

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D. C. 20548**

FILE: B-216246

October 2, 1984

DATE:

MATTER OF: Request for Advance Decision from Army
Finance and Accounting Officer

DIGEST:

Where assignment was properly executed and notice given in accordance with statutory requirements, the assignee is entitled to payment. Obligor (United States in this case) which had notice of valid assignment and, nevertheless, paid assignor is liable to the assignee for amount of erroneous payment.

The Finance and Accounting Officer (FAO), Headquarters Tobyhanna Army Depot (TOAD), Tobyhanna, Pennsylvania, requests an advance decision in connection with an erroneous payment of contract funds to a contractor, Navigation Systems, Inc. (NSI), which had assigned these funds to the Lorain National Bank (Lorain) pursuant to the Assignment of Claims Act of 1940, as amended, 31 U.S.C. § 3727, 41 U.S.C. § 15 (1982).

On May 31, 1984, the FAO paid contract proceeds of \$12,459.72 to NSI under TOAD contract No. DAAG-38-84-M-0854. Subsequent to this payment, the FAO discovered that the contract file contained a notice of assignment executed by an NSI official, and acknowledged by the contracting officer on April 30, 1984, assigning to Lorain \$12,350 and any additional proceeds which might become payable later. By the instrument of assignment, NSI and Lorain agreed that Lorain was to deposit the contract proceeds into the account of Western Reserve Tool and Machine Company (Western), a subcontractor to NSI. To date, the Army has attempted, without success, to recoup the \$12,459.72 from NSI.

In his request for an advance decision, the FAO asks the following questions:

"a. Is this Office . . . obligated to make . . . payment to [Western]?"

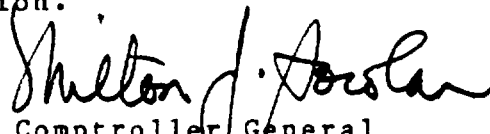
"b. Is this Office obligated to make an additional payment to the assignee, [Lorain], or, since this Office has already made

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payment to [NSI], is it not [NSI's] responsibility as the assignor to forward that payment to [Lorain]?"

In regard to the questions asked, Lorain is entitled to a payment of \$12,459.72, since, as indicated in the request, the assignment was executed and notice given in accordance with statutory requirements. It is well settled that once an obligor (the United States in this case) has notice of a valid assignment, as in the present case, it pays the assignor at its peril and is, therefore, liable to the assignee for the amount of the erroneous payment. See Central Bank of Richmond, Virginia v. United States, 91 F. Supp. 738 (Ct. Cl. 1950); Joseph Slep, B-206799, Apr. 21, 1983, 83-1 C.P.D. ¶ 426; Request for Advance Decision from Army Finance and Accounting Officer, B-206902, June 1, 1982, 82-1 C.P.D. ¶ 511. The government's obligation under the assignment is to the assignee, Lorain, not to Western. The government is a stranger to any third-party contractual arrangements between the assignee and Western. Joseph Slep, B-206799, supra.

Finally, the Army should continue its efforts to collect the money erroneously paid NSI. In this connection, we refer to the Federal Claims Collection Standards at 4 C.F.R. § 101 et seq. (1984), which set forth the procedures for government collection action.

for 
Comptroller General
of the United States