

TABLE OF CONTENTS

CHAPTER 27 SAFEKEEPING OF FUNDS AND VALUABLES (OTHER THAN PUBLIC FUNDS)

2701 Authority for Safekeeping Deposits

★2702 Safekeeping of Funds - Morale and Welfare Support Activities

★2703 Safekeeping of Personal Funds and Valuables Military Members and DoD Civilian Employees

2704 Balancing and Verification of Safekeeping Deposits

CHAPTER 27

SAFEKEEPING OF FUNDS AND VALUABLES (OTHER THAN PUBLIC FUNDS)2701 AUTHORITY FOR SAFEKEEPING DEPOSITS

★ 270101. Authority. All DoD DOs, deputies, and agents are authorized to accept for safekeeping the funds of morale and welfare support activities, including cash and checks, for which safe custody would not otherwise be available. When a DO is not available, or when it is impractical for the DO to accept and account for safekeeping deposits, the commander may designate any military member or DoD civilian employee as a safekeeping custodian to accept and account for these safekeeping deposits, provided a suitable safe is furnished and appropriate audit procedures are established. The procedures prescribed in section 2702, below, shall be followed for safekeeping of funds for morale and welfare support activities. DOs, deputies, agents or other specifically appointed custodians are authorized to accept for safekeeping the personal funds and valuables of permanently assigned members as well as military and DoD civilian personnel on temporary duty assignment to the activity. See section 2703, below, and for Naval vessels equipped with the ATM at Sea system, Chapter 26 of this volume. In all cases, funds and/or valuables accepted for safekeeping are not public funds and shall not be considered as a part of the DO's financial accountability for public funds.

★ 270102. Restrictions. All deposits and withdrawals are subject to the commander's local regulations which, based on the available facilities, shall establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the type of objects classified as valuables. Necessary restrictions must be imposed so as not to interrupt the activity's priority operations, such as special and regular payrolls. Also, this service shall not be abused by the deposit of objects which, because of their nature or value, are not usually afforded additional protection. Deposits of valuables shall be limited to funds, negotiable instruments (bonds, credit cards, traveler's checks, check books, etc.), and objects classified as jewelry having an intrinsic value requiring additional protection. Objects such as wallets, snapshots, keys or letters having no intrinsic value to justify additional protection shall not be accepted for safekeeping. For the ATM at Sea system addressed in Chapter 26 of this volume, safekeeping deposits shall be limited to the personal funds of the depositors.

270103. Responsibility for Deposits

A. Custodial Officers. Custodial officers are held responsible for the proper handling and accounting for all safekeeping deposits. If a loss is sustained, the depositor shall be advised of the right to submit a claim for reimbursement for loss of personal property as provided in DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.

★ B. Assistant Custodians. Within activities where the volume or nature of safekeeping deposit transactions so warrant, an assistant custodian shall be appointed by the custodial officer (who is appointed by the commander) for initial receipt and temporary custody of safekeeping deposits pending delivery to the designated custodian. Separate safekeeping facilities, to which no other person may have access, shall be provided to the assistant custodian for safeguarding funds and valuables. All custody transfers between the custodian and assistant custodians shall be covered by receipt. An assistant custodian is responsible for the proper handling of and accounting for all safekeeping deposits received and for prompt delivery of all safekeeping deposits to the custody of the permanent custodian.

270104. Deposit of Postal Funds. Safekeeping deposits of postal funds as prescribed in DoD Manual 4525.6-M (reference (ao)) shall be received and handled as prescribed in paragraph 270201, below. The deposit shall be identified as "postage stamp fund" or "postal money order funds," as applicable, on the safekeeping deposit receipt.

270105. Deposit of Funds Under Emergency Conditions. Safekeeping deposits of funds by MBFs, non-appropriated fund custodians, and other DoD-sponsored activities shall be received and handled as prescribed in paragraph 270202, below. The safekeeping deposit receipt shall identify appropriately the depositing agency, custodian making the deposit, and the deposit itself.

★ 2702 SAFEKEEPING OF FUNDS – MORALE AND WELFARE SUPPORT ACTIVITIES

★ 270201. Accounting for Separate Funds. Except as provided in paragraph 270202, below, and in Chapter 26 of this volume for the ATM at Sea program, each safekeeping deposit shall be placed in a separate sealed envelope bearing the deposit number, the name of the depositor, and the amount of the deposit. The safekeeping custodial officer shall issue a receipt using DD Form 2674 (Record and Receipt of Deposits and Withdrawals of Safekeeping Funds) for each deposit. The receipt shall identify appropriately the depositor, date of deposit, and the amount deposited. Deposit numbers shall be assigned to each receipt in a consecutive series beginning with "1." The receipt portion of DD Form 2674 shall be furnished to the depositor and the record portion shall be retained by the custodial officer. When the depositor desires to withdraw the safekeeping deposit, the depositor shall present the receipt to the custodial officer. After the identity of the depositor and authenticity of the receipt have been established, the depositor shall acknowledge receipt of the deposit by signature and date in the space provided on the record portion of DD Form 2674. The identical currency which was presented by the depositor shall be returned to the depositor when the deposit is withdrawn.

