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Accountability * Integrity * Reliability

**Comptroller General
of the United States**

**United States Government Accountability Office
Washington, DC 20548**

Decision

Matter of: Coast Guard—Electronic Certification Procedures

File: B-302789

Date: July 6, 2005

DIGEST

1. Under the Coast Guard Finance Center's electronic certification system, the same certifying officer who approves the transmission of schedules of vouchers to Treasury for disbursement may also have certified individual vouchers included in the schedule. The government's risk of loss due to error, waste, or wrongful act is not jeopardized by a certifying officer's confirmation of totals on the schedule of vouchers that may include vouchers he or she individually certified.
2. A certifying officer who approves a schedule of payments transmitted to Treasury for disbursement is responsible only for errors made in the processing of the voucher schedule.

DECISION

The Commanding Officer of the U.S. Coast Guard Finance Center (Center) has requested our decision regarding appropriate separation of duties for the electronic certification procedures used by the Center for certifying and transmitting vouchers to the Department of the Treasury for payment. Letter from Captain Loren P. Tschohl, Commanding Officer, U.S. Coast Guard, Finance Center, to Tom Armstrong, U.S. Government Accountability Office, March 16, 2004 (Tschohl Letter). Currently, the Center transmits a schedule of vouchers to Treasury for payment, and a Center certifying officer confirms the total number of vouchers, and the total amount of these vouchers, listed on the schedule. Occasionally, that certifying officer may also have certified individual vouchers listed in the schedule. We conclude that the Center is not required to separate the function of certifying individual vouchers from the function of confirming the total number of vouchers. As explained below, the former function is a certification function to which pecuniary liability attaches. The latter is simply a check permitting Treasury disbursing officers to disburse without having to examine each voucher—it is evidence that the disbursement amounts

processed by Treasury agree in summary with the voucher amounts submitted by the Coast Guard.

BACKGROUND

The Coast Guard Finance Center (Center) certifies invoices and transmits electronic files of those invoices to the Department of the Treasury for payment. Under the Center's procedures, numerous authorized certifying officers (ACO) individually certify hundreds of invoices for payment daily. Tschohl Letter. These certified invoices are entered into the Coast Guard's core accounting system, Oracle Financials. *Id.* Each day a person from the Center's Systems Division generates what the Coast Guard calls a "payment file" from Oracle Financials based on invoice payment dates. *Id.* The payment file lists certified vouchers scheduled for payment on a given date. The payment file is electronically transmitted to Treasury on the day before the payment date. *Id.*

Approximately 30 to 45 minutes following transmittal, Treasury sends to the Center something it calls a pre-edit report. Tschol Letter. The pre-edit report shows the total number of payments and the total dollar amount of payments that Treasury received electronically from the Center. Letter from Loren P. Tschohl, Captain, U.S. Coast Guard, to Thomas H. Armstrong, Assistant General Counsel for Appropriations Law, August 19, 2004 (Second Tschol Letter). The Center checks Treasury's pre-edit report totals against the totals sent by the Center. *Id.* If the pre-edit report totals match the totals that the Center sent to Treasury, a Center accounting technician enters the certified invoices that were listed in the payment file into Treasury's electronic certification system (ECS). A certifying officer, who may have certified individual invoices, checks the total number of invoices and the total payment amount as entered by the accounting technician to be sure that these totals match the totals of the Treasury pre-edit report. The officer then approves transmission to Treasury for disbursement. Tschohl Letter; Second Tschohl Letter.

The Coast Guard asks whether its process for making payments provides appropriate separation of duties; under this process, an individual who approved a payment file containing a list of invoices for transmission to Treasury for payment may also have certified payment invoices contained within the payment file he approves. Tschohl Letter.

