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US THE TREASURY DEPARTMENT

ORIGIN DEVELOPMENT

ORGANIZATION

DIVISIONS BUREAUS AGENCIES

FUNCTIONS

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WITH CHARTS SHOWING
HANDLING OF FUNDS

1942

Contents

(Cover picture of Treasury Building from
drawing by Franklin Booth)

Office of the Secretary
Treasury Department
Washington, D. C.

THE TREASURY DEPARTMENT

Origin in 1776

The United States Treasury Department had its beginnings in 1776, even before the signing of the Declaration of Independence. The Continental Congress by resolution of February 17, 1776, provided "that a committee of five be appointed for superintending the Treasury," and describe the duties of the committee. This resolution had the effect of establishing a "Treasury Office."

Two empowering resolutions, adopted April 1, 1776, completed the foundations for the present Treasury Department with its many and far-reaching functions. One of the April resolutions provided:

"That a Treasury Office of Accounts be instituted and established, and that such office be kept in the city or place where Congress shall from time to time be assembled and hold their sessions, and that the said Office of Accounts be under the direction and superintendence of the standing committee of the Treasury."

Two years later, by resolution dated September 26, 1778, the Congress established the offices of Comptroller, Auditor, and Treasurer; and two Chambers of Accounts, with three Commissioners each, to be appointed annually.

The Comptroller's office was abolished on July 30, 1779, and a new Board of Treasury created, consisting of three Commissioners who were not members of the Congress, and two who were. These five members were elected by the Congress, the former three annually, and the latter two for terms of six months.

Submission to the Congress of a budget, or estimate of public expenses, was one of the Board's duties. Thus organized, the Board of Treasury continued to function until several months after the appointment, September 20, 1781, of Robert Morris as Superintendent of Finance.

Morris Takes Charge

In a resolution of February 7, 1781, the office of Superintendent of Finance was authorized. An ordinance enacted September 11 of the same year designated Commissioners and other finance officers. Superintendent Morris, a signer of the Declaration of Independence, had been a vital factor in financing the Revolution. Morris was called "the financier" in recognition of his abilities. He was the first financial executive of the national Government, and served as Superintendent of Finance from 1781 to 1784, when he resigned.

Another congressional ordinance adopted May 28, 1784, provided for the appointment of a Board of three Commissioners, "to superintend the Treasury and manage the finance of the United States, which shall be styled the Board of the Treasury." Named as Commissioners under this act were John Lewis Gervais, Samuel Osgood and Walter Livingston.

The Constitution of the United States became effective as the basic law of the nation March 4, 1789. The Constitutional Congress on September 2, 1789, at its first session, enacted a law whose object was "to establish the Treasury Department." Section 1 of this law reads in part:

"There shall be a Department of the Treasury in which shall be the following officers, namely, a Secretary of the Treasury, to be deemed the head of the department; a Comptroller, an Auditor, a Treasurer, a Register, and an Assistant to the Secretary of the Treasury, which assistant shall be appointed by the Secretary."

The act specified the duties of each officer designated, and the functions of the Treasury as the department appointed to administer public finance.

Hamilton is Appointed

President Washington appointed the first Secretary of the Treasury. He chose Alexander Hamilton, who had been his aide-de-camp. After the Revolution, Hamilton practiced law in New York. He was a delegate to the Continental Congress, participated in the framing of the Constitution, and advocated its ratification by the States. Hamilton was 32 years old at the time of his appointment. He took the oath of office as Secretary September 11, 1789.

Secretary Hamilton's first Report to the Congress, known now as the Report on the Public Credit, is considered one of the greatest of the public documents that record and represent the development of our governmental system.

Office of the Secretary

The Secretary of the Treasury is the official head of the Treasury Department. Serving under him are the Under Secretary of the Treasury, who is the acting head of the Department in the absence of the Secretary, the Fiscal Assistant Secretary, and two Assistant Secretaries. All are appointed by the President except the Fiscal Assistant Secretary, who is appointed by the Secretary of the Treasury in accordance with civil-service laws.

The Treasury Department embraces a number of agencies, variously known as bureaus, divisions and offices, with duties that in general relate to or derive from the fiscal operations of the Government. These agencies are responsible in their operation either directly to the Secretary, to the Under Secretary, or to one of the Assistant Secretaries, as directed by the Secretary. Each of the Treasury's agencies has its own executive, its own divisions and subdivisions.

