

## Chapter 2. Handling and Protecting Cash and Negotiable Instruments

2-1. Policy. It is HUD policy to deposit collections as soon as possible, to minimize the number of cash handling and deposit activities, to reduce "float" to the lowest possible level, and to adequately control and account for cash collections. In addition, it is the policy of HUD that:

- a. To the extent possible, collections shall be processed by wire transfer to Treasury or by a Treasury lockbox bank. For those collections that cannot be processed by one of the above methods, designated agents or post office boxes should be used. The objective is to reduce transit time as much as possible and remove HUD collections from the general HUD incoming mail by having them sent to separate receiving points.
- b. All collections shall be deposited within 24 hours of being received. The only exceptions to this policy are bid deposits, compromise offers, and other collections where deposit of the funds could be construed as acceptance of an offer or contract. The objective is to deposit funds as soon as possible to maximize interest earnings or minimize borrowing expense with Treasury.
- c. The number of cash collection receiving and depositing points should be kept to the minimum necessary for efficient and effective operations at each HUD location. Each cash receiving and depositing point should establish security safeguards considering local conditions, volume of collections, and physical layout. Each HUD location is limited to a single deposit center unless multiple deposit centers are authorized by the Director, OFA, or the RAD.
- d. HUD managers are responsible for the performance of their workforce in the processing and safeguarding of collections. Written designations shall be given to all employees advising them of their appointment as Assistant Collection Officer (ACO) or Alternate ACO (AACO) and advising them of their duties and responsibilities.

### 2-2. Requirements, Standards, and Internal Controls.

a. Treasury Requirement. All depositing locations for HUD shall comply with the Treasury Financial Manual. Volume I, parts 2 and 5, provides the basic requirements for depositing and reporting. Under the provisions of part 6, paragraphs 8080.30-8080.40, annual reviews must be made by the Director, OFA, and the RADs of HUD's cash management practices. The Director, OFA,

will coordinate the reviews and prepare the summary report to the Treasury.

b. Internal Control Requirements. The following are the internal control requirements applicable throughout HUD, including those component organizations subject to the Government Corporations Control Act.

(1) Directing Remittances. HUD employees are prohibited from directing individuals to make payments (checks) payable to any source other than the Department, or to direct that remittances be sent to other than a designated receiving point. Local management should consider the use of preaddressed mailing envelopes where possible.

(2) Prompt Deposit. Collections must be deposited within 1 workday of being received, except for bid deposits, compromises, or other collections that are required to be held for review. Local management may develop cost effective alternatives where the daily deposit amounts are small. Treasury requires that deposits be made when collections aggregate \$1,000.00, or at least each Friday.

(3) Prompt Reporting of Deposits. Collections depositing activities must send accounting offices copies of deposit tickets, confirmed deposit tickets, and other required deposit documents on a daily basis. Confirmed copies of deposit tickets will be sent as received from Treasury.

(4) Internal Control

(a) Each Department component authorized to receive and/or deposit collections will incorporate into its plan of organization a requirement for the separation of remittance processing duties and duties related to accounting for the remittances.

(b) Employees authorized to compromise or terminate debt shall not be given duties related to accounting for the debts.

(c) Mail that may contain checks shall be opened in full view of other employees.

(d) Employees involved in processing remittances shall not be given the duties of a Certifying Officer, an Imprest Fund Cashier or Alternate, or a Claims Collection Officer.

(e) Exceptions to the internal control standards may be made by the Director, OFA, or RADS, due to staffing limitations in smaller offices. All such exceptions shall be

in writing and shall specify the conflicting duties and the reason(s) for the exception. Local management is responsible for being vigilant in situations where exceptions are granted.

c. Security Requirements. All HUD cash handling locations shall include adequate provisions for security. Security provisions will depend on local conditions. Each office head will determine and be responsible for adequate security. The minimum physical security requirements are locking file cabinets (bar locks) for the storage of checks and locking access doors for work areas where checks may be included in unopened mail. In addition, the following administrative controls must be observed:

- (1) Supervisors must enforce a "clean desk" a policy.
- (2) Checks must be placed in the security facility when not attended.
- (3) Check processing work areas and security facilities are to be removed from areas of access by the public.
- (4) Access to security facilities (keys/combinations) will be limited to the ACO/AACO.
- (5) Provisions will be made for access to the security facility in the event of an emergency (refer to paragraph 1-3, Section 4(3)).

d. Designation of ACOS and AACOS. There is a single HUD collection officer located in Headquarters. Other employees in Headquarters and the Field locations are designated as being ACO/AACO. The designations as ACO/AACO should be made known to all employees within the respective offices.

