

Joint Report of the  
Purchase Card  
Financial Management Team  
and the  
Purchase Card  
Integrated Product Team



to the  
Under Secretary of Defense  
(Acquisition and Technology)  
and the  
Under Secretary of Defense  
(Comptroller)

September 30, 1996

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## EXECUTIVE SUMMARY

The Under Secretary of Defense (Comptroller) and the Deputy Under Secretary of Defense (Acquisition Reform) directed the establishment, respectively, of the Purchase Card Financial Management Team (PCFMT) and the Purchase Card Integrated Product Team (PCIPT). The teams were charged to make recommendations on the use of the government purchase card (1) for micro-purchases, (2) as a payment vehicle for purchases over the micro-purchase threshold, and (3) as a method for accomplishing inter- and intradepartmental transfers and sales. The PCFMT started work on April 8, 1996, and the PCIPT started work on April 16, 1996.

The teams' efforts were guided by the following goals:

- Promote and remove impediments to the use of the purchase card.
- Provide appropriate flexibility for use.
- Streamline funding and accounting for card purchases and payments.
- Ensure that purchase card procedures are adequate and timely to meet customer requests.
- Balance the need to maintain internal controls with the need for efficiency and cost savings.
- Encourage risk management rather than risk avoidance.
- Eliminate non-value-added activities.
- Ensure that oversight assures compliance with policies and is performed in the least intrusive manner consistent with protection of the public trust.
- Ensure that internal controls protect the government from fraud, waste, and misuse.
- Ensure that recommendations preserve the letter and spirit of the Small Business Act and other socioeconomic statutes where applicable.

The teams were composed of representatives from several offices within the Office of the Secretary of Defense, the Office of the Department of Defense Inspector General, the Military Services, the Defense Commissary Agency, the Defense Finance and Accounting Service, the Defense Logistics Agency, the Defense Mapping Agency, and the Washington Headquarters Services.

Purchase cards first were proposed for Federal Government use in the early 1980s as part of an effort to cut the cost of buying goods and services. In 1986, several agencies piloted the use of a government commercial purchase card to reduce such costs. That pilot concluded that the purchase card had advantages over other procurement methods.

Specifically, the card provided a less costly and more efficient way for end-user organizations to buy goods and services directly from vendors instead of processing requests through government procurement offices.

The first governmentwide commercial purchase card contract was awarded by the General Services Administration in 1989, and the U.S. Department of Defense (DoD) entered the program at that time. In 1993, the Vice President's National Performance Review identified the purchase card as a major acquisition reform and recommended that all Federal agencies increase their use of purchase cards. Use of the card was again emphasized by Congress with the enactment of the Federal Acquisition Streamlining Act of 1994 (FASA) and by the President with the issuance of Executive Order 12931, dated October 13, 1994, on Federal procurement reform. FASA reduced or eliminated most restrictions for purchases of less than \$2,500, which the Act labeled "micro-purchases." Micro-purchases are exempt from the Buy American Act, certain small business requirements, and the general requirement for competition.

Both in December 1994 and July 1995, interim rules were issued in the *Federal Acquisition Regulations* (FAR) that cited purchase cards as the preferred method for making micro-purchases and as an accepted method for making payments over the micro-purchase threshold. A 1994 civilian interagency study showed that internal costs were often cut by more than half with the use of purchase cards versus purchase orders. Recent audits within DoD activities have had similar conclusions. In FY 1994, the Department executed nearly 16 percent of all its simplified acquisitions at or below the micro-purchase threshold with the purchase card. By the end of FY 1995, DoD purchase card use doubled from the FY 1994 percentage. This trend toward increased use of purchase cards in DoD continued in FY 1996, comprising approximately 51 percent of simplified acquisitions at or below the micro-purchase threshold.

The two teams worked cooperatively in developing a simplified process for purchase card use. They followed a common business reengineering methodology that involves reviewing and defining the current "As Is" process, identifying impediments to efficiency, and developing a reengineered "To Be" process that satisfies customer needs and streamlines program management.

The purchase card process was defined into the following areas: (1) account establishment, (2) fund authorization, (3) purchase, (4) account reconciliation process and responsibilities, (5) finance and accounting, and (6) surveillance and management oversight. The teams reviewed the potential use of the purchase card as a payment method for contract actions above the \$2,500 micro-purchase level. The teams also studied the use of the purchase card in the process for inter- and intradepartmental transfers of goods or services—from both perspectives of sales and collections. Lastly, the teams evaluated some general issues, including ways to better promote the use of the purchase card.

This report contains 57 recommendations that are summarized into seven major categories. These recommendations are as follows:

#### Eliminating Inefficient Prepurchase Approvals

1. Mandate use of an advanced reservation of funds (bulk funding). (IV-7)
2. Eliminate all formal pre-purchase documentation and approval requirements placed on the cardholder. (IV-8)
3. Waive on a class basis the FAR priority to obtain commercial supplies, valued within the micro-purchase threshold from local inventories. (IV-9.A)
4. Prepare a case to change the FAR, removing the priority to obtain commercial supplies valued within the micro-purchase threshold from local inventories. (IV-9.B)
5. Request determination of a threshold under which the National Industries for the Blind and the National Industries for the Severely Disabled (NIB/NISH), Federal Prison Industries (FPI), and the Government Printing Office (GPO) are not applicable as mandatory sources. (IV-10.B)
6. Waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources. (IV-11.A)
7. Prepare a case to change the FAR/DFARS, making the use of wholesale supply sources for commercial items optional for micro-purchases. (IV-11.B)
8. Advise DoD Components that HAZMAT and sensitive items may be purchased with the purchase card given appropriate screening. (IV-12.A)
9. Mandate secession of screening for automated data processing equipment (ADPE) and mandate that information management offices publish lists of goods and services authorized for cardholder purchase. (IV-12.B)
10. Mandate the cessation of screening for accountable property and require that cardholders receive germane training on accountable property. (IV-12.C)
11. Direct, organizations to revise internal procedures to widely adopt the new property accountability threshold. (IV-29)
12. Direct that micro-purchase authority for all commercial items be delegated to end-user organizations. (VII-2.A)

#### Achieving Maximum Use of Automation

13. Mandate the use of “remote access” (modem transmission) for cardholder setup and account maintenance where connectivity exists. (IV-4.A)
14. Provide an automated screening capability to cardholders (FEDLOG, etc.). (IV-10.A)

15. Request Rocky Mountain BankCard System (RMBCS) to transmit weekly (flat file) downloads of all DoD transactions to the Defense Manpower Data Center (DMDC) for processing. (IV-14)
16. Request the DMDC to translate downloaded data into a user-friendly format accessible to authorized users. (IV-15)
17. Require DoD Components to adopt, on an interim basis, an existing DoD automated purchase card reconciliation system. (IV-16)
18. Form a DoD interdisciplinary task group to develop a standard database management and automated reconciliation system. (IV-17)

#### Streamlining the Reconciliation Process

19. Establish DoD-wide core standards and policies for purchase card account reconciliation; eliminate multiple layers of review; and redefine approving official (AO), agency program coordinator (APC), and resource management office (RMO) roles. (IV-13)
20. Maximize electronic receipt of the R063 invoice. Until implementation of Recommendation IV-17, designate the RMO or an equivalent official knowledgeable in fiscal procedures as the billing office. (IV-18)

#### Streamlining Accounting and Bill Paying for Purchase Card Transactions

21. Issue policy on establishing tenant purchase card accounts to preclude cross-disbursements. (IV-1)
22. Download business information from DMDC to DLA. (IV-3)
23. Mandate that the local APC, AO, and servicing RMO jointly coordinate cardholder purchase limits. (IV-4.B)
24. Delegate invoice certification authority to the designated billing office. (IV-19)
25. Direct the use of summary-level financial information in cases where there is no compelling argument to collect more detailed accounting data. (IV-20.A and B)
26. Establish an accelerated invoice reconciliation process for purchase card transactions to ensure timely payment within 30 days. (IV-23.A)
27. Initiate a delayed dispute process for purchase card transactions. (IV-23.B)

28. Mandate standardized invoice disbursement procedures to include payment by EFT. (IV-23.C)
29. Purchase commercial items within the micro-purchase threshold via card by end-user organizations. (VII-2.A)

#### Establishing Internal Controls Oriented Towards Risk Management Versus Risk Avoidance

30. Task DMDC to receive from RMBCS, process, and distribute the data to cardholders and other users. (IV-24)
31. Develop a standardized methodology and sampling techniques to screen transactions centrally for evidence of fraud or abuse. (IV-25)
32. Establish sufficient, nonimpeding, and adaptive controls to assure that purchase card misuse and fraud is contained (e.g., local spot checks). (IV-26)
33. Strongly discourage the use of oversight programs beyond those recommended. Include purchase card program in management control process. (IV-27)
34. Ensure that surveillance reports and data from the automated systems supporting the purchase card program be available to functional managers with oversight responsibility. (IV-28)

#### Providing Training/Promoting and Expanding The Use Of The Purchase Card

35. Include the government's tax exemption number on each purchase card. (IV-2)
36. Direct the Defense Career Contract Management Board to develop and maintain core competencies for cardholder training. (IV-5.A)
37. Direct DAU to develop uniform training materials based on core competencies. (IV-5.B)
38. Direct DAU to design a purchase card "sleeve" printed with cardholder instructions. (IV-6.A)
39. Arrange with GSA for the production and distribution of card sleeves. (IV-6.B)
40. Promote/facilitate streamlined procedures (vendor pre-acceptance of clauses and provisions) for procurements above the micro-purchase threshold through \$25,000. (V-1)
41. Maximize electronic commerce and electronic data interchange (EC/EDI) and electronic funds transfer (EFT) payments on existing contracts. Permit (not mandate) use of the card as an order/payment method for "corporate," single purchase/delivery, and single line of accounting contracts, or otherwise when economically justified. (V-2)

42. Mandate that DoD activities selling goods or services to other DoD or Federal activities accept the purchase card as a method of payment. (VI-1.A)
43. Work with the Treasury Department to extend the termination date for use of the Plastic Card Collection Network. (VI-1.B)
44. Work with the GSA to modify the RMBCS contract to remove dollar limits on inter/intra-departmental purchases/sales. (VI-1.C)
45. Propose legislation to allow use of the purchase card up to the simplified acquisition threshold during contingency operations. (VII-2.B)
46. Design and incorporate into a training module solutions to increase vendor acceptance of the purchase card. (VII-3.A)
47. Direct DoD Components to establish viable goals in coordination with the USD(A&T) for purchase card use. (VII-6)
48. Emphasize advantages of the purchase card program through command channels. (VII-7)
49. Encourage coverage of the purchase card program at schools and conferences where DoD leaders learn better business practices. (VII-7)
50. Encourage DoD Component purchase card coordinators to develop and deploy “road shows.” (VII-7)
51. Encourage DoD components to publish stories on the advantages and success of the purchase card. (VII-8)
52. Encourage local purchase card coordinators to utilize commander’s calls to promote the purchase card program. (VII-9)
53. Establish a purchase card oversight office to oversee implementation of the recommendations of this report. (VII-10)

#### Establishing Future Business Practices

54. Develop interfaces between the automated database management and reconciliation system(s) and the supported accounting system(s). (IV-20.C)
55. Perform a study one year after fielding the automated reconciliation system and implementing other recommendations to determine efficacy of increasing micro-purchase threshold. (VII-1)
56. Communicate to the GSA the Department’s requirements for the succeeding purchase card contract. (VII-4)
57. Establish pilot programs for the use of Visa and FedSelect checks. (VII-5)

Every recommendation identifies the cognizant OSD Principal Staff Assistant or one or more of the DoD Components for implementation. A unique feature of the purchase card program, however, is its use outside of traditional procurement channels. A primary thrust is to place the purchase card into the hands of the end-user organizations, where it can be used most efficiently to fulfill requirements. Thus, it is critical that the implementation of these recommendations be stated to assure clear understanding, especially by end-user organizations. To ensure implementation across the various DoD functional committees, many of the recommendations are directed for promulgation by the Deputy Secretary of Defense to all DoD Component Heads. The teams also have included an implementation schedule for the timely reengineering of business processes associated with purchase card usage in the Department (see Chapter IX and Appendix N).



# I. INTRODUCTION

## A. Charters

The Under Secretary of Defense (Comptroller) (USD(C)) and the Deputy Under Secretary of Defense (Acquisition Reform) (DUSD(AR)), directed the establishment, respectively, of a Purchase Card Financial Management Team (PCFMT) and a Purchase Card Inte-grated Product Team (PCIPT). The common charge was to recommend improved business practices for use of the government purchase card in the areas of (1) micro-purchases, (2) as a payment vehicle for purchases over the micro-purchase threshold, and (3) as a method for accomplishing inter- and intradepartmental transfers and sales. Specifically, the teams were tasked to determine whether a centralized U.S. Department of Defense (DoD) policy is necessary to promote and streamline the Department's use of the governmentwide purchase card program, which often is referred to by the current vendor bank's trade name for its card product, the International Merchant Purchase Authorization Card (IMPAC). The charters are found in Appendix A.

The teams' efforts were guided by the following goals:

- Promote and remove impediments to the use of the purchase card.
- Provide appropriate flexibility for use.
- Streamline funding and accounting for card purchases and payments.
- Ensure that purchase card procedures are adequate and timely to meet customer requests.
- Balance the need to maintain internal controls with the need for efficiency and cost savings.
- Encourage risk management rather than risk avoidance.
- Eliminate non-value-added activities.
- Ensure that oversight assures compliance with policies and is performed in the least intrusive manner consistent with protection of the public trust.
- Ensure that internal controls protect the government from fraud, waste, and misuse.
- Ensure that recommendations preserve the letter and spirit of the Small Business Act and other socioeconomic statutes, where applicable.

## B. Organization of the Teams

The PCFMT convened on April 8, 1996. The team was composed of representatives from the Office of the USD(C), the three Military Departments, the Defense Commissary Agency (DeCA), the Defense Finance and Accounting Service (DFAS), the Defense Logistics Agency (DLA), the Defense Mapping Agency (DMA), and the Washington Headquarters Services (WHS).

The PCIPT convened on April 16, 1996. The team was composed of representatives from two offices within the Office of the Secretary of Defense (OSD), the Office of the DoD Inspector General (ODODIG), each of the four Military Services, DLA, and DMA.

Individuals staffing the two teams were chosen because of their knowledge as well as their broad understanding of the policies and procedures that affect the program. Appendix B lists the PCFMT and PCIPT members and their parent organizations.

The USD(C) oversaw the progress of the PCFMT and will approve the findings and recommendations in consultation with the Financial Management Steering Committee (FMSC). The Acquisition Reform Senior Steering Group (ARSSG) functioned as the Board of Directors for the PCIPT, reviewed the progress of the team, and will recommend approval of its findings and recommendations to the Under Secretary of Defense (Acquisition and Technology) (USD(A&T)).



## II. BACKGROUND

On March 17, 1982, the President issued Executive Order 12352 on Federal procurement reforms. That document directed executive agencies to reduce administrative procurement costs and proposed that purchase cards be implemented as part of the government's effort to cut the cost of buying goods and services.

In 1986, several agencies piloted the use of government commercial purchase cards to reduce such costs. According to the report issued on this pilot, using agencies found that the purchase card had advantages over other procurement methods. Specifically, the card provided a less costly and more efficient way to buy goods and services because end-user organizations could purchase items directly from vendors instead of going through supporting procurement offices. Agencies that participated in the pilot found great savings in time and effort as opposed to the traditional process of preparing requisitions, sending them to the procurement office, waiting for the procurement office to issue a purchase order, waiting even longer for delivery, and preparing receiving reports. According to the pilot report, instances of abuse or intentional misuse of the card were negligible.

The first governmentwide commercial purchase card contract was awarded by the General Services Administration (GSA) in 1989. The Department of Defense entered the program at that time (see Appendix C).

In 1993, the Vice President's National Performance Review (NPR) identified the purchase card as a major acquisition reform and recommended that all Federal agencies increase usage of the cards for small purchases to drastically cut the red tape normally associated with the Federal procurement process. At that time, small purchases were defined as purchases of \$25,000 or less. The NPR also recommended that the *Federal Acquisition Regulations* (FAR) be amended to promote and facilitate purchase card use for making small purchases and for ordering from established contracts.

While the cards have been available governmentwide since 1989 through the Rocky Mountain BankCard System (RMBCS), they initially were not widely used. This lack of participation was due, in part, to the administrative fees that agencies had to pay under the terms of the original contract. Use of the card was stimulated by the Congress with enactment of the Federal Acquisition Streamlining Act of 1994 (FASA) and by the President with the issuance of Executive Order 12931, dated October 13, 1994, on Federal procurement reform.

- FASA established a "micro-purchase threshold" of \$2,500, and reduced or eliminated most of the restrictions for purchases valued at or below that threshold. Micro-purchases are exempt from the Buy American Act, certain small business requirements, and the general requirement for competition. FASA

also identified the purchase card as the preferred method for making micro-purchases.

- Executive Order 12931 directed agencies to expand their use of purchase cards and delegate micro-purchase authority to program officials.

The Office of Management and Budget (OMB) also issued a memorandum to agency senior procurement executives and the DUSD(AR) that highlighted the benefits of the purchase card and encouraged agencies to expand the program, particularly for micro-purchases. In addition, both in December 1994 and July 1995, interim FAR rules were issued that cited purchase cards as the preferred method for making micro-purchases and as an accepted method for making payments over the micro-purchase threshold.

In February 1994, the GSA re-competed the purchase card contract and again awarded it to RMBCS. GSA also administers the contract, which specifies controls that agencies must establish before issuing cards to their personnel, including setting spending limits for individual cardholders and offices and establishing operating procedures for making purchases and payments. Among other changes contained in the successor contract was a requirement on the card vendor to offer agency refunds for use of electronic commerce and timely payment. (Note: The administrative fee, which had been on a declining scale inverse to cumulative governmentwide purchases, already had been eliminated.)

A 1994 civilian interagency study showed that internal costs often were cut by more than half with the use of purchase cards versus purchase orders.<sup>1</sup> Recent studies and reviews conducted by the Army and the Navy not only substantiated the civilian interagency findings but revealed that savings within their respective organizations have been significantly greater.<sup>2</sup> The Navy study also found that the average lead time for receipt of needed items was reduced from 30 or more days to only 6 days.

The potential for savings and improved mission support in the Department is steadily growing, as shown by the upward trend in card use. By the end of FY 1995, cards were used by virtually every Federal agency. More than 4 million purchases worth more than \$1.6 billion were made during that year. The Department accounted for approximately 1.7 million of these purchases valued at nearly \$796 million. The Department's rate of growth in both transactions and dollars was significant in FY 1995, with a more than a twofold increase over FY 1994. Due to a change in reporting requirements for purchase card use that was directed at mid-year in FY 1995, it is difficult to precisely identify the rate of purchase card use for micro-purchases versus other simplified acquisition procedures for FY 1995. However, it is estimated that 37 percent of the micro-purchases were accomplished with cards in FY 1995. A further stratification by DoD Component is shown in Appendix D.

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<sup>1</sup> Government Purchase Card Council Interagency Study of Purchase Cards, dated September 1994.

<sup>2</sup> A May-June 1996 U.S. Army Audit Agency time and motion study on cost benefits associated with use of the IMPAC Purchase Card and a Naval Air Warfare Center Weapons Division, China Lake study, dated January 1993.

The trend toward increased use of purchase cards in the Department has continued in FY 1996. Data collected for the first half of FY 1996 list nearly 1.2 million purchase card transactions. This accounts for approximately 51 percent of simplified acquisitions at or below \$2,500. From performance in previous fiscal years, it is estimated that the Department will have 3.23 million purchase card transactions valued at \$1.36 billion in FY 1996. Again, this estimate nearly doubles the totals for the previous fiscal year.

Terms used in this report are defined in the Glossary (Appendix E).



### III. APPROACH

The PCFMT and PCIPT worked cooperatively in developing a simplified process for purchases and payments made with the governmentwide purchase card (hereafter referred to as the “purchase card”). The teams followed a common business reengineering methodology, which involved reviewing and defining the current (“As Is”) process, identifying impediments to efficiency, and developing a reengineered (“To Be”) process that satisfies customer needs and streamlines program management.

In defining the current process, interviews were conducted with agency program coordinators (APCs), activity program coordinators, and cardholders (see Acknowledgments in Appendix F). These interviews served to identify concerns and impediments inherent in the existing purchase card program process, as well as to identify best practices within the Department. Interviews also were conducted with purchase card program coordinators in other Federal agencies, and with financial institutions and other private-sector organizations in order to benchmark industry best practices. (A list of these contacts also is included in Appendix F.) The teams also observed the demonstration of several automated cardholder reconciliation systems and audit systems used by DoD activities or other Federal agencies, and those available within the private sector. Because specific procedures differ dramatically between and within the DoD Components, the teams used this information to analyze and develop flowcharts for a notional “As Is” process (see Appendix G).

The PCIPT determined that the best way to analyze the acquisition aspects of the purchase card process was to compare typical DoD processes with those used with a consumer credit card. Using consumer credit card procedures as its baseline, the PCIPT developed flowcharts for each step in the purchasing process and then, with input from the PCFMT, identified mandatory government purchase card processes required by law and/or regulation. To identify impediments in the purchase card process, the teams compared baseline processes with both the mandatory purchase card processes and the current (“As Is”) processes and identified those steps that did not add value or which unnecessarily impeded the use of the purchase card. Finally, recommendations were made to reduce or eliminate impediments. Other recommendations—to streamline activities based upon the benchmarking and best practices data gathering—also were incorporated in the “To Be” model.

Finally, the teams identified some general issues that affect users and managers in the purchase card program. Recommendations on these issues also are addressed in this report.



## IV. MICRO-PURCHASING

### A. Establishing the Account

Table 1 identifies and compares the steps required to establish a consumer purchase card account, a DoD purchase card account as it currently is accomplished, and the recommended DoD purchase card process.

**Table 1**

<b>Consumer Credit Card</b>	<b>DoD Purchase Card (As Is Model)</b>	<b>Recommended Purchase Card Process</b>
	<ul style="list-style-type: none"><li>• Establish Program</li></ul>	<ul style="list-style-type: none"><li>• Establish Program</li></ul>
<ul style="list-style-type: none"><li>• Request Card</li></ul>	<ul style="list-style-type: none"><li>• Request Card<ul style="list-style-type: none"><li>◊ Identify the Cardholder</li><li>◊ Establish Cardholder Limits</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Request Card<ul style="list-style-type: none"><li>◊ Identify the Cardholder</li><li>◊ Establish Cardholder Limits</li></ul></li></ul>
	<ul style="list-style-type: none"><li>• Provide Training</li></ul>	<ul style="list-style-type: none"><li>• Provide Training</li></ul>
	<ul style="list-style-type: none"><li>• Issue Letter of Delegation</li></ul>	<ul style="list-style-type: none"><li>• Issue Letter of Delegation</li></ul>
<ul style="list-style-type: none"><li>• Receive Card</li></ul>	<ul style="list-style-type: none"><li>• Receive Card</li></ul>	<ul style="list-style-type: none"><li>• Receive Card</li></ul>

KEY: Streamlined Procedures

#### 1. Establish the Program

The GSA Governmentwide Commercial Purchase Card Service Contract Guide (GS-23F-94031), dated October 1995, describes procedures for establishing new accounts and adding or changing cardholders and approving officials (AOs). Once an activity decides to implement the purchase card program, it issues a delivery order against the GSA contract with RMBCS. The delivery order specifies the name, address, and tele-phone number of the local APC and designates points of contact for the billing office and the disputes office. RMBCS must contact the APC to develop an implementation plan within 15 working days following acceptance of the delivery order.

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**IMPEDIMENT:**

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It is not uncommon for a DoD activity to be subordinate to, and funded by, one DoD Component but be located as a tenant at the installation of another DoD Component. In such cases, contracting support often is received from the host installation, whereas accounting support is performed by an Operating Location (OPLOC) of DFAS at a third site. Such situations create program fragmentation across the Components and may result in multiple and conflicting requirements and processes. This fragmentation also may lead to a loss of funds control and program identity during the approval process, may increase the number of cross disbursement transactions, and may distort the true execution of the purchase card program in that program usage data are aggregated under the incorrect DoD Component.

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**RECOMMENDATION IV-1**

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The DEPSECDEF shall direct a standard account setup procedure for locations where accounts are established with the RMBCS by tenant activities of one DoD Component through the host contracting office of another Component (i.e., through the use of Delegated Procurement Authority and/or Inter-Service Support Agreements (ISSAs)). The designated billing and paying offices assigned during account setup shall be those of the tenant. Accounts will not be established when the resulting RMBCS payment creates a cross-disbursement of a Component's funds. This reengineered business practice eliminates cross-disbursements within the purchase card program.

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**a. Tax Exemption Number on the Card**

Although every purchase card is imprinted with the words *U.S. Government Tax Exempt*, cardholders have experienced problems with some commercial vendors that insist on charging state or local sales tax for purchases made using the purchase card. Because most cardholders do not have access to a tax exemption number, and because vendors routinely charge sales tax in the absence of a tax exemption number or tax exemption certificate, many vendors frequently charge taxes on government purchases. This creates problems for cardholders during the reconciliation process.

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**IMPEDIMENT:**

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Disputes occur when vendors charge tax on purchases made with the purchase card. If these disputes are not resolved with the vendor prior to the end of a billing cycle, they are reflected on the cardholder's statement of account (SOA) and the official (RO63) invoice, which causes the cardholder spend time negotiating with the vendor to credit the value of the sales tax. Vendors also are reluctant to refund sales taxes without a corresponding tax exemption number for their records.

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**RECOMMENDATION IV-2**

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The USD(C) shall request GSA to modify its contract with RMBCS so that a Federal Government tax exemption number is printed or embossed on each purchase card. This recommendation will make a tax exemption number readily accessible both to cardholders and vendors, thereby (1) reducing the number of vendors that charge tax, (2) saving cardholders the time otherwise involved in disputes with vendors, and (3) reducing the potential for interest penalties caused by late payments.

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**b. "Corporate" Contract Sales Data**

Several DoD Components are involved in contracting initiatives whereby a customer can purchase material directly from a manufacturer, distributor, or vendor against "corporate-wide" or DoD-wide contracts using the government purchase card. This feature also is available in schedules issued by the GSA and the Department of Veterans Affairs. Because covered items already have been competed under these contracts, customers can fill their requirements more quickly at discounted prices, without reapplying acquisition rules. To continue support for these contracting initiatives, the sponsoring activities need to track orders against these contracts to recover—from participating vendors—the costs of administration.

