

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

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * 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 July 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised entire chapter to include rewording, rewriting and renumbering paragraphs.	Update
060205.B.2d.(4)	Revised paragraph to highlight investigation officer's guidance.	Update
060303.B.1.c.(1)	Changed the days of delinquent for erroneous payment debt from 90 days to 180 days.	Update
Table 6-6	Changed textbox to reflect the 180 days update.	Update

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

0601 GENERAL

Accountable officials entrusted with public monies are pecuniarily liable for the loss or deficiency of the trusted amount, unless granted relief. This chapter provides information regarding the liability and relief of government officers and employees who are entrusted with public funds or who certify payments.

0602 PHYSICAL LOSSES OF FUNDS

Examples of physical losses of funds are provided in Table 6-1.

060201. Minor

A physical loss of less than \$750 without evidence of theft or fraud within the disbursing office is considered a minor loss.

060202. Major

A physical loss is a major loss if it meets one of the following criteria.

- A. Equal to or greater than \$750.
- B. Any loss resulting from a theft regardless of the dollar amount.
- C. 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.

060203. Discovery of Loss

A. General. Any person who believes that an individual entrusted with public funds is misusing those funds must notify the Commander having jurisdiction over the alleged offender of the alleged misuse. See Table 6-2 for an overview of processing physical losses of funds.

B. Disbursing Officer (DO) Responsibilities

1. Verify that all transactions have been properly posted on the Daily Statement of Accountability ([Department of Defense \(DD\) Form 2657](#)), and Daily Agent Accountability Summary ([DD Form 2665](#)).

2. Verify the accuracy of all totals since the date of last balancing on the DD Form 2657 and each deputy's, agent's, or cashier's DD Form 2665.

3. Verify by actual count that the total of all cash and documents held as cash by the DO and all deputies, agents, and cashiers is in agreement with the amount shown as being on hand on the DD Forms 2657 and 2665.

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 060202 of this chapter.

5. Request that the Commander direct an immediate audit of all disbursing assets by a Cash Verification Team to confirm that a loss has occurred.

C. Commander's Responsibilities. Upon notification of a possible loss, the Commander must request that 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 060202 of this chapter, then report through the chain of command within 24 hours via email to Disbursing-DebtManagementPolicy@DFAS.MIL or by mail to the Relief of Liability Section, Disbursing/Debt Management Policy Division, Defense Finance and Accounting Service Indianapolis (DFAS-NPD/IN), Column 329F, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the deputy, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

1. The specific type of loss; **such as** physical loss, erroneous payments, or fraudulent payment.

2. All known circumstances **surrounding the alleged loss of funds.**

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

4. The date the irregularity occurred and/or was discovered.

5. The dollar amount of the loss.

6. The identity of the accountable individual(s) by name, rank/grade, social security number (SSN), and accountable position (**such as DO, deputy, agent, or cashier**).

7. The date that an investigation has been or will be convened.

8. The contact information of the investigative officer (IO); including name, email address, and phone number.

9. **The completion date of the investigation or** the estimated completion date, if applicable.

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

060204. Accounting for Losses of Funds

A. General. Specific instructions for recording and clearing losses on the Statement of Accountability ([Standard Form \(SF\) 1219](#)) are found in Volume 5, Chapter 19 of [this regulation](#).

B. Recording a Physical Loss of Funds

1. All physical losses (whether major or minor) are recorded on the DD Form 2657 by increasing line 7.3 (or 9.3, if predecessor DO), "Loss of Funds," and decreasing the appropriate line. For example, if a cash count reveals U.S. currency on hand is short \$100, then decrease line 6.2A and increase line 7.3 or 9.3. Continue to show all losses on the DD Form 2657 and the SF 1219 until recovery or recoupment is made or until relief of liability is granted for the loss.

2. Subsidiary Accountability Record (DD Form 2667) as a Cumulative Record of Physical Losses

a. Support the entry on the DD Form 2657 by recording the loss on the [DD Form 2667](#). Record all physical losses discovered in the DO's account to include those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians. If more than one physical loss occurs during a single business day, then each loss must be accounted for individually by using each separated lines on the same form.

b. Maintain separate DD Forms 2667 by DO for physical losses recorded on lines 7.3 and 9.3.

c. Balance and reconcile to the DD Form 2657 daily.

d. Keep the DD Form 2667 on file as a subsidiary record supporting the DD Form 2657.

e. Complete the DD Form 2667 as follows (See Figure 6-1 for an example of a DD Form 2667 prepared as a cumulative record of physical losses):

(1) Item 1: DSSN. Enter the Disbursing Station Symbol Number (DSSN).

(2) Item 2: Purpose of Record. Enter "Cumulative Physical Losses of Funds."

(3) Item 3: Name of Disbursing Officer. Enter the DO's name and rank/grade.

(4) Item 4: Address. Enter the DO's organization and address.

(5) Item 5: Date. For each loss of funds, enter the date the loss was recorded in the DO's accountability.

(6) Item 6: Reference or Explanation. For each loss, enter a brief description of the loss, including identification of the person responsible for the loss.

(7) Item 7: Increase. For each loss, enter the amount of the loss.

(8) Item 8: Decrease. If relief is granted or recovery/recoupment is obtained, then record the amount accordingly.

