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6 Dec 99

From: Commander, Naval Supply Systems Command

Subj: DEPARTMENT OF NAVY (DON) POLICIES AND PROCEDURES FOR  
ACCOMMODATION CHECK ACCOUNTS

Encl: (1) OUSD Memo #5 of 17 Aug 99.  
(2) Citibank Government Card Maintenance Form

1. Enclosure (1) provides updated policies relative to the use of locally issued accommodation checks by Department of Defense (DOD) organizations.

2. Changes to current accommodation check policy are summarized as follows:

a. The approving authority for accommodation checks will be the installation/activity Resource Manager or the Commander/Director and no longer DFAS Kansas City.

b. FedSelect checks are scheduled to be discontinued on or before 1 March 2000. FedSelect checks shall not be used by DOD organizations after 31 Dec 99.

c. More than one checking account is allowed per installation. The number of checkbooks shall be limited to as few as feasible, and may not exceed one per DOD tenant activity or autonomous location.

d. Each accommodation checking account shall be audited yearly.

e. Accommodation checking accounts no longer need to be maintained as a separate "cardless" purchase card account. If the accommodation check cashier is also a purchase cardholder, the checking account may be included into the purchase card account by completing enclosure (2), as follows:

(1) Section I(b), fill in the cardholder's account number.

(2) Section I(c), fill in the cardholder's name.

(3) Section II(I), place an X next to "Other Changes" and write "Request for convenience checks".

(4) Section V, check Y (Yes) next to "convenience checks" and indicate the number of checkbooks to be issued (there are 25 checks in each checkbook).

Subj: DEPARTMENT OF NAVY (DON) POLICIES AND PROCEDURES FOR  
ACCOMMODATION CHECK ACCOUNTS

The application form must be signed and dated by the Agency Program Coordinator (APC) and faxed to the Citibank customer service fax number shown in Section I(3) of the form. The application shall include a copy of the approval documentation issued by the DOD installation/activity Resource Manager or Commander/Director. Because accommodation checking accounts must be bulk funded, the purchase card account must also be bulk funded in order to maintain one account for purchase card and accommodation check transactions.

3. Activities are reminded that regardless of the check amount there is a 1.25% fee for each check issued. Accordingly, before an accommodation check is used, the paying agency must make every effort to use the Governmentwide Commercial Purchase Card to make necessary purchases. Maximum efforts shall be made to find and use vendors that accept the purchase card as the primary payment vehicle.

4. The point of contact regarding accommodation checks is Mr. Paul Ziedins who can be reached at DSN 430-2521, commercial 717-605-2521 or via e-mail at paul\_ziedins@navsup.navy.mil.

  
EVA M. ROBINSON  
By direction

AUG 17 1999

**UNDER SECRETARY OF DEFENSE**  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

COMPTROLLER

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
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DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
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ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Purchase Card Reengineering Implementation Memorandum #5:  
Accommodation Checks, Change #1

Guidance on purchase card convenience checks was issued on August 5, 1997, as Purchase Card Reengineering Implementation Memorandum #5: Accommodation Checks. That guidance, within the context of ongoing efforts to reengineer the purchase card process, stipulated rules to implement the accommodation check products (which also include FedSelect checks available from the Department of the Treasury).

Attached are the updated policies relative to the use of locally issued accommodation checks by Department of Defense (DoD) organizations. The recent change in card issuing banks that offer purchase card convenience checks necessitates a reissuance of this guidance, including incorporation of various changes designed to make locally-issued checks more user friendly.

These policies are applicable to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Inspector General of the Department of Defense (DoD), the Defense Agencies and the DoD Field Activities (referred to collectively as the "DoD Components").

These policies are effective as specified herein. The Heads of the DoD Components shall ensure adherence to this guidance for day-to-day operations and for the design, modification and maintenance of the DoD Components' procurement and financial management systems.

This guidance, as well as the other purchase card reengineering implementation memoranda, will be

incorporated into Volume 5, Chapter 2 of the "DoD Financial Management Regulation."

My staff contact for this matter is Mr. John Bunnell. He may be reached by e-mail: [bunnellj@osd.pentagon.mil](mailto:bunnellj@osd.pentagon.mil) or by phone at (703) 602-0449.

// Signed //

Alice C. Maroni  
Principal Deputy Under  
Secretary of Defense (Comptroller)

Attachment

DEPARTMENT OF DEFENSE  
POLICIES AND PROCEDURES FOR  
ACCOMMODATION CHECKS

A. PURPOSE

To establish Department of Defense (DoD) policies for the use of accommodation checks.

