

VOLUME 5, CHAPTER 6: “PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue, and underlined font***](#).

The previous version dated [June 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.0 (0603)	Added guidance to the section titled “Discovery of Physical Loss or Erroneous Payment” from the Treasury Daily Reporting Policy Memo (FPM 19-14).	Addition
5.1.1.2.1 (060501.A.2.a)	Added guidance to the subparagraph titled “Responsibility” from the Treasury Daily Reporting Policy Memo (FPM 19-14).	Addition
8.2 (060802)	Added guidance to the paragraph titled “Recording Overages of Funds” from the Treasury Daily Reporting Policy Memo (FPM 19-14).	Addition

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

1.0 GENERAL (0601)

1.1 Overview (060101)

An accountable official is a member of the U.S. Armed Forces or a Department of Defense (DoD) civilian employee who is responsible for or has custody of government funds. Accountable officials include those defined in Chapter 5, section 0503 as certifying officers and departmental accountable officials (DAO); and in Chapter 2 as disbursing officers (DOs), deputy DOs (DDOs), cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of the funds for which they are accountable, unless granted relief. The decision by the Secretary of Defense to grant or deny relief is binding. The Secretary of Defense has delegated authority to the Director of the Defense Finance and Accounting Service (DFAS) to make the required determinations to grant or deny relief on all requests for relief of liability. The Director of DFAS has delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

1.2 Purpose (060102)

This chapter provides the definition of physical losses, the criteria for minor and major losses, and upon discovery of a physical loss, the process for accounting, investigating, requesting relief, and funding for removal of physical losses. Additionally, the chapter defines and provides examples of erroneous payments (illegal, incorrect, and improper) to include the discovery, investigation, loss of funds process, and settlement of erroneous payments. The chapter also provides guidance on granting or denying relief of liability and an overview on overages of public funds.

1.3 Authoritative Guidance (060103)

All accountable officials are subject to the pecuniary liability standard under Title 31 of the United States Code (U.S.C.). Except for the DAO, the basic legal liability of an accountable official arises automatically by virtue of the loss, regardless of fault or negligence on the official's part. Relief is a separate process that considers the lack of fault or negligence by the accountable official to the extent authorized by:

1.3.1. [31 U.S.C. § 3527](#) provides general authority to relieve accountable officials and agents from liability due to physical losses.

1.3.2. [31 U.S.C. § 3528](#) provides general authority to relieve certifying officials from liability due to erroneous payments.

1.3.3. [31 U.S.C. § 2773a](#) provides general authority to establish pecuniary liability for DAOs.

2.0 DEFINITIONS (0602)

2.1 Physical Losses of Funds (060201)

A physical loss of funds can be minor or major. A minor loss is a physical loss of less than \$750 without evidence of theft or fraud within the disbursing office. A major loss must meet at least one of the following criteria:

2.1.1. Equal to or greater than \$750;

2.1.2. Any loss of funds resulting from theft, regardless of the dollar amount; or

2.1.3. Any loss, regardless of the dollar amount, where there is evidence of fraud within the disbursing office; for example, embezzlement or fraudulent acts by disbursing personnel, whether acting alone or in collusion with others. See Table 6-1 for examples of physical losses of funds.

2.2 Erroneous Payments (060202)

2.2.1. Erroneous payments include:

2.2.1.1. Any payment that should not have been made or that was made which results in an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirements; or

2.2.1.2. Any payment to an ineligible recipient or service, duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

NOTE: This definition applies to accountable official liability. Improper payments under the [Improper Payments Information Act](#) differ in that they include both underpayments and overpayments. See Volume 4, Chapter 14, paragraph 140201.

2.2.2. Examples of erroneous payments that require an investigation include:

2.2.2.1. Any payment in which the debt is delinquent for 180 days or the loss cannot be fully recovered within the 2-year period, from the time the erroneous payment was made, such as:

2.2.2.1.1. Overpayment to a payee;

2.2.2.1.2. Payment to the wrong payee;

2.2.2.1.3. Overdrafts of issued U.S. Treasury check; or

2.2.2.1.4. Negotiation of original and replacement U.S. Treasury checks;

2.2.2.2. Any payment based on fraudulent, forged, or altered documents prepared or presented by officials who were not under the direct cognizance or control of the DO; or

2.2.2.3. Payment in violation of a regulation.

2.2.3. Examples of erroneous payments that do not require an investigation include:

2.2.3.1. An erroneous payment that is not delinquent for 180 days and can be recovered within the 2-year period, from the time the erroneous payment was made;

2.2.3.2. An erroneous payment that is collectible through offset of military pay, civilian pay, retired pay, or contract debt;

2.2.3.3. A valid payment made in accordance with appropriate documentation, which through no fault of the certifying officer, becomes an overpayment, e.g.:

2.2.3.3.1. A member paid a reenlistment bonus and does not complete terms of the contract;

2.2.3.3.2. A deceased retiree who is overpaid because death notification was not provided; or

2.2.3.3.3. An overpayment on a travel advance;

2.2.3.4. A payment made based on documentation from an individual and certified to be true and correct (e.g., a payment made to the wrong bank account because the individual provided incorrect information); or

2.2.3.5. Any payment made based on vouchers not examined under an approved statistical sampling plan.

*3.0 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT (0603)

Any person who believes that an official entrusted with public funds is misusing those funds or who suspects an occurrence of a fraudulent erroneous payment must notify the Commander having jurisdiction over the alleged offender within 24 hours of discovery. [A physical loss of funds does not initially impact the DO's Cash Treasury Account Symbol \(TAS\). The loss of funds is maintained as part of the DO's accountability and does not affect that balance until recovery, recoupment, or relief of liability is granted.](#) Sections 4.0 and 5.0 provide guidance on the responsibilities and actions required to process physical losses and erroneous payments. See Figure 6-1 and Figure 6-2 for an overview of processing physical losses of funds and erroneous payments.

4.0 PHYSICAL LOSSES (0604)

4.1 Responsibilities (060401)

4.1.1. DO. Upon notification of a possible loss, the DO must:

4.1.1.1. Verify that all transactions on the DoD [\(DD\) Form 2657](#), Daily Statement of Accountability, and DD 2665, Daily Agent Accountability Summary, posted correctly;

4.1.1.2. Verify the accuracy of all totals from the date of the last balancing of the DD 2657 and the DD 2665 for each DDO, agent, or cashier;

4.1.1.3. Verify by actual count that the total of all cash and documents held as cash by the DO and all DDOs, agents, and cashiers are in agreement with the amount shown as on hand on the DD 2657 and DD 2665;

4.1.1.4. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss as defined in paragraph 2.1; and

4.1.1.5. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team as prescribed in Appendix A, to confirm that a loss has occurred.

4.1.2. Commander. Upon notification of a possible loss, the Commander must request the Cash Verification Team conduct an audit of the DO's account. If the discrepancy is not resolved and qualifies as a major loss of funds as described in paragraph 2.1, report the loss to DFAS within 24 hours. Send the report via email to the Disbursing Policy mailbox at dfas-in.disbursingpolicy@mail.mil or by mail to the Relief of Liability Section, Disbursing Policy and Treasury Initiatives Division, DFAS Indianapolis (DFAS-ZPFA/IN), Column 326H, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the DDO, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

4.1.2.1. The specific type of loss; physical loss, erroneous payment, or fraudulent payment;

4.1.2.2. All known circumstances surrounding the alleged loss of funds;

4.1.2.3. The authorized amount of the imprest fund if the loss occurred in the imprest fund;

4.1.2.4. The date the irregularity occurred and/or was discovered;

4.1.2.5. The dollar amount of the loss;

4.1.2.6. The identity of the accountable official(s) by name, rank/grade, and accountable position (such as DO, DDO, agent, or cashier);

4.1.2.7. The date of the investigation or when it will convene;

4.1.2.8. The contact information of the Investigating Officer (IO); including name, email address, and phone number;

4.1.2.9. The completion date of the investigation or, if applicable, the estimated completion date; and

4.1.2.10. The status of any recovery action in progress or contemplated.

4.2 Accounting for Physical Losses of Funds (060402)

4.2.1. General. Chapter 15, Figure 15-4, provides specific instructions for recording and clearing losses on the [Standard Form \(SF\) 1219](#), Statement of Accountability.