**IMPEDIMENT:**

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Currently, contracting activities that sponsor "corporate" contracts cannot track those orders placed with the purchase card. Such demand data are useful in future negotiations to improve contract terms, such as price and delivery. Additionally, the contracting activity cannot validate independently the basis for refunds received from vendors that are used to offset costs expended to administer the contracts.

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**RECOMMENDATION IV-3**

The USD(C) shall task the Defense Manpower Data Center (DMDC)—via Recommendation IV-15—to assist DLA with reformatted flat file data from the purchase card contractor that captures sales information by vendor for major command and installation levels of the DoD purchase card hierarchy.

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**2. Request the Card**

**Identify the Cardholder and Purchase Limits**

Once a local purchase card program is established, the requiring activity transmits account setup forms to RMBCS for all designated cardholders and AOs. These forms identify each cardholder's single purchase limit, monthly limit, and approving official (usually a supervisor).

The cardholder has a single-purchase dollar limit and a 30-day billing-cycle purchase limit, both of which should be based on estimated purchase and funding limitations. To facilitate effective funds control, these limitations should be established jointly by the local APC and the servicing resource management office (RMO). Each AO also has a 30-day billing-cycle limit, which is the sum of all billing-cycle limits for cardholders under that AO. The AO limit cannot be exceeded during the billing period, regardless of individual cardholder's 30-day limits. The RMBCS accepts program setup forms via paper, computer-to-computer communications, facsimiles, its "Remote Access System" (via modem transmission), or other mutually acceptable methods.

**IMPEDIMENT:**

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**Cardholder Setup.** Activity APCs continue to use paper and facsimile transmission of account setup information, which creates delays in establishing and updating cardholder and AO accounts.

The RMBCS Remote Access System offers online access to agency or activity APCs for cardholder setup. Benefits associated with electronic transmission include the elimination of paper, photocopying, facsimiles and postage costs and faster file maintenance and card issuance. Of the 1,812 installation (i.e., “level 4”) activities within the Department, only 282 (or 16 percent) currently use online access to RMBCS for cardholder setup and file maintenance.

**Resource Management Office Coordination.** Currently, the 30-day billing cycle limits do not always reflect funding constraints placed on an organization. APCs must coordinate establishment and revisions of cardholder limits with the servicing RMO.

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#### **RECOMMENDATION IV-4**

- A. The DEPSECDEF shall require the use of “remote access” (modem transmission) for purchase card account setup and maintenance wherever connectivity exists.
  - B. The DEPSECDEF shall mandate that the local APC coordinate cardholder and AO purchase and billing cycle limits with the servicing RMO to ensure funds availability and effective program implementation. (See also Recommendation IV-07.)
- 

### **3. Provide Training**

- a. Most Federal agencies offer training to their cardholders, AOs, and other designated individuals for the purchase card program. The RMBCS also provides no-cost, on-site training concerning implementation procedures and GSA contract terms. The Department did not develop standard training requirements for use of the purchase card. Rather, it left to the discretion of using DoD activities the determination of training required to ensure that personnel used the card within the prescribed procedures. Thus, DoD activities developed a variety of training courses.

#### **IMPEDIMENT:**

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Various interpretations of DoD policy on educational and training requirements for cardholders, as well as the unavailability of courses at some locations, resulted in installations requiring cardholders to take unnecessary and/or overly lengthy procurement courses. For example, some activities incorrectly have identified Purchasing Fundamentals (PUR 101) or Operational Level Purchasing (PUR 102) and Intermediate Purchasing (PUR 201) as requirements for cardholders. Although the Principal Deputy Under Secretary of Defense (Acquisition and Technology) clarified that these courses were not required for cardholders making micro-purchases, that clarification gave some activities the impression that a week-long course was required for cardholders.<sup>3</sup> Additionally, the lack of local training has driven the need for activities to send prospective cardholders to small purchases and purchase card courses sponsored by outside organizations. These courses usually are a week in length and cover more than is required for most cardholders.

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<sup>3</sup> PDUSD(A&T) memorandum dated October 4, 1995, subject: Training for Users of International Merchant Purchase Authorization Card (IMPAC).

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**RECOMMENDATIONS IV-5**

- A. The Director of Defense Procurement (DDP) shall direct the Defense Career Contract Management Board (DCCMB) to work with the Defense Acquisition University (DAU) in developing and maintaining the core competencies that will be included in the training materials.
  - B. The DUSD(AR) shall direct DAU to develop training materials covering regulations, policies, and procedures from a DoD perspective for optional use by all DoD Components. This training should consist of no more than the equivalent of 4 hours of classroom instruction. Supplemental training can be provided by DoD activities based on the cardholder's experience and educational background, as well as the authority granted under the card program. Component-unique procedures, if any, also may supplement the module developed by DAU.
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- b. Cardholders receive a relatively brief introduction to micro-purchase procedures during their initial training. A protective sleeve for the purchase card with printed instructions would reinforce information provided during the initial cardholder training and serve as a quick reference guide. Space for the local program coordinator's name and telephone number, as well as other points of contact, also could be included on the sleeve—or on a wallet reminder card that could be updated and distributed occasionally to cardholders with their purchase card SOAs.

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**IMPEDIMENT:**

Some cardholders have expressed a reluctance to use the card because of failure to remember the acquisition rules, or for other uncertainties related to card usage.

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**RECOMMENDATION IV-6**

- A. The DUSD(AR) shall direct the DAU to design a purchase card sleeve and wallet reminder card that are printed with cardholder instructions for DoD-wide use.
  - B. The USD(C) shall request the vendor bank, through the GSA, to produce and distribute purchase card sleeves and wallet cards.
- 

#### 4. Issue Letter of Delegation

GSA procedures and the FAR require that cardholders be appointed in writing. Generally, the Head of the Contracting Activity (HCA) or an authorized designee within the DoD activity delegates the procurement authority to the cardholder.

#### 5. Receive Card

The contractor bank forwards the purchase card to the cardholder (or the APC or AO, as designated) within 5 working days from receipt of the setup information or, if received electronically, within 2 working days. Upon receipt of the card, the cardholder must activate the card by calling the vendor bank's Voice Response Unit. This procedure provides an internal control to ensure that the card has been received by the cardholder.

## B. Funding Authorization

To preclude a violation of the Anti-deficiency Act (31 U.S.C. 1517), an authorization or certification of funds availability must occur before the initiation of a procurement. This typically is accomplished through a funds reservation (commitment or obligation) process.

A commitment is an administrative reservation of funds—based on orders, purchase requests, or equivalent instruments—that authorizes the creation of obligations without further approval by the official responsible for certifying funds availability. An obligation is any action that legally binds the government to make a payment. It is the key accounting tool used to track the activity's fiscal position in the execution of its programs.

Currently, funding for cardholder purchases is accomplished in various ways throughout the Department. Some activities establish funding upon initiation of the card account. Other activities use more restrictive funds control procedures, requiring a fund reservation and certification prior to each card purchase. This process may necessitate that a cardholder visit his or her funds manager to obtain funding or approval prior to every purchase card transaction. In such situations, the funds manager applies the necessary accounting information to a commitment document and certifies thereon that funds are available. The reservation of funds for the purchase is based on an estimated cost for the item or service. Once the funds manager certifies that funds are available, the cardholder can make the purchase. Clearly, the use of a separate funds reservation for each purchase card transaction is time consuming and increases the number of transactions that must be entered into the official accounting system.

When the amount of funds reserved is more than the actual cost, a reconciliation of the purchase transaction with the commitment document is performed to restore uncommitted funds, thereby ensuring that only those funds required are recorded as reserved. Each recorded commitment, obligation, and disbursement must be reconciled within the accounting system. This funds reconciliation process is a vital phase of financial management and is necessary to preclude negative unliquidated obligations or unmatched disbursements and to ensure that the expenditure is charged to the appropriate cost center. (Reference USD(C) memorandum of May 14, 1996 (Appendix H).)

In some instances, cardholders may be required to purchase goods and services for multiple projects or jobs that have different funding sources (e.g., revolving funds, annual appropriations or trust funds). As a result, cardholders and resource managers currently must perform manual cost distributions at the end of the billing period to ensure that each account is charged properly for its card purchases. In these instances, funding the card in advance creates an additional manual process to classify the costs to the appropriate cost centers or appropriation (i.e., the "line of accounting" (LOA)), which includes the Treasury Department symbol for the funding source. Problems associated with manual cost distributions can be obviated by the use of a cardholder database management and automated reconciliation system.

The use of bulk funding for card purchases would streamline the procurement process by eliminating the need for repetitive fund approval while incorporating a positive funds control program. Furthermore, the implementation of other recommendations contained in

this report to automate the purchase card process would facilitate cost distribution and funds control for those cardholders who are responsible for obtaining goods or services that are financed by different funds or reimbursable orders.

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**IMPEDIMENTS:**

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The process for funding card purchases is not standard within the Department and, in many instances, requires a funds authorization for each purchase card transaction. This time-consuming and manual process impairs the efficient use of the purchase card.

Cardholders may be responsible for supporting projects that are funded from differing appropriations or reimbursable orders. If only a single card is issued to the cardholder, the distribution of costs usually is performed manually, thereby complicating the invoice reconciliation and payment process. Conversely, the cardholder can be issued a separate card (or card number) to make purchases against each recurring funding source. This procedure, however, requires the cardholder to administer several cards (or numbers) and perform several reconciliations at the end of the month.

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**RECOMMENDATION IV-7**

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The USD(C) shall mandate the use of an advance reservation of funds (bulk commitments or obligations) for cards used exclusively for micro-purchases.

1. Bulk commitments or obligations will be established by the RMO (or equivalent) and should be considered when setting office or cardholder limits. Bulk reservations of funds should be established so as to ensure positive funds controls and preclude expenditures from exceeding obligations.
  2. Obligations must be recorded in the activity's official accounting records no later than upon payment of the certified RMBCS invoice (i.e., simultaneous obligation).
  3. One line of accounting should be used per card unless a purchase card management and automated reconciliation system is available to distribute costs across funding sources. Where DoD activity requirements dictate cost distribution beyond a single line, invoiced costs should be summarized to the maximum extent possible prior to submission to the servicing disbursing office for payment.
  4. A programmatic review of these procedures will be conducted one year after implementation.
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## C. Purchase

The process of initiating a purchase begins with the identification of the requirement. Returning to the model of a personal credit card, the consumer identifies a requirement, selects a vendor, and purchases the goods or services. These same steps are performed within the Department as identified in Table 2. However, the government cardholder also must determine funds availability and sources of supply because these steps are required by statute and regulatory requirements. Funding requirements were discussed in section B of this chapter. Section C addresses the process impediments found with the identification of the requirement, determination of the source of supply, and the procurement of sensitive and accountable items (e.g., automation, hazardous materials, or ammunition).

**Table 2**

<b>Consumer Credit Card</b>	<b>DoD Purchase Card (As Is Model)</b>	<b>Recommended Purchase Card Process</b>
<ul style="list-style-type: none"> <li>Identify the Requirement</li> </ul>	<ul style="list-style-type: none"> <li>Identify the Requirement</li> </ul>	<ul style="list-style-type: none"> <li>Identify the Requirement</li> </ul>
<ul style="list-style-type: none"> <li>Funds Availability</li> </ul>	<ul style="list-style-type: none"> <li>Funds Availability</li> </ul>	<ul style="list-style-type: none"> <li>Funds Availability</li> </ul>
<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Screen Mandatory Sources:               <ul style="list-style-type: none"> <li>Local Inventories</li> <li>FPI</li> <li>NIB/NISH</li> <li>Government Printing Office</li> <li>DoD Wholesale Supply System</li> <li>Special Requirements</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Screen Mandatory Sources:               <ul style="list-style-type: none"> <li>FPI</li> <li>NIB/NISH</li> <li>Special Requirements</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Select the Vendor</li> </ul>	<ul style="list-style-type: none"> <li>Select the Vendor</li> </ul>	<ul style="list-style-type: none"> <li>Select the Vendor</li> </ul>
<ul style="list-style-type: none"> <li>Purchase the Requirement</li> </ul>	<ul style="list-style-type: none"> <li>Purchase the Requirement</li> </ul>	<ul style="list-style-type: none"> <li>Purchase the Requirement</li> </ul>
<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Property Accountability</li> </ul>	<ul style="list-style-type: none"> <li>Property Accountability</li> </ul>

KEY: Streamlined Procedures

### 1. Identify the Requirement

During the traditional acquisition process, a requisition document is initiated through the administrative chain of command once a requirement is identified. The requisition document is forwarded sequentially to various functional elements such as the RMO (for commitment of funds) and the supply manager (to screen for local or national inventories). If the requirement cannot be filled through the DoD Component supply system, a purchase request then is initiated and forwarded to the local contracting activity. Both the requisition and the purchase request are formal documents used to support existing supply, finance, and procurement systems.

The purchase card was implemented within the existing DoD Component requisition and procurement approval business practices. Consequently, many cardholders or individuals

still are required to initiate the same documents needed for a traditional acquisition before they can garner the authority to purchase needed goods or services.

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**IMPEDIMENT:**

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Formal pre-purchase documentation is required to be initiated for each purchase card transaction. Upon its implementation, the purchase card process simply was inserted into the government's existing acquisition process; thus, many DoD activities have maintained the same documentation process traditionally required to authorize purchases for use in the purchase card program. Consequently, most cardholders still are required to initiate formal procurement requests and other requisitioning documents prior to using the card for purchases. Furthermore, this documentation is being used to garner pre-purchase approvals by various functional proponents. Finally, the various documentation requirements are driving the need for Component-unique automated systems to generate those documents.

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**RECOMMENDATION IV-8**

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The DDP shall direct the DAR Council to initiate a Defense Federal Acquisition Regulation Supplement (DFARS) case to add coverage for the purchase card. Coverage shall mandate the elimination of formal pre-purchase documentation and approval requirements (e.g., formal purchase requests) placed on the cardholder for micro-purchases of commercial services and supplies with the purchase card. Documentation to justify local purchases of hazardous, sensitive, or critical materials still would be required.<sup>4</sup> In addition, supervisory or command-level approvals above the level of the cardholder should be curtailed.

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**2. Funds Availability**

The requirement that cardholders assure that funds are available prior to purchase is grounded in statute. This impediment and its proposed solution was discussed in section IV.B., above.

**3. Mandatory Sources**

Part 8 of the FAR requires that cardholders screen selected sources of supplies before acquiring the items from commercial vendors. Cardholders must determine if the items are locally stocked, obtainable from a required source (statute), or available from a wholesale supply source.

**a. Local Inventories**

Local inventories are established by the DoD activity or installation to satisfy local demands, such as office supplies maintained in a self-service supply center. Local inventories also can consist of stocked or excess items maintained by the local supply

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<sup>4</sup> DFARS 208.7003-1(a)(3)(i), (ii) and (iii).

community. Part 8 of the FAR requires that purchasers first check for availability of needed items through local inventories.

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**IMPEDIMENT:**

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The requirement to check local inventories prior to purchase serves as a disincentive to cardholders. Given the surcharge that typically is added to local inventories, direct purchases from commercial sources often is less expensive than obtaining supplies through the supply system. Additionally, local supply availability should decline as DoD Components reduce on-hand stocks and maintain only those stocks where value is added.

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**RECOMMENDATION IV-9**

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- A. The DEPSECDEF shall issue a class waiver to deviate from the FAR priority to obtain commercial supplies, valued within the micro-purchase threshold, from local inventories.
  - B. The DDP shall prepare a case for the Defense Acquisition Regulation (DAR) Council to eliminate the FAR/DFARS requirement to obtain commercial supplies valued within the micro-purchase threshold from agency inventories and excess from other agencies.
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**b. Federal Prison Industries (FPI)**

Federal agencies are required by law to obtain items manufactured or produced by the FPI prior to acquiring those items from commercial sources. Typically, the FPI manufactures furniture and other related items. Waivers are granted in cases where the FPI is unable to supply needed items. The FPI recently created a Quick Ship catalog for Federal agencies. It accepts the purchase card for all Quick Ship catalog purchases and guarantees that the products will be shipped within 30 days of order.

**c. Items Produced by National Industries for the Blind and National Industries for the Severely Disabled (NIB/NISH)**

The Javits-Wagner-O'Day (JWOD) Program was established in 1971 to increase employment and training opportunities for people who are blind or have other severe disabilities and, whenever possible, prepare them for competitive employment. Under the JWOD Program, Federal agencies are required to buy products and services furnished by nonprofit agencies employing such individuals. JWOD items are available to government activities only through GSA, DLA, or specific contractors authorized to order from the GSA. Items include office supplies, textiles, and industrial products such as paints and cleaners. Participating nonprofit agencies also perform many services, from janitorial/custodial services to administrative services or micrographics work. Cardholders must use catalogs or some other method to determine which items are produced by NIB/NISH.

**d. Government Printing Office (GPO)**

Title 44, United States Code, section 501 requires that all Executive Branch printing or duplicating services be procured by or through the GPO. This measure is intended to ensure the GPO's continuing role as the central source for the production and distribution of Federal printing. It also acts to reinforce the commitment of the Congress to a centrally managed and fiscally sound program for the collection and dissemination of government information.

Title 44, United States Code, section 501 states the following:

“All printing, binding and blank-book work for . . . every executive department . . . shall be done at the Government Printing Office, except:

- (1) Classes of work the Joint Committee on Printing (JCP) considers to be urgent or necessary to have done elsewhere; and
- (2) Printing in field printing plants operated by an executive department, independent office or establishment, and the procurement of printing by an executive department, independent office, or establishment from allotments for contract field printing, if approved by the Joint Committee on Printing.”

The JCP required each Executive Branch agency to establish a single focal point for printing and duplication. Within the Department, the Defense Printing Service (DPS) was designated as the single focal point to consolidate printing functions through DoD Directive 5330.3. The DPS is required to be considered as the first source of supply for all printing and duplicating work within the Department.

**IMPEDIMENT:**

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One of the most frequently expressed complaints of cardholders throughout the Department has been the requirement to satisfy needs through the FPI and nonprofit agencies employing persons who are blind or have other severe disabilities (41 U.S.C. 47, Javits-Wagner-O'Day Act). Cardholders often complain about the time that it takes to screen for NIB/NISH and FPI items, and often cite costs that are more than for similar (more desirable) items available from commercial office supply stores.

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**RECOMMENDATION IV-10**

- A. The DEPSECDEF shall direct the Heads of the DoD Components to provide and maximize the use of an automated screening capability for cardholders. The current GSA training package and FEDLOG are available on CD-ROM and can provide instant screening for NIB/NISH and FPI items. Additionally, electronic means, such as the GSA Advantage online program and similar DLA initiatives have met the prescreening requirements.
  - B. The DUSD(AR) shall request the Committee for Purchase From People Who Are Blind or Severely Disabled, FPI, and GPO to establish a threshold under which those suppliers are not mandatory sources.
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e. **DoD Wholesale Supply System**

Currently, the DFARS 208.7003-1, “Assignments under integrated material management (IMM),” requires all items assigned for IMM be acquired from the IMM manager except—

- Items purchased under circumstances of unusual and compelling urgency as defined in FAR 6.302-2.
- Items the IMM manager assigns a supply system code for local purchase or otherwise grants authority to purchase locally.
- When purchase by the requiring activity is in the best interest of the government in terms of the combination of quality, timeliness, and cost that best meets the requirement. This exception does not apply to items (1) that are critical to the safe operation of a weapon system, (2) with special security characteristics, or (3) that are dangerous (e.g., explosives or munitions).

Cardholders are responsible for checking the supply system for availability of managed items. Items that are in the IMM program have to be obtained through the supply system unless otherwise exempted. Under certain conditions, DFARS authorizes organizations to bypass the inventory manager and locally procure supplies.<sup>5</sup> If obtaining the item through the supply system does not offer the best value in terms of time, cost, or quality to the activity, local purchase authority generally is granted by the supply officer. A recent change to the DFARS eliminated the requirement to document the best value justification for local procurement of micro-purchases.<sup>6</sup>

**IMPEDIMENT:**

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Approximately 4.8 million items in the DoD wholesale supply system are managed centrally by DoD inventory managers. Organizations that need managed supplies generally should requisition those supplies from the assigned inventory manager. The requirement to screen national stocks for availability of needed items before buying them from local sources is seen as a significant impediment to cardholders. Not only is this screening seen as an impediment, but the procurement of commercial supplies through the supply system is seen as a non-value-added step in the acquisition process. End-user purchase of commercially available items may result in lower cost and faster response times than through the supply system.

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<sup>5</sup> DFARS 208.7003-1.

<sup>6</sup> DFARS 208.7003-1(b)(1).

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**RECOMMENDATION IV-11**

- A. The DEPSECDEF shall waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources.
  - B. The DDP shall prepare a case for the DAR Council that eliminates the requirement that micro-purchases of commercial items assigned for IMM be acquired from the IMM manager.
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**f. Special Requirements**

After the source of supply has been identified, the cardholder must determine if any special requirements must be satisfied prior to purchasing the item. These special requirements may include limits on purchase of hazardous material (HAZMAT) and sensitive items (e.g., ammunition and weapons),<sup>7</sup> review of automated data processing equipment (ADPE), and property accountability.

Valid concerns for personnel safety and environmental protection exist, and DoD activities address them in various ways. Some activities strictly prohibit the use of the card to purchase these items, while others impose special reviews and pre-approvals prior to their purchase.

**IMPEDIMENT:**

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Blanket prohibitions on purchase of accountable property, ADPE, and hazardous and classified/sensitive materiel are significant impediments to use of the purchase card. Cardholders often are prohibited from purchasing these items or are required to obtain preapproval for each proposed purchase. Although valid concerns exist, more efficient means must be used to streamline the acquisition process. Cardholders must be empowered to make decisions and be held accountable should they abuse their authority.

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**RECOMMENDATION IV-12**

- A. The DEPSECDEF shall clarify that the DoD Components are authorized to purchase HAZMAT and sensitive items with the purchase card.
  - B. The DEPSECDEF shall direct information management (IM) offices publish lists of Federal Information Processing (FIP) resources that may be used by cardholders without additional IM preapprovals.
  - C. The DEPSECDEF shall mandate the cessation preapprovals for accountable property and require that cardholders receive germane training on accountable property.
- 

**4. Select the Vendor**

Only after (1) a screening has been accomplished, (2) a determination has been made as to the appropriate source of supply, and (3) all required approvals have been granted, can the cardholder obtain a quote from a vendor. If the cardholder determines that the quoted

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<sup>7</sup> DFARS 208.7003-1(a)(i), (ii) and (iii).

price is fair and reasonable, based on his or her knowledge of market prices, an order then is placed with the vendor. If the purchase price is not considered reasonable, the cardholder locates another source that offers a fair and reasonable price. No requirement exists to keep records of competitive bids and quotes; however, cardholders are required to rotate their sources for supplies or services.

## 5. Purchase and Documentation

Whether a purchase is made over-the-counter, or by telephone, a document must be retained as proof of purchase. These documents later will be used to verify (reconcile) the purchase shown on the cardholder SOA issued by RMBCS at the end of the monthly billing period. If the purchase is over-the-counter, the cardholder retains a copy of the charge slip, which becomes the accountable document. If the transaction is made over the phone, the cardholder documents the transaction, which should include the vendor's name, price quote, item identification, and date of purchase. The cardholder also should request the vendor to send a receipt. This documentation is maintained for later reconciliation with the SOA. Impediments and recommendations to this step are discussed in section IV.D.

## 6. Property Accountability

Once the item has been acquired, the cardholder must so inform the office that is responsible for maintaining property records. The types of property that typically are recorded are accountable property, ADPE, and sensitive items.

The teams identified the \$300 threshold for property accountability as a non-value-added impediment to expanded use of the card. As a result, new guidance recently was released by the USD(C), a copy of which is in Appendix I. That guidance modifies the *DoD Financial Management Regulation* by raising the property accountability dollar threshold to "at least the dollar value of the micro-purchase threshold (currently \$2500)." Material that is "classified" or "sensitive" will continue to be maintained on accountable property records, regardless of cost, and DoD Components may maintain records on "pilferable" items costing less than the micro-purchase threshold.

The teams determined that the logistics and information management communities will be able to obtain information on purchases for those items mistakenly not logged by using surveillance reports and data generated by the cardholder database management and automated reconciliation system that supports the purchase card program. This issue is discussed further in subsection IV.F.3, "Surveillance by Logistics Community."

## D. Account Reconciliation Process and Responsibilities

Reconciliation is the process by which the holder of a purchase card (1) identifies questionable items for resolution and (2) verifies the cost, quantity, vendor, destination, receipt, and other pertinent information for a given transaction before transmitting payment substantiation to the billing and disbursing offices.

The cardholder is responsible for maintaining a documented audit trail for every transaction reported against his or her purchase card account. Currently, most DoD cardholders are, at a minimum, maintaining manual paper-based records for every purchase card transaction. For every card purchase, whether made over-the-counter or by telephone, a substantiating document is retained by the cardholder as proof of the purchase. These documents are used to verify the purchases shown on the cardholder's SOA issued by RMBCS at the end of each monthly billing cycle.

As cited in subsection C.6, above, the accountable document that substantiates an over-the-counter transaction typically is the customer copy of the charge slip. The substantiating document for orders placed by telephone generally is a manual log (or, where available, an automated log) maintained by the cardholder. However, telephone orders also are verified by copies of purchase requests, receiving reports, packing or shipping forms, or other documents that are retained by the cardholder.

Each month, the cardholder compares each transaction record with data appearing on his or her monthly SOA. If there are no discrepancies, the cardholder annotates each transaction to incorporate any required accounting, procurement, cost distribution, and/or management information that may be stipulated by the DoD Component responsible for administering that purchase card account.

The purchase card program currently requires that each cardholder be assigned an AO who is registered with RMBCS prior to the bank issuing a purchase card. The AO is responsible for—

- Reviewing the cardholder's monthly SOA.
- Authorizing the cardholder's purchases.
- Ensuring that the cardholder's SOA is accurately reconciled.
- Approving the SOA before submittal to the designated billing office for payment.