★ 270202. Accounting for Commingled Funds. At non-tactical activities and Naval vessels equipped with the ATM at Sea system, where the volume of safekeeping deposits warrants--and it is desirable to provide for more than one deposit or more than one withdrawal in safekeeping deposit accounts, custodial officers are authorized to commingle safekeeping funds. However, the safekeeping funds shall be placed in a separate container identified as safekeeping funds and never shall be commingled with official funds. At activities other than Naval vessels,

if the total value of commingled safekeeping funds on hand is normally large, a bank checking account may be established as provided in paragraph 270203, below.

A. Deposits

1. Receipt for Deposit. DD Form 2674 shall be issued for each deposit. Deposit numbers shall be assigned in a consecutive series beginning with "1" and preceded by the letter "D." Each depositor shall be assigned a depositor's account number using a consecutive series of numbers beginning with "1." The DD Form 2674 shall appropriately identify the depositor, depositor's account number, date of deposit, and the amount deposited. The receipt portion of DD Form 2674 shall be furnished to the depositor and the record portion shall be retained by the custodial officer.

2. Individual Ledger Sheets. The custodial officer shall maintain a separate ledger sheet for each depositor. The heading of the ledger sheet shall include the following information: depositor's account number; name and location of the depositing morale and welfare activity; and the signature of the morale and welfare activity representative making the deposit. The amount of each deposit shall be entered in the debit column of the ledger sheet and the total amount on deposit shall be entered in the balance column. The date of each deposit and the deposit receipt number shall also be entered in the ledger.

3. Cash-on-Hand Ledger Control Sheet. In addition to the individual ledger sheets described in the preceding subparagraph, the custodial officer shall maintain a cash-on-hand ledger control sheet. The amount of each deposit shall be entered in the debit column of the ledger control sheet and the total amount on deposit by all depositors shall be entered in the balance column. If preferred, daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the aggregate of balances in the individual depositors' ledger sheets.

★ B. Withdrawals. The depositor shall present the original deposit receipt(s) to the custodial officer when withdrawing the entire balance on deposit. If the depositor only wishes to withdraw a portion of the balance on deposit, the depositor shall provide a signed request for withdrawal of the desired amount to the custodial officer. The custodial officer shall verify the depositor's balance in the account and shall verify the depositor's signature requesting withdrawal with the depositor's signature on the deposit record and/or the individual ledger sheet. After verification, the custodial officer shall enter a withdrawal number on the withdrawal request. A series of consecutive numbers beginning with "1" and preceded by the letter "W" shall be used as withdrawal numbers. If the withdrawal is paid in cash, receipt shall be obtained from the depositor. For withdrawals by check as authorized in paragraph 270203, below, the check number shall be entered on the withdrawal request. The withdrawal shall be entered as a credit in the depositor's individual ledger sheet and the custodial officer's ledger control sheet. In lieu of individual entries in the custodial officer's ledger control sheet, a daily summary posting may be made showing inclusive withdrawal numbers.

270203. Bank Account Procedures

A. General. Upon approval of the commander, and providing that the amount of safekeeping funds available for deposit is large enough to preclude the payment of bank service charges or other fees, custodians of commingled safekeeping funds are authorized to establish and maintain a checking account in a local bank for deposit of safekeeping funds. Such accounts shall be maintained only in banks or savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) or credit unions insured by the National Credit Union Share Insurance Fund (NCUSIF). Funds in excess of the insured limits shall be collateralized by the financial institution in accordance with Treasury Department Circular 176 (reference (bm)). The account shall be established in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, LT J. A. Hancock, SC, USN, Custodian"). If the total balance on deposit in the checking account exceeds \$40,000, a report shall be made in accordance with Volume 13 of this regulation. No investments or loans shall be made from safekeeping deposit funds. When use of a bank account for deposit of safekeeping funds is authorized, the procedures in the following subparagraphs shall be followed for maintenance of the safekeeping fund bank checking account.

B. Check Records. All checks shall be prenumbered serially. A complete record of all checks drawn and deposits to the safekeeping checking account and a running bank balance shall be maintained in the checkbook. Bank statements shall be reconciled immediately upon receipt and paid checks returned from the bank shall be filed with the corresponding bank statement. Spoiled checks shall be marked "VOID" and filed in sequence with the paid checks returned from the bank.

