

VOLUME 5, CHAPTER 14: “LIMITED DEPOSITARY CHECKING ACCOUNTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

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

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

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

The previous version dated **July 2018** is archived.

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

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CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS

1401 GENERAL

140101. Overview

If the Department of the Treasury's (Treasury) International Treasury Services (ITS.gov) will not support mission requirements, Department of Defense (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." LDA transactions are recorded on the DoD [\(DD\) 2657](#), Daily Statement of Accountability and the Standard Form [\(SF\) 1219](#), Statement of Accountability.

140102. Purpose

This chapter provides policy on the establishment and maintenance of LDAs by DoD DOs.

140103. Authoritative Guidance

Treasury is authorized by Title 31, United States Code, [section 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, sections [202.1](#), [281.5](#), and [281.7](#).

1402 SOLICITATION

140201. Overview

A. 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:

1. Capability to honor payments to payees in outlying areas;

2. Processing of checks and, if possible, EFTs and deposits;
3. Provision of a daily or a monthly bank statement as needed; and
4. Acceptance of the DO's funding procedures.

B. 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.

140202. Requesting a Limited Depository Account

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-JJFKCB/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.

A. 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.

B. A request for an LDA should include the:

1. Disbursing station symbol number (DSSN);
2. Justification for the account, to include the reason(s) why ITS.gov will not support mission requirements;
3. Location;
4. Name of the currency;
5. Criteria for determining the preferred bank and reasons for recommending its selection (e.g., results of the competitive process);
6. Name of proposed bank;
7. Bank address;
8. Name and title of bank official and telephone number(s);

9. Percentage of ownership by a U.S. bank;
10. Name of the correspondent bank in the United States, the account number, and a point of contact (e.g., name, title, and telephone number); and
11. Business need or statutory authority for any balance that may exceed the 5 to 7 day supply requirement. Note: Approved LDA requests that include requirements for balances to exceed the 5 to 7 day supply will not require a waiver from Treasury as stated in subparagraph 140310.B.2.

1403 ESTABLISHING AND MAINTAINING A LIMITED DEPOSITARY ACCOUNT

140301. Establishment

Once Treasury approves a request, establish the LDA in the name of the assigned DO, DDO, or other agent the DO designates. Limit 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.

140302. 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 other agent of the DO, the commander's letter identifies that DDO or agent and:

A. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in office;

B. 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

C. 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.

140303. Blank Limited Depositary Checks

A. 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.

B. 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.

C. Security. Control and safeguard blank LD checks in the same manner as prescribed for Treasury checks in Chapter 7, paragraph 070307. 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.

D. Relief of DO. Transfer unused LDA checks to the relieving officer, with no change in serial numbers, for their use.

E. LDA No Longer Required. When an LDA is no longer required or when a disbursing office is deactivated, void all unused blank LDA checks and destroy them (see section 1404 and Chapter 7, paragraphs 070902 and 070904).

140304. Preparation of Limited Depositary Checks

A. General. Prepare LD checks using automated check writing equipment, if available, or a typewriter, if necessary.

B. 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 or in media designed for data processing use (e.g., compact disk). Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

140305. Disbursement Vouchers

When a payment is made with an LD check, enter the notation "LD Check No. __," 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:

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

B. Periodic Statements From Depositary. Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and the DO, are satisfactory evidence of payment. The certificate of the bank should say, "I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement, and that the originals of the checks are on file in this bank and will be held for __ years." The DO certifies to the reconciliation of the bank statement with the disbursing records.

140306. 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 070604).

140307. 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.

140308. 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 DoD [\(DD\) 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 to line 6.1, Designated Depository, of the DD 2657 and line 6.1, Cash on Deposit in Designated Depository, of the SF 1219.

140309. 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 140310.B.2. LDAs approved to hold funds beyond the 5 to 7 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 140202.B.11). 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.

140310. Review of Limited Depository Accounts

A. Commanders' Review. Commanders require review of DO 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.

B. DOs' Review. DOs review LDAs on a continuing basis to ensure:

1. Maintenance of minimum account balances necessary to meet immediate disbursement needs (checks issued and in process);

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 Disbursing Officers, State Department U.S. Disbursing Officers, 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 I TFM [4-30145.20](#)). Contact DFAS-JJFKCB/IN at the email address listed in paragraph 140202 to obtain procedural guidance for waiver requests;

3. The terms negotiated with the depository are favorable to the U.S. Government including interest on the account at the highest possible rate;

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

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-JJFKCB/IN at the email address listed in paragraph 140202 upon learning of a significant event that affects the designated bank.

