



Army & Air Force Exchange Service  
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**FA-C/P**

February 20, 2007

**Subject: AAFES Accounts Payable System and Procedures**

As part of an ongoing review of our accounts payable systems and procedures, we wish to advise you of our company's policy regarding payment of vendor invoices. Although you may have experienced different payment practices in the past, we now follow these policies:

We pay by specific invoice; we do not make payments "on account", meaning cash received should not be applied to a running balance or applied to the oldest invoice.

Where appropriate, payments from statements will be for current charges only.

We do not pay a "running balance" or "balance forward."

We pay invoices in full. We will not "net" an invoice. For over billings, your remittance will show the total of the invoice and a charge back with the reference "OTI".

Individual deductions will be recorded as a separate transaction and appear as an individual entry on the remittance advice.

We do not use your credits to pay invoices. Credits taken will be deducted as a separate transaction.

Do not apply credits to open invoices or other outstanding future charges.

We do not make prepayments other than for deposits made as part of a purchase agreement.

Your cash application should reflect the same as above. If you note any deviation from these policies on our part, I would welcome you notifying us. We also ask your cooperation in immediately informing us of any duplicate payments, overpayments, or unclaimed credits that we have not offset or any cash application problems you may have.

We would appreciate you forwarding this information to all appropriate members of your staff who deal with billing and cash application. Please contact me if you have any questions regarding this policy.

Sincerely,

  
ROBERT J DRUGAS  
Director of Payables  
[drugasr@aafes.com](mailto:drugasr@aafes.com)