

**VOLUME 10, CHAPTER 23: “PURCHASE CARD PAYMENTS”****SUMMARY OF MAJOR CHANGES**

All changes are 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 **July 2014** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
230102	Added an authoritative guidance paragraph.	Addition
230215.B	Revised document retention period from 6-years 3-months to 6-years (changed by General Records Schedule, Transmittal 23 posted September 17, 2014).	Revision
230505	Revised language to reflect the change for the micro-purchase threshold from \$3,000 to \$3,500 defined by the Federal Acquisition Regulation, Section 2.101 (changed by final rule published in Federal Register, Volume 80, Number 127 dated July 2, 2015).	Revision

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## CHAPTER 23

**PURCHASE CARD PAYMENTS**

## 2301 GENERAL

## 230101. Purpose

This chapter describes Department of Defense (DoD) command, supervisory, and personal policy for financial management related activities within the purchase card program. This chapter supplements general payment policy and procedures described in other chapters of Volume 10, along with the [DoD Government Charge Card Guidebook](#) for Establishing and Managing Purchase, Travel, and Fuel Card Programs (hereafter referred to as the Guidebook) and [Office of Management and Budget \(OMB\) Circular A-123, Appendix B](#). The purpose of the [Guidebook](#) and the OMB Circular A-123, Appendix B is to assist DoD officials in establishing and managing purchase card programs.

**\*230102. Authoritative Guidance**

The policies prescribed throughout this chapter pertaining to the purchase card program are based on laws and regulations cited herein.

## 2302 PURCHASE CARD POLICY

## 230201. General

Through task orders issued on the General Services Administration (GSA) master contract, the DoD uses third party card-issuing banks to support the purchase card program. The card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time-consuming purchase order process, thereby eliminating procurement lead time, providing transaction cost savings, reducing procurement office workload, and facilitating payment. The suite of services offered by the card-issuing banks also includes web-based electronic invoicing, statement review, approval, and certification processes. Purchase cards are used by cardholders to make and/or pay for authorized government purchases, subject to established limitations on transaction amount, billing cycle amount, and merchant category codes (MCCs) which are defined in [Appendix I of the Guidebook](#). A purchase card charge authorizes the card-issuing bank to make payment to the vendor or contractor consistent with the applicable card associated regulations. An authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements. Any misuse of the purchase card is subject to administrative and disciplinary actions, as described in the Guidebook and applicable Component personnel policies and procedures.

## 230202. Background

All cardholders will use the purchase card for authorized purchases in accordance with [Federal Acquisition Regulation \(FAR\), Part 13](#), Defense Federal Acquisition Regulation

Supplement (DFARS), [Part 213](#), the Guidebook, the current GSA contract and applicable task order, and this Regulation.

230203. Oversight

The Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)) is responsible for oversight of the purchase card program. The Program Development and Implementation (PDI) Directorate reporting to the Director, Defense Procurement and Acquisition Policy (DPAP) in OUSD(AT&L), is responsible for policy formulation, procedural guidance, and operational oversight of the purchase card program administered by DoD Components. Agency/Organization Program Coordinators (A/OPCs) serve as the Agency's functional representatives and have oversight to manage and ensure the integrity of the purchase card program.

230204. Audits

The purchase card program is subject to periodic audits pursuant to Title 10 United States Code (USC), [section \(§\) 2784\(b\)\(14\)](#) by the DoD Inspector General (DoD IG) and the Military Services' audit agencies, to determine whether the program is in compliance with applicable policy.

230205. Terminology for Unauthorized Transactions

The following terminology is used in this chapter to describe types of unauthorized purchase card related transactions.

A. **Fraudulent Transaction.** A fraudulent transaction is a transaction made either by an unauthorized individual or an authorized individual (i.e. cardholder) that is intended for personal use. Fraudulent transactions can be classified as either internally or externally committed, depending on whether a DoD representative commits fraud (internal), or a third party commits fraud (external). Fraudulent transactions only include those transactions for which there are facts to indicate that the transactions were fraudulent at the onset. Those may include such facts as the identity of the purchaser (e.g., an unauthorized user), the nature of the items purchased (e.g., items that are personal in nature and not likely to be a government requirement: jewelry, furs, entertainment, or personal audio-visual items), or other facts (e.g., the address to which items were sent). Transactions which are otherwise proper government purchases, but where the item or service was later stolen or converted to personal use, are not fraudulent transactions for purposes of this chapter.

B. **Improper Transaction.** An improper transaction is a transaction involving items or services intended for government use but are not for a purpose for which the funds are available. These transactions are not disputable with the card-issuing bank in cases of purchases made by a formally appointed cardholder. If the transaction is not disputable, then the matter should be annotated appropriately in the purchase card records and immediately investigated. When the ordering activity does not have funds available for the particular transaction, but

available funds exist elsewhere in the DoD, the approving official will obtain assistance of the Resources Manager (RM) to secure appropriate funds.

