CHAPTER 10 - CONVENIENCE CHECKS

Parent topic: Appendix - EE DEPARTMENT OF THE ARMY GOVERNMENT PURCHASE CARD OPERATING PROCEDURES

10-1. Policy and Use

a. Convenience checks provide activities with the flexibility to issue checks for payment of supplies and services to support mission needs when the vendor doesn't accept payment by GPC. The Army does not receive refunds or retain dispute rights on convenience check purchases. The authority to maintain a convenience check account will be justified on an individual basis. The number of convenience check accounts per installation must be kept to a minimum. Convenience check accounts are available only to organizations that maintain active GPC accounts in good standing.

b. Convenience checks must not be used to avoid the normal GPC payment process. Before a check is issued, the paying agency must make every effort to use the GPC, including making maximum efforts to find and use merchants that accept the GPC. Before writing a convenience check, the checkwriter must obtain an IRS Form W-9 to ensure possession of all information required for tax form issuance.

c. DFAS recommends not writing checks to foreign vendors. When writing a check to a foreign vendor, an IRS Form W-8 is required before payment. To determine which W-8 form is used, see IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities. To determine if tax withholding and tax deposits to the IRS are required, see IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities and/or IRS Publication 901, U.S. Tax Treaties.

d. If a U.S. vendor refuses to provide their TIN and it is a tax reportable payment, the checkwriter will choose another vendor.

e. **Restrictions**.

1) Checkwriters must not use checks for employee reimbursements, cash advances, cash awards, travel-related transportation payments, or meals.

2) Convenience check purchases must not require detailed specifications or an inspection report.

3) Convenience checks should not be used for recurring payments.

4) Convenience checks must not be used as a method of payment against existing contract instruments.

5) Checks will not be issued as an "exchange-for-cash" vehicle to establish cash funds. If merchants issue credits or refunds by cash or check, the funds must be immediately credited to the account against which the purchase was originally made.

6) The same purchase prohibitions that apply to the GPC apply to convenience checks.

f. **Micro-purchase Threshold**. The MPT for convenience checks is half the open market and contingency MPT per Section 806 of Public Law 115-91. See Table 1-2. Splitting payments across multiple checks is prohibited if the total requirement will exceed the applicable convenience check MPT. Checkwriters may use checks for purchases in support of declared contingency events up to

the applicable convenience check MPT.

g. **Processing Fee**. Convenience checks must be written for the exact payment amount. The payment amount for a check does not include the servicing bank's administrative processing fee. The check processing fee is added by the servicing bank during processing of the transaction, and the addition of the processing fee is not considered a split requirement. Checkwriters should ensure that the total funds obligated include both the payment amount and the processing fee. The convenience check MPT is for the payment amount of the good or service, which does not include the processing fee (e.g., a check may be written up to $5,000; the processing fee is accounted for separately and is charged separately on the billing statement).

h. **Security and Oversight**. Convenience checks are negotiable instruments and must be stored in a locked container, such as a safe or locking filing cabinet. Checks must be accounted for appropriately to prevent loss, theft, or potential forgery. Review convenience check accounts annually. Accounts with checks written above the allowable limit will be subject to suspension or termination. Commands with oversight responsibility will consider cancellation of convenience check privileges of cardholders who improperly use convenience checks (e.g., exceeding the convenience check limit).

i. Convenience checks are pre-numbered, and their use is controlled with a separate convenience check purchase log for each account. Check purchases are reconciled just as other GPC transactions, as part of the monthly statement billing cycle in the servicing bank's EAS. Retain copies of voided checks in the bank's EAS as part of the file documentation.

j. **Disputes**. The normal GPC dispute process is not applicable to convenience checks. Concerns over a check purchase must be resolved directly with the merchant. The checkwriter is responsible for securing credits or resolving problems with the merchant. Each organization is responsible for all checks written on an account, unless it is determined fraud is involved. In some cases, payments can be stopped on a convenience check that has been written if the check has not yet been posted to an account. To stop payment on a check, the checkwriter must call the servicing bank's customer service department to receive instructions on processing the action.

10-2. Establishing a Convenience Check Account

a. Convenience check accounts are dedicated accounts and must be maintained separately from the GPC account. Cardholders may have both a regular GPC account and a separate convenience check account. Payee information on the convenience check must be **written legibly**. Convenience checks are not to be used for recurring payments.

b. Any U.S. Government employee, military or civilian, including local national employees, may be selected for appointment as a checkwriter. Traditional part-time National Guard members cannot be checkwriters. Contractors working for the Army cannot be checkwriters.

c. Requests to establish convenience check accounts must be justified in writing by the organization and forwarded to the Level 4 A/OPC. Required information must consist of the following:

1) Justification for the account

2) Types of vendors to receive checks

3) Estimated dollar amount of checks to be written within a 12-month period

4) Single and monthly purchase limits

5) Checkwriter's complete name, office name, address, email, phone/fax number

d. Checkwriters must be appointed in PIEE/JAM with the "Micro-Purchase Convenience Check Writer" designation. The checkwriter is the only person who has the authority to issue and sign checks.

