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B-158873 April 27, 1966

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The Honorable William J. Crockett Deputy Under Secretary of State for Administration

Dear Mr. Crockett:

In letter dated April 1, 1966, you advised that additional private businesses are adopting the "purchase order draft" procedure for paying bills under their procurement programs.

Under this method a company sends a blank check to a supplier when it places an order under a sum specified on the check. The supplier fills in the check (actually a draft on the sender's bank account for the actual amount due, thereby effecting immediate payment and eliminating the need for the supplier to render a billing to the customer. Users of this system estimate substantial savings in paper work costs.

You express the view that in the light of the Government's current economy efforts, it seems possible that the application of some modification of the above procedure to agencies' procurement practices on a Government- wide basis would also result in substantial savings. It is your understanding that we have studied or are studying the "purchase order draft" system. You request and information we can furnish on this matter.

We do not believe the "purchase order draft" procedure which involves the use of a blank check should be adopted. The so-called Certifying Officers Act, as amended, 31 U.S.C. 82b. 82f. provides generally that disbursing officers in the Executive branch shall disburse moneys only upon and in strict accordance with vouchers duly certified by an authorized certifying officer; and makes the certifying officer responsible and accountable for the correctness of the computations of certified vouchers. In the military departments similar responsibility and accountability devolve directly upon the disbursing officer.

This, a certifying (or a disbursing officer in the military) would not be properly fulfilling his duties and responsibilities by authorizing a payment and issuing a check therefor without stating an amount. Such action would clearly violate the above-cited statutory requirement of responsibility for computation of the payment on the part of a certifying officer, as well as the military department disbursing officer's general responsibility for the correctness of a payment made by him.

Also, section 3648, Revised Statutes, 31 U.S.C. 529, prohibits the payment of

charges in advance of the rendition of services or delivery of articles. Although there is general authority for all executive agencies to make advance, partial, progress or other payments under contracts for property or services, this authority is subject to the limitation that such payments may not exceed the unpaid contract price and may be made only upon (1) a determination by the agency head that the use of advance payment procedures would be in the public interest, and (2) upon adequate security, 10 U.S.C. 2307, 41 U.S.C. 255.

Under the blank check procedure there would be many instances of venders receiving payment before the Government received goods or services. Even if agency heads were to determine that such a procedure was in the public interest and grant blanket authority for its use, a further and more difficult determination would have to be made, namely, whether there was adequate security for the payment involved. See, however, in connection with advance payments our decision of April 4, 1966, B-158487 (copy enclosed), to the Administrator, General Services Administration.

Aside from the foregoing, we understand that the General Services Administration (GSA) generally makes the payments to suppliers or vendors in connection with direct delivery purchase orders placed directly with suppliers by Government agencies under Federal Supply Schedule contracts, and GSA is then reimbursed by the ordering agency. We also understand that GSA has objections to permitting the ordering or receiving agency to make payments direct to suppliers or vendors, principally in the area of GSA's relationship with various suppliers.

Furthermore, virtually all civilian checks are prepared by Treasury Department Disbursing Officers for all agencies. The general procedure is for the disbursing officers to enter these checks on automatic data processing tapes which are submitted to the Treasury check processing center in Washington, D.C. All Government checks cashed by payees ultimately go to a Federal Reserve Bank from which they are sent to the same Treasury center. There they are entered on tapes which are automatically matched against the tapes submitted by the disbursing officers for the purpose of reconciliation. This process is extremely efficient because all data is submitted in a uniform manner.

To have the Treasury Department handle the numerous checks that would be issued under a "purchase order draft" procedure but which are not on an automatic processing machine tape in the manner of those prepared by disbursing officers would be so burdensome on the Treasury as to substantially counteract any advantages elsewhere. Also, the proposal would not eliminate any check writing and would add the need for administrative controls over the check stock at numerous locations throughout the country.

We are not unmindful of the reportedly (October 1963) successful blank check operation of the Kaiser Aluminum & Chemical Corporation. However, organizations such as Kaiser are relatively smaller and subject to a more limited span of control than the United States Government. Such organizations could be expected to have a simple problem of blank check purchase order control, and of accounting, audit and reconciliation.

Sincerely yours,

Frank H. Weitzel Assistant Comptroller General of the United States

Enclosure