agents, cashiers, imprest fund cashiers, and other custodians of public funds are fully aware of their responsibilities to properly handle and protect public funds. The DO or designee personally inspects office security, keeping a record of each inspection, at least semiannually to ensure that:

3.2.2.2.1. Vaults and safes are not accessible to unauthorized persons (e.g., limit access to vaults using vault day gates to which only authorized personnel have the keys);

3.2.2.2.2. Cash exceeding the amount required and authorized for official purposes is deposited promptly;

3.2.2.2.3. Windows and doors are limited and barred and/or locked at all times after business hours;

3.2.2.2.4. Access to the working area is marked conspicuously with "AUTHORIZED PERSONNEL ONLY." Conduct transactions from a cage, room, or counter enclosure, constructed to provide a physical barrier to normal traffic with minimal interference from other activities and personnel of the office;

3.2.2.2.5. Security devices for the check signing machines, digitized signature media, meters, and plates are in the custody of the DO or authorized DDOs at all times;

3.2.2.2.6. Internal office procedures are established and implemented to provide adequate controls on all undelivered and returned checks. Assign responsibility of checks, which includes receipt, holding, and final distribution, in writing;

3.2.2.2.7. The commander is aware of any security shortfalls or breaches, and any request for adequate safeguarding facilities previously denied. Inform the supporting DFAS site of unresolved facility issues that relate to the ability to safeguard public funds;

3.2.2.2.8. All DDOs, agents, cashiers, and custodians receive written and oral instructions regarding the proper care and handling of cash and other accountable documents. The DO should keep an affidavit from each accountable individual attesting to receipt of such instructions;

3.2.2.2.9. All cash, blank Treasury and LDA checks, and related items are kept in a vault, safe, or security container that meets minimum security standards prescribed in section 3.0;

3.2.2.2.10. All safes and security containers aboard ships and on installations that are on rollers or weigh less than 750 pounds are stored in a vault or secured in such a way as to prevent movement;

3.2.2.2.11. A vault, safe, or security container visible to the exterior of the office is illuminated;

3.2.2.2.12. The combinations of all vaults, safes, and security containers are changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable official. The accountable official is prohibited from sharing the combination or key with anyone and places the combination of each safe and duplicate key of each strong box in separate sealed, signed, and dated envelopes such that an unauthorized opening can be detected. The DO keeps the sealed envelopes of all accountable officials in their safe or vault and delivers the combination and/or keys to their safe or vault to the commander, security officer, or another designated official for retention. Authorized personnel access the sealed combinations only in an emergency requiring the opening of the safe or vault;

3.2.2.2.13. A record of combination changes, dated and signed by the accountable official, is kept inside each vault, safe, or container;

3.2.2.2.14. To limit the possibility of the combination being observed, the dial to the vault, safe, or container is concealed by a shield made of suitable material;

3.2.2.2.15. The name and phone number of the accountable official is posted on the inside of the vault, safe, or container. DOs may use an ***SF 701***, Activity Security Checklist, or an ***SF 702***, Security Container Check Sheet, as appropriate, to assist in the control and proper safeguarding of public funds stored in vaults, safes, and/or containers. If the forms are not available, post a unique container number along with a "24 hour" duty phone number on the outside of the vault, safe, or container allowing the duty personnel to contact the accountable official;

3.2.2.2.16. Keys to the workspace or disbursing office are strictly controlled. Keep a record that identifies who has keys and when they were issued and surrendered; and

3.2.2.2.17. All security equipment is tested at least every 6 months for proper operation. Keep a record of the tests maintained.

3.3 Intrusion Detection Systems (IDS)

3.3.1. Background. IDS are vital to any system that provides in-depth protection for a secure area. The DoD supports a policy on the use of IDS for resource protection purposes. Commanders, in the exercise of their responsibility to provide security, consider components of the DoD Joint-Services Interior IDS. In special cases, components of the base and installation security system, generally used for security applications, may also be available for resource protection requirements.

3.3.2. Alarms. Consider using alarms to deter entry to the general disbursing area or actual storage container. There are three levels of alarm protection: penetration, motion, and point detection. A minimum of two levels of detection capability provides the best in-depth protection. Post conspicuous warnings of the existence of alarms and publicize the existence of alarms to gain the full benefit of psychological deterrence.

3.3.3. Maintenance. Maintain and regularly test a system maintenance program to ensure the alarm system operates properly. Protect against bypassing the alarm system consistent with DoD requirements.

3.3.4. Alarm Monitor Responsibilities. Train monitors to understand, operate, and monitor the alarm system so they may work closely with the security police and unit personnel, and act as a liaison in this special role.

3.4 Storage Containers

3.4.1. Categories

3.4.1.1. Vaults and Safes

3.4.1.1.1. Vaults. When possible, provide a disbursing office a built-in, fire-resistant vault with at least a three-position, dial-type combination lock; with the door and vault being able to resist a fire for a minimum period of two hours. Store all safes containing funds and when possible, the instruments and documents cited in subparagraph 3.4.2, in the vault. Follow the requirements of the DoD Physical Security Equipment Guide, UG-2045-SHR, when constructing new vaults, doors, and intrusion devices.

3.4.1.1.2. Safes. When vaults are not available, DOs, DDOs, agents, cashiers, and other custodians of public funds use combination three-tumbler lock, tool-resistant safes available at General Services Administration (GSA) Global Supply or GSA Federal Supply Schedules (FSS) to store public funds. If such a safe is not available, use a field safe secured properly to an immovable object. Post a guard in an unsecured building at the direction of the commander. Store irreplaceable checks, bonds, or other perishable records in combination three-position, dial-type, insulated, and built-in fire-resistant money cabinets/safes. For temporary storage, Class 5 file cabinets with three-position, dial-type, and built-in combination locks can be used to protect against forced entry. File cabinets with steel lock bars or without forced entry protection are not adequate.

3.4.1.2. Security Containers. Class 1 and Class 5 cabinets provide the greatest protection against forced entry. GSA approved security containers have the following Federal specifications:

Type	Specifications
Class 1 or Class 2 Cabinet	AA-F-357 (GSA-FSS)
Class 4 or Class 5 Cabinet	AA-F-358 (GSA-FSS)
Class 5 or Class 6 Map and Plan File	AA-F-363 (GSA-FSS)
Class 6 Drawer File	AA-F-358 (GSA-FSS)

3.4.1.3. Burglary Resistant Safes. The intent of burglary resistant safes is to prevent forced entry. The numerical value cited represents the time in minutes that the safe will resist forced entry. These safes provide a greater degree of protection than GSA rated security containers. Commercial burglary resistant safes are certified by Underwriters Laboratories according to the following classifications:

Type	Classification
Tool-Resistant Safe (TL)	TL-15 or TL-30
Torch and Tool-Resistant Safe (TRTL)	TRTL-30 or TRTL-60

3.4.2. Requirements

3.4.2.1. Currency, Negotiable Instruments, and Paid Vouchers. DoD Component security and resource protection programs ensure compliance with the following minimum requirements for storing currency, negotiable instruments, and paid vouchers. Previously approved storage containers currently in use may continue to be used. The Naval Sea Systems Command may designate specific containers for use on Navy ships.

3.4.2.1.1. Under $7,500. Commanders establish these requirements. Any security container or burglary resistant safe listed in subparagraph 3.4.1.1.2 is acceptable.

3.4.2.1.2. $7,500 - $50,000. Use a security container with a Class 1 or Class 5 rating, or a burglary resistant safe with at least an Underwriters Laboratories classification of TL-15 and having a Group 1R combination lock.

3.4.2.1.3. $50,000 or More. Use a burglary resistant safe or vault with at least an Underwriters Laboratories classification of a TL-30 and having a Group 1R combination lock.

3.4.2.2. Other Items. Blank checks, signature media, and personal valuables held for safekeeping (see Chapter 16, subparagraph 1.1.1) are not part of a DO's accountability. Store them in a security container with at least a Class 1 or Class 5 rating or a burglary resistant safe separate from the one used to store the items listed in subparagraph 3.4.2.1.

4.0 ADVANCING CASH TO AGENTS

4.1 Deputy Disbursing Officers (DDOs), Agents, and Cashiers

4.1.1. Authority. DOs advance cash for official use to their DDOs, agents, and cashiers on a ***DD 1081***, Statement of Agent Officer's Account, whether by cash disbursement; or by EFT; or by exchange-for-cash checks, with instructions to negotiate the checks only as funds are needed. The DO reports un-negotiated checks as funds with agents; DDOs, agents, or cashiers report them as "Cash on Hand." On a monthly basis, the DO reports funds in the custody of DDOs, agents, and cashiers in the main disbursing office and outside the disbursing office on the SF 1219 (see Chapter 15, section 6.0).

4.1.1.1. Advance Cash From the Vault. The DO Cash TAS is not impacted when funds from the vault are advanced to an agent. The funds were previously reported to the DO Cash TAS prior to the advance taking place.

4.1.1.2. Advance With a U.S. Treasury Check or EFT. The DO Cash TAS will increase when funds are advanced to an agent utilizing either a U.S. Treasury check or EFT and are reported to the PIR, which will feed the CARS daily account statement.

4.1.2. Amount Limits. Under normal conditions, do not advance an amount of cash to a DDO, agent, or cashier that exceeds the CHA. There are occasions where cash may be entrusted to DDOs, agents, or cashiers in other amounts when required to maintain efficient operations (e.g., during the authorized absence of the DO and on paydays). The total amount held by the DO, DDOs, agents, and cashiers may not exceed the DO's CHA.

4.1.3. Custody. Each DDO, agent, or cashier stores entrusted cash in a safe or adequate container assigned for their exclusive use as specified in section 3.0. Only the assigned DDO, agent, or cashier may know the combination of the safe or container. If the commander deems it necessary to gain access to the safe or container, open it and verify the contents.

4.1.4. Balancing. DDOs, agents, and cashiers entrusted with official funds must balance the cash in their custody daily using the DD 2665, Daily Agent Accountability Summary, as the permanent record of balancing (see Chapter 15, subparagraph 2.1.2). The DO ensures that each DDO, agent, or cashier is aware of the frequency for balancing and submitting the DD 1081 and uses it as a summary of cash transactions and receipt for cash and vouchers on hand. Each DO submits a DD 1081 no less frequently than monthly. A DDO, agent, or cashier who will be absent for more than 5 workdays returns all funds and accountable documents to the DO with properly executed DD 2665s and DD 1081s before departure, reporting any shortage or overage immediately (see Chapter 6, section 4.0).

4.1.5. Collections and Disbursements

4.1.5.1. DDOs, Agents, and Cashiers in the Main Disbursing Office. DDOs, agents, and cashiers account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents on a DD 2665 and turn them in daily to the DO under the cover of a DD 1081. They must retain currency collected over and above the currency disbursed when authorized by the DO if the total funds held are within the limitations specified in paragraph 2.3. The DD 1081 also serves as a receipt for the funds that remain in the DDO's, agent's, or cashier's custody. When additional funds are required due to disbursements greater than collections or other authorized transactions, the DO may replenish the funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD 2665s and DD 1081s. The DO prepares a DD 1081 for the amount of funds advanced (see Chapter 15, section 4.0).

4.1.5.2. DDOs, Agents, and Cashiers at Branch Disbursing Offices. When DDOs, agents, and cashiers are serving in branch offices where reporting transactions in person is impractical, the DO may authorize transmittal of the transactions by electronic or regular mail, or messenger. Account for these transactions on a DD 2665 under the cover of a DD 1081. The DDO, agent, or cashier signs the original and duplicate of the DD 1081 and sends it with the DD 2665 and substantiating vouchers, negotiable instruments, and documents to the DO. After examining and accepting the DD 1081, the DO acknowledges receipt on the duplicate copy of the form and returns it to the DDO, agent, or cashier. The DO may replenish funds following subparagraph 4.1.1.

4.1.5.3. DDOs, Agents, and Cashiers Under Other Commands. DDOs, agents, or cashiers not under the same command as the DO must deposit negotiable instruments whenever possible (e.g., an investigative service or support center, intelligence command, U.S. Defense Attaché Office). If a deposit is $5,000 or more, mail or present the deposit to the nearest FRB or its branch. Transmit deposit tickets, collection and disbursement vouchers, and other accountable documents electronically, or send them by mail or messenger to the DO. Account for the transactions on a DD 2665 with a cover DD 1081, preparing the latter following Chapter 15, sections 3.0 and 4.0. The DO may determine that the volume of transactions is small enough to allow submission of a single DD 1081 monthly.

4.1.6. Records. Identify transactions made by other than the DO by the name of the DDO, agent, or cashier. The DO determines the method to be used. Identify negotiable instruments cashed by someone other than the DO following Chapter 4, subparagraph 2.4.3.

4.2 Cash to Paying Agents (PAs)

DOs furnish PAs written instructions to ensure they observe pertinent disbursing procedures including safeguarding funds; identifying payees and obtaining their signatures; requiring vouchers, documents, and certifications; and returning of funds and vouchers.

4.2.1. Funds Advancement. Complete a DD 1081 to document the cash entrusted to PAs authorized to make payments, currency conversions, or check cashing transactions. The DO must establish and implement controls to preclude advancing amounts in excess of requirements for the assigned mission or other anticipated valid requirements. PAs may not commingle cash advanced to them with any other funds nor advance it to any other person.

4.2.2. Funds Return. Agents returning paid vouchers and deposit tickets results in a reduction of DO accountability, which also results in a reduction in the balance of the DO Cash TAS. Returns of residual cash to the DO will not impact the DO Cash TAS since the funds were previously classified under the DO Cash TAS.

4.2.3. Advanced Cash. Normally, PAs may not retain advanced cash overnight, but must promptly return the paid vouchers, negotiable instruments, and residual cash to the DO with a properly completed DD 1081 (see Chapter 15, section 4.0). When circumstances require a PA to retain cash overnight, follow the custody requirements in subparagraph 4.1.3 and return the paid vouchers, negotiable instruments, and residual cash as soon as possible after making the authorized payments, normally within 24 hours. The DO must notify the PA's commanders when the PA fails to make a prompt return, or if a loss of funds or vouchers occurs.

4.3 Agents of Friendly Foreign Nations

4.3.1. Authority

4.3.1.1. Basic Agreement. DoD DOs may advance cash to DOs, cashiers, or other members of a friendly foreign nation's armed force to disburse pay and allowances to their members if the President has made an agreement with the foreign country pursuant to ***10 U.S.C. § 2396(b)(2)***. An advance may also be used to allow that armed force to purchase necessary supplies and services under a basic intergovernmental agreement negotiated in accordance with ***DoD Instruction 5530.03***, International Agreements, to include coordination with the Combatant Commander involved, the U.S. Ambassador or Chief of Diplomatic Mission, the DoD General Counsel, and the governments of the friendly foreign nation and the United States.

4.3.1.2. Supplemental Agreement. A supplemental agreement establishes:

4.3.1.2.1. The type of personal identification required for a DO or individual member when drawing an advance of funds;

4.3.1.2.2. The maximum amount that may be advanced to an individual;

4.3.1.2.3. Protection for the lender nation against loss from fluctuating exchange rates;

4.3.1.2.4. The address of the respective settlement offices to which the lender nation DO forwards receipts for fund advances with requests for reimbursement;

4.3.1.2.5. Procedures for local settlement when feasible or, if not feasible, between the signatory nation's representatives in Washington, DC, or another designated location;

4.3.1.2.6. That settlement may be in cash or by check, and in the type of currency used to make the advance. Make settlement in the lender nation's medium of exchange (when possible); and

4.3.1.2.7. Other provisions local conditions may require.

4.3.2. Conditions. A DO advances cash only against the signed receipt of the individual member of the armed force receiving the advance for the following purposes and under the following conditions:

4.3.2.1. To a DO of an armed force of a friendly foreign nation wanting to provide pay and allowances for troops or purchase necessary supplies and services. The DO must present proper personal identification and the unit must be serving in an area where personnel temporarily are unable to obtain funds from their own nation; or

4.3.2.2. To individual armed force members of a friendly foreign nation in need of funds, serving in an area temporarily separated from their units and the DO of that force is not available to make payments. These individuals must be identifiable as members of an armed force of a friendly foreign nation with which an intergovernmental agreement for advances exists.

4.3.3. Documentation. The receipt must include the name, rank, service number, title, organization, and country of the individual receiving the advance; purpose for which the advance is needed; type and amount of currency to be advanced; prevailing rate of exchange to one USD at the time the advance is made, if applicable; and name, rank, organization, and address of the DO making the advance.

4.3.4. DoD Rewards Program to Assist in Combating Terrorism

4.3.4.1. Authority. Payment of rewards to assist in combating terrorism is authorized by ***10 U.S.C. § 127b*** (also see Volume 12, Chapter 17, paragraph 1.2). When payment of these rewards by U.S. personnel is not practical, DOs may advance cash to agents of friendly foreign nations' armed forces to make the payments. The international agreement and authorities in subparagraph 4.3.1.1 do not apply.

4.3.4.2. Controls. Agents of friendly foreign nations appointed under Chapter 2, section 7.0 are agents of the DOs who advance cash to them. Commanders and DOs have the same oversight and internal control responsibilities regarding these agents as they do for U.S. PAs. DOs may advance cash to properly appointed PAs only in amounts required to pay specific approved reward payments to identified payees.

4.4 Change Funds

4.4.1. Authorization. When the operation of a clothing sales store, government laundry, or other appropriated fund activity engaged in selling property or services requires cash for making change, the activity's officer in charge requests that the commander establish a change fund. After approval, the commander or designee appoints a change fund custodian. The appointing document specifies the amount of cash to be advanced by the DO or DO's agent, who issues written instructions to the custodian when advancing the change fund covering the custodian's responsibilities for safeguarding the cash and their pecuniary liability for losses. The DO or agent providing disbursing service to the installation or activity where the sales activity is located provides the authorized change fund advance and records the advance in their accountability as cash in the custody of government cashiers.

4.4.2. Fund Limit. A change fund may not exceed $250 for each cash register operated in an activity. When a cash register has more than one drawer, each drawer may be considered as a register. The commander may authorize additional amounts consistent with good cash management principles. Upon approval of the commander, authorized collecting agents may also be change fund custodians to facilitate making change.

4.4.3. Fund Increases. A commander may authorize an additional $50 for each cash register, and an amount not to exceed $500 for each accountable medical services' change fund custodian. For extended operations (e.g., Sunday operations), a commander may approve an additional amount up to $50 per cash register when there is limited or no banking support.

4.4.4. Documentation. The DO or agent prepares a DD 1081. The change fund custodian signs and returns the original to the DO or agent for the amount of funds advanced. The change fund custodian returns all cash to the DO or agent upon termination of their appointment and prepares a DD 1081 to document the return. The DO or agent acknowledges receipt of the cash by signature on the duplicate copy of the DD 1081 and returns it to the custodian. A DO or agent may recall a change fund when it is necessary to verify the DO's or agent's cash. On completion of such verification, the DO or agent re-advances the funds to the change fund custodian. Also, unannounced inspections, including cash counts of change funds, are required at least quarterly by the cash verification team.

4.4.5. Change Fund Irregularities. The custodian follows Chapter 6, Table 6-1 and informs the officer who advanced the funds immediately of any fund irregularity (e.g., shortage or overage).

4.5 Imprest Fund Cashiers

Imprest funds are authorized only as an exception to this volume. See Chapter 2, section 9.0.

5.0 SHIPMENT OF PUBLIC FUNDS

5.1 Authority and Methods

5.1.1. Authority. Shipment of valuables is authorized by the Government Losses in Shipment Act (***40 U.S.C. Chapter 173***). Shipments are insured under this authority; do not purchase supplementary insurance.

5.1.2. Authorized Purposes. A DO is authorized to ship public funds to deposit into an official checking account; deliver funds to another DO as an exchange-for-cash transaction; ship damaged or mutilated currency (see subparagraph 5.7.2); and obtain funds from a bank or another DO by exchange of a check-for-cash.

5.1.3. Methods of Shipment. Ship public funds in a manner that provides the greatest possible protection against risk of loss, destruction, or damage to the funds:

5.1.3.1. Public funds may be shipped by registered mail or courier, office messenger, government conveyance, railway express, contract armored car service, or as cargo via Air Mobility Command (AMC) signature security service, depending upon availability of means of transit. The normal methods are registered mail and AMC cargo;

5.1.3.2. Shipment by registered or certified mail is preferred in the case of checks, drafts, and money orders. Shipment by courier is preferred in the case of currency and coin;

5.1.3.3. Do not use certified mail to ship currency and coin. Use shipment by government conveyance or railway express only in the case of currency or coin of excessive weight or bulk; and

5.1.3.4. Transfers between DOs afloat using airlift (helicopter) or high-line is also authorized during underway replenishment at sea; attach a buoy or other reliable floatation device to the container to aid in recovery that may be required.

5.1.4. Record of Shipment. In addition to accounting documents required in the case of transfers and deposits of public funds, and to provide the record required by Treasury regulations, describe each shipment of funds in detail on a DD 165, Shipment of Funds.

5.2 Shipment of Funds

5.2.1. DD 165. Use a DD 165 to ship coin or currency, regardless of the amount. This form is not required for shipments for deposit to the Treasury or to a bank if the shipment consists only of checks and money orders, and the record of instruments deposited required by Chapter 11, section 8.0 is otherwise maintained. In addition to the retained copy of the DD 165, the shipping DO keeps the registry or other carriers' receipts and any other documents incident to the shipment until assured that the shipment has been completed and no claims actions will be initiated.

5.2.2. Distribution of DD 165

5.2.2.1. Include the original and duplicate with the shipment.

5.2.2.2. Send a copy by mail directly to the consignee as a notice of shipment when the amount equals or exceeds $10,000.

5.2.2.3. The shipping officer keeps a copy. This copy bears the DO's and verifying witnesses' original signatures to substantiate any claim for loss in shipment.

5.2.3. Shipment by Registered Mail or as Cargo via AMC. When shipment is by registered mail or as cargo via AMC, show the registry number and the date the shipment was delivered to the post office or terminal on all copies of the DD 165. Whenever feasible, limit single shipments to $250,000. Package registered mail and AMC shipments to prevent breakage in transit. For registered mail shipments, the appropriate postal official signs the shipping officer's copy in the space beneath the block "Delivery Date and Time." Advice as to adequate packaging is available from military post offices.

5.2.4. Shipment by Courier. When shipment is by courier or office messenger, the shipping DO encloses the funds in a securely sealed envelope, moneybag, or other suitable container bearing the name and address of the consignee. Any Armed Forces member on active duty, DoD civilian employee, or individual serving as a courier for the Department of State may serve as courier for delivery of funds represented by currency, checks, drafts, or money orders. The courier takes all practicable precautions to protect the shipment. The courier signs the copy of the DD 165 retained by the shipping officer in the space beneath the block "Delivery Date and Time" as a receipt for the shipment.

5.2.5. Shipment by Office Messenger. When shipment is through a message center, an authorized message center official enters the registry number in the "Delivery Date and Time" space on the shipping officer's retained copy of the DD 165. Upon receipt of the shipment, the consignee, after verifying the contents of the shipment, signs the original DD 165 in the last signature block and returns it to the shipper as a receipt. The consignee also signs a copy of the DD 165 in the space beneath "Delivery Date and Time," gives it to the courier as a receipt for the shipment, annotates the advance copy providing notice of shipment to indicate the date of receipt, and keeps it with retained records. If the services of an office messenger are used, the messenger also signs the consignee's retained copy in the block for "Delivery Date and Time."

5.2.6. Shipment by Government Conveyance. When the shipment is of such weight or bulk as to make other methods of shipment impracticable, government conveyance may be used. The DO makes necessary arrangements for the shipment and receives the bill of lading for delivery with the shipment. In all cases, the DO is the shipper and the consignee is responsible for the receipt of the funds. The DO is responsible for direct delivery to the carrier and obtaining a receipt on a copy of the bill of lading.

5.2.7. Shipments by Armored Car Service

5.2.7.1. Authority. Shipment of funds by commercial armored car service is authorized when it is cost effective and offers the greatest protection against loss. Charge the cost to the operations and maintenance or working capital funds available to the DO.

5.2.7.2. Obtaining Funds From Banks. Since FRBs comply with Treasury regulations in making shipments of money, funds may be obtained by sending them an exchange-for-cash check with instructions for delivery of the funds in the desired denomination to an armored car carrier. When funds are obtained from a bank other than an FRB, the DO accepts the funds at the bank and turns them over to the armored car carrier for transport.

5.3 Action by Consignee

5.3.1. Consignee. On receipt of a copy of a DD 165 as notice of shipment, the consignee is the intended recipient or authorized official designated by the activity receiving shipment and is responsible for arrangements to receive the shipment. On receipt, the consignee ensures that the shipment is opened and inspected by one or more responsible employees. The consignee signs the original DD 165 and returns it to the shipping officer as a receipt. If a courier made the shipment, the consignee signs and returns a copy of the DD 165 to the courier as an acknowledgment of receipt of the shipment.

5.3.2. Funds for Deposit. When the shipment represents funds for deposit, the consignee completes the deposit ticket and returns the required copies to the DO. The consignee immediately advises the shipping officer of any difference between the amount and quantity listed on the copy of the DD 165 and in the actual shipment at the time of opening. If the shipment fails to arrive in due course, the consignee immediately notifies the shipping officer, the post office, or office of other carrier through which delivery was arranged. The consignee also immediately notifies the shipping officer of any damage to the shipment. All findings of the consignee in such cases are a matter of record subject to inspection in connection with any necessary investigation.

5.4 Action by Consignor

The consignor (shipper) takes prompt action to trace a shipment of funds for which a signed DD 165 is not received within a reasonable time. The consignor initiates telephone or message contact with the consignee to ensure compliance with paragraph 5.3.

5.5 Losses in Shipment

Accountability for public funds rests with the consignor until the consignee has received and verified all cash listed on the DD 165. If funds shipped as prescribed are lost, destroyed, or damaged, the shipping officer sends an immediate written report to the Bureau of Public Debt (BPD), Division of Financial Management, Department of the Treasury, Room 201, PO Box 1328, Parkersburg, WV 26106-1328. The shipping officer also notifies the agent in charge of the nearest U.S. Secret Service (USSS) office, the appropriate investigative service, the local post office, or local office of the carrier service used to place a tracer on the shipment, and takes such other action

as may be necessary to facilitate recovery. The shipping officer sends a copy of the report to the consignee and DFAS Indianapolis, ATTN: (DFAS-ZPTC/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0500 or email to dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil. If the loss, destruction, or damage is $10,000 or more, or delay in reporting might delay the government's recovering the shipment, the shipping officer sends the report with written confirmation that includes the:

5.5.1. Date of shipment;

5.5.2. Amount and type(s) of the valuables lost, destroyed, or damaged;

5.5.3. Name and address of the consignee;

5.5.4. Method of transportation, name of the carrier, and location of the carrier's office from which shipment was made;

5.5.5. Registry or other receipt number; and

5.5.6. Cause of the loss, destruction, or damage, if known.

5.6 Recovery Action

5.6.1. Accountability. Recovery action is the responsibility of the officer accountable for the lost or damaged shipment. When an exchange-for-cash check has been issued, this responsibility and accountability rests with the shipping bank or DO (consignor). Accountability for the check remains with the check-issuing DO (consignee), who reports the amount on the SF 1219 as funds in transit. The consignee determines the shipping officer's actions and monitors the subsequent investigative process.

5.6.2. Cash Lost in Transit. For cash lost in transit to a depositary, accountability rests with the shipping DO, who takes the reporting and recovery actions required following Chapter 6, section 4.0. The shipping DO records the loss of funds on Line 7.3, Losses of Funds, on the SF 1219. If the DO is reassigned before recovery can be affected, the relieving DO does not take responsibility for the loss, but records it on Line 9.3, Losses of Funds, on the SF 1219. The relieving officer also ensures that necessary claims are properly filed, and that the proceeds from the claims are properly applied against the loss.

5.6.3. Checks and Money Orders. The DO acts to recover the amount of lost negotiable instruments following Chapter 11, subparagraph 8.3.8. If this recoups the full amount of a lost deposit, do not file the claims described in subparagraphs 5.6.4 or 5.6.5. If it does not result in full recovery, the DO may request relief of liability for the unrecovered portion, supported by copies of all correspondence pertaining to the unsuccessful recovery action (see Chapter 6, section 6.0).

5.6.4. Claim for $100 or Less Against U.S. Postal Service (USPS). USPS liability in the case of lost cash shipped by registered mail is generally limited to shipments of $100 or less, and only the consignor (mailer) may file a claim for a lost shipment. The consignor may file a claim for damage or partial loss using Postal Service (PS) Form 1000, Domestic or International Claim. The accountable DO obtains a copy of the form as a means of tracing the shipment; such a filing does not constitute a claim. If a DO files a claim online at the USPS website, the PS 1000 is not required.

5.6.5. Claim in Excess of $100 Against the Treasury. The DO sends claims for the value of lost currency shipments exceeding $100 to Secretary of the Treasury through the supporting DFAS site. The DO ensures:

5.6.5.1. The proof of claim includes satisfactory proof of loss, destruction, or damage. The claim must include the original DD 165, which will be returned after adjustment of the claim. The DO ensures that all applicable blocks on the form are complete and the form is signed or the BPD will not process the claim. The consignor (shipping officer) submits a statement concerning the loss, destruction, or damage to the shipment or any part thereof.

5.6.5.2. If the consignee receives a shipment with contents not intact, the statement describes the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. The claim must also include affidavits covering the loss, destruction, or damage to the shipment from the consignee and the carrier, as well as statements and recommendations of the investigating officers.

5.6.5.3. In the case of lost shipments for which an exchange-for-cash check was issued to an FRB or another DO, the check-issuing DO requests that the shipping officer provide copies of all documentation. All necessary and reasonable steps to recover the lost, destroyed, or damaged shipment must continue after filing the claim. DOs ensure that all recoveries and refunds received following favorable consideration of the claim are turned over to the Treasury. See ***Title 31, Code of Federal Regulations (CFR), part 361*** for claims under the Government Losses in Shipment Act.

5.6.6. Restitution and Relief. The BPD grants claims for relief for lost, damaged, or destroyed shipments only if the shipping officer strictly followed prescribed procedures. If a claim is denied, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability following Chapter 6, section 6.0. The request will be adjudicated according to Chapter 6, section 7.0 and U.S. laws and regulations applicable to accountable official liability. If a claim is approved, the BPD sends a refund via the Intra-governmental Payment and Collection (IPAC) system. The DO must provide an agency location code before transmission. If no IPAC capability exists, contact the supporting DFAS site.

5.7 Unfit U.S. Currency and Coin

5.7.1. Responsibility for Cancellation and Destruction. Under ***12 U.S.C. § 413***, the Secretary of the Treasury is responsible for the cancellation and destruction of U.S. currency unfit for circulation. The Secretary has, under ***31 U.S.C. § 321(b)(2)***, delegated these responsibilities to the Treasurer of the United States, who subsequently re-delegated them to the Director of the Bureau of Engraving and Printing (BEP). There are no further re-delegations.

5.7.2. Mutilated Currency

5.7.2.1. At least three disinterested persons must inventory damaged or mutilated U.S. currency or fragments thereof recovered from inadvertent wartime destruction or peacetime catastrophes affecting DoD property and personnel (e.g., aircraft crashes, ship sinking, building explosions, chemical spills). These persons normally can determine the value of the currency, but if they cannot, the DO sends a ***BEP Form 5283***, Request for Examination of Mutilated Currency for Possible Redemption, and the currency to the BEP for determination of value. Form and shipping instructions are available on the BEP web page. Insure the shipment and request a return receipt.

5.7.2.2. Package the unfit currency as follows:

5.7.2.2.1. Regardless of the condition of the currency, do not disturb the fragments more than necessary.

5.7.2.2.2. If the currency is brittle, pack it carefully in suitable cushioning material, and box it as found, without disturbing the fragments any more than necessary.

5.7.2.2.3. When possible, leave mutilated currency that was in a purse, box, or other container as is to prevent either further deterioration or loss of the fragments.

5.7.2.2.4. If it is necessary to remove the fragments from the container, send the container with the currency and any other contents found.

5.7.2.2.5. If the money was flat when mutilated, do not roll or fold it.

5.7.2.2.6. If the money was in a roll when mutilated, do not attempt to unroll or straighten it.

5.7.2.2.7. Carefully remove coins or any other metal that may be mixed with the currency. Do not send coins or other metal in the same package with mutilated currency, as it may further damage the currency.

5.7.2.2.8. Send properly packaged currency to the BEP by registered mail (see subparagraph 5.7.2.1) with return receipt requested. Because the BEP issues written confirmation for cases that it expects to take longer than eight weeks to process, DOs should include a specific request to receive a written confirmation. A DO not receiving confirmation during this time initiates follow-up procedures with the BEP by email at mcdstatus@bep.gov or by telephone at (866) 575-2361.

5.7.3. Mutilated Coins. U.S. coins that are bent, broken, not whole, or fused and melted together are "mutilated." For additional information on mutilated coins, see the guidance under, ***31 CFR 100, Subpart C***. Refer questions on the disposition of mutilated or contaminated coins to the U.S. Mint's Office at (800) 872-6468, or contact DFAS-ZPTA/IN.

5.7.4. Worn Coins. Any FRB or branch will redeem at face value U.S. coins that are worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable and machine countable.

5.7.5. Contaminated Currency

5.7.5.1. Contaminated currency is that which has been damaged by or exposed to contaminants or poses a health hazard or safety risk and cannot be processed under normal operating procedures. This does not apply to currency that has been exposed to a bio-terrorist agent (either biological or chemical). Contamination may result in currency emitting offensive odors and displaying mold-like conditions, and may be caused by the following:

5.7.5.1.1. Prolonged exposure to water or other liquids;

5.7.5.1.2. Exposure to blood, urine, other bodily fluids, or feces, including removal from any body cavity, corpse, or animal;

5.7.5.1.3. Exposure to sewage;

5.7.5.1.4. Exposure to any foreign substance or chemical, including dye-packs, which may pose a health hazard or safety risk; or

5.7.5.1.5. Mold or mildew.

5.7.5.2. The DO contacts the BEP by email at mcdstatus@bep.gov or by telephone at (866) 575-2361 to arrange an on-site BEP review or to obtain disposition instructions.

6.0 WEAPONS-FOR-CASH PROGRAM

6.1 Authorization

The weapons-for-cash program requires Secretary of Defense authorization. The senior operational commander provides funding authorization for weapons procurement. The total amount advanced to PAs under this program may not exceed this authorization. Before providing additional funds, the commander must adjust the authorization.

6.2 PAs

Use PAs to ensure successful operation of the program (see Chapter 2, paragraph 7.4). The DO advances cash following paragraph 4.2 in the currency of the country involved, referring to Chapter 13, section 3.0 for guidance on obtaining the required foreign currency.

6.3 Weapons Purchases

Proper accounting is required for each disbursement. Use a ***SF 44***, Purchase Order-Invoice-Voucher, or other available chain-of-custody type receipt. Each seller's receipt must include the seller's name and (if possible) identification number, weapon description and serial number, and amount disbursed. The PA ensures the seller's signature appears on the receipt. Prepare the original and three copies of the disbursement document (seller's receipt). Provide the original and one copy to the DO, attach one copy to the weapon (for inventory control), and give one copy to the seller.

6.4 Clearing or Replenishing the PA's Account

A PA prepares a DD 1081 for the total amount of all disbursement document vouchers turned in, which includes the original and one copy of each document (receipt), any residual cash advanced from the DO or designated representative, and a copy of the approval to establish a weapons-for-cash program. If replenishment of a PA's account is necessary, the PA prepares the DD 1081 as prescribed and submits it to the supporting DO who replenishes the PA's account for the approved amount shown on the DD 1081, subject to paragraph 4.2.

7.0 COUNTERFEIT OR ALTERED U.S. CURRENCY

7.1 Detected Before Acceptance

A DO confiscates U.S. currency presented for exchange or payment of an obligation to the United States that he or she determines is either counterfeit or altered, gives a receipt indicating the type, denomination, and amount of the confiscated currency to the person presenting it, and obtains information from that individual regarding the currency's source. The DO delivers the currency, by letter of transmittal with all available information, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. Since such currency is suspect, no entries in the DO's accounts are required.

7.2 Detected After Acceptance

7.2.1. Reimbursement Obtained. Upon discovering counterfeit currency, the DO requests reimbursement from the source from which received and follows paragraph 7.1. No loss to the DO accrues, and no entries in the DO's accounts are required.

7.2.2. Reimbursement Not Obtained. If the source of counterfeit currency is unknown, or is known but reimbursement is not obtained, the DO delivers the currency, with a detailed report of all known circumstances, to either a representative of the appropriate investigative service (if available), or the nearest military security agency, obtaining a receipt in either case. Send the currency receipt with a signed copy of the DO's report by memorandum stating the reason why reimbursement was not obtained through the DO's commander to DFAS-ZPTC/IN, and report it on the SF 1219 as a physical loss of funds.

7.3 Detected After Depositing with Bank

When a bank operating a Treasury General Account (TGA) notifies a DO that the currency deposited by the DO is suspected to be counterfeit, the DO reimburses the TGA for that currency and obtains a receipt with the currency's description, stating that the currency is suspected to be counterfeit and has been withdrawn from circulation. The TGA surrenders any suspected counterfeit currency to the USSS and provides depositors with a photocopy of Secret Service Form 1604, Counterfeit Note Report, or any other documentation. The DO contacts the USSS to ascertain if the surrendered currency is counterfeit and must ensure that the TGA processes a deposit ticket for the amount of surrendered currency that the USSS determines is not counterfeit and credit the amount of the deposit ticket to the appropriation that funded the loss. Report the amount the USSS determines as counterfeit on the SF 1219 as a physical loss of funds.

7.4 Miscellaneous Cases

Send a description of any unusual counterfeit currency situation not specifically covered in section 7.0 to DFAS-ZPTA/IN for disposition instructions.

8.0 EMERGENCY DISPOSITION

8.1 Contingency Plans

DoD Component heads must develop and maintain contingency plans and standby procedures to dispose of cash and other assets under emergency conditions. These plans should address emergency conditions, emergency destruction, sudden destruction, and accounting for cash and other assets destroyed. They must include internal controls to minimize the potential risks of fraud, waste, and abuse. Emergency operations include, but are not limited to, combat and peacekeeping operations, humanitarian assistance efforts, noncombatant evacuation operations, disaster relief efforts, and disposal of contaminated cash.

8.2 Policy

8.2.1. Emergency Conditions. Under conditions that may require the evacuation, disposal, or destruction of cash and other assets, commanders execute their contingency plans. DOs or their designees will have to evacuate cash and other assets under these conditions (e.g., in anticipation of enemy action) to a designated safe haven (e.g., secured vaults or safes).

8.2.1.1. Cash and Other Assets. Upon initial notification of a threat that may require the destruction of cash and other assets, the DO, DDO, or other designee should determine cash requirements, recall or purchase excess cash, and evacuate it and other assets held at personal risk to a designated safe haven. If the DO, DDO, or commander determines that capture of these assets is possible, secure them in a manner that will minimize the risk of capture or destroy them following subparagraph 8.2.2.

8.2.1.2. Combustible Materials. If capture of funds is inevitable, burn paper currency, checks, and other burnable documents completely to ashes. If this is not possible, use chemical decomposition, shredding, or pulping. The alternative methods must render the items non-negotiable by completely destroying their original character and appearance.

8.2.1.3. Solid Substances. Dispose of coins and other valuable non-burnable items by scattering in deep bodies of water or physically destroying when possible. When no suitable bodies of water are present, discretely bury these items in the ground. Coins may also be fused or mutilated to make them unrecognizable. Fragment and scatter bars, ingots, and other units of precious or valuable substances, making their recovery impossible or at least uneconomical.

8.2.2. Emergency Destruction

8.2.2.1. Preparation

8.2.2.1.1. DOs and Their Agents. If time permits, the DO/DDO prepares the following forms or documents for the various disbursing media identified.

8.2.2.1.1.1. U.S. Currency. The DO/DDO prepares an original and three copies of a DoD ***(DD) Form 2669***, Destruction Schedule for Currency, for all U.S. currency to be destroyed, noting the reason in the space provided. For full or partial packages of new currency, note the beginning and ending serial numbers of each denomination. Destruction must be witnessed by three persons who are either U.S. commissioned or noncommissioned officers, or U.S. Government civilian employees who are U.S. citizens. The DO/DDO may serve as the third witness if one of the other two witnesses is senior in rank to the DO/DDO. Witnesses must enter their name, rank or grade, and signature in the spaces provided. A DO/DDO serving as a witness completes block 5 and the applicable section of block 8. Indicate the method of destruction in the space provided for the witnesses' certifications.

8.2.2.1.1.2. U.S. Coin. The DO/DDO prepares a DD 2669 for U.S. coin to be destroyed, including the same type of information required for U.S. currency, but listing the denominations and value of each denomination to be destroyed. The DO/DDO will cross out the preprinted denominations of paper currency and enter the coin denominations. Also, cross out "currency" and write "U.S. coin" immediately above it in both the DO's/DDO's and witnesses' certification blocks (see subparagraph 8.2.2.1.1.1).

8.2.2.1.1.3. Check Stock. The DO/DDO prepares a listing (original and three copies) of the U.S. Treasury and LDA check stock to be destroyed, indicating the range (from and through) of check numbers for each series of checks maintained. See subparagraph 8.2.2.1.1.1 for destruction guidance.

8.2.2.1.1.4. Foreign Currency and Coin. The DO/DDO prepares a DD 2669 for foreign cash to be destroyed. Modify the appropriate areas of the form to identify the different denominations, prepare separate forms for currency and coins, and separate forms for public funds and those held for safekeeping (see subparagraph 8.2.2.1.1.1).

8.2.2.1.1.5. Signature Media. See subparagraph 8.2.1.3.

8.2.2.1.2. Nonappropriated Fund (NAF) Custodians and MBF and Other DoD-Sponsored Activity Managers. These activities may periodically exchange cash that exceeds day-to-day requirements for a U.S. Treasury check to reduce currency susceptible to loss.

8.2.2.1.2.1. U.S. Cash. When ordered by the commander, these activities deliver their U.S. cash to the nearest DoD DO/DDO in exchange for a U.S. Treasury check. The DO is then accountable for the cash. If an exchange cannot be made, the activity custodians or managers prepare a destruction schedule similar to the DD 2669 and, after verification, burn the currency to ashes in the presence of at least one activity representative and two U.S. commissioned or noncommissioned officers or U.S. Government civilian employees (see subparagraph 8.2.2.1.1.1).

8.2.2.1.2.2. Foreign Cash. If necessary to destroy foreign cash, the appropriate authority (e.g., NAF custodian, MBF, or other activity manager) transports it to the nearest DoD DO/DDO and exchanges it for a receipt stating that the foreign currency is being accepted for safekeeping and that neither the DO/DDO nor the U.S. Government is accountable for loss or destruction as a result of the existing emergency (see Chapter 16, section 2.0). A DO/DDO, having accepted the currency and coin, needing to use it to meet operational requirements, issues a U.S. Treasury exchange-for-cash check to the appropriate authority for the USDE of the foreign funds purchased. If destruction becomes necessary and time permits, the DO/DDO prepares a DD 2669. When an exchange cannot be made, the appropriate authority prepares a destruction schedule similar to the DD 2669 and after verification, burns the currency to ashes. See subparagraph 8.2.2.1.1.4 to dispose of foreign coin.

8.2.2.2. Precedence. DOs/DDOs in areas of elevated tension should anticipate the possibility of emergency destruction and maintain procedures to rapidly inventory and destroy their cash and other assets. If there is not enough time to destroy all funds held by the DO/DDO, prioritize the destruction as follows:

8.2.2.2.1. U.S. and foreign cash, and negotiable instruments carried as cash in the DO's accounts;

8.2.2.2.2. Blank U.S. Treasury checks;

8.2.2.2.3. Blank LDA checks;

8.2.2.2.4. Currency, negotiable instruments, and other valuables held for safekeeping;

8.2.2.2.5. Coins; and

8.2.2.2.6. Other valuables (e.g., signature media).

8.2.3. Sudden Destruction. When currency and coins are destroyed by explosion, fire, sinking of a vessel, or aircraft accident, the accountable DO prepares a written statement identifying the circumstances under which the destruction occurred and sends it with a request for relief of liability to DFAS-ZPTC/IN. If the DO does not survive the disaster that destroyed the funds, the officer designated to settle the account acts on the DO's behalf by reconstructing the accountability of the DO and initiating the appropriate requests for relief.

8.2.4. Accounting for Destroyed Cash and Other Assets. DOs account for destroyed currency, coin, and negotiable instruments that were held as public funds by entering on the DD 2657 and the SF 1219 and attaching copies of the supporting DD 2669 to both forms.

9.0 SAFEKEEPING U.S. SAVINGS BONDS

See Volume 7A, Chapter 43, paragraph 2.4.

Figure 3-1. Suggested Average Daily Cash Requirement

Foreign Currency Cash or Limited Depositary Account (LDA) Balance Requirements Example[1,6] (Separately calculate cash and local depositary accounts for each location)	
a. Value of Monthly Disbursements, Local Currencies (last 3 months average)[2]	$299,420
b. Value of Accommodation Exchange, Local Currencies (last 3 months average)	63,170
c. Value of Monthly Cash Collections, Local Currencies (last 3 months average)[3]	-19,086
d. Value of Monthly Reconversions, Local Currencies (last 3 months average)	-4,830
e. Value of Monthly Local Currency Checks Cashed (last 3 months average)	4,830
f. Average Net Monthly Local Currency Requirements (a+b-c-d+e)	$343,504
g. Number of Business Days per Month[4]	20
h. Average Number of Business Days Required to Obtain Local Currency	3
i. Contingency/Static Requirements (Command Determination)[5]	20,000
j. Value of Average Currencies Required per Business Day (f/g)	17,175
k. Value of Average Currencies Required based on Replenishment (h*j)	51,525
l. Burdensharing Funds (If Applicable)	0
m. Value of Total Local Currency Holding Authority (i+k+l)	$71,525
U.S. Dollars (USD) Balance Requirements Example[6]	
n. Monthly USD Cash Disbursements (last 3 months average)	$333,407
o. Monthly USD received: Foreign Currency Accommodation Exchange (last 3 month average)	27,645
p. USD Checks Cashed on Accommodation Exchange (last 3 months average)	26,025
q. Monthly USD Cash Collections (last 3 months average)	-27,375
r. Monthly USD Cash Disbursed on Reconversions (last 3 months average)	-2,100
s. USD checks cashed (accommodation exchanges)	-43,690
t. Average Net Monthly USD Requirements (n+o+p-q-r-s)	$313,912
u. Number of Business Days per Month[4]	20
v. Average Number of Business Days Required to Obtain USD	5
w. Contingency/Static Requirements (Command Determination)[5]	30,000
x. Average USD Required per Business Day (t/u)	15,696
y. Average USD Required based on Replenishment (x*v)	78,480
z. USD CHA (w+y)	$108,480
aa. Total CHA (m+z)	$180,005

Figure 3-1. Suggested Average Daily Cash Requirement (Continued)

Notes:
[1]Maintain LDAs with checkbook balances as close to zero as possible by forecasting payment requirements in enough time to order currency to correspond with the payment due date. See Chapter 14.
[2]Value based on Monthly Worksheet Calculations.
[3]A higher CHA will be required if collections exceed disbursements. It is generally not cost effective to reconvert currency that may be required for disbursements in the near term.
[4]When recurring variance in demand occurs due to events such as paydays, compute a separate CHA for these periods and exclude it from normal non-peak calculations.
[5]Contingency requirements generally reflect emergency cash needs for operational missions or due to large fluctuations in demand that cannot be forecast in advance. Static requirements reflect subordinate agents, imprest funds, or contractual arrangements such as debit card pool accounts or MBF contingency cash. Validate agent requirements based on usage and frequency of returns/replenishment.
[6]See also subparagraph 2.3.1.

VOLUME 5, CHAPTER 4: "ACCOMMODATION EXCHANGE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.3.11.	Clarified guidance based on Title 31, United States Code, section 3342(b)(8).	Revision

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CHAPTER 4

ACCOMMODATION EXCHANGE

1.0 GENERAL

1.1 Overview

If adequate banking facilities are not available to provide personal check cashing and other accommodation exchange services, DoD Disbursing Officers (DOs) may provide these services within the guidance of this chapter.

1.2 Purpose

The purpose of this chapter is to provide policy on check cashing and other accommodation exchange services. This includes exchange of cash for negotiable instruments (including personal check cashing), eligibility for check cashing services, internal controls, accountability, and removal of deficiencies.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3342 (***31 U.S.C. § 3342***) allows DOs to provide check cashing and accommodation exchange services when authorized by the appropriate commander (i.e., a theater commander, base or installation commander, commanding officer or officer-in-charge, director of a supporting Defense Finance and Accounting Service (DFAS) site, or equivalent civilian head in the DO's chain of command) for eligible individuals (see paragraph 2.3).

2.0 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS

2.1 Policy

2.1.1. In the United States, a commander may request the Director, DFAS or designee to authorize a DO to cash negotiable instruments. Submit requests, with justification, to DFAS, Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050.

2.1.2. In overseas areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments. The command must have a written check cashing policy approved by the theater commander or designee identifying the services to be offered and identifying the personnel eligible to receive them. The policy must provide that the DO may deny check cashing privileges to anyone based on the non-availability of cash or personnel resources. Resources must be available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

2.2 Negotiable Instruments

A DO may cash U.S. Treasury checks, money orders, traveler's checks, third-party checks, state and local government checks, credit card checks, business checks, and personal checks payable in U.S. dollars for eligible payees. These instruments may be processed through the Over-the-Counter Channel Application (OTCnet) (see Chapter 11, paragraph 8.1). The DO accountability is not affected until the checks are reported in Treasury's OTCnet. Ensure that the appropriate DO Cash Treasury Account Symbol (TAS) is utilized along with the appropriate Business Event Type Code (BETC) when depositing accommodation exchange transactions.

2.3 Eligibility

Personnel permanently assigned to units in the area served by the DO are eligible for check cashing services. These include:

2.3.1. Members of the U.S. Armed Forces;

2.3.2. Civilian employees of the U.S. Government who are U.S. citizens;

2.3.3. A veteran hospitalized or living in an institution operated by an agency;

2.3.4. Contractors and their employees engaged in U.S. Government projects if the contractor is a U.S. firm and the employee is a U.S. citizen:

2.3.4.1. The company's on-site representative must furnish the DO with a list of employees authorized to cash personal checks and enter into a written agreement. The agreement must stipulate that the DO will suspend check cashing privileges for that company's employees if the DO receives a dishonored check written by a company employee and the DO cannot collect for the dishonored check; and

2.3.4.2. The DO will notify the company representative when a dishonored check is received from one of its employees and suspend check cashing services for all the company's employees. The suspension remains in effect until the DO collects on the dishonored check. The check cashing agreement is permanently terminated if the DO is unable to collect the dishonored check within 30 calendar days from the notification to the company representative;

2.3.5. U.S. citizens who are employees of authorized nongovernment agencies operating with U.S. Government agencies, (e.g., the American Red Cross);

2.3.6. Dependents of the personnel named in subparagraphs 2.3.1 and 2.3.2, as defined in 31 U.S.C. § 3342(b)(3)(A)-(B) and the Definitions Chapter.

2.3.6.1. At a U.S. installation at which adequate banking facilities are not available, and

2.3.6.2. Holding proper identification and powers of attorney and who possess valid DoD identification cards; or

2.3.6.3. Ordered to safe haven posts due to emergency evacuation (see Chapter 13, paragraph 3.3 for accommodation restrictions), and

2.3.6.4. In the case of negotiation of negotiable instruments, if the dependent's sponsor (as defined in the Definitions Chapter) authorizes, in writing, the presentation of negotiable instruments to the DO for negotiation.

2.3.7. Third-country national civilian employees under contract to the U.S. Government as contractors or subcontractors employed by U.S. firms engaged in U.S. Government projects in foreign countries with U.S. Treasury checks or U.S. dollar checks issued by the contractors;

2.3.8. A Federal credit union operating on U.S. military installations in a foreign country but only if that country does not permit contractor operated military banking facilities (MBF) to operate on installations;

2.3.9. Personnel on temporary duty/temporary additional duty (TDY/TAD) when approved by a DO's commander. These personnel must provide the DO a copy of their TDY/TAD orders and any other items of identification the DO may require;

2.3.10. An authorized agent, authorized by a properly executed power of attorney, for personal checks drawn on the account of a member; personal checks drawn on joint accounts to which the member is a party; and other checks drawn in favor of the member. The agent must present valid identification during all transactions. Restrictions that apply to benefiting members also apply to their agents under the terms of the executed DoD (DD) ***Form 2761***, Personal Check Cashing Agreement, which serves as a power of attorney; or

*2.3.11. A member of the military forces of an allied or coalition nation who is participating in a combined operation, combined exercise, or combined humanitarian or peacekeeping mission with the Armed Forces of the United States, only if

2.3.11.1. Such disbursing official action for members of the military forces of that nation is approved by the senior United States military commander assigned to that operation, exercise, or mission; and

2.3.11.2. That nation has guaranteed payment for any deficiency resulting from such disbursing official action.

2.4 Internal Controls

Commanders and other individuals in the chain of command are responsible for implementing and maintaining internal controls that preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum:

2.4.1. All instruments are endorsed, "Pay to the Order of the Disbursing Officer, (name of ship, station, activity, unit, disbursing station symbol number, or the DFAS site);"

2.4.2. The payee(s) sign or endorse each instrument in the presence of the DO, a Deputy DO (DDO), the DO's authorized agent, or a cashier;

2.4.3. The identity of the DDO, DO's agent, or cashier cashing the instrument must be clearly identifiable on that instrument, and the person cashing the instrument may be held pecuniarily liable if the instrument is altered or forged. The DO may also be held pecuniarily liable if the instrument becomes nonnegotiable and their identity is not apparent; and

2.4.4. The person cashing a negotiable instrument must properly verify the identity of the person(s) presenting the instrument. Record the payee(s) or endorser(s) identification (e.g., legible name, social security number (SSN), phone number, and identification card number and duty station (if applicable)) on the negotiable instrument. This allows recovery to be made if the instrument is dishonored. A DO may institute an alternate to annotating this information on a check by the use of the DD 2761. Use of the DD 2761 would alleviate concerns of identity theft such as the SSN. Attach a photocopy of the negotiated check to the DD 2761 and file for records retention.

3.0 CASHING PERSONAL CHECKS

3.1 Check Cashing

3.1.1. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent in writing to immediate collection against their pay for the total of any dishonored check. Dishonored checks are not delinquent debts. There is no authority for the DO to assess a service charge (penalty), but recover any insufficient fund charges assessed on the DO by financial institutions. Depending on the circumstances, the DO has two options:

3.1.1.1. Option 1. DD 2761:

3.1.1.1.1. The DO uses this form if the individual's payroll office is unknown or when cashing a check for a civilian employee or an authorized agent of a civilian employee or military member.

3.1.1.1.2. The term "authorized agent," as used on this form, pertains to an individual, usually a dependent, authorized by a power of attorney to cash personal checks on behalf of a member or civilian employee as prescribed in this chapter.

3.1.1.1.3. Proper use of this form precludes the need for a separate power of attorney on behalf of the individual requesting check cashing service. The member or employee appoints an agent by providing a name(s) in the block titled "Authorized Agent," and signs the form. The person cashing the check must verify the agent's signature against a valid form of identification when the check is presented.

3.1.1.2. Option 2. Authorized Statement: A statement stamped on the front of the personal check may be used only for military members and civilian appropriated fund employees.

3.1.1.2.1. If the individual's payroll office is known, the DO may order a rubber stamp in small type to be placed on the front of the check along the top margin or above the bank's name and address (see Figure 4-1). The stamp must state:

"I consent to immediate collection from my pay the amount of this check plus bank charges, if this check is dishonored (individual's initials)."

3.1.1.2.2. The DO (or authorized agent) stamps this statement on the front of the check in the presence of the individual and ensures the individual places his or her initials at the end of the statement to validate immediate collection from the individual's pay account if the check is later dishonored.

3.1.1.2.3. If the stamp is used, record adequate payee identification (verified against a valid identification card) on the negotiable instrument to facilitate recovery if the instrument is dishonored (see section 4.0).

3.1.2. The following items are the responsibilities of DO and their authorized agents when pay account collection for dishonored personal checks becomes necessary.

3.1.2.1. When a military member is in the same DoD Component and the DO maintains the member's account:

3.1.2.1.1. Immediate deduction from the pay account is authorized for the face value of the dishonored check(s) plus any charges assessed against the DO by a financial institution for their processing.

3.1.2.1.2. DO may not use partial payments as a means of resolving a dishonored check.

3.1.2.2. When a military member is from a different Military Service or from the same component and paragraph 3.2 does not apply (e.g., retirees, members on transfer orders, on TDY/TAD, or in any other transitory status):

3.1.2.2.1. When using the DD 2761, the DO makes copies of the form (front and back), certifies on the back that the individual consented to voluntary collection, and sends it to the appropriate component payroll office (see Table 4-1) to affect the pay account deduction and make restitution to the negotiating DO. The payroll office annotates the back of the DD 2761 specifying the action taken for each dishonored check listed:

3.1.2.2.2. When a rubber stamp is used on the face of a check, the DO prepares a DD 139, Pay Adjustment Authorization, by component as follows:

3.1.2.2.2.1. Attach a listing showing each military member's name, DoD Component, SSN, unit or duty station, and check amount(s), along with copies of the check(s) (front and back). If the depositary adds a fee to the amount of the dishonored check, include a copy of the debit voucher to substantiate its inclusion in the total amount of the deduction. Send all required documents to the appropriate payroll office at the mailing address in Table 4-1 to accomplish pay account deduction.

3.1.2.2.2.2. Certify that the military members consented to voluntary collection by typing the following certification statement on the DD 139 in the block titled "Explanation and/or Reason for Adjustment."

> "I certify that these collections are the result of dishonored personal checks cashed by the cited individuals for the amounts stated. Each individual has consented, in writing, that in consideration for cashing the individual's personal check(s), the amount of any check returned unpaid, plus any charges assessed against the DO by a financial institution, for any reason may be collected from the individual's pay."

3.1.2.3. For dishonored personal checks from authorized appropriated fund civilian employees:

3.1.2.3.1. Immediate pay account deductions are authorized for the face value of dishonored checks plus any charges assessed against the DO by financial institutions.

3.1.2.3.2. The DO prepares a ***DD 2481***, Request for Recovery of Debt Due the United States by Salary Offset, attaching copies of the front and back of the check(s), and a copy of the DD 2761, if applicable. If the depositary adds a fee to the amount of the dishonored check, attach a copy of the debit voucher to substantiate its inclusion in the amount of the pay account deduction. Send all documents to the appropriate payroll office (see Table 4-1).

3.1.2.4. When a check is returned for a contract employee, the DO must immediately seek reimbursement from the company employee, as indicated in the employee's company agreement.

3.1.3. When collection action becomes necessary and the payroll office receives a DD 139 or DD 2761 from the DO, the payroll office:

3.1.3.1. Processes the account deduction using normal payroll procedures;

3.1.3.2. When possible, includes a statement similar to, "Consensual collection action for a dishonored check" in the remarks column of the leave and earnings statement; and

3.1.3.3. Annotates, after collection of the debt, the DD 139 or DD 2761 with the action taken for the dishonored check(s) and returns the document together with a certified casual payment voucher. This voucher must be charged to the service member's pay account for the amount of the dishonored check to support the DO's issuance of an exchange-for-cash check payable to the disbursing office holding the dishonored check, to support the Standard Form (SF) 1219, Statement of Accountability.

3.1.4. If a military member or DoD civilian employee is separated or has resigned and cannot be located to make restitution, the DO follows section 5.0.

3.1.5. Writing checks in advance of the availability of funds (floating a check) is illegal. Deny check cashing privileges to individuals who abuse it by writing checks against insufficient funds.

3.1.6. Retain check cashing documents as follows:

3.1.6.1. The DO keeps the original signed DD 2761 for all personal checks honored. See Volume 1, Chapter 9, section 2.0 for records retention policy.

3.1.6.2. For all dishonored checks, keep the original DD 2761 with the dishonored check file until resolved. If the consent statement is stamped on the front of the check and the check is dishonored, the DO, deputies, agents, or cashiers make copies of the front and back (if applicable) of the check. Keep a copy of the check along with a copy of the agreement if the individual is a contractor until the matter is resolved.

3.2 Limitations

3.2.1. Commanders establish maximum amounts for cashing personal checks by authorized personnel and/or their agents. In overseas areas where personnel of two or more Services are operating, the senior commander ensures the existence of a uniform policy to provide check cashing privileges within sound financial management practices. The policy and applicable limits are based on the circumstances of the local economy and cost-of-living. The supporting DO should publish deviations from established command maximum limits for each exception.

3.2.2. The DO provides a copy of an authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient fund checks and associated charges that may be assessed by financial institutions for personal checks they have cashed (see section 4.0). Personal checks being cashed must be drawn in multiples of 5 dollars unless local conditions make that increment impractical. U.S. Treasury checks or checks issued by banks, or other similar financial institutions may be cashed without regard to a dollar amount.

3.2.3. Checks must be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas MBFs operated under U.S. Government contract. Checks must also be payable in U.S. dollars through U.S. banks or credit unions, to include banks located in the Commonwealth of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The DO establishes the days and hours during which check cashing service is available and makes appropriate notification of any changes.

3.2.4. Paragraph 2.3 governs suspension of check cashing privileges for contractors and their employees engaged in U.S. Government projects who have written dishonored checks.

3.3 Exceptions

A DO of a naval vessel may cash personal checks for crew members when the vessel is in a U.S. port and adequate check cashing facilities are neither available nor adequate for nonresidents of the area. A non-tactical disbursing activity in the United States may provide check cashing service when a unit, squadron, or detachment without a DO or disbursing capability is performing TDY/TAD away from its permanent station or homeport where adequate check cashing facilities are not available. This authority applies when units, squadrons, or detachments are engaged in training or exercises that preclude use of available check cashing facilities. For situations not described in section 2.0, a commander may request the Director, DFAS or designee to authorize check cashing services. Submit the request following subparagraph 2.1.1.