4.2.2. Recording a Physical Loss of Funds

4.2.2.1. Record All Physical Losses. All physical losses, major or minor, discovered in the DO's account, including those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians, must be recorded on the DD 2657 by using an Optional Form ([OF\) 1017-G, Journal Voucher](#), to document the repositioning or movement of money from one line to another. For example, if a cash count reveals U.S. currency on hand is short \$100, prepare an OF 1017-G, to document the loss and record the transaction as a decrease to line 6.2A (U.S. Currency/Coinage on Hand) and an increase to line 7.3 or (9.3, if predecessor DO), Loss of Funds. Continue to show all losses on the DD 2657 and the SF 1219 until the loss is recovered, recouped, or until relief of liability is granted.

NOTE: Foreign currency loss must be converted and recorded in U.S. Dollar equivalent using the exchange rate at the time that the loss occurred.

4.2.2.2. Cumulative Record of Physical Losses

4.2.2.2.1. Support the loss entered on the DD 2657 by annotating it on the [DD 2667, Subsidiary Accountability Record](#). If more than one physical loss occurs during a single business day, use a separate line on the same form to account for each loss individually.

4.2.2.2.2. Complete the DD 2667. See Figure 6-3 for an example of a DD 2667 prepared as a cumulative record of physical losses.

4.2.2.2.3. Maintain separate DD 2667s for different DOs.

4.2.2.2.4. Maintain the DD 2667 on file as a subsidiary record supporting the DD 2657.

4.2.2.2.5. Forward the DD 2667 to DFAS-ZPFA/IN within 5 calendar days after the end of each month. Send by email to the Disbursing Policy mailbox at dfas-in.disbursingpolicy@mail.mil or mail to DFAS-ZPFA/IN.

4.2.2.3. Agent Losses. Physical losses of funds incurred by DDOs, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the official agent's accountability documents. It is important to notify the DO of all physical losses as soon as possible. The DO then must reduce the DD 2657, line 6.5 (Funds with Agents) for that particular agent and increase line 7.3. The DO must record the loss on the cumulative DD 2667.

4.2.2.4. Change Fund or Imprest Fund Loss. Table 6-2 provides guidance for processing a loss that occurs in a change fund or imprest fund.

4.2.2.5. Counterfeit Currency Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657, line 6.2A, or 6.2B (Foreign Currency/Coinage on Hand) column D, by the amount of the counterfeit currency and increase line 7.3.

4.3 Investigation (060403)

An investigation is required for all physical losses of funds.

4.3.1. Purpose of Investigation. The purpose of the investigation is to review and document all facts leading up to and connecting with the loss, to include the:

4.3.1.1. Amount, date, time, and place of the loss;

4.3.1.2. Identification of accountable officials and others involved (name and rank);

4.3.1.3. Authenticity of documentary evidence and oral testimony;

4.3.1.4. Functional capacity of the accountable official incurring the loss and the physical location of this official, such as disbursing office and/or functional area;

4.3.1.5. Cause of loss; and

4.3.1.6. Adequacy of internal controls in place and effectively implemented.

NOTE: Table 6-3 provides standardized questions that the IO must use as a basis to address essential facts surrounding the loss and ensure completeness of the investigation.

4.3.2. Type of Losses. The type of loss determines the type of investigation required.

4.3.2.1. Minor Physical Losses

4.3.2.1.1. \$300 or Less (No Fraud). The DO or DDO (if the DO is not co-located with the DDO) will conduct the investigation and complete the written investigatory report (See Figure 6-4). If the loss is attributable to the DO, the primary DDO will conduct the investigation along with the written investigatory report. Under no circumstances will the official incurring the loss prepare their own written investigatory report. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss.

4.3.2.1.2. Over \$300 (No Fraud). The Commander must appoint an IO to conduct the investigation and complete the written investigatory report (See Figure 6-4). The appointed official must be someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team). Furthermore, the appointed IO must have knowledge of disbursing office operations, especially knowledge of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss through the Commander.

4.3.2.2. Major Physical Losses. An IO must be appointed to conduct a formal investigation when there is a major physical loss.

4.3.2.2.1. Appointment Authority. The following individuals have the authority to appoint an IO:

4.3.2.2.1.1. The Commander of the DO who incurred the loss;

4.3.2.2.1.2. For DFAS sites, the Director of the DO who incurred the loss;

4.3.2.2.1.3. When the accountable official and the DO are not in the same location, the Commander over the accountable official will appoint the IO. For example, the Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss while the DO is located in Indianapolis; or

4.3.2.2.1.4. When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

4.3.2.2.2. Appointment/Order of IO. The Commander must provide a copy of the official appointment notification to DFAS-ZPFA/IN within 5 days of appointment. The Commander must include the following in the appointment order:

4.3.2.2.2.1. Name of the IO, telephone number, and email address;

4.3.2.2.2.2. Incident or occurrence that requires an investigation;

4.3.2.2.2.3. Citation of Volume 5 and any authorizing DoD Component regulation as the authority for the investigation;

4.3.2.2.2.4. The approximate time allowed for the investigation (the investigation must be completed and submitted to DFAS-ZPFA/IN within 90 days from discovery of the loss); and

4.3.2.2.2.5. Instruction to include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

4.3.2.2.3. Individuals Authorized to be IO(s). A Commissioned Officer (O-4 or above) or civilian employee who is senior in rank/grade to the person(s) under investigation and:

4.3.2.2.3.1. Does not have a vested interest in the outcome of the investigation;

4.3.2.2.3.2. Is not in the chain of command of the DO or accountable officials involved in the irregularity;

4.3.2.2.3.3. Is familiar with investigative techniques; and

4.3.2.2.3.4. Has knowledge of financial accounting controls and pertinent laws and directives. Only use Comptroller personnel when there is no feasible alternative to appoint an IO from another organizational element.

NOTE: The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-OGC) must provide technical guidance to IOs who do not have extensive backgrounds in investigative or financial matters.

4.3.2.2.4. Guidance for IOs

4.3.2.2.4.1. Develop all information and documentation in connection with the loss so that higher authority may take proper action. This includes information regarding the procedures followed by all officials involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

4.3.2.2.4.2. Before interviewing the accountable official(s) for the first time, ensure that each official receives and reviews this chapter and Chapter 5, section 0507 regarding liabilities and responsibilities of accountable officials and the authoritative guidance provided in paragraph 1.3.

4.3.2.2.4.3. Obtain statements from accountable official(s) and others involved with the loss. The IO may summarize or report the testimony verbatim. Whenever possible, ensure the witness reviews, attests, and signs the transcript or summary of testimony. If sworn testimony is not obtainable, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.

4.3.2.2.4.4. If the IO recommends denial of relief to the DO or any other accountable official(s) who are pecuniarily liable for the loss, provide a copy of the report to these officials.

