

3 Nonreceipt

Overview

This chapter describes the role(s) of the Financial Institution in resolving a claim of non-receipt for a Federal payment.

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A. General Information on Nonreceipt Claims

NACHA Operating Rules require consumer payments (including Federal salary, travel payments, and benefit payments) be made available for withdrawal by the recipient no later than the opening of business on the settlement date (provided the entries are made available to the Receiving Depository Financial Institution (RDFI) by its ACH operator no later than 5 p.m. on the banking day prior to the settlement date). It is imperative that RDFIs review procedures for posting payments and funds availability to ensure compliance with 31 CFR Part 210 and NACHA Operating Rules. Any RDFI can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.

It is extremely important that all RDFI personnel, especially branch, teller, and customer service representatives are properly trained to locate payments, specifically those which are "memo posted" or post prior to the settlement date. Close to 65 percent of "missing" Federal payments are at the RDFI when the recipient calls to inquire. Thorough research will limit misinformation and subsequent unnecessary nonreceipt claims and simultaneously increase confidence in Direct Deposit as a payment method.

If it is ultimately determined that the RDFI did not receive a payment, the benefit recipient may contact the issuing agency to open a claim of nonreceipt. The issuing agency in turn notifies the Department of Treasury, Financial Management Service (FMS). FMS will initiate contact with the RDFI in an attempt to locate or resolve a claim of non-receipt. It is in the interest of the intended beneficiary and banking customer that the RDFI and FMS work together.

RDFI role in response to customer inquiry on the status of a Direct Deposit Federal Payment

RDFIs should be aware of the following situations that often result in unnecessary nonreceipt claims. The RDFI should make every reasonable attempt to locate a payment prior to redirecting a recipient to the authorizing Federal agency. RDFI employees should be educated on the numerous scenarios and various posting techniques utilized to better assist customers who are concerned with the status of a direct deposit

Determine if the payment was posted late

- RDFI should be able to explain why there was a delay.

Determine if the payment was memo posted

- RDFI customer service personnel are sometimes unaware of, or do not check for 'memo posted' items. 'Memo-posting' are a temporary post added to a payee account throughout the day. Memo-posted transactions are finalized in the RDFIs nightly batch processing.

Determine if the payment was posted early

- Due to volume and processing considerations the RDFI frequently receives ACH payment files a couple of days prior to their settlement date. ‘Early posting’ occurs when an RDFI posts a payment to a recipient’s account prior to settlement date.

Determine if a third party processor is used, confirm funds availability through the processor

- RDFI should confirm if the funds were made available to the recipient.

Determine if the payment was an exception item

- The RDFI should be aware that the payment could have been posted incorrectly, manually posted, or returned due to incorrect account information.

In some instances the RDFI may never receive a payment for the recipient. Ask the recipient if he/she has:

- Changed financial institutions
- Revoked the Direct Deposit authorization
- Verified entitlement with the authorizing Federal agency

Note: The RDFI should process an NOC entry if they are responsible for the change information. The RDFI may request the benefit recipient update their information with the issuing agency if the customer has a closed account, new account, etc.



Title 31 CFR 210.8(b)(2) specifically addresses the liability placed on RDFIs for the correct preparation of ENRs and NOCs. RDFIs should review procedures for the preparation of ENRs and NOCs and ensure all employees responsible for these transactions are aware of the procedures and the implications for the RDFI.

B. Initiating a formal claim of Nonreceipt

If all efforts to locate the payment(s) have failed, the RDFI should instruct the recipient to file a nonreceipt claim directly with the authorizing Federal agency by telephone, in person, or in writing. The table below lists Federal agencies by types of payments.

Type of Payment	Action
Federal Salary and allotments (including military and civilian pay) Military Active Duty and allotments	Advise recipient to contact his/her payroll office. Note: Coast Guard Active Duty and Allotments (785) 339-3506.
Military Retirement/Annuity/Allotments	Advise recipient to contact the appropriate military branch. Refer to Contacts, Chapter 8.
Travel payments	Advise recipient to contact his/her finance/travel office.

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Type of Payment	Action
TreasuryDirect	Refer to Contacts, Chapter 8.
Vendor and Miscellaneous	Advise recipient to contact the Federal agency that authorized the payment.
All other payment types	Advise recipient to contact the Federal agency that authorized the payment. Refer to Contacts, Chapter 8.

C. Nonreceipt Process

Upon notification from the recipient that a payment has not been received, the authorizing Federal agency will notify the Financial Management Service (FMS). FMS will research the claim either via the Tele-TRACE process or traditional FMS form 150.2 and 150.1 to determine the status of the claim.