(9) Item 9: Balance. Enter the cumulative total of the losses. This balance must be in agreement with the DD Form 2657, lines 7.3 or 9.3, at all times.

f. Forward the DD Form 2667 to DFAS-NPD/IN within 5 calendar days after the end of each month. Forward the DD Form 2667 either by email to Disbursing-DebtManagementPolicy@Dfas.Mil; or fax to DSN 699-0820; or commercial (317) 212-0820; or mail to DFAS-NPD/IN.

3. Agent Losses. Physical losses of funds incurred by deputies, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are identified as physical losses within the individual agent's accountability documents. The acknowledgement of the loss must be made to the DO. The DO then must reduce the DD Form 2657, line 6.5, for that particular agent and increase line 7.3. The DO must record the loss on the cumulative DD Form 2667.

4. Change Fund or Imprest Fund Loss. Table 6-3 provides guidance for processing a loss which occurs in a change fund or imprest fund.

5. Counterfeit Currency Loss. The DO **must** record the amount of the loss on the DD Forms 2667 and 2657, line 6.2A, "U.S. Currency/Coinage on Hand" (or 6.2B, "Foreign Currency/Coinage on Hand"), column d, by the amount of the counterfeit currency and increase line 7.3.

060205. Investigating Physical Losses of Funds

All physical losses of funds must be investigated.

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

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

- (name and rank);
2. Identification of accountable individuals and others involved
 3. Authenticity of documentary evidence and oral testimony;
 4. Functional capacity of the accountable individual incurring the loss and the physical location of this individual **such as** disbursing office, functional area;
 5. Cause of the loss; and,
 6. Adequacy of internal controls and whether they were effectively implemented.

Table 6-4 provides questions to use as part of an investigation and to ensure that all facts of the loss are addressed in order for the investigation to be complete.

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

1. Minor Physical Losses

a. \$300 or Less (No Fraud). The DO or deputy DO (if the DO is not collocated with the deputy DO) **will** conduct the investigation and complete the written investigatory report (See Figure 6-2). If the loss is attributable to the DO, then the investigation will be conducted by the primary deputy DO along with the written investigatory report. Under no circumstances **will** the individual incurring the loss prepare his or her own written investigatory report. In all cases, the written investigatory report **must** be completed and submitted to DFAS-NPD/IN within 30 days from discovery of the loss.

b. Over \$300 (No Fraud). Someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team) **must** be appointed by the Commander to conduct the investigation and complete the written investigatory report (See Figure 6-2). The individual appointed to investigate the loss **must** have knowledge of disbursing office operations, especially of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted to DFAS-NPD/IN within 30 days from discovery of the loss through the Commander.

2. Major Physical Losses. An investigating officer (IO) must be appointed when there is a major physical loss.

a. The following individuals have the authority to appoint an IO:

- (1) The Commander of the DO who incurred the loss.

(2) For DFAS sites, the Director of the DO who incurred the loss.

(3) In instances where the accountable individual is not located with the DO, the Commander over that individual will appoint the IO. For example, Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss and the DO is located in Indianapolis.

(4) In those instances where the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

b. Appointment/Order of IO

(1) Include name of the individual, telephone number, and email address.

(2) State matter to be investigated.

(3) Cite Volume 5 of this Regulation and any authorizing DoD Component regulation as the authority for the investigation.

(4) Specify the approximate period of time allowed for the investigation. NOTE: Investigation must be completed and forwarded to DFAS-NPD/IN within 90 days from discovery of the loss.

(5) Include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

(6) Provide a copy of the official appointment notification within 5 days of appointment to DFAS-NPD/IN.

c. 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:

(1) Does not have a vested interest in the outcome of the investigation.

(2) Is not in the chain of command of the DO or accountable individuals involved in the irregularity.

(3) Is familiar with investigative techniques.

(4) Has knowledge of financial accounting controls and pertinent laws and directives. (Comptroller personnel must be used only when there is no feasible alternative to appoint an IO from another organizational element.)

NOTE: Investigative officers without extensive backgrounds in investigative or financial matters must be given technical guidance by the comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-OGC).

d. Guidance for IOs

(1) Develop all factual information in connection with the loss so that proper action may be taken by higher authority. This includes information regarding the procedures followed by all individuals involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

(2) Before interviewing individual(s) for the first time, ensure that each accountable individual receives and reviews this chapter and Volume 5, Chapter 33 of [this Regulation](#) regarding liabilities and responsibilities of accountable individuals and statutory authority (Title 31, United States Code (U.S.C.), sections [3527](#) and [3528](#)) for relief of liability.

(3) Obtain statements from accountable individual(s) and others involved with the loss. Testimony may be reported verbatim or summarized by the IO. Whenever possible, the transcript or summary of testimony must be reviewed, sworn to, and signed by the witness. (When sworn testimony cannot be obtained, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.)

* (4) [If the IO recommends against relief of the DO or any other accountable individual\(s\) who is pecuniarily liable for the loss, the report must be given to these individuals for the purpose of requesting relief of liability if desired.](#)

(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).

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

(7) Report every 30 days on the current status of the investigation. This report must be sent through the Commander to DFAS-NPD/IN.