4.0 ACCOUNTABILITY FOR DISHONORED CHECKS

4.1 Checks Accepted From External Activities

DOs who accept checks from external activities for the sale or transfer of something of value (e.g., property disposal sales, clothing sales, commissary sales, ships stores, housing offices, or similar activities) which a depositary later returns unpaid on a debit voucher must record the debit voucher on the ***DD 2657***, Daily Statement of Accountability, as a reduction of deposits, prepare a reverse collection voucher as a reduction of reimbursements, and send one copy of the collection voucher and one copy of the dishonored check to the collection activity concerned. All dishonored checks are returned by the Treasury on a debit voucher and automatically classified back to the TAS annotated on the OTCnet deposit ticket. Collection activities are responsible to pursue collection action in accordance with their regulations and Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

4.2 Checks Accepted to Satisfy an Obligation (Debt) Due the United States

Checks accepted from external activities or to satisfy an obligation (debt) due the United States will not impact the DO Cash TAS and will be classified under a program TAS. DOs who accept checks to satisfy a debt to the United States (e.g., overpayment of travel allowances) which later are returned unpaid by a depositary must follow paragraph 4.1. The activity responsible for originating the charge (e.g., military pay, travel pay, or similar entitlement area) reestablishes the debt based on the dishonored check and the reverse collection voucher and pursues collection action in accordance with their regulations and Volume 16, Chapter 2. A DO who is the collecting officer for these types of dishonored checks initiates collection action following Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

4.3 Checks Received as Accommodation Exchange Transactions

Checks accepted in check cashing transactions authorized by 31 U.S.C. § 3342 which are later returned unpaid by a depositary on a debit voucher must be recorded on the DD 2657 as decreases to deposits and increases to dishonored checks receivable. Dishonored checks related to accommodation exchange transactions will impact the DO Cash TAS and stay on the DO accountability until recouped or when the uncollectible receivable is processed for removal from accountability as provided in the Chapter 6, subparagraph 4.2.1.1. Unlike the checks discussed in paragraphs 4.1 and 4.2 consider these as erroneous payments because public funds have been disbursed. DOs pursue collection of these checks following section 3.0 and Volume 16, Chapter 2, section 2.0. If the checks become uncollectible, the DO reports the losses and requests removal of the deficiencies through the Loss of Funds Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTA), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249 (see section 5.0).

5.0 REMOVAL OF DEFICIENCIES

5.1 Request for Removal

5.1.1. Upon notification that a check has been dishonored, start collection action immediately and pursue it through recovery. If the DO has followed the check cashing policy and collection requirements in section 3.0 and Volume 16, Chapter 2, section 2.0, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If the debtor is no longer employed, in the military service, or is an inactive reservist, and all attempts to collect have been exhausted, the DO sends a written request for removal of the deficiency to DFAS-ZPTA (see Figure 4-2) through their command channels. The request must include:

5.1.1.1. The original or a copy of the front and back of the uncollectible check;

5.1.1.2. A copy of the related debit voucher;

5.1.1.3. Copies of the documents presented in section 3.0, to include the latest available information regarding the debtor's location;

5.1.1.4. A copy of the command's check cashing policy;

5.1.1.5. A copy of the one-time authority to exceed the command's normal check amount, if applicable; and

5.1.1.6. A copy of the request for the DFAS payroll site to pursue collection action against the delinquent debtor.

5.1.2. If the DO has followed the check cashing policy and collection requirements in section 3.0 and Volume 16, Chapter 2, section 2.0, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If DFAS-ZPTA approves removal of the deficiency, it sends the requesting DO a memorandum authorizing a charge to Treasury Account Symbol (account) ***6763, Gains and Deficiencies on Exchange Transactions. The removal of deficiency transaction will impact the DO Cash TAS. Process the removal of deficiency with a Classification Transactions and Accountability transaction citing account ***6763 and BETC and the appropriate DO Cash TAS/BETC. The DO sends a copy of the memorandum to the activity to which it submits financial reports. DFAS-ZPTA advises the Debt and Claims Management Office to continue attempts to recover the debt and, if successful, credit the appropriation charged when the deficiency is removed as a result of successful debt recovery processes. If DFAS-ZPTA does not authorize removal of the deficiency, the deficiency cannot be charged to account ***6763, and the DO can either repay the loss or request relief of liability as prescribed in Chapter 6, section 6.0.

5.2 Lost Dishonored Check

If a dishonored check held in the disbursing office is lost, consider it a physical loss of funds (see Chapter 6, section 4.0).

5.3 Forgeries and Other Unusual Cases

If a forged check is processed and paid, a loss of funds investigation is required (see Chapter 6, section 4.0). If the investigation is unable to identify the forger, or if recovery from this person cannot be accomplished, the DO, DDO, agent, or cashier who cashed the forged instrument will be liable for the loss but may be eligible for relief of liability (see Chapter 6, section 6.0). As such, the DO, DDO, agent, or cashier may submit a request for relief of liability to DFAS-ZPTA for the improper payment. The request should include a copy of the investigation results, all related documents, and a description of the procedures used to preclude forgery.

6.0 REDEEMING SAVINGS BONDS IN OVERSEAS AREAS

6.1 General

MBFs are authorized to redeem savings bonds in overseas areas. Where none are available, DOs may request this authorization through their chain of command. This is the only situation where

DOs may redeem savings bonds. Disbursing offices with current authority to redeem savings bonds may continue this service providing no changes in area support by a local MBF has occurred.

6.2 Cashing Bonds

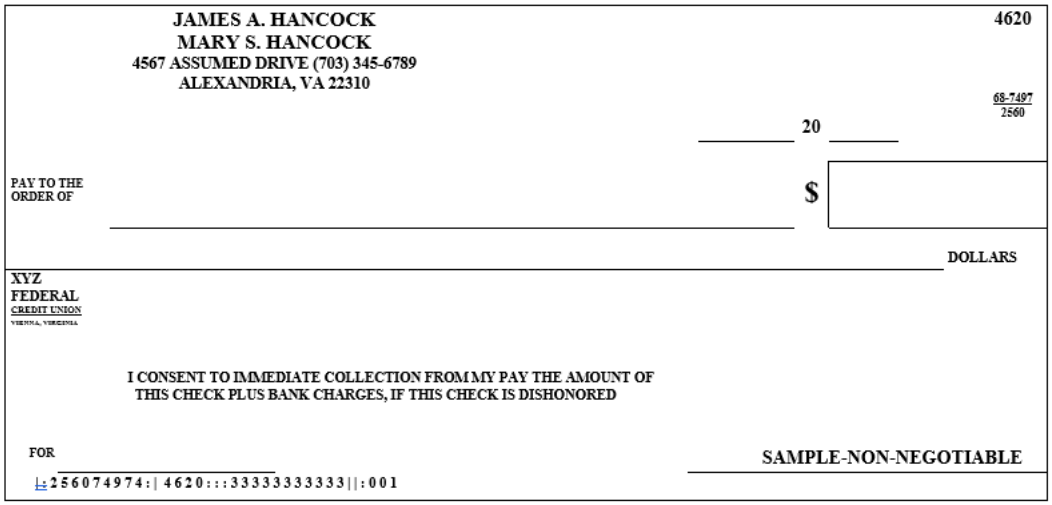
6.2.1. Authorized DOs. The DO authorized to redeem savings bonds must use the savings bond calculator found at the ***Treasury Direct*** website. Series EE and I Bonds issued after February 2003 must be at least 12 months old based on the date of issue before the DO may redeem them.

6.2.2. Redeemed Bonds. Return redeemed bonds on a separate deposit ticket following instructions provided by the servicing Federal Reserve Bank.

6.2.3. Discrepancies. Upon discovery that an amount was paid different from that authorized by the applicable redemption table, report the variance on the DD 2657, and either pay the amount of underpayment (using an SF 1034, Public Voucher for Purchases and Services Other Than Personal), or attempt to recover the overpayment from the payee. If the collection of the overpayment is made, prepare an ***Optional Form 1017-G***, Journal Voucher, to document the collection and record the transaction as a decrease and an increase to cash. If the collection is not made, process the shortage as a physical loss of funds as prescribed in Chapter 6, section 4.0.

6.2.4. Internal Revenue Service (IRS) Form 1099-INT, Statement for Recipients of Interest Income. The DO issues an ***IRS 1099-INT***, Interest Income, to recipients of $10 or more in interest paid on redeemed savings bonds. This form includes the amount of interest paid, name, address, Taxpayer Identification Number (usually the bondholder's SSN), name of the person paid, and other information needed by the IRS. DOs are prohibited from cashing bonds for individuals who refuse to furnish their SSN. Since individuals redeeming bonds may change their address without notification by calendar year-end, DOs should furnish the form to the recipient at the time of the transaction.

Figure 4-1. Sample Statements of Consent for Dishonored Check Charges



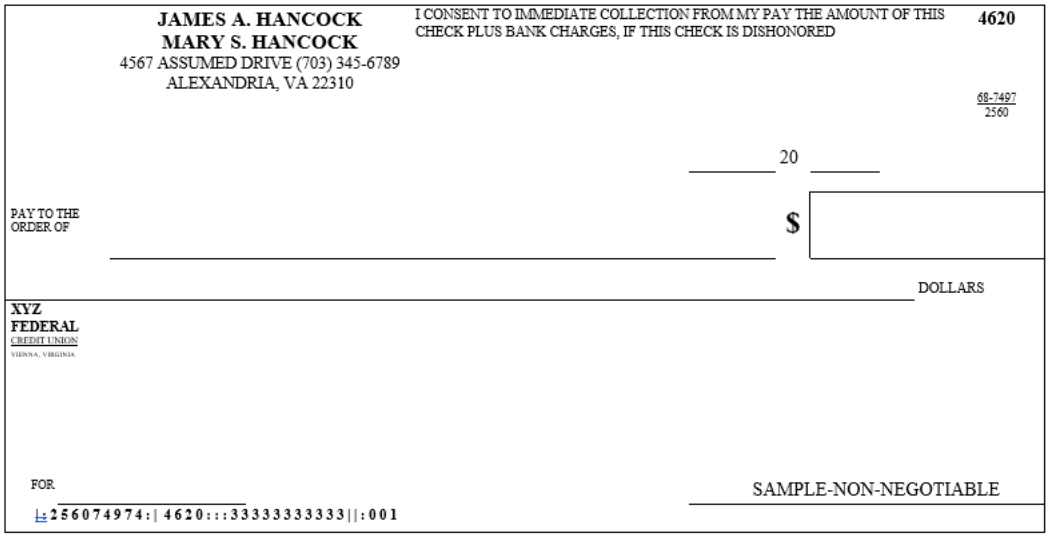


Figure 4-2. Sample of a Request for Removal of Deficiency Due to Dishonored Checks

(Letterhead Block)

Date

MEMORANDUM FOR: RELIEF OF LIABILITY SECTION, DISBURSING POLICY DIVISION, DFAS INDIANAPOLIS (DFAS-ZPFA/IN), 8899 E. 56TH STREET, INDIANAPOLIS, IN 46249-0500

SUBJECT: Request for Removal of Deficiency

I request removal of deficiency under the provisions of Department of Defense Financial Management Regulation, Volume 5, Chapter 4, paragraph 5.1, for the following dishonored checks accepted as accommodation exchange transactions. This deficiency is carried on the accountability of disbursing station symbol number XXXX under the account holder Captain XXXXXXX.

NAME	SSN	CHECK #	DATE	AMOUNT
Irwin XXXXXX	xxx-xx-xxxx	185	July 15, 2017	$150.00
James XXXXX	xxx-xx-xxxx	422	July 28, 2017	$150.00
			TOTAL	$300.00

This office has exhausted all means of collection. These individuals are no longer employed in an active duty, reserve, or civilian capacity for the U.S. Government. Members have been notified of their debt and have not responded to the collection letter. Attached are the dishonored check(s), copy of applicable debit voucher(s), copy of the applicable check cashing policy, and the documentation supporting attempted collections.

If you have any questions, please contact Mr. John Doe, at DSN ###-#####, phone (###) ###-####, or by email: John.Doe.civ@mail.mil.

Signature Block
Disbursing Officer

Attachments:
As stated

Table 4-1. DoD Component Payroll Office Addresses

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
U.S. Army	X					Defense Finance and Accounting Service Military Pay Operations ATTN: DFAS-JFLA/IN (Army Central Processing Division) 8899 East 56th Street Indianapolis, IN 46249
U.S. Army		Active Reserve				Defense Finance and Accounting Service ATTN: USAR Liaison Office 8899 East 56th Street Indianapolis, IN 46249
U.S. Army		National Guard				Army National Guard Financial Services Center ATTN: ARNG-RMC-F 8899 East 56th Street Indianapolis, IN 46249
U.S. Marine Corps	X	X				Defense Finance and Accounting Service Military Pay Operations ATTN: USMC Central Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Navy	X					Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Active Duty Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Navy		X				Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Reserve Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Air Force	X					Defense Finance and Accounting Service Air Force Military Pay ATTN: JFLTBC 8899 East 56th St Indianapolis, IN 46249-1200
U.S. Air Force		X				Defense Finance and Accounting Service Military Pay Operations ATTN: JFLTAD, NG/RES Supervisor 8899 East 56th Street Indianapolis, IN 46249-1200
U.S. Army, Marine Corps, Navy, Air Force			X			Relief of Liability Section Defense Finance and Accounting Service ATTN: ZPFA/IN 8899 East 56th Street Indianapolis, IN 46249-0500
U.S. Army, Marine Corps, Navy, Air Force				X		Defense Finance and Accounting Service U.S. Military Retired Pay 8899 E 56th Street Indianapolis IN 46249-1200
U.S. Army, Marine Corps, Navy, Air Force					X	Defense Finance and Accounting Service U.S. Military Annuitant Pay 8899 E 56th Street Indianapolis IN 46249-1300

Table 4-1. DoD Component Payroll Office Addresses (Continued)

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
DoD Civilian					X	Defense Finance and Accounting Service Civilian Pay Operation Imaging Section (JFVCAD, Column 111Z) 8899 East 56th Street Indianapolis, IN 46249-1900 or FAX 1-866-401-5849 or 1-800-729-3277
U.S. Coast Guard	X	X	X	X	X	Coast Guard Commanding Officer (SES) U.S. Coast Guard Pay and Personnel Center 444 SE Quincy Street Topeka, KS 66683-3591

VOLUME 5, CHAPTER 5: "CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.4.1.3.	Deleted obsolete information.	Deletion

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CHAPTER 5

CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS

1.0 GENERAL

1.1 Overview

The DoD recognizes the difficulty of any single official exercising direct personal control over all aspects of each business transaction. Therefore, DoD relies on automated systems and accountable officials (AO) to ensure accountability of government funds including the accuracy, propriety, and legality of every payment.

1.1.1. An AO is a member of the U.S. Armed Forces or DoD civilian employee to whom public funds are entrusted or who participates in the process of certifying vouchers for payment in connection with the performance of government business. AO include disbursing officers (DOs), deputy disbursing officers (DDOs), disbursing agents, cashiers, imprest fund cashiers, change fund custodians, paying and collection agents, certifying officers (COs), and departmental (DAO).

1.1.2. This chapter addresses COs and DAOs. COs are AO designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. DAOs are AO that provide information, data, or services that COs rely on to certify vouchers.

1.2 Purpose

This chapter addresses the selection, appointment, responsibilities, and qualifications for COs; certification of vouchers for payment; DAOs; random review of disbursement vouchers; and pecuniary liability.

1.3 Authoritative Guidance

1.3.1. COs. Under Title 31, United States Code (U.S.C.), section 3325(a)(1) and (b), (***31 U.S.C. § 3325(a)(1) and (b)***), a DoD disbursing official may disburse money only as provided by a voucher certified by the Secretary of Defense (SecDef), an officer or employee of the DoD, or member of the U.S. Armed Forces having written authorization from the SecDef to certify vouchers.

1.3.2. DAOs. Under ***10 U.S.C. § 2773a***, the SecDef may designate any DoD civilian employee or member of the U.S. Armed Forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing COs with information, data, or services that are directly relied upon by the CO in the certification of vouchers for payment.

2.0 POLICY

2.1 Authority to Appoint

The ***DoD Directive 5118.03*** delegates authority to appoint COs under 31 U.S.C. § 3325(a)(1) and (b), and DAOs under 10 U.S.C. § 2773a to the Under Secretary of Defense (Comptroller) (USD(C)). This volume re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. See Chapter 2, section 3.0 for policy on who may be appointed to positions of accountability to the U.S.

2.1.1. Based on the separation of duties principles cited in Chapter 1, subparagraph 3.5.2, DOs, their deputies, and agents may neither be appointed as, nor appoint COs for payments they will eventually make. See subparagraph 3.1.2 for conditions that may require deviation from normal separation of duties requirements.

2.1.1.1. DOs and DDOs may certify cover vouchers supported by properly certified sub-vouchers; see Chapter 9, paragraph 4.9.

2.1.1.2. Where a DO supervises separate computation and disbursing functions, persons in the computation section may be COs. In limited situations (e.g., afloat units, noncombatant evacuations, contingency operations, training exercises), disbursing office personnel may be appointed as COs. Make these appointments through command channels, excluding the DO, and describe the circumstances in Item 7 of the appointing DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature.

2.1.2. DoD personnel who may be appointed to certify vouchers for payment include, but are not limited to, commanders, deputy commanders, resource managers and other key funds control personnel, travel authorizing officials, purchase card and centrally billed account (CBA) approving officials, and other personnel in equivalent positions. For example, a traveler's supervisor could be a travel authorizing official and a CO. See paragraph 3.4 for CO requirements and section 4.0 for policy on appointments.

2.1.3. The same person may not serve as both a DAO and CO for the same types of payments.

2.2 Certification of Funds Availability vs. Certification of a Payment Voucher

2.2.1. Certification of Funds Availability. As key funds control personnel, resource managers must certify funds availability before goods and/or services are ordered based on funding authorizations that allow incurrence of obligations for which the U.S. Government will make a payment at some future date (see paragraph 3.3). This does not create pecuniary liability consequences under either ***31 U.S.C. § 3527*** or ***31 U.S.C. § 3528*** (see also paragraph 7.1), but may have Antideficiency Act implications (see Volume 14, Chapter 2).

2.2.2. Certification of a Voucher for Payment. This is an attestation by a properly appointed and trained CO that a voucher is correct and proper for payment. Such a certification normally occurs before payment, but may occur simultaneously with receipt of and payment for goods and/or services, particularly in tactical situations. Only persons properly appointed on a DD 577 may make these certifications; see sections 4.0 and 5.0.

3.0 RESPONSIBILITIES

3.1 Appointing Authorities

DoD Component Heads or their designees:

3.1.1. May appoint COs and DAOs, other than themselves, and terminate appointments when required (see paragraph 4.1);

3.1.2. Oversee the appointees and their execution of the duties described in paragraphs 3.4 and 3.5. In cases involving micro-purchases in support of contingency operations, to balance mission accomplishment with acceptable risk and cost benefit, it may be necessary to deviate from normal separation of duties and internal control principles required by Chapter 1, paragraph 3.5 and Chapter 1, subparagraph 3.5.2, and the policy in subparagraph 2.1.3. Deviations are at the discretion of the commander, who must be aware of the increased possibility of the risk of errors, theft, and fraud that may result from the merging of payment certification responsibilities with other functions. Because such mergers may compromise internal controls, commanders must make every effort to mitigate these risks. Post-payment reviews, rotation of duties, reviews of financial data, and reports by management or external resources are tools available to mitigate these risks. The micro-purchase threshold is defined by the ***Federal Acquisition Regulation Subpart 2.101***; and

3.1.3. Implement controls to effect timely appointment terminations.

3.2 Supervisors

Supervisors ensure that subordinate COs and DAOs are trained in their responsibilities, including initial training and refresher training annually (see subparagraphs 3.4.1.2 and 3.5.2); periodically review their performance to ensure compliance with established regulations, policies, and procedures, including local standard operating procedures; review appointments annually for validity and current status; and make appropriate recommendations for change to appointing authorities.

3.3 Key Fund Control Personnel

Resource managers or other key fund control personnel maintaining a system of funds control are responsible for certifying funds availability, and assignment of proper funding citations on commitment and obligating documents. Key fund control personnel should coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document and that the structure of the obligating document will support that capital and expensed items are listed on different line items. This coordination should include ensuring delivery of supplies and/or the period of performance for service aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules as described in Volume 3, Chapter 8, subparagraph 3.4.1. A certification of funds availability is not a certification for payment (see paragraph 2.2 and Volume 14, Chapter 2).

3.4 COs

3.4.1. Qualifications. COs:

3.4.1.1. Must have knowledge of the subject matter, background, or experience in the preparation of a voucher for payment; appropriations and other funds and accounting classifications; and the payment process (e.g., location of designated paying and accounting offices). See paragraph 2.2;

3.4.1.2. Must complete an approved "Certifying Officer Legislation" training course applicable to their mission area prior to their appointment and refresher training annually and provide proof of completion to their supervisor. Evidence of having completed this training is required prior to performing as a CO. On-the-job training is not acceptable.

3.4.2. Responsibilities. COs must ensure that the automated and manual processes supporting their voucher certifications reasonably satisfy the requirements listed under Treasury Financial Manual (TFM), Volume 1, Part 4A, Chapter 2000 (***I TFM 4A-2000***), as well as:

3.4.2.1. Check the accuracy of facts stated on a voucher and in supporting documents and records, and may rely on data received from reliable automated systems that have been certified as compliant with the Federal Financial Management Improvement Act of 1996 (FFMIA) (see Volume 1, Chapter 3);

3.4.2.2. Verify the accuracy of computation of a voucher before certification;

3.4.2.3. Determine the legality of a proposed payment from the appropriation or fund cited on the voucher (see Chapter 1, paragraph 3.6 for policy on prohibited payments);

3.4.2.4. Ensure there is a legal obligation to pay (e.g., a contract);

3.4.2.5. Ensure the payee has fulfilled the prerequisites to payment (e.g., an invoice, receiving report, approved travel claim);

3.4.2.6. Ensure the payment is legal under the appropriation or fund involved (e.g., the correct appropriation and fiscal year);

3.4.2.7. Seek advance decisions on questionable vouchers; see Chapter 12, section 3.0;

3.4.2.8. Repay a payment:

3.4.2.8.1. Determined to be erroneous (e.g., illegal, improper, or incorrect) due to an inaccurate or misleading certification;

3.4.2.8.2. Prohibited by law; or

3.4.2.8.3. Not a legal obligation of the fund or appropriation cited; unless the payment is recovered by collection or offset from the payee or another source, (e.g., collected from a DAO or relief is granted under subsections (b) or (c) of 31 U.S.C. § 3528; also see Chapter 6, subparagraph 6.4.3);

3.4.2.9. Respond timely to a reviewing official's questionable-payment inquiry; and

3.4.2.10. Include the payee's Tax Identification Number (for businesses) or Social Security Number (for individuals).

3.4.3. Pecuniary Liability. See subparagraph 7.1.2.

3.4.4. DoD Employees Serving as Treasury COs. The guidance in this section applies to DoD employees appointed as Treasury COs and are delegated the authority to certify the disbursement of funds, as well as scheduling and classifying domestic and international payments that the Bureau of the Fiscal Service disburses, as authorized by the Treasury Disbursing Office. For more information on the Treasury Disbursing Office, see Chapter 9, section 6.0.

3.4.4.1. Treasury COs

COs that certify Treasury-disbursed payments must be appointed utilizing the Bureau of the Fiscal Service Form 210CO, Designation for Certifying Officer, and not the DD 577, unless also serving as a COs for DoD disbursed payments by a Non-Treasury Disbursement Offices (NTDO). Treasury appointed COs designations are valid for a period of one year from the effective date, unless revoked earlier. See ***I TFM 4A-3000*** for all requirements and forms for scheduling payments disbursed by the Bureau of the Fiscal Service.

3.4.4.2. Treasury CO's Pecuniary Liability

All (AO)s are subject to the pecuniary liability standard under 31 U.S.C. § 3527 and 3528 (see Chapter 6, paragraph 1.3). Treasury COs are pecuniarily liable when there is a fiscal irregularity based on the "presumption of negligence," regardless if the payment was disbursed by the Treasury or an NTDO. See Chapter 6, sections 6.0 and 7.0 for policy concerning relief of liability of (AO)s.

3.5 DAOs

3.5.1. DAOs are responsible in the performance of their duties to provide COs with information, data, or services to support the payment certification process. They have unique mission area responsibilities that require supervisors and appointing officials to not only decide if DAO appointments are required, but also define clearly each DAO's functions. Appointment of DAOs is not mandatory; examples of persons whose duties could be considered as appropriate to support their being appointed as DAOs include, but are not limited to, receiving officials, contracting officers, personnel who make payment eligibility determinations, time and attendance personnel, and travel approving officials. Consider personnel in the following areas for appointment as DAOs:

3.5.1.1. Purchase Card Program. Approving officials may be appointed as COs with the additional responsibilities outlined in subparagraph 3.4.2. Other personnel involved with the purchase card program may be appointed as DAOs (see Volume 10, Chapter 23).

3.5.1.2. Contract and Vendor Pay. See Volume 10.

3.5.1.3. CBA. See ***DoD Instruction 5154.31, Volume 4*** or ***Government Travel Charge Card Regulations, paragraph 040903***.

3.5.1.4. Personnel Programs. Personnel officers ensure accurate and timely input of personnel data supporting payments.

3.5.1.4.1. Military Pay. See Volume 7A.

3.5.1.4.2. Civilian Pay. See Volume 8.

3.5.1.4.3. Travel. See Volume 9.

3.5.2. DAOs must complete approved training applicable to their mission areas within two weeks of their appointment, refresher training annually, and provide a copy of their training completion certificate to their supervisor. Evidence of having completed this training is required prior to performing as a DAO. See subparagraph 2.1.1 for appointment eligibility, and subparagraph 7.1.3 for pecuniary liability implications.

3.6 Automated Information System (AIS) Administrators

In addition to other responsibilities, AIS administrators operate and maintain automated system(s) that support the entitlement, certifying, and disbursing processes so that these system(s) operate in accordance with prescribed functional requirements so that the integrity of the data is maintained and unauthorized access is prevented. They must also ensure that the systems they administer are certified as compliant with the FFMIA; see Volume 1, Chapter 3.

4.0 DD 577

4.1 Appointment and Termination

Appointing authorities (see paragraph 3.1) appoint and terminate the appointments of COs and DAOs using a DD 577, identifying as necessary the types of payments to be certified (e.g., vendor pay, purchase card, CBAs, travel, transportation, military and civilian pay) and, if appropriate, the entitlement system(s) involved. Avoid the term "various" and similar generalities when identifying types of vouchers to be certified. If desired, include the reviewing official's organization on the appointment. The effective date of an Appointee Acknowledgment (Item 15 or 16a - Digital) may not be earlier than the date of the Appointing Authority (Item 12).

4.1.1. Include the appointee's DoD Identification Number (employee number for direct-hire, non-U.S. citizen outside the U.S.), name, organization, and position. Limit the access to any personally identifiable information to only those who require it in the performance of their duties and are following the Privacy Act of 1974 (***5 U.S.C. § 552a***).

4.1.2. When appointing employees outside the U.S. who are precluded by local law, treaty, or status of forces agreement from being held pecuniarily liable to the U.S. (see Chapter 1, subparagraph 3.3.3.3), make an appropriate comment in Item 7.

4.1.3. Appointees acknowledge their appointment in Section III; they may not re-delegate their appointed authority.

4.1.4. Appointments remain in force until terminated by an appointee's reassignment or for cause. An appointing authority's reassignment does not affect existing appointments.

4.1.5. COs who certify vouchers electronically, (e.g., Defense Travel System), must submit the DD 577 electronically, satisfying the requirements in Chapter 1, subparagraph 3.5.3.

4.1.6. COs who certify manual vouchers or submit manual certifications of electronic payments must submit original, manually signed DD 577s (see subparagraph 4.2.1.1) or supplemental documents to support electronic DD 577 submissions.

4.1.7. These forms cannot be amended. Pen-and-ink changes are not authorized. Any change (e.g., to alter the types of vouchers to be certified) requires termination of the existing and preparation of a new appointment.

4.1.8. Terminate appointments using Section IV and submit the DD 577 to all recipients who received copies of the original appointment.

4.2 Distribution

4.2.1. CO Appointments. Ensure the training required by subparagraph 3.4.1.2 is complete before submission.

4.2.1.1. Payments Certified to Defense Finance and Accounting Service (DFAS) DOs. Send the form to the DFAS Indianapolis (DFAS-IN) DO (secure email: dfas.indianapolis-in.jfd.mbx.dfas-incddd577@mail.mil) following that office's guidance. Forms sent as attachments must be copies of original DD 577s, not "copies of copies."

4.2.1.2. Government-wide Purchase Card (GPC). DoD components that follow the guidance in the ***GPC Policy Guidebook*** for CO appointments/termination are not required to follow the submission guidance in subparagraph 4.2.1.1 for payments that are electronically certified. COs who certify manual vouchers must continue to follow the guidance outlined in subparagraph 4.1.6.

4.2.1.3. Payments Certified to non-DFAS DOs. Send the form following the paying DO's instructions.

4.2.1.4. Immediate Payment. Fax or email a signed copy of the form to the appropriate DO. Follow up with a normal submission.

4.2.2. DAO Appointments. Appointing authorities ensure completion of the training required by subparagraph 3.5.2, keep the signed original DD 577s, and send copies to the offices that certify vouchers. Offices and organizations that rely on DAOs must establish and implement mechanisms for identifying and facilitating communication with them.

4.2.3. Appointment Terminations. See subparagraph 4.1.8.

4.3 Retention Requirements

Keep DD 577 copies after appointment termination for a retention period following the guidance in Volume 1, Chapter 9; except for transactions affecting Foreign Military Sales, use a retention period following the guidance in Volume 15, Chapter 6.

5.0 CERTIFICATION

5.1 Voucher Certification

All payments from appropriated funds must be certified (excludes intra-governmental); see the ***Government Accountability Office (GAO), Policy and Procedures Manual***, section 6.5. COs review payment vouchers before certification and submission to DOs for payment to ensure the information on the vouchers agrees with all supporting documentation. See Chapter 9, paragraph 4.3 for voucher certification requirements and Volume 1, Chapter 9 for records retention policy.

5.2 Effect of Certification

COs certify to, not "for" or "on behalf of," DOs or their agents that vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (see subparagraph 3.4.2). They may certify either individual vouchers or a file of several vouchers; see paragraph 5.3. Manual certifications require the CO's signature and type or printed name, date, and dollar amount. See Chapter 1, subparagraph 3.5.3 for electronic signature requirements. Submit manually certified vouchers to the disbursing office by mail or fax.

5.3 Certification of a File of Payments (Batch Certification)

Batch certification attests that a file contains a specified number of payments that total a specific dollar amount equal to the total of vouchers contained in the file and that each voucher in the file has been certified as correct and proper for payment. Pecuniary liability attaches to the original CO for each payment. The person that certifies the file is pecuniarily liable for vouchers in that file not previously individually certified. Once a file is input, a DO processes each payment separately.

5.4 Successive Certification

More than one CO may be involved with a given payment; this is known as "successive certification." When this occurs, the successive CO(s)' actions do not diminish the responsibility of the officer who certified the original voucher. If the officer who certifies an additional related voucher differs from the one who certified the original, the first CO is pecuniarily liable for the correctness of the original voucher and the successive CO is pecuniarily liable only for the additional voucher(s). If a voucher is certified and then changed (e.g., to take a discount, add interest penalties), the CO certifying the legality, propriety, and correctness of the changes is pecuniarily liable for only the payments based on those changes.

5.5 Foreign Military Sales Transactions

See Volume 15, Chapter 3.

5.6 Altering a Certified Voucher

Altering a certified voucher invalidates the certification. A DO who determines that a certified payment voucher is improper must return it for correction and a new certification. However, post-payment printing and scanning of paid vouchers that were properly certified electronically do not invalidate the original certifications.

5.7 Certification and Accounting Data Translation

The translation of accounting data for a certified voucher is acceptable as long as the correct appropriation or funds involved aligns with the appropriation or funds cited on the legal obligation to make the payment (e.g., contract). The translation process must be auditable and deemed reliable to where the certified line of accounting can be mapped to the translated line of accounting. See Volume 1, Chapter 4, paragraph 2.7 for additional information regarding data translation. DOs and COs may rely on data received from reliable automated systems that have been certified as compliant with the FFMIA (see Volume 1, Chapter 3).

6.0 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

6.1 Payment Review Officials

Payment review officials are not subject to pecuniary liability since they are not in accountable positions. State their responsibilities in their position descriptions and performance standards or appoint them by means other than a DD 577.

6.2 Examination Requirements

6.2.1. Statistical Sampling.

6.2.1.1. Title 7, of the GAO Manual, which implements ***31 U.S.C. § 3521(b)(1)***, requires pre-payment examination of payments over $2,500. For payments of $2,500 or less, statistical sampling procedures may be implemented in lieu of examining all payments (see paragraph 6.3). Various publications provide guidance on statistical sampling methods, pre-payment, and post-payment reviews. These include the report GAO/Accounting and Information Management Division 21.3.2, May 2000, ***Streamlining the Payment Process While Maintaining Effective Internal Control***, the Office of Management and Budget (OMB) Circular No. A-123 (A-123), Management's Responsibility for ***Enterprise Risk Management and Internal Control***, and Appendix C to OMB A-123, ***Requirements for Effective Estimation and Remediation of Improper Payments***. GAO reports and publications provide examples of statistical sampling applications in the pre-payment and post-payment phases, but no single procedure is appropriate for every type of disbursing system.

6.2.1.2. The appropriateness of these reviews depends largely on the extent of automation of the system that computes and processes payments. Fully automated systems that can perform reviews of all records through extensive edit checks and balances before payment is made, replaces the need for manual invoice process and examination procedures.

6.2.2. Pre-Payment Reviews

6.2.2.1. Pre-payment reviews may occur any time before payment and are subject to management's judgment of the most appropriate stage in the voucher-preparation process for their conduct. These reviews ensure that vouchers are substantiated by documentation for lawful and proper payment. Under manual processing systems, they include verification of accuracy of computation. These requirements include ensuring that:

6.2.2.1.1. Payments are allowed by law and regulation;

6.2.2.1.2. Payments are authorized and approved for payment;

6.2.2.1.3. Requests for payment are supported by basic documents;

6.2.2.1.4. Payee identification is correct;

6.2.2.1.5. Manual calculations are correct, and data are input correctly to automated computation systems;

6.2.2.1.6. Proper accounting classifications are charged (e.g., supported by a proper obligating document);

6.2.2.1.7. Funds are available to support disbursements;

6.2.2.1.8. Any required special certificates or receipts are attached to the disbursement documents; and

6.2.2.1.9. Duplicate payments are prevented through proper manual or automated edits and checks.

6.2.2.2. Pre-payment review officials who determine that proposed or actual certified payments are of questionable legality, propriety, or correctness must send inquiries to the COs challenging the decision to certify these payments and keep files of these inquiries or those received from other sources. Inquires must be resolved within 30 days.

6.2.3. Post-Payment Reviews. See Volume 4, Chapter 14.

6.3 Statistical Sampling Plans

6.3.1. DoD Components may use statistical sampling plans for vouchers not exceeding $2,500. Agencies must establish their own dollar limitations within that maximum based on cost/benefit analysis of their voucher examining operations. If a CO uses an approved pre-payment statistical sampling procedure and reviews only those vouchers selected in the sample as a basis for certification, he or she identifies the vouchers selected for review. If a DoD Component determines that an alternate voucher examining plan is required, it sends a written request through the Director, DFAS to the USD(C) for approval under subparagraph 6.3.3. The request must identify the reason for the alternate plan to include a description of the plan, alternate procedures for statistical sampling, and a business case that indicates savings without jeopardizing the Government's interest.

6.3.2. Sampling plans must be statistically valid and adhere to technical guidelines in professional texts and publications (both Federal and non-Federal) on the subject. Include in the sampling plans the purpose, scope, frequency of the review, a definition of the population from which the sample will be selected, the sample size and element selection method, procedures to analyze results of the sampled records, and methods to document and report the results of the sample review. Sampling plans require review and approval (or in most cases, original preparation) by qualified statisticians before submission for final approval. Review and update them periodically to ensure they reflect the most recent occurrence rate trends and allow for population estimates within predetermined sampling probability and precision levels.

6.3.3. The Director, DFAS or designee approves statistical sampling plans for payment vouchers processed by DFAS and ensures implementation of these plans at locations for which DFAS is responsible. The USD(C) approves statistical sampling plans for other DoD Components whose officials ensure implementation of these plans.

7.0 PECUNIARY LIABILITY

7.1 Presumption of Negligence

COs and DOs, but not DAOs, are pecuniarily liable automatically when there is a fiscal irregularity based on the "presumption of negligence" under 31 U.S.C. § 3527. A fiscal irregularity is either a physical loss of cash, vouchers, negotiable instruments, or supporting documents, or an erroneous (e.g., illegal, improper, or incorrect) payment. Physical losses generally apply only to DOs and their agents. Under ***28 U.S.C. § 2512***, DOs must prove that they were neither negligent nor the proximate cause of the irregularity to gain relief of liability. See Chapter 6, sections 6.0 and 7.0 for policy concerning relief and liability of accountable officers.

7.1.1. DOs. Under 31 U.S.C. § 3325, DOs are pecuniarily liable for payments not in accordance with the vouchers certified to them for payment, and for errors in their accounts. DOs who make payments in accordance with certifications of properly appointed COs may be relieved of their liability.

7.1.2. COs. Under 31 U.S.C. § 3528, COs are pecuniarily liable for payments resulting from improper certifications.

7.1.3. DAOs. DAOs are not subject to the presumption of negligence, but may be held pecuniarily liable under 10 U.S.C. § 2773a(c) for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to COs; and upon which the COs relied to certify payment vouchers. Any pecuniary liability of DAOs for losses to the U.S. resulting from illegal, improper, or incorrect payments may be either individual or joint and several with that of other officers or employees of the U.S. or members of the uniformed services who are also pecuniarily liable for those losses.

7.2 Erroneous Payments Under Random Sampling Procedures

Under ***31 U.S.C. § 3521(c)***, COs and DOs who pursue diligent collection action are not pecuniarily liable for payments on vouchers in a population of vouchers subject to sampling but not reviewed. See Chapter 6, section 5.0, in the case of a fraudulent or suspected fraudulent payment.

VOLUME 5, CHAPTER 6: "PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Figure 6-1	Incorporated process map for physical losses of funds from the archived version of Chapter 6 (February 2021).	Addition
Figure 6-2	Incorporated process map for erroneous payments from the archived version of Chapter 6 (February 2021).	Addition
Table 6-2	Incorporated table of standardized questions for loss of funds investigations from the archived version of Chapter 6 (February 2021).	Addition

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

1.0 GENERAL

1.1 Overview

An accountable official is a member of the U.S. Armed Forces or a DoD civilian employee who is responsible for or has custody of government funds. Accountable officials include those defined in Chapter 5, section 3.0 as certifying officers and departmental accountable officials (DAO); and in Chapter 2 as disbursing officers (DOs), deputy DOs (DDOs), cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of the funds for which they are accountable, unless granted relief. The decision by the Secretary of Defense to grant or deny relief is binding. The Secretary of Defense has delegated authority to the Director of the Defense Finance and Accounting Service (DFAS) to make the required determinations to grant or deny relief on all requests for relief of liability. The Director of DFAS has re-delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

1.2 Purpose

This chapter provides guidance for the accountability, investigation, request for relief of liability, and funding for removal of physical losses. The chapter also provides guidance on granting or denying relief of liability, and an overview on overages of public funds. Additionally, the chapter provides the definition of physical losses, and the criteria for minor and major losses. Lastly, the chapter defines and provides examples of erroneous payments (illegal, incorrect, and improper), to include the discovery, investigation, loss of funds (LoF) process, and settlement of erroneous payments.

1.3 Authoritative Guidance

All accountable officials are subject to the pecuniary liability standard under Title 31 of the United States Code (U.S.C.). Except for the DAO, the basic legal liability of an accountable official arises automatically by virtue of the loss, regardless of fault or negligence on the official's part. Relief is a separate process that considers the lack of fault or negligence by the accountable official to the extent authorized by the following:

1.3.1. Title 31, U.S.C., section 3527 ***(31 U.S.C. § 3527)***, which provides general authority to relieve accountable officials and agents from liability due to physical losses;

1.3.2. ***Title 31 U.S.C. § 3528***, which provides general authority to relieve certifying officials from liability due to erroneous payments; and/or

1.3.3. ***Title 10 U.S.C. § 2773a***, which provides general authority to establish pecuniary liability for DAOs.

2.0 DEFINITIONS

2.1 Physical LoF

A physical LoF can be minor or major. A minor loss is a physical loss of less than $750 and without evidence of theft or fraud within the disbursing office. A major loss must meet at least one of the following criteria:

2.1.1. Equal to or greater than $750;

2.1.2. Any LoF resulting from theft, regardless of the dollar amount; or

2.1.3. Any loss, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (i.e. embezzlement or fraudulent acts by disbursing personnel, whether acting alone or in collusion with others). See Table 6-1 for examples of physical LoF.

2.2 Erroneous Payments

2.2.1. Erroneous payments include:

2.2.1.1. Any payment that should not have been made or that was made and results in an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirements; or

2.2.1.2. Any payment to an ineligible recipient or service, duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

NOTE: This definition applies to accountable official liability. Improper payments under the ***Improper Payments Information Act*** differ in that they include both underpayments and overpayments. See Volume 4, Chapter 14, section 2.0.

2.2.2. Examples of erroneous payments that require an investigation include:

2.2.2.1. Any payment in which the debt is delinquent for 180 days, or the loss cannot be fully recovered within the 2-year period from the time the erroneous payment was made, such as:

2.2.2.1.1. Overpayment to a payee;

2.2.2.1.2. Payment to the wrong payee;

2.2.2.1.3. Overdrafts of issued U.S. Department of Treasury (Treasury) check; or

2.2.2.1.4. Negotiation of original and replacement Treasury checks;

2.2.2.2. Any payment based on fraudulent, forged, or altered documents prepared or presented by officials who were not under the direct cognizance or control of the DO; or

2.2.2.3. Payment in violation of a regulation.

2.2.3. Examples of erroneous payments that do not require an investigation include:

2.2.3.1. An erroneous payment that is not delinquent for 180 days, and can be recovered within the 2-year period from the time the erroneous payment was made;

2.2.3.2. An erroneous payment that is collectible through offset of military pay, civilian pay, retired pay, or contract debt;

2.2.3.3. A valid payment made in accordance with appropriate documentation, which through no fault of the certifying officer, becomes an overpayment, e.g.:

2.2.3.3.1. A member paid a reenlistment bonus and does not complete terms of the contract;

2.2.3.3.2. A deceased retiree who is overpaid because death notification was not provided; or

2.2.3.3.3. An overpayment on a travel advance;

2.2.3.4. A payment made based on documentation from an individual and certified to be true and correct (e.g., a payment made to the wrong bank account because the individual provided incorrect information); or

2.2.3.5. Any payment made based on vouchers not examined under an approved statistical sampling plan.

3.0 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT

Any person who believes that an official entrusted with public funds is misusing those funds, or who suspects an occurrence of a fraudulent erroneous payment, must notify the Commander having jurisdiction over the alleged offender within 24 hours of discovery. A physical LoF does not initially impact the DO's Cash Treasury Account Symbol (TAS). The LoF is maintained as part of the DO's accountability and does not affect that balance until recovery, recoupment, or relief of liability is granted. Sections 4.0 and 5.0 provide guidance on the responsibilities and actions required to process physical losses and erroneous payments. See Figures 6-1 and 6-2 for overviews of processing physical LoF and erroneous payments, respectively.

4.0 PHYSICAL LOSSES

4.1 Responsibilities

4.1.1. DO. Upon notification of a possible loss, the DO must:

4.1.1.1. Verify that all transactions on the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and ***DD 2665***, Daily Agent Accountability Summary, posted correctly;

4.1.1.2. Verify the accuracy of all totals from the date of the last balancing of the DD 2657 and the DD 2665 for each DDO, agent, or cashier;

4.1.1.3. Verify by actual count that the total of all cash and documents held as cash by the DO and all DDOs, agents, and cashiers agree with the amount shown as on hand on the DD 2657 and DD 2665;

4.1.1.4. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss as defined in paragraph 2.1; and

4.1.1.5. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team, as prescribed in Appendix A, to confirm that a loss has occurred.

4.1.2. Commander. Upon notification of a possible loss, the Commander must request the Cash Verification Team conduct an audit of the DO's account. If the discrepancy is not resolved and qualifies as a major LoF as described in paragraph 2.1, report the loss to the DFAS LoF Team within 24 hours. Send the report via email to the Disbursing Policy mailbox at dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil, or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the DDO, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

4.1.2.1. The specific type of loss (physical loss, erroneous payment, or fraudulent payment);

4.1.2.2. All known circumstances surrounding the alleged LoF;

4.1.2.3. The authorized amount of the imprest fund (if the loss occurred in the imprest fund);

4.1.2.4. The date the irregularity occurred and/or was discovered;

4.1.2.5. The dollar amount of the loss;

4.1.2.6. The identity of the accountable official(s) by name, rank/grade, and accountable position (such as DO, DDO, agent, or cashier);

4.1.2.7. The date of the investigation or when it will convene;

4.1.2.8. The contact information of the Investigating Officer (IO); including name, email address, and telephone number;

4.1.2.9. The completion date of the investigation or, if applicable, the estimated completion date; and

4.1.2.10. The status of any recovery action in progress or contemplated.

4.2 Accounting for Physical LoF

4.2.1. Recording a Physical LoF

4.2.1.1. Record All Physical Losses. All physical losses, major or minor, discovered in the DO's account, including those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians, must be recorded on the DD 2657 by using an Optional Form ***(OF) 1017-G, Journal Voucher*** to document the repositioning or movement of money from one line to another. For example, if a cash count reveals U.S. currency on hand is short $100, prepare an OF 1017-G to document the loss. Continue to show all losses on the DD 2657 and the Standard Form ***(SF) 1219, Statement of Accountability***, until the loss is recovered, recouped, or until relief of liability is granted.

NOTE: Foreign currency loss must be converted and recorded in U.S. Dollar equivalent (USDE) using the exchange rate at the time that the loss occurred.

4.2.1.2. Cumulative Record of Physical Losses

4.2.1.2.1. Support the loss entered on the DD 2657 by annotating it on the ***DD 2667, Subsidiary Accountability Record***. If more than one physical loss occurs during a single business day, use a separate line on the same form to account for each loss individually.

4.2.1.2.2. Complete the DD 2667.

4.2.1.2.3. Maintain separate DD 2667s for different DOs.

4.2.1.2.4. Maintain the DD 2667 on file as a subsidiary record supporting the DD 2657.

4.2.1.2.5. Forward the DD 2667 to the LoF Team within 5 calendar days after the end of each month. Send by email to the Disbursing Policy mailbox at dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249.

4.2.1.3. Agent Losses. Physical losses of funds incurred by DDOs, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the official agent's accountability documents. It is important to notify the DO of all physical losses as soon as possible. The DO then must reduce the DD 2657 for that particular agent. The DO must also record the loss on the cumulative DD 2667.

4.2.1.4. Change Fund or Imprest Fund Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657.

4.2.1.5. Counterfeit Currency Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657.

4.3 Investigation

An investigation is required for all physical LoF unless the loss is recouped, recovered, or paid back.

4.3.1. Purpose of Investigation. The purpose of the investigation is to review and document all facts leading up to and connecting with the loss, to include the:

4.3.1.1. Amount, date, time, and place of the loss;

4.3.1.2. Identification of accountable officials and others involved (name and rank);

4.3.1.3. Authenticity of documentary evidence and oral testimony;

4.3.1.4. Functional capacity of the accountable official incurring the loss and the physical location of this official, such as disbursing office and/or functional area;

4.3.1.5. Cause of loss; and

4.3.1.6. Adequacy of internal controls in place and effectively implemented.

4.3.2. Type of Loss. The type of loss determines the type of investigation required.

4.3.2.1. Minor Physical Losses

4.3.2.1.1. $300 or Less (No Fraud). The DO or DDO (if the DO is not co-located with the DDO) will conduct the investigation and complete the written investigatory report. If the loss is attributable to the DO, the primary DDO will conduct the investigation along with the written investigatory report. Under no circumstances will the official incurring the loss prepare their own written investigatory report. In all cases, the written investigatory report must be completed and submitted to the DFAS LoF Team within 30 days from discovery of the loss.

4.3.2.1.2. Over $300 (No Fraud). The Commander must appoint an IO to conduct the investigation and complete the written investigatory report. The appointed official must be someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team). Furthermore, the appointed IO must have knowledge of disbursing office operations, especially knowledge of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted through the Commander to the DFAS LoF Team within 30 days from discovery of the loss.

4.3.2.2. Major Physical Losses. An IO must be appointed to conduct a formal investigation when there is a major physical loss.

4.3.2.2.1. Appointment Authority. The following individuals have the authority to appoint an IO:

4.3.2.2.1.1. The Commander of the DO who incurred the loss;

4.3.2.2.1.2. For DFAS sites, the Director of the DO who incurred the loss;

4.3.2.2.1.3. When the accountable official and the DO are not in the same location, the Commander over the accountable official will appoint the IO. For example, the Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss if the DO is located in Indianapolis; or

4.3.2.2.1.4. When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

4.3.2.2.2. Appointment/Order of IO. The Commander must provide a copy of the official appointment notification to the DFAS LoF Team within 5 days of appointment. The Commander must include the following in the appointment order:

4.3.2.2.2.1. Name of the IO, telephone number, and email address;

4.3.2.2.2.2. Incident or occurrence that requires an investigation;

4.3.2.2.2.3. Citation of Volume 5, Chapter 6 and any authorizing DoD Component regulation as the authority for the investigation;

4.3.2.2.2.4. The approximate time allowed for the investigation (the investigation must be completed and submitted to the DFAS LoF Team within 90 days from discovery of the loss); and

4.3.2.2.2.5. Instruction to include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

4.3.2.2.3. Individuals Authorized to be IO(s). Individuals authorized to be IO(s) include a commissioned officer (O-3 or above) or civilian employee who is senior in rank/grade to the person(s) under investigation and:

4.3.2.2.3.1. Does not have a vested interest in the outcome of the investigation;

4.3.2.2.3.2. Is not in the chain of command of the DO or accountable officials involved in the irregularity;

4.3.2.2.3.3. Is familiar with investigative techniques; and

4.3.2.2.3.4. Has knowledge of financial accounting controls and pertinent laws and directives. Only use Comptroller personnel when there is no feasible alternative to appoint an IO from another organizational element.

NOTE: The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-HG) must provide technical guidance to IOs who do not have extensive backgrounds in investigative or financial matters.

4.3.2.2.4. Guidance for IOs

4.3.2.2.4.1. Develop all information and documentation in connection with the loss so that higher authority may take proper action. This includes information regarding the procedures followed by all officials involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

4.3.2.2.4.2. Before interviewing the accountable official(s) for the first time, ensure that each official receives and reviews this chapter, particularly the authoritative guidance in paragraph 1.3, and Chapter 5, section 7.0 regarding liabilities and responsibilities of accountable officials.

4.3.2.2.4.3. Obtain statements from the accountable official(s) and others involved with the loss. The IO may summarize or report the testimony verbatim. Whenever possible, ensure the witness reviews, attests, and signs the transcript or summary of testimony. If sworn testimony is not obtainable, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.

4.3.2.2.4.4. If the IO recommends denial of relief to the DO or any other accountable official(s) who are pecuniarily liable for the loss, provide a copy of the report to those officials.

4.3.2.2.4.5. Gather all records, documents, correspondence, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., Federal Bureau of Investigation, U.S. Secret Service, or local authorities).

4.3.2.2.4.6. Make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

4.3.2.2.4.7. Report every 30 days on the status of the investigation. Send the report through the Commander to the DFAS LoF Team.

4.3.2.2.4.8. When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The Commander must notify the DFAS LoF Team of any authorized extensions.

4.3.2.2.5. Preparation of the ROI. The ROI must include the following elements.

4.3.2.2.5.1. Facts: The IO must gather all the facts of the loss:

4.3.2.2.5.1.1. Identities of all accountable officials who are pecuniarily liable for the loss, the amount that each person is responsible for, and their involvement in the loss;

4.3.2.2.5.1.2. If any of the accountable officials involved in the loss are not physically located in the disbursing office, describe the structure of the chain of command of the activity in which the official was performing their disbursing functions. In addition, describe the financial services supplied by that official for the activity they serve;

4.3.2.2.5.1.3. Circumstances leading to and surrounding the loss, including the efforts undertaken to discover the cause of a loss that remains unexplained;

4.3.2.2.5.1.4. Description of the internal controls prescribed to prevent losses of the type experienced, and the steps taken to implement those controls;

4.3.2.2.5.1.5. Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable officials involved;

4.3.2.2.5.1.6. Documentary evidence (such as statements, transcripts, correspondence, affidavits, investigative reports completed by other agencies, records, and photographs) as exhibits to the ROI; and/or

4.3.2.2.5.1.7. Information regarding collection activity and any possible offset relating to the loss.

4.3.2.2.5.2. Findings. The IO must make the following findings:

4.3.2.2.5.2.1. Whether there was a loss to the U.S. Government and the amount of the loss;

4.3.2.2.5.2.2. Whether the loss occurred through the fault or negligence of the accountable official;

4.3.2.2.5.2.3. Whether negligence, fraud, or theft was the proximate cause of the loss by an individual other than the accountable official(s);

4.3.2.2.5.2.4. The name of the official(s) involved and when the loss occurred; and

4.3.2.2.5.2.5. Whether the accountable official(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings considered necessary and appropriate. It is essential that all findings, especially those indicated in subparagraph 4.3.2.2.5.2, have supporting documentation. When applicable, reference the tab or page number of the supporting documentation after each related finding.

4.3.2.2.5.3. Recommendations. Based on the information gathered, the IO must make a recommendation on:

4.3.2.2.5.3.1. Whether the accountable official(s) should be relieved of pecuniary liability for the loss (separate recommendations are required for each accountable official);

4.3.2.2.5.3.2. Whether other person(s) should be held pecuniarily liable for the loss, in whole or in part;

4.3.2.2.5.3.3. Whether any corrective action is needed to improve controls or procedures; and/or

4.3.2.2.5.3.4. Any other recommendations that are appropriate considering the existing facts, circumstances, and conditions of the case.

4.3.2.2.5.4. Submission of ROI

4.3.2.2.5.4.1. Timeframe. Unless granted an extension, the IO must submit the ROI through the Commander (who appointed the IO) to the DFAS LoF Team within 90 days after discovering the loss.

4.3.2.2.5.4.2. Commander's Actions. Upon receiving the ROI from the IO, the Commander must:

4.3.2.2.5.4.2.1. Immediately review the ROI for compliance with requirements as indicated in subparagraph 4.3.2.2.5;

4.3.2.2.5.4.2.2. Determine if the ROI is complete, and if not, return it to the IO explaining the discrepancies and request further documentation or information. Notify the DFAS LoF Team if the ROI cannot be completed and submitted within 90 days from discovery of the loss;

4.3.2.2.5.4.2.3. Consider all the facts, findings, and recommendations;

4.3.2.2.5.4.2.4. Make additional findings and recommendations pertinent to the investigation;

4.3.2.2.5.4.2.5. Determine if sufficient evidence exists to support a recommendation for relief from liability or recommend denial of relief referencing all evidence supporting the denial recommendation for each accountable official involved;

4.3.2.2.5.4.2.6. Forward a copy of the ROI and all attachments to the DFAS LoF Team, unless the investigation is on hold for fraudulent or wrongful conduct (see note below subparagraph 4.3.2.2.5.4.2.10);

4.3.2.2.5.4.2.7. Forward a copy of the ROI to the Commander of the base, station, activity, ship, or unit where the accountable official(s) is located. For Army Financial Management Detachments, send a copy to the Financial Management Support Unit. It is the commander's discretion whether to use the ROI for disciplinary or administrative actions;

4.3.2.2.5.4.2.8. Keep a copy of the ROI;

4.3.2.2.5.4.2.9. Submit any documentation and/or information requested by the DFAS LoF Team; and

4.3.2.2.5.4.2.10. Forward any documentation and/or information to the DFAS LoF Team that becomes available after the ROI has been forwarded.

NOTE: If there is evidence of fraudulent or wrongful conduct, and the matter is under investigation by authorized law enforcement personnel, the investigative entities may request the Commander to withhold the report until completion of their investigation. If so, the Commander must continue to follow-up on the status of their investigation and advise the DFAS LoF Team of the status every 30 days. It is acceptable to add copies of the investigative reports as exhibits before forwarding the report through the chain of command to DFAS.

4.3.3. DFAS LoF Team (DFAS-ZPTC):

4.3.3.1. Review the ROI upon receipt;

4.3.3.2. If the ROI lacks sufficient information, or in the absence of compliance with the provisions for the findings and recommendations, the DFAS LoF Team may return the report for further investigation and fulfillment of the provisions as indicated in subparagraph 4.3.2.2.5; and

4.3.3.3. Forward the final decision to the appropriate individuals, and in those cases where individual(s) are held liable, inform them of their right to submit a rebuttal.

4.4 Funding for Removal of Physical Losses

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, 1) recovery of missing cash from the finder, or 2) collection from the accountable official.

4.4.1. Appropriated funds must be made available to remove the deficiency from the DO's SF 1219 if the losses are not recovered. This includes instances when relief of liability has been denied and recoupment cannot be made from the accountable official or when relief of liability is granted to the accountable official.

4.4.1.1. DFAS Employee. If the accountable official responsible for the LoF was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

4.4.1.2. Other DoD Component Employees. If the accountable official responsible for the LoF was a military member or employee of another DoD Component when the loss occurred, that DoD Component must identify the necessary appropriation and funding to resolve the loss.

4.4.2. The DO must clear the LoF from the DD 2667 and DD 2657 (based on the instructions given by DFAS).

5.0 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER)

5.1 Responsibilities

5.1.1. Fraudulent or Suspected Fraudulent Erroneous Payments

5.1.1.1. Commander. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the commander must:

5.1.1.1.1. Notify the DFAS LoF Team within 24 hours of notification, through the chain of command, per subparagraph 4.1.2;

5.1.1.1.2. Appoint an IO to conduct a formal investigation. See subparagraph 4.3.2.2.2; and

5.1.1.1.3. Ensure the investigation is completed and forwarded to the DFAS LoF Team within 90 days from the appointment of the IO.

5.1.1.2. DO. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the DO must:

5.1.1.2.1. Determine if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO, and prepare a ***DD Form 1131***, Cash Collection Voucher, transferring the amount of the fraudulent payment back into the appropriation from which the payment disbursed. The collection transaction is reported to Treasury via the Classification Transactions and Accountability (CTA), which will feed the Central Accounting Reporting System daily account statement showing an increase to the DO Cash TAS and an increase to the program TAS on the collection voucher. In addition, increase the DD 2657 if the loss is a predecessor loss. Record the loss on the DD 2667 as prescribed in subparagraph 4.2.1.2 if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO;

5.1.1.2.2. Determine if the erroneous payment occurred due to fraudulent actions of individuals who were not under the direct cognizance or control of the DO; the payment(s) must remain charged to the appropriation originally charged.

5.1.2. Erroneous Payments – No Fraud

5.1.2.1. Certifying Officer: Upon notification of an erroneous payment, the certifying officer must:

5.1.2.1.1. Review the erroneous payment voucher and the supporting documentation;

5.1.2.1.2. Ensure collection action is taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to the DO or other responsible area; and

5.1.2.1.3. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed and:

5.1.2.1.3.1. The debt is delinquent for 180 days; or

5.1.2.1.3.2. The full amount of the loss is not recovered within the 2-year period, which is calculated from the time the erroneous payment was made.

5.1.2.2. DO's Responsibilities

5.1.2.2.1. The DO does not need to take any action if the erroneous payment was properly certified.

5.1.2.2.2. If the erroneous payment was not properly certified:

5.1.2.2.2.1. Report the loss to the Commander; and

5.1.2.2.2.2. Ensure collection action was taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4, Chapter 3, subparagraph 3.3.3 for disposition of the collection.

5.1.2.3. Commander: Upon notification of an erroneous payment, the commander must:

5.1.2.3.1. Determine whether a formal or an informal investigation is required;

5.1.2.3.2. Appoint an IO to conduct the appropriate investigation; and

5.1.2.3.3. Ensure the investigation is completed and submitted to the DFAS LoF Team.

5.2 Investigation of Erroneous Payments

5.2.1. Formal Investigation Policy

5.2.1.1. Formal investigations are required when:

5.2.1.1.1. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

5.2.1.1.2. The Commander determines it to be necessary.

NOTE: Formal investigations for erroneous payments must follow the guidance outlined in paragraph 4.3.

5.2.1.2. The investigation must be submitted to the DFAS LoF Team through the Commander who appointed the IO within 90 days from the appointment of the IO.

5.2.2. Informal Investigation Policy

5.2.2.1. The IO must prepare investigatory comments.

5.2.2.2. The investigation must be submitted to the DFAS LoF Team within 60 days from the Commander's notification of the erroneous payment.

5.3 Completion of Erroneous Payments Process

When feasible, all actions required to reach a determination of liability for a LoF due to an erroneous payment should be completed within 3 years after the date the SF 1219 is certified.

5.4 Settlement of Erroneous Payments

Generally, the DO will not carry an erroneous payment as a LoF on the SF 1219, since an appropriation was charged when the payment was disbursed. However, there are exceptions to this general rule. For example, an exception occurs when Treasury applies check-issue overdrafts against a disbursing station symbol number, or if an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

5.4.1. If the erroneous payment is recovered from the recipient, the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. Refer to Volume 4, Chapter 3, subparagraph 3.3.3 for disposition of the collection of canceled appropriation.

5.4.2. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the proceeds from the collection to the appropriation originally charged unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4, Chapter 3, subparagraph 3.3.3.

5.4.3. The amount of the erroneous payment must remain charged to the appropriation that the payment originated from when:

5.4.3.1. Relief of liability is granted; or

5.4.3.2. Recovery attempts from the recipient are unsuccessful.

5.4.4. If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

5.5 Document Retention

The following documents and information are retained to ensure proper response to audits conducted by the Government Accountability Office:

5.5.1. Detailed statement of facts of the case, including the type of irregularity, date, amount, names, and positions of the accountable official(s) involved;

5.5.2. Reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

5.5.3. Description of how the irregularity occurred and how it affected the accountable official's account;

5.5.4. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and/or

5.5.5. Information on any recoupment already made or being considered.

NOTE: See subparagraph 4.1.2 for contact information for the DFAS LoF Team.

6.0 REQUEST FOR RELIEF

6.1 Request for Relief

Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO's report must be included as an attachment to the request for relief. Erroneous payments paid through the Treasury Direct Disbursing process follow the same process as erroneous payments paid through a DoD disbursing office. Accountable officials must submit their request for relief as follows.

6.1.1. DOs. Submit the request for relief through the Commander or DFAS site director to the DFAS LoF Team.

6.1.2. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to the DFAS LoF Team.