Note: *The RDFI is encouraged to input an NOC or return any payment(s) submitted with improper information*

Legal References Supporting Treasury Non-Receipt Investigation

1. 12 USC 3413(k): Right to Financial Privacy Act of 1978

Specifically, the Right to Financial Privacy Act of 1978 states that: “Nothing in this title shall apply to the disclosure by the financial institution of the name and address of any customer to the Department of the Treasury, the Social Security Administration, or the Railroad Retirement Board, where the disclosure of such information is necessary to, and such information is used solely for the purpose of, the proper administration of section 1441 of the Internal Revenue Code of 1954, title II of the Social Security Act, or the Railroad Retirement Act of 1974.”

2. 31 CFR Part 210.3(c): Federal Government Participation in the Automated Clearing House (ACH)

Specifically, 31 CFR Part 210.3(c) provides: “Any person or entity that originates or receives a Government entry agrees to be bound by this part and to comply with all instructions and procedures issued by the Service under this part including the Treasury Financial Manual and the Green Book.” The Green Book can be downloaded at the Financial Management Service's web site at <http://www.fms.treas.gov/greenbook>.

3. Green Book, Chapter 4 Returns

The Green Book Section on Returns states that: “Un-postable payments must be returned so that they are received by the Government Disbursing Office (ODFI) no later than the opening of business on the second banking day following the settlement date of the original entry. Under no circumstances should a financial institution hold payments indefinitely in a suspense account, or by any other means, nor should payments otherwise

be held if any of the conditions apply on when to return a payment. Holding payments may constitute a breach of the financial institution's warranty for the handling of federal government ACH payments under regulations codified in 31 CFR Part 210.”

Tele-TRACE Nonreceipt Claims Process

FMS has partnered with several Federal agencies to research Direct Deposit nonreceipt claims via telephone (Tele-TRACE). FMS representatives from the Kansas City Financial Center (KFC) and/or Philadelphia Financial Center (PFC) will call the RDFI directly to resolve claims of nonreceipt. FMS has access to all of the payment information and will seek assistance in identifying a checklist of items:

1. Verification of payment status (posted, funds held, returned, etc.)

Question: Did the item in question post to the account number provided on the date of payment?

2. Verification that the intended payee received the payment

Question: Does the payee name appear on the account?

3. Situations where the recipient's name is not on the account (If it is determined that an item has posted to an improper account FMS will make a request for the return of those funds subject to availability.)

Question: Can you provide the date the funds were returned and the reason code used? Do you require an R06 (Returned per ODFI Request) letter from Treasury to return these funds?

4. Situations where the recipient did not receive the payment on settlement date

Question: Were the funds posted early or late, can the RDFI provide a reasonable explanation as to why?

5. Payments posted manually, due to account closure or invalid account information

RDFIs should originate a Notification of Change (NOC) entry if corrections are needed for future payments. See Chapter 6, Notification of Change and the NACHA Operating Rules for detailed instructions.

Note: For VA, RRB and certain SSA payments FMS may also request the name and mailing address of the improper recipient under the authority of 12 USC 3413(k) (Right to Financial Privacy Act of 1978).



Once the reason for nonreceipt has been determined, FMS will telephone the recipient to inform him/her of the resolution. FMS will mail a letter if unable to reach the recipient by telephone.

Keep in mind that RDFIs can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.

Payment Trace Requests: Manual Nonreceipt Claims Process FMS 150.2

This is a sample of form FMS 150.2

DATE		TRACE REQUEST		DIRECT DEPOSIT	
TRACE NUMBER		ROUTING NUMBER	CUSTOMER'S NAME		AMOUNT
FMS FORM 150.2		CUSTOMER'S CLAIM NUMBER			PAYMENT DATE
		DEPOSITOR ACCOUNT NUMBER			TYPE OF ACCOUNT
		TYPE OF PAYMENT	DISCRETIONARY DATA		

OMB No. 1510-0045

For Paperwork Reduction Act Statement and Burden Estimate Statement See Reverse Side "Financial Organization Copy"

The FMS 150.2 is used to trace payments dated the current month or previous month. Upon receipt of the FMS 150.2, the RDFI should follow these steps:

1. Verify the status of the payment in question by making all attempts to locate the payment at the RDFI.
2. Credit the payment immediately if the payment was not previously credited or returned.
3. Return the payment by ACH if it cannot be credited for any reason.
4. Use the recipient's copy of the FMS 150.2 to notify the recipient of the disposition of the payment.
5. Originate an NOC entry if corrections are needed for future payments. See Chapter 6, Notification of Change and the NACHA Operating Rules for detailed instructions.
6. The RDFI should inform the recipient of the payment status.

