

DFAS-DE/ANAA
Sep 05, 1997

MEMORANDUM FOR DIRECTORS, OPERATING LOCATIONS, DFAS-DE
DEFENSE ACCOUNTING OFFICERS, DFAS-DE
DIRECTOR, FINANCE AND ACCOUNTING OPERATIONS,
DFAS-DE

SUBJECT: Implementation of Mandatory EFT Portion of the Debt
Collection Improvement Act of 1996 (DCIA)

The time has come for DFAS-DE to fully implement the mandatory EFT portion of the Debt Collection Improvement Act of 1996 (DCIA). The DFAS-HQ/FCC memorandum of June 6, 1997, provides responses/procedures for action items identified at the Finance Directors Conference held in January 23-24, 1997 for implementing the mandatory EFT portion of the DCIA. Procedures include preparing vendor letters for each applicable FAR clause which will inform vendors that the Government's "**Payment Option**" is **EFT** and if applicable, DFAS will begin to return invoices when the vendor hasn't submitted the required EFT information. The attached Vendor Pay desk procedures should be implemented on Oct 1, 1997. These procedures have been sent to DFAS-HQ/FCC and will be included in the Consolidation Desk-Top Instructions for DFAS-DE Operating Locations and Air Force/Air National Guard Financial Managers, DFAS-DE 7040.1-M (Blue Book).

Defense Accounting Offices (DAOs) that belong to DFAS-DE will not be required to implement the procedures contained in the DFAS-HQ/FCC memorandum of June 6, 1997 because of their merger schedules. The responsibility to implement these procedures will rest with DFAS-DE OPLOCs.

Please instruct your Finance Directors to prepare letters and conduct quarterly meetings with respective local commanding officers and the contracting offices they service. Letters and meetings should be informative regarding mandatory EFT requirements. To assist you with your meetings, we have attached a memorandum dated July 1, 1997, from the Director of Defense Procurement, Ms Spector. All parties should be made aware that DoD's payment policy is EFT.

OPLOC Finance Directors should notify DFAS-DE/ADRI of the actions taken as a result of the initial meeting including the following:

- a. Number of procurement offices they service
- b. Monthly volume of work (number of contracts received)
- c. Response of each procurement office
- c. Identify obstacles encountered

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Please submit this one time report to DFAS-DE/ADRI by September 19, 1997. DFAS-DE/ADRI will consolidate and forward to DFAS-HQ/FCC.

Another reporting requirement resulting from the DCIA is DFAS-HQ/FCC's requirement that DFAS-DE OPLOCs track and report on EFT compliance of both our vendors and the issuing contracting offices. Quarterly reporting on contracting compliancy is required in accordance with the DoDFMR Volume 10, 170101.C.2.e. until the quarter ending December 31, 1998. When contracts do not contain the proper EFT FAR clause, DFAS-DE OPLOCs will utilize a DD Form 1716, Contract Data Package Recommendation/Deficiency Report. The form notifies contracting offices that a contract modification is required. It will also be used to track and report EFT compliance by the issuing contracting office. Additionally, DFAS-DE OPLOCs will have to track and report suspended payments (invoices returned) in accordance with the DoDFMR Volume 10, 170101.C.2.h. OPLOCs should submit required reports to DFAS-DE/ADRI, who will consolidate and forward to DFAS-HQ/FCC. Please submit these quarterly reports no later than the 10th day of the month following the end of each quarter.

On August 15, 1997, DFAS-DE/AOL requested a preliminary report concerning EFT FAR clause compliancy information (contract number, procurement office, and dollar value of the contract) to be submitted to DFAS-DE/AOL by August 20, 1997. This initial compliancy information does not meet either of the previously described reporting requirements.

Although, implementation of mandatory EFT is a very costly and labor intensive effort; it must be accomplished to comply with the statutory requirement for payment by EFT. The new mandatory EFT procedures will require accounting technicians to perform the following duties:

- a. Research contracts for the proper FAR Clause
- b. Preparation and mailing of DD Forms 1716
- c. Maintenance of a suspense file to track DD Forms 1716
- d. Preparation and sending of the contract deficiencies report
- e. Preparation and mailing of notification letters/EFT enrollment forms to vendors for each EFT FAR Clause
- f. Maintenance of a suspense file to track and suspend letters
- g. Preparation, copying, and mailing of letters and invoices (suspended payments)
- h. Maintenance of returned invoice file to track suspended payments
- i. Preparation and mailing of Suspended Payments Report (DoDFMR Vol 10)

We estimate an additional labor cost of 2-3 workyears will be required at each OPLOC. Additional printing, copying and postage costs will be incurred at each OPLOC. These costs would only apply to 97-98 because by Jan 1, 1999 all our vendors should be paid by EFT. Relief will come when the Central Contractor Registration (CCR) is fully operational.

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Questions your staff may have concerning these initiatives may be directed to our points of contact, Ms. Barbara L. Norris and Ms. Karla Misenar, DFAS-DE/ANAA, commercial (303) 676-7774, DSN 926-7774 or email: b1norris@cleveland.dfas.mil or kmisenar@cleveland.dfas.mil.

