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REPORT TO THE CONGRESS

74-0539



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Unclaimed Savings Bonds Should Be Returned To Veterans And Other Individuals

B-179225

Department of the Treasury

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~701641~~

096105

AUG. 10. 1973



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-179225

To the President of the Senate and the
Speaker of the House of Representatives

This report points out that unclaimed savings bonds should be returned to veterans and other individuals.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the House and Senate Veterans' Affairs Committees, other appropriate committees of the Congress, the Secretary of the Treasury, and departments and agencies discussed in this report.

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General
of the United States

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D I G E S T

WHY THE REVIEW WAS MADE

Over 700,000 U.S. savings bonds with an estimated face value of about \$50 million remain unclaimed by their owners--mainly World War II, Korean, and Vietnam veterans or their heirs. Many of these bonds have been held in safekeeping by the Department of the Treasury and Federal Reserve banks for over 30 years.

GAO made this review to find out

- the reason the bonds have remained in safekeeping so long,
- the feasibility of locating veterans and others owning unclaimed bonds, and
- the extent of unclaimed bonds in safekeeping.

FINDINGS AND CONCLUSIONS

Some 706,000 U.S. savings bonds belonging to about 188,000 individuals were in safekeeping at November 30, 1972, in the Treasury and the Federal Reserve banks. Treasury records showed that 172,344 bonds in the custody of the Office of the Treasurer as of that date had a face value of about \$10 million. GAO estimated that these bonds have a redemption value exceeding \$20 million.

The bonds in the Treasury are owned by about 46,000 individuals. Some 40,000 of the accounts are identified as inactive, meaning that no

deposits or withdrawals have been made for at least 20 years. The majority of the accounts apply to World War II veterans or their heirs. These bonds have a face value of \$2.7 million and a redemption value of about \$5 million. A Series E savings bond with a face value of \$25 purchased in December 1942 had a redemption value in June 1973 of \$54.31. Since the average face values of the bonds in the inactive accounts range from \$50 to \$75, their redemption values average from \$100 to \$150.

Treasury officials estimate the face value of the bonds held by the Federal Reserve banks to be about \$40.6 million. Nearly one-half of the 534,000 bonds in safekeeping with these banks are owned by veterans.

The safekeeping program began in 1935. Policies and procedures of the Treasury and Federal Reserve banks have provided for returning the bonds to owners only on request. Treasury officials told GAO that, even though thousands of bonds have been held for as long as 30 years, it is not Treasury policy to initiate correspondence to deliver bonds.

Some Federal Reserve banks, however, have sent a limited number of confirmation letters to bond owners. According to a Federal Reserve bank official, although only about half of the letters reached the owners, most who were contacted redeemed their bonds

The Treasury told GAO that a sample group of bonds held in safekeeping for servicemen will be selected for a pilot project to locate the owners. VA resources will be used to obtain current addresses. On the basis of this project, the Treasury will decide on the feasibility of making an all-out attempt to deliver bonds held in safekeeping for servicemen.

Federal Reserve banks will be directed to notify all depositors at their last known addresses that the Treasury will terminate safekeeping facilities at the banks and will send all bonds not delivered within a stipulated period to the Bureau of the Public Debt. The Bureau will make no further attempt to obtain current addresses.

The Treasury contends that information on the ownership of bonds is

confidential and does not accept the GAO recommendation to explore the potential of using veterans' publications to locate owners.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

Treasury policy has precluded taking positive action to locate veterans and others having bonds in safekeeping with the Government for long periods. Reconsideration of the policy is long overdue.

No additional legislation is required, but the House and Senate Veterans' Affairs Committees may wish to monitor the proposed Treasury actions for returning savings bonds to veterans or their heirs.

CHAPTER 1

INTRODUCTION

To encourage the purchase of bonds, the Department of the Treasury in 1935 initiated a program of safekeeping, on request, individuals' savings bonds. These bonds were in Treasury vaults and in Federal Reserve banks, which act as the Treasury's agents in the safekeeping function.

When bonds were placed in safekeeping, the Treasury or a Federal Reserve bank generally gave the purchasers receipts. (See app. II.) Bonds were returned to the owners when they submitted receipts and (1) applications for release to the Treasury or (2) similar forms to a Federal Reserve bank.

According to Treasury officials, comparatively few bonds were placed in safekeeping until World War II, when thousands of servicemen and civilian workers purchased them and arranged to have them held in safekeeping.

On April 1, 1955, the Treasury stopped accepting bonds for safekeeping except for those from military servicemen. On that same date, the Navy Finance Center in Cleveland assumed custody of savings bonds purchased by Navy personnel before April 1, 1955, which were previously held by the Federal Reserve Bank of Cleveland. The Finance Center also assumed safekeeping for bonds purchased after that date.

On July 1, 1968, the Army and Air Force assumed responsibility for safekeeping savings bonds purchased by their personnel. However, those placed in safekeeping before July 1, 1968, remained with the Office of the Treasurer, Department of the Treasury, and/or with the Federal Reserve Bank of Chicago.

Currently, the Office of the Treasurer accepts savings bonds for safekeeping only from members of the Coast Guard and the Peace Corps. The Federal Reserve banks have a general policy of not accepting bonds for safekeeping.

According to Treasury and Federal Reserve bank records, almost one-half of the 706,000 bonds held in safekeeping at November 30, 1972, belonged to World War II and other veterans.

CURRENT PROCEDURE FOR REQUESTING
RETURN OF BONDS IN SAFEKEEPING

Because Treasury officials were concerned that issuing this report would result in a large number of requests for the return of bonds in safekeeping, we have described in appendix II the procedure for doing so.

SCOPE OF REVIEW

In reviewing the Treasury's policies, regulations, and procedures for safekeeping Series E savings bonds, we tried to ascertain the extent of the unclaimed bonds, the reasons for their large accumulation, and the feasibility of locating the owners of the bonds so that they could be returned.

