GAO

United States
General Accounting Office
Washington, D.C. 20548

Office of the General Counsel

B-241201

April 15, 1992

Joseph J. Wood
Acting Administrator
Panama Canal Commission
Office of the Administrator
Unit 2300
APO AA 34011

Dear Mr. Wood:

This responds to your request of October 22, 1991, for reconsideration of our decision to deny relief to four accountable officers of the Panama Canal Commission (Commission) for losses in their accounts that occurred during the 1988 Panama banking crisis. B-241201, Aug. 23, 1991. , Assistant Treasurer, had a loss of $9,119.82; , Teller, had a loss of $1,133.31; , Contract Teller, had a loss of $1,120.01; and , Teller, had a loss of $946.24. On the basis of the new evidence you have submitted, our initial decision in this matter is reversed and relief is granted.

On March 3, 1988, Panama's Banking Commission ordered the immediate closure of all banks in Panama, including the local branches of the two U.S. based banks used by the Commission to conduct its financial business. To accommodate its needs during the banking crisis, the Commission arranged a bank account through the military's banking facility and decided to cash checks for its employees and federal retirees living in Panama.[1] A financial audit of the Commission's accounts revealed unexplained shortages in four accountable officers' accounts. We denied relief to the four accountable officers because the record submitted indicated that substantially all of the shortages occurred after June 1, 1988, the date when, the record asserted, the Commission had restored

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[1]This decision to offer replacement banking services resulted in a dramatic increase in the volume of cash handled by the Commission. Your recent submission indicates that this increase has continued well after the crisis; from October 1990 to the present, for example, the Commission's "check cashing volume is still 3 to 4 times that of pre-crisis."

control over its funds. We advised, however, that we would reconsider our denial of relief upon presentation of evidence that the funds lost after June 1, 1988 were not properly secured.

Your October 22 letter provides such evidence. You state that "although the Treasurer's Office reinstated the policy of each teller storing his cash in an individual safe, cash continued to be stored outside safes . . . when large amounts of currency were brought in on paydays."[2] Your letter also states that more than one person had keys to the vault's walk-in cage where the cash was stored until August 28, 1989, when the lock was changed. You point out further that "the tellers still did not make their deposits intact and, most importantly, did not have exclusive control over their cash equivalents which were turned over to a central collection point (the Assistant Treasurer), and then handled by several employees." The practice of allowing employees other than the tellers to remove checks from the tellers' cage and tabulate them was, you argue, "unavoidable under the crisis circumstances." It was apparently not until October 15, 1990, that tellers resumed exclusive control over their funds.

We have long held that when more than one person has access to funds, as is evidenced by your October 22 letter, it is impossible to place responsibility for a loss on any one individual. B-229778, Sept. 2, 1988; B-227714, Oct. 20, 1987. Furthermore, there is no evidence of contributing negligence on the part of any one accountable officer. B-217945, July 23, 1985. We therefore reverse our initial decision in B-241221, Aug. 23, 1991, and grant relief to the four accountable officers. You should charge the loss to the current year's appropriation as provided in 31 U.S.C. § 3527(d)(1)(b) (1988). We remain concerned, nonetheless, that from March 3, 1988 until October 15, 1990, a period of

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[2]You noted that cash was stored outside the accountable officers' safes due also to a large coin purchase on June 1, 1989. This fact is not relevant to your request for relief, however, since the record states that substantially all of the shortages occurred well before the June 1989 coin purchase.

almost two and a half years, employees charged with the custody of government funds at the Commission did not have exclusive control over their funds as is fundamental to sound cash control practices. We trust that this situation is now fully remedied.

Sincerely yours,

Gary L. Kepplinger
Associate General Counsel