6.1.3. DDOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to the DFAS LoF Team.

6.2 Evidence Required for Granting Relief

6.2.1. Burden of Proof. An accountable official is strictly liable for any erroneous payment or physical LoF placed in the official's care, subject to relief of liability. Accordingly, if the Government can establish that a loss has occurred, strict liability applies to the accountable official involved with the loss. The accountable official bears the burden of proving that it is more likely than not that the official:

6.2.1.1. Was not negligent; or

6.2.1.2. The official's fault or negligence was not the proximate cause of the loss.

6.2.2. Information Required. Generally, the findings of related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the following information must be supplied and considered in the request for relief and/or the forwarding endorsements. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief. Include the following items:

6.2.2.1. The specific duty assignment of the accountable official when the loss occurred;

6.2.2.2. A statement showing when, how, and who discovered the loss;

6.2.2.3. A description of any actions taken to verify the loss and establish how the loss occurred;

6.2.2.4. A statement including the date of the last cash count and balancing prior to discovery of the loss;

6.2.2.5. A copy of the appropriate standard operating procedures in effect at the time the loss occurred. If no written procedures are available, provide a statement to explain the known and utilized procedures at the time the loss occurred;

6.2.2.6. A statement indicating pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations;

6.2.2.7. A statement regarding the official's past involvement in any prior losses, if applicable;

6.2.2.8. A statement indicating whether the loss was caused by theft or some other criminal act; and

6.2.2.9. A description of the manner in which the DO is carrying the loss in their account, and the identity of that DO.

6.2.3. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO) must provide a forwarding endorsement that must include a specific opinion as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence. A specific recommendation regarding granting or denying relief is required, as a part of the forwarding endorsement.

6.3 Statutory Standards for Relief of a Physical Loss

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527. Relief of liability may be granted when:

6.3.1. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;

6.3.2. The loss or deficiency was not the result of an illegal or incorrect payment; and

6.3.3. The loss or deficiency was not the result of fault or negligence by the official.

6.4 Statutory Standards for Relief of an Erroneous Payment

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527(b)(1)(B), which incorporates by reference 31 U.S.C. § 3528(b)(1), as follows.

6.4.1. DO

6.4.1.1. The payment was not the result of bad faith or lack of reasonable care; and

6.4.1.2. The disbursing officials and the agency have made diligent collection efforts.

6.4.2. Certifying Officer

6.4.2.1. The certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

6.4.2.2. The obligation was incurred in good faith, no law specifically prohibited the payment, the U.S. Government received value for the payment, and diligent collection efforts were made to recover the payment.

6.4.3. DAO. Pecuniary liability under this subsection will apply in the same manner and to the same extent as applies to an official accountable under 31 U.S.C., subtitle III.

7.0 DECISIONS ON LIABILITY

7.1 Relief Granted

If granted relief, the DFAS LoF Team will provide a memorandum with instructions for removing the deficiency or authority to leave the payment charged to the original appropriation.

7.2 Relief Denied

If denied relief, the DFAS LoF Team will advise the accountable official(s) of the decision and of their right to submit a rebuttal. The rebuttal must be submitted to the DFAS LoF Team within 30 days from the date of notification of the adverse determination. Based on the additional information received, the team will make a recommendation to the Director, Strategy, Policy and Requirements, through the DFAS Office of General Counsel, whether to affirm or reverse the previous decision.

7.2.1. If the decision is reversed, the accountable official(s) will be advised accordingly, and the DO will be provided instructions for removal of the LoF or authority to leave the payment charged to the original appropriation.

7.2.2. If the decision stands, the Commander and/or DO will be advised to take immediate collection action against the accountable official(s). Cash recouped from a loss and retained for future operating use does not impact the DO Cash TAS balance. Volume 16 provides guidance for completing collection of irregularities.\

8.0 OVERAGES OF PUBLIC FUNDS

8.1 Overview

Overages are funds held in an amount greater than the amount shown to be on hand by the daily accountability records of the DO.

8.2 Recording Overages of Funds

Do not offset an overage of funds against a physical LoF unless the relation between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is over by equal USDE amounts). Do not offset overages against shortages if the shortage and overage occur on different business days. An overage of funds must be collected into the DO's accountability and reported by CTA transactions to Treasury's Budget Clearing Account (Suspense), F3875, citing the collection Business Event Type Code (BETC) along with the DO Cash TAS/BETC. If the proper location of the overage cannot be determined, the overage must be transferred to Treasury's Forfeiture of Unclaimed Money and Property, R1060, utilizing a CTA transaction. Track overages by recording each occurrence on a separate DD 2667, maintained specifically for overages.

NOTE: The DD 2667 is a stand-alone document for tracking overages. Start a new DD 2667 for overages at the beginning of each quarter.

8.3 Preparation of the DD 2667 as a Record of Overages of Funds

List each overage occurring each day on the DD 2667.

8.4 Reporting Overages of Funds

Overages of funds that are $750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the R1060 account.

*Figure 6-1. Processing Physical Losses of Funds

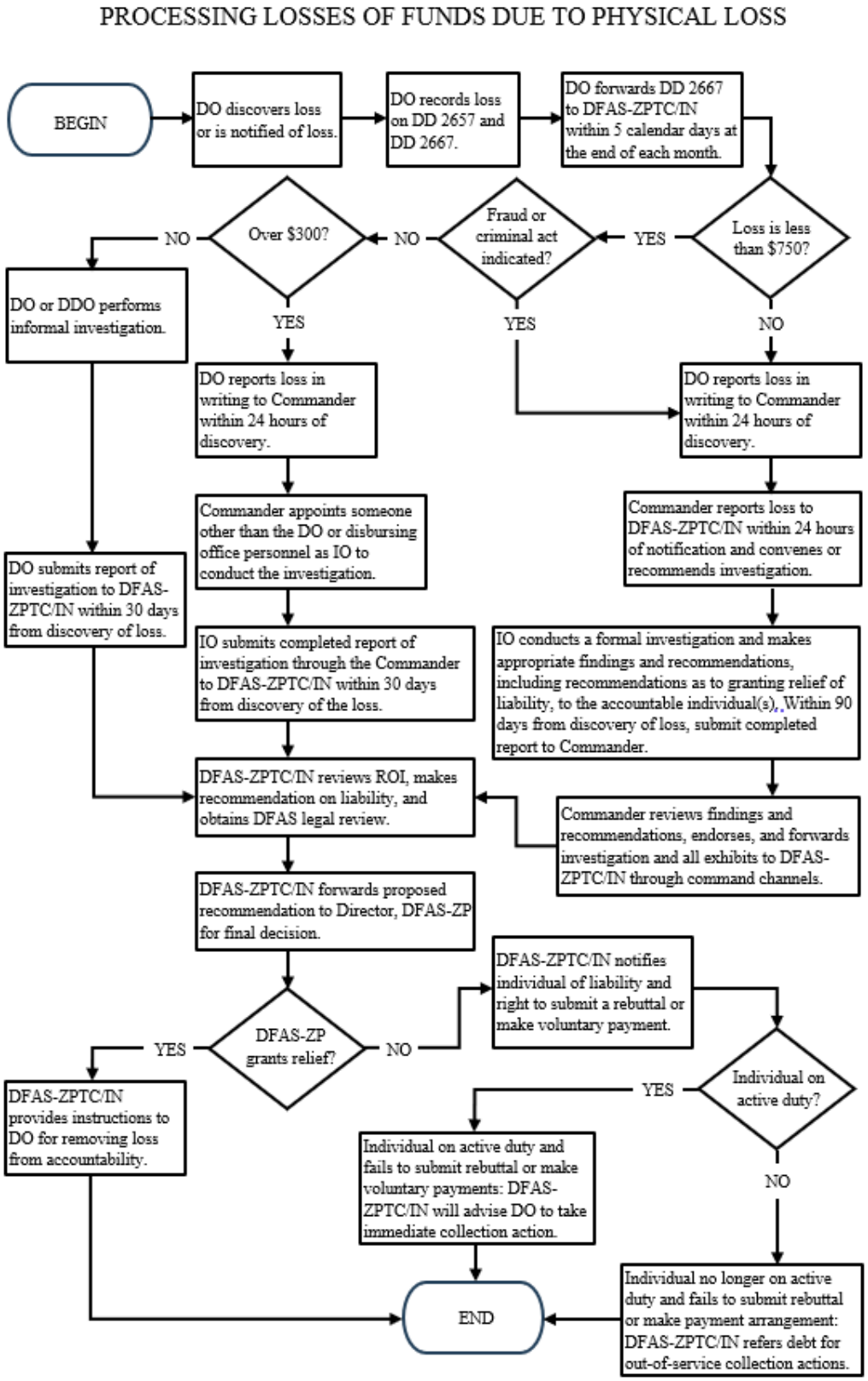

*Figure 6-2. Processing Erroneous Payments

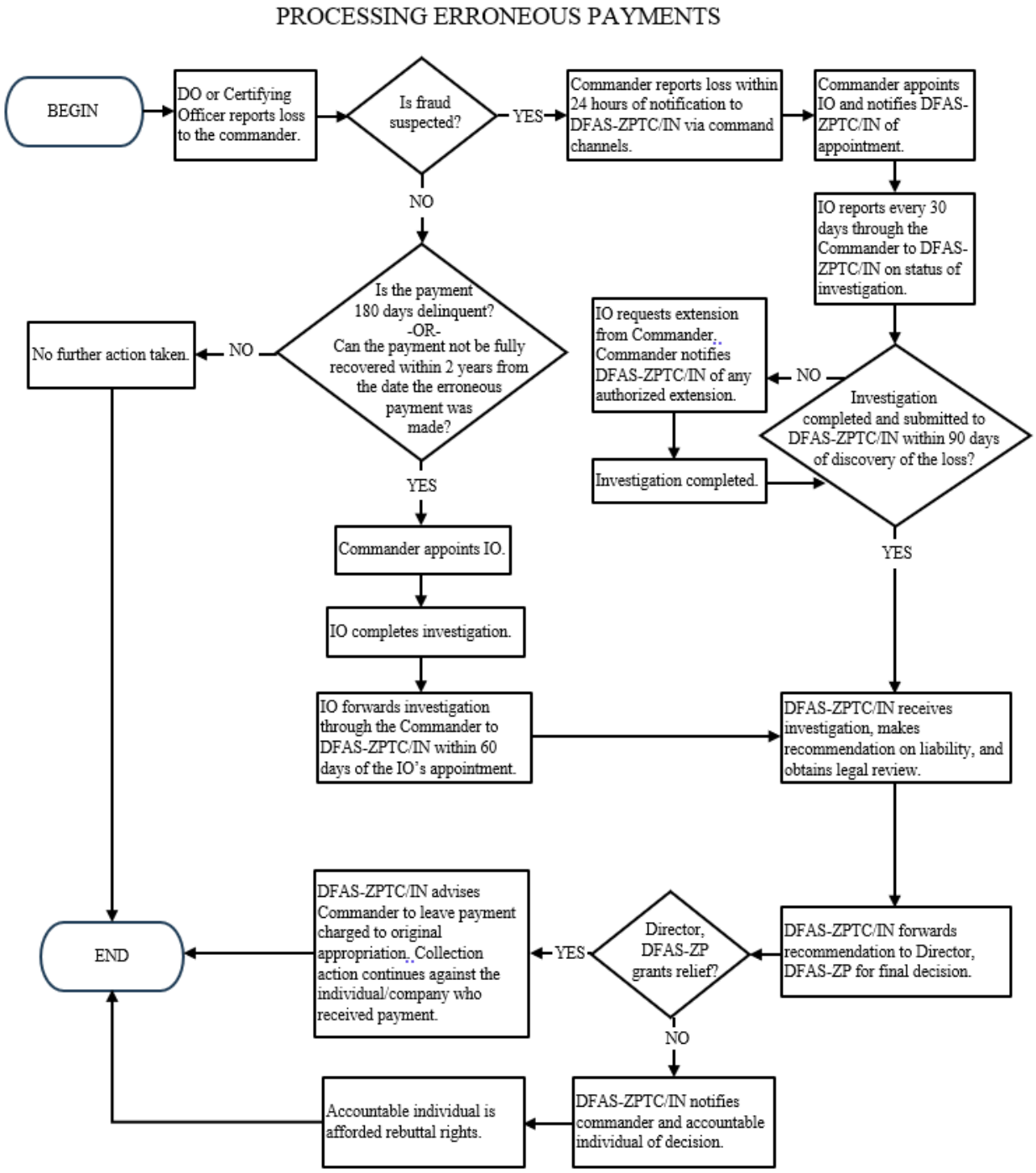

Table 6-1. Examples of Physical Losses of Funds

TYPES OF LOSSES	EXPLANATION
Public Funds	Loss of cash.
Limited Depositary Account (LDA)	A loss can occur when the LDA is unreconciled, reported incorrectly, or subjected to a fraudulent transaction.
Records	Loss of records such as debit vouchers or deposit tickets.
Original Vouchers	Copies of the original voucher and retained supporting documents may be stamped as a certified copy of the original voucher if the original voucher is lost. However, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher with the payee's signature to provide proof of payment.
Documentation Supporting Debit Vouchers	A physical loss can occur if open debit items cannot be reconciled because of the loss of supporting documentation.
Shipment of Cash	Shipments of cash that are lost can result in the liability of the accountable official(s) if they failed to ship cash as prescribed in Chapter 3, section 5.0.
Unexplained Losses	No explanation – money is missing.
Negotiable Instruments	A physical loss can result when a negotiable instrument and all copies held in the disbursing office are lost.
Bank Failure	DO's funds held in a bank; e.g., an LDA, and the bank closed because of failure.
Counterfeit Currency	Currency in the DO's possession determined to be counterfeit.
Change Fund	Cash shortage that is not whole from sales receipts.
Imprest Fund	Shortage of funds advanced to imprest fund cashier.
Fraud within Disbursing	A loss resulting from fraudulent actions of disbursing personnel acting alone or in collusion with others.
Robbery, Burglary	A LoF from a robbery/burglary.

*Table 6-2. Standardized Questions for Investigations

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Have the DO and other person potentially liable for the loss been afforded all the rights and privileges of parties in interest?	X	X	X	X	X
Has the IO obtained testimony from every person who has relevant information regarding the circumstances?	X	X	X	X	X
Has the IO thoroughly questioned each witness?	X	X	X	X	X
Are there inconsistencies among the testimonies of different witnesses?	X	X	X		X
Did the IO conduct a thorough investigation to discover the full extent of the loss?	X	X	X	X	X
Has the IO considered other investigations conducted regarding the loss? (NOTE: Do not consider lie detector test results.)	X		X	X	X
If fraud is involved, were the methods to defraud the U.S. Government clearly described?				X	
Is the cause of the loss clearly established?	X	X	X	X	X
Was a thorough search of the physical area made for missing cash or vouchers?	X		X		X
Did the IO review the transactions made during the day of the loss thoroughly, in an effort to determine the cause of the shortage?	X		X		X
Were any individuals contacted in an effort to determine if an overpayment had been made and could be recovered?	X		X		X
Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?	X		X		X
Was all cash-on-hand counted to make sure there was no compensating overage?	X		X		X
What was the number of transactions handled by the cashier/agent during the period in which the loss occurred?	X		X		X
Did distracting influences exist or were working conditions poor?	X	X	X		X
Was the cashier/agent working under pressure because of the heavy volume of business?	X	X	X		X
Was the cashier/agent handling new currency that has a tendency to stick together?	X		X		X
Was the cashier/agent experienced or inexperienced?	X		X		X
What procedures and internal controls has the DO established to safeguard funds and preclude fraudulent activity?	X		X	X	X
What facilities were available to protect cash for which the cashier/agent was accountable, such as a cash drawer with key lock or a separate safe?	X		X		X
What procedures did the DO, deputy DO, and/or disbursing agent follow in making daily settlements with the cashier?	X				
Has the DO supplied instructions in detecting counterfeit money for those personnel in the office that handle money?		X			
What written SOPs has the DO supplied for guidance?	X	X	X		
Are the SOPs adequate?	X		X		
Did the accountable official follow the applicable procedures on the day of the loss?	X	X	X	X	X

Table 6-2. Standardized Questions for Investigations (Continued)

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Has the DO issued any oral instructions?	X	X	X		
Was the cashier's cage or safe accessible to persons other than the cashier/agent?	X		X		
Did theft occur?	X		X		X
Does the exhibit show the appointment of the official; i.e., cashier, DDO, agent?	X		X		X
Was the cashier/agent functioning under the direct cognizance/control of the DO?	X		X		
When, and by whom, was the receipt of counterfeit currency detected?		X			
Was an effort made to determine the source of the counterfeit note(s)?		X			
Does the volume of transactions handled by the cashier/agent preclude a careful inspection of every piece of currency?		X			
Do exhibits show the amount the DO entrusted to the cashier/agent, the signature of the cashier/agent in receipt of funds, the turn-in made by the cashier/agent, and the amount of the shortage or a statement of the cashier's/agent's account?	X		X		
If the loss involves funds in the hands of a cashier/agent, has the DO inspected and supervised the cashier/agent office, or arranged for such inspections?	X		X		
Under what functional capacity was the accountable individual acting with regards to the DO?				X	
What is the accountable official's immediate chain of command within the activity for which they provide disbursing services?				X	
Has all possible collection action been taken?				X	
In the case of military personnel, is collection action occurring in the field or by the supporting DFAS site in cases where personnel have been separated from the Service?				X	
In the case of civilian employees, has the individual involved authorized application of pay to offset the shortage?				X	
Have steps been taken to secure application of final pay to settle the indebtedness?				X	
If the amount of the indebtedness was determined, was a request made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?				X	

VOLUME 5, CHAPTER 7: "U.S. TREASURY CHECKS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.4	Deleted subparagraph 2.4.2 prohibiting waivers for vendor payments, per updates to the Treasury Financial Manual, Volume I, Part 4A, Chapter 2000, Section 2040.30b that became effective March 22, 2024, and renumbered the paragraph accordingly.	Deletion
3.1	Removed procedural content for ordering check stock and provided contact information for obtaining current check procurement options and procedures.	Revision
9.3	Moved check destruction content to new section 15.0.	Revision
15.0	Created a separate section for check destruction content and added contact information for destroying blank check stock.	Addition

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CHAPTER 7

U.S. TREASURY CHECKS

1.0 GENERAL

1.1 Overview

Disbursing Officers (DOs) issue U.S. Department of the Treasury (Treasury) checks under applicable laws and regulations for military pay and allowances, civilian pay, settlement of travel claims, authorized advances to travelers and agents, exchanges-for-cash, and deposits-for-credit to the Treasury. Only multi-hued, standard size checks (7 3/8 inches in length and 3 1/4 inches in width) may be issues against the Treasury's account. Per the Treasury Financial Manual (TFM), Volume 1, Part 4A, Chapter 4000, Section 4045 (***I TFM 4A-4045***), Federal entities that issue Treasury checks will report daily through the Payment Information Repository (PIR) Standard Reporting Format. PIR files containing check payments go to both PIR and the Treasury Check Information System (TCIS). All Treasury check disbursements must have a valid Treasury Account Symbol/Business Event Type Code (TAS/BETC) reported through PIR, which will feed the Central Accounting Reporting System (CARS) daily account statement.

1.2 Purpose

This chapter provides basic principles and requirements for procurement of Treasury checks, check types and features, security, storage, and signature media to include machine specifications of check-signing machines. It also provides information on the issuance of Treasury checks, exchange-for-cash checks, check issue discrepancies, spoiled and voided checks, check cancellation, and the necessity for timely and accurate reporting to Treasury.

1.3 Authoritative Guidance

Treasury check usage is governed by Title 31, United States Code (U.S.C.), section 3321 (***31 U.S.C. § 3321***), Disbursing Authority in the Executive Branch; ***31 U.S.C. § 3328***, Paying Checks and Drafts; ***31 U.S.C. § 3331***, Substitute Checks; ***31 U.S.C. § 3332***, Required Direct Deposit; ***31 U.S.C. § 3343***, Check Forgery Insurance Fund (CFIF); ***31 U.S.C. § 3702(c)***, Authority to Settle Claims; and ***31 U.S.C. § 3334***, Cancellation and Proceeds Distribution of Treasury Checks.

2.0 POLICY

2.1 Drawing and Dating Checks

2.1.1. Drawing a Check. Inscribe checks drawn on the Treasury to the payee by name, or to a financial institution for credit to the account of the named payee, except for checks drawn as exchange-for-cash (see section 7.0). Never make a check payable to "Cash."

2.1.2. Dating and Mailing Checks. DOs must not issue checks in payment of salaries before completion of the service for which the payment is being made or before the scheduled payday, unless authorized (e.g., advance pay). A DoD Component is authorized to mail checks to payees before a military or civilian payday to ensure payments are available when due. When mailing a check before payday, do not date it before the date of the scheduled payday. Agencies using this method of pay delivery must have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (e.g., unauthorized absence or separation) and ensure that pay intercept procedures can be initiated.

2.1.3. Legal Representatives

2.1.3.1. Legal Representative of Estate of Decedent. A check may be drawn to the order of a legal representative of the estate of a deceased person (e.g., "John K. Smith, Executor of the estate of James R. Jones"). Do not make a check payable "to the estate of" a decedent or to a deceased person.

2.1.3.2. Committee or Guardian. A check may be drawn to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized (see Volumes 7A, Chapter 33; 7B, Chapter 16; and 8, Chapter 10).

2.1.3.3. Power of Attorney. The payee of a check may authorize another person to receive a Treasury check by execution of a specific power of attorney that clearly states the holder is entitled to receive the check on the payee's behalf. The person receiving the check signs his or her own name on the voucher followed by the words "Attorney-in-Fact for" and the name of the person granting the power of attorney. The DO verifies the identity of the holder and keeps a copy of the power of attorney. Process payments made to the holder of a power of attorney that require "secret" or "confidential identity" using a cover voucher insert. Transmit a copy of the original voucher and a copy of the power of attorney to the supporting Defense Finance and Accounting Services (DFAS) site for proper handling and storage.

2.1.4. Signing Blank Checks. Signing blank checks is prohibited.

2.2 Negotiability

Effective October 1, 1989, Treasury checks are negotiable for 1 year from their issue dates. Checks presented for payment that are not negotiable must be verified for validity and replaced, if appropriate (see section 12.0).

2.3 Evidence of Payment

The issuance and mailing of a check to a creditor of the United States does not, by itself, constitute payment of a debt. A debt is not discharged until a creditor has received the amount of the debt in money or its equivalent in law. An acknowledgement of receipt of the check is also not evidence of payment. The endorsed and negotiated check is the receipt to the government.

*2.4 Federal Nontax Payments

The ***I TFM 4A-2040*** requires that all Federal nontax payments be made by Electronic Funds Transfer (EFT) unless a waiver applies.

3.0 PROCUREMENT OF TREASURY CHECKS

*3.1 Check Sourcing

The DFAS Enterprise Solutions and Standards Directorate's Tax and Disbursing Division (DFAS-IN/JJFKCB) is the sole check sourcing agency for DoD activities. Contact DFAS-IN/JJFKCB for current check formats available, the procedure for obtaining check stock, and for advice on alternative payment methods.

DFAS-Indianapolis Center (DFAS-IN)
Enterprise Solutions and Standards Directorate
Tax and Disbursing Division (DFAS-IN/JJFKCB)
8899 E. 56th Street
Indianapolis, IN 46249-2700
Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil

To ensure continuity of operations, DOs should not allow check stock to fall below a 6-month supply. Seek replenishment when the check stock reaches the 9-month level. The DO at a newly established disbursing station symbol number (DSSN) should request check stock at least 4 months before the planned commencement of disbursing operations.

3.2 Check Types

3.2.1. Regular Issue Checks. Regular issue checks are standard checks with preprinted DSSNs, serial numbers, and magnetic ink character recognition (MICR) encoding.

3.2.2. Unnumbered Checks. Unnumbered checks are regular issue checks controlled by preprinted inventory control numbers (ICNs) rather than preprinted DSSNs, serial numbers, or MICR encoding, and are for use only by DFAS sites. Under ***I TFM 4-5045.15***, systems that prepare these checks must have a post-print verification unit to read and verify certain critical data after the optical character reader-B (OCR-B) and MICR data are printed. These data elements are the OCR-B check symbol, serial number, dollar amount, and the entire MICR line. The system must internally calculate the check digits for the check symbol and serial number on the MICR line and verify correctness, compare the MICR data with the OCR-B data, and both the OCR-B and MICR data with the data from the input source. If any character fails to verify correctly, the check or checks must be rejected, marked "Void - Not Negotiable," and then reprinted.

3.2.3. Test Grid Checks. Test grid checks provide the format of the check by grid lines to test or align automated check writing and bursting equipment. They are printed for government-wide use. Ignore the date and dollar boxes since they are not preprinted on checks. Test grid checks are not for issuance.

3.2.4. Specimen Checks. Specimen checks are identical to unnumbered checks except that they are overprinted with the words "SPECIMEN CHECK – NOT NEGOTIABLE" in black ink in a type size of at least 18 points in the signature space, with an ICN Alpha prefix of "X" in the numbering sequence. Safeguard specimen checks the same as blank checks. In the absence of a specimen check, use a blank check marked "Void - Not Negotiable, No Check Issued Under this Number," if available; otherwise, use a piece of paper or card of check size 7 3/8 inches in length and 3 1/4 inches in width.

3.2.5. Blank Check Formats. See ***I TFM 4-5030.20***.

3.3 Check Features

3.3.1. Pre-Encoded Magnetic Ink Characters. Certain information is encoded in MICR format along the bottom of the check. The MICR area extends across the entire length of the check from positions 14 to 54, 9/16 inches from the bottom edge of the check. The MICR line consists of a 9-digit check serial number in positions 23 through 31, a 9-digit routing transit number in positions 34 through 42, a 5-digit check symbol number in positions 49 through 53, and the appropriate MICR symbols citing preprinted symbol and serial numbers.

3.3.2. Check Serial Numbers. When all serial numbers of a DSSN have been used, Treasury's Fiscal Service will assign a new DSSN for the next supply of checks. Accordingly, as serial numbers of checks issued approach 99,999,999, the DO should notify the National Payment Integrity and Resolution Center (NPIRC), through DFAS-IN/JJFKCB, to facilitate assigning a new DSSN before the next supply of blank checks is ordered. In this instance, the DO should allow 30 days in addition to the time normally required to print and deliver the checks for the proof to be changed.

3.3.3. Check Numbering. Initial orders for serially-numbered checks must specify the numbers begin with 00001000 and end in xxxxx999. Serial numbers on subsequent orders must follow in exact sequence. On check formats K and M, agencies may order additional printing and/or numbering on the check stub (see ***I TFM 4-5030.30***).

3.4 Emergency Checks

Under emergencies only, disbursing offices may use their print systems to produce pre-numbered and MICR-encoded check stock for use by other disbursing offices within that federal entity. Disbursing offices must not use the emergency check stock system to avoid ordering checks through normal channels (see ***I TFM 4-5030.60***).

3.5 Receipt of Treasury Checks

3.5.1. Receipt. Upon receipt of a check shipment, and based on a representative sample, the DO or designee verifies that all checks have been received, examines the accuracy of the printing, and verifies the check symbol/serial numbers in the upper right corner of the checks and in the MICR field. If shipment is by means other than registered first class mail, the vendor mails

an "Advice of Shipment" form with the shipment. After receipt and verification of the check order, sign the form, and send it to DFAS-IN/JJFKCB.

3.5.2. Warranty. The vendor provides a 120-day warranty on checks it produces, beginning with the day the checks are delivered to the user. The office that receives the checks is responsible to determine any obvious defects or missing checks before the warranty period expires. Otherwise, the vendor may not be liable for making replacements.

3.5.3. Defective Check Shipments

3.5.3.1. If checks are missing from the shipment, or check stock is in some other way defective and replacement is warranted, contact DFAS-IN/JJFKCB. If checks are damaged upon receipt, the DO should contact the trucking company; if checks were sent by registered mail, contact the U.S. Postal Service (USPS) to initiate a claim for damages.

3.5.3.2. If a check shipment is received that contains more than one check with the same check serial number, in addition to the notification to DFAS-IN/JJFKCB, the DO must destroy each check bearing a duplicate number. Since the remaining checks bearing these same serial numbers may be issued in the normal manner, do not report check serial numbers of the duplicate checks as zero dollar amounts in the check issue report. Mark the checks bearing the duplicate numbers "Void - Not Negotiable" and destroy them locally within 30 days, following the guidance in section 15.0.

3.5.3.3. If checks are discovered missing in the receipt verification process, or at any time thereafter, notify both DFAS-IN/JJFKCB and the nearest DoD Component investigative service for referral and liaison with the U.S. Secret Service (USSS).

3.5.3.4. If checks are received that are intended for another disbursing office, immediately contact DFAS-IN/JJFKCB for instructions regarding the shipment.

3.6 Transfers Between DOs

Count checks transferred between DOs as a part of the relief from disbursing duty process by both the transferring and the receiving parties when they are not in the original packages (see Chapter 2, subparagraph 4.6.1.3).

3.7 Security, Storage, and Issuance of Blank Checks

3.7.1. Store blank Treasury checks in a secure container (see Chapter 3, paragraph 3.4). Keep them in the DO's or deputy DO's (DDO) safe or under lock and key. The DO or designee ensures that the condition of storage prevents any deterioration of the surface tint and design of the check, which are sensitive to moisture, light, and heat. The DO or designee may accept checks that bear printing of a satisfactory color and strength and, if subsequent deterioration occurs, obtain a replacement supply. Only one individual should be given primary responsibility for maintaining the check stock and related control records. Access by others should be limited to occasions when the designated custodian is absent.

3.7.2. The DO or designee maintains control of the check stock and is accountable for it at all times. In cases of joint custody, the DO or designee ensures that no break in accountability occurs, to provide for access to the check stock during periods of brief or unexpected absence of the single individual who exercises normal day-to-day responsibility for the check stock.

3.7.2.1. A DO or designee maintains a blank check control log for each series of checks used to maintain a perpetual inventory of checks on hand and control their release. The DO or designee must examine the blank check control log daily to ensure that all checks drawn and checks returned unused are accounted for and that no checks have been removed without authority.

3.7.2.2. Using the prescribed blank check control log:

3.7.2.2.1. The DO or designee issues blank checks to check writers from the check stock in blocks of appropriate size by serial numbers and monitors the return of blank, voided, or spoiled checks to the vault. The DO or designee also uses the control log to control issuance and return of checks between the DO and sites external to the disbursing office that prepare checks;

3.7.2.2.2. The DO or designee must obtain receipts for checks issued. The designee in charge of the working checks must keep a record of checks issued daily to each clerk, examine daily the record of checks drawn and returned unused by the clerks to account for checks issued, and ensure that no checks are removed without authority; and

3.7.2.2.3. The DO or designee must inventory the check stock not less than once every 90 days. Any open container must be inventoried by an individual count of the checks contained therein. Open all damaged cartons of checks, or those bearing evidence of tampering, and individually count the checks. Keep a record of the inventory on hand in the disbursing office and provide it to the cash verification team for attachment to the quarterly cash verification report (see Appendix A).

3.7.2.3. When blank checks are lost or stolen:

3.7.2.3.1. The DO or designee immediately notifies the Commander, the nearest office of the USSS by email or telephone, and Fiscal Service at telephone number (304) 480-7777. Confirm the notification with a letter to the Fiscal Service's Physical Security Branch, 6505 Belcrest Road, Suite 613, Hyattsville, MD 20782, with copies to the USSS, appropriate DoD Component investigative service, DFAS-IN/JJFKCB, and appropriate local banks. Include the DSSN, ICNs or serial numbers of the checks involved, a statement giving complete information concerning the loss or theft, and the date the loss was referred to the USSS for investigation; and

3.7.2.3.2. If the loss involves a range of consecutive serially-numbered checks, only the beginning and ending serial numbers of the range are required. Void all checks discovered to be missing, lost, or stolen before issuance, and report the circumstances following ***I TFM 4-5040.20***.

4.0 ISSUANCE OF TREASURY CHECKS

4.1 Check Preparation

4.1.1. Check Issue. Issue checks in strict numeric sequence within each series. The information essential to a check includes place and date of issue, DSSN, serial number, payee, amount, signature of drawer, designation of title, and other identifying information. Do not print legends such as "Salaries and Expenses" or "Drawn for Above Object" on the face of a check. Check explanations (e.g., exchange-for-cash or salary) and other special information unique to each disbursing activity may be entered at the bottom of the check to the left of the signature area. Keep extraneous data to a minimum. Spaces allotted on the printed check form for specific information are only for their intended purposes. Do not leave any spaces unfilled in a manner that would allow or facilitate alterations and additions that could lead to forgery or fraud.

4.1.2. Check Completion. A completed check must have an orderly appearance and good legibility for accurate reading in rapid handling. Avoid overprinting, intersecting, and crowding. No check may be issued for more than $99,999,999.99. In instances when the total payment exceeds that amount, issue two or more checks that total the payment required. No deviation in the check writing procedures is permitted unless authority is first obtained from DFAS-IN/JJFKCB (see ***I TFM 4-5000***).

4.2 Check Print Requirements

4.2.1. Data on Checks. Data printed or typewritten on checks will be permanent and not affected by erasure, smudging, moisture, handling, the passage of time, or by other methods that might intentionally or unintentionally be used to remove or alter the printing without affecting the check itself.

4.2.1.1. Impact printers may be used. Laser type printers where the toner fuses the print into the check may be used. Do not use laser type printers that only lay an image on the surface of the paper. Do not use correctable ribbons for manual preparation of checks, as they lack the permanence required to protect against undetectable alteration.

4.2.1.2. The physical characteristics and layout of the blank check determine the correct position of the date, amount, payee name, and DO's signature. Avoid deviations from the normal positioning of this information. To standardize printing and facilitate accuracy verification, inscribe words on checks in all capital letters. Omit punctuation except for commas used in addresses and to set off names of two or more payees.

4.2.2. Pay to the Order of. Inscribe the payee's name on a check to ensure positive identification.

4.2.2.1. To ensure correct endorsement, and for other reasons established by custom, the payee's surname should appear last; the correct order is first name, middle name or initial, and last name. Where the payee has an often used surname (e.g., "R T Jones" or "J G Smith"), the use of initials only, instead of the full given name, is inadequate to provide

positive identification of the rightful payee. An initial in lieu of a first name is permissible only in cases where the payee's legal given names consist of initials only. In this case, show the words "Initials Only" after the initials. In instances where the length of the surname would leave insufficient space for the full first name, or where the check writing system makes the use of a first name impractical, show other positive identifying data (e.g., the payee's address on the check).

4.2.2.2. When entering a payee's SSN on the check, inscribe it in a location where it will not be visible in the envelope window if the check is mailed. When checks are to be mailed, exercise care to assure that the full and complete address of the payee is entered on the checks or envelopes, including rural route numbers, box numbers, house numbers, zip codes, and any other information needed for correct delivery.

4.2.3. Date. Print the date on the upper right portion of the check, either above or below the check number. Check signers equipped with date bands may be used if the location of the stamped date does not interfere with preprinted data or other data to be printed or typed on the check.

4.2.4. Numeric Dollar Amount. Print the numeric dollar amount in the upper right quarter section of the check, above the signature of the DO and below the DSSN, in horizontal alignment with the name of the payee or the amount in the body. Completely fill the allotted area with the money amount, preceded by a dollar sign (e.g., $****123.45). Leave no space unfilled that otherwise might be susceptible to use for fraudulent insertion. To reduce opportunities for amount alterations, use neither zeroes as fill-in characters preceding the money amount nor commas in the money amount.

4.2.5. Written Dollar Amount. Printing the amount in the body of a check in words offers greater protection against the alteration of amounts. If a disbursing activity determines that substantial savings in the cost of issuing checks would result or that space is limited, it may use figures only, without any spacing within the amount, in one of these formats: $50and75cents, $50and75/100, or $50.75.

4.2.6. Other Special Information. Print special information (e.g., distribution code, computer or typewritten check serial number, or explanations for check issuance) at the bottom of the check to the left of the signature area. When checks are drawn for public vouchers or payroll payments, the DO, at his or her option, may insert the disbursing office voucher number or, if applicable, the bureau voucher number.

4.2.7. Drawer's Signature. Each check issued must bear either the DO's manual or approved facsimile signature, or the manual signature of a DDO. Manual signatures should generally agree with specimens previously submitted to DFAS-IN/JJFKCB. Checks drawn by a DDO are signed below the printed, typed, or stamped title of the DO for whom he or she is acting, as follows:

Disbursing Officer

By _____, Deputy
(Deputy DO's Signature)

Use permanent dark blue, blue-black, or black ink for signatures on checks (whether manual or by facsimile signature). The ink should not be subject to fading and not readily soluble in water.

4.3 Erasures and Alterations

DOs must not release checks with erasures, alterations, overprinting, or imperfect figures or letters. Spoil or void such checks and issue replacements (see section 9.0).

4.4 Record of Checks Issued

Each DO must maintain a record of checks issued by their DSSN. The record must contain at least these data elements: payee, amount, DSSN, check serial number, and date of the check. Other information as to the purpose for which the check was issued, document number, voucher number, and local identification code or number is optional and subject to the discretion of the issuing DO. The record may be kept on paper or electronic medium designed for data processing use.

4.5 Supporting Documents

Attach documents and payroll vouchers used to support the record of checks issued to the original vouchers submitted to the supporting DFAS site. Do not transmit them to the Treasury with the check issue reports. Send requests for the Defense Check Reconciliation Module (DCRM) Users' Manual to DFAS Corporate Systems (DFAS/ZTE) at dfas dscc zte mbx.cco-dcrm@mail mil. Include all the necessary data for Treasury's reporting purposes in the electronic flat file.

5.0 CHECK-SIGNING MACHINES

5.1 Machine Specifications

Select check-signing machines that meet Treasury regulations and standards (see ***I TFM 4-5045.20***). Impact check signers using rubber signature dye, or approved laser check printers containing digitized signatures, may be used. The machines should have the following features:

5.1.1. A dating device capable of placing the date either immediately above or to the right of the words "UNITED STATES." It is preferable to have the signature and date imprinted in a single operation; if the check writing equipment also imprints the date, the check-signing machine does not need to have this capability;

5.1.2. A mechanism capable of processing paper checks. Offices issuing checks with detachable stubs ensure that the mechanism's feeding device can handle this type of check; and

5.1.3. A key-controlled DO signature feature or a removable computer chip containing the digitized signature for laser check printers with digitized facsimile signature capability. Keep the key and/or the chip controlling the signature capability in a locked safe or vault or under other equally effective safeguards when not in use.

5.2 Signature Media

5.2.1. Requisition

5.2.1.1. Request for Procurement. Upon receipt of the specimen signatures, the outgoing/relieved DO immediately prepares and forwards a request for procurement to DFAS-IN/JJFKCB for approval and forwarding to the DFAS/ZTE. DFAS-IN/JJFKCB ensures sequential numbering of the medium. The purchase order must include the statement:

> "Signature plates for impact type check signers are rubber stamps containing the prescribed facsimile signature of the DO. Digitized signature media are normally Dual In-Line or Single In-Line Memory Module computer chips or computer diskettes containing the DO's signature that is loaded to the laser printer check-signing software."

Also, include the following information:

5.2.1.1.1. The type, manufacturer's name, model, and serial number of the check-signing machine;

5.2.1.1.2. Whether the signature plate or digitized signature medium is for a machine currently in use;

5.2.1.1.3. If the plate or digitized signature medium is to be used on a new and undelivered machine, refer to the procurement papers for the machine including the manufacturer, type, and model; and

5.2.1.1.4. The plate number and the name of the DO.

5.2.1.2. Numbering. Treasury regulations require that the signature media of each DO be numbered in sequence in the lower left corner of the border beginning with the number one. Include on each order the next sequential number for the affected DO.

5.2.1.3. Multiple Media. Normally, a DO and authorized DDOs use only one signature medium. Multiple signature media may be obtained only upon approval of DFAS-IN/JJFKCB. Requests for additional media must include justification of the need for more than one medium. If the check-signing machine uses one set of two plates for signing, additional media may be obtained only upon approval of DFAS-IN/JJFKCB.

5.2.2. Format and Quality of Impression. DFAS-IN/JJFKCB will not accept facsimile signatures that do not meet required standards. Design facsimile signature media so that the frame or border which encloses the facsimile signature is a single wavy line that contains no identifying characteristics. Characterize the impression of the signature with sharp lines, a continuous and homogeneous deposit of ink, absence of filling, and absence of pronounced ribbon pattern.

5.2.3. Approval. Upon receipt of the signature media, the DO whose signature is reproduced runs 14 specimens of each facsimile signature, certifies two of the copies as true facsimiles, and mails all 14 copies to DFAS-IN/JJFKCB with a memorandum requesting approval of the facsimile to sign checks. The reply of approval authorizes use of the check-signing machine. If the specimens do not match, or the medium does not meet required standards, DFAS IN/JJFKCB advises DFAS-IN/ZTA and requests correction. Do not sign checks by facsimile signature before receipt of DFAS-IN/JJFKCB approval.

5.2.4. Custody. The DO establishes and implements controls necessary to prevent unauthorized use of signature media. Maintain custody receipts for all signature media held by authorized deputies, and a record of each run of checks through the check signer and reconcile this report with the report of checks issued. When not in use, keep signature media in an approved safe or vault. If the signature media are not removable from the check-signing machine, keep the keys to the machine in an approved safe or vault.

5.2.5. Use. Check signing by signature media should be performed by only the DO or designated DDOs. When considered necessary for efficient operation of the disbursing office, the DO may authorize (in writing) the holder of a specified position other than a DDO to perform this function. Do not appoint individuals as DDOs solely to sign checks by signature media.

5.2.6. Destruction

5.2.6.1. Signature Medium. If a signature medium is to be withdrawn from service (e.g., not to be used again or DO retiring from service) or is unserviceable, destroy it locally. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO.

5.2.6.1.1. Before destruction, the DO verifies the signature plate number or serial number of the digitized signature medium and witnesses the information on the certificate of destruction.

5.2.6.1.2. Identify name, title, and grade or rank of the DO; complete mailing address of the disbursing station; date and method of destruction; DSSN; typed name, title, and grade or rank of the witnesses; the DO's signature; and a statement as to whether or not the digitized signature medium had to be loaded to a printer or check signer software.

5.2.6.1.3. When a signature plate is destroyed, include in the certificate of destruction the specific plate number and an inked impression of the plate.

5.2.6.2. Digitized Medium. If a digitized medium containing the DO's signature is destroyed, and that signature had been loaded to a printer or check signer software, the DO verifies that the signature has been permanently removed from the printer or check signer software. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO. The DO signs the certificate of destruction only after the actual destruction of the signature medium. Immediately upon destruction, the certificate identifying the specific plate and date of destruction must be given to the DO and the federal entity official responsible for maintaining specimen signature files. Follow applicable federal and industry information technology regulatory requirements and standards when destroying an electronic file of a facsimile signature (see ***I TFM 4-5025.20***).

6.0 PROMPT DELIVERY OF CHECKS

6.1 Delivery

Once prepared, deliver checks promptly to payees. The DoD requires participation in the direct deposit program for all newly enlisted, reenlisted, appointed (commissioned), or retired military personnel and all newly hired civilian personnel. Title 31, U.S.C. § 3332 requires that contractors be paid by EFT.

6.2 Safeguarding and Handling

6.2.1. Properly safeguard checks, handling them as few times and by as few people as practical.

6.2.2. Ensure proper custody, signing, and delivery of checks. If checks are handed to the payees, require that payees identify themselves. Utilize the payee identification process discussed in Chapter 9, paragraph 4.4.

6.2.3. Promptly return to the disbursing office checks not delivered within the time specified by the DO.

6.2.4. Keep checks in a safe, vault, or locked fireproof cabinet pending distribution or return to the DO.

6.2.5. Designate personnel engaged in pay delivery activities in writing and supervise them to help prevent any unauthorized, fraudulent, or other irregular activities.

6.3 Delivery by Mail

The normal method of check delivery is by mail through the USPS to payees' residential mailing addresses or post office boxes. At overseas activities, payees' organizational addresses are considered their residential mailing addresses; organizational addresses are otherwise not valid. When check delivery by mail is impractical, commanders or their designees may provide specific locations where payees may receive their checks. If checks are mailed to specific locations for

delivery, the DO appoints a person in writing at each location to deliver the checks as a designated third party (see paragraph 6.5).

6.4 Outside the Continental United States (OCONUS)

6.4.1. Restrictions. Under Title 31, Code of Federal Regulations (CFR), 211.1 (***31 CFR § 211.1***), the Secretary of the Treasury prohibits agencies from sending checks to the Republic of Cuba (except to the Naval Base, Guantanamo Bay) and the Democratic People's Republic of Korea (North Korea). DOs instead withhold payment and establish the liability on their books. Go to the Treasury's ***Office of Foreign Assets Control*** website for a complete listing of designated nationals and blocked persons.

6.4.2. Exceptions. The restrictions in subparagraph 6.4.1 do not apply to checks payable to foreign governments, issued to pay salaries or wages, or for goods or services purchased by the U.S. Government (see ***31 CFR § 211.3***).

6.4.3. Claims for the Release of Withheld Checks or Proceeds. The agency originally responsible for authorizing the issuance of proceeds processes claims to release them (see ***31 CFR § 211.2***). If an agency withholding payment receives a valid claim, it issues a check and decreases the related liability. If the proceeds of withheld checks were on deposit with the Fiscal Service before April 1976, and are still in deposit fund account 20X6048 (Proceeds of Withheld Foreign Checks), submit requests for payment with an appropriate recommendation to the U.S. Department of Treasury, Fiscal Service, Budget Reports Division, Governmentwide Accounting, 3201 Pennsy Drive, Building E, Landover, MD 20785. The telephone number is (202) 874-5202.

6.5 Delivery by Designated Third Parties

Personal delivery of multiple checks may be impractical for the DO, or it may not be expedient to mail them to addresses of record. Under such circumstances, and with the guidance for delivery of checks noted in paragraph 6.2, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

6.5.1. Appointment/Termination of Designated Third Parties. A DO may appoint individuals to serve as third parties for bulk check delivery. A Fiscal Service (FS) ***Form 210DA***, Designation for Agent to Receive and Deliver Checks, is available for this purpose. A DO may appoint one or more alternates to prevent distribution delays in the absence of the designee. Alternates may also assist in check distribution when conditions warrant. The DO ensures revocation of appointments upon appointee transfer, when bulk delivery is no longer needed, or as other circumstances warrant. Appointments by memorandum must include:

6.5.1.1. The name and title of the appointee,

6.5.1.2. The name and location of the DO,

6.5.1.3. The applicable DSSN(s),

6.5.1.4. The date of the appointment, and

6.5.1.5. A description of the types of checks to be delivered.

6.5.2. Transporting Checks to Designated Third Parties. Package bulk shipments of prepared checks separately from other correspondence and send them by registered mail. Send bulk shipments for a unit or group of units to a third party for distribution or delivery to payees, or reship them to another third party for delivery where the military unit is located. Include the checks, transmittal letter, and documentation needed for the specific payments.

6.5.3. Release of Checks to Other Than Payee. Designated third parties may not release checks to anyone other than designated payees. When the payees are absent at the time of delivery, see subparagraph 6.5.5 for handling checks.

6.5.4. Judge Advocate or Investigative Agent Third Parties. When advance payments are issued for witnesses subpoenaed for trial, a representative from a DoD Component investigative agency, or a judge advocate charged with serving the subpoena, delivers the checks when the payees are absent at the time of delivery.

6.5.5. Third Party Disposition of Undelivered Checks. Unless otherwise directed, return checks for payees not present to the DO before the close of business that day. Inform payees who were absent to call the disbursing office to receive them. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified short period. When payees are on extended periods of leave or absence, return their checks to the DO for disposition. Return checks found to be in error to the DO. The DO issues a new check to the payee after appropriate corrective action.

7.0 EXCHANGE-FOR-CASH CHECKS

7.1 Report

All exchange-for-cash checks must be reported through PIR citing the DO Cash TAS and the proper BETC code. Spoiled exchange-for-cash checks that have not been reported to Treasury are not impacted by daily reporting and must follow the guidance listed in paragraph 9.1. Spoiled checks that have been reported to Treasury must be resolved by one of the following methods.

7.1.1. Accommodations. Accommodation exchange-for-cash checks are allowed only when satisfactory banking facilities do not exist and are typically only OCONUS. In OCONUS areas and for ships afloat, the DO's commander may authorize cashing negotiable instruments (see Chapter 4, section 2.0). These checks may be prepared and issued by DOs for official purposes to a DDO, agent, or cashier as an advance of cash; to the USPS for remitting collections for the sale of postal money orders; or to the Western Union for remitting collections for personal messages of military personnel transmitted over DoD communications facilities to points inside the continental United States (CONUS).

7.1.2. Advance Cash. These checks are issued by the DO to advance cash to a DDO, agent, or cashier. Checks issued as advances must be endorsed to the order of the bank or other institution furnishing the cash, or when cashed by another DO, to that officer by title and activity rather than by name as, "Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit)." Make checks issued to remit collections for the sale of postal money orders or personal messages payable to the DO, USPS, or Western Union, as appropriate.

7.1.3. Check Cancellation. See paragraph 10.5 for guidance on disposition of canceled available checks. Deposit exchange-for-cash checks in Over-the-Counter Channel Application (OTCnet) utilizing the DO Cash TAS.

7.1.4. Unavailable Check Cancellation (UCC). Exchange-for-cash checks that are lost, stolen, or destroyed should follow the guidance in paragraph 7.5. Enter a Standard Form (SF) ***1184***, UCC, utilizing the DCRM's UCC subsystem with stop reason code "D" (For stop reason codes, see ***I TFM 4-7055.20c, Appendix 1***) and, upon receipt, process a Classification Transactions and Accountability (CTA) transaction reducing both the budget clearing account **F3880 (UCC and Overpayments, Suspense) and the DO cash account.

7.2 Preparation and Handling

Do not show the name of the remitter and identifying references to invoices on exchange-for-cash checks. DOs may draw these checks payable to themselves, a DDO, or an agent for purposes of obtaining operating cash. When authorized in writing by the DO, for purposes of obtaining operating cash, DDOs may draw these checks payable to themselves.

7.3 Cash Belonging to Deceased or Missing Persons

7.3.1. Died or Missing. Exchange cash found in the personal effects of a person who has died or is missing in action for a Treasury check. Make the Treasury check payable to the payee designated by the officer having custody of the personal effects. State the purpose for which the check is drawn as "Exchange-for-cash; personal effects of (name, rank or rate, file or service number)." Draw a separate check for safekeeping deposits of each person (see Chapter 16, paragraph 3.5).

7.3.2. Unknown Whereabouts. Collect cash found in the personal effects of a person whose whereabouts are unknown, including absentees and deserters, into a deposit fund account. Funds that have been held in a deposit fund for more than 1 year can be transferred to account 20X6133 (Payment of Unclaimed Moneys), or into account **R1060 (Forfeitures of Unclaimed Money and Property). Make a separate collection for safekeeping deposits of each person.

7.4 Exchange-for-Cash Checks Returned as Not Required

Do not cancel exchange-for-cash checks issued for advances to DDOs, agents, and/or cashiers and returned to the DO as "not required." The payee's endorsement on the check is not required. The DO endorses the check and deposits it as prescribed in Chapter 11, section 8.3. DOs cannot accept the return of exchange-for-cash checks from any payee other than a DDO, agent, or cashier. Other exchange-for-cash checks are issued to the purchaser and must be negotiated by the payee.

7.5 Exchange-for-Cash Checks Lost, Stolen, or Destroyed

7.5.1. When Issued to an Individual. When the payee of an exchange-for-cash check reports the check as lost, stolen, or destroyed, the DO follows section 11.0. For UCC, the DO may not issue a recertified payment to the payee before receipt of credit for the original check from the Treasury, since the original check was issued in exchange-for-cash as opposed to any entitlement chargeable to an appropriation.

7.5.2. When Issued as an Advance of Cash to a DDO, Agent, or Cashier. For lost, stolen, or destroyed exchange-for-cash checks that were issued to advance cash, the DDO, agent, or cashier remains accountable for the cash.

7.5.2.1. Accountability. The DDO, agent, or cashier accounts for the check as a loss of funds. A DO may replace the lost check with a recertified payment check (or a new advance of cash) if he or she considers it necessary due to operational requirements.

7.5.2.2. Offset Loss of Funds. After receiving credit for the lost check, the DO prepares an ***SF 1080***, Voucher for Transfers Between Appropriations or Funds, to transfer the credit from the **F3880 account to offset the loss of funds in the DO's accountability (see Chapter 6). Give a copy of the SF 1080 to the DDO, agent, or cashier to document the Treasury's cancellation of the lost check, use the credit to offset the loss of funds, and file a copy with the UCC documentation.

7.5.2.3. Negotiated Lost Check. If the lost check is subsequently negotiated after cancellation by the Treasury (in which case, the Treasury will reverse the previous credit), the DDO, agent, or cashier is accountable for the original lost check and must re-establish the loss of funds.

8.0 CHECK ISSUE DISCREPANCIES

8.1 Adjustment of Duplicate Checks

Treasury accepts only one issue/paid record for any given DSSN and check serial number and will issue a debit voucher to charge the disbursing office for a second check received for payment with the same DSSN and check serial number. Should a DO receive a debit voucher for a duplicate check to which the payee is entitled, request that NPIRC reverse the debit voucher for

the correct check serial number of the duplicate check. The DO must also provide a copy of the debit voucher to NPIRC (see ***I TFM 4-6040.10***).

8.2 SF 1219, Statement of Accountability Adjustments

8.2.1. Prior-Month Checks Issued. A common reason for a ***SF 1219*** adjustment made by the DO is a prior-month check issue adjustment. Do not report prior-month issue of checks as current-month checks issued, as this will cause check issue discrepancies for both issue months. An SF 1219 adjustment is necessary to realign the check issue reporting to the proper issue month of the checks.

8.2.2. Clear Check Issue Discrepancy. To clear check issue discrepancies resulting from erroneously reported prior-month checks issued, the DO prepares a journal voucher (JV) to decrease the overstated check issues and increase the check issues for the proper month. For audit trail purposes, reference the check numbers and issue dates of the prior-month checks being adjusted between months on the JV.

8.2.3. Request for Adjustment. If the DO's financial records reflect the correct check issued data for the proper month, and the error is limited to the Treasury's record of the SF 1219 check issue total identified in the check reconciliation process, the DO sends a request for adjustment to the NPIRC.

8.3 Erroneous Information Reported on the Financial Management Service (FMS) Form 5206, Advice of Check Issue Discrepancy

The DO reviews the FMS 5206, a copy of the check, disbursement voucher, and the check issue report data. If the DO determines the check was paid for an amount different from its original issue amount, the DO returns the FMS 5206 to the Treasury with a memorandum stating the reason for returning without action. Support the memorandum with copies of the documents used to determine that the FMS 5206 is in error. Generally, the situation described is indicative of a bank processing error or alteration of the check by the payee. In either event, the explanatory memorandum returned with the FMS 5206 is sufficiently clear to enable the Treasury to initiate reclamation action through the banking system.

8.4 Relief of Liability

Both underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the DO's account. The DO has the authority and the means to correct underdrafts. Overdrafts frequently are not within the power of the DO to correct. If a check issue overdraft resulted in an overpayment of a payee, the overpayment amount is an erroneous payment debt. When the DO has attempted to contact the payee and failed, or when the payee has been notified and has neither the ability nor the inclination to make restitution, the DO transfers the debt to the supporting DFAS site for further collection action. To meet standards for relief of liability, transfer uncollectible overdrafts to the supporting DFAS site within 180 days. After the debt has been transferred, relief of liability for the illegal, incorrect, or improper payment may be requested (see Chapter 6).

9.0 SPOILED AND VOIDED CHECKS

9.1 Spoiled and Voided Checks

When a check is spoiled during the issue process, the DO must void the check. Spoiled checks are treated as voided checks. Void a check that is misprinted or mutilated during the issue process or is determined not to be a proper payment and has not been reported as a check issue with a dollar amount greater than zero. Report destroyed unused and lost or stolen blank checks as voids. Render checks voided by the DO non-negotiable by typing or stamping the words "Void - Not Negotiable. No Check Issued Under This Number." If a DO cannot report the voided checks as required, it must email Fiscal Service at RRB.OSD-NPIRC-PM@fiscal.treasury.gov (see ***I TFM 4-6030***).

9.1.1. A check reported to the Treasury as a valid check in a dollar amount greater than zero may not be voided under any circumstances. The DO stamps the check, "Not Negotiable - For Deposit Only. Credit of Agency Location Code ######." The DO deposits the check using OTCnet, to credit the proceeds of the check to the appropriation from which it was issued and process the check as either an available or UCC, as appropriate, following section 10.0.

9.1.2. If the payment associated with the voided check is otherwise proper, replace it with the next available check in the series and in the same format used for the original voided check. Annotate on the original voucher, the copies of the voucher, and the check issue log to indicate the original check was voided and the number of the replacement check used for the payment.

9.2 Storage

The DO stores spoiled and voided checks in the vault or safe, segregated from other checks.

*9.3 Disposition

The DO destroys spoiled and voided checks locally as soon as possible, following the destruction guidance in section 15.0.

10.0 AVAILABLE CHECK CANCELLATIONS

10.1 Competitive Equality Banking Act of 1987 (CEBA)

CEBA amended 31 U.S.C. § 3328 and created a new section 31 U.S.C. § 3334 that establishes time limits on the payability of Treasury checks. CEBA affects the time allowed for negotiating Treasury checks, initiating and processing claims, recovering monies from financial institutions, and requesting replacement check payments. The underlying obligations for which Treasury checks were issued are not affected. CEBA legislation does not impose the same payability restrictions on check payments made from limited depositary accounts. CEBA requires that Treasury checks be negotiated within 1 year of their issue dates. DOs may cancel checks within this 1-year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO.

A DO may not cancel a check over 1 year old. Checks may be canceled when the disbursing account is closed or current, or the proceeds of the check are for repayment to an appropriation or fund account, which is current or expired (see ***I TFM 4-7030***).

10.2 Exceptions Include:

10.2.1. Checks recovered or returned to the possession of the DO after being submitted for a UCC are stamped with "Not Negotiable, Previously Treated as Canceled SF 1184 dated ######." These Checks are retained for 90 days and then shredded. A DO receiving a returned check for an activity or DSSN no longer in operation stamps the check "Not Negotiable" and sends it to the successor or settlement DO;

10.2.2. Checks involving holder-in-due-course claims, see paragraph 13.2;

10.2.3. If substantial portions of mutilated checks are missing, see I TFM 4-7030; and

10.2.4. Checks that are at least 1 year from the date of issue (stale dated).

10.3 Undeliverable Checks

The DO keeps a record of undeliverable checks on the DoD ***(DD) Form 2658***, Returned and Undeliverable Check/Bond Record. An electronic system is acceptable to record undeliverable checks if it includes all the same information as on the DD 2658. The DO provides the information or a copy of the DD 2658 to agents, cashiers, and appropriate entitlement offices for their use. Do not remove undelivered checks from the safe or vault or allow deputies, agents, or cashiers to hold them except for immediate delivery to payees, or for cancellation and deposit.

10.3.1. Safekeeping. DOs keep undeliverable checks in a safe or vault, filing them in an order best suited for ready identification when claimed, or for mailing upon obtaining a proper address. At a minimum:

10.3.1.1. Open mail with returned Treasury checks in the presence of two people;

10.3.1.2. Limit access to the returned Treasury checks processing area; and

10.3.1.3. Secure the checks in a locked container if there is a delay between the time the checks are received and when they are defaced (see Chapter 3, paragraph 3.4).

10.3.2. Undeliverable Due to Death of the Payee

10.3.2.1. Deceased Military Members. The issuing DSSN cancels checks payable to deceased military members promptly and credits the value to the individual's pay account pending payment to a properly designated beneficiary.

10.3.2.2. Deceased Civilian Employee. See Volume 8, Chapter 10, section 5.0.

10.3.2.3. Other Payees. Deposit checks drawn to other deceased payees as undeliverable checks. Obtain an ***SF 1055***, Claim Against the United States for Amounts Due in the Case of a Deceased Creditor (see ***19 CFR § 24.70***).

10.3.3. Checks Undelivered at Time of Relief. When a DO is relieved by another DO, or the DSSN is deactivated and disbursing for that activity is assumed by another activity due to consolidation, transfer of function, or other reason, the relieving DO or gaining activity assumes custody of and processes the undelivered checks. If the DO is transferred from disbursing duty without a relief, or the disbursing function is not assumed by another activity, process the undelivered checks as collections on an ***SF 1098***, Schedule of Canceled or Undelivered Checks, and deposit them whether or not the three-workday holding period has elapsed.

10.3.4. Special Actions on Canceled Checks Held by the Disbursing Office

10.3.4.1. Military Payrolls. When canceling a military pay and allowances check, the DO ensures the adjustment is also processed on the member's Master Military Pay Account.

10.3.4.2. Civilian Payrolls. When canceling a check in payment of civilian pay, the DO notifies the payroll office to make the appropriate payroll adjustment.

10.4 SF 1098

10.4.1. Check Credit. Credit a check that is undelivered within three workdays of receipt in the disbursing office to the appropriation originally charged using an SF 1098 prepared in triplicate.

10.4.2. Lack of Accounting Data. If the proper appropriation to be credited cannot be determined immediately, collect the amount of the check into account **F3875 (Budget Clearing Account, Suspense). Include on the SF 1098 all information available as to the identity and location of the payee of the check. Keep a copy of the documentation in a separate file to support each item in the suspense account. The DO acts aggressively to identify the proper appropriation and removes the item from the suspense account as soon as possible. If the proper appropriation remains unknown after 60 days, transfer the funds to Treasury's miscellaneous receipt account **R1060 on an ***SF 1081***, Voucher and Schedule of Withdrawals and Credits.

10.5 Disposition of Canceled Available Checks

10.5.1. Canceled Checks. Process canceled check transactions authorized by this section in a manner similar to that for collections. Upon receipt of a check to be canceled, prepare an SF 1098 as the collection voucher and credit the appropriation originally charged for the payment. Show all lines of accounting charged and credited on the original disbursement voucher, assign a collection voucher (CV) number, and print the CV number and the date of collection on the back of the canceled check. Deposit the canceled checks for credit to the DSSN used by the DO canceling the checks. An endorsement stamp is required for canceled checks.

10.5.2. Defacing Returned Checks. Ensure that each canceled check is defaced by stamping the legend "Not Negotiable" in a color other than black (preferably red) and in prominent enough size to remove all possibility of negotiation.

10.5.3. Deposit Ticket. Deposit canceled checks on a deposit ticket separate from other negotiable instruments. DOs with OTCnet capability may deposit their canceled checks through this system.

