

4 Returns

Overview

This chapter describes the return process for Federal payments.

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A. General Information on Returns

All ACH payments must be returned in accordance with NACHA Operating Rules. An ACH payment must be returned if:

- An enrollment has been terminated and a new enrollment for the same recipient has not been completed.
- The financial institution has actual or constructive knowledge of the death or legal incapacity of a recipient, including a representative payee.
- The financial institution is honoring a Death Notification Entry (DNE) or other notification of death from a Federal agency.
- The account has been closed by the recipient, or the financial institution has closed the account after giving the recipient 30 days' written notice (except where fraud is suspected; then the account may be closed immediately).
- There is no current account for the recipient.
- For any other reason the financial institution is unable to credit the payment to the account

Return Reason Codes (ACH Credits)

The government is able to accept all NACHA-approved return reason codes. Following is a list of some of the more common return reason codes that RDFI's use to return Government credits:

- R02 Account Closed
- R03 No Account/Unable to Locate Account
- R04 Invalid Account Number
- R06 Returned per ODFI's Request
- R14 Representative Payee Deceased or Unable to Continue in that Capacity
- R15 Beneficiary or Account Holder (Other Than a Representative Payee) Deceased
- R16 Account Frozen
- R17 File Record Edit Criteria (Specify)

RDFIs that learn of the death of a recipient from a source other than the agency are encouraged to use reason code R15 (Beneficiary or Account Holder Deceased) or R14 (Representative Payee Deceased) to notify government agencies of the death. By using these return codes, the RDFI will satisfy both the requirement to return post-death payments and the requirement to notify the agency of the death of the recipient.

If you must return a Federal payment for any reason not listed (i.e., credit sent to a non-transaction account), use reason code "R03" on the return.

Death Notification Entry

The Death Notification Entry (DNE) allows Federal agencies to notify financial institutions of a benefit recipient's death. Only an agency of the Federal Government may originate a DNE. Currently, SSA, OPM, and RRB originate DNEs. Other Federal benefit agencies may originate DNEs at a future date. The DNE is a zero dollar entry with an addenda record. The addenda record contains the date of death, the deceased individual's Social Security Number (SSN), and the amount of the next scheduled benefit payment. Upon receipt of a DNE, the financial institution is encouraged to "flag" the deceased recipient's account to prevent accepting further post-death Federal benefit payments.

Problems Resulting from Incomplete/Improper “Flagging”

Example 1: Joint Accounts

A husband and wife own a joint account. The husband dies. A DNE is sent from the Federal benefit agency to the RDFI. The RDFI receives the DNE and the account is “flagged.” The wife becomes eligible for widow’s benefits, and a benefit payment is sent to the joint account. Since the account is “flagged,” the RDFI improperly returns the widow’s benefits with a reason code of R15 (beneficiary or account holder deceased). The agency receives the returned benefit and processes an improper death termination for the widow. The agency also sends an improper DNE for the widow to the RDFI.

Solution: *To protect joint account holders, the account should be “flagged” with another piece of identifying information (i.e., deceased name, SSN). This allows the joint account holder to continue receiving his/her own payments. If this is not possible, a new account with a new Direct Deposit authorization should be established.*

Example 2: Erroneous DNE

A recipient is receiving benefits. An improper report of death is received by the Federal benefit agency for the recipient. A DNE is sent from the agency to the RDFI and the account is “flagged.” The recipient discovers the problem and presents proof to the agency and the RDFI of the error in the fact of death. The agency resends the benefit payment to the recipient’s account, which is still “flagged.” The RDFI improperly returns benefits with a reason code for death of R15 (beneficiary or account holder deceased) to the agency. The agency receives the returned benefit and re-processes the death termination. The agency sends an improper DNE once again to the RDFI.

Solution: *Always remember to remove any “flags” on an account when a report of death proves to be erroneous.*

Effect of Returning a Payment

Any returned payment automatically revokes the Direct Deposit authorization and may stop further payments from the Federal agency to a recipient’s account. The recipient should contact the authorizing Federal agency to resume payments.

Notice of Misdirected Payment

In accordance with Code 31 CFR Part 210. If an RDFI becomes aware that an agency has originated an ACH credit entry to an account that is not owned by the payee whose name appears in the ACH payment information, the RDFI shall promptly notify the agency. An RDFI that originates a Notification of Change (NOC) entry with the correct account and/or Routing and Transit Number information, or returns the original ACH credit entry to the agency with the appropriate return reason code, shall be deemed to have satisfied this requirement.

Manual Posting of Payments

Financial institutions may conduct a manual search of their unpostable ACH payments to determine if the payment can be posted.

RDFI's may 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.

Holding Payments in Suspense Accounts

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.

Recipients Without Current Accounts

A financial institution should not open a new account in response to an unpostable payment. If a recipient's account has been closed, the financial institution must return any subsequent payments made by the Federal agency to the account. If the recipient closes the account and opens a new account the recipient must establish a new Direct Deposit authorization.

B. Returning Payments Through the ACH

ACH Correct preparation of Returns

It is essential that RDFI employees preparing returns have access to data in the original item originated by the Government Disbursing Office. If a processor is used, RDFIs should be sure that the return entry is properly formatted to include the data from the original entry.

