



DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
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TELEPHONE NUMBER
COMMERCIAL
AUTOVON
IN REPLY REFER TO:

4226.1
Ser21C4/9065
SA99-16
08 APR 99

From: Commander Naval Supply Systems Command

Subj: STREAMLINED PAYMENT PRACTICES FOR AWARDS/ORDERS USING
THE GOVERNMENTWIDE COMMERCIAL PURCHASE CARD

Ref: (a) NAVSUP Policy ltr Ser21C/7031, SA97-16 of 26 Aug 97
(b) NAVSUP Policy ltr Ser21/7124, SA 97-16R1 of 30 Sep 97
(c) NAVSUP Policy ltr Ser21C3/8121, SA98-15 of 12 Feb 98

Encl: (1) OUSD (Acquisition and Technology) memo of 2 Oct 98

1. References (a) and (b) are hereby cancelled and superseded by enclosure (1). Enclosure (1), effective 2 October 1998, provides implementing guidance which requires a written determination by a member of the Senior Executive Service (SES), Flag Officer, or General Officer for any type of award/order valued at or below \$2,500 when the purchase card is not used as a method of purchase or payment against a contractual instrument. This policy includes both commercial and non-commercial items.

2. Per enclosure (1) if a Command does not have a resident Flag, SES, or General Officer, the authority to issue written determinations is delegated to the level of the senior local commander or director. Enclosure (1) also identifies when an exception may apply and a written determination is not required.

3. Effective immediately, reference (c) is hereby cancelled and superseded by this policy letter. Customer activities with contracting authority limited to use of the purchase card are to forward micropurchase requirements that are unobtainable with the purchase card to a supporting purchasing office. This includes requests for supplies and services when the vendor(s) won't accept the purchase card or the customer has determined additional terms and conditions are required to ensure successful performance.

4. Customers shall provide the supporting purchase office with documentation detailing the circumstances that prevent use of the purchase card. The information may be included on the face of the purchase request or submitted as a separate document. Include one of the following statements as appropriate:

(a) The following known vendor(s) were contacted and refused to accept the purchase card: list vendors; or

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(b) The requested supply or service requires written terms and conditions. List the written terms and conditions and reasons therefore.

Since this is not a determination to use a contract or purchase order, this statement does not require SES, Flag or Commanding Officer signature.

5. Cardholders must maintain adequate file documentation to support their decision to forward the micropurchase to a supporting purchase office. Agency Program Coordinators shall review the file documentation as part of their semi-annual reviews.

6. On receipt of a properly completed purchase request, the purchasing office will review the various procurement alternatives and make an award. Prior to issuing a contract or purchase order to effect the micropurchase, the supporting purchasing office is responsible for preparing and obtaining the approval of the written determination required by enclosure (1).


EVA M. ROBINSON
By direction



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



OCT 2 1998

ACQUISITION AND
TECHNOLOGY

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Streamlined Payment Practices for Awards/Orders Valued at or below the
Micro-Purchase Threshold

In accordance with Purchase Card Program Reengineering Implementation Memorandum #6 dated July 20, 1998 (attached), I am issuing policy regarding the use of the purchase card to pay for goods and services valued at or below \$2,500. Policy memoranda on micro-purchases dated March 20, 1997, and September 26, 1997, are hereby canceled and superseded by this policy memorandum.

A written determination by a member of the Senior Executive Service (SES), Flag Officer, or General Officer is required for any type of award/order valued at or below \$2,500 that does not use the purchase card on a stand-alone basis or as the method of payment. This policy includes both commercial and noncommercial items. It includes contracts, purchase orders (including SF-44s), orders under task and delivery order contracts, orders under basic ordering agreements, and calls against blanket purchase agreements. The written determination must state that the source or sources available for the supply or service do not accept the purchase card and that the contracting activity is seeking a source that accepts the purchase card. To prevent mission delays, if an activity does not have a resident SES member, Flag Officer, or General Officer, the authority to make this determination may be delegated to the level of the senior local commander or director.

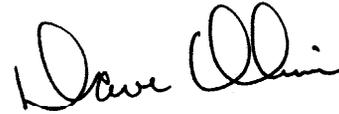
A written determination is not required: (1) if an exception for an electronic commerce/electronic data interchange (EC/EDI) system or operational requirement is approved by the Deputy Secretary of Defense in accordance with the procedures in Purchase Card Program Reengineering Implementation Memorandum #6; (2) if the place of performance is entirely outside of any State, territory, or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico; (3) in the case of SF-44s, for aviation fuel or oil purchases; overseas transactions by contracting officers in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C.



2302(7); transactions in support of intelligence and other specialized activities addressed by part 2.7 of Executive Order 12333; or training exercises in preparation for overseas contingency, humanitarian, or peacekeeping operations; (4) if **accomodation** checks are used for payment; and (5) for transportation bills. Procedures supporting the transportation procurement and bill payment process, to include invoicing, certification, and payment are being reengineered and validated through prototypes under Management Reform Memorandum (MRM) #15, Reengineering Defense Transportation Documentation and Financial Processes. Policy guidance concerning payment of all transportation-related bills, including bills for movement of Household Goods, will be provided following **MRM #15** prototype results and subsequent approval of the **MRM #15** implementation plan.