We discussed the unclaimed bonds with officials of the Treasury's Office of the Treasurer and Bureau of the Public Debt and with officials of the Federal Reserve Bank of Chicago. We interviewed four people for whom Office of the Treasurer records showed bonds were in safekeeping, to determine why they had not requested their return.

We asked the Veterans Administration (VA) to assist in determining the potential for locating veterans who had not claimed their bonds. We also discussed with officials of the Internal Revenue Service (IRS) and the Social Security Administration (SSA) the assistance they could provide.

CHAPTER 2

UNCLAIMED SAVINGS BONDS HELD IN SAFEKEEPING

FOR VETERANS AND OTHERS

At November 30, 1972, about 706,000 savings bonds belonging to about 188,000 individuals were in safekeeping, as follows:

Office of the Treasurer	<u>172,344</u>
Federal Reserve banks:	
Atlanta	45,490
Boston	21,135
Chicago	276,040
Cleveland	16,719
Dallas	17,094
Kansas City	19,535
Minneapolis	11,199
New York	47,210
Philadelphia	94
Richmond	16,649
San Francisco	22,019
St. Louis	<u>40,559</u>
	<u>533,743</u>
Total	<u>706,087</u>

Treasury records showed that the 172,344 bonds in the custody of the Office of the Treasurer at November 30, 1972, had a face value of about \$10 million. We estimate that these bonds have a redemption value exceeding \$20 million. The total face value and redemption value of the 533,743 bonds held by the Federal Reserve banks were not readily available from the banks' records.

About 46,000 individuals own the bonds in safekeeping with the Office of the Treasurer. Of these accounts, 40,000 are classified as inactive, meaning no deposits or withdrawals have been made since 1951. The bonds in these accounts, the majority of which apply to World War II veterans and their heirs, have a face value of \$2.7 million. They have a redemption value of approximately \$5 million, since they continued to earn interest at current rates.

For example, a Series E bond with a face value of \$25 in December 1942 had a redemption value of \$54.31 in June 1973. Since the bonds in each inactive account have face values ranging from \$50 to \$75, the redemption values of these bonds range from about \$100 to \$150.

Federal Reserve bank officials could not estimate the face value or redemption value of the bonds they hold in safekeeping. In preparing comments to our report, however, Treasury officials estimated the face value to be about \$40.6 million.

WHY THE BONDS HAVE REMAINED UNCLAIMED

The policies and procedures of the Treasury and the Federal Reserve banks, since the establishment of the safekeeping program, have provided for returning bonds to the owners only on request. Treasury officials said that it is not Treasury policy to initiate correspondence to deliver safekeeping bonds, even though thousands have been held as long as 30 years.

As a service to customers, some Federal Reserve banks have sent a limited number of confirmation letters to bond owners. According to a Federal Reserve bank official, although only about half of the letters reached the bond owners, most of those contacted redeemed their bonds and indicated that they had forgotten about them. However, after learning that certain banks were sending such letters, the Treasury informed them that it was not Treasury policy to initiate delivery of bonds and that no part of the cost of such a procedure could be charged to the Bureau of the Public Debt as a reimbursable expense.

Servicemen purchased the bonds, in most instances, through allotment procedures and placed them in safekeeping through the military services under arrangements with the Treasury and the Federal Reserve banks. No procedures existed for automatically returning the bonds to a serviceman or for notifying his heirs of their existence when the serviceman was discharged, killed in action, or reported missing in action.

The four bond owners we interviewed stated that they either had forgotten or were not aware that the Government was

holding bonds belonging to them. (See p. 11.) We believe that most of the bonds in safekeeping have remained unclaimed for these same reasons.

Because the Treasury and the Federal Reserve banks have not established procedures for the timely return of the bonds to their owners, the Treasury and the Federal Reserve banks are faced with the problem of safekeeping bonds that, under present practices, are unlikely to ever be claimed.

In commenting on our report, the Treasury agreed that the owners of bonds held by the Treasurer had probably forgotten or did not know about them. They told us, however, that the safekeeping program in the Federal Reserve banks was not static; that between April 1, 1955, and April 30, 1973, the number of bonds held in safekeeping was reduced from 4 million to about 500,000; and that servicemen's bonds were being returned at the rate of 2,000 per month.

Federal Reserve bank officials told us that the bonds being returned pertained primarily to Vietnam veterans for whom they are currently holding about 110,000 bonds and that bonds deposited during World War II have virtually no activity. Thus we believe that large numbers of bonds in the Federal Reserve banks will remain unclaimed unless the Treasury takes some additional action.

We believe, therefore, that the Treasury needs to take positive action to return the bonds to the owners or their heirs.

CHAPTER 3

FEASIBILITY OF LOCATING VETERANS AND OTHERS

WITH UNCLAIMED SAVINGS BONDS HELD IN SAFEKEEPING

Treasury officials informed us that one of the reasons they had not taken any action to return the bonds in safekeeping was the difficulty in locating most of the owners who had purchased bonds as long as 30 years ago.

On the assumption that many veterans applied for various benefits to which they were entitled, we discussed the potential for locating the veterans with VA officials. These officials were very cooperative and agreed to determine the potential through testing a block of 1,857 bond owners' names obtained from Treasury records. These bond owners purchased their bonds from 1941 through 1943.

The Treasury records consist of a master account record and copies of receipts for the bonds in safekeeping. (See app. II.) The receipts for the bonds held for servicemen generally contain a military serial number or other identification number. From these documents, we obtained and furnished VA with the names and, if available, the military serial numbers for the 1,857 accounts.

Using computer-assisted techniques, VA matched the names and available military identification numbers with the names and identification numbers (kept in VA's primary identification system) of veterans who had applied for benefits. VA was thus able to immediately supply us with the current addresses of 325 veterans and 101 beneficiaries. VA isolated an additional 740 names for which addresses could be obtained from files in various VA offices. On the basis of this test, it appears that bond owners' addresses could be obtained for between 60 and 70 percent of the 40,000 inactive accounts in the Treasury's custody. VA officials also stated that identifying addresses of additional bond owners or their heirs may be possible through "other than routine methods."

