



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2532  
FORT BELVOIR, VIRGINIA 22060-6221

NOV 12 2002

IN REPLY J-33  
REFER TO

MEMORANDUM FOR ADMINISTRATOR, DEFENSE NATIONAL STOCKPILE  
DIRECTOR, DOCUMENT AUTOMATION AND PRODUCTION SERVICE  
DIRECTOR, DEFENSE ENERGY SUPPORT CENTER  
DIRECTOR, DEFENSE LOGISTICS AGENCY SUPPORT SERVICES  
COMMANDER, DEFENSE DISTRIBUTION CENTER  
COMMANDER, DEFENSE REUTILIZATION AND MARKETING SERVICE  
COMMANDER, DEFENSE SUPPLY CENTER COLUMBUS  
COMMANDER, DEFENSE SUPPLY CENTER PHILADELPHIA  
COMMANDER, DEFENSE SUPPLY CENTER RICHMOND  
COMMANDER, TELEVISION-AUDIO SUPPORT ACTIVITY

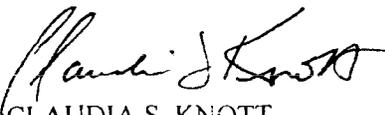
SUBJECT: Fast Payment Procedures

The Director, Defense Procurement (DDP) issued a memorandum dated May 30, 2002 that addressed correct usage of fast payment procedures (Attachment 1). The DDP expressed specific concerns that fast payment procedures are being included in contracts without all of the requisite conditions for their use being met. She also requested that a review be conducted to ensure buying activities have the necessary internal controls in place and are complying with the requirements of Federal Acquisition Regulation (FAR) 13.402.

One of the conditions for using fast payment procedures is that individual purchase instruments do not exceed \$25,000. The Defense Federal Acquisition Regulation Supplement (DFARS) does authorize exceptions to this dollar threshold for brand-name commissary resale subsistence and medical supplies for direct shipment overseas. Additionally, the Defense Logistics Agency has a FARS DEV (94-20) that authorizes Direct Vendor Delivery orders to use fast payment procedures, regardless of dollar amount (Attachment 2). To mitigate any potential risk associated with the higher dollar value authorized by this FARS DEV, it also specified additional internal controls. Defense Logistics Acquisition Directive 13.402(90)(1) restricts the use of fast payment procedures on items shipped to a depot and marked for stock.

As directed by DDP, I ask that you review and verify that your internal processes relative to fast payment are compliant with applicable fast pay procedures and that you have the necessary internal controls in place. To provide you on-going assistance in this matter, I will be adding this area as a special interest item to future procurement management reviews.

If you have any questions regarding this matter, please contact Mr. Frank Pane of my staff. He may be reached at either (703) 767-1461 (DSN 427) or francis\_pane@hq.dla.mil.

  
CLAUDIA S. KNOTT  
Senior Procurement Executive

Attachments

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ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

DR/CPF

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

MAY 30 2002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN(RDA)/ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
EXECUTIVE DIRECTOR, LOGISTICS POLICY & ACQUISITION  
MANAGEMENT (DLA)

SUBJECT: Fast Payment Procedures

The fast payment procedure allows payment under limited conditions to a contractor prior to the Government's verification that supplies have been received and accepted. Subsection 13.402 of the Federal Acquisition Regulation (FAR) lists the conditions for use of the fast payment procedure. Among those conditions is a requirement that deliveries of supplies occur at locations where there is both a geographical separation and a lack of adequate communications facilities between Government receiving and disbursing activities that make it impractical to make timely payment based on evidence of Government acceptance. Another key requirement is that there be a system in place that ensures (1) documentation of evidence of contractor performance under fast payment purchases; (2) timely feedback to the contracting officer in case of contractor deficiencies; and (3) identification of suppliers that have a current history of abusing the fast payment procedure.

Based upon information supplied by the Defense Finance Accounting Service (DFAS), I am concerned that the fast payment procedure may have been included in contracts and orders without all the necessary conditions for its use being met. DFAS observed that the fast payment procedure is apparently being used where there is no geographical distance prohibiting the receiving activity from sending the paying office a timely receiving report. DFAS also indicated that it frequently does not receive a copy of receiving reports when those reports are required as a follow up to a fast payment.

We must ensure that the fast payment procedure is used only where appropriate. In today's e-business environment, use of fast payment procedures should be employed only when payment must be made inside the United States for deliveries made outside the United States. I therefore request you review the use of the fast



Arch 1

payment procedure at buying activities within your purview.  
Please ensure these buying activities have the necessary internal  
controls in place and are complying with all the requirements of  
FAR 13.402.

My staff POC for this subject is Mr. Richard Brown. He can  
be reached by email at Richard.G.Brown@osd.mil or by phone at 703-  
695-7197.

  
Deidre A. Lee  
Director, Defense Procurement



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY  
REFER TO

AOPLC  
FARS DEV 94-20

7 8 OCT 1994

SUBJECT:| Class Deviation from Federal Acquisition Regulation  
(FAR) 13.3, Fast Payment Procedure, for Contracts  
Requiring Direct Vendor Delivery (DVD) Under the Buy  
Response Vice Inventory (BRVI) Initiative

TO: Commanders of DCSC, DESC, EGSC, DISC, DPSC

1. By letter dated 5 August 1994, the Principle Deputy Director, DLA, designated your BRVI initiatives, as well as Headquarters' initiatives, as National Performance Review Reinvention Laboratories. The Director, Defense Procurement, by memorandum of 9 December 1993, delegated certain deviation authority to contracting activities participating in designated Reinvention Laboratories. This Headquarters promulgated this memorandum to you by PROCLTR 94-12, dated 18 March 1994. As this deviation applies to each of your activities, I am granting this deviation at the Headquarters level, thus obviating the need for each of you to do so individually.

2. You are granted the authority to allow the use of fast payment procedures for all DVD delivery orders, regardless of dollar value, issued against indefinite-delivery contracts, awarded pursuant to your BRVI initiatives. The use of fast payment procedures carries an implicit potential for abuse. Therefore, this deviation is granted with the understanding that in conjunction with your already-established internal controls, you shall immediately establish the following additional internal controls: (1) include instructions on the face page of the DD155 for the customer to report non-receipt of material; (2) perform 100 percent verification of customer receipt of material for all delivery orders, for which payment has been made, issued

AOPLC

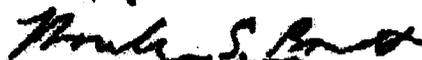
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FARS DEV 94-20

SUBJECT: Class Deviation from Federal Acquisition Regulation (FAR) 13.3, Fast Payment Procedure, for Contracts Requiring Direct Vendor Delivery (DVD) Under the Buy Response Vice Inventory (BRVI) Initiative

above the small purchase threshold (when implemented, the new simplified acquisition threshold); (3) perform a verification of statistically valid random sample of customer receipt of all delivery orders, for which payment has been made, issued within the small purchase threshold (when implemented, the new simplified acquisition threshold) every six months. These reviews must match payment documents (e.g. vouchers or computerized notification by DFAS of voucher numbers) to receiving reports, and detail steps taken to correct any noted discrepancies.

3. FARS DEV 94-20 applies. Our point of contact is Mr. Gregory Ellsworth, AOPLC, DSN 284-6307.

  
MARILYN E. BARNETT  
Executive Director  
(Procurement)