



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

Office of the General Counsel

B-239724

October 11, 1990

Anthony A. Dudley
Associate Comptroller
Financial Operations
Department of State
Washington, D.C. 20520

Dear Mr. Dudley:

By letter of May 21, 1990, you asked that we relieve [redacted], Principal Class "B" Cashier, in the United States Embassy in Nicosia, Cyprus of liability for a shortage of \$1,000 due to his acceptance of ten counterfeit \$100 bills. For the following reasons, we grant relief. However, we cannot, at this time, authorize charging the proper appropriation with the cost.

The record indicates that ten counterfeit \$100 bills were apparently received by [redacted], Class B Cashier, U.S. Embassy, Beirut, Lebanon. The origin of the counterfeit bills is unknown.^{1/} On September 6, 1989, a decision was made to evacuate Americans from Beirut to Larnaca, Cyprus. The Administrative Counselor in the Beirut Embassy took the entire amount of U.S. dollars on hand in the cashier's safe (\$324,886.45) with him to Beirut. On the next day, September 7, 1989, the funds were turned over to Mr. [redacted] in Nicosia. He safeguarded these funds in his safe separately from other moneys. On September 11, \$200,000 of those funds were deposited in the Popular Bank of Cyprus and transferred to the American Express Bank, Beirut, to cover the Beirut Embassy's payroll. No counterfeit currency was found among these bills. On September 26, the remaining funds were turned over to the Cyprus Popular Bank and a cashier's check was obtained. The Popular Bank of Cyprus

^{1/} The record reflects that there are several sources from which the U.S. Embassy cashier in Beirut receives U.S. currency. The majority of the Embassy's U.S. currency is received from the American Express Bank, Beirut, to cover payroll and cash payment requirements. U.S. dollars are also received for accommodation exchanges from American and Foreign Service Nationals. Moreover, in March/April of 1989, when the American Express Bank, Beirut, did not have enough U.S. dollars for the Embassy, \$414,000, all in \$100 bills, was brought into Beirut by a State Department officer. Those bills were obtained from the Bank of Cyprus.

remitted the hard currency to the Swiss Bank Corporation, Bern, Switzerland, which discovered that ten \$100 bills were counterfeit.^{2/} On October 10, 1989, the Cyprus Popular Bank was notified of the counterfeit bills and on October 17, 1989, the Nicosia Embassy cashier reimbursed the Cyprus Popular Bank \$1,000 to replace the counterfeit currency. Thus, Mr. [redacted] account is short \$1,000.

Under 31 U.S.C. § 3527, our office is authorized to relieve accountable officers of liability for a physical loss of government funds if we concur in the determination by the head of an agency that: (a) the loss occurred while the officer or agent was acting in the discharge of his or her official duties and (b) there was no fault or negligence on the part of the cashier which contributed to the loss. We have held that a deficiency in an accountable officer's account resulting from the acceptance of counterfeit currency constitutes a physical loss. See B-101301, July 19, 1951. Although the acceptance of a counterfeit note may not amount to negligence if the counterfeit is not readily detectable (B-140836, Oct. 3, 1960; B-191891, June 16, 1980), if the quality of the counterfeit is such that a prudent person in the same situation would question the authenticity of the bill, relief should not be granted. B-163627-O.M., Mar. 11, 1968; B-155287, Sept. 5, 1967. Also, failure to check a bill against a posted list of serial numbers of counterfeit bills will generally be viewed as negligence. B-155287, Sept. 5, 1967.

Although the record does not indicate that Mr. [redacted] was given a list of serial numbers of counterfeit \$100 bills by the cashier in Beirut, he did separate the Beirut funds from those already in the safe and, with the assistance of the bank teller in Nicosia, recorded the serial numbers of all of the one hundred dollar bills of the funds that were to be transferred to the Swiss Bank. Moreover, the record reflects that neither the Embassy Cashier in Beirut, nor the teller in the Popular Bank of Cyprus recognized the bills as counterfeit. Our inspection of the copies of the bills in question leads us to agree with your finding that the bills were not readily detectable as counterfeit and that the cashiers, in particular Mr. [redacted], had no apparent reasons to have been suspicious of them. Thus, a routine count to verify the amount in the imprest funds would not have disclosed the counterfeits.

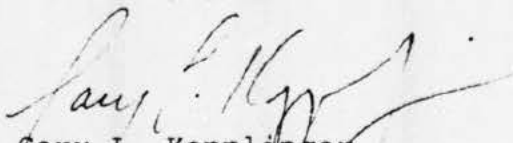
^{2/} The Swiss Bank turned the counterfeit bills over to the Local public prosecutor's office as required by the Swiss Bankers Association's internal guidelines.

Since there is no reason to suggest that Mr. [redacted] should have discovered the counterfeits or that he deviated from established operating procedures, we concur with your determination that his acceptance of the counterfeit bills occurred without the fault or negligence of Mr. [redacted]. We therefore grant relief to Mr. [redacted].

We note, however, that the Class B cashier, U.S. Embassy Beirut, [redacted], first received the counterfeit bills. A telex from the Embassy, Nicosia, to the State Department, Washington, D.C., states that the irregularity occurred in Beirut. Since Mr. [redacted] received the counterfeit bills, he could be liable for the loss if he did not act with due care in checking the authenticity of the currency. We stated above that a routine count of the currency could not have triggered a suspicion that they were counterfeit on the part of the cashiers. However, the record reflects that, unlike the Embassy in Nicosia, the Embassy in Beirut possessed a counterfeit detection machine. However, the record presently before us does not explain whether the currency in question was mechanically inspected for authenticity, and if not, why not.

Thus, since the accountable officer in the Beirut Embassy is potentially liable for the loss and the required administrative findings and adequate administrative record regarding his actions have not been submitted, we cannot, at this time, authorize charging the appropriate appropriation with the loss in accordance with 31 U.S.C. § 3527.

Sincerely yours,


Gary L. Kepplinger
Associate General Counsel