

July 2, 2003

AGAR ADVISORY

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF PROCUREMENT AND PROPERTY MANAGEMENT
PROCUREMENT POLICY DIVISION
AGAR ADVISORY NO. 52

Prohibition on Using Convenience Checks for Purchases or Payments

INTRODUCTION: This AGAR Advisory provides guidance and direction on eliminating the use of convenience checks.

SUMMARY: Agencies are directed to take steps to eliminate use of convenience checks. To address transactions for which an agency determines no practical alternative to the writing of checks currently exists, this Advisory establishes a process for both annual check writing limits as well as check writing waivers to address specific exigencies. Appendix C contains the initial annual check writing limits. These check writing limits are intended to place organizations on a “glide path” to convenience check elimination. A list of alternatives to convenience check use is provided in Appendix A.

BACKGROUND: In Fiscal Year (FY) 2002, USDA issued approximately \$143 million in convenience checks through over 9,000 check writers. This volume represents 25 percent of the total annual purchase card program. The check writing feature of the purchase card program was originally intended to be a transitional tool to facilitate purchases from small businesses, which did not, at that time, accept the credit card as part of their normal business practices. Commercial vendor purchase card acceptance rates, as well as USDA payment methods, have evolved substantially since the convenience checks were instituted. Over the past several years, a number of internal control problems with the use of checks have surfaced. The sheer magnitude of check usage (in terms of the number of checks written; the number of check writers; the amount of dollars being disbursed; and the types of expenditure being made) poses a serious internal control risk. Furthermore, there continue to be compliance concerns with the Debt Collection Improvement Act and with the accuracy of reporting of vendor, and other, payments to the Internal Revenue Service.

ISSUES:

Elimination of Convenience Checks: Agencies and cardholders may not use convenience checks for purchases or payments unless an applicable waiver allows such use. Agencies are expected to significantly reduce, and to eventually eliminate, the use of convenience checks. Concomitant with this mandate, agencies are expected to sharply reduce their number of authorized check writers and check stock, eventually eliminating this duty altogether.

Agency Responsibilities: Through their Agency Program Coordinators (APCs) and Local Agency Program Coordinators (LAPCs), agencies shall advise all cardholders that convenience checks may not be used to make purchases or payments absent an applicable waiver. LAPCs must review cardholders' authorizations to have checks, and shall cancel check-writing authorizations of cardholders who do not purchase supplies or services in the scope of authorized agency waivers. They must also collect, record, and destroy unneeded blank check stocks. APCs and LAPCs shall develop procedures to eliminate convenience checks pursuant to this Advisory. Agencies shall continue to explore alternative payment methods for categories of transactions covered by waivers.

Appendix A is an outline of alternative payment methods that may be used in lieu of convenience checks. Additional information about alternative payment methods may be found on the USDA Intranet convenience check elimination website (<http://www.hqnet.usda.gov/oppm/eliminatechecks/index.htm>) (expected to be operational on or before July 18, 2003). Agencies may use these methods, or may implement any other alternative methods which meet their needs, provided the selected methods are consistent with USDA acquisition and fiscal management policies and regulations.

Waivers: The use of convenience checks is appropriate only if there is no other way, under the circumstances of the required transaction, to accomplish the transaction unless payment is made by convenience check. Even if it could be argued that alternative payment methods would be less economical or efficient, checks may not be used unless there is no reasonable alternative available.

In order to place organizations on a glide path to eliminating convenience check use, an annual check waiver authority limit process will be used. The first annual check writing waiver limits (caps) cover the period July 1, 2003 to June 30, 2004. This waiver authority, on an agency-by-agency basis, is shown in Appendix C. Limits identified as "interim" are subject to further discussions between OPPM, OCFO, and the named organization. Interim limits were developed based upon a review of check use in fiscal year 2002.

Final annual caps represent the amount required by an agency to pay for transactions that cannot be addressed other than by use of convenience checks. Based on its analysis of categories of payments that it determines can only be made by check, an agency shall estimate how much it would need annually for payments by convenience check, and shall request a dollar limit based on this estimate.

In coordination with OCFO, OPPM will review the proposed limit and may challenge it if it is too close to the agency's current convenience check "spend" or does not accord with current check use. Agencies shall continuously explore all available payment alternatives and take other measures to reduce convenience check use.