VA officials believe the test showed the feasibility of locating veterans through its automated system. Therefore, they offered the Treasury the use of their data processing facilities if this project is undertaken.

We interviewed three veterans and the widow of a fourth, whose addresses furnished by VA indicated they lived in the District of Columbia metropolitan area. These were:

- A retired career soldier, currently employed by a civilian agency of the Government, who had \$350 in bonds on deposit.
- A retired career soldier, currently employed as an assistant vice president of a local bank, who had a \$25 bond on deposit.
- A disabled veteran, confined in the hospital of the United States Soldiers' and Airmen's Home, who had a \$25 bond on deposit.
- The widow of a veteran who died in 1972 and who had a \$25 bond on deposit.

All four said that they either had forgotten or were not aware of the bonds in safekeeping.

Nearly one-half of the 534,000 bonds in safekeeping with the Federal Reserve banks are owned by veterans. Since the Federal Reserve banks maintain records of the names and military serial numbers of most of the veterans, we believe VA could identify addresses with a similar degree of success as for those having bonds in safekeeping with the Treasury.

Officials of IRS (see app. IV) and SSA advised us that they could assist in locating owners of bonds held in safekeeping by the Treasury and the Federal Reserve banks, if such a project is undertaken.

Since it will not be possible to locate all veterans through the VA records and since some of these records include the veterans' social security numbers, we believe the Treasury should use the services of these agencies.

Another means of locating veterans with unclaimed savings bonds which should, we believe, be explored for those who cannot be located through the records of the Treasury, Federal Reserve banks, VA, the Department of Defense, IRS, or SSA is the publication of their names and serial numbers in veterans' publications. We were informed that for many years IRS has given local newspapers lists of unlocated taxpayers due

refunds. We believe this approach could also be applied successfully for unclaimed savings bonds.

Also, since the Treasury has expressed concern over the cost of returning the bonds, using the veterans' organizations would minimize the cost to the Treasury.

The only available data for the accounts of individuals other than veterans consists of the last known address which may have been reported as long as 30 years ago. The Federal Reserve banks have had varying degrees of success--ranging from 25 to 50 percent--in using the last known addresses to locate bond owners. Apparently using last known addresses is the only reasonable alternative to locating these individuals.

CONCLUSION

Although the policy for safekeeping savings bonds, established by the Treasury in 1935, provides only for custodial responsibility, we believe reconsideration of this policy is long overdue. The present Treasury policy, which does not provide for trying to locate veterans and others having bonds in safekeeping, does not seem reasonable or practical.

The Treasury and the Federal Reserve banks, we believe, should develop a program, with the assistance of VA, IRS, SSA, and the Department of Defense, to locate the bond owners or their heirs and return the bonds to them.

RECOMMENDATIONS

We recommend that the Secretary of the Treasury:

- Attempt to locate, with the assistance of appropriate Government agencies, persons having savings bonds in safekeeping and return the bonds to the owners.
- Explore the potential of using veterans' publications, when veterans cannot be located through the records of Government agencies.

AGENCY COMMENTS AND ACTION

The Treasury told us that it would select a sample group of bonds held in safekeeping for servicemen for a pilot project to locate the owners. VA resources will be used to obtain current addresses. On the basis of this project, the Treasury will determine the feasibility of an all-out attempt to deliver all bonds in safekeeping to servicemen. The determination will include developing cost data as the basis for requesting the additional funding and positions necessary to carry out the full project.

Federal Reserve banks and the Office of the Treasurer will be directed to notify all depositors at their last known addresses that the Treasury will terminate safekeeping facilities and will send all bonds not delivered within a stipulated period to the Bureau of the Public Debt. The Bureau will make no further effort to obtain current addresses because, in its view, the expense cannot be justified.

The Treasury contends that information on the ownership of bonds is confidential and therefore does not accept our recommendation to explore the potential of using veterans' publications to locate bond owners. Treasury policy requires that records on the purchase of, ownership of, and transactions in Treasury securities or other securities handled by the Bureau of the Public Debt for Government agencies will ordinarily be disclosed only to the owners of such securities or to those legally entitled to such information. We believe that reconsideration of this policy is long overdue, because some of these bonds have remained in safekeeping for more than 30 years. In addition, two veterans' organizations indicated to us that they would provide assistance in locating veterans.

To retain confidence about the amounts of individuals' financial transactions, the Treasury could release the names and last known addresses of the individuals but not the amounts of the bonds.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The House and Senate Veterans' Affairs Committees may wish to monitor the proposed Treasury actions for returning the savings bonds, to insure that as many as possible are returned to their rightful owners.

CHAPTER 4

NEED TO CENTRALIZE THE ADMINISTRATION OF

SAVINGS BONDS IN SAFEKEEPING

Since the bond safekeeping program was established, the Office of the Treasurer and each Federal Reserve bank have maintained their own safekeeping facility and bond records. No central record has been maintained, and the total bonds in safekeeping have not been analyzed in terms of types of purchasers, age, face value, redemption value, etc.

During and after World War II, the volume of bonds placed in safekeeping increased significantly. During this period a number of safekeeping functions were transferred (see p. 5), so individuals are likely to have bonds in safekeeping at more than one location.

When a request for the return of savings bonds is received by the Office of the Treasurer or a Federal Reserve bank, records must be checked at other locations to determine whether the requester has other bonds in safekeeping.

One of the veterans we contacted (see p. 11) believed he had received all of his bonds when he requested them from the Federal Reserve Bank of Chicago after World War II. The veteran had not, however, received the bond which we found in his account at the Office of the Treasurer. The bond had been placed there before the safekeeping function was transferred to the Federal Reserve Bank of Chicago, and apparently an adequate check of all locations had not been made to insure that all his bonds were returned to him.