140311 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 030204). 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 140202.B.11) or will require an approved waiver from Treasury (see subparagraph 140310.B.2).

1404 VOIDED AND SPOILED LIMITED DEPOSITARY CHECKS

140401. General

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.

140402. Voided Checks

The functional area authorizing the payment of a voucher may request voiding of a check. 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 by stamping, marking, or writing the words "VOID - NOT NEGOTIABLE, NO CHECK ISSUED UNDER THIS NUMBER" on the check's face 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. Send the voided checks listing and the originals of all voided checks with the monthly SF 1149.

140403. 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).

A. 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.

B. 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, and date the replacement check on its issue date. Render the original check non-negotiable 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 check. Show this same information on the detailed record of checks issued.

1405 TRANSFERRING PROCEEDS OF LIMITED DEPOSITARY CHECKS

140501. General

An uncurrent LD check is a check that has not been negotiated through the LD for at least one full fiscal year after the fiscal year in which the check was issued, except where local laws provide that the negotiable period of a check is shorter. The amount of such checks must be transferred to Treasury or credited to the original appropriation. The transfer of LDA check proceeds may be due to undeliverable checks or checks due to deceased or incompetent payees.

140502. 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 Treasury each October.

A. Open LDAs

1. Preparation of Check Listing. Prepare an original and four copies of a separate check listing 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 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).

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: Credit Accounting Branch, 3201 Pennsy Drive, Building E, Landover, MD 20785.

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 line 6 of 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 140502.A.2 for address).

4. Accounting for the Transfer

a. Report the Treasury check in the daily business on line 2.1B, Checks Issued – All Others, of the DD 2657 and line 2.1, Checks Issued on U.S. Treasury, of the SF 1219;

b. Increase line 6.1 of the DD 2657 and SF 1219 in the same USD amount as the Treasury check;

c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the check listing;

d. Compute the USDE of the LDA checkbook balance including the foreign currency units added in subparagraph 140502.A.4.c using the current rate of exchange; and

e. Compare the computed total USDE of the LDA checkbook balance to the total USDE shown on line 6.1, of the DD 2657 and SF 1219. Voucher any difference as a gain or loss by exchange transaction on a DD 1131 or [SF 1034](#), Public Voucher for Purchases and Services Other Than Personal (as appropriate), against **6763 (Gains and Deficiencies on Exchange Transactions), and record it in the day's business as either an increase or decrease to line 6.1, of the DD 2657 and SF 1219.

5. Distribution of Documents. Distribute the uncurrent check listing, JV, and the DD 1131 or SF 1034:

a. Send the original and one copy of the uncurrent check listing, a copy of the JV, and the Treasury check to the Treasury (see subparagraph 140502.A.2);

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

c. Attach one copy each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 to the SF 1149;

d. File one copy of each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 in the DO's retained LDA records; and

e. Include the original and appropriate number of copies of the JV and DD 1131 or SF 1034 with other vouchers supporting the SF 1219.

B. 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 140502.A. 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-JJFKCB/IN at the email address in paragraph 140202.

140503. 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 1406).

A. 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.

B. 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.

C. 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.

D. Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts

1. 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 line 6.1 of 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.

2. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140502.A.4.c.) using the current exchange rate. Compare the total USDE of the LDA checkbook balance to the total USDE shown as "Cash on Deposit in Designated Depository." Prepare a voucher to document any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day's business as either a collection (increase) or disbursement (decrease), as appropriate to line 6.1 of the DD 2657 and SF 1219.

3. 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 unauthorized negotiation. 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.

E. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts

1. 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 140503.D 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 1304).

2. Render undelivered checks non-negotiable by writing, typing, or stamping "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" on the face of the check 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 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 1131 to the applicable functional area to enable it to establish the payable in the event of future claims for the proceeds of canceled undeliverable checks.

F. 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, to the Credit Accounting Branch, Bureau of the Fiscal Service. To process uncurrent undeliverable checks with proceeds not transferred to the Treasury, follow the guidance in paragraph 140502. Do not schedule them on an SF 1098 or DD 1131 as current undeliverable checks.

