



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, DEFENSE AGENCIES

Subject: Use of Third Party Payments – Policy Change

This memorandum revises previous policy issued on March 7, 2005 on this subject. In that memorandum we stated that the use of a third party payment merchant was not allowed under any circumstances. These types of transactions are considered high risk in that they mask what is bought and thereby circumvent Merchant Category Code (MCC) blocking as an effective internal control.

Since the issuance of the subject memorandum, we have received persuasive feedback which cites numerous situations where the use of the third party payment merchant is unavoidable. Therefore, we are revising the existing policy to state that where it is identified that the purchase will be processed via a third party merchant, the cardholder should make every attempt to choose another merchant with whom to procure the goods and/or services. If it is still found necessary to procure using a third party payment merchant, the approving officer must ensure there is adequate supporting documentation showing that there was a detailed review of the purchase and that the use of the third party payment merchant was unavoidable.

When the recently awarded contract for a department-wide data mining application is operational, transactions where a third party payment merchant is used will be considered high risk for data mining screening purposes. As a result, they will most likely be flagged for detailed review until the application learns that these are acceptable transactions. If the transactions are not flagged, approving officials will be required to self initiate a review of a transaction in the data mining application whenever a third party payment merchant is identified.

Any questions regarding this memorandum should be directed to Ms. Sue Quinlan at 703-325-9501.

for LeAntha D. Sumpter
Director, Purchase Card Joint
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