B. APPLICABILITY AND SCOPE

These policies are applicable to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the DoD; the Defense Agencies and the DoD Field Activities (hereafter referred to collectively as the "DoD Components").

C. RESPONSIBILITIES

1. The Under Secretary of Defense (Comptroller) shall develop, administer, maintain, monitor compliance with, and grant exceptions (as appropriate) to, all financial management policies for the use of accommodation checks.

2. Heads of DoD Components shall implement, ensure compliance with, and recommend changes to, these financial management policies for the use of accommodation checks.

D. BACKGROUND

1. The phased elimination of imprest funds for unclassified programs within the Department was announced on March 28, 1996. Effective October 1, 1996 (later extended to January 1, 1997), the use of imprest funds was eliminated at DoD activities within the continental United States (CONUS) and, effective October 1, 1997, imprest funds ceased to be authorized outside the CONUS.

2. Subsequent to the March 28, 1996, announcement, a number of DoD activities indicated that the total elimination of imprest funds hinged on the availability of a local check instrument to replace small cash payments. CONUS activities that required a local check product have been authorized limited imprest fund elimination waivers, on a case basis.

★ 3. Several pilots that used the Department of the Treasury "FedSelect" check product were approved by the Office of the Deputy Chief Financial Officer (ODCFO) late in 1996 and early 1997 for testing within the Department.

★ 4. The General Services Administration (GSA) concluded a contract modification with the Rocky Mountain BankCard System/First Bank System on February 21, 1997, thus making convenience checks available through the International Merchant Purchase Authorization

Card program. At the conclusion of that contract, the GSA awarded new contracts in February 1998, and the Department awarded task orders on November 30, 1998, both to US Bank (the successor to First Bank System) and Citibank, the latter for support to the Department of the Navy.

E. POLICIES

1. Electronic Funds Transfer: The preferred method for DoD payments is electronic funds transfer (EFT), and it shall be used to the maximum extent possible. The Debt Collection Improvement Act of 1996 mandates that all DoD payments be made via EFT, effective January 1, 1999.

2. Imprest Funds

a. The policy to eliminate imprest funds is based, in part, on the mandatory EFT requirements enacted as part of the "Debt Collection Improvement Act of 1996." As a matter of policy, the Department does not support the continued use of cash payments from imprest funds.

★ (1) In lieu of imprest funds, maximum use shall be made of the government-wide purchase card for micro-purchases and the government-wide travel card (i.e., an agency central billed account) for travel purposes.

(2) The elimination of imprest funds in no way affects the authority of DoD disbursing officers and their designated agents to maintain cash holdings at personal risk.

★ (3) Specific requests for deviation from, or exceptions to, the policy stated in subparagraph E.2.a., above, shall be submitted to the DCFO. Such requests shall contain adequate justification and demonstrate that use of the government-wide purchase card and/or travel card, or other reasonable alternatives, is not feasible for the specific situation.

★ b. Generally, imprest fund cash is not to be replaced by the check products identified herein. The intent is to use the government-wide purchase card or the government-wide travel card, to include agency centrally billed accounts, instead of imprest funds.

★ c. All DoD activities shall, to the maximum extent feasible, adopt approved card technology alternatives to replace imprest funds--such as the government-wide purchase cards and travel cards (i.e., agency central billed account). Only after card product alternatives have been exhausted should a check product be considered in place of imprest funds.

d. Exceptions to elimination of imprest funds shall be considered only on a case-by-case basis. Each DoD Component shall screen all requests for exception and, separately justify those cases that warrant further consideration (with alternatives examined) to the ODCFO, through the respective Military Department Office of the Assistant Secretary (Financial Management and Comptroller), the Defense Agency Comptroller or equivalent office. Such

requests must contain adequate justification and demonstrate that the use of the government-wide purchase card, travel card, or other reasonable alternatives are not feasible for the specific case.

3. Accommodation Checks

a. Although the preferred method of payment is via EFT, accommodation checks provide an alternative to cash, third-party drafts and U.S. Treasury checks when the use of purchase or travel cards is not feasible. Accommodation checks eliminate the need for cash on hand for imprest fund transactions.

b. Accommodation checks give issuing DoD activities the flexibility to issue low volume and low dollar value payments on-site.

c. Accommodation checks shall be available at those DoD activities that identify a need to issue accommodation checks, in lieu of cash, where purchase and travel cards have proven ineffective.

d. The minimum requirements to establish a local check-writing capability are as follows. (Note: Specific conditions for establishing accommodation checks are detailed below, in Section F, "Procedures.")