In another case, an Army veteran wrote to the Army Finance Center in 1969 claiming he had purchased a bond in 1943. The Army stated that:

"* * * all records pertaining to bonds for the period 1 July, 1942 through December 1943 have been destroyed pursuant to law and therefore, there is no information available to substantiate your claim."

The veteran did not accept this explanation; he requested assistance from a Member of Congress, who wrote to the Army which, in turn, contacted Treasury officials. The bond was found in safekeeping at the Office of the Treasurer, and it was returned to the veteran.

Because of (1) the large number of bonds in safekeeping at the Office of the Treasurer and the Federal Reserve banks and (2) the transfers of the safekeeping function over the years, the chances are high that veterans and others have bonds in safekeeping at more than one location.

Before trying to locate individuals having bonds in safekeeping, we believe that the Treasury should centralize the records and administration of the safekeeping program to insure that all bonds are returned efficiently and economically.

RECOMMENDATION

We recommend that the Secretary of the Treasury designate a single Treasury organization to assume responsibility for centralized record control and administration of the bond safekeeping program.

AGENCY COMMENTS AND ACTION

The Treasury told us that it had made the Bureau of the Public Debt responsible for centralized record control and administration of the bond safekeeping program. (See app. I.)

The proper administration of this responsibility should enhance the bond safekeeping program and insure an efficient and economical return of the bonds to the owners.



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT

WASHINGTON, D.C. 20220

June 18, 1973

Dear Mr. Kensky:

Enclosed is the response of the Fiscal Service to the draft report of the Comptroller General titled "Action Needed to Return Unclaimed Savings Bonds to Veterans and Others", sent to Secretary Shultz with Mr. McAuley's letter of May 15, 1973.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "John K. Carlock".

John K. Carlock

Mr. Harry C. Kensky
Associate Director
Division of Financial
and General Management Studies
General Accounting Office
Washington, D. C. 20548

Enclosure

GAO note: Page numbers referred to in these comments are those of our draft report, not this final report.

RESPONSE TO DRAFT REPORT OF COMPTROLLER GENERAL TITLED
"ACTION NEEDED TO RETURN UNCLAIMED
SAVINGS BONDS TO VETERANS AND OTHERS"

BACKGROUND

Free safekeeping was offered by the Treasury to savings bond owners beginning with the first issue of Series A bonds in 1935. The facilities of the Office of the Treasurer and the Federal Reserve Banks were used for this purpose.

The original offering circular for Series E bonds (DC 653) and the regulations then in effect (DC 530, 4th Revision), both dated April 15, 1941, contain the following provisions:

DC 653, Section VI

"2. A Defense savings bond will be held in safekeeping without charge by the Secretary of the Treasury if the holder so desires, and in such connection the facilities of the Federal Reserve Banks, as fiscal agents of the United States, and those of the Treasurer of the United States, will be utilized. Arrangements may be made for such safekeeping at the time of purchase, or subsequently. Postmasters generally, and branches of Federal Reserve Banks, will assist holders in arranging for safekeeping, but will not act as safekeeping agents."

DC 530, 4th Revision

Sec. 315.6 SAFEKEEPING FACILITIES

"(a) Safekeeping of bonds.--A savings bond will be held in safekeeping without charge by the Secretary of the Treasury if the holder so desires, and in such connection the facilities of the Federal Reserve Banks as fiscal agents of the United States will be utilized. Postmasters will not act as safekeeping agents. Arrangements for safekeeping may be made at the time of purchase or subsequently, and postmasters, upon request, will furnish appropriate application blanks and envelopes to be used in forwarding bonds for safekeeping. The forwarding will be at the risk of the owner and the use of registered mail is recommended (postage and registration fee to be paid by the sender). A savings bond purchased by mail upon application

to the Treasurer of the United States or to any Federal Reserve Bank may be placed in safekeeping when issued. All safekeeping transactions are subject to the provisions of the next succeeding paragraph."

"(b) Receipt and redelivery.--Upon receipt of the savings bond the Federal Reserve Bank will place it in safekeeping and issue a receipt, which, unless delivered in person, will be mailed to the depositor at the address given in the application. The Federal Reserve Bank will at any time deliver the bond to the owner or person entitled to possession thereof at his risk and expense upon his application and upon such identification through the return of the safekeeping receipt or otherwise, as may be required."

Except for servicemen, safekeeping was effectively discontinued as of April 1, 1955. At that time consideration was given to requiring depositors to withdraw bonds in safekeeping. It was decided not to take this action because:

"(a) we are committed to keep them under the terms of present Treasury regulations and forced withdrawal would constitute a breach of faith with bond purchasers, and (b) liquidation of the present inventory of nearly 5,000,000 bonds would cost about \$850,000 on a short-term basis compared with \$650,000 through normal withdrawals over a period of years." (Memorandum from Undersecretary Folsom to Secretary Humphrey, January 3, 1955.)

As the auditors have pointed out, the Treasury has always considered its safekeeping responsibilities custodial, based on the language of the circulars. One factor that militated against the development of a positive and aggressive program to seek out the owners of bonds in safekeeping and effect their delivery was the cost of such a program. A vigorous, all-out effort would be inordinately expensive and the Treasury has not been convinced that it was warranted.

In view of the time that has elapsed since safekeeping was terminated in 1955, and the age of many of the safekeeping accounts, we agree that a review of safekeeping policies at this time is in order. That review has been made and provides the basis for the response to the auditors' recommendations.

APPENDIX I

COMMENTS ON DRAFT AUDIT REPORT

In our review of safekeeping policies we have made a distinction between the two separate classes of depositors: servicemen and the general public. The position taken on the recommendations recognizes this distinction.

The auditors have some misconceptions concerning the numbers of bonds held for each of these classes of depositors and have made assumptions that are not entirely valid. They have also included some statements with which we are not in complete agreement.