C. Abusive Transaction. An abusive transaction is a transaction that was authorized but was either carried out at an excessive cost or for questionable government need. Examples include items or services that are centrally managed for which approval for the local purchase has not been obtained; items or services purchased for legitimate government requirements but which exceed those requirements (“gold plated” items); or items or services that the cardholder was not authorized to purchase.

D. Questionable Transaction. A questionable transaction is a transaction for which there was insufficient documentation to determine whether it was in support of a valid requirement or otherwise proper.

E. Reportable Transactions. The cardholder, approving and/or certifying official, A/OPC, and personnel at all levels will report unauthorized transactions in accordance with the Guidebook and related Component policies, and bankcard agreements/contracts. Fraudulent transactions are to be reported to the bank by the cardholder, approving and/or certifying officials, and/or A/OPC, as well as to the appropriate investigative authorities.

#### 230206. Internal Controls

All DoD Component purchase card program implementing policies must ensure the inclusion of appropriate internal controls to prevent, detect, and report unauthorized purchase card transactions ([Public Law 112-194](#)). Refer to paragraph 230205 for a description of unauthorized transactions.

#### 230207. Separation of Duties

Managers at all levels will maintain the effective operation of internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by the PDI, along with those outlined in Chapters 1 and 17, will apply to the operation of a DoD Component purchase card program. Refer to the Guidebook for additional information on management and card program controls.

#### 230208. Data and System Access

Cardholder, approving and/or certifying official, A/OPC, and RM access to government and card-issuing bank purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to the Guidebook for specific responsibilities and requirements when such personnel transfer to other duties or depart from the organization.

## 230209. Merchant Category Codes (MCCs)

MCCs are used to categorize each merchant according to the type of business in which the merchant is engaged and the kinds of supplies or services they provide. These codes are used to limit unauthorized transactions on a card account by blocking purchases from merchants identified by the PDI deemed to be inappropriate sources for government purchases. DoD policy involving MCCs are contained in the Guidebook.

## 230210. Purchase Card Accountable Officials

Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as a departmental accountable official (DAO). Such appointments, made in accordance with Volume 5, Chapter 5 ([10 USC § 2773a](#)), are necessary to establish pecuniary accountability under the law governing accountable officials other than those potentially liable under [10 USC § 2784\(c\)](#). Accountable officials are responsible for providing information, data, or services to certifying or disbursing officials in support of the payment process.

A. A purchase card accountable official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying official in support of a payment to the card-issuing bank.

B. Purchase card accountable officials will be accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds provided to a purchase card certifying official, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

C. Foreign national employees cannot serve as purchase card accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders should consider the potential consequences when the Status of Forces Agreements (SOFAs) or other treaties do not subject direct hire local nationals to the same pecuniary liability as other DoD employees. If such appointments are necessary, commanders should consider implementing other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, Chapter 1 for policy regarding accountable officials and foreign national personnel.

## 230211. Monthly Review

The monthly review checklist (refer to Annex 2) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 5, and will review each cardholder's billing statement every month to verify that the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) and other qualifying items have been properly recorded in government property accountability records in accordance with local

procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Refer to paragraph 230403 for more information concerning approving official responsibilities.

#### 230212. Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels will ensure compliance with this chapter. Military and civilian personnel who violate the provisions of this chapter, the Guidebook, or misuse the purchase card are subject to administrative and disciplinary action. The misuse of the purchase card could be an offense that is punishable by a fine, imprisonment, or both.

A. Military personnel who violate the specific prohibitions contained in this chapter can be prosecuted under Article 92 of the Uniform Code of Military Justice (UCMJ), [10 USC § 892](#), for failure to obey a lawful order or regulation, as well as any other applicable article of the UCMJ based on the nature of the misconduct involved.

B. Civilian personnel who misuse, abuse, commit fraud, or otherwise are negligent with the purchase card will be subject to reimbursement of charges for unauthorized or erroneous purchases, in appropriate cases; and to disciplinary action up to and including removal from the federal service for a first offense (refer to [10 USC § 2784\(c\)\(1\)](#)). Fraudulent use is subject to criminal prosecution.

#### 230213. Certification of Billing Statements

The certification process for billing statements received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving official, and the certifying official as covered in section 2303. Policy, standards and controls used when electronically receiving and processing electronic transactions are contained in Chapter 17.

#### 230214. Delegation

To affect purchase card invoicing at the DAO level, DoD Components will:

A. Designate each billing office and applicable approving official within the Component's activities to receive the official purchase card billing statements.

B. Delegate the authority to certify official purchase card billing statements pursuant to [31 USC § 3325](#) and Volume 5, Chapter 1 and Chapter 5.

