

**SUMMARY OF MAJOR CHANGES TO  
DoD 7000.14-R, VOLUME 5, CHAPTER 14  
“LIMITED DEPOSITARY CHECKING ACCOUNTS”**

All changes are denoted by blue font.

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure with the substantive change or revision.

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

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140101 & 140103.B.2	Adds consideration of ITS.gov and the requirement to include reasons why ITS.gov will not support mission accomplishment when requesting authority to open a limited depositary account	Add

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## CHAPTER 14

**LIMITED DEPOSITARY CHECKING ACCOUNTS**1401 INTRODUCTION

★ 140101. Authority. In situations where the Department of the Treasury's international payment system (ITS.gov) will not support mission requirements, disbursing officers (DOs) may maintain official limited depositary checking accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currency with banks designated as "Depositaries of Public Moneys of the U.S." by the Department of the Treasury (Treasury). Except for LDAs in U.S. dollars established under Title 10, United States Code, Section 127 ([10 U.S.C. 127](#)) for Intelligence Contingency Fund (ICF) purposes, LDAs in U.S. dollars may not be established unless specific authority is first obtained from the Director for Accounting and Finance Policy, Office of the Under Secretary of Defense (Comptroller), through the Director, Defense Finance and Accounting Service-Indianapolis (DFAS-IN), ATTN: DFAS-NPD/IN, 8899 E. 56th Street, Column 329F, Indianapolis, IN 46249-0500.

140102. Selecting Limited Depositaries (LDs). Treasury selects financial institutions to maintain U.S. Government operating accounts per [31 U.S.C. 3303](#) based on obtaining the most beneficial banking arrangement available to the U.S. Government to transact its business, giving preference to American financial institutions unless a local bank's arrangement is more advantageous to the U.S. The DO confers with the local U.S. Embassy or Consulate for assistance in determining which banks meet the criteria for consideration to maintain an account. When anticipating the establishment of a new LDA, the DO solicits all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. This solicitation process must be competitive with all banks submitting written information on identical questionnaires or requests for (banking) proposals. In determining the most beneficial banking arrangement, the 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:

- A. capability to honor payments to payees in outlying areas;
- B. processing of checks and, if possible, EFTs and deposits;
- C. provision of a daily or a monthly bank statement as needed; and
- D. acceptance of the DO's funding procedures.

The DO ensures the bank is a valid, financially-secure, dependable, and reliable financial institution 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 if the DO determines that one of them

either offers a more beneficial banking arrangement than currently received, or reflects a higher level of American ownership than the present LD.

★ 140103. Requesting LDAs. Once the DO selects an LD (if other than a contract military banking facility (MBF), he/she formally requests approval and designation of that institution as an authorized LD from Treasury. Send the request for approval and designation of a LDA through the Director, DFAS-IN, ATTN: DFAS-NPD/IN, 8900 East 56<sup>th</sup> St., Indianapolis, IN 46249-0500 to the Financial Management Service, Department of the Treasury, Over-the-Counter Revenue Collection Division, 401 14th Street, S.W., Room 324 Washington, D.C. 20227 for approval.

A. Requests for U.S. dollar 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, then the DO may request a U.S. dollar operating account; otherwise, the DO may request only a U.S. dollar zero-balance account.

B. Include in a requests for an LDA –

1. the disbursing station symbol number (DSSN);
2. the justification for the account, [to include the reason\(s\) why ITS.gov will not support mission requirements](#);
3. the location;
4. the name of the currency;
5. the criteria for determining the preferred bank and reasons for recommending its selection (i.e., results of the competitive process);
6. the name of the bank to be designated (regardless of possible previous designation);
7. the bank address;
8. the name and title of bank official and telephone number(s);
9. the percentage of ownership by a U.S. bank;
10. the name of the correspondent bank in the U.S., the account number, and a point of contact (name, title, and telephone number); and
11. a statement of compliance with subparagraphs 140101 – 140103 of this chapter, or reasons for non-compliance.

C. DOs immediately notify Treasury's Over-the-Counter Revenue Collection Division through DFAS-NPD/IN upon learning of a significant event that affects the designated

bank (e.g., bank closure).

#### 1402 ESTABLISHMENT OF LIMITED DEPOSITARY CHECKING ACCOUNTS

140201. Establishment Procedure. Once Treasury approves a request, establish the LDA in the name of the activity to which the DO is assigned. Limit authority to sign checks drawn on the LDA to the DO and other deputies or agents that the DO appoints. When a DO transacts business in multiple foreign currencies, establish and maintain a separate LDA for each.

140202. 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(s) with official funds of the United States in the name of the activity. When a deputy disbursing officer (DDO) works for a centralized DO, the commander's letter identifies the DDO that will maintain the account. The letter –

A. certifies that the account is subject to checks issued by the DO, other appointed DDOs, and his or her successors in office;

B. contains specimens of the DO's and authorized DDOs' signatures, and a certification that the signatures are those of the personnel authorized to transact business with the LDA; and

C. requests the bank to acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

#### 140203. Blank Limited Depositary Checks

A. Procurement. LDA checks are not available through the U.S. Treasury check contract. Order them from the bank maintaining the LDA.

B. Print Order Requirements. Request LDA 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-payability notices as may apply in the foreign nation, and information necessary for security and accounting for check issues.

C. Cost. Charge the procurement cost of blank LDA checks to the disbursing activity's operating funds.

D. Security. Control and safeguard blank LDA checks in a manner similar to that prescribed for U.S. Treasury checks in [Chapter 7](#) of this volume. If LDA checks are lost or stolen, then the DO immediately notifies the LD of the serial numbers of those checks, place stop

payments against them, and submit copies of the stop-payment requests with the next original LDA reports.

E. Relief of DO. Transfer unused LDA checks to the relieving officer, with no change in serial numbers, for his/her use.

F. LDA No Longer Required. When a LDA is no longer required or when a disbursing office is deactivated, void all unused blank LDA checks and destroy them; see section 1404 of this chapter and [Chapter 8](#) of this volume.

#### 1403 MAINTAINING A LIMITED DEPOSITARY CHECKING ACCOUNT

##### 140301. Preparation of LD Checks

A. General. Prepare LD checks by typewriter or automated check writing equipment, if available.

B. Record of Check Issues. DOs maintain a record of every LD check 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 are optional at the issuing DO's discretion. The record may be on paper or in media designed for data processing use, e.g., diskette, or compact disk. Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

140302. Disbursement Vouchers. When a payment is made by LD check, enter the notation "LDA Check No.\_\_\_\_," on the disbursement voucher. Although a receipt is not generally required for a payment made by check, local laws may prohibit LD checks drawn outside the U.S. from being returned to the drawer. In these cases, show evidence of receipt of the payment on the voucher on which a LD check payment appears in one of these ways:

A. Signature on Original Voucher. Submit the original voucher as a part of the financial reports for the month of payment.

B. 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 be to the effect: "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 \_\_\_\_ years." The DO certifies to the reconciliation of the bank statement with the disbursing records.

140303. Delivery of Checks. See Chapter 8 of this volume. 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.

140304. 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, then the DO notifies the depository of the irregularity.

140305. Interest on Deposits. In certain cases, LDs pay interest on checking accounts. When possible, the DO obtains interest on the LDA. The DO canvasses the market to obtain the highest interest rate legally available and commensurate with disbursing requirements, and is responsible for monitoring the interest-bearing accounts to ensure that interest is being paid on a timely basis following agreements between the DO and the banks. Upon notification that interest has been credited to the account, the DO prepares a Cash Collection Voucher (Department of Defense (DD) Form 1131) crediting \*\*3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the U.S. dollar equivalent of the interest, and records the transaction as both a collection and an increase of cash on deposit in the LDA.

140306. Account Balances. Do not use LDA balances (or the forfeiture of potential interest earnings on the account) to subsidize banking services that otherwise would be funded through the appropriation process. Keep daily LDA balances as near zero as possible. Otherwise, maintain the LDA balance solely to support disbursing requirements. If the collection of foreign currency causes a noninterest bearing LDA to exceed 5- to 7-business-day supply and all attempts to sell the currencies to other DOs are exhausted, then the DO sells the foreign currency for U.S. dollars for deposit to a bank designated as General Depository for the Treasury.

140307. Review of LDAs

A. Commanders' Review. Commanders require a review of LDAs maintained by DOs to ensure compliance with the requirements of this volume. The cash verification team (see Chapter 3 of this volume) performs this review quarterly (unannounced), upon transfer of accountability to a successor DO, upon deactivation of the LDA, before departure of the DO from the command, or upon a change in the designated settlement office.