If a cardholder receives an SOA that lists a transaction for merchandise that has not been received, or a transaction which includes an erroneous charge (e.g., sales tax), it initially is his or her responsibility to seek vendor correction of that error. Failing this vendor resolution, the cardholder completes a Cardholder Statement of Questioned Items (CSQI), which becomes part of the transaction record. The cardholder normally submits the CSQI through the AO to the local APC, who then forwards it to RMBCS. The RMBCS credits the questioned item to the account until the dispute is resolved. If the questioned item is filed within 60 days of receipt of the invoice, RMBCS will assist in reconciling that item.

As a consequence of its operational diversity and the decentralized approach taken toward program implementation, the Department has not realized many benefits of the card or expanded its use to the full potential volume. This is because (1) the utility of the card is being artificially constrained and (2) opportunities to eliminate much of the paperwork from traditional procurement and financial reporting processes often are being overlooked.

By contrast, the envisioned reconciliation process will incorporate the following features to simplify and facilitate card usage:

- **RMBCS Download.** The automated reconciliation process will begin with weekly transmissions of transaction data from RMBCS to DMDC. Because RMBCS is unable to offer its flat file data in a format that is user friendly to cardholders, DMDC will develop capabilities to download all DoD transaction data as a flat file and then translate that data into user-friendly formats. The DMDC will serve as the liaison between the purchase card contractor and the Department, which provides a single office of primary responsibility for DoD-wide surveillance, trend analysis, metrics, and reporting.
- **DMDC Database Accessibility.** DMDC formatted data will be accessible by authorized users (e.g., cardholders, RMOs, or APCs) throughout the Department via modem connection (e.g., Internet or electronic bulletin board). Any DoD activity that currently has the capability to extract data directly from RMBCS may continue to do so. Activities lacking the connectivity or equipment to access data via DMDC should make arrangements to acquire data from DMDC through other levels of their organization or through other activities. Depending on local capabilities, users will be able to access their data using one of at least three methods:
  - ◇ Electronic transmission from the DMDC into the cardholder's personal computer (PC)-based database management and automated reconciliation system. This system is described in more detail below.
  - ◇ A client/server configuration. The client segment, the automated reconciliation/database management system, would run on a local area network (LAN) terminal. Users would access the DMDC database "server" via the Internet. Data would reside at the DMDC database.
  - ◇ Real-time use of a "dumb" terminal, using character-based software for direct on-line access to the DMDC database.

These three options should serve virtually any DoD activity with access to a PC and a modem. However, the link to the DMDC-formatted transaction data is only part of the reconciliation process (see Impediments and Recommendations, below).

- **Cardholder Record of Transactions.** Another critical step in the reconciliation process requires that cardholders record each transaction. This documentation will be accomplished using a LAN or stand-alone version of the database management and automated reconciliation system. Cardholders will enter transaction information for each use of the card and select, from user-friendly pull-down menus, such data elements as standard descriptions of items or services purchased, vendor information, and associated accounting data. The system will display the profile accounting information specified when the cardholder's account was established. Cardholders then can either accept their

default accounting codes or select other valid codes from pull-down menus. Each time the cardholder enters a transaction, the system automatically will draw down the available funding balance from the initial bulk commitment amount.

- **Automated Reconciliation.** At least monthly, cardholders will access the DMDC database using one of the options described above. The automated reconciliation system then will match this “electronic SOA” against the cardholder’s automated transaction record. The system will produce a discrepancy report listing entries that the cardholder must resolve. To complete the reconciliation, cardholders must verify receipt of goods or services, address any discrepancies, and identify questionable or pending items. (See Impediments and Recommendations, below.)
- **Automated Payment Invoice.** The reconciled “electronic SOA” will be routed electronically to the cardholder’s designated billing office, where the system automatically will consolidate transactions by appropriation. (See section IV.E regarding establishment of the designated billing office with responsibility for invoice certification.) On a monthly basis, the billing office will certify this consolidated data as an “electronic invoice” for transmission to the servicing disbursing office for payment. (See Impediments and Recommendations, below.)
- **Agency Program Coordinator Responsibilities.** Currently, the APC has overall responsibility for implementing and managing the purchase card program within each DoD activity. According to the GSA contract, each using agency must designate an APC, who functions as the agency’s primary liaison to RMBCS and GSA and represents the activity on technical and administrative matters relating to the GSA contract. Within each organization, this individual has overall responsibility for the purchase card program within limits of his or her delegated authority. The APC also—
  - ◇ Is responsible for account setup, account maintenance/cancellation, report selection and distribution, contract orders, merchant activity controls, development and administration of the agency’s purchase card training program, and overall program oversight.
  - ◇ Ensures compliance with the GSA contract, the FAR and other applicable regulations and statutes, and any applicable funding controls.
  - ◇ Receives some reports exclusively. The cardholder and billing office receive reports that pertain only to the billing requirements submitted for payment.
  - ◇ Has exclusive online access to RMBCS files through its Remote Access System.

- **Management Reports (via RMBCS, DMDC, Database Management System).** Expediting dissemination to and facilitating use of RMBCS reports and accounting data by end-users are urgent needs. To achieve this, DMDC—in coordination with RMBCS—will examine and develop capabilities to download all preformatted RMBCS reports [e.g., Disputed Transaction Status by Agency (F107), Quarterly Merchant Activity Report (R900), or Daily Transaction Report (G067)] via SUPERTRACS (or some alternative means), as well as all DoD transaction data as a flat file, and then translate this data into a user-friendly format. This formatted data will be accessible by authorized users (e.g., cardholders, RMOs, and APCs) throughout the Department. (See Impediments, paragraph 5, and Recommendations, paragraphs 2 and 3, below.)

## **IMPEDIMENTS:**

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The Department lacks a standardized cardholder-level reconciliation system. To date, no DoD-wide standardized cardholder database management and automated system has been prescribed. Because purchase card implementation within the Department has been decentralized, various local systems have evolved to accommodate the cardholder, the AO, and other needs. The absence of a well designed cardholder system creates a major impediment to greater card usage. While each locally developed system currently addresses certain common functions, each is different to the extent that it has been customized to (1) meet the real and/or perceived management information needs of the DoD activity and (2) ensure the integrity of that activity's financial management system. Some of these cardholder level systems are highly inefficient, cumbersome, time consuming and paper intensive—sometimes requiring multiple levels of review and, in some instances, duplicating the reconciliation function.

DoD operating programs are highly diverse, making them inherently resistant to a standardized “one-size-fits-all” approach to purchase card implementation. Mirroring this environment, purchase card implementation within the Department has been decentralized and uncoordinated. Program control currently rests with each DoD Component and typically is delegated to subordinate procurement organizations.

Exacerbating this nonstandard implementation are cumbersome, multilevel, labor-intensive reviews; in addition, reconciliation requirements and disputes resolution procedures are time consuming, costly, and discourage card usage. (See section E, Billing Office, Impediments.) Excessive oversight discourages card use and creates needless delays in both the acquisition and payment processes. For example, under the “As Is” process, payment to RMBCS is reliant upon timely completion of the reconciliation process. Because their reconciliations are untimely, a number of DoD activities are experiencing significant delays in invoice payment and, consequently, are incurring substantial interest penalties under the Prompt Payment Act (Public Law 97-177).

Existing reconciliation and reporting systems do not share a common database structure or data fields that facilitate automated reconciliation and reporting within the official accounting system.

Finally, the dissemination of RMBCS reports through conventional mail in hard-copy format diminishes their utility and the users' ability effectively to manipulate, customize, and analyze data.

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## RECOMMENDATION IV-13

The DEPSECDEF shall issue the following DoD-wide minimum core standards and policies for purchase card account reconciliation to simplify and expedite both the transaction validation and disputes resolution processes.

1. Eliminate multiple layers of review. There shall be no more than one level of reconciliation above cardholders having “per-purchase” limitations of \$2,500 or less.
2. Redefine and expand the functions and responsibilities of the local AO, APC, and RMO within the context of the purchase card program as follows:
  - **AO**—Serves as the “after-the-fact” reviewer relative to micro-purchases (but precluding prepurchase approval for purchase card transactions at or below the micro-purchase threshold). The AO shall precertify SOAs to the servicing RMO, thereby attesting to the government’s need for, and receipt of, items purchased. Upon successful implementation of both (1) a standard cardholder database management and automated reconciliation system (Recommendation IV-17) and (2) an accessible knowledge-based system of automatic edits and statistical testing (Recommendation IV-24), the AO function will be redefined and expanded to include the billing office and payment certification functions. (These functions currently are performed either by the RMO or the disbursing officer.) In the “To Be” model, properly certified invoices will be forwarded by the responsible AO through an intelligent system directly to the servicing disbursing office for payment.
  - **APC**—Responsible for overall program implementation, recurring quality assurance reviews (which may be reassigned), and followup on any potential problems detected through use of a knowledge-based computer screening process or routine random sampling (Recommendation IV-24).
  - **RMO (or Equivalent)**—Establishes controls to ensure adherence to funding limitations established by user activities. Also, until the assumption of billing office responsibilities by the AO, the RMO serves as the billing office, assures proper posting of cost adjustments and obligations, and certifies invoices prior to payment by the servicing disbursing office.
3. Establish documentation requirements as follows:
  - Documentation received by cardholders from merchants to support transactions using the purchase card will be retained for 3 years. (Note: the DUSD(AR) should address this retention period with a view to reducing its length.)
  - Documentation at cardholder level to support the cardholder certification forwarded to the billing office will be retained for 3 years. This documentation includes—
    - SOAs from RMBCS.
    - Cardholders manual and electronic logs of purchases.
  - Documentation at the billing office level supporting a certified invoice for payment will be maintained for a period of 6 years and 3 months. This documentation includes—
    - Certified RMBCS invoices.
    - Certified statements or electronic files received from cardholders supporting the cardholder amount on the invoice.
    - All notices of invoice adjustment (NIAs) that change the amount of the invoice.

Note: The establishment of recommended standards and policies shall not negate the prerogative of the local activity commander to establish internal management controls, as appropriate, to address specific vulnerabilities unique to his or her activity and/or programs.

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**RECOMMENDATION IV-14**

The USD(C) shall request RMBCS to transmit weekly electronic (flat file) downloads of all DoD transactions to DMDC, which will, in turn, reformat that data and make it available via modem (Internet, electronic bulletin board or E-mail) to end-user organizations (e.g., cardholders, billing offices, and APCs). The DMDC shall serve as a centralized point of contact for data transfers between the purchase card contractor and the Department.

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**RECOMMENDATION IV-15**

The USD(C) shall request DMDC, in coordination with RMBCS, to examine and develop capabilities to download all RMBCS reports via SUPERTRACS or an alternative mechanism and translate this data to user-friendly formats. This formatted data could be accessed by authorized users (e.g., cardholders, RMOs, or APCs) throughout the Department. End-users who do not possess required connectivity can obtain reports via other levels within their own activities or continue using hard-copy reports or disks distributed by RMBCS. The transaction data shall be accessible to each cardholder who uses a designated "migration" purchase card management and automated reconciliation system.

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**RECOMMENDATION IV-16**

In an effort to streamline the purchase card process pending the proliferation of standard Department-wide purchase card management and automated reconciliation system, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD(C3I)) shall direct that (1) a moratorium on development of new systems and (2) those activities, which currently do not have automated reconciliation systems, to adopt an existing "migration" system that best meets the needs. Evaluation and selection of a system should be done in coordination with DMDC and the DFAS Deputy Director for Information Management.

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**RECOMMENDATION IV-17**

The ASD(C3I) shall direct the formation of a DoD interdisciplinary task group to oversee the development or selection of a standard Department-wide purchase card management system.

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## E. Finance and Accounting

### 1. Billing Office Functions

The RMBCS Financial Summary Report (R063) is the official invoice submitted to a designated billing office for payment purposes. The billing office initially is designated when an account is established with RMBCS. Within the Department, designated billing offices vary to include the AO, APC, or DFAS. As a result, the current reconciliation process involves multiple reviews and approvals of the R063, thereby creating redundancy in invoice reconciliation and delay prior to official certification for payment. As an

example, when a DFAS activity is the designated billing office, that office (as well as the cardholder and the AO) performs a complete reconciliation.

The R063 typically is received from RMBCS in hard-copy format, even though the existing contract offers refunds for electronic receipt of invoices and electronic transmission of payments. Upon receipt, the billing office stamps the current date on the invoice and is required, under the Prompt Payment Act (PPA), to effect payment not more than 30 days after the receipt date. The billing office reviews the R063, comparing charges on the invoice with data from an R090 report (Business Summary) and the cardholders' SOAs. This review ensures that (1) each transaction has been approved for payment, (2) a copy of the CSQI is attached if a transaction is being disputed, and (3) funds are available. The billing office also may need to prepare a cost distribution report summarizing lines of accounting data that were generated to support local management needs for cost information at the cost center level. Additionally, a Notice of Invoice Adjustment (NIA) is required if an invoice is adjusted for disputed items. The billing office then forwards this information to the servicing DoD disbursing officer for certification and payment of the invoice.

Generally, the disbursing officer has been responsible for the certification of invoices for payment. Certification of the invoice payment necessitates a review of the transactions against the official accounting records to ensure that funds have been "formally reserved" for purchases and that the correct type of funding was cited. The dysfunctional establishment of negative unliquidated obligations (NULOs) and unmatched disbursements (UMDs) occur when fund reservations are not established or cannot be identified in the accounting systems.

A recent legislative change (see Appendix J) permits the appointment within the Department of certifying officers, with pecuniary liability, other than of the disbursing officer. This change will permit the appointment of local (installation/activity) officials as certifying officers for purchase card invoices. While the teams acknowledge that this delegation of certification authority to the local level involves a shift in responsibility, there is little if no increase in AO workload. In addition, the implementation of this report's recommendations to streamline the purchase card process will—in the aggregate—serve to reduce overall procurement and financial management workload at activities.

#### **IMPEDIMENT:**

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**Inconsistent Designation of Billing Offices.** The designation of billing offices is not consistent throughout the Department. This inconsistency has led to problems such as the untimely processing of invoices, difficulty in documenting and tracking adjustments to billed amounts, problem cost distributions, and redundant invoice reviews.

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**RECOMMENDATIONS IV-18**

The DEPSECDEF shall direct that the R063 invoice be received electronically whenever possible.

Electronic receipt of the R063 will streamline the reconciliation process and facilitate the expeditious processing of bills, thereby maximizing potential refunds from RMBCS.

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**RECOMMENDATION IV-19**

The DEPSECDEF shall mandate that purchase card invoice certification authority be delegated to the billing office pursuant to 31 U.S.C. 3325.

Designating the billing office as the certifying officer will consolidate accountability and responsibility for the certification of RMBCS invoices within a single office. This delegation eliminates redundancy in reconciliation and review and facilitates timely payments.

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## 2. Accounting

### a. General

Accounting is the process of classifying, recording, analyzing, and reporting financial data to ensure the proper, efficient, and effective use of government resources. The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) and other statutes, regulations, and standards drive the requirements for governmental accounting. Information contained in DoD accounting systems is segregated by fund type (e.g., annual appropriation, or revolving or trust fund) to (1) support development of Future Years Defense Plan (FYDP), Program Objective Memoranda (POMa), and budget submissions; (2) report performance metrics as required by the Government Performance and Results Act (GPRA) and NPR; (3) monitor budget and project execution at the activity level; and (4) bill and collect for sales and reimbursable orders.

DoD managers depend on the accuracy and timeliness of data from the supporting accounting systems. Thus, one goal of accounting systems design is to reduce manual input through the use of single (source) data entry processes. This means that transaction data are entered only one time but are used to populate multiple systems or modules (e.g., a contracting officer enters data into the procurement system; the related financial data are then interfaced to the accounting module without rekeying that data). Ideally, data originating outside of the financial management community are entered into systems from functional systems through automated interfaces.

The LOA is used to facilitate accounting for the Department's various fund types by identifying classification information associated with each financial transaction. This alpha-numeric string of data represents information that links (and provides) an audit trail between the funds used and the activity that creates the financial transaction.

The construction of data elements in the LOA also identifies costs to the appropriate

cost centers to (1) track and bill reimbursable orders; (2) develop standard pricing for revolving and trust fund products; and (3) provide information for management decision making. The LOA also gives the supporting accounting offices the necessary details to properly account for funds, such as matching invoices to obligations prior to disbursements (prevalidation). The LOA detail is summarized in the general ledger for financial reporting purposes, e.g., CFO statements and budget submissions.

**b. "As Is" Process**

The purchase card program was implemented by DoD activities within existing acquisition, logistical, and financial processes. Although use of the purchase card has created a paradigm shift in the acquisition process, the need still exists for timely payment and financial data to support management decisions, track budget execution, and maintain accounting integrity. Also, the object class in the LOA provides information related to the nature of the costs (e.g., personnel, supplies and services).

Currently, purchases with the card fall into four basic object classes: printing (24), services (25), supplies (26), and equipment (31). Each DoD Component further subdivides the basic object classes into elements of expense to garner additional detail about the nature of the cost and includes those data in the LOA ostensibly to monitor budget execution at the installation, project, or work order level. The LOA normally is obtained from contract and requisition data for entry into the accounting system.

Expansion of the purchase card program has dramatically increased the number of transactions—with significant growth still to come. In response, many DoD activities have developed local systems to assist cardholders or resource managers to perform necessary reconciliations. Few systems were developed to facilitate financial system updates, although some activities have initiatives to link their supporting financial systems. While some systems summarize the financial transactions to a program or project level, thereby reducing the number of entries required, most do not contain this functionality. It is not uncommon that each transaction line on the SOA is annotated manually with an LOA. Although separate LOAs capture information required for financial management, many LOAs are created and entered into the official accounting system to satisfy program management needs. The input of that information into the accounting system(s) becomes time consuming and prone to error because of a lack of automated interfaces.

**IMPEDIMENTS:**

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- A. A streamlined business practice for capturing detailed accounting data has not been implemented throughout the Department. By overlaying existing rules and procedures—rather than reinventing them for purchase card use—many DoD activities continue to follow cumbersome approval and funding procedures for processing requirements.
- B. Many activities continue to assign a separate LOA to each purchase card transaction. The data in the LOA contain more than just the type of funds and the object class. The LOA also may contain data elements that identify costs to cost centers, reimbursable projects, job order

numbers, and accounting stations. As discussed in subsection IV.E.3, below, the use of multiple LOAs increases labor intensiveness and the likelihood of transcription errors in the SOA and invoice reconciliation process and adds cost to the payment process. The DFAS must manually post an accounting transaction for each LOA—at a current cost of \$23.46 per line to the supported DoD activity.

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**RECOMMENDATIONS IV-20**

The USD(C) shall direct—

- A. The recording of summary-level financial data in those cases where there is no compelling argument to collect more detailed data. (One LOA per card is a practical method to accomplish this objective.)
- B. That when more detailed accounting, budget, or managerial data are required (e.g., object class, element of expense, multiple appropriations or funds, cost distributions, budget execution, or standard pricing data), the cardholder’s automated reconciliation system should summarize card purchases to each unique LOA. This automated reconciliation system should minimize manual efforts associated with the reconciliation and posting of these financial transactions. Absent this automated system, DoD activities shall summarize accounting data by LOAs, to the maximum extent possible, before submitting accounting data to DFAS for entry into the disbursing and accounting systems.
- C. The DFAS to coordinate and develop an automated interface between the automated cardholder reconciliation system(s) and the supporting accounting system(s) in order to record card transactions necessary to track activity or project costs and to facilitate the posting of accounting transactions. Within the capabilities of the cardholder purchase card management and automated reconciliation systems, LOAs should be summarized prior to their entry into the official accounting system.

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**RECOMMENDATION IV-21**

The USD(C) shall mandate that the DoD Components summarize accounting data (e.g., object class data) to the maximum extent possible prior to submission of payment requests to the disbursing office. (This draft recommendation was incorporated into Recommendation IV-20.)

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**RECOMMENDATION IV-22**

Adopt a single object class for micro-purchases.

This draft recommendation was withdrawn. Components stated that object class information was needed by activities to monitor installation-level budget execution, provide data to congressional requests, satisfy OMB requirements, and support budget formulation. ODoDIG concluded that statistical sampling to provide this object class data at the installation level was inefficient. Furthermore, ODoDIG found that the Services were rapidly developing automated systems to track purchase card transactions. Some of these automated systems contained the needed functionality to identify and aggregate object class data. Therefore, continued use of object class data should pose little workload burden upon DFAS.

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### 3. Invoice Processing and Payment

The GSA contract with RMBCS serves as the authorization for the purchase card program, including payment of the RMBCS invoice. The official invoice from RMBCS (the R063 Financial Summary Report) is issued for each billing cycle. The invoice, usually consolidated at the DoD installation level, reflects the AO and cardholder summary-level information. The requirements of the PPA and OMB Circular A-125, "Prompt Payment," apply to the RMBCS contract. Each cardholder receives a detailed SOA from RMBCS for each billing cycle and must verify that SOA against his or her purchase card transaction records and then validate the statement for follow-on certification and payment. The RMBCS program offers incentives to customers who agree to receive statements electronically and make payments via electronic funds transfer (EFT).

No standard invoicing and payment procedure exists throughout the Department for processing RMBCS invoices. The basic payment process for all types of commercial invoices requires the matching of three documents: (1) a proper invoice, (2) a contract, and (3) the receiving report(s). This matching provides the traditional separation of duties (i.e., internal controls) to assure proper payments and reduce the likelihood of fraud. Matching can be accomplished electronically as long as the necessary internal controls are part of the total process. Also, within the financial management community, certification for payment function duties and disbursement function duties must be separated for internal control purposes.

Under the current purchase card program, each DoD activity establishes its designated billing office, which may or may not be the paying office, to receive the RMBCS invoice. The destination of these invoices varies and includes the AO, the APC, the installation RMO, or the DFAS OPLOC. The individual who receives the invoice may be a financial person, a contracting person, or an individual in another professional series. Therefore, the receipt of the invoice is occurring at different places by individuals with varying skills. This is significant because the receipt of the invoice starts the PPA "clock" (i.e., day 1 of 30 days and may result in early calculation of the 30-day payment "window," with associated interest penalties in cases of untimely payment. The method of receiving the RMBCS invoice is a nonstandard process; therefore, receipt of these invoices is an impediment.

The reconciliation process begins upon receipt of the RMBCS invoice. Of the three required documents cited above, the receiving report represents the most significant challenge to timely and effective invoice payment. Reconciliation of the SOA (in effect the receiving report) to the invoice currently is performed at as many as five levels before payment of the invoice. At some locations, the invoice is sent to the DFAS OPLOC

together with supporting certified cardholder statements before payment is issued. In this scenario, payments may be delayed until all cardholder reconciliations are received in order to match with the invoice. Such delays often require followup requests from the DFAS OPLOC through the APC with replies returned through those channels. The incidence of interest penalties is a frequent result of this inefficient process.

The entry of LOAs for purchases listed on the official invoice range from (1) entering separate or summarized lines directly on the invoice; (2) including a summarized attachment to the invoice; and (3) sending cardholder statements with lines of accounting, manually noted on the reconciled statements, for consolidation at the DFAS OPLOC. Reconciliation is redundant, with repetitions at each level (often a manual process) from the cardholder to the paying DFAS OPLOC. Also, invoices often are adjusted before payment rather than allowing the CSQI process (previously discussed) to be completed. These adjusted items become difficult to track and, if approved, appear on subsequent invoices, thereby distorting the current invoiced amount. Almost invariably, the questioned items ultimately result in payment due; however, they never appear on subsequent invoices, which reflect only transactions within the billing cycle. The fact that cardholders must “trigger” payments against formerly disputed items frequently results in late payment penalties.

Of course, the incidence of late or partial payments precludes DoD activity receipt of refunds from RMBCS. Depending on a cardholder’s deductions on the SOA, the amount certified for payment is reduced, thereby creating a partial payment. Typically the partial amount on the initial invoice is subsequently adjudicated as due and payable, thereby generating an interest penalty when paid. Those questioned items that are resolved are added to the following monthly invoice amount and paid; however, the disputed items must be tracked until resolved to the original invoice. The RMBCS does not reissue invoices for questioned items, nor do the invoices cite beginning balances. Furthermore, according to the *APC Guide*, the NIA form must be prepared and provided when any portion of the invoice is not paid. After the invoice is reconciled with the SOAs and matched to the contract requirements, the certification is performed, again typically by DFAS. In summary, the reconciliation process is very cumbersome and not standard, resulting in an impediment.

After reconciliation, the certification and payment processes occur. The certifying officer is responsible for verifying that payments made by the government are legal, proper and correct. The certification process includes the prevalidation of obligations, i.e., ensuring that funds are available for each LOA placed on the invoice. A certifying officer is held personally accountable and pecuniary liable for the certified accelerated payments.

Currently within the Department, both the certification and disbursement functions are performed by a DoD disbursing officer (e.g., a DFAS OPLOC). After certification, the payment is scheduled and disbursed. The current method of payment to RMBCS typically is by Treasury check (with only limited use of EFT). However, some organizations in the Federal Government pay these invoices upon receipt and later reconcile the SOAs to the invoice, (i.e., disputes are delayed since, under the GSA contract, they can be entered up to 60 days later). The “delayed dispute” approach allows for faster payment, avoids PPA

penalties, and maximizes the bank refunds. However, the certifying officer in such cases incurs a modicum of additional personal risk and responsibility. Because the reconciliation and certification processes also are nonstandard, they are additional impediments.

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**IMPEDIMENT:**

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The impediments noted above, which emanate from existing DoD Component processes under the purchase card program, can be improved upon (if not eliminated) by adopting the following recommendations. These recommended solutions are provided to streamline the process; remove impediments; and make invoice reconciliation, tracking, and payment more efficient and effective.

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**RECOMMENDATION IV-23**

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Cardholders will reconcile their SOAs to individual purchase records, and the billing office will reconcile the SOAs to the invoice. Any questioned items will be resolved by the cardholder or designated dispute office. However, to effect payment, the billing office must certify the invoice, summarize the LOAs, and forward them to the supporting disbursing office. The disbursing office shall reconcile only the total of the LOAs against the total invoice amount. Any discrepancies will be worked out with the applicable RMO.