(8) When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. Figure 6-3 can be used as a request for an extension. The Commander must notify DFAS-NPD/IN of any

authorized extension by forwarding Figure 6-3 or similar request to Disbursing-DebtManagementPolicy@dfas.mil.

e. Preparation of the ROI. The ROI **must** include the following elements:

(1) Facts

(a) Identities of all accountable individuals who are pecuniarily liable for the loss, their SSNs, the amount for which each is accountable, and the involvement of each in the loss.

(b) If any of the individuals involved in the loss are not physically located in the disbursing office, then describe the structure of the chain of command of the activity in which the individual was performing his or her disbursing functions. In addition, describe the financial services supplied by that individual for the activity they serve.

(c) Circumstances leading to and surrounding the loss, and the efforts undertaken to discover the cause of a loss that remains unexplained.

(d) Description of the internal controls prescribed to prevent losses of the type experienced and the steps taken to implement those controls.

(e) Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable individuals involved.

(f) Documentary evidence such as statements, transcripts, correspondence, affidavits, investigative reports of other agencies, records, and photographs as exhibits to the ROI.

(g) Information regarding collection activity and any possible offset relating to the loss.

(2) Findings. The IO **must** make the following findings:

(a) **Whether or not there was** a loss to the United States (**be sure to** include amount of loss).

(b) **Whether the loss was caused by** the fault or negligence on the part of the accountable individual.

(c) Whether or not the loss was proximately caused by negligence or resulted from fraud or theft by an individual other than the accountable individual(s).

(d) The name of all individual(s) involved and when the loss occurred.

(e) Whether or not the accountable individual(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings that are considered necessary and appropriate. It is essential that the findings as indicated in paragraph 060205.B.2.e(2) be supported by documentation. After each finding reference must be made by tab or page number to the supporting documentation.

(3) Recommendations

(a) Whether or not the accountable individual(s) should be relieved of pecuniary liability for the loss. Separate recommendations are required for each accountable individual.

(b) Whether or not any other person or persons should be held pecuniarily liable for the loss, in whole or in part.

(c) Whether any corrective action is needed to improve controls or procedures.

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

f. Submission of ROI

(1) Within 90 days after the loss is discovered (unless an extension has been authorized), the IO must submit the ROI through the Commander (who appointed the IO) to DFAS-NPD/IN.

(2) Commander's Actions

(a) Immediately review the ROI for compliance with requirements as indicated in paragraph 060205.B.2.e

(b) If not complete, then return to the IO explaining the defects and directing supplementation. Notify DFAS-NPD/IN if the ROI cannot be completed and submitted within 90 days from discovery of the loss.

(c) Consider all the facts, findings, and recommendations.

(d) Make additional findings and recommendations pertinent to the investigation.

(e) While considering the facts, circumstances, and conditions of the individual case, determine whether sufficient evidence exists to support a recommendation for relief from liability of each accountable individual involved as a part of the ROI.

(f) If sufficient evidence exists, then recommend relief from liability for each accountable individual involved; otherwise, recommend denial of relief setting forth all evidence supporting this denial recommendation. A separate recommendation is required for each accountable individual involved.

(g) If there is evidence of fraudulent or wrongful conduct and the matter is under investigation by authorized law enforcement personnel, then those investigative entities may request the report be held until completion of their investigation. If so, then continue to follow-up on the status of their investigation and advise DFAS-NPD/IN of the status every 30 days. Copies of the investigative reports may be added as exhibits before forwarding the report through the chain of command to DFAS-NPD/IN.

(h) Forward a copy of the ROI and all attachments to DFAS-NPD/IN within 90 days from discovery of the loss unless the investigation is on hold as indicated in [subparagraph \(g\)](#).

(i) Provide a copy of the ROI to the Commander of the base, station, activity, ship or unit where the accountable individual is located. For Army finance battalions, a copy also must be transmitted to the parent finance group or finance command. The ROI may be used for disciplinary or administrative action considered necessary by the Commander.

(j) Keep one copy of the ROI.

(k) Provide DFAS-NPD/IN any information that becomes available after the ROI has been forwarded.

(l) If report is returned by DFAS-NPD/IN because of lack of sufficient information, ensure that the information is obtained and returned to DFAS-NPD/IN.

3. DFAS-NPD/IN Action on ROI

a. Review the ROI.

b. When the ROI lacks sufficient information (or in the absence of compliance with the provisions for the findings and recommendations), DFAS-NPD/IN may return the report for further investigation and fulfillment of the provisions as indicated in [paragraph 060205.B.2.e](#).

c. When the ROI is sufficient, make a recommendation as to liability.

d. Obtain legal review from DFAS-OGC.

e. Forward the recommendation and ROI to the Director, Policy and Performance Management (DFAS-NP). The Director, DFAS-NP, is the ultimate fact finder and makes the final decision on liability for each case.

f. Advise the appropriate individuals of the decision and in those cases wherein individual(s) are held liable, of their right to submit a rebuttal.

060206. Request for Relief

A. 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 investigation officer's report must be included as an attachment to the request for relief. Requests for relief must be submitted as follows:

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

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

3. Deputy DOs, Disbursing Agents, Cashiers. Submit requests for relief through the DO responsible for the account to DFAS-NPD/IN.