Bonds held for veterans and general public -

The following statements, which are not entirely consistent, appear in the report and reflect the understanding or assumption of the auditors that the majority of the bonds in safekeeping were deposited by servicemen:

Page A-2

"We estimate that the 706,000 bonds held in safekeeping belong to about 188,000 people or their heirs. We were informed that the bond owners are primarily World War II, Korean, and Vietnam veterans or heirs of veterans."

Page 2

"According to the records of the Department of the Treasury and officials of the Federal Reserve Banks, most of the 706,000 bonds held in safekeeping at November 30, 1972, belong to World War II and other veterans."

Page 10

"We were informed that the majority of the 524,000 bonds in safekeeping with the Federal Reserve Banks are also owned by veterans."

Page 12

"Most of the 706,000 bonds currently in safekeeping with the Department of the Treasury and the Federal Reserve banks belong to veterans of World War II or their heirs who have apparently forgotten or are unaware of their unclaimed bonds."

BEST

The savings bonds in safekeeping actually fall into these categories:

(1) Office of the Treasurer

- (a) The Treasurer holds bonds deposited by Army and Air Force personnel prior to March 1, 1943, and Navy personnel prior to June 1, 1943. These bonds comprise about 38,000 accounts, all classified as inactive and under seal. No action has been initiated to deliver them. The exact number of bonds in these accounts is not known, but it is estimated at approximately 80,000.
- (b) The Treasurer, U. S., holds other bonds in active accounts for members of the Coast Guard and Peace Corps and has continued to accept bonds for these accounts. There are about 27,000 bonds in these groups.
- (c) The Treasurer continued to accept bonds from the general public until April 1, 1955, and holds bonds for the public in accounts considered both active and inactive. Some of the active accounts contain substantial numbers of bonds, and the owners are aware of the existence and location of the bonds. The number held for the public is estimated to be about 65,000.
- (d) Altogether the Treasurer holds about 172,000 bonds in 40,000 inactive and 6,000 active accounts.

(2) Federal Reserve Banks

- (a) The Federal Reserve Bank of Chicago holds about 200,000 bonds deposited between 1941 and 1968 by Army and Air Force personnel. From March 1, 1943, to July 1, 1968, all bonds placed in safekeeping for these servicemen were deposited in Chicago. The bonds now held were deposited about as follows:

APPENDIX I

<u>Dates of Deposit</u>	<u>Bonds</u>	<u>Face Amount</u>
1941-45	51,500	\$ 1,635,600
1946-49	9,900	396,670
1950-59	27,600	1,441,100
1960-68	110,000	4,432,600
Not identified	<u>1,000</u>	<u>333,200</u>
	200,000	\$ 8,239,170

The Bank is currently delivering these bonds at the rate of about 2,000 a month.

- (b) The Federal Reserve Banks (including Chicago with about 33,000) hold approximately 312,000 bonds for the general public. These bonds have a face value of about \$32,400,000. It is estimated that they are held in about 40,000 accounts. Reserve Banks other than Chicago do not hold bonds for servicemen.

Notices to depositors and deliveries -

The following statements, as well as those quoted above, reflect an assumption by the auditors that most, if not all, of the bonds are unclaimed and will remain so because the depositors (or their heirs) do not remember or are unaware that they have bonds in safekeeping, and that no action has been taken to notify the depositors of the bonds being held:

Page A-2

"Since large numbers of bonds have been held in safekeeping for as long as 30 years, we believe the owners have either forgotten or do not know (heirs) they are entitled to them."

Page 5

"Neither the Office of the Treasurer nor the Federal Reserve banks has taken action to return bonds held in safekeeping even though thousands have been held as long as 30 years."

BEST DOCUMENT AVAILABLE

"Since large numbers of the bonds have been held in safekeeping for as long as 30 years, we believe the owners have either forgotten or do not know (heirs) they are entitled to them."

These assumptions may be true as to bonds held by the Treasurer in inactive accounts, but they are not true generally as to bonds held in the Federal Reserve Banks. When safekeeping was discontinued on April 1, 1955, the Banks held 4,000,000 bonds in safekeeping. On April 30, 1973, the number was 512,000. This is evidence of the fact that safekeeping is not static.

The bonds held by Chicago for Army and Air Force personnel are being delivered in substantial numbers. Between July 1, 1968, and April 30, 1973, Chicago reduced the number of bonds in safekeeping by 312,846, from 579,089 to 266,243. Virtually all of the bonds that were delivered were held for servicemen.

All the Reserve Banks have purged their files of matured bonds [See GAO note] (Series A-D, F, G, J and K) by attempting to contact depositors and sending to the Bureau of the Public Debt any bonds that remained unclaimed.

A number of the Banks consistently send notices to depositors in an attempt to verify balances as a part of the regular fiscal agency audits. The number of letters returned as undeliverable has been very high, but many depositors have received current reminders of the bonds in safekeeping.

In 1971 the Federal Reserve Bank of Minneapolis undertook a project to encourage depositors to withdraw their bonds. Some 2,100 letters were sent out. About half of these were returned as undeliverable and 794 of the remaining depositors (about 73%) withdrew their bonds in response to the letter. There have been further withdrawals since that time, possibly as a result of the letter.

The Federal Reserve Bank of Atlanta has been carrying out a similar project on a part-time basis during this year. It has sent out a total of 175 letters to depositors; 80 depositors asked that the bonds be delivered, 37 asked that the bonds be retained by the Bank, and 57 letters were undelivered or the depositors did not respond.

GAO note: Statement does not refer to Series E savings bonds which are the subject of this report.

APPENDIX I

There are sizeable amounts held by all of the Banks and by the Treasurer for individual depositors who know their bonds are in safekeeping and wish to avail themselves of that service as long as it is available.

Identification numbers -

The auditors have made an unwarranted assumption about the use of identification numbers to designate the owners of bonds in safekeeping.

Page 8

"The receipts for the bonds generally contain a military serial number or other bond owner identification number."