“When an Automated Return Entry is prepared, the original Company/Batch Header Record, the original Entry Detail Record, and the Company/Batch Control Record are copied for return to the Originator.” (NACHA Operating Rules) If accurate data is not provided in the return entry, the Government Disbursing Office will dishonor the return.

The following four fields must be identical to the original payment data:

1. Trace number (provided in the entry detail record)
2. Effective entry date
3. Amount of payment
4. Individual ID number (i.e., claim number. See Table below)

Note: Financial institutions using data processors could receive reformatted data which may contain errors or omissions. **The original payment information must be used in its exact format to avoid rejections.**



Financial institutions should carefully track returned benefit payments to ensure that the returns are not dishonored. This could create an additional liability for the financial institution in a reclamation case.

Claim Number Structure Table

The following table represents correct claim number structures used in formatting returns.

Agency	Claim Number Structure	Example
Social Security Administration	999999999XX 999999999X 999999999	123456789C1 123456789A 123456789
Office of Personnel Management	Xb9999999bXb Xb9999999b9b	F_1234567_W_ A_1234567_0_
Department of Veterans Affairs	999999999b99b99 99999999b99b99	162306890_10_01 12345678_00_06
Railroad Retirement Board		
Retirement/Annuity	XXX999999999b9b Xbb9999999bbb9b XXbZZZZZ9bbb9b	WCA123456789_7_ A_ _123456_ _ _1_ WD_000006_ _ _8_
Unemployment/Sickness	bbb999999999	_ _ _123456789
Department of Labor	999999999XXbXXb	123456789LW_MB_

Key: X = alphanumeric, 9 = numeric, b = blank, Z = zero filled, _ = space

C. Returning Partial Payments in Response to Notices of Reclamation

If a partial payment is being returned in response to a Notice of Reclamation, it must be returned by check. *In no other case should ACH returns be made by check.* Please refer to Chapter 5, Reclamations, for more information.



Note: *If the original payment data has been discarded, a financial institution may be forced to return an ACH payment by check. The financial institution will receive credit. However, in these cases, credit will be delayed due to manual processing. Note that under NACHA Operating Rules, records of all entries including return and adjustment entries must be retained for six years from the date the entry was transmitted.*

The table below shows how to return a partial payment by check in response to a Notice of Reclamation.

Step	Action
1	Send the Government Disbursing Office a check payable as indicated on item C-3b on the Notice of Reclamation. DO NOT SEND THE CHECK TO THE ORIGINATING FEDERAL AGENCY.
2	Attach a cover letter listing the following information for each payment subject to return: <ul style="list-style-type: none"> • effective entry date • amount of payment • individual ID number (i.e., SSN/claim number) • reason for return <hr/> If not available, provide the following information: <ul style="list-style-type: none"> • recipient's name • recipient's SSN or other applicable Federal Government ID number Federal government ID number • date of death • name of originating Federal agency <hr/> The cover letter must always include: <ul style="list-style-type: none"> • recipient's name • name of originating Federal agency <hr/> <p><i>Provide the name, address, and telephone number of the financial institution contact.</i></p>

D. Dishonored Returns

ACH return items will be dishonored by the Government Disbursing Office if discrepancies exist between the data on the return item and the data on the original payment.

Most Common Errors

For Treasury-disbursed payments, four fields are read on return items. If any one of these four fields is not identical to the original payment data, Treasury's system will dishonor the return.

1. trace number (provided in addenda record)
2. effective entry date (i.e., payment date)
3. amount of payment
4. individual ID number (i.e., claim number)

The discretionary data field on the return item should be left blank ONLY if it was blank in the original ACH entry. Some financial institutions may have to make an additional "dump run" for the discretionary data. If the field contains data in the original entry, the data must be included in the return entry.

Note that a VA claim number may be an 8-digit number with a blank in the leading space of the individual ID field. If the space is ignored and the number is left-justified, the return will be dishonored. (See the claim number structure table on page 4-5.)

If a financial institution receives a dishonored return, the information in the return should be corrected and a new return should be originated in accordance with NACHA Operating Rules.

Dishonored Return Codes:

- R61 – Misrouted Return
- R67 – Duplicate Return
- R68 – Untimely Return
- R69 – Field Errors (The error(s) will be identified in the addendum record on the dishonored file positions 59-79. The two-digit code, separated by an asterisk, will be written for each error found.)
 - 01 - Return Contains Incorrect DFI Account Number
 - 02 - Return Contains Incorrect Original Entry Trace Number
 - 03 - Return Contains Incorrect Dollar Amount
 - 04 - Return Contains Incorrect Individual Identification Number/Identification Number
 - 05 - Return Contains Incorrect Transaction Code
 - 06 - Return Contains Incorrect Company Identification Number
 - 07 - Return Contains an Invalid Effective Entry Date*
 - *Effective September 21, 2007
- R70 – Permissible Return Entry Not Accepted

E. Obtaining a Refund due from the Government, including Payments Returned in Error

If you are due a refund from the government under ACH, regardless of whether you have returned too much, or returned the wrong item(s), or the government debited you too much (e.g., on an ACH reclamation), follow these instructions to claim your refund.