B. Evidence Required for Granting Relief. An accountable individual entrusted with public monies is held strictly liable for any physical loss of funds placed in the official's care subject to relief of liability as provided by [31 U.S.C. 3527](#). Accordingly, if the Government can establish that a loss has occurred, then strict liability applies to the accountable individual involved with the loss. The accountable individual bears the burden of proving that it is more likely than not that the individual:

1. Was not negligent, or

2. The loss was not proximately caused by the individual's fault or negligence.

C. Information Required. When not supplied in the findings of any court of inquiry, investigation, court-martial, or other proceedings (including endorsements thereto), the following information must be supplied and considered in the request for relief and/or the forwarding endorsements, as appropriate. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief.

1. The specific duty assignment of the accountable individual when the loss occurred.
2. A statement showing when, how, and by whom the loss was discovered.
3. A description of the actions taken to verify the loss and establish how the loss occurred.
4. A statement of when the last cash count and balancing was completed prior to discovery of the loss.
5. A copy of the appropriate standard operating procedures (SOPs) in effect at the time the loss occurred (if no written procedures are available, then a statement must be prepared setting forth the known and utilized procedures at the time the loss occurred).
6. A statement indicating whether pertinent regulations and instructions were followed or, if not followed, then an explanation and justification for any omissions and deviations.
7. A statement of past involvement in any prior losses, if any, by the individual.
8. A statement indicating whether the loss was the result of theft or of some other criminal act.
9. A description of the manner in which the loss is being carried in the DO's account and the identity of the DO.

D. 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 individual was in the line of duty and regarding fault or negligence. A specific recommendation as to whether relief should be granted or denied also must be included as a part of the forwarding endorsement.

060207. Statutory Standards for Relief of a Physical Loss

The general authority to relieve accountable individuals and agents from liability is stipulated in 31 U.S.C. 3527. [Relief of liability may be granted when:](#)

- A. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;
- B. The loss or deficiency was not the result of an illegal or incorrect payment;
and
- C. The loss or deficiency was not the result of fault or negligence by the official.

060208. Funding for Removal of Physical Losses

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, recovery of missing cash from the finder or, in cases where the accountable individual(s) is denied relief of liability, collection from the accountable individual(s).

A. When losses cannot be recovered (including those instances where relief of liability has been denied and recoupment cannot be made from the accountable individual) or relief of liability is granted to the accountable individual, appropriated funds must be made available to remove the deficiency from the DO's SF 1219.

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

2. Other DoD Component Employees. If the accountable individual was a member or employee of another DoD Component when the loss occurred, then that DoD Component must identify the appropriation and funding necessary to resolve the loss.

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

0603 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER PAYMENTS)

060301. Definition

A. Any payment that should not have been made or that is an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirement;
and

B. Any payment to an ineligible recipient, any payment for an ineligible service, any 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 individual liability. Improper payments under the Improper Payments Information Act differ, in that, they include both underpayments and overpayments. See Volume 4, Chapter 14 of this Regulation.

060302. Examples of Erroneous Payments

Examples of erroneous payments which do and do not require an investigation are included in Table 6-5.

060303. Discovery of Erroneous Payments

See Table 6-6 for processing an erroneous payment.

A. Fraudulent or Suspected Fraudulent Erroneous Payments. The accountable individual or any individual who suspects a fraudulent erroneous payment was made must notify the Commander within 24 hours of discovery.

1. Commander's Responsibilities

a. Within 24 hours of notification, report through the chain of command to the Relief of Liability Section, Disbursing/Debt Management Policy Division, DFAS-NPD/IN, per paragraph 060203.C of this chapter.

b. Appoint an IO to conduct a formal investigation. See [subparagraph 060205.B.2 of this chapter](#).

c. Ensure the investigation is completed and forwarded to DFAS-NPD/IN within 90 days of discovery of the erroneous payment.

2. DO's Responsibilities

a. If the erroneous payment occurred due to fraudulent actions of accountable individuals under the direct cognizance or control of the DO, then prepare a collection voucher transferring the amount of the fraudulent payment back into the appropriation from which the payment was disbursed. Increase lines 4.1B "Loss-Refunds," 7.3 "Loss of Funds," or for predecessor losses, line 9.3 "Other" on the DD Form 2657. Report the entry on the DD Form 2667 as prescribed in paragraph 060204.B.2 of this chapter.

b. If the erroneous payment occurred due to fraudulent actions by individuals not under the direct cognizance or control of the DO, then the payment(s) must remain charged to the appropriation originally charged.

B. Erroneous Payments – No Fraud

1. Certifying Officer Responsibilities

- a. Review the suspected erroneous payment voucher and the supporting documentation.
- b. Ensure collection action is taken against the recipient of the payment as prescribed in Volume 5, Chapter 28 of this Regulation. This may require submission of the debt to the DO or other responsible area.
- c. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed, and

- * (1) The debt is delinquent for 180 days, or
- (2) The loss cannot be fully recovered within the 2-year period from the time the erroneous payment was made.

2. DO's Responsibilities

- a. If the erroneous payment was properly certified, then there are no actions by the DO.
- b. If the erroneous payment was not properly certified,
 - (1) Report the loss to the Commander.
 - (2) Ensure collection action is taken against the recipient of the payment as prescribed in Chapter 28 of Volume 5. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, then collect the proceeds into the appropriation which was originally charged unless the appropriation is canceled. If the appropriation is canceled, then refer to Volume 4, Chapter 3 of this Regulation, for disposition of the collection.