Annual waiver authority will be reduced for each subsequent waiver period until convenience checks are eliminated. Additional waivers may be requested (and granted) for exigencies that could not be reasonably predicted by the requesting agencies. Such exigencies may include national emergencies, fires exceeding the predicted annual pattern or extent of wildfires, or urgent projects undertaken at the direction of the Secretary.

Appendix B sets out procedures for requesting waivers and criteria that will be considered in reviewing waiver requests. Waivers may be revoked or modified if check-writing authority is abused.

Annual waiver authority does not authorize using convenience checks for the following:

1. Payments when the vendor accepts the VISA Purchase Card for the supplies/services being acquired;
2. Contract payments;
3. Purchases in excess of \$2,500 (except in a bona fide emergency);
4. Indemnity payments;
5. Imprest fund replenishment;
6. Vehicle maintenance and repairs;
7. Utility payments (except when UTVN cannot be used);
8. Telecommunications services, supplies, or equipment in excess of \$10;
9. Official Travel; and,
10. Local travel (except when reimbursement cannot be made through travel systems, time and attendance systems, or FFIS).

Departmental Regulation (DR) 5013-6, [Use of the Purchase Card and Convenience Check](#), will be amended to incorporate this change of policy on the use of convenience checks. If you have questions or comments regarding this advisory, please contact Joseph Daragan by phone ((202) 720-5729), fax ((202) 720-8972), or e-mail (joe.daragan@usda.gov).

This AGAR Advisory will appear on the USDA World Wide Web site at the following URL: <http://www.usda.gov/procurement/policy/advisories.html>.

EXPIRATION DATE: This advisory is effective until an amendment to DR 5013-6 is issued.

[END]

Appendix A

Alternative Payment Methods

Services and Rent

Services and Rental of Personal Property	Purchase Card FFIS – Direct Entry Purchase Order
Rental of Real Property	Lease

Fuel and Vehicle Repairs & Maintenance

Voyager Card
Purchase Card

Foreign Acquisition

Purchase Card
State Department Systems

Parcel Post & Postage

Parcel Post	Purchase Card FFIS – Direct Entry Purchase Order
Postage	Purchase Card

Supplies, Equipment & Subscriptions

Purchase Card
FFIS – Direct Entry
Purchase Order

Travel, Training, Memberships, Honoraria

Travel	Travel Cards
Local Travel Reimbursement	Travel systems STAR (time and attendance) FFIS – Direct Entry
Memberships	Purchase Card FFIS – Direct Entry
Honoraria	FFIS – Direct Entry

Telecommunications & Utilities

Telecommunications	TELE System
Utilities	UTVN System Purchase Card (where accepted)

Follow Departmental and Agency policies and procedures for use of the above payment methods.

Appendix B

Waiver Request Procedures

Waiver Criteria:

Waivers from the prohibition against the use of convenience checks are appropriate only if there is no other way, under the circumstances of the required transaction, to accomplish the transaction unless payment is made by convenience check. An argument solely that the use of methods other than the convenience check would be uneconomical or inefficient is insufficient to support a requested waiver. Convenience checks may not be used, even if there is an applicable waiver in place, unless at least one of the waiver criteria in 31 CFR 208.4 is met.

Convenience checks may not be used for transactions unless the agency has adequate internal controls to ensure –

1. Checks in cardholders' possession are used only for purposes authorized by waivers granted to the agency;
2. Checks are safeguarded and accounted for;
3. Check transactions are reconciled promptly and audited periodically;
4. Check writing authority is limited to cardholders who have a need to write checks for purposes authorized by a waiver.

Waiver Request Procedures:

Agencies may request a waiver to use convenience checks by submitting a decision memorandum signed by the agency head to the Chief Financial Officer and the Director, OPPM. There are two types of waivers:

- a. Annual waiver authority
- b. Waivers for exigencies

Annual Waiver Authority OCFO and OPPM jointly will establish for each requesting agency a dollar threshold below which agencies may use convenience checks without requesting a waiver. Thresholds will be set annually and will cover the period from July 1 to June 30. The dollar threshold is not based on anticipated reductions in check use. The threshold is zero-based and represents the amount an agency will spend in transactions that can only be accomplished using convenience checks.

