

# 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 75 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.

### **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 have an understanding of the various posting techniques utilized to assist customers who are concerned with the status of their 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 may sometimes be unaware of, or do not check for "memo posted" items. "Memo-posting" is a temporary credit applied to a payee's account during the day. Memo-posted transactions are finalized in the RDFIs end of day processing.

**Determine if the payment was posted early**

- Due to volume and processing considerations the RDFI may receive ACH payment files a few days prior to their settlement date. “Early posting” occurs when an RDFI posts a payment to a recipient’s account prior to the settlement date.

**Determine if a third party processor is used and 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 may 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 to 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.

**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. The table below lists Federal agencies by types of payments.

<b>Type of Payment</b>	<b>Action</b>
Federal Salary and allotments (including military and civilian pay) Military Active Duty and allotments	Advise recipient to contact his/her payroll office. <b>Note:</b> <i>Coast Guard Active Duty and Allotments (785) 339-3506.</i>
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.

*continued next page>*

Type of Payment	Action
<i>TreasuryDirect</i>	Refer to Contacts, Chapter 8.
Vendor, Miscellaneous and 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.

### Legal References Supporting Treasury Non-Receipt Investigation

#### 1. 12 USC 3413(k)(2): Disclosure Necessary for Proper Administration of Programs of Certain Government Authorities

12 USC 3413 (k)(2) of the Right to Financial Privacy Act provides: “Nothing in this title shall apply to the disclosure by the financial institution of information contained in the financial records of any customer to any Government authority that certifies, disburses or collects payments, where the disclosure of such information is necessary to and such information is used solely for the purpose of ... the investigation or recovery of an improper Federal payment...”

#### 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 website 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's 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:** FMS may also request the name, mailing address and telephone number of the improper recipient under the authority of 12 USC 3413(k) (Right to Financial Privacy Act of 1978).



When the reason for nonreceipt has been determined, FMS will mail the recipient a letter informing him/her of the resolution.

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		<b>TRACE REQUEST</b>		OMB No. 1540-0045	
				<b>DIRECT DEPOSIT</b>	
TRACE NUMBER	ROUTING NUMBER	CUSTOMER'S NAME	AMOUNT		
		CUSTOMER'S CLAIM NUMBER	PAYMENT DATE		
		DEPOSITOR ACCOUNT NUMBER	TYPE OF ACCOUNT		
		TYPE OF PAYMENT	DISCRETIONARY DATA		

FMS FORM 150.2

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.

*This is a sample of form FMS 150.1.*



DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
REGIONAL FINANCIAL CENTER

**DIRECT DEPOSIT COORDINATOR**

DATE OF REQUEST \_\_\_\_\_

SECOND REQUEST \_\_\_\_\_

DATE OF ORIGINAL REQUEST \_\_\_\_\_

Dear Financial Organization Representative:

One of your customers has filed a claim for nonreceipt stating that 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 CODE \_\_\_\_\_

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 payment listed above. The payment was returned to the Federal Reserve on (Date) \_\_\_\_\_

We have the payment listed above but cannot post it. We are returning the payment to the Federal Reserve on (Date) \_\_\_\_\_

Account Owner's name(s) does not match the above stated individual. Action being taken *(Check box below)*:

Returning the funds through ACH per Reason Code R06

Returning the funds by an Official Bank Check

Funds are not available for Return

*Note: In the Additional Remarks section, please provide the account holder information for the customer who received the payment. (This information is being requested, and may be disclosed, under the authority of 12 USC 3413 (k) - Disclosure Necessary for Proper Administration of Programs of Certain Government Authorities)*

ADDITIONAL REMARKS \_\_\_\_\_

**PAPERWORK REDUCTION ACT AND PRIVACY ACT STATEMENT**

This information is provided in compliance with the Privacy Act of 1974 (PL. 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 nonreceipt of payment to organizations through the Direct Deposit Program.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
DATE

FORM  
**FMS 9-09150.1**

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 will contact 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.

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.