Mattie L. Clemens
Chief, General Procedures and Systems
Division

Attachments:
As stated

cc: USAFE/FM
PACAF/FM
DFAS-OR/F
DFAS-HO/F

**Vendor Pay - Accounting Technicians
Desk Procedures on Returning Invoices
for
Implementation of Mandatory EFT Portion of the Debt Collection Improvement Act
of 1996 (DCIA)
(CONUS ONLY)**

Although these desk procedures apply to various EFT Federal Acquisition Regulation (FAR) clauses and contracts containing no FAR clauses, emphasis should be concentrated on vendors whose contracts were issued after July 26, 1996. Those contracts should contain FAR clause 52.232-33. If they do not contain FAR clause 52.232-33 these contracts fall under the classification of Mandatory Information for Electronic Funds Transfer Payment by Operation of Law.

We are working on a retrieval that will extract from the Integrated Accounts Payable System (IAPS) existing contract data and provide the contractor's name and address for contracts awarded on or after July 26, 1996 that are paid by check (projected completion date is September 5, 1997). Another retrieval, will identify new vendors for contracts received after the original extract. Using the retrievals we plan to create a program that will generate name and address labels. We are evaluating the possibility of using a Microsoft ACCESS data base to track and maintain a suspense file (containing extracted data and new contractors) for notification letters, returned invoices, DD Forms 1716, Contract Data Package Recommendation Deficiency Reports, and contract deficiency logs. Attached are three tables (Attachments 6-8) to assist you in simplifying the manual process.

- a. Attachment 6, Notification Letters and Requirements for Various FAR Clauses.
- b. Attachment 7, Suspended Payments - Returned Invoices due to the Vendors not Supplying EFT Financial Information.
- c. Attachment 8, Contract Discrepancies DD Form 1716 Log.

A Microsoft ACCESS data base could be used as a suspense file for notification letters and returned invoices. This file should be maintained by Commercial Activity Government Entity (CAGE)/Vendor ID and the contractor's name. A Microsoft ACCESS data base could also be used as a suspense file for contract discrepancies and DD Forms 1716s. This file should be maintained by contract number and contract issuing office.

If time permits, all remaining contracts in IAPS should be reviewed to ensure the contract contains the proper FAR clause. When a full review cannot be accomplished, perform reviews on an exception basis.

Instructions and sample letters to implement the mandatory EFT portion of the DCIA for each FAR clause scenario is included as an attachment in this package.

Attachment 1: FAR Clause 52.232-28, Electronic Funds Transfer Payment Methods

Attachment 2: FAR Clause 52.232-33, Mandatory Information for Electronic Funds Transfer Payment

Attachment 3: FAR Clause 52.232-34, Optional Information for Electronic Funds Transfer Payment

Attachment 4: No FAR Clause (pre July 26, 1996)

Attachment 5: No FAR Clause (on or after July 26, 1996)

Attachment 1

**Procedures for FAR Clause 52.232-28:
Electronic Funds Transfer Payment Methods**

FAR Clause 52.232-28 applies to those contracts with solicitation dates before July 26, 1996. When FAR Clause 52.232-28 is present in a contract and the vendor has submitted an EFT enrollment form, the contract record in the Integrated Accounts Payable System (IAPS) should reflect payment method "E" or "X" and the vendor "remit to" record should contain the vendor's financial institution data.

When FAR Clause 52.232-28 is present and the vendor has not submitted an EFT enrollment form, follow the below procedures.

a. Prepare vendor letters (sample letters provided by DFAS-HQ/FCC memorandum of June 6, 1997 follow) and the Agency portion of the EFT enrollment forms, send them to the vendor, track and maintain a suspense file for letters and returned invoices to be used in preparing activity report for DFAS-DE/ADRI. Letters should only be prepared and maintained for vendors who have reoccurring payments on their contracts. They will not work and should not be prepared if their contracts are one time payment contracts.

- (1) Use OPLOC letterhead on sample letters and OPLOC Deputy Director of Finance's signature block.
- (2) Insert the date invoice will be returned if EFT information is not received.
- (3) Insert your Customer Service Office and telephone number in the sample letters.

b. Send the initial 30-day notification letter to the contractor or vendor with a drop dead date (return date) for providing the EFT information. The return date would be 90 days from the date of the notification letter. The letter should include a statement that after the return date, all future invoices or payment requests will be returned as they will not be considered a proper request for payment otherwise due in accordance with the payment provisions of the contract.

- (1) Any invoice received after 90 days will be returned if the vendor has not submitted their EFT enrollment form containing their EFT financial information (follow normal procedures for returning improper invoices).
- (2) Invoices must normally be returned as improper 7 days of the invoice receipt date. Follow paragraph 12-7 of DFAS-DE 7010.2-R formerly known as DFAS-DER 177-102.

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(3) If the notification of an improper invoice is made after the normal 7 days, the number of days allowed for payment of the corrected, proper invoice when received is reduced by the number of days in excess of the allowable days for notification to the business concern of receipt of an improper invoice.

c. Send warning letter(s) when EFT information is not provided within 30 days after the notification letter.

(1) First reminder should be sent when no EFT enrollment information is received from the contractor or vendor 30 days after the original notification letter.

