

PS 8532.07 CHECK CANCELLATION - FPI



Program Statement

OPI: FPI
NUMBER: 8532.07
DATE: 8/7/2001
SUBJECT: Check Cancellation - FPI

1. **PURPOSE AND SCOPE.** To establish policies and procedures to follow when requesting cancellation of Treasury checks, or status queries, and when processing claims for non-receipt, loss, theft, mutilated or destroyed checks and the disposition of non-negotiable checks.

The Department of Treasury, Financial Management Service (FMS) implemented the PACER On-Line information system in March 1998. This system is accessed at the Central Office level and allows Federal Prison Industries (FPI) to retrieve information pertaining to payments made by check or Electronic Fund Transfer (EFT). The system can be used to:

- # determine the status of payments,
- # request check cancellation,
- # initiate claims, and
- # retrieve, view, and print digital images of negotiated checks.

FPI must use the PACER On-Line system to facilitate responses to vendor inquiries and cash management initiatives. In addition, procedures have been established for erroneous payments made to vendors.

2. **SUMMARY OF CHANGES.** This revision to the Program Statement:

- # clarifies procedures for depositing or canceling U.S. Treasury checks submitted and/or deposited by the wrong vendor,
- # requires the reimbursement of erroneous payments,
- # clarifies procedures for retrieving Automated Clearing House (ACH) transfers deposited to the wrong bank account, and

establishes the responsibility of the Central Disbursement Section.

3. **PROGRAM OBJECTIVES.** The expected results of this program are:

a. The process for canceling checks will be consistent throughout Federal Prison Industries (FPI).

b. All returned U.S. Treasury checks will be recorded and accounted for in accordance with Department of Treasury regulations.

4. **DIRECTIVES AFFECTED**

a. **Directive Rescinded**

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b. **Directives Referenced**

PS 8000.01 UNICOR Corporate Policies and Procedures
(5/13/81)

Treasury Financial Manual (TFM), Volume 1, Part 4

5. **STANDARDS REFERENCED.** None

6. **CHECK CANCELLATION.** U.S. Treasury checks issued for paying FPI obligations are canceled automatically one year after issuance, if not cashed. However, the U.S. Treasury may cancel checks upon request, after a status determination. A status determination may be requested by submitting an unavailable check action to the Department of Treasury. In addition, if a check is available and requires cancellation, it must be sent to the Regional Finance Center responsible for that disbursement.

7. **UNAVAILABLE CHECKS.** An unavailable check action must be initiated for checks which are unavailable or **not in the possession** of FPI or the U.S. Treasury, when one of the following circumstances arise:

T the payee reports a check's non-receipt, mutilation, destruction, loss, or theft; or

T it is determined that the payee is not entitled to the check's proceeds.

a. **Unavailable Check Action.** The unavailable check action is used to determine the payment status of a check which is not in FPI's or Treasury's possession and/or to request a photocopy, if the check has been paid.

The Business Manager or designee must submit a request for an unavailable check action to Financial Management Branch (FMB), Disbursement and Budget Officer, e-mail ID "Central Disbursement." The request must contain adequate information to process it through the PACER On-Line system including:

T Payee (recipient) name and address
 T Vendor number
 T Tax Identification Number (TIN)
 T Vendor Payment Number (i.e. 15XXXXXXX)
 T Amount of check
 T Reason Codes (See following list)

- **Code A - Re-certified.** The payee reported the check's non-receipt, loss, theft, destruction, or mutilation. The check was not endorsed. The payee is entitled to the proceeds and payment has been re-certified before the original check's status is known.
- **Code D - Entitlement.** The payment will be re-certified after the original payment's status is determined.
- **Code E -** The payee died before the check was issued and the payee's estate is not entitled to the check's proceeds.
- **Code F - Non-entitlement.** The payee is not entitled to all or part of the check's proceeds.
- **Code G - Lost/Stolen - endorsed.** The payee reported the check was endorsed and then lost or stolen. The payee is entitled to the proceeds. Re-certify the second payment after the original payment's status is determined.
- **Code K - Photocopy.** A photocopy of the check is required for administrative purposes. No indications of non-receipt, loss, theft, or other evidence that the payee's claim for a check is involved.
- **Code M - Status.** To determine the payment status

only. A photocopy is not required. No claim is involved.

- **Code U - Legal incapacitation.** The agency determines the payee is no longer legally entitled to the check's proceeds.

If the TIN number cannot be obtained from the vendor master, the applicable location must obtain this information from the vendor prior to submitting the request. In addition, the location obtaining the information must send the correct information to the ACH Coordinator in Central Office requesting that the vendor master be updated. However, staff vendors (employees) are exempt from this requirement.

Upon receiving the request, the Disbursement and Budget Officer or designee must process the request via PACER On-Line within 48 hours. Either Treasury or FMB will notify the applicable location after a status determination has been made.

b. **Available Checks.** An available check is one that is physically in the **possession of FPI or a vendor** (the vendor has notified FPI of the possession) and the check is still negotiable. Upon occasion a vendor may receive a check in which one of the following situations may occur:

- T not entitled to the proceeds,
- T duplicate payment, and/or
- T holder/payee not the same (check issued in the wrong name).