3. Commander's Responsibilities

- a. Determine that either a formal or an informal investigation needs to be conducted. Please see 060304 of this chapter for requirement description
- b. Appoint an IO to conduct the appropriate investigation.
- c. Ensure the investigation is completed and forwarded to DFAS-NPD/IN within 60 days after the discovery of erroneous payments.

060304. Investigation of Erroneous Payments

A. Formal Investigation Guidelines

1. Required when fraud (on the part of the payee, disbursing office personnel, certifying officer, or any other accountable individual) is suspected in connection with the payment.

2. Required when Commander determines necessary.

3. [Subparagraph 060205.B.2](#) of this chapter provides guidance relating to formal investigations.

4. The investigation must be submitted to DFAS-NPD/IN through the Commander who appointed the IO within 90 days from discovery of the erroneous payment.

B. Informal Investigation Guidelines

1. IO must prepare investigatory comments using Figure 6-4 as an example.

2. Investigation must be submitted to DFAS-NPD/IN within 60 days from the Commander's notification of the erroneous payment.

060305. Statutory Requirements to Relieve Accountable Individuals Pursuant to 31 U.S.C. 3527 and [3528](#)

A. Disbursing Official

1. The payment was not the result of bad faith or lack of reasonable care, and

2. Diligent collection efforts by the disbursing officials and the agency were made.

B. Certifying Officer

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

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.

060306. Completion of Loss of Funds Process

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.

060307. Settlement of Erroneous Payments

As a general rule, losses due to erroneous payments are not carried on the DO's SF 1219 as a loss of funds since an appropriation was charged when the payment in question was made. 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 DSSN or the payments were made fraudulently by accountable individuals under the direct cognizance or control of the DO.

A. If the erroneous payment is recovered from the recipient, then the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. If the appropriation is canceled, then refer to Volume 4, Chapter 3 of this Regulation, for disposition of the collection.

B. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, then the loss must be collected from the DO, certifying officer, and/or accountable individual(s) involved and the proceeds credited to the appropriation originally charged for the payment unless the appropriation is canceled. If the appropriation is canceled, then refer to Volume 4, Chapter 3 of this Regulation, for disposition of the collection.

C. The amount of the erroneous payment must remain charged to the appropriation charged when the payment was made when:

1. Relief of liability is granted, and
2. The loss cannot be recovered from the recipient.

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

060308. Document Retention

The following documents and information must be retained to properly respond to any audit that may be conducted by the Government Accountability Office (GAO).

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

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

C. Description of how the irregularity occurred and how it affected the accountable individual's account.

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

- E. Information on any recoupment already made or being considered.

0604 DECISIONS ON LIABILITY

060401. General

The determination of the Secretary of Defense that relief should be granted is binding. The Secretary of Defense has delegated authority to the Director of DFAS or his/or her designee, to make the required determinations and grant or deny relief on all requests for relief of liability. The Director of DFAS has delegated this authority to the Director, DFAS-NP.

060402. Relief Granted

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

060403. Relief Denied

If relief is denied, then DFAS-NP will advise the accountable individual(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-NPD/IN. Based on the additional information received, DFAS-NPD/IN will make a recommendation to the Director, DFAS-NP, through the DFAS-OGC, whether to affirm or reverse the previous decision.

A. If the decision is reversed, then the accountable individual(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.

B. If the decision is not reversed, then the Commander and/or DO will be advised to take immediate collection action against the accountable individual(s). Procedures for effecting collection of irregularities are prescribed in Chapter 28 of Volume 5.

0605 OVERAGES OF PUBLIC FUNDS

060501. Overview

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

060502. Recording Overages of Funds

Do not offset an overage of funds against a physical loss of funds unless the two are obviously related and the relationship can be documented. For example, an obvious relationship usually can be determined if foreign currency on hand is short and U.S. currency on hand is over by equal U.S.-equivalent amounts (for example, an overage of \$431.18 against a loss of \$431.18 foreign currency). Do not offset apparently related overages against shortages if the shortage

and overage occur on different business days. An overage of funds must be collected into the Budget Clearing Account **F3875 pending a determination of where the overage properly belongs. Subsequently, if no proper location for the overage is determined, the overage must be transferred from **F3875 to the Department of the Treasury's receipt account, Forfeiture of Unclaimed Money and Property, **R1060. Track overages by recording each occurrence on a separate DD Form 2667, maintained specifically for overages. NOTE: Unlike the cumulative DD Form 2667 maintained per paragraph 060204.B.2 of this chapter to support specific lines on the DD Form 2657 and the SF 1219, the DD Form 2667 for overages is a stand-alone document for tracking overages. Start a new DD Form 2667 for overages at the beginning of each quarter.

060503. Preparation of DD Form 2667 as a Record of Overages of Funds

List each overage occurring during each day on the DD Form 2667. See Figure 6-5 of this chapter for an example of DD Form 2667 prepared as a record of overages. Complete the form as follows:

- A. Item 1: DSSN. Enter the DSSN.
- B. Item 2: Purpose of Record. Enter "Overage of Funds."
- C. Item 3: Name of Disbursing Officer. Enter the DO's name and rank/grade.
- D. Item 4: Address. Enter the DO's organization and address.
- E. Item 5: Date. For each overage of funds, enter the date the overage was collected into a deposit fund account or miscellaneous receipt account, as appropriate.
- F. Item 6: Reference or Explanation. For each overage, 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.
- G. Item 7: Increase. For each overage, enter the amount of the overage.
- H. Item 8: Decrease. This item is not used on the DD Form 2667 maintained for overages.
- I. Item 9: Balance. Enter the cumulative total of the overages shown in the record.