(2) Second reminder should be sent when no EFT enrollment information is received from the contractor or vendor 60 days after the original notification letter.

d. Collect the EFT information or return all future invoices or payment requests at the end of 90 days to those contractors or vendors not providing their EFT data.

e. During the 90-day notification phase, the paying location will continue to issue checks. Once the 90-day period lapses, all future invoices or payment requests will be returned using procedures approved by DFAS-HQ/F as required in DoD Financial Management Regulation (FMR) Volume 10.

f. Once the EFT enrollment form is received from the vendor, update the contract and vendor "remit to" records in IAPS, then remove/destroy letters & returned invoices from the suspended file.

g. Submit an Activity Report to DFAS-DE/ADRI in accordance with DoDFMR, Volume 10, Chapter 170101.C.2.e. and h.

Paying locations will offer one or more of the following choices for providing the remittance/advice of payment information to contractors or vendors:

a. Fully electronic, transmitted with payment to financial institution (CCD+ or CTX/820).

b. Fully electronic, transmitted to a Value Added Network (VAN).

c. DFAS Vendor Pay Inquiry System on WWW (<http://www.dfas.mil/money/vendor>) or DFAS automated telephone inquiry service at 1-888-693-1371 (worksheet must be used for telephone inquiry).

d. Paper (only used in extreme cases).

Attachment 1

**Procedures for FAR Clause 52.232-28:
Electronic Funds Transfer Payment Methods**

Initial Notification Letter

Dear Vendor:

This letter is to notify you that the Department of Defense (DoD) will exercise the government's option under the Federal Acquisition Regulation Clause 52.232-28 to pay by Electronic Funds Transfer (EFT).

Instead of receiving checks, your company will have its payments deposited directly into your company's account at its financial institution. With EFT, your company will benefit from quicker funds availability, thus improving cash flow, and the risk of a lost or stolen check is totally eliminated.

Enclosed is an SF 3881 (or local enrollment form) ACH Vendor/Miscellaneous Payment enrollment form to enroll in EFT. We have filled in the Agency Information section of the form. Please complete the Payee/Company Information section and have your financial institution complete the Financial Institution Information section. Return only the original completed form to the paying location. If you are paid by several DFAS paying locations, you must register with each DFAS location. We are working to implement a one time central registration system for all DFAS paying locations.

Failure to provide the needed EFT information stops the payment process, even if all other data is available. Also, any possible interest under the Prompt Payment Act stops accruing. Therefore, we urge you to provide the EFT information as soon as possible, but no later than 30 days after the date of this notification letter. During the EFT registration process, we will continue to make payments to your company. After 90 days, all of your invoices or vouchers under this contract will be returned.

We offer the following advice of payment options: CCD+ and CTX. To pick the best option for your company you will want to consult with your financial institution.

One source of help is the DFAS Home Page "DFASLANE" on the Internet at <http://www.dfas.mil>. EFT information is under "Money Matters," Vendor Pay. Also please note the material on Central Contractor Registration.

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From our experience we know that your company will find EFT a prompt, effective, and reliable method for receiving payments. We look forward to your participation in EFT and want this to be a smooth transition.

If you have any questions concerning this change please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 1

**Procedures for FAR Clause 52.232-28:
Electronic Funds Transfer Payment Methods**

Reminder Letter

Dear Contractor:

On (date), we sent you a notification letter of the government's intention to exercise its option to use Electronic Funds Transfer (EFT) as its payment method as permitted by Federal Acquisition Regulation Clause 52.232-28. Also attached was an enrollment form. We are enclosing a second enrollment form for your use.

As of this date, we have not received your enrollment form with the needed EFT payment information. If your EFT information and our letter have crossed in the mail, please ignore this letter. Otherwise, this letter is to reemphasize the importance of our timely receipt of this information if you do not want to see your invoices or vouchers returned beginning XXXXX.

If you have any questions concerning enrollment procedures please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

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Attachment 1

**Procedures for FAR Clause 52.232-28:
Electronic Funds Transfer Payment Methods**

Second Reminder Letter

Dear Chief Financial Officer:

On (date), we sent you a notification letter, and on (date), a reminder, of the government's intention to exercise its option to use Electronic Funds Transfer (EFT) as its payment method as permitted by Federal Acquisition Regulation Clause 52.232-28. Both letters contained an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT payment information. If your EFT information and our letter have crossed in the mail, please ignore this letter. Otherwise, this letter is your final notification that your invoices or vouchers will be returned beginning XXXXX.

If you have any questions concerning enrollment procedures please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 2

**Procedures for FAR Clause 52.232-33:
Mandatory Information for Electronic Funds Transfer Payment**

This FAR Clause applies to those contracts with solicitation dates after July 26, 1996. When FAR Clause 52.232-33 is present and the vendor has submitted an EFT enrollment form, the contract record in the Integrated Accounts Payable System (IAPS) should reflect payment method "E" or "X" and the vendor "remit to" record should contain the vendor's financial data. All existing and new contracts should reviewed, verified and updated in IAPS accordingly.

When FAR Clause 52.232-33 is present and the vendor has not submitted an EFT enrollment form, follow the below procedures.

a. Prepare vendor letters (sample letters provided by DFAS-HQ/FCC memorandum of June 6, 1997 follow) and the Agency portion of the EFT enrollment forms, send them to the vendor, track and maintain a suspense file for letters and returned invoices to be used in preparing activity report for DFAS-DE/ADRI.