4.3.2.2.4.5. Gather all records, documents, correspondence, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., Federal Bureau of Investigation (FBI), U.S. Secret Service, or local authorities).

4.3.2.2.4.6. Make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

4.3.2.2.4.7. Report every 30 days on the status of the investigation. Send the report through the Commander to DFAS-ZPFA/IN.

4.3.2.2.4.8. When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The IO can use Figure 6-5 as a request for an extension. The Commander must notify DFAS-ZPFA/IN of any authorized extension by forwarding Figure 6-5 or similar request to the Disbursing Policy mailbox.

4.3.2.2.5. Preparation of the ROI. The ROI must include the following elements:

4.3.2.2.5.1. Facts: The IO must gather all the facts of the loss by:

4.3.2.2.5.1.1. Identities of all accountable officials who are pecuniarily liable for the loss, the amount that each person is responsible for, and their involvement in the loss;

4.3.2.2.5.1.2. If any of the accountable officials involved in the loss are not physically located in the disbursing office, describe the structure of the chain of command of the activity in which the official was performing their disbursing functions. In addition, describe the financial services supplied by that official for the activity they serve;

4.3.2.2.5.1.3. Circumstances leading to and surrounding the loss, including the efforts undertaken to discover the cause of a loss that remains unexplained;

4.3.2.2.5.1.4. Description of the internal controls prescribed to prevent losses of the type experienced and the steps taken to implement those controls;

4.3.2.2.5.1.5. Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable officials involved;

4.3.2.2.5.1.6. Documentary evidence (such as statements, transcripts, correspondence, affidavits, investigative reports completed by other agencies, records, and photographs) as exhibits to the ROI; and/or

4.3.2.2.5.1.7. Information regarding collection activity and any possible offset relating to the loss.

4.3.2.2.5.2. Findings. The IO must make the following findings:

4.3.2.2.5.2.1. Whether there was a loss to the U.S. government and the amount of the loss;

4.3.2.2.5.2.2. Whether the loss occurred through the fault or negligence on the part of the accountable official;

4.3.2.2.5.2.3. Whether negligence, fraud, or theft was the proximate cause of the loss by an individual other than the accountable official(s);

4.3.2.2.5.2.4. The name of all official(s) involved and when the loss occurred; and

4.3.2.2.5.2.5. Whether the accountable official(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings considered necessary and appropriate. It is essential that all findings, especially those indicated in subparagraph 4.3.2.2.5.2, have supporting documentation. When applicable, reference the tab or page number of the supporting documentation after each related finding.

4.3.2.2.5.3. Recommendations. Based on the information gathered, the IO must make a recommendation on:

4.3.2.2.5.3.1. Whether the accountable official(s) should be relieved of pecuniary liability for the loss (separate recommendations are required for each accountable official);

4.3.2.2.5.3.2. Whether other person(s) should be held pecuniarily liable for the loss, in whole or in part;

4.3.2.2.5.3.3. Whether any corrective action is needed to improve controls or procedures; and/or

4.3.2.2.5.3.4. Any other recommendations that are appropriate considering the existing facts, circumstances, and conditions of the case.

4.3.2.2.5.4. Submission of ROI

4.3.2.2.5.4.1. Timeframe. Unless authorized for an extension, the IO must submit the ROI through the Commander (who appointed the IO) to DFAS-ZPFA/IN within 90 days after discovering the loss.

4.3.2.2.5.4.2. Commander's Actions. Upon receiving the ROI from the IO, the Commander must:

4.3.2.2.5.4.2.1. Immediately review the ROI for compliance with requirements as indicated in subparagraph 4.3.2.2.5;

4.3.2.2.5.4.2.2. Determine if the ROI is complete and if not, return it to the IO explaining the discrepancies and request further documentation or information. Notify DFAS-ZPFA/IN if the ROI cannot be completed and submitted within 90 days from discovery of the loss;

4.3.2.2.5.4.2.3. Consider all the facts, findings, and recommendations;

4.3.2.2.5.4.2.4. Make additional findings and recommendations pertinent to the investigation;

4.3.2.2.5.4.2.5. Determine if sufficient evidence exists to support a recommendation for relief from liability or recommend denial of relief referencing all evidence supporting the denial recommendation for each accountable official involved;

4.3.2.2.5.4.2.6. Forward a copy of the ROI and all attachments to DFAS-ZPFA/IN, unless the investigation is on hold for fraudulent or wrongful conduct (see note below subparagraph 4.3.2.2.5.4.2.10);

4.3.2.2.5.4.2.7. Forward a copy of the ROI to the Commander of the base, station, activity, ship, or unit where the accountable official(s) is located. For Army Finance Management Detachments, send a copy to the Finance Management Support Unit. It is the commander's discretion whether to use the ROI for disciplinary or administrative actions;

4.3.2.2.5.4.2.8. Keep a copy of the ROI;

4.3.2.2.5.4.2.9. Submit any documentation and/or information requested by DFAS-ZPFA/IN, due to insufficient ROI received; and

4.3.2.2.5.4.2.10. Forward any documentation and/or information to DFAS-ZPFA/IN that become available after the ROI has been forwarded.

Note: If there is evidence of fraudulent or wrongful conduct and the matter is under investigation by authorized law enforcement personnel, the investigative entities may request the Commander to withhold the report until completion of their investigation. If so, the Commander must continue to follow-up on the status of their investigation and advise DFAS-ZPFA/IN of the status every 30 days. It is acceptable to add copies of the investigative reports as exhibits before forwarding the report through the chain of command to DFAS-ZPFA/IN.

4.3.2.3. DFAS-ZPFA/IN: Upon receipt of ROI, DFAS-ZPFA/IN must:

4.3.2.3.1. Review the ROI;

4.3.2.3.2. If the ROI lacks sufficient information, or in the absence of compliance with the provisions for the findings and recommendations, DFAS-ZPFA/IN may return the report for further investigation and fulfillment of the provisions as indicated in subparagraph 4.3.2.2.5; and

4.3.2.3.3. Forward the final decision to the appropriate individuals, and in those cases where individual(s) are held liable, inform them of their right to submit a rebuttal.

4.4 Funding for Removal of Physical Losses (060404)

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, 1) recovery of missing cash from the finder or, 2) collection from the accountable official.

4.4.1. Appropriated funds must be made available to remove the deficiency from the DO's SF 1219 if the losses are not recovered. This includes instances when relief of liability has been denied and recoupment cannot be made from the accountable official or when relief of liability is granted to the accountable official.

4.4.1.1. DFAS Employee. If the accountable official responsible for the loss of funds was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

4.4.1.2. Other DoD Component Employees. If the accountable official responsible for the loss of funds was a military member or employee of another DoD Component when the loss occurred, that DoD Component must identify the necessary appropriation and funding to resolve the loss.

4.4.2. The DO must clear the loss of funds from the DD 2667 and DD 2657, line 7.3 or 9.3, based on the instructions given by DFAS-ZPFA/IN.

5.0 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER) (0605)

*5.1 Responsibilities (060501)

5.1.1. Fraudulent or Suspected Fraudulent Erroneous Payments

5.1.1.1. Commander. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the commander must:

5.1.1.1.1. Notify DFAS-ZPFA/IN within 24 hours of notification, through the chain of command, per subparagraph 4.1.2;

5.1.1.1.2. Appoint an IO to conduct a formal investigation. See subparagraph **060403.B.2.b**; and

5.1.1.1.3. Ensure the investigation is completed and forwarded to DFAS-ZPFA/IN within 90 days from the appointment of the IO.