B. DOs' Review. DOs review the LDA on a continuing basis to ensure that –

1. maintenance of account balances at the minimum necessary to meet immediate disbursement needs (checks issued and in process) commensurate with the activity in the LDA;

2. balances in excess of immediate needs (typically a 5- to 7-business day supply) are promptly withdrawn and deposited with the Treasury;

3. the terms negotiated with the depository are favorable to the government, including interest on the account at the highest possible rate; and

4. at least every 3 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.

#### 1404 VOIDED AND SPOILED LIMITED DEPOSITARY CHECKS

140401. General. Treat original LD checks that are not to be issued as voided or spoiled. The DO maintaining the LDA accounts for all LD checks. Void checks because of errors in writing the check (e.g., wrong name, amount.), withdrawal of the voucher by the applicable entitlement area, or because the check is physically damaged during preparation. 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 Statement of Designated Depositary Account ([SF 1149](#)).

140402. Voided Checks. The functional area authorizing the payment of a voucher may request voiding of a check. The DO's decision is based on the payee's nonentitlement to the payment, or an error in the way the check is drawn. Do not report voided checks as issued in the DO's check report. Upon determination to void a payment, render a check nonnegotiable by stamping, marking or writing the words, "VOID - NOT NEGOTIABLE, NO CHECK ISSUED UNDER THIS NUMBER" on the face of the check in large prominent letters. 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 and forward it with the monthly SF 1149. Include the originals of all voided checks with the listing.

140403. Spoiled Checks. A DO issuing a check determines when to report a check as spoiled, basing this decision on the physical appearance of the check, e.g., mutilated, torn, not whole, smudged, or unreadable; or upon the discovery of an error in the preparation of the check, e.g., voucher correct but the check data does not match the voucher. Prepare a separate listing of spoiled checks, entitled "Spoiled Checks," in check-number sequence at the end of each month, showing the accounting month, the name of the LD, and the LDA number. Send the listing and the original spoiled checks with the monthly SF 1149. Replace a spoiled check with another serially-numbered check, using the next available check. Except for the check serial number and the check issue date, enter the same information that appeared on the original check. Date the replacement check on its issue date. Render the original check nonnegotiable by writing, marking, or stamping "SPOILED – NOT NEGOTIABLE, REPLACEMENT ISSUED UNDER CHECK NO. \_\_\_\_ DATED \_\_\_\_" on the face of the check. Inscribe "Issued to Replace Check No. \_\_\_\_" on every replacement check in the lower left-hand corner of the face of the check. Show this same information on the detailed record of checks issued.

#### 1405 TRANSFERRING PROCEEDS OF LIMITED DEPOSITARY CHECKS

140501. General. Occurrences after a LD check has been issued may require transferring the check proceeds to Treasury or the original appropriation. The most frequent occurrence of transferring the proceeds of LD checks is when outstanding check amounts are transferred to Treasury as uncurrent. An uncurrent LD check is one that has not been negotiated through the LD one fiscal year after the fiscal year after its issuance. The transfer of LD check



proceeds may be due to undeliverable checks or checks due deceased or incompetent payees.

140502. Uncurrent Check Transfers. The DO who issued the original check, the successor to that DO, or a settlement officer designated by the supporting DFAS site transfers proceeds of uncurrent checks to Treasury each October, but follows the laws of the nation in which the LDA is located if they provide that the negotiable period of a check is less than one full fiscal year after the date of issue.

A. Open Limited Depository Accounts

1. Preparation of Check Listing. Prepare a separate check listing in an original and four copies for each LDA, with a heading showing the DO's name and location and the name and location of the LD. 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 U.S. dollar equivalent of the check when it was issued (as shown on the payment voucher). Show the total amount of foreign currency units and the total U.S. dollar equivalent of all checks on the listing. Transfer the total U.S. dollar equivalent at the time the checks were issued to Treasury account, 20X6045, Proceeds and Payment of Certain Unpaid Checks.

2. Stop Payment Notice to LD. The DO immediately gives a copy of the uncurrent check listing to the LD and requests that it place stop payments on all checks on it. Instruct 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 Credit Accounting Branch, Financial Management Service, Department of the Treasury 3700 East-West Highway, PG Metro Center II, Room 6D32, Hyattsville, MD 20872.

3. Method of Transfer. The DO prepares Journal Voucher (JV) (Optional Form (OF) 1017-G) as the basis to purchase the amount of foreign currency represented by the outstanding checks, and then completes the purchase by issuing a U.S. Treasury check payable to the Department of the Treasury for the U.S. dollar equivalent 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 U.S. Treasury check. The JV supports the increase in the LDA checkbook balance. Report the transaction on line 6 of the SF 1149. Attach a copy of the JV to the uncurrent check listing and forwarded it with the U.S. Treasury check to the Department of the Treasury; see subparagraph 140502.A.5 of this chapter.

4. Accounting for the Transfer

a. Report the U.S. Treasury check in the daily business as "Checks Issued on U.S. Treasury."

b. Increase "Cash on Deposit in Designated Depository" in the same U.S. dollar amount as the U.S. Treasury check.

c. Increase the LDA checkbook balance by the total amount

of foreign currency units shown on the check listing.

d. Compute the current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) using the current rate of exchange.

e. Compare the computed total U.S. dollar equivalent of the LDA checkbook balance to the total U.S. dollar equivalent shown as “Cash on Deposit in Designated Depositary.”

f. Voucher any difference in total U.S. dollar equivalents as a gain or loss by exchange transaction on a DD Form 1131 or [SF 1034](#), (Public Voucher for Purchases and Services Other Than Personal) (as appropriate) against \*\*6763, Gains and Deficiencies on Exchange Transactions, and recorded in the day’s business as either a collection or a disbursement, increasing or decreasing (as applicable) “Cash on Deposit in Designated Depositary.”

5. Distribution of Documents. Distribute the uncurrent check listing, OF 1017-G, and the DD Form 1131 or SF 1034.

a. Send the original and one copy of the uncurrent check listing, a copy of the OF 1017-G, and the U.S. Treasury check to the Credit Accounting Branch, Financial Management Service, Department of the Treasury.

b. Send a copy of the uncurrent check listing to the LD.

c. Attach one copy each of the uncurrent check listing, the OF 1017-G, and the DD Form 1131 or SF 1034 to the SF 1149.

d. File one copy of each of the uncurrent check listing, the OF 1017-G, and the DD Form 1131 or SF 1034 in the DO’s retained LDA records.

e. Include the original and appropriate number of copies of the OF 1017-G and DD Form 1131 or SF 1034 with other vouchers supporting the Statement of Accountability ([SF 1219](#)).

B. Closed Limited Depositary Accounts. When outstanding (unpaid) checks become uncurrent in a closed LDA, transfer the U.S. dollar equivalent 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 140502.A of this chapter. If the closed account belonged to a predecessor DO or is part of the settlement account for a closed disbursing station, then prepare one additional copy of the uncurrent check listing for filing with the retained records of the closed disbursing station’s records, including on this copy a reference to the disbursing office accomplishing the transfer and the date of transfer.

140503. Transferring the Proceeds of Undeliverable Checks

A. General. 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 under section 1406 of this chapter.

B. Time Limit for Holding Undeliverable Checks. Hold undeliverable LD checks only until determination that the DO cannot deliver them with the information available. Never hold undeliverable LDA checks longer than 60 days from the date of issue.

C. Record of Undeliverable Checks. The DO establishes a record of undelivered LD checks using the Returned and Undeliverable Check/Bond Record (DD Form 2658) that includes a complete identification of the check, the disbursement voucher number, date the check was returned, disposition of the check, disbursing official authorizing disposition, and date of disposition. The DO, principal deputy, or a third person authorized in writing by the DO may approve disposition of undelivered checks.

D. Safekeeping Undeliverable Checks. Protect undeliverable LD checks held in the disbursing office the same as cash. File them in an order best suited for ease of retrieval and ready identification.