#### \*230215. Documentation

In accordance with [10 USC § 2784\(b\)\(7\)](#), this Regulation, and as noted in the Guidebook, appropriate documentation, preferably electronic, will be maintained at all levels to support the integrity of the purchase card program and to facilitate the reconciliation and payment of purchase card transactions. Supporting documentation may include copies of cardholder statements, charge tickets, credit slips, receipts, the cardholder purchase log, invoices, delivery

orders, approvals, requisitions, cross references to any related blanket purchase agreements, and telephone and mail order logs.

A. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and other documentation, preferably electronic, to support each purchase and will make cardholder statements and supporting documentation available to the approving official and certifying official.

\* B. Volume 1, Chapter 9 provides the policy regarding document retention requirements that are applicable to financial records. Generally, the approving or certifying official must maintain certified billing statements and supporting documents for 6 years in accordance with National Archives and Records Administration (NARA), General Records Schedule (GRS) [Transmittal 23](#) (posted September 17, 2014). Extensions to this record retention period may be warranted on a case-by-case basis when determined necessary that the records are needed beyond the 6-year period to complete reconciliation of payment or collection discrepancies, audit readiness requirements, or for other necessary purposes. This time period also applies to the documentation related to the transaction types identified in paragraph 230204. Refer to Volume 15, Chapter 6 for additional information on document retention for accountable officer's records for Foreign Military Sales (10 years from the date of final case closure). If both the cardholder and approving official accounts are terminated, management needs to ensure the record retention requirements continue to be met.

#### [230216.](#) Purchase Card Rebates

Timely payment is a purchase card rebate computation factor. Purchase card billing statements should be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in Title 5 of the Code of Federal Regulations (CFR), [Subpart 1315.8](#). The DoD will take advantage of the rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and rebates found in 5 CFR 1315, [FAR, Section 32.906\(e\)](#), and Office of Management and Budget [\(OMB\) Circular A-123, Appendix B, Chapter 7](#). Billing statements will be paid for the amount certified. Pursuant to permanent authority enacted in the Fiscal Year 2008 DoD Appropriation Act, [Public Law 110-116, Section 8067](#), rebates attributable to the use of the purchase card may be credited to operation and maintenance; and research, development, test and evaluation accounts of the DoD which are current when the rebates are received.

#### [230217.](#) Compromised Account Numbers

If an account number is compromised or if a card has been lost or stolen, then the cardholder, approving official, certifying and billing official, or A/OPC will notify the card-issuing bank to close the account immediately.

## 2303 RESPONSIBILITIES

## 230301. General

Every individual involved in the purchase card process shall report suspected fraudulent, improper, abusive, or questionable use of the purchase card through the proper chain of command and in accordance with applicable Component policies. Refer to paragraph 230205 for definitions of these transactions. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military personnel and civilian employees under their supervision do not misuse assigned purchase cards. Commanders and supervisors are responsible for addressing unauthorized use of the purchase card. Purchase card disbursing and certifying officials are pecuniarily liable for illegal, improper, or erroneous payments, unless granted relief. Purchase card accountable officials may also be held pecuniarily liable. Policy concerning liability and relief of liability is available in Volume 5, Chapter 6.

## 230302. Head of DoD Component

The Heads of DoD Components (or their designees) may delegate their authority for the appointment, in writing, of certifying officials, DAOs, and review officials. Also, Heads of DoD Components are responsible for managing commanders, directors or other designated officials and their delegated authority for carrying out their duties and responsibilities as prescribed in the Guidebook.

## 230303. Commanding Officer or Director

The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing the purchase card financial management policies of this chapter. They have disciplinary authority over cardholders and approving officials and shall investigate all allegations of fraudulent, improper, abusive, or questionable transactions. The commanding officer or director will establish procedures for the activity that will permit rapid investigation and resolution of fraudulent, improper, abusive, or questionable purchase card transactions. They will convene or order an investigation in accordance with Volume 5, Chapter 6 and take all appropriate actions as a result of each investigation. When delegated authority by the Head of the DoD Component, the commanding officer or director will appoint approving and certifying officials in accordance with Volume 5, Chapter 5. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be fraudulent, improper, abusive, or questionable, the official who directs the purchase may be subject to reimbursing the government and to disciplinary action in accordance with [OMB Circular A-123, Appendix B, Chapter 4, Sections 4.8 and 4.9.](#)

## 230304. Review Official (RO)

The RO is an individual appointed by the commanding officer or director to perform pre-and/or post-payment reviews of payments and perform other duties in accordance with Volume 5, Chapter 5. The A/OPC may not be appointed as the RO.