5.1.1.2. DO. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the DO must:

* 5.1.1.2.1. Determine if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO, and [prepare a \(DD\) Form 1131, Cash Collection Voucher, transferring the amount of the fraudulent payment back into the appropriation from which the payment disbursed. The collection transaction is reported to Treasury via the Classification Transactions and Accountability \(CTA\), which will feed the Central Accounting Reporting System daily account statement showing an increase to DO Cash TAS and an increase to the program TAS on the collection voucher. In addition, increase lines 4.1B \(Less-Refunds\) and line 7.3 on the DD 2657. Increase line 9.3 on the DD 2657 if the loss is a predecessor loss. Record the loss on the DD 2667 as prescribed in subparagraph 4.2.2.2 if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO.](#)

5.1.1.2.2. Determine if the erroneous payment occurred due to fraudulent actions by individuals who were not under the direct cognizance or control of the DO, the payment(s) must remain charged to the appropriation originally charged.

5.1.2. Erroneous Payments – No Fraud

5.1.2.1. Certifying Officer: Upon notification of an erroneous payment, the certifying officer must:

5.1.2.1.1. Review the erroneous payment voucher and the supporting documentation;

5.1.2.1.2. Ensure collection action is taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to the DO or other responsible area; and

5.1.2.1.3. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed and:

5.1.2.1.3.1. The debt is delinquent for 180 days; or

5.1.2.1.3.2. The full amount of the loss is not recovered within the 2-year period, which is calculated from the time the erroneous payment was made.

5.1.2.2. DO's Responsibilities

5.1.2.2.1. The DO does not need to take any action if the erroneous payment was properly certified.

5.1.1.2.2. If the erroneous payment was not properly certified:

5.1.2.2.2.1. Report the loss to the Commander; and

5.1.2.2.2.2. Ensure collection action was taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4, Chapter 3, subparagraph **030305.C** for disposition of the collection.

5.1.2.3. Commander: Upon notification of an erroneous payment, the commander must:

5.1.2.3.1. Determine whether a formal or an informal investigation is required;

5.1.2.3.2. Appoint an IO to conduct the appropriate investigation; and

5.1.2.3.3. Ensure the investigation is completed and submitted to DFAS-ZPFA/IN.

5.2 Investigation of Erroneous Payments (060502)

5.2.1. Formal Investigation Policy

5.2.1.1 Formal investigations are required when:

5.2.1.1.1. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

5.2.1.1.2. The Commander determines it to be necessary.

Note: Formal investigations for erroneous payments must follow the guidance outlined in paragraph 4.3.

5.2.1.2. The investigation must be submitted to DFAS-ZPFA/IN through the Commander who appointed the IO within 90 days from the appointment of the IO.

5.2.2. Informal Investigation Policy

5.2.2.1 The IO must prepare investigatory comments using Figure 6-6 as an example.

5.2.2.2 The investigation must be submitted to DFAS-ZPFA/IN within 60 days from the Commander's notification of the erroneous payment.

5.3 Completion of Erroneous Payments Process (060503)

When feasible, all actions required to reach a determination of liability for a loss of funds due to an erroneous payment should be completed within 3 years after the date the SF 1219 is certified.

5.4 Settlement of Erroneous Payments (060504)

Generally, the DO will not carry an erroneous payment as a loss of funds on the SF 1219, since an appropriation was charged when the payment was disbursed. However, there are exceptions to this general rule. For example, an exception occurs when the Department of the Treasury issues check-issue overdrafts against a disbursing station symbol number (DSSN) or if an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

5.4.1. If the erroneous payment is recovered from the recipient, the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. Refer to Volume 4, Chapter 3, subparagraph **030305.C** for disposition of the collection of canceled appropriation.

5.4.2. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the proceeds from the collection to the appropriation originally charged, unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4, Chapter 3, subparagraph **030305.C**.

5.4.3. The amount of the erroneous payment must remain charged to the appropriation that the payment originated from when:

5.4.3.1. Relief of liability is granted; or

5.4.3.2. Recovery attempts from the recipient are unsuccessful.

5.4.4. If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

5.5 Document Retention (060505)

The following documents and information are retained to ensure proper response to audits conducted by the Government Accountability Office:

5.5.1. Detailed statement of facts of the case, including the type of irregularity, date, amount, names and positions of the accountable official(s) involved;

5.5.2. Reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

5.5.3. Description of how the irregularity occurred and how it affected the accountable official's account;

5.5.4. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and/or

5.5.5. Information on any recoupment already made or being considered.

6.0 REQUEST FOR RELIEF (0606)

6.1 Request for Relief (060601)

Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO's report must be included as an attachment to the request for relief. Erroneous payments paid through the Treasury Direct Disbursing process follow the same process as erroneous payments paid through a DoD disbursing office. Accountable officials must submit their request for relief as follows:

6.1.1. DOs. Submit the request for relief through the Commander or DFAS site director to DFAS-ZPFA/IN.

6.1.2. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to DFAS-ZPFA/IN.

6.1.3. DDOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to DFAS-ZPFA/IN.

6.2 Evidence Required for Granting Relief (060602)

6.2.1. Burden of Proof. An accountable official is strictly liable for any erroneous payments or physical loss of funds placed in the official's care, subject to relief of liability. Accordingly, if the Government can establish that a loss has occurred, strict liability applies to the accountable official involved with the loss. The accountable official bears the burden of proving that it is more likely than not that the official:

6.2.1.1. Was not negligent; or

6.2.1.2. The official's fault or negligence is not the proximate cause of the loss.

6.2.2. Information Required. Generally, the findings of related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the following information must be supplied and considered in the request for relief and/or the forwarding endorsements. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief. Include the following items:

6.2.2.1. The specific duty assignment of the accountable official when the loss occurred;

6.2.2.2. A statement showing when, how, and who discovered the loss;

6.2.2.3. A description of any actions taken to verify the loss and establish how the loss occurred;

6.2.2.4. A statement including the date of the last cash count and balancing prior to discovery of the loss;

6.2.2.5. A copy of the appropriate standard operating procedures (SOPs) in effect at the time the loss occurred. If no written procedures are available, provide a statement to explain the known and utilized procedures at the time the loss occurred;

6.2.2.6. A statement indicating pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations;

6.2.2.7. A statement regarding the official's past involvement in any prior losses, if applicable;

6.2.2.8. A statement indicating whether the loss was caused by theft or some other criminal act; and

6.2.2.9. A description of the manner in which the DO is carrying the loss in their account, and the identity of that DO.

6.2.3. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO) must provide a forwarding endorsement that must include a specific opinion

as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence. A specific recommendation regarding granting or denying relief is required, as a part of the forwarding endorsement.

6.3 Statutory Standards for Relief of a Physical Loss (060603)

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527. Relief of liability may be granted when:

6.3.1. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;

6.3.2. The loss or deficiency was not the result of an illegal or incorrect payment; and

6.3.3. The loss or deficiency was not the result of fault or negligence by the official.

6.4 Statutory Standards for Relief of an Erroneous Payment (060604)

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527(b)(1)(B), which incorporates by reference 31 U.S.C. § 3528(b)(1), as follows:

6.4.1. DO

6.4.1.1. The payment was not the result of bad faith or lack of reasonable care; and

6.4.1.2. The disbursing officials and the agency have made diligent collection efforts.

6.4.2. Certifying Officer

6.4.2.1. The certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

6.4.2.2. The obligation was incurred in good faith, no law specifically prohibited the payment, the U.S. Government received value for the payment, and diligent collection efforts were made to recover the payment.

