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DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D.C. 20228

MAR 07 2001

RE: FOIA No. 2001-053

We have received your Freedom of Information Act request of November 7, 2000, for a copy of the several sections of the Treasury Currency Verification and Destruction Manual. Enclosed are the releasable portions of the information you requested. Please note that we are not providing those sections that were previously provided to you on February 25, 1997.

Pursuant to the exemption found at 5 U.S.C. 552 b(2), we are withholding several portions of the Manual. This exemption authorizes the protection of internal operating rules, practices, guidelines, and manuals that, if released, might allow the circumvention of a statute or rule. We are also withholding this information under the exemption found at 5 U.S.C. 552 b(8). This exemption authorizes the withholding of information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

If you are dissatisfied with this decision, you may appeal by writing to the Director, Bureau of Engraving and Printing, 14th and C Streets, SW, Washington, DC 20228 within 35 days of receipt of this letter. Both the letter and the envelope should be clearly marked "Freedom of Information Appeal."

Sincerely,

Patricia A. Warden
Disclosure Officer

Enclosure

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL

CHAPTER 1000--INTRODUCTION

SECTION 1000 PURPOSE

1. The Treasury Currency Verification and Destruction Manual (TCVDM) is the official medium through which the Bureau of Engraving and Printing prescribes procedures to be followed by the Federal Reserve Banks and other affected parties when identifying and processing for destruction Federal Reserve notes no longer fit for circulation and accounting for the destroyed notes.
2. The TCVDM also prescribes policies and procedures for advising the general public on redemption of mutilated currency (Chapter 9000) and providing shredded currency for commercial use (Chapter 10000).

SECTION 1010 BACKGROUND

1. The Federal Reserve Banks are required by law to pay for all costs incurred for the issuance and destruction of Federal Reserve notes.
2. Prior to 1966, the Federal Reserve Banks were required to send unfit Federal Reserve notes, cut longitudinally, to the U. S. Treasury for verification and destruction.
3. As the unfit notes increased in volume, so did the Reserve Banks' expense of preparing and shipping the currency to Washington. In order to eliminate this expense and authorize the Federal Reserve Banks to destroy unfit Federal Reserve notes, Congressional approval was required. In 1965, hearings were held before the Senate Banking and Currency Committee to authorize the Federal Reserve Banks to destroy their own unfit currency.
4. On May 20, 1966, Public Law 89-427 (now codified at 12 U.S.C. Section 413) was passed by Congress in which the authority to delegate the destruction of Federal Reserve notes to the Federal Reserve Banks was given to the Secretary of the Treasury. This law stipulated that unfit currency "shall be canceled, destroyed, and accounted for under procedures prescribed and at locations designated by the Secretary of the Treasury...." In the House Report (Banking and Currency Committee) No. 1449, "The Secretary would, of course, remain responsible and accountable."

NUMBERS 5 THROUGH 7 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL

CHAPTER 1000-INTRODUCTION

SECTION 1020 AUTHORITY

1. The procedures set forth are issued pursuant to the authority of the Secretary of the Treasury, under:
 - a. 31 U.S.C. 5120, to cancel and destroy unfit currency;
 - b. 12 U.S.C. 413, to prescribe procedures and designate locations for the cancellation, destruction, and accounting for unfit currency; and,
 - c. 31 U.S.C. 321, to delegate his duties and powers to other Department of the Treasury officers and employees.
2. Accordingly, Treasury procedures to the Federal Reserve Banks governing the destruction of unfit currency are issued by the Chief, Office of Currency Standards (OCS), who has been delegated the responsibilities:
 - a. To prescribe procedures for cancellation, destruction, and accounting for unfit currency, including any modifications for special situations;
 - b. To prescribe instructions to the General Auditors to audit the unfit currency operations;
 - c. To review each Bank for compliance with such procedures;
 - d. To approve all changes in unfit currency perforation formats;
 - e. To approve the specific equipment and software detection modification that can be used for the processing and destruction of unfit currency; and,
 - f. To approve requests for commercial use of shredded currency.

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL

CHAPTER 1000--INTRODUCTION

SECTION 1060 COUNTERFEITS

1. Under the provisions of 31 CFR 100.18 and 100.19, all counterfeit notes, notes with raised denominations, and notes which are otherwise suspect as to their legality shall be stamped or handwritten in plain letters with the word "counterfeit," "altered," or "worthless" upon discovery, except for the following conditions:

NUMBER 1A AND 1B WITH HELD

2. These notes shall not be charged to the account of the Treasury. They shall be stamped and delivered to the local U. S. Secret Service office. A receipt for the notes forwarded to the Secret Service must be obtained.