- A. **Accelerated Invoice Reconciliation Process.** The DEPSECDEF shall mandate a standard accelerated invoice reconciliation process. (Recommendation incorporated in Recommendation IV-19.)
  - B. **Delayed Dispute Process.** The DEPSECDEF shall mandate that a Cardholder's Statement of Questioned Items and subsequent Notice of Invoice Adjustment shall not be filed in cases of nonreceipt of recently ordered goods prior to (1) receipt of the subsequent monthly invoice and (2) attempts to resolve such cases directly with the vendor.
  - C. **Standard Invoice Payment Process.** The USD(C) shall mandate that DoD disbursing offices, which pay purchase card invoices, receive certified invoices electronically for processing and make payments by electronic funds transfer. Payments will be scheduled in accordance with the PPA and OMB Circular A-125 to maximize the refunds from RMBCS.
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## F. Surveillance and Management Oversight

### 1. Card Misuse Detection Program

The controls currently in force to ensure payment accuracy and appropriate use of the purchase card include—

- The cardholder's dollar transaction and billing cycle spending limits.
- The merchant type codes authorized or blocked for purchase card use.
- The office billing cycle spending limit.
- The cardholder's reconciliation of the SOA.
- The AO's verification of the SOA and the Master Account Summary Report (R090).

Many DoD activities that use the purchase card do not maintain a formal in-place surveillance system to detect purchase card misuse. A few Federal agencies (e.g., the U.S. Department of Agriculture and the U.S. Postal Service), have developed systems to provide a surveillance capability to aid them in identifying potential purchase card abuse.

The U.S. Postal Service, for example, developed the Inspection Service IMPAC Scanner (ISIS), an automated query and ad hoc reporting program used as an investigative tool by the Postal Inspection Service. It is available as a desktop oversight tool for postal inspectors; APCs' area and district finance managers; and purchasing, materials, and finance personnel at the headquarters level. ISIS provides access to RMBCS transaction-specific data for each cardholder and AO that are summarized by merchant name, merchant city, date of transaction, standard industrial classification (SIC) code, and dollar value or range of dollar values. ISIS offers a simple, effective analytical and oversight capability for the IMPAC program.

The retention period for auditable billing files is 6 years and 3 months (Ref: *GAO Policies and Procedures Manual for Guidance of Federal Agencies*, Title 8, General Records, Schedule 6). The time frame between payment and reconciliation of the purchase card program is very short in contrast to more traditional government purchasing methods. Consequently, retention requirements for the purchase card program must be reevaluated.

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**IMPEDIMENTS:**

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No standardized DoD-wide automated system, investigative procedure, or instruction is designed specifically to detect fraud or misuse of the purchase card. With the proposed elimination of preapprovals for card usage, an additional tool is needed to maintain a reasonable level of risk.

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**RECOMMENDATION IV-24**

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The USD(C), as an extension of the Operation Mongoose initiative, shall task and fund DMDC to process and distribute data from the RMBCS Statement Detail Record Layout (997 flat file) against a knowledge-based protocol to assist in detecting purchase card misuse.

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**RECOMMENDATION IV-25**

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The USD(C) shall request the Department of Defense Inspector General, Quantitative Methods Division (DoDIG/QMD), in coordination with the DMDC and internal control and audit communities, to develop a standardized methodology to evaluate purchase card usage and provide sampling techniques that follow transactions through to end-users.

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**RECOMMENDATION IV-26**

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The DEPSECDEF shall direct that local commanders implement sufficient, nonimpeding, adaptive local internal controls to assure that purchase card misuse and fraud is minimized.

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## 2. Oversight/Surveillance

Currently, a strong post-transactional internal control exists for every purchase card transaction. Each cardholder has an AO who is responsible for, at a minimum, reviewing the cardholder's monthly statements and verifying that all transactions were for necessary government purchases and in accordance with the FAR, DFARS, and the organization's FAR supplements and internal procedures. In some cases, after AO review, a monthly review is performed by the APC and the RMO. Additionally, an organization's purchase card program may be assessed annually as part of the Management Control Program (DoD Directive 5010.38). External and internal reviews of program compliance also are conducted. Reviews in the form of audits are conducted on all the micro-purchases; these may include procurement management reviews (PMRs). A PMR is a review by an experienced contracting group outside the local organization—usually every 3 years. Other unscheduled external audits include those by the General Accounting Office (GAO), ODoDIG, Service audit agencies, and the like.

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### **RECOMMENDATION IV-27**

The DEPSECDEF shall direct that the DoD Components include reviews of purchase card transactions as part of each activity's management control process.

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## 3. Surveillance by Logistics Community

Traditionally, most DoD Components and activities route requisitions through their logistics or supply offices prior to making purchases. In many organizations today, this administrative requirement is being applied, as well, to purchase card transactions.

### **IMPEDIMENTS:**

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The blanket requirements that cardholders (1) check with logistics/supply personnel prior to purchase and (2) ensure identification of accountable items, are impediments in utilizing the purchase card. These steps create a disincentive for card use and often delay the procurement process by several days, thereby defeating the streamlined process for which the card was developed and intended. The following recommendations address the management oversight function of surveillance by the logistics community.

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### **RECOMMENDATION IV-28**

The DEPSECDEF shall require, upon fielding of the standard purchase card database management and automated reconciliation system, that functional managers with program oversight be given read-only access to surveillance reports and data generated by the automated systems supporting the purchase card program.

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### **RECOMMENDATION IV-29**

The Heads of the DoD Components shall direct subordinate organizations to revise internal procedures to ensure wide adoption of the new property accountability threshold.

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## V. CONTRACT PAYMENT

### A. Introduction

This chapter addresses the use of the purchase card as a method of payment for existing, separately funded contracts above the micro-purchase threshold. The phrase “use of the purchase card as a method of payment” is further clarified for the teams’ purposes by adding the word “authorization”—thus making the purchase card “a method of payment authorization.” This clarification is helpful because, at the time of vendor payment by the card issuing bank, there is no expenditure of Federal funds. The purchase card contractor, as part of the services it performs under the GSA contract, provides the vendor payment function. The Department, in turn, pays the purchase card contractor on a disbursement voucher that reflects all pertinent LOAs and liquidates the underlying obligation(s).

The format of this chapter varies somewhat from other sections of this report because no current model exists to serve as a baseline for a revised process. To develop a baseline for its review, the PCFMT performed a detailed analysis of the steps involved in the current contract payment process. It then identified changes required in this process if the purchase card were to be the method of payment in order to highlight differences. The analysis in section V.B, below, identifies acquisition requirements pertinent to the process, and section V.C identifies key processing changes identified in the “To Be” model. The summary analysis and conclusions are in section V.D.

After a review and analysis of current practices and statutory requirements, the two teams propose to (1) expand the use of preapproved clauses and provisions through \$25,000 and (2) permit (but not mandate) the use of the purchase card as a payment method when determined to be in the best interest of the government (e.g., when placing orders from established long-term “corporate” contracts). The envisioned processes make use of current initiatives in electronic commerce (EC), electronic data interchange (EDI), and the newly enacted certifying officer legislation. These revised processes also make use of the experience and analysis conducted as part of the micro-purchase reviews. It must be emphasized that, as the Department moves to full implementation of EC/EDI in the acquisition and finance communities, any benefits from using the purchase card solely as a payment vehicle will diminish. This is because the card will constitute an additional, redundant step in a fully reengineered EC/EDI process.

## B. Acquisition Requirements

The Federal Acquisition Streamlining Act of 1994 established a micro-purchase threshold of \$2,500 and significantly changed the requirements for acquisitions at or below this level. Through use of the governmentwide purchase card, the acquisition process for micro-purchases has been simplified to the point where additional contract documents—either paper or electronic—are no longer required. Basically, cardholders need only to (1) comply with the FAR Part 8 to screen for required sources of supplies and services and (2) ensure that prices are fair and reasonable. Above the micro-purchase threshold, however, additional statutory and regulatory requirements apply that must be communicated to vendors as terms and conditions in a contract or agreement—usually in the form of clauses. Essentially, these requirements limit purchase card use above the micro-purchase threshold to a mechanism for vendor payment in conjunction with a separate contractual document or agreement. In other words, the card cannot be used alone above the established micro-purchase threshold.

These additional statutory and regulatory requirements are detailed below according to applicable dollar ranges using the Procurement Procedures Decision Tree located in Appendix K. Generally, the increased requirements above the micro-purchase threshold generate additional actions to be performed involving warrants and training, procurement notices, competition, contract file documentation, issuance of contractual documents or agreements, and reporting. These requirements progressively complicate procurements above the micro-purchase threshold with each increase to the next dollar range and create a barrier to extending significantly the use of the purchase card—except as a payment vehicle—for procurements at higher dollar levels.

Purchase card usage could increase if procurement procedures for acquisitions above the micro-purchase threshold are simplified further to resemble more closely those used for micro-purchases. The dollar range with the fewest restrictions and largest target of opportunity is that immediately above the micro-purchase threshold up through \$25,000. In this range, oral solicitations are recommended because no requirement exists for public posting of procurement notices for such solicitations. Unless a required source of supply or service applies (e.g., FPI or NIB/NISH), essentially the only requirements when using oral solicitations are that a warranted person using simplified acquisition procedures document competition between small businesses, incorporate mandatory clauses, and report the action on a DD Form 1057. In this case, the mandatory clauses and subsequent certifications drive the requirement for a contractual document or agreement indicating acceptance of the clauses.

In discussions with representatives of various DoD activities, the teams found that some currently are using an innovative method that satisfies the requirements associated with the mandatory clauses, yet allows use of the purchase card when placing verbal orders. For example, both DMA and the Defense Supply Service-Washington (DSS-W) provide certificates annually to small businesses that identify the required clauses and certifications, and through signature and return, document agreement that the clauses are incorporated and made a part of each purchase card transaction. In addition, the Army Logistics

Management College has developed a standardized form with attached certifications for use by DoD activities. Using such techniques, warranted personnel may place verbal orders up to \$25,000 and make payment with the purchase card without issuing written purchase orders. Although the use of such techniques is restricted to warranted personnel, it does allow timely satisfaction of needs with minimal documentation. It also should be noted that both DMA and DSS-W use “bulk funding” via an obligation authority document that is provided to the contracting office from the requiring organization. The result is a streamlined process in that purchase requests are no longer routed through financial channels prior to placing orders.

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**IMPEDIMENT:**

Statutory and regulatory requirements for acquisitions above the micro-purchase threshold result in the need for a separate contractual document or agreement to express appropriate terms and conditions. This limits the purchase card to a payment vehicle rather than a “stand-alone” purchasing and payment method as it is for micro-purchases.

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**RECOMMENDATION V-1**

The USD(A&T) shall identify in the “Desk Book”—as an alternative “best practice”—the use of agreements that document vendor preacceptance of clauses and provisions for procurements above the micro-purchase threshold through \$25,000. The “Desk Book” should provide an example agreement and a suggested listing of clauses and certifications.

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### C. Changes To Adopt the “To Be” Model

When the purchase card is used as a payment card for an existing contract above the micro-purchase threshold, the basic procedures used today remain essentially unchanged. These procedures include requisitioning, item-specific procurement approval, funding and accounting line-item identification, funds availability and certification, and contract award.

The major change in the payment process from the baseline model (i.e., not using the card) occurs upon contract award because different terms and conditions will be required when contracts are paid by purchase card. Specifically—

- The use of the purchase card as a method of payment will have to be authorized in the contract when issued.
- The “bill to” address will no longer cite a finance office or billing office. Instead, the cardholder’s office will be identified in the “bill to” block as the point of contact for the vendor to use when requesting payment against the contract and to resolve questions relative to payment by the purchase card.
- No reference to the “Prompt Payment Act” will be made in a contract or purchase order written for payment by the purchase card. Vendor payment is effected between the vendor’s bank and the VISA network, not by the purchasing DoD activities.
- Additional distribution of contract award information (electronic or hard copy) both to the cardholder and the designated billing office will be

required. The cardholder must track balances towards liquidation of the contract and identify the line(s) of accounting on his or her SOA at the end of each month. The designated billing office will receive a copy of the contract to verify the line(s) of accounting identified by the cardholder.

Upon receipt of the contract, the cardholder will establish a record in his or her automated cardholder reconciliation system using the contract number and LOA for tracking and reconciliation purposes. The vendor will notify the cardholder of completion or performance against the contract. The cardholder will be required to validate or verify performance in accordance with the terms and conditions of the contract. The current voucher examination/contract payment functions will transfer from contract administration and the disbursing office to the cardholder. These functions include the current process of matching the vendor invoice with the entitlement on the contract and the verification of receipt of the item or service.

Once the cardholder provides the purchase card number and authorizes the payment, the vendor can process the transaction and receive payment (less the bank interchange fee) through the bank card network (currently VISA). The cardholder then updates the automated cardholder reconciliation system to include—

- Initiating and receiving a download of data from the DMDC on a weekly basis that reflects transactions processed through RMBCS.
- Ensuring the update of all required data.
- Performing the cardholder reconciliation of entries in the automated system for items ordered to the items cleared through the bank.
- Maintaining documentation to aid in reconciling his or her monthly SOA and providing an audit trail for the purchases.

The cardholder will receive an electronic SOA, and the billing office will receive an electronic invoice (currently the RMBCS RO63). The receipt date of the electronic invoice will determine the payment due date. In order to ensure compliance with the Prompt Payment Act, certification for payment, at times, may be in advance of receipt of cardholder information.

Upon completion of the SOA reconciliation by the cardholder, the standard database management and automated reconciliation system will transmit the following to the billing office:

- Certification of receipt.
- Summarized accounting lines (fund cites).
- The long line of accounting for contract payments, including the contract number, the accounting classification reference number (ACRN), and the obligating document number to be liquidated.

The billing office will consolidate the cardholder statements and forward the following data elements electronically to the disbursing office:

- An electronic certification/signature (note that certifying officer liability applies hereto).
- The detailed lines of accounting to support the payment, including the long lines of accounting and contract numbers being certified.

The disbursing office will receive the certified file for payment from the billing office, verify that the sum of the accounting lines equals the invoice amount, and ensure that the accounting line items are valid and can be processed for payment. The disbursing office then will prepare the voucher for payment, prepare the EFT transfer, and transmit the EFT payment to the card-issuing bank. The disbursement will be recorded in the accounting system and the obligation will be liquidated.

#### D. Summary/Conclusions

Major changes in responsibility and workload transfers are likely to result from any wide-scale use of the purchase card as a payment vehicle. Even with automated support to assist the cardholder and the billing office in the performance of their functions, the impact across functional areas resulting from this application will create new issues beyond those already identified for micro-purchases. The training barrier identified previously is but one example that must be addressed if the card is used as a payment vehicle. Not only is the cardholder expected to be functional in the acquisition arena, he or she will need training in resource management and contract administration. Depending on the location of the cardholder (e.g., the contracting office or resource management office), existing internal controls established to reduce the risk of fraudulent and erroneous payments may be jeopardized.

The primary benefit of the purchase card as a method of payment is timely payment to the vendor. However, more significant cost benefits or cost avoidance can be realized through the use of automation, including EC/EDI and, by 1999, the mandatory use of EFT (Public Law 104-134). Those technologies hold more promise than does redundant card-related steps added to the existing contract payment process.

For these reasons, the teams do not support the use of the purchase card as a payment vehicle as a mandatory (or even desirable) practice. There simply is not enough value added to warrant wide-scale use of this practice. On the contrary, use of the card as a payment method creates additional steps to the existing process.

Some economies may be realized, however, for purchases against “corporate” contracts and for single-purchase, single-delivery, single-accounting line-item contracts (versus the multiple-line item, multiple-delivery, multiple-line of accounting contracts). While not the preferred EC method, the purchase card should remain optional as a payment vehicle when economically justified.

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#### **RECOMMENDATION V-2**

The DEPSECDEF shall reinforce to the Heads of DoD Components the need to maximize EC/EDI in the contracting process and EFT in the contract payments process. Given recent legislation mandating the use of EFT, the use of the purchase card as an order/payment mechanism should be limited to “corporate” contracts and to single-purchase/delivery and single LOA contracts/orders, or otherwise when economically justified.

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## VI. INTER- AND INTRADEPARTMENTAL TRANSFERS OF GOODS OR SERVICES: SALES AND COLLECTIONS

This chapter addresses the acceptance by DoD activities (as merchants) of the purchase card as a method to collect proceeds from sales of goods or services made to other Federal Government entities except hosts identified in the inter-service support agreements (ISSA) under host-tenant relationships. From a cardholder's perspective (as a buyer), the use of the purchase card for inter- and intradepartmental purchases will not differ significantly from that of making a purchase from a merchant in the private sector.

Inter- and intradepartmental transfers of goods or services is defined as the buying or selling of goods or services between DoD Components and other Federal agencies ("inter"), or within the Department of Defense ("intra").

The current processes for inter- and intradepartmental sales and collections are governed both by military standards and financial regulations. Aside from the use of a variety of forms, the current procedures are relatively standard. These basic procedures are described below:

- **Order.** The customer (buyer) requests goods or services from a provider (seller) using an order (e.g., the Military Standard Requisition Procedures (MILSTRIP) requisition, military interdepartmental purchase request (MIPR), or project order). An order generally includes either an established price or a negotiated "not-to-exceed" price with an LOA.
- **Sales.** Upon performance by the seller, a sales transaction is recorded for the goods or services provided.
- **Billing/Collection.** The methods are used to bill the buyer and collect the payment are discussed in the following three sections.

### A. Interfund Billing

The Military Standard Billing System (MILSBILLS)—using the interfund process—is an automated method for simultaneous billing and collecting. This method generally is used for requisitions processed through MILSTRIP. Although not in compliance with current industry EDI standards, this automated process does constitute a form of EC.

The interfund process begins when the buyer's accounting office accepts the interfund bill. Generally, the automated systems will match the bill to the requisition line. If the bill is questionable, the buyer submits a billing adjustment request to the billing office for appropriate response. The seller's and buyer's accounting offices must prepare monthly reports

to the U.S. Department of the Treasury showing collections and disbursements to their respective fund accounts.

## B. SF 1080—Voucher of Transfer Between Appropriations and/or Funds (or Equivalent)

MILSBILLS procedures allow for manual billing (i.e., the SF 1080 process). Upon the delivery of goods or services, the seller bills the buyer either by inputting data into a semiautomated system that generates an SF 1080, or through manual computation of the bill and manual preparation of the SF 1080. The billing office also must accumulate and maintain the records to support the bill. The DFAS (or other servicing disbursing office) is responsible for tracking and aging accounts receivable and, if necessary, following up on delinquent accounts as part of cash management stewardship.

The buyer receives and matches the invoice to an obligation in the accounting system prior to processing the payment. Payment then may be made by Treasury check or with a “no check drawn” SF 1080, a transaction for others/transaction by others (TFO/TBO). It is not unusual for the buyer to make adjustments to the invoice and pay other than the billed amount. These adjustments require the billing office to track and resolve the discrepancies.

When payment is made by check, the seller’s accounting office prepares a cash collection voucher and posts the collection to the accounting system. This voucher becomes part of the monthly cash reporting to the Treasury Department. However, if the payment is effected with “no check drawn,” the accounting office must wait until a copy of the processed SF 1080 is received through the TFO/TBO channels before it can post the collection—a process that can take months.

## C. Purchase Card

A third and relatively new method for “collection” is through use of the purchase card. Although this method is in its infancy within the Department (e.g., as recently implemented at DPS), GSA, GPO, and FPI have accepted purchase cards as a collection method for several years. By accepting the purchase card, the seller does not bill the buyer directly but processes the sales transaction through an acquirer bank that, for a fee, pays the seller. The acquirer bank is the financial institution through which the DoD merchant activity arranges access to a national credit card network (e.g., VISA) for purchase card acceptance, authorization, and settlement. The acquirer bank processes the transaction through that network to RMBCS. RMBCS then bills the buyer during the normal billing cycle established under the governmentwide purchase card contract.

The seller’s acquirer bank typically provides data on dollar sales (collections) to the seller on a daily basis. Funds are transferred to the Treasury’s General Account on a daily basis; however, the seller must prepare and transmit a monthly collection report to the Treasury Department to transfer the funds from the Treasury’s deposit account to the seller’s account.

To facilitate this process, the Department has arranged with the Treasury Department's Financial Management Service (FMS) to use the FMS' Plastic Card Collection Network (PCCN). The PCCN currently includes the services of two banks (Mellon Bank and NationsBank) to provide the acquirer bank credit card processing services for inter- and intradepartmental purchases and collections using the purchase card. The PCCN operates as a master agreement wherein the two banks offer plastic card collection services to Federal agencies (e.g., DoD Components), and may be engaged individually through the execution of a separate three-way agreement between the financial institution, FMS, and the DoD merchant activity.

The services available from either bank are priced as an "interchange fee" ranging from 1.0 to 2.0 percent of sales, depending primarily on the method that transactions are transmitted. The interchange fee is invoiced separately each month by the bank. Although a cost is associated with accepting the purchase card, that cost should be analyzed against the savings that will result from the reduction in "backroom" operational costs for billing; aging receivables; waiting for payment; performing followups; and receiving, controlling, and processing checks.

Both banks in the PCCN are equally available and capable of providing these services to all DoD Components. Each DoD Component is required only to contact both banks, allow each bank the opportunity to offer its services, and select the bank that best meets the activity's requirements—costs and other factors considered.

To determine cost and economic factors, a DoD activity should consider the following:

- Volume of potential purchase card orders (sales).
- Cost of the point-of-sale equipment.
- Bank terms, to include fees charged by the banking institution under the PCCN.
- Cost recovery rate (surcharge) increase needed to recoup bank fees.
- Changes required to the existing systems to accommodate the card, e.g., modification of the activity's—
  - ◇ Logistic systems to accept orders via purchase card, record authorization codes, and issue material release orders to depots or delivery orders to vendors.
  - ◇ Financial systems so that sales based on card collections do not generate bills.

In summary, the business practice of issuing manual billings (SF 1080s) is untimely and labor intensive. This practice involves creating bills, aging receivables, doing followups, and receiving and controlling checks. Conversely, the benefits of accepting the purchase card for inter- and intradepartmental sales include eliminating the seller's production of manual bills, waiting for payment, aging of accounts receivable with the potential for lost revenues, and issuing or depositing Treasury checks. Consequently, the purchase card represents a viable change to the established collection process.

Finally, where the automated MILSBILLS and Interfund Billing processes are being used, the order, billing, and collecting processes already are automated. Acceptance of a purchase card may, in fact, increase seller costs due to the addition of the bank fee (1.0–2.0 percent). Regardless, the card should be accepted as a convenience to customers and to offer a common business practice across the Department.

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**IMPEDIMENTS:**

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- A. Current systems, procedures, and processes are not designed easily to accommodate the acceptance of the purchase card.
- B. Inter- and intradepartmental purchases (sales) may exceed the thresholds currently established for individual cards or billing offices, as defined in the GSA contract with RMBCS.
- C. By a letter dated May 2, 1996, the Treasury Department stated its intent to terminate the PCCN acquirer bank pilot arrangements for DoD Components no later than September 1997. Banking arrangements after that time may be significantly different.

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**RECOMMENDATIONS VI-1**

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- A. The DEPSECDEF shall mandate that DoD activities offering goods or services to other DoD or Federal activities accept the government purchase card in payment. The exception is the host identified in ISSAs under a host-tenant relationship.
- B. The USD(C) shall work with the Treasury Department to extend its termination date for use of the Purchase Card Collection Network.
- C. The USD(C) shall work with the GSA to modify the RMBCS contract to (1) provide for “acquirer bank” service and (2) remove restrictions on cardholder/billing office limits for inter- and intradepartmental purchases/sales.

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**RECOMMENDATION VI-2**

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The Heads of those DoD Components seeking to use the PCCN should arrange with the selected acquirer bank and with DFAS for instructions, equipment, and procedures. (Draft recommendation incorporated into Recommendation VI-1A.)

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## VII. GENERAL ISSUES AND PROMOTION

### A. General Issues

This chapter deals with issues that do not relate to a specific process in using the purchase card. These issues are more cultural than technical in nature. While process issues were discussed as they appeared in that model, the nonprocess issues are best analyzed apart from the model. The all-encompassing nature of these barriers means that the recommendations to overcome them must focus on changing cultures, rather than on changing processes. The significant nonprocess barriers are (1) a low micro-purchase threshold, (2) the lack of willingness to use the card effectively, (3) organizational reluctance, and (4) vendor nonacceptance of the purchase card. Each barrier is discussed in a subsection below.

#### 1. Micro-Purchase Limit (\$2,500)

The current micro-purchase threshold of \$2,500 is not a barrier to card use for purchases below that level. However, there is a recurring demand for the statutory exemptions—which currently apply below \$2,500—to apply to all purchases below \$25,000. If the micro-purchase threshold were raised to a higher dollar amount, the purchase card could be used more extensively as a purchase vehicle.

The \$25,000 level adds 10 percent of contract actions for which the purchase card could be used with only a 3-percent increase in contract dollars. It is estimated that raising the micro-purchase threshold to \$25,000 would allow purchase card micro-purchases for 96 percent of DoD contract actions (estimated increase of more than 500,000 actions), which represent only 6 percent of the contract dollars (see Appendix M).

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#### **RECOMMENDATION VII-1**

The DEPSECDEF shall direct that, one year after the fielding of the standard database management and automated reconciliation system, the DUSD(AR) and the Office of Small and Disadvantaged Business Utilization (OSADBU) jointly will evaluate the impact of the purchase card program on small businesses. The evaluation results will be used to determine if a proposed legislative change to increase the micro-purchase threshold is appropriate.

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#### 2. End-User Purchases

For the most part, the function of purchasing of supplies or services has remained with the contracting and supply offices. Recent changes (such as FASA, Executive Order 12931, and OMB guidance) have empowered end-users (non-procurement personnel) to obtain supplies and services with the purchase card at or below the micro-purchase threshold. The emphasis for this paradigm shift has been an effort to streamline the procurement

process, reduce administrative procurement costs, and increase the use of commercially available items, where practicable.

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**IMPEDIMENTS:**

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Some DoD activities are reluctant to disseminate cards outside the contracting office or supply office to user-level organizations. This reluctance hinders further expansion of the purchase card program. As a corollary matter, continued use of SF 44s and imprest funds constitutes an outdated business practice that can be replaced by the purchase card in most cases.

The USD(C) issued a memorandum on March 28, 1996, that eliminates imprest funds for unclassified programs in the continental United States (CONUS) as of October 1, 1996, and as of October 1, 1997, for outside CONUS (except for classified programs or declared contingency operations). A copy of that memorandum can be found in Appendix M. Note: The CONUS deadline later was extended to January 1, 1997.