The duties first assigned to the Treasury Department were to collect taxes and other revenues; to employ the public credit when tax revenues should be insufficient; to keep the national funds safely and to disburse them on the orders of the Congress under a plan proposed by the first Secretary; to maintain accounts of these transactions, and to keep the Congress informed as to the condition of the Nation's finances.

The Treasury exercises functions committed to it by the Congress in carrying out that body's constitutional responsibility to coin money, and regulate its value and that of foreign coin. The Treasury's stabilization fund exists in furtherance of the duty delegated by the Congress to stabilize and maintain the value of the dollar. Thus, Treasury functions include the duty of recommending to the President and the Congress measures calculated to protect the integrity of the Nation's currency.

The Treasury force at the outset numbered approximately 100 persons. This force was supplemented by collectors of customs and collectors of internal revenue. The personnel of the Department, increasing as the Nation grew from 4,000,000 to more than 130,000,000 people, now numbers about 60,000, one-fourth of whom are employed in the City of Washington and three-fourths in the field throughout the country. An additional 20,000 employes in the Coast Guard became a part of the Navy Department personnel.

The coining of money was an early development of Treasury function. The Civil War period brought the Treasury the task of providing paper currency, then called greenbacks. A direct development from this function was the organization of the Secret Service, to suppress the operations of counterfeiters, who had begun making bogus bills.

Duties are Varied

Early in Treasury history Collectors of Customs were given the duty of collecting fees, for the medical care of seamen, from the owners or master of American ships. The Marine Hospital Service was a development of this action, and this service was the parent of the Public Health Service, transferred in 1939 from the Treasury Department to the Federal Security Agency.

Supervision of the construction of Federal buildings was entrusted to the Treasury Department almost from the Nation's birth. This work went to the new Federal Works Agency under the Government's 1939 reorganization plan.

Treasury Functions

The Treasury's operations may be grouped under six headings:

1. Collection of revenues.
2. Flotation and payment of loans.
3. Custody and disbursement of funds.
4. Supervision of national banks.
5. Issuance and protection of money.
6. Law enforcement and public services.

The grouping of agencies is according to duties, not because of seniority of organization or relative importance. It has no significance except that of utility in telling the story of Treasury organization. Collection of revenues comes first because it was about the first thing that the new department was given to do.

Collection of Revenues

Almost from the start the national Government imposed tariff duties on imports and levied internal taxes. These duties and taxes have been and are its chief sources of revenue. The Customs Service and the Internal Revenue Service developed as separate agencies, each taking care of its own collections.

THE BUREAU OF CUSTOMS, established by Act of Congress in 1927, is an outgrowth of the Customs Service, created in 1789 by the second Act of the first Congress. The Bureau's present form of organization dates from 1912, when several functions then exercised by other divisions of the Treasury were taken over by the Division of Customs in the Secretary's Office. Further changes were made by the Reorganization Act of 1927, when the Division, which itself dated from 1875, became the present Bureau.

The Bureau of Customs' principal functions are the collection of duties levied on imports and the detection and prevention of smuggling, both of commodities subject to duty and of contraband, such as narcotic drugs. The Bureau operates with other Treasury agencies and with other departments and offices of the Government in the enforcement of laws governing imports and exports, entrance and clearance of vessels at seaports, and immigration.

Customs Agency Service

The Customs Agency Service—now known as the Division of Investigations and Patrol—is the Bureau's investigative and law enforcement unit.

The Bureau has headquarters in the Wilkins Building near the Treasury in Washington.

Collectors of Customs, one for each of the 48 customs collection districts, and deputy collectors are in charge at ports of entry throughout the United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

Customs collections reached a high mark of $602,000,000 in 1929, dropped to $251,000,000 in 1933, but have increased in succeeding years. Customs receipts for the fiscal year ending June 30, 1941, were $392,000,000.

THE BUREAU OF INTERNAL REVENUE: The Nation's first internal revenue taxes were those imposed on distilled spirits in 1791. Taxes on carriages followed, and on the sale of spirits, sugar, snuff and other commodities. The Office of the Commissioner of Internal Revenue, heading the service, was created in 1863. The Bureau is the largest Treasury agency, with a personnel of about 30,000, one-sixth in Washington and five-sixths in the field. It has its own building in Washington.

Agencies of the Bureau are the Income Tax Unit, the Accounts and Collections Unit, the Alcohol Tax Unit, the Miscellaneous Tax Unit, and the Intelligence Unit.