- (1) Use OPLOC letterhead on sample letters and OPLOC Deputy Director of Finance's signature block.
- (2) Insert the date the invoice will be returned if EFT information is not received.
- (3) Insert your Customer Service Office and telephone number in the sample letters.

b. Send a noncompliance letter for providing the EFT information, to the contractor or vendor with a drop dead date (the return date) for providing the EFT information. The noncompliance letter should also note that the DoD is exercising its option to use EFT. The return date would be 60 days from the date of the notification letter. The letter should include a statement that after the return date, all future invoices or requests for payments will be returned.

- (1) Any invoice received after 60 days will be returned if the vendor has not submitted their EFT enrollment form containing their EFT financial information (follow normal procedures for returning improper invoices).
- (2) Invoices must normally be returned as improper within 7 days of the invoice receipt date. Follow paragraph 12-7 of DFAS-DE 7010.2-R, formerly known as DFAS-DER 177-102.

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(3) If the notification of an improper invoice is made after the normal 7 days, the number of days allowed for payment of the corrected, proper invoice when received is reduced by the number of days in excess of the allowable days for notification to the business concern of receipt of an improper invoice.

c. The paying location should send one reminder letter when the EFT information is not provided within the 30-day time frame.

d. Collect the EFT information or return the invoices or vouchers at the end of 60 days to those contractors or vendors not providing the EFT information.

e. During the 60-day notification phase, the paying location will continue to issue checks. Once the 60-day period lapses, all future invoices or payment requests will be returned using procedures approved by DFAS-HQ/F as required in DoDFMR, Volume 10, Chapter 17.(4)

f. Once the EFT enrollment form is received from the vendor, update the contract and vendor "remit to" records in IAPS, then remove/destroy letters & returned invoices from the suspended file.

g. Submit an Activity Report to DFAS-DE/ADRI established under DoDFMR, Volume 10, Chapter 170101.C.2.e. and h.

Paying locations will offer one or more of the following choices to provide the remittance/advice of payment information to contractors or vendors:

a. Fully electronic, transmitted with payment to financial institution (CCD+ or CTX/820).

b. Fully electronic, transmitted to a Value Added Network (VAN).

c. DFAS Vendor Pay on WWW (<http://www.dfas.mil/money/vendor>) or the DFAS automated telephone inquiry service at: 1-888-693-1371 (worksheet must be used for telephone inquiry).

d. Paper (only used in extreme cases).

Attachment 2

**Procedures for FAR Clause 52.232-33:
Mandatory Information for Electronic Funds Transfer Payment**

Notification of Noncompliance Letter

Dear Vendor:

Under the Debt Collection Improvement Act of 1996 (DCIA), payments made under a contract or purchase order resulting from a solicitation issued on or after July 26, 1996, must be made by Electronic Funds Transfer (EFT). As a result, the Department of Defense (DoD) is changing the way it pays vendors and contractors. This letter is to notify you that DoD will exercise the government's option under the Federal Acquisition Regulation (FAR) Clause 52.232-33 to pay by EFT. Hence, payments under the contract or purchase order are to be made by EFT unless in accordance with paragraph(b) of the FAR 52.232-33, you certify in writing that you do not have an account with a financial institution or an authorized payment agent.

As you may know, it is mandatory under this FAR clause for the DoD to collect the EFT payment information. To date, your company has not complied with this contract clause. Since you may not have been aware of this requirement, this letter also serves as notice that you have 30 days to provide the EFT information or the certification.

Instead of receiving checks, your company will have its payments deposited directly into your company's account at its financial institution. With EFT, your company will benefit from quicker funds availability, thus improving cash flow, and the risk of a lost or stolen check is totally eliminated.

Enclosed is an SF 3881 (or local enrollment form) ACH Vendor/Miscellaneous Payment enrollment form to enroll in the program. We have filled in the Agency Information section of the form. Please complete the Payee/Company Information section and have your bank complete the Financial Institution Information section. Return only the original completed form to the paying office. If you are paid by several DFAS paying locations, you must register with each DFAS location. We are working to implement a one time central registration system for all DFAS locations.

Failure to provide the needed EFT information or certification stops the payment process, even if all other data is available. Also, any possible interest under the Prompt Payment Act stops accruing. Therefore we urge you to provide the EFT data or certification as soon as possible, but not later than 30 days after the date of this notification letter. During the EFT registration process, we will continue to make payments to your company. After 60 days, all of your future invoices or vouchers under this contract will be returned.

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We offer the following advice of payment options: CCD+ and CTX. To pick the best option for your company you will want to consult with your bank.

One source of help is the DFAS Home Page "DFASLANE" on the Internet at <http://www.dfas.mil>. EFT information is under "Money Matters," Vendor Pay. Also please note the material on Central Contractor Registration.

From our experience we know that your company will find EFT a prompt, effective, and reliable method for receiving payments. We look forward to your participation in EFT and want this to be a smooth transition.