10.5.4. Frequency of Deposits. Checks received for cancellation do not need to be deposited daily but must be canceled within three business days of receipt. These checks may be held in the DO's safe or vault pending preparation of a consolidated deposit ticket. In situations where check deposit volume is minimal, or where electronic deposits utilizing OTCnet are not available, send deposits to the Federal Reserve Bank (FRB) no later than the 25th of the month of receipt. Checks received after the 25th of the month may be retained and deposited the following month. All CONUS DOs deposit canceled Treasury checks with the nearest FRB. DOs in Alaska, Hawaii, and foreign countries deposit them with the general depositary normally used for making deposits-for-credit to the Treasury's General Account. See Chapter 11, paragraph 11.3 for deposit reconciliation requirements.

10.6 Claims for the Proceeds of Canceled Available Checks

When a claim is received for the proceeds of a canceled available check, and all or a portion of the amount is due to the claimant, the disbursing office that collected and deposited the original undeliverable check pays the claim on payroll or other vouchers prepared, processed, and certified the same as a current payment. This does not preclude an undeliverable military paycheck from being canceled by the issuing DO so that the member may be paid at a new duty station. Use an ***SF 1034***, Public Voucher for Purchases and Services Other than Personal, to make these payments and charge them to the accounting data credited on an SF 1098, referencing the original undeliverable check by serial number, amount, DSSN, month, year, and account in which the undeliverable check was collected. Pay claims received for items transferred to the **R1060 account from the 20X1807 (Refund of Moneys Erroneously Received and Covered) account.

11.0 UCC

11.1 Unavailable Checks

Cancel unavailable Treasury checks less than 12 months old as lost, stolen, mutilated, not received by the payee, and also cancel when the DO determines that the payee is not entitled to the proceeds of the check. To file a non-receipt claim against a Treasury check, the DO must submit a UCC online through TCIS or via file transmission (see ***I TFM 4-7045.10***). Checks canceled are credited by the Treasury to account **F3880 through the Intra-governmental Payment and Collection (IPAC) system. Utilize a CTA transaction to move the funds out of account **F3880 to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETC code. Such situations include death of the payee before the check issue date, non-receipt of a recertified payment by the payee when the original check has been received and cashed, and receipt of a cash payment and a check payment for the same entitlement.

11.1.1. Payees have 1 year from the date of issue of the check to file a claim of non-receipt with the issuing disbursing office, which then submits an SF 1184 to the Treasury within 13 months of the issue date. The Treasury has 18 months from the date a check is paid to reclaim monies from the financial institution if the payee files a claim of forgery or unauthorized endorsement.

11.1.2. Checks unavailable to the payee and/or the DO, and for which entitlement to the payment exists, may be replaced by a new check called a recertified payment check. Such a payment bears a new check serial number and is vouchered, certified, and recorded as a new disbursement. The DO must control, cross-reference, and track original and recertified payments indefinitely or until both have been paid, recovered and destroyed, or canceled.

11.2 DD Form 2662, Recertified Payment Register

Maintain the ***DD 2662*** to provide the necessary cross-reference and control over UCCs. An electronic log is acceptable if it contains the same information as the form (see Volume 1, Chapter 9, section 2.0 for records retention).

11.3 SF 1184

11.3.1. Cancellation Form. The SF 1184 is required for all cancellations. Bulk losses of original checks require the preparation of an SF 1184 for each check.

11.3.1.1. Use this form to stop payment, obtain photocopies, or check the payment status of unavailable Treasury checks. Input stop reason codes to designate the desired action. Although this form attempts to stop payment on a check, there is no true stop payment action. The payee may still negotiate the check, and the DO is responsible to recoup the money.

11.3.1.2. If a check is presented for payment after Treasury has given the DO a credit to the **F3880 account, Treasury will reverse the credit and provide the DO the documentation, including a photocopy of the paid check. The DO must then research and take the appropriate corrective action, including collection efforts when dual negotiation has occurred. See subparagraph 11.3.2 for guidance on preparing and submitting an SF 1184, and paragraph 11.9 for guidance on handling the credits and reversals of credit in the **F3880 account.

11.3.2. Processing. Use DCRM's UCC subsystem to enter SF 1184s and transfer them to the Treasury biweekly. Contact the supporting DFAS site for questions on the SF 1184.

DFAS – Cleveland (DFAS-CL)
1240 East 9th St
Northpoint 7th Fl (JAFBA)
Cleveland, OH 44199-2056
Email: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil

DFAS – Columbus (DFAS-CO)
DFAS-JDBB/CO
PO Box 182317
Columbus, OH 43218-2204
Email: dfas.dscc.zte.mbx.dfasco-dcrmreports@mail.mil

DFAS –IN
DFAS-ADRPT/IN
8899 East 56th Street
Indianapolis, IN 46249-8673
Email: dfas.indianapolis-in.zte.mbx.dcrm@mail.mil

11.4 Claims of Non-receipt, Destruction, Loss, or Theft

11.4.1. Payee Request for Claim

11.4.1.1. Treasury will deny a claim of non-receipt, destruction, loss, or theft of a Treasury check issued on or after October 1, 1989, unless it is presented by the payee to the issuing disbursing office within 1 year from the date of issue.

11.4.1.2. The disbursing office will document the claim on an SF 1184 and submit through the supporting DFAS office so the Treasury receives it within 13 months of the check issue date. If Treasury denies a cancellation credit, it issues a Daily Advice of Status (DAS) with one of the status codes in ***I TFM 4-7045.20c, Appendix 6***. The DO advises the payee of the check status.

11.4.1.3. Fiscal Service forwards a FS ***Form 3858***, Claims Document, to the DO for completion by the payee/claimant. If the check has been negotiated, the payee examines the check copy; if the payee/claimant denies negotiating the check, he/she must complete and sign the FS ***Form 1133***, Claim Against the United States for the Proceeds of a Government Check.

11.4.2. DO's Action. The DO sends the FS 1133, the FS 3858, the photocopy of the check, and any other supporting documentation for the claim to Treasury for processing. If the payee files an FS 1133 to claim forgery or unauthorized endorsement against the check, a recertified payment is not authorized before receipt of a Claims Disposition Notice (CDN), from the Treasury (see subparagraph 11.12.4).

11.5 DD Form 2660, Statement of Claimant Requesting Replacement Check

11.5.1. Payee Request

11.5.1.1. A payee who reports the loss, theft, mutilation, or non-receipt of a Treasury check submits a written statement to the DO. The DD 2660 is the preferred form for the required statement, but a DO may accept a signed letter from the payee in lieu of the DD 2660, provided the letter contains the required information and the certification statement found on the DD 2660.

11.5.1.2. A payee who submits a statement in lieu of the DD 2660 must include the payee's name, SSN, and address; member's name and SSN if different from the payee; type of payment entitlement; whether the check was received, and if so, whether it was lost, stolen, destroyed, or mutilated; whether the check was endorsed by the payee or had a limited endorsement such as "for deposit only;" circumstances surrounding the loss, theft, destruction, or mutilation if the check was received; and the signed statement of certification of the payee. The statement must contain the signed certification statement exactly as cited above blocks 12-15 on the DD 2660. Failure to include this statement could hinder collection efforts if a dual negotiation occurs. Also, if the payee is the one that negotiated both checks, the statement could also be used to establish fraudulent intent.

11.5.2. DO's Action

11.5.2.1. Upon receipt of the signed statement, the issuing DO or settlement officer completes the information required to identify the check (e.g., issue date, check number, amount, and voucher number). Before entering an SF 1184, the DO must verify the check has not been returned as undeliverable.

11.5.2.2. If the check was re-mailed at a later date, the DO notifies the payee of the later mailing date and allows two weeks' delivery time before processing the claim of non-receipt. If the check has not been returned and enough time has passed to allow for mail delivery, the DO uses the information on the DD 2660 to enter an SF 1184 for the unavailable check. Do not submit an SF 1184 involving non-receipt of future dated checks, such as those issued for pay and allowance entitlements, before the date of payment.

11.5.2.3. Do not enter an SF 1184 involving non-receipt until the third working day after the check payment date.

11.5.2.4. The DO sends a copy of the claimant's DD 2660, or other written statement, and a copy of the SF 1184 documentation to the appropriate entitlement area, which must certify that the entitlement for payment still exists before the DO may issue a recertified payment.

11.6 DAS

11.6.1. File. With the exception of the transmittal documents, Treasury returns a DAS on every SF 1184 received. An essential control technique is for DOs to keep a complete file of submitted SF 1184s. Periodic review of the file will show, either by copy of the DAS or by copy of the agency receipt of batch transmittals, the Treasury received and processed all submissions. Follow up incomplete file items within 30 days through the supporting DFAS site by telephone and, if necessary, by submitting a second SF 1184 (see ***I TFM 4-7045.20***).

11.6.2. Canceled Check Status. Once Treasury has issued a DAS with a status indicating "check canceled; crediting agency," future requests to cancel or obtain photocopies of the canceled check will receive a response, "outstanding check was canceled; agency credited." A photocopy of the check will not be available until the check is presented for payment through the banking

system. Therefore, once a disbursing office has received a DAS with a status code of "Outstanding," no additional SF 1184s may be submitted for that check number. If the original check is ever presented through the banking system for payment, the DO will receive notification that the Treasury has reversed the credit to the **F3880 account. Treasury will then provide a photocopy of the original check and the claim forms FS 1133 and FS 3858.

11.7 Payments, Accounting Claims, and Enhanced Reconciliation System

11.7.1. TCIS. Treasury's TCIS is available to obtain digital check images and view check status online. TCIS has payment data and digital images of checks from 7 years ago to the present. Digital check images are in real time and available only for paid checks.

11.7.2. Inquiries. The inquiries on the payments and claims option in TCIS allows inquiries on the status of a single payment or multiple payments at the same time. TCIS is available for use Monday through Friday from 6 a.m. to 12 a.m. (midnight), Eastern Time. No software purchase is required to access this system. See TCIS website under Equipment Requirements for system requirements. To request access to TCIS, contact the Treasury's Support Center at (855) 838-0743 or TCIS_TSC@stls.frb.org.

11.8 Authorization to Issue Recertified Payments

11.8.1. Recertified Payment. Treasury has delegated authority to DOs to replace checks originally issued by them to include checks lost, stolen, or destroyed both in transit, and after receipt, by applicable payees (see ***31 CFR 245*** and ***31 CFR 248***). DOs may also issue a recertified payment when the SF 1184 is prepared, based on the facts available. Subject to the restrictions in the following paragraphs, DOs may issue recertified payments as replacements for original checks any time commencing with the submission of the SF 1184. The circumstances associated with each unavailable check govern this timing.

11.8.2. Limitations

11.8.2.1. Do not issue a recertified payment check if:

11.8.2.1.1. The payee of the original check is not entitled to the proceeds;

11.8.2.1.2. The payee died before the original check issue date;

11.8.2.1.3. Insufficient mail time has lapsed from the date the original check was mailed or re-mailed to allow for its delivery and possible return;

11.8.2.1.4. The payee has an outstanding obligation which the payment can offset; or

11.8.2.1.5. The original check is more than 12 months old.

11.8.2.2. Consider all circumstances of situations involving high-dollar-value unavailable checks, payees involved in adverse actions that could result in early discharge or termination, or nonpermanent employees with no vested retirement benefits or sustained work history before issuing a recertified payment. Also, consider the payee's ability to repay in cases of double negotiation and the possibility of offsetting a double negotiation against money, other than salary, due to the payee. For deactivated and closed DSSNs:

11.8.2.2.1. The designated settlement office normally issues these payments. In some situations, (e.g., consolidation), the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment for the deactivated or closed office; and

11.8.2.2.2. Except as prescribed in section 9.0, issue recertified payments only as a disbursement from the appropriation charged for the original check or, if that appropriation is no longer available, a current appropriation available for the same general purpose, subject to limitations on its use.

11.8.3. Issue Before Receipt of Check Status. Delays in issuing checks may affect military and civilian employees' personal financial affairs, DoD relations with private business, and other intangible benefits. Immediate issuance of replacement checks may thus be appropriate. DOs may use stop reason code "A" on the SF 1184 to support immediate check issuance to replace undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN if less than 31 days have elapsed since the check issue date. Limit this service to:

11.8.3.1. Military and civilian personnel for payment of pay and allowances;

11.8.3.2. Banks, credit unions, and other financial institutions unless the DO decides that obtaining the Treasury status is in the government's interest before issuing a replacement;

11.8.3.3. Agencies of the U.S. Government;

11.8.3.4. Foreign governments (If doubt exists as to the status of a foreign payee, treat the payment as a foreign business transaction and issue a recertified payment only after receipt of the Treasury status as prescribed in subparagraph 11.9.4); and

11.8.3.5. Any blanket check regardless of amount.

11.8.4. Issue After Receipt of Check Status. Submit UCCs using stop reason code "D" or "G," and issue a recertified payment only after the Treasury reports the check status as outstanding for:

11.8.4.1. Foreign businesses and contractors where the check payment is made to addresses or financial institutions OCONUS;

11.8.4.2. Payees who have previously negotiated both the original check and the replacement check issued to replace it;

11.8.4.3. Payees who have received more than three replacement check payments in the past six months or more than four in a 12-month period;

11.8.4.4. Payees who report non-receipt of a recertified payment;

11.8.4.5. Payees requesting replacement of an original check more than 30 days old; or

11.8.4.6. Payees other than a deputy, agent, or cashier requesting replacement of an exchange-for-cash check.

11.8.5. Issue When Check Status is Paid. Do not issue a recertified payment check when the DAS from the Treasury indicates the check status is paid (see paragraph 11.13).

11.9 Accounting for Recertified Payments

11.9.1. Accounting. Treasury provides credits for canceled unavailable checks and charges resulting from negotiation of previously canceled unavailable checks through budget clearing account **F3880. This account is restricted to unavailable check transactions; do not use it for any other purpose. It is available to hold credit or chargeback amounts only pending identification of the appropriation or fund charged for the original check issuance. Do not charge the **F3880 account directly for any payment, but transfer amounts in this account to the original appropriation as expeditiously as possible. Do not allow transactions in this account to become stale or unidentifiable, as an unidentifiable balance may result in a DO loss of funds and an associated pecuniary liability.

11.9.1.1. Credits Resulting From Submission of SF 1184s. If an unavailable check is outstanding, Treasury will issue a DAS indicating that the check is outstanding and that it will credit the agency with the proceeds. The Treasury will cancel the check and credit the funds derived from the cancellation to the **F3880 account. DFAS-CL and DFAS-IN receive cancellation credits electronically from Treasury daily or as needed. A hardcopy of the SF 1081 follows the electronic submission. Treasury sends these canceled check proceeds to DFAS-CL and DFAS-IN through CARS and the IPAC system. This will reflect any identifying information provided in the original check issue data submission as detail in the credit transmission.

11.9.1.2. Reversals of Cancellation Credits. If a canceled unavailable check is negotiated by a financial institution after cancellation by Treasury, Treasury will reverse the cancellation credit. The IPAC bill and detail data are available to the DO in real time on the IPAC website for current-month transactions. The detail data remains available to the DO on the IPAC website up to 15 months after the credits and charges are transferred. The detail data must equal the total dollar amount of the IPAC bill. The IPAC bill is the DO's documentary evidence that Fiscal Service provided the credits or charges. Credits and charges are listed separately and are not commingled in the same IPAC bill document or IPAC bill data file (see ***I TFM 4-7050.60***).

11.9.2. Agency Reporting of Fiscal Service Transfers to the **F3880 Account. Treasury transfers to the **F3880 account via IPAC. By the end of each month, DOs must reconcile their CARS activity by TAS/BETC to their internal accounting system of record and reclassify any transactions to the correct TAS/BETC in the CARS CTA Statement, if necessary. After reporting a credit or charge to the **F3880 account on its internal accounting records, the DO must prepare a JV to clear the credit or charge from the **F3880 account. The funds are returned to the appropriation or fund account identified by the DO. Any credit or charge processed after Treasury Receivable Accounting and Collection System closes on the last business day of the month is accounted for in the subsequent accounting month.

11.9.3. Distribution. Under 31 U.S.C. § 3334(a)(2), return canceled check proceeds to the appropriation(s) charged when the check(s) were originally issued, and treat the canceled check(s) as account(s) payable. Within 15 days of receipt, DFAS-IN and DFAS-CL send the check cancellation and credit detail information to the disbursing office (except as noted in subparagraph 11.10.2) that issued the check(s) and to the disbursing offices' supporting accounting offices. Any reversal of previous cancellation credits issued by Treasury should also be sent in the same manner to the applicable disbursing and accounting offices.

11.9.3.1. DFAS-CL and DFAS-IN send the check credit information, including the details applicable to the disbursing accounts that DFAS-CO manages, to DFAS-CO. DFAS-CL processes or distributes cancellation credit information for Marine Corps disbursing offices.

11.9.3.2. The net dollar amount entered by the Fiscal Service for the **F3880 account is reported on the CARS Account Statement. The ALC 20180009 is listed as the reporting entity. Statement of transaction reporting to clear **F3880 accounts are also shown on the CARS Account Statement with the DO's ALC shown as the reporting entity. The **F3880 reports are cumulative, and only the latest are accessible.

11.9.4. Accounting Office. When the accounting office receives canceled check credits, it transfers them from **F3880 to the original appropriations charged when the payments were made and establishes accounts payable. If a DO replaces an unavailable check before receiving credit from Treasury, the accounting office establishes an accounts receivable in the appropriation or fund charged for the original check, removes the receivable upon receipt of the credit, and transfers the reversal of a previous credit from **F3880 to the original appropriation.

11.9.5. Review of **F3880 Balances. The DO reviews the **F3880 account monthly to ensure necessary actions are taken to clear these transactions. Each time the DO's account is transferred, the incoming DO validates balances in this account (see Chapter 2, subparagraph 4.6.1.8). If the departing DO cannot provide the incumbent DO with documentation supporting the **F3880 items, the departing DO processes the unsupported items as losses of funds under Chapter 6.

11.9.6. Research. Upon receipt of a DAS indicating cancellation credit or reversal information from the supporting DFAS site, the DO initiates research on the check issue data submitted to Treasury to ensure the accuracy of the detailed information (e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal),

which must agree with the original check issue data reported to Treasury. Research any discrepancy in this data to determine its cause and correct it. In the case of a reversal, the DO determines if a dual negotiation occurred by verifying the status of the replacement check. The DO submits an SF 1184 on the replacement check using stop reason code "F" for non-entitlement.

11.9.6.1. If the check for the recertified payment is outstanding, the DO receives a credit to offset the charge for the reversal previously received. If the check has been paid, the DO receives a photocopy of the paid check, a claim form, and a claims document. If both the original and recertified payment checks have been negotiated, the DO begins collection action as outlined in paragraph 11.13. The disbursing office must also notify the appropriate entitlement or subject matter area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned a credit to the activity because the check was not negotiated or has reversed a credit previously received and provided a copy of the DAS.

11.9.6.2. The DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment. Once assured that funds are re-obligated and available, the DO may issue a recertified payment check citing the original appropriation. If the original appropriation is closed, use a current year appropriation for the same or similar purpose.

11.9.6.3. When Treasury provides a reclamation credit, the DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment.

11.9.7. Entitlement to Payment. When notified that an unavailable check has been canceled, the credit has been received, and a recertified payment has been requested, the appropriate entitlement or subject matter area determines if the liability for payment of the underlying obligation is valid before preparing a recertified payment, which is prohibited if the entitlement to payment no longer exists.

11.9.8. Recertified Payments. All recertified payments (including immediate replacements (stop reason code "A")) must be vouchered, certified by a certifying officer, and charged to the appropriation or fund charged for the original payment. Making a recertified payment under the first two provisions listed in this paragraph requires the establishment of an accounts receivable, supported by a copy of the SF 1184 and/or the DAS, in the appropriation or fund for the amount due on cancellation of the original check. Recertified payments may be made when the disbursing office submits the SF 1184, or at any time in the claims cycle that is:

11.9.8.1. Before the status of the original check is known, when less than 31 days have elapsed from the date of the original check (see paragraph 11.8);

11.9.8.2. After the disbursing office has been advised by the DAS code that the original is outstanding and credit will be provided; or

11.9.8.3. After the credit has been received from Treasury.

11.10 Preparation and Disposition of Replacement Checks

11.10.1. Replacement Checks. Prepare and distribute replacement checks in the same manner as regular checks as described in section 4.0. If a payee claims non-receipt, loss, or destruction of a replacement check, the UCC procedures in section 4.0 also apply to the replacement check.

11.10.2. Returned and Recovered Replacement Checks. When a replacement check is returned by the payee after the original check it replaced has been found and negotiated by the payee, cancel the replacement check on an SF 1098 and credit the proceeds to the appropriation charged when it was issued. Deposit the check with the nearest FRB or branch on a deposit ticket as prescribed in paragraph 10.4. Transfer the chargeback to the **F3880 account from Treasury for the negotiated original check to the appropriation charged when the original check was issued.

11.11 CFIF

11.11.1. Claim Against the CFIF. The CFIF is a revolving fund established under 31 U.S.C. § 3343 to settle payee/claimant claims of non-receipt when an original check has been fraudulently negotiated. Only Fiscal Service may adjudicate claims of forgery against Treasury checks. A claim against the CFIF is governed by the 1-year statute of limitations provided in the CEBA (see subparagraph 12.1.2). Therefore, a claim of forgery must be presented within 1 year from the date the check was issued, otherwise the claim on the check is barred and the payee is not entitled to payment from the CFIF. The DO must submit an SF 1184 on the check within 13 months from the check issue date.

11.11.2. Statutory 1-Year Limit. The statutory 1-year limit on the claim against the CFIF does not affect the underlying obligation of the government for the payment. If the Treasury determines a check endorsement was forged and the payee's claim meets the statutory requirements, Treasury will institute reclamation procedures to recover the proceeds of the forged check through the banking system.

11.12 Check Forgery Claims

11.12.1. Forgery Claims. When Treasury determines that an original check was negotiated and paid by the Fiscal Service on a forged or unauthorized endorsement, a payee may have a valid claim against the CFIF (see paragraph 11.11). The NPIRC is the approval authority for settlement checks issued to replace checks paid over forged endorsements. Fiscal Service does not charge the CFIF for losses resulting from negotiation of checks issued to deceased payees or to payees who were not entitled to the payment. The address is: Department of the Treasury, Bureau of the Fiscal Service, NPIRC, Customer Service Branch, PO Box 515, Philadelphia, PA 19105-0515. Fiscal Service issues settlement checks out of the CFIF if it determines that the payee or special endorsee has established that:

11.12.1.1. The payee or special endorsee presented a timely claim of non-receipt, (e.g., filed a claim within 1 year after the date of check issue);

11.12.1.2. The original check was lost or stolen due to no fault of the payee or special endorsee;

11.12.1.3. The original check was negotiated and paid by Fiscal Service on a forged or unauthorized endorsement of the payee's or special endorsee's name; and

11.12.1.4. The payee or special endorsee has not participated in any part of the proceeds of the negotiation or payment of the original check.

11.12.2. DO's Action. A payee reports the loss, theft, or non-receipt of a Treasury check, and follows paragraph 11.5. A DO whose research determines that the check was negotiated requests a digital image of the check. For checks issued on or after the date of October 1, 1997, obtain a digital check image using TCIS. For checks issued before the date of October 1, 1997, DOs must determine the check status (see paragraph 11.3).

11.12.3. Payee/Claimant's Action. When the check status is "Paid," Treasury provides a photocopy of the original check, FS 1133, and FS 3858. If after examining the check copy, a payee/claimant denies having negotiated the check, the payee/claimant completes and signs the FS 1133 and returns it along with the check copy to Fiscal Service. The FS 1133s and FS 3858s are a combined set of four pages. The FS 1133 is for the payee's declarations and information concerning the unavailable check, and the FS 3858 is the claim reference document that contains the necessary information for the NPIRC to identify the check. Attach a copy of the FS 3858 to any correspondence with Treasury concerning the unavailable check.

11.12.4. Fiscal Service Action. Upon receipt of the FS 1133, the NPIRC reviews the claim form. If the FS 1133 is not complete, it is return to the payee/claimant with a letter advising the corrections needed. If the payee/claimant admits negotiating the check or does not return the FS 1133, take no further action. Consider an FS 1133 complete when all questions are answered and all required signatures are present. If a payee/claimant signs by mark, the mark must be witnessed in the space provided. If the FS 1133 is complete, the NPIRC advises the DO of the status of the claim using a CDN and begins the adjudication process. If the NPIRC determines that the payee/claimant was not involved in the negotiation of the check and did not participate in the proceeds from the check, it settles the claim by initiating a request to issue a check to the payee/claimant or transfer the funds to the DO.

11.12.5. Appeal Process. If the NPIRC denies a claim, a payee/claimant may appeal in writing to the NPIRC. The appeal must be postmarked no later than 60 days after the date of the denial letter. The appeal must include a copy of the denial letter, a signed statement, and any additional information or documentation for further investigation. The appeal must also include the check and symbol number identified in the denial letter.

11.13 Collections of Double Negotiations

11.13.1. Collections. A double negotiation occurs when an original check and its replacement have both been reported as paid by Treasury. The loss occurs on negotiation of the replacement check; the order in which the checks are cashed is irrelevant. A double negotiation is

an illegal or improper payment for purposes of pecuniary liability. The DO initiates collection action to recover illegal or improper payments made by his/her office. If the payee separates from government service, the DO is still responsible to pursue collection action. Normally, collections for illegal or improper payments are one-time cash refunds or lump-sum collections by salary offset and do not warrant installment liquidation. Limit installment repayments to cases of extreme personal hardship.

11.13.2. Collection Action

11.13.2.1. When Treasury notifies a DO that it has reversed a credit to the **F3880 account from a previous cancellation, the DO researches the situation to ascertain if a double negotiation has occurred by determining the payment status of the replacement check. Once a Treasury response confirms a double negotiation, the DO immediately begins collection action. Afford the payee due process rights of collection specified in Volume 16, Chapter 2, sections 4.0 and 5.0 in each case. The most effective means of achieving expeditious recovery is to present the payee a photocopy of the paid original and replacement check and a copy of the claimant's signed statement acknowledging he/she was not entitled to both payments. Due process rights of collection include the opportunity for the payee to contest the validity of the debt. In cases of double negotiation, the payee's right to complete an FS 1133 provides this opportunity.

11.13.2.2. If the payee asserts that one of the checks was negotiated over a forged endorsement, delay collection until the NPIRC adjudicates the payee's forgery claim. If the NPIRC determines the check was forged, the payee does not owe the debt. If the NPIRC denies the payee's claim, the full amount of the check is due and subject to immediate collection. If the payee fails to provide the properly completed FS 1133 within the period allowed to present documentation as to why the debt is not owed, he/she is deemed to have acknowledged the debt and the DO takes immediate collection action. In either situation, complete collection action within 90 days of the receipt of the DAS from Treasury indicating the canceled unavailable original check has been paid, or within 90 days of receipt of the CDN from Fiscal Service indicating the payee's claim of forgery is denied.

11.13.2.3. The DO documents all attempts to collect illegal or improper payments. If all reasonable steps have been taken to collect and the illegal or improper payment becomes uncollectible within the 90-day time limit, the DO transfers the debt to the appropriate office designated to pursue collection of uncollectible debts. See Volume 16, Chapter 2 for debt collection processes. Although the debt is transferred to another office for further collection action, the DO remains pecuniarily liable for the illegal or improper payment until the debt has been collected or relief has been granted; see subparagraph 11.13.1.

11.13.3. Determination of Fraud. Double negotiations could indicate fraudulent intent or misrepresentation. A DO suspecting this reports the situation utilizing guidance in Chapter 6, section 5.0 for possible investigative and/or disciplinary action. Pursue collection action as specified in Volume 16, Chapter 2, paragraph 13.1.

11.14 Relief of Liability for Uncollectible Illegal or Improper Payments

A DO may request relief of liability under ***31 U.S.C. § 3527*** (see Chapter 6, section 6.0).

11.15 Separation of Duties

The payment recertification process is subject to the same management controls as other routine disbursements. The same individual may not authorize, process, and review recertified payment transactions; see Chapter 1, subparagraph 3.5.2.

11.15.1. The minimum acceptable separation of duties consists of preparation of the SF 1184 by one individual, review and approval of the DD 2660 and SF 1184 by the DO or a DDO; preparation and certification of a disbursement voucher by an individual in the appropriate entitlement area, review and approval of the voucher with supporting documentation by a first line supervisor (other than the DO or DDO authorizing the transaction), and authorization of the disbursement by the DO or a DDO.

11.15.2. When the disbursement voucher is prepared in disbursing because of limitations imposed by automated disbursing system processes, or the combination of entitlement and disbursing functions into one unit (as is the case at small activities and most tactical units), the DO ensures that the duties of preparing the SF 1184, preparing the disbursement voucher, reviewing the transaction and supporting documents, and preparing the check are performed by different individuals.

12.0 TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

12.1 Limited Payability

Treasury automatically cancels checks issued on or after October 1, 1989, and not negotiated by a financial institution within 12 months of the date of issue. This cancellation occurs in the 14th month after the date of the check.

12.1.1. Pre-CEBA. Before CEBA's effective date, 31 U.S.C. § 3328(a) allowed a Treasury check to be paid (negotiated) any time, and 31 U.S.C. § 3328(c) provided that the limitation on claims against the Government in ***31 U.S.C. § 3702*** (Barring Act) did not apply to an unpaid (not negotiated) Treasury check. Under the latter, the administrative statute of limitations allows consideration of claims to those filed within 6 years after they arise. The following examples illustrate these principles.

12.1.1.1. In December 1978, an individual submitted a $1,000 claim for lump-sum leave to DFAS. In January 1979, DFAS issued a Treasury check to the claimant, who did not negotiate the check until 1986. In this example, the underlying obligation is $1,000 or the amount due to satisfy the claim for lump-sum leave. Since the claim for payment was submitted in 1978, the provisions of the Barring Act were suspended (or tolled), meaning a claim was filed within the required 6-year period. Once the Treasury check was issued (1979), the individual also became entitled to a separate claim on that check, which, in 1979, was payable in perpetuity

(31 U.S.C. § 3328(a)). Thus, before CEBA, the individual's right to obtain a replacement check based on the claim to the original unnegotiated Treasury check masked the effect of the Barring Act on the underlying obligation.

12.1.1.2. Modifying the example in subparagraph 12.1.1.1 shows the effect of the Barring Act on the underlying obligation. In addition to the earlier facts, assume further that the individual discovered that he had failed to claim all that was due in December 1978 and that the agency, in fact, owed him another $250. He may obtain payment for the additional amount of the underlying obligation only if he submits a new claim for the additional amount to the agency within the six-year period following the accrual of the original claim, December 1978. If in 1986, however, the individual, in addition to negotiating the check, submitted a claim for the additional $250, the claim for the additional amount would have been barred since more than 6 years had lapsed from the accrual of the original claim.

12.1.2. CEBA

12.1.2.1. Obligation Underlying. The CEBA does not affect the obligation underlying the check. The CEBA left the two causes of action separate, one on the underlying obligation and one on the Treasury check.

12.1.2.1.1. The CEBA imposed a statutory limitation on the period during which a Treasury check may be paid and on any claim on account of a Treasury check. It requires the negotiation of a Treasury check within 1 year of its issuance date and states that any claim on account of that check is barred, unless the agency which issued the check receives a claim within 1 year of its issue date. After this period, a request for payment based on the check is barred.

12.1.2.1.2. The payee may still be entitled to payment based on the underlying obligation subject to the six-year statute of limitations in the Barring Act. Accordingly, after the 6-year period following the accrual of the claim, a check may be issued only if the claimant has tolled the Barring Act by making a timely claim on the underlying obligation. CEBA applies to the example in subparagraph 12.1.1.2. If the individual submitted the claim in December 1989 and the check was issued January 1, 1990, a claim on the check expired 1 year after the date of issue, December 31, 1990. Thus, the individual had to complete his claim on the Treasury check before the 1-year period expired in order to obtain a replacement check.

12.1.2.1.3. The CEBA also sets an 18-month statutory time limit from the date a check is negotiated to accomplish bank reclamation. If the statutory requirements for the claim are met and the proceeds of the check cannot be recovered from the banking system through bank reclamation procedures, Treasury issues the settlement check and charges the payment to the CFIF.

12.1.2.2. Underlying Obligation. The lack of availability of a replacement check does not affect a claim on the underlying obligation.

12.1.2.2.1. As an example, because a claim for payment was submitted timely (December 1989), the period of limitation as prescribed in the Barring Act was tolled, and

a check may be issued even if more than 6 years has passed. Conversely, if a timely claim on the underlying obligation had not been received, the claim on the underlying obligation is barred and an agency may not issue a check. Therefore, a claimant who submitted a valid claim to toll the statute of limitations on the underlying obligation may obtain a replacement check even if more than 6 years have passed since the claim accrued or the check was issued.

12.1.2.2.2. Tolling the Barring Act on the underlying obligation does not permit payment in perpetuity. Entitlement to payment is not unlimited; any appropriate defense remains available to the government. If a claimant waits an inordinate period of time to request payment on the underlying obligation of a Treasury check under CEBA, then Doctrine of Laches (a legal term based on neglect or omission to do what one should, thus warranting presumption that one has abandoned right or claim; (e.g., if a payee neglects or fails to file a timely request), the payer can presume that the payee has abandoned the claim) may apply. Further, Treasury records show only if a check has not been presented to it for payment, not whether it was presented to and paid by an intermediary bank.

12.2 Treasury Check Payability

Treasury canceled all Treasury checks issued before October 1, 1989. Those issued on or after that date bear the legend "Void After 1-Year." Treasury will decline payment of checks not negotiated to a financial institution within 1-year from their issue dates. Financial institutions will advise a payee to contact the check-issuing agency if a check is no longer negotiable. Stamp checks returned to the disbursing office as no longer payable (negotiable) "Void - Not Negotiable" and shred them after confirming receipt of the limited payability cancellation credit. Treasury checks issued before October 1, 1989, have already been mass canceled; shred them without confirmation of receipt of a limited payability cancellation credit.

12.3 Treasury Check Claimability

Any claim on a Treasury check is barred unless it is presented to the agency that issued the check within 1 year after its issue date. Since CEBA established a 1-year statute of limitations for claims against Treasury checks, DOs must reject all claims against Treasury checks not received before the expiration of the 12-month period of negotiability of the checks as time barred. DOs should notify claimants that claims of nonpayment of the underlying obligations of the government must be filed with the appropriate entitlement office (e.g., contracting officer for vendors or commercial payees, military pay office, civilian pay office, or travel office). Under 31 U.S.C. § 3702(e), the Secretary of Defense may waive this time limitation on these canceled checks for claims under $25,000.

12.4 Limited Payability Check Cancellation

12.4.1. Outstanding Checks. During the 14th month after the date of issue, Treasury will identify and cancel all checks that have not been negotiated within 12 months from their issue dates. When check issues are not reported timely and are submitted after the limited payability processing period, Treasury will cancel those that are outstanding at the end of the month in which

the check issued data is submitted, and credit funds derived from these cancellations to the **F3880 account.

12.4.2. Canceled Check Listing. DFAS-CL and DFAS-IN will receive limited payability cancellation credits monthly from Treasury with an SF 1081 and a listing of checks canceled. Where possible, Treasury will send the proceeds of these canceled checks through the CARS and IPAC systems; the transmission will include any detailed identifying information provided in the original check issue data submission. DFAS-CL and DFAS-IN will forward check credit information including the details applicable to DFAS-CO disbursing accounts to DFAS-CO. DFAS-CL will process or distribute applicable cancellation credit information for Marine Corps disbursing offices.

12.5 Reversals of Limited Payability Cancellation Credits

In some cases, checks will be negotiated to financial institutions within 1 year from the date of issue, but processing in the Federal Reserve System will prevent the payment from being applied to TCIS before limited payability cancellation has occurred. In these instances, Treasury will reverse the cancellation credit previously provided to the DO by an IPAC transaction and must provide a copy of the paid item to the DO. Reversal transactions are separate from the monthly cancellation credits.

12.6 Accounting for Limited Payability Cancellation Credits or Reversals

12.6.1. DFAS-IN, DFAS-CL, and DFAS-CO. Under 31 U.S.C. § 3334(a) (2), return the proceeds from canceled checks to the appropriation from which they were paid originally and treat them as accounts payable. Within 15 days of receipt, send the check cancellation and credit detail information to both the disbursing office that issued the check and the supporting accounting office. Any Treasury reversal of previous cancellation credits also should be forwarded to the applicable disbursing and accounting offices.

12.6.2. Accounting Adjustments. Transfer limited payability credits or credit reversals promptly from the **F3880 account to the appropriation charged when the check was issued. For exchange-for-cash checks, post the credits or reversals to Treasury's deposit fund account 20X6133. The accounting office should establish an account payable for each credit or an accounts receivable for each reversal. Account for returned canceled check credits as current liabilities, as the amounts are subject to payment on request upon establishment of a valid claim to the funds. The DO must base entries to these new accounts on the transactions recording the return of canceled check credits to an appropriations account, and reductions for replacement payments to the payee or transfers to miscellaneous receipts upon expiration of the statute of limitations.

12.6.3. Research. Upon receipt of the detailed limited payability cancellation credit or reversal information from DFAS-IN, DFAS-CL, and DFAS-CO, the DO initiates research on the check issue data submitted to ensure that the detailed information provided is accurate, (e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal), all of which must agree with the original check issue data reported when the check was issued. Determine the cause of any discrepancy and correct it.

12.6.3.1. The DO also researches disbursing records to determine if a claim of loss, theft, or non-receipt has been filed on the canceled check, to include a determination of whether the check was previously replaced by recertified or other type of payment. The disbursing office also should notify the appropriate entitlement area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned the credit to the activity because the check was not negotiated within the prescribed period.

12.6.3.2. Upon the request of an entitlement area, DOs should accomplish the verifications described in paragraph 10.5 and advise the entitlement area whether the original Treasury check was canceled, negotiated, or previously replaced.

12.7 Claims of Nonpayment of the Underlying Obligation

See paragraphs 12.1 on limited payability and 12.3 for treasury check claimability.

12.7.1. Claim of Individual Payees

12.7.1.1. Uniformed Service Members. Submit claims for nonpayment of uniformed Service members' (active duty, reserve, retired, and annuitant) pay, allowances, travel, transportation, unused leave, and survivor benefits to the appropriate payroll office. Submit claims by transportation carriers involving amounts collected from them, for loss or damage incurred to property incident to shipment at government expense, to the appropriate payroll office. A determination will be made of the entitlement and verification that a timely submission of the claim was made on the underlying obligation.

12.7.1.1.1. Treasury checks issued in payment of obligations relating to uniformed Service members' pay and allowance entitlements ordinarily are not issued in response to claims. A payee will not normally present a claim before issuance of the original check, thereby tolling the Barring Act. It may be necessary for the entitlement area to consider the extent to which the Barring Act was tolled during periods of active duty performed by the claimant. Include in the package the original check or facsimile and the original documentation from the claimant. When the claim of a member of the Armed Forces accrues during war or within 5 years before war begins, the claim must be received within 5 years after peace is established or within 6 years after the claim accrues.

12.7.1.1.2. If the payee submitted a timely claim and has not been paid, send the claim through the appropriate Component's Assistant Secretary for Financial Management to the General Counsel of the DoD requesting a waiver of the statute of limitations on the claim. If the General Counsel determines that the claimant is entitled to payment of a claim, and if a payment voucher is prepared and sent with supporting documentation to the disbursing office, the DO determines if a replacement check should be issued.

12.7.1.2. Civilian Pay. Claims of nonpayment of Federal civilian employees' compensation, wages, and leave earned by civilian employees of the U.S. Government must be submitted to the appropriate civilian payroll office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of

obligations relating to Federal civilian employees' pay entitlements ordinarily are not issued in response to claims. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

12.7.1.3. Civilian Travel Pay. Claims of nonpayment of Federal civilian employees' expenses incurred for official travel and transportation, and for relocation expenses incident to transfers of official duty station, must be submitted to the appropriate travel office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations for travel pay entitlements ordinarily are issued for claims presented in the form of travel vouchers by claimants. Unlike military and civilian pay cases, the Barring Act's limitation in travel payment cases usually will have been tolled before issuance of the original check when the claimant submitted the travel voucher. If the payee submitted a timely claim and has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

12.7.1.4. Residual Claim Categories. Treasury checks are issued to payees to satisfy miscellaneous government obligations. Legal claims under ***28 U.S.C. § 1346(b)*** and ***28 U.S.C. §§ 2671-2680***, should be asserted by claimant-payees to the entitlement area within the Military Department with tort claim settlement authority over the claim.

12.7.1.4.1. Similarly, claims for losses incurred incident to government service may be cognizable under ***31 U.S.C. § 3721*** and should be asserted by claimants to entitlement areas with claim settlement authority, such as the Military Department's judge advocate general. Treasury checks for payment of these types of obligations are issued to settle claims asserted by the claimants.

12.7.1.4.2. Unlike military and civilian pay cases, the Barring Act's statute of limitations in residual claim cases usually will have been tolled before issuance of the original check when the claimant submitted the claim. If it is determined that the payee has submitted a timely claim and has not been paid, the entitlement office certifies the claim to the appropriate disbursing office for payment.

12.7.2. Claims of Commercial Payees. Claims of commercial payees are from vendors, contractors, and individuals under contract for miscellaneous services. Claimants or authorized agents submit these claims to the contracting officer, who determines if the claimant is entitled to payment and then sends the claim with supporting documentation to the disbursing office for payment.

12.7.3. Upon receipt of a claim approved by the designated settlement authority, a certified payment voucher from the appropriate entitlement area, and the proper supporting documentation, the issuing DO or the officer assigned to settle accounts for the issuing DO issues a replacement check.

13.0 HOLDER-IN-DUE-COURSE

13.1 Holder-in-Due-Course

A holder-in-due-course claim occurs when a non-banking institution negotiates a Treasury check and the check is lost or stolen before being presented for cash or deposit at a financial institution. Submit holder-in-due-course claims in writing to Fiscal Service for processing.

13.2 Holder-in-Due-Course Claims

Upon receipt of a holder-in-due-course claim, Fiscal Service determines the status of the check. If the check has been negotiated, Fiscal Service returns the claim with a copy of the check advising the holder that the check has been paid and that no further action will occur. If the check has not been negotiated, Fiscal Service provides the holder with an indemnity letter to complete (see Figure 7-1). Once Fiscal Service receives the requested information, and the check is still outstanding, it issues a settlement check to the holder.

13.3 Lost-in-Transit Check

Lost-in-transit items are Treasury checks that have been negotiated and subsequently lost by a financial institution or lost or stolen between the financial institutions and/or the financial institutions and the FRB.

13.3.1. The FRB Atlanta, Government Check Adjustment Department handles these items if the Treasury checks are less than 1-year old.

13.3.2. If a DO or Fiscal Service receives a request to reissue a check that has not been canceled and is less than 1-year old, they must return the request to the financial institution advising it to submit the request to FRB Atlanta, Government Check Adjustment Department.

14.0 CHECK ISSUE REPORTING

14.1 Issue Report

Disbursing offices must report detailed check issue transmittals in a Level 8 format to the Treasury for update to TCIS with check issue detail. The DoD uses DCRM for direct submission of the check issue detail to the Treasury.

14.1.1. DCRM sends the check issue files via Connect Direct, an encrypted electronic host-to-host file transfer process. Enter the check issue detail data files into the DCRM database, which generates a daily electronic file to transfer the detailed check issue data to the Treasury. The DFAS administers DCRM, which tracks the status of all checks on hand and provides inquiry capabilities and reports to reflect issuance discrepancies and acceptance or rejection conditions of reporting.

14.1.2. DOs who do not have direct access to DCRM submit their check issue data to their supporting DFAS site, following that site's guidance for upload into DCRM. Submit the Level 8 check issue data in the most secure method possible, (e.g., an encrypted file). DFAS-CL and DFAS-IN have electronic mailboxes for these submissions or other check issue concerns: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil for DFAS-CL and dfas.dscc.zte.mbx.cco-dcrm@mail.mil for DFAS-IN. Send requests for the DCRM Users' Manual to the latter address.

14.2 Submission Requirements

14.2.1. Report detailed check issue data in sequential groups of checks, called transmittals, which uniquely identify the DSSN, accounting month and year, and check series. Submit a new transmittal each time a break in check numbers occurs, or when the issue month changes. DOs reporting check issues for multiple DSSNs submit separate transmittals for each DSSN. A submission of detailed check issue data may consist of one or more transmittals. DCRM reports check issue detail in blocks by DSSN, check series, and issue Julian date format (YYDDD) to the Treasury.

14.2.2. If a check series will not be reported sequentially due to the splitting of a check series range between different locations, uses, or DDOs, the DO reports the split check series range to the DCRM manager at (614) 701-2109, so an adjustment can be made to record the split check series range in DCRM. If check series range splits are not noted, DCRM creates unnecessary management notices about missing and unaccounted checks on its reports. Reporting avoids the additional workload entailed in reviewing and validating these notices.

14.2.3. Submit all check issue transmittals to the Treasury no later than the close of business at the end of the week in which the issue dates occur and at month end. DOs who submit their check issue transmittals through their supporting DFAS site ensure their supporting DFAS site receives their check issue data at least weekly and at month end.

14.2.4. Failure to report check issue data timely increases the possibility for loss caused by banking system errors, check alterations, and counterfeits. If a loss from an altered or counterfeit check occurs because of delinquent check issue reporting, the DO may be held liable for the loss. If the checks issued data are not reported in TCIS, the Treasury will not recognize the check as issued and will not process any actions, such as claims or limited payability cancellation credits, against the check. Also, the Treasury cannot complete a final reconciliation and clearance of a DO's account until all check issue data is received. If the DO is habitually delinquent for 60 days or more, the Treasury may suspend the processing of further print orders for blank Treasury check stock until all delinquent check issue reporting has been accepted into TCIS.

14.3 DO Responsibility for Quality of Data Submitted

The disbursing office is responsible for ensuring the check issue data submitted to the Treasury is accurate. DOs notify their supporting DFAS site immediately after finding an error. DCRM transmits the accepted files to the Treasury each business day but does not change the data. Once TCIS accepts an erroneous check issue transmittal, the file cannot be deleted. Correct all

errors before the file transfer process. If an erroneous data file has been sent to DCRM, but has not been forwarded to the Treasury, place the whole data file containing the erroneous check information in either a "replace" or "suspended" status. Contact your local DCRM manager or supporting DFAS site immediately to change the file from the accepted status in DCRM. In addition, the DO:

14.3.1. Ensures all check issue data submitted to the supporting DFAS site for processing agree with check issue totals on the ***DD 2657***, Daily Statement of Accountability, and the SF 1219;

14.3.2. Submits corrected transmittal(s) within 10 workdays of notification of a rejected transmittal within a file transfer;

14.3.3. Recreates the previously rejected check issue data for a period up to 180 calendar days after submission or replacement of rejected data, if needed; and

14.3.4. Contacts the DCRM manager for further details on how to put an erroneous check file into either a replace or suspended status. To request or make corrections after a TCIS acceptance, follow section 8.0.

14.4 Voided Checks

14.4.1. Report voided checks as zero dollar amounts in the proper sequence with those of other checks issued in the same check range. If a DO reports the check issue detail to the Treasury by sending it to another disbursing office for conversion to data files and/or uploads to DCRM, that DO ensures the voided checks are reported and clearly marked. Stamp or mark the hardcopy check issue listing to indicate that a check is voided and the dollar amount is zero. Do not obliterate the serial number of the voided check from the check listing. If a voided check has not been dated, report a date for the check to facilitate the check issue reporting. DOs submitting their own check issue data to the Treasury ensure inclusion of serial numbers and dates of the voided checks in the transmission with zero dollar values.

14.4.2. A DO who erroneously reported a voided check with a dollar value greater than zero (and the check is under 1 year old) initiates corrective action as soon as the error is discovered without waiting to receive the FMS 5206 and sends Treasury a written request to adjust the check issue detail in TCIS.

14.4.3. If the issue date of the erroneously reported check is over 1 year old, the voided check cannot be adjusted in TCIS; Treasury will issue a limited payability credit for it. Upon receipt of the credit in the **F3880 account, the DO reports the check as a check issue on the monthly SF 1219 and debits the **F3880 account to clear the limited payability credit.

*15.0 DESTROYING CHECKS

15.1 Blank Check Stock

DOs must not destroy unwanted or excess blank check stock that is otherwise still usable without first contacting DFAS-IN/JJFKCB.

15.2 Destruction Methods

Destroy checks by either burning or shredding. If destroyed by burning, they must be burned completely. If destroyed by shredding, the fragments may be no larger than 1/8 inch wide and 3½ inches long. Treasury requires the use of a crosscut shredder. The burning method of destruction may only be used, subject to environmental regulations, when a disbursing office does not have shredding equipment. In either event, prepare a certificate of destruction (see Figure 7-2).

15.3 Verification

The DO and at least one witness examine the checks to verify they are the actual checks to be destroyed, verify the check numbers and DSSN with information on the certificate of destruction, and sign the certificate only after witnessing their actual destruction.

15.4 Certificate of Destruction

The DO must notify the Fiscal Service of the destruction of blank check stock by emailing the certificate to RRB.OSD-NPIRC-PM@fiscal.treasury.gov. Keep a copy in the DO's blank check inventory control records (see ***I TFM 4-5040.50b***).

Figure 7-1. Sample Affidavit and Indemnity Agreement for Lost Treasury Check

AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK

I, _____, [hereinafter ("indemnitor")] the undersigned, being of sound mind and over the age of 21, capable of making this affidavit and indemnity agreement, duly sworn, state that the indemnitor is the lawful owner of the U.S. Treasury Check Number _____, Symbol _____, Payable to _____, issued by the U.S. Department of the Treasury for the sum of $_____. Indemnitor further states that:

1. it/he/she is not in possession of the check now;
2. it/he/she was entitled to enforce the check when the loss of possession occurred;
3. the loss of possession was not the result of a transfer by it/him/her;
4. the loss of possession was not the result of a lawful seizure; and
5. it/he/she cannot reasonably obtain possession of the check because the check was destroyed, the check's whereabouts cannot be determined, or the check is in the wrongful possession of an unknown person or person that cannot be found or is not amenable to service of process.

NOW, THEREFORE, in consideration of payment of said check to indemnitor of the sum of $_____, indemnitor promises to indemnify, defend, and protect the U.S. Treasury from any loss or harm occasioned or sustained by the U.S. Treasury of account of payment of the above described check to indemnitor. THIS AGREEMENT SHALL BE INTERPRETED ACCORDING TO FEDERAL COMMON LAW, INCLUDING APPLICABLE U.S. TREASURY REGULATIONS.

INDEMNITOR
Entity: _____
By: _____
Title: _____

State of _____
County of _____

Before me, the undersigned Notary Public for the State of _____, appeared (name) _____, (title of company) _____, who after being duly sworn, did acknowledge and sign the foregoing AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK.

SWORN AND SUBSCRIBED this _____day of _____, _____

_____

Notary Public, State of _____
My Commission expires _____

Figure 7-2. Sample Certificate of Destruction

(USE APPROPRIATE LETTERHEAD)

May 12, 20XX

MEMORANDUM FOR RECORD

This memorandum certifies that on May 12, 20XX, one hundred and one (101) spoiled Treasury checks serially numbered from 70,006,499 through 70,006,599 (inclusive) and seventy-six (76) voided Treasury checks serially numbered from 70,006,621 through 70,006,696 (inclusive), all bearing disbursing station symbol number 7834, were completely destroyed by shredding.

_____

J.A. HANCOCK
LT, SC, USN
Disbursing Officer

We, the undersigned, certify by signature hereon that the checks listed above were physically verified by us and that all were completely destroyed by shredding in our presence on May 12, 20XX.

_____ _____

G.C. GARLAND, LT, USN WILLIAM B. ELLIS, ENS, SC, USNR

VOLUME 5, CHAPTER 8: "COLLECTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
6.4.3	Deleted obsolete form and renumbered subparagraphs accordingly.	Deletion

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CHAPTER 8

COLLECTIONS

1.0 GENERAL

1.1 Overview

Collections are transactions that increase a Disbursing Officer's (DO) accountability, but do not apply to the acquisition of United States and foreign currencies through the purchase with dollars or accommodation exchange transactions. They may also result from transfers of funds from one appropriation or fund to another by voucher deduction or a "no check drawn" transaction using a Standard Form ***(SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds; an ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the U.S. Department of the Treasury's (Treasury) ***Intra-governmental Payment and Collection (IPAC) System***. A collection voucher may be a combination of a payment and a collection by voucher deduction, e.g., a civilian payroll voucher where federal and state taxes are deducted. Vouchers must be retained in accordance with Volume 1, Chapter 9, section 2.0 which provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

1.2 Purpose

This chapter addresses the legality and propriety of collection transactions and substantiating vouchers.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302(c) ***(31 U.S.C. § 3302(c))*** requires DoD DOs to deposit public money not being held for current expenditure in the Treasury or with a depositary designated by the Secretary of the Treasury.

2.0 TYPES OF COLLECTIONS

2.1 Receipts

Receipts are collections into a Treasury miscellaneous receipt or other legally authorized account or fund. DOs collect them into their accountability using a DoD ***(DD) Form 1131***, Cash Collection Voucher. They are recognizable by the absence of a fiscal/program year in the accounting classification. Disbursing from a receipt account is not authorized. "Adjusting out" an over collection requires processing a collection voucher as a negative receipt.

2.2 Reimbursements

Reimbursements are amounts earned and collected for property sold or services furnished to U.S. Government agencies or to the public, amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They are recognizable by the presence of an accounts receivable sales code within the accounting classification and shown as positive amounts on the DD 1131. A "negative reimbursement" occurs when a reimbursement is over collected and requires a return of funds to the remitter and is vouchered as a bracketed (negative) amount on a DD 1131.

2.3 Refunds

Refunds are recoveries of payments collected into a DO's accountability as positive amounts on a DD 1131 using the same accounting classification as the one on the original disbursement voucher. Refunds may also occur as offsets shown as (bracketed) amounts on disbursement vouchers. They are reductions in disbursements rather than collections. Report refunds, documented on collection vouchers, on the ***DD 2657***, Daily Statement of Accountability separately from those occurring as negative disbursements, which are reported simply as net of disbursements. Do not report refunds separately on the ***SF 1219***, Statement of Accountability but include them in the calculation of net disbursements.

3.0 COLLECTION TRANSACTIONS

3.1 Collections

Collections are transactions that increase a DO's accountability, but do not apply to the acquisition of U.S. and foreign currencies through the purchase with dollars or accommodation exchange transactions. All collection vouchers reported in the DoD business systems must meet standard line of accounting requirements. Document collections received by DOs on the appropriate collection forms and verify and record them in the accounting records. Funds received that are not creditable to appropriations (e.g., recoveries of losses of funds, or dishonored checks) are not "collections" because they do not change a DO's accountability.

3.1.1. Voucher Supported Collections

3.1.1.1. Voucher supported collections create credits to appropriations, receipt or deposit fund accounts and involve:

3.1.1.1.1. Direct receipts (e.g., cash, checks, money orders, and electronic deposits);

3.1.1.1.2. Deductions on payment vouchers to cover indebtedness to the U.S. Government;

3.1.1.1.3. Other deductions on payment vouchers (e.g., deductions for federal taxes); or

3.1.1.1.4. Transfers between appropriations or funds, corrections of charges against appropriations, funds, or credits to appropriations or funds. Use an SF 1080 or SF 1081. Voucher supported collections may also occur in Treasury's IPAC System (see Chapter 11, section 4.0). In some instances, (e.g., collections from dining facilities), only one collection voucher number for the entire accounting period (e.g., month) may be assigned. In this case, prepare the formal collection voucher on the last business day of that period. DOs may record daily receipts of this nature on the DD 2657 to Other Transactions, and U.S. Currency/Coinage on Hand.

3.1.1.2. Separate negotiable instruments (checks or money orders) received as collections from accompanying accounting documents at the initial stage of processing and deposit them (see Chapter 11, subparagraph 8.3.2.1). If the identification of the appropriation account is not known at the point of origin (at time of deposit), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information. Upon determining the proper accounting classification, use an SF 1081 to charge the appropriate budget clearing account or deposit fund and credit the proper appropriation or fund. Do not issue checks for these transfers.

3.1.2. Collection Classification Transactions. Voucher supported collections create credits to appropriations, receipt or deposit fund accounts and are received on a DD 1131, recorded in the accounting records, and reported to Treasury through ***Collections Information Repository (CIR)*** citing the proper ***Treasury Account Symbol (TAS)***, ***Business Event Type Code (BETC)*** combination. Unvouchered collections occur when cash or negotiable instruments are received and not credit to an appropriation or fund or not supported with a formal collection voucher (e.g., dishonored checks cashed, losses of funds, and some check issue overdraft discrepancies). Document unvouchered collections on the Optional Form ***(OF) 1017-G***, Journal Voucher and utilize a ***Classification Transactions and Accountability (CTA)*** transaction to credit and debit the proper program TAS.

3.1.3. Cash Collections Deposited the Same Day. If the full cash amount associated with a DD 1131 is deposited the same day and are reflected in the DO accountability, the DO Cash TAS is not impacted. DOs must utilize ***Over-the-Counter Channel Application (OTCnet)***, citing the BETC and TAS associated with the collection voucher on the deposit ticket. Deposits in OTCnet are reported through CIR, which will feed the ***Central Accounting Reporting System (CARS)*** daily account statement showing an increase to the TAS associated with the collection voucher.

3.1.4. Collections Not Deposited the Same Day. Any portion of the cash associated with a DD 1131 that is not deposited the same day and is collected into the DO's accountability must be reported as a CTA transaction. This will feed the CARS daily account statement, showing an increase to the DO Cash TAS and an increase to the program TAS on the collection voucher. Multiple collection vouchers may be consolidated under one transaction reported to Treasury if they fall under the same TAS/BETC and agency location codes. DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.

3.2 Method of Remittance

Accept cash, checks, or other recognized forms of credit instruments payable on demand. Examples include certified or uncertified personal checks, corporate checks, bank drafts, Treasury checks with issue dates less than 1 year old, postal money orders, money orders issued by banks or other financial establishments, credit union share drafts, and warrants payable on demand. Draw these negotiable instruments in favor of a DO's official capacity (i.e., position title, not name). Visa and MasterCard credit cards and debit cards are acceptable when presented for payment at locations participating in the Card Acquiring Service (see Chapter 11, section 3.0).

3.2.1. Commissary Sales Collections. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons to pay for sales when available banks and other facilities are unable to furnish check cashing services but cannot authorize or require DOs or their agents to advance additional change funds to commissary officers to cash Treasury checks they receive. Commissaries may use the cash they receive for this purpose.

3.2.2. Remittance by Mail. DOs establish procedures to control receipt and processing of checks and other negotiable instruments received by mail. An individual that is independent of the collection function must receive these remittances and must not be the same individual who maintains the accounts receivable records. DOs must establish controls using the ***DD 2658***, Returned and Undeliverable Check/Bond Record, or another effective method to maintain a record of transmittal of the instruments between functional areas.

3.3 Collections by Remote Cashiers

DOs acknowledge collections made by remote cashiers only upon receipt of certification of the actual monetary amounts.

3.4 Performance and Bid Bonds (Storage and Safekeeping)

The ***Federal Acquisition Regulation, Subpart 28.2***, prescribes acceptance of only cash, certificates of deposit, or irrevocable letters of credit (ILC). Only ILCs issued by federally-insured financial institutions, in the name of the contracting agencies that identify the agency and solicitations or contract numbers for which ILCs are presented are acceptable.

3.4.1. Negotiable Instruments. DOs receiving remittances (e.g., checks, bank drafts, and money orders) as deposits for performance or bid bonds deposit them immediately in deposit fund account X6501 to be held pending settlement with the contractor.

3.4.2. U.S. Bonds Deposited in Lieu of a Surety. Under Title 31, Code of Federal Regulations, part 225 (***31 CFR part 225***), contractors may deposit certain U.S. bonds with contracting officers instead of furnishing corporate individual sureties on performance and payment bonds. DOs may not accept these bonds (whether electronic or hardcopy) for other than temporary safekeeping (e.g., overnight or over a weekend). DOs may provide space in a safe or vault for temporary safekeeping by placing the bonds and related documentation in a sealed package indicating custodianship and giving the contracting officer a receipt for the package (see Chapter 3, section 3.0). The contracting officer is responsible for transferring the bonds to the Federal Reserve Bank (FRB).

3.5 Negotiable Instruments

3.5.1. Checks. Remitters must make checks and other negotiable instruments payable to the order of the specific organization maintaining the account to be credited and not to the Treasury. However, if a check is made payable to the Treasury, the check must be accepted and processed immediately. Do not accept checks payable to a DO or employees of the federal government, whether by checks or through electronic means.

3.5.2. For Deposit to the Credit of the Treasury. Deposit the negotiable instruments in an FRB or branch or an approved general depositary for credit to the Treasury. Instruments drawn payable to the remitter are acceptable as inscribed if the remitter endorses them as explained in Chapter 11, subparagraph 8.3.6.3.1. For endorsements on negotiable instruments see Chapter 11, subparagraph 8.3.6. Post inscription instructions in strategic locations at cashier cages, commissaries, and other locations receiving these instruments.

3.5.3. For Deposit in a Limited Depositary. Keep limited depositary accounts in the name of the activity to which the DO is assigned (see Chapter 14, section 2.0). Instruct the remitter not to inscribe instruments payable to the DO by activity name.

4.0 ISSUANCE OF RECEIPTS FOR COLLECTIONS

4.1 Turning in Funds

4.1.1. Indirect Collections. Individuals other than DOs, DDOs, cashiers, or agents receiving funds belonging to the United States (including those to be held in trust) promptly turn over such funds to their supporting DO or deposit them in an authorized general depositary. These individuals may work within commissary, property disposal, personnel, and other offices authorized to receive funds due the United States. They are responsible for safekeeping funds in their possession pending deposit or turn-in. Collecting officers number documents sequentially by fiscal year. The DO, DDO, or agent receiving the funds signs and returns two copies of each DD 1131 (other than the original) to the collecting officer, distributing additional copies as required.

4.1.2. Direct Collections. A DO, DDO, agent, or cashier receiving a collection directly from a remitter prepares a collection voucher for the amount collected. The supporting Defense Finance and Accounting Service (DFAS) site determines the number of copies to give the remitter. Only issue receipts for payment of bills received by mail in the disbursing office if the remitter requests it. Furnish receipts only for amounts received and verified by actual count. DOs, DDOs, or agents are prohibited from using "subject verification" to issue receipts, giving receipts "in blank," or accepting receipts "in blank."

4.1.3. Receipt Acknowledgement. Where an automated system is used, cashiers may sign receipts in their own name; otherwise, DOs, DDOs, or agents must personally sign the receipts. Signatures are not required for collection vouchers electronically validated by an approved public key infrastructure method. Before signing, the cashier or collecting official ensures that remittances are authorized collections in the correct amounts. The person accepting the remittance should not be the same person updating the accounts receivable record.