The bonds held for servicemen generally can be associated with the servicemen's serial numbers, which appear in the inscription, on the safekeeping receipts, or both.

Bonds held for the general public, however, do not have identifying numbers. Virtually all of them were deposited prior to April 1, 1955, and antedate the period in which the social security number was widely used. The following comment on page 11 of the draft report should be considered in this context:

"We believe these agencies could be of assistance to the Department of the Treasury in locating bonds through the use of social security numbers."

("These agencies" in the quoted sentence refers to the IRS and Social Security Administration.)

The following paragraph from the letter of February 21, 1973, from Donald G. Elsberry should also be judged in this frame of reference:

"The possibility of locating someone through our master file is generally limited to those who have filed a return within the past three years. A social security number is required; however, if you have an address which is fairly current, it is possible that we could provide the social security number through our microfilm records in the service centers."

RIE

Military allotment procedures -

Two statements that bear on the safekeeping policies and procedures of the Treasury and the military services are also worthy of comment.

Page 6

"In the case of servicemen, the bonds were purchased, in most instances, through allotment procedures and placed in safekeeping by the military services through arrangements with the Department of the Treasury and the Federal Reserve Banks. We could find no evidence, however, that procedures existed for automatically returning the bonds to a serviceman, or notifying his heirs of the existence of the bonds, when the serviceman was discharged, killed in action, or reported missing in action."

It would have been completely impractical for the Treasury to attempt to provide this kind of service for bonds held by the Treasurer or a Federal Reserve Bank. These agencies were merely custodians holding the bonds subject to order. The payroll records of the serviceman would have provided information concerning bond allotments, purchases and delivery for the serviceman or his heirs.

GAO note: Deleted material relates to material not included in final report.

FISCAL SERVICE POSITION ON RECOMMENDATIONS

The Fiscal Service position with respect to the auditors' recommendations is as follows:

Recommendation:

- "Designate a single organization in the Department of the Treasury to assume responsibility for centralized record control and administration of the bond safekeeping program."

The Bureau of the Public Debt is clearly the appropriate organization to assume this responsibility. It is presently responsible for the performance - directly or through fiscal, issuing or paying agents - of all savings bond operations, and has jurisdiction over all final records of bond ownership.

Recommendation:

- "Attempt to locate, with the assistance of the Veterans Administration and other appropriate Government agencies, veterans and others (except Coast Guard and Peace Corps personnel with active accounts) having accounts of savings bonds in safekeeping and return the bonds to the owners."

- (a) Bonds which are held by the Office of the Treasurer for servicemen in accounts that have been classified as inactive will be transferred to the Parkersburg Office of the Bureau of the Public Debt, where they will be microfilmed, entered in the tape records and destroyed. (Retention of the physical securities is considered inadvisable, although the obligations will remain in the outstanding public debt; the records of ownership and status maintained on magnetic tape and microfilm can be used to service the accounts.) A sample group of the bonds represented by these records will then be selected for a pilot project to ascertain the whereabouts of their owners. This will include an attempt to obtain current addresses from the Veterans Administration. If delivery can be made, it will take the form of reissued bonds or a redemption check. On the basis of this pilot project, a determination will be made of the feasibility of an all-out attempt to deliver all bonds in safekeeping for servicemen whose service numbers are available. The determination will include the development of cost data as the basis for requesting the additional funding and positions necessary to carry out the full project.

- (b) The Federal Reserve Bank of Chicago will be asked to continue its efforts to effect the delivery of bonds held for servicemen. Where the possibility of dual deposits in the Bank and Office of the Treasurer exists, the delivery efforts will be appropriately coordinated. Bonds not delivered in normal course within a reasonable period will be sent to the Bureau of the Public Debt for handling in the same manner as servicemen's bonds forwarded by the Office of the Treasurer, as described in paragraph (a) hereof. Bonds held by Chicago for the general public will be handled in accordance with paragraph (c) hereof.
- (c) Subject to the availability of funds, the Federal Reserve Banks will be directed to notify all depositors at their last known addresses of record that safekeeping facilities at the Banks will be terminated by direction of the Department of the Treasury, and that all bonds not delivered within a stipulated period will be sent to the Bureau of the Public Debt. It is contemplated that the safekeeping records in the Banks will also be forwarded. Bonds received by the Bureau will be microfilmed, entered in the tape records and destroyed; procedures and forms similar to those used in claims cases will be developed for delivering replacement bonds or redemption checks to depositors upon proper application. A meeting has been scheduled with representatives of the Federal Reserve Banks to discuss procedures for implementing this plan.
- (d) Discussions have been initiated by the Office of the Treasurer looking to the termination by September 30, 1973, of safekeeping facilities for Coast Guard and Peace Corps personnel. Arrangements will also be made to dispose of bonds now held for such personnel. Other savings bonds held in safekeeping by the Treasurer for the general public will be handled under the procedures prescribed in paragraph (c) hereof for the Federal Reserve Banks. All savings bond safekeeping by that Office will then be terminated.
- (e) When bonds are found to be undeliverable to civilian owners following notification as set out in paragraph (c) above, the Bureau of the Public Debt will make no special efforts to obtain their current addresses. Virtually all of these bonds were issued prior to 1955. Few, if any,

APPENDIX I

have social security numbers inscribed thereon, and without those numbers it would be futile to ask the IRS or the Social Security Administration to supply current addresses. We are not persuaded that the results of an intensive effort to deliver these bonds would justify the substantial expense that such an effort would require. Many of these bonds may be delivered, however, to people who locate safekeeping receipts or other records or file claims for lost bonds.

Recommendation:

--"In cases where bond owners cannot be located through the records of the Veterans Administration and other Government agencies, explore the potential of using veterans' organization publications, selected news media, and other means of locating the bond owners."