The Income Tax Unit supervises administration of the income tax law. The Accounts and Collections Unit supervises the work of the Collectors of Internal Revenue, whose offices are at points convenient to taxpayers, with whom the collectors deal directly. One of this unit's newest and largest tasks is the collection of Social Security taxes. For the Fiscal Year 1941 collections under the Federal Insurance Contributions Act and the Federal Unemployment Tax Act were about $790,000,000, and an additional $137,000,000 was collected from Carriers and their employees.

The Alcohol Tax Unit supervises production of distilled spirits, wines and malt liquors. Its branches are the Permissive Division, which, through inspectors and gaugers, sees that the tax is paid; and the Enforcement Division, whose agents in the field run down illicit stills, apprehend bootleggers and other unlawful operators. The Miscellaneous Tax Unit administers all revenue laws relating to

Federal taxes other than income and Social Security taxes. Its work embraces taxes on liquors, tobacco and a wide variety of commodities, from cosmetics to gasoline. The Intelligence Unit, reporting directly to the Commissioner, handles internal revenue investigation and law enforcement. The unit conducts personnel investigation for all branches of the Treasury.

Internal revenue collections in 1941 reached a peak of $7,370, 108, 377.

FISCAL SERVICE OF THE TREASURY DEPARTMENT

The Fiscal Service of the Treasury Department was established in accordance with Reorganization Plan No. III, which was made effective on June 30, 1940. The Fiscal Service consists of the Bureau of Accounts (formerly the Office of the Commissioner of Accounts and Deposits), the Bureau of the Public Debt (comprising the Public Debt Service and the Division of Savings Bonds), and the Office of the Treasurer of the United States. The head of the Fiscal Service is the Fiscal Assistant Secretary. Under an order of the Secretary of the Treasury, in event of a vacancy in the office of the Fiscal Assistant Secretary, the Under Secretary acts as Fiscal Assistant Secretary and performs all the duties and functions of that office.

The Bureau of Accounts

The *BUREAU OF ACCOUNTS* consists of the immediate office of the Commissioner of Accounts, the Division of Bookkeeping and Warrants, the Division of Disbursement, the Division of Deposits, the Section of Surety Bonds, the Section of Investments, the Budget Section, the Division of Central Accounts, and the Divisio of Emergency Relief Accounts. In connection with all of these the Commissioner of Accounts has supervisory duties.

The *DIVISION OF BOOKKEEPING AND WARRANTS*, in the name of the Secretary of the Treasury, issues all warrants on the Treasurer of the United States; makes analyses of acts of Congress carrying appropriations and maintains the necessary appropriations accounts on its ledgers; issues warrants for placing disbursing funds to the credit of disbursing officers, for the payment by the Treasurer of claims settled by the General Accounting Office, and for covering into the Treasury the revenues and receipts of government. It compiles and publishes an annual digest of the appropriations made by Congress and a combined statement of the receipts and expenditures of the Government.

The *DIVISION OF DISBURSEMENT*, established under Executive Order 6166, dated June 10, 1933, is the central disbursing agency of the Government and disburses all moneys for the Executive Branch, with certain exceptions including the Post Office Department, U. S. Marshals, the Panama Canal and most of the War and Navy Departments. During the fiscal year ended June 30, 1941, the Washington and Regional offices of the Division of Disbursement made over 100,000,000 check payments and over 800,000 cash payments.

The *DIVISION OF DEPOSITS* administers matters relating to the deposit of public moneys and the designation and supervision of nearly 4,000 depositaries throughout the continental United States, territorial possessions, and foreign countries. These depositaries, generally, are designated for the purpose of (1) accepting deposits from Government officers for credit in the account of the Treasurer of the United States; (2) accepting deposits from Government officers for credit in their official checking accounts; (3) furnishing cash for pay roll and other purposes to Government Disbursing Officers; and (4) participating in deposits of public moneys arising from sales of bonds, notes and Treasury certificates of indebtedness of the United States, offered from time to time, as, under the terms of the official offering, may be paid for by credit.

The *SECTION OF SURETY BONDS* is responsible for checking the financial condition of surety companies authorized to transact business with the United States. It determines the underwriting qualification of each company; audits their quarterly financial statements; makes examinations into their financial condition at the home offices wherever necessary; and performs other duties to determine whether the companies observe the requirements of existing law and regulations of the Treasury.