4.2 Collections by Deductions From Vouchers

If requested, give payees receipts for collections made by voucher deduction. This includes other divisions or activities that may require notices of collection.

4.3 Collections by Agent Officers

4.3.1. Collections. Agents of appointing DOs may sign receipts for funds.

4.3.2. Proceeds of Sales. When funds are deposited with agents, they complete receipts on the original and three copies of the DD 1131 as agents of their DO and submit the original and two signed copies of the DD 1131, together with supporting documents, with their financial reports to the DO. Return one signed copy to the appropriate collecting official as receipt for the funds. The format for the receipt is:

Richard Roe, Lt Col, (Component)

By: _____
Name and Type of Agent

5.0 RECORDING AND CONTROLLING COLLECTIONS

5.1 Pending Payment File

The affected functional area maintains a pending payment file and associated copy of the uncollected billing document(s) unless the supporting DFAS site directs otherwise. Send the original and duplicate copy of the documents to the customer from whom reimbursement is expected (see paragraph 2.2). Arrange the files in the order most convenient to the person maintaining the file, reconciling it quarterly to the accounts receivable subsidiary ledgers.

5.2 Collection of Accounts Receivable

5.2.1. Payment of Bills. When payment is physically presented to a cashier, the cashier annotates a copy of the bill as "Paid" and initials it. If the cashier is presented the original bill, he/she stamps or notes it "Paid" with date of payment, initials, and returns it to the remitter. Attach paid copies of bills to the DD 1131 and forward them to the affected functional area daily for recording. For automated billings, the responsible functional area prepares the DD 1131 (cash payments) or an SF 1080 (payroll deductions) as part of the automated collection posting process.

5.2.2. Clearance of Component Bills. An individual being transferred from the Component notifies the appropriate functional area and billing office to ensure settlement of all unpaid telephone bills, utilities, and similar liabilities. The responsible functional area ensures the collection of pending bills, makes any required adjustments on a new bill, marks the old bill "Void," attaches it to the paid copy of the new bill, and completes the clearance form.

5.3 Collections for Other Agencies

5.3.1. Identifiable Collections. Issue a receipt for an identifiable collection applicable to an account maintained by another fiscal station if requested or required and process the collection as a transaction for others. Include the complete identity of the remitter, account, fiscal station, and appropriate fiscal data on the DD 1131.

5.3.2. Unidentifiable Collections. Do not process a collection for another fiscal station for which the accounting classification is not immediately identifiable as a transaction for others. Deposit the collection into F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 thru 8.10 for additional information. Upon determining the correct accounting classification, process an SF 1080 as a transaction for others to clear the suspense account.

5.4 Overages

Process an overage in a DO's account as a collection to F3875 no later than the business day after the overage occurs. Resolve overages no later than the fifth business day after the end of each quarter or, upon the DO's relief from disbursing duty, no later than the fifth business day following the date of relief. Consider collections and returns from agents when determining the source of the overage. When reasons for overages are explained, and there is reasonable assurance that no claim will be made against them, credit it directly to the Treasury's receipt account R1060, Forfeiture of Unclaimed Money and Property.

5.5 Collection Voucher Control Log

Maintain a daily ***DD 2659***, Voucher Control Log, for collection vouchers the disbursing office receives or prepares. The DO determines the functional areas and assigns individuals to maintain this form. Assign each functional area and/or branch disbursing office a separate series of voucher numbers. Include the collection voucher number, identification of the remitter (name of remitting individual or organization), amount, and instrument of remittance (e.g., check, cash, traveler's check, electronic funds transfer (EFT), or a no pay adjustment). Annotate a check/EFT trace number in column d "OTHER."

5.6 Collections Overpaid or Underpaid by $1.00 or Less

When a remitter overpays an amount due totaling $1.00 or less, collect the overpayment into receipt account 1099 (Fines, Penalties, and Forfeitures, Not Otherwise Classified). Refund it only if requested by the remitter. Also, if a payee underpays an amount due that totals $1.00 or less, prepare an SF 1080 charging the DoD Component's Operations and Maintenance account and credit the applicable appropriation (or receivable) for the underpayment. Do not pursue collection action for underpayments totaling $1.00 or less.

5.7 Collections Made at Agencies Not Having a Disbursing Office

Agencies not co-located with or supported by a disbursing office that receive collections must:

5.7.1. Collection Control Log. Use a log to control the collections from the time of receipt until they are transmitted to the disbursing office. At a minimum, show the date of receipt, remitter, check or money order number, collection voucher number, amount of collection, and the date transmitted to the disbursing office.

5.7.2. Collection Voucher. Prepare a collection voucher the same day the DoD Component receives the collection.

5.7.3. Safeguarding the Collection. Safeguard the collection and supporting documents (see Chapter 3, section 3.0).

6.0 DOCUMENTING AND PROCESSING COLLECTIONS

6.1 Verification of Funds Received

6.1.1. Verification. Functional areas ensure that collections are proper, vouchers have complete and accurate data, and required copies are available. A disbursing office detecting an improperly prepared voucher returns it to the functional area for correction.

6.1.2. Funds Deposited by Collecting Officers. When a collecting officer deposits collections directly to a general depositary, the disbursing office processes them in the DO's account upon receipt of the collection voucher (or receipts for collection). The deposit ticket and supporting collection vouchers are the basis for verification of receipt of the funds. If the collecting officer does not provide a confirmed copy of the deposit ticket, advise him/her to furnish it upon receipt.

6.1.3. Purpose of Collection. Include the purpose of a collection (e.g., contract lease, applicable regulation, schedule, cost list, or other document that authorizes the collection) on, or as an attachment to, a collection voucher. If a sales contract is involved, cite the contract in the reference information. If the purpose of a collection cannot be determined, account for it in F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for IPAC, as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 thru 8.10 for additional information.

6.1.3.1. Transfer to account 20X6133, Payment of Unclaimed Moneys, amounts of $25 or more that have been held for more than 1 year, are authorized to be refundable, but cannot be refunded because the individual's location is unknown.

6.1.3.2. Transfer to R1060 unclaimed amounts of less than $25 or amounts of $25 or more that have been held for more than 1 year for which the rightful owner can be neither identified nor located.

6.1.4. Numbering Collection Vouchers. Assign collection voucher numbers consecutively starting at the beginning of each fiscal year based on numbering instructions provided by the DFAS site that receives the financial reports.

6.1.5. Legibility of Copies. DOs ensure the legibility of all copies of vouchers prepared for distribution.

6.1.6. Routing Original Collection Vouchers. The disbursing division of each disbursing office sends original collection vouchers to the supporting DFAS site.

6.2 Signature on Collection Vouchers

6.2.1. Responsibility. The DOs, DDOs, or agent officers sign original collection vouchers in permanent, non-erasable ink; this duty may not be delegated or reassigned. Officers using cash control machines or mechanized equipment to validate vouchers are exempt from this requirement (except when a DD 1131 is processed for further action by a disbursing office not collocated with the processing disbursing office) so long as the machines and control of them meet minimum security and audit requirements. The DO or DDO controls the keys for these machines. Digital signatures may also be used following the guidance in Chapter 1, subparagraph 3.5.3.

6.2.2. Internal Controls. The DO implements controls to ensure that all funds received by the cashier are accounted for properly. The DO or DDO holds copies of the vouchers bearing the cashier's initials. In making daily settlement with the cashier at the end of the business day, these copies determine if the amounts of the collections the cashier reported were proper. The receiving officer's signature is required where applicable (see subparagraph 4.1.3). The DO or certifying officer, as applicable, signs transfer, cancellation, or adjustment vouchers (SF 1081) and an ***SF 1098***, Schedule of Canceled or Undelivered Checks. If the same voucher is both a disbursement and collection, the disbursement is the original subject to the signature requirements in paragraph 6.2; the collection is a copy and does not require a signature.

6.3 Preparation of Documents Used to Transmit Funds

6.3.1. Responsibility. An officer depositing or transmitting funds to a disbursing office prepares the forms listed in subparagraphs 6.4.1 and 6.4.4). Except for collections arising from over-the-counter sales (e.g., commissaries), include the name of the remitter, the specific authority for the collection, and information sufficient for the DO to identify the collection and determine that the correct amount is cited on each collection document. The officer preparing the form also furnishes the complete accounting classification as prescribed; fiscal code, including the Disbursing Station Symbol Number of the station maintaining the appropriation cited; and the country code when the collection is made in an overseas area.

6.3.2. Preparation and Distribution. Prepare each collection voucher in duplicate, with additional copies as required.

6.4 Collection Documents

6.4.1. DD 1131. Use this when governing directives do not otherwise prescribe other forms. It may serve as a cover voucher for other receipt forms.

6.4.2. SF 1098. Use this form to collect the proceeds of an available canceled Treasury check (see Chapter 7, paragraph 10.4).

6.4.3. SF 1080. Use this form to transfer amounts between appropriations and/or funds.

6.4.4. SF 1081. Similar to the SF 1080, this form also transfers amounts between appropriations or funds and may be used for corrections of charges and credits.

6.4.5. ***DD 139***, Pay Adjustment Authorization. Use this form for salary offset collections.

VOLUME 5, CHAPTER 9: "DISBURSEMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
7.0	Deleted background information on advance payment pools, updated authority references, and renumbered accordingly.	Revision

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CHAPTER 9

DISBURSEMENTS

1.0 GENERAL

1.1 Overview

1.1.1. Disbursement. A disbursement is a payment to an individual or organization for goods furnished or services rendered. It may also be a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds; ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the U.S. Department of the Treasury's (Treasury) Intra-governmental Payment and Collection (IPAC) System. See Volume 10, Chapter 10, paragraph 2.3 for detailed guidance regarding disbursement vouchers for intragovernmental reimbursement and transfer transactions. A negative disbursement is a refund.

1.1.2. Disbursement Voucher. A disbursement voucher may be a combination of a payment and collection by voucher deduction (e.g., a civilian payroll voucher where deductions for federal tax, U.S. savings bonds, and civil service retirement are credited to the appropriate accounts), and the net pay is disbursed to the payee. All disbursements must be supported by disbursement vouchers (e.g., SF 1080; SF 1081; ***SF 44***, U.S. Government Purchase Order-Invoice-Voucher; or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal).

1.1.2.1. Disbursement Voucher Certification. A disbursement voucher for payment made to a non-federal entity that creates pecuniary liability as described in either 31 United States Code (U.S.C.) § 3527 (***31 U.S.C. § 3527***) or ***31 U.S.C. § 3528*** must be certified by an appointed Certifying Officer with Certifying Officer Legislation (COL) training completed, per ***31 U.S.C. § 3325(a)(1) and (b)*** (see Chapter 5, paragraph 1.3). A disbursement voucher that transfers funds from one appropriation or fund to another, transfers funds between appropriations, transfers funds for payment(s) that are entirely within the Federal government, or is not in support or execution of a subsequent payment transaction, does not require a Certifying Officer with COL certification.

1.1.2.2. Electronic Funds Transfer (EFT) and U.S. Treasury Check. Report EFT (includes International Treasury Services for payments in foreign currencies) and U.S. Treasury check disbursements to ***Payment Information Repository*** citing the proper Treasury Account Symbol (TAS)/ Business Event Type Code (BETC).

1.1.2.3. No Check/Voucher for Transfer. Report a no check/voucher for transfer by utilizing a Classification Transactions and Accountability (CTA) transaction, citing the proper two-sided credit and debit entries with the proper TAS/BETC.

1.1.2.4. Cash and Limited Depositary Accounts (LDA) Checks. Report cash and LDA check disbursements by utilizing a CTA transaction citing the Disbursing Officers (DOs)

Cash TAS/BETC and the program TAS/BETC listed on the disbursement voucher. Multiple disbursement vouchers may be consolidated under one transaction reported to Treasury if they fall under the same TAS/BETC and Agency Location Code (ALC). DOs must ensure that any transactions that are consolidated have an audit trail that can be validated at the individual transaction level.

1.1.2.5. Disbursement of Foreign Military Sales. Foreign Military Sales funds require the request and receipt of expenditure authority before certification of a voucher for payment (see Volume 15, Chapter 4, section 9.0). Volume 15, Chapter 15, section 6.0 provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

1.1.3. Interagency Disbursing Support. The Enterprise Solutions and Standards, Disbursing Division of the Defense Finance and Accounting Service (DFAS) provides the DoD's policy for interagency disbursing support and IPAC. DoD's disbursing offices and their servicing accounting office coordinate with other U.S. Government agencies on establishing IPAC Trading Partner Agreements (see Chapter 11, paragraph 4.3). The DFAS email address is: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

1.2 Purpose

This chapter addresses the legality and propriety of payment transactions, substantiating vouchers, payment of compensation, advances, payment to third parties, equitable claims, and certified disbursement vouchers. It also addresses disbursement forecasting, processing of disbursement vouchers, disbursements from deposit fund and budget clearing accounts, and payment in support of advance payment pool agreements.

1.3 Authoritative Guidance

DoD authorizes DOs under (***31 U.S.C. § 3321(c)(2)***) to disburse public funds on receipt of vouchers certified by an appointed certifying officer (see 31 U.S.C. § 3325 and Chapter 5, paragraph 1.3).

2.0 POLICY

2.1 Legality and Propriety

2.1.1. Sanction of Law. Examine payment transactions for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law.

2.1.2. Decisions and Responsible Offices. A DO may request an advance decision on the propriety of any prospective payment according to the procedure outlined in each section's standard operating procedure (see Chapter 12, section 3.0). DOs are not pecuniarily liable for payments they make based on advance decisions.

2.2 Substantiating Vouchers

2.2.1. Written Record of Transaction. Unless otherwise mandated by law, each transaction by an officer, agent, or employee of the U.S. Government that requires payment of money from the Treasury or payment by a DO or agent of the U.S. Government requires a written or approved electronically signed document or series of documents that includes a complete record of the transaction.

2.2.2. Electronic Transactions. The Federal Reserve Banks (FRBs) are Treasury's fiscal agents. Each disbursing office processing disbursements maintains a detailed written agreement with the supporting FRB. The DO must implement internal controls to confirm that the FRB receives EFT payment files successfully.

2.2.3. Additional Evidence. A DO is not required to make payment merely on the submission of formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence is required.

2.3 Payment of Expenses

Using public funds to pay the expenses of a commission, council, board, or other similar body is prohibited by ***31 U.S.C. § 1346*** unless the creation of the body has been specifically authorized by law.

2.4 Advances, Prepayments, and/or Overpayments

A DO generally may not make advance payments, prepayments, or overpayments of public monies, but ***31 U.S.C. § 3324***; Volumes 5, 7A, 8, 9, and 10; and the ***Joint Travel Regulations*** allow limited advances and prepayments.

2.5 Payments to Third Parties

2.5.1. Restriction. Unless specifically authorized by law, monies the government owes to an individual are not subject to attachment, garnishment, or other legal processes. Do not certify or make payment to a third party even if the payee requests it. This restriction applies to all funds, including those held in trust by the DoD.

2.5.2. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government, including members of the Armed Forces, are subject to levy and distraint (the ability to force or compel satisfaction of an obligation by means of seizure) for delinquent federal taxes in accordance with ***26 U.S.C. § 6331***.

2.5.3. Payments to Bankruptcy Trustees. A civilian employee or military member may file an appropriate bankruptcy petition under ***11 U.S.C. § 109***. During the bankruptcy proceedings, the bankruptcy court may order the individual's pay to be sent to the bankruptcy trustee. Such payments are proper, and DOs incur no additional liability as a result. See Volume 8, Chapter 8, section 5.0 for civilian employees and Volume 7A, Chapter 50 for military members.

2.5.4. Successor in Interest. DOs may make payments due to contractors, court appointed trustees, receivers, or other legal representatives (see Volume 10, Chapter 3, section 5.0).

2.5.5. Assignment of Claims. A contractor may transfer their right to be paid by the government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor. See Volume 10, Chapter 3, section 4.0; the Federal Acquisition Regulation (FAR), ***part 32.8***; and the Defense Federal Acquisition Regulation Supplement (DFARS), ***subpart 232.8***, for more information regarding the requirements and responsibilities for assignment of claims.

2.5.6. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for specific purposes (e.g., retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony) are supported by statutory authority under ***5 U.S.C. § 5525***.

2.5.7. Payments to Financial Organizations for Credit to Persons' Accounts. Under ***31 U.S.C. § 3332***, Federal wage, salary, and retirement payments must be made by EFT to financial organizations for credit to payees' accounts (e.g., Merchants National Bank, Cr: John Doe, Account Number: 346-839, Taylor, MI 04180) (see also Volume 7A, Appendix C; Volume 8, Chapter 1, section 3.0; and Volume 9, Chapter 8, paragraph 2.2).

2.5.8. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees may be garnished for child support and alimony (***42 U.S.C. § 659***), and for commercial debts (non-child or spousal support) (***5 U.S.C. § 5520a***).

2.5.9. Withholding of Contract Payments. Make payment to the Department of Labor for amounts owed by contractors to employees under a contract. See Title 29, Code of Federal Regulations (CFR), part 4.187 (***29 CFR 4.187***) and ***29 CFR 5.9***.

2.6 Equitable Claims

Claims not founded on contracts, either expressed or implied, but on merely equitable or moral grounds are permitted only after direct authorization by Congress.

2.7 Insurance Fee

The government is self-insured (or bonded). Neither a DO nor any of the DO's agents may insure public funds or property.

2.8 Municipal Services

Absent specific statutory authority, a DO may not pay for municipal services (e.g., police and fire protection) if those services are required to be furnished to private citizens at no cost (see Volume 10, Chapter 12, paragraph 3.15).

2.9 Questionable Payments

See Chapter 12 for alternatives available in connection with questionable payments.

2.10 Certified Disbursement Vouchers

2.10.1. Authority. DoD authorizes DOs under (31 U.S.C. § 3321(c)(2)) to disburse public funds on receipt of vouchers certified by an appointed certifying officer. When the disbursement voucher is certified by someone independent of the disbursing process, the DO has the discretion to make the payment.

2.10.1.1. Certified Vouchers. Certified vouchers must contain complete and accurate data. Contents of these vouchers and supporting documents may vary slightly depending on the type of disbursement and form used. Write signatures and other information that become integral parts of original vouchers in permanent, non-erasable ink. Handwritten information must be legible. Approved electronic signatures are acceptable (see Chapter 1, subparagraph 3.5.3).

2.10.1.2. Voucher Corrections. Return certified vouchers requiring correction to the functional area. Disbursing office personnel may not make these corrections. Corrected vouchers require recertification before disbursement.

2.10.1.3. Travel Vouchers. Accept a legible copy of a signed travel voucher and its supporting documents received in lieu of the original for processing and payment as if it were the original. This includes travel vouchers and supporting documents received by facsimile transmission or scanned images forwarded via email.

2.10.2. Essential Data. Certified disbursement vouchers must contain the following minimum essential data:

2.10.2.1. Voucher Heading and Date. This includes the complete name and mailing address of the paying disbursing office, the date the voucher is prepared, the disbursing office voucher number, and the disbursing station symbol number (DSSN) in the “Paid By” (or “Brief”) block (see Table 9-1).

2.10.2.2. Accounting Classification

2.10.2.2.1. The Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 2000, section 2070 (***I TFM 4A-2075***) requires that a voucher certified as correct and proper for payment include an accounting classification against which the disbursement will be charged. Code each charge to an appropriation or fund with a complete accounting classification, and country code when applicable. List the information on a continuation form if the space available is insufficient.

2.10.2.2.2. The type of payment or the supporting DFAS site dictates acceptable continuation forms. Do not show titles of appropriations or deposit fund accounts. Entering extraneous information (e.g., voucher collection data) may result in the inclusion of erroneous information in accounting records and reports. A certified disbursement voucher may cite more than one appropriation, deposit fund account, or subsidiary account (group two or more subsidiary accounts of the same appropriation by that appropriation).

2.10.2.2.3. On foreign currency disbursements, show the total amount of the foreign currency disbursement; disbursing office personnel enter the conversion rate and U.S. dollar equivalent (USDE) on vouchers certified for payment in foreign currency.

2.10.2.3. Amount to Be Disbursed. Cite the total amount of the disbursement on the voucher in conjunction with the related accounting classification. Any alteration invalidates the certification (see Chapter 5, paragraph 5.6).

2.10.2.4. Method of Disbursement. Show the method of disbursement in the space provided on the certified disbursement voucher. In order of preference, the methods are:

2.10.2.4.1. EFT (includes ***International Treasury Services (ITS.gov)*** for payments in foreign currencies),

2.10.2.4.2. No check/voucher for transfer,

2.10.2.4.3. Treasury check,

2.10.2.4.4. Limited Depositary Check, and

2.10.2.4.5. Cash (only if specifically authorized by the payee's commander when it is determined that no other alternatives exist due to operational conditions).

2.10.2.5. Payee. List only the individual or organization entitled to the proceeds of the payment on the voucher. Under ***10 U.S.C. § 2785***, a DO may not change the remittance address. Also, under 31 U.S.C. § 3325(d), certified vouchers must contain the payee's taxpayer identification number (TIN), a unique nine-digit identifier assigned to all individuals by the Social Security Administration and to businesses by the Internal Revenue Service. See Volume 10, Chapter 8, paragraph 2.7 for the requirement of a TIN on a certified payment voucher.

2.10.3. Payment on Forged or Fraudulent Vouchers or Pay Receipts. A DO is pecuniarily liable for payments based on forged or fraudulent vouchers. A DO, Deputy DO (DDO), agent, or cashier making such a payment may request relief of liability for such payments (see Chapter 6, section 6.0).

2.10.4. Voucher Storage. Follow Chapter 3, section 3.0 to safeguard original paid vouchers.

3.0 DISBURSEMENT FORECASTING

3.1 Daily Disbursement Forecasting

Treasury's Bureau of the Fiscal Service (Fiscal Service) manages the government's daily cash position and disbursements affecting this position. DOs must therefore follow any current Fiscal Service guidance for reporting their anticipated aggregate level of planned disbursements for each disbursing method (e.g., wire, Automated Clearing House (ACH), check). Forecasting is also discussed in ***I TFM 4A-4025***.

3.2 Large Dollar Disbursements

The ***I TFM 6-8530*** requires DOs to report, in advance, deposits and disbursements totaling $50 million or more. The deposits and disbursements reports include single transactions, multiple transactions of a common nature, or repetitive transactions. For deposits and disbursements between $50 million and $500 million, DOs are required to submit the report a minimum of 2 business days in advance of the settlement date. For deposits and disbursements of $500 million or more, DOs are required to submit the report a minimum of 5 business days in advance of the settlement date. If specific deposit or disbursement information is not final, agencies must inform Fiscal Service daily as soon as possible, but no later than 7:30 a.m. eastern time on the transaction settlement date, of the approximate amount and approximate deposit or disbursement date.

4.0 DISBURSEMENT VOUCHERS

4.1 Numbering Disbursement Vouchers

Assign disbursing voucher numbers consecutively starting at the beginning of each fiscal year based on guidance from the supporting DFAS site to which financial reports are submitted. Identify voucher numbers with the disbursing office, not the DO.

4.2 DoD (DD) Form 2659, Voucher Control Log

Keep a ***DD 2659***, Voucher Control Log, daily for disbursement vouchers received or prepared in the disbursing office. Include in the log the disbursement voucher number, name of the payee, amount, form of payment (e.g., EFT, check, cash), and check/EFT trace number under "other." This log summarizes daily disbursement and collection transactions and ensures the entering of all vouchers in the accountability records. It functions as a cross check against the ***DD 2657***, Daily Statement of Accountability, and ***DD 2665***, Daily Agent Accountability Summary, to summarize disbursement and collection transactions; enables comparison of vouchers paid by check to total checks written, and of vouchers paid by cash to cashier paid vouchers; associates returned and undeliverable checks with applicable vouchers; and transmits vouchers showing voucher numbers used, unused, or voided.

4.3 Certification of Vouchers

4.3.1. The applicable entitlement areas (i.e., military, civilian, travel, and vendor pay) ensure that all payments are proper, prepare the correct number of copies, and ensure that all vouchers contain complete and accurate data.

4.3.2. Certifying officers examine payment vouchers before certification to ensure that the information on vouchers agrees with all supporting documentation (see Chapter 5, section 5.0).

4.3.3. DOs must have access to the ***DD 577***, Appointment/Termination Record – Authorized Signature, to verify that vouchers submitted to DOs for payment have been certified by persons authorized to certify vouchers, and disburse money only on vouchers certified by authorized certifying officers. A disbursing office detecting an improperly prepared voucher must return it to the functional area for correction and recertification.

4.4 Release of Cash

An individual entitled to a payment (the payee) must receive the cash and sign the voucher. All cash payments require receipts. Do not prepare duplicate receipts. DOs or their agents making cash payments must positively identify the payee using the photograph on the payee's DoD Common Access Card. Other acceptable forms of identification include a driver's license and other identification normally acceptable in the banking community to cash checks or bonds. The responsibility for payee identification may not be delegated. In cases of cash payment, the exchange of currency and the receipt for it must be simultaneous. Requiring receipts in advance of actual cash payments is prohibited.

4.5 Cash Payment Vouchers

The responsible entitlement areas send or deliver these vouchers to the cashier area. Payees may hand carry vouchers when the distance between the entitlement area and cashier area makes this impractical, provided the total amount of the voucher is inscribed in words on the bottom of the voucher (e.g., "sixty dollars and twenty cents"). Space words or enter lines in a manner to preclude alteration by inserting additional words, particularly at the beginning of writing (e.g., prevent insertion of "one hundred" immediately preceding "sixty dollars and twenty cents").

4.5.1. Cashier Responsibilities. If the voucher deduction block is used on a payment voucher, the cashier must verify that it contains an appropriation and the total to be paid is net of any deductions. After verification of these items, the cashier must initial the original voucher to identify who made the payment.

4.5.2. Payee Signature. Cashiers must obtain the payee's signature in the space provided, or in the case of multiple payments, on the sub-voucher or supporting documentation. The payee signs for receipt of cash using permanent, non-erasable ink. Facsimile signatures and signatures in pencil are unacceptable. When signatures of payees are on a sub-voucher or supporting documentation, annotate the "payee signature block" on the cover voucher with the words, "See

attached." Positively identify payees before making payments. Compare the signature obtained on vouchers to signatures on identification cards or other acceptable forms of identification. The form of the signature must be the same as the payee as shown on the voucher. In the signature block, the payee must sign the first name, with additional initials, if any, followed by the surname, except as explained in the following subparagraphs.

4.5.2.1. Unable to Write. A payee unable to write may indicate receipt of payment by signing an "X." A disinterested party, whose address must be on the form, must witness the form. If the payee is physically unable to write and asks someone to sign in his or her presence, the signature requires verification by a disinterested witness and is regarded as a signing by the payee. File a physician's note addressing the payee's inability to sign with the original disbursement voucher.

4.5.2.2. Mental Disability. Do not pay a mentally disabled payee who cannot comprehend a signature except in the presence of an appointed legal guardian. File certified copies of court papers appointing a legal guardian with the original disbursement voucher. The legal guardian signs the name of the payee, followed by his or her own signature as legal guardian. Refer to the first disbursement voucher by DO voucher number and date paid on future payments to substantiate the legal guardianship. If the payee is in an asylum, file the superintendent's certificate that the payee was alive at the time payment was due with each disbursement voucher.

4.5.3. Voucher Validation. Validate the voucher by completing the "Paid By" (or "Brief") block with the paying office location, DSSN, and business date of payment, using a typewriter, automated system, or rubber stamp. Do not show the geographical location if the disbursing office has a classified address (see Table 9-1).

4.6 Check Disbursement Vouchers, Manual Voucher Processing

Responsible entitlement areas send manual check disbursement vouchers to the check issuing area for check preparation. The check issuing area enters the check number on the voucher in the space provided. Do not enter check numbers on duplicate copies of vouchers except for payroll and group travel vouchers. When payment is by check on an SF 1034, follow subparagraphs 4.6.1. – 4.6.5. A receipt is not necessary for payments drawn by the DO except when required by law or contract.

4.6.1. Checks Drawn on the Treasury. For payments by check drawn on the Treasury, enter the check number in the block near the bottom of the form titled "Check Number on Account of U.S. Treasury."

4.6.2. Checks Drawn on LDAs. For payments by checks drawn on LDAs, enter the check number and the name of the LDA bank on which drawn in the block near the bottom of the form titled "Check Number On (Name of bank)." If it is a "no check drawn" voucher, state "no check drawn."

4.6.3. Check Usage. Make checks payable to the payee stated on the disbursement voucher. Number disbursing vouchers sequentially with the lowest check number used to pay the lowest numbered disbursement voucher or the first name on a payroll. Maintaining an unbroken sequence of check numbers facilitates check issue auditing and reporting. Consolidate multiple payments to the same payee on the same day and pay them with one check. DOs must ensure that inscribed checks duplicate the voucher information. A DO may perform this review either before or after signing the checks. The DO ensures the completion of appropriate records to provide control over check writing. Automated systems producing disbursement vouchers must contain edit and validation controls to ensure the exact information appearing on the vouchers is passed to the check printer.

4.6.4. Paid By. See subparagraph 4.5.3.

4.6.5. Automated Disbursement Vouchers. The entry of check numbers on automated disbursement vouchers is not required so long as the voucher processing system maintains complete audit trails between disbursement vouchers and hard copy records.

4.7 Check Disbursements Overpaid or Underpaid

Do not collect an overpayment to a payee. Prepare an SF 1080 to charge the DoD Component Operation and Maintenance account and credit the appropriation originally charged for the payment. Similarly, do not issue a supplemental payment when a payee is underpaid unless the payee requests the payment.

4.8 Transmittal of Vouchers and Recording

4.8.1. DDOs, agents, and cashiers must include payment vouchers on the DD 2665 as prescribed in Chapter 15, subparagraph 2.1.2, and settle with the DO at the end of each business day.

4.8.2. For midday returns of cash on hand or an additional advance of funds, use a ***DD 1081***, Statement of Agent Officer's Account (see Chapter 15, section 4.0).

4.8.3. Entitlement areas send transfer, correction, and other disbursement vouchers not for payment by cashiers directly to the accountability area.

4.8.4. Return voucher copies to the entitlement area (i.e., military, civilian, travel, and vendor pay).

4.9 Certification Restrictions

The disbursing office supervisor may not routinely certify vouchers for payment, but may certify cover vouchers supported with properly certified sub-vouchers. In these cases, the approving official of the supporting documentation may not be the cover voucher certifier. If an emergency exists and the deputy, who is also a supervisor of the disbursing office, must certify a voucher for payment not supported with certified sub-vouchers, the DO or another DDO dates and

signs the voucher that includes a statement similar to: "Payment approved by Lieutenant John Doe, Disbursing Officer" (see Chapter 5, section 5.0). To ensure adequate internal control, neither the supervisor of the disbursing office nor other disbursing office personnel should be able to input data into the computerized accounting system.

4.10 Documentation Supporting Delivery of Payments

Documentation that supports delivery of payments includes a copy of the payment voucher, annotated copies of invoices, or other available media that provide information on payments delivered to payees as prescribed by functional area directives. This information may be in any form (e.g., printed, electronic) but may be subject to contractual requirements.

4.11 Deferred Vouchers

Deferred vouchers are paid vouchers not recorded in an accounting system, and are usually vouchers paid by an agent that must be returned for correction. They may also be vouchers paid by an agent but not yet examined by a DO. Deferred vouchers do not impact the DO Cash TAS until the voucher is processed. Responsible entitlement areas must act promptly to clear them. Keep a chronological record of actions taken, showing the date when clearance is expected. DOs or their DDOs review those actions weekly to ensure the correction of irregularities causing deferment without delay.

4.12 Classified Payments

4.12.1. Protecting Information. A DO making payments classified for security purposes prepares a covering disbursement voucher. These may not contain information that requires a security classification. On the original and all copies show only the name and address of the payee, amount, date of payment, complete accounting data, voucher number, check number, DO's name, DSSN, and disbursing office payment data in the "Paid By" (or "Brief") block. Payments under classified contracts should include instructions requiring the supplier to limit information on invoices so that supplies or services are identifiable only by reference to the contract. The DO (for collateral classified programs) or the voucher preparing office (for special access programs) allows access to classified documents to only those persons requiring access for the performance of their official duties.

4.12.2. Preparation. Personnel who process classified documents must possess a security clearance level equal to or higher than the documents they process. DOs or voucher preparing offices must assign duties (e.g., preparation of vouchers) so that only a minimum number of persons require access to classified information. Mark and store classified documents following prescribed security regulations. Do not attach classified essential supporting documents, invoices, or certificates to the original disbursement voucher, but identify them by the name of the DO, voucher number, DSSN, and the period of the account. Retain them at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. Include one of the following statements on the portion of the voucher for the description of the articles or services purchased:

4.12.2.1. For Collateral Classified Programs. "The documents supporting this voucher are located at the payment site with other classified material in accordance with (cite the applicable security regulation)."

4.12.2.2. For Special Access Programs. "The documents supporting this voucher are located at the voucher preparing office with other classified material in accordance with (cite the applicable security regulation)."

4.12.3. Declassification. Refer to appropriate security regulations for declassifying and downgrading, and to report classification abuses and improper classifications.

4.12.4. Distribution. Distribute the original and required copies of the covering disbursement voucher in the normal manner. Do not attach the classified supporting documents.

4.13 Payments from Contingency Funds

Use a ***DD 281***, Voucher for Emergency or Extraordinary Expense Expenditures, to make payments from contingency funds.

4.13.1. Prepare the form to allow it to be unclassified. Classify supporting documents based on their content. A covering disbursement voucher is not required as described in subparagraph 4.12.

4.13.2. Transmittal of Vouchers and Recording. See paragraph 4.8.

4.14 Hand Carrying Disbursement Vouchers

4.14.1. Vouchers Prepared Outside the Disbursing Office. Send payment vouchers prepared outside the disbursing office to the disbursing office so that the payee does not have access to them.

4.14.2. Vouchers Prepared Within the Disbursing Office. The responsible functional area sends or delivers these vouchers to the cashier area. Where distance between the functional area and cashier section makes this impractical, see paragraph 4.5.

4.15 Distribution of Paid Vouchers

The disbursing office sends the original and necessary copies of paid vouchers to the appropriate DFAS site (see Chapter 15, paragraph 8.1 for proper record retention).

4.16 EFT Payments

4.16.1. Debit Vouchers. EFT payments are sent to the FRB on debit vouchers showing the date payment is due. The DO must implement internal controls to confirm that the FRB receives the payment files successfully and on schedule, and retain the memorandum copy of the debit voucher. DOs that transmit payment files electronically use the FRB's summary of ACH activity report in lieu of the debit voucher. In either case, the FRB issues a confirmation debit voucher to the DO. For an EFT transaction, record the debit voucher as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement.

4.16.2. Returns. When a financial institution returns one or more EFT/ACH payments to a paying office, the DO prepares and processes a collection voucher to account for the returned funds, crediting them to the appropriation from which they were originally disbursed. EFT returns will be submitted back to the originating ALC crediting the TAS from which they were originally disbursed. Record the collection on the DD 2657 with an offsetting transaction to account for the deposit ticket from the FRB in processing the returned payment. The DO notifies the appropriate entitlement area of the returned payment by providing a copy of the collection voucher and any rejection information received (e.g., the reject code). See Treasury's ***Green Book, Chapter 4***, for a detailed listing of payment rejection codes. The entitlement area tracks, monitors, and researches the cause of the return and provides a recertified voucher to initiate an appropriate EFT/ACH payment within 5 business days.

4.16.3. Reclamations. DFAS Cleveland (DFAS-CL) DO, when notified of the death of a military retiree or an annuitant, contacts the decedent's bank requesting the return of all payments made since the retiree's or annuitant's death. The DFAS-CL DO has three years from the date of the Financial Management Service (FMS) Form 133, Notice of Reclamation, to submit FMS 135, ACH Reclaims. For additional information, see Treasury's ***Green Book, Chapter 5***, for detailed instructions.

4.17 Retention of Records

See Volume 1, Chapter 9.

5.0 DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

5.1 Disposition of Funds in Deposit Fund Accounts

5.1.1. Method of Disposition. Applicable functional areas dispose of collections received for deposit fund accounts using one of the following methods:

5.1.1.1. Payment to Other Individuals or Organizations. Use an SF 1034;

5.1.1.2. Refund to the Remitter. Use an SF 1034; or

5.1.1.3. Withdrawal for Application to an Appropriation, Receipt Account, or Other Deposit Fund Account. Use an SF 1081 for the disbursement and collection, and submit it as substantiation for either or both. The SF 1081 cannot be used for check or cash payment.

5.1.2. Vouchering. Only one deposit fund account may be charged on a single voucher. Submit charges to accounts F0109, Federal Tax Withheld from Payments to Nonresident Aliens; and F3875, Budget Clearing Account (Suspense), on separate vouchers.

5.1.3. Civilian Pay Deductions. When preparing an SF 1081 for adjustment of deductions from civilian pay, show deposit fund account symbols and amounts for withheld taxes and U.S. savings bonds on the same SF 1081 containing the necessary information.

5.1.4. Withdrawals Involving Foreign Currency. To repay foreign currency deposits at USDEs different from those at which they were deposited, see Chapter 13.

5.2 F3875, Budget Clearing Account (Suspense)

5.2.1. Transfer of Funds. Upon determining the proper disposition of funds in this account, transfer the amount on an SF 1080 or 1081 to the proper account. Explain the charges on the SF 1080 or SF 1081. See ***I TFM 2-5135*** for guidance on the use of F3875. Use this account to hold unidentifiable collections temporarily for no more than 60 days, or use other business processes approved by the Fiscal Service. Payment is prohibited from the F3875 suspense accounts.

5.2.2. Transferring Funds Out of Clearing Accounts (Suspense). Utilize a CTA transaction to move the (cash) funds out of the clearing account to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETCs. Utilize an SF 1080 or SF 1081 to document the charges and report the transactions within internal DoD systems.

5.2.3. Disbursements Representing Funds Received for Other Government Agencies. Send an IPAC payment or check payable to the Treasury and a copy of the disbursement voucher to the official of the agency requesting collection.

5.2.3.1. Checks Payable to the U.S. Postal Service. If the collection is for credit to a U.S. Postal Service appropriation or receipt account citing departmental prefix "18," send the check and a copy of disbursement voucher to the Manager, Finance Branch, Eagan Information Systems/Accounting Service Centers, U.S. Postal Service, 2825 Lone Oak Pkwy, Eagan, MN 55121-9600.

5.2.3.2. Checks Payable to Other Government Agencies. For a collection for another government agency, send the check to the agency with a source and reason for collection.

5.2.4. Transactions Rejected by the Accounting System. Accounting Offices notify the DO and request the documentation needed to process the transaction successfully. DOs send the requested documentation to the accounting office within 30 days.

5.2.4.1. Supporting Documentation Maintained Locally. The DO sends the requested documentation to the accounting office immediately.

5.2.4.2. Supporting Documentation Maintained at a Remote Site

5.2.4.2.1. The DO notifies the entitlement area of the rejected transaction immediately by telephone or email.

5.2.4.2.2. If the requested information is not received within five working days of the initial request, send a formal, written request to the functional area, referencing the original request.

5.2.4.2.3. If no response is received within five working days of the second request, send a copy of the request memorandum, with a cover letter, to the site director or commander, as appropriate.

5.3 Overages

5.3.1. Disbursement Action. For an overage that should not have been accounted for as a collection, the responsible functional area prepares an SF 1034 payable to "Adjustments" to reverse the erroneous collection and permit proper accounting for the funds. Do not issue a check or a cash payment for this voucher.

5.3.2. Adjustments. If an amount was recorded in error as a collection to one of the following accounting classification other than F3875; F3885, Undistributed Intra-governmental Payments; X6500, Advances Without Orders from Nonfederal sources; X6501, Small Escrow Amounts, or X6276, Other Federal Payroll Withholding, Allotments (e.g., a collection from a sales official), the responsible entitlement area initiates the adjustment by preparing an SF 1081 charging one of the cited accounts and crediting the proper appropriation or fund.

5.3.3. Removal. If every reasonable effort to discover the proper disposition of the funds is unsuccessful, prepare an SF 1081 to remove the amount from the affected deposit fund account, and credit R1060, Forfeitures of Unclaimed Money and Property.

6.0 TREASURY DISBURSING OFFICE (TDO)

The TDO initiative allows Treasury to become the Federal service provider performing payment and collection functions on behalf of DoD. The program also allows an agency to send and receive financial transactions directly to Treasury systems. The TDO program provides services to facilitate various disbursement and collections including contract, vendor pay, individual reimbursement, and miscellaneous pay (e.g., utility bills, credit cards). The TDO program is also a centralized post-pay actions that works in concert with customers, partners, and stakeholders to provide customized payment solutions that are expeditious while ensuring invoices or claims are valid against the government. Once fully transitioned from the legacy disbursing systems to TDO, DoD will continue to function as a non-Treasury disbursing office and provide services related to collections, advance payments, cash disbursements, agent payment and returns, accommodation exchange, contingency (e.g., combat zone, afloat, and military in support of disaster relief), and emergency disbursing transactions under 31 U.S.C. § 3321(c)(2). For additional information on the TDO initiative, see ***I TFM 4A-3000*** for scheduling payments disbursed by the Fiscal Service.

*7.0 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

Advance payment pool agreements may be established under the authority of ***FAR 32.408*** and ***DFARS 232.470***, and are a means of financing the performance of more than one contract held by a single contractor. Cash advanced to a contractor must be reported on the DD 2657 and be reflected on the DO Cash TAS until the money is returned or disbursed. Follow Volume 10, Chapter 10, paragraph 5.4 for processing advance payments.

Table 9-1. Disbursement Voucher "Paid By" Blocks

WITHIN THE UNITED STATES	
DATA	EXAMPLE
Location (Base and State) ZIP Code DSSN Date of Payment	Camp Lejeune NC 28540 DSSN 6092 1 May 20XX
Location and ZIP Code DSSN Date of Payment	Ft. Jackson SC 29207 DSSN 0001 20 August 20XX
Classified DSSN Unit Identification Code and Name of Disbursing Activity Date of Payment Name and DSSN of Operating Location	 DSSN 5171 (62306) NAVOCEANO 21 SEP 20XX DFAS Cleveland 8522 1240 East 9th Street Cleveland OH 44199
OUTSIDE THE UNITED STATES	
DATA	EXAMPLE
Location DSSN Date of Payment	APO AE 09440-1111 DSSN 6637 1 May 20XX

VOLUME 5, CHAPTER 10: "SMART CARDS FOR FINANCIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Figure 10-1	Deleted procedural figure.	Deletion

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CHAPTER 10

SMART CARDS FOR FINANCIAL APPLICATIONS

1.0 GENERAL

1.1 Overview

The DoD utilizes several Smart Card applications to conduct financial transactions in several settings. Smart Cards:

1.1.2. Include ***Stored Value Cards*** (SVC), debit cards, and combination cards (hybrids that contain both SVC and debit card features);

1.1.3. Store or provide access to "electronic funds" and a more secure method of handling funds; and

1.1.4. Alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

1.2 Purpose

This chapter provides:

1.2.1. Guidance for requesting approval to begin a Smart Card pilot program or to move from pilot to full roll-out, except when provided under the General Services Administration (GSA) SmartPay Contract; and

1.2.2. High-level disbursing guidance for SVCs, combination cards, and debit cards.

1.2.2.1. SVCs

1.2.2.1.1. The basic trainee SVC program (known as EZpay) is used as an advance of pay to basic trainees of the United States Army, Air Force, Navy, and Marine Corps.

1.2.2.1.2. The SVC used for U.S. deployed forces, known as EagleCash, is used for electronic financial transactions in overseas contingency locations.

1.2.2.2. Debit Cards. Debit cards are used as an alternate device for payments made by DoD agencies.

1.3 Authoritative Guidance

In accordance with ***Title 31, Code of Federal Regulations, part 208***, Electronic Funds Transfer (EFT) is mandatory within the DoD, unless a waiver has been granted. Per the U.S. Department of Treasury (Treasury), Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 3000 (***I TFM 4A-3000***), SVCs and debit cards are available mechanisms for working towards compliance with the EFT requirement.

2.0 POLICY ON SMART CARD UTILIZATION

2.1 Overview

The policy and guidance set forth in this chapter is in accordance with ***I TFM 4-9000***. Treasury guidance supersedes any conflicting information provided in this chapter. The Defense Finance and Accounting Service (DFAS) is assigned management and oversight responsibility for the functional aspects and the use of financial Smart Cards within the DoD, except for GSA SmartPay products. Written approval from DFAS is required for all pilot and full rollout Smart Card usage (e.g., stored value or debit) that employ either single purpose or multifunctional applications (combined financial/non-financial applications).

2.2 Smart Card Program Approval

2.2.1. New Program. If a DoD agency seeks to establish a new Smart Card program, the agency must submit a request for approval to the DFAS - Indianapolis Center (DFAS-IN), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD), 8899 East 56th Street, Indianapolis, IN 46249-2700. Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil. Separate requests are required for each financial application.

2.2.2. Program Magnitude. Requests for approval must indicate whether the program is a pilot effort or a full rollout program.

2.2.2.1. Pilot Programs. Pilot programs are temporary and must be in operation for no less than 90 days and not to exceed 180 days. Pilots should be used to test card programs prior to full rollout.

2.2.2.2. Full RollOut Programs. Full rollout programs are non-temporary and must be in operation longer than 180 days. Full rollout of a card program should follow a pilot.

2.2.3. Smart Card Application Package. Requests for approval must be submitted as an application package to DFAS-IN/JJFKCD. The application package must be completed before approval of any pilot or full rollout of a card program. Include the following items in the application package:

2.2.3.1. Memorandum. The agency headquarters, or designated representative, should request approval of the pilot or full rollout program via memorandum. It should be addressed to DFAS, Enterprise Solutions and Standards;

2.2.3.2. Application. All pilot and full rollout programs are required to submit a completed DoD Financial Smart Card Application;

2.2.3.3. Concept of Operations (CONOPS). The CONOPS document should contain guidance on the use of the Smart Card program by the agency;

2.2.3.4. Coordination. The package must contain copies of coordination documentation, including the agency or component leadership's and servicing Disbursing Officer's (DO) endorsement of memoranda;

2.2.3.5. Project Manager Documentation. A copy of the letter designating the agency Smart Card project manager must be submitted with each package. See paragraph 2.4 for information on project managers; and

2.2.3.6. Analysis for Full Rollout. If the request is to move from a pilot Smart Card program to a full rollout, include an analysis showing:

2.2.3.6.1. Any savings realized from the pilot program;

2.2.3.6.2. How the pilot program is an improvement over the pre-pilot environment; and

2.2.3.6.3. The results of relevant performance measures used during the pilot and proposed for the full rollout.

2.3 Memorandum of Understanding (MOU)

The Treasury, Bureau of the Fiscal Service (Fiscal Service) and the agency implementing the program must establish a MOU prior to the implementation of a new Smart Card program (see subparagraph 2.2.1). The MOU describes the terms of the agency's Smart Card program and the respective responsibilities of the agency and Fiscal Service for operation of the program. In addition, the MOU specifies the type of program and Smart Card(s) implemented by the agency, the agency's funding schedule, and the fees and costs to be paid by the agency and Fiscal Service.

2.4 Agency Smart Card Project Manager

2.4.1. Designation. The agency must designate a Smart Card project manager and alternate in writing before implementing a Smart Card program.

2.4.2. Responsibilities. The agency must specifically identify the tasks for which the Smart Card project manager is responsible. The Smart Card project manager must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between the Fiscal Service and the agency, the Smart Card standard operating procedures (SOPs) and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the project manager include:

2.4.2.1. Acting as the agency's liaison among Fiscal Service, the agency, and other interested stakeholders;

2.4.2.2. Provides full support for the Smart Card program within the agency;

2.4.2.3. Develops and obtains agency approval for the CONOPS, Smart Card application, and other related plans for the implementation of the agency's Smart Card program;

2.4.2.4. Secures agency funding approvals necessary for the Smart Card program;

2.4.2.5. Coordinates the agency's implementation of the Smart Card program to include obtaining and maintaining the Security Assessment and Authorization, the Authority to Operate or similar approval, and the SVC program to access the agency's computer networks so that the SVC can be deployed and operate as designed;

2.4.2.6. Oversees and obtains agency approvals for changes to the program;

2.4.2.7. Transfers sufficient funds to Treasury's financial or fiscal agent to ensure full funding for the agency's obligations with respect to outstanding Smart Cards;

2.4.2.8. Maintains accurate, up-to-date lists of accountable officers (AO(s)); and

2.4.2.9. Complies with other Smart Card program policies and procedures as described in the MOU, SOPs, and other Smart Card instructional documents.

2.5 Smart Card AO(s)

2.5.1. Designation. The agency must designate one or more Smart Card AOs. If the agency Smart Card AO is already appointed as a DO, Deputy DO (DDO), or Disbursing Agent and the responsibilities of the card program are covered by the current appointment, no additional documentation is necessary for appointment. However, if these requirements are not met, then the agency must provide a Letter of Appointment or appointment by DoD ***(DD) Form 577***, Appointment/Termination Record - Authorized Signature, assigning an individual or individuals as the Smart Card AOs. The Letter of Appointment will list the individual's responsibilities. An additional letter will be required when the individual no longer serves as the Smart Card AO. In addition to this documentation, the AOs must fill out the Fiscal Service (FS) ***Form 2888***, Application Form for U.S. Department of the Treasury Accountable Official - Merchant Stored Value Card (SVC), when directed by the agency Smart Card project manager.

2.5.2. Responsibilities. The agency must specifically identify the tasks for which the Smart Card AOs are responsible. The agency should segregate the duties appropriately in accordance with the agency's policies and procedures. As applicable and appropriate, AOs are responsible for the duties and responsibilities of a certifying officer or a DO, depending upon the designation of the AO per Title 31, United States Code (U.S.C.), sections 3322 (***31 U.S.C. § 3322***), ***31 U.S.C. § 3325***, and ***31 U.S.C. § 3528***, and other applicable laws. The Smart Card AOs must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between Fiscal Service and the agency, the Smart Card SOPs and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the AOs may include:

2.5.2.1. Issuing Smart Cards and Personal Identification Numbers (PINs) to cardholders while following all enrollment processes;

2.5.2.2. Accounting for outstanding Smart Cards and the funds associated with each Smart Card, to the extent the Smart Cards and funds are within the control of the agency;

2.5.2.3. Providing instructions to Treasury's financial or fiscal agent as to the proper allocation of funds among the Smart Cards that are issued, by account number and, where feasible, cardholder name;

2.5.2.4. Maintaining accurate, up-to-date inventories of Smart Card program hardware and equipment, including point-of-sale (POS) terminals, laptops, kiosks, Smart Cards, and other items associated with the Smart Card program that are delivered to agency locations;

2.5.2.5. Safeguarding Smart Cards as sensitive items, to the extent the Smart Cards are within the control of the agency (the agency is accountable for Smart Cards issued by the agency at issuance locations); and

2.5.2.6. Along with the agency's Smart Card project manager, comping with other Smart Card program policies and procedures as described in the MOU, SOPs, and other instructional documents.

2.6 SOPs

This chapter contains higher-level policy and disbursing accountability requirements for the use of various card programs that have been approved. DoD Agencies, responsible for programs listed within this chapter, are required to develop and maintain detailed SOPs that comply with all current applicable regulations and cover all aspects of their card program for daily operations and/or contingencies.

2.7 Loss of Funds

The DO is accountable for physical loss of funds and for overage of Smart Card funds. If a loss or overage occur, the DO or designated representative should follow the guidance prescribed in Chapter 6, section 4.0.

2.8 Smart Card Ordering

Smart Cards are ordered through the applicable point of contact for the program (Fiscal Service or Fiscal Service's financial agent/fiscal agent) and delivered to the appropriate site. The point of contact and designated agency representative(s) must establish procedures to determine card usage and a secure method of card delivery.

2.9 Security and Storage

Smart Card stock must be treated like blank check stock. Storage and security requirements for blank check stock are prescribed in Chapter 7, paragraph 3.7.

2.10 Lost or Damaged Cards and Replacements

If a Smart Card is reported lost, damaged, or malfunctioning, follow procedures laid out in the applicable MOU and SOPs. For all stored value and combination cards reported lost, stolen, damaged, or malfunctioning, a locally produced list should be created for audit purposes. For the U.S. Debit Card, contact Fiscal Service's financial agent.

2.11 Theft, Fraud, Waste, and Abuse

Agencies participating in a Smart Card program must:

2.11.1. Include a process for reporting and educating Smart Card cardholders on how to promptly report any loss, theft, fraudulent, and unauthorized use of Smart Cards, PINs, passwords, or other security breach or malfunction involving the Smart Card program to Treasury or Treasury's financial or fiscal agent, and to the agency Smart Card Project Manager;

2.11.2. Aggressively investigate and prosecute (or assist in investigations, and prosecutions of) end-user theft, fraud, unauthorized use, or improper use of the Smart Card service that occur in agencies' areas of operation, and assist in obtaining restitution for the party suffering the loss;

2.11.3. Ensure that appropriate anti-money laundering controls and procedures are in place, to document the flow of monies onto or off a Smart Card; and

2.11.4. When a funds pool is used to fund an SVC; compensate the SVC funds pool for losses that result from theft, fraud, unauthorized use or other improper use of SVC equipment or resources for which agencies are responsible; unless the funds pool has been reimbursed from other sources, or the Treasury determines that such compensation is unnecessary or does not serve the SVC program's best interests.

2.12 Audit Requirements

2.12.1. Inventory. An initial inventory must be completed and recorded upon receipt of Smart Cards from the Fiscal Service or other designated representatives. After the Smart Cards are inventoried, a signed receipt must be provided to the issuing representative for their records. The DO or designated representative will complete an SVC inventory log when releasing Smart Card stock to authorized personnel and to monitor returns of all unused Smart Cards. The DO or designated representative must maintain a copy of the signed receipt for his or her records.

2.12.2. Monthly Inventory. At least once every calendar month, the DO or designated representative must inventory all Smart Cards secured in the vault. Any open container must be inventoried by individual count and by unique sequential numbers of the cards. All damaged containers, or those bearing evidence of having been tampered with, must be opened, and all cards must be individually counted and unique sequential numbers verified. A detailed record of the inventory, to include total cards on hand and unique sequential numbers by card type, must be retained in the disbursing office. At least once during each calendar quarter, the agency's cash verification team must conduct an unannounced verification of any Smart Card stock (e.g., U.S. Debit Cards, EagleCash, EZpay) to include cards received, issued, returned, and on hand. A copy of the inventory must be given to the agency's cash verification team as an attachment to their quarterly cash verification report.

3.0 EZPAY STORED VALUE CARD

3.1 Overview

The EZpay SVC program utilizes a Smart Card with an embedded computer chip, which can be loaded in various denominations that can be configured to meet each installation's specific financial needs, that provides an electronic payment method for advance of pay to trainees of the U.S. Army, Air Force, Navy, and Marine Corps. The EZpay SVC is a substitute for coin and currency transactions and is issued to alleviate cash or check payments to trainees during training. The card is designed to provide basic trainees with access to their initial advance pay, a more secure method of money handling, and electronic payments to vendors for essential items needed during the first few weeks of training (e.g., haircuts, stationery, stamps, and toiletries). Personnel involved with administering the EZpay program are encouraged to access Fiscal Service's ***EZpay*** website. This website provides an overview of EZpay and includes items such as: getting started, frequently asked questions, acceptance sites, SVC facts, and the EZpay User's Guide. EZpay SVC transactions do not impact the DO Cash Treasury Account Symbol (TAS) and are reported to Treasury through Payment Information Repository (PIR) citing the proper TAS/ Business Event Type Code (BETC). Residual values on expired/cancelled cards will follow the EFT return reporting process.

3.2 Card Issuance

The DO or designated representative must maintain a vault inventory and issuance log for EZpay SVC stock received. This log must be used to maintain an inventory of card stock on hand and to control the release of cards to the issuing section or individual. When EZpay SVCs are issued, the DO or designated representative must examine the log to ensure that all cards issued and cards returned unused, if any, are accounted for and that cards are not removed without authority. The SVC inventory log must contain the date of inventory, beginning card unique sequential number, ending card unique sequential number, number of cards returned, number of cards issued for the day, number of cards remaining in inventory, and the signature of the DO or designated representative.

3.3 Activation and Accountability

Detailed procedures for activation of EZpay SVCs must be included in the agency's SOP for issuance. Once an EZpay SVC is activated, the DO or designated representative must ensure that the card number is indicated on the payroll document for tracking purposes and ensure the amount is reflected as an increase in the DO's accountability for that day's business. A payment in an amount equal to the total value of all EZpay SVCs activated that day will be forwarded to the Treasury's fiscal agent, which is the financial institution making restitution to the vendors for card usage. The payment will be in the form of an EFT. The fiscal agent will complete the required settlement action with vendors who accept the EZpay SVC. The total dollar value of the EZpay SVCs activated for that day, except for replacement cards issued, will always match the total of the daily payroll document.

3.4 Residual Value on Expired/Cancelled Cards

Unclaimed balances on an SVC at expiration are identified as residual funds and, if possible, are returned to the cardholder systematically by Fiscal Service's designated financial or fiscal agent. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. When systematic or good faith returns are not possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (***31 U.S.C. § 1322***) to be claimed with supporting documentation by contacting Fiscal Service. See ***I TFM 6-3000*** for additional guidance on residual funds.

4.0 EAGLECASH STORED VALUE CARD

4.1 Overview

The EagleCash SVC is a reloadable plastic card embedded with a computer chip that stores "electronic funds" in its memory. The card is issued to deployed service members, DoD civilians, and contractors. The card is used as a substitute for coins and currency transactions at concessions and for services at military installations overseas during contingency operations (e.g., barber and beauty shops, food court, post office, and Base Exchange). The card can be reloaded and continually used throughout the tour of duty. The cards are issued by a Finance Office (inside or outside the continental United States) and may be funded through a local pay, cash, personal check, or the EagleCash Kiosk. For more information, visit Fiscal Service's ***EagleCash*** website. This website provides an overview of EagleCash and includes items such as: getting started, frequently asked questions, acceptance sites, SVC facts, the EagleCash User's Guide, and the Kiosk User's Guide.

4.2 Card Issuance

The DO or designated representative will issue all cards used in this program. EagleCash cards with a zero-dollar value may be issued to individuals who are authorized to receive check-cashing services as prescribed in Chapter 4, paragraph 3.1. The name of the individual, appropriate identification number, length of deployment, and bank account information are all collected during the issuance process. EagleCash cards can be issued at the deployed location or in advance of deployment by the Finance Office.

4.3 Activation

4.3.1. EagleCash Kiosk. When an EagleCash card is issued, it may be loaded with funds drawn by personal check, cash, or local pay. Additionally, a self-service card-processing device called the EagleCash Kiosk may be deployed in the field for the purpose of loading, unloading, and transferring funds to the EagleCash card.

4.3.2. Application Process. Before a cardholder uses a kiosk, he or she is required to complete the ***FS 2887***, Application Form for U.S. Department of the Treasury Stored Value Card (SVC) Program. Completion of the FS 2887 gives the Treasury's fiscal agent access to move money from the cardholder's financial institution to the EagleCash card.

4.3.3. PIN. Bank information (bank routing number, account number, and type of account) is captured electronically or manually and embedded in the computer chip. A PIN is assigned at the chip level for use with the kiosk or at a Finance Office. The completed and signed FS 2887 must be forwarded to the Treasury's designated fiscal agent who is authorized to initiate debit and credit entries to the individual's financial institution. The FS 2887 will allow the cardholder to transfer funds between his or her financial institution and the EagleCash account. The DO must retain a copy of all completed enrollment forms.

4.4 Accountability

The accounting for entries of EagleCash must be recorded on the appropriate lines of the ***DD 2657***, Daily Statement of Accountability. On each business day, using the EagleCash laptop, DOs, DDOs, Finance Officers, or their designated representatives collect all new account transactions and create a compressed "zipped" file. Email the file to the EagleCash Customer Service Center at eagle@frb.org, transmit it online, or deposit it at another agency-designated location.

4.5 Residual Value on Expired/Cancelled Cards

If a cardholder departs the area before cashing out their EagleCash card, the Fiscal Agent must deposit the funds to the cardholder's account on file after the card expires. A credit must be forwarded to the cardholder's bank account via an Automated Clearing House (ACH) credit using information provided by the cardholder when signing up for EagleCash. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. When systematic or good faith returns are not possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (see 31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

5.0 DAILY REPORTING REQUIREMENTS FOR STORED VALUE CARD

Daily reporting requirements for the EagleCash and EZpay Cash card programs are the same. The following scenarios impact the DO Cash TAS and must be properly reported to the Treasury.

5.1 SVC Sales or Load/Chip to Cash

Issued cards may be funded by personal check, cash, split pay, or transfer of funds from the cardholder's home financial institution. Funding through split pay and the cardholder's home financial institution does not impact the DO's accountability/DO Cash TAS. Funding by personal check or cash increases the DO's accountability/DO Cash TAS.

5.1.1. Personal Check. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the Federal Reserve Bank (FRB) via DoD business system processes. The FRB will transmit the transactions to Treasury via ***Over-the-Counter Channel Application*** / ***Collection Information Repository*** (OTCnet/CIR) reflecting the proper TAS and BETC. Deposit the personal check citing the DO Cash TAS.

5.1.2. Cash. Submit a debit voucher citing the DO Cash TAS and applicable BETC to the FRB via designated system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

5.2 SVC Sales or Sale/Cash to Chip

Prior to departing a deployed environment, ship, or being separated from active duty, a cardholder may transfer any remaining value to their home financial institution or request a cash-out from the DO paid in cash or by U.S. Treasury check. The transfer of value to a home financial institution does not impact the DO's accountability/DO Cash TAS. Additionally, vendors utilizing a POS terminal may request a cash-out for the dollar value equal to transactions on their POS terminal. Cash-out transactions decrease the DO's accountability/DO Cash TAS.

5.2.1. U.S. Treasury Check. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC. Report the U.S. Treasury check to PIR citing the DO Cash TAS.

5.2.2. Cash. Submit a deposit ticket citing the DO Cash TAS and applicable BETC to the FRB via designated DoD business system processes. The FRB will transmit the transactions to Treasury via OTCnet/CIR reflecting the proper TAS and BETC.

6.0 U.S. DEBIT CARD PROGRAM (USDC)

The USDC program provides Federal agencies with the ability to deliver Federal payments through debit cards, as an alternative to checks, drafts, cash, and other non-electronic mechanisms. The cardholder may use the USDC to access authorized Federal payments at Automated Teller Machines, POS terminals, bank tellers, and other locations where access is permitted. If the USDC is MasterCard or Visa branded, the cardholder may use the USDC anywhere the applicable brand is accepted. For more information, visit ***Fiscal Service's USDC*** website and the ***USDC Program*** website.