140504. Limited Depositary Checks Due Deceased or Incompetent Payees

A. 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 incompetent payee but still current as to date of issue under subparagraphs 140503.D and 140503.E.

B. 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 incompetent payee, as follows:

1. If the proceeds of the checks were not previously transferred to Treasury account 20X6045, perform this transfer as provided in paragraph 140602, before forwarding the check and the claim to Treasury.

2. If transfer of these checks' proceeds to Treasury account 20X6045 has occurred, send the checks with the related claims to Treasury's Credit Accounting Branch, Bureau of Fiscal 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 credited to the appropriation or fund originally charged using an SF 1034. Cite a reference to the original undeliverable check showing its serial number, amount, and DSSN on each voucher.

B. 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.

1406 CANCELING LIMITED DEPOSITARY CHECKS

140601. General

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.

140602. 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. If the disbursing office prepares the SF 1098, 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 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.

1. Open Accounts. If the LDA is open, process the SF 1098 in the account to credit to the fund or appropriation charged for the original disbursement, increase the LDA checkbook balance, and remove the canceled check from the record of outstanding checks.

a. Account for each SF 1098 as a cash collection;

- b. Increase line 6.1 of the DD 2657 and SF 1219 by the same USD amount as the SF 1098 to maintain the DO's accountability;
- c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the listed checks;
- d. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140602.A.1.c.) using the current rate of exchange;
- e. Compare the total USDE of the LDA checkbook balance to the total USDE shown on line 6.1 of the DD 2657 and SF 1219. Voucher any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day's business as either a collection or disbursement on line 6.1 of the DD 2657 and the SF 1219; and
- f. Mark the face of the canceled check "Canceled," include the date of cancellation, and 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, transfer funds between the closed and current (open) LDAs before processing a cancellation action. Otherwise, follow the procedures in the remainder of this paragraph.

a. Check to be Canceled Drawn on DO's Current LDA. If a DO cannot draw a check against the closed LDA and both the closed and open (DO's current) LDAs are with the same LD, 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 LDA. When the LD advises that the requested transfer has been made, proceed with the preparation of the SF 1098 as described in subparagraph 140903.

b. Check to be Canceled Drawn on Different LD. If the closed LDA and the DO's current open LDA are in different LDs, request in writing that the LD on which the check was drawn credit the account for the check being canceled and send the funds to the DO, by title. Upon receipt, deposit the funds in the current open LDA and treat them as a cash collection using a DD 1131 for credit to the fund or appropriation originally charged for the check being canceled; do not process an SF 1098. Show the USDE 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 1131. State prominently that the transaction involves the proceeds of a canceled check on the DD 1131. Account for any difference in the USD 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 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. The applicable functional area prepares an 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:

1. 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;

2. When the LD's acknowledgement is received, the DO processes the SF 1098, credits the fund or appropriation originally charged, adjusts the checkbook balance, reduces the record of outstanding checks, sends a copy of the LD's acknowledgement, and sends a copy of the SF 1098 with the SF 1149 at the end of the month; and

3. 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 Treasury account 20X6045. Process uncurrent LDA checks, whether or not due the payee (payee's estate) or available to the DO through Treasury account 20X6045 as prescribed in section 1405.

1. The DO schedules the checks on an SF 1098 (original and six copies) crediting the fund or appropriation originally charged for the payment. List the USDE of the foreign currency at the rate of exchange in effect on the check's issue date as shown on the payment voucher. Modify the heading of the SF 1098 to read "Schedule of Limited Depository Checks Canceled by the Department of the Treasury." Include a full explanation of the reason for cancellation of the check on the SF 1098, but do not process this SF 1098 as a collection in the accounts.

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, Bureau of Fiscal Services, Treasury with a cover letter or memorandum requesting cancellation of the check. Attach a copy of the outstanding check listing and JV prepared when the check was transferred to 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 Treasury authorizes issuance of a Treasury check for the value of the canceled LDA check. Process this check and the SF 1080, Voucher for Transfers 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

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.

140702. Issuing Replacement Checks

A. Action by the Original Payee or Other Claimant. 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.

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 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 2244. Representatives of deceased payees or owners who 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 in the Case of 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 2244.

