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

ACQUISITION AND TECHNOLOGY

OCT 2 1998

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 Policy memoranda on micro-purchases dated March 20, 1997, and September 26, 1997, are hereby canceled and superseded by this policy memorandum.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 non-commercial 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

Dave Oliver

Dave Oliver
Principal Deputy

Attachment:
As stated