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**RECOMMENDATION VII-2**

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- A. The DEPSECDEF shall direct the Heads of DoD Component to ensure that micro-purchase authority for commercial items is delegated to individuals within end-user organizations, except for special-type items (e.g., HAZMAT) as determined by the Component on an exception basis.
  - B. The DUSD(AR) shall submit proposed legislation to allow use of the purchase card up to the simplified acquisition threshold during contingency operations.
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### 3. Vender Acceptance

The teams jointly heard a briefing by one agency, and team members have received other anecdotal references, regarding the inability of DoD activities to use the purchase card with some vendors. This especially appears to be a barrier at some overseas locations where U.S. Forces are forward deployed or make ports of call.

Nonacceptance of the purchase card can narrow the number of eligible vendors for DoD business in a given geographical area. The absence of card-accepting merchants necessitates that DoD activities look elsewhere for sources of supply. Fortunately, with the ready availability of mail-order catalogs, telephones, fax machines, and overnight mail, DoD activities no longer need to be constrained by the local marketplace.

Given its existing purchase card product, the Department is reliant upon the reach of the VISA network to affiliated merchants—a number that exceeds 12 million locations. The VISA network, in turn, is reliant upon local member financial institutions to enroll new merchants and service those accounts and the adequacy of telecommunications, especially overseas. Furthermore, even where the necessary infrastructure is in place, some countries may exhibit a cultural bias against the acceptance of credit-type transactions. Any of these conditions can produce a lack of vendors that accept the card or which seek a higher price to process credit sales, even though discriminatory pricing is prohibited by their VISA agreements.

Beyond normal operations, U.S. Forces increasingly are being deployed to regions having minimal business or logistical infrastructures. The inability to use the purchase card to

fulfill military exigencies in such situations necessitates the retention—for those situations—of traditional tools like SF 44s and imprest funds.

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### **RECOMMENDATIONS VII-3**

The DUSD(AR) shall—

- A. Direct DAU to include solutions to resolve any lack of vendor card acceptance in the training module to be developed.
  - B. Direct the Acquisition Reform Communications Center to offer information through organizations such as local chambers of commerce to educate business communities near military installations on the benefits to the U.S. taxpayers that come from the reengineering of DoD business practices, emphasizing the purchase card program.
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## **4. Provisions for Successor Contract**

The current purchase card contract contains several deficiencies, which, if corrected in the succeeding contract, would streamline the overall process for using the purchase card.

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### **RECOMMENDATION VII-4**

The USD(C) shall work with GSA to effect the following process changes in successor contracts:

1. Pursue automated interfaces between the contractor's records and the systems available at the cardholder and billing office levels. Improvements should be made to automate and streamline the current system to reconcile items both on cardholder statements and on the official invoice. [Currently, this information is being provided only in paper form from the contractor. Automating the transmission of this information will ease the reconciliation process for cardholders and facilitate electronic interfaces with the servicing payment offices. Also, it will expedite payment and decrease the file turn period, thereby generating a greater rebate from the contractor.]
2. Require a rolling invoice that reflects a beginning balance for the current month, the payments and adjustments from the previous month's invoice, the exchange rates used to convert foreign currency transactions, and the current billing cycle purchases. [The current process results in invoices that reflect only those items purchased during the current billing period. The current process does not acknowledge adjustments by cardholders for nonreceipt of items carried forward from the prior billing period. Neither does it include the foreign currency exchange rate and/or purchase amount in foreign currency, thereby enabling the DoD activity to compare the cost at the time the order was placed to the payment amount and cost the difference to the foreign exchange fluctuation account.]
3. Pursue an alternative to the "file turn" method of establishing the amount of refund. More economically meaningful refunds would justify faster payments in line with the Prompt Payment Act; otherwise, agencies are compelled to wait for the prompt payment window (the 23rd through the 30th day after receipt of invoice).

4. Require that refunds be made as a reduction from the amount due on the succeeding invoice. This requirement will ensure that the benefit reaches the appropriate organizational level in sufficient time for current-year use.
  5. Require the purchase card contractor to capture and provide vendor taxpayer identification, vendor payment amount, and other information necessary for DFAS to prepare IRS Forms 1099. As an alternative, require the card contractor to issue the IRS Forms 1099.
  6. To meet unique requirements for contingencies and other military operations, require the purchase card contractor to permit the issuance of multiple user cards that bear the name of, and are controlled by, one individual within each deploying organization.
  7. To eliminate multiple types of cards across the government, endorse the GSA proposal to issue master contracts for card products covering (1) purchases (to include inter- and intradepartmental purchases), (2) travel and transportation, (3) FTS 2000, and (4) fleet fuel applications. Each card should have included in the card mechanism the capability to restrict purchase access to a specified function(s).
  8. For inter- and intra-departmental purchases/sales, require the purchase card contractor to expand services to include the “acquiring bank” and “issuing bank” services and to increase purchase limits for selected cardholders and offices.
  9. Lower “issuing bank” rates in recognition of high volume “no-risk” factors associated with inter- and intradepartmental usage. Consider a “per-transaction” fee rather than a fee based on percentage of sales.
  10. Direct a change to the current DoD hierarchy to establish DoD as Level 2, DoD Components as Level 3, major commands as Level 4, billing offices (AOs) as Level 5, and cardholders as Level 6.
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## 5. VISA Checks and FedSelect

The teams recognize that the announced elimination of most imprest funds could have some effect on reimbursements to DoD personnel and payment to that subset of the vendor community that has been paid from such funds. Such payments have been made either directly (e.g., COD shipments) or indirectly (e.g., out-of-pocket expenditures for keys, rubber stamps, and other low-value goods acquired for official purposes by Federal employees who then seek reimbursement).

In those rare cases where a purchase card cannot be used, a limited number of cardholders should have access either to VISA checks issued through the GSA contract with RMBCS or the Treasury Department’s FedSelect product.

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### **RECOMMENDATION VII-5**

The USD(C) shall establish pilots of VISA checks (issued through the GSA contract with RMBCS) and the Treasury Department’s FedSelect product. At least initially, the use of these products should be limited to “imprest-fund-like” transactions.

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## B. Promotion

There is evidence of some managers, throughout the Department, who seem reluctant to use the purchase card, primarily because they have insufficient information to justify their support of the purchase card program. This particularly is true with managers who either are unfamiliar with card use or think the process is cumbersome. Some managers also suspect that the contracting and supply communities are passing work to their organizations, thereby increasing the workload that they must accomplish. In addition, as with other programs, a lack of emphasis from senior commanders blunts the interest of managers in the field.

The easiest of these conditions to fix is the manager's unfamiliarity with the program—to include the advantages to the organization in accomplishing its mission because supplies and services are accessed more quickly and efficiently. The second is for senior commanders to place this program higher on their priority list, as has been done in the Army with emphasis from the highest levels. With added emphasis, the purchase card program can move forward as a tool for commanders to get their mission accomplished easier. Finally, the adoption of the other recommendations contained in this report needs to receive wide publicity so that managers realize that formerly cumbersome processes have been reengineered.

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### **RECOMMENDATION VII-6**

The DEPSECDEF shall direct the Heads of the DoD Components to develop viable goals for use of the purchase card at or below the micro-purchase threshold.

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### **RECOMMENDATION VII-7**

The DEPSECDEF shall direct the Heads of the DoD Components to—

1. Issue guidance to their major commands and installation commanders emphasizing the advantages of using the purchase cards. This guidance should stipulate that any manpower savings due to the reduced number of transactions in the contracting and logistics functions can be redistributed at the installation level or utilized for proposed downsizing.
  2. Encourage coverage of the purchase card program at schools and conferences where DoD leaders learn better ways to do business.
  3. Direct that DoD Component APCs, with the assistance of DAU, GSA, and RMBCS, develop and deploy “road shows” that emphasize the newly streamlined purchase card process and how it enables workers to accomplish their missions more quickly and efficiently.
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**RECOMMENDATION VII-8**

The DEPSECDEF shall encourage Heads of the DoD Components to develop stories featuring local cardholder success for installation papers and Internet newsletters such as *Acquisition Reform Now*; stories should demonstrate how the card empowers the workers to accomplish their mission. Also, the Assistant to the Secretary of Defense (Public Affairs) should develop articles for external release indicating the important aspects of the purchase card use in the DoD Components.

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**RECOMMENDATION VII-9**

The DEPSECDEF shall encourage Heads of the DoD Components to promote the use of organization commander calls to emphasize the advantages of the worker using the card. Such forums should emphasize the flexibility and timeliness of obtaining supplies and services with the purchase card.

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**RECOMMENDATION VII-10**

The DEPSECDEF shall direct the establishment of a Purchase Card Program Management Office (PCPMO) to oversee the implementation of recommendations contained in this report.

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## VIII. CONCLUSIONS

Numerous changes to current business practices are recommended throughout this report. Some recommendations seek to reengineer the existing process for acquiring commercial items valued within the micro-purchase threshold, while others streamline the acquisition process for other than commercial products. Additionally, recommendations are made that will expand card usage through publicity or through new applications, such as with inter- and intradepartmental sales and collections.

The PCFMT and PCIPT understand that these initiatives will not be accepted readily by everyone. An aggressive effort will be required to educate managers at all levels on the benefits of the card and, in particular, on the benefits of getting the card to end-user organizations. An effort also will have to be made to increase the vendor base that accepts the card, concentrating on more remote areas and small business owners. A related recommendation is the proposed use of VISA or FedSelect checks for situations in which payment recipients do not accept the purchase card—or for contingency operations.

The teams also have recommended program changes for the follow-on contract that would make the purchase card more effective and beneficial for the DoD community. Proposals made for changes to the governmentwide contract should be presented soon to GSA since that agency currently is crafting the statement of work for its next card solicitation.

As a convenient reference, the table in Appendix N lists all of the teams' recommendations, the recommended offices of primary responsibility (OPRs), offices of collateral responsibility (OCRs), and the proposed milestones for implementation. The teams respectfully request the OPRs to take timely action on each assigned recommendation so that the Department can see quick benefits from this study and from the underlying program. Especially critical is the need to establish the PCPMO to give sustained, institutionalized leadership to assure the full achievement of approved recommendations contained in this report.



## IX. IMPLEMENTATION PLAN

### A. General

The standard “To Be” model represents a dramatic change from the multiple nonstandard purchase card processes in place throughout the Department of Defense. Successful implementation of these changes necessitates a structured method to address the set of recommendations and activities identified to redesign the purchase card program. This chapter presents the policies, procedures, and associated plans proposed to implement all of the recommendations contained in this report.

### B. Scope of the Plan

The Implementation Plan applies to all DoD activities associated with the purchase card program, its reengineering effort, and its use. Implementation of the report’s recommendations requires close coordination among all offices identified in the Implementation Plan, as well as all DoD activities using the purchase card.

### C. Details of the Plan

Each recommendation is detailed with a statement of proposed policy, responsible offices, and suggested tasks and milestones for the implementing steps, as follows:

- The **Proposed Policy** necessary to implement the particular recommendation is articulated, as appropriate, for succeeding tasking memorandums of policy, procedures, and guidelines.
- The **Responsible Offices** necessary to implement each recommendation, both primary and collateral action offices, are identified according to level of responsibility and expected involvement as developed in this report.
- The suggested **Task** and **Milestone** necessary to accomplish each recommendation is identified.

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**RECOMMENDATION IV-1:** The DEPSECDEF shall direct a standard account setup procedure for locations where accounts are established with RMBCS by tenant activities of one DoD Component through the host contracting office of another Component (i.e., through the use of Delegated Procurement Authority and/or ISSAs). The designated billing and paying offices assigned during account setup shall be those of the tenant. Accounts will not be established when the resulting RMBCS payment creates a cross-disbursement of a Component's funds. This reengineered business practice eliminates cross-disbursements within the purchase card program.

**Policy Statement:** Purchase cards for tenant activities preferably shall be issued through their parent Component's APC. When this is not feasible (e.g., at remote locations with limited staffing), the tenant activity may request that the host installation issue the card. In either case, however, the designated billing office shall be the RMO, or ultimately the AO (see Recommendation IV-18), in direct support of that tenant activity. Furthermore, the designated paying office always shall be the tenant activity's servicing DoD disbursing office.

**Offices of Primary Responsibility:** USD(C)  
DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. The USD(C) and DUSD(AR) prepare policy memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DoD Components implement DEPSECDEF policy.	<b>January 2, 1997</b>
3. All tenant activities revise designated billing and paying offices, as required.	<b>February 1, 1997</b>

**Resources:** No additional resources are needed to complete this action.

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**RECOMMENDATION IV-2:** The USD(C) shall request GSA to modify its contract with RMBCS so that a Federal Government tax exemption number is printed or embossed on each purchase card. This will make a tax exemption number readily accessible both to cardholders and vendors, thereby reducing the number of vendors that charge tax, saving cardholders the time otherwise involved in disputes with vendors and reducing the potential for interest penalties caused by late payments.

**Policy Statement:** New and reissued purchase cards shall include the Federal Government tax exemption number.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** GSA  
Heads of DoD Components

<b>Tasks</b>	<b>Milestones</b>
1. The USD(C) requests GSA to identify a standard Federal Government tax exemption number.	<b>October 15, 1996</b>
2. The USD(C) requests GSA to modify the governmentwide commercial credit card contract to include the Federal Government tax exemption number on each purchase card.	<b>January 2, 1997</b>
3. Heads of DoD Components ensure that purchase cards are reissued with the Federal Government tax exemption number.	<b>As cards are reissued</b>

**Resources:** No additional resources are needed to complete this action.

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**RECOMMENDATION: IV-3:** The USD(C) shall task DMDC (via Recommendation IV-15) to assist DLA with reformatted flat file data from the purchase card contractor that captures sales information by vendor for major command and installation levels of the DoD purchase card hierarchy.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DMDC  
DLA

<b>Tasks</b>	<b>Milestones</b>
1. The USD(C) issues a memorandum to DMDC.	<b>October 15, 1996</b>
2. DMDC and DLA develop a plan to capture required information.	<b>March 1, 1997</b>
3. Downloaded information becomes available.	<b>July 1, 1997</b>

**Resources:** Requirements are addressed in Recommendation IV-15.

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**RECOMMENDATION IV-4A:** The DEPSECDEF shall require the use of “remote access” (modem transmission) for purchase card account setup and maintenance wherever connectivity exists.

**Policy Statement:** DoD activities shall maximize use of EC/EDI and EFT within the purchase card program. The card vendor’s Remote Access System shall be used, where connectivity exists, for cardholder setup and maintenance.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components

<b>Tasks</b>	<b>Milestones</b>
1. The DUSD(AR) prepares policy memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. Heads of DoD Components initiate changes to appropriate internal procedures with effective date of December 1, 1996.	<b>November 15, 1996</b>

**Resources:** No additional resources are needed to complete this action.

**Metrics:** RMBCS statistics on number of DoD installation APCs using Remote Access System. Remote access to increase significantly from current 16 percent by September 1, 1997.

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**RECOMMENDATION IV-4B:** The DEPSECDEF shall mandate that the local APC coordinate cardholder and AO purchase and billing cycle limits with the servicing RMO to ensure funds availability and effective program implementation. (See also Recommendation IV-07.)

**Policy Statement:** DoD activities shall assure maximum coordination is obtained between functional offices during development of local procedures of purchase card program. Specifically, cardholder and AO card limits shall be established only after coordination with the activity's budget officer.

**Office of Primary Responsibility:** USD(C)  
DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. USD(C) and DUSD(AR) prepare memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. Heads of DoD Components initiate changes to appropriate internal procedures for implementation.	<b>January 2, 1997</b>

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**RECOMMENDATION IV-5A:** The Director of Defense Procurement shall direct the Defense Career Contract Management Board to work with DAU in developing and maintaining the core competencies that will be included in the training materials.

**Policy Statement:** The DCCMB shall identify core competencies for purchase card procedures at or below the micro-purchase threshold. The DCCMB shall coordinate with the DAU to maintain these core competencies in the basic purchase card training.

**Office of Primary Responsibility:** DDP

**Collateral Action Office:** DAU

Task	Milestone
1. DDP directs Defense Career Contract Management Board to develop core competencies.	<b>November 1, 1996</b>
2. DCCMB completes core competencies.	<b>January 2, 1997</b>

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**RECOMMENDATION IV-5B:** The DUSD(AR) shall direct DAU to develop training materials covering regulations, policies, and procedures from a DoD perspective for optional use by all DoD Components. This training should consist of no more than the equivalent of 4 hours of classroom

instruction. Supplemental training can be provided by DoD activities based on the cardholder's experience and educational background, as well as the authority granted under the card program. Component-unique procedures, if any, also may supplement the module developed by DAU.

**Policy Statement:** The DAU shall develop training materials covering regulations, policies, and procedures from a DoD perspective for optional use by all DoD Components. This training should consist no more than the equivalent of 4 hours of classroom instruction. Supplemental training can be provided by DoD activities based on the cardholder's experience and educational background, as well as the authority granted under the card program. Component-unique procedures and policies, if any, also may supplement the module developed by DAU.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** DAU

Tasks	Milestones
1. The DUSD(AR) issues tasking to DAU.	<b>December 1, 1996</b>
2. Core competencies received from DCCMB	<b>January 2, 1997</b>
3. The DAU completes the instructional product.	<b>April 1, 1997</b>

**Resources:** No additional resources required.

**RECOMMENDATION IV-6A:** The DUSD(AR) shall direct DAU to design a purchase card sleeve and wallet reminder card that are printed with cardholder instructions for DoD-wide use.

**Policy Statement:** The DAU shall design a purchase card sleeve and wallet reminder for DoD-wide use by cardholders. The sleeve shall summarize information provided in the basic purchase card training module developed by DAU, and the wallet reminders shall include more time sensitive or changeable information.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** DAU

Tasks	Milestones
1. The DUSD(AR) issues tasking to DAU.	<b>December 1, 1996</b>
2. The DAU should complete design of the sleeve to USD(C) for further action.	<b>January 2, 1997</b>

**RECOMMENDATION IV-6B:** The USD(C) shall request the vendor bank, through GSA, to produce and distribute purchase card sleeves and wallet cards.

**Policy Statement:** Cardholders shall be given purchase card sleeves and/or wallet reminder cards at the time purchase cards are issued. The use of instructional inserts to the cardholders' monthly statements also shall be used if cost effective.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:**

GSA  
 Heads of DoD Components

Tasks	Milestones
1. The USD(C) requests GSA to modify purchase card contract to print and distribute purchase card sleeves, wallet reminders, and inserts to monthly cardholder statements.	<b>November 1, 1996</b>
2. Heads of DoD Components ensure availability of replacement purchase card sleeves and/or wallet reminder cards for their cardholders.	<b>February 1, 1997</b>

**Resources:** The cost of fabricating and printing sleeves, as estimated by the Defense Printing Service, would be approximately \$14,000 for the Department's 70,000 cardholders.

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**RECOMMENDATION: IV-7:** The USD(C) shall mandate the use of an advance reservation of funds (bulk commitments or obligations) for cards used exclusively for micro-purchases.

1. Bulk commitments or obligations will be established by the RMO (or equivalent) and should be considered when setting office or cardholder limits. Bulk reservations of funds should be established so as to ensure positive funds controls and preclude expenditures from exceeding obligations.
2. Obligations must be recorded in the activity's official accounting records no later than upon payment of the certified RMBCS invoice (i.e., simultaneous obligation).
3. One line of accounting should be used per card unless a purchase card management and automated reconciliation system is available to distribute costs across funding sources. Where DoD activity requirements dictate a distribution of costs beyond a single line, invoiced costs shall be summarized to the maximum extent possible prior to submission to the servicing disbursing office for payment.
4. A programmatic review of these procedures will be conducted one year after implementation.

**Policy Statement:**

- Advanced reservations of funds shall be established for cards used exclusively for micro-purchases. Bulk commitments/obligations shall be established by the RMO (or equivalent) in conjunction with the APC and in consideration of the cardholder's purchase limit. Bulk reservation of funds should be established to ensure positive funds controls to preclude expenditures from exceeding obligations.
- Bulk funding for purchase cards may be aggregated when multiple cards will be posted against the same line of accounting. The obligations associated with purchases during the billing cycle must be recorded no later than upon payment of the certified RMBCS invoice (i.e., simultaneous obligation).
- A single line of accounting shall be used to combine and summarize costs to the maximum extent possible unless an automated system is available to facilitate cost distribution. This automated system shall be used to track, reconcile, and aggregate accounting data for purchase card transactions when there is a requirement to account for purchases at multiple levels (e.g., appropriations, cost centers, reimbursable work orders, or object classes).

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. The USD(C) issues above policy memorandum.	<b>October 15, 1996</b>
2. Heads of DoD Components issue bulk funding guidance with immediate implementation.	<b>November 1, 1996</b>

**Resources:** No additional resources are required.

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**RECOMMENDATION IV-8:** The DDP shall direct the DAR Council to initiate a Defense Federal Acquisition Regulation Supplement case to add coverage for the purchase card. Coverage shall mandate the elimination of formal prepurchase documentation and approval requirements (e.g., formal purchase requests) placed on the cardholder for micro-purchases of commercial services and supplies with the purchase card. Documentation to justify local purchases of hazardous, sensitive, or critical materials still would be required.<sup>4</sup> In addition, approval above the cardholder shall be limited to one such level.

**Policy Statement:** DoD activities shall not require formal procurement requests and prepurchase approvals above the cardholder for commercial items (1) not critical to the safe operation of a weapon system, (2) with special security characteristics, or (3) that are dangerous.

**Office of Primary Responsibility:** DDP

**Collateral Action Offices:** Heads of DoD Components

Task	Milestone
The DDP issues direction to DAR Council.	<b>December 1, 1996</b>

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**RECOMMENDATION IV-9A:** The DEPSECDEF shall issue a class waiver to deviate from the FAR priority to obtain commercial supplies, valued within the micro-purchase threshold, from local inventories.

**Policy Statement:** All DoD Components are authorized to deviate from the requirement of Federal Acquisition Regulation Part 8–Required Sources of Supplies and Services to obtain commercial supplies, within the micro-purchase threshold, from agency inventories or excesses from other agencies.

**Office of Primary Responsibility:** DDP

**Collateral Action Offices:** Heads of DoD Components

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<sup>4</sup> DFARS 208.7003-1(a)(3)(i), (ii) and (iii).

<b>Task</b>	<b>Milestone</b>
The DDP prepares a class waiver for DEPSECDEF signature.	<b>November 1, 1996</b>

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**RECOMMENDATION IV-9B:** The DDP shall prepare a case for the DAR Council to eliminate the FAR/DFARS requirement to obtain commercial supplies valued within the micro-purchase threshold from agency inventories and excess inventories from other agencies.

**Policy Statement:** DoD Components are not required to obtain commercial supplies valued within the micro-purchase threshold from agency inventories or excess inventories from other agencies.

**Office of Primary Responsibility:** DDP

**Collateral Action Office:** Heads of DoD Components  
ARSSG

<b>Task</b>	<b>Milestone</b>
The DDP initiates a DFARS case.	<b>December 1, 1996</b>

**Resources:** N/A

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**RECOMMENDATION IV-10A:** The DEPSECDEF shall direct the Heads of the DoD Components to provide and maximize the use of an automated screening capability for cardholders. The current GSA training package and FEDLOG are available on CD-ROM and can provide instant screening for NIB/NISH and FPI items. Additionally, electronic means, such as the GSA Advantage online program and similar DLA initiatives, have met the prescreening requirements.

**Policy Statement:** Heads of DoD Components shall maximize the use of automated screening capabilities for NIB/NISH and FPI items.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARSSG

<b>Task</b>	<b>Milestone</b>
The DUSD(AR) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>

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**RECOMMENDATION IV-10B:** The DUSD(AR) shall request the Committee for Purchase From People Who Are Blind or Severely Disabled, FPI, and GPO to establish a threshold under which those suppliers are not mandatory sources.

**Policy Statement:** NIB/NISH and FPI require mandatory screening of all items regardless of dollar value. A threshold should be established that allows cardholders to bypass mandatory sources and use the purchase card for procurements less than the established threshold.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARSSG

Task	Milestone
The DUSD(AR) issues letters requesting establishment of thresholds.	<b>December 1, 1996</b>

**Resources:** N/A

**RECOMMENDATION IV-11A:** The DEPSECDEF shall waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources.

**Policy Statement:** DoD Components are not required to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources, such as stock programs of the GSA, DLA, the Department of Veterans Affairs, and military inventory control points.

**Office of Primary Responsibility:** DDP

**Collateral Action Offices:** Heads of DoD Components

Task	Milestone
The DDP prepares a class waiver for DEPSECDEF signature.	<b>November 1, 1996</b>

**RECOMMENDATION IV-11B:** The DDP shall prepare a case for the DAR Council that eliminates the requirement that micro-purchases of commercial items assigned for IMM be acquired from the IMM manager.

**Policy Statement:** DoD Components are not required to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources, such as stock programs of GSA, DLA, the Department of Veterans Affairs, and military inventory control points. Technical screening still applies to items (1) that are critical to the safe operation of a weapon system, (2) with special security characteristics, or (3) that are dangerous (e.g., explosives or munitions).

**Office of Primary Responsibility:** DDP

**Collateral Action Offices:** DUSD(L)  
ARSSG

Task	Milestone
The DDP initiates DFARS case.	<b>December 1, 1996</b>

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**RECOMMENDATION IV-12A:** The DEPSECDEF shall clarify that the DoD Components are authorized to purchase HAZMAT and sensitive items with the purchase card.

**Policy Statement:** HAZMAT and sensitive items may be purchased with the purchase card provided screening, authorization, and environmental and safety considerations are satisfied. Training for purchase of HAZMAT and sensitive items should be provided to cardholders. Included in this training will be information about where they can locally obtain technical assistance in the purchase, handling, and storage of these materials.

**Offices of Primary Responsibility:** DUSD(L)  
ARSSG

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. The DUSD(L) and DUSD(AR) prepare a memorandum.	<b>December 1, 1996</b>
2. The Defense Career Contract Management Board includes awareness of HAZMAT and sensitive item procurements among the core competencies established in Recommendation IV-5A.	<b>January 2, 1997</b>

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**RECOMMENDATION IV-12B:** The DEPSECDEF shall direct that information management (IM) offices publish lists of FIP resources that may be used by cardholders without additional IM preapprovals.

**Policy Statement:** Information management offices shall establish, maintain and promulgate lists of FIP resources that are compatible with the installation computer infrastructure. Cardholders need not obtain approval from IM offices other than verification against such lists before purchasing FIP resources. Cardholders should be trained on the use of such lists.