4. A DO may, at his/her discretion, accept an undertaking of indemnity in the form of a written statement or letter (see [subparagraph 140702.A.5](#)) 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.

5. 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 in subparagraph 140702.A.4 and the DO still desires to use the letter form of the undertaking of indemnity, obtain prior approval from the DFAS Director for Strategy, Policy, and Requirements 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, request the LD stop payment on the check and acknowledge receipt of the request in writing. Upon receipt of the acknowledgement, the DO sends a modified TFS 2244 to the claimant for completion and return. The DO makes the following modifications to the TFS 2244:

1. Enter the description of the check;
2. Enter the name of the bank on which the check was drawn; and
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 2244, the DO, having determined that the original check is still outstanding, approves the claim for payment. The DO may issue a replacement check before the end of the fiscal year after the fiscal year of issue if:

- a. There is no question of law or fact concerning the payment,
- b. The written claim, the TFS 2244, or written statement or letter includes an undertaking of indemnity; and
- c. Supporting documents have been received in proper form.

C. Replacement Check. Note the approval on the reverse of TFS 2244 or on the letter undertaking indemnity, with 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, transfer the funds to an open LDA before issuing a replacement check under subparagraph 140602.A.2.

1. The DO issues a replacement check with a 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, and year) drawn by (DO who issued original check) on (Name of LD).” The DO 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 2244 or on the letter undertaking indemnity; and

2. 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, 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 2244 and all supporting documents with the DO’s retained records.

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

1. DO determines that the non-receipt, 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 United States performing services in connection with an official U.S. function;

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

3. Claimant or holder is an officer or employee of the United States, a U.S. municipal corporation, or a U.S. political subdivision, a U.S. 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 United States, a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

140703. Issuing Settlement Checks

This guidance for claims on paid checks applies to all LDAs.

A. Action by the Payee of the Check. 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.

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

1. The DO sends a written request to initiate reclamation to the LD, asking the LD to acknowledge the request in writing and, if canceled checks are not returned to the account holder with the bank statement, the LD provides the forged check or a clear legible copy of it to the DO;

2. The DO gives the payee a copy of the forged check, and an FMS 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 1133 within 90 days, the DO considers the case closed. If the claimant returns the form within 90 days, the DO sends the form and a copy of the forged check to his/her Component's investigative service for examination by a handwriting expert;

4. The DO requests the opinion of the investigative service as to the authenticity of the endorsement. The opinion of the handwriting expert is the basis for deciding if a settlement check may be approved for the claimant. Approve a settlement check if the opinion of the handwriting expert is that the endorsement was forged. A DO may issue a settlement before the end of the fiscal year following the fiscal year in which the forged check was issued if:

- a. There is no question of fact or law concerning the payment;
- b. The payee's claim is in writing; and
- c. The FMS 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 to the payee, issues it without waiting for reclamation to be accomplished by the LD. Note the approval on the front of the FMS 1133 in the words, "Settlement approved by (name, title, and disbursing station), Date (month, day, and year)." The DO issues a settlement check with the current date payable in the same currency as the original check, including in the lower left-hand corner the statement, "Issued in settlement of check number ____, dated (month, day, year), drawn by (DO who issued original check) on (name of LD)." Report settlement checks as checks issued and account for them in the regular manner when preparing the SF 1149; and

6. If the local currency disbursed for the forged check was purchased from a military banking facility, by an open market transaction, or by issuance of a Treasury check, report the issuance of the settlement check on line 7.2A, Accounts Receivable - Check Overdrafts, of the DD 2657, and line 7.2, Receivables - Check Overdrafts, of the SF 1219. Follow section 1408 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, the DO charges the disbursement of the settlement check to the same foreign currency account.

C. Reclamation. A DO issuing settlement checks must be satisfied that reclamation action is timely, having made every effort to recover the proceeds of forged LD checks. Within 30 days after receipt of the LD's acknowledgement of the notification of a forgery, the DO makes at least two formal written requests for completion of reclamation by the LD.

1. If the LD advises that reclamation cannot be made due to a local law that relieves it from responsibility, the DO requests relief of liability for the illegal, incorrect, or improper payment (see Chapter 6, section 0606); and

2. If relief is granted, the DO follows section 1408 to clear the check issue overdraft. Credit recoveries made through reclamation to the appropriation charged for the disbursement of the settlement check. If the charge is still carried as a check issue overdraft, clear line 7.2A of the DD 2657 and line 7.2 of the SF 1219. If the receivable has been cleared by relief of liability, credit **3210, General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.