Awards/orders valued in excess of the micro-purchase threshold shall be structured (e.g., contract line items, delivery schedule, and invoice instructions) to minimize the generation of invoices valued at or below \$2,500.

These policies are effective for purchases made on or after the date of this memorandum. I ask the Director of Defense Procurement to modify the Defense Federal Acquisition Regulation Supplement to incorporate appropriate coverage for these policies.

A handwritten signature in black ink that reads "Dave Oliver". The signature is written in a cursive, flowing style.

Dave Oliver
Principal Deputy

Attachment:
As stated



20 JUL 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DIRECTOR, DEFENSE MANPOWER DATA CENTER

SUBJECT: Purchase Card Program Reengineering Implementation Memorandum #6:
Streamlined Payment Practices

I have long supported efforts to streamline operations and reduce costs in the Department by implementing the government-wide commercial purchase card for purchases and payments at or below \$2,500.

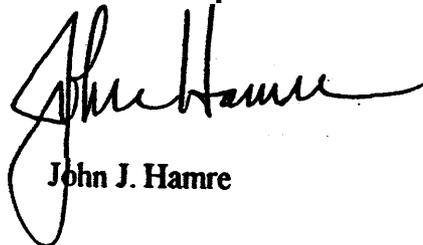
A recent review of Defense Finance and Accounting Service (DFAS) commercial invoice processing data indicates that there are still 4.6 million commercial invoice payments made annually that could be eliminated if the purchase card were used as the payment vehicle. For example, in January 1998 DFAS processed nearly 217,000 payments made on contracting instruments, nearly 83,000 inter-/intra-government payments, over 65,000 miscellaneous payments, and over 17,000 training payments valued at or below \$2,500 that were not on the commercial purchase card. DFAS has estimated that moving these payments to the purchase card could save the Department millions annually-savings that are needed to modernize and maintain our fighting forces.

I recognize that many of you are currently reviewing your business processes to broaden acceptance of the purchase card; however, I believe more must be done. Specifically, I direct the following:

- **The Under Secretary of Defense (Personnel and Readiness) shall issue Department-wide policy by August 15, 1998, directing expedited use of the purchase card as the method of payment for all training requests using the DD Form 1556 valued at or below \$25,000, and all medical services and Nonappropriated Fund payments valued at or below \$2,500 when determined to be appropriate and cost effective.**

- The Under Secretary of Defense (Acquisition and Technology) and the Purchase Card Program Management Office (PMO) shall develop **Department-wide** policy by October 1, 1998, requiring the use of the purchase card to pay for goods and services purchased using standard contracting instruments, such as the Standard Form 1449 and the DD Form 1155, valued at or below \$2,500. This policy shall address contracts, purchase orders, blanket purchase agreements, basic ordering agreements, and orders under task and delivery order contracts. It will also address **bills** of lading and stock find transactions. **USD(A&T)** will also work with the General Services Administration to develop policies that **further** the use of the purchase card to pay for goods and services available on Federal Supply Schedules.
- The Under Secretary of Defense (Comptroller) will issue **Department-wide** policy by October 1, 1998, requiring the use of the purchase card for all Military Interdepartmental Purchase Requests (**DD Form 448**) valued at or below \$2,500.
- Each **DoD** Component will ensure that the commercial purchase card is used whenever feasible as the payment vehicle for all goods and services valued at or below **\$2,500**. Components using electronic commerce/electronic data interchange systems that result in a more cost-effective payment process must develop a business case analysis for each system which must be forwarded **to me**, through the Director, DFAS, by August 31, 1998, for approval. Components must also forward to **me**, through the Purchase Card PMO, by August 31, 1998, an assessment of any operational requirement that precludes **full** implementation of the purchase card. You are to provide me a report, through the Director, DFAS and the Purchase Card PMO, by October 1, 1998, of your purchase card program accomplishments.
- The Director, DFAS shall provide a monthly report to the Purchase Card **PMO**, with copies to me and the Under Secretaries of Defense for Acquisition and Technology, Personnel and Readiness, and Comptroller, of the quantities and sources of commercial invoice payments at or below \$2,500. The reporting will begin no later than October 1, 1998. On a quarterly **basis, this report will include** an analysis of the payments by type and **source. The Director, DFAS in** conjunction with the affected **DoD** Component will conduct **100** percent audits of commercial invoice transactions at up to three installations **per Military Department** and the Defense Logistics Agency beginning in July 1998.

Until we expand the use of the purchase card, the Department will be unable to achieve the savings projected in the Quadrennial **Defense Review** and **reduce the** associated costs of our **financial** transactions. **Therefore, I** expect everyone **in the Department** to support the **expedited expansion of the purchase card program**. For **further information**, your **staff may** contact the Purchase Card Program Manager, Mr. Bruce **Sullivan,** at (703) **681-7564**.



John J. Hamre