- (1) Headquarters. The Director, OFA, and the President, Government National Mortgage Association (GNMA), shall each designate one ACO and at least one AACO.
- (2) Regional Offices. The Regional Administrator shall designate one ACO and at least one AACO.
- (3) Field Offices. The Field Office Managers shall designate one ACO and at least one AACO.

Local management may designate as many AACOs as required for efficient and effective processing.

e. Remittance Processing. Remittance processing involves receiving, recording, controlling, transferring, retaining, and depositing collections. Each location will have a single remittance processing activity that includes the deposit function. In addition, each location may have one or more remittance processing activities that receives,

records, controls, and transfers collections for deposit, or processing by another organizational unit. In Headquarters, the Office of Interstate Land Sales, the Office of General Counsel, the Office of Personnel and Training, the Office of Manufactured Housing and Regulatory Functions, and the Office of Labor Relations

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receive collections for processing and forwarding to OFA for deposit. Government National Mortgage Association maintains a single remittance processing activity that includes the deposit function. In the Field, each location should maintain a single deposit activity and as many processing and forwarding activities as required.

#### 2-3. Remittance Processing Requirements.

a. Recording Remittance. When a remittance is received, it shall be endorsed, recorded, or noted. This can be accomplished by photocopying the remittance, entering the receipt of the remittance in an automated system, or manually recording the receipt on form HUD-235, Collection Register. Whatever method is used, it must contain the following information:

- (1) Date of remittance;
- (2) Name of remitter;
- (3) Type of remittance (cash, check, money order, certified check, or cashiers check);
- (4) Amount;
- (5) Date received;
- (6) Name or initial of individual receiving;
- (7) Fund symbol or other disposition;
- (8) CD number, schedule of collection or cash receipt number; and
- (9) Remarks.

Regardless of the processing used, the record of receipt shall be maintained in numerical sequence by fiscal year, and be made available for inspection by OFA, RAD, and/or the Inspector General's Office.

b. Early Endorsement. Except for earnest money, each remittance (except coin and currency) shall be endorsed when accountability is established at the remittance's

receiving point. The standard endorsement shown in Paragraph 2-3, Section d, Endorsement of Checks, shall be used. Quite frequently, where the responsibility for a remittance has to be transferred, the transferrer will not be able to determine the agency location code to which the remittance is to be deposited. Under such circumstances, the agency location code in the endorsement shall be left blank. Endorsement stamps may be obtained through Administrative Offices.

c. Examining Checks for Negotiability and Acceptability. Collection Officers must examine each check to ascertain its negotiability and acceptability. Checks which fail to meet either the test of negotiability or acceptability shall be handled in accordance with instructions given. In determining negotiability and acceptability, the following criteria will be applied:

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(1) Proper Dating. If the check or instrument is currently dated or undated and otherwise negotiable, it shall be accepted. As a general rule, post-dated instruments are nonnegotiable. The head of the Accounting Office may, in individual cases at his/her discretion, instruct the Collection Officer to hold the instrument for later deposit where such action would clearly benefit the Department.

(2) Agreement of Amounts Expressed in Words and Numbers. When the amounts expressed in words and numbers differ, it is usually possible to receive credit at the depository for the smaller amount. If the smaller amount is the correct amount, a note shall be attached to the check indicating the lesser amount is acceptable. If the greater amount is the correct amount, the check is unacceptable and should be returned to the remitter for correction. Under no circumstance is a check to be altered.

(3) Proper Signature and When Required. Instruments which are unsigned are nonnegotiable. Instruments which are known to be improperly signed are unacceptable.

(4) Drawn to Proper Order.

(a) If the instrument is drawn to the order of the Treasurer of the United States, or variation thereof, or to HUD, or a HUD organizational entity, it is acceptable as is, if otherwise negotiable. Remitters who draw instruments to an improper payee should be advised to make future instruments payable to the "U.S. Department of HUD."

(b) If the instrument is drawn to the order of entities other than those cited in (a), e.g., to the order of firms, corporations, or partnerships, it is acceptable if it is

otherwise negotiable and the stated payee has properly endorsed it over to HUD.