## 230305. Agency/Organization Program Coordinator (A/OPC)

The A/OPC is the individual appointed as identified in the Guidebook with responsibilities associated with the management, administration, and day-to-day operation of the purchase card program. The A/OPC will jointly work with the RM in setting and maintaining cardholder spending limits based on estimates of purchase requirements for the period or a budgetary limit. They may also assist the RM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

## 230306. Purchase Card Certifying Official

The certifying official is the individual responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying official is liable for any illegal, improper, or incorrect payment processed by the DoD as a result of an inaccurate or misleading certification. The certifying official's appointment must meet minimum qualifications and eligibility requirements as discussed in Volume 5, Chapter 5. While it is desirable to maintain the greatest separation of duties possible, the certifying official and approving official may be performed by the same appointed person. (Approving officials' duties are identified in paragraph 230307). Purchase card certifying officials' responsibilities are identified in the Guidebook and generally includes, but are not limited to:

A. Ensuring that transactions meet the legal requirements for authorized purchase card purchases;

B. Ensuring that adequate documentation is available for individual transactions, and cardholders have reconciled all transactions with purchase log entries;

C. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

D. Verifying that the line item detail on the invoices matches the amount certified for payment;

E. Taking appropriate action to prevent submission of duplicate invoices for the same transaction;

F. Ensuring that all items and services have been received and that procedures are in place to ensure that transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

G. Implementing dispute procedures when warranted. Refer to paragraph 230407 regarding disputed transactions;

H. Reviewing and certifying the billing statement (preferably electronic) and forwarding it to the designated entitlement and/or disbursing office for timely payment

processing. Annex 1 contains the language appropriate for the certifying officer's certification statement; and

I. Ensuring billing statement invoice transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice.

230307. Approving Official

The approving official is the individual, appointed by the commanding officer, director or designee, with oversight responsibility for a number of cardholders to ensure that all purchase transactions are necessary and for official government purposes only. The approving official will serve as accountable official when not appointed as the purchase card certifying official.

A. As stated in paragraph 230210, within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as a DAO. Such appointments, made in accordance with Volume 5, Chapter 5, are necessary to establish pecuniary accountability under the law governing accountable officials other than those potentially liable under 10 USC 2784(c). Accountable officials are responsible for providing information and data to certifying or disbursing officials in support of the payment process. A purchase card accountable official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying official in support of a payment to the card-issuing bank. Purchase card accountable officials will be accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds provided to a purchase card certifying official, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

B. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 5, and will review each cardholder's billing statement every month to verify that the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) have been properly recorded on government property accountability records in accordance with Component procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Each approving official will have a reasonable span of control over cardholders in accordance with the Guidebook. The approving official's responsibilities are referenced in the Guidebook and generally include, but are not limited to:

1. Recommending purchase card dollar limits and MCC exclusions to the A/OPC for cardholders under their purview;

2. Ensuring that each cardholder fulfills his or her responsibilities as identified in the Guidebook;

3. Reviewing/reconciling his or her cardholder's statements and approving the statement when the cardholder cannot perform this function. A purchase card

checklist, included as Annex 2, may be used as a tool by approving officials and certifying officials to exercise due diligence in billing statement reviews;

4. Verifying that all transactions are necessary government purchases in accordance with the FAR, DFARS, and applicable DoD policies and regulations;

5. Ensuring retention of the billing statement and all original supporting documentation preferably in an electronic repository (e.g., receipts, logs, invoices, delivery orders, approvals). This retention should capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD's various platforms;

6. Tracking purchases paid for, but not received; along with monitoring related disputes cited in paragraph 230407 until the transaction issue is resolved;

7. Signing and dating the billing statement (preferably electronic) and forwarding it to the certifying official (if not the same as the approving official). Annex 1 contains the language appropriate for the approving official's certification statement;

8. Resolving any questionable purchases with the cardholder;

9. Notifying the A/OPC to close the account of any cardholder who has transferred, terminated, retired, or is in absent-without-leave status and informing the certifying official of these actions;

10. Notifying the A/OPC and certifying official (if not the approving official) of any planned approving official reassignment to other duties or departure from the installation or activity;

11. Notifying the A/OPC and certifying official (if not the approving official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

12. Completing required initial and refresher training in accordance with the Guidebook and Volume 5, Chapter 5.

#### 230308. Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in the Guidebook. The Guidebook also covers the responsibilities of cardholders, their required use of a purchase log, and responsibilities of others charged with cardholder and cardholder account management and oversight. From a financial management perspective:

A. A cardholder will ensure funds are available prior to making the purchase.

B. When a cardholder uses the card to make an unauthorized transaction, as defined in paragraph 230205, the cardholder may be liable for any illegal, improper, or incorrect payment resulting from those transactions, and be subject to adverse personnel actions including removal in appropriate cases as prescribed in paragraph 230212.

C. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

230309. Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in the Guidebook. The convenience check account holder will be responsible for ordering, receiving, storing, inventorying, reconciling and disposing of check stock. Convenience check account financial management policy is addressed in section 2305. The convenience check account holder is required to obtain and report tax data to the responsible tax office so that an [Internal Revenue Service \(IRS\) Form 1099-MISC](#) can be issued to the appropriate convenience check payee. Data reporting requirements are set forth at paragraph 230503. The convenience check account holder will not perform the functions of approving officials or certifying officials. The convenience check privileges of cardholders who improperly use convenience checks should be canceled.

230310. Resource Manager (RM)

The RM is the individual designated by an agency to record formal commitments and obligations into the accounting system. Commitments shall be established in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the purchase requisition level. Advance reservations of funds are established by the RM (or equivalent), in conjunction with the assigned A/OPC, and must be considered when setting office, managing account, and/or cardholder purchase limits. The use of advance reservations of funds or commitments for purchase requisitions will also ensure positive funds control, precluding expenditures from exceeding obligations. Policy for recording obligations for the transactions in this chapter is contained in Volume 3, Chapter 8. The RM responsibilities associated with the purchase card program are referenced in the Guidebook, and generally include but are not limited to:

A. Coordinating funding and spending limits with approving officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

B. Providing approving officials and cardholders official notification of funding;

C. Assigning default and alternate lines of accounting as appropriate, and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing;

D. Providing reallocation authority to cardholders and approving/billing officials, when necessary. (The process of reallocation, which gives the cardholder the capability to select different lines of accounting for a transaction rather than the default line, is set up by the cardholder's supporting RM);

E. Receiving and correcting invoice rejects with the A/OPC's assistance;

F. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

G. Coordinating with the responsible officials to ensure any unrecorded purchases are recorded in the period in which they occur and the miscellaneous obligation is reversed timely as referenced in Volume 3, Chapter 8.

#### 230311. Entitlement Office

For the purpose of this chapter, the term "entitlement office" is defined as the office that processes the purchase card contractor's payment request (i.e., billing statement) after it has been certified by the certifying official. Responsibilities of the entitlement office include:

A. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

B. Re-validating sufficient funds have been obligated in the accounting records;

C. Notifying the installation A/OPC and RM within one business day of invoices that are rejected, including a detailed reason for the rejection. Rejected transactions will be processed using the Standard Document Number/contract number of the original transaction, as applicable; and

D. Computing interest penalties for late payments in accordance with Chapter 7 and the bank card contract provisions, if applicable.

#### 230312. Disbursing Office

The disbursing office receives the certifying official Appointment/Termination Record (DD 577 Form) or accepted electronic equivalent for file retention and disburses payments to the card-issuing bank. The disbursing office will not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank.

## 2304 STATEMENT RECONCILIATION AND CERTIFICATION

## 230401. Receipt and Acceptance

The cardholder will ensure receipt and acceptance of the purchases made are performed and properly documented. Independent receipt and acceptance by an individual, other than the cardholder, is required for accountable property purchases, and self-initiated purchases (i.e., purchases lacking a documented requisition/request from someone other than the cardholder). Accountable property, as identified in the Guidebook, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent receipt and acceptance and the use of Wide Area Workflow when the purchase card is used as a method of payment against a contract.

A. To verify proof of delivery, the date received, along with the signature (or electronic alternative when supported by appropriate internal controls), printed name, telephone number, and office designator or address of the receiving official will be recorded on the sales invoice, packing slip, bill of lading, or other shipping or receiving document. The name of the independent individual confirming receipt will also be recorded in the cardholder purchase log.

B. Local procedures may require additional items (e.g., based on cost) to require evidence of receipt by an individual other than the cardholder. The approving official will verify the existence of receipt and acceptance documentation (e.g., hand receipts for accountable property). The approving official also may physically verify receipt and acceptance. Cardholders shall also timely notify the property accountability official of pilferable, sensitive, or high valued property obtained with the purchase card, in accordance with established property accountability policy.

## 230402. Cardholder Review

The cardholder's statement from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

A. Each cardholder will reconcile his or her statement against supporting documentation and the purchase card log to ensure timely payments. The cardholder will review the statement for billing errors and unauthorized transactions, and dispute such transactions with the merchant. The cardholder must report cases of fraud to the card-issuing bank under the billing discrepancies of the GSA master contract, the A/OPC, the commanding officer or director and the local procurement fraud investigative authority for investigation and adjudication, and comply with the bank's fraud reporting procedures. Known or suspected fraudulent transactions not authorized by the cardholder shall not be approved for payment. The electronic invoice shall be "short paid" by the amount of the transaction(s) in question and then electronically certified for payment. Cardholders shall identify the reason the transactions are deemed fraudulent and the date the fraudulent transactions were reported to the bank in the system. In all instances, the cardholder shall attempt to review/reconcile all transactions during the billing cycle within which they occur so that these fraudulent transactions are never included in the corresponding billing statement.

B. If the cardholder cannot obtain a credit for a disputed item from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 230407. The cardholder will annotate instances of non-receipt for recently ordered goods or services on each statement.