If you have any questions concerning this change please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 2

**Procedures for FAR Clause 52.232-33:
Mandatory Information for Electronic Funds Transfer Payment**

Reminder Letter

Dear Chief Financial Officer:

On (date), we sent you a notification letter of the Government's intention to exercise its option to use Electronic Funds Transfer (EFT) as its payment method as permitted by Federal Acquisition Regulation Clause 52.232-33. That notification letter also stated that you had failed to provide the necessary EFT information or certification as required under the contract clause. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form or certification with the needed payment information. We have enclosed another enrollment form. If your EFT data and our letter have crossed in the mail, please ignore this letter. Otherwise, this letter is to reemphasize the importance of our timely receipt of this data if you do not want to see your invoices or vouchers returned beginning XXXXX.

If you have any questions concerning enrollment procedures please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 3

**Procedures for FAR Clause 52.232-34:
Optional Information for Electronic Funds Transfer Payment**

This FAR Clause applies to those contracts with solicitation dates on or after July 26, 1996. When FAR Clause 52.232-34 is present and the vendor has submitted an EFT enrollment form, the contract record in the Integrated Accounts Payable System (IAPS) should reflect payment method "E" OR "X" and the vendor "remit to" record should contain the vendor's financial data.

When FAR Clause 52.232-34 is present and the vendor has not submitted an EFT enrollment form, follow below procedures:

a. Prepare vendor letters (sample letters provided by the DFAS-HQ/FCC memorandum of June 6, 1997) and the Agency portion of the EFT enrollment forms, send them to vendor, track and maintain a suspense file for letters to prepare activity report for DFAS-DE/ADRI.

(1) Use OPLOC Deputy Director of Finance's signature block.

(2) Insert the remittance/advice format available in the sample letter (CCD+ or CTX).

(3) Insert your Customer Service Office and telephone number in the sample letters.

(4) Once the EFT enrollment form is received, update the contract and vendor "remit to" records in IAPS and remove/destroy letters from the suspended file.

b. Send an initial letter to the contractor or vendor about the DCIA and request that the contractor or vendor assist DoD in complying with the new law by providing the EFT information.

c. Send follow up letter(s) when EFT information is not provided. The follow-up letter should be sent when no EFT enrollment information is received from the contractor or vendor 30 days after the original notification letter. The letter should stress that DoD needs their cooperation to help comply with the law.

d. Please note that under this FAR Clause, the contractor's provision of the EFT information is optional and voluntary. DoD cannot exercise the EFT payment option until January 1, 1999, unless the contractor or vendor chooses to provide the EFT information. After the contractor provides the EFT information, they cannot rescind it. Therefore, the letters ask for their

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cooperation; they are not notification letters. The contractor's invoices or vouchers cannot be returned because the contractor chooses not to provide the EFT information. Until January 1, 1999, the paying office must continue to issue checks. After that, provision of the EFT information is mandatory and the paying office can return the invoices or payment requests.

e. Submit an Activity Report to DFAS-DE/ADRI established under DoDFMR Volume 10, Chapter 170101.C.2.e. and h.

Paying locations will offer one or more of the following choices to provide the advice of payment to contractors or vendors:

a. Fully electronic, transmitted with payment to financial institution (CCD+ or CTX/820).

b. Fully electronic, transmitted to a Value Added Network (VAN).

c. DFAS Vendor Pay Inquiry System on WWW (<http://www.dfas.mil/money/vendor>) or the DFAS automated telephone inquiry service at 1-888-693-1371 (worksheet must be used for telephone inquiry).

d. Paper (only used in extreme cases).

Attachment 3

**Procedures for FAR Clause 52.232-34:
Optional Information for Electronic Funds Transfer Payment**

Initial Letter

Dear Vendor:

Because of the passage of the Debt Collection Improvement Act of 1996 (DCIA), which mandates that all federal payments be made by Electronic Funds Transfer (EFT) by January 1, 1999, the Defense Department is changing the way it pays vendors and contractors. We are now able to pay companies such as yours via EFT. Instead of receiving checks, your company can have its payments deposited directly into your company's account at its financial institution.

While use of EFT to make payments on your contract is not mandatory before January 1, 1999, we would appreciate your enrolling in EFT now, as it will help us comply with the mandatory effective date. Your company will benefit from prompt funds availability on the due date, thus improving cash flow, and the risk of a lost or stolen check is totally eliminated. Your government benefits from reduced paper transaction volumes.

Enclosed is an SF 3881 (or local enrollment form) ACH Vendor/Miscellaneous Payment enrollment form to enroll in the program. We have filled in the Agency Information section of the form. Please complete the Payee/Company Information section and have your bank complete the Financial Institution Information section. Return only the original completed form to the paying office. If you are paid by several DFAS paying locations, you must register with each DFAS location. We are working to implement a one time central registration system for all DFAS locations.

One source of help is the DFAS Home Page "DFASLANE" on the Internet at <http://www.dfas.mil>. EFT information is under "Money Matters," Vendor Pay. Also please note the material on Central Contractor Registration.

From our experience we know that your company will find EFT a prompt, effective, and reliable method for receiving payments. We look forward to your participation in EFT and want this to be a smooth transition.