6.4.3. DAO. Pecuniary liability under this subsection will apply in the same manner and to the same extent as applies to an official accountable under 31 U.S.C., subtitle III.

7.0 DECISIONS ON LIABILITY (0607)

7.1 Relief Granted (060701)

If granted relief, DFAS-ZP will provide a memorandum with instructions to remove the deficiency or authority to leave the payment charged to the original appropriation.

7.2 Relief Denied (060702)

If denied relief, DFAS-ZP will advise the accountable official(s) of the decision and of their right to submit a rebuttal. The rebuttal must be submitted within 30 days from the date of notification of the adverse determination to DFAS-ZPFA/IN. Based on the additional information received, DFAS-ZPFA/IN will make a recommendation to the Director, DFAS-ZP, through the DFAS-OGC, whether to affirm or reverse the previous decision.

7.2.1. If the decision is reversed, the accountable official(s) will be advised accordingly, and the DO will be provided instructions for removal of the loss of funds or authority to leave the payment charged to the original appropriation.

7.2.2. If the decision stands, the Commander and/or DO will be advised to take immediate collection action against the accountable official(s). [Cash recouped from a loss and retained for future operating use does not impact the DO cash TAS balance.](#) Volume 16 provides procedures for completing collection of irregularities.

8.0 OVERAGES OF PUBLIC FUNDS (0608)

8.1 Overview (060801)

Overages are funds held in an amount greater than the amount shown to be on hand by the daily accountability records of the DO.

*8.2 Recording Overages of Funds (060802)

Do not offset an overage of funds against a physical loss of funds unless the relation between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is over by equal U.S. equivalent amounts). Do not offset overages against shortages if the shortage and overage occur on different business days. [An overage of funds must be collected into the DO's accountability and reported by CTA transactions to Treasury's Budget Clearing Account \(Suspense\), **F3875, citing the collection Business Event Type Code \(BETC\) along with the DO Cash TAS/BETC.](#) If the proper location of the overage cannot be determined, the overage must be transferred to the Department of Treasury's Forfeiture of Unclaimed Money and Property, [**R1060, utilizing a CTA transaction.](#) Track overages by recording each occurrence on a separate DD 2667, maintained specifically for overages.

Note: The DD 2667 is a stand-alone document for tracking overages. Start a new DD 2667 for overages at the beginning of each quarter.

8.3 Preparation of DD 2667 as a Record of Overages of Funds (060803)

List each overage occurring each day on the DD 2667. See Figure 6-7 for an example of DD 2667 prepared as a record of overages.

8.4 Reporting Overages of Funds (060804)

Overages of funds that are \$750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the **R1060 account.