(5) Restrictive Inscriptions. An instrument is unacceptable if it contains a restrictive inscription such as "Acceptance constitutes full discharge of liability," unless:

(a) The instrument is received from a surety company and is drawn in the full amount of the surety bond, even though less than the indebtedness.

(b) The instrument covers the entire amount of the indebtedness.

d. Endorsement of Checks. All organizations receiving and/or depositing remittances shall use the form of endorsement shown below and as prescribed in Part 5 of the Treasury Financial Manual, unless written approval for deviation has been obtained from the Department of the Treasury.

(8 Digit Agency Location Code)

Pay to the order of any Federal Reserve Bank, Branch, or General Depository for credit to the U.S. Treasury.

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This check is in payment of an obligation to the United States. Do not wire nonpayment.

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Date

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Name and Title of Depositor

Department of Housing and Urban  
Development

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Address

e. Deposit Procedures. Standard Form 215, Deposit Ticket, must be used in accomplishing deposits in the account of the U.S. Treasury. This form is designed to be processed in Treasury's central accounting and reporting system on optical character recognition equipment.

(1) Preparation of Form. Each depositing activity must use a typewriter meeting the Optical Character Recognition "A Font" specifications prescribed on the back of SF-215 or in Chapter 3000 of the Treasury Financial Manual. Inquiries concerning other acceptable typewriter equipment should be directed to the Treasury staff identified in Chapter 3000. The deposit ticket may be prepared in pen and ink in those instances where deposits are made at locations removed from the regular

depositing activity.

(2) Coverage of Deposit Ticket. For deposit in the same Federal Reserve Bank, a single SF-215 may generally be used to cover collections relating to a variety of appropriation and fund symbols. However, mortgage insurance collections (86-09-0300) may not be included on the same SF-215 with other collections (86-01 \_\_\_\_ ). For mortgage insurance program collections, separate deposit tickets must be prepared for each type of collection as has been done in the past. This is necessary because of the structure of the present accounting system. The accounting symbols and related amounts should be entered in block 6 of the deposit tickets. Other requested information needed to complete the form is self-explanatory. A separate deposit ticket may be used for currency and coin if required by the depository.

(3) Distribution of Forms. The memorandum copy and the confirmed copy of the deposit ticket must be forwarded to the appropriate accounting office for recording and reporting purposes. The confirmed date on the deposit ticket must be transcribed from block 8 of the confirmed copy to block 5 of the memorandum copy and entered to the right of the deposit amount (block 4) on the agency copy which is retained by the Collection Officer or alternate. The memorandum copy is used to support the monthly statement of transactions prepared by the accounting office, and the confirmed copy supports the official accounting records. Timely posting to the memorandum copy is very important; otherwise, the

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accounting office will not be able to furnish complete and timely statements of transactions to Treasury.

f. Preparation of Deposit Package. The amount of cash, checks, and money orders lost in transit to a depository is recoverable from Treasury under the provisions of the Government Losses-in-Shipment Act (P.L. 75-192). Therefore, commercial insurance must not be purchased to protect the Government's interest. In order for HUD to recover losses incurred from Treasury, there must be compliance with certain requirements. The requirements are below:

(1) Documentation. The depositing office must make authentic records of all items comprising each deposit transaction. The record must be in sufficient detail to enable the Department to support (or substantiate) a claim for monies lost in transit by messenger, U.S. Postal Service, or other form of delivery service. Form HUD 235, Collection Registers (or equivalent), receipts, deposit logs, deposit tickets, and remittance advices also serve as the basic records to support a claim.

(2) Deposit Verification and Shipment Requirements. Two employees shall jointly inspect and verify that each step outlined below has been carried out. They will indicate completion of their work by jointly signing a deposit register or other equivalent record. The employee initiating the delivery of the deposit to the bank or post office may be one of the two employees jointly inspecting and verifying the deposit. Confirmed copies of deposit tickets will be returned to the depositing activity prior to being sent to the appropriate accounting activity for recording and reporting purposes. The verification and shipment procedures are as follows:

(a) Verify that all checks and currency listed on the adding machine tape(s) are enclosed and supported by remittance advices and that the deposit amount shown on the deposit ticket equals the grand total of the adding machine tape total(s) of the checks and currency.