(1) The use of accommodation checks must be considered advantageous to the DoD activity, after evaluating all alternatives to accomplish the same purpose.

★ (2) Before an accommodation check is used, the paying agency must make every effort to use a government-wide purchase card or travel card, as applicable, to make necessary purchases. Maximum efforts shall be made to find and use vendors that accept the purchase card as the primary payment vehicle, e.g., the use of electronic or telephone catalog ordering services coupled with overnight delivery.

(3) The authority to maintain a check-writing system (checkbook) shall be justified on an individual organization basis, and controlled and monitored by the DoD activity. Automated reports from the check providers are available to provide oversight.

★ (4) The number of checkbooks shall be limited to as few as feasible, not to exceed one per DoD tenant activity or autonomous location.

★ (5) All organizations authorized to maintain accommodation checks must hold an active (in good standing) purchase card before approval of an accommodation check account. An accommodation check cashier may hold a purchase card so long as the policies and procedures established herein are observed.

(6) Appropriate internal controls, to include at least one level of approval above the check writer (i.e., an approving official), shall be maintained by each using DoD activity.



(7) Each accommodation check account shall be audited yearly on an unannounced basis, by an officer or equivalent DoD civilian employee who is independent of the office maintaining the account.

e. DoD Component activities may adopt one of the following accommodation check products, upon appropriate justification and approval (see Section F, Procedures):



(1) Purchase card convenience checks (issued under the purchase card program by US Bank or Citibank).



(2) FedSelect checks (currently available from the Chicago Financial Center, Financial Management Service (FMS), Department of the Treasury), subject to the provisions of subparagraph E.3.h.(2)(a), below.



f. Accommodation check providers offer “stop payment” and retrieval capabilities to using DoD activities, as well as an audit trail that permits the tracing of transactions. Also, these check providers offer “help desk” assistance and reporting capabilities with a variety of reporting media and frequencies.

g. Each check product has distinct advantages and disadvantages associated with its use, to include cost considerations. While the purchase card convenience check provides an expedient solution, additional fiscal controls and automation of the FedSelect check offer distinct advantages, as well. Each DoD activity is encouraged to evaluate both products and make a selection based on costs and other factors associated with its use.



h. Upon request, a DoD activity may adopt one of the following accommodation check products:



(1) Purchase Card Convenience Check



(a) Purchase card convenience checks shall not be issued for more than \$2,500.



(b) Purchase card convenience checks currently are provided through the GSA contract for the government-wide purchase card by the issuing banks (US Bank or Citibank). The contract requires that the card providers operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks in lieu of cash.

★ (c) This product offers an alternative to cash for official expenses of DoD activities previously using imprest funds--after card products and other alternatives have been determined unusable

★ (d) The purchase card issuing bank will: (1) provide a supply of checks to the designated convenience check account holder, (2) process and pay the checks as they are presented through the bank check clearing system for payment within established maximums and authorization parameters established by the sponsoring activity agency program coordinator (APC) for each individual account holder, (3) provide a listing of the checks cleared on each account holder's billing statement (invoice), and (4) provide for storage of cleared checks for audit and retrieval purposes.

★ (e) The checks contain the following standard preprinted information: (1) United States Government seal, (2) the statements "For Official Use Only" and "U.S. Government Tax Exempt," and (3) the maximum dollar limitation per check (i.e., \$2,500), as well as space for the date and the amount of the check. In addition, other standard preprinted information is carried on the check specific to the parent DoD activity's name and address and the account holder's name. Thus, only the named individual may issue these checks.

★ (f) The checks are sequentially prenumbered, multiple-copy documents (with a minimum of at least one copy for the account holder's records).

★ (g) The convenience check account holder shall reconcile cleared checks and the resulting billing statement (invoice) against his or her retained records of issuance in accordance with standard payment practices established for the purchase card by "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures."

(2) FedSelect Check

★ (a) The FedSelect check is a Department of the Treasury, Financial Management Service (FMS) product that currently is available from the FMS Chicago Financial Center. The Treasury Department plans to terminate this product on or before March 1, 2000. FedSelect checks shall not be used by DoD organizations after December 31, 1999.

(b) The FedSelect check uses a microcomputer-based system that allows the using DoD activity to issue payments on-site and report issuance via interface to the FMS.