Figure 6-1. Processing Physical Losses of Funds

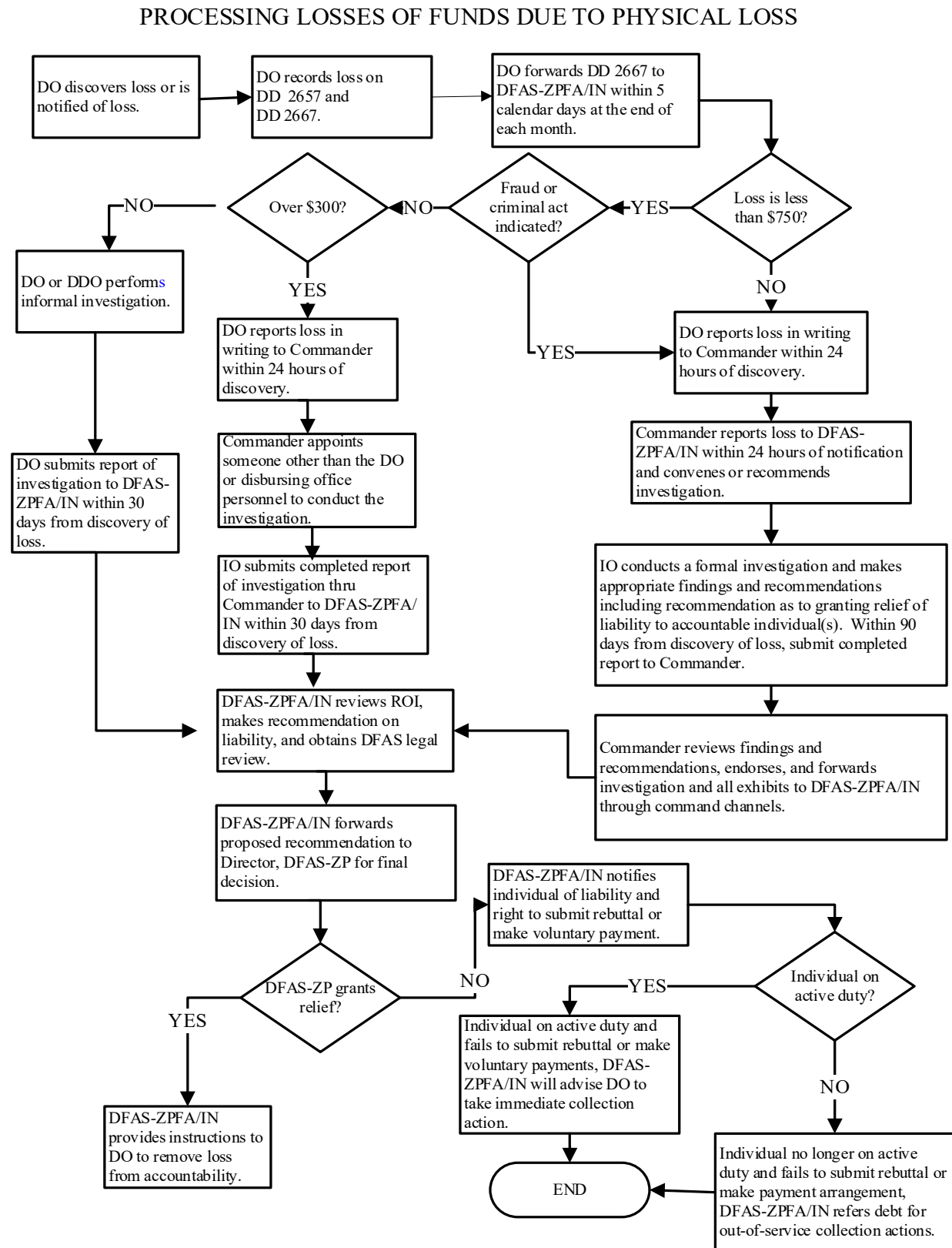


Figure 6-2. Processing Erroneous Payments

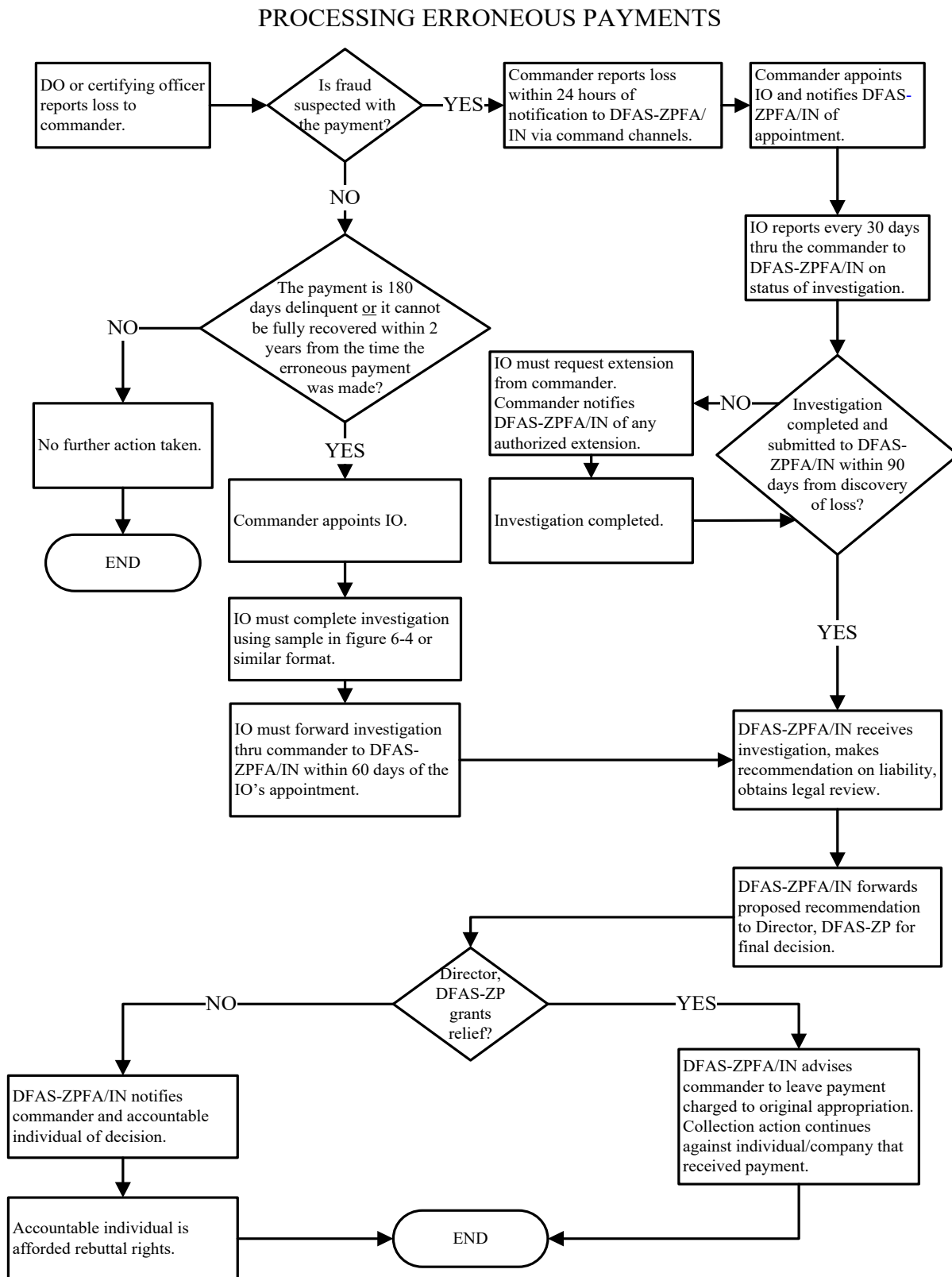


Figure 6-4. Minor Physical Losses–No Fraud

MINOR PHYSICAL LOSSES–NO FRAUD				
1. Loss Amount		2. Date of Loss		3. Date Loss Discovered
4. Location of Loss			5. DSSN	
Accountable Officials				
6. CAPACITY	7. NAME	8. EMAIL ADDRESS	9. GRADE	10. MAILING ADDRESS
DO				
DEPUTY				
AGENT				
CASHIER				
OTHER				
11. How did the loss occur?				
12. Did accountable officials act in a prudent manner in compliance with regulations, procedures? <u>Yes</u> No If No, provide name of official(s) and reason(s).				
13. Were accountable officials acting within their line of duty? <u>Yes</u> No If no, provide name(s) and reason(s).				
14. Has the presumption of negligence of the accountable official(s) been refuted? <u>Yes</u> No If no, provide name(s) and reason(s).				
15. If the loss was by a subordinate, did the supervisory DO/deputy DO exercise adequate supervision? If Yes, identify and attach applicable <u>procedures</u> ; e.g., SOPs, training guides, inspection results. If No, provide reasons.				
16. I do recommend relief of liability _____			17. I do not recommend relief of liability _____	
18. The accountable officials have been counseled regarding appropriate corrective measures to prevent recurrence and the applicable regulatory procedures for minor losses of funds have been reviewed. Yes _____ No (<u>provide reasons</u>) _____				
19a. _____ does request relief of liability _____. Additional facts provided in separate <u>memo</u> <u>Yes</u> No _____			19b. _____ does not request relief of liability _____.	
20. Point of contact for this investigation is (Name (to include grade/rank), (Phone Number), and (EMAIL address))				

Figure 6-4. Minor Physical Losses–No Fraud (Continued)

BLOCK	GUIDANCE
1	Insert dollar amount of loss.
2	Insert the date loss occurred. If unknown, leave blank.
3	Insert the date loss was discovered.
4	Insert the location where the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.
5	Insert the DSSN that incurred the loss.
6	Identify each accountable official, to include the DO, DDO, and the official that incurred the loss.
7	Include the full name of appropriate individuals.
8	Provide the email address of each individual.
9	Include the grade/rank of the appropriate individuals; e.g., GS 4 (civilian) or military rank.
10	Provide the mailing address of each individual.
11	Provide details of how the loss occurred; e.g., "Cashier was performing standard disbursing functions; i.e., check cashing, casual pays, in a combat zone. When cashier returned funds/documents to disbursing agent, a \$100 shortage was discovered. Cashier had no explanation for the loss."
12	Provide response. Note: "Prudent" or "non-negligent" requires applying the standard of reasonable care or ordinary negligence. Negligence is determined by applying a reasonable prudent person (RPP) test. The test requires the fact finder to weigh the facts of the case against what a reasonable person would have done to take care of his or her own property of like description under similar circumstances. Therefore, a determination of negligence is a highly fact-sensitive inquiry and what constitutes "reasonable" or "prudent" under the RPP test is wholly dependent on the facts, conditions, and circumstances presented by each case.
13	Provide response. Normally the response will be "yes." A "no" response would be rare.
14	Provide response. The fact that a loss or deficiency occurred gives rise to a presumption of negligence on the part of the accountable official. An accountable official bears the burden of producing evidence to rebut this presumption. The presumption may be rebutted by evidence demonstrating that it is more likely than not, the accountable official was not negligent. In other words, the greater weight of the evidence is sufficient to incline a fair and impartial mind that the accountable official was not negligent relating to the loss. Regarding negligence, see guidance in Block 12.
15	Provide a response if the loss occurred from a subordinate to the DO or DDO. The DO may be relieved if he/she maintained adequate supervisory control over the operations. If this is the case, list those controls; e.g., Cashier SOP, training guides.
16	Add the names of the accountable officials, if recommending relief.
17	Add the names of the accountable officials, if recommending denial of liability.
18	Indicate if the appropriate accountable officials have been counseled and applicable regulatory procedures have been reviewed. If not, provide reasons; e.g., accountable official discharged.
19a	Insert the name of the individual(s) requesting relief. If the accountable official(s) requests relief and has additional information not included in the investigation, a separate memo must be provided to DFAS-ZPFA/IN within 30 days after completion of the investigation.
19b	Insert the name of the individual who does not request relief. If the accountable official chooses not to request relief, he/she must pay the amount of the loss.
20	Provide the IO's name to include grade/rank, phone number, and email address.