E. 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 at the rate of exchange in effect on the date of issue as shown by the payment voucher. Establish a payable to allow for future settlement. Schedule undeliverable LD checks shall be scheduled on a Schedule of Canceled or Undelivered Checks (SF 1098) showing the check number, month and year of issue, name of payee, amount (U.S. dollar equivalent on date of issue), DSSN, and the appropriation or fund to be credited. Account for each SF 1098 as a cash collection. To maintain the DO's accountability, increase "Cash on Deposit in Designated Depository" in the same U.S. dollar amount as the SF 1098. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the check. Compute the current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) using the current exchange rate. Compare the total U.S. dollar equivalent of the LDA checkbook balance to the total U.S. dollar equivalent shown as "Cash on Deposit in Designated Depository." Voucher any difference in total U.S. dollar equivalents as a gain or loss by exchange transaction on a DD Form 1131 or SF 1034 (as appropriate) against \*\*6763, and record it in the day's business as either a collection or disbursement, increasing or decreasing, as appropriate, "Cash on Deposit in a Designated Depository." Update the record of outstanding and undeliverable checks to reflect the disposition. At the time of disposition, render the checks non-negotiable by writing, typing, or stamping on the face of the check, "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" to prevent negotiation by unauthorized persons. Include the amount of the defaced checks on line 3 of the SF 1149. Send the canceled checks and one copy of the SF 1098 with the SF 1149 in the

same manner as voided and spoiled checks at the end of each month. Reproduce enough additional copies of the SF 1098 to provide the functional area authorizing the original disbursement a copy so they may establish a payable to handle future claims for the proceeds of canceled undeliverable checks.

F. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts. If the LDA on which the undeliverable checks were drawn is closed, then the successor DO or settlement officer notifies the LD that the checks are being canceled and requests that the value of the checks be transferred to an open account if the DO maintains a LDA, or that the LD transfer the funds to the DO by check payable to the DO by title. Once the proceeds are transferred to the open account, the DO follows subparagraph 140503.E of this chapter for undeliverable checks drawn on an open account. When the LD provides the proceeds by check, the DO collects the check on a DD Form 1131 to the appropriation or fund charged when the undeliverable check was issued, and does not prepare an SF 1098. Prepare the DD Form 1131 at the rate of exchange in effect when the check was issued, as shown by the related payment voucher. Record the DD Form 1131 in the DO's accounts as a cash collection, and account for any difference in the U.S. dollar value at the current rate of exchange and the rate of exchange when the check is collected as a gain or loss by exchange. Upon disposition, render the undelivered checks nonnegotiable by writing, typing, or stamping on the face of the check, "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" to prevent unauthorized negotiation. Post the record of outstanding and undeliverable checks in the former DO's accounts to reflect their disposition. Send a copy of the DD Form 1131 and the defaced checks with the SF 1149 to support the changes in the closed LDA account at the end of the month. Send a copy of the DD Form 1131 to the applicable functional area to enable it to establish the payable in the event of future claims for the proceeds of the canceled undeliverable checks.

G. Undeliverable Checks Uncurrent as to Date of Issue. Send uncurrent undeliverable checks that come to the disbursing office, the proceeds of which have been transferred to Treasury account 20X6045 and for which no current claim has been presented, directly to the Credit Accounting Branch, Financial Management Service, Department of the Treasury. Process uncurrent undeliverable checks that come to the disbursing office, the proceeds of which have not yet been transferred to the Treasury under paragraph 140502 of this chapter. Do not schedule an uncurrent undelivered check on an SF 1098 or DD Form 1131 as a current undeliverable check.

140504. Limited Depositary Checks Due Deceased or Incompetent Payees

A. Checks Current as to Date of Issue. Process un-negotiated LDA checks returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incompetent payee but still current as to date of issue under subparagraphs 140503.E and 140503.F of this chapter.

B. Checks Uncurrent as to Date of Issue. Handle un-negotiated LDA 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 incompetent payee, as follows:

1. If the proceeds of these checks were not transferred to Treasury account 20X6045 previously, then perform this transfer as provided in paragraph 140502 of this chapter, before forwarding the check and the claim to Treasury.

2. If transfer of these checks' proceeds to Treasury account 20X6045 has occurred, then send the checks with the related claims to Treasury's Credit Accounting Branch, Financial Management Service for settlement.

140505. Claims for the Proceeds of Undeliverable Checks

A. Claims for Settlement by the DO. Support claims for the proceeds of undeliverable checks that have been credited to the appropriation or fund originally charged using a SF 1034. Cite a reference to the original undeliverable check, showing the check serial number, amount, and DSSN, on each voucher.

B. Claims for Settlement by the Department of Defense (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, 1600 Defense Pentagon, Washington, DC 20302-1600.

1406 CANCELING LIMITED DEPOSITARY CHECKS

140601. General. Cancel LD 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, the check is "current" or "uncurrent," and the check is available or unavailable to the DO maintaining the LDA.

140602. Checks Not Due a Payee or Payee's Estate. The functional area submitting the certified payment voucher for issue of the check normally is the only office that may cancel checks not due a payee or the payee's estate. Except as provided in this paragraph, use the SF 1098 to list and report all such checks being canceled. In all cases where practicable, the functional area authorizing the original payment prepares the SF 1098. If the disbursing office prepares the SF 1098, then the functional area signs and dates it in the lower right-hand corner in the spaces titled "Forwarded" and "By." The disbursing office marks the front of the check with the word "CANCELED" and the date of cancellation in prominent letters to prevent improper negotiation of the check.

A. Checks Current as to Issue Date. The DO cancels LD checks not due a payee as quickly as possible. Credit the U.S. dollar equivalent of the foreign currency amount of the check at the rate of exchange in effect on the date the check was issued (as shown on the payment voucher) to the original appropriation or fund charged for the payment.

1. Open Accounts. If the LDA is open (established and being used by the current DO), then process the SF 1098 in the accounts to effect the credit to the fund or

appropriation originally charged for the disbursement, increase the LDA checkbook balance, and remove the canceled check from the record of outstanding checks. Account for each SF 1098 as a cash collection. Increase “Cash on Deposit in Designated Depository” in the same U.S. dollar amount as the SF 1098 to maintain the DO’s accountability. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the check. Compute the current U.S. dollar equivalent of the LDA checkbook balance (including the foreign currency units added above) using the current rate of exchange. Then compare the total U.S. dollar equivalent of the LDA checkbook balance to the total U.S. dollar equivalent shown as “Cash on Deposit in Designated Depository.” Voucher any difference in total U.S. dollar equivalents as a gain or loss by exchange transaction on a DD Form 1131 or SF 1034 (as appropriate) against \*\*6763 and recorded in the day’s business as either a collection or disbursement, increasing or decreasing, as appropriate “Cash on Deposit in a Designated Depository.” Mark the face of the canceled check “Canceled” and the date of cancellation. Send the canceled check and a copy of the SF 1098 with the original SF 1149 at the end of the month.

2. Closed Accounts. If the LDA is closed or the account was maintained by a predecessor DO and closed upon change of DOs, then transfer funds between the closed and current (open) LDAs before processing the cancellation action. Otherwise, follow the procedures in the remainder of this paragraph.

a. Check to be Canceled Drawn on DO’s Current Limited Depository. If the DO cannot draw a check against the closed LDA and both the closed and open accounts (DO’s current account) are with the same LD, then advise the LD by letter that the DO has the check and will cancel it. Ask the LD to transfer the funds involved from the closed to the open account. When the LD advises that the requested transfer has been made, proceed with the preparation of the SF 1098 as described in subparagraph 140602.A.1 of this chapter.

b. Check to be Canceled Drawn on Different LD. If the closed LDA and the DO’s current open LDA are in different LDs, then request in writing that the LD on which the check was drawn charge the account for the check being officially canceled and send the funds to the DO, by title. Upon receipt, deposit the funds in the current open LDA and treated them as a cash collection using a DD Form 1131 for credit to the fund or appropriation originally charged for the check being canceled. Do not process an SF 1098 for this transaction. Show the U.S. dollar equivalent of the foreign currency amount of the check and the rate of exchange effective on the date the check was issued as shown on the payment voucher on the DD Form 1131. State prominently on the DD Form 1131 that the transaction involves the proceeds of a canceled check. Account for any difference in the U.S. dollar value at the current rate of exchange and the rate of exchange at which the funds provided by the LD are collected on the DD Form 1131 as a gain or loss by exchange transaction.

B. Unavailable Checks. Cancel LDA checks, the proceeds of which are not due the payee or the payee’s estate, and not held by the disbursing office, even though they cannot be forwarded with the SF 1149 as canceled checks.

1. The applicable functional area prepares a SF 1098 and includes an



explanation of the circumstances that make the check unavailable. The functional area that authorized the issue of the original check approves the SF 1098, which the DO also signs under the explanation of the unavailability of the check.

2. The DO requests that the LD on which the check was drawn place a stop payment on the check and provide a written acknowledgement when this is accomplished.

3. When the LD's acknowledgement is received, the DO processes the SF 1098 and credits the fund or appropriation originally charged, adjusts the checkbook balance, and reduces the record of outstanding checks as prescribed in subparagraph 140602.A.1 of this chapter. Send a copy of the LD's acknowledgement and a copy of the SF 1098 with the SF 1149 at the end of the month.