**Office of Primary Responsibility:** ASD(C3I)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. ASD(C3I) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. The Defense Career Contract Management Board includes awareness of IM micro-purchases among the core competencies established in Recommendation IV-5A.	<b>January 2, 1997</b>

**RECOMMENDATION IV-12C:** The DEPSECDEF shall mandate the cessation of preapprovals for accountable property and require that cardholders receive germane training on accountable property.

**Policy Statement:** Accountable property does not require pre-purchase approval; however, cardholders will be responsible for ensuring that property records are updated as required.

**Office of Primary Responsibility:** DUSD(L)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. The DUSD(L) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. The Defense Career Contract Management Board includes awareness of accountable property among the core competencies established in Recommendation IV-5A.	<b>January 2, 1997</b>

**RECOMMENDATION IV-13:** The DEPSECDEF shall issue the following DoD-wide mini-mum core standards and policies for purchase card account reconciliation to simplify and expedite both the transaction validation and disputes resolution processes.

1. Eliminate multiple layers of review. There shall be no more than one level of reconciliation above cardholders having “per-purchase” limitations of \$2,500 or less.
2. Redefine and expand the functions and responsibilities of the local AO, APC, and RMO within the context of the purchase card program as follows:
  - **AO**—Serves as the “after-the-fact” reviewer relative to micro-purchases (but precluding pre-purchase approval for purchase card transactions at or below the micro-purchase threshold). The AO shall precertify SOAs to the servicing RMO, thereby attesting to the government’s need for, and receipt of, items purchased. Upon successful implementation of both (1) a standard cardholder database management and automated reconciliation system (Recommendation IV-17) and (2) an accessible knowledge-based system to automatic edits and statistical testing (Recommendation IV-24), the AO function shall be redefined and expanded to include the billing office and payment certification functions. (These functions currently are performed either by the RMO or the disbursing officer.) In the “To Be” model, properly certified invoices will be forwarded by the responsible AO through an intelligent system directly to the servicing disbursing office for payment.
  - **APC**—Responsible for overall program implementation, recurring quality assurance reviews (which may be reassigned), and followup on any potential problems detected through use of a knowledge-based computer screening process or routine random sampling (Recommendation IV-24).
  - **RMO (or Equivalent)**—Establishes controls to ensure adherence to funding limitations established by user activities. Also, until the assumption of billing office responsibilities by the AO, the RMO serves as the billing office, assures proper posting of cost adjustments and obligations, and certifies invoices prior to payment by the servicing disbursing office.

3. Establish minimum documentation and retention requirements as follows:
- Documentation received by cardholders from merchants to support transactions using the purchase card will be retained for 3 years. (Note: The DUSD(AR) should address this retention period with a view to reducing its length.)
  - Documentation at cardholder level to support the cardholder certification forwarded to the billing office will be retained for 3 years. This documentation includes—
    - SOAs from RMBCS.
    - Cardholders manual and electronic logs of purchases.
  - Documentation at the billing office level supporting a certified invoice for payment will be maintained for a period of 6 years and 3 months. This documentation includes—
    - Certified RMBCS invoices.
    - Certified statements or electronic files received from cardholders supporting the cardholder amount on the invoice.
    - All NIAs that change the amount of the invoice.

**Policy Statement:** The following core policies, procedures, and standards governing the establishment, administration and use of government purchase cards are prescribed for DoD-wide implementation. Implementation of these policies, procedures, and standards does not negate the prerogative of local (installation/activity) commanders to establish reasonable internal management controls to address specific vulnerabilities unique to their activities and programs.

#### ***Purchase Card Setup***

Each cardholder remains primarily responsible to his or her immediate supervisor for card usage and the monthly reconciliation. The AO shall review cardholder statement of accounts and precertify the government's need for and receipt of items identified on the SOA to the servicing resource management office. Oversight will be provided by the local agency program coordinator and facilitated by a centralized knowledge-based system of automatic edits and computerized statistical testing of card transactions. Upon successful implementation of this system and the standard database management and automated reconciliation system, the AO shall assume the billing office and certification function from the RMO.

#### ***Purchase Card Program Responsibilities***

The local APC shall be responsible for overall program implementation, recurring quality assurance reviews and followup on any potential problems. Responsibility for performance of recurring quality assurance reviews may be delegated at the discretion of the local commander.

The local RMO shall be responsible for establishing controls to (1) ensure adherence to funding limitations established by user activities and (2) certify official invoices prior to forwarding those invoices to the servicing disbursing office for payment. This latter function shall devolve to the AO upon successful implementation of the standard systems addressed above.

The AO initially shall be responsible for reviewing and precertifying each cardholder's monthly SOA. The AO shall assume billing office and certification functions upon successful implementation of the standard systems.

**Documentation and Records Retention**

For each purchase card transaction, documentation shall be maintained as a minimum by the cardholder for the period indicated in the chart that follows:

**Purchase Card Transactions—Document and Records Retention**

Document Type	Retention Period
Documentation received by the cardholder from merchants to support purchase transactions.	3 years
Documents generated at the cardholder level to support payment certification forwarded to the billing office (e.g., SOAs, manual and/or electronic logs of purchases).	3 years
Documents generated at the billing office level supporting a certified invoice for payment (e.g., certified RMBCS invoices; pre-certified statements or electronic files received from cardholders supporting respective invoices; and all Notices of Invoice Adjustment that changed the amount of the invoice).	6 years + 3 months

**Review and Oversight**

No procedure shall be established requiring prepurchase review and/or approval by the AO for purchase card transaction below the micro-purchase threshold.

There shall be no more than one level of reconciliation for those purchase card accounts having “per-purchase” limitations of \$2,500 or less.

**Offices of Primary Responsibility:** USD(C)  
DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components  
ARSSG

Task	Milestone
1. The USD(C) and DUSD(AR) prepare a memorandum for DEPSECDEF signature.	November 1, 1996
2. DoD Components implement DEPSECDEF policy.	March 1, 1997

**RECOMMENDATION IV-14:** The USD(C) shall request RMBCS to transmit weekly electronic (flat file) downloads of all DoD transactions to DMDC, which will, in turn, reformat that data and make it available via modem (Internet, electronic bulletin board, or E-mail) to end-user organizations (e.g., cardholders, billing offices, and APCs. The DMDC shall serve as a centralized point of contact for data transfers between the purchase card contractor and the Department

**Policy Statement:** The DMDC shall download the weekly RMBCS transaction data (“flat file”) and reformat that data into an electronic user-friendly format that is accessible to all cardholders who use a designated “migration” database management and automated reconciliation system” (reference Recommendation IV-16.)

The DMDC shall develop a detailed technical/implementation plan and flow diagrams outlining how data are to be formatted and electronically manipulated. In addition, the plan shall define the

functional requirements and provide a practical assessment of the utility of the data to be generated within the context of the purchase card reconciliation. Because this service also must support the standard database management and automated reconciliation system that is under development separately, the DMDC shall also maintain statistics on DoD activity use of this service. Finally, the DMDC shall consult with the interdisciplinary task group that is developing that standard database management and automated reconciliation system in developing this plan.

**Offices of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DMDC  
DISA  
RMBCS  
GSA

Tasks	Milestones
1. The USD(C) shall confirm in writing the tasking of DMDC to support purchase card reengineering.	<b>October 15, 1996</b>
2. The USD(C) requests RMBCS to transmit weekly flat file downloads to DMDC.	<b>October 15, 1996</b>
3. The DMDC forwards the detailed technical/implementation plan and flow diagrams to the USD(C) for approval.	<b>November 1, 1996</b>
4. The USD(C) approves DMDC's plan for implementation.	<b>January 1, 1997</b>

**Resources:** Approximate DMDC staffing to support this project up to—5 work years.

**Metrics:** DMDC statistics on number of DoD activities on line and using formatted flat file.

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**RECOMMENDATION IV-15:** The USD(C) shall request DMDC, in coordination with RMBCS, to examine and develop capabilities to download all RMBCS reports via SUPERTRACS or an alternative mechanism and translate this data to user-friendly formats. This formatted data could be accessed by authorized users (e.g., cardholders, RMOs, or APCs) throughout the Department. End-users who do not possess required connectivity can obtain reports via other levels within their own activities or continue using hard-copy reports or disks distributed by RMBCS. The transaction data shall be accessible to each cardholder who uses a designated “migration” purchase card management and automated reconciliation system.

**Policy Statement:** Using the RMBCS SUPERTRACS utility or other practical alternative mechanism, DMDC—in coordination with RMBCS—shall provide a common means for electronic download of all standard RMBCS reports [e.g., Disputed Transaction Status by Agency (F107), Quarterly Merchant Activity Report (R900), and Daily Transaction Report (G067)] to all cardholders, APCs, and other authorized users. DMDC also shall maintain statistics on DoD activity usage of this service.

The DMDC shall develop a detailed technical/implementation plan and flow diagrams outlining how RMBCS reports shall be electronically downloaded from RMBCS and disseminated to DoD authorized users.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components  
DMDC  
RMBCS

Tasks	Milestones
1. The USD(C) confirms in writing the tasking of DMDC to support purchase card reengineering.	<b>October 15, 1996</b>
2. The USD(C) requests RMBCS to work with DMDC on a reports download capability.	<b>October 15, 1996</b>
3. The DMDC forwards its technical/implementation plan to USD(C) for approval.	<b>February 1, 1997</b>
4. The USD(C) approves the plan for July 1, 1997, implementation.	<b>March 1, 1997</b>

**Resources:** Approximate DMDC staffing to support this project—1 work year.

**Metrics:** DMDC statistics on number of DoD activities on line and using common flat file.

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**RECOMMENDATION IV-16:** In an effort to streamline the purchase card process pending the proliferation of standard Department-wide purchase card management and automated reconciliation system, the ASD(C3I) shall direct (1) a moratorium on development of new systems and (2) those activities, which currently do not have automated reconciliation systems, to adopt an existing “migration” system that best meets their needs. Evaluation and selection of a migration system shall be done in coordination with DMDC and the DFAS Deputy Director for Information Management.

**Policy Statement:** Pending completion of an ongoing effort to develop or acquire a standard database management and reconciliation system for use by all DoD activities, each DoD Component shall direct the use of an existing DoD automated reconciliation system for all cardholders within that Component.

Given the ongoing development effort, DoD Components should not devote resources to the development of new purchase card systems. However, Component resources may be devoted, as needed, to enhance, adapt, and implement an existing system selected in coordination with DMDC and the DFAS Deputy Director for Information Management. Each DoD Component should evaluate available systems and select one that best meets its needs. Existing systems that were considered by the PCFMT include—

- Defense Mapping Agency “Commercial Purchase Card Access Database.”
- Military District of Washington “Checkbook.”
- Navy Management Systems Support Office “Purchase Card ADP System” (PADPS).
- Washington Headquarters Services “Automated Purchase Card Reconciliation, Transaction Log, and Cost Distribution System.”

The DFAS may expand this list as it identifies and evaluates additional existing systems. The following table identifies functionalities that should be considered by each Component as they consider systems in coordination with DFAS. Activities already using an automated system not listed above may continue to use that system provided that it includes at least some of these functionalities.

Functionality	Systems Considered			
	DMA	MDW	PADPS	WHS
Capable of operating "stand-alone" or local area network environment	•		•	•
Contains a reconciliation log/checkbook module with programmed edits and automatic draw-down capability against authorized funding	•	•		•
Contains pull-down menus to enable cardholders to enter transaction information	•		•	•
Capable of displaying profile/default accounting information established when account was set up	•	•		•
Capable of providing information [i.e., taxpayer identification numbers (TINs)] to allow DFAS to generate IRS Forms 1099 where appropriate				
Capable of ad-hoc reporting using information from RMBCS database via DMDC interface				
Capable of receiving and transmitting data electronically, with data residing at DMDC and fully accessible by any DoD activity with a PC and modem via client/server, Internet connection, or real-time use of a "dumb terminal" using character-based software for direct online access to the DMDC database				
Allows cardholders to approve or dispute transactions on line				
Capable of automatic matching of cardholders' automated transaction record/log with an "electronic statement of account" and generate a discrepancy report				
Allows electronic routing of reconciled "electronic statements of account" to each cardholder's designated billing office			•	
Capable of automatic consolidation of transactions by appropriation	•	•		•
May be customized to accommodate minimum/core data collection and reporting requirements of the Department as well as specialized needs of the end-user	•	•	•	•
Contains password/security protection	•		•	•
Capable of automated interface with logistics systems			•	
Capable of automated interface with accounting system*			•	

\* Under development

**Office of Primary Responsibility:** ASD(C3I)

**Collateral Action Offices:** USD(C) DFAS  
USD(A&T) Heads of DoD Components

Tasks	Milestones
1. The ASD(C3I) issues a joint memorandum.	<b>December 1, 1996</b>
2. DoD Components complete implementation.	<b>March 1, 1997</b>

**Resources:** Resources will be required by each DoD Component in order to evaluate, select, and proliferate a single system.

**Metrics:** Percent of DoD cardholders using an automated purchase card system.

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**RECOMMENDATION IV-17:** The ASD(C3I) shall direct the formation of a DoD inter-disciplinary task group to oversee the development or selection of a standard Department-wide purchase card management and automated reconciliation system.

**Policy Statement:** A single standard purchase card management and automated reconciliation system shall be developed for use throughout the Department. To this end, an ad hoc DoD inter-disciplinary task group shall be formed to oversee system development or selection. The task group shall work with actual end-users to review available government and commercial systems. The task shall examine at least the following features:

- Capable of operating “stand-alone” or in local area network environment.
- Inclusion of reconciliation log/checkbook module with programmed edits and automatic draw-down capability against authorized funding.
- Designed with pull-down menus that enable cardholders to enter transaction information to include item descriptions that are matched by the software to appropriate accounting classifications, object classes, and cost codes.
- Capable of providing taxpayer identification numbers (TINs) to allow the servicing disbursing office to generate IRS Forms 1099 where appropriate.
- Capable of producing ad-hoc reports using information from the RMBCS database via the DMDC interface.
- Capable of providing functional managers who have oversight responsibility with surveillance and management data for use in monitoring purchases of hazardous materials and other items (see Recommendation 28).
- Capable of receiving and transmitting data electronically, with data residing at DMDC and fully accessible by any DoD activity with a PC and modem via client/server, Internet connection, or real-time use of a “dumb terminal” using character-based software for direct online access to the DMDC database.
- Designed so that cardholders can approve transactions on line or generate dispute documentation.
- Designed to include an automatic matching of cardholders’ automated transaction record/log with an “electronic statement of account” and generate a discrepancy report.
- Provision for the electronic routing of reconciled “electronic statements of account” to each cardholder’s designated billing office.
- Capable of automated consolidation and summarization of transactions by appropriation.
- Provision for automatic transmission of certified “electronic invoice” to the payment office.
- Provision for interface with existing accounting systems.

- Capable of customizing to accommodate minimum/core data collection and reporting requirements of the Department as well as specialized needs of the end-user.
- Capable of receiving edit control data (cost centers, cost codes, element of expense codes, project order numbers, etc.) from the supported accounting system.
- Utilization of the Defense Information Systems Agency automation infrastructure.
- Inclusion of password/security protection.
- Provision for automated interface with component's logistics system and supporting accounting system(s).

**Office of Primary Responsibility:** ASD(C3I)

**Collateral Action Offices:** USD(C)  
 USD(A&T)  
 Heads of DoD Components  
 DFAS  
 DMDC

<b>Tasks</b>	<b>Milestones</b>
1. ASD(C3I) issues memorandum.	<b>November 1, 1996</b>
2. Task Group is formed.	<b>December 1, 1996</b>
3. Evaluation of known purchase card management systems is conducted.	<b>February 1, 1997</b>
4. Approach for selection of contractor off-the-shelf software or government-owned software is recommended.	<b>February 15, 1997</b>
5. Recommended approach is approved.	<b>March 1, 1997</b>
6. Acquisition/development plan is provided.	<b>April 1, 1997</b>
7. Complete implementation plan of the recommended system to ASD(C3I).	<b>July 1, 1997</b>
8. ASD(C3I) approves plan ICW, USD(C) and USD(A&T) and directs phased DoD-wide implementation.	<b>August 1, 1997</b>
9. Components begin implementation.	<b>October 1, 1997</b>
10. Components complete implementation.	<b>September 30, 1998</b>

**Resources:** Loaned staffing to support team structure and follow-on implementation.

**Metrics:** Migratory system performance, user satisfaction.

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**RECOMMENDATION IV-18:** The DEPSECDEF shall direct that the R063 invoice be received electronically whenever possible. Electronic receipt of the R063 would streamline the reconciliation process and facilitate the expeditious processing of bills, thereby maximizing potential refunds from RMBCS.

**Policy Statement:** DoD activities shall, to the maximum extent practicable, receive the purchase card invoice electronically from RMBCS at the designated billing office.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. USD(C) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. Heads of DoD Components issue policy to modify their internal procedures to maximize the receipt of electronic invoices by January 2, 1997.	<b>December 1, 1996</b>

**Resources.** Up-front resources are required for the development and programming of systems.

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**RECOMMENDATION IV-19.** The DEPSECDEF shall mandate that purchase card invoice certification authority be delegated to the billing office pursuant to 31 U.S.C. 3325.

Designating of the billing office as the certifying officer will consolidate accountability and responsibility for the certification of RMBCS invoices within a single office. This delegation eliminates redundancy in reconciliation and review and facilitates timely payments.

**Policy Statement.** The designated billing office shall be delegated the authority to certify purchase card official invoices, pursuant to 31 U.S.C. 3325, and transmit those invoices for payment. The USD(C) shall develop necessary policies and procedures for promulgation in the *DoD Financial Management Regulation*. The certifying officer will reduce accounting entries by summarizing, to the maximum extent, the LOAs affected by the invoice. The certified invoice must be received by the payment office no later than 15 days (in paper mode) or 20 days (electronic) after the date-stamped receipt date or date on the invoice, as appropriate. In consideration of the activity's processing time, the paying office's scheduling time, cash management, and provisions of the Prompt Payment Act, the invoice should be paid on the 23rd day. This will allow the payment to be made timely and will maximize the RMBCS refund to the extent prudent. The cardholder reconciliation and related processing of disputed items shall occur no later than the next reporting cycle.

Should the certifying officer fail to receive SOA reconciliation from all cardholders in sufficient time to allow the invoice to be paid timely (i.e., within 23 days), the invoice shall be certified in full and forwarded to the disbursing office for payment. The certifying officer then will followup with cardholders to ensure that SOA reconciliation is accomplished.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components  
DFAS

Tasks	Milestones
1. USD(C) prepares policy memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DFAS develops DoD guidance on the implementation of invoice certification authority.	<b>November 1, 1996</b>

Tasks	Milestones
3. USD(C) issues the above policy by memorandum to the DoD Components.	January 2, 1997
4. Components develop implementing guidance.	February 1, 1997
5. Heads of DoD Components/Financial Managers issues letters of delegation to commanders of subordinate activities, which in turn issue letters of delegation to the billing office.	March 1, 1997
6. DoD activities implement Component guidance and provide signature cards on certifying officers to DFAS.	April 1, 1997

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**RECOMMENDATION IV-20A AND IV-20B:**

The USD(C) shall direct—

- A. The recording of summary-level financial data in those cases where there is no compelling argument to collect more detailed data. (One LOA per card is a practical method to accomplish this objective.)
- B. That when more detailed accounting, budget, or managerial data are required (e.g., object class, element of expense, multiple appropriations or funds, cost distributions, budget execution, or standard pricing data), the cardholder’s automated reconciliation system should summarize card purchases to each unique LOA. This automated reconciliation system should minimize manual efforts associated with the reconciliation and posting of these financial transactions. Absent this automated system, DoD activities shall summarize accounting data by LOAs, to the maximum extent possible, before submitting accounting data to DFAS for entry into the disbursing and accounting systems.

**Policy Statement.** A single LOA shall be assigned to each purchase card where possible. The single LOA should be used to combine and summarize costs to the maximum extent possible unless an automated system is available to facilitate cost distribution. This automated system shall be used to track, reconcile, and aggregate accounting data for purchase card transactions when there is a requirement to account for purchases at multiple levels (e.g., appropriations, cost centers, reimbursable work orders, or object classes). The automated system shall facilitate summarizing LOAs to the fewest number possible.

DoD activities that have not adopted an automated system may continue to record costs as required, however, summarization of the accounting data by object class and LOAs will be performed to the maximum extent possible, prior to submitting accounting data to DFAS for entry into the accounting systems.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components  
DFAS

Tasks	Milestones
1. USD(C) issues memorandum to the DoD Components.	<b>October 15, 1996</b>
2. Components implement guidance, including the implementation of an automated reconciliation system to summarize LOAs.	<b>November 1, 1996</b>
3. Heads of DoD Components/Financial Managers issue memoranda to commanders of subordinate activities.	<b>December 15, 1996</b>
4. DoD activities implement "DoD Financial Management Regulation" and Component guidance.	<b>January 1, 1997</b>

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**RECOMMENDATION IV-20C:** The USD(C) shall direct DFAS to coordinate and develop an automated interface between the automated cardholder reconciliation system(s) and the support-ing accounting system(s) in order to record card transactions necessary to track activity or project costs and to facilitate the posting of accounting transactions. Within the capabilities of the cardholder database management and automated reconciliation systems, LOAs should be summarized prior to their entry into the official accounting system.

**Policy Statement:** Data shall be input into an automated system only once and then interfaced to other applications requiring the data (i.e., single source input). To this end, the migration database management and cardholder reconciliation systems, and the "To Be" systems must enable data to interface with supporting financial systems used within the Department.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** ASD(C3I)  
DFAS

Tasks	Milestones
1. The USD(C) directs DFAS to develop a plan to interface the migration purchase card automated reconciliation to the accounting systems.	<b>November 1, 1996</b>
2. Interface with standard database management and automated reconciliation system is completed (Recommendation IV-17).	<b>September 30, 1998</b>

**RECOMMENDATION IV-21:** The USD(C) shall mandate that the DoD Components summarize accounting data (e.g., object class data) to the maximum extent possible prior to submission of payment requests to the disbursing office. (This draft recommendation was incorporated into Recommendation IV-20.)

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**RECOMMENDATION IV-22:** Adopt a single object class for micro-purchases.

[The draft recommendation was withdrawn. Components stated that object class information was needed to monitor installation-level budget execution, provide data to congressional requests, satisfy OMB requirements, and support budget formulation. The ODoDIG concluded that statistical

sampling to provide this object class data at the installation level was inefficient. Furthermore, the ODoDIG found that the Services were rapidly developing automated systems to track purchase card transactions. Some of these automated systems contain the needed functionality to identify and aggregate object class data. Therefore, continued use of object class data should pose little workload burden upon the DFAS.]

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**RECOMMENDATION IV-23A:** The DEPSECDEF shall mandate a standard accelerated invoice reconciliation process. (Draft recommendation was incorporated into Recommendation IV-19.)

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**RECOMMENDATION IV-23B:** The DEPSECDEF shall mandate that a Cardholder's Statement of Questioned Items and subsequent Notice of Invoice Adjustment shall not be filed in cases of nonreceipt of recently ordered goods prior to (1) receipt of the subsequent monthly invoice and (2) attempts to resolve such cases directly with the vendor.

**Policy Statement:** Cardholders initially shall refrain from issuing a CSQI for cases of nonreceipt for recently ordered goods that appear on their SOAs. Rather, the cardholders should (1) contact that vendor to validate that shipment has been made, (2) make note of the non-receipt in retained records, and (3) await the second invoice. If, by the time of receiving the next invoice, the goods still have not been received, then (and only then) will the cardholder submit a CSQI for preparation of a Notice of Invoice Adjustment.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components

Tasks	Milestones
1. The USD(C) prepares a policy memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DoD Components ensure this policy is implemented.	<b>January 2, 1997</b>

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**RECOMMENDATION IV 23-C:** The USD(C) shall mandate that DoD disbursing offices, which pay purchase card invoices, receive certified invoices electronically for processing and make payments by electronic funds transfer. Payments will be scheduled in accordance with the PPA and OMB Circular A-125 to maximize the refunds from RMBCS.

**Policy Statement:** All disbursing offices will process RMBCS payments using standard procedures as documented in the *DoD Financial Management Regulation*.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DFAS  
Other DoD Component Disbursing Offices

Tasks	Milestones
1. The USD(C) prepares a policy memorandum for DEPSECDEF signature.	November 1, 1996
2. USD(C) tasks DFAS to develop standard procedures for processing RMBCS invoices.	November 1, 1996
3. The DFAS develops draft procedure for coordination with USD(C).	November 15, 1996
4. Guidance is promulgated.	January 2, 1997

**RECOMMENDATION IV-24:** The USD(C), as an extension of the Operation Mongoose initiative, shall task and fund DMDC to process and distribute data from the RMBCS Statement Detail Record Layout (997 flat file) against a knowledge-based protocol to assist in detecting purchase card misuse.

**Policy Statement:** The DMDC, in coordination with the DoDIG Quantitative Methods Division and the Defense Finance and Accounting Service, shall develop a computer-based system that includes, at a minimum, the following features:

- Receives and manipulates data from the purchase card contractor's flat file.
- Processes flat file data against a knowledge-based protocol of automatic edits and statistical testing methods.
- Disseminates reports of detected anomalies to cognizant agency program coordinators and/or internal review or audit organizations for followup as appropriate.

A knowledge-based system of automatic edits and computer editing/statistical testing methods—which is accessible to all organizational levels—shall be developed as a proactive and effective tool to assure that apparent incidents or emerging patterns of card misuse or fraud are detected and appropriate corrective measures are taken. These tools shall be flexible to allow for easy modification to accommodate changing requirements. This type of automated tool will dramatically reduce surveillance time; provide more adequate controls against waste, fraud, or misuse; and offer the ability to better track and monitor the purchase card program. The DMDC also shall disseminate notices of anomalies detected to cognizant APCs and/or internal review or audit organizations.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** ODoDIG  
DMDC  
DFAS

Tasks	Milestones
1. USD(C) issues a tasking memorandum.	October 15, 1996
2. DMDC, in coordination with DFAS and ODoDIG, forwards its technical/implementation plan to USD(C) for approval.	January 6, 1997

Tasks	Milestones
3. The USD(C) approves the plan April 1, 1997, for implementation.	<b>February 1, 1997</b>

**Resources:** ODoDIG, DMDC and DFAS must provide technical expertise during development. Approximate staffing to support this effort—up to 5 work years.

**Metrics:** Measure the incidents of misuse/fraud per 100,000 purchase card transactions throughout the Department and within each DoD Component and subordinate activity.