C. Deposits to Safekeeping Fund Bank Account. Checks, money orders, and cash received for safekeeping, except cash required to be kept on hand to meet safekeeping withdrawal requirements, shall be deposited promptly to the bank account. Checks and money orders may be accepted for deposit to the safekeeping fund bank account subject to collection. Withdrawals, however, shall not be authorized until sufficient time has elapsed for clearance of the checks and money orders through the banking system.

D. Disbursements from Safekeeping Fund Bank Account. Withdrawals of safekeeping funds should be paid by checks issued on the safekeeping deposit fund bank account whenever practical. Checks shall be drawn on the safekeeping fund account only for: payment to a depositor for withdrawal; an authorized transfer of a depositor's account to another activity; exchange-for-cash checks for replenishment of cash on hand needed to meet safekeeping withdrawal requirements; and transfers of unclaimed moneys.

E. Cancellation of Checks. All checks drawn on the safekeeping deposit fund bank account shall bear the following stamped endorsement on the reverse: "This check is not valid unless presented for payment within 12 months from date of issue." If a check is so canceled, the custodian shall confirm stop payment action with the bank and credit the depositor's safekeeping account for the amount of the canceled check. An effort shall then be made to locate

the depositor and effect payment. If the depositor cannot be located, the account shall be closed by drawing a check payable to the Department of the Treasury for deposit by the DO. The DO shall prepare a DD Form 1131 with credit to **1060, Forfeitures of Unclaimed Money and Property, when the amount is less than \$5 or to 20X6133, Payment of Unclaimed Moneys (T), when the amount is \$5 or more. The collection voucher shall include all information available as to the identity and location of the depositor. Any claim subsequently received for the funds shall be forwarded with a copy of the related DD Form 1131 to the servicing DFAS Center for processing.

F. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, a separate ledger control sheet shall be maintained for "cash-in-bank." When cash, checks, and/or money orders are deposited in the bank, the cash-in-bank ledger control sheet shall be debited and the cash-on-hand ledger control sheet shall be credited. Exchange-for-cash checks shall be posted as a credit to the bank ledger control sheet and a debit to the cash-on-hand ledger control sheet. Withdrawals by check shall be posted as a credit to the bank ledger control sheet and as a debit to the individual ledger sheet. The sum of the cash-in-bank and the cash-on-hand ledger control sheets must agree with the aggregate of balances in the individual depositors' ledger sheets.

★2703 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES – MILITARY MEMBERS AND DOD CIVILIAN EMPLOYEES

★ 270301. General. This section prescribes the policy and procedures for handling safekeeping deposits of personal funds and valuables at all activities and Navy vessels not equipped with the ATM at Sea safekeeping system. In addition, the policy and procedures in this section apply to safekeeping of personal valuables (other than cash) on Navy vessels equipped with the ATM at Sea system.

★ 270302. Deposits. Deposits shall be recorded on DD Form 2674 (Record and Receipt of Deposits and Withdrawals of Safekeeping Funds). A series of consecutive numbers beginning with "1" shall be used for assignment to safekeeping deposits. Each deposit, at the time it is made, shall be assigned the next number in this series. The following data shall be entered in the appropriate spaces on the receipt portion of the DD Form 2674 and by carbon impression on the record portion of the form: the deposit number; the date of deposit; a description of the deposit (if money, enter the amount in figures and words); and the signature and rank of the custodial officer (or assistant custodian) receiving the deposit. The depositor then shall be required to enter his or her SSN, signature, and rank or rate in the spaces provided on the record portion of the form. The receipt portion shall be detached and given to the depositor.

★ 270303. Withdrawals. When the depositor wishes to withdraw a deposit, the depositor shall present the receipt portion of the DD Form 2674 to the custodial officer. The custodial officer shall verify the depositor's signature and determine that the serial number, date and description appearing on the receipt correspond with the data appearing on the record portion

of the form. After the identity of the depositor and authenticity of the receipt have been established, the depositor shall acknowledge receipt of the deposit by entering his or her signature and the date of withdrawal in the space provided on the record portion of the DD Form 2674. The receipt portion then shall be destroyed in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodial officer is satisfied as to the identity of the depositor and the depositor's entitlement to the deposit. In all instances, the entries in the record portion of the DD Form 2674 constitute the official record of the deposit. At the time of withdrawal the entire deposit must be withdrawn. Partial withdrawals are not authorized; however, subject to the restrictions prohibiting unreasonable repeated deposits, a new deposit in a new amount may be made.

★ 270304. Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor. If a depositor is transferred before withdrawing safekeeping deposits, the custodial officer shall deliver the depositor's cash balance to the DO in exchange for a Treasury check. The Treasury check shall be drawn in favor of the depositor. The check and the depositor's valuables (if any) shall be forwarded with a letter of transmittal, to the commander of the activity to which the depositor was transferred, for delivery to the depositor. The transmittal letter shall include all available details about the depositor and request acknowledgement of receipt. Data regarding the transfer shall be inserted on the record portion of the DD Form 2674.

