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B-214436 April 6, 1984

Number: B-214436

Date: 1984-04-06

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Relief is granted to a supervising financial officer whose subordinate improperly cashed two fraudulently endorsed checks. The evidence indicates that the accountable officer properly supervised his staff at the time of the incident by maintaining and implementing an effective system of procedures and controls despite the subordinate's failure to follow it.

Mr. Clyde E. Jeffcoat Principal Deputy Commander U.S. Army Finance and Accounting Center Indianapolis, Indiana 46249

Dear Mr. Jeffcoat:

This replies to a rest from your office that relief be granted under 31 U.S.C. 3527(c), for two improper payments of fraudulently endorsed checks totalling $2,280.17, chargeable to the account of Captain (CPT) J.T. Soncrant, Finance Corps, symbol number 6329, Finance Officer, 17th Finance Section, Ansbach, Germany. For the reasons discussed below, the requested relief is granted.

The two improper payments occurred when an Army cashier cashed two United States Treasury checks in the amount of $1,130.22 and $1,149.95 on the basis of fraudulent endorsements. The intended payees requested and received replacement checks. The investigation of the improper payments revealed neither who fraudulently endorsed the checks nor how the checks were obtained. The cashier who Processed both instruments had his initials on the stolen checks and both were listed on his ledger sheet as being cashed by him. It was determined by your off ice that the cashier failed to follow standard operating procedures in cashing the instruments. Neither of the two stolen checks bore the required identification numbers from the payee's civilian identification card nor does it appear that any identification was requested from either of the two unknown persons who cashed the checks.

The cashier, as the one who actually cashed the checks, and CPT Soncrant, as a supervisory accountable officer, are liable for the improper payments. The comptroller General is authorized to grant relief upon a showing that an improper payment was not the result of bad faith or lack of due care on the part of the disbursing officer. 31 U.S.C. Sec. (3527(c). You have determined that the cashier's failure to follow established procedures contributed to the loss and have not requested that he be relieved. You have recommended that CPT Soncrant be relieved of his liability. In cases where a subordinate actually disburses funds rather than the supervisory disbursing officer, we have granted relief upon a showing that the financial officer properly supervised his subordinates by maintaining an adequate system of procedures and controls to safeguard the

funds, and took steps to see that the policy was effectively being followed. See, e.g., B-2097l7.2, July 1, 1983.

Here, the procedures for cashing a check require that the payee's identification number be placed on the instrument. In both instances, the Army cashier failed to follow this established policy. A supervisory disbursing officer in a large office cannot be expected personally to inspect each item which is processed by subordinates. Therefore, a financial officer is not held liable for the negligence of his subordinates if there is evidence of proper supervision. We concur with your finding that the procedures for handling of paychecks was adequate and that the improper payments were not the result of bad faith or the lack of reasonable care on the part of CPT Soncrant. Accordingly, relief is granted.

We note that collection action was attempted against the cashier whose failure to follow established procedures led to the loss involved here and, according to your letters has been referred to your designated collection representative. Based on your statement the standards we outlined to your office in 62 Comp.Gen. 476 (1983) appear to be met.

Sincerely yours,

Harry R. Van Cleve Acting General Counsel

ACCOUNTABLE OFFICERS Relief Requirements for granting Relief of supervisor

ACCOUNTABLE OFFICERS Relief Lack of due care, etc. By subordinates