UNDER SECRETARY OF DEFENSE
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COMPTROLLER

DEC 30 1999

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Mandatory Electronic Funds Transfer and Central Contractor Registration

"The Debt Collection Improvement Act of 1996" (Public Law 104-134) requires that payments to contractors/vendors be made via Electronic Funds Transfer (EFT) effective January 1, 1999. To implement this statutory requirement, the Department of Defense (DoD) developed appropriate contract clauses requiring payment by EFT and mandating registration in the Central Contractor Registration (CCR) database. At the same time, a notification program for contractors/vendors was put into place to help better ensure that current, as well as potential future, contractors/vendors, were aware of these requirements.

In addition to being required by statute, the use of EFT as a payment vehicle is one of the keys to improving finance and accounting services and reducing related costs within the Department. While we have made substantial progress in implementing EFT payments, additional effort is required to fully achieve the Department's goals. Therefore, I have instructed the Defense Finance and Accounting Service to return contracts and invoices that are not in compliance with current requirements, along with a request for corrective actions, effective February 1, 2000 as well as to take other specific actions. Those actions are addressed in the attachment to this memorandum.

The use of EFT payments to contractors/vendors, and the registration of contractors/vendors in the CCR should not continue to be delayed. It is incumbent on all of us to expeditiously implement these requirements. Your assistance and cooperation in this matter is greatly appreciated.

William J. Lynn

Attachment

ACTIONS THAT DFAS HAS BEEN DIRECTED TO TAKE
EFFECTIVE FEBRUARY 1, 2000
FOR CONTRACTS/INVOICES THAT DO NOT COMPLY WITH
ELECTRONIC FUNDS TRANSFER (EFT) AND/OR
CENTRAL CONTRACTOR REGISTRATION REQUIREMENTS

1. Effective February 1, 2000, when contracts that are not exempted do not contain the required clause providing for payment to be made by EFT, and the contractor/vendor is not registered in the Department's Central Contractor Registration database, the Defense Finance and Accounting Services is directed to take the following actions:

--Return, the contract to the contracting office. The contracting office will be: (1) advised that the contract does not comply with EFT and CCR requirements, (2) requested to amend the contract to include the appropriate EFT clause or require the contractor to register in the CCR, and (3) asked to expedite this action so as to minimize any potential for a delay in payment. A copy of such notification will be sent to the contractor/vendor involved.

--Charge, the DoD Component involved, an additional amount for each contract that is returned as a result of not containing appropriate EFT clause for contractors not registered in the CCR. The amount to be charged will be equal to the amount charged for processing a payment for a contract.

--If a particular contracting office repeatedly fails to include such clauses, notify the senior acquisition and the senior financial management manager in the applicable Component involved of the contracting office's repeated failure to comply with EFT and CCR requirements.

--Pay interest amounts, as applicable, on any payments delayed beyond 30 days as a result of returning a contract for modification to comply with EFT and CCR requirements. Such interest payments will be charged to the applicable DoD Component involved.

2. Effective February 1, 2000, when invoices that are not exempted do not contain appropriate information providing for payment to be made by EFT, and the contractor/vendor is not registered in the Department's Central Contractor Registration database, the Defense Finance and Accounting Services is directed to take the following actions:

--Notify the contractor/vendor of applicable EFT and CCR requirements and request voluntary compliance. Send a copy of the request to the applicable contracting office.

--Charge the DoD Component involved an additional amount for each such notification to a contractor/vendor. The amount to be charged will be equal to the amount charged for processing a payment for a contract.

--If a particular contractor/vendor refuses to comply or initiates or threatens litigation, the DFAS shall pay the contractor/vendor and notify the applicable acquisition manager of the vendor's

unwillingness to comply with EFT and CCR requirements and request that appropriate clauses be inserted in all existing and future contracts with that contractor/vendor.

--Charge the DoD Component involved an additional amount for each payment made by means other than EFT, if the applicable contract does not contain appropriate clauses providing for payment by EFT and the contractor does not comply voluntarily. The amount to be charged will be equal to the amount charged for processing a payment for a contract.

--Charge the DoD Component involved an additional amount for each payment where the contractor/vendor is not registered in the CCR in accordance with DoD policies if the applicable contract does not require such registration and the contractor does not comply voluntarily. The amount to be charged will be equal to the amount charged for processing a payment for a contract.

--Pay interest amounts, as applicable, on any payments delayed beyond 30 days as a result of requesting a contractor/vendor to comply with EFT or CCR requirements. Such interest payments will be charged to the applicable DoD Component involved.