



**SUBJECT: CONVENIENCE CHECK FINANCIAL POLICY**

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**10-47-00 Purpose, Applicability and Definition**

This policy applies to convenience checks issued by US Bank associated with the VISA purchase card program, or successor programs. The purpose of this policy is to identify the (rare) circumstances when use of convenience checks is appropriate, and to ensure that adequate internal controls are in place to safeguard Federal funds. Convenience checks are checks provided to charge cardholders by charge card companies as an alternative mechanism for using the charge card; used convenience checks are treated as charges on the charge card account.

**10-47-10 Authority**

GSA SmartPay Master Contract.

**10-47-20 Effective Date**

This policy is effective for fiscal year 2000.

**10-47-30 General Policy on Usage**

The use of convenience checks is allowed by the Department, but strongly discouraged. Chief Financial Officers of each OPDIV may disallow the use of convenience checks for their respective OPDIVs.

Convenience checks should only be used for authorized purchases when vendors unable or unequipped to accept the VISA purchase card or EFT, and the cognizant contracting/purchasing office (or Card Approving Official, as appropriate) certifies that there is no reasonable alternative source for the approved purchase. Convenience checks should only be used in a manner consistent with the Federal Acquisition Regulation (FAR), Office of Government Ethics Standards of Conduct for Executive Branch Employees and all General Accounting Office internal control guidance relevant to the OPDIV.

**10-47-40 Operating Policies**

OPDIVs will establish procedures consistent with the following Operating Policies:

A. Dollar Limits

1. Dollar limits (maximum is \$2,500) for convenience checks usage should be established for each individual approved cardholder and coordinated with US Bank. Warranted officials may be approved for limits over \$2,500.
2. Convenience checks are similar to third party drafts and are subject to the provisions of the Treasury Financial Manual (See TFM Vol. 1, Part 4 - Chapter 3040.70). If an OPDIV has need for issuing convenience checks with stated dollar limits exceeding \$10,000, OPDIVs must request a waiver detailing benefits and savings for the waiver in a letter to the Director, Cash Management Policy and Planning Division, Financial Management Service, U.S. Department of the Treasury. This letter should be sent through the Director, ASMB/Office of Financial Policy.

B. Required Supporting Documentation and Record Retention

1. Not all cardholders need to be authorized to use convenience checks. To ensure proper use, it is recommended that use of convenience checks be limited to designated contracting or purchasing officers or other designated individuals as determined by each OPDIV. Authorization for usage and dollar limits is to be established by appropriate management personnel.
2. Cardholders authorized to use convenience checks are responsible for collecting vendor information for payments made via convenience checks that are subject to IRS 1099-MISC Miscellaneous Income reporting. For example, Form 1099-MISC is to be filed for each person, corporation, or other business entity that has received at least \$600 for services rendered in the calendar year. It does not apply to purchases of goods. Cardholders should communicate with their Finance office regarding 1099-MISC reporting requirements and the procedures to be followed in forwarding required calendar year information to the Finance office each January, when 1099's are prepared. Required information will include: the vendor's name, taxpayer identification number, address, and dollar

amount of convenience checks paid to the vendor for 1099-reportable services during the calendar year. (See also DAM Chapter 10-70.)

3. Cardholders must obtain the following information for each convenience check used. This information is to be retained by the finance office for a period of time (currently six years and three months) in accordance with GRS Schedule 6 (re: Accountable Officer Files):
  - a. Vendor name and address
  - b. Vendor EIN, SSN, etc. (if required for 1099 reporting - payments for services)
  - c. Amount and date of purchase
  - d. Check number
  - e. Description of purchase (quantity, cost per unit, etc.) - note if good or service
  - f. Receipts
  - g. Explanation of why the convenience check was used in lieu of EFT or purchase card
  - h. Carbon or reproduced copy of the completed check, if possible.

C. Appropriate Usage

1. Authorization to sign convenience checks shall be limited to the account holder. OPDIVs have the option of limiting use of convenience checks to the Agency Program Coordinators (APCs) or other cardholders based upon need, or requiring dual signatures (account holder and designated other official) if the participating bank is able to help establish such a control feature.
2. Convenience checks must be written for the exact amount of the purchase. Note: Bank charges for the use of the check, as negotiated under terms of the contract, are allowable expenses.
3. Separate convenience check accounts may be established by the OPDIVs, if benefits are perceived such as ease of reconciliations.
4. Convenience checks must not be issued payable to Federal employees for any reason. (This rule is particularly important for transactions that must be processed through payroll systems.)
5. Convenience checks must not be used to acquire hazardous items, long-term leases/rentals, telecommunications systems, or to cover travel expenses (which should be covered by travel or fleet cards).

6. Convenience checks must not be used for activities that include circumventing the single purchase threshold, personal purchases, advance payments to vendors, and other unauthorized purposes.
7. Convenience checks must not be issued to pay an honorarium or a fee-for-service to a non-US citizen or a permanent resident alien who is not authorized to receive this payment in accordance with the terms and conditions of his or her visa.

D. Physical Security and Risks

1. OPDIVs must establish procedures for appropriate physical controls over unused convenience checks and ensure that timely corrective action is taken in the case of checks that are lost, stolen or otherwise misused. This includes instructions for issuing stop payment actions. These procedures are not intended to relieve the cardholder in cases of fraud or other intentional misuse of the convenience checks.
2. OPDIVs should notify cardholders of the risks associated with convenience check losses, and provide suggestions for safeguarding convenience checks. OPDIV procedures should meet the I TFM 4-3040.70 requirements for third party drafts.
3. Disciplinary action may be taken against employees who misuse or abuse convenience checks. Policies and procedures for such actions should be established by the OPDIV.
4. Convenience checks are to be included in the random audits of purchase card accounts (recommended to occur on a quarterly basis) and in regular reconciliation procedures.
5. Suggested Guidelines for Security of Blank Office Account Convenience Check Stock:
  - a. Checks should be maintained in a heavy fire-resistant safe or fire-resistant cabinet with a bar and sturdy combination lock.
  - b. A dual-control system should be established for the safe combination or file drawer key.
  - c. The physical presence of all checks should be audited at designated intervals.
  - d. Checks should be issued in numerical sequence.