If you have any questions concerning this letter, please do not hesitate to contact _____ at _____.
(OPLOC Deputy Director of Finance)

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Attachment 3

**Procedures for FAR Clause 52.232-34:
Optional Information for Electronic Funds Transfer Payment**

First Reminder Letter

Dear Contractor:

On (date), we sent you a voluntary enrollment letter for your company to convert to Electronic Funds Transfer (EFT) as its payment method. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT information. While use of EFT to make payments on your contract is not mandatory before January 1, 1999, we would appreciate your enrolling in EFT now, as it will help us comply with the mandatory effective date. It will allow us to avoid maintaining two payment options which are expensive.

If you have any questions concerning enrollment procedures, please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 3

**Procedures for FAR Clause 52.232-34:
Optional Information for Electronic Funds Transfer Payment**

Second Reminder Letter

Dear Chief Financial Officer:

On (date), we sent you a voluntary enrollment letter for your company to convert to Electronic Funds Transfer (EFT) as its payment method. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT information so we have enclosed another enrollment form for your convenience. While use of EFT to make payments on your contract is not mandatory before January 1, 1999, we would appreciate your enrolling in EFT now, as it will help us comply with the mandatory effective date.

If your enrollment form and this letter have crossed in the mail, please disregard this letter. But, if you have any questions concerning enrollment procedures, please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 4

**Procedures When There Is No FAR Clause
For Electronic Funds Transfer Payment
(Pre July 26, 1996)**

When no FAR Clause is present in contracts prior to July 26, 1996, the contractor's provision of EFT information is optional and voluntary. For grandfathered contracts with solicitation dates prior to July 26, 1996, and with no EFT FAR clause, we will send out voluntary enrollment letters. Also provided are follow up letters when the contractor or vendor has not provided the necessary EFT information.

When no FAR Clause is present follow the below procedures:

a. Prepare vendor letters (sample letters provided by DFAS-HQ/FCC memorandum of June 6, 1997 follow) and the Agency portion of the EFT enrollment forms, track and maintain a suspense file for letters to prepare activity reports for DFAS-DE/ADRI.

(1) Use OPLOC letterhead on letters and OPLOC Deputy Director of Finance's signature block.

(2) Insert your Customer Service Office and telephone number in the letters.

b. Prepare and send the Voluntary Enrollment letter. Complete the Agency portion of the EFT enrollment form and include the form as an enclosure to the letter.

c. Send Reminder letter when no EFT enrollment information is received from the contractor 30 days after the original Voluntary Enrollment letter.

d. Send Second Reminder letter when no EFT enrollment information is received from the contractor 60 days after the original Voluntary Enrollment letter.

e. Once the EFT enrollment form is received, update the contract and vendor "remit to" records in IAPS and remove/destroy letters from the suspended file.

f. When and if you receive an EFT enrollment form from the vendor, and no FAR clause still applies submit a DD Form 1716, Contract Data Package Recommendation/Deficiency Report to the issuing contracting office requesting the contract be modified to include FAR Clause 52.232-33.

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- (1) Order a supply of DD Forms 1716 from your Publication Distribution Office (PDO) or you can access DoD Forms off the "DFASLANE" on the Internet.
- (2) Track and maintain a suspense file on the DD Forms 1716.
- (3) After the EFT enrollment form is received, update the contract and vendor "remit to" records in IAPS accordingly.

(g) Submit an Activity Report to DFAS-DE/ADRI on the DCIA compliance of various contracting offices in accordance with DoDFMR, Volume 10, Chapter 170101 C.2.h.

Please note that under this FAR Clause, the contractor's provision of the EFT information is optional and voluntary. DoD cannot exercise the EFT payment option unless the contractor or vendor chooses to provide the EFT information. Therefore, the letters ask for their cooperation; they are not notification letters. The contractor's invoices or payment requests cannot be returned because the contractor chooses not to provide the EFT information. Until January 1, 1999, the paying location must continue to issue checks. After that, provision of the EFT information is mandatory and the paying location can return the invoices or vouchers.

Paying locations will offer one or more of the following choices on advice of payment to contractors or vendors:

- a. Fully electronic, transmitted with payment to financial institution (CCD+ or CTX/820).
- b. Fully electronic, transmitted to a Value Added Network (VAN).
- c. DFAS Vendor Pay Inquiry System on WWW (<http://www.dfas.mil/money/vendor>) or the DFAS automated telephone inquiry service at 1-888-693-1371 (worksheet must be used for telephone inquiry).
- d. Paper (only used in extreme cases).

Attachment 4

**Procedures When There Is No FAR Clause
For Electronic Funds Transfer Payment
(Pre July 26, 1996)**

Voluntary Enrollment Letter

Dear Vendor:

Because of the passage of the Debt Collection Improvement Act of 1996 (DCIA), which mandates that all federal payments be made by Electronic Funds Transfer (EFT) by January 1, 1999, the Defense Department is changing the way it pays vendors and contractors. We are now able to pay companies such as yours via EFT. Instead of receiving checks, your company can have its payments deposited directly into your company's account at its financial institution.

DCIA is part of the government's efforts to reduce costs and improve services, and we would appreciate your voluntary enrollment for EFT. Your company will benefit from quicker funds availability, thus improving cash flow, and the risk of a lost or stolen check is totally eliminated. Your government benefits from reduced paper transaction volumes.

