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B-240440, Mar 27, 1991

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APPROPRIATIONS/FINANCIAL MANAGEMENT - Accountable Officers - Disbursing officers - Relief - Illegal/improper payments - Forgeries APPROPRIATIONS/FINANCIAL MANAGEMENT - Accountable Officers - Cashiers - Relief - Illegal/improper payments - Forgeries

DIGEST

Captain John J. Geer, Jr.: Assistant Judge Advocate General Department of the Navy 200 Stovall Street Alexandria, VA 22332-2400

Dear Captain Geer:

This letter responds to your request that we relieve Lt. Tae H. Lee, former Disbursing Officer, USS Carl Vinson (CVN 70), from liability for improper payments totalling $1,200. For the reasons stated below, we grant relief to Lt. Lee. We advise, however, that Lt. Lee's relief does not extend to his agent cashiers who actually disbursed the funds at issue.

The improper payments occurred between March 10 and 15, 1988, when an individual purporting to be EM1 Timothy Palange cashed four personal checks totalling $1,200 at the Disbursing Office, USS Carl Vinson. The checks, drawn on the Fremont Bank, San Leandro, California, were subsequently dishonored due to the account being closed, and returned to the Disbursing Office as debit vouchers. EM1 Palange refused to redeem the dishonored checks, claiming that his signature was forged.

An investigation by the Naval Investigative Service confirmed this. disclosed that EM1 Palange had earlier reported that his wallet, identification card and checkbook had been stolen from his berth, and that the handwriting on the checks was not indicative of EM1 Palange's handwriting. The investigation failed to identify any suspects; consequently, the Navy has been unable to collect the improper payments.

In cases such as this one, both the person in whose name the account is officially held, Lt. Lee, and the persons who made the improper payments, Lt. Lee's agent cashiers, are liable as disbursing officials for the amount of the improper payments. This Office has authority under 31 U.S.C. Sec. 3527(c) to relieve a disbursing official 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 official. B-229827, Jan. 14, 1988. We have granted relief to the supervisory disbursing officer upon a

showing that he properly supervised his subordinates by maintaining an adequate system of procedures and controls to 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 payment 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. 11, 1990.

The supporting documents establish that Lt. Lee implemented and maintained an adequate system of controls over check cashing procedures. These controls included requirements that cashiers verify the person receiving cash by positively identifying the person against the photo on his military identification card, and by comparing the signature on the check with the signature on the identification card. 4 Navy Comptroller Manual, para. 042480-5 (February 18, 1986). Furthermore, Lt. Lee asserts that he frequently observed the cashiers as they worked and periodically conducted random spot checks. Accordingly, since there is no indication of bad faith or a lack of due care on the part of Lt. Lee, we grant him relief under 31 U.S.C. Sec. 3527(c) from liability for the loss.

Your office has informed us that you did not consider the liability of the agent cashiers when you submitted your request to relieve Lt. Lee. Until we relieve the agent cashiers, they will remain liable for the amount of the improper payments. Relief is available only upon affirmative evidence that they followed procedures, and that there was no reason that they should have been suspicious of the fraudulent nature of the transactions. Since it appears that the 3-year period for settlement of this account has almost expired, we are suspending, under authority of 31 U.S.C. Sec. 3526(g), the running of that period as of the date of this letter to permit you to provide us with additional information regarding the liability of the agent cashiers.