

VOLUME 7B, CHAPTER 32: “RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

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

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

Hyperlinks are denoted by [***bold, italic, blue, and underlined font***](#).

The previous version dated [January 2018](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
1.2 (320102)	Updated the “Authoritative Guidance” paragraph to comply with current administrative instructions.	Revision
References	Renamed “Bibliography” to “References.”	Revision

Table of Contents

VOLUME 7B, CHAPTER 32: “RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION” 1

1.0 GENERAL (3201)..... 3

 1.1 Purpose (320101) 3

 *1.2 Authoritative Guidance (320102) 3

2.0 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS (3202)..... 3

 2.1 Liability of Financial Institution (320201)..... 3

 2.2 Reclamation (320202) 3

 2.3 Limiting Liability (320203) 4

 2.4 Calculating Limited Liability Amount (320204) 4

3.0 LIABILITY OF DISBURSING OFFICER (3203) 4

*REFERENCES 5

CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

1.0 GENERAL (3201)

1.1 Purpose (320101)

This chapter provides information regarding the accountability of a financial organization for direct deposit payments returned to the Defense Finance and Accounting Service (DFAS) because of the death of a retiree or annuitant. By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of [Title 31, Code of Federal Regulations \(CFR\), Part 210](#), including the reclamation actions and debiting of the financial institution's Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, section 210.10(a).

*1.2 Authoritative Guidance (320102)

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 12, and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS (3202)

2.1 Liability of Financial Institution (320201)

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient, or death of a beneficiary, unless the financial institution meets the qualifications for limiting its liability under paragraph [320203](#).

2.2 Reclamation (320202)

Upon the notification of the death of a military retiree or annuitant, the DFAS Cleveland Disbursing Officer (DO) will contact the decedent's financial institution to request the return of all payments made since the retiree's or annuitant's death.

2.2.1. The DO must initiate reclamation within 120 days after constructive receipt of notification of the death of a retiree or annuitant. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.

2.2.2. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House. On October 7, 2012, the FMS and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service. See the Department of the Treasury's [*Green Book*](#) for detailed instructions on the reclamation procedures.

2.3 Limiting Liability (320203)

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

2.3.1. Had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

2.3.2. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

2.3.3. Responds to the reclamation to ensure that the appropriate amount is received by the DO within 60 days of the date on the reclamation.

2.4 Calculating Limited Liability Amount (320204)

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance due (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury's *Green Book* for examples of calculating the limited liability amount.

3.0 LIABILITY OF DISBURSING OFFICER (3203)

The accountability of the financial institution does not affect the liability of the DO for any amounts not recovered. The DO may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

***REFERENCES**

CHAPTER 32 – RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

2.0 - LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS (3202)

31 CFR 210
Department of the Treasury, Green Book,
[January 2016](#) Revision

3.0 - LIABILITY OF DISBURSING OFFICER (3203)

59 Comptroller General 597 (1980)