6.1 Program Administration

The USDC program is administered by the Fiscal Service, with the assistance of Fiscal Service's designated financial agent. The USDC is a flexible payment mechanism used to deliver miscellaneous or nonrecurring payments to individuals, or to allow government employees or military personnel access to cash during their official duties.

6.2 Card Funds Access

After implementation of the USDC program, the agency disburses payments to a card account and the funds are accessed via a debit card issued to a Federal payment recipient. Cards may be funded through a Card Funding Account (CFA) owned by the agency and held by the financial agent, through EFT via the ACH network, or by utilizing the Automated Standard Application for Payments system to authorize the financial agent to draw down agency funds. Funds held in a CFA must be reflected in the DO Cash TAS. DOs establish funds in a CFA through an EFT for Cash and record the funds on the DD 2657. Disbursements out of the CFA must be reported as cash disbursements.

7.0 DIRECT EXPRESS

Direct Express Debit MasterCard is a prepaid debit card offered to Federal benefit recipients who wish to receive their benefits electronically. The debit card offers the convenience and security of using electronic transactions to spend and access money rather than using cash for purchases. Recipients do not need to have a bank account to sign up for the card. The Direct Express Debit MasterCard is available only to individual Federal benefit recipients. For more information, visit ***Direct Express*** Debit MasterCard website.

VOLUME 5, CHAPTER 11: "ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.7, 10.3	Removed procedural content and renumbered subparagraphs accordingly.	Deletion
4.4, 12.0	Added guidance for cancelling year appropriation transactions from the Yearend Cutoff for Cancelling Year Appropriations Policy Memo (FPM23-04).	Addition

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CHAPTER 11

ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS

1.0 GENERAL

1.1 Overview

Government entities disburse funds to and collect funds from individuals, businesses, and other government entities via cash, negotiable instruments, and a variety of electronic mechanisms.

1.2 Purpose

This chapter provides information and guidance on several electronic disbursement and collection mechanisms that are U.S. Department of Treasury (the Treasury) programs and services.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3322 ***(31 U.S.C. § 3322)*** and ***31 U.S.C. § 3302*** authorizes disbursing officers (DO) to deposit public funds and draw public funds from the Treasury or a depositary only as necessary to make payments. Additional statutes, regulations, and other guidance are referenced under each section of this chapter.

2.0 ELECTRONIC FUNDS TRANSFER (EFT)

2.1 Overview

In accordance with ***31 U.S.C. § 3332***, EFT is mandatory within the DoD. Exceptions to this mandate are provided in the ***Treasury Financial Manual (TFM), Part 4A, Chapter 2000 (I TFM 4A-2000)***.

2.2 Electronic File Transmission

Payment or payroll files must transmit to the Federal Reserve Bank (FRB) by electronic file transmission.

2.3 Contractor Pay Applicability

Refer to Volume 10, Chapter 3, paragraph 4.8.

2.4 Official Authorization List (OAL) for the FRB

2.4.1. Overview. The OAL identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a disbursing office.

2.4.2. OAL Documentation. The OAL authorization letter, form, and instructions are located on the ***FRB Services - Account Services Forms*** web page. The disbursing offices must complete the form, notarize it, complete the Certificate of Resolutions Authorizing an Institution to Open and Maintain Accounts and Use Services (BR) form, and forward the documents to Treasury's Bureau of the Fiscal Service, 401 14th Street SW - 409D, Washington, DC 20227 (treasuryOAL@fiscal.treasury.gov).

2.4.3. OAL Change Process. Each DO must validate their respective contact form for their office at least annually. If changes are required, follow the process in the FRB Service guidance located on the FRB Services web page in ***Table S.4*** (Sending Point and Service Provider Contact form). Once completed, send a copy to Defense Finance and Accounting Service (DFAS), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD), 8899 East 56th Street, Indianapolis, IN 46249-2700 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil) and submit the original to the Fiscal Service, who will sign and forward to the FRB.

3.0 CARD ACQUIRING SERVICE (CAS)

3.1 Overview

The CAS is a government-wide network that allows federal agencies to receive credit and some debit card payments (e.g., Visa, MasterCard, American Express, Discover credit cards, and some debit cards) due the Federal Government. These credit or debit cards can be used to collect payments from the general public and from Government entities for a variety of reasons, including, but not limited to sales of materials, services, fees, fines, debts, customs duties, and taxes. Fiscal Service designated one financial agent to process credit and debit card collections and to provide uniform nationwide credit and debit card services for federal agencies. Credit and debit cards may be used for collections received over-the-counter, by mail, by phone, or over the Internet. If an agency wants to accept payments through the Internet, the agency should work with ***Pay.gov*** in addition to setting up a CAS account. For more information about Pay.gov, see section 7.0. Information pertaining to the CAS is available on Fiscal Service's ***(CAS)*** website.

3.2 Card Processing Rules and Regulations

Activities participating in the CAS must comply with the ***I TFM 5-7000*** when processing credit and debit card transactions. In order to establish a processing relationship, activities must complete and submit the Card Acquiring Service Application (CASA) to Fiscal Service for approval. Prior to submission, activities must coordinate with their servicing DO.

3.3 Transaction Dollar-Value Limit

3.3.1. Maximum Limit. Effective June 1, 2015, agencies must limit their credit card collections to ensure an individual payment transaction does not exceed $24,999.99. There should be no purchases using the credit card in excess of $24,999.99. Effective October 1, 2022, the threshold for intra-governmental card collections is further decreased so that those individual transactions may not exceed $10,000.00. An attempt to bypass these limits will result in a rejected transaction at the point of collection. Agencies will ensure controls are in place to prevent splitting

a purchase into smaller transactions. The payment–collection process will be stopped if the maximum limit for a collection is attempted. This information can be found at ***I TFM 5-7055***.

3.3.2. Government Purchase Card Transactions. The $10,000.00 limit in subparagraph 3.3.1 also applies to intra-governmental transactions using the government purchase card when the agency accepting the card uses Treasury's CAS. Individual credit card transactions exceeding the maximum limit cannot be split into two or more transactions over one or multiple days. If the agency's cash flow includes individual credit card transactions greater than the maximum limit, the agency should use another electronic collection alternative for those transactions. Available electronic alternatives include Automated Clearing House (ACH), which is the primary system for EFT, and Fedwire, which is a gross settlement funds transfer system operated by the FRB.

3.3.3. Minimum Limit. Agencies may not establish minimum transaction amounts as a condition of honoring a credit or debit card. Only the Treasury may establish minimum limits and will do so only under special circumstances.

3.3.4. Purchase Card Payments. Requirements are in Volume 10, Chapter 23.

3.4 Processing Transactions

All activities must settle (balance or reconcile) on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee when they fail to settle electronically every day. The network bank will inform the activity of its particular cutoff times for deposits. In an electronic environment, settlement transactions should take place through an Electronic Data Capture/Point of Sale at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

3.5 Reports and Reconciliation

Based on the report requirements established in the participation agreement with the network bank, reports of the merchant's credit and debit card activity will be made available electronically by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report must be used to reconcile any differences which may occur between the report and entries into the accounting system. The report must also be reconciled with the DoD ***(DD) Form 1131***, Cash Collection Voucher, submitted to the DO or Deputy DO, and the deposit information posted in the Collection Information Repository (CIR).

3.6 Internal Controls

Internal control procedures must be established by each participating DoD activity to ensure that credit and debit card transaction documentation, to support all DD 1131s submitted to the DO, is properly safeguarded. Documentation must be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

4.0 INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM

4.1 Overview

4.1.1. This section covers general information on the IPAC system. General requirements and technical specifications are fully prescribed by the Treasury on the ***Intra-Governmental Payment and Collection (IPAC)*** website (see Volume 10, Chapter 10, section 2.0).

4.1.2. The IPAC system is used for buyer-seller (e.g., reimbursable) transactions between federal agencies because it accomplishes the following:

4.1.2.1. Facilitates timely posting of collections to reduce receivable balances;

4.1.2.2. Eliminates the paper flow between agencies;

4.1.2.3. Eliminates the use of Treasury checks between agencies;

4.1.2.4. Improves cash management; and

4.1.2.5. Establishes the Treasury as the collection agency.

4.2 IPAC

The IPAC system's primary purpose is to provide an automated standardized interagency funds expenditure transfer mechanism for Federal Program Agencies (FPAs). It facilitates intra-governmental Federal e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPAs to exchange accounting information and to transfer funds between FPAs involved in buyer-seller relationships. It establishes standardized interagency payment, collection, and adjustment procedures through an internet-based application. The IPAC system also includes a module for transmitting Retirement Insurance Transfer System transactions to the Office of Personnel Management (also see the IPAC website).

4.3 Originating the IPAC Transactions

4.3.1. Buy-Sell Agreement. Per ***I TFM 2-4700, Appendix 8***, Buy-Sell Agreements are required between agency location codes (ALCs) in order to help facilitate the payment/collection process. The Buy-Sell Agreement contains agreed upon terms between the ALCs that help ensure necessary transaction information is provided so that both sides will be able to reconcile their transactions (also see the IPAC website).

4.3.2. Government Invoicing Initiative. In a daily reporting environment, agencies are required to use Treasury's government invoicing (G-Invoicing) system (formerly named the Invoice Processing Platform). G-Invoicing is used to negotiate, broker, and electronically store the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions as appropriate system capabilities become available. Additional information on G-Invoicing is addressed in Volume 11A, Chapter 2, subparagraph 3.1.3.

4.3.3. Initiating the Order

4.3.3.1. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. Also, the customer agency should include sufficient descriptive information on the requisition or order form, which the billing agency will place in the description section of the bill. This will enable the customer agency to later match the bill with the originating requisition in the customer's computer system. The primary match will be on the originating document number. By design, the IPAC system is not dependent on appropriation data as criteria to match an existing obligation since the Treasury transfers funds at the ALC level.

4.3.3.2. After fulfilling the customer agency's requisition/order, the originating agency (based on whether it is a payment or collection transaction) must input the appropriate data in all the IPAC required data fields. Also, it must input the customer agency's special requirements and any descriptive information, supplied with the requisition/order, in the appropriate fields of the IPAC transaction.

4.3.4. Initiating the IPAC Transaction

4.3.4.1. If the billing agency initiates a collection transaction, the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer ALC. Within DoD, the 8-digit ALC is the 4-digit Disbursing Station Symbol Number (DSSN) preceded by four zeros. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A payment transaction initiated by the customer agency (e.g., disbursement) credits funds of the billing ALC when a hardcopy invoice is received. A payment transaction can also transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program).

4.3.4.2. Transactions can be input manually into the on-line system or created automatically by accounting or disbursing systems for bulk data transfer or host-to-host transmissions. The IPAC system automatically will issue an IPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and will ensure that no two transactions have the same number.

4.3.4.3. Bulk files are queued for processing immediately upon receipt into the IPAC system; on-line transactions transmit in "real-time." Whether an on-line or bulk data transfer transaction, the transaction originator must include a point of contact and telephone

number to ensure the receiving agency can accurately determine who to contact if there is a need for adjustment.

4.3.4.4. A collection or disbursement voucher (e.g., DD 1131, ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1034***, Public Voucher for Purchases and Services Other than Personal) must be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers, except that no check or cash payment is sent or received.

4.3.5. Required Data Elements for Initiating IPAC Transactions. There are mandatory fields in the IPAC system for specific IPAC transactions. The Treasury requires these data elements and they vary by transaction type. The mandatory fields can be found at the IPAC website.

4.3.6. Other Required Information. There are three additional required data elements for DoD IPAC transactions, in addition to the Treasury required information. When initiating a payment or collection in IPAC, the sender Business Event Type Code (BETC), receiver BETC, and the receiver Treasury Account Symbol (TAS) are required for every transaction. Also, an ALC can require specific and/or descriptive data necessary for their ALC to process the transaction completely. This specific information should be in the Buy-Sell Agreement that was agreed upon by the participating ALCs. See ***I TFM 2-5135*** for guidance for the TAS/BETC reporting of accounts F3500, Collections and/or Payments Default, and 3502, IPAC Default. Agencies must correctly reclassify, in the Classification Transactions and Accountability, all system defaulted transactions to a valid receipt or expenditure TAS by the third business day following the close of the accounting month.

*4.4 Processing Cycle

The IPAC system is available through the last day of each month to enter bills or transfers for that month. However, unless a different cutoff date and time is in the Buy-Sell Agreements, agencies will not process any new transactions the last five business days of the month to avoid month-end accounting problems. Also, when revising Trading Partner Agreements (TPA) to incorporate the new five workday cutoff, agencies must utilize Fiscal Service Forms 7600A and 7600B as the Department continues to migrate towards G-Invoicing. I TFM 2-4700, Appendix 8 states G-Invoicing was available for government-wide use with G-Invoicing Release 2.1, which allowed users to begin brokering General Terms and Conditions (GT&Cs) within the system. Each DoD reporting entity must apply the GT&Cs for intragovernmental transaction account reconciliation, derived from I TFM 2-4700, to all transactions with internal DoD trading partners currently using G-Invoicing for GT&Cs. Cancelling year transactions must also conform to the fiscal year (FY) cutoff requirement in section 12.0.

4.5 Recording IPAC Transactions

4.5.1. Under the Central Accounting Reporting System (CARS) initiative, partial and "Full" CARS reporters will no longer report IPAC transactions to the Treasury monthly, since they provide the information daily.

4.5.2. Reconciliation. An organization can print out its ALC's activity from the IPAC system to help ensure all transactions are accounted for (see the IPAC website).

4.5.3. Reporting of Unprocessed Transactions

4.5.3.1. Unidentified transactions between federal agencies, including IPAC transactions, will be debited or credited to account F3885 (Undistributed Intra-governmental Payments). The Treasury identified a 3-digit limit, F3885.007, specifically for the IPAC system. All new transactions that remain unclassified at month-end will be recorded in F3885.007 (see I TFM 2-5135).

4.5.3.2. The detailed transactions and the reconciliation to the Treasury will remain in the existing tool used for recording and clearing unprocessed IPAC transactions.

4.5.4. Receipt and Acceptance Internal Controls. DoD financial reporting entities should include IPAC in intra-governmental transactions and must develop and implement internal controls to ensure that receipt and acceptance is properly documented. Entities must make this documentation available within the timeframe prescribed by an auditor when requested during audits.

4.6 Adjustments

Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment function should not be used to adjust charges that originated under other billing systems. The charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. If the receiving agency subsequently finds that the transaction was erroneous, the adjustment should occur at that time. However, the receiving agency has only 90 days from the creation date of the transaction to process the adjustment. The sending agency also has the ability to make an adjustment to an erroneous transaction prior to or within 90 days after its submission to the receiving agency.

4.6.1. There are some situations that warrant an immediate adjustment to a transaction. Some acceptable reasons for an immediate adjustment are:

4.6.1.1. Billing the wrong ALC for the transaction;

4.6.1.2. Funds cited do not belong to the billed ALC;

4.6.1.3. Appropriation cited has expired;

4.6.1.4. Transaction exceeds authorized funding;

4.6.1.5. Duplicate transaction; or

4.6.1.6. Noncompliance with required data elements set forth in a TPA.

Anytime a transaction appears to be erroneous, there needs to be sufficient reason to adjust it back. If you can take ownership of a transaction (e.g., a valid billing that belongs to your ALC), do not reject it without sufficient research and notification. Communication between trading partners is key to resolving erroneous transactions.

4.6.2. Contact the agency representative who created the original transaction. If the transaction is erroneous, the receiving agency will access the IPAC on-line system and make the menu selection for IPAC adjustments. The IPAC system will guide the user with prompts and contains edits to ensure that the original transaction matches to the adjustment transaction. Once the data is entered correctly, the system will issue an IPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for the month in which the adjustment is accepted in the IPAC system.

4.6.3. In cases where the originating agency (e.g., the ALC that created the transaction) later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by email or via telephone. When the parties have reached an agreement, a second IPAC transaction will be prepared for the proper amount.

*4.7 Restrictions

The Treasury reserves the right to make any adjustments centrally in CARS and to remove any agency from the IPAC system in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury. For additional information see the IPAC website.

5.0 TREASURY LOCKBOX NETWORK

The Treasury Lockbox Network is comprised of financial agents that provide lockbox and remittance service to the Treasury on behalf of federal agencies. The financial agents are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the Treasury's General Account at the FRB of New York. The Treasury (***I TFM 5-4600***) has prescribed guidance on lockbox service.

6.0 CREDIT GATEWAY

6.1 Overview

The Credit Gateway is a collection program for Fedwire and ACH credit transactions. For more information about Credit Gateway, see paragraph 6.2 for the hyperlink to Fiscal Service's Credit Gateway.

6.2 Implementation

Activities who want to use the Credit Gateway must complete the new account setup form and email it to Fiscal Service. Fiscal Service will coordinate with the financial agent to assign an account number. Upon notification that the account number is active, the activity can provide the

account number to customers and receive payments. Activities interested in creating a Credit Gateway account should review the Fiscal Service's ***Credit Gateway Get Started*** web page.

6.3 Credit Gateway Process

6.3.1. The activity advises the customer of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the customer with the appropriate information to include in the transaction.

6.3.2. When the customer sends the payment through their financial institution, the FRB receives the transaction and credits the Treasury's account.

6.3.3. Transaction information transmits to the Treasury via the CIR. The transaction information includes both detailed and summary deposit information. The activity can download the information from CIR.

6.3.3.1. Fedwire Reporting. CIR will report deposit information for Fedwires in near real-time.

6.3.3.2. ACH Credit Reporting. CIR will report future-dated and settled ACH credit entries.

7.0 PAY.GOV

7.1 Overview

Fiscal Service developed Pay.gov to meet a commitment of processing collections electronically using internet technologies. Pay.gov satisfies agencies' and consumers' demands for electronic alternatives by providing the ability to electronically complete forms, make payments, and submit queries 24 hours a day. Pay.gov is a secure, government-wide collection portal and provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner.

7.2 Services

The Pay.gov application is comprised of four services: billing/notification, forms, reporting, and collections.

7.3 Collections Service

The Pay.gov collections service has credit and debit card transaction and ACH debit transaction processing options. Activities that want to accept credit and debit cards through Pay.gov must apply for an internet merchant account with the Fiscal Service CAS. Pay.gov accepts several payment options:

7.3.1. One-time Payments. The customer submits a one-time payment to the activity.

7.3.2. Recurring Payments. The customer sets the payment details and establishes a specific interval of time between each payment. Payments continue until all payments have been made or the payments have been canceled.

7.3.3. Deferred Payments. The customer can enter and schedule a payment up to 30 days in advance. Customers performing a credit or debit card transaction cannot use this option.

7.3.4. Preauthorized ACH Debits. The customer can authorize the activity to submit payment information, on their behalf, for regular, recurring ACH debits. The customer must provide advanced, written authorization. The activity submits the payment information to Pay.gov.

7.4 Implementation

7.4.1. Prior to implementing Pay.gov, activities must obtain the approval of the servicing DO.

7.4.2. Activities considering use of Pay.gov are directed to Fiscal Service's ***Pay.gov Getting Started*** web page. Guides and technical information can be found at the ***Pay.gov Agency Documentation*** web page.

7.4.3. DFAS established a Pay.gov team to provide assistance with new or changing Pay.gov activities. The DFAS Pay.gov team serves as a focal point for communicating with Treasury and can review, approve, and authorize all Pay.gov initiatives. Contact the DFAS Pay.gov team at dfas.indianapolis-in.ztd.mbx.pay-gov@mail.mil.

8.0 DEPOSITS OF FUNDS

Under 31 U.S.C. § 3302, custodians of money (e.g., DOs) holding cash or negotiable instruments in excess of either current requirements or the amount authorized to be held at personal risk, whichever is less, must make a prompt deposit in an authorized depositary of the Treasury for credit to the Treasurer of the United States. This does not apply to instruments to be returned to remitters in the form received (e.g., deposits of unsuccessful bidders for the sale of government property). Process all physically received, negotiable instrument deposit transactions through the ***Over-the-Counter Channel Application (OTCnet)*** and cite a valid TAS and BETC at the time of the deposit.

8.0.1. Same Day Deposit. Cash collected and deposited prior to the end of the business day does not impact the DO Cash TAS. Deposited funds must cite the appropriate TAS/BETC that appears on the DD 1131.

8.0.2. Deposit Operating Cash No Longer Needed. Cash that is reflected on the ***DD 2657***, Daily Statement of Accountability (on the ending accountability and deposited lines), must cite the DO Cash TAS/BETC at the time of the deposit.

8.1 OTCnet

8.1.1. Overview. OTCnet is a web application that lets federal agencies manage and report all check and cash deposits in one place. OTCnet automates the over-the-counter deposit process, captures detailed accounting information, and makes the classification of Treasury collections easier. It allows agency users to report receipts through a secure web-based application rather than by using paper-based credit vouchers. There are "off-line" check capture capabilities for activities operating in locations with intermittent or unavailable bandwidth and communication. For more information about OTCnet, see Fiscal Service's OTCnet web page.

8.1.2. OTCnet Requirement. Process all physically received, negotiable instrument deposit transactions through OTCnet. Agencies unable to use OTCnet for deposits of negotiable instruments due to contingency operations must establish depositary arrangements with US Bank's Mail-In Treasury General Account (MITGA) through the FRB of St. Louis. This includes the deposit of commercial checks and U.S. Treasury checks. For more information on MITGA, see subparagraph 8.3.1.2.

8.1.3. Deposit of Cash and Negotiable Instruments. When using the OTCnet Deposit Reporting function, the depositing agency may combine cash and negotiable instruments into one deposit.

8.1.4. Required Information in Block 6. At a minimum, Block 6 of the OTCnet deposit ticket must identify the depositing entity's name and location, the deposit preparer's name, email address, and the deposit preparer's phone number. The extent of additional information required in Block 6 is at the discretion of the DO.

8.1.5. Handling of Scanned Negotiable Instruments. After scanning items in OTCnet, retain the scanned negotiable instruments until verifying that they reside within OTCnet and a good image is on file. This verification must take place within 14 calendar days. Scanned items that are awaiting approval must be secured in an approved manner (see Chapter 3, section 3.0). Once verified, destroy the negotiable instruments.

8.2 Depositaries

8.2.1. General Depositaries. ***III TFM 2-1000*** describes general depositaries as commercial banks or other financial institutions designated specifically and authorized by the Treasury to maintain a demand account in its name to accept deposits to the TGA. These depositaries are designated only where they are needed to receive deposits of public funds for credit to the TGA or to furnish cash to DOs for official disbursements. Making deposits to a TGA eliminates processing floats. If more than one bank has been authorized at a base, station, installation, or command, the local commander must give equal recognition when recommending designation of authorized financial institutions as TGA depositaries. After Treasury approval, the commander should reasonably distribute official financial transactions among the approved depositaries. Only deposit public funds in a financial institution that is approved as a general depositary, except as shown in subparagraph 8.2.4, and only mail deposits to a TGA when given specific Treasury authorization to do so.

8.2.2. Requests to Deposit With or Change General Depositary. DOs formally request authorization to deposit collections with a general depositary, or change from one authorized depositary to another, following guidance provided in the ***I TFM 5-2000***. This requirement also includes those instances when on-base banks or credit union offices undergo changes such as acquisitions or mergers. Send the completed request, no later than 35 calendar days prior to desired deposit start date, to the DoD Banking and Credit Union Office via email to dfas.dscc.jjf.mbx.dod-financial-institutions-tga@mail.mil for review, coordination, and submission to the FRB of St. Louis.

8.2.3. Need for General Depositary Ceases to Exist. The DO advises DFAS-JJF/CO of the date on which the need for a general depositary ceases to exist, and the reason therefore.

8.2.4. Limited Depositaries. Limited depositaries are designated only to receive deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts maintained with such depositaries. Limited depositaries are not authorized to accept deposits for credit to the Treasury. For additional information on limited depositary accounts, see Chapter 14.

8.3 Deposit Requirements

8.3.1. Frequency. Deposit all funds received for credit to the Treasury's account promptly.

8.3.1.1. Agencies must deposit receipts totaling $5,000 or more on the same business day received prior to depositary cutoff time. Make deposits as late as possible prior to the specified cutoff time to maximize daily deposit amounts. Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, make deposits by Thursday of each week, regardless of the amount accumulated. For additional information, review the ***I TFM 5-2065***.

8.3.1.2. Send mailed deposits to US Bank's MITGA, rather than to the FRB. The MITGA will receive deposits of commercial checks, U.S. Treasury checks, and at the direction of the DO, cash. Before mailing deposits, the DO must establish depositary arrangements with US Bank's MITGA through the FRB of St. Louis. Once approved, establish the MITGA within OTCnet, and use OTCnet in conjunction with the MITGA. When using the MITGA during contingencies (when OTCnet is not available), the DO will contact the FRB of St. Louis to obtain permission to mail in a deposit. Once approved, the requestor receives a special form to complete and mail with the deposit. The former SF 215 (manually prepared deposit ticket) cannot be used.

8.3.1.3. For Navy vessels at sea, when daily mail service is not available, receipts consisting only of personal checks, money orders, and other negotiable instrument(s) may accumulate up to $5,000 before they must be deposited, provided that a deposit of all receipts on hand is made at least once each week. The DO prepares the deposits for mailing via registered mail and delivers them to the military post office onboard. The DO may not hold negotiable instruments to be deposited pending arrival at the next scheduled port of call. Regardless of the total amount, the time interval since the last deposit, and the type of checks and negotiable

instruments on hand, DOs on board naval vessels make a deposit on the last regular business day before leaving port and on the first regular business day after returning to port for any at sea period in excess of 1 week.

8.3.2. U.S. Dollar Deposits

8.3.2.1. Negotiable Instruments. Deposit negotiable instruments (e.g., personal checks, traveler's checks, cash, and money orders) payable in U.S. dollars for credit to the Treasury's account at an approved general depositary. DOs may deposit Treasury Checks at Military Banking Facilities overseas.

8.3.2.2. Checks Drawn on Foreign Banks in U.S. Dollars Payable Through a Bank in the United States. Checks drawn on foreign banks in U.S. dollars, payable through a bank in the United States, must have an American Bankers Association (ABA) routing and transit number (RTN) printed on the item and a magnetic ink character recognition encoded with a U.S. bank's ABA RTN at the bottom left side of the check. Group these checks on a single deposit ticket and deposit them as described in subparagraph 8.3.2.1.

8.3.2.3. Manner of Deposit

8.3.2.3.1. In conjunction with OTCnet, deposit cash, checks, drafts, or money orders in person with an authorized TGA. If a deposit of cash in person is impracticable at an authorized TGA, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail to the MITGA. Since the delivery confirmation may require an additional fee to request a copy of the signature record with return receipt, the DO must ensure that funding is available. Charge costs for a cashier's check or money order to operations and maintenance or working capital funds available to the DO. If cash must be mailed, then the cash must either be double wrapped or placed in an inner and outer container. Deposit damaged or mutilated currency in accordance with Chapter 3, paragraph 5.7.

8.3.2.3.2. Agent officers or any authorized collection officer may make deposits on behalf of the DO when an approved designated depositary is available. These individuals will use OTCnet for deposits.

8.3.2.3.3. When an approved designated depositary is not available, agent officers or any authorized collecting officers may send cash to the DO by conversion to postal money order, bank money order, or cashier's check. Pay the fee for purchase of the cashier's check or postal/bank money order in cash at the time of purchase and attach the receipt to the DD 1131. Deduct the cost of the cashier's check or postal/bank money order from the total amount collected. Show in the body of the DD 1131 the total amount collected, the fee for the cashier's check or postal/bank money order, the net collection, the bank, and the date of the money order.

8.3.3. Foreign Currency Deposit. See Chapter 13, subparagraphs 6.2.4 and 6.2.5.

8.3.4. Reporting Large Deposits. To permit Fiscal Service to manage the government's cash position at each FRB, large deposits must be reported in advance of the transaction settlement date (***I TFM 6-8500***). IPAC transactions are exempt from this reporting requirement.

8.3.5. Sorting and Listing of Instruments. Include with each completed deposit ticket an adding machine tape or other listing, unless other arrangements have been made with the depositary. Sort all currency by denomination, face and top up, and deposit it in full packages (100 notes) of each denomination: $1, $2, $5, $10, $20, $50, and $100. Prepare partial packages for each denomination not containing 100 notes. Secure each package (full or partial) with a currency strap bearing no printed denomination. DOs may obtain these straps from commercial suppliers. Legibly show the total dollar amount and DSSN on each package of currency on each strap. Roll coins whenever possible. Include with each completed deposit ticket an adding machine tape or other listing reflecting, by denomination, the total of currency and coin that comprise the deposit.

8.3.6. Endorsement of Negotiable Instruments

8.3.6.1. Area for Endorsements. Endorsement of negotiable instruments must occur on the back in the 1 1/2 inch space along the "trailing edge." When viewing the face (front) of a check, the trailing edge is the left hand edge. Normally, endorsements consist of the name of the payee and other identifying information required by the activity cashing the check. When the DO is preparing checks made payable to DoD, a DoD Component, another government agency, or the DO for deposit, the endorsement stamp required by subparagraph 8.3.6.3 appears in this space.

8.3.6.2. Multiple Endorsements. When multiple endorsements occur (or the space is used by a qualified endorsement such as for checks endorsed over to the DO by the payee) and the DO's endorsement requires space beyond the first 1 1/2 inches from the trailing edge, the DO uses the assigned space for subsequent endorsers (the back of the check in the upper right hand corner, no more than 3 inches from the right hand edge (leading edge) of the check). Do not refuse a check when the area assigned for the bank of first endorsement has been used. Such checks are acceptable but may not be processed by the banking system in the prescribed time frames under the Expedited Funds Availability Act (***12 U.S.C. § Chapter 41***), which could hamper collection action. Blue or black ink is preferable for endorsements.

8.3.6.3. Endorsement Requirements. Activities may use stamps containing additional information if the endorsement fits within the 1 1/2 inch space assigned for payee endorsers.

8.3.6.3.1. Negotiable Instruments Deposited With a General Depositary. When using the Deposit Reporting function of OTCnet, all negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn, must be endorsed on the back of the instrument in the 1 1/2 inch space along the trailing edge. Insert the component's name (e.g., Army, Navy, or DFAS) first and then insert the 4-digit disbursing activity's DSSN in the blank following "DSSN." These may be entered manually, mechanically, or be included as a

part of the stamp itself. Enter, either manually or mechanically, the date of the deposit in the blank following "Date" to correspond with the bank's business day. See subparagraph 8.3.1.

8.3.6.3.2. Conditional Endorsements. Do not accept checks with conditional endorsements, e.g., "Payment in Full." Return these checks to the drawers and advise them that the DoD cannot legally accept conditional endorsements.

8.3.6.3.3. When Scanning Negotiable Instruments. If a depositing location is using the Check Capture function of OTCnet (e.g., check image scanning), there is no requirement for endorsing the negotiable instruments being scanned. The only time that a signature would be required is when scanning a Third-Party check. Acceptance of Third-Party checks is not recommended.

8.3.7. Record of Negotiable Instruments Deposited. DOs keep a complete record of negotiable instruments mailed or presented to depositaries. This should consist of scanned or photocopied images of both sides of the instruments. If scanning or photocopying is not possible, prepare a typed or written list containing the source of the instrument, name of the financial institution on which drawn, type of instrument, serial number, payee, maker, endorser (name of person from whom received when other than drawer), date drawn, and amount. Copies of collection vouchers or other documents that show the same data are acceptable as the record of instruments. If an item is lost in banking channels, the DO must be held pecuniary liable if the maker of the instrument cannot be identified in order to contact that person for a replacement. Therefore, keep photocopied, scanned, or prepared lists of instruments deposited in active files until receipt of the deposit is confirmed in CIR.

8.3.8. Lost Negotiable Instruments. When a negotiable instrument is lost, whether before or after deposit, the DO adjusts the affected accounts and immediately requests that the maker of the instrument stop payment and replace it with a new check or other form of payment. DOs must inform members of their legal obligation for the check and offer them another opportunity to replace the check. If the military member refuses, the DO may, as with any other debt, pursue involuntary collection action against the military member's pay.

8.3.9. Disposition of Funds on Transfer or Reassignment Without Relief. A DO that is transferred or reassigned without being relieved by another DO deposits all funds prior to the transfer or reassignment occurring. This includes all funds held by deputies, agents, and/or cashiers, including imprest funds and change funds. Report each deposit made during the period including the final deposit.

8.4 Deposit Transactions

8.4.1. Distribution and Disposition. Send a copy of the deposit ticket to the depositary with the funds and/or negotiable instruments being deposited. The DO retains a copy to assure that all deposits are in fact confirmed. The DO follows up on unconfirmed deposits as required by paragraph 11.4. In instances where a deposit is not confirmed in the same month as mailed,

refer to Chapter 15, section 7.0. The supporting DFAS site may also require the DO to submit a copy in support of the reported deposit activity for that month.

8.4.2. Accounting for Deposits. After netting out all debit vouchers (except those used for EFT for the current business day), enter the total of all the deposits for the business day (including deposit tickets in OTCnet) on line 4.2A of the DD 2657. At the end of the accounting period (month), use a record of each deposit ticket (and debit voucher, including those for EFT) applicable to only the current accounting period to prepare the detailed deposit activity report to support the ***SF 1219***. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column 5, Section II, Part B, on the reverse of the SF 1219.

8.4.3. Debit Vouchers in Relation to Deposits

8.4.3.1. General. When a check is returned unpaid to the depositary with which the check was originally deposited, the depositary may process a debit voucher to charge the depositing DSSN. The depositary may also prepare a debit voucher charging the depositing DSSN for a check lost after deposit. Debit vouchers may also be issued by depositaries and by the Treasury to establish other valid charges against a DO's account, e.g., exchange fees and other collection charges assessed in connection with foreign instruments deposited. The DO immediately records all debit vouchers received on the DD 2657. Include the debit vouchers in the SF 1219 for the month in which received.

8.4.3.2. Action by the DO

8.4.3.2.1. Non-tactical Disbursing Activities. For debit vouchers received in connection with returned unpaid checks, see Chapter 4, section 4.0 for guidance on processing dishonored checks. For debit vouchers received in connection with checks lost after deposit, the DO follows subparagraph 8.3.8. Process new checks received pursuant to action taken by the DO as a new deposit. Process charges for handling foreign checks as prescribed in Chapter 13, paragraph 4.0.

8.4.3.2.2. Tactical Disbursing Activities. DOs must comply with debit vouchers received from a depositary whenever any one of the following conditions exist: the deposit (which included the lost or dishonored check) was made during the incumbency of the current DO; the deposit (which included the lost or dishonored check) was made during the incumbency of a DO whose account is being subjected to the 90 day local retention period; or the maker or endorser of the lost or dishonored check is locally available for collection action. If none of the foregoing conditions apply, then the current DO forwards the debit voucher, by cover letter, to the activity designated to settle the former DO's account. Also, send either the original dishonored check as returned by the depositary or, in the case of lost checks, a copy of the relevant abstract from the listing of instruments deposited. Include in the cover letter the most recent information concerning the present location and status of the maker or endorser of the check in question. Send a copy of the cover letter to the issuing depositary.

8.4.3.3. Distribution. The DO sends a copy to support the monthly financial reports and retains a copy with their retained financial records.

8.4.3.4. Accounting. Account for debit vouchers as negative deposits. As noted in subparagraph 8.4.2, net all debit vouchers (except those used for EFT) in the current business day against all deposits for that business day, and record the total on line 4.2A of the DD 2657. Record EFT debit vouchers on line 4.2B. At the end of the accounting period (month), use the records of each debit voucher (including EFT debit vouchers) and each deposit ticket applicable to only the current accounting period to prepare the detailed deposit activity report to support Section II, Part B of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5), Section II, Part B, on the reverse of the SF 1219.

9.0 INTERNATIONAL TREASURY SERVICES (ITS.GOV)

ITS.gov is the Treasury's comprehensive international payment and collection system. It is the preferred payment method for foreign currency transactions. DOs are encouraged to use ITS.gov to the maximum extent possible wherever the infrastructure will support its use. Prior to using ITS.gov, a Memorandum of Understanding between the activity and the Fiscal Service is required. Activities interested in using ITS.gov should contact Fiscal Service. For ITS.gov contact information, see Fiscal Service's website. See Chapter 13 for guidance on foreign currency payments.

10.0 PAYMENT INFORMATION REPOSITORY (PIR)

10.1 Overview

PIR is a web-based, centralized repository of payment related data. PIR increases the transparency of government payments and provides agencies with the ability to view summary and/or detail payment information as well as data analysis. PIR has replaced CA$HLINK II for payment voucher information. For more information, see Fiscal Service's ***PIR*** web page. Agencies that use the online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652.

10.2 Standard Reporting Format (SRF)

The SRF is an input file specification that defines data elements and business rules required for reporting payment and associated TAS/BETC information to PIR. When fully implemented, DoD agencies will have to use the SRF to submit detailed payment and accounting data to PIR. For more information on the format specification, see Fiscal Service's ***SRF*** web page. Agencies must submit the PIR/SRF one day after the date of payment. Agencies that do not submit the SRF within one day following the date of payment by 6:00 p.m. (Eastern Time) will default in CARS to the default TAS/BETC for payment transactions. Date of payment is further defined as:

10.2.1. Check Payments. The issue date of the check (date inscribed on the check).

10.2.2. ACH Payments. The settlement of the ACH transaction found in the acknowledgement received from the FRB's ACH.

10.2.3. Wire and ITS.gov Payments. The value date specified in the payment request.

*10.3 Reconciliation of EFT Transactions

10.3.1. Confirm PIR. EFT payment transactions are recorded using debit vouchers. DOs must reconcile their EFT payment data (e.g., EFT debit vouchers) with PIR. If the purpose of an EFT transaction cannot be determined at the point of origin (time of transaction), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for Intra-Governmental Payment and Collection (IPAC), as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information.

10.3.2. Discrepancy - Over or Understated Debit Vouchers

10.3.2.1. A difference occurs when a debit voucher amount is overstated or understated.

10.3.2.1.1. An overstated debit voucher exists when the amount entered exceeds the value of the check or EFT payments it covers.

10.3.2.1.2. An understated debit voucher exists when the amount entered is less than the value of the check or EFT payments it covers.

11.0 CIR

11.1 Overview

CIR is a web-based, centralized repository of detailed deposit and collection transaction data from all of the Treasury's collection systems and settlement mechanisms. CIR provides the ability for agencies to view summary and/or detail level data, extract and analyze data in various scenarios, and produce flexible, standardized reports based on agencies' needs. CIR has replaced CA$HLINK II for deposit reconciliation.

11.2 Requirement

DOs must confirm deposits using CIR. For guidance on deposit reconciliation, see paragraphs 11.3 and 11.4.

11.3 Deposit Reconciliation – General

11.3.1. DOs or their designee(s) must reconcile DoD financial system data daily with CARS and maintain either a manual or a mechanized subsidiary record of all debit voucher differences. If the purpose of a deposit cannot be determined at the point of origin (time of transaction), credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections, and F3502 for Intra-Governmental Payment and Collection (IPAC), as appropriate, and review the guidance in Volume 4, Chapter 2, paragraphs 8.7 - 8.10.3 for additional information.

11.3.2. CARS reporters must ensure that there are no existing uncleared statements of differences prior to becoming a "Full" CARS daily reporter. Agencies that use the online application within CARS for interagency billings and payments for goods and services will no longer receive a statement of difference report (formerly known as the Financial Management Service (FMS) Form 6652) and are no longer required to follow the guidance related to the FMS 6652. The Treasury compares the value of deposits and debit vouchers reported by DOs' activity reports to the value of deposits and debit vouchers reported through CIR.

11.3.3. Consider all differences that have not been reconciled within 60 days of the transaction, and that have been validated as meeting the criteria of an actual physical loss of funds, as a loss or overage of funds with the associated pecuniary liability as prescribed in Chapter 6. Do not consider timing differences and/or reporting errors as a loss of funds, but the DFAS site must pursue aggressive action to clear the differences with appropriate offsetting transactions, via departmental level, Treasury, and/or agency within 60 days of the offsetting transaction.

11.3.4. DOs must strictly adhere to the preparation requirements for the deposit tickets and debit vouchers as described in paragraph 8.4. It is also imperative that DOs report promptly and properly all deposit tickets and debit vouchers.

11.3.5. Once deposit tickets are released to a depositary, the documents cannot be recalled, corrected, or resubmitted. In addition, the Treasury prescribes specific instructions to all approved depositaries regarding adjustments of errors discovered subsequent to the day of deposit. DOs must take aggressive action to reconcile and/or clear all differences as rapidly as possible after notification by the Treasury that a difference exists.

11.3.6. To maintain control, the DO or the DO's designee(s) monitor deposit activity daily using CIR and maintain either a manual or mechanized subsidiary record of all deposit differences. The DO or the DO's designee(s) review the record of differences at least weekly to ensure these differences clear. Retain the evidentiary documentation supporting the review process for a retention period following the guidance in Chapter 15, paragraph 8.2. These records need not be certified. Also, each time there is a change of DOs, the incoming DO validates the unresolved differences. If the departing DO cannot provide the incumbent DO with documentation supporting the unresolved items, the departing DO processes the unsupported items as a loss or overage of funds (see Chapter 6, section 4.0).

11.4 Deposit Reconciliation – Discrepancies

11.4.1. Over or Understated Deposit Tickets

11.4.1.1. A difference occurs when a deposit ticket amount is overstated or understated.

11.4.1.1.1. An overstated deposit ticket exists when the amount entered exceeds the amount of cash or negotiable instruments submitted with it.

11.4.1.1.2. An understated deposit ticket exists when the amount entered is less than the amount of cash or negotiable instruments submitted with it.

11.4.1.2. Treasury regulations for depositaries do not permit changing the amount on a deposit ticket or debit voucher. They require the depositary to confirm a deposit as presented and immediately issue either a debit voucher for the amount of the overage or an additional deposit ticket for the amount of the shortage. In either situation, the DO should discover an overage of funds for an overstated deposit or a loss of funds for an understated deposit upon the first balancing after the deposit was presented or mailed to the depositary and recorded on the DD 2657. Treasury regulations also require the depositary to confirm a debit voucher as presented and immediately issue a deposit ticket for the amount of the overage or an additional debit voucher for the amount of the shortage. In either of these situations, the DO should discover an overage of funds for an overstated debit voucher or a loss of funds for an understated debit voucher upon the first balancing after the debit voucher was presented or mailed to the depositary and recorded on the DD 2657.

11.4.1.3. Daily monitoring of deposit activity using CIR enables early detection of these differences. Upon receipt of a copy of an adjusting deposit ticket or debit voucher, the DO records the document on the DD 2657. If actions required by Chapter 6, section 8.0 occurred to record the overage or shortage of funds upon discovery, receipt of the adjusting deposit ticket or debit voucher from the depositary enables a more rapid settlement of the discrepancy in the DO's accountability. If an overage or shortage of funds is discovered after receipt of the adjusting deposit ticket or debit voucher, and recording the document creates an overage or shortage, then the DO processes the overage or shortage as prescribed in Chapter 6, paragraph 8.2.

11.4.2. Deposits Not Reported by Depositaries. Deposit tickets reported by DOs but not by the depositary do not appear in CIR. Daily monitoring of CIR alerts the DO to possible deposit differences, when a deposit does not appear in the system after a reasonable period of time, based on whether the deposit was presented to the depositary in person or by mail.

11.4.2.1. If the depositary does not confirm the deposit within a reasonable period of time for deposits presented by mail, the DO initiates follow-up action with the depositary to determine the status of the deposit. A reasonable period of time would be the normal mailing time from the date mailed to the depositary until the date the deposit is confirmed, based on past

experience. Tactical DOs consider unit movement schedules and locations when the deposit was mailed. In any event, initiate follow-up action within 30 days from the date of mailing a deposit.

11.4.2.2. Include with a follow-up request to a depositary, a copy of the applicable deposit ticket and a description or copies of the instruments included in the deposit. The depositary provides confirmation information to the DO in response to the follow-up request. If the depositary acknowledges receipt of the deposit but refuses to report the transaction to the Treasury, the DO provides written notification, with copies of all correspondence and documents involved, to DFAS-JJF/CO, which will then pursue resolution of the issue through the Treasury and provide the DO written instructions on additional actions to take.

11.4.2.3. If the follow-up action does not result in confirmation of the deposit or the depositary notifies the DO that the deposit was never received, the DO will reverse the deposit transaction in the current month's business. The DO prepares and processes an ***Optional Form 1017-G***, Journal Voucher (JV), to document the reversal. Record the JV on the DD 2657, line 4.2A as a negative deposit and on line 7.3 as a loss of funds and include it on the corresponding lines of the SF 1219 at the end of the month. Describe the deposit reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the deposit was initially reported to the Treasury. Show the amount of the reversed deposit as negative or bracketed. Reverse the deposit in the current month's detailed deposit activity report, using the actual deposit number, month, and year of the deposit (as initially reported to the Treasury). Show the amount as negative or bracketed.

11.4.2.4. The actions in subparagraph 11.4.2.3 will remove the deposit from the detailed deposit activity report and record the deposit as a loss of funds. Attach a copy of the follow-up memorandum to the depositary, and the depositary's response, as supporting documents to the JV. Report and process the resulting loss of funds as prescribed in Chapter 6, section 3.0. If there were negotiable instruments in the lost deposit, follow subparagraph 8.3.8 for those instruments.

11.4.3 Debit Vouchers Not Reported by DOs

11.4.3.1. Debit vouchers are generally prepared only by depositaries as adjustments to erroneous amounts on deposit tickets and debit vouchers to return dishonored negotiable instruments, or to adjust deposit tickets for counterfeit currency. All debit vouchers prepared by depositaries are reported automatically to the Treasury. Unless the DSSN appearing on the debit voucher is not the DSSN of the DO receiving the document, the DO records the debit voucher upon receipt and includes it in the detailed deposit activity report. This requirement applies regardless of whether the debit voucher is deemed erroneous, or the reason given for the charge needs further clarification.

11.4.3.2. Daily monitoring of CIR alerts the DO that a depositary has issued a debit voucher. The DO must confirm the information in CIR and include the debit voucher on DD 2657 and detailed deposit activity report during the month of receipt. The DO reports the debit voucher using the month and year of issue (as reported by the depositary in CIR), not the

current month and year in which the debit voucher is being recorded and reported. Section II, Part B, Column (3) of the SF 1219 must indicate the actual month and year of the debit voucher as reported by the depositary. Also include the debit voucher in the detailed deposit activity report and using the actual month and year the debit voucher was issued (as reported by the depositary).

11.4.3.3. In some instances, debit vouchers for electronic payments through the Federal Reserve System are prepared by the paying DO and submitted to the depositary with the payment file. Include these debit vouchers on the DD 2657, SF 1219, and detailed deposit activity report for the month of payment. Failure to include a debit voucher electronic payment transaction on the DD 2657, SF 1219, or the detailed deposit activity report will create an out-of-balance condition on the DD 2657 and SF 1219, unless the DO also failed to record the disbursement. For example, if a DO processes and includes a disbursement voucher on DD 2657 and SF 1219, prepares and submits a debit voucher to the depositary with the electronic payment file, but does not include the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report, then the DD 2657 and SF 1219 will not balance. Proper balancing procedures preclude this situation.

11.4.3.4. If the transaction occurred near the end of the month, and the DO cannot process and report the transaction in the transaction month, then a deposit difference will occur. To correct this difference, the DO must obtain the transaction documentation and process both the payment and the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report during the current month. The DO must ensure the reporting of debit vouchers using the actual month and year of the payment (as reported by the depositary in CIR), not the month and year in which the debit voucher is being reported. Include the debit voucher in the detailed deposit activity report and report it using the actual month and year the debit voucher was reported by the depositary.

11.4.4. Debit Voucher Not Reported by Depositaries. Debit vouchers reported by the DO but not by the depositary will cause a difference to the depositaries. The most frequent cause of this difference occurs when a depositary receives a debit voucher and payment file for payment by EFT, but rather than processing and reporting the debit voucher given by the DO, prepares a new debit voucher and reports it to the Treasury. The depositary provides the DO with the copies of the debit voucher it prepared and reported.

11.4.4.1. Daily monitoring of CIR alerts the DO that the depositary has issued a new debit voucher. DOs using depositaries that routinely process debit vouchers in this manner should contact the depositary in writing. The DO should request an explanation for the actions and that the depositary processes the debit vouchers given by the DO with the payment files. If the depositary refuses to process the debit vouchers given by the DO, the DO must then provide written notification with copies of all correspondence and documents to DFAS-JJF/CO, which will pursue resolution of the issue through the Treasury and provide the DO written instructions on any additional actions to take.

11.4.4.2. To prevent this type of difference from occurring, the DO reports the debit voucher transaction on the detailed deposit activity report as reported by the depositary. If the DO receives the copy of the debit voucher prepared by the depositary before the end of the month in which the transaction occurred, the DO will report the debit voucher prepared by the

depositary only. The DO keeps the copy of the prepared debit voucher along with the copy of the debit voucher the depositary prepared. If the depositary routinely continues to prepare new debit vouchers, include these with the written notification.

11.4.4.3. To clear this type of difference, the DO must reverse the DO's debit voucher transaction from the current month's detailed deposit activity report and reenter the debit voucher transaction the depositary reported, using the actual debit voucher number, month, and year as initially reported to the Treasury. Enter the debit voucher prepared and reported by the depositary exactly as reported by the depositary. Also, describe the debit voucher reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was initially reported to the Treasury. Also, describe the debit voucher prepared and reported by the depositary in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was reported by the depositary. Since these actions net to a zero, they should not impact the DO's pecuniary liability.

*12.0 CLOSED/CANCELLED ACCOUNTS

On September 30 of the fifth FY after the period of availability for an obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be cancelled and thereafter is not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account, must be deposited in the Treasury as miscellaneous receipts in accordance with ***31 U.S.C. § 1552(a)***. All cancelling year transactions, e.g., transactions to be paid from an appropriation that is cancelling at the end of the current FY, must be submitted to DFAS no later than September 15 each year (or the business day prior when September 15 occurs on a weekend).

VOLUME 5, CHAPTER 12: "QUESTIONABLE AND FRAUDULENT CLAIMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 12

QUESTIONABLE AND FRAUDULENT CLAIMS

1.0 GENERAL

1.1 Overview

This chapter establishes policy for processing questionable and fraudulent claims presented for certification or payment that a Certifying Officer (CO) or Disbursing Officer (DO) believes to be illegal or improper. Determination of potentially fraudulent claims is the responsibility of the CO and/or DO. The CO and/or DO must research claims and base their determinations on the criteria in this chapter and the legal opinions of the supporting Staff Judge Advocates (SJA) or other legal counsel. A fraudulent claim is any intentional deception designed to unlawfully deprive the United States of something of value or to secure from the United States a benefit, privilege, allowance, or consideration to which a claimant is not entitled. This chapter also discusses a CO's, DO's, and/or head of an agency's right to request an advance decision from the appropriate authority.

1.2 Purpose

This chapter addresses the determinations of fraud, advance decisions on the propriety of any prospective payment from an authorized official, and actions required when a suspected fraudulent claim is presented for payment or upon discovery that a fraudulent claim has been paid.

1.3 Authoritative Guidance

1.3.1. Under Title 31, United States Code (U.S.C.), section 3529 (***31 U.S.C. § 3529***), a CO, DO, or head of an agency may request an advance decision on the propriety of any prospective payment from an authorized official (see Table 12-1). This authority does not cover the rendering of legal decisions pertaining to payments already made or for hypothetical cases.

1.3.2. See ***31 U.S.C. § 3702*** for the authority on settling claims against the United States.

2.0 DETERMINATIONS OF FRAUD

2.1 Discrepancies

Inaccuracy on a claim is not proof of intent to defraud the government. When minor discrepancies exist because of clerical or computation errors, misunderstanding of procedure, or failure to properly document, the intent to deceive is less likely, thus decreasing the probability of a finding of fraud without evidence. The claimant's supervisor should discuss these errors with the claimant and require that the claimant correct them.

2.2 Claims

A claimant must complete a claim accurately to ensure proper payment. A claim may be unauthorized for payment but not considered fraudulent. This may occur if a claim is prohibited by law, or is otherwise not authorized, and lacks willful intent by the claimant. A CO or DO may refer these claims to the appropriate authority for an advance decision (see Table 12-1). Additionally, a claim is not necessarily fraudulent if it is not prepared according to the requirements of regulations (e.g., the ***Joint Travel Regulations***, Uniformed Service Members, and DoD Civilian Employees). It may be due to claimant error, misinformation, or lack of knowledge.

3.0 ADVANCE DECISIONS

3.1 Application for Decision

The submitter of an application states the facts and evidence to support the reason(s) for the request and upon which to base the decision. An application must generally include a specific claim or voucher. Applications are sent through the Office of General Counsel (OGC) of the DoD Component or the Defense Finance and Accounting Service (DFAS) to the DoD Deputy General Counsel (Fiscal) (DoD DGC(F)) for determination. The affected Component or DFAS OGC must attach a legal memorandum that discusses the legality of the proposed payment under the circumstances. The responsible activity, DFAS site, or appropriate OGC may return cases involving entitlement questions that have been clearly decided authoritatively, with a determination that no advance decision is necessary. A submitter may resubmit such a determination through the responsible activity for reconsideration.

3.2 Decisions Rendered

An advance decision is conclusive for the specific payment involved on the question presented. Although an advance decision is conclusive for the specific payment reviewed, COs should use the principles cited in the decision when making future entitlement decisions.

4.0 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

4.1 Fraudulent Claim Presented for Payment

If there is reason to suspect that a claim presented for certification or payment contains fraudulent information, the CO must request their commander or comparable authorized civilian to initiate an investigation into the suspected fraud. A DO that suspects that a certified voucher is fraudulent must return it to the CO. The requirement to request an investigation applies regardless of the dollar value. Once the investigation and legal review by the supporting SJA or other legal counsel are complete, the investigating officer (IO) gives a copy of the completed report of investigation (ROI) to the CO and DO. See Chapter 6, subparagraph 4.3.2.2.5 for ROI guidance.

4.1.1. If the ROI does not support a finding of fraud, the CO may certify the voucher for payment of all amounts to which the claimant is entitled. The CO documents the reasons for the determination and maintains documentation for the CO's records.

4.1.2. If the ROI confirms that some items of the claim are fraudulent, the claimant may submit a new claim for the items that the ROI identified as not fraudulent to the CO. A claimant who protests the determination of fraud and insists on payment of the entire claim may submit a new claim for the items denied because of fraud. The CO processes the reclamation for the items disallowed as prescribed in paragraph 4.3.

4.2 Fraudulent Claim Paid

A CO or DO who suspects that a claim was paid based on fraudulent information or documents, must review the retained copy of the claim to determine if it contains false information.

4.2.1. A CO or DO who suspects that a paid claim is fraudulent must inform his or her commander or comparable authorized civilian, who then initiates an investigation of the suspected fraud regardless of the dollar value involved. See Chapter 6, subparagraph 4.3.2.2.5 for ROI guidance. Following the investigation, the supporting SJA or OGC reviews the investigation for legal sufficiency. The IO then gives the CO and DO each a copy of the final ROI.

4.2.2. Upon learning of an improper payment based on suspected fraud, the CO or DO sends an ROI to the supporting DFAS site through their commander or comparable authorized civilian equivalent. Include in the ROI a basic statement of the irregularity, the date, amount, and identification of the individual(s) involved. Upon completion of the final recovery, investigative, or other negative action, the CO or DO advises the supporting DFAS site.

4.2.3. If the CO determines that some or all of the items of a paid claim are fraudulent, the CO may not certify any of the items for repayment. The CO or DO includes in the report:

4.2.3.1. The applicable contract or travel order number,

4.2.3.2. The voucher number,

4.2.3.3. The date of payment,

4.2.3.4. The appropriation charged,

4.2.3.5. A description of the supporting documentation,

4.2.3.6. A description of how the fraud was committed,

4.2.3.7. A description of procedural deficiencies in the disbursing office,

4.2.3.8. The action taken to correct the deficiencies, and

4.2.3.9. The amounts recovered or scheduled for repayment from the recipient of the fraudulent payment.

4.2.4. Losses resulting from fraudulent acts are improper payments (except losses within the disbursing office). The DO leaves them charged to the appropriations cited on the payment vouchers (see Chapter 6, subparagraph 5.1.1.2). Any losses, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (for example, embezzlement or fraudulent acts by disbursing personnel) are physical losses (see Chapter 6, subparagraph 2.1.3).

4.3 Reclamation of Items Disallowed or Recovered Due to Fraud

4.3.1. The CO sends reclamations for items disallowed or recouped due to fraud though the appropriate office in his/her chain of command to the DoD DGC(F) (see Table 12-1). For a claim denied in its entirety, submit the original claim. Send the completed claim with a cover letter or memorandum from the CO stating why the claim is fraudulent, with the statement: "I have not certified and will not certify this claim for payment unless authorized by competent authority." Include the original and two copies of all supporting documents and the orders with all endorsements for a travel claim, and a copy of the paid voucher for the items free of fraud.

4.3.2. A CO may not certify a reclamation claim for any or all of an amount recovered by the government due to an illegal or improper payment of any voucher item obtained by fraud or misrepresentation processed under paragraph 4.3.

4.3.2.1. Civilian Employees. The CO or DO must send paid fraudulent claims to the appropriate pay office and local OGC or SJA for referral to the Defense Criminal Investigative Service or military criminal investigative organization. Recover payments based on substantiated claims of fraud by direct repayment from the employee through salary offset or by other procedures in Volume 16, Chapter 2, paragraph 3.1. The CO or DO may take no further action on the paid fraudulent claim until OGC or SJA gives the CO or DO specific processing and disposition instructions.

4.3.2.2. Military Members. Under ***37 U.S.C. § 1007(c)*** and the guidance in this chapter, the CO or DO collects debts owed by military members. When a debtor requests reconsideration of a fraud determination, the creditor organization submits evidence or statements from the debtor to the local SJA to review.

Table 12-1. Responsible Offices for Claims and Advance Decisions

CLAIMS AND ADVANCE DECISIONS	
FUNCTION	**RESPONSIBLE OFFICE**
Federal civilian employees' compensation and leave	Classification and Pay Claims Program Manager Room 6484 Merit System Audit and Compliance Office of Personnel Management 1900 E Street NW Washington, DC 20415 (202) 606-7948
Federal civilian employees' travel, transportation, and relocation expenses and allowances	The Civilian Board of Contract Appeals 1800 M Street, NW, 6th floor Washington, DC 20036 (202) 606-8800 FAX (202) 296-0341 Email cbca.efile@cbca.gov ***https://www.cbca.gov/***
CLAIMS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Defense Office of Hearings and Appeals Claims Division P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876
Amounts collected from transportation carriers for damage or loss of property shipped at government expense	Defense Office of Hearings and Appeals Claims Division P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876
ADVANCE DECISIONS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Deputy General Counsel (Personnel & Health Policy) Office of the Secretary of Defense Room 3B747 1600 Defense Pentagon Washington, DC 20301-1600 (703) 697-9341
Use of appropriated funds	Deputy General Counsel (Fiscal) Office of the Secretary of Defense Room 3B688 1600 Defense Pentagon Washington, DC 20301-1600 (703) 571-9343

VOLUME 5, CHAPTER 13: "FOREIGN DISBURSING OPERATIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 13

FOREIGN DISBURSING OPERATIONS

1.0 GENERAL

1.1 Overview

1.1.1. In areas where the use of U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander consults with other U.S. military commanders and the U.S. Department of State (DoS) representatives in the area to determine the local government's foreign currency control regulations. The commander issues instructions that conform to DoS procedures and local government foreign currency control regulations. Disbursing Officers (DOs) must follow disbursing guidance set forth in Chapter 9, section 2.0 concerning voucher certification and substantiation prior to executing payment transactions, including advances, equitable claims, and payments to third parties.

1.1.2. The same policies governing domestic disbursements also are applicable to foreign currency disbursements. Except in areas where U.S. diplomatic or financial relations make the use of the U.S. dollar (USD) inadvisable, U.S. currency or Treasury checks are the only media of exchange for:

1.1.2.1. Basic salaries, special and incentive pay, and allowances (e.g., subsistence and housing) in USDs for U.S. military personnel stationed overseas;

1.1.2.2. Salaries and differentials to similarly situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in USDs;

1.1.2.3. Per diem;

1.1.2.4. Travel expenses; and

1.1.2.5. Purchases from appropriated and nonappropriated fund activities located in the foreign currency area.

1.1.3. A disbursement voucher may constitute a payment voucher and a collection voucher for transactions involving setoff or deduction to recover an amount owed by the payee, with a net amount due disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (see Chapter 9, section 4.0). Requirements established in Volume 1, Chapter 9, Financial Records Retention, apply to contingency operations.

1.1.4. ***International Treasury Services*** (ITS.gov) is the preferred method to issue foreign currency payments electronically and to issue international USD wire transfer payments. ITS.gov is the comprehensive international payment and collection system for the U.S. Department of Treasury (Treasury).

1.2 Purpose

This chapter addresses disbursing policy that includes exchange of USDs for foreign currency, foreign exchange transactions, currency rate of exchange, use of foreign currency for transportation, disposition of foreign currency and negotiable instruments, records and reports, and contingency operations in foreign territories.

1.3 Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3302 (***31 U.S.C. § 3302***) authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds. This chapter addresses disbursing policy in the context of foreign disbursing and cash management operations prescribed in the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 3200 (***I TFM 2-3200***) and ***I TFM 5-6000***.