Enclosed is an SF 3881 (or local enrollment form) ACH Vendor/Miscellaneous Payment enrollment form for use in enrolling in the program. We have filled in the Agency Information section of the form. Please complete the Payee/Company Information section and have your financial institution complete the Financial Institution Information section. Return only the original completed form to the paying location.

We offer the following advice of payment options: CCD+ and CTX. To pick the best option for your company you will want to consult with your financial institution.

One source of help is the DFAS Home Page "DFASLANE" on the Internet at <http://www.dfas.mil>. EFT information is under "Money Matters," Vendor Pay. Also please note the material on Central Contractor Registration.

From our experience we know that your company will find EFT a prompt, effective, and reliable method for receiving payments. We look forward to your participation in EFT and want this to be a smooth transition.

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If you have any questions concerning this letter, please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 4

**Procedures When There Is No FAR Clause
For Electronic Funds Transfer Payment
(Pre July 26, 1996)**

Reminder Letter

Dear Vendor:

On (date), we sent you a voluntary enrollment letter for your company to convert to Electronic Funds Transfer (EFT) as its payment method. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT information. While use of EFT to make payments on your contract is not mandatory before January 1, 1999, we would appreciate your enrolling in EFT now, as it will help us comply with the mandatory effective date.

If you have any questions concerning enrollment procedures, please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 4

**Procedures When There Is No FAR Clause
For Electronic Funds Transfer Payment
(Pre July 26, 1996)**

Second Reminder Letter

Dear Chief Financial Officer:

On (date), we sent you a voluntary enrollment letter for your company to convert to Electronic Funds Transfer (EFT) as its payment method. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT information so we have enclosed another enrollment form for your convenience. While use of EFT to make payments on your contract is not mandatory before January 1, 1999, we would appreciate your enrolling in EFT now, as it will help us comply with the mandatory effective date.

If your enrollment form and this letter have crossed in the mail, please disregard this letter. But, if you have any questions concerning enrollment procedures, please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

Attachment 5

**Procedures When There is No FAR Clause
For Electronic Funds Transfer Payment
(On or After July 26, 1996)**

When no FAR Clause is present in contracts with a solicitation date on or after July 26, 1996, where no mandatory EFT clause has been incorporated, FAR Clause 52.232-33 shall be considered incorporated by operation of law. All existing and new contractors/vendors for contracts just received should be reviewed, verified and updated in IAPS accordingly. Send notification letters and EFT enrollment forms to these vendors.

When no FAR Clause is present, follow the below procedures:

a. Prepare vendor letters (samples provided by the DFAS-HQ/FCC memorandum of June 6, 1997) and the Agency portion of the EFT enrollment forms, send them to vendor, track and maintain suspense file for letters and returned invoices to prepare activity reports for DFAS-DE/ADRI.

(1) Use OPLOC letterhead on letters and OPLOC Deputy Director of Finance's signature block.

(2) Insert the date invoice will be returned if EFT information is not received.

(3) Insert your Customer Service Office and telephone number in the sample letter.

b. Send a notification letter to the contractor or vendor with a drop dead date (the return date) for providing the EFT data. A copy of this letter should be sent to the procuring contracting officer responsible for the purchase order or contract. The return date would be 60 days from the date of the notification letter. The letter should include a statement that after the return date, all future invoices or vouchers will be returned.

(1) Any invoice received after 60 days will be returned if the vendor has not submitted their EFT enrollment form containing their EFT financial information (follow normal procedures for returning improper invoices).

(2) Invoices must normally be returned as improper

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within 7 days of the invoice receipt date. Follow paragraph 12-7 of DFAS-DE 7010.2-R formerly known as DFAS-DE 177-102.

(3) If the notification of an improper invoice is made after the normal 7 days, the number of days allowed for payment of the corrected, proper invoice when received is reduced by the number of days in excess of the allowable days for notification to the business concern of an improper invoice.

c. Send one reminder letter when EFT information is not provided within the 30-day time frame.

d. During the 60-day notification phase, the paying office will continue to issue checks. Once the 60-day period lapses, all future invoices or payment requests will be returned using procedures approved by DFAS-HQ/F as required in DoDFMR, Volume 10.

e. Collect the EFT information or return the invoices or vouchers at the end of 60 days to those contractors or vendors not providing the EFT information.

f. Once the EFT enrollment form is received, update the contract and vendor "remit to" records in IAPS and remove/destroy letters from the suspended file.

g. When and if you receive an EFT enrollment form from the vendor with a solicitation date on or after July 26, 1996, and the contract contains no FAR clause submit a DD Form 1716 or a suspense log to the issuing contracting office stating the contract should contain FAR Clause 52.232-33. Use DD Form 1716 for contracts with reoccurring payments. Use a suspense log by contracting offices for one time payment contracts.

(1) Order a supply of DD Forms 1716 from your Publication Distribution Office (PDO) or you can access DoD Forms off the "DFASLANE" on the Internet.

(2) Track and maintain a suspense file on the DD Forms 1716.

h. Submit Activity Reports to DFAS-DE/ADRI on the DCIA compliance in accordance with DoDFMR, Volume 10, Chapter 170101 C.2.h.

Paying offices will offer one or more of the following choices to provide the advice of payment to contractors or vendors:

a. Fully electronic, transmitted with payment to financial institution (CCD+ or CTX/820).