The *SECTION OF INVESTMENTS* keeps the accounts and is charged with work incident to: investment of Government trust funds; indebtedness of foreign governments to the United States Government arising from World War No. 1; railroad obligations acquired by the Government under the Transportation Act of 1920; awards under the settlement of War Claims Act of 1928, the Claims Agreement of October 25, 1934, between the United States and Turkey, and the Act of April 10, 1935, covering claims against the Republic of Mexico; subscriptions to capital stock of governmental corporations; and other related activities.

The *BUDGET SECTION* acts as the operating staff of the Eudget Officer of the Treasury Department in connection with estimates and reports covering the status of Treasury appropriations. It has administrative control over various Special Deposit Accounts of the Treasury, and administers certain appropriations under the Bureau of Accounts.

The *DIVISION OF CENTRAL ACCOUNTS* performs the functions under Executive Order No. 8512, dated August 13, 1940, requiring the Treasury Department to prepare reports with respect to the financial condition and operations of the Government, for the information and use of the President and the Bureau of the Budget; to establish and maintain a complete system of central accounts for the entire Government; and to establish on the basis prescribed in the Order, as amended, uniform terminology, classifications, and standards in connection with such financial reports for the use and guidance of all departments and establishments.

The *DIVISION OF EMERGENCY RELIEF ACCOUNTS* conducts accounting operations under the various emergency relief appropriation acts. The accounts show the status of funds allocated by the President from the appropriations, and periodic reports are prepared showing obligations, expenditures and balances.

Flotation and Payment of Loans

The collection of revenues and the expenditure of moneys by the Government never exactly equal each other. It has been necessary from the Nation's earliest history to meet emergency needs by means of loans, which are repaid when income exceeds expenditure.

THE BUREAU OF THE PUBLIC DEBT is the agency of the Treasury Department that handles Government loans. In addition to its transactions in bonds and other interest-bearing securities, it has custody of the currency, which represents non-interest-bearing debt.

The Division of Loans and Currency receives securities from the Bureau of Engraving and Printing, handles exchanges, transfers, conversions and replacements, and audits redeemed paper currency. The Office of the Register of the Treasury records securities as they are retired.

The Division of Paper Custody superintends the manufacture of the distinctive kinds of paper used for currency and securities, has custody of the paper as it is delivered from the makers, and issues it as required to the Bureau of Engraving and Printing.

The Division of Accounts and Audits keeps books recording the transactions of the Office of the Commissioner of the Public Debt and such related dealings as are conducted by the Treasurer of the United States and by Federal Reserve Banks as fiscal agents of the United States. Accounts are kept of reserve stocks of currency, stamps and securities, and of collateral held in trust.

DEFENSE SAVINGS STAFF, which has charge of promotion of the sale of Defense Savings Bonds and Stamps to the public, was established in March, 1941. Its work was expanded greatly with the entrance of the United States into the war. The staff is housed in the Sloane Building, at 711 Twelfth Street, NW.

Most of the Treasury fiscal agencies have offices in the main Treasury Building. The Treasury Annex houses disbursement operations. Emergency fiscal agencies are in other quarters.

THE TREASURER OF THE UNITED STATES is the official custodian of the nation's money. He receives it from those agencies that collect revenue and negotiate loans. He pays it out on warrants.

Handles Paper Currency

The Treasurer receives from the Bureau of Engraving and Printing new paper currency, and he redeems paper currency unfit for further circulation, including that of the Federal Reserve Banks. The Treasurer issues the Daily Statement of the Treasury and other statements concerning the nation's fiscal position. Divisions and executives of the Office of the Treasurer are the Chief Clerk, Cashier, Division of Securities, Currency Redemption Division, Division of General Accounts, and Accounting Division.

Supervision of Banks

THE BUREAU OF THE COMPTROLLER OF THE CURRENCY is one of the important links between the Treasury Department and the Nation's banking system. The Bureau was established at the time of the Civil War to carry out legislation which authorized the issuance of national bank notes secured by Government bonds. National bank notes are no longer issued, because of the expiration, July 22, 1935, of the circulation privilege that had been conferred on United States bonds. The principal duty of the Comptroller of the Currency is the supervision of national banks. There is maintained in each Federal Reserve District a Chief Examiner's Office with a corps of examiners, assistants and clerks to make the periodical examination of national banks.

The Comptroller has the sole power to charter national banks. He is responsible for approving consolidations of national banks and of state banks with national banks; for the supervision of banks which have gone into voluntary

Numeral 7 shows covering warrants being posted to the Uncovered Moneys account maintained at the control desk in the Receipts Section, and *numeral 8* shows the control desk rendering certain monthly statements of coverings to the Treasurer of the United States for use in connection with the Daily Statement of the United States Treasury.