4. The DO files the original SF 1098 and the bank's acknowledgement with his/her monthly financial reports and keeps copies for the retained records file.

C. Checks Uncurrent as to Date of Issue. Process the proceeds of uncurrent checks not due a payee or payee's estate through the Department of the Treasury account 20X6045. Uncurrent LDA checks, whether or not due the payee or payee's estate or available to the DO, shall have been processed through Treasury account 20X6045 as prescribed in paragraph 140502 of this chapter in October of the fiscal year which is one full fiscal year after the fiscal year of check issuance.

1. The DO schedules the check on an SF 1098 prepared in original and six copies crediting the fund or appropriation originally charged for the payment for the U.S. dollar equivalent of the foreign currency at the rate of exchange in effect when the check was issued, as shown on the payment voucher. Modify the heading of the SF 1098 to read "Schedule of Limited Depositary Checks Canceled by the Department of the Treasury." Include a full explanation of the reason for cancellation of the check on the SF 1098. Do not process this SF 1098 in the accounts as a collection.

2. Send the original and five copies of the SF 1098 and the check, when available, through the supporting DFAS site to Credit Accounting Branch, Financial Management Service, Department of the Treasury with a covering letter or memorandum requesting cancellation of the check. Attach a copy of the outstanding check listing and OF 1017-G prepared when the check was transferred to the Department of the Treasury account 20X6045 to document the request. Retain one copy of the SF 1098 in a pending receivables file.

3. After cancellation of the check is approved, the Department of the Treasury authorizes issuance of a U.S. Treasury check for the value of the canceled LD check. Process this check and the SF 1080 (Voucher for Transfer Between Appropriations and/or Funds) upon receipt from Treasury as a collection. Support the transaction with the retained copy of the SF 1098.

1407 REPLACING MISSING, MUTILATED, AND FORGED LIMITED DEPOSITARY CHECKS

140701. General. Upon receipt of a claim for a check that is reported as not received, lost, stolen, destroyed, mutilated, forged or defaced, the DO determines from the LD or from retained records the status of the check. When checks are outstanding and unpaid, reported before the end of the fiscal year following the fiscal year in which they were issued, and do not involve any question of law or fact, the DO issues a replacement check. Replace checks paid on a forged endorsement, reported before the end of the fiscal year following the fiscal year in which they were issued, and to which the payee is entitled with a settlement check. Refer claims for replacement of checks submitted more than one full fiscal year after the fiscal year in which they were issued, or involving any question of law or fact, or on behalf of deceased or incompetent payees without a court appointed legal representative, or where the claimant's entitlement is in question to the DoD Office of the General Counsel (Fiscal).

140702. Replacement Check Procedures

A. Action by the Original Payee of the Check or Other Claimant. The payee or other claimant notifies the DO in writing over his or her own handwritten signature when a check has been lost, stolen, mutilated, or destroyed, and requests payment on the check be stopped.

1. The notification must provide all information available on the check. When furnished by the DO, the payee or other claimant completes a Treasury Fiscal Service (TFS) Form 2244 (Undertaking of Indemnity - Substitute Checks) and returns it to the DO before the end of the full fiscal year following the fiscal year of the check's issuance.

2. Claimants other than the original payee present a statement to support their ownership of the check with the TFS Form 2244. Representatives of deceased payees or owners who clearly are entitled to the proceeds of original checks as part of the estate also complete and submit an [SF 1055](#) (Claim Against the United States for Amounts Due a Deceased Creditor).

3. Claimants acting as guardians of incompetent payees or owners who are shown by the evidence to be entitled to the proceeds of the original check submit a short-form court certificate showing their appointment and qualifications as guardians with the TFS Form 2244.

4. A DO may, at his or her discretion, accept an undertaking of indemnity in the form of a written statement or letter if –

a. the payee or other claimant is a bank or other financial institution and the check was drawn for \$15,000 or less,

b. the payee or other claimant is a corporation or business of recognized financial standing and the check was drawn for \$5,000 or less,

c. the payee or other claimant is a financially responsible



individual and the check was drawn for \$150 or less, or

d. the check was for a recurring payment in any amount greater than \$150.

The substance of the statement or letter must be:

“In consideration of the issuance of a replacement check in lieu of (check number of original check, date, amount, and payee) and the payment of the replacement check, the undersigned undertakes and agrees to save harmless and indemnify the United States of America, its officers and agents, of and from any and all liability, loss, expense, claim, and demand whatsoever, arising in any manner by reason of or on account of said original check(s) or the stoppage of payment thereof, or the issue of payment of the replacement check(s), to replace the same.”

The statement must be witnessed by a person with authority to so act and, when necessary, may be executed in a foreign language translation of the foregoing letter of indemnity. If the claim exceeds the amounts stated above and the DO still desires to use the letter form of the undertaking of indemnity, then obtain prior approval from the DFAS Director for Policy and Performance Management through the supporting DFAS site.

B. Action by the DO. The DO first determines that the check reported as lost, stolen, destroyed, mutilated, or defaced is still outstanding. If it is outstanding, then request the LD stop payment against the check and acknowledge, in writing, receipt of the request. Upon receipt of the acknowledgement, the DO forwards a modified TFS Form 2244 to the claimant for completion and return. The DO makes the following modifications to the TFS Form 2244:

1. Enter the description of the check.
2. Enter the name of the bank on which the check was drawn.
3. Insert a statement near the added bank name that reads, “This change made before execution of bond with full knowledge and consent of all parties concerned.” The claimant and sureties must sign this statement. On completion of the TFS Form 2244, the DO approves the claim for payment when determining the original check still is outstanding. The DO may issue a replacement check before the end of the full fiscal year after the fiscal year of issue if there is no question of law or fact concerning the payment, the written claim, the TFS Form 2244 or written statement or letter includes an undertaking of indemnity, and any necessary supporting documents have been received in proper form. Note the approval on the reverse of TFS Form 2244 or on the letter undertaking indemnity, in the words “Claim approved by (Name, title, and disbursing station), Date (month, day, and year).” If the original check was drawn on a closed LDA, then transfer the funds to an open LDA before issuing a replacement check. Follow subparagraph 140602.A.2 of this chapter to accomplish the transfer. The DO then issues a replacement check with the current date, payable in the same currency as the original check. In the

lower left-hand corner on the face of the replacement check include information identifying the original check, as follows: “Issued in lieu of check number Dated (month, day, year) drawn by (DO who issued original check) on (Name of LD).” The DO then records the number of the replacement check, the date of issue, and the name of the LD on which drawn on the back of the TFS Form 2244 or on the letter undertaking indemnity. At the end of the month, the DO attaches a copy of all replacement checks issued during that month to the SF 1149. If copies cannot be provided, then submit a listing of replacement checks issued, showing only the replacement check numbers and numbers and dates of the original checks replaced with the SF 1149. Replacement checks do not increase a DO’s accountability; do not reflect them on the SF 1219. File the TFS Form 2244 and all supporting documents with the retained records of the DO.

C. Sureties. A surety assumes the status of a debtor under the original agreement and is primarily liable with the claimant for any default. Acceptable sureties in connection with TFS Form 2244 are either a corporate surety authorized by the Secretary of the Treasury, or two responsible individual sureties. In foreign countries, the claimant is responsible to secure the certification as to the financial sufficiency of individual sureties. One of the persons listed on the face of the TFS Form 2244 executes the certification under “Certificate as to Sureties” in the manner prescribed by the instructions on the TFS Form 224. If the amount of the original check had a U.S. dollar value of \$200 or less, then only one financially responsible surety is required. Sureties are not required when the:

1. DO determines that the nonreceipt, loss, theft, destruction or mutilation of the check was not the fault of the owner or holder and occurred while the check was in the custody or control of an agent of the U.S. performing services in connection with an official U.S. function;

2. DO is satisfied that a substantial portion of the check is presented and is in fact the subject of the claim, and that the missing portions will not support a valid claim against the U.S.;

3. claimant or holder is an officer or employee of the U.S., a municipal corporation, or a political subdivision of the U.S., a state, the District of Columbia, or a U.S. territory or possession; or

4. claimant is a corporation whose entire capital is owned by the U.S., a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

140703. Settlement Check Procedures. The procedures for claims on paid checks apply to all LDAs.

A. Action by the Payee of the Check. The payee immediately notifies the DO over his or her own handwritten signature when a check has been paid on a forged endorsement. This notification must provide all available information on the identification of the forged check. The payee completes the Treasury 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 appearing on the FMS Form 1133.

B. Action by the DO. Upon receipt of a written request for the proceeds of a check paid on a forged endorsement, the DO –

1. Sends a written request to initiate reclamation to the LD, requesting that the LD acknowledge the request in writing and, if canceled checks are not returned to the account holder with the bank statement, then to provide the forged check or a clear legible copy of it to the DO.