SECTION 1070 TREASURY AUDITS AND REVIEWS

1070.05 Requirements for Audit

The Office of Currency Standards, Bureau of Engraving and Printing, will conduct audits and reviews of the currency destruction activities at the Banks to assure compliance with the TCVDM either on an announced or unannounced basis (Section 1020, paragraph 2c).

SECTION 1070.10 NUMBERS 1 THROUGH 4 WITH HELD

SECTION 1070.15 WITH HELD

SECTION 1070.20 WITH HELD

SECTION 1070.25 NUMBERS 1 THROUGH 4 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL

CHAPTER 1000--INTRODUCTION

SECTION 1100 INTERACTING/INTERFACING WITH THE FEDERAL RESERVE BOARD OF GOVERNORS, THE GENERAL AUDITORS, THE CASH/FISCAL PRODUCT OFFICE, AND THE CURRENCY TECHNOLOGY OFFICE

1100.05 Federal Reserve Board of Governors

1. The Federal Reserve Board, as overviewer of all Banks for implementation of systematic internal controls, will be consulted on matters of Treasury policy. This is necessary to determine if the Board's requirements are affected.

NUMBER 2 WITH HELD

3. Information provided to Treasury will be strictly maintained on a confidential basis.

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL

CHAPTER 1000--INTRODUCTION

1100.10 General Auditors and the Cash/Fiscal Product Office

1. Treasury consults with the General Auditors and the Cash/Fiscal Product Office (CFPO) regarding granting waivers, improving internal controls, and overall compliance with prescribed procedures.
2. The Office of Currency Standards will provide the General Auditors with guidelines in performing audits and reviews of the unfit currency processing operations. Workpapers relating to the audit and/or review of the unfit currency operations shall be made available to Treasury auditors upon request.
3. The Office of Currency Standards will provide the General Auditors with documentation supporting the results of Treasury audits upon request.

SECTION 1100.15 NUMBERS 1 THROUGH 2 WITH HELD

SECTION 1110 FRB CONCERNS REGARDING U. S. CURRENCY

This section identifies the procedures that a Bank must follow when genuine U. S. currency appears to be creating processing concerns on the

SECTION 1110.05 NUMBERS 1, 1a, 1b and 2 WITH HELD.

1110.10 Point of Contact

1. The Office of Currency Standards is the Bureau's point of contact for suspected defective notes that create processing concerns on the
2. The Bank should contact OCS for further instructions.

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 2000--FEDERAL RESERVE BANK MANAGEMENT RESPONSIBILITIES

SECTION 2030 SPECIAL SITUATIONS

This section describes management's responsibilities and actions to be taken for detailing and reporting infrequent and unusual events not otherwise covered in the TCVDM.

SECTION 2030.05 WITH HELD

SECTION 2030.10 NUMBERS 1, 1a, 1b, 2, 2a, 2b, and 2c. WITH HELD

SECTION 2030.15 A, B, C and D WITH HELD.

SECTION 2030.20 NUMBERS 1, 1a, 1b, 2, 2a, 2b, 2c and 3 WITHHELD.

SECTION 2030.25 NUMBERS 1, 1a, 1b, 2, 3, 4 and 5 WITH HELD.

SECTION 2080 NUMBERS 1 THROUGH 7 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 4000--

SECTION 4120 INSPECTION OF RESIDUE

This section provides guidelines for the inspection of currency shreds shredded by the

SECTION 4120.05 WITH HELD

SECTION 4120.10 A AND B WITH HELD

SECTION 4120.15 NUMBERS 1, 1a, 1b, 1c, 1d, 2 and 3 WITH HELD

SECTION 4140 (ENTIRE SECTION WITH HELD)

SECTION 4140.05 NUMBERS 1, 2, 2a, 2b, and 2c WITH HELD.

SECTION 4140.10 PARTS A THROUGH H WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 7000--APPROVAL FOR CANCELLATION & DESTRUCTION EQUIPMENT

SECTION 7040 VIOLATIONS OF ENVIRONMENTAL QUALITY STANDARDS

A Bank official shall promptly inform the Chief, Office of Currency Standards if the Bank is notified by a governmental agency either Federal, state, or local that the Bank's destruction equipment is or may be violating governing environmental quality standards.