The position of the Department in the matter of publishing information of this nature is set forth in Section 323.2(b) of Title 31, Code of Federal Regulations, which reads:

"(b) Limitations on the availability of records relating to securities. Records relating to the purchase, ownership of, and transactions in Treasury securities or other securities handled by the Bureau of the Public Debt for government agencies or wholly or partially Government-owned corporations will ordinarily be disclosed only to the owners of such securities, their executors, administrators or other legal representatives or to their survivors or to investigative and certain other agencies of the Federal and State governments, to trustees in bankruptcy, receivers of insolvents' estates or where proper order has been entered requesting disclosure of information to Federal and State courts. These records are held confidential because they relate to private financial affairs of the owners."

We do not believe that the publication of the names of the depositors of bonds in safekeeping is proper or consistent with established policy. The recommendation is not accepted.

BEST DOCUMENT AVAILABLE

HOW SAVINGS BONDS IN SAFEKEEPING MAY BE OBTAINED

A bond owner possessing a valid bond safekeeping receipt(s) may obtain his bond(s) by completing a Request for Release of United States Savings Bonds Held for Safekeeping (Treasury Form 5114) and by forwarding the request, with the receipt(s) (Treasury Form 5665), to:

Treasurer of the United States
Securities Division
Washington, D.C. 20220

If the receipt for the bond(s) shows the depository as one of the Federal Reserve banks, the owner should apply for return of the bond(s) directly to that bank.

Individuals who believe they have savings bonds in safekeeping, but do not have receipts, may possess other records, such as payroll allotment forms, which prove this. Inquiries for return of these bonds should be sent to the Treasurer of the United States or the appropriate Federal Reserve bank.

Facsimiles of Treasury Forms 5114 and 5665 follow.

APPENDIX II

FORM TUS 5114
TREASURY DEPARTMENT
TREASURER, U. S.
SECURITIES DIVISION

REQUEST FOR RELEASE OF UNITED STATES
SAVINGS BONDS HELD FOR SAFEKEEPING

Date _____

TREASURER OF THE UNITED STATES
SECURITIES DIVISION
WASHINGTON, D. C. 20220

I am the sole registered owner or a registered co-owner or the authorized representative of the registered owner or registered co-owner of United States Savings Bonds deposited with the Treasurer of the United States for safekeeping, inscribed:

(Owner) (Co-owner or beneficiary)

I hereby request that the Treasurer of the United States return \$ _____ maturity value of United States Savings Bonds covered by the attached safekeeping receipt or receipts to the undersigned at the address indicated below. The official safekeeping receipt or receipts must accompany this request.

Safekeeping receipts previously returned.

(Signature)

ADDRESS
(FOR DELIVERY OF BONDS) (No. and street) (City) (State)

NOTE.—If there has been a change in name since issuance of the bonds the space below must be completed.

(Name as on bond or bonds) Now by Marriage
 Divorce
 Court order
 Naturalization
 Other _____
(Signature)

NOTE.—In the event it is not desired to withdraw all bonds covered by a safekeeping receipt, an endorsement of the bonds released will be made on the receipt by the Treasurer, and it will be returned.

I CERTIFY that the above-named person, whose identity is well known or proved to me, personally appeared before me and signed the above request, acknowledging the same to be his free act and deed.

WITNESS my hand and official designation this _____ day of _____, 19____

(OFFICIAL SEAL)
OR
(ISSUING AGENT'S DATING STAMP) at _____
(City) (State) (Signature of certifying officer)

(Official designation of officer)

NOTE.—A NOTARY PUBLIC IS NOT AUTHORIZED TO WITNESS AND CERTIFY THIS REQUEST. FOR FURTHER INSTRUCTIONS SEE REVERSE HEREOF.

NOTARY PUBLIC

INSTRUCTIONS TO OWNER

The person signing this request must appear before a designated officer, establish his identity and, in the presence of such officer, sign the request. Authorized certifying officers include post-office officials, officers of banks and trust companies, and officers of any agent authorized to issue savings bonds. This request may also be certified by (1) commissioned officers of the United States Army, Navy, Marine Corps, and Coast Guard, but only for members of their respective services, members of their families, and civilian employees at Posts or Bases or Stations (such certifying officer should indicate his rank and state that the person signing the request is one of the class whose requests he is authorized to certify); (2) the officer in charge of any home, hospital, or other facility of the Veterans Administration, but only for patients and members of such facilities.

INSTRUCTIONS TO CERTIFYING OFFICERS

Certifying officers should require positive identification of the person executing the request for release, and will be held fully responsible therefor. Certification by a post-office official or clerk should be authenticated by a legible imprint of the post-office dating stamp. Certification by an officer of an incorporated bank or trust company or branch thereof should be authenticated by either a legible impression of the corporate seal of the bank or trust company, or, if the bank, trust company, or branch is a qualified issuing agent for bonds of Series E, by a legible imprint of the issuing agent's dating stamp. Certification by any other officer must be authenticated by a legible impression or imprint of his official seal, if he has one, or if an officer of a qualified issuing agent other than a bank or trust company, by a legible imprint of the issuing agent's dating stamp.

NOTE.—A Notary Public is NOT authorized to witness and certify this request except as provided below.

CERTIFICATION IN A FOREIGN COUNTRY

In a foreign country this request for release may be signed in the presence of and be certified by any United States diplomatic or consular representative, or manager or other officer of a foreign branch of a bank or trust company incorporated in the United States, whose signature is authenticated by an impression of the corporate seal or is certified to the Treasury Department. If such an officer is not available, this request may be signed in the presence of and be certified by a notary or other officer authorized to administer oaths, but his official character and jurisdiction should be certified by a United States diplomatic or consular officer under seal of his office.