- b. Fully electronic, transmitted to a Value Added Network (VAN).
- c. DFAS Vendor Pay Inquiry System on WWW
(<http://www.dfas.mil/money/vendor>) or the DFAS automated telephone inquiry service at 1-888-693-1371 (worksheet must be used for telephone inquiry).
- d. Paper (only used in extreme cases).

Attachment 5

**Procedures When There is No FAR Clause
For Electronic Funds Transfer Payment
(On or After July 26, 1996)**

Notification Letter

(Incorporated by operation of law)

Dear Vendor:

Under the Debt Collection Improvement Act of 1996 (DCIA), payments made under a contract or purchase order resulting from a solicitation issued on or after July 26, 1996, must be made by Electronic Funds Transfer (EFT). This means that although your contract or purchase order has no EFT clause, the FAR Clause 52.232-33 shall be considered incorporated by operation of law.

Hence, payments under the contract or purchase order are to be made by EFT unless you certify in writing that you do not have an account with a financial institution or an authorized payment agent.

As stated above, it is mandatory under this FAR Clause for the DoD to collect the EFT payment data and to pay by EFT. Since you may not have been aware of this requirement, this letter serves as notice that you have 30 days to provide the EFT information or the certification.

Instead of receiving checks, your company will have its payments deposited directly into your company's account at its financial institution within 24 hours of the payment due date. With EFT, your company will benefit from quicker funds availability thus improving cash flow and the risk of a lost or stolen check is totally eliminated.

Enclosed is an SF 3881 (or local enrollment form) ACH Vendor/Miscellaneous Payment enrollment form to enroll in the program. We have filled in the Agency Information section of the form. Please complete the Payee/Company Information section and have your financial institution complete the Financial Institution Information section. Return only the original completed form to the paying location. If you are paid by several DFAS paying locations, you must register with each DFAS location. We are working to implement a one time central registration system for all DFAS locations.

Failure to provide the needed EFT information or certification stops the payment process, even if all other data is available. Also, any possible interest under the Prompt Payment Act stops accruing. Therefore we urge you to provide the EFT information or certification as soon as possible, but no later than 30 days after the date of this notification letter. During the EFT registration process, we will continue to make payments to your company. After 60 days, all of your future invoices or vouchers under this contract will be returned.

We offer the following advice of payment options: CCD+ and CTX. To pick the best option for your company you may want to consult with your bank.

One source of help is the DFAS Home Page "DFASLANE" on the Internet at <http://www.dfas.mil>. EFT information is under "Money Matters," Vendor Pay. Also please note the material on Central Contractor Registration.

From our experience we know that your company will find EFT a prompt, effective, and reliable method for receiving payments. We look forward to your participation in EFT and want this to be a smooth transition.

If you have any questions concerning this change please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

cc: Contracting Officer

Attachment 5

Chapter 7, Attachment 3

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**Procedures When There is No FAR Clause
For Electronic Funds Transfer Payment
(On or After July 26, 1996)**

Reminder Letter

(Incorporated by operation of law)

Dear Chief Financial Officer:

On (date), we sent you a notification letter that the FAR clause 52.232-33 was considered incorporated into your contract or purchase order by operation of law. Because of this, all payments for your contract or purchase order must be made by EFT. Also enclosed was an enrollment form.

As of this date, we have not received your enrollment form with the needed EFT information or a certification. We have attached another enrollment form. If your EFT information and our letter have crossed in the mail, please ignore this letter. Otherwise, this letter is to reemphasize the importance of our timely receipt of the EFT information if you do not want to see your invoices or vouchers returned beginning XXXXX.

If you have any questions concerning enrollment procedures please do not hesitate to contact _____ at _____.

(OPLOC Deputy Director of Finance)

Enclosure

cc: Contracting Officer

Attachment 6

Notification Letters and Requirements for Various FAR

VENDOR NAME: _____

CONTRACT NUMBER: _____

CAGE CODE/VENDOR ID: _____

FAR Clause	Contract Award date	Initial Letter date	After 30 days warning 1st reminder letter date	After 60 days warning 2nd reminder letter date	Return Invoices after 60 days as improper invoice	Re In af da in da
52.232-28	Example 4-26-96	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx		xx
52.232-33	Example 9-26-96	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx	
52-232-34	Example 8-26-96	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx		
No FAR clause prior to July 26, 1996	Example 4-15-96	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx		
No FAR clause on/after July 26, 1996	Example 7-27-96	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx	xx-xx-xxxx	

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**Suspended Payments
Returned Invoices due to the Vendor's not Supplying EFT Financial Info**

VENDOR NAME: _____

CONTRACT NUMBER: _____

CAGE CODE/VENDOR ID: _____

FAR Clause	Contract Award date	Date of last notification letter	Invoice number	Invoice amount	Invoice return date After 60 days notification
52.232-28	Example 4-26-96	xx-xx-xxxx	xxxxxxx	\$xxx.xx	
52.232-33	Example 9-26-96	xx-xx-xxxx	xxxxxxx	\$xx.xx	xx-xx-xxxx
No FAR clause on/after July 26, 1996	Example 7-27-96	xx-xx-xxxx	xxxxxxx	\$xx.xx	xx-xx-xxxx