C. The cardholder will sign and date the billing statement (preferably electronic) and forward it, with the necessary supporting documentation, to the approving official for appropriate action. Annex 1 contains the language appropriate for the cardholder's certification statement.

D. If the cardholder cannot review the statement upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder statement and supporting documentation available to the approving official or certifying official for timely review.

#### 230403. Approving Official (as Accountable Official) Review

The approving official will review each transaction made by cardholders under their managing account to ensure all supporting documentation is obtained and correct, ensure cardholder reviews have been completed properly and disputed as necessary, ensure receipt of all accountable property has been properly documented, verify all transactions were necessary government purchases, and perform any other administrative function required by the purchase card program and other Component policies and procedures.

A. Known or suspected fraudulent transaction(s) not authorized by the cardholder shall not be certified for payment and will be reported to the card-issuing bank under billing discrepancies provisions of the GSA master contract, the A/OPC, commanding officer or director and the local fraud investigative authority for investigation and adjudication. The electronic invoice shall be "short paid" by the amount of the transaction(s) in question. Refer to paragraph 230402.A. for additional guidance. If not done so by the cardholder, the approving official should ensure these transactions are disputed in accordance with applicable card-bank procedures, and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as, those of the Component.

B. For improper and fraudulent transactions placed by an authorized cardholder, the government is contractually obligated to pay the card-issuing bank. Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the government to pay the card-issuing bank. These types of fraudulent and improper transactions shall be reported to the A/OPC and/or appropriate authorities and/or management officials for investigation and corrective action in accordance with Component policies and procedures.

C. For abusive transactions, the approving official will authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials in accordance with Component policies and procedures.

D. For questionable transactions, the approving official will determine as rapidly as possible whether there is potential fraud or whether the transaction is otherwise disputable. The mere lack of supporting documentation will not trigger a finding of fraud or impropriety unless the identity of the item or service or other facts would lead a reasonable person to believe that this was a fraudulent or unauthorized transaction. If the transaction is determined to not be fraudulent or otherwise disputable, then it should be authorized for payment. The approving official shall continue to perform follow-up work to obtain sufficient documentation to support that the transaction is no longer categorized as questionable. The follow-up work should involve the cardholder, appropriate management and bank officials as necessary.

E. When the approving official is appointed collaterally as the certifying official, he or she will also complete the requirements in paragraph 230404.

230404. Certifying Official Review

The certifying official's billing statement is the official invoice for payment purposes.

A. The certifying official will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Annex 1 contains the language appropriate for the certifying officer's certification statement.

B. The certifying official will not certify a known or suspected fraudulent transaction not authorized by the cardholder. Payment need not be made if the card or the card number is used by an unauthorized user, such as a vendor entering the wrong card number, or if the transaction was made after the card or card number was reported to be lost or stolen. The certifying official will follow applicable agency procedures for addressing all fraudulent, improper, abusive, or questionable transactions.

C. Pursuant to [31 USC § 3528](#), a certifying official certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying official will ensure all transactions are legal, proper, correct, and satisfy a bona fide need in accordance with government policies, rules, and regulations. Since payments are to the financial institution, the certifying officer is responsible for certifying the legality and accuracy of the information pertaining to the amount owed the financial institution. Certifying official liability for erroneous payments will not be assessed, in most cases, when (1) the obligation was incurred in good faith, (2) no law specifically prohibited the payment; and (3) the government received value for payment.

230405. Payment Without Receipt and Acceptance

Allowances have been made to allow certification of invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. Each approving official is required to establish a system and related procedures to flag and track all

transactions that have been certified for payment without verification of receipt and acceptance. These procedures will ensure that all transactions that have been reconciled and approved for payment will have their receipt verified no later than 45 days after the invoice date. If receipt and acceptance cannot be verified, the card holder shall protect the government's rights by disputing the transaction. A formal dispute must be filed in accordance with paragraph 230407. Further details regarding this process can be found in the Guidebook.

#### 230406. Payment of the Certified Billing Statement

The designated entitlement office will pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. Attention should be paid to the prompt payment clock which starts when the invoice is made available to the DoD on the card-issuing bank's website versus other practices when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying official is processed for payment.

#### 230407. Disputed Transactions

Disputable transactions include but are not limited to those related to reported lost or stolen cards, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions must be placed into the dispute process and normally will not be paid while in dispute. The cardholder will dispute the transaction as soon as possible; in accordance with the timetable and provisions contained in the bank card contract, the Guidebook, and local procedures.

A. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the vendor to validate that shipment has been made. For cases of non-shipment, items will be officially disputed only if the merchant fails to credit the account in the next billing cycle or the items are not ultimately received.

B. Approving officials will monitor cardholder items billed versus receipt discrepancies to ensure any remaining discrepancies are disputed.

