



Office of the General Counsel

B-254385

March 22, 1994

Dr. Neal F. Lane  
Director, National  
Science Foundation  
4201 Wilson Blvd.  
Arlington, VA 22230

Dear Dr. Lane:

This responds to the July 28, 1993 request from the former Acting Director, National Science Foundation (NSF), asking that we relieve Mr. \_\_\_\_\_, certifying official, from liability in the amount of \$115,691 resulting from an erroneous payment. For the reasons stated below, we grant relief.

The erroneous payment at issue occurred due to a mistake by an NSF program officer. In December 1990, when NSF awarded a contract to the Aerospace Corporation, the cognizant program officer mistakenly recorded the institution code of another contractor, the Aerospace Research Corporation, onto the agency's Action Processing Form. This form provides a record of NSF action on contract proposals. It is a source of information for NSF's Financial Accounting System, an automated payment system. Consequently, the program officer's mistake was compounded when the erroneous code was entered from the Action Processing Form into the payment system.

According to an agency official, the Aerospace Corporation submitted its voucher requesting payment after completing performance under the contract in June 1991. In accordance with NSF procedure, the program officer, upon receipt of the voucher, verified that the work had been completed, and then forwarded the voucher to a voucher examiner. The voucher examiner reviewed the voucher and contract file to ensure that payment under the voucher complied with the terms of the contract. The voucher examiner then entered the contract number and payment amount into the Financial Accounting System.

Upon entry of the contract number, this system automatically retrieves payee names and addresses based on the institution code entered previously, and prepares a magnetic payment

tape for all payments posted and due. The tape is transmitted to the certifying officer along with the payment voucher. Since in this case the Financial Accounting System contained the wrong institution code, it prepared a payment tape directing payment to the "Aerospace Research Corporation" instead of the "Aerospace Corporation" as stated on the voucher.

Under NSF procedure, neither the voucher examiner nor the certifying officer were in a position to notice the discrepancy. Because a contractor's address does not appear on the payment screen, the voucher examiner, when he entered the contract number and payment amount into the system, did not detect the program officer's error. According to NSF, the certifying officer, under NSF procedure, examines the payment tape only to ensure that the total amount to be paid matches the amount on the voucher; he does not verify the accuracy of the payee's name and address. Because the certifying officer processes between 3,000 and 4,000 payments per month, agency procedures do not require that he compare the information on each Action Processing Form against the information on the voucher. Instead, he is permitted to rely on the automated system and the personnel who process individual transactions. In this case, after making sure that the amount was computed accurately and that an appropriation was available for the payment, the certifying officer certified the erroneous payment along with the numerous proper payments on the tape.

NSF discovered the error in November 1991 when a representative of the Aerospace Corporation called Mr. [redacted] to inquire as to the status of the company's payment. NSF immediately took corrective action by issuing a check to the Aerospace Corporation and sending a collection letter to the Aerospace Research Corporation demanding the return of the \$115,691. Despite its efforts, NSF was not able to collect the outstanding amount, and the Aerospace Research Corporation has since filed for bankruptcy. Although the agency has referred its claim to the U.S. Attorney's Office in Roanoke, Virginia for prosecution, an NSF official informed us that the agency has not yet received a response from the office.

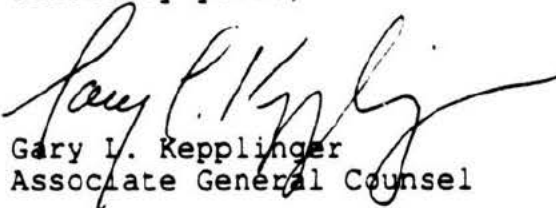
Under 31 U.S.C. § 3528(a), a certifying officer is responsible for repaying a payment that is illegal, improper or incorrect because of an inaccurate or misleading certification. This Office has authority under 31 U.S.C. § 3528(b)(1)(A) to relieve a certifying officer from liability when we find that the certification was based on official records and the officer did not know, and by

reasonable diligence and inquiry could not have discovered, the correct information. B-237419, Dec. 5, 1989.

Based on the record before us, we conclude that Mr. exercised reasonable diligence in certifying the payment. Because of the high volume of payments, it would be an undue burden to require the certifying official to examine the supporting materials of each payment. See B-246415, July 28, 1992. GAO's Policy and Procedures Manual for Guidance of Federal Agencies recognizes the impracticality of requiring accountable officers to examine, personally, each transaction in a situation such as this, and advises that accountable officers may rely on the adequacy of automated systems and controls and the personnel who operate these systems and process individual transactions. GAO, Policy and Procedures Manual for Guidance of Federal Agencies, tit. 7, § 7.2(A) (TS No. 7-43, May 18, 1993). Here, the improper payment occurred because the certifying officer relied on the accuracy of the magnetic payment tape. The record does not suggest that Mr. had any reason to suspect a failure in the NSF system and procedures. Accordingly, we grant relief. We would suggest, however, that NSF continue all reasonable efforts to collect the improper payment from the Aerospace Research Corporation, including the possibility of assistance from the U.S. Attorney's Office.

We, also, commend NSF's effort to eliminate the possibility of incurring the same sort of error in the future. Because the agency had no written policies or procedures for validating institution codes on the Action Processing Form, it had no established mechanism for discovering and correcting wrong institution codes before submission of payment vouchers to the certifying officer. NSF now has established procedures which require the voucher examiner to compare the company's name and address as it appears on the Action Processing Form and in the Financial Accounting System against the name and address appearing on the voucher. It does not expect such errors to occur in the future.

Sincerely yours,

  
 Gary L. Kepplinger  
 Associate General Counsel