Note: For VA, RRB and certain SSA payments FMS may also request the name and mailing address of the improper recipient under the authority of 12 USC 3413(k) (Right to Financial Privacy Act of 1978). This does not apply to miscellaneous payments such as IRS refund payments

This is a sample of form FMS 150.1.

For Burden Estimate Statement See Reverse Side "Financial Organization Copy"

OMB No. 1510-0045

DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
REGIONAL FINANCIAL CENTER

DIRECT DEPOSIT COORDINATOR

DATE OF REQUEST

SECOND REQUEST

DATE OF ORIGINAL REQUEST

SUBJECT: TRACE REQUEST FOR ELECTRONIC FUNDS TRANSFER PAYMENT

Dear Sir:

One of your customers has filed a claim for nonreceipt because their direct deposit payment has not been credited to their account. Your customer authorized the payment indicated below to be sent to your financial organization through Treasury's Direct Deposit Program.

TRACE NO.

PAYMENT DATE

RECEIVING FINANCIAL ORGANIZATION ROUTING NO.

TYPE OF PAYMENT

INDIVIDUAL (Customer's Name)

AMOUNT

DEPOSITOR'S ACCOUNT NO. TYPE OF ACCOUNT

DISCRETIONARY DATE

PREFIX INDIVIDUAL ID (Customer's Claim No.) SUFFIX

Treasury's records show that the payment was authorized and sent to your financial organization through the Federal Reserve Banking System.

Please research your records, mark the block in the FINANCIAL ORGANIZATION ACTION SECTION below that describes the action taken by your financial organization, sign the FINANCIAL CENTER COPY and return within 3 days to:

Department of the Treasury
Financial Management Service
Regional Financial Center
P.O. Box

DIRECTOR, REGIONAL FINANCIAL CENTER

FINANCIAL ORGANIZATION ACTION

- The payment described above was credited to the customer's account on (Date) ... The CUSTOMER'S COPY of this form was completed and forwarded to the customer on (Date) ...
We received the above described payment. The payment was returned to the Federal Reserve on a Preauthorized Return Item Credit Form on (Date) ... We are attaching a copy of the return item form.
We have the above described payment but cannot post it. We are returning it to the Federal Reserve on a Preauthorized Return Item Credit Form on this date. We are attaching a copy of the return item form.

ADDITIONAL REMARKS

PAPERWORK REDUCTION ACT AND PRIVACY ACT STATEMENT

This information is provided in compliance with the Privacy Act of 1974 (P.L. 93-5791). All requested information is mandatory by authority of USC, 301, 31 USC 391, and 31 CFR Part 210. This information will be used to determine if payments are being credited properly by financial organizations. Failure to provide the requested information may delay or prevent the settlement of claims for non-receipt of payment to organizations through the Direct Deposit Program.

SIGNATURE

TITLE

DATE

FMS FORM 150.1 EDITION OF 2/88 IS OBSOLETE

FINANCIAL CENTER COPY

The FMS 150.1 is used to trace payments with an issue date two (2) months or older, or as a follow-up notice for previous trace requests, issued on an FMS form 150.2. Upon receipt of an FMS 150.1, the RDFI should follow these steps:

1. Verify the status of the payment in question by making all attempts to locate the payment at the RDFI.
2. Credit the payment immediately if the payment was not previously credited or returned.
3. Return the payment by ACH if it cannot be credited for any reason.
4. Complete the **FINANCIAL INSTITUTION ACTION** section within three (3) business days of receipt of the form by the RDFI.
5. Return the **DISBURSING OFFICE COPY** to the Government Disbursing Office identified on the form.
6. Use the recipient's copy to notify the recipient of the disposition of the payment.

The RDFI must respond to FMS within three business days by completing and returning the FMS 150.1 to the FMS Regional Financial Center indicated on the form. FMS will verify acceptance of the return.

- If no reply is received, FMS calls the FI and will pursue the case until it is resolved. If still no reply a letter will be sent to the President of the RDFI
- The authorizing Federal agency may also contact the RDFI to resolve payment problems.



Note: For VA, RRB and certain SSA payments FMS may also request the name and mailing address of the improper recipient under the authority of 12 USC 3413(k) (Right to Financial Privacy Act of 1978). This does not apply to miscellaneous payments such as IRS refund payments.

Keep in mind that RDFIs can be held liable for ACH payments not processed timely or correctly. If the Federal government sustains a loss as a result of a financial institution's improper handling of an entry, the financial institution is liable to the Federal government for the loss, up to the amount of the entry.