060504. Reporting Overages of Funds

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 6-2. 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 Individuals				
6. CAPACITY	7. NAME	8. SSN	9. GRADE	10. MAILING ADDRESS
DO				
DEPUTY				
AGENT				
CASHIER				
OTHER				
11. How did Loss Occur?				
12. Did accountable individuals act in a prudent manner in compliance with regulations, procedures, etc.? Yes No (If no, provide name of individual(s) and reason(s))				
13. Were accountable individuals acting within their line of duty? Yes No (If no, provide name(s) and reason(s))				
14. Has the presumption of the accountable individuals' negligence been refuted? Yes No (If no, provide name(s) and reason(s))				
15. Where the loss was by a subordinate, did the supervisory DOs(s)/deputy DOs exercise adequate supervision? If, YES, identify and attach applicable procedures; e.g., SOPs, training guides, inspection results, etc. If NO, provide reasons.				
16. I do recommend relief of liability _____			17. I do not recommend relief of liability _____	
18. The accountable individuals 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 (provide reasons) _____				
19a. _____ does request relief of liability _____. Additional facts provided in separate memo YES___ NO___			19b. _____ does not request relief of liability _____.	
20. POC for this investigation is _(Name (to include grade/rank), (Phone Number), and (EMAIL address))				

Figure 6-2. Minor Physical Losses–No Fraud (Continued)

BLOCK	GUIDANCE
1	Insert dollar amount of loss.
2	If known, insert date loss occurred. If unknown, leave blank.
3	Insert date loss was discovered.
4	Insert the location wherein the loss occurred; e.g., Incirlik Air Base, Turkey; USS EISENHOWER; Camp Arifjan, Kuwait.
5	Insert the disbursing station symbol number that incurred the loss.
6	Identify each accountable individual, to include the DO, deputy, and the individual that incurred the loss.
7	Include the full name of appropriate individuals.
8	Provide the social security number 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, etc., 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	Respond to this. Note: What "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	The fact that a loss or deficiency occurred gives rise to a presumption of negligence on the part of the accountable individual. An accountable individual bears the burden of producing evidence to rebut this presumption. The presumption may be rebutted by evidence that demonstrates that it is more likely than not that the accountable individual was not negligent. In other words, the greater weight of the evidence, though not sufficient to free the mind wholly from all reasonable doubt, is sufficient to incline a fair and impartial mind that the accountable individual was not negligent relating to the loss. Regarding negligence, see guidance in Block 12.
15	When a DO is liable as the result of a physical loss by a subordinate and not as the result of direct involvement, 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, etc.
16	If you recommend relief, complete with the names of the accountable individuals.
17	If relief is not recommended, complete with the names of the accountable individuals.
18	Indicate if the appropriate individuals have been counseled and applicable regulatory procedures have been reviewed. If not, provide reasons; e.g., individual discharged.
19a	Insert the name of the individual(s) requesting relief. If the individual(s) requests relief and has additional information not included in the investigation, a separate memo must be provided to DFAS-NPD/IN within 30 days after completion of the investigation.
19b	Insert the name of the individual who does not request relief. If the individual 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 6-3. 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 APPROVED: _____
7. COMMANDER DISAPPROVED/REASON:

Figure 6-4. 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. SSN	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. SSN	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. SSN	9c. GRADE/RANK		9d. MAILING ADDRESS
10. I do recommend relief of liability _____			11. I do not recommend relief of liability _____ (Provide reasons)		
12a. The individual does request relief of liability _____.					
12b. The individual does not request relief of liability _____.					

Figure 6-4. 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 date loss occurred.
4	Insert date loss was discovered.
5	Insert the location wherein the loss occurred; e.g., Incirlik Air Base, Turkey; USS EISENHOWER; Camp Arifjan, Kuwait.
6	Insert the disbursing station symbol number that incurred the loss.
7a, b, c, d	Identify the DO/deputy DO who made the payment by providing his/her name, social security number, grade/rank of individual(s), and a mailing address.
7e	If the payment was made on a properly certified voucher by a duly appointed certifying officer, check "Yes". If not, provide the reason(s), it was not.
7f	"Bad faith" can be considered somewhere between negligence and dishonesty, and closer to the latter. Whether the DO exercised reasonable care 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 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.
7g	If required and the DO took diligent collection action in accordance with the DoDFMR, Volume 5, Chapter 28, 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, social security number, 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)	Did the certifying officer have, or should have had, doubt regarding the propriety of the payment, and if so, what he or she did about it.
8f(2)	Is there a statute that prohibits the payment? If yes, please provide.
8f(3)	Value received normally implies 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	If required and the certifying officer took diligent collection action in accordance with the DoDFMR, Volume 5, Chapter 28, please answer "yes" and provide a synopsis of what actions were taken.
9a, b, c, d	Investigative Officer must include this information. This will provide DFAS-NP with a point of contact, if needed.
10	If relief is recommended, please complete.
11	If the recommendation is to deny relief, please provide reasons.
12a	If the individual requests relief and has additional information not included in the investigation, a separate memo must be provided to DFAS-NPD/IN within 30 days after completion of the investigation.
12b	If the individual chooses not to request relief and the debt is uncollectible from the recipient of the payment, he/she must pay the amount of the loss.

