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GSA SMARTPAY SMART BULLETIN

**U.S. GENERAL SERVICES ADMINISTRATION
FEDERAL ACQUISITION SERVICE
SMART BULLETIN NO. 012**

GSA SmartPay 2 – Executive Branch Agency Reduction in Convenience Check Usage

EFFECTIVE DATE: From Issuance until superseded

INTRODUCTION:

The Office of Federal Financial Management (OFFM) within the Office of Management and Budget (OMB), and GSA's Office of Charge Card Management (OCCM) is requiring customer agencies to reduce the use of convenience checks by 5% for FY10 and an additional 5% per year for each subsequent year through FY2015. This reduction is in terms of both the quantity of checks written, as well as the total dollar amount spent through convenience checks. This office will be monitoring the progress of this initiative on a quarterly basis and will report the results at the bi-monthly Agency/Organization Program Coordinator (A/OPC) meetings, as well as to OFFM.

BUSINESS LINE(S) AFFECTED:

Purchase and Integrated (purchase)

SUMMARY:

1. The Debt Collection Improvement Act of 1996, 31U.S.C. 3332, requires that, subject to the authority of the Secretary of the Treasury (Secretary) to grant waivers, all Federal payments (other than payments under the Internal Revenue Code of 1986) made after January 1, 1999, must be made by electronic funds transfer (EFT). It is Treasury's view that a payment made by a third-party draft or **convenience check** in this manner is a Federal payment, and therefore must be made by EFT unless a waiver is available. The fact that third-party drafts and convenience checks are not drawn against an account of the United States Government does not exclude them from the category of Federal payment. EFT may be waived under the following circumstances:
 - a. Hardship to an individual;
 - b. Payment in a foreign country where EFT is not available;

- c. Payments in a disaster area.
- d. National emergency declared by the President or Congress;
- e. Where a threat may be posed to national security;
- f. (one-time non-recurring) payment and the cost of making the payment via electronic funds transfer exceeds the cost of making the payment by check*;
- g. unusual and compelling urgency

*In calculating the cost of making a payment, the agency may consider the administrative cost of processing a purchase order and making payments on the order.

2. OCCM recognizes use of convenience checks with certain merchants or in unique circumstances may be unavoidable. However, due in part to the issues listed below, one of the hallmarks of a well managed charge card program is to maximize card use while reducing check use. Using convenience checks has the following disadvantages:
 - a. Refund rates on check transactions are generally much lower than purchase card transactions.
 - b. Internal controls and management data are less robust; and
 - c. Checks are less environmentally responsible
3. Agencies shall take the following actions to reduce convenience check use:
 - a. If convenience checks are being written to a merchant which also show purchase card activity, discontinue use of convenience checks with that merchant.
 - b. For merchants that do not accept the purchase card, find and use alternate merchants that do accept the purchase card and can provide the same or similar products/services whenever possible.

ACTION:

Executive agencies shall take appropriate action to reduce the quantity and total dollar amount of convenience checks written in FY10 by a minimum of 5%. This reduction is not intended to adversely affect mission accomplishment. Agencies may continue to use convenience checks when mission needs require it in conformance with DCIA and OMB Circular A-123, Appendix B, Chapter 12.

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If you have any questions or comments regarding this Smart Bulletin, please contact OCCM at 703-605-2808 or via email at: gsa_smartpay@gsa.gov

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