ANALYSIS

In a 1975 decision, we addressed a payment process, not unlike Coast Guard's, involving two certifying officers and transmission to Treasury of a schedule of vouchers rather than individual vouchers. 55 Comp. Gen. 388 (1975). In that case, under an interagency agreement between the General Services Administration (GSA) and the Occupational Safety and Health Review Commission (Commission), GSA transmitted, on the Commission's behalf, a schedule of the Commission's vouchers to Treasury for payment. The schedule was a summary of the vouchers individually certified by Commission certifying officers; the schedule was signed by a GSA

certifying officer. We said “that once there has been certification by an authorized official, later administrative processing of vouchers does not constitute certification for purposes of liability...” *Id.* at 390.¹

Although the payment process here involves two certifying officers from the same agency (Coast Guard), rather from two different agencies as was the case in the 1975 decision, the role of the Center’s certifying officer who approves the payment file is not materially different from the role of the GSA certifying officer discussed in our earlier decision. The Center’s certifying officer is not certifying the individual vouchers for payment; he is verifying that the total dollar amount of the vouchers and the total number of vouchers that Treasury said it received are equal to the total dollar amount of the vouchers and the total number of vouchers in the payment file that the Center sent. The payment file is merely a summary of the vouchers transmitted to Treasury. The Center’s certifying officer has no ability to alter any information in the file or access any of the underlying information, including the individual payment vouchers themselves. Second Tschohl Letter. This approval, an element in the Center’s administrative processing of vouchers, is designed only to ensure that summary totals in the data the Center sends and the data that Treasury receives are the same.

Agency internal control procedures should provide for separation of duties to reduce the risk of error, waste, and wrongful acts. 73 Comp. Gen. 97, 98, n. 5 (1994) (certifying activity should not normally originate the supporting documentation used to certify payments). The GAO *Policy and Procedures Manual for the Guidance of Federal Agencies* explains the separation of duties requirement as follows:

“To the extent practicable, operations should be separated to reduce risk of error, waste, and wrongful acts. In automated systems, a separation of duties should be achieved by the assignment of different responsibilities by function. . . .”

GAO, *Policy and Procedures Manual for Guidance of Federal Agencies*, title 7, chap. 6, § 6.6.B. (Washington, D.C.; May 18, 1993).

The rationale underlying this requirement is that separating duties serves to deter wrongful acts such as fraud because their successful execution would require collusion between or among two or more persons. *See generally*, B-214446, Oct. 29, 1984. Further, it places one person in the payment process in position to detect any errors in the work of another with responsibilities in the process. In this regard, the GAO *Standards for Internal Control in the Federal Government* states,

“Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This

¹ *See also* B-124380, Mar. 30, 1960.

should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.”

GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: Nov. 1999).

Coast Guard incurs no additional risk of error, waste, or wrongful act when a Coast Guard certifying officer, who may have certified individual vouchers listed in a payment file, confirms the totals in the payment file transmitted to Treasury. Significantly, the certifying officer is unable to alter any information in the file or in any voucher listed in the file. The certifying officer’s “approval” simply confirms, for Treasury, that the total number of vouchers, and their amount, that Treasury received matches what Coast Guard sent. Consequently, because Coast Guard’s current process does not expose it to additional risk of error, waste, or wrongful act, Coast Guard need not revise that process.²

CONCLUSION

Separating the duties of certifying individual vouchers from confirming the summary totals of a schedule of vouchers is not necessary. The former function is a certification function to which pecuniary liability attaches. The latter function is nothing more than a check permitting Treasury disbursing officers to disburse without having to examine each individual voucher listed in the schedule. When simply confirming for Treasury the summary totals of a schedule of vouchers, the certifying officer has no ability to alter any information in the individual payment vouchers themselves. Consequently, notwithstanding that the individual who confirms the totals also may have certified one or more vouchers listed in the schedule, separating responsibility for the two functions would not reduce the government’s risk of loss due to error, waste, or wrongful act.

/signed/

Anthony H. Gamboa
General Counsel

² In this regard, see 1 TFM 4-2040.10 (Feb. 1998) (addressing the liability of a certifying officer who certifies a schedule of vouchers). Treasury officials have advised us informally that this section is in accord with 55 Comp. Gen. 388 (1975). Telephone conversation between Margaret Marquette, Chief Counsel, FMS and Thomas Armstrong, Assistant General Counsel, Government Accountability Office (May 15, 2005).