#### 230408. Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available, to preclude any duplication of lines of accounting (LOAs) before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoD activities will "roll up" disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement. Approving officials will ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The level of appropriation data summarization will be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems in order to maintain positive funds control and prevent unmatched disbursements. Match each planned disbursement with a recorded

obligation before payment is made, as described in Volume 3, Chapter 8. The following methods will be used to facilitate summary-level accounting:

A. Use the minimum number of LOAs per purchase card to satisfy mission requirements;

B. Develop approving official and cardholder relationships, to the maximum extent possible, which will support summary level billing statements which are comprised of multiple purchase cards citing the same LOA; and

C. Use the object class that is most appropriate for the types of micro-purchases made with the card.

## 2305 CONVENIENCE CHECKS

### 230501. General

Use of convenience checks should be minimized and designated as a purchase instrument of last resort. They should only be used if the vendor offering the goods or services does not accept or does not have the ability to process the purchase card, no other vendor can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

A. A discrete account must be set up in order to issue convenience checks. Convenience check and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The convenience check account and purchase card account transactions appear on the account holder's statement of the approving official's monthly billing statement.

B. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the contract. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks to replace cash for official expenses when card products and other alternatives have been determined unusable. The check providers offer "help desk" assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

C. Each Component will issue instructions concerning the use of convenience checks. Individuals delegated as convenience check account holders will be appointed in writing. At a minimum, the appointment letter should state the specific duties of the check writer, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the check writer's duties and responsibilities. Convenience checks shall not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience checks, requirements and restrictions on their use, refer to the Guidebook.

## 230502. Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the issuing bank for convenience check accounts. The issuing bank shall ensure that convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder's records and the original for the merchant).

## 230503. IRS Form 1099 Requirements for Convenience Check Account Holders

The Defense Finance and Accounting Service (DFAS) has tax reporting responsibilities for the DoD, and thus is responsible for reporting to the Internal Revenue Service (IRS) miscellaneous income paid to vendors/contractors. DFAS created the 1099-MISC Tax Reporting Process that convenience check account holders shall use to report payments for "services" and other reportable payments (i.e., rentals, maintenance fees, speakers and interpreters, royalties, attorneys, medical and health) to DFAS for subsequent reporting to the IRS. Convenience checks written for the purchase of products/goods and/or to tax exempt agencies such as state and local governments, state universities and the United States Postal Service are not required to be reported to DFAS. Refer to the [DFAS 1099 Tax Reporting Program Convenience Check User's Manual](#) for more detail regarding payment types that are and are not reportable to DFAS. Convenience check account holders will need to obtain from vendors, and report to DFAS, the following data via the [DFAS 1099 Tax Reporting Program](#):

- A. Payee's name (merchant, vendor, individual) and legal name (the name by which taxes are filed);
- B. If the business is classified as a Sole Proprietorship, then report the business (merchant) information and the Sole Proprietor's name must be provided;
- C. Payee's legal mailing address (the address used to file their taxes);
- D. Payee's Tax Identification Number (Social Security Number (SSN) or Employee Identification Number (EIN));
- E. Check number;
- F. Check amount;
- G. Payment date (date the check is written not the date the check is cashed);
- H. A brief description of the purchase;
- I. Telephone number of the merchant; and
- J. Convenience check account number.

## 230504. Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks will be justified in writing and in accordance with the provisions established in the Guidebook. A specific individual must be designated as the account holder responsible for that account via appropriate application forms and, when completed, those forms will be submitted through the DoD activity's existing purchase card hierarchical structure. The number of convenience check accounts will be kept to a minimum and should, in most cases, be limited to no more than one per activity. Additional convenience check account(s) may be established following a written determination by the Commander that another account is necessary to meet mission requirements as prescribed by the Guidebook.

## \*230505. Conditions for Using Convenience Check Accounts

With the exception of contingency or emergency operations, convenience checks **must be at or below the micro-purchase threshold defined by the [FAR, Section 2.101](#)**. In the instance of a declared contingency or humanitarian aid operation, the OUSD (AT&L) will publish the temporary increase in the maximum micro-purchase threshold for those convenience check account holders who have been identified and authorized to support the particular contingency or humanitarian aid operation. Appointment letters must include the increased authorities. Refer to the Guidebook for further details regarding changes to these thresholds and convenience check use. In order to maintain effective internal controls, approving officials (also known as billing officials), accountable officials, and certifying officials will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

- A. Convenience checks will be issued for the exact payment amount, with a prohibition on splitting purchases, payments, or other amounts among more than one check in order to keep amounts below the micro-purchase threshold or other assigned limits.
- B. Convenience checks shall be used for official government purposes only.
- C. Convenience checks shall not be issued as an "exchange-for-cash" vehicle to establish cash funds.
- D. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them.
- E. The issuing activity is responsible for all administrative costs associated with the use of convenience checks. Fees associated with the use of convenience checks are specified in the GSA contract. At DoD Component election, the costs associated with the purchase of convenience checks may be expressed as a: (a) percentage; (b) number of basis points; or (c) fixed fee.
- F. Convenience checks are negotiable instruments and will be stored in a locked container, such as a safe, where only the account holder has access. Checks will be

accounted for by recording transactions as they occur in the check register and/or purchase log to maintain control of number sequence. Local policies and procedures shall be implemented to provide safeguards to prevent physical loss, theft, or potential forgery.