Note: Any payment returned for “death” will cancel both the Direct Deposit authorization and the recipient’s entitlement to that payment.

Please also note: An RDFI is not required to advance credit to the recipient for a payment returned in error. However, if it did advance credit, the RDFI should state this in any communication with the Federal Government.

Action Steps

1. Contact the Federal agency that authorized the payment.

Do not contact the Government Disbursing Office, e.g., the Treasury Department

Payment Type	Contact
OPM Annuity (formerly Civil Service Retirement) "CIVIL SERV"	U.S. Office of Personnel Management P.O. Box 45 Boyers, PA 16017 (724) 794-2005
Social Security "SOC SEC"	SSA Program Service Center (Refer to p.4-9 and 4-10 for appropriate addresses).
Supplemental Security Income "SUPP SEC"	Social Security Administration Certification and Accounting Branch, Analyst Room 3-A-2 East High Rise Building 6401 Security Boulevard Baltimore, MD 21235 (410) 966-5353
Bureau of the Public Debt "TreasuryDirect"	Bureau of the Public Debt Customer Assistance Branch P.O. Box 426 Parkersburg, WV 26102-0426 (304) 480-7591 <i>Note: Include with your letter a debit advice, Return Item-Credit Form, and any other documents that confirm the duplicate or erroneous return.</i>
VA Compensation or Pension "VA BENEFIT"	None. <i>Note: Returned VA payments cannot be recalled. They will be reissued to the recipient's home address.</i>
Railroad Retirement Board	Railroad Retirement Board Direct Deposit Coordinator (312) 751-4704.
For all other payment types	The Federal agency's local office listed in the telephone directory.

2. Promptly notify the recipient of the error.

If you erroneously reported death on the ACH return, advise the recipient to contact the originating Federal agency immediately to reactivate payments.

Advise the recipient that the returned payment may be sent via check to his/her home. The recipient should contact the Federal agency to ensure his/her current home address is on record and that payments are handled properly.

3. Be aware that your incorrect notification of death to a Federal authorizing agency (OPM, SSA, RRB), may result in a DNE being sent by the agency.

If a DNE is received, be sure to remove any electronic indicator or flag that would automatically return future payments to the account.

4. Initiate a new enrollment to reactivate ACH payments. Please see Chapter 1, Enrollment, for more information.



Note: The financial institution's copy of the original enrollment form may be photocopied and sent to the Federal agency if all the information is still correct.

Additional Information on *TreasuryDirect* Payments made in Error/Duplicate

If a payment is made in error, or if a duplicate payment is made, the financial institution will receive either a written or electronic notice from *TreasuryDirect* that will include the following:

- deposit account name
- deposit account number
- date of the improper payment
- amount of the improper payment

SSA Program Service Centers



Note: All SSA cycled payments (dated the 2nd, 3rd, and 4th Wednesday of the month), regardless of the Social Security number, are disbursed by the Philadelphia Treasury RFC.

SSA Program Service Center	SSN Range	Treasury RFC
Social Security Administration Northeastern Program Service Center 1 Jamaica Center Jamaica, NY 11432-3830	001-134	Philadelphia
Social Security Administration Mid-Atlantic Program Service Center 300 Spring Garden Street Philadelphia, PA 19123	135-222 232-236 577-584 596-599 691-699	Philadelphia

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SSA Program Service Center	SSN Range	Treasury RFC
Social Security Administration Southeastern Program Service Center 2001 Twelfth Ave., North Birmingham, AL 35285	223-231 237-267 400-428 587-595 654-658 667-675 681-690 752-763	Philadelphia
Social Security Administration Great Lakes Program Service Center 600 West Madison Street Chicago, IL 60661	268-302 316-399 700-799	Kansas City
Social Security Administration Mid-America Program Service Center 601 East 12th Street Kansas City, MO 64106	303-315 429-500 505-515 525-585 627-645 648-649 659-665 676-679	Kansas City
Social Security Administration Western Program Service Center P.O. Box 2000 Richmond, CA 94802	501-504 516-524 526-576 586 600-626	San Francisco

What to do if there are Duplicate Returns

The table below shows what to do if there are duplicate returns.

IF...	THEN...	AND...
two identical ACH returns are made for the same payment	the Government Disbursing Office will automatically return the duplicate return	no further action is required by the financial institution.
an ACH return was sent and the same payment was returned by check	the financial institution should promptly write a letter of explanation to the Federal agency that authorized the payment and include copies of the following: <ul style="list-style-type: none"> • financial institution's claim for a refund • debit advice • other documentation that confirms the duplicate return/debit action. 	the financial institution awaits further notification from the authorizing Federal agency.
the financial institution has been debited (TFS, Notice of Debit) for a payment that was already returned		Note: Only the Federal agency that authorized the payment can make a refund.

Restoring Funds

The authorizing Federal agency will restore the funds after researching and verifying the request. The restoration will be made, via the appropriate method, as mutually agreed by the Federal agency, the financial institution, and the recipient.