(c) The FedSelect check offers a low cost method to reimburse DoD personnel and vendors for small out-of-pocket official expenses, when purchase or travel cards are not feasible for replacement of cash. The FedSelect check may be used for transactions formerly paid from imprest funds and for other "on demand" payment needs. The FedSelect checks shall not be issued for more than \$1,000.00; however, an increase of this limitation may

be approved by the OUSD(C) based on justification submitted under the Waiver Process of this policy.

(d) The FedSelect check has a built-in reconciliation system in that, when the check is issued, the information is transmitted automatically from the DoD activity to the FMS Chicago Financial Center. Paid information received from the Federal Reserve Bank (FRB) of Chicago is compared to the check-issue information received from the DoD activity.

(e) FedSelect checks are recorded in the FedSelect Customer Information System at the FMS Chicago Financial Center as the cashier is updating his or her check register and printing the check. The value of the issued check is debited to the issuing DoD activity's Agency Location Code through the Government On-Line Accounting Link System (GOALS) the following business day for the aggregate face value of the FedSelect checks written. As this charge is cleared through GOALS, a corresponding entry also must be made to record the disbursement in the agency accounting system in order to properly reflect clearance through the "Statement of Transactions" monthly reporting process.

(f) DoD activities are required to execute an agreement with the FMS Chicago Financial Center under provisions of the Economy Act in order to receive authority to issue FedSelect checks.

(g) FedSelect checks are customized with the DoD Component logo or seal, and DoD Component/activity address and telephone number. (Individual payee's name is not carried on the check instrument, thus permitting multiple authorized signatures.)

(h) The issuing activity can monitor outstanding and cleared checks through printed and on-line reports.

## F. PROCEDURES

### 1. Authorization for Accommodation Check Account

★ a. Requests to establish accommodation checks first shall be justified (in writing) to the resource manager or commander/director of the installation or tenant activity. Delegations of authority to maintain and use accommodation checks shall be issued in writing specifically to the activity approving/certifying official, check custodian, and cashier by the activity commander/director as directed below.

★ b. Upon approval by the activity resource manager and/or commander (director), requests for FedSelect checks shall be submitted for final approval to the Director for Finance, Headquarters, Defense Finance and Accounting Service (DFAS-HQ/F), via the Disbursing and Cash Management Office, 1500 East 95th Street, Kansas City, MO 64197-0001. Within 20 days, the DFAS shall notify the requester of its approval (or disapproval) to establish a FedSelect check account.



c. Requests for FedSelect checks that are disapproved by the DFAS may be referred to the DCFO if the DoD Component headquarters senior financial management official deems it worthy of further consideration.

2. Conditions for Establishing Accommodation Check Account

a. Designation of Activity Approving/Certifying Official

(1) The activity approving/certifying official may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity to authorize and certify the issuance of accommodation checks by cashiers.

(2) In order to maintain effective internal controls, the activity approving/certifying official may not perform functions of accommodation check custodian or cashier.

(3) The activity approving/certifying official shall be held accountable and pecuniarily liable for the accuracy of the payments. (See “Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures” for details of the “Payment Certification” and “Delayed Dispute Procedures” processes.)



(4) In the case of purchase card convenience checks, the “approving official (AO)” is the same as the activity approving/certifying official.

(a) The activity approving/certifying official shall be designated as the billing (invoicing) official and shall receive and certify payment of the billing statement (invoice) to the appropriate paying activity (e.g., a DFAS operating location).



(b) Convenience check accounts may be established with approving/certifying official accounts separate from approving official accounts for purchase cards.

(5) In the case of FedSelect checks, the “FedSelect authorizing issuing officer” is the same as the activity approving/certifying official.

b. Designation of Accommodation Check Custodian

(1) The custodian may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity’s accommodation check approving/certifying official to order, receive, store, issue, inventory, reconcile and dispose of check stock. (Each DoD Component and/or activity has the discretion of identifying the minimum grade level for its check custodians.)

(2) Each accommodation check account shall be under the custody of one individual who is not responsible for originating, approving, and processing the requirement

for a check. An alternate custodian may be appointed with the same authorities as the principal custodian; however, the alternate shall act only in the absence of the principal.

(3) Both principal and alternate custodians, as applicable, may be held pecuniarily liable for account transactions under their control.

(4) The accommodation check custodian may perform the functions of the accommodation check cashier.

c. Designation of Accommodation Check Cashier

(1) The cashier may be any individual (i.e., officer, enlisted person, or civilian employee) who is appointed by the head of the issuing DoD activity, or the activity's accommodation check approving/certifying official to inscribe (print), sign and issue checks. (Each DoD Component may establish a minimum grade level for its accommodation check cashiers.)