(b) Verify completeness of deposit ticket by ensuring that appropriate accounting symbol and agency location code is shown and that all other essential information has been inserted.

(c) Verify that sorting and listing of deposits has been accomplished as required by the Treasury Financial Manual, Part 5, Section 2050.

(d) Immediately upon completion of the verification, place the checks and currency, together with the accompanying deposit ticket, in an envelope which is then sealed.

(e) The employee or supervisor making the deposit initials the deposit log (or other record used) upon accepting the envelope for delivery to the depository.

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(f) A special record of each deposit which contains currency and coin must be prepared by the depositing activity under the Government Losses-in-Shipment Act. The record shall disclose the following information:

1. Name and address, as applicable, of the messenger, delivery service, armored car service, or other carrier transporting deposits to a depository.
2. A breakdown of contents, i.e., amount of coins or currency, amount of checks, etc.
3. The number of the carrier's receipt where applicable.
4. Date and hour of delivery to the carrier.
5. A record of the signatures of employees who verified the contents of the package and witnessed sealing.
6. A record of the signature(s) of the employee(s) who

thereafter has custody until delivery to the depository.

g. HUD Depositories.

(1) General. The Department of Treasury is responsible for approving Government fund depositories used by the Federal agencies. HUD deposits funds in approved Treasury General Accounts (TGA) or in the nearest Federal Reserve Bank or branch. Treasury policy governs where Field Office deposits may be made.

Deposits to the nearest Federal Reserve Bank or branch are either by mail or directly over-the-counter. Any cash collections shall be converted to postal money orders and included with the other items being forwarded to the Federal Reserve Bank or branch. Any charges for money orders shall be reimbursed from Imprest Funds and not deducted from proceeds.

(2) Request for Change in HUD Depository. Because Treasury is responsible for determining the amount of compensation paid to a HUD depository, they must approve any request for a change in location.

(a) Any request for a change in depository shall be submitted through the Field Office Supervisor to the Regional Accounting Director who will forward the request to the Director, OFA. The request should include the following information:

1. For a current month the total number of items deposited and total amount of:

- Treasury checks;
- Money orders;
- Cheeks drawn on local banks;
- Checks drawn on out-of-town banks; and
- Cash.

2. The addresses of the current and proposed depository, and the distance between each bank and the office.
3. The current time of day deposits are made and the time of day deposits would be made at the new depository.

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4. The current method and cost of depositing, e.g., pick-up service, HUD employees, and the proposed method and cost of depositing at the requested depository.

(b) The Director, OFA, is responsible for analyzing and forwarding the request for change in depository to Treasury. The Director, OFA, or appropriate designee, shall obtain any additional information requested by Treasury from the Field Office and will advise the Field

Office of the final determination made by Treasury.

(c) The Department of Treasury negotiates the contractual agreement with the proposed depository.

(3) Minority Banking Program. In keeping with Federal objectives for developing and coordinating a National Program for minority business enterprises, Field Offices are encouraged to utilize minority financial institutions as depositories for HUD funds. Names and addresses of minority owned financial institutions in the Field Office locality may be requested from the Office of the Secretary, Small and Disadvantaged Business Utilization. Requests for approval of a minority-owned bank as a HUD depository are handled identically to the procedure outlined in paragraph 2-3g(2) above.

#### 2-4. Headquarters' Remittance Processing Systems

a. General. This section prescribes specific procedures to be followed and responsibilities to be carried out by the Office of Interstate Land Sales Registration, Office of General Counsel, Office of Manufactured Housing and Regulatory Functions, and the Office of Personnel and Training, when receiving and handling collections. Other specifics for GNMA are found in the GNMA Supplement to this Handbook.

b. Description of Remittance Processing. On a regular basis the above organizations receive collections for programs and activities under their responsibility. They are responsible for recording receipt of remittances and safeguarding remittances until properly transferred to the appropriate depositing activity.

c. Responsibility of ACO/AACO. The ACO/AACO is responsible for the following:

(1) Receiving and recording on form HUD-235, Collection Register, all remittances received either in person or by mail.

(2) Issuing Form HUD-235.1, Receipt for Remittances Delivery, for all cash collections.

(3) Safeguarding and controlling all remittances until transferred.

(4) Transferring collections to the appropriate Collection Officer or deposit activity.

d. Basic Records That Must Be Maintained By Receiving Clerk.