Figure 6-5. Request for Extension of Investigation

REQUEST FOR EXTENSION OF INVESTIGATION
COMPLETION BY INVESTIGATIVE OFFICER
1. FROM:
2. TO:
3. REQUEST EXTENSION TO COMPLETE INVESTIGATION OF \$ _____ LOSS OF FUNDS
4. DATE REQUESTED FOR EXTENSION:
5. REASON FOR REQUEST:
COMPLETION BY COMMANDER WHO APPOINTED INVESTIGATIVE OFFICER
6. COMMANDER <u>APPROVED</u> : _____
7. COMMANDER DISAPPROVED/REASON:

Figure 6-6. Erroneous Payments--No Fraud

ERRONEOUS PAYMENTS-NO FRAUD					
1. Loss Amount		2. Appropriation		3. Date of Loss	
4. Date Loss Discovered		5. Location of Loss		6. DSSN	
7. DISBURSING OFFICER/DEPUTY DISBURSING OFFICER					
7a. NAME		7b. EMAIL	7c. GRADE/RANK	7d. MAILING ADDRESS	
7e. Was payment made based on properly certified voucher?		Yes	No, provide reason		
7f. Was payment the result of bad faith or lack of reasonable care on part of the DO?		Yes, provide reason			No
7g. If required, did DO take diligent collection actions?		Yes, provide synopsis of actions taken.		No, provide reasons	
8. CERTIFYING OFFICER					
8a. NAME		8b. EMAIL	8c. GRADE/RANK	8d. MAILING ADDRESS	
8e. Was certification based on official records and the official did not know and by reasonable diligence and inquiry could not have discovered the correct information?					
8f (1) Was obligation incurred in good faith?					
8f (2) Did a law specifically prohibit the payment?			8f (3) Did U.S. Government receive value for the payment?		
8g. If required, did certifying officer take diligent collection actions?		Yes, provide synopsis of actions taken		No, provide reasons	
9. INVESTIGATING OFFICER					
9a. NAME		9b. GRADE/RANK		9c. MAILING ADDRESS	
10. I do recommend relief of liability _____			11. I do not recommend relief of liability _____ (Provide reasons)		
12a. The accountable official does request relief of liability _____.					
12b. The accountable official does not request relief of liability _____.					

Figure 6-6. Erroneous Payments–No Fraud (Continued)

BLOCK	GUIDANCE
1	Insert dollar amount of loss.
2	Provide the appropriation in which the payment was charged.
3	Insert the date loss occurred.
4	Insert the date loss was discovered.
5	Insert the location where the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.
6	Insert the DSSN that incurred the loss.
7a, b, c, d	Identify the DO/deputy DO who made the payment by providing his/her name, email address grade/rank of individual(s), and a mailing address.
7e	Review that a duly appointed certifying officer made the payment on a properly certified voucher, check “Yes”. If not, provide the reason(s), it was not.
7f	Determine whether the DO exercised reasonable care by applying the RPP test. The test requires the IO to weigh the facts of the case against what a reasonable person would have done under similar circumstances. Therefore, a determination of reasonable care or negligence is a highly fact sensitive inquiry and what constitutes "reasonable" under the RPP test is wholly dependent on the facts, conditions and circumstances of each case. “Bad faith” can be considered somewhere between negligence and dishonesty, and closer to the latter.
7g	Provide response. Did the DO take diligent collection action in accordance with Volume 16? Please answer “yes” and provide a synopsis of what actions were taken.
8a, b, c, d	Identify the certifying officer who certified the accuracy of facts stated on the voucher, computation of the certified voucher, and legality of the payment by providing his/her name, grade/rank of individual(s), and a mailing address.
8e	Provide an explanation of what documentation the certifying officer used to certify the payment. If the certification was based on incorrect facts, could the certifying officer have determined the true facts?
8f(1)	Provide response. Did the certifying officer have, or should have had, doubt regarding the propriety of the payment? If so, what did he or she do about it?
8f(2)	Identify if there is a statute that prohibits the payment. If yes, please provide.
8f(3)	Review receipt of goods or services with a readily determinable dollar value; however, an intangible item may constitute value received where the payment has achieved a desired program result.
8g	Provide response. Did the certifying officer take diligent collection action in accordance with Volume 16? Please answer “yes” and provide a synopsis of what actions were taken.
9a, b, c	Provide response. IO must include this information. This will provide DFAS-ZP with a point of contact, if needed.
10	Complete if IO recommends relief of liability.
11	Provide reasons if IO recommends denial of relief.
12a	Provide any additional information not included in the investigation by the individual requesting relief. Complete a separate memo to DFAS-ZPFA/IN within 30 days after completion of the investigation.
12b	Payment of the loss amount is due, if the individual chooses not to request relief and the debt is uncollectible from the recipient of the payment.

Figure 6-7. DD 2667, Subsidiary Accountability Record (Overage of Funds Record)

SUBSIDIARY ACCOUNTABILITY RECORD				
1. DSSN 5995	2. PURPOSE OF RECORD Overage of Funds			
3. NAME OF DISBURSING OFFICER James Harris, Capt.			4. ADDRESS PACAF, APO AP 96307	
5. DATE	6. REFERENCE OR EXPLANATION	7. INCREASE	8. DECREASE	9. BALANCE
4/5/XX	John Doe, cashier, discovered in funds at end of day	5.00		5.00
5/14/XX	Jane Smith, paying agent, discovered in funds	.97		5.97
6/18/XX	Additional funds in DDO's safe	7.43		13.40

DD Form 2667, AUG 93

Notes:

- Item 5: For each overage of funds, enter the date the overage collected into a deposit fund account or miscellaneous receipt account, as appropriate.
- Item 6: For each overage of funds, enter a brief description of the overage together with identification of the person responsible for the overage (if known); when disposition is determined, give a brief description.
- Item 7: For each overage, enter the amount of the overage.
- Item 8: This is not used.
- Item 9: Enter the cumulative total of the overages shown in the record.

Table 6-1. Examples of Physical Losses of Funds

TYPES OF LOSSES	EXPLANATION
Public Funds	Loss of cash
Limited Depository Account (LDA)	A loss can occur when the LDA is unreconciled, reported incorrectly, or subjected to a fraudulent transaction
Records	Loss of records such as debit vouchers or deposit tickets
Original Vouchers	Copies of the original voucher and retained supporting documents may be stamped as a certified copy of the original voucher if the original voucher is lost. However, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher with the payee's signature to provide proof of payment
Documentation Supporting Debit Vouchers	A physical loss can occur if open debit items cannot be reconciled because of the loss of supporting documentation
Shipment of Cash	Shipments of cash that are lost can result in the liability of the accountable official(s) if they failed to ship cash as prescribed in Chapter 3, paragraph 030502
Unexplained Losses	No explanation – money is missing
Negotiable Instruments	A physical loss can result when a negotiable instrument and all copies held in the disbursing office are lost
Bank Failure	DO's funds held in a bank; e.g., an LDA, and the bank closed because of failure
Counterfeit Currency	Currency in the DO's possession determined to be counterfeit
Change Fund	Cash shortage that is not whole from sales receipts
Imprest Fund	Shortage of funds advanced to imprest fund cashier
Fraud within Disbursing	A loss resulting from fraudulent actions of disbursing personnel acting alone or in collusion with others
Robbery, Burglary	A loss of funds from a robbery/burglary