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 8000--PROCESSING CONTAMINATED AND NONMACHINABLE
CURRENCY, DENOMINATIONS HIGHER THAN \$100, & TREASURY CURRENCY

SECTION 8000 SCOPE AND APPLICABILITY

This chapter contains the guidelines and procedures applicable for processing and destroying the following currencies received in incoming deposits:

- a. Contaminated and nonmachinable currency;
- b. Denominations higher than \$100; and,
- c. Treasury currency.

SECTION 8010 CONTAMINATED CURRENCY AND NONMACHINABLE CURRENCY

1. This section provides the procedures for the destruction of contaminated and nonmachinable currency.
2. Contaminated currency is that which has been damaged or exposed to contaminants to the extent that it is extremely difficult to handle and/or poses a health hazard. It cannot be handled under the normal procedures.
3. Contaminated currency may be caused by the following:
 - a. Water, other liquids, or foreign substances which effectively prevent the notes from being cancelled.
 - b. Exposure to sewage.
 - c. Exposure to any substance or disease which may pose a health hazard to Bank employees.
 - d. Removal from a corpse where there may have been a contagious disease.
4. Nonmachinable notes are similar to contaminated currency in that upon receipt at the Bank:
 - a. It is determined to be nonmachinable (refer to definition in Appendix XI);
 - b. It has been damaged or exposed to the elements or chemicals; and,
 - c. Will not transport through the _____ system due to its physical condition or exposure to a substance that may
5. Nonmachinable notes can be canceled and handled without gloves or masks as it is not considered a health hazard.

SECTION 8010.05 WITH HELD
SECTION 8010.10 NUMBERS 1,2, 2a, 2b, 2c and 3 WITH HELD
SECTION 8010.15 NUMBERS 1,2, 2a, 2b, and 3 WITH HELD
SECTION 8010.20 NUMBERS 1 THROUGH 3 WITH HELD
SECTION 8010.25 NUMBERS 1, 1a, 1b, 1c, 1d, 2 and 3 WITH HELD.
SECTION 8010.30 NUMBERS 1 THROUGH 3 WITH HELD
SECTION 8010.35 NUMBERS 1, 1a, 1b, 1c and 2 WITH HELD
SECTION 8010.40 NUMBERS 1 AND 2 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 8000--PROCESSING CONTAMINATED AND NONMACHINABLE
CURRENCY, DENOMINATIONS HIGHER THAN \$100, & TREASURY CURRENCY

SECTION 8010.45 NUMBERS 1 AND 2 WITH HELD
SECTION 8010.50 NUMBERS 1 AND 2 WITH HELD
SECTION 8010.55 WITH HELD
SECTION 8010.60 WITH HELD

SECTION 8020 HANDLING \$500 THROUGH \$10,000 DENOMINATIONS

1. Notes of denominations \$500 through \$10,000 are not to be processed on

NUMBERS 2 THROUGH 4 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 8000--PROCESSING CONTAMINATED AND NONMACHINABLE
CURRENCY, DENOMINATIONS HIGHER THAN \$100, & TREASURY CURRENCY

SECTION 8030 RETIREMENT OF TREASURY CURRENCY

Although it is possible that some currency deposits received by Banks will contain Treasury currencies, all unfit notes, regardless of kind shall be accounted for and destroyed as small size Federal Reserve notes.

SECTION 8030.05 NUMBERS 1 THROUGH 3 WITH HELD
SECTION 8030.10 NUMBERS 1, 1a, 1b, 1c, 2, 3, 4 and 5 WITH HELD.
SECTION 8030.15 WITH HELD

TREASURY CURRENCY VERIFICATION AND DESTRUCTION MANUAL
CHAPTER 8000--PROCESSING CONTAMINATED AND NONMACHINABLE
CURRENCY, DENOMINATIONS HIGHER THAN \$100, & TREASURY CURRENCY

8040 MAILING ADDRESS FOR CURRENCY

The mailing address for currency is:

DEPARTMENT OF THE TREASURY
Bureau of Engraving and Printing
OCS, Room 344 BEPA
Post Office Box 37048
Washington, D.C. 20013

APPENDIX IX IN IT'S ENTIRETY IS WITH HELD