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B-235368, Apr 19, 1991

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APPROPRIATIONS/FINANCIAL MANAGEMENT - Accountable Officers - Relief - Account deficiency DIGEST: Where administrative laxity in fund handling procedures precludes assignment of a loss to any one individual, no one can be held liable for the loss.

Mr. Stephen E. Taylor

Director, Finance Division

This is in reply to your letter of April 25, 1989, as supplemented by the letter of April 2, 1990, from Charles Margolis, Chief, Fiscal Management Branch, North Atlantic Region, IRS, asking our Office to relieve the following IRS employees from liability for a $2,087 loss incurred by the Brookhaven Service Center Small Purchases Imprest Fund: Victoria Clark, principal cashier; James Darling, alternate cashier; Arthur Smith, the official responsible for the Brookhaven Service Center; and Gary Malazzo, Branch Chief. For the reasons that follow, relief is granted.

The record indicates that on August 17, 1987, the cashier responsible for the imprest fund unexpectedly left work and never returned. On August 20, 1987, the Chief of Administrative Services and the two alternate cashiers accessed the fund in the cashier's absence. These employees were unaware of the proper procedures for accessing the fund, and as a result, transferred funds without the use of an interim receipt and with ascertaining the fund balance prior to fund transfer; consequently, it is impossible at this point to trace or otherwise account for the loss.

Upon discovery of the shortage, at management's request, the fund was audited, the shortage confirmed, and recommendations to improve the management and internal control of the fund made. In response to the audit recommendations, IRS in September 1987 hired a new principal imprest fund cashier and provided formal and informal training to the principal and alternate cashiers and to Brookhaven management, respectively.

In addition, management provided the principal and alternate cashiers copies of Internal Revenue Manual 1724, Imprest Fund Handbook, and the Internal Audit Report discussing the Brookhaven Imprest Fund's controls and operations. Management also prepared desk procedures explaining the process for accessing the fund in the event of an unanticipated absence of the principal cashier.

The General Accounting Office is authorized to grant relief from liability to an

accountable officer upon its concurrence with determinations by the department or agency head that (1) the loss or deficiency occurred while the officer or agent was acting in the discharge of his official duties, or that it occurred by reason of an act or omission of a subordinate of the officer or agent, and (2) the loss or deficiency occurred without fault or negligence on the part of the officer. 31 U.S.C. Sec. 3527(a).

The shortage in this case is an unexplained loss. Ordinarily when a physical loss of funds occurs, it is reasonable to hold the accountable officer who had exclusive control of those funds responsible for the loss. The disappearance of funds without an explanation gives rise to a presumption of negligence on the part of the accountable officer and the burden is on the officer to rebut the presumption with evidence to the contrary. 48 Comp.Gen. 566 (1969).

Here, the IRS internal audit concluded that failure to follow the Internal Revenue Manual's procedures for transferring the fund to the alternate cashier makes assignment of responsibility for the loss impossible; there is no audit trail permitting placement of accountability, and no individual had exclusive control over the fund. The failure to follow proper procedures, while representing lack of due care, precludes the placement of individual responsibility for the loss and provides a basis for granting relief. B-227714, Oct. 20, 1987. Our Office has held that in cases where there is no basis for attributing a loss to a particular individual because of administrative laxity in fund handling procedures, no one can be held liable. B-191440, May 25, 1979. See also B-191891, June 16, 1980; B-182386, Apr. 24, 1975.

In accordance with the foregoing, we grant relief to the two cashiers and the two other employees who also handled the funds during the absence of the principal cashier.