(2) The accommodation check cashier may perform the functions of the accommodation check custodian.

(3) In the case of purchase card convenience checks, only one named person shall be designated as the accommodation check cashier, and have authority to sign and issue convenience checks.



(4) An accommodation check cashier also may be a purchase card holder so long as the policies and procedures established herein are observed.

(5) In the case of FedSelect checks, the accommodation check cashier is authorized to operate the remote microcomputer equipment to print FedSelect checks. Also, primary and alternate cashiers may be established for FedSelect checks.

(6) Both primary and alternate cashiers, as applicable, may be held pecuniary liable for account transactions under their control.

d. Other Operating Conditions



(1) Accommodation check accounts shall be "bulk funded" in accordance with "Advance Reservation of Funds" policies delineated by the Under Secretary of Defense (Comptroller) memorandum of June 30, 1998, subject: "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures--Change 1."



(2) Check amounts shall not exceed \$2,500 per check and shall be issued for the exact payment amount, with a prohibition on splitting purchases, payments or other amounts among more than one check to keep amounts below \$2,500 or other assigned limits (if less than \$2,500).

(3) Accommodation checks shall not be issued as an “exchange-for-cash” vehicle to establish cash funds.

(4) Accommodation checks may be mailed, as long as internal controls are in place to avoid duplicate payments to payees.

★ (5) As appropriate, accommodation checks may be used for payments in overseas transactions up to \$10,000 in support of contingencies declared by the Secretary of Defense.

(6) The issuing activity is responsible for all administrative costs associated with the use of accommodation checks. At DoD Component election, the costs associated with the purchase of accommodation checks may be (a) included in the bulk obligation and accounted for as part of the purchase price or (b) treated separately as an administrative cost of the issuing activity.

★ 3. Methods for Establishing Accommodation Check Accounts: Normal account set-up procedures shall be followed to establish the accommodation check account product with either the purchase card issuing bank or the FMS Chicago Financial Center.

★ a. Purchase Card Convenience Check: Appropriate application forms shall be completed and submitted through the DoD activity’s existing purchase card hierarchical structure (channel), including approving official and APC. The application also shall include a copy of the approval document issued by the DoD installation/activity resource manager or commander/director. A separate check account holder and approving official must be identified for each purchase card check account. The application can be obtained from the APC.

★ b. FedSelect Check: FedSelect applications shall not be submitted directly to the check issuing organization (FMS Chicago Financial Center) without first attaining the authorization of the DFAS. DoD activities shall be granted authority by the FMS Chicago Financial Center to issue FedSelect checks by executing a FedSelect Agreement and associated application forms available from the FMS Chicago Financial Center. The request also shall include a copy of the DFAS and DoD activity/installation resource manager or commander (director) approval documents. All applications submitted to the issuing organization without attachment of the appropriate DFAS approval shall be returned without action by the issuing organization. NOTE: The Treasury Department plans to terminate this product on or before March 1, 2000. FedSelect checks shall not be used by DoD organizations after December 31, 1999.

★ 4. Conditions for Using Accommodation Check Accounts

★ a. For accounts established with the purchase card issuing bank, agencies must maintain a current convenience check account status (i.e., with no delinquencies, except for questioned items or items in dispute). Also, any entity under suspension of purchase card

privileges automatically shall be suspended from use of the purchase card convenience check system.



b. Accommodation checks may be used for purposes not related to small purchases when such expenditures are authorized by other DoD or Component regulations.

G. WAIVER PROCESS

1. The ODCFO may grant waivers to these policies (including higher dollar authority) for contingency operations and for exceptional circumstances.

2. Waiver requests for deviations from, or exceptions to, these policies shall be submitted for evaluation to the Military Department Office of the Assistant Secretary (Financial Management and Comptroller), the Defense Agency Comptroller, or equivalent. Waiver requests should be evaluated and approved or disapproved by the DoD Component Headquarters before submission to the ODCFO for consideration.

3. Waiver requests approved by the DoD Component Headquarters shall be submitted for consideration to the ODCFO. Such requests must contain adequate justification and demonstrate the need for a waiver or exception to the specific policy.

H. EFFECTIVE DATE AND IMPLEMENTATION

1. These policies are effective immediately. Both the purchase card convenience check and Treasury's FedSelect Check products may be established at this time.

2. The Heads of DoD Components shall ensure that these policies are adhered to in day-to-day operations and in the design, modification, and maintenance of the DoD Component's procurement and financial management systems.