Under any of these circumstances the staff member first notified of the situation must request the vendor return the check immediately to the following address:

UNICOR
Attn: Central Disbursement
Financial Management Branch, 8th Floor
400 First Street NW
Washington DC 20534

All checks returned to Central Disbursement must be forwarded within five days after receipt to the following address:

Department of Treasury
Financial Management Service
Austin Regional Financial Center
PO Box 149058
Austin TX 78714-9058

In addition, the check must be defaced with the words:

**"Not Negotiable - For Payment and Credit in the U.S.
Treasury's Account."**

8. **ERRONEOUSLY DEPOSITED CHECKS.** If it is determined that a vendor was not entitled to a check's proceeds, but the vendor has already deposited the check into its bank account, reimbursement is required. The vendor must be instructed to reimburse FPI for the amount of the check issued.

Payment must be received by the Central Disbursement Section at the address referenced in Section 7.b. The reimbursement may be in the form of a personal check or money order made payable to UNICOR or FPI. Cash must never be accepted.

Central Disbursement is responsible for depositing all personal checks and/or money orders received from vendors for reimbursement daily. A Deposit Ticket (SF-215) must be completed and sent to the following address via certified mail:

Federal Reserve Bank of Philadelphia
Receiving, First Floor
10 Independence Mall
Philadelphia PA 19106

9. **RECONCILIATION AND CHECK RE-ISSUANCE.** If the stop reason code annotated on the unavailable check action is an **A, D, E, F, G, or U**, as listed in Section 7.a., Treasury will credit the amount of the check to FPI's appropriation. Treasury will notify the Central Disbursement Section of all treasury checks canceled via the "Schedule of Canceled or Undelivered Checks."

The Disbursing and Budget Officer or designee must prepare a journal voucher within 24 hours after notification from the U.S. Treasury of canceled checks or ACH payments. The journal voucher must be submitted to the Financial Manager for entry into the integrated payment system and recorded on the monthly Statement of Transactions (SF-224). The following general ledger accounts must be used:

Debit 111000, Operating Cash
Credit 299000, Other Liabilities

In addition, the Central Disbursement Officer or designee must notify the applicable location(s) by e-mail of all canceled checks, requesting re-establishment of the payable using the transaction "How to Process an Invoice Without a Purchase Order or Receiving Report," in the integrated payment system. The e-mail must include the following information:

- T Treasury schedule number and date
- T **Millennium** payment run ID and date
- T vendor name and dollar amount

However, prior to re-establishing the payable the applicable location must verify the vendor payment information (i.e. banking information, mailing address, etc.). The General Ledger Account 299000, Other Liabilities, must be debited and the words "RE-ISSUE" must be annotated in the "assignment" field when entering the transaction, "How to Process an Invoice Without a Purchase Order or Receiving Report."

10. **OUTDATED CHECKS.** All checks returned to FPI that are more than one year old and no longer negotiable must be stamped with the word "**VOID.**" When a confirmed receipt of the Limited Payability Cancellation credit is obtained, the check must be shredded.

11. **CLAIMS FOR NON-RECEIPT OF PAYMENT.** The payee must submit claims for non-receipt of payment to the FPI location responsible for purchasing the goods and/or services. Each claim must be a written request for canceling the original check and re-issuing the proceeds. In addition, the request must include the following pertinent information:

- T the object for which the check was drawn;
- T whether the check was received and lost, stolen, destroyed, mutilated, endorsed by the payee, or had a limited endorsement such as "for deposit only;"
- T the circumstances surrounding the check's loss, theft, destruction, or mutilation; and
- T present address and signatures of claimant(s).

Upon receiving a claim, the Business Manager must review and determine the request's validity. Therefore, the following information must be ascertained prior to submitting a request for an unavailable check action:

T was the payee entitled to the payment;
T had a check been previously issued;
T does another FPI location possess the check;
T had FPI canceled or deposited the check previously, and
T has the check been deposited by the vendor?

Once the Business Manager has verified the claim, the request for an unavailable check action must be submitted to the FMB, Central Disbursement Section.

Vouchers for payment may be re-certified or the check "replaced" based on the circumstances of the original check's non-receipt, loss, theft, destruction, or mutilation. However, if this option is taken, the "replacement" check will be issued against FPI's appropriation and not the Department of Treasury, Operations Division Check Claims (ODCC).

12. **ELECTRONIC FUNDS TRANSFER.** EFT is another payment mechanism FPI uses to disburse funds. However, only payment **status information can be retrieved** via PACER, if pertinent information is provided.

A request for an unavailable check action must be submitted for all EFT payment inquiries. The unavailable check action must include the same information specified in Section 7.a. However, stop reason code "K" is not an option. **Digital imaging is not available** because there is no hard copy check printed.

If it is determined the ACH payment in question has been deposited into the wrong account or has been established in a miscellaneous account at the bank, the funds must be returned. Therefore, the Disbursing and Budget Officer or designee must follow procedures as outlined in Section 9., Reconciliation and Check Re-Issuance, to ensure reimbursement of funds.

/s/
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Director