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**RECOMMENDATION IV-25:** The USD(C) shall request the DoDIG Quantitative Methods Division, in coordination with DMDC and internal control and audit communities, to develop a standardized methodology to evaluate purchase card usage and provide sampling techniques that follow transactions through to end-users.

**Policy Statement:** Standardized methodology shall be used by all activities to evaluate compliance with prescribed policy and procedures for purchase card usage. This shall embrace sampling techniques that follow transactions through to the end-user of the goods or services procured. This methodology should include—

1. Initial edit and quality criteria.
2. Edit process.
3. Quality assessment.
4. A feedback mechanism for adapting edits.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DoDIG/QMD  
DMDC  
Heads of DoD Components

Tasks	Milestones
1. USD(C) issues tasking memorandum.	<b>October 15, 1996</b>
2. Action offices take the following actions: a. Initial Edits and Quality Criteria [DoDIG/QMD and DMDC] (1) Define reasonableness boundary and relationship edits. (2) Define fraud detection edits (i.e., Project Mongoose). (3) Define risk-scoring procedures. (4) Establish criteria for quality assessment tests. b. Edit Process [DMDC] (1) Pass incoming transactions from RMBCS through edits. (2) Generate exception reports. - Transactions failing reasonableness edits reported to APCs. - Transactions failing fraud edits reported to APCs	<b>October 15, 1996</b>          <b>November 15, 1996</b>

Tasks	Milestones
<p>and IGs.</p> <p>(3) Generate management status reports.</p> <p>(4) Calculate risk scores for transactions that pass edits, and capture these scores on the transaction records.</p> <p>c. Quality Assessment [DMDC and DoDIG/QMD]</p> <p>(1) Using valid randomization methods, select a sample of the transactions that passed the edits, stratified by risk.</p> <p>(2) Examine the sampled transactions and identify instances of error and fraud.</p> <p>(3) Perform statistical quality assurance tests on the sample results and generate management status reports.</p> <p>(4) If the quality assurance test results do not meet the established criteria, initiate corrective action (prospective and retrospective, as required).</p> <p>d. Feedback Mechanism for Adapting Edits [DMDC and DoDIG/QMD]</p> <p>(1) Research the causes of any errors and instances of fraud found in the quality assurance sample.</p> <p>(2) Modify the reasonableness and fraud detection edits to recognize these identified causes.</p> <p>(3) Periodically review the edits.</p>	<p><b>December 1, 1996</b></p> <p><b>January 2, 1997</b></p>

**RECOMMENDATION IV-26:** The DEPSECDEF shall direct that local commanders implement sufficient, nonimpeding, adaptive local internal controls to assure that purchase card misuse and fraud is minimized.

**Policy Statement:** Heads of DoD Components, in coordination with DMDC and their supporting audit, comptroller, and procurement organizations, shall ensure that sufficient, nonimpeding, adaptive internal controls are in place at installation/activity levels. These controls (e.g., local spot checks) should assure that purchase card misuse and fraud is minimized.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** Heads of DoD Components

Tasks	Milestones
1. USD(C) prepares DEPSECDEF tasking memorandum.	<b>November 1, 1996</b>
2. DoD Components issue appropriate instructions for implementation.	<b>February 1, 1997</b>

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**RECOMMENDATION IV-27:** The DEPSECDEF shall direct that the DoD Components include reviews of purchase card procedures and transactions as part of each activity’s management control process.

**Policy Statement:** Each DoD activity’s management control process shall include the review of purchase card procedures and transactions. Procurement management reviews, when conducted by higher headquarters, should address the purchase card program as part of the review. However, for those organizations not subject to PMRs (purchase card authority only), alternative review methods (e.g., annual desk audits) may be used.

**Office of Primary Responsibility:** DDP

**Collateral Action Office:** ARSSG

<b>Task</b>	<b>Milestone</b>
The DDP prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>

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**RECOMMENDATION IV-28:** The DEPSECDEF shall require, upon fielding of the standard purchase card database management and automated reconciliation system, that functional managers with program oversight be given read-only access to surveillance reports and data generated by the automated systems supporting the purchase card program.

**Policy Statement:** In at least the areas of HAZMAT, safety, and accountable property, reports of purchase card transactions shall be made available to functional managers with oversight responsibility.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARSSG

<b>Task</b>	<b>Milestone</b>
The DUSD(AR) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>

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**RECOMMENDATION IV-29:** The Heads of the DoD Components shall direct subordinate organizations to revise internal procedures to ensure wide adoption of the new property accountability threshold.

This action was accomplished in a memorandum dated May 28, 1996 (see Appendix I), which increased the property accountability threshold from \$300 to a level at least equal to the micro-purchase threshold. That memorandum directed the Heads of DoD Components to “ensure that this guidance is adhered to in day-to-day operations” (i.e., internal procedures).

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**RECOMMENDATION V-1:** The USD(A&T) shall identify in the “Desk Book”—as an alternative “best practice”—the use of agreements that document vendor preacceptance of clauses and provisions for procurements above the micro-purchase threshold through \$25,000. The “Desk Book” should provide an example agreement and a suggested listing of clauses and certifications.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** None

<b>Task</b>	<b>Milestone</b>
The DUSD(AR) identifies alternative best practice to “Desk Book” Administrator.	<b>December 1, 1996</b>

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**RECOMMENDATION V-2:** The DEPSECDEF shall reinforce to the Heads of DoD Components the need to maximize EC/EDI in the contracting process and EFT in the contract payment process. Given recent legislation mandating the use of EFT, the use of the purchase card as an order/payment mechanism should be limited to “corporate” contracts and to single-purchase/delivery and single LOA contracts/orders, or otherwise when economically justified.

**Policy Statement:** The preferred practice throughout the Department is to increase use of EC and EDI in the contracting and contract payment process. As required by the Electronic Funds Transfer Expansion Act (P.L. 104-134), all new eligible recipients of Federal payments on or after July 26, 1996, must receive those payments by EFT; by January 1, 1999, all Federal payments (except Internal Revenue Service tax refunds) must be made by EFT. The use of EC/EDI, coupled with the use of EFT, offers greater benefit to the contract and contract payment processes than does the use of the purchase card as a payment method. Consequently, use of the purchase card should be limited to single-purchase/delivery and single line of accounting contracts/orders unless otherwise determined to be in the best interest of the government.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DoD Components  
ARSSG

<b>Task</b>	<b>Milestone</b>
1. The USD(C) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DoD Components implement DEPSECDEF policy.	<b>January 2, 1997</b>

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**RECOMMENDATION VI-1A:** The DEPSECDEF shall mandate that DoD activities offering goods or services to other DoD or Federal activities accept the government purchase cards in payment. The exception is the host identified in the ISSAs under host-tenant relationship.

**Policy Statement:** DoD activities that offer goods or services to other DoD or Federal activities shall establish, in coordination with the Office of the Deputy Chief Financial Officer, OUSD(C), merchant relationships to accept government purchase cards.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** DDP  
Heads of DoD Components  
DFAS  
Treasury Department.

<b>Task</b>	<b>Milestone</b>
1. The USD(C) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DoD Components implement DEPSECDEF policy.	<b>January 2, 1997</b>

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**RECOMMENDATION VI-1B:** The USD(C) shall work with the Treasury Department to extend its termination date for use of the Purchase Card Collection Network.

**Policy Statement:** Pending availability of a mechanism through the GSA purchase card contract, a need exists to maintain availability of the Treasury Department PCCN. The extension needed is through the expiration of the RMBCS contract.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** Treasury Department

<b>Tasks</b>	<b>Milestones</b>
1. The USD(C) prepares a letter to the Treasury Department proposing continuation of the PCCN arrangement through the current RMBCS/GSA contract period.	<b>October 15, 1996</b>
2. USD(C) finalizes arrangement with the Treasury Department.	<b>November 15, 1996</b>
3. USD(C) notifies the DoD Components of this arrangement.	<b>December 15, 1996</b>

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**RECOMMENDATION VI-1C:** The USD(C) shall work with GSA to modify the RMBCS contract to (1) provide for “acquirer bank” service and (2) remove restrictions on cardholder/billing office limits for inter- and intradepartmental purchases/sales.

**Policy Statement(s):** None

**Office of Primary Responsibility:** USD(C)

**Collateral Offices:** GSA  
RMBCS  
DFAS

<b>Tasks</b>	<b>Milestones</b>
1. The USD(C) develops contract requirements to enhance the use of the card as a collection method for intra- and inter-Federal Agency transactions and forward these requirements to GSA for consideration in current contract and future contracts.	<b>December 1, 1996</b>
2. The USD(C), upon receipt of GSA response, notifies DoD Components of outcome.	<b>January 2, 1997</b>
3. DFAS incorporates any applicable changes in the “DoD Financial Management Regulation.”	<b>February 1, 1997</b>

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**RECOMMENDATION VI-2:** The Heads of those DoD Components seeking to use the PCCN should arrange with the selected acquirer bank and with DFAS for instructions, equipment, and procedures. (Draft recommendation incorporated into Recommendation VI-1A.)

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**RECOMMENDATION VII-1:** The DEPSECDEF shall direct that, one year after the fielding of the standard database management and automated reconciliation system, the Office of Small and Disadvantaged Business Utilization (OSADBU) and the DUSD(AR) jointly will evaluate the impact of the purchase card program on small businesses. The evaluation results will be used to determine if a proposed legislative change to increase the micro-purchase threshold is appropriate.

**Policy Statement:** An evaluation of the purchase card program impact on small businesses will be performed 1 year after fielding of the standard database management and automated reconciliation system. If this evaluation reflects that the purchase card program had a positive impact on small businesses and all other data supports an increase to the micro-purchase threshold, then the DUSD(AR) will propose legislative changes to raise the threshold.

**Offices of Primary Responsibility:** DUSD(AR)  
OSADBU

**Collateral Office:** ARSSG

Tasks	Milestones
1. The DUSD(AR) prepares a memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. Evaluation initiated 1 year after fielding of the migration automated reconciliation system.	<b>March 1, 1998</b>

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**RECOMMENDATION VII-2A:** The DEPSECDEF shall direct the Heads of DoD Components to ensure that micro-purchase authority for commercial items is delegated to individuals within end-user organizations, except for special-type items (e.g., HAZMAT) as determined by the Component on an exception basis.

**Policy Statement:** Micro-purchase authority for commercial items shall be delegated to end-user organizations. End-user organizations shall, to the maximum extent practicable, conduct micro-purchases for commercial items using the purchase card.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARSSG

Task	Milestone
DUSD(AR) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>

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**RECOMMENDATION VII-2B:** The DUSD(AR) shall submit proposed legislation to allow use of the purchase card up to the simplified acquisition threshold during contingency operations.

**Policy Statement:** Contracting officers can use the purchase card for commercial supplies and services up to the simplified acquisition threshold in contingency operations when determined to be more economical and efficient than other simplified acquisition methods.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARSSG

Task	Milestone
1. The DUSD(AR) submits proposed legislation.	November 1, 1996

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**RECOMMENDATION VII-3A:** The DUSD(AR) shall direct DAU to include solutions to resolve any lack of vendor card acceptance in the training module to be developed.

**Policy Statement:** The DAU shall include solutions to resolve any lack of vendor card acceptance in the purchase card training module for cardholders. Suggestions include—

- Asking merchants if they take “VISA” rather than the “government purchase card” because the latter term may not be familiar to merchants.
- Encouraging cardholders to notify their APCs of merchants that could be used if they accepted the purchase card.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** DAU

Task	Milestone
The DUSD(AR) issues direction to DAU.	November 1, 1996

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**RECOMMENDATION VII-3B:** The DUSD(AR) shall direct the Acquisition Reform Communications Center to offer information through organizations such as local chambers of commerce to educate local business communities on the benefits that result from the reengineering of DoD business practices, emphasizing the purchase card program.

**Policy Statement:** The Acquisition Reform Communications Center shall communicate the benefits of the purchase card process to organizations, such as local chambers of commerce, for education of local businesses.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Office:** ARCC

<b>Task</b>	<b>Milestone</b>
The DUSD(AR) issues direction to the Acquisition Reform Communications Center.	<b>November 1, 1996</b>

**RECOMMENDATION VII-4:** The USD(C) shall work with GSA to effect the following process changes in successor contracts:

1. Pursue automated interfaces between the contractor's records and the systems available at the cardholder and billing office levels. Improvements should be made to automate and streamline the current system to reconcile items both on cardholder statements and on the official invoice. [Currently, this information is being provided only in paper form from the contractor. Automating the transmission of this information will ease the reconciliation process for cardholders and facilitate electronic interfaces with the servicing payment offices. It also will expedite payment and decrease the file turn period, thereby generating a greater rebate from the contractor.]

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** USD(A&T)  
ASD(C3I)  
GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need in the next statement of work to include automated interfaces for transmission of reports and invoices between the purchase card contractor and the cardholder and billing offices.	<b>October 15, 1996</b>

2. Require a rolling invoice that reflects a beginning balance of the current month, the payments and adjustments from the previous month's invoice, the exchange rates used to convert foreign currency transactions, and the current billing cycle purchases. [The current process results in invoices that reflect bill only those items purchased during the current billing period. The current process does not acknowledge adjustments by cardholders for nonreceipt of items carried forward from the prior billing period. Neither does it include the foreign currency exchange rate and/or purchase amount in foreign currency, thereby enabling the DoD activity to compare the cost at the time the order was placed to the payment amount and cost the difference to the foreign exchange fluctuation account.]

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need in the next statement of work for purchase cards to include "carry forward" information on purchase card invoices and to include the foreign currency exchange rate and/or purchase amount in foreign currency on the official invoice.	<b>October 15, 1996</b>

- Pursue an alternative to the “file turn” method of establishing the amount of refund. More economically meaningful refunds would justify faster payments in line with the Prompt Payment Act; otherwise, agencies are compelled to wait for the prompt payment window (the 23rd through the 30th day after receipt of invoice).

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need in the next statement of work to include options for more favorable economic returns to the Department from the purchase card contractor (e.g., pricing concessions on value-added services).	<b>October 15, 1996</b>

- Require that refunds be made as a reduction from the amount due on the succeeding invoice. This requirement will ensure that the benefit reaches the appropriate organizational level in sufficient time for current-year use.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need to include in the next statement of work for purchase cards a requirement that any refunds negotiated under the program be disbursed as a reduction on a monthly invoice.	<b>October 15, 1996</b>

- Require the contractor to capture and provide vendor taxpayer identification, vendor payment amount, and other information necessary for DFAS to prepare IRS Forms 1099. As an alternative, require the purchase card contractor to issue the IRS Forms 1099.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Tasks</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need in the next statement of work for purchase cards for the card vendor to capture IRS tax reporting information necessary to prepare IRS Forms 1099.	<b>October 15, 1996</b>

- To meet unique requirements for contingencies and other military operations, require the purchase card contractor to permit the issuance of multiple user cards that bear the name of, and are controlled by, one individual within each deploying organization.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need in the next statement of work for purchase cards to issue multiple user cards for specified DoD activities at remote sites and for contingency operations. Each such card will be controlled by an individual within each deploying organization whose name is embossed on the card.	<b>October 15, 1996</b>

7. To eliminate multiple cards, endorse the GSA proposal to issue master contracts for card products covering (1) purchases (to include inter- and intradepartmental purchases), (2) travel and transportation, (3) FTS 2000, and (4) fleet fuel applications. Each card should have included in the card mechanism the capability to restrict purchase access to a specified function(s).

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA the Department's support for a statement of work for master contracts covering cards for small purchases, inter- and intraagency purchases, travel and transportation, FTS, and fleet fuels applications.	<b>October 15, 1996</b>

8. For inter- and intradepartmental purchases/sales, require the purchase card contractor to expand services to include the "acquiring bank" and "issuing bank" services and to increase purchase limits for selected cardholders and offices.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA the Department's need for the purchase card contractor to provide "acquiring bank" as "issue bank" services, and higher purchase limits for inter- and intradepartmental purchases and sales.	<b>October 15, 1996</b>

9. Lower "issuing bank" rates in recognition of high volume "no-risk" factors associated with inter- and intradepartmental usage. Consider a "per-transaction" fee rather than a fee based on percentage of sales

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

<b>Task</b>	<b>Milestone</b>
The USD(C) identifies to GSA a need to pursue lowering "issuing bank" rates in recognition of high volume "no-risk" factor associated with inter-/intradepartmental usage.	<b>October 15, 1996</b>



10. Direct a change to the current DoD hierarchy to establish DoD as Level 2, DoD Components as Level 3, major commands as Level 4, billing offices as Level 5, and cardholders as Level 6.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Office:** GSA

Task	Milestone
The USD(C) identifies to GSA a need to pursue with the current purchase card contractor a change in the DoD hierarchy for issuance of reports to levels within the hierarchy.	<b>October 15, 1996</b>

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**RECOMMENDATION VII-5:** The USD(C) shall establish pilots of VISA checks (issued through the GSA contract with RMBCS) and the Treasury Department’s FedSelect product. At least initially, use of these products should be limited to “imprest-fund-like” transactions.

**Policy Statement:** New tools shall be made available to replace cash services formerly provided by imprest fund cashiers. Pilots of the VISA check and FedSelect products shall be conducted with perhaps only one cardholder and alternate given access to this tool on each installation.

- The Washington Headquarters Services has been approved to pilot the FedSelect product. The pilot will determine the suitability of the program for the Department with procedural and policy requirements to be determined from the results of the pilot.
- The planned availability of the VISA check program on October 1, 1996, will allow cardholders to implement that program as well. Procedural guidance will be dependent on conditions negotiated with RMBCS by GSA.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** GSA  
DFAS  
WHS

Tasks	Milestones
1. The WHS, in coordination with the DFAS-Kansas City Center, will test the FedSelect checking account program for a 6-month period commencing. Interim reports and a final report will be transmitted to the USD(C) under the test and evaluation plan currently being developed. (Reference DCFO memorandum of July 10, 1996.)	<b>September 1, 1996</b>
2. VISA checks will be made available for use by the designated cardholders when GSA amends the current purchase card contract.	<b>November 1, 1996</b>

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**RECOMMENDATION VII-6:** The DEPSECDEF shall direct the Heads of the DoD Components to develop viable goals for use of the purchase card at or below the micro-purchase threshold.

**Policy Statement:** The Heads of DoD Components shall develop, in coordination with the USD(A&T), viable goals for use of the purchase card at or below the micro-purchase threshold.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components  
ARSSG

Tasks	Milestones
1. DUSD(AR) prepares memorandum for DEPSECDEF signature.	November 1, 1996
2. Components establish goals.	January 2, 1997

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**RECOMMENDATION VII-7:** The DEPSECDEF shall direct of the Heads DoD Components to—

1. Issue guidance to their major commands and installation commanders emphasizing the advantages of using the purchase cards. This guidance should stipulate that any manpower savings due to the reduced number of transactions in the contracting and logistics functions can be redistributed at the installation level or utilized for proposed downsizing.
2. Encourage coverage of the purchase card program at schools and conferences where DoD leaders learn better ways to do business.
3. Direct that DoD Component APCs, with the assistance of the DAU, GSA and RMBCS, develop and deploy “road shows” that emphasize the newly streamlined purchase card process and how it enables workers to accomplish their missions more quickly and efficiently.

(Note: See Recommendation VII-9 for taskings.)

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**RECOMMENDATION VII-8:** The DEPSECDEF shall encourage the Heads of the DoD Components to publish stories featuring local cardholder success for installation papers and Internet newsletters such as the *Acquisition Reform Now*; stories should demonstrate how the card empowers the workers to get their mission accomplished. Also, the Assistant to the Secretary of Defense (Public Affairs) should develop articles for external release indicating the important aspects of the purchase card use in the DoD Components.

(Note: See Recommendation VII-9 for taskings.)

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**RECOMMENDATION VII-9:** The DEPSECDEF shall encourage the Heads of the DoD Components to use organization commander calls to emphasize the advantages of the worker using the card. Such forums should emphasize the flexibility and timeliness of obtaining supplies and services with the purchase card.

**Policy Statement (VII-7, 8, and 9):** DoD Components shall increase awareness of the purchase card program by educating personnel on the efficiencies of the program. Examples include—

1. Issuing guidance to major commands and installation commanders emphasizing the advantages of using purchase cards. This guidance should stipulate that any manpower savings because of the reduced number of transactions in the contracting and logistics functions can be redistributed at the installation level or utilized for proposed downsizing.
2. Encouraging discussion of the purchase card program at schools and conferences where DoD leaders learn better ways to do business. In addition, emphasize purchase card program advantages at local commander's calls.
3. Directing component's APCs, with the assistance of DAU, GSA, and RMBCS, to develop and deploy "road shows" that emphasize the newly streamlined purchase card process and how it enables workers to accomplish their mission quicker and more effectively.
4. Publishing articles of local cardholder successes in installation's papers and Internet newsletters such as *Acquisition Reform Now*, stories should demonstrate how the card empowers workers to accomplish their mission.

**Office of Primary Responsibility:** DUSD(AR)

**Collateral Action Offices:** Heads of DoD Components  
ARSSG  
ASD(PA)

Task	Milestone
1. The DUSD(AR) prepares memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. DoD Components implement DEPSECDEF Policy.	<b>January 2, 1997</b>

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**RECOMMENDATION VII-10:** The DEPSECDEF shall direct the establishment of a Purchase Card Program Management Office to oversee the implementation of recommendations contained in this report.

**Policy Statement:** The PCFMT and PCIPT have identified many far-reaching recommendations, major initiatives, and undertakings. While some of these recommendations can be implemented in the near term, a significant number involve closely interrelated, cross-functional areas, and are dependent upon the outcome or implantation of other recommendations. Successful accomplishment will require mid-term plans and close monitoring of execution.

The technology in the "plastic card" arena is expanding at a rapid pace. During the next several months, and definitely over the next few years, the industry baseline will far surpass the recommendations and timelines identified within this report. Debit cards, "smart" (chip) cards, and multi-use cards will have a beneficial impact on the Department's business practices and procedures.

To ensure that the efforts expended to date—and the interest reflected by the Components—a full-time Purchase Card Program Management Office is needed to ensure successful implementation of the recommendations within the report and to appropriately leverage future advances in card technology.

The PCPMO shall be established within the Office of the Under Secretary of Defense (Comptroller) and be responsible for managing the full implementation of the envisioned reengineered purchase card processes. This organization should have cross-functional representation from the

accounting and acquisition communities of the Office of the Secretary of Defense, the Military Departments, and select Defense agencies and DoD field activities. Its staffing should also include personnel experienced with administration of the current program.

The PCPMO will concentrate on the following activities:

- Perform project management.
- Implement quick hits.
- Conduct “road shows and information briefs.”
- Modify and establish policies, procedures, contracts, guidelines, and regulations.
- Ensure development and implementation of purchase card support systems.
- Implement training plans.
- Measure DoD Component program performance and compliance.
- Monitor enabling technologies.

This organization should be augmented when needed by special task groups to concentrate on specific issues, e.g., the interdisciplinary group led by DFAS to develop or procure a database management and automated reconciliation system.