140704. 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 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 DoD Office of General Counsel

A. 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 deceased/incompetent payees or owners, 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 1406.

B. Question of Law or Fact. Send cases involving any question of law or fact through command legal channels for settlement action.

C. 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.

140706. 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.

1408 ADJUSTMENT OF CHECK ISSUE DISCREPANCIES

140801. General

This section prescribes the actions required to adjust LDA differences chargeable to DOs. The DO makes these adjustments and records them immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks (see sections 1404 and 1405). Internal, Government Accountability Office, other agency audits, or DO-initiated control measures disclose LD check-issue discrepancies. These 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.

140802. Recording Limited Depository Check Issue Overdrafts and Underdrafts

A DO, as soon as he or she is aware of a check issue difference (regardless of the USD value), prepares a JV with an original and three copies to record the difference, showing a complete explanation of the difference and including a description of the check (e.g., check number, date, amount, payee, account number, and LD name) and identification of the related disbursement voucher. Attach the original JV 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 disclosed and adjusted in the current accounting period with the SF 1149; retain these documents with the other retained financial records for internal processing. Follow paragraphs 140804 – 140806 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 finding that an LD check was issued for more than the amount shown on the disbursement voucher and reported in the LDA reports prepares a JV under paragraph 140802 and enters the amount as a decrease to the LDA on line 6.1 of the DD 2657 and SF 1219, and an increase to accounts receivable on line 7.2A of the DD 2657 and line 7.2 of the SF 1219.

A. If the overdraft is an actual overpayment to the payee, 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 2657 and line 7.2 of the SF 1219, and prepares a JV to document the transaction, but does not prepare a collection voucher.

B. If the overdraft is due to not having charged the appropriation for the total amount of the check, prepare a one-sided [SF 1081](#), Voucher and Schedule of Withdrawal and Credits, to charge the overdraft to the appropriation cited on the original disbursement voucher. Include a complete explanation of the adjustment and process it as a disbursement on line 4.1A, Gross Disbursements, of the DD 2657 and line 4.1, Net Disbursements, of the SF 1219, and a decrease to the accounts receivable on line 7.2A of the DD 2657 and line 7.2 of the SF 1219.

140805. Adjustments of Check Issue Underdrafts of More Than \$1

A DO finding that a check was issued for less than the amount of the disbursement voucher and shown on the depository reports prepares a JV under paragraph 140802, enters the amount of the underdraft as an increase to line 4.1E, Less – Reimbursements, of the DD 2657 and line 4.1 of the SF 1219, and line 6.1 of the DD 2657 and SF 1219, 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, 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, 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 2657.

140806. Clearing Overdrafts and Underdrafts of \$1 or Less

A DO finding that an overdraft or underdraft of \$1 or less exists prepares a JV as described under paragraph 140802. Do not liquidate LD check issue differences of \$1 or less in USD, even though they are recorded in the DO's accounts. Reconcile 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, as follows:

A. Overdrafts of \$1 USD 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 USD value of \$1 or less, charging the disbursing activity's operating funds and crediting accounts receivable. Describe the transactions completely, and include a listing of the JVs being cleared.

B. Underdrafts of \$1 USD or Less. At the close of each fiscal year, the DO liquidates all outstanding underdrafts for check issue differences with a USD 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 **1060 (Forfeitures of Unclaimed Money and Property). If a payee requests payment of an underpaid amount before the end of the fiscal year, 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 to the supporting DFAS site.

140807. Clearing the Subsidiary Account Files

When the adjustment action has been completed, collection has been made, or an additional check has been issued, mark the file copies of the JV with either: "See Deposit Ticket No. _____, (*date*);" "See Check No. _____, (*date*);" or "See Adjustment Voucher No. _____, (*date*)." Submit one of the annotated copies with the SF 1149 at the close of the accounting period, and file the remaining copy with the DO's retained records for the LDA.

1409 LIMITED DEPOSITARY ACCOUNT TRANSACTION DOCUMENTATION

140901. General

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 060201.