(1) HUD-235, Collection Register. Record of all remittances received.

(2) HUD-235.1, Receipt for Remittance Delivery. Record of all cash receipts.

2-5. Field and Regional Remittance Processing System.

a. Mortgage Insurance Collections - Field Office Procedures. The material contained in HUD Handbook 4110.1, Fiscal and ADP Handbook, stipulates in detail the procedures prescribed for handling and protecting mortgage insurance collections in the Field. Additional Handbooks which provide modified instructions for specific types of collections for the insurance funds without restating procedures included in Handbook 4110.1 are as follows.

4045.1 Fiscal Administration Handbook

4305.2 Property Disposition Fiscal Procedures

4310.5 Property Disposition - One to Four Family Properties

4350.1 Insured Project Servicing

4410.1 Project Fiscal Procedures

4730.1 Title I Collection Fiscal Procedures

b. Non-Mortgage Insurance Collections. These are collections received in the Region relating to any non-mortgage insurance program.

c. Responsibilities of Assistant and Alternate Collection Officer. The Assistant Collection Officer and alternate are responsible for the following:

(1) Receiving and recording all remittances received in person.

(2) Safeguarding and controlling all remittances until deposited or transferred.

(3) Preparing SF-215, Deposit Ticket, and overseeing depositing of remittances at depository.

(4) Preparing and submitting necessary collection data to appropriate accounting office for recording and reporting purposes.

d. Processing Remittances for Deposit. The following steps shall be taken by the Collection Officer when processing remittances for deposit.

(1) Examine Remittance for Negotiability and Acceptability. Each remittance shall be examined to determine its

negotiability.

(2) Verify Remittance Amount with Remittance Advice Amount. The dollar amount of the remittance shall be compared to the total payment stated on the remittance advice to make sure that they are in agreement. If the amounts don't agree, the remittance advice amount shall be altered to agree with the remittance amount.

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3) Separate Remittances from Remittance Advices. After completing the above steps of the deposit process, the remittances shall be separated from remittance advices and any other related incoming correspondence.

(4) Endorse Remittances. Each remittance (except coins and currency) shall be properly endorsed prior to depositing. The endorsement shown on page 2-3 of this Handbook shall be used.

e. Depositing Remittances. Remittances shall be deposited by using SF-215, Deposit Ticket.

f. Verifying Deposits. Before the remittances are released for depositing, the deposit shall be verified.

g. Forwarding Remittance Advices. The remittance advices along with all other related incoming correspondence and related memorandum copy and the confirmed copy of SF-215 shall be forwarded to appropriate accounting office for recording and reporting purposes.

#### 2-6. Reviewing Controls over Cash Collections.

a. Purpose. The Director, OFA, and the RADs or their designee, are required to make annual unannounced reviews of cash handling practices. Cash for this purpose means remittances received for deposit or to be held in safekeeping pending disposition; e.g., earnest monies. Reviewing the Headquarters locations is the responsibility of the Director, OFA, and the Department's locations in the Field is the responsibility of the respective RAD. Actual performance of the reviews may be delegated to subordinate RAD staff members. If a RAD is a cash handling point, an employee outside the RAD must be

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designated to make the periodic unannounced review of the RAD.

The management of each HUD location should also acquire first-hand knowledge as to the quality of performance in their areas of responsibility. Independent reviews made by organizations such as OFA, the Regional Accounting Division, and the Office of Inspector General are not substitutes for personal observations by the management responsible for cash management functions.

b. Procedures. A separate checklist is provided for conducting reviews of Cash Handling Practices (see Appendix 3). The steps in the checklist must be carried out at least annually by the RAD or designee at each HUD location for which he/she has cognizance. At Headquarters, the Director, OFA, or designee, will review the processing of collections at the various Headquarters mail opening and depositing points.

"Yes" responses are not necessarily indicative of a satisfactory condition and "No" responses are not necessarily indicative of the need for corrective action. "No" responses do indicate a need to consider whether any other response is possible and whether a better alternative exists.

Upon completion of each review, the management of the office being reviewed should be notified in writing of any findings requiring corrective action and be given a period of 30 days to respond, in writing, stating that corrective action has been completed. Each subsequent review should lend particular attention to repeat findings and ensure that Corrective action has been taken.