

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-JFKCD/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 Depository. 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 depository 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 Depository 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 ([14A-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 depository 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 Depository 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 ITFM 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.