2. Gives the payee a copy of the forged check, a FMS Form 1133 with instructions on its completion, informing the payee that the form must be returned within 90 days. The return address at the top right of the form is that of the DO processing the claim. In the opposite box insert the complete name and address of the claimant as shown on the forged check, the check number, the date of issue, and the amount of the check.

3. If the claimant does not complete and return the FMS Form 1133 within 90 days, then the DO considers the case closed. If the does return the form within 90 days, then the DO sends the form and a copy of the forged check to his or her Component's investigative service for examination by a handwriting expert.

4. The DO requests that the investigative service certify an opinion as to the authenticity of the endorsement. The opinion of the handwriting expert is the basis for deciding whether or not a settlement check may be approved for the claimant. Approve a settlement check if the opinion of the handwriting expert states the endorsement was forged and not executed by the payee. A DO may issue a settlement before the end of the full fiscal year after the fiscal year in which the forged check was issued providing there is no question of fact or law concerning the payment; the payee's claim is in writing; and the FMS Form 1133, the certified opinion of the handwriting expert, or any other necessary supporting documents have been received in proper form.

5. A DO, upon determining that a settlement check is due the payee, issues it without waiting for reclamation to be accomplished by the LD. Note the approval on the front of the FMS Form 1133 in the words, "Settlement approved by (name, title, and disbursing station), Date (month, day, and year)." The DO then issues a settlement check with the current date payable in the same currency as the original check. The settlement check includes information on its face in the lower left-hand corner identifying the original check as follows: "Issued in settlement of check number \_\_\_\_ dated (month, day, year) drawn by (DO who issued original check) on (Name of Limited Depository)." Report settlement checks as checks issued and account for them in the regular manner when preparing the SF 1149.

6. Where the local currency disbursed for the forged check was purchased through a MBF, by an open market transaction, or by issuance of a U.S. Treasury check, report the issuance of the settlement check as a Receivable - Check Overdraft on line 7.2

of the [DD Form 2657](#) (Daily Statement of Accountability) and the SF 1219. Follow section 1408 of this chapter to establish and clear the receivable as a check issue overdraft discrepancy. If the funds originally used to pay the forged check were from U.S.-owned foreign currencies, then the DO charges the disbursement of the settlement check to the same foreign currency account.

C. Reclamation. The DO issuing settlement checks must be satisfied that reclamation action is timely and that every effort is made to recover the proceeds of forged LD checks. The DO, at least twice within the 30 days immediately following the receipt of the LD's acknowledgement of the notification of a forgery, makes a formal written request for completion of reclamation by the LD. If the LD advises that reclamation cannot be made because the LD can prove a point of local law that relieves it from responsibility, then the DO requests relief of liability for the illegal, incorrect, or improper payment; see [Chapter 6](#) of this volume. If relief of liability is granted, then the DO follows section 1408 of this chapter to clear the check issue overdraft. Credit recoveries made through reclamation to the appropriation to which the disbursement of the settlement check was charged. If the charge is still carried as a check issue overdraft, then clear line 7.2 of both the DD Form 2657 and the SF 1219. If line 7.2 has already been cleared by relief of liability, then credit General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified, \*\*3210.

140704. Recovery of Original Check. If the original LD check is recovered before issuance of a replacement check, then suspend the replacement check action and request the LD to remove the stop payment against the original check. The payee then may negotiate the original check. If the replacement check has been released, then render the original check nonnegotiable by writing or stamping across the face of the check "Not Negotiable - Replacement Check Issued Under No. \_\_," and submit it with the next SF 1149.

140705. Referral to the Office of the Secretary of Defense (OSD)

A. Entitlement or Legal Representation. Send all cases involving questions as to the payee or owner's entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for deceased/incompetent payees or owners to DoD, Office of the General Counsel (Fiscal). Include an assessment or determination from the appropriate entitlement area concerning the underlying obligation. Chapter 8 of this volume addresses entitlement area responsibilities with respect to recertification of payment by Treasury check, and for claims on obligations underlying canceled Treasury checks; review this before referring a case.

B. Question of Law or Fact. Send all cases involving any question of law or fact to DoD, Office of the General Counsel (Fiscal) for settlement action.

C. Checks Outstanding More Than One Full Fiscal Year. Send all cases involving checks outstanding more than one full fiscal year after the fiscal year in which they were issued to DoD, Office of the General Counsel (Fiscal) for settlement. Include in the documentation for 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.

140706. Files. The DO retains approved claims and supporting documentation, or copies of the same where the originals have been transferred to the supporting DFAS site, as part of the retained records.

#### 1408 ADJUSTMENT OF CHECK ISSUE DISCREPANCIES

140801. General. This section prescribes the actions required to adjust LDA differences chargeable to DOs. The makes these adjustments and records them immediately upon discovery. These procedures do not apply to voided or spoiled or canceled LDA checks, which were discussed in sections 1404 and 1406 of this chapter. Internal audit reports, Government Accountability Office (GAO) or other agency audits, or DO-initiated control measures disclose LD check-issue discrepancies. These differences 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 at the same time issuing the check that was the subject of the action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment.

140802. Recording Limited Depositary Check Issue Overdrafts and Underdrafts. A DO, as soon as he or she is aware of a check issue difference (regardless of the U.S. dollar value), prepares an OF 1017-G in original and three copies to record the difference, showing a complete explanation of the difference on the form, including a description of the check (check number, date, amount, payee, account number, and LD name) and identification of the related disbursement voucher. Attach the original OF 1017-G to the DO's SF 1219, a copy to the SF 1149, and file the two remaining copies to be used as the DO's official subsidiary record of the uncleared difference comprising the DO's accounts receivable and/or accounts payable.

140803. Adjustments During The Current Accounting Period. Do not include documentation for adjusting check issue discrepancies disclose and adjusted in the current accounting period with the SF 1149. Rather, retain these documents with the other retained financial records for internal processing. Follow paragraphs 140804 – 140806 of this chapter to document differences disclosed during the current accounting period which cannot be adjusted until a subsequent accounting period.

140804. Adjustments of Check Issue Overdrafts of More Than \$1. A DO determining that a LD check was issued for more than the amount shown on the disbursement voucher and reported in the LDA reports prepares an OF 1017-G under paragraph 140802 of this chapter, and enters the amount as a decrease to the LDA on line 6.1 and an increase to accounts receivable on line 7.2A of the DD Form 2657. If the overdraft is an actual overpayment to the payee, then the DO begins collection action. When the overpayment is recovered, the DO deposits the funds in the LDA and enters the amount as an increase on line 6.1 and a decrease on line 7.2A of the DD Form 2657, and prepares an OF 1017-G to document the transaction. Do

not prepare a collection voucher. If the overdraft is due to not having charged the appropriation for the total amount of the check, then prepare a one-sided [SF 1081](#) (Voucher and Schedule of Withdrawals and Credits) to charge the overdraft to the appropriation cited on the original disbursement voucher. Include a complete explanation of the adjustment on the SF 1081 and process the voucher as a disbursement on line 4.1A and a decrease to accounts receivable on line 7.2 of the DD Form 2657.

140805. Adjustments of Check Issue Underdrafts of More Than \$1. A DO determining that a check was issued for less than the amount shown on the disbursement voucher and shown on the depositary reports prepares an OF 1017-G under paragraph 140802 of this chapter, enters the amount of the underdraft as increases to lines 4.1E and 6.1 of the DD Form 2657, and prepares a one-sided SF 1081 crediting deposit fund account \*\*X6999, Accounts Payable - Check Issue Underdrafts.

A. If the underdraft is due to charging the appropriation cited on the disbursement voucher more than the amount of the check, then prepare an SF 1081 charging deposit fund account \*\*X6999 and crediting the appropriation charged on the original voucher.

B. If the underdraft is due to issuing the check for less than the amount on the original voucher, then prepare an SF 1034 charging deposit fund \*\*X6999 and issue a check to the original payee for the amount of the underdraft.

C. Record the check and the SF 1034 as a new transaction in the LDA and on the DD Form 2657.

140806. Clearing Overdrafts and Underdrafts of \$1 or Less. A DO determining that an overdraft or underdraft of \$1 or less exists prepares an OF 1017-G as described in paragraph 140802 of this chapter for overdrafts and underdrafts over \$1. Do not liquidate LD check issue differences of \$1 or less in U.S. currency, even though they are recorded in the DO's accounts, by



collection from overpaid payees, payment to underpaid payees, or adjustments to appropriation or fund accounts which were over or under charged in the original processing of the voucher and issuance of the check. Rather, reconcile them as follows:

A. Clearance of Overdrafts Equal to One U.S. Dollar or Less. At the close of each fiscal year the DO prepares a one-sided SF 1081 for the cumulative total of all outstanding check issue overdrafts with a U.S. dollar value of \$1 or less, charging the operating funds of the disbursing activity and crediting accounts receivable. Describe the transaction completely, and include a listing of the OF 1017-Gs being cleared.

