

## Reclamation Rule for Treasury Checks Heightens Fraud Exposure

Be aware that the government has a 60-day period to reclaim funds for fraudulent checks, allowing a long lead time for a thief to disappear with misappropriated funds—as in the following case:

A new customer opened a corporate account at a bank's brokerage arm with a \$159,000 IRS Treasury Check, payable to the corporation. The brokerage did its due diligence and even contacted the Treasury to determine that the check number was valid. The account was opened in the same name as the payee on the check. The customer provided all the required paperwork, including the incorporation papers and the corporate resolution authorizing him to set up the account, authorize trading, and be the signatory. He provided his driver's license, a Social Security card, and everything else that was required.

The brokerage sent the check through their correspondent bank, and the Treasury cleared the check. After a two-week hold, the check was released and the customer transferred \$95,000 electronically to an overseas account. Suspicious of the account activity, an employee contacted the Treasury, where it was confirmed that although the deposited check number was valid, both the payee and the amount had been altered. Treasury reclaimed the amount of the check, but the bank had already released the funds to a foreign bank account, which had been cleared out.

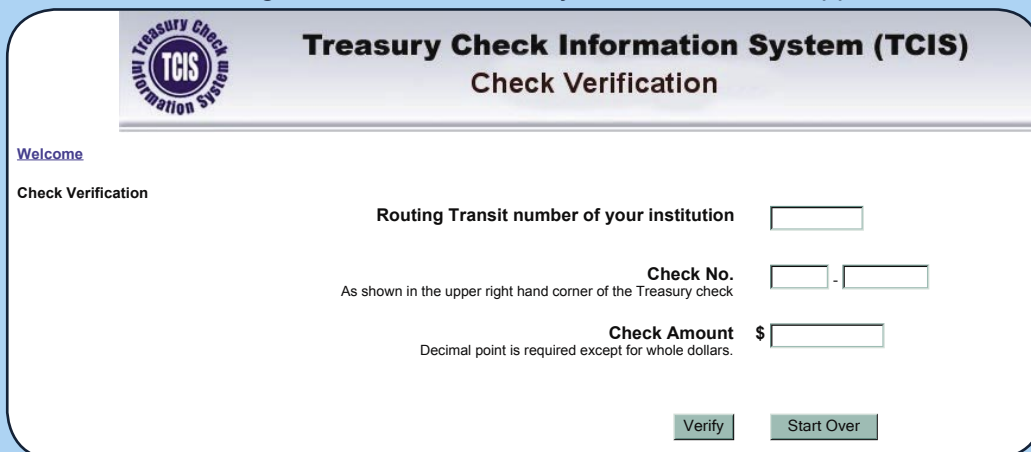
Under Reg 31 CFR § 240.6, a government check is only provisionally paid, and not finally paid, until 60 days after presentment. Despite the fact that the Treasury provisionally cleared the check in this case, it lawfully reclaimed the funds within the 60-day period and the bank sustained the loss. To prevent a loss at your bank:

- **Remind your employees that large Treasury checks, foreign checks (especially Canadian), and any checks that look suspicious require special handling.**
- **A phone call to verify the legitimacy of a check can prevent significant losses. Be sure to verify both the amount and, where possible, the payee, as these fields can be easily altered. *Unfortunately, payee cannot be verified on Treasury checks.***
- **Post a copy of the Treasury Check Security Features (see reverse side), also available at [tcva.fms.treas.gov](http://tcva.fms.treas.gov).**

### HOW TO VERIFY TREASURY CHECKS

To verify a Treasury check:

1. Go to [tcva.fms.treas.gov](http://tcva.fms.treas.gov) to access the Treasury Check Verification Application:



The screenshot shows the 'Treasury Check Information System (TCIS) Check Verification' web application. It features a header with the TCIS logo and title. Below the header, there is a 'Welcome' message and a 'Check Verification' section. This section contains three input fields: 'Routing Transit number of your institution', 'Check No.' (with a note: 'As shown in the upper right hand corner of the Treasury check'), and 'Check Amount \$' (with a note: 'Decimal point is required except for whole dollars.'). At the bottom of the form are two buttons: 'Verify' and 'Start Over'.

2. Input (1) the Federal Routing #, (2) the check and symbol numbers, and (3) the amount of the check.
3. The Web site will verify whether: (1) it has already been paid; (2) it has not yet been paid; or (3) there is no such issue (number and amount don't match). Unfortunately, due to privacy issues, they will not verify payee.

Financial Management Services (FMS) is the primary disbursing officer of payments to individuals on behalf of federal agencies. In case of a problem check, contact the FMS QUESTIONED DOCUMENTS BRANCH at 202-874-7640. For further assistance, contact FMS at 800-826-9434 or visit the official FMS Web site at [www.fms.treas.gov](http://www.fms.treas.gov).

