



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

Office of the General Counsel

B-248517

October 20, 1992

Mr. Jerry Coleman
Acting Director
Defense Finance and Accounting Service
Denver, Colorado 80279-5000

Dear Mr. Coleman:

This responds to your request that we relieve Lieutenant Colonel [redacted] Accounting and Finance Officer (AFO), Tinker Air Force Base, and his subordinate officers from liability for improper payments totaling \$20,875.42. For the reasons stated below, we grant relief to Colonel [redacted] and the cashiers who made the improper payments.

BACKGROUND

The improper payments were made through the Tinker Air Force Base Hospital Imprest Fund to a hospital employee who submitted 101 purchase orders and accompanying invoices that had been altered. The imprest fund is used by medical logistics, USAF hospital for small dollar purchases of medical related items. The improper payments which occurred from December 1989 through August 1990 resulted from a fraudulent scheme carried out by a hospital employee, Ms. [redacted]. The scheme involved altered and forged purchase orders and invoices that were presented to the imprest fund cashier for cash to allegedly pay a vendor. Ms. [redacted] then retained the cash.

During the Air Force's investigation, the individual who made the fraudulent claims admitted her sole responsibility for the fraudulent acts. The Air Force states that there was no involvement on the part of any Air Force personnel or the imprest fund cashier and alternate.

DISCUSSION

In cases such as this one, both the person in whose name the account is officially held, Lieutenant Colonel [redacted], and the cashiers who made the improper payments, are liable as disbursing officials for the amount of the improper payments. Under 31 U.S.C. § 3527(c), we may relieve a disbursing officer from liability for a deficiency resulting from an improper payment if we determine that the payment

was not the result of bad faith or lack of reasonable care by the disbursing officials. 62 Comp. Gen. 476, 478 (1983); B-229827, January 14, 1988. The good faith and reasonable care of a supervisory disbursing official is shown by evidence that the supervisor maintained adequate procedures and controls to avoid errors and safeguard the funds, and took steps to ensure the system's implementation and effectiveness. B-232575, Nov. 8, 1990. The good faith and reasonable care of the persons who made the payments can be shown by evidence that they complied with established procedures and that nothing occurred which should have made them suspicious of the fraud. B-239154, Nov. 30, 1990.

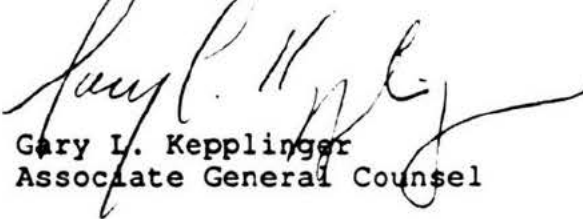
The supporting documents establish that Lieutenant Colonel [redacted] implemented and maintained an adequate system of controls over C.O.D. (cash on delivery) payment procedures and that the improper payments were not the result of bad faith or lack of due care. At the time of the improper payments, internal control procedures for executing an imprest fund buy required that if the purchase is arranged as a C.O.D., the item will be delivered to the local purchase section and the local purchase personnel will obtain the cash from the Resource Management Office (RMO) and have the delivery person date and sign for cash received. The agency has informed us that it was standard practice to advance cash to local purchase personnel such as Ms. [redacted] to pay to the delivery person and to have the delivery person date and sign for cash received. Ms. [redacted] was then required to turn in the signed receipt to the imprest fund cashier who worked in the RMO. The agency states that Ms. [redacted] did in fact turn in dated and signed receipts but had forged delivery persons' signatures¹. Since there is no indication of bad faith or a lack of due care on the part of Lieutenant Colonel [redacted] we grant him relief under 31 U.S.C. § 3527(c) from liability for the loss. We also grant relief to the cashiers who made the payments since the evidence shows that they complied with established procedures and that nothing occurred which should have made them suspicious of the fraud. B-239154, Nov. 30, 1990.

The record indicates that a request for recovery of the debt due the United States has been filed against Ms. [redacted] Civil Service Retirement Account. According to the Office of Personnel Management, the account contains \$8,730.92 and that collection cannot be made until Ms. [redacted] applies to withdraw the contributions or claims an annuity. The record

¹The voucher processing procedures have been modified since the theft in question to ensure that all payments are supported with original documentation. This should help prevent the recurrence of similar thefts in the future.

indicates that a Federal court found Ms. guilty of embezzlement but that restitution in excess of the funds in her Civil Service Account was not ordered due to her inability to pay. After reviewing the judgment and order for restitution, the Air Force decided that although it has authority to pursue collection action against Ms. for the difference of \$12,144.50 (\$20,875.42 debt less \$8730.92 in Black's retirement account), the enforcement of this authority would not be practical or in all likelihood productive. Therefore, the Air Force does not intend to take any further collection action. In the event Ms. financial circumstances improve to the point where collection would in all likelihood be productive, additional collection action should be reinstated.

Sincerely yours,



Gary L. Kepplinger
Associate General Counsel

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DIGEST

U.S. Air Force finance officer and subordinate cashiers are granted relief from liability under 31 U.S. 3527(c) for improper payments totaling \$20,875.42 where the finance officer maintained and supervised an adequate system of procedures designed to prevent such improper payments and the cashiers complied with the established procedures. The improper payments resulted from criminal activity over which the finance officer had no control. The offender presented altered and forged purchase orders to the cashier for cash to allegedly pay a vendor but in fact retained the cash.