B. Clearance of Underdrafts Equal to One U.S. Dollar or Less. At the close of each fiscal year the DO liquidates all outstanding underdrafts for check issue differences with a U.S. dollar value of \$1 or less by processing an SF 1081 to transfer the cumulative total of these accounts payable from deposit fund \*\*X6999 to miscellaneous receipt account, Forfeiture of Unclaimed Money and Property, \*\*1060. If a payee requests payment of the underpaid amount before the end of the fiscal year, then the DO confirms the claim and, when necessary, issues a check charging the original appropriation for the disbursement. Refer claims received after the outstanding underdraft has been cleared as prescribed in this paragraph to the supporting DFAS site.

140807. Clearing the Subsidiary Account Files. When the adjustment action has been completed, collection made, or an additional check issued, mark the two file copies of the OF 1017-G with the appropriate legend: "See Deposit Ticket No. \_\_\_\_\_, dated \_\_\_\_\_;" "See Check No. \_\_\_\_\_, dated \_\_\_\_\_;" or, "See Adjustment Voucher No. \_\_\_\_\_, dated \_\_\_\_\_." Submit one of the annotated copies with the SF 1149 at the close of the accounting period. File the remaining copy with the DO's retained records for the LDA.

#### 1409 DOCUMENTATION OF LIMITED DEPOSITARY ACCOUNT TRANSACTIONS

140901. General. DOs are implement controls and safeguards to assure the drawing of LD checks in strict conformance to disbursement vouchers as certified. LDAs are a part of the DO's accountability for public funds. For this reason, 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](#) of this volume for processing irregularities in a DO's account.

140902. SF 1149 (Statement of Designated Depository Account). Within 30 days after the close of a calendar month, a DO holding an open LDA or an accountable individual charged with settling closed accounts prepares and submits a SF 1149. The SF 1149 shall be prepared by the account holder closing a LDA on the last business day and submitted within 5 days after the LDA is closed. When a LDA is closed, mark the final SF 1149 "FINAL" at the top of the form. If the LDA holder is the DO, then prepare an original and two copies of the SF 1149; if the LDA holder is an agent of the DO, prepare an original and three copies. Support the SF 1149 with –

- A. a LD bank statement for the period or a certified list of paid checks;

- B. a record of checks issued;
- C. a schedule of spoiled and voided checks and the checks themselves;
- D. a copy of each SF 1098 issued during the reporting period canceling available checks and the checks themselves;
- E. a copy of each SF 1098 issued during the reporting period canceling unavailable checks with the LD's letter acknowledging their cancellation;
- F. a copy of each OF 1017-G issued during the accounting period transferring uncurrent checks or reporting/clearing check issue discrepancies;
- G. Original checks returned or recovered after issuing a substitute check or any mutilated or defaced checks received from claimants;
- H. a schedule of deposits made to the LDA during the accounting period, showing date and amount of each deposit;
- I. a list of outstanding checks showing check number, date, and amount; and
- J. a copy of the SF 1219.

140903. Preparation of SF 1149. The following subparagraphs explain the information required to prepare the SF 1149; see figure 14-1.

- A. Heading
  - 1. Name of Disbursing Officer or Cashier. Enter the name of the account holder.
  - 2. Name (Funds advanced by). If the DO is the account holder, then leave blank, otherwise enter the name of the DO who advanced the funds used to establish the LDA.
  - 3. Station or Office. Enter the name and address of the activity to which the account holder is assigned.
  - 4. Name of Depository. Enter the name of the financial institution maintaining the LDA. A separate SF 1149 is required for each financial institution.



5. Location of Depository. Enter the address of the financial institution maintaining the LDA.

6. Account Number. Enter the account number shown on the statements received from the LD. A separate SF 1149 is required for each LDA.

7. Accounting Period. Enter the from/to days of the calendar month being reported by the SF 1149.

8. Monetary Unit of This Account. Enter the complete name of the monetary unit on deposit with the LD, e.g., Australian dollar, not merely “Dollars,” as more than one country uses dollars.

B. Summary of Transactions. Enter the amounts in the applicable foreign currency on lines 1 through 12, as explained below, and on the reverse of the SF 1149.

1. Line 1 - Checkbook Balance at Close of Previous Period. Enter the amount shown on line 18 of the preceding months SF 1149. The figure shall agree with the amount on line 6.1 of the preceding SF 1219 unless the DO has more than one LDA.

2. Line 2 - Deposits to Official Credit

a. Transfers. Enter amounts of wire transfers or similar transactions into the account.

b. Others. Enter the total of all deposits made by the DO or account holder during the month. Attach a listing showing the date and amount of each deposit.

3. Line 3 - Checks Canceled This Period. Enter the total of all checks, both available and unavailable, canceled by SF 1098. Attach a copy of each SF 1098, the checks that have been canceled, and copies of the bank’s acknowledgement on unavailable check cancellations. Note: Disregard instructions for Line 3 on the reverse of the SF 1149 requiring submission of the Unavailable Check Cancellation (Cancellation Document) ([SF 1184](#)).

4. Line 4 - Undeliverable Checks Credited This Period. Leave blank. No entry necessary; these amounts are included in Line 3. Note: Disregard instructions for Line 4 on the reverse of the SF 1149 requiring submission of SF 1184 schedules.

5. Line 5 - Adjustments. Enter the total adjustment increases during the month, e.g., check issue underdrafts or interest credited to the account, and attach a copy of the OF 1017-Gs, a detailed explanation of each adjustment, or the depository’s credit memos for the increases.

6. Line 6 - Uncurrent Checks. Enter the amount of uncurrent LD

checks transferred to Treasury account 20X6045 during the month. Attach a copy of the uncurrent check listing and a copy of the OF 1017-G to the SF 1149.

7. Line 7 - Total To Be Accounted For. Enter the total of lines 1 through 6.

8. Line 8 - Total Checks Drawn This Period. Enter the total of all LD checks issued during the period. Report voided checks with zero dollar amounts. Report spoiled checks with zero amounts when replaced by serially-numbered checks. Replacement of spoiled checks does not change the check issue records because the check serial number of the original check is assigned to the replacement check. Attach carbon copies of the checks issued or, if the carbon copies are not available, then attach a detailed listing of all checks issued showing location of the disbursing office, check number, check date, and check amount. Report replacement checks, but omit their amounts. If furnishing a listing instead of carbon copies of the checks, then identify replacement checks as such on the listing, omitting the amounts and inserting the numbers and dates of the original checks on the same line as the serial numbers of the replacement checks. The carbon copies of the checks or the detailed listing may be amended by a signed, handwritten correction from the account holder for voided checks discovered before the submission of the SF 1149.

9. Line 9 - Uncollectible Checks Returned by Depository. Enter the total of all dishonored checks returned by the LD. Attach a schedule showing the check number, date, payee, and amount of each dishonored check and the date and amount of the deposit slips under which they were deposited.

10. Line 10 - Adjustments. Enter the total adjustment decreases during the month, i.e., check issue overdrafts or fees for returned checks, and attach a copy of the OF 1017-G, a detailed explanation of each adjustment, or copies of the LD's debit memoranda supporting the decrease.

11. Line 11 - Total. Enter the total of lines 8 through 10.

12. Line 12 - Checkbook Balance Close of Period. Subtract line 11 from line 7 and enter the result.

C. Reconciliation. Prove the checkbook balance by completing lines 13 through 19 as explained in this subparagraph and on the reverse of the SF 1149.

1. Line 13 - Balance Per Bank Statement. Enter the balance from the LD bank statement and attach a copy of it to the SF 1149.

2. Line 14 - Add: Deposits in Transit. Enter the total of deposits included in the amount on line 2 not shown on the bank statement, and attach a listing of these deposits.