★ 270305. Deposit and Withdrawal of Funds by Incapacitated Persons. Deposit and withdrawal of funds and valuables shall be handled as prescribed in this section except that an officer, or any other person designated by the commander, shall witness and sign each transaction and the receipts for safekeeping deposits shall be delivered to the commander.

★ 270306. Deposits of Deceased or Missing Persons. Cash on deposit shall be delivered to the DO in exchange for a Treasury check. The check shall be made payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor's personal effects. The object for which drawn shall be "Exchange-for-Cash; Safekeeping Deposit No. _____ of (name, rank or rate, SSN). The check and the depositor's valuables (if any) held for safekeeping shall be delivered to the appointed officer (or inventory board) for disposition in accordance with the applicable DoD Component Regulations. A receipt shall be obtained for the check and valuables (if any) transferred in accordance with these instructions, and the record portion of DD Form 2674 shall be closed by a notation describing the disposition. The receipt portion of DD Form 2674 shall be destroyed if available.

2704 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

★ 270401. Balancing. The safekeeping custodial officer shall balance all safekeeping deposits on the last day of each month. The cash on hand (and in the safekeeping fund bank account, if applicable) must equal the total of the amounts credited in all of the active depositors' accounts as shown on the active record portion of DD Forms 2674, or the individual ledger sheets and ledger control sheet, as applicable. See Chapter 26 of this volume for balancing

requirements of the ATM at Sea safekeeping system. The custodial officer shall certify that balancing was accomplished on the ledger control sheet or the last DD Form 2674 issued:

"All safekeeping deposits, serial Nos. ___ through ___, balanced and verified (date). Total cash deposits equal \$ (amount) .

(Signature and rank of custodial officer)."

270402. Verification

★ A. General. At unannounced intervals, not less frequently than once during each quarter, all safekeeping deposits (including all safekeeping deposits in the ATM at Sea safekeeping system) shall be verified in the presence of the custodial officer by the cash verification team appointed by the commander. Results of the verification shall be included in the report of verification to the commander.

 B. Separate Deposits. Separate deposits shall be verified by verifying the contents of each envelope against the record portion of DD Forms 2674. The verifying officers shall certify on the last DD Form 2674 issued:

"All active safekeeping deposits, serial Nos. ___ through ___, verified (date) . Total cash deposits equal \$ (amount) .

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ C. ATM at Sea Funds. Funds held in the ATM at Sea safekeeping system shall be verified by counting the actual cash held for safekeeping and comparison with the ATM system generated report totals and the system generated total of the individual depositors' accounts. The verifying officers shall certify below the last entry on the DD Form 2670:

"We, the undersigned, on (date) have verified the commingled safekeeping funds by actual count and certify that the total amount on hand is \$ (amount) , which is in agreement with active safekeeping accounts, Nos. ___ through ___, and with the ledger control sheet.

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ D. Commingled Funds. Commingled funds shall be verified by counting the cash held for safekeeping and comparison with an adding machine tape total of the individual depositors' ledgers as well as with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, the latest bank statement shall be examined and the amount on deposit in the checking account shall be verified. The verifying officers shall certify below the last entry on the ledger control sheet:

"We, the undersigned, on (date) have verified the commingled safekeeping funds by actual count and certify that the total amount on hand is \$ (amount), which is in agreement with active safekeeping accounts, Nos. through , and with the ledger control sheet.

(Signature and rank of verifying officer)

(Signature and rank of verifying officer)."

★ E. Reporting of Shortage or Overage. Any shortage or overage of safekeeping deposits shall be reported promptly to the commander. The commander shall take action similar to that prescribed in Chapter 6 of this volume for a shortage or overage of public funds. However, a shortage or overage of safekeeping deposits shall not be considered or reported as a shortage or overage of public funds in the DO's accountability.

★ 270403. Transfer of Safekeeping Deposits Upon Relief of Custodial Officer. In preparation for being relieved of custodial duties, the outgoing custodial officer shall balance all safekeeping deposits and prepare, in duplicate, a list on which all active deposits are described. The list and all deposits shall be turned over to the custody of the relieving officer. The relieving custodial officer shall verify all deposits and receipt the original list. The original receipted list shall be returned to the relieved officer. DD Forms 2674 and/or the records of commingled deposits, as applicable, shall be transferred to the relieving officer. If a checking account is maintained, the account shall be reconciled and transferred to the relieving officer. Arrangements shall be made with the bank to transfer the account to the new custodial officer. For transfer of ATM at Sea safekeeping deposits upon relief of the ATM custodial officer, refer to paragraph 260305, Chapter 26 of this volume.