Procurement and finance officials in the requesting agency shall conduct a review of alternative payment methods for categories of transactions accomplished with convenience checks. For each category that they determine that no alternative payment

method can be used to accomplish the transaction(s); they should estimate the dollar volume of checks needed for the forthcoming year (July 1 to June 30). They should total the dollar amount for all identified categories to determine the amount of the agency's waiver request.

Agency Deputy Administrators for Management (or agency equivalent) should submit their waiver requests in the form of a decision memorandum to OCFO and OPPM. Requests should be submitted no later than June 15 of each year. In addition to the requested amount, requests shall identify categories of transactions for which the waiver is needed.

OCFO and OPPM will consult with agencies to establish final waiver thresholds for each agency. Agencies may allow check use on an interim basis until they receive final notice of the annual threshold. Initial thresholds are attached as Appendix C.

Annual waiver authority does not extend to purchases over \$2,500 except in bona fide emergencies. Accordingly, cardholders who need to make purchases over \$2,500 shall secure approval from their APC to make purchases over \$2,500 during the duration of the emergency. The cardholder shall document such approval and maintain documentation with the purchase file(s). Unless it is not possible to contact the APC, approval should be secured before making purchases over \$2,500.

Waivers for exigencies In the event of an unforeseen emergency, agencies may request authority to use convenience checks for transactions required to cope with the emergency. Agencies shall provide the following information with each request:

1. The requesting agency must demonstrate that all available EFT and Treasury check mechanisms have been evaluated and determined not to work for the specific class of transactions that require a waiver.
2. The transaction or class of transactions for which a waiver is needed. The transaction(s) should be described as specifically as possible.
3. The anticipated dollar volume of convenience checks projected to be written during the period of the waiver, if the waiver is granted.
4. Why, in the opinion of agency procurement and finance officials, there is no other way, under the circumstances of the required transactions, to accomplish the transactions unless payment is made by convenience check. Discuss whether merchants or payees have been asked to accept other payment methods such as the purchase card.

5. Internal controls in place or proposed to ensure –
 - a. Checks in cardholders' possession are used only for purposes authorized by waivers granted to the agency;
 - b. Checks are safeguarded and accounted for;
 - c. Check transactions are reconciled promptly and audited periodically;
 - d. Check writing authority is limited to cardholders who have a need to write checks for purposes authorized by a waiver.
6. Provide a list of units that require authority under the waiver to write convenience checks.

Agencies may allow check use on an interim basis until they receive notice that the waiver request was approved or denied. However, there is no interim waiver if the request is a renewal or modification of a previously denied request or if Departmental Regulation 5013-6 prohibits use of convenience checks for the purposes specified.

Revocation of Waivers: OPPM may revoke or reduce thresholds or waivers at any time for the following reasons:

- a. Use of convenience checks for purposes not authorized by the waiver;
- b. Use of convenience checks in excess of the waiver limit;
- c. Failure to reconcile convenience check transactions, including failure to fully describe transactions in the description or comments fields in PCMS;
- d. Failure to safeguard convenience checks;
- e. Failure to comply with Departmental Regulation 5013-6; or,
- f. Failure to comply with agency internal control procedures.

OPPM will notify the agency of its intent to revoke or reduce a waiver 30 days before taking action. If the agency does not believe its waiver should be revoked, it may submit information to OPPM to show why the waiver should not be revoked. OPPM will consult with OCFO and will consider information provided by the agency before revoking or modifying any waiver.

Appendix C
Authorized Waiver Limits

(Interim limits have been established for agencies for agencies that haven't submitted waiver requests or whose waiver amount is being negotiated. Interim limits cover at least one month to allow for finalization of the annual waiver amount.)

FAS	\$424,000 (interim)
FSA	\$534,000 (interim)
RMA	\$42,000 (interim)
FNS	\$0
FSIS	\$200,000
FS	\$55,000,000 (includes \$15,000,000 for emergency requirements)
NRCS	\$822,000 (interim)
REE (ARS, CSREES, ERS, NASS)	\$3,393,000 (interim)
RD	\$2,647,000
AMS	\$60,000
APHIS	\$4,749,000
GIPSA	\$73,000
DA and client staff offices	\$49,000 (interim)
OGC	\$8,000
OIG	\$8,000 (interim)
OCFO	\$28,000 (interim)
OC	\$28,000 (interim)
OCIO	\$10,000 (interim)
Total (Interim)	\$68,075,000