Table 6-1. Physical Loss of Funds Examples

PHYSICAL LOSS EXAMPLES	
TYPES OF LOSSES	EXPLANATION
Public Funds	Loss of cash.
Limited Depository Account (LDA)	A loss can occur when LDA account is unreconciled, incorrectly reported, or has been subject to a fraudulent transaction.
Records	Loss of debit vouchers, deposit tickets, etc.
Original Vouchers	If the original voucher is lost and the DO's retained copy (and the retained supporting documents) is available, then the copy may be stamped as a certified copy of the original voucher. 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 denied receipt of a cash payment and there is no original voucher (with the payee's signature) to provide proof payment was made.
Documentation Supporting Debit Vouchers	A physical loss can occur if open debit items cannot be cleared because of the loss of supporting documentation.
Shipment of Cash	Shipment of cash which becomes lost can result in the liability of the accountable individual(s) when they failed to ship cash as required by Volume 5, Chapter 3 of this regulation, and the loss is not covered under the Government Losses in Shipment Act.
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 in a bank; e.g., a limited depository account and the bank closes because of failure.
Counterfeit Currency	Currency in the DO's possession which is determined to be counterfeit.
Change Fund	Cash shortage that cannot be made 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 resulting when a robbery/burglary transpires.

Table 6-2. Processing Physical Losses of Funds

PROCESSING LOSSES OF FUNDS DUE TO PHYSICAL LOSS

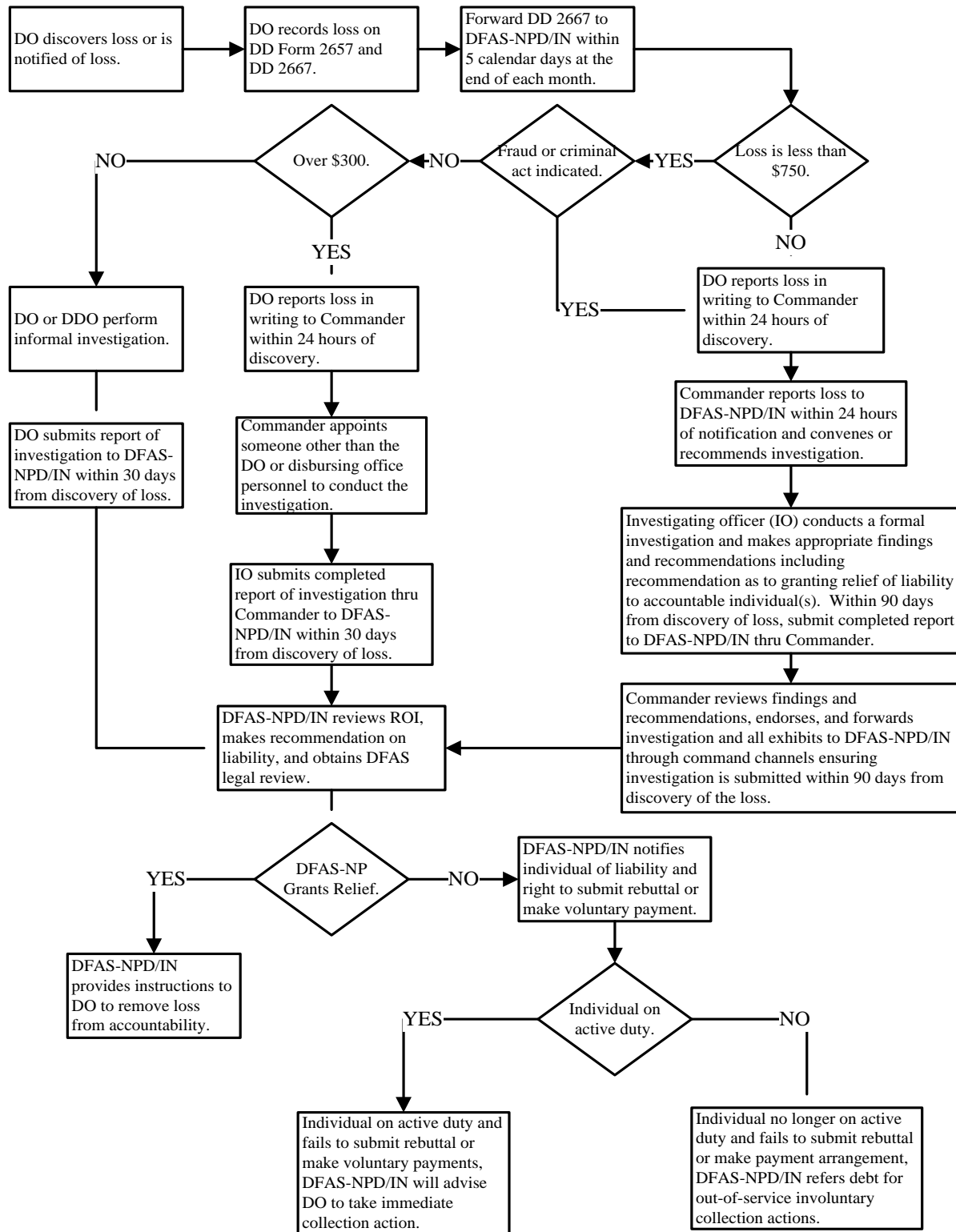


Table 6-3. Processing Change Fund or Imprest Fund Loss

IF	Then	CHANGE FUND CUSTODIAN OR IMPREST FUND CASHIERS MUST	DO MUST	COMMANDER MUST
A cash shortage in the change fund is made whole from sales receipts (property),	There is no loss of funds.			
A cash shortage in a change fund cannot be made whole from sales receipts,	The balance of the shortage is considered 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 Form 1081).	Upon receipt of DD Form 1081, record the change fund loss on the DD Form 2667 and on the DD Form 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 paragraphs 060203.C and 060205.B.2 of this chapter. If loss is a minor loss of funds, ensure investigation is conducted per paragraph 060205.B.1 of this chapter.
A loss of all activity funds (sales receipts and change fund)	It is considered a loss of funds and	Make a return (on paper only) of the amount of the loss using the DD Form 1081.	Upon receipt of DD Form 1081, record the change fund loss on the DD Form 2667 and on the DD Form 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 paragraph 060203.C of this chapter. 2. Initiate a report of survey for the loss of sales receipts. The report of survey investigation, plus any other investigations (e.g., FBI) must cover the facts and circumstances surrounding the entire loss (change fund and sales receipts). The report of survey 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-NPD/IN. The report must include: <ol style="list-style-type: none"> a. Certification that the DO (or authorized agent) advanced the change fund per Volume 5. b. Statement of whether the safeguarding requirements prescribed in Volume 5 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 report of survey (and all attachments).

Table 6-3. Processing Change Fund or Imprest Fund Loss (Continued)

IF		CHANGE FUND CUSTODIAN OR IMPREST FUND CASHIER MUST	DO MUST	COMMANDER MUST