140902. Standard Form 1149, Statement of Designated Depository Account

A DO holding an open LDA or a settlement officer charged with settling closed accounts prepares and submits an SF 1149 within 30 days after the close of a calendar month. When closing an LDA, the account holder prepares and submits an SF 1149 within five days after closure. For a closed LDA, mark the final SF 1149 "FINAL" at the top of the form. Prepare an original and two copies of the SF 1149 if the LDA holder is the DO, or an original and three copies if the LDA holder is an agent of the DO. Support the SF 1149 with the:

- A. LDA bank statement for the period or a certified list of paid checks;
- B. Record of checks issued;

- C. Schedule of spoiled and voided checks and the checks themselves;
- D. Copy of each SF 1098 issued during the reporting period canceling available checks and the checks themselves;
- E. Copy of each SF 1098 issued during the reporting period canceling unavailable checks with the LD's letter acknowledging their cancellation;
- F. Copy of each JV 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. Schedule of deposits made to the LDA during the accounting period, showing date and amount of each deposit;
- I. List of outstanding checks showing check number, date, and amount; and
- J. Copy of the SF 1219.

140903. Standard Form 1098, Schedule of Canceled or Undelivered Checks

Voucher LD checks canceled because the payee is not entitled to the proceeds of the check or because the check cannot be delivered to the payee on an SF 1098. Add the caption "Limited Depository Account" at the top of the form. See paragraph 140503 and section 1406. If the checks scheduled were all drawn on the same LDA and are canceled or are all undeliverable, use a single SF 1098. If they were drawn on more than one LDA, prepare a separate SF 1098 for each account. Do not include undeliverable and canceled checks on the same SF 1098. LDA checks charged to different appropriations or funds and drawn on the same LDA do not require separate SF 1098s.

140904. Optional Form 1017-G, Journal Voucher

Prepare JVs 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, entering USD values of the currency involved.

1410 TRANSFERRING AND CLOSING A LIMITED DEPOSITARY ACCOUNT

141001. General

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 (see paragraph 140902).

141002. Transferring a Limited Depository Account

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 provides 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 arranges 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 gives 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, deliver them to the successor LDA holder;
11. Requests the supporting DFAS site designate a settlement officer to liquidate the LDA before transferring the LDA to a settlement office for closure; and
12. Notifies DFAS-JJFKCB/IN at the email address listed in paragraph 140202 of the transfer.

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 names of the new DO and check-signing agents;
3. Deposits the check received from the previous DO's agent for the unexpended balance and reports 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 a Limited Depository Account

- A. The DO/DDO or DO's agent:
 1. Requests a current statement of the account from the LD;
 2. Reconciles the account, and
 - a. If there are no outstanding checks, closes the LDA, or
 - b. If there are outstanding checks, leaves a sufficient balance in the account to cover them and transfers the account to a settlement office designated by the supporting DFAS site;
 3. Prepares a list of outstanding checks showing the name of the LD, check number, date, payee name, payee 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 USDs at the time of issue, DSSN, and the name of the DO that established the LD;
 4. Prepares a letter (in triplicate) for the commander's signature advising the LD that the account is 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;
 5. Prepares an 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, Cash On Hand, by the amount of the check;
 6. Reconciles the account and prepares a final SF 1149 as of the last business day 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;

7. Sends all undelivered checks, a copy of the final SF 1149, a copy of the current 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;

8. Returns unused LD checks to the LD. Store unused LD checks purchased by the disbursing activity and dispose of them in the same manner as Treasury checks. No certificate of destruction or notification to the DFAS or to the Treasury is required for destruction of LD checks; and

9. Notifies DFAS-JJKCB/IN within 15 days of account closure at the email address listed in paragraph 140202.

B. The designated settlement office:

1. Confirms the LDA is in balance before accepting accountability from the DO/DDO or DO's agent;

2. Validates LDA transactions using the documentation provided by the LDA holder;

3. Renders the monthly SF 1149 required by paragraph 140902 using the documentation provided by the LDA holder and statements by the LD;

4. Transfers the proceeds of uncurrent checks to the Treasury (see paragraph 140502);

5. Issues replacement checks as required by paragraph 140702;

6. Disposes of undeliverable checks when necessary (see paragraph 140503); and

7. Notifies DFAS-JJFKCB/IN within 15 days of account closure at the email address listed in paragraph 140202.