3. Line 15 - Total. Enter the total of lines 13 and 14.
  4. Line 16 - Deduct: Outstanding Checks. Enter the total of any checks not shown as paid on the current and all preceding bank statements. Verify that checks shown on this line have been reported on line 8 of previous SFs 1149. Attach a listing showing the check number, date, and amount of each outstanding check.
  5. Line 17 - Deduct: Deposits Not Credited By (Disbursing Officer or Cashier). Enter the amount of deposits listed on the bank statement but not reflected in the checkbook balance (Line 12). The only acceptable reason for an entry on this line is a LD bank error crediting the wrong account. Attach a detailed list showing the amount and date of each deposit comprising this entry.
  6. Line 18 - Balance Per Checkbook. Subtract the sum of lines 16 and 17 from the amount on line 15 and enter the result. If this amount equals the amount on line 12, then the LDA is properly reconciled. Recheck all entries on lines 1 through 18 to reconcile any difference.
  7. Line 19 - U.S. Dollar Equivalent. Show the U.S. dollar equivalent of the monetary units shown on line 12 and reported on the SF 1219, using the rate of exchange from line 20. When the account has been properly reconciled, lines 12 and 18 are equal and the U.S. dollar equivalent is the same for the adjusted bank and adjusted checkbook balances.
  8. Line 20 - Rate of Exchange. Enter the official rate of exchange expressed as the units of foreign currency per one U.S. dollar carried to at least two decimal places (100th of one foreign currency unit). This rate is the same as that used to determine the U.S. dollar value on line 6.1 of the SF 1219 for the month.
- D. Checks Used This Period. Enter the check serial numbers in the blank spaces provided. The beginning check serial number must be one number greater than the ending check serial number from the preceding month's SF 1149. Check serial numbers must run in ascending order from one report to the next.
- E. Date and Signature
1. Date. Enter the date of preparation of the SF 1149.
  2. Signature of Disbursing Officer or Cashier. The account holder signs in the space provided. If the account holder is not the DO, then the DO countersigns the statement above the signature of the account holder before sending the SF 1149 to the supporting DFAS site.

140904. Schedule of Canceled or Undelivered Checks (SF 1098). Voucher LD checks being canceled because the payee is not entitled to the proceeds of the check or because the check cannot be delivered to the payee on SF 1098. See paragraph 140503 (undeliverable checks) and section 1406 (canceled checks) of this chapter. If the checks being scheduled are all drawn on the same LDA and are being canceled or are all undeliverable, then use a single SF 1098. If they were drawn on more than one LDA or are a mix of canceled and undeliverable checks, then use multiple SFs 1098. Do not include undeliverable checks and checks to be canceled on the same SF 1098. LDA checks charged to different appropriations or funds and drawn on the same LDA do not require separate SFs 1098. Prepare the SF 1098 as follows (See figure 14-2 for an example.):

A. Heading

1. Insert “Limited Depositary Account” at the top of the form.
2. Enter an “X” in the “Canceled” block for canceled checks or in the “Undelivered” block for undelivered checks. Mark only one block on each SF 1098.

B. Department or Establishment. Enter the appropriate component title, e.g., U.S. Army, U.S. Air Force, U.S. Navy, Defense Logistics Agency, or Defense Finance and Accounting Service.

C. Schedule Number. Enter the collection voucher number.

D. Bureau or Office. Enter the name and address of the disbursing activity.

E. Sheet Number. Enter the page number and total number of pages comprising the SF 1098, e.g., 1 of 2; 2 of 2; 1 of 4. Leave blank when there is only one page.

F. Location. Enter the name of the LD and the account number.

G. DO Symbol Number. Enter the DSSN of either the LDA holder, or the LDA holder’s DO in the case of an agent account holder.

H. Accounting Period. Leave blank.

I. Agency Location Code. Leave blank.

J. Body. Record all information for each check listed on the SF 1098.

1. Date of Issue, Check Number, and Payee. Enter either the information on the check or on the bank’s confirmation for unavailable checks.

2. Voucher Number Applicable. Enter the disbursement voucher number supporting the original check issue.

3. Amount. Enter the U.S. dollar equivalent of the check at the rate of exchange in effect on the date the check was issued (as shown on the payment voucher).

4. Symbol of Appropriation or Fund to be Credited. Enter the accounting data to which the proceeds are to be credited.

5. Total. Enter the total of all checks listed on the SF 1098. If the SF 1098 consists of more than one page, then ensure the total reflects the entire submission.

K. Signature Element

1. Date of Deposit Ticket. Leave blank.

2. Forwarded. Leave blank.

3. By (Name). Enter the account holder's name.

4. Disbursing or Accountable Officer. Enter the DO's name.

5. Date. Enter the date of entry of the SF 1098 data in the DO's records. Do not use the date of signature of the SF 1098 unless it and the data entry date are the same.

6. Title. If the LDA holder is the DO, then leave blank, otherwise enter the title of the agent holding the LDA.

140905. OF 1017-G. Prepare journal vouchers to document a DO's accountability when disbursement or collection vouchers from the functional areas are not appropriate. A DO documents the transfer of the proceeds of uncurrent checks and adjustments of check issue discrepancies OF 1017-G, prepared as follows.

A. Heading. Type the month and year of the recording of the transaction in the upper left hand corner, and the DSSN and name of the DO immediately below the month and year.

1. J.V. No. Enter the sequential J.V. voucher number assigned.

2. Date. Enter the date of preparation of the OF 1017-G.

B. Body of the Form

1. Reference. Enter the voucher number, date, and other identification for the disbursement of the uncurrent check or the check overdraft or underdraft.

2. Explanation. Provide a narrative explaining the purpose for the form and a description of the check, including the DSSN of the issuing activity, check serial number, check date, and payee, plus the identification of any vouchers or other documents associated with the transaction.

3. Debit. Enter the U.S. dollar equivalent of amount to be charged and under it, enclosed in parentheses, the appropriation classification data for entering the disbursement in the financial records.

4. Credit. Enter the U.S. dollar equivalent of the amount to be credited and under it, the appropriation classification data for entering the collection in the financial records.

5. Total. Enter the total debit and/or credit amount for all items listed in the body of the form.

C. Signature Element

1. Prepared By (Signature) and (Title). The account holder signs and enters his or her typewritten title.

2. Approved By (Signature) and (Title). The DO signs and enters his or her typewritten title.

1410 TRANSFERRING AND CLOSING THE LIMITED DEPOSITARY ACCOUNT

141001. General. LDAs being closed or transferred require reconciliation as part of the process. Before attempting to reconcile an LDA, the DO's agent serving as the LDA custodian contacts the LD and requests an up-to-date statement of the account and, if available, all the paid LD checks since the last regular statement. Reconcile the account by preparing a SF 1149 as explained in paragraph 140902 of this chapter.

141002. Transferring an LDA. Use these procedures to transfer an LDA to the DO/DDO, a successor DO, or designated settlement office due to operational requirements or economic considerations.

A. The DO's Agent –

1. Obtains an up-to-date bank statement from the LD.
2. Reconciles the LDA.
3. Prepares a list of the outstanding LDA checks and provide it to the individual charged with continuing the account.

4. Gives the LD the name, official title, and address of the successor LDA holder and arrange for future bank statements and paid checks to be delivered to that individual.
5. Turns over all undelivered LD checks to the successor LDA holder.
6. Issues a check to the successor LDA holder for the unexpended reconciled balance of the account.
7. Reports the check transaction on line 10 of the final SF 1149.
8. Forwards the SF 1149 and a list of the outstanding checks to the supporting DFAS site.
9. Enters the amount of the unexpended balance and give a complete description of the check issued to the successor LDA holder as an Other Cash Item on line 7.9 of the SF 1219.
10. Returns any unused checks belonging to the LD for disposition. If they were purchased by the disbursing activity, then deliver them to the successor LDA holder.
11. Before transferring the LDA to a settlement office for closure, requests the supporting DFAS site designate a settlement officer to liquidate the account.

B. The Successor LDA Holder –

1. Verifies the LDA is in balance before relieving the DO's agent and ensures that a balance sufficient to satisfy all outstanding checks remains in the LDA;
2. Notifies the LD of the identities of the new DO and check-signing and agents;
3. Deposits the check received from the previous DO's agent for the unexpended balance and shows the check amount on line 2 of the SF 1149 in the first monthly report of the successor LDA holder; and
4. Makes all required reports and processes all transactions required in this chapter for the maintenance of LDAs.