A loss occurs in an imprest fund,		<p>Upon discovery, 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 Form 1081.</p> <p>Upon receipt of additional advance, if applicable, provide the DO with a signed DD Form 1081.</p>	<p>Upon receipt of DD Form 1081, record the change fund loss on the DD Form 2667 and on the DD Form 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 2 of Volume 5 except the amount of the advance must not be recorded as an increase to DD Form 2657, line 6.5. Record the loss on the DD Form 2667 and record the additional advance on line 7.3 of the DD Form 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 paragraphs 060203.C and 060205.B.2 of this chapter.</p> <p>2. If loss is a minor loss of funds, ensure investigation is conducted per paragraph 060205.B.1 of this chapter.</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 6-4. Questions to Use 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 any other person who might be held liable for the loss been afforded all the rights and privileges of parties in interest?	X	X	X	X	X
Has testimony been obtained from every person who may have relevant information regarding the circumstances?	X	X	X	X	X
Has each witness been thoroughly questioned?	X	X	X	X	X
Are there inconsistencies among the testimonies of different witnesses?	X	X	X		X
Has a thorough investigation been made in order to discover the full extent of the loss?	X	X	X	X	X
Have other investigations of the loss been considered? (NOTE: Do not consider lie detector test results.)	X		X	X	X
If fraud is involved, have the methods used to defraud the U.S. Government been clearly described?				X	
Has the cause of the loss been clearly established?	X	X	X	X	X
Was a thorough search of the physical area made for missing cash or vouchers?	X		X		X
Were the transactions made during the day of the loss thoroughly reviewed 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 the cash-on-hand counted to make sure that 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 for safeguarding funds and to preclude fraudulent activity?	X		X	X	X
What facilities were furnished 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 were followed by the DO, deputy DO, and/or disbursing agent 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 individual follow the applicable procedures on the day of the loss?	X	X	X	X	X

Table 6-4. Questions to Use 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 individual; i.e., cashier, deputy, agent, etc.?	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 each and 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 individual'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 being taken in the field or by the supporting DFAS site in cases when 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 has been determined, has a request been made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?				X	

Table 6-5. Examples of Erroneous Payments Requiring an Investigation and Payments Not Requiring an Investigation

ERRONEOUS PAYMENTS WHICH REQUIRE AN INVESTIGATION
1. Any of the following payments 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.
2. Overpayment to a payee.
3. Payment to the wrong payee.
4. U.S. Treasury check issue overdrafts.
5. Negotiation of both original and replacement U.S. Treasury checks.
6. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals not under the direct cognizance/control of the DO.
7. Payment in violation of a regulation.

ERRONEOUS PAYMENTS WHICH DO NOT REQUIRE AN INVESTIGATION
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. An erroneous payment which is collectible through offset of military pay, civilian pay, retired pay, or contract debt.
3. A valid payment made in accordance with appropriate documentation which through no fault of the certifying officer becomes an overpayment; e.g., (1) A member paid a reenlistment bonus and subsequently does not complete terms of contract; (2) a deceased retiree who is overpaid because death notification not provided; (3) an overpayment on a travel advance.
4. A payment made based on documentation from an individual and certified to be true, correct; e.g., a payment made to the wrong bank account because the individual provided incorrect information.
5. Any payments made based on vouchers not examined under an approved statistical sampling plan.

*Table 6-6. Processing Erroneous Payments