10-3. Convenience Check Reporting (IRS Form 1099)

a. The DFAS Tax Office is responsible for DoD compliance with 1099 reporting requirements.

DFAS provides the convenience check payment data to the applicable A/OPC and checkwriter for determining the tax reporting requirements and completion of specifically identified data not available to, or captured by, the contracted bank. The checkwriter is responsible for ensuring the completion and return of the data to DFAS.

b. The Army is required to file a Form 1099-MISC for payments to vendors or individuals totaling more than $600 in a tax year.

c. 1099 reporting involves the collection of Personally Identifiable Information (i.e., Taxpayer Identification Number and Social Security Number) and must be safeguarded with appropriate oversight controls in accordance with the Privacy Act.

d. IRS Form 1099 must be issued to check recipients for certain payment types. (See IRS Instructions for Form 1099 - MISC for more detail regarding payment types that are not reportable to DFAS.) Convenience check data must be reported to the IRS as income to the check recipients.

e. **Tax Reporting**. The DFAS Tax Office emails convenience check purchasing data monthly to the checkwriters for verification. The email contains a spreadsheet, instructions, and the suspense date for return. Upon receipt of the spreadsheet, checkwriters must update the required columns and email the spreadsheet to the following mailbox, dfas.cco-checks@mail.mil , within five business days upon receipt. This data is used to process IRS 1099-MISC forms. The BO is responsible to monitor the checkwriter's compliance. Instructions for submitting convenience check 1099 tax reporting information are available on the DFAS DoD Government Convenience Checks website .

Checkwriters will obtain the vendor information and W-9 required for tax reporting before paying the vendor, as stated in DoD 7000-14R FMR 26 Volume 10, Chapter 6, 060209. The checkwriter is responsible for tax reporting for the convenience checks they issue and for obtaining a signed IRS Form W9, Request for Taxpayer Identification Number and Certification.

f. DFAS ESS Tax Office will perform the following actions:

1) Provide monthly spreadsheets containing the servicing bank's universe of convenience check payment data to A/OPCs, BOs, and checkwriters for completion of additional information.

2) Provide tax reporting guidance to checkwriters.

3) Aggregate the payment data to determine tax form issuance and issue tax forms to check

recipients.

4) Electronically report the payment data to the IRS.

5) Provide report to A/OPCs, BOs, and checkwriters of data that resulted in tax form issuance.

6) Provide customer service to tax form recipients.

7) Issue corrected tax forms.

g. A/OPCs, Billing Officials, and Checkwriters will perform the following actions:

1) Supplement the payment data with the necessary reporting data, annotate payment as reportable or not reportable, and return spreadsheets to tax office.

2) Maintain and update points of contact in the U.S. Bank account.

3) Maintain final summarized spreadsheet provided by DFAS and copies of the check registers for audit purposes.

4) Have a signed W-9 from vendors on file.

5) Ensure that spreadsheets are completed correctly and returned by deadline.

h. The checkwriter must complete the following fields in the DFAS spreadsheet:

1) **Payment Description**. Define the purpose of the payment to the vendor.

2) **Yes or No Reportable Transaction**. Indicate whether vendor and payment type are tax reportable. “Yes” is reportable. “No” is not reportable.

3) For all tax reportable payments, complete the following fields:

(a) Vendor’s Taxpayer Identification Number: SSN, EIN, ITIN

(b) Vendor’s Name and Doing Business As Name

(c) Vendor’s Current mailing address

(d) Vendor’s City

(e) Vendor’s State

(f) Vendor’s Zip Code

(g) Vendor’s Country

(h) Indicate the payment amount in **one** of the following fields, as applicable:

(1) Check paid for Rents, Rentals, Leases

(2) Check paid for Royalties

(3) Check paid to individual for medical research

(4) Check Paid for Medical/Dental Services

(5) Check paid to a vendor or individual not Government employee

(6) Check paid for Attorney Fees

10-4. Annual Convenience Check Review

a. Commands with convenience check oversight responsibility will conduct an annual review of each convenience check account. All checks written in support of a declared ETO must be reviewed within 60 days after completion of the disaster response. This review will include the following:

1) Sample of convenience check transactions.

2) Review of all supporting documentation.

3) Review of all convenience checks written to individuals.

b. Report suspected violations to appropriate management and investigative authorities. A/OPCs will include in the SAHAR Report a count of convenience check accounts not audited within the past 12 months.

10-5. Convenience Check Resources

a. DFAS ESS Tax Office: dfas.dscc.jjh.mbx.cco-esolutions-gpc@mail.mil

b. What is and is not Reportable on IRS Form 1099

c. DoD Guidebook for Miscellaneous Payments

d. Identifying Public or Private Colleges and Universities

e. IRS Exempt Organization Types

f. Tax Exempt Organization Search

g. 26 USC 501 - Exemption from tax on corporations, certain trusts, etc.