Table 6-2. Processing Change Fund or Imprest Fund Loss

R U L E	If	Then	Change Fund Custodian or Imprest Fund Cashier Must	DO Must	Commander Must
1	a cash shortage in the change fund is made whole from sales receipts (property),	there is no loss of funds.			
2	a cash shortage in a change fund cannot be made whole from sales receipts,	the balance of the shortage is a loss from the change fund.	make a return (on paper only) of the amount of the loss using the Statement of Agent Officer's Account, DD 1081.	upon receipt of DD 1081, record the change fund loss on the DD 2667 and the DD 2657 as a decrease to line 6.5 and increase to line 7.3.	if loss is a major loss of funds, take actions to report loss and convene or request appropriate investigation as specified in subparagraphs 060401.B and 060403.B.2. if loss is a minor loss of funds, conduct an investigation per subparagraph 060403.B.1.
3	a loss of all activity funds (sales receipts and change fund),	it is considered a loss of funds.	make a return (on paper only) of the amount of the loss using the DD 1081.	upon receipt of DD 1081, record the change fund loss on the DD 2667 and the DD 2657 as a decrease to line 6.5 and increase to line 7.3.	<ol style="list-style-type: none"> 1. if loss is major loss of funds, report loss as specified in subparagraph 060401.B. 2. initiate an investigation for the loss of sales receipts. The investigation, plus any other investigations (e.g., FBI) must cover the facts and circumstances surrounding the entire loss (change fund and sales receipts). The investigation determines liability only for the loss of sales receipts. Since the same set of facts and circumstances relates to both the losses of sales receipts and change funds, a separate investigation is not required for the loss of change fund. 3. send a summary report of the investigation to DFAS-ZPFA/IN. The report must include: <ol style="list-style-type: none"> a. certification that the DO (or authorized agent) advanced the change fund per Chapter 3, subparagraph 030401.A. b. statement of whether the safeguarding requirements prescribed in Chapter 3, section 0303 were met and if not met, the reason(s) why. c. determination that satisfactory evidence exists to support a recommendation for relief of the DO or any other person involved, or a finding of pecuniary liability against the DO or any other person involved. d. copy of the investigation and all attachments.

Table 6-2. Processing Change Fund or Imprest Fund Loss (Continued)

R U L E	If	Then	Change Fund Custodian or Imprest Fund Cashier Must	DO Must	Commander Must
4	a loss occurs in an imprest fund,	upon discovery,	<p>report loss to DO or authorized agent who advanced the funds through the Commander who approved establishment of funds and</p> <p>make a return (on paper only) of the amount of the loss using the DD 1081.</p> <p>upon receipt of additional advance, if applicable, provide the DO with a signed DD 1081.</p>	<p>upon receipt of DD 1081, record the imprest fund loss on the DD 2667 and the DD 2657 as a decrease to line 6.5 and increase to line 7.3.</p> <p>if Commander determines imprest fund should be restored to its full operational level, make advance following procedures described in Chapter 3, subparagraph 030401.A. except the amount of the advance must not be recorded as an increase to DD 2657, line 6.5. record the loss on the DD 2667 and record the additional advance on line 7.3 of the DD 2657.</p>	<p>1. if loss is a major loss of funds, take actions to report loss and convene or request appropriate investigation as specified in subparagraphs 060401.B and 060403.B.2.</p> <p>2. if loss is a minor loss of funds, ensure investigation is conducted per subparagraph 060403.B.1.</p> <p>based on information contained in imprest fund cashier's report and amount of loss, volume of imprest fund transactions, and frequency of replenishment, determine whether DO should provide additional advance in amount of loss to restore imprest fund to its full operational level. If decision is to provide additional advance, notify the DO of requirement in writing.</p> <p>a. include information as to whether imprest fund will be turned over to alternate cashier pending completion of the required investigation(s) and</p> <p>b. provide instructions of the additional advance to the primary or alternate cashier, as appropriate.</p>

Table 6-3. Standardized Questions for Investigations

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Have the DO and other person potentially liable for the loss been afforded all the rights and privileges of parties in interest?	X	X	X	X	X
Has the IO obtained testimony from every person who has relevant information regarding the circumstances?	X	X	X	X	X
Has the IO thoroughly questioned each witness?	X	X	X	X	X
Are there inconsistencies among the testimonies of different witnesses?	X	X	X		X
Did the IO conduct a thorough investigation to discover the full extent of the loss?	X	X	X	X	X
Has the IO considered other investigations conducted regarding the loss? (NOTE: Do not consider lie detector test results.)	X		X	X	X
If fraud is involved, were the methods to defraud the U.S. Government clearly described?				X	
Is the cause of the loss clearly established?	X	X	X	X	X
Was a thorough search of the physical area made for missing cash or vouchers?	X		X		X
Did the IO review the transactions made during the day of the loss thoroughly, in an effort to determine the cause of the shortage?	X		X		X
Were any individuals contacted in an effort to determine if an overpayment had been made and could be recovered?	X		X		X
Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?	X		X		X
Was all cash-on-hand counted to make sure there was no compensating overage?	X		X		X
What was the number of transactions handled by the cashier/agent during the period in which the loss occurred?	X		X		X
Did distracting influences exist or were working conditions poor?	X	X	X		X
Was the cashier/agent working under pressure because of the heavy volume of business?	X	X	X		X
Was the cashier/agent handling new currency that has a tendency to stick together?	X		X		X
Was the cashier/agent experienced or inexperienced?	X		X		X
What procedures and internal controls has the DO established to safeguard funds and preclude fraudulent activity?	X		X	X	X
What facilities were available to protect cash for which the cashier/agent was accountable, such as a cash drawer with key lock or a separate safe?	X		X		X
What procedures did the DO, deputy DO, and/or disbursing agent follow in making daily settlements with the cashier?	X				
Has the DO supplied instructions in detecting counterfeit money for those personnel in the office that handle money?		X			
What written SOPs has the DO supplied for guidance?	X	X	X		
Are the SOPs adequate?	X		X		
Did the accountable official follow the applicable procedures on the day of the loss?	X	X	X	X	X

Table 6-3. Standardized Questions for Investigations (Continued)

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Has the DO issued any oral instructions?	X	X	X		
Was the cashier's cage or safe accessible to persons other than the cashier/agent?	X		X		
Did theft occur?	X		X		X
Does the exhibit show the appointment of the official; i.e., cashier, DDO, agent?	X		X		X
Was the cashier/agent functioning under the direct cognizance/control of the DO?	X		X		
When, and by whom, was the receipt of counterfeit currency detected?		X			
Was an effort made to determine the source of the counterfeit note(s)?		X			
Does the volume of transactions handled by the cashier/agent preclude a careful inspection of every piece of currency?		X			
Do exhibits show the amount the DO entrusted to the cashier/agent, the signature of the cashier/agent in receipt of funds, the turn-in made by the cashier/agent, and the amount of the shortage or a statement of the cashier's/agent's account?	X		X		
If the loss involves funds in the hands of a cashier/agent, has the DO inspected and supervised the cashier/agent office, or arranged for such inspections?	X		X		
Under what functional capacity was the accountable individual acting with regards to the DO?				X	
What is the accountable official's immediate chain of command within the activity for which they provide disbursing services?				X	
Has all possible collection action been taken?				X	
In the case of military personnel, is collection action occurring in the field or by the supporting DFAS site in cases where personnel have been separated from the Service?				X	
In the case of civilian employees, has the individual involved authorized application of pay to offset the shortage?				X	
Have steps been taken to secure application of final pay to settle the indebtedness?				X	
If the amount of the indebtedness was determined, was a request made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?				X	