2.0 EXCHANGE OF U.S. DOLLARS FOR FOREIGN CURRENCY

2.1 Guidelines

When it is not practical to use ITS.gov or if the DO does not have a limited depositary account (LDA) in the currency to be paid, the DO may need to acquire foreign currency. An appointed DO may obtain foreign currency for official purposes such as making payments to U.S. Government creditors and exchanging foreign currency or other negotiable instruments for which the DO is accountable. Foreign currency obtained may be held as currency or in an LDA (see Chapter 14, section 1.0). DOs may obtain foreign currency using sources identified in paragraph 2.2 and from sources authorized by the government of the country concerned. The process by which one currency is exchanged for another is foreign exchange. When DOs exchange USDs for foreign currency, the following guidelines apply to exchanges:

2.1.1. The “spot rate” is the rate of exchange to purchase foreign currency (normally the purchase of foreign currency for delivery within two business days);

2.1.2. Exchange at the time the foreign currency is needed for immediate funding requirements. DOs should ensure that payment is made for foreign currency purchases on the value date;

2.1.3. Speculation in foreign currency is prohibited;

2.1.4. Any change in program costs resulting from the use of foreign currency in international financial arrangements is the responsibility of the involved U.S. or foreign program agencies;

2.1.5. Foreign currency may not be purchased by forward contracts directly from foreign governments, private firms, or individuals at a negotiated rate without prior Treasury authorization. Submit such requests for authorization through the Defense Finance and Accounting Service (DFAS), Disbursing Policy (DFAS-ZPTA), 8899 East 56th Street, Indianapolis, IN 46249-0500 (dfas-in.disbursingpolicy@mail.mil);

2.1.6. Limit DO foreign currency holdings in a safe, vault, or an LDA to no more than seven business days requirement, unless an increase has been authorized by the Treasury (see Chapter 14, subparagraph 3.10.2.2). This includes foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations. Limiting foreign currency holdings may minimize deficiencies due to rate devaluations and avoid premature drawdown from the Treasury;

2.1.7. Acquire foreign coins only to fill specific needs or when received as a change incident to an official cash payment in foreign funds. Coins present problems due to weight, storage, transportation, and disposition; and

2.1.8. Prepare foreign currency reports following section 7.0.

2.2 U.S. Government Sources

Procurement of foreign currency from U.S. Government or commercial sources requires a certificate or statement showing the amount purchased, the rate of exchange, the amount of USDs paid, the date, and the source/seller. Include the certificate or statement with the monthly financial reports. DOs may use ITS.gov to acquire foreign currency via electronic funds transfer. Each exchange voucher must be submitted in support of the accounts of the disbursing office and attached to monthly Standard Form (SF) 1219, Statement of Accountability. A DO may also obtain foreign currency from the following sources:

2.2.1. U.S. Government Sources. Other U.S. Government sources include DoD DOs, U.S. DOs (USDOs), cashiers at American Embassies, or the Federal Reserve Bank of New York (FRBNY). Normally, the DO draws a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 2.5.1.1) and endorses it to the order of the officer furnishing the foreign exchange. When foreign currency is purchased from a USDO or an American Embassy cashier, the check may be issued to the American Embassy. When foreign currency is purchased from the FRBNY, the DO makes appropriate shipping arrangements; and

2.2.2. DoD Military Banking Facility (MBF). When possible, DOs can purchase foreign currency from a MBF (includes funds for LDAs) using a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 2.5.1.1).

2.3 Currency Custody Accounts

Absent ready-access to the Federal Reserve System, the DO can request approval from the Treasury to establish currency custody LDAs with the government's contractor-operated MBF.

The DO must settle daily with the MBF. The currency custody LDA assures the availability of U.S. currency to support the dollar economy created by U.S. Armed Forces stationed overseas. Report the balance held in custody accounts on the Custody or Contingency Cash of the DoD ***DD Form 2657***, Daily Statement of Accountability, reflected in the DO Cash Treasury Account Symbol (TAS), and the SF 1219.

2.4 Purchase From Individuals and Collections From Foreign Vendors

Subject to the provisions outlined in subparagraph 3.3.4, DOs may purchase foreign currency from individuals. DOs may also receive foreign currency either as refunds from foreign vendors or in payment for sale of excess foreign property in accordance with the DoD Manual ***(DoDM), 4160.21-V1***. Foreign currency sales receipts from post offices, exchanges, commissaries, and other nonappropriated fund activities are not collections by the disbursing office, but may be acquired by purchase only to the extent necessary to acquire foreign exchange for the LDA.

3.0 FOREIGN EXCHANGE TRANSACTIONS

3.1 International and Foreign Exchange

International and foreign exchange includes policy on the use of U.S. Government funds in international programs and on foreign exchange and interest costs to the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs (e.g., procurement, research, co-development, co-production, grants, or other transactions) that require the:

3.1.1. Outlay of USDs or foreign currencies;

3.1.2. Inflow of funds from foreign countries; and/or

3.1.3. Exchange of USDs and foreign currencies.

3.2 Policies for Financial Transactions

3.2.1. In addition to the foreign exchange guidelines provided in paragraph 2.1, the following general policies apply to financial transactions.

3.2.1.1. Withdraw dollars from the Treasury on behalf of any program management organization only as needed. Base withdrawal on the recipient organization's funding requirements to carry out the project.

3.2.1.2. Negotiate to provide for dollar outlays as close as possible to their need for current program expenditure to support international programs requiring U.S. funding.

3.2.1.3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part of this funding derived from interest earned on U.S. contributions. DoD Components are responsible to ensure that any interest earned is deposited promptly to the Treasury General Fund Receipt Account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other).

3.2.1.4. Consider the fiscal needs and funding policy issues or concerns of each participating country or international organization, provided that U.S. Government cash management policies are not compromised.

3.2.1.5. Arrange to accommodate the financial policies of each participating country or organization to the maximum extent feasible. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, retain USDs in the Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt.

3.2.1.6. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of USDs in trust in a Treasury account based on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to the DFAS-ZPTA/IN (dfas-in.disbursingpolicy@mail.mil).

3.2.1.7. DoD Components may not invest funds on behalf of a foreign country or international organization when receipt of such funds serves as a basis for creating contract obligation authority for the DoD Component or other U.S. Government department or agency.

3.2.1.8. Ensure that application of these general policies in negotiations with foreign countries and international organizations are not compromised by DoD Component administrative practices.

3.2.1.9. Process requests for exceptions in accordance with Chapter 1, paragraph 1.3.

3.2.2. Specific Policies. See Volume 12, Chapter 9 for financial policies related to international agreements.

3.3 Accommodation Exchange Services

3.3.1. Definition. Accommodation exchange services are the exchange of U.S. Treasury checks or other USD instruments for USDs (e.g., check cashing), the exchange of USDs or dollar instruments for foreign currency or, where permitted, the exchange of foreign currency for USD instruments. See Chapter 4, sections 2.0 and 3.0 for accommodation exchange services to include limitation, personnel eligibility, and the required internal controls for exchanging cash for negotiable instruments.

3.3.2. Authorization

3.3.2.1. Commanders may approve and implement accommodation exchange services only after determining that:

3.3.2.1.1. Contract MBFs, other on-base financial institutions, exchanges, commissaries, or U.S. Postal facilities cannot fulfill the needs of DoD personnel;

3.3.2.1.2. The DO or agent has an immediate need for the foreign currency repurchased; or

3.3.2.1.3. Resources are available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

3.3.2.2. When satisfactory local banking facilities are not available to conduct accommodation transactions; and after the establishment of written check cashing policy approved by the commander, DOs may use official funds to:

3.3.2.2.1. Disburse foreign currency for checks, drafts, bills of exchange, and other instruments payable in USDs; and

3.3.2.2.2. Cash foreign currency checks drawn by accountable officers of the U.S. on non-symbol checking accounts for the same currency in which drawn, when the currency is needed by the officer for official purposes.

3.3.3. Sale of Foreign Currency to Individuals. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoD MBF contract. In countries served by these MBFs, DOs providing accommodation exchange services obtain needed foreign currency from the MBF and make those exchanges at the accommodation rate. DoD personnel may not receive accommodation exchange service from USDOs or Treasury DOs in areas where those services are provided by DoD DOs. DoD personnel assigned or attached to U.S. embassy duty may use available embassy cashier services. DOs, agents, and cashiers making these accommodation exchanges maintain the ***DD Form 2664***, Currency Exchange Record, Record of Individual Exchange Transactions, daily to ensure implementation of the requirements in section 7.0.

3.3.4. Purchase of Foreign Currency From Individuals. By policy, DOs are prohibited from purchasing foreign currency from individuals in areas served by MBFs under DoD contract. In areas not served by contract MBFs, DOs may purchase foreign currency or instruments payable in foreign currency in exchange for USDs or dollar instruments before their departure on home leave or completion of their foreign assignment. When purchasing foreign currency or instruments payable in foreign currency for USDs or dollar instruments, DOs must comply with the following:

3.3.4.1. If the amount of foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be purchased without requiring documentation of any kind from the departing individual;

3.3.4.2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 3.3.4.1, the requestor must submit a written application to the commander for approval of the purchase. The application must include a statement describing the source of the currency and a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned; and

3.3.4.3. The purchase of the foreign currency with USDs must consider the DO's immediate foreign currency disbursing requirements (see section 2.0). A DO may suspend making accommodation exchanges for such time and to such extent necessary to carry out their other responsibilities;

3.3.4.4. Purchase the foreign currency at the prevailing market rate; and

3.3.4.5. Keep a DD 2664 daily to reflect the amount and source of purchased funds.

3.3.5. Safe Haven Posts. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoD personnel at safe haven areas to which they were ordered by competent authority in the event of emergency evacuation. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies.

4.0 CURRENCY RATE OF EXCHANGE

4.1 Prevailing Rate of Exchange

4.1.1. Definition. The prevailing rate of exchange is the most favorable rate legally available to the U.S. Government for acquisition of foreign currency for official disbursement and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the sources provided in paragraph 2.2, maintain separate accountability for exchange rate adjustments.

4.1.2. Rate of Exchange. Unless otherwise authorized by the Treasury, carry all foreign currency, including amounts held in LDAs, at the prevailing rate of exchange. Foreign currency acquired without purchase includes burdensharing contributions made in host nation currency and held in accounts authorized by ***10 U.S.C. § 2350j***. Compute disbursements for official expenditures or accommodation exchange transactions to avoid gains or deficiencies due to fluctuations in rates of exchange to the extent possible. If there is no rate of exchange established by agreement between the U.S. Government and the foreign country or where no MBF is available, conduct foreign currency transactions at the prevailing rate using the rate of exchange of the currency on hand as determined by the method outlined in paragraph 4.2.

4.1.3. Non-Government Sources. When purchasing from sources other than the U.S. Government, DOs should acquire foreign exchange at the best rate available (e.g., fixed or non-fixed legal rate) in which the exchange is being expended. Follow DoS regulations or the currency control laws of the country where the currency will be used. Draw Treasury checks to

obtain foreign exchange from commercial sources in favor of the DO and endorse them to the order of the banking institution or commercial enterprise providing the funds.

4.1.3.1. Fixed Legal Rate. The best fixed legal rate to the U.S. Government, depending upon the circumstances in each country, may be any officially established buying rate for dollars, including diplomatic rates or special rates established by agreement with the authorities of the country. When this type of fixed legal rate prevails, agencies should purchase foreign exchange at the best applicable rates to the particular transaction. They may affect purchases at fixed legal rates without the formality of obtaining bids, but the purchases should be evidenced by a statement over the signature of the seller setting forth the pertinent data relative to the purchase. This data includes the date, amount of purchase, and exchange rate. The DO should retain the statement as a supporting document with the SF 1219 (see Chapter 15, section 8.0).

4.1.3.2. Non-Fixed Legal Rate. When rates legally applicable to the particular transaction are not fixed, or when such rates are fixed but the use of other rates is also legal for the particular transactions, DOs should purchase foreign exchange at the best obtainable rate. When foreign exchange can be purchased at a non-fixed legal rate, DOs should solicit bids from not less than three sources if available.

4.1.3.2.1. When a DO obtains foreign currency from a commercial source in a country where the rate of exchange is not established by agreement between the U.S. and the foreign country, use ***DD Form 2668***, Request for Bid (Purchase/Sale), in duplicate to obtain written bids from at least three legally authorized sources, when available.

4.1.3.2.2. When practical, solicit bids from sources outside the country of the currency involved. Accept the bid providing the most beneficial exchange rate to the U.S. Government. The DO includes a copy of the certified and accepted bid as a supporting document with the financial reports and keeps a copy of it to substantiate the place of purchase if some of the currency is eventually sold through commercial channels. The DO should retain documentation stating the most beneficial bid, accepted and certified, with the SF 1219.

4.2 Recomputed Rate of Exchange

The DO will need to recompute the operating rate of exchange if the rate of exchange of the newly acquired foreign currency differs from that of the DO's current balance. The DO then disburses from their account using the recomputed rate of exchange.

4.2.1. Determining the New Rate of Exchange. Determine the new rate of exchange by adding the USD equivalent (USDE) value of the foreign currency on hand before the new acquisition to the USDE value of the additional foreign currency purchased and divide the total into the new total of foreign currency units on hand; round the result to five decimal places. Do not adjust the rate until new foreign currency units are acquired.

4.2.2. Certificate of Change. The DO, or Deputy DO (DDO), prepares a certificate of change similar to the example in Figure 13-1, and submits the certificate with the next SF 1219. When possible, determine the value of foreign currency on hand (including LDAs) at the beginning of the business day. If recomputation of the rate of exchange for foreign currency on hand is required during a business day, enter the voucher number of the last disbursement or collection voucher processed under the old rate of exchange on the certificate of revaluation. If there were no vouchers processed during the current business day, so state.

4.2.3. Adjustments Due to Rounding. Due to the rounding on individual disbursements and collection transactions, a difference in the USD value of foreign currency on hand may occur and cause a minor gain or deficiency. The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact USD value of foreign currency on hand. To account for minor gains or deficiencies, the DO adjusts the USD value of foreign currency on hand as part of the daily balancing process. For example, the following reflects transactions occurring on January 3, 20XX:

FOREIGN UNITS	USD VALUE	RATE OF EXCHANGE
107,275,503 (Balance)	$ 854,512.60	125.53999
751,883,562 (Purchased)	6,000,000.00	125.31393
859,159,065 (Balance)	$6,854,512.60	125.34211
- 9,396,641 (Disbursed)	74,967.95	125.34211
849,762,424	$6,779,544.65	125.34211

Actual USD Value: 849,762,424 (# of foreign units) divided by the recomputed rate of exchange (125.34211) = $6,779,544.59. The results indicate a minor deficiency of $.06 ($6,779,544.65 less $6,779,544.59) due to rounding of individual vouchers.

4.2.4. New Rate of Exchange. When computing a new rate of exchange to purchase additional foreign currency, the number of foreign units divided by the rate of exchange may not always accurately reflect the USD value. The rate of exchange for newly acquired foreign currency often differs from that of the balance on hand before the purchase.

4.2.4.1. Gains and Deficiencies Due to Rounding. Credit gains or charge deficiencies due to rounding to account 6763 (Gains and Deficiencies on Exchange Transactions) using ***DD Form 1131***, Cash Collection Voucher, or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, as appropriate. Attach a Certificate of Adjustment as prescribed in subparagraph 4.2.4.2, to the voucher to support the transaction.

4.2.4.2. Certificate of Adjustment. The DO or DDO prepares and signs a Certificate of Adjustment Due to Rounding (see Figure 13-2) when a minor gain or deficiency results.

4.2.5. Foreign Currency Revaluation. Any change in the prevailing rate of exchange causes a gain or deficiency by revaluation since there is a change in the USD value of the foreign currency, except when using the method outlined in subparagraph 4.2.4.1. Whenever possible, revalue the foreign currency on hand (including LDAs) at the beginning of the business day on

which a rate change occurs. Determine the new USD value by dividing the total foreign currency on hand (including LDAs) by the new exchange rate, and whether a gain or deficiency by revaluation has occurred by comparing the USD value at the old rate to the USD value at the new rate. Because DOs carry foreign currency held in the disbursing account at the USD value, adjust that value by the amount of the gain or deficiency (loss) by recording the gain or deficiency by revaluation as a collection or disbursement transaction in the DO's account.

4.2.6. Gains and Deficiencies by Revaluation. Gains and deficiencies may occur due to rounding or revaluation. Except when using the method outlined in subparagraph 4.2.4.1, credit foreign currency gains utilizing a DD 1131 and charge foreign currency deficiencies utilizing a SF 1034. Gains and deficiencies are reported through Classification Transactions and Accountability citing an increase or decrease to account 6763, and the DO Cash TAS along with the proper Business Event Type Codes. Calculate gain/deficiency values for each currency individually by DO/DDO/agent/cashier to keep personal accountability accurate. DOs may consolidate the "net" change for all currencies on a single DD 1131 or SF 1034, as appropriate.

4.2.7. Balance-of-Payments. Code all credits and charges to account 6763 as USD transactions. Use account 6763 only for gains and deficiencies due to foreign currency revaluations. Account 6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense (FCFCD) accounts used for differences between budgeted foreign currency rates at which obligations are recorded and the rates at which they are liquidated. Reflect the FCFD and FCFCD portions of foreign currency disbursements separately on disbursement vouchers as charges to the appropriate foreign currency centrally-managed allotment account set up for that purpose.

4.2.8. Gains or Deficiencies on Security Deposits Due to Foreign Currency Fluctuation

4.2.8.1. Policy

4.2.8.1.1. Service members stationed in overseas areas are authorized advanced overseas housing allowance for security deposits to obtain leased housing. As authorized by the ***Defense Travel Management Office***, the supporting DO pays the necessary amount in the appropriate local currency and charges the appropriate military pay appropriation for the USDE. The preferred method for paying advanced housing allowance is a LDA check in the local currency of the area involved.

4.2.8.1.2. For disbursing offices that do not maintain an LDA in the required currency, the member presents a copy of the lease agreement containing the amount of foreign currency needed to initiate the lease contract. The disbursing office contacts the local MBF to determine the foreign currency exchange rate on the date the advance is to be paid and computes the USD amount. The appropriate military pay entitlement office prepares and certifies the appropriate voucher for payment of the advance in USD, and charges the appropriate military pay appropriation. The service member converts the payment to local currency at the MBF.

4.2.8.1.3. The supporting finance office maintains a tracking system, either by input into the master military pay account (MMPA) or by manual methods, showing the amount of the advance paid in local currency, the USDE, and the exchange rate on the date of payment.

4.2.8.2. Lease Termination

4.2.8.2.1. At lease termination, service members return the total amount of the deposit in local currency to the supporting disbursing office in exchange for a receipt. The supporting disbursing office credits the USDE based on the rate of exchange in effect on the date of the return to the appropriation charged when the deposit was advanced; compares that rate of exchange with the rate in effect on the date of the advance; and posts any gain or deficiency (loss) due to currency fluctuation as a charge or credit, as appropriate, to the current military pay appropriation.

4.2.8.2.2. If the security deposit was paid in USD, the service member takes the full value of the security deposit in foreign currency to the MBF, converts it to U.S. currency, obtains a receipt indicating the exchange rate, and turns in the U.S. currency and receipt to the disbursing office. The disbursing office prepares a collection voucher for credit to the appropriate military pay appropriation, indicates return of the security deposit, verifies with the MMPA or local record whether a gain or deficiency has occurred for the current exchange rate, and prepares the appropriate voucher to credit or debit the gain or deficiency to the appropriate military pay appropriation. Ensure that the member does not experience any gain or deficiency due to foreign currency fluctuations.

4.3 Obtaining Weekly Foreign Currency Exchange Rates

The ***Federal Reserve Bank*** provides weekly foreign currency exchange rates at their website.

5.0 USE OF FOREIGN CURRENCIES FOR TRANSPORTATION

5.1 Transportation Payment

To the maximum extent possible, use U.S. owned foreign currencies for transportation when certified air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Review ***DoD Directive 4500.09E***, Transportation and Traffic Management, for guidance on the use of these air carriers and determination of their availability. In issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly “PAYMENT IN (foreign currency)” on the form. Otherwise, the carrier may demand payment in USDs.

5.2 Transportation Billing

DOs should ensure to include in the "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document:

5.2.1. Name of the requesting agency;

5.2.2. Address to be billed; and

5.2.3. Instruction on payment in foreign currency.

6.0 DISPOSITION OF FOREIGN CURRENCY AND NEGOTIABLE INSTRUMENTS

6.1 Payments to Authorized Personnel

DOs may use foreign currency for payments to foreign personnel and vendors. For miscellaneous advance payments, see Volume 10, Chapter 4, paragraph 4.8.

6.2 Disposition of Excess Foreign Funds

When possible, transfer foreign currency excess to other DoD DOs, USDOs, U.S. Embassies, or accountable officers in a particular locality with immediate disbursing needs. When the collection of foreign currency causes a noninterest bearing LDA to exceed immediate disbursing requirements, see Chapter 14, subparagraph 3.10.2.2.

6.2.1. Sale to Another DoD Disbursing Office

6.2.1.1. Sort checks, drafts, and money orders payable in foreign currency by the geographical location of the institutions on which they were drawn and send them by registered mail or courier to a DoD DO located in the country of the monetary unit involved. Send them with a completed DD Form 165, Shipment of Funds, and a letter of transmittal addressed to "DO (activity of addressee)" (see Chapter 3, section 5.0). Include a request for a U.S. Treasury exchange-for-cash check with the letter of transmittal. Identify the country, type, amount, exchange rate, and USD value of the instruments on the DD 165. Endorse the instruments "Pay to the order of '*Disbursing Officer, Activity of Addressee*', (Signature of sender)." When there is no DoD DO in the country involved, deposit the instruments in accordance with the I TFM 5-6000.

6.2.1.2. Send other than local currencies, and currencies not required for official purposes to a DoD DO that needs them, or to a DO located in the country where the currency is legal tender. Exchange the foreign currency for U.S. currency or a U.S. Treasury exchange-for-cash check. When using registered mail or courier, include a completed DD 165 and letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Include the country, type, amount, exchange rate, and USD value of the foreign currency on the DD 165. Do not send foreign coins for exchange except under unusual circumstances and with the prior concurrence of the intended recipient.

6.2.1.3. Use the prevailing rate of exchange on the date of the seller's transmittal and the prevailing rate on the date of receipt for the buyer. Since the prevailing rate is the holding rate for the receiving office, there will be no gain or deficiency in the receiving office's accounts. The selling office accounts for any gain or deficiency due to exchange rate fluctuations when it receives the U.S. Treasury exchange-for-cash check.

6.2.2. Sale to an MBF. A DO may sell excess foreign currency to an MBF whenever the currency cannot be sold to another DoD DO. The selling DO uses the MBF "buy rate" as the rate of exchange on the date it sends the currency to the MBF, and accounts for any gain or deficiency due to exchange rate fluctuations when it receives the USD from the MBF.

6.2.3. Sale Through Commercial Channels. If foreign currency cannot be sold, a DO may sell it through commercial channels. If the rate of exchange has been established by agreement between the U.S. and the foreign country, sell or otherwise dispose of foreign currency for U.S. currency or USD checks at the established rate of exchange.

6.2.3.1. For this type of sale, the bank or other entity to which the foreign currency is sold provides a statement showing the amount of USD supplied, rate of exchange, amount of foreign currency received, date, and name and address of the bank or other entity. The recipient's representative signs the statement and the DO includes it with the financial reports. A DO may also conduct foreign currency sale transactions with a bank or entity approved by the Treasury (e.g., an MBF) to establish LDAs in the currency purchased (see Chapter 14, section 3.0).

6.2.3.2. When the rate of exchange is not established by agreement between the U.S. and the foreign country, or if there is not a bank or entity approved by the Treasury to establish LDAs, use a DD 2668 to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. Sell the foreign currency to the bidder submitting the most beneficial bid as certified by a commissioned officer other than the DO; the DO accepts it and includes it with the financial reports to support gains or deficiencies in foreign currency transactions.

6.2.4. Deposits to the Credit of the Treasury. If disposition is not possible through a DoD DO or an MBF, follow guidance in the I TFM 5-6000 for deposits of foreign currency and checks drawn on foreign banks.

6.2.5. Deposits. Pending receipt of the confirmed copy of the deposit ticket, record the deposit in Cash in Transit of the DD 2657 at the USD value of the funds when the deposit was mailed. If the confirmed copy of the deposit ticket is not received before the end of the month of mailing, report the item on line 6.7 of the SF 1219. The depositary enters the net USD proceeds in Block 4 of the deposit ticket and distributes the copies as for any regular deposit.

6.2.5.1. Upon receipt of the confirmed deposit ticket, the DO enters the confirmed amount in Deposits Presented or Mailed to Bank on the DD 2657. Account for any difference in the amount of the confirmed deposit ticket and the amount at which carried by the DO on Cash in Transit (as distinguished from exchange fees and collection charges) as either a gain or deficiency by exchange transaction as prescribed in section 3.0.

6.2.5.2. Do not report deposits of foreign negotiable instruments under the "Gross Accountability" section until receipt of the confirmed copy of the deposit ticket because the USD value to be reported as deposited is not known to the DO until then.

6.3 Dishonored Foreign Checks, Drafts, and Money Orders

Dishonored foreign instruments received by DoD DOs are subject to the regular debt collection procedures. DOs must request removal of dishonored item deficiencies for instruments received that become uncollectible (see Chapter 4, section 5.1).

6.4 Mutilated or Unfit Foreign Currency

DOs should take every possible precaution to prevent acceptance of mutilated foreign currency as a collection, payment, or an exchange transaction. If a DO is holding mutilated foreign currency, the DO must contact local banks or fiscal authorities to arrange for the exchange of mutilated or unfit currency for fit currency.

6.5 Counterfeit or Altered Foreign Currency

DOs should take every possible precaution to prevent acceptance of counterfeit currency as a collection. If the collection is counterfeit, see section 2030.50 in ***I TFM 5-2000***. If no agreement exists with the foreign government, then ship the currency to the appropriate investigative agency or nearest military security agency. Obtain a receipt for the currency, and account for it in the DO's records in the same manner prescribed in Chapter 3, section 7.0 for counterfeit U.S. currency. A DO considered at fault in acquiring counterfeit foreign currency is accountable for the value of the currency. Submit a request for relief of liability pursuant to the process outlined in Chapter 6, section 6.0. This is the same process that is used for accountability for receipt of counterfeit U.S. currency.

7.0 RECORDS AND REPORTS

7.1 Treatment of Transactions

Treat transactions involving foreign currency as cash transactions and follow the same principles and guidelines established for controlling U.S. currency. DOs, DDOs, agents, and cashiers who engage in foreign currency transactions (e.g., collections, disbursements, and accommodation exchanges) must document them on the ***DD Form 2663***, Foreign Currency Control Record. This form shows current balances of foreign currency on hand (all foreign currency held by cashiers, in the vault, or by other agents of the DO) and in LDAs, as well as the detailed transactions that increase or decrease these balances.

7.2 DD Form 2663, Foreign Currency Control Record

Maintain separate DD 2663s for each type of foreign currency used (e.g., Kuwaiti Dinar, Euro, and Japanese Yen). Also maintain a separate DD 2663 for accommodation exchange foreign currency carried at an exchange rate different from that used for disbursements. DOs may maintain separate DD 2663s for foreign currency on hand and in LDAs.

7.3 Foreign Currency Reports

7.3.1. DO. Include with the foreign currency reports a cover sheet with the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum-Dollar Outlay for Accommodation Exchanges. Reports are due within 15 calendar days after the close of each quarter to the supporting DFAS site. Reports may be combined and submitted as one report.

7.3.1.1. Cumulative Report of Foreign Currency Purchased With USD From Sources Outside the U.S. Government. This report is cumulative for the fiscal year. Include the amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange.

7.3.1.2. Report of the Balance of Foreign Currency Held Under Dollar Accountability. This report is due by the end of each quarter to the same DFAS site as the cumulative report. It may be combined with the cumulative report.

7.3.1.3. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury. This report is a cumulative report of outside purchases and quarterly report of balances of foreign currency on hand. These funds are received for such things as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Exclude repayments to appropriations.

7.3.2. Consolidated Quarterly Reports of DOs. DFAS sites will consolidate the DOs quarterly reports and forward them to DFAS, Departmental Reporting Directorate, Treasury Division, Reporting Operations Branch, Column 334Z-1, 8899 E. 56th Street, Indianapolis, IN 46249, in time to be delivered to the Treasury 45 calendar days after the close of each quarter.

7.3.3. SF 1219. Report foreign currency balances held in USDE on the SF 1219 including those in LDAs.

8.0 CONTINGENCY OPERATIONS IN FOREIGN TERRITORIES

Information pertaining to Contingency Operations in Foreign Territories can be found in Volume 12, Chapter 29, “Administering, Using, and Accounting for Seized and/or Vested Funds and Property During Contingency Operations.”

Figure 13-1. Sample Certificate of Change in Purchase Rate

3RD MARINE LOGISTICS GROUP
FLEET MARINE FORCE, PACIFIC
FPO AP

October 4, 20XX

CERTIFICATE OF CHANGE IN PURCHASE RATE

	Yen	Exchange Rate	U.S. Dollars
Total amount of Japanese Yen on hand at close of business October 3, 20XX	220,000	97.99991	$2,244.90
Japanese Yen received this date through sale of Treasury Check No. 196,240 for $1,960.78	200,000	102.00022	$1,960.78
Totals	420,000	99.86494	$4,205.68

420,000 Yen divided by $4,205.68 equals 99.86494, which is the new exchange rate for Japanese Yen on hand. This rate is based on the prior purchase exchange rate and the new exchange purchase rate for Yen purchased on October 4, 20XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK
DSSN 6870

Figure 13-2. Sample Certificate of Adjustment Due to Rounding

U.S. NAVAL STATION
JAPAN

January 3, 20XX

CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING

YEN	US DOLLAR VALUE (based on individual cumulative transactions)	US DOLLAR VALUE (based on rate of exchange of 0.0089=$1.00	DIFFERENCE (deficiency)gain
7,254,123.47	$64,385.50	$64,385.57	$0.07

J. A. HANCOCK
Symbol 6870

VOLUME 5, CHAPTER 14: "LIMITED DEPOSITARY CHECKING ACCOUNTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
7.2	Added guidance for indemnification of lost, stolen, mutilated, or destroyed checks from the Treasury Financial Manual, Volume 1, Part 5, Chapter 5000, section 5035.20.	Addition

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CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS

1.0 GENERAL

1.1 Overview

If the U.S. Department of the Treasury's (Treasury) International Treasury Services (ITS.gov) will not support mission requirements, DoD disbursing officers (DOs) may maintain official limited depositary accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currencies with banks designated by the Treasury as "Depositaries of Public Moneys of the United States." LDAs are considered cash and investments held outside treasury funds and must be reflected in the DO Cash Treasury Account Symbol. LDA transactions follow the same reporting process to the Payment Information Repository (obtaining funds) and the Classification Transactions and Accountability (cash disbursement and collections) as U.S. dollar transactions. LDA transactions are recorded on the DoD ***(DD) 2657***, Daily Statement of Accountability and the Standard Form (SF) 1219, Statement of Accountability.

1.2 Purpose

This chapter provides policy on the establishment and maintenance of LDAs by DoD DOs.

1.3 Authoritative Guidance

Treasury is authorized by Title 31, United States Code (U.S.C.), section 3303, (***31 U.S.C. § 3303***), to select financial institutions to maintain U.S. Government operated accounts based on obtaining the most beneficial banking arrangement available to transact business. Preference should be given to American financial institutions unless a local bank's arrangement is more advantageous to the United States. See implementing guidance in Title 31, Code of Federal Regulations (CFR), sections 202.1, (***31 CFR § 202.1***), ***31 CFR § 281.6***, and ***31 CFR § 281.7***.

2.0 SOLICITATION

2.1 Overview

2.1.1. New LDAs. A DO (or designated deputy DO (DDO)) confers with the local U.S. Embassy or Consulate for assistance to determine which banks meet the criteria to maintain an account. When anticipating the establishment of a new LDA, a DO solicits all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. The solicitation process must be competitive to allow all banks to submit written information on identical questionnaires or requests for banking proposals. To determine the most beneficial arrangement, a DO considers, in descending order of importance, (1) standard operating services minimally required, (2) customary local banking practices (e.g., telex cost or armored car service), and (3) other special services that may be necessary in a particular country or circumstance (e.g., payment of interest on the account, waiver of miscellaneous charges). The required services must include:

2.1.1.1. Capability to honor payments to payees in outlying areas;

2.1.1.2. Processing of checks and, if possible, EFTs and deposits;

2.1.1.3. Provision of a daily or a monthly bank statement as needed; and

2.1.1.4. Acceptance of the DO's funding procedures.

2.1.2. LDA Banks. DOs ensure that banks are valid, reflect a high level of American ownership, are financially secure, are dependable, and are reliable financial institutions to avoid losses and ensure the protection of U.S. Government funds. Unsolicited proposals from financial institutions to operate an existing LDA may be received any time, and the LDA is open to all interested financial institutions.

2.2 Requesting an LDA

A DO, upon selecting a reliable financial institution with beneficial banking arrangements, sends a request for approval and designation of an LDA to the Enterprise Solutions and Standards (ESS) Disbursing, Defense Finance and Accounting Service (DFAS), ESS Disbursing, Indianapolis (DFAS-JJFKCD/IN), 8899 E. 56th Street, Column 301S, Indianapolis, IN 46249 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil)). ESS Disbursing will review and send the request to the Treasury's Bureau of the Fiscal Service before the account is established.

2.2.1. Requests for U.S. dollar (USD) accounts must include documentation indicating that the DO requested and received a commitment to pledge collateral from the bank suggested for selection. If the bank agrees to pledge collateral, the DO may request a USD operating account; otherwise, the DO may request only a USD zero-balance account.

2.2.1.1. A request for an LDA should include the:

2.2.1.2. Disbursing station symbol number (DSSN);

2.2.1.3. Justification for the account, to include the reason(s) why ITS.gov will not support mission requirements;

2.2.1.4. Location;

2.2.1.5. Name of the currency;

2.2.1.6. Criteria for determining the preferred bank and reasons for recommending its selection (e.g., results of the competitive process);

2.2.1.7. Name of proposed bank;

2.2.1.8. Bank address;

2.2.1.9. Name and title of bank official and telephone number(s);

2.2.1.10. Percentage of ownership by a U.S. bank;

2.2.1.11. Name of the correspondent bank (if any) in the United States, the account number, and a point of contact (e.g., name, title, and telephone number); and

2.2.1.12. Business need or statutory authority for any balance that may exceed the 5-to-7 business day supply requirement. Note: Approved LDA requests that include requirements for balances to exceed the 5-to-7 business day supply will require a waiver from Treasury as stated in subparagraph 3.10.2.2.

3.0 ESTABLISHING AND MAINTAINING AN LDA

3.1 Establishment

Once Treasury approves a request, establish the LDA in the name of the assigned DO, DDO, or another agent the DO designates. Limit the authority to sign checks drawn on the LDA to the DO and other appointed DDOs or agents. A DO who transacts business in multiple foreign currencies, must establish and maintain a separate LDA for each currency.

3.2 Letter of Authorization

The commander certifies by letter, the name and rank of the DO assigned to the activity, stating that the DO is authorized to maintain an LDA with official funds of the United States in the name of the activity. If the custodian of the LDA is a DDO or another agent of the DO, the commander's letter identifies that DDO or agent and:

3.2.1. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in the office;

3.2.2. Includes signature specimens of the DOs and authorized DDOs and agents, and a certification that the signatures are those of the personnel authorized to transact business with the limited depositary (LD); and

3.2.3. Requests the bank acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

3.3 Blank LD Checks

3.3.1. Procurement. LD checks are not available through the Treasury check contract. Order checks from the bank maintaining the LDA, charging their procurement cost to the disbursing activity's operating funds.

3.3.2. Print Order Requirements. Obtain LD checks in continuous form format for mechanized systems. The checks must be overprinted to provide the serial number of the check, name of the activity, any limited-payable notices as may apply in the foreign nation, and information necessary for security and accounting for check issues.

3.3.3. Security. Control and safeguard blank LD checks in the same manner as prescribed for Treasury checks in Chapter 7, paragraph 3.7. If LD checks are lost or stolen, the DO immediately notifies the LD of the serial numbers of those checks, places stop-payments against them, and submits copies of the stop-payment requests with the next original LD reports.

3.3.4. Relief of DO. Transfer unused LD checks to the relieving officer, with no change in serial numbers, for their use.

3.3.5. LDA No Longer Required. When an LDA is no longer required or when a disbursing office is deactivated, void all unused blank LD checks and destroy them (see Chapter 7, paragraphs 9.1 and 9.3).

3.4 Preparation of LD Checks

3.4.1. Production of Checks. Prepare LD checks using automated check writing equipment, if available, or a typewriter, if necessary.

3.4.2. Record of Check Issues. DOs maintain a record of all LD checks issued. The record includes payee names, voucher numbers, amounts (in the currency of the check), check serial numbers, check dates, and activity name under which the account is established. Other information as to the purpose for which checks are issued and local identification codes is optional at the issuing DO's discretion. The record may be on paper, electronic, or in media designed for data processing use. Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

3.5 Disbursement Vouchers

When a payment is made with an LD check, enter the notation "LD Check No. X," on the disbursement voucher. Although a receipt is not generally required for a check payment, local laws may prohibit LD checks drawn outside the United States from being returned to the drawer. In these cases, show evidence of receipt of the payment on the voucher on which an LD check payment appears in one of the following two ways:

3.5.1. Signature on Original Voucher. Submit the original voucher as a part of the financial reports for the month of payment; or

3.5.2. Periodic Statements From Depositary. Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and the DO, are satisfactory evidence of payment. The certificate of the bank should say, "I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement, and that the originals of the checks are on file in this bank

and will be held for X years." The DO certifies to the reconciliation of the bank statement with the disbursing records.

3.6 Delivery of Checks

Before mailing any LD checks outside the country in which the LD is located, the DO verifies that such action is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved (see Chapter 7, paragraph 6.4).

3.7 Irregularity After Delivery of Checks

When an irregularity occurs after check delivery and the check is still outstanding, stop payment of the check. Provide a complete report of the facts with the request for stoppage. If the irregularity is discovered after payment of the check, the DO notifies the depositary of the irregularity.

3.8 Interest on Deposits

In some cases, LDs pay interest on LDAs. When possible, the DO obtains interest on the LDA. The DO canvasses the market to obtain the highest interest rate legally available consistent with disbursing requirements and monitors the interest-bearing accounts to ensure the interest is paid timely following agreements between the DO and the banks. When notified that interest has been credited to the account, the DO prepares a ***(DD) Form 1131***, Cash Collection Voucher, crediting 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other) for the U.S. dollar equivalent (USDE) of the interest and records the transaction as both a collection and an increase.

3.9 Account Balances

Keep daily LDA balances as near zero as possible, maintaining them solely to support disbursing requirements. Draw LDA checks against new deposits only after receipt of confirmation of the deposits from the LD. If foreign currency collections cause a non-interest bearing LDA to exceed a 5-to-7 business day supply and all attempts to sell the currencies to other DOs are exhausted, the DO sells the foreign currency for USDs for deposit to a bank designated as a Treasury General Depositary or requests a waiver per subparagraph 3.10.2.2. LDAs approved to hold funds beyond the 5-to-7 business day supply do not require a reduction of the account balance, but they must comply with any stipulations cited in the LDA request approval (see subparagraph 2.2.1.12). Do not use LDA balances (or the forfeiture of potential interest earnings on the account) to subsidize banking services otherwise funded through the appropriation process.

3.10 Review of LDA

3.10.1. Commanders' Review. Commanders require review of DO's maintained LDAs to ensure compliance with this chapter. The cash verification team (see Appendix A) performs this unannounced review quarterly, upon transfer of accountability to a successor DO, before departure

of the outgoing DO from the command, upon deactivation of the LDA, or upon a change in the designated settlement office.

3.10.2. DOs' Review. DOs review LDAs on a continuing basis to ensure:

3.10.2.1. Maintenance of minimum account balances necessary to meet immediate disbursement needs (checks issued and in process);

3.10.2.2. Balances do not exceed immediate needs (typically a 5-to-7 business day supply). Transfer the excess funds beyond the immediate need to other DoD DOs, State Department U.S. DOs, or a U.S. Embassy; withdraw and deposit the funds with Treasury; or receive Treasury approval to exceed the 5-to-7 business day supply. Waivers to exceed the 5-to-7 business day supply must be requested from Treasury (see Treasury Financial Manual (TFM), Volume I, Part 4a, Chapter 3000, section 30140.20 ***(I 4A-30140.20)***). Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance for waiver requests;

3.10.2.3. The terms negotiated with the depositary are favorable to the U.S. Government including interest on the account at the highest possible rate;

3.10.2.4. At least every three years for each account, the DO determines if it may be cost effective to solicit competitive proposals from all American-owned and leading local financial institutions in the area to secure the most beneficial banking agreement; and

3.10.2.5. There are no significant events that affect the designated bank (e.g., bank closure). Immediately notify Treasury's Over-the-Counter Revenue Collection Division through DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 upon learning of a significant event that affects the designated bank.

3.11 Burdensharing and Overseas Relocation Contributions by Foreign Allies

See Volume 12, Chapter 24 for the overall policy and responsibilities for acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the DoD. DOs must include any burdensharing and relocation monetary contributions held in an LDA in the semiannual cash holding authority requests (see Chapter 3, paragraph 2.4). In addition, DOs must include any burdensharing and relocation monetary contributions held in an LDA in their ending accountability on the DD 2657 and in the DO Cash Treasury Account Symbol. Burdensharing and monetary contributions held in an LDA in excess of the 5-to-7 business day supply must be approved with the original LDA request (see subparagraph 2.2) or will require an approved waiver from Treasury (see subparagraph 3.10.2.2).

4.0 VOIDED AND SPOILED LD CHECKS

4.1 Disposition of LD Checks

Treat original LD checks that are not to be issued as voided or spoiled. Void LD checks with writing errors (e.g., wrong name or amount). In addition, void checks physically damaged

during preparation, or where the applicable entitlement area has withdrawn the voucher. Mark these checks conspicuously to prevent their negotiation, either in error or through fraud. Prepare separate listings of voided and spoiled checks monthly and attach them to the SF 1149, Statement of Designated Depositary Account.

4.2 Voided Checks

The functional area authorizing the payment of a voucher may request a check to be void. The DO bases their decision on the payee's non-entitlement to payment, or an error in the way the check was drawn. Do not report voided checks as issued in the DO's check report. Upon determination to void a check, render the check non-negotiable. Do not store voided checks in the safe or vault of the DO or any deputies or agents. Prepare a listing of voided checks, entitled "Voided Checks," showing the accounting month, the name of the LD, and the LDA number at the end of each month. Send the voided checks listing and the originals of all voided checks with the monthly SF 1149.

4.3 Spoiled Checks

A DO issuing a check determines when to report a check as spoiled, basing the decision on the physical appearance of the check (e.g., mutilated, torn, not whole, smudged, unreadable); or upon discovering an error in the preparation of the check, (e.g., voucher is correct, but the check data does not match).

4.3.1. Preparation of Check Listing. Prepare a separate listing of spoiled checks, entitled "Spoiled Checks," in check-number sequence at the end of each month, showing the accounting month, name of the LD, and LDA number. Send the listing and the original spoiled checks with the monthly SF 1149.

4.3.2. Spoiled Check Replacement. Replace a spoiled check with the next available serially numbered check. Enter the same information that appeared on the original check except for the check serial number and the check issue date. Render the original check non-negotiable.

5.0 TRANSFERRING PROCEEDS OF LD CHECKS

5.1 Uncurrent LD Check

An uncurrent LD check is a check that has not been negotiated through the LD one fiscal year after the fiscal year in which the check was issued, except where local laws mandate the negotiable period be shorter. The amount of these checks must be transferred to the Treasury or credited to the original appropriation. The transfer of LDA check proceeds may be due to undeliverable checks or checks due to payees that are deceased or incapacitated.

5.2 Uncurrent Check Transfers

The DO who issued the original check, a successor DO, or a settlement officer designated by the supporting DFAS site transfers proceeds of uncurrent checks to the Treasury each October.

5.2.1. Open LDAs

5.2.1.1. Preparation of Check Listing. Prepare an original and four copies of check listing for each LDA, with the DO's name, location and the LD's name and location on the header. Include the uncurrent LD checks in ascending numerical order on each listing, showing each check's issue date, check number, name of the payee, check amount in the check's currency, and the USDE of the check when it was issued (as shown on the payment voucher). Show the total amount of foreign currency units and the total USDE of all checks on the listing. Transfer the total USDE when the checks were issued to Treasury account, 20X6045 (Proceeds and Payment of Certain Unpaid Checks).

5.2.1.2. Stop-Payment Notice to the LD. The DO immediately gives a copy of the uncurrent check listing to the LD, requests that it place stop-payments on all checks, and instructs the LD to advise all payees presenting checks shown on the listing to submit the checks to the disbursing office for transmittal to and settlement by the Department of the Treasury, Bureau of the Fiscal Service, Attn: Fiscal Accounting, Budget Reporting Branch, 3201 Pennsy Drive, Building E, Landover, MD 20785.

5.2.1.3. Method of Transfer. The DO prepares an Optional Form ***(OF) 1017-G***, Journal Voucher (JV), to document the purchase of foreign currency represented by the outstanding checks, and completes the purchase by issuing a Treasury check payable to the Department of Treasury for the USDE shown on the check listing. Include a complete explanation of the transaction on the JV, giving the date, check serial number, and DSSN of the activity issuing the Treasury check. The JV supports the increase in the LDA checkbook balance. Report the transaction on the SF 1149. Attach a copy of the JV to the uncurrent check listing and send it with the Treasury check to the Treasury (see subparagraph 5.2.1.2 for address). Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

5.2.2. Closed LDAs. When outstanding (unpaid) checks become uncurrent in a closed LDA, transfer the USDE to Treasury account 20X6045. The DO having jurisdiction over the closed account arranges with the LD for the necessary transfer of funds from the closed LDA to the DO's current LDA. After the LD completes the transfer to the current account, the DO follows subparagraph 5.2.1. If the closed account belonged to a predecessor DO or is part of the settlement account for a closed disbursing station, prepare an additional copy of the uncurrent check listing to file with the retained records of the closed disbursing station's records; include a reference to the disbursing office accomplishing the transfer and the date of transfer on this copy. Notify Treasury of the closure through DFAS-JJFKCD/IN at the email address in paragraph 2.2.

5.3 Transferring Proceeds of Undeliverable Checks

This paragraph relates to the proceeds of undeliverable LD checks still due the payee or the payee's estate. Cancel LD checks returned as undeliverable and are not due the payee or payee's estate (see section 6.0).

5.3.1. Time Limit for Holding Undeliverable Checks. Hold undeliverable LD checks only until determination that the DO cannot deliver them with the information available, but not longer than 60 days from the date of issue.

5.3.2. Record of Undeliverable Checks. Undeliverable LD checks are recorded on a ***DD 2658***, Returned and Undeliverable Check/Bond Record. Include a complete description of the checks, the disbursing voucher numbers, dates the checks were returned, disposition of the checks, disbursing official authorizing the disposition, and disposition dates. The DO, DDO, or a third person having the DO's written authorization approves disposition of undelivered checks.

5.3.3. Safekeeping of Undeliverable Checks. Protect undeliverable LDA checks held in the disbursing office the same as cash. File them in an order best suited for ease of retrieval and identification.

5.3.4. Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts. Credit the proceeds of undeliverable LDA checks (current as to date of issue) drawn on an open LDA to the appropriation or fund charged for the original disbursement. Use the rate of exchange that was in effect on the date of issue, as shown by the payment voucher, and establish a payable to allow for future settlement. Schedule undeliverable LDA checks on an ***SF 1098***, Schedule of Canceled or Undelivered Checks, showing the check number, month and year of issue, name of payee, amount (USDE on the date of issue), DSSN, and the appropriation or fund to be credited, and process the SF 1098 as a cash collection. To maintain the DO's accountability, increase the DD 2657 and SF 1219 by the USD amount on the SF 1098, and increase the LDA checkbook balance by the total amount of foreign currency units of the listed checks.

5.3.5. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts. If the LDA on which the undeliverable checks were drawn is closed, the successor DO or settlement officer notifies the LD that the checks are canceled. Transfer the proceeds of the check to the successor DO's LDA or by a check payable to the DO (by title). Once the proceeds are transferred to the open account, the DO follows subparagraph 5.3.4 for undeliverable checks drawn. When the LD provides the proceeds by check, the DO processes a DD 1131 to credit the appropriation or fund charged when the checks were issued, and does not prepare an SF 1098. Prepare the DD 1131 at the rate of exchange in effect when the checks were issued, as shown by the related payment vouchers. Account for any difference in the USD value by comparing the current rate of exchange and the rate when the checks are collected as a gain or loss by exchange (see Chapter 13, section 4.0).

5.4 LD Checks Due Deceased or Incapacitated Payees

5.4.1. Checks Current as to Date of Issue. Process non-negotiated LD checks returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incapacitated payee but still current as to date of issue under subparagraphs 5.3.4 and 5.3.5.

5.4.2. Checks Uncurrent as to Date of Issue. Handle non-negotiated LD checks, uncurrent as to date of issue and returned to the disbursing office in connection with a claim for the proceeds that still are due a deceased or incapacitated payee.

5.5 Claims for the Proceeds of Undeliverable Checks

5.5.1. Claims for Settlement by the DO. Support claims for the proceeds of undeliverable checks credited to the appropriation or fund originally charged using an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal. Cite a reference to the original undeliverable check showing its serial number, amount, and DSSN on each voucher.

5.5.2. Claims for Settlement by the DoD. When there is any question of law or fact, send claims for the proceeds of undeliverable checks to DoD, Office of the General Counsel (OGC), 1600 Defense Pentagon, Washington, DC 20301-1600.

6.0 CANCELING LD CHECKS

6.1 Cancel LDA Checks

Cancel LDA checks when their proceeds are not due to payees or their estates but are for credit to an appropriation or fund account. The procedure to cancel these checks depends on whether the account on which the check was written is open or closed, whether the check is current or uncurrent, and whether the check is available or unavailable to the DO maintaining the LDA. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

6.2 Checks Not Due a Payee or Payee's Estate

If a payee or payee's estate is not entitled to a check, the functional area that submitted the certified payment is the only office that may request the DO to cancel that check. Except as provided in this paragraph, use an SF 1098 to list and report all such checks canceled. In all cases where practicable, the functional area authorizing the original payment prepares the SF 1098.

6.2.1. Checks Current as to Issue Date. The DO cancels LD checks not due a payee as quickly as possible and credits the USDE of the foreign currency amount of the checks at the rate of exchange in effect on the dates the checks were issued (as shown on the payment vouchers) to the original appropriation or fund charged for the payments.

7.0 REPLACING MISSING, MUTILATED, AND FORGED LD CHECKS

7.1 Replacing LD Checks

A DO, upon receipt of a claim for a check that is reported as not received, lost, stolen, destroyed, mutilated, forged, or defaced, determines the status of the check from the LD or from retained records whether the check is outstanding. The DO issues a replacement check in accordance with this chapter when checks are reported as outstanding and unpaid before the end of the fiscal year following the fiscal year a check was issued, and such issuance does not involve a question of law or fact.

*7.2 Issuing Replacement Checks

The payee or other claimant notifies the DO in writing (with signature) when a check has been lost, stolen, mutilated, or destroyed, and requests payment on the check be stopped. The notification must provide all information available on the check. The federal agency must attempt to obtain a replacement without an Agreement of Indemnity. When a replacement cannot be obtained without an Agreement of Indemnity, the federal agency should request an Agreement of Indemnity from Fiscal Service, a specific list of documents that must be provided as part of a request for indemnification is in ***I TFM 5-5035.20***.

7.3 Issuing Settlement Checks

This guidance for claims on paid checks applies to all LDAs. The payee immediately notifies the DO in writing (with signature) when a check has been paid on a forged endorsement, providing all available information on the identification of the forged check. The payee completes the Financial Management Service ***(FMS) Form 1133***, Claim Against the United States for the Proceeds of a Government Check, and returns it to the DO issuing the original check within 90 days of the date on the FMS 1133.

7.4 Recovery of Original Check

If the original LD check is recovered before issuance of a replacement check, suspend the replacement check action and request that the LD remove the stop-payment against the original check, which the payee may then negotiate. If the replacement check has been released, render the original check non-negotiable.

7.5 Referral to DoD Office of General Counsel

7.5.1. Entitlement or Legal Representation. Send cases involving questions on a payee's or owner's entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for payees or owners who are deceased or incapacitated, through command legal channels to the DoD OGC. Include an assessment or determination from the appropriate entitlement area concerning the underlying obligation. Before referring a case, see section 6.0.

7.5.2. Question of Law or Fact. Send cases involving any question of law or fact through command legal channels for settlement action.

7.5.3. Checks Outstanding More Than One Full Fiscal Year. Send cases involving checks outstanding more than one fiscal year after the fiscal year in which they were issued through command legal channels for settlement. Include in these cases an undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LD check; the check in question, when available, or any identifiable portions thereof; and any other supporting documentation.

7.6 Files

The DO retains approved claims and supporting documents or copies of claims where the originals have been transferred to the supporting DFAS site, as part of the retained records.

8.0 ADJUSTMENT OF CHECK-ISSUE DISCREPANCIES

Internal, Government Accountability Office, other agency audits, or DO-initiated control measures disclose LD check-issue discrepancies. These LDA differences are chargeable to DOs. The DO makes adjustments and records them immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks, which are addressed in sections 4.0 and 5.0. These discrepancies occur when the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different from that shown on the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while simultaneously issuing a check that was the subject of an action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

9.0 LDA TRANSACTION DOCUMENTATION

DOs implement controls to assure the drawing of LD checks in strict conformance to certified disbursement vouchers. LDAs are a part of the DO's accountability for public funds. The DO must maintain complete and accurate records, and make them available for audit to ensure the integrity of the LDAs. Treat a loss resulting from a bank failure as a physical loss; see Chapter 6, paragraph 2.0. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

10.0 TRANSFERRING AND CLOSING AN LDA

LDAs closed or transferred require reconciliation. The DO's agent serving as the LDA custodian contacts the LD and requests a current statement of the account and, if available, all the paid LD checks since the last regular statement before attempting to reconcile an LDA. Reconcile the account by preparing an SF 1149. Contact DFAS-JJFKCD/IN at the email address listed in paragraph 2.2 to obtain procedural guidance and processing instructions.

VOLUME 5, CHAPTER 15: "DISBURSING OFFICER ACCOUNTABILITY REPORTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 15

DISBURSING OFFICER ACCOUNTABILITY REPORTS

1.0 GENERAL

1.1 Overview

1.1.1. Financial Reports. All disbursing officers (DOs) are accountable to the U.S. Department of the Treasury (Treasury) for the cash and cash equivalent items (including receivables) in their possession. DOs are required to submit financial reports to support the DoD accountability to the U.S. Government for all public funds collected and disbursed. These reports are the basis for official audits and settlement of accounts by the U.S. Government Accountability Office and provide information to maintain administrative accounting controls.

1.1.2. Accountability Reports. DOs maintain their daily accountability on the DoD ***(DD) Form 2657***, Daily Statement of Accountability. The DO's official monthly accountability is recorded and reported on the Standard Form ***(SF) 1219***, Statement of Accountability. DOs report disbursement and collection transactions on both the DD 2657 and the SF 1219, with collections reported as net of disbursements on the SF 1219. Every DO must keep detailed records of all transactions. These records must be available for examination by authorized representatives. Daily reporting does not affect the use and distribution of the DD 2657; SF 1219; ***DD 2665***, Daily Agent Accountability Summary; and ***DD 1081***, Statement of Agent Officer's Account. DOs must continue to submit financial reports to supporting Defense Finance and Accounting Service (DFAS) sites based on each site's instructions.

1.2 Purpose

This chapter provides the policy, guidelines, and forms to record daily and monthly accountability for cash items (and receivables) in the DO's possession. In addition, it provides requirements for submission and distribution of financial reports and retention of disbursing office records and defines the accounting period.

1.3 Authoritative Guidance

Under ***Title 31, United States Code, section 3513***, the Secretary of the Treasury prepares reports required to inform the President, Congress, and the public on the financial operations of the U.S. Government. The head of each executive agency must provide the Secretary of Treasury reports and information relating to the agency's financial conditions and operations. See Treasury Financial Manual ***(TFM), Volume I, Part 2, Chapter 4700***.

2.0 POLICY

2.1 Balancing of Accounts

2.1.1. DOs. DOs keep documents representing cash in their vault or safe and account for them daily on the DD 2657 and monthly on the SF 1219. The DD 2657 represents the permanent written record of the DOs daily balance of cash in their possession. When accounts are inspected, DOs must present the DD 2657 to the inspectors for examination.

2.1.2. Deputies, Cashiers, and Disbursing Agents. Deputy DOs (DDOs), cashiers, and disbursing agents perform most DO cash transactions. The DO or primary DDO balances all DDOs, cashiers, disbursing agents, paying agents, and collections agents daily, using the DD 2665. The DD 2665 represents the report of their accountability to the DO, and preparation of this form is based on a physical count of all cash and negotiable instruments in their possession.

2.2 Deputies, Cashiers, and Disbursing Agents at Remote Locations

DDOs, cashiers, and disbursing agents who are geographically distant from the DO (e.g., DO in Indiana and agent in Afghanistan) are still required to record transactions by preparing a DD 2665; however, they need not submit the DD 2665 to the DO on a daily basis. DOs will establish the timing of agent turn-ins for their operations. Agent turn-ins must include all DD 2665s, supporting documentation (e.g., collection vouchers, disbursement vouchers, and deposit tickets), and DD 1081.

2.3 Navy Vessels

DOs aboard Navy vessels balance their cash using the DD 2657. The DDOs, cashiers, and disbursing agents must use DD 2665 to balance at least weekly, immediately before and after each payday, the last day of each month, and anytime the DO suspects that an irregularity has occurred. When workload and staffing conditions allow, DOs aboard Navy vessels should balance cash accounts for all DDOs, cashiers, and disbursing agents daily.

3.0 DAILY AGENT ACCOUNTABILITY SUMMARY (DD 2665)

The DD 2665 is a stand-alone document that provides a complete picture of a DDO's, cashier's, or disbursing agent's accountability transactions from day to day. Each DDO, cashier, and disbursing agent prepares a DD 2665 for each day during which he/she transacts business. It must summarize that day's business and record the transactions in U.S. dollar values. Paying agents appointed to work with contracting for contingency operations need to prepare a DD 2665 on the day they turn-in all their business to the DO. To the extent possible, avoid performing a turn-in during the middle of a business day. If a turn-in is required in the middle of the day, prepare a DD 2665 up to and including the turn-in period, and then prepare another DD 2665 for the portion of the business day after the turn-in.

4.0 STATEMENT OF AGENT OFFICER'S ACCOUNT (DD 1081)

4.1 Overview

Agent officers (DOs, cashiers, and disbursing agents) prepare a DD 1081, as a summary of cash transactions and receipt for cash and vouchers on hand (between DOs and their agent officers). This form is prepared when a DO is advancing funds to an agent and is also used to summarize cash transactions for the period covered by the turn-in. When the agent officers settle their account, the DO or principal DDO verifies the DD 1081, signs the original and a copy of the form, keeps the original form and supporting documents, and returns the signed copy of the form to the agent officer. The DO or principal DDO must perform a physical count of cash at the time of the turn-in or settlement. The agent officer keeps the signed copy as a record of the opening cash balance for the next period of duty and for record purposes if the account is balanced to zero.

4.2 Electronic Submission of DD 1081s in Contingency Locations

Subject to the approval of the parent DO, paying agents in remote operational contingency locations may transmit electronically scanned or facsimile copies of the DD 1081 to the parent disbursing office. A paying agent is solely responsible to ensure that all documentation is legible and that:

4.2.1. The scanned or facsimile copies were produced from original documents and cannot be altered;

4.2.2. The copies are retained until the applicable retention period expires; and

4.2.3. Access to the images is limited to authorized personnel.

In cases of paying agents transmitting documents electronically, the DO must verify the electronic submissions are in fact from the paying agent. Further, the DO is responsible to ensure that adequate internal controls are implemented to prevent the posting of duplicate items when receiving electronic and original documents from the operational contingency location. The DO must also provide for the confirmation and acceptance of digitally signed documents, and the return of the accepted DD 1081 to the agent.

5.0 DAILY STATEMENT OF ACCOUNTABILITY (DD 2657)

The DD 2657 summarizes the total disbursements and collections made during the business day by the DO and all DDOs, cashiers, and disbursing agents. Section I of the DD 2657 reflects the total DO accountability to the Treasury at the end of each business day. If disbursing operations were to cease, the total amount listed in Section I for the last operational business day would be the amount that the Treasury would seek to recover from the DO.

6.0 STATEMENT OF ACCOUNTABILITY (SF 1219)

In a daily reporting environment, the SF 1219 is no longer required to be submitted to the Treasury. However, DOs may continue to complete and submit the SF 1219 at month's end to DFAS for reporting requirements based on each site's instructions. The SF 1219 will continue to be utilized to reconcile deposits, collections, disbursements, and cash balances with Treasury on a monthly basis. In a daily reporting environment, there is still the requirement to balance to the Treasury monthly account statement, which summarizes the financial activities of federal agencies. DoD currently has established processes for creating and reconciling the SF 1219 monthly. From an accounting perspective, there is no warrant or apportionment for DO cash and no formal funds control system documentation that legally places responsibility on the DO for the cash. Additionally, the SF 1219 is a recognized means of establishing responsibility for a specific and verified balance at a point in time. It aligns with accounting reporting cycles (the Governmentwide Treasury Account Symbol Adjusted Trial Balance System bulk file submission), which transmits the end of month balance in the DO Cash account(s) and must match the sum of the SF 1219s for each Service to facilitate reconciliation with the general ledger reporting.

7.0 FINANCIAL REPORTS

7.1 Overview

7.1.1. Accounting Period. DOs submit financial reports to DFAS on a calendar month basis, except for months during which accountability begins or ends on other than the first or last day of a month.

7.1.1.1. For a new disbursing office, the accounting period begins on the first day official business is transacted. When one DO relieves another, the accounting period for the relieved officer ends on the date of relief. The accounting period for the relieving officer normally begins on the next calendar day. Whenever possible, relief of a DO should occur on the last day of a month to preclude the need to submit an additional set of financial reports for that month.

7.1.1.2. An accounting period may not extend beyond the end of a calendar month. Exceptions to the calendar month accounting period may occur when a DO is relieved from disbursing duty before the last day of a month or commences disbursing duty on other than the first day of a month. The first day of the accounting period coincides with the date of commencement of disbursing duty notification forwarded under Chapter 2, subparagraph 4.6.2.5. For any month during which accountability ends because of a Disbursing Station Symbol Number closing, the DO must submit the financial reports from the first day of the month through the date of closing.

7.1.2. Adjustments. DOs are allowed to submit supplemental reports to Treasury to adjust prior period reporting, make corrections to the original reporting, or report additional current month transactions.

7.1.3. Submission of DO's Financial Reports. DOs submit financial reports to the supporting DFAS site based on each site's instructions.

7.2 Requirement for Submission of the Subsidiary Accountability Record (DD 2667)

When a DDO, cashier, disbursing agent, paying agent, collection agent, or imprest fund cashier has a physical loss of funds, forward the ***DD 2667***, to DFAS-ZPTC/IN within five calendar days after the end of each month (see Chapter 6, subparagraph 4.2.1.3.).

8.0 DISBURSING OFFICE RECORDS

8.1 DFAS Record Retention

The supporting DFAS site examines all financial reports and sends them to the nearest federal records center for retention based on record retention requirements and storage availability at the DFAS site.