230506. Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the billing statement as part of the monthly billing cycle against his or her retained records of issuance in accordance with the standard payment practices established for the purchase card in section 2304.

A. Local policies and procedures shall ensure an annual audit/review of each convenience checking account. This effort will include a sample of convenience check transactions, to include the review of all supporting documentation. It will also include a spot examination to determine the propriety of convenience checks written to individuals. Any suspected cases of fraudulent, abusive, improper, or questionable transactions will be reported to the appropriate management and investigative authorities in accordance with established policies.

B. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check will be resolved directly with the merchant. The account holder is solely responsible for securing restitution and/or credit on disputed purchases.

C. Stop payments may have an effect on convenience checks, provided the convenience checks have not been posted to the account. The card-issuing bank will provide the ability to stop payment on a convenience check within 24 hours. The stop payment fee will be charged directly to the account.

2306 EMERGENCY AND CONTINGENCY OPERATIONS

Appendix B to the Guidebook provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of emergency, contingency, or humanitarian aid operations. The financial management policies, related to purchase cards as previously identified in this chapter, remain in place for emergency and contingency operations unless otherwise noted.

## ANNEX 1 PURCHASE CARD CERTIFICATION STATEMENTS

- The Cardholder (as Accountable Official) certification statement will read:

“I certify that, except as may be noted herein or on supporting documents, the purchases and amounts listed on this account statement:

- (1) Are correct and required to fulfill mission requirements of my organization.
- (2) Do not exceed spending limits approved by the Resource Manager (RM).
- (3) Are not for my personal use or the personal use of the receiving individual.
- (4) Are not items that have been specifically prohibited by statute, by regulation, by contract, or by my organization.
- (5) Have not been split into smaller segments to avoid dollar limitations.”

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Authorized Cardholder Signature and Date or Government  
Accountability Office (GAO) approved electronic signature)

- The AO (as Accountable Official) certification statement will read:

“I certify that the items listed herein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the payment is legal, proper, and correct, except as may be noted herein or on supporting documents.”

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Authorized Approving Official Signature and Date  
(or GAO approved electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

“Pursuant to authority vested in me, I certify that this invoice (billing statement) is correct and proper for payment, except as may be noted herein or on supporting documents.”

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Authorized Purchase Card Certifying Officer Signature and  
Date (or GAO approved electronic signature)

## ANNEX 2 APPROVING OFFICIAL (AO) AND CERTIFYING OFFICIAL MONTHLY REVIEW CHECKLIST

This checklist is for Approving Official and Certifying Official use in completing the cardholder billing statement reconciliation, receipt and acceptance, and dispute procedures prior to certification. The checklist is intended as a reference tool for use in examining the cardholder's purchase card statement received from the card-issuing bank.

Account Number: \_\_\_\_\_ Account Type: \_\_\_\_\_

Approving Official Name and Date: \_\_\_\_\_

Billing Statement Date: \_\_\_\_\_

Review Steps	Date Completed
Obtain the cardholder statement, supporting documentation, and certification from the cardholder.	
Review purchases for each cardholder to determine whether all transactions were authorized government purchases in accordance with the FAR, DFARS, and all other government agency policy and procedures as applicable.	
Reconcile supporting documentation with details on the billing statement. Also, review for adequacy the purchase log entries for those transactions.	
Resolve any questionable purchases with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank. Annotate disputed transactions on the billing statement.	
Review past transactions that were certified for payment without proof of receipt and acceptance to confirm acceptance and receipt with the cardholder. If receipt cannot be confirmed, then direct the cardholder to dispute the transaction.	
Annotate suspected cases of improper, abusive, or questionable purchases on the billing statement and report such matters to the Agency/Organization Program Coordinator so the transaction can be disputed or investigated as appropriate, and in cases of suspected fraud report the matter to the appropriate investigative office.	
In the case of suspected fraud by government personnel (e.g. cardholder/receiver) document the suspected fraud and notify the appropriate investigative office and the Agency/Organization Program Coordinator so the transaction(s) can be investigated.	
Retain a copy of the billing statement and originals of supporting documentation (e.g., approvals, receipts, logs, invoices, and delivery orders).	
Sign or execute electronically the AO and certifying officer certification statements, and forward the certified statements to the payment office.	