FACSIMILE OF
WAR SAVINGS BOND SAFEKEEPING RECEIPT

ACCOUNT NO:		WAR SAVINGS BOND SAFEKEEPING RECEIPT		CASE NO.	
(Nontransferable)					
TREASURER OF THE UNITED STATES					
WASHINGTON, D. C.					
DATE OF BONDS	SERIAL NUMBERS	DENOMINATIONS	MATURITY VALUE		
PATENTED					
Received From					
This receipt is to be surrendered when Bonds are withdrawn from safekeeping.					
FORM 5605 (REVISED) TREASURY DEPARTMENT SECURITIES					

BEST DOCUMENT AVAILABLE



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

APRIL 5, 1973

The Honorable
Elmer B. Staats
Comptroller General of
the United States
441 G Street, N. W.
Washington, D.C. 20548

Dear Mr. Staats:

Mr. John Cronin of your office and members of his staff recently brought to the attention of members of my staff, a situation whereby numerous savings bonds purchased by servicemen during World War II are currently being held in safekeeping by the Department of the Treasury. Your representatives contended that many of these veterans were either killed in action, deceased since the war, or otherwise may be unaware of their holdings, and expressed the view that the veterans or their heirs should be notified of the holdings.

We are in full agreement with the position taken by your representatives and to assist in the location of the veterans, I have directed that the veterans' records and related automatic data processing facilities of the Veterans Administration be made available to your representatives as well as representatives of the Department of the Treasury. In this regard, your representatives supplied us with data (name and service number or name only) for 1,857 bond accounts. Our primary identification system, which does not contain addresses, identified veterans' records by VA Claim or VA Insurance Numbers for approximately 1,000 bondholders. Using these numbers we processed these cases through other automated VA files and obtained addresses for 325 live veterans and for 101 veterans' beneficiaries; these 426 cases represent 23% of the total bond account cases supplied to us. We have isolated an additional 740 (40%) inactive claims cases for which addresses, not necessarily current, could be obtained from folders located in our various offices; however, an extensive manual procedure would be required prior to searching for file folders. The test was done by using existing VA programs. There is a possibility of identifying additional cases through other than routine methods.

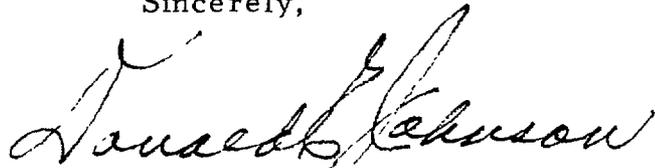
APPENDIX III

The Honorable
Elmer B. Staats

The results of this test show the feasibility of locating these veterans through our automated system. We shall be pleased to provide assistance to representatives of the Department of the Treasury to locate veterans and/or their beneficiaries for whom bonds are being held.

Also you are advised that the Veterans Administration has no legal objection to the General Accounting Office making public the names of the veterans it already has in an effort to locate them.

Sincerely,

A handwritten signature in cursive script that reads "Donald E. Johnson". The signature is written in dark ink and is positioned above the printed name and title.

DONALD E. JOHNSON
Administrator

BEST DOCUMENT AVAILABLE

Department of the Treasury

Internal Revenue Service
Washington, DC 20224

Date:

FEB 21 1973

In reply refer to:

ACTS:A:CP



Mr. Harry C. Kensky
Associate Director, Finance and
General Management Studies Division
General Accounting Office Building
Washington, D. C. 20548

Dear Mr. Kensky:

As a result of the meeting with Messrs. Gerald J. Bialas, Michael Rahl and James Rooney with Service representatives on February 2, 1973, this letter details the agreements reached by which the Internal Revenue Service will assist your people in locating the owners of bonds held in trust by the Treasury Department.

We have a program that your Claims Division utilizes to locate people which can be used in this endeavor. This project (719 - Taxpayer Address Requests) uses the social security number to search our master file and extract the address. Mr. Richard Clark, Chief, Debt Branch Claims Division, is our contact and he can give you further details on this program within GAO.

The possibility of locating someone through our master file is generally limited to those who have filed a return within the past three years. A social security number is required; however, if you have an address which is fairly current, it is possible that we could provide the social security number through our microfilm records in the service centers.

Another possible source is the Social Security Administration. They have sources, such as payroll returns and claimant records, which would help locate those who are not on our files.

It is suggested that the income tax aspects pertaining to these bonds be covered in your correspondence with the owner. Since the individual circumstances are too varied, the best way to handle this is to request that the owners contact IRS for assistance in determining taxability of the interest. Consequently, a statement such as the one on Attachment A should suffice.

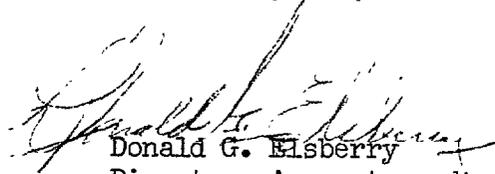
APPENDIX IV

Mr. Harry C. Kensky

Your program to locate the owners of bonds is somewhat akin to our efforts to deliver our "undelivered refund checks". For many years we have provided local newspapers with a list of unlocated taxpayers due a refund. This list includes only the person's name and city and is published by the newspaper as a public service.

This is an endeavor in which we are ready to assist in any manner possible and should you require additional assistance or information please call our Compliance and Special Programs Branch (964-4951).

Sincerely yours,


Donald G. Elsberry
Director, Accounts and
Data Processing Division

Attachment

BEST DOCUMENT AVAILABLE

APPENDIX IV

The interest portion of the bond(s) is taxable income as defined by the Internal Revenue Code. However, since individual circumstances vary you should contact your local Internal Revenue Service office for advice as to how you should treat the receipt and subsequent redemption of the bond(s).

APPENDIX V

PRINCIPAL OFFICIALS RESPONSIBLE FOR ADMINISTERING
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF THE TREASURY: George P. Schultz	June 1972	Present
FISCAL ASSISTANT SECRETARY: John K. Carlock	Mar. 1962	Present
TREASURER OF THE UNITED STATES: Romana Acosta Banuelos	Dec. 1971	Present
COMMISSIONER OF THE PUBLIC DEBT: Hubert J. Hintgen	July 1971	Present