141003. Closing an LDA

A. The DO/DDO or DO's Agent –

1. If there are no outstanding checks, reconciles the account and closes the LDA.
2. If there are outstanding checks, leaves a sufficient balance in the account to cover them and transfer the account to a settlement office designated by the supporting DFAS site.
3. Requests an up-to-date statement of the account from the LD.
4. Prepares a list of outstanding checks showing the name of the LD, check number, date, payee name and social security number, payee address, voucher number under which the check was disbursed, amount in units of foreign currency, amount of the check in equivalent U.S. dollars at the time of issue, DSSN, and the name of the DO that established the LD.
5. Prepares a letter (in triplicate) for the commander's signature advising the LD that the account is being closed with the withdrawal of the unexpended balance and that an amount sufficient to cover all outstanding checks will remain in the account. Give the LD the name, official title, and address of the settlement officer and request that future statements and paid checks, when available, be forwarded until the account balance is depleted. Request the LD acknowledge acceptance by signature, retain the original and return two signed copies to the DO. The LDA holder retains one of the signed copies.
6. Prepares a LD check payable to the DO (by title) under whose authority the account was established for the unexpended balance of the account. The DO cashes the check and accounts for it on the SF 1219 by reducing line 6.1 and increasing line 6.2 by the amount of the check.
7. Reconciles the account and prepare a final SF 1149 as of the last day of business showing a zero checkbook balance on lines 12 and 18. The ending balance must be the total amount of the checks shown on both the list of outstanding checks and line 16.
8. Sends all undelivered checks, a copy of the final SF 1149, a copy of the up-to-date bank statement furnished by the LD, a signed copy of the letter advising the LD of closure of the account, a copy of the check issued for the unexpended balance of the account, and the list of outstanding checks to the designated settlement office.
9. Returns unused LD checks belonging to the LD to the LD. Store unused LD checks purchased by the disbursing activity and dispose of them in the same manner as U.S. Treasury checks. No certificate of destruction or notification to the DFAS or to the Department of the Treasury is required for destruction of LD checks.
10. Notifies DFAS-NPD/IN within 15 days of account closure.

E. The Designated Settlement Office –



1. Confirms the LDA is in balance before accepting accountability from the DO/DDO or DO's agent.
2. Uses the documentation provided by the LDA holder to validate LDA transactions.
3. Renders the monthly SF 1149 required by paragraph 140902 of this chapter using the documentation provided by the LDA holder and statements from by the LD.
4. Transfers the proceeds of uncurrent checks to the Department of the Treasury as required by paragraph 140502 of this chapter.
5. Issues replacement checks as required by paragraph 140703 of this chapter.
6. When necessary, disposes of undeliverable checks as required by paragraph 140503 of this chapter.
7. Notifies DFAS-NPD/IN within 15 days of account closure.

STANDARD FORM 1149 Revised March 1982 Dept. of the Treasury 1 TFM 4-8000		<b>STATEMENT OF DESIGNATED DEPOSITARY ACCOUNT</b>	
NAME OF DISBURSING OFFICER OR CASHIER MSGT Joe L. Smith		NAME (Funds advanced by) Maj Eugene L. Doe, USAF	
STATION OR OFFICE USDAO, US Embassy, Brindisi, Italy			
NAME OF DEPOSITARY Banca Commerciale Italiana		LOCATION OF DEPOSITARY Brindisi, Italy	
ACCOUNT NUMBER (or other designation) as shown on depositary statement 26,042/00			
ACCOUNTING PERIOD From 1 Jun 19XX		To 30 Jun 19XX	
MONETARY UNIT OF THIS ACCOUNT Italian Lire			
<b>(SEE REVERSE SIDE FOR LINE INSTRUCTIONS)</b>			
1. Check-book balance at close of previous period		97,564	
2. Deposits to official credit:			
Transfers		0	
Others		6,217,187	
		6,217,187	
3. Checks canceled this period		0	
4. Undeliverable checks credited this period		0	
5. Adjustments		0	
6. Uncurrent checks		0	
7. TOTAL TO BE ACCOUNTED FOR		6,314,751	
8. Total checks drawn this period		6,305,639	
9. Uncollectible checks returned by depositary		0	
10. Adjustments		0	
11. TOTAL		6,305,639	
12. Check-book balance close of period		9,112	
<b>RECONCILIATION</b>			
13. Balance per bank statement		101,791	
14. Add: Deposits in transit		0	
15. TOTAL		101,791	
16. Deduct: Outstanding checks		92,679	
17. Deduct: Deposits not credited by		0	
		(Disbursing officer or cashier)	
18. Balance per check book		9,112	
19. U.S. dollar equivalent			
20. Rate of exchange 1,983 per \$1.00			
<b>CHECKS USED THIS PERIOD</b>			
BEGINNING SERIAL NUMBER 24,009		ENDING SERIAL NUMBER 24,057	
I certify that the above statements and supporting data are correct and in accordance with applicable regulations.			
DATE 15 July 19XX		SIGNATURE OF DISBURSING OFFICER OR CASHIER	
NSN 7540-00-682-6749		PREVIOUS EDITION USABLE	
		1149-105	

Figure 14-1. SF 1149 (Statement of Designated Depositary Account)

STANDARD FORM 1149 (REV. 3-82) BACK

**LINE INSTRUCTIONS**

1. Report the balance in checking account carried forward from previous statement.
2. Enter the totals of all deposits, segregating transfers, made to the checking account during the month and submit a list showing date and amount of each deposit.
3. Show the total of all checks canceled during the report period, to be supported by corresponding Schedules of Canceled Checks, Standard Form 1098, and Unavailable Check Cancellation, Standard Form 1184.
4. Show on this line the total of credits to the checking account for undeliverable checks which have been credited to appropriation or fund accounts as supported by Standard Form 1185 schedules.
5. Report the total of all adjustments increasing the accountability during the report period. A detailed explanation should support each adjustment.
6. Add the total of checks that became uncurrent at the close of the fiscal year. A complete detailed listing of each uncurrent check should support the entry on this line.
7. Show the total of lines 1 through 6, reflecting total accountability for the report period.
8. The grand total of all checks drawn for the period will be shown here. A complete detailed list or check carbon copies should be submitted.
9. The total of uncollectible checks returned by the depositary during the report period will be shown here with supporting schedules showing the date and amount of the original certificate of deposit or deposit slip.
10. Enter the total of all no-check adjustments processed during the period which reduces the accountability, and submit a supporting detailed explanation of each adjustment.
11. Show the total of lines 8 through 10. This amount represents the total decrease in the checking account accountability for the report period.
12. The figure shown here will be the difference between the totals on lines 7 and 11.
13. Show on this line the balance of funds in the checking account as shown on the bank statement. Support with bank statement.
14. Show the total of all deposits in transit to the checking account, the amounts of which have been included in line 2. A detailed list showing the amount and date of each deposit must support this line amount.
15. Show here a total of lines 13 and 14.
16. Report here the total of outstanding checks in the account. Support this figure with a detailed listing of each check.
17. Report here the total of deposits credited by the bank but not credited in the checking account. A detailed list showing the amount and date of each deposit must support this line.
18. The amount on this line should be the same as the total shown on line 12. If not, explain in detail.
19. The amount shown on this line will be the U.S. dollar equivalent of the monetary units shown on line 12 and as reported on the Statement of Accountability.
20. Show here the rate of exchange used in the conversion shown on line 19.

\*U.S. GOVERNMENT PRINTING OFFICE : 1982 0 - 361-526 (8010)

**Figure 14-1. SF 1149 (Statement of Designated Depositary Account) (Back)**

STANDARD FORM 1098 Revised July 1980 Department of the Treasury 1 TFM 4-7000 1098-110		"Limited Depository Account"			
<b>SCHEDULE OF CANCELED OR UNDELIVERED CHECKS</b> CANCELED ☒      UNDELIVERED ☑					
DEPARTMENT OR ESTABLISHMENT U.S. Air Force				SCHEDULE NUMBER CF000001	
BUREAU OR OFFICE 487 CSG/ACF      Banco Di Sicilia Acct #572654				SHEET NUMBER	
LOCATION Comiso ASIT APO AE 09694				D.O. SYMBOL NO. 8479	
ACCOUNTING PERIOD				AGENCY LOCATION CODE (ALC)	
DATE OF ISSUE	CHECK NUMBER	PAYEE	VOUCHER NUMBER APPLICABLE	AMOUNT	SYMBOL OF APPROPRIATION OR FUND TO BE CREDITED
10/12/XX	00,011,921	Ruth Savage 375,000L @ .000800	F000001	300.00	57*3500
10/13/XX	00,012,001	Tom Grant 686,016L @ .000758	F000002	520.00	57*3400
<b>TOTAL</b>				820.00	
The amount of the above check(s) was deposited for credit in the account of the U.S. Treasury, on deposit ticket no.			DATE OF DEPOSIT TICKET	FORWARDED (Date)	
DISBURSING OR ACCOUNTABLE OFFICER  Jonathon Andrews			DATE  10/15/XX	BY (Name)	
				TITLE Deputy Disbursing Officer	
NSN 7540-00-634-4287			PREVIOUS EDITION NOT USABLE		

Figure 14-2. SF 1098 (Schedule of Canceled or Undelivered Checks)