8.2 DoD Record Retention

8.2.1. Volume 1, Chapter 9, section 2.0 provides records retention requirements applicable to financial records. The retention requirements for federal entities are further defined in the National Archives and Records Administration ***(NARA) General Records Schedule***. The DoD has also developed supplementary guidance in ***DoD Instruction 5015.02***, DoD Records Management Program.

8.2.2. DOs must apply the most stringent record retention requirements to support accounting records of initial entries and support records such as checks, electronic fund transfers, invoices, and maintain them until all outstanding issues are resolved. Before disposal of contingency operations documents, DOs must contact their legal counsel for document retention in excess of the NARA and DoD guidance for financial records. Records must be available and accessible to all authorized users. Additionally, a DO or designated settlement official must keep records to complete the reconciliation of payment or collection discrepancies until resolved.

8.3 Other Records

8.3.1. Original Disbursing Office Records. Original disbursing office records include, but are not limited to:

8.3.1.1. Disbursement and collection vouchers including supporting documents (e.g., invoices, receiving reports, purchase orders or contracts, and lodging receipts);

8.3.1.2. ***DD 2659***, Voucher Control Logs;

8.3.1.3. DD 2657;

8.3.1.4. SF 1219;

8.3.1.5. DD 2665;

8.3.1.6. Check issue records and reports;

8.3.1.7. Limited Depositary Account records and reports;

8.3.1.8. Deposits of negotiable instruments;

8.3.1.9. Deposit tickets and debit vouchers;

8.3.1.10. Appointments and revocations of accountable individuals;

8.3.1.11. Payroll deposit transactions to individual service members' local pay accounts that are accessed via shipboard cash dispensers (automated teller machines);

8.3.1.12. Any other document record, log, or electronic file that supports disbursing transactions that affects the accountability of the DO or other accountable individual; and

8.3.1.13. Local check cashing policies and agreements.

8.3.2. Other Records Retention. The requirement for retaining original records applies to any record a DO receives that accompanies payment or collection transactions or supports financial reports. The requirement applies to both paper and electronic records kept as original supporting documents at both the functional and disbursing offices. Certifying officials send electronic payment files to only the DO and keep supporting documentation in accordance with the guidance referenced in paragraph 8.2. For Foreign Military Sales document record retention, see Volume 15, Chapter 6.

8.3.2.1. Hardcopy and electronic records storage controls must be put into place by the disbursing office to ensure that only authorized personnel have access to any paper documents and electronic images.

8.3.2.2. Duplicate copies of disbursement and collection vouchers and associated supporting documents may be retained as necessary at the DO's discretion.

8.3.3. Unclassified Records. Individual records may be unclassified, but sometimes when information is aggregated, the security classification (and storage requirement) may change. In accordance with ***Department of Defense Instruction 5200.48,*** Controlled Unclassified Information (CUI), unclassified records do not require special security or storage controls and may be stored in open files or cabinets. Store these records with controls that readily identify:

8.3.3.1. Records that have been removed from the files;

8.3.3.2. The name of the individual(s) who removed the records;

8.3.3.3. The date the records were removed;

8.3.3.4. The name of the individual(s) who returned the records;

8.3.3.5. The date the records were returned; and

8.3.3.6. Other information needed to contact the responsible individual(s), (e.g., organization, address, telephone number, and email address to ensure that records are returned timely).

8.4 Transfer and Disposition of Retained Disbursing Office Records

8.4.1. Nontactical Disbursing Offices. Transfer all disbursing office records to the incoming (relieving) DO as a part of the relief process described in Chapter 2, paragraph 4.6. When a disbursing office is deactivated, package and mail all disbursing office records to the office designated to settle the accounts.

8.4.2. Tactical Units and Naval Vessels

8.4.2.1. Detachment With Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty, the incoming DO keeps the outgoing DO's disbursing records for 90 days from the date of relief. After the 90-day period, the incoming DO packages the disbursing records and sends them to the supporting DFAS site or alternate site designated by DFAS for retention until the expiration of the required retention period. For deployed units, the 90-day period begins after the unit or vessel returns to homeport.

8.4.2.2. Detachment Without Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty due to deactivation of the disbursing office or when a vessel or unit is decommissioned from service, the DO must package and send all disbursing office records to the supporting DFAS site or alternate site designated for retention.

8.4.2.3. Shipment of Retained Documents. To facilitate shipment of retained records, DOs of tactical units and naval vessels file retained records in these categories:

8.4.2.3.1. Public vouchers other than payroll vouchers;

8.4.2.3.2. Payroll vouchers with supporting documents;

8.4.2.3.3. Collection vouchers and supporting documentation;

8.4.2.3.4. Checking account records, to include records of checks drawn. These records include Month End Check Issue Summary (SF 1179); Report 251, Advice of Check Issue Discrepancy (Fiscal Service Form 5206) (see ***I TFM 4-6040.10***), with related correspondence; and ***Optional Form 1017-G***, Journal Voucher, with related correspondence;

8.4.2.3.5. DD 2657;

8.4.2.3.6. SF 1149, Statement of Designated Depositary Account (see Chapter 14);

8.4.2.3.7. SF 1219;

8.4.2.3.8. Instruments deposited;

8.4.2.3.9. ***SF 1184***, Unavailable Check Cancellation;

8.4.2.3.10. Debit Vouchers;

8.4.2.3.11. Certificate of revaluation of foreign currency;

8.4.2.3.12. Quarterly reports on the status of suspense accounts; and

8.4.2.3.13. Other miscellaneous retained disbursing documents.

VOLUME 5, CHAPTER 16: "SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 16

SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES

1.0 GENERAL

1.1 Overview

DoD disbursing officers (DOs), deputy DOs (DDOs), and agents may accept cash and checks from individuals and morale, welfare, and recreation (MWR) activities for which safe custody otherwise would not be available. When a DO, DDO, or agent is unavailable, or when it is impractical for one of them to accept and account for safekeeping deposits, a commander may appoint and terminate any military member or DoD civilian employee as a safekeeping custodian to accept and account for safekeeping deposits using a separate DoD ***(DD) Form 577***, Appointment/Termination Record – Authorized Signature (see Chapter 2, section 3.0).

1.1.1. Safekeeping of Deposits. Keep safekeeping deposits in a secured safe and establish appropriate procedures to maintain accountability. Consider funds accepted for safekeeping as funds held in trust for which the United States is accountable, but are not within the DO's financial accountability to be reported to the U.S. Department of the Treasury (Treasury) on the Standard Form (SF) 1219, Statement of Accountability.

1.1.2. Restrictions. Deposits and withdrawals are subject to local command regulations that establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the types of objects classified as valuables. Impose controls to prohibit interruption of the activity's priority fiscal operations (e.g., special and regular payroll activities). Safekeeping services should not be abused by the deposit of objects that are not usually afforded additional protection. Limit deposited valuables to funds; negotiable instruments including bonds, credit cards, travelers' checks, and checkbooks; and objects classified as jewelry having an intrinsic value requiring additional protection. Items such as wallets, snapshots, keys, or items lacking any intrinsic value are prohibited.

1.1.3. Responsibility for Deposits

1.1.3.1. Custodians. Commanders appoint custodians to be responsible for the proper handling of and accounting for safekeeping deposits (see paragraph 3.1). Appointments must state the specific duties authorized to be performed by the custodian. Pecuniary liability does not attach to safekeeping deposits as they are not public funds. Section 2.0 applies to the safekeeping of nonappropriated funds (NAF) for MWR activities. Note that losses of NAF are not recorded on the DO's SF 1219. If a loss occurs, notify the depositor of their right to submit a claim for reimbursement of the loss under applicable DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.

1.1.3.2. Assistant Custodians. When the volume or nature of safekeeping deposit transactions warrants, the custodian may formally appoint an assistant custodian for initial receipt and temporary custody of safekeeping deposits pending their delivery to the designated custodian. Provide separate safekeeping facilities for the assistant custodian. Cover all custody transfers between the custodian and assistant custodian with receipt. An assistant custodian is responsible for proper accounting and handling, including receipt and delivery of safekeeping deposits to a permanent custodian. Process losses under subparagraph 1.1.3.1.

1.1.4. Deposit of Postal Funds. Receive and handle safekeeping deposits of postal funds under the ***Military Postal Service, DoD Instruction 4525.09***, identifying these as postage stamp fund or postal money order fund, as applicable, on the safekeeping deposit receipt.

1.1.5. Deposit of Funds Under Emergency Conditions. Follow paragraph 2.2 to receive and handle safekeeping deposits of funds by military banking facilities, NAF custodians, and other DoD sponsored activities. Identify on the safekeeping deposit receipt the deposit, depositing agency, and the custodian making the deposit.

1.2 Purpose

This chapter provides DoD's policy for appointed custodians and assistants to receive and safeguard cash and other valuables belonging to individuals or MWR activities.

1.3 Authoritative Guidance

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 SAFEKEEPING OF NONAPPROPRIATED FUNDS FOR MWR ACTIVITIES

2.1 Accounting for Separate Funds

Place each safekeeping deposit in a separate, sealed envelope following subparagraph 2.2.1, except as provided in paragraph 2.2. Process withdrawals in accordance with the procedures provided in subparagraph 2.2.2.

2.2 Accounting for Collocated Funds

Custodians may collocate funds when the volume of safekeeping deposits warrants, and it is desirable to accommodate more than one deposit or withdrawal transaction in (non-individual) safekeeping deposit accounts at non-tactical activities. Place the deposits in a separate container identified as safekeeping funds to prevent commingling with official funds. At activities other than Navy ships, if the total value of collocated safekeeping funds on hand is large, a bank checking account may be established (see paragraph 2.3).

2.2.1. Deposits

2.2.1.1. Receipt for Deposit. Use a DD 2674, Record and Receipt of Deposits and Withdrawals of Safekeeping Funds, for each deposit and assign a consecutive series of deposit numbers beginning with the number "1" preceded by the letter "D." Assign each depositor a depositor's account number using a consecutive series of numbers beginning with the number "1." The information on the DD 2674 should identify the depositor, depositor's account number, date of deposit, and the amount deposited. The custodian gives the signed original DD 2674 to the depositor and retains a copy.

2.2.1.2. Individual Ledger Sheets. For each depositor, the custodian keeps a separate ledger control sheet, the heading of which includes the following: depositor's account number, name, location of the depositing MWR activity, and signature of the MWR activity representative making the deposit. The custodian enters the amount of each deposit in the debit column of the ledger sheet, the total amount on deposit in the balance column, the date of each deposit, and deposit receipt number.

2.2.1.3. Cash-On-Hand Ledger Control Sheet. In addition to the individual ledger sheets described in subparagraph 2.2.1.2, the custodian also keeps a cash-on-hand ledger control sheet entering the amount of each deposit in the debit column and the total amount on deposit by all depositors in the balance column. If preferred, a daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the combined balances of the individual depositors' ledger sheets.

2.2.2. Withdrawals. The depositor presents the original deposit receipt(s) to the custodian when requesting a full or partial withdrawal of the funds on deposit. The custodian confirms the depositor's account balance and obtains a signature in the applicable section of the retained copy of the DD 2674 verifying it against the signature on the deposit record and/or the individual ledger sheet before releasing the funds requested. If the request is for a full withdrawal, the custodian voids the original DD 2674 in the presence of the depositor. A depositor may make up to three partial withdrawals of a safekeeping deposit. If the deposit is not withdrawn in full after two requests, the custodian voids the original DD 2674 and issues a new DD 2674 for the new deposit amount. The custodian enters the withdrawal as a credit in the depositor's individual ledger sheet and the custodian's ledger control sheet. In lieu of individual entries, the custodian may post a daily summary showing inclusive withdrawal numbers on the ledger control sheet.

2.2.2.1. Currency Withdrawals. Return the identical currency that was presented by the depositor when the deposit is withdrawn (e.g., a deposit made in Japanese Yen cannot be withdrawn in U.S. dollars).

2.2.2.2. Check Withdrawals. Enter the check number on the withdrawal request. See subparagraph 2.3.1 for more information regarding checks for the deposit of safekeeping funds.

2.3 Bank Accounts

2.3.1. Checking Account. Custodians of commingled safekeeping funds, with command approval, may establish and maintain a checking account in a local bank or credit union (insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as appropriate) for the deposit of safekeeping funds if the amount available for deposit is large enough to preclude the payment of service charges or other fees. The financial institution collateralizes funds in excess of the insured limits in accordance with ***Title 31, Code of Federal Regulations, Part 202***. Establish the account in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, Lieutenant J. A. Hancock, SC, U.S. Navy, Custodian"). Loans or investments from safekeeping deposit funds are prohibited.

2.3.2. Check Records. All checks must be serially pre-numbered. A complete record of all checks drawn, deposits made to the safekeeping checking account, and a running account balance must be maintained in the checkbook. Reconcile statements from the financial institution immediately upon receipt and file them with the bank ledger control sheet. Mark spoiled checks as "VOID" and file them in sequence.

2.3.3. Deposits to Safekeeping Fund Bank Account. Deposit checks, money orders, and cash received for safekeeping to the authorized account, except for cash required to be kept on hand to meet safekeeping withdrawal requirements. Checks and money orders may be accepted for deposit, subject to collection. Withdrawals are not authorized until sufficient time has elapsed for the checks and money orders to clear through the banking system.

2.3.4. Disbursements From Safekeeping Fund Bank Account. Draw checks for withdrawals of safekeeping funds on the safekeeping deposit fund account whenever practical. Checks may be drawn on the safekeeping fund account only for payment to a depositor for withdrawal, an authorized transfer of a depositor's account to another activity, replenishment of cash-on-hand (through an exchange-for-cash check) needed to meet safekeeping withdrawal requirements, or transfer of unclaimed monies.

2.3.5. Cancellation of Checks. Checks drawn on the safekeeping deposit fund account must bear the following stamped endorsement on the reverse side: "This check is not valid unless presented for payment within 12 months from its date of issue." If a check is canceled, the custodian confirms the stop payment action with the financial institution and credits the depositor's safekeeping account for the amount of the canceled check. An effort should be made to locate the depositor and make the payment.

2.3.6. Account Closure. If the depositor cannot be located, close the account by drawing a check payable to the Treasury for deposit. For amounts less than $25, the custodian prepares a ***DD 1131***, Cash Collection Voucher, and credits account 1060, Forfeitures of Unclaimed Money and Property. For amounts of $25 or more, the custodian credits account 20X6133, Payment of Unclaimed Moneys (T), Treasury. Ensure the deposit utilizes the Treasury Account Symbol that matches the DD 1131 along with the Business Event Type Code for collateral. Include all information available as to the identity and location of the depositor on the collection voucher.

The custodian presents the check and DD 1131 to the DO for collection. Send any claim subsequently received for the funds to the supporting Defense Finance and Accounting Service site for processing, with a copy of the related DD 1131.

2.3.7. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, the custodian keeps a separate ledger control sheet for cash-in-bank. When cash, checks, or money orders are deposited in the bank, the custodian debits the cash-in-bank ledger control sheet and credits the cash-on-hand ledger control sheet. Post exchange-for-cash checks as credits to the bank ledger control sheet and debits to the cash-on-hand ledger control sheet. Post withdrawals by check as credits to the bank ledger control sheet and debits to the individual ledger sheet. The sum of the cash-in-bank and cash-on-hand ledger control sheets must agree with the combined balances of the individual depositors' ledger sheets.

3.0 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES OF INDIVIDUALS

3.1 Deposits

The custodian records all deposits on a DD 2674. Use a series of consecutive numbers beginning with the number "1" for assignment to safekeeping deposits. Assign each deposit, at the time it is made, the next number in the series. The custodian enters in the appropriate spaces of the DD 2674 the deposit number, date of deposit, description of the deposit (if money, describe the amount in figures and words), and the signature and rank of the custodian (or assistant custodian) receiving the deposit. The depositor must enter their social security number (SSN), signature, and rank or rate in the spaces provided. The custodian gives the signed original of the DD 2674 to the depositor and retains a copy.

3.2 Withdrawals

A depositor wishing to withdraw a deposit presents the original DD 2674 to the custodian, who verifies the depositor's signature and determines that the serial number, date, and description correspond with the data appearing on the retained copy of the form. The depositor acknowledges receipt of the deposit by entering their signature and the date of withdrawal in the space provided on the retained copy of the DD 2674. The custodian destroys the original DD 2674 in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodian is satisfied as to the identity of the depositor and the depositor's entitlement to the deposit. The entries on the DD 2674 constitute the official record of the deposit. The entire deposit must be withdrawn at the time of withdrawal. Partial withdrawals are not authorized, but a new deposit in a new amount is authorized subject to any restrictions prohibiting unreasonable repeated deposits.

3.3 Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor

If a depositor is transferred before withdrawing safekeeping deposits, the custodian delivers the depositor's cash balance to the DO in exchange for a Treasury check payable to the depositor. Send the check and the depositor's valuables (if any) with a letter of transmittal to the commander of the activity where the depositor was transferred to for delivery to the depositor.

Include in the transmittal letter all available details about the depositor and request acknowledgement of receipt. Insert data regarding the transfer on the file copy of the DD 2674.

3.4 Deposit and Withdrawal of Funds by Incapacitated Persons

To process deposits and withdrawals of funds and valuables, an officer or any other person designated by the commander must accompany an incapacitated person to witness and sign each transaction. Deliver receipts for safekeeping deposits to the commander.

3.5 Deposits of Deceased or Missing Persons

The custodian delivers cash on deposit to the DO in exchange for a Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor's personal effects. The Treasury check is drawn as "Exchange-for-Cash, Safekeeping Deposit No. _____, name, rank or rate, SSN." Deliver the check and any depositor valuables to the appointed officer (or inventory board) for disposition following applicable DoD Component regulations. Obtain a receipt for the check and any valuables transferred under these instructions. Enclose a retained copy of the DD 2674 with a notation describing the disposition, and destroy the receipt portion of the DD 2674, if available.

4.0 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

4.1 Balancing

The safekeeping custodian balances all safekeeping deposits on the last day of each month. The cash-on-hand and any safekeeping fund bank account balance must equal the total of the amounts credited in all the active depositors' accounts as shown on the retained copies of the DD 2674s, or the individual ledger sheets and ledger control sheet. The custodian certifies that balancing was accomplished on the ledger control sheet.

4.2 Verification

4.2.1. Verification. At unannounced intervals, at least once during each calendar quarter, a cash verification team appointed by the commander verifies safekeeping deposits in the presence of the custodian (see Appendix A "Quarterly Verification of Cash and Other Assets"). Include the results of the verification in the report of verification to the commander.

4.2.2. Separate Deposits. Separate deposits should be confirmed by verifying the contents of each envelope against the retained copies of the DD 2674s.

4.2.3. Collocated Funds. The custodial office verifies collocated funds by counting the cash held for safekeeping and comparing it with the total of the individual depositors' ledgers and with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, examine the latest statement from the financial institution and verify the amount on deposit in the checking account. The verifying officers should certify the last entry on the ledger control sheet.

4.2.4. Reporting a Shortage or Overage. By accepting custody of safekeeping funds, the United States is accountable for them and assumes a trust responsibility for their care and safekeeping, even though it has no beneficial interest in them. The custodian must promptly report any shortage or overage of safekeeping deposits to the commander who takes actions similar to those prescribed in Chapter 6, section 4.0 for a shortage or overage of public funds.

4.3 Transfer of Safekeeping Deposits Upon Relief of Custodian

In preparation for being relieved of custodial duties, the outgoing custodian must balance safekeeping deposits, prepare a duplicate list of all active deposits, and give the list and all active deposits to the relieving custodian, who must then verify all deposits and receipts. The DD 2674 and any other records of commingled deposits must be transferred to the relieving custodian. If a checking account is maintained, it must be reconciled and transferred to the relieving custodian. The outgoing custodian must arrange with the financial institution to transfer the checking account to the relieving custodian.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 28: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 34: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, APPENDIX A: "QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.1 and 2.2	Incorporated cash verification team appointment guidance from the archived version of Chapter 3 (Sep 2012) and renumbered accordingly.	Addition/ Revision

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APPENDIX A

QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS

1.0 GENERAL

1.1 Overview

Chapter 3, subparagraph 3.2.1.1, requires that a cash verification team (CVT) conduct an unannounced verification of the cash and other assets under the accountability of the disbursing officer (DO) at least once during each calendar quarter. The CVT ensures the DO and all subordinate DDOs; cashiers; disbursing, paying, and collection agents; imprest fund cashiers; and change fund custodians are given neither formal nor informal advance notification of the intent to conduct the verification. Verification scheduling should be random to ensure it does not predictably fall during a particular period each quarter. Generally, it is not practical to verify cash on days involving unusually high volumes of disbursing transactions. The commander may omit a second quarterly cash verification if an audit of the DO's cash and assets has been conducted as a part of a transfer of accountability, or if other official audits verifying the accountability were conducted during the same quarter. The CVT must prepare a written statement for the commander's signature specifying the circumstances for omitting a cash verification.

1.2 Purpose

This appendix provides the requirements for appointing the CVT and a checklist for conducting a surprise verification of the cash and other assets under the accountability of the DO.

1.3 Authoritative Guidance

Title 31, United States Code, section 3302 authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

2.0 CVT

*2.1 Approving Authorities

A commander, director, equivalent civilian head, or designee who has approved Cash Holding Authority (CHA) in accordance with Chapter 3, Paragraph 2.2 is also the appointing authority for a CVT. A commander approves CHA for the DO, and the DO approves CHA for subordinate DDOs, agents, and cashiers, with the total cash held by the DO and subordinates not exceeding the parent DO's CHA. DFAS DOs approve CHA for subordinate DDOs, agents, and cashiers, and when those individuals are located outside of the main DFAS disbursing office, the local activity commander must also approve the CHA amount requested based on having responsibility for safeguarding funds. In those cases, it is the local activity commander who appoints the CVT. For imprest and change funds, especially those held at installations or activities other than the installation or activity of the DO, the commander who authorized the establishment of the fund and appointed the imprest fund cashier or change fund custodian appoints the CVT.

*2.2 Appointing the CVT

The appointing authority shall appoint all team members in writing. Each team shall consist of at least two qualified personnel, except for small or remote locations where a one-person team is authorized. Small or remote locations may also consider appointing members from serviced or associated commands. Members of the CVT must be impartial in the operations and not in the DO's chain of command. It is in the best interest of a command to use the most competent personnel available. If possible, at least one member should be equal or senior in rank to the accountable official. Appoint qualified persons with appropriate security clearances to verify emergency and extraordinary expense funds.

2.3 Checklist

Use this checklist as a guide for the cash verification and to assist in preparing the official report of verification. The senior member of the verification team, in consultation with the DO, determines which checklist items pertain to the DO's operations and operating environment, and explains any deviations or omissions from the checklist in the official report.

2.3.1. The senior member of the CVT notifies the DO's immediate supervisor upon arrival to conduct the surprise verification of cash and other assets. The CVT presents a copy of the appointment memo, and with the presence of the DO or a deputy, assumes control over all cash and other assets in the DO's accountability. If access is refused, the senior member of the verification team immediately notifies the commander.

2.3.2. Secure all accessible vaults, safes, security containers, and cash drawers housing cash or other assets holding DO cash accountability. Inventory the cash and other assets by actual count in the presence of the person accountable for their safekeeping.

2.3.3. Require the DO to prepare a ***DoD (DD) Form 2657***, Daily Statement of Accountability, for that day's close of business and validate amounts reported for items due the U.S. Government that are included in the balance. It is also required that the custodian of public funds prepares a DD 2665, Daily Agent Accountability Summary.

2.3.4. No custodian of public funds may conduct further business until the CVT has completed the count of that custodian's funds. Normally, the duty cashier's funds are verified first to minimize the impact on disbursing operations. Compare amounts of cash held at personal risk by the DO and their agents to the authorization to hold such cash as indicated by the approved CHA (see Chapter 3, section 2.0).

2.3.5. If the commander determines that it is not practical to inventory the funds in the possession of some of the DO's agents because of inaccessibility or geographic separation, the CVT verifies the amounts shown on custody receipts either by telephone with the accountable person, examination of the permanent file of cash verifications and certification held by the disbursing office, or any other means available to complete the verification. The verification team notes actions taken and describes any limits to the verification in the report.

2.3.6. Commence the actual count of currency and other assets in the presence of the accountable individual.

2.3.6.1. Cash

2.3.6.1.1. Count all currency and coin;

2.3.6.1.2. Count all items representing cash, including exchange-for-cash checks;

2.3.6.1.3. Count all negotiable instruments representing cash held by the DO awaiting deposit; and

2.3.6.1.4. Verify that cash and receipts held by agents in the disbursing office equal the receipts signed by those agents and held by the DO.

2.3.6.2. Other Assets

2.3.6.2.1. Review and total all receipts for cash held by agents of the DO located outside the disbursing office;

2.3.6.2.2. Review and total deposit transactions via Over-the-Counter Channel Application and confirm deposit transactions utilizing the Collections Information Repository (see Chapter 11, section 11.0);

2.3.6.2.3. Review the debit voucher and associated dishonored checks; require the DO to initiate collection action;

2.3.6.2.4. Review exchange-for-cash checks in transit (see Chapter 7, section 7.0);

2.3.6.2.5. Review Financial Management Service Form 5206, Advice of Check Issue Discrepancy, representing overdrafts and underdrafts (see Chapter 7, section 8.3);

2.3.6.2.6. Review actions on previously reported losses of funds;

2.3.6.2.7. Verify bank statements and balances of foreign currency held in limited depositary checking accounts (see Chapter 14, paragraphs 3.9 and 3.10); and

2.3.6.2.8. Verify the amount of foreign currency by actual count against the subsidiary records and the foreign currency reports.

2.3.7. Immediately after verifying the DO's cash accountability, the CVT verifies all safekeeping deposits and the postal stamp funds (if applicable) with procedures provided in Chapter 16, paragraph 4.2.

2.3.8. The CVT verifies the imprest and change funds at least once each quarter. This may be simplified by appointing an individual rather than a team. Accomplish these verifications by totaling all receipts and counting all cash to prove the total shown on the cash receipt held by the DO. Investigate any receipts for cash advanced by the imprest fund cashier more than five days old if not redeemed before the report is issued, and document on the cash verification report. Change fund custodians must certify in writing that their funds are present at the time of the cash verification. Change fund verification consists of verifying that the cash drawer contains the amount shown on the change fund documentation, after adjusting for any sales proceeds or receipts on the day of verification. Verifications of both imprest fund cashiers and change fund custodians ensure that none of the funds includes personal checks from the cashier/custodian, any of their supervisors, or the individual charged with accountability for the funds (see Chapter 2, paragraphs 7.6 and 7.7).

2.3.9. Review all vouchers supporting gains and deficiencies on foreign currency transactions (see Chapter 13, paragraph 4.2).

2.3.10. Review the DO's compliance with the provisions for cashing personal checks and the collection of dishonored checks (see Chapter 4, section 3.0).

2.3.11. Ensure that checks representing collections are properly identified and supported by collection vouchers so that dishonored personal checks received as collections may be charged back to the receiving activity and not held as losses due to accommodation exchanges made by the DO (see Chapter 4, section 4.0).

2.3.12. Review previous cash verification reports to ensure that repeat deficiencies being reported in the current cash verification report are noted as significant and advise the commander of the action necessary to remedy the deficiencies of the DO.

2.3.13. Review maintenance of the DD 2658, Returned and Undeliverable Check/Bond Record, or automated system if used, to ensure that no undelivered checks are missing, none exceeds the time limit to be held, and all are properly safeguarded (see Chapter 7, paragraph 10.3).

2.3.14. Verify all undeposited checks in relation to the prescribed frequency and timeliness of deposits (see Chapter 11, subparagraph 8.3.1.1).

2.3.15. Examine undeposited checks to ensure that they are negotiable instruments the DO is authorized to exchange for cash and that checks received as collections are maintained separately from those checks received in accommodation exchange transactions.

2.3.16. Verify that the DO deposits receipts daily. If daily deposits of less than $5,000 are impractical, verify that receipts are accumulated until the total reaches $5,000 and then deposited. Also, verify that deposits are made by Thursday of each week, regardless of the amount accumulated (see Chapter 11, subparagraph 8.3.1.1).

2.3.17. Compare military payroll vouchers and money lists with related pay accounts to ensure payments are posted to the member's account.

2.3.18. Review the cash held at personal risk is commensurate with needs and in compliance with the authorized CHA (see Chapter 3, section 2.0).

2.3.19. Verify safekeeping deposits, postal funds, postage stamp stock, and postal money order stock (see Chapter 16, paragraph 4.2).

2.3.20. Inventory and verify the safekeeping of all smart cards (see Chapter 10, paragraphs 2.9 and 2.12).

2.3.21. Inventory all blank checks (both working and bulk stock), and examine all voided and spoiled checks pending local destruction to ensure they are properly defaced and stored in authorized containers. Where roll stock of blank checks is used, conduct the inventory by recording the ending number from the reels rather than unrolling the reel, which could destroy the stock.

2.3.22. Finalization

2.3.22.1. Verify totals from the reviews with the amounts reported on the DD 2657.

2.3.22.2. Advise the DO of any discrepancies or deficiencies noted.

2.3.22.3. Notify the DO's immediate superior and the commander of any deficiencies and advise them that a written report will be prepared.

2.3.22.4. Sign and certify the results of the cash verification on the DD 2657 or a paper attached to the DD 2657. Results must be signed by all members of the CVT.

2.3.22.5. Insert the following statement on (or attach to) the DD 2657 and ensure it is signed by the senior member of the CVT.

> "On (date) at (time), the undersigned verified by actual cash count in the amount of $ (amount), together with all documents supporting collections and disbursements, which (is/is not) in agreement with this daily statement of accountability."

_____
Signature and Rank of Verifying Official

2.3.22.6. Distribute the cash verification report as directed in paragraph 2.4.

2.4 Report of Verification

The CVT reports all findings in writing to the appointing official immediately upon completion of verification of both official funds and safekeeping deposits. If the appointing official is not the DO's commander, address the report jointly to the appointing official and the DO's commander so both receive an original of the verification report. Where safekeeping of personal funds and valuables is authorized, and the designated safekeeping custodian is not the DO, send a copy of the report to the safekeeping custodian. The senior member of the CVT maintains a copy of the report as a permanent part of the CVT's records. Include the following in the report:

2.4.1. The date the verification was conducted;

2.4.2. The date of the preceding verification;

2.4.3. Statement as to whether or not the DO complies with the safekeeping requirements (see Chapter 3, section 3.0);

2.4.4. The identity of each person holding cash under the DO's cash accountability that was not verified by actual count, the amount of cash each held, and the method of contact made with each custodian. If such contact was made, include a statement as to whether or not the verified cash accountability of the DO agrees with the DD 2657 cash and other asset totals;

2.4.5. A list of undeposited checks containing a description of those not handled;

2.4.6. A statement as to whether or not the DO is taking timely action to clear debit vouchers, check issue discrepancies, check issue reporting gaps, duplicate payments, forgery recoveries through the banks, and reissue of limited payability check cancellations; and

2.4.7. A statement as to whether or not safekeeping deposits amounts verified agreed with safekeeping deposit records.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX B: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 5, "DEFINITIONS"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Funds Held Outside of the Treasury	Added definition that applies throughout this volume.	Addition

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government or the DoD that are discussed in various chapters of this volume. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific chapters. These definitions apply throughout this volume.

2.0 List of Definitions

Accommodation Exchange

The exchange of U.S. Treasury checks or other U.S. dollar instruments for U.S. dollars (i.e., check cashing) for the convenience of authorized personnel, the exchange of U.S. dollars or dollar instruments for foreign currency for the convenience of authorized personnel or, where permitted, the exchange of foreign currencies for U.S. dollars or dollar instruments.

Account Statement

The Account Statement Module is an online query driven component that provides a daily refreshed view of a Federal Program Agency's (FPA) Fund Balance with Treasury (FBWT). The Account Statement provides FPAs with a central source for retrieving a near real-time picture of their account balances.

Accountable Officials

Accountable individual, accountable official and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in Title 31, United States Code, section 3527 (***31 U.S.C. § 3527***) to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a DoD (DD) Form 577, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials. Accountable Officials include Certifying Officers (CO), Disbursing Officers (DO), Deputy Disbursing Officers (DDO), Disbursing Agents (DA), cashiers, Departmental Accountable Officials (DAO), and similar employees who are accountable for government funds.

Accounts Receivable Office

The Accounts Receivable Office, normally located at a Defense Finance and Accounting Service site, records and reports accounts receivable and may be responsible for debt management and collection.

Agency Location Code (ALC)

A numeric symbol identifying the agency accounting and/or reporting office. A three-digit Regional Finance Center, four-digit Non-Treasury Disbursing Officer (NTDO), or eight-digit Treasury Disbursing Office identifier assigned by the U.S. Department of Treasury, Bureau of the Fiscal Service (FS). An eight-digit ALC's first two digits identify the department or agency, the third and fourth identify the particular bureau within the department, and the remaining four identify the particular agency account within that bureau. DoD Disbursing Station Symbol Numbers (DSSNs) are NTDOs whose ALCs begin with four zeros and include the DSSN (e.g., 00001234).

Approving Official

A person responsible for one or more Government Purchase Card (GPC) holders or for approving travel vouchers using the Defense Travel System (DTS).

Automated Information Systems (AIS) Administrator

A person who programs, schedules, or operates computerized programs, and maintains one or more AIS.

Automated Teller Machine (ATM)

An electronic machine that dispenses cash and may perform other functions such as funds transfers among a customer's various accounts and acceptance of deposits. Equipment generally is activated by a plastic card in combination with a personal identification number. Typically, when the cardholder's account is with a financial institution other than the one operating the ATM, its use results in the assessment of a fee from the ATM network (e.g., Armed Forces Financial Network, Cirrus, or Plus) that processes the transaction.

Basic Agreement

An intergovernmental instrument negotiated with the government of a friendly nation that states in general terms the policies of ***DoD Instruction 5530.03***, International Agreements, and authorizes the implementation of those provisions by mutual consent.

Business Event Type Code (BETC)

A code consisting of up to eight characters. The code is used in combination with the Treasury Account Symbol (TAS) to determine the transaction effect on the FBWT. The code indicates the type of activity being reported (e.g., disbursements, collections).

Canceled Treasury Check

The process whereby an issued Treasury check that has not been presented for payment is put in a paid status in the Treasury's Check Processing and Reconciliation System (CP&R).

Canceled Treasury Check Types

a. Canceled available check: A check in the possession of a DO and either canceled due to non-entitlement, or because it is mutilated or otherwise undeliverable.

b. Canceled unavailable check: A properly vouchered and issued check not held by a DO or payee (not received by payee, i.e., lost, stolen, or destroyed).

c. Mass-canceled check: A check issued before October 1, 1989, automatically canceled by the Treasury if not cashed by October 1, 1990.

d. Limited-payability canceled check: A check issued on or after October 1, 1989, automatically canceled by the Treasury if not cashed within 12 months from its date of issue.

Card Acquiring Service

The government's means of collecting debts via credit or debit card transactions, and whose objective is to increase electronic collections received by the government and process them in an efficient, timely and cost-effective manner.

Cardholder

A person an agency designates to be issued a GPC and/or government travel card.

Cash Holding Authority (CHA)

The authority to obtain and maintain cash on hand (upon approval of commander or other authority) at their personal risk. DDO, agents, and cashiers outside of the main disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO or local activity commander.

Cash and Investments Held Outside of Treasury (CIHO)

Funds (U.S. and foreign currency and coin) under the custodial responsibility of federal government agencies and/or their employees, officers, or agents which includes imprest funds, change funds, cash with agents (e.g., Paying Agent), and cash on deposit in a Limited Depositary Account (LDA). CIHO is also known as Funds Held Outside of the Treasury (FHOT).

Cashier

A military member or DoD civilian employee appointed by a DO to perform duties involving the handling of cash. The recruitment, screening, and selection of persons for these positions should be accomplished with primary regard to the sensitive nature of the position.

Central Accounting Reporting System (CARS)

The central accounting system of record for the FS. CARS is utilized for Treasury-level accounting and reporting for all federal agencies.

a. CARS Daily Reporter: Federal agency that submits the TAS/BETC reporting classification of each payment or collection daily to CARS via the Payment Information Repository (PIR) or Collection Information Repository (CIR). DoD DOs report cash disbursements and U.S. and foreign currency collections held for future operational needs via the Classification Transaction and Accountability (CTA) system.

b. CARS Non-Daily Reporter: Federal agency that reports disbursements and collections through monthly reporting on the Standard Form (SF) 1220, Statement of Transactions According to Appropriations, Funds and Receipt Accounts, and SF 1219, Statement of Accountability.

Certification

The act of attesting to the legality, propriety, and accuracy of a voucher for payment. See ***31 U.S.C. § 3528***.

Certifying Officer (CO)

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A CO is pecuniarily liable for payments in accordance with 31 U.S.C. § 3528.

Change Fund Custodian

A person who operates from an appropriated fund sales activity (e.g., dining hall, hospital, commissary), is responsible for safeguarding the cash provided, and may be held pecuniarily liable for any loss in the change fund.

Check Issue Discrepancy

Occurs when the issue amount reported by the disbursing office differs from the amount for which the check was issued as evidenced by the printed amount on the check when presented for payment.

a. Check Issue Overdraft: Occurs when the amount printed on either a Treasury or limited depositary (LD) check and paid by the Treasury or LD, as applicable, is greater than the issue amount of that check reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD is greater than the amount due shown on the payment voucher.

b. Check Issue Underdraft: Occurs when the amount printed on either a Treasury or LD check and paid by the Treasury or LD bank, as applicable, is less than the issue amount of that check as reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD bank is less than the amount due shown on the payment voucher.

Civilian Pay

Addresses entitlements to DoD civilian employees and is also a functional area within the payment process.

Classification Transactions and Accountability (CTA)

A system used by FPAs to report their monthly accounting activity to the FS.

Coalition Forces

Temporary alliances of nations or factions for a specific purpose (e.g., those engaged internationally in times of conflict or war).

Coin

Metallic specie representing either U.S. dollars and foreign currency fractional units or multiples thereof.

Collection Agent

An individual appointed by a local commander to perform duties relating to the collection of official funds, including funds held as safekeeping deposits, at a point other than a disbursing office. Performs duties under the general supervision of, and as prescribed by, the appointing officer. Should not be involved with billing or accounting for funds received, and may not be appointed from, among disbursing office personnel. Responsibility for duties and functions should be segregated between receipt of funds, recordkeeping, determination of the amount owed, and making demands on the debtor to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts.

Collections Information Repository (CIR)

Formerly the Transaction Reporting System (TRS). A collections reporting tool, supplying the latest information on deposits and details of collection transactions to federal agencies. It allows financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system.

Commander/Director

A person assigned as a combatant commander, base or installation commander, commanding officer, officer-in-charge, director of a defense activity, U.S. Property and Fiscal Officer (National Guard), or equivalent civilian head.

Continental United States

The 48 contiguous states and the District of Columbia.

Contingency Operation

A military operation designated by the Secretary of Defense (SecDef) in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or an opposing military force; or results in the call, order to, or retention of, active duty of members of the Uniformed Services under ***10 U.S.C. § 688***, ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, and ***10 U.S.C. § 12306***, or any other law during a war or a national emergency declared by the President or the Congress. Includes, but is not limited to, a combat, peacekeeping, or noncombatant evacuation operation, or humanitarian assistance or disaster relief effort.

Contract Pay

The entitlement process to pay contractors.

Contractor

Any person, organization, or business concern engaged in a profession, trade, or business, and may also be a not-for-profit entity operating as a contractor, including state and local governments and foreign entities, but excluding federal entities and foreign governments, doing business under a contract with an element of the U.S. Government.

Credit Card Collections

A government-wide network under Treasury's Pay.gov program enabling federal agencies to accept collections by credit card over the internet for offered products and services.

Credit Gateway

A deposit program that the FS uses for the receipt of federal agency Fedwire and Automated Clearing House (ACH) credit transactions. A component of the FS's Collections and Cash Management Modernization initiative, a multi-year effort to simplify and modernize collections and cash management programs.

Currency

Paper money in the form of U.S. dollars and foreign banknotes.

Currency Custody Account

An arrangement approved by the Treasury allowing safety stocks of U.S. currency held as a 100 percent cash reserve on the books of overseas military central funding officers physically held in the government's contractor-operated Military Banking Facility (MBF), with daily settlement between the MBF operator and central funding officer. Absent ready access to the Federal Reserve System, assures the availability of U.S. currency to support the dollar economy exported to support U.S. Armed Forces stationed overseas.

Defense Check Reconciliation Module (DCRM)

A check register that records the issuance of DoD manual checks. It includes Check Issue and Unavailable Check Cancellation subsystems.

Dependent

See ***37 U.S.C. § 401***.

The term "dependent," with respect to a member of a uniformed service, means the following persons:

a. Spouse;

b. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

c. An unmarried illegitimate child under the age of 21, provided the parentage on the part of the member is established by a birth certificate with the Service Members' name cited, by court order, or by a signed affidavit of parentage (signed and sworn by a notary) from the Service Member;

d. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

e. An unmarried child who is at least 21 years of age, but under 23 years of age, who is enrolled in a full-time course of study at an educational institution approved by the Secretary concerned, when the member demonstrates in a statement listing the child's income and expenses that the child is in fact dependent on the member for over one-half of the child's support;

f. An unmarried child, 21 years of age or older, who is incapable of self-support because of a mental or physical incapacity and who is in fact dependent upon the member for more than one-half of the incapacitated child's support;

g. A parent, including a stepparent, parent by adoption, or any person who has stood in loco parentis at any time for a continuous period of at least five years before the member's 21st birthday, or a parent, a stepparent, or adopted parent of the member's spouse, any of whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

h. An unmarried person who has been placed in the Service Member's legal custody as a result of a court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States for a period of at least 12 months.

1. The person must be under 21 years of age or at least 21 years of age, but under 23 and be enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, or must not be capable of self-support because of a mental or physical incapacity that occurred while the person was a dependent of the Service Member or former Service Member before age 21 or 23;

2. The person must be dependent upon the member for over one-half of the person's support;

3. The person must reside with the member unless separated by the necessity of military service or to receive institutional care as a result of disability, incapacitation, or other circumstances as prescribed in the regulations of the Secretary concerned; and

4. The person may not be a dependent of any member under any other part of this definition.

Deputy Disbursing Officer (DDO)

A person appointed as a deputy to a DO to act in the name of and for that DO to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds. The appointing DO may restrict the acts a deputy is authorized to perform. DDOs must be U.S. citizens.

Disbursing

The paying of public funds to entities to whom the Government is indebted; the collection and deposit of monies; the safeguarding of public funds; and the documenting, recording, and the reporting of these transactions.

Disbursing Agent (DA)

An agent of a DO, not appointed as a DDO, who generally operates a permanently-located disbursing office that is often geographically separated from the disbursing office.

Disbursing Office

An activity or the organizational unit of an activity whose principal function consists of the disbursement, collection, and reporting of public funds. Includes both tactical and non-tactical disbursing activities. Each has a DO and at least one DDO under the DO's direct control. Disbursing offices within DoD formerly were referred to as Finance and Accounting Offices, Accounting and Finance Offices, and Finance Offices.

Disbursing Officer (DO)

An officer or employee of a federal department or agency designated to disburse money and render accounts according to laws and regulations governing the disbursement of public money (see ***31 U.S.C. § 3321***). The term DO within Volume 5, unless otherwise stated (e.g., Treasury DO, U.S. DO (USDO)), is specific to DoD DOs. DoD DOs are considered NTDOs in Treasury terms.

Disbursing Station Symbol Number (DSSN)

A four-digit number assigned to each disbursing office by the Treasury. In addition, an identification number that indicates the authority to receive and disburse public funds and issue checks on behalf of the Treasury. See "Agency Location Code (ALC)."

Doctrine of Laches

A legal term based upon neglect or omission to do what one should do in a reasonable amount of time so as not to prejudice the adverse party. The defense can be used against an untimely claim to establish a presumption of abandonment of a right or claim (e.g., if a payee neglects or fails to file a timely request) the payer can presume that the payee has abandoned the claim.

DoD Activity

A ship, camp, post, station, base, activity, unit, installation, or facility operating within the DoD.

DoD Personnel

All DoD Active and Reserve Component military personnel, military retired members, DoD civilian employees (including foreign national direct hire and indirect hire, as well as non-appropriated fund employees), contractors and host nation support personnel.

Duplicate Check

A check issued by a DSSN with the same serial number as a previously issued check.

Electronic Commerce

A range of financial functions performed using data communication techniques.

Electronic Signature

An electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. See ***15 U.S.C. § 7006(5)***.

Emergency Condition

Any situation resulting from war, armed aggression, or other hostilities against U.S. personnel or interests; and sudden, extensive natural or manmade disasters.

Employee

A civilian paid from appropriated (or non-appropriated, if applicable) funds.

Erroneous Payment

A fiscal irregularity resulting from routine or non-routine processed payments that are not in strict conformity with laws and regulations, including but not limited to, an overpayment to a payee; two or more payments to a payee for the same entitlement (i.e., a duplicate payment); a payment to the wrong payee; a Treasury check issue overdraft (in some cases); a shortage caused by negotiation of both an original and a substitute Treasury check; payment based on fraudulent, forged, or altered documents; or a payment made in violation of law or regulation.

Exchange-for-Cash Check

A check issued by a DO to obtain cash funds for disbursements or in exchange-for-cash for official or accommodation purposes.

Facsimile Signature

An impression of a signature made by a rubber stamp and authenticated by the initials of the CO or the designated individual. May also be a metal plate or electronic digitized facsimile signature medium.

Federal Program Agency (FPA)

A department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

Federal Reserve Bank (FRB)

The central bank of the United States, divided into 12 federal district banks. Created by the Federal Reserve Act of 1913 to provide the nation with a safe, flexible and stable monetary and financial system.

Financial Services

Commonly associated with financial institutions in the United States, such as electronic banking (e.g., ATMs and personal computing banking); in-store banking; checking, share and savings accounts; funds transfers; sales of official checks, money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds, and acceptance of utility payments; and any other services provided by financial institutions.

Fiscal Irregularity

Any action (or lack thereof), event, practice, or circumstance (or lack thereof) that causes an out-of-balance condition in the financial accountability of a DO, deputy, agent, and cashier entrusted with public funds. Includes irregularities resulting from physical losses of funds or erroneous payments.

Foreign Exchange

Identifies the conversion (exchange) of foreign currencies (i.e., the legal monetary unit of a foreign nation), and negotiable instruments, such as travelers checks, money orders, and bank drafts payable in such monetary units.

Foreign National Personnel

A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces foreign nationals.

Fraudulent Claim

Any claim against the government involving the presentation of false information, or misrepresentation on the part of a claimant or any other party having an interest in a claim.

Functional Area

A specialized entitlement area (also known as a subject matter area) not under the direct cognizance/control of the DO. Functional areas are responsible for specific types of transactions, e.g., accounts control, travel, military pay, commercial sales, and civilian pay. Functional areas are not considered part of the disbursing office.

Fund Balance with Treasury (FBWT)

An asset account that shows the available budget spending authority of federal agencies. Collections and disbursements increase or decrease the balance in the account.

*Funds Held Outside of the Treasury (FHOT)

Physical cash held by a DoD DO, Deputy DO, or agent in a vault or in a Limited Depository Account under the responsibility of the DO. Also known as CIHO, FHOT is the preferred term.

G-Invoicing

G-Invoicing offers an online portal to support the exchange of information in Intragovernmental Transactions activity by federal trading partners. G-Invoicing will serve as an agreement broker (the mechanism by which agencies arrange and negotiate information electronically) and a data exchange platform.

General Depositary

A financial institution designated by the Treasury to accept deposits of cash and checks from specifically authorized DOs.

Governmentwide Accounting (GWA) and Reporting Modernization

A project addressing the central accounting and reporting functions and processes associated with budget execution, accountability, and cash/other asset management. Includes the collection and dissemination of financial management and accounting information from and to federal program agencies. Also includes the business processes in the FS that are related to ledger accounting for each appropriation, fund, and receipt account's FBWT, General Ledger accounting for the cash and monetary assets of the Government, and the preparation of the Monthly Treasury Statement and the U.S. Government Combined Statement and Appendix. This project improves timeliness and accuracy to support financial analysis and decision-making.

Holder-in-Due-Course

A person, financial institution, or business other than the original payee who in good faith takes possession of a check through endorsement. A claim to payment by a holder-in-due-course will be honored, even if the original payee is not due or entitled to the check.

Host Nation

A nation supported by the forces and/or supplies of allied nations; and/or coalition partners located on, operating in, or transiting through its territory.

Imprest Fund

A cash fund of a fixed amount established by an advance of funds, with or without charge to an appropriation, from a DO to a duly appointed cashier, for disbursement as needed in making cash payments for relatively small purchases.

Imprest Fund Cashier

An individual appointed by the local commander to make authorized cash payments for materials or services. An imprest fund cashier is required to maintain custody of public funds and to file periodic vouchers to account for and replenish the imprest fund. Disbursing personnel are not eligible for appointment as imprest fund cashiers.

International Treasury Services (ITS)

Treasury's comprehensive international payment and collection system, and the preferred payment method for foreign currency transactions.

Intra-governmental Payment and Collection (IPAC) System

A Treasury automated system used for the payment and collection of intra-governmental billing services and supplies.

a. IPAC Adjustment: A reversal of a transaction by the receiving agency up to but not to exceed the amount of the original transaction reported in the accounting month in which they are processed in IPAC. Receiving agencies cannot reject IPAC transactions that have been processed by the Treasury.

b. IPAC Billing Agency: The agency originating a collection or receiving a payment transaction. In the Treasury's Disbursing and Adjustment menu screens, the billing ALC represents the originator of the transaction.

c. IPAC Corrections: Refers to erroneous reporting on the SF 1219. The error can be caused by amounts being over or understated or by the failure of an agency to record the transaction in the proper month of accountability.

d. IPAC Customer Agency: Originates a payment or receives a collection transaction. In the Treasury's Disbursing menu screen, the customer ALC represents the agency receiving the transaction. In the Treasury's Adjustment menu screen, the Billing ALC of Original Bill field represents the agency receiving the adjustment transaction.

Limited Depositary (LD)

A U.S. or foreign commercial bank designated by the Treasury to receive deposits from DOs for credit to their official LD checking accounts.

Limited Depositary Account (LDA)

A LDA is a checking account, generally in a foreign currency, maintained in an LD by a DO, DDO, or another agent specifically designated by the DO, in his or her own name.

Lockbox Service

A collection and processing service provided by a financial institution to accelerate cash flow to Treasury's General Account.

Member

A person appointed, enlisted, or conscripted into a Uniformed Service or a person retired from active duty (including those receiving retainer pay) or a reserve component.

Micro-purchase Threshold

See the ***Federal Acquisition Regulation, Subpart 2.101***.

Military Banking Facility (MBF)

A banking office normally located on an overseas DoD installation and operated by a financial institution the Secretary of the Treasury specifically has authorized under its designation as a "Depository and Financial Agent of the U.S. Government" to provide certain banking services at the installation.

Military Pay

An entitlement and pay process for military members. Also refers to a functional pay area. Examples:

a. Armed Forces Americas (AA): Central and South America, e.g., Army Post Office (APO) and Fleet Post Office (FPO) Miami are now APO and FPO AA, respectively.

b. Armed Forces Europe (AE): Canada, Europe, Africa, and the Middle East, e.g., APO and FPO New York are now APO and FPO AE, respectively.

c. Armed Forces Pacific (AP): Pacific area, e.g., APO and FPO San Francisco, and APO and FPO Seattle are now APO and FPO AP, respectively.

National Bank

An association approved and chartered by the Comptroller of the Currency to operate a banking business.

Negligence

The failure to act as a reasonably prudent person would act under similar facts, conditions, and circumstances.

Non-tactical Disbursing Activity

Any disbursing activity permanently assigned to an installation and not subject to mobilization or deployment.

Officer or Military Officer

A commissioned or warrant officer (appointed officer) of the Uniformed Services.

Official Authorization List

Identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a component.

On-base

Refers to physical presence on a domestic or overseas DoD installation.

Original Signature

A signature is in permanent dark blue, blue-black, or black ink. For electronic and digital signatures, see Chapter 1, subparagraph 3.5.3.

Outstanding Check

A check that Treasury's CP&R system shows as issued but not paid.

Over-the-Counter Channel Application (OTCnet)

A web-based application that integrates Check Capture and Deposit Reporting functionalities in one system. Created from two legacy systems, Paper Check Conversion Over-the-Counter and Treasury General Account (TGA) Deposit Reporting Network, the ***Over-the-Counter Channel Application (OTCnet)*** application design accommodates check capture and deposit reporting using electronic collection mechanisms instead of paper based processing. The OTCnet application check capture activities are primarily performed online;

however, there is an offline check capture capability for agencies operating in locations where internet connectivity and bandwidth are intermittent or unavailable.

Overage of Funds

An amount greater than the amount shown to be on hand by the daily accountability records.

Overseas

A military installation (or community) located outside the United States, the District of Columbia, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, or the U.S. Virgin Islands.

Paid Status

Identifies a Treasury check presented to the Treasury for payment through the banking system, or reported as void (zero value issue), or canceled.

Pay (Salary)

Includes basic, special, incentive, retired or retainer pay; consultant's fees; and any other authorized pay and allowances.

Pay.gov

A program developed to meet the commitment to process collections electronically using internet technologies. Satisfies agencies' and consumers' demands for electronic alternatives by providing the ability to complete forms, make payments, and submit queries 24 hours a day electronically.

Pay Period

Normally biweekly for civilians working for federal agencies, may be monthly or twice monthly for active duty military personnel, monthly for retirees, or periodically based on completion of active or inactive duty for training for Reserve Component personnel.

Payability

The length of time during which a Treasury check is negotiable. Also relates to "claimability," the length of time a payee may present a claim of non-receipt, loss, or theft of a Treasury check to a government agency. Claims are valid on underlying obligations until expiration of the statute of limitations, normally six years. If a payee's right to entitlement has expired, the claim is denied, but under ***31 U.S.C. § 3702***, the SecDef may waive this for claims not exceeding $25,000.

Paying Agent (PA)

PAs qualifications and responsibilities are;

a. A military member or DoD civilian employee appointed by a commander to act as an agent of a DO to make specific payments, currency conversions, or check cashing transactions from cash the DO temporarily advances to the agent;

b. An individual whose regular duties do not involve disbursing functions and who is not organizationally located in the disbursing office;

c. Appointed to the position of PA as an additional duty, is under the exclusive supervision of the DO in all matters concerning custody and disposition of cash advanced, and complies with all instructions and regulations pertaining to their PA duties issued by the DO;

d. Makes payments or currency conversions for and in the name of the DO to whom the PA is appointed; and

e. Holds the advanced cash at personal risk and must account for it to the DO immediately upon completion of the transaction(s) for which advanced.

Payment Information Repository (PIR)

A centralized information repository for federal payment-related data to improve and increase the transparency of government payments and streamline the reporting of accounting classification information from NTDOs, e.g., DoD DOs.

Payment Review Official

A person who conducts pre-payment and post-payment reviews (not an inherently-governmental function), issues and controls inquiries regarding possible financial irregularities, but is not subject to pecuniary liability because of not being in an accountable position.

Pecuniary Liability

Personal financial liability for fiscal irregularities of accountable officials, as an incentive to guard against errors and theft by others, as well as, protect the government against errors and dishonesty by the officers themselves.

Physical Loss of Funds

A physical loss of funds includes:

a. A loss of U.S. Government cash by theft, embezzlement, unexplained disappearance, or cash handling errors;

b. A loss of paid vouchers and/or negotiable instruments from a disbursing office;

c. A loss of an official deposit in route from a disbursing office to a depositary or after confirmation by a depositary;

d. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals, both accountable and non-accountable disbursing personnel, who work in the disbursing office;

e. A loss or theft of cash from an imprest fund;

f. A failure to obtain (or loss of) official receipts and/or documents representing cash;

g. A loss or destruction by fire, accident, or natural disaster;

h. Unidentifiable DO suspense account charges; or

i. Losses associated with counterfeit currency transactions.

Presumption of Negligence

Title 31 U.S.C. § 3527, is the basis for automatically holding a CO or DO pecuniarily liable for a fiscal irregularity. The presumption of negligence established by law does not apply to DAO.

Prevailing Rate of Exchange

The most favorable rate legally available to the U.S. Government for acquisition of foreign currencies for its official expenditures and accommodation exchange transactions.

Public Funds

Cash, paid vouchers, or cash collected by a disbursing official for goods or services subject to the control or regulation of the United States or any of its officers, agents, or employees.

Receipt, Appropriation (Expenditure), and Fund Accounts

See ***Treasury Financial Manual, Volume 1, Part 2, Chapter 1500*** for complete account descriptions.

Receiving Official

A military member or DoD civilian employee authorized to substantiate the receipt, inspection, and acceptance of goods and/or services.

Recertified Payment

A replacement payment by Treasury check with a check serial number different from that of the original check. The replacement Treasury check may be issued after the presentation and review of required documentation to replace any lost, stolen, or destroyed original check (except for holder-in-due-course situations), regardless of the disbursement purpose (e.g., pay, travel, or vendor payment).

Relief from Liability

Pursuant to 31 U.S.C. § 3527, an action taken by an individual with appropriate legal authority to relieve DOs, certifying officers, or other accountable officials of pecuniary liability for a fiscal irregularity.

Replacement Check

A check issued to replace a check that is for a proper payment but has been classified as void, not been reported to the Treasury as a valid check issue, or is not cashable due to misprint or mutilation during the issue process.

Retiree

A military person retired from active duty or a Reserve Component, including those receiving retainer pay.

Review Official

A military member or DoD civilian employee appointed in writing to conduct pre-payment and post-payment reviews, to initiate and control inquiries, and to initiate investigations of possible fiscal irregularities.

Salary Offset

A deduction from a current pay account to liquidate a debt. May be from basic, special, incentive, retired, and/or retainer pay; or in the case of an individual not entitled to basic pay, other authorized pay.

Seized Funds

Cash confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency is delivered promptly into the custody of the State Department's USDO supporting the particular country involved. Any DoD DO acquiring captured foreign currency safeguards and delivers it to the USDO as soon as possible, but does not collect it into their accountability.

Settlement Office

A disbursing office designated to clear outstanding transactions and/or deficiencies from the accounts of predecessor DOs. The DO assigned to the settlement office is referred to as a settlement officer.

Shared Accounting Module (SAM)

A FS application that carries out the process of validating or deriving the appropriate TAS and BETC combinations to assist GWA in classifying financial transactions as they occur.

Smart Cards

Includes: Stored Value Cards (SVC), debit cards and combination cards (hybrids that contain both SVC and debit card features). These cards store or provide access to "electronic money" and provide a more secure method of handling funds, alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

Spoiled Check

A check that has been reported to the Treasury as a valid issue, has been returned by the payee as not cashable due to mutilation or defect, represents a valid payment to the payee, and is less than one year old.

Sponsor

See ***20 U.S.C. § 932***.

A person who is

a. a member of the Armed Forces serving on active duty, or

b. a full-time civilian officer or employee of the DoD and a citizen or national of the United States; and

c. who is authorized to transport dependents to or from an overseas area at Government expense and is provided an allowance for living quarters in that area.

Standard Financial Information Structure (SFIS)

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoD enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables

decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. SFIS compliance is required for all target accounting systems and target financial business feeder systems (Volume 1, Chapter 4).

Standard Line of Accounting (SLOA)

The DoD SLOA is a subset of the SFIS data standard elements. The SLOA is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. All collection and disbursement vouchers reported in the DoD business systems must meet SLOA requirements. The SLOA accommodates Treasury reporting requirements for daily cash reporting (Volume 1, Chapter 4).

Standard Reporting Format (SRF)

SRF is a Fiscal Service defined input file specification defining the data elements and validation rules that all NTDOs use to report issued payments and associated TAS/BETC information. Payment and accounting data are submitted to the PIR reporting tool using SRF.

Stored Value Card (SVC)

A smart card application capable of storing electronic monetary value on the card's embedded computer chip. The SVC is used to conduct financial transactions in a number of DoD settings. These include: EagleCash, Navy Cash, Marine Cash, Ezpay, Debit cards, combination cards, and others.

Supplemental Agreement

Statement of local operating procedures formulated and used by the commanders of the Armed Forces of two friendly foreign nations, whose governments have signed a basic agreement, as contemplated under DoD Instruction 5530.03. Use these procedures in territories of mutual concern to provide each other with emergency financial support, under the policies of the basic agreement. Supplemental agreements may be entered into by commanders of unified or separate Armed Forces, as considered appropriate.

Suspense/Budget Clearing Accounts

A disbursement transaction that has been reported to the Treasury and has not been identified to a specific fund holder or is placed in a suspense account while research efforts are underway. Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency.

Tactical Disbursing Activity

Any tactical unit (including Navy ships) authorized to provide disbursing services under an assigned DSSN and is subject to movement from one location to another. Some of these activities provide disbursing services on a full-time basis (e.g., Navy ships); others perform them only while deployed (or mobilized). When not deployed, the DSSNs are held in reserve, in an inactive status, for use on short notice as required.

Tolled

To suspend or stop temporarily, e.g., an event that suspends the running of time related to a statute of limitations.

Transaction Reporting System (TRS)

See Collections Information Repository (CIR).

Travel Authorizing Official

An individual designated in writing by organizational title having authority to issue travel orders, sign/approve travelers' claims, verify that all transactions made were necessary expenses, and were accomplished in accordance with the ***Joint Travel Regulations***.

Travel Order

A document authorizing official government travel.

Traveler

A military member, DoD civilian employee, or invitational traveler traveling in an official capacity.

Treasury Account Symbol (TAS)

An identification code assigned by the Department of the Treasury. The TAS represents individual appropriation, receipt, and other fund accounts for agencies and bureaus.

Treasury Check Information System (TCIS)

A system that records and reconciles the worldwide issuance and payment of Treasury checks. It also allows end users to query the Payments, Claims & Enhanced Reconciliation system for claim status on ACH payments.

Treasury General Account (TGA)

A demand account titled TGA in a designated commercial bank specifically authorized by the Treasury Department to maintain that account in the name of the Treasury for the purpose of accepting deposits. A non-U.S. bank located overseas (an International TGA) may also be authorized to perform this function.

Undeliverable Check

A check not delivered to the payee within 60 days after the month of issue.

Valuables

Any articles or representations of value in which the United States has any interest, or in connection with which it has any obligation or responsibility.

Vendor

See "Contractor."

Vendor Pay

The process of computing the amount due a contractor or vendor for all contract/purchase orders, except those administered by the Defense Contract Management Agency, or a functional pay area.

Voided Check

A check pre-numbered with a serial number, invalidated for any reason before issuance by a DO, and reported with a zero dollar value.

Voucher

A document certified by a CO to a DO (under ***31 U.S.C. § 3325***) to make a payment.