

# Chapter 10 - Convenience Checks and Foreign Draft 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. Convenience checks may be used for purchases when supplies or service are available for delivery or completion within 15 days, whether at the contractor's place of business or at destination.

b. DoD policy has a goal to decrease convenience check usage on an annual basis. The Army does not receive rebates or retain dispute rights on convenience check purchases. The authority to maintain a convenience check account will be justified on an individual organization basis and controlled and monitored by the organization's CCO. 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.

c. Convenience checks should only be used when the vendor does not accept the GPC. Convenience checks may 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.

### d. **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or refunds by cash or check, the funds must be immediately credited to the account against which the purchase was originally made.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.

e. **Micro-purchase Threshold.** The MPTs for convenience checks are half of the open market and contingency MPTs. 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.

f. **Processing Fee.** Convenience checks should 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).

g. **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. Convenience check accounts must be reviewed annually by a disinterested party and not the A/OPC.

h. 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 a part of the monthly statement billing cycle in the servicing bank's EAS. Checkwriters must retain copies of voided checks through the carbon copy or photocopy the original check as a part of their file documentation.

i. **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. Checkwriters must ensure that payee information on the convenience check is **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) Reason for requesting checks
- 2) Types of vendors to which the checks would be written
- 3) Estimated dollar amount of checks intended 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. IRS requires DoD federal agencies to report convenience check payments as income. See 26 USC 6041, 6041A, and 6045. IRS Form 1099 must be issued to check recipients for certain payment types. (Refer to [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. IRS matches the reported data to the check recipients' tax returns to ensure income is reported.

b. **Tax Reporting.** The DFAS Tax Office emails convenience check purchasing data to the checkwriters for verification on a monthly basis. 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 1099 Check Writer Reporting](#) 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. BOs and checkwriters who do not return the requested information to DFAS are responsible for their own tax form issuance and IRS tax reporting. Instructions for submitting convenience check 1099 tax reporting information is available on the [DFAS Office Website](#).

c. 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.

d. 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.

e. 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.

f. 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. Before Writing a Convenience Check**

a. **IRS Form W-9.** Before writing a convenience check, the checkwriter must always obtain an IRS Form W-9 to ensure possession of all information required for tax form issuance.

b. 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.

c. If a U.S. vendor refuses to provide their TIN and it is a tax reportable payment, IRS states to backup withhold 24% and deposit with IRS. See IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s).

d. Consider alternative payment methods. See the [GSA Payment Solutions Brochure](#) for alternatives to using convenience checks. A good alternative to the convenience check process is using the miscellaneous payment process or using a vendor that accepts the GPC.

## 10-5. Why Decrease Use of Convenience Checks?

a. **No Refunds.** Check transactions do not receive refunds otherwise provided on by use of the GPC.

b. **Minimized fraud.** Checks often do not require signature verification, which could lead to fraudulent transactions. In addition, they do not carry the same “paper trail” as other electronic payment methods, which may lead to misuse.

c. **Streamlined processes.** Electronic payments, like the GPC, help facilitate smoother transactions, enhance transparency, save time, and lead to improved data monitoring capabilities.

d. **Green initiatives.** Electronic payments help reduce paper usage and aid agencies in meeting their sustainability goals. Records also reside in a central location which will make it easier to locate and verify information.

e. **Increased consumer protection.** The GPC provides the opportunity for a much quicker reimbursement to a customer who may be unsatisfied with a product or service or who is charged incorrectly.

f. **Less hassle.** Check transactions must be reported to the IRS using a 1099 form. Alternatively, in accordance with Section 6050W of the Housing Assistance Tax Act (Public Law 110-289), agencies are no longer required to report charge card transactions to the IRS using the 1099 form.

g. **Time and Cost Savings.** Utilizing a GPC instead of a convenience check delivers tremendous time and cost savings, leaving more time for mission-critical activities.

h. **Improved merchant-client relationship.** When a GPC is used, merchants are paid within three days of the transaction. They receive a guaranteed payment and as a result, are able to provide greater security, reports, and data to the customer. This increases satisfaction on both sides of the transaction.

## 10-6. Annual Convenience Check Review

A disinterested party (not the BO or A/OPC) must review all convenience check accounts and purchases annually. The disinterested party must be an impartial, competent person in both action and appearance, independent of the office maintaining the convenience check account. The review must be provided to the checkwriter, BO, and Level 4 A/OPC for appropriate action.

## **10-7. ETO Report**

A disinterested party must review all checks written in support of a declared ETO within 60 days after completion of the disaster response.

## **10-8. Convenience Check Resources**

a. For assistance with reporting convenience check data for tax form issuance, contact the DFAS ESS Tax Office at [dfas.ccochecks@mail.mil](mailto:dfas.ccochecks@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. [Exemption from tax on corporations, certain trusts, etc. - 26 USC 501](#)

h.

## **10-9. IRS Form 1099 Reporting Process**

Figure 10-1: IRS Form 1099 Reporting Process