Numeral 9 shows the various records which are prepared in connection with the covering warrant already described. As previously mentioned, the form of the covering warrant (B), the departmental list (10), the depositors' register (11), the repayments to appropriation register (12), and the revenue ledger (13) are all ruled exactly alike.

These records tie into other records. By reference to *numeral 14* at the top left of the chart, it will be observed that a copy of the certificate of deposit issued by the collecting officer in the field is sent to his superior officer in Washington, called the "administrative officer".

By reference to *numeral 15* it will be noted that the Departmental Deposit List issued by the Treasury is sent to the same office. This step serves two purposes: First, it informs the administrative department or agency concerned of the formal covering of money into the Treasury; and second, it operates as a check by the administrative office upon both the collecting office and the Treasury. Now, by reference to *numeral 16* (at the center of the Treasury Building), it will be observed that copies of the depositors' register (11), the repayments to appropriation register (12), and the revenue ledger (13) are sent to the General Accounting Office. It will also be observed that collection schedules (*numeral 17* at top center) are sent to the General Accounting Office by the collecting officer, providing an additional check upon the covering of money into the Treasury.

The Repayments to Appropriation Register (12) is totaled for each appropriation account and is sent to the Appropriation and Expenditure Section of the Division of Bookkeeping and Warrants where the items are posted to the proper appropriation accounts in the appropriation ledgers.

General, Special, and Trust Accounts

The accounts in the revenue ledger (13) consist of general accounts (18), special accounts (19), and trust accounts (20).

Although the Federal Government has, in the popular sense, three different funds, namely, general, special, and trust, actually all moneys are deposited in the General Fund. Within the General Fund, however, are general, special and trust accounts.

The general accounts represent moneys which are not designated by the Congress for specific uses. They consist principally of income taxes, duties on imports, miscellaneous internal revenue, and collections from miscellaneous sources such as fees, fines, penalties, forfeitures, sales of Government property, and so forth.

Special accounts (19) represent moneys which the Congress appropriates for specified uses in advance of their collection.

The term "trust accounts" is self-explanatory. These accounts include the Government life insurance fund, various retirement funds, Indian tribal funds, and many others.

On the basis of the receipts in special accounts (19) and trust accounts (20), there is prepared an appropriation warrant (22) for the purpose of establishing the related appropriation accounts and making the money available for authorized uses. Such warrants, after being countersigned in the General Accounting Office, are posted to the detailed appropriation accounts in the appropriation ledgers as indicated on the chart.

Receipts from the sale of public debt obligations are indicated by *numeral 21*. They are commingled in the general fund with other receipts and may be used only to meet authorized expenditures pursuant to appropriations made by the Congress. A separate public debt account is maintained, showing with respect to each security the total amount issued (receipts), the amount retired (expenditures), and the amount outstanding.

Appropriations and Expenditures

Under the Constitution no money may be drawn from the Treasury except pursuant to an appropriation made by law. Accordingly, the accounting relating to the expenditure of money begins with the appropriation of money by the Congress at D, in the upper right-hand corner of the chart.

Appropriations are of four general types, (1) annual, (2) permanent indefinite, (3) permanent specific, and (4) continuous.

Annual appropriations, provided in the several departmental supply bills, are voted each year by the Congress. They may be obligated only during the fiscal year for which made, but the unexpended balances remain on the books of the Treasury for two additional years to meet outstanding obligations.

Permanent appropriations, on the other hand, are available year after year without annual action of the Congress. They may be either definite or indefinite as to amount. An example of the latter is the permanent indefinite appropriation for payment of interest on the public debt which gives the Secretary of the Treasury continuing authority to pay interest as it falls due.

A permanent specific appropriation is one where the Congress appropriates a specific amount more or less permanently for a number of years. For example, the Congress may make a limited appropriation, say, of a million dollars a year for each of five years. In such a case the Treasury would set up an appropriation account of a million dollars at the beginning of each fiscal year for the five years without annual action by Congress. Or, it may appropriate a specific amount permanently without limitation as to time.

Then again, the Congress may make an appropriation in a specific amount to be available until expended. These are called continuous or "no-year" appropriations. That is, they do not lapse at the end of the fiscal year.

In a limited number of cases (such as good roads and public buildings) Congress authorizes the entering into of contracts to be paid from future appropriations.