**Office of Primary Responsibility:** USD(C)

**Collateral Action Offices:** Heads of DoD Components  
USD(A&T)

Tasks	Milestones
1. The USD(C) prepares a memorandum for DEPSECDEF signature.	<b>November 1, 1996</b>
2. The PCPMO starts operation.	<b>January 2, 1997</b>

# APPENDIX A

## CHARTERS

APPENDIX B  
TEAM MEMBERS

**Office of the Under Secretary of Defense (Comptroller)**  
**Purchase Card Financial Management Team**

<b>Name (Last, First MI)</b>	<b>Grade/ Series</b>	<b>DoD Component</b>	<b>Organization and Mailing Address</b>	<b>Office Phone &amp; Fax</b>
Adolphi, Ronald L. (Chair)	ES-4	OUSDC(C)	OUSDC(C), ODCFO(AP) Room 3A882 1100 Defense Pentagon Washington, DC 20301-1100	Phone: (703) 697-0536 Fax: (703) 697-4608 E-mail: adolphir@ousdc.osd.mil
Good, Ronald D. (Deputy)	GM-501-15	OUSDC(C)	OUSDC(C), ODCFO(AP) Room 3A882 1100 Defense Pentagon Washington, DC 20301-1100	Phone: (703) 697-0585 Fax: (703) 697-4608 E-mail: goodr@ousdc.osd.mil
Joe, Dennis	GS-510-13	Army	OASA(FM&C) ATTN: SAFM-FCL 109 Army Pentagon Washington, DC 20310-0109	Phone: (703) 697-5835 Fax: (703) 695-2028
Whitmeyer, Antoinette A.	Lt. Cdr., MSC 0031	Navy	Naval School of Health Sciences Building 141 8901 Wisconsin Avenue Bethesda, MD 20889	Phone: (301) 295-6091 Fax: (301) 295-2652 E-mail: whitmeyer@nsh20.med.navy.mil
Berk, Rodney K.	Captain AFSC 65F4	Air Force	SAF/FMPC Washington, DC 20330-1130	Phone: (703) 697-9992 Fax: (703) 695-0682
Miles, Roger S.	GS-510-13	DeCA	DeCA HQ/RMA Fort Lee, VA 23801-6300	Phone: (804) 734-8334 Fax: (804) 734-8243 DSN: 687
Ingerick, Jerry D.	GM-510-15	DFAS	DFAS-HQ/AF 1931 Jefferson Davis Highway Room 409 Arlington, VA 22240-5291	Phone: (703) 607-1571 Fax: (703) 607-0588
Neel, Gwendolyn J.	GS-318-07	DFAS	DFAS-HQ/AF 1931 Jefferson Davis Highway Room 409 Arlington, VA 22240-5291	Phone: (703) 607-1105 Fax: (703) 607-0588
Kerby, Carl A.	GS-510-13	DLA	DLA HQ/FOX 8725 John J. Kingman Road Suite 2533 Fort Belvoir, VA 22060-6221	Phone: (703) 767-7234 Fax: (703) 767-7251
Loudon, Deborah L.	GS-1102-13	DMA	DMA Headquarters 8613 Lee Highway Fairfax, VA 22031-2137	Phone: (703) 275-8471 Fax: (703) 275-8636
Gerlach, Harry W.	GS-343-15	WHS	Washington Headquarters Services Room 3C345 The Pentagon Washington, DC 20301-1155	Phone: (703) 693-8613 Fax: (703) 614-9258
Miller, Robert A.	GM-510-15	WHS	Washington Headquarters Services Room 3B269 The Pentagon Washington, DC 20301-1155	Phone: (703) 614-0990 Fax: (703) 697-1629

## Deputy Under Secretary of Defense (Acquisition Reform) Purchase Card Integrated Product Team

Name (Last, First MI)	Grade/ Series	DoD Component	Organization and Mailing Address	Office Phone & Fax
Horsfall, John D. (Co-Chair)	Colonel USAF	ODUSD (IA&I)	OUSD(A&T), ODUSD(IA&I) 400 Army Navy Drive Suite 206 Arlington, VA 22202-2884	Phone: (703) 604-6735 Fax: (703) 604-5934
Sullivan, Bruce (Co-Chair)	GM-15	Army (RDA)	US Army Contracting Support Agency 5109 Leesburg Pike Falls Church, VA 22041-3201	Phone: (703) 681-7564 Fax: (703) 681-7580 E-mail: sullivan@sarda.army.mil
Robinson, Eva	GS-13	Navy	Commander NAVSUP 5450 Carlisle Pike P.O. Box 2050 Mechanicsburg, PA 17055-0791	Phone: (717) 790-3728 Fax: (717) 790-4040
Ellsworth, Catia	GS-13	Air Force	SAF/AQCO 1060 Air Force Pentagon Washington, DC 20330-1060	Phone: (703) 614-2626 Fax: (703) 697-8817
Sampere, Jerry	MSgt USAF	Air Force	HQ USAF/LGSP 1030 Air Force Pentagon Washington, DC 20330-1030	Phone: (703) 697-9429 Fax: (703) 614-7570 E-mail: samperej@afsync.hq.usaf.mil
Mitchell, Fran	GM-13	U.S. Marine Corps	HQMC, I&L Dept (LB) 3033 Wilson Boulevard Arlington, VA 22201	Phone: (703) 696-1018 Fax: (703) 696-1016 E-mail: mitchellf@sqq-smtp3.usmc.mil
Hailstone, Mitch	Major USAF	DoD IG	Office of the DoDIG 400 Army Navy Drive Arlington, VA 22202-2884	Phone: (703) 604-9330 Fax: (703) 604-9204 E-mail: mhailstone@ddig.osd.mil
Zayas, Miguel A.	Lieutenant SC, USN	DLA	DLA HQ/MMPP 8725 John J. Kingman Road Suite 3122 Ft. Belvoir, VA 22060-6221	Phone: (703)767-1357 Fax: (703)767-1359 E-mail: miguel_zayas@hq.dla.mil
Worrick, Mathew	GS-13	DMA	DMA 8613 Lee Highway Mailstop A3 Fairfax, VA 22031-2137	Phone: (703) 275-8469 Fax: (703) 275-8636 E-mail: worrickm@dma.gov
Byrnes, Brad	Captain US Army	DAU	Army Logistics Management College ATTN: SACM ATSZ AMJ Building 12500 2401 Quarters Road Ft. Lee, VA 23801-1705	Phone: (804) 765-4412 Fax: (804) 765-9023

APPENDIX C  
DoD ENTRY INTO PROGRAM

# APPENDIX D

## COMPONENT STATISTICS

### 1. Background

Listed below are data reported via the DD Form 1057 (Monthly Contracting Summary of Actions \$25,000 or Less) and statistics for purchase card use collected by RMBCS for FY 1994, FY 1995, and the first 6 months of FY 1996. These data were used to provide a general indication of the percentage of purchases within the micro-purchase threshold accomplished with the purchase card. The data provide only a “general” indication due to limitations in the reporting parameters and subsequent assumptions imposed on the calculations. It is important to recognize these assumptions first.

- a. The FAR requires reporting of contracting actions of \$25,000 or less using the DD Form 1057. The DD Form 1057 divides these contracting actions into small purchase procedures, delivery orders (includes GSA Federal Supply Schedules, and other Federal Supply Schedules) and other contracting actions. Only Small Purchase Procedures are reported by dollar ranges on the DD Form 1057. Small Purchase Procedures include simplified acquisition procedures such as purchase card transactions, orders against blanket purchase agreements, and modifications to awards made using simplified acquisition procedures. Actions reported at or below the micro-purchase threshold of \$2,500 on the DD Form 1057 were compared to purchase card transactions reported by RMBCS to determine the percentage of micro-purchases accomplished via the purchase card. Three problems were encountered. First, purchase card transactions reported by RMBCS encompass all contract actions, including delivery orders and other contracting actions not counted as Small Purchase Procedures on the DD Form 1057. Second, RMBCS statistics also include any transactions above the \$2,500 threshold. Third, purchase card actions accomplished by a tenant organization of one DoD Component may be included in the reported total of another Component to which the host organization belongs. Discussions with Component-level program coordinators indicated that the number of purchase card transactions associated with either problem is small enough to render them as statistically insignificant, but they still degrade the accuracy of computations.
- b. During FY 1995, DoD activities were relieved of the requirement to report purchase card transactions on the DD Form 1057. Actual cessation of the reporting, however, varied across the DoD Components. Some stopped reporting purchase card transactions immediately, while others stopped at other times through the end of the year. Thus, statistics used from the DD Form 1057 database for FY 1995 create the potential for a wider margin of error. This change in reporting requirements also is important to note when conducting trend analysis across the fiscal years since FY 1994 data include purchase card transactions, FY 1995 data are mixed, and FY 1996 data do not include purchase card transactions.

## 2. Statistics

### FY 1994—DD Form 1057

Actions at or below \$2,500 (1)		Dollars	Average \$/Action
DoD	4,962,038	\$2,275,092,411	\$458
USA(2)	1,773,727	\$ 705,896,953	\$398
USN(3)	1,288,019	\$ 656,130,248	\$509
USAF	765,958	\$ 354,408,813	\$462
Others	1,134,334*	\$ 558,656,397	\$492

(1) Sections F1 + F2 of DD Form 1057

(2) Includes Army and Office of the Chief of Engineers

(3) For reporting purposes, includes USMC

\* DLA 674,680 (59.5 percent); DeCA 422,989 (37.3 percent), Others 36,665 (3.2 percent)

### FY 1994—Purchase Card

	Transactions	Dollars	Average \$/Transaction
DoD	791,399	\$368,734,330	\$466
USA	439,168	\$190,547,739	\$434
USN	198,441	\$111,011,167	\$559
USAF	133,724	\$ 50,145,271	\$375
Others	20,066	\$ 17,030,154	\$849

- Percentage of DoD purchase card transactions: U.S. Army, 55.5 percent; U.S. Navy, 25.1 percent; U.S. Air Force, 16.9 percent; Others, 2.5 percent.
- FY 1994 DoD percentage of micro-purchase actions using purchase card: 15.95 percent.
- Military Department percentage of micro-purchase actions using purchase card: U.S. Army, 25 percent; U.S. Navy, 15 percent; U.S. Air Force, 18 percent.
- Defense agencies' percentage of micro-purchase actions using purchase card: 2 percent.

**FY 1995—DD Form 1057**

<b>Actions at or below \$2,500</b>		<b>Dollars</b>	<b>Average \$/Action</b>
DoD	4,545,495	\$2,135,602,583	\$470
USA	1,489,190	\$ 627,929,235	\$422
USN	1,218,306	\$ 649,249,103	\$533
USAF	661,156	\$ 309,663,021	\$468
Others	1,176,843**	\$ 548,761,224	\$466

\*\* DLA 729,021 (61.9 percent); DeCA 405,359 (34.5 percent); Others 42,463 (3.6 percent)

**FY 1995—Purchase Card**

	<b>Transactions</b>	<b>Dollars</b>	<b>Average \$/Transaction</b>
DoD	1,666,759	\$795,607,307	\$477
USA	927,726	\$429,568,520	\$463
USN	328,559	\$188,491,547	\$574
USAF	341,236	\$132,117,281	\$387
Others	69,238	\$ 45,429,959	\$656

- Percentage of DoD purchase card transactions: U.S. Army, 55.7 percent; U.S. Navy, 19.7 percent; U.S. Air Force, 20.5 percent; Others, 4.1 percent.
- FY 1995 DoD percentage of micro-purchase actions using purchase card: 36.7 percent.
- Military Department percentage of micro-purchase actions using purchase card: U.S. Army, 62 percent; U.S. Navy, 27 percent; U.S. Air Force, 52 percent.
- Defense agencies' percentage of micro-purchase actions using purchase card: 6 percent

**FY 1996 (October–March)—DD Form 1057**

<b>Actions at or below \$2,500</b>		<b>Dollars</b>	<b>Average \$/Action</b>
DoD	1,150,702	\$562,849,732	\$489
USA	223,130	\$113,629,137	\$509
USN	189,835	\$111,365,432	\$587
USAF	212,398	\$102,152,516	\$481
Others	525,339***	\$235,702,647	\$449

\*\*\* DLA 344,320 (65.5 percent); DeCA 173,779 (33.1 percent); Others 7,240 (1.4 percent)

**FY 1996 (October–March)—Purchase Card**

	<b>Transactions</b>	<b>Dollars</b>	<b>Average \$/Transaction</b>
DoD	1,198,337	\$478,230,067	\$399
USA	645,407	\$234,015,540	\$363
USN	220,992	\$116,310,538	\$526
USAF	275,528	\$ 96,001,439	\$348
Others	56,410	\$ 31,902,550	\$566

- Percentage of DoD purchase card transactions: U.S. Army, 53.9 percent; U.S. Navy, 18.4 percent; U.S. Air Force, 23.0 percent; Others, 4.7 percent.
- FY 1996 (October–March) DoD percentage of micro-purchase actions using purchase card: 51 percent (4).
- Military Department percentage of micro-purchase actions using purchase card: U.S. Army, 74 percent; U.S. Navy, 54 percent; U.S. Air Force, 57 percent.
- Defense Agencies' percentage of micro-purchase actions using purchase card: 11 percent.

(4) FY 1996 (October–March) percentages computed as follows:

$$\text{Purchase card transactions} / (\text{purchase card transactions} + \text{DD Form 1057 actions})$$

### 3. Analysis

The purchase card transactions reported by RMBCS were stratified on a quarterly basis for FY 1994 and FY 1995. These are expressed below in terms of percentage of total purchase card transactions and dollars spent in each year by each quarter within the Department. For example, 33.8 percent of purchase card transactions and 36.9 percent of dollars spent using purchase cards by the Department in FY 1994 occurred in the fourth quarter.

**DoD Percentage of Purchase Card Transactions/Dollars by FY Quarter**

	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
FY 1994	17.6/17.6	20.6/19.9	28.0/25.6	33.8/36.9
FY 1995	15.2/14.9	21.9/20.3	28.2/26.7	34.7/38.1

Assuming that the combined percentage of transactions and corresponding dollars in the third and fourth quarters of FY 1996 will be similar to those in the two previous years, it is possible estimate the number of total purchase card transactions and dollars for FY 1996 based on the actual transactions reported in the first and second quarters. Although an

upward trend has been established going from the third and fourth quarters of FY 1994 to those of FY 1995, which creates an argument that additional increases could be expected in FY 1996, limiting the predictions to the rates found in FY 1995 indicates that approximately 62.9 percent of purchase card transactions and approximately 64.8 percent of dollars spent using purchase cards within the Department in FY 1996 will occur in the final two quarters. Applying this assumption to the actual data for the first two quarters of FY 1996 (1,198,337 transactions for \$478,230,067) results in a projected total of 3,230,019 purchase card transactions for \$1,358,608,145 by the end of FY 1996. Similar calculations for each of the Military Departments resulted in the following estimates for FY 1996 totals:

- Army—1,749,070 purchase card transactions valued at \$680,277,733.
- Navy—537,693 purchase card transactions for \$295,955,567.
- Air Force—798,632 purchase card transactions valued at \$302,843,656.

# APPENDIX E

## GLOSSARY

Term	Definition
<b>Account Setup Information</b>	Specific information required by the contractor for each card-holder so that an active account can be established for that cardholder. This information is supplied by each ordering DoD activity directly to RMBCS.
<b>Accountable Property</b>	All real property or leased personal property, regardless of acquisition cost, and all owned personal property with an acquisition cost of \$2,500 or more; or anything else identified by an Agency Property Management Officer that needs to be tracked because it is considered pilferable (subject to theft) or "sensitive." Sensitive items are classified on an agency-by-agency basis. The inventory for accountable property lists the make and model number, serial number, item description, date purchased, location, and other information captured by the agency.
<b>Agency Program Coordinator (APC)</b>	An individual, typically at the installation level, designated by the ordering DoD activity to perform contract administration within the limits of delegated authority. This individual shall have overall responsibility for the purchase card program within his/her activity and may determine the cardholders. APCs are also located at DoD Component and Major Command levels.
<b>Approving Official (AO)</b>	An individual who has under his/her purview a number of cardholders. The approving official is responsible for, at a minimum, reviewing his/her cardholder's monthly statements and verifying that all transactions made were necessary government purchases and in accordance with <i>Federal Acquisition Regulations</i> . Other duties may be delegated as agencies see fit. The government uses the approving official in the purchase card program for internal control purposes to ensure that transactions are necessary and for official government purposes only. The approving official is usually the cardholder's immediate supervisor. (GSA Contract Guide)
<b>"As Is" Process</b>	A business process reengineering term that refers to an organization's current set of processes and activities.
<b>Authorization</b>	The process of verifying that a purchase being made is within the established cardholder limits. Authorization is initiated by the merchant at the point of sale.
<b>Benchmarking</b>	A business process reengineering term for measuring against other "world class" organizations the performance or the degree of success achieved by an organization for a given activity or customer service stream.
<b>Best Practices</b>	A set of activities associated with one or more aspects of a core process that result in superior performance levels.
<b>Billing Cycle Office Limit</b>	A dollar limit assigned to each cardholder under each approving official as determined by the ordering DoD activity. Any office limit may be assigned in increments from \$100 to \$999,900. The office limit primarily is used for budgetary control purposes and may be adjusted up or down at any time.

<b>Billing Cycle Purchase Limit</b>	The spending limit imposed on a cardholder's cumulative purchases in a given billing cycle. Any purchase limit may be assigned in increments from \$100 to \$999,900. This limit may be adjusted as ordering DoD activities deem appropriate and shall be established for each cardholder account.
<b>Billing Office</b>	(See Designated Billing Office, below)
<b>Blanket Purchase Agreement (BPA)</b>	A simplified method of filling anticipated repetitive needs for supplies or services similar to a "charge account" with qualified sources of supply. BPAs can be used if there is a wide variety of items in a broad class of goods (e.g., hardware) that are generally purchased but where the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. BPAs are designed to accomplish small purchases by eliminating the need for individual purchase orders.
<b>Business Process Re-engineering (BPR)</b>	A methodology to evaluate for change the business practices and processes of an organization. The process places an emphasis on customer needs and requirements.
<b>Cardholder</b>	Any individual appointed in writing by his or her agency to be issued a purchase card. The card bears the individual's name and can be used by that individual to pay for official purchases in compliance with agency internal procedures.
<b>Certifying Officer</b>	An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a vouchers or other documents.
<b>Customer</b>	An individual or organization that requires goods or services.
<b>Davis-Bacon Act (40 USC 276)</b>	This Act requires that every contract in excess of \$2,000 for construction, alteration, and/or repair, including painting and decorating of public buildings, shall contain a provision stating the minimum wages to be paid laborers and mechanics.
<b>Delegation of Authority</b>	A document, issued by authorized agency personnel, that establishes the individual as an authorized cardholder. This delegation of authority shall specify spending and usage limitations unique to the cardholder. Each DoD activity, in its internal procedures, must designate who shall be responsible for issuance of these delegations.
<b>Delivery Order</b>	A written order issued against a contract.
<b>Designated Billing Office</b>	The office designated by the ordering DoD activity to receive the official invoice and, in some instances currently, make payments against the official invoice. The "To Be" model links the certifying officer role to the billing office.
<b>Dispute</b>	A disagreement between a cardholder and RMBCS regarding items appearing on the cardholder monthly statement of account.
<b>Dispute Office</b>	The office designated by the ordering DoD activity to assist the activity and RMBCS in tracking and resolving disputed purchases or transactions.
<b>Electronic Commerce (EC)</b>	A paperless process including electronic mail, electronic bulletin boards, electronic funds transfer, electronic data interchange, and similar techniques for accomplishing business transaction.

<b>Electronic Funds Transfer (EFT)</b>	A term that identifies delivery systems used to transfer electronic payments of funds. These systems are a faster, more secure way of transferring funds than paper checks.
<b>Executive Order 12931</b>	A Presidential document issued to make procurement more effective in support of mission accomplishment and consistent with recommendations of the National Performance Review. It mandates expansion of the government purchase card and takes maximum advantage of the micro-purchase authority provided in the Federal Acquisition Streamlining Act of 1994 by delegating the authority to the maximum extent practicable, to the offices that will be using the supplies or services to be purchased.
<b>Federal Acquisition Computer Network (FACNET)</b>	The Governmentwide Electronic Commerce/Electronic Data Interchange (EC/EDI) systems architecture for the acquisition of supplies and services that provides for electronic data interchange of acquisition information between the government agencies and the private sector.
<b>Federal Acquisition Streamlining Act of 1994 (FASA)</b>	FASA repealed or revised more than 200 provisions of law, substantially altering the current procurement processes. It created an essentially deregulated micro-purchase level at and below \$2,500.
<b>File Turn</b>	The average number of calendar days between the time a charge (purchase) is posted and payment is received by RMBCS.
<b>File Turn Performance</b>	Measured over a period of 6 months, it is the average file turn, excluding disputed amounts.
<b>Financial Summary Report</b>	A monthly report providing summary information for all approving official and cardholder accounts in a particular organization. This report is the official invoice and often is referred to by its RMBCS code: R063.
<b>Float</b>	The time between the disbursement of funds and receipt of payment.
<b>Integrated Materiel Management (IMM)</b>	The assignment of acquisition management responsibility to one department, agency, or the General Service Administration for all departmental requirements for the assigned item. Acquisition management normally includes computing requirements, funding, budgeting, storing, issuing, cataloging, standardizing, and contracting functions.
<b>International Merchant Purchase Authorization Card (IMPAC)</b>	A registered trademark provided by RMBCS to identify the government's VISA credit card.
<b>Master File</b>	An electronic file maintained by RMBCS that contains all essential cardholder and approving official information. Elements of this file include cardholder name, account number, a minimum four-line work address, cardholder's spending control limitations, cardholder's finance office, and other elements as discussed in this contract guide.
<b>Media (Medium)</b>	A broad spectrum of methods used to provide a permanent record of communications (e.g., paper, EDI, electronic, floppy disk, optically stored media, computer disk, microfiche, microfilm, computer-to-computer communications via modem, networks (value added), facsimile, or any other acceptable methods of available communication).

<b>Merchant Type Code</b>	A code used by RMBCS to categorize each merchant according to the type of business the merchant is engaged in and the kinds of goods and services provided. These codes are used as an authorized activity type code by the ordering DoD activity to identify those merchants who provide goods and/or services that are unauthorized for use by each cardholder.
<b>Micro-purchase</b>	A single acquisition of supplies or services from a vendor, the aggregate amount of which does not exceed \$2,500. The limit for construction is \$2,000.
<b>Ordering Office</b>	The DoD activity that places orders against the RMBCS contract.
<b>Proper Invoice</b>	Requirements are defined in FAR 52.232-25, Prompt Payment Act.
<b>Reactivation</b>	The activation of purchase card privileges after suspension.
<b>Reconciliation</b>	The process by which a cardholder verifies the cost, quantity, vendor, destination, accounting information, and other identifying criteria before paying an invoice.
<b>Resource Management Office (RMO)</b>	The installation office charged with funds management, funds control, and possibly funds certification. This office may be referred to as the comptroller's office or the budget office.
<b>Rocky Mountain BankCard System (RMBCS)</b>	The vendor under contract to the General Service Administration to provide government purchase card services to all Federal agencies.
<b>Simplified Acquisitions</b>	Purchases of supplies or services using procedures identified in Part 13 of the FAR (to include imprest funds, purchase orders, blanket purchase agreements, and the Government-wide commercial credit card).
<b>Simplified Acquisition Threshold</b>	The simplified acquisition threshold is \$100,000, unless a contract is to be awarded and performed or a purchase is to be made outside the United States in support of a contingency operation; then the term means \$200,000.
<b>Single Purchase Limit</b>	A dollar limit on each purchase assigned to each cardholder by the ordering DoD activity. The single purchase limit may be up to \$100,000, entered in increments of \$50. This limit may be adjusted as DoD activities deem appropriate.
<b>Small Purchase</b>	An acquisition of supplies, nonpersonal services, and construction below the simplified acquisition threshold. (FAR, Part 13)
<b>Smart Card Technology</b>	Within a plastic card, a technology that integrates a computer chip medium. The card interacts with card readers that support specific applications, such as building security, banking, or purchasing.
<b>Tax Exemption</b>	The elimination of state and local sales taxes from Federal purchases in accordance with state law. The phrase "U.S. Government Tax Exempt" is printed on the front of each purchase card.
<b>"To Be" Process</b>	A redesigned process resulting from a business process engineering effort to which an organization will transition.
<b>U.S. National Credit Card (SF-149)</b>	A card used by the Interagency Fleet Management System (IFMS) for the purchase of fuel, oil, services, maintenance, and repair of IFMS vehicles.
<b>Value-Added Process</b>	A process that represents measurable improvements in meeting customer requirements and organization objectives.
<b>Vision</b>	The result of a process of thinking about a business activity in radically different terms.

# APPENDIX F

## ACKNOWLEDGMENTS FOR DATA GATHERING PRESENTATIONS

## Data Gathering and Purchase Card Presentations

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Army Air Force Exchange Service P.O. Box 660202 Dallas, TX 75266-0202	Mr. Barry Gordon	4-19-96	AAFES Card Usage	Phone: (214) 312-4151
Bank of America 1401 New York Avenue, NW Suite 1110 Washington, DC 20005	Ms. Suzanne K. Matthews Mr. William A. Wood Mr. Bruce W. Kuhle	6-3-96	Other Bank Purchase Card Programs	Phone: (510) 675-5867
Chase Manhattan Bank, N.A. 2 Chase Manhattan Plaza, 15th Floor New York, NY 10081	Mr. Nicholas V. Leone Mr. Frank Tufano	5-28-96	Other Bank Purchase Card Programs	
U.S. Department of Agriculture Purchase Card Implementation Team Room 1566, South Building 14th & Independence Street, SW Washington, DC 20250	Ms. Sue Poetz Ms. Cheryl White Ms. Janet Elm Mr. Cyrill Prattini Ms. Linda Wilson Mr. Keith Taylor Ms. Belinda Ward	4-29-96 5-14-96	USDA IMPAC Program, Business Case Reengineering and Demonstration	Phone: (202) 690-3756
U.S. Department of Defense Headquarters Defense Commissary Agency Attn: DeCA/OC/ABU 1300 E Avenue Fort Lee, VA 23801-1800	Ms. Linda Barnes	4-16-96	APC Role and U.S. Coast Guard Support	
U.S. Department of Defense Defense Finance and Accounting Service-DAO Building 4174 Fort Lewis, WA 98433-5000	Mr. Chalres Clarke Ms. Victoria Leggette	5-14-96	Fort Lewis Automated IMPAC System	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
U.S. Department of Defense Defense Finance and Accounting Service San Diego Operating Location 937 North Harbor Drive San Diego, CA 92132-5111	Mr. Ray Lofink	5-24-96	DFAS San Diego Purchase Card Perspective	Phone: (619) 532-1207
U.S. Department of Defense Defense Logistics Agency Defense Fuel Supply Center— PHA 8725 John J. Kingman Road Suite 2941 Ft. Belvoir, VA 22060-6222	Ms. Shelby Yeakley Mr. Edward Biddle	5-2-96	Fuels/Airport Services Purchase Card	Phone: (703) 767-8501
U.S. Department of Defense Defense Logistics Agency Attn: DLA-MMR 8725 John J. Kingman Road Suite 2733 Fort Belvoir, VA 22060-6221	Captain Bill Jenkins Mr. Phil Church	5-16-96	Emerging Technology Initiatives in DLA; Electronic Catalog; DLA Business Practices Changes	Phone: (703) 767-3777 Phone: (703) 767-3780
U.S. Department of Defense Defense Mapping Agency 8613 Lee Highway Fairfax, VA 22031-2137	Ms. Debbie Loudon Ms. Donna Clark	4-12-96	Automated IMPAC reconciliation program	
U.S. Department of Defense Defense Printing Service 8725 John J. Kingman Road, Suite 3239 Fort Belvoir, VA 22060	Mr. Richard DeNeane and Staff	5-7-96	DPS Demonstration of Intra- and Interagency Collection System with Mellon Bank	Phone: (703) 767-4210
U.S. Department of Defense Office of the Inspector General Quantitative Methods Division 400 Army Navy Drive Arlington, VA 22203	Dr. Frank Ponti Mr. Frank Sonsini	4-16-96 4-30-96	Statistical Sampling for Budgeting. Follow-on Discussions on Fraud Detection and Knowledge-Based Systems	
U.S. Department of Defense Washington Headquarters Services Room 3D972, 1100 Pentagon Washington, DC 20301	Mrs. Robin Roberts	4-12-96	Database Demonstration	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
U.S. Department of Defense Office of the Deputy Under Secretary of Defense (Logistics)/MDM Room 3E114, 1100 Pentagon Washington, DC 20301	Mr. Tom Carter	4-26-96	DoD Material Management Brief	
U.S. Department of Defense Office of the Under Secretary of Defense (Comptroller) Program/Budget (P&FC) Room 3B872, 1100 Pentagon Washington, DC 20301	Mr. Marty Frisch	5-16-96	Object Class Budgeting	Phone: (703) 697-7564
U.S. Department of Defense Office of the Under Secretary of Defense (Comptroller)/ODCFO Room 1A658, 1100 Pentagon Washington, DC 20301	Ms. Karen Alderman Mr. Wayne Ogburn	5-24-96	Travel Reengineering Program	
U.S. Department of Defense Office of the Under Secretary of Defense (Comptroller)/ODCFO Room 3A882, 1100 Pentagon Washington, DC 20301	Mr. Tom Waddell	4-8-96	Overview of OUSD(C) Actions to Date	
Department of the Air Force SAF/SQCO 1060 Air Force Pentagon Washington, DC 20330-1060	CMS David Williams	4-18-96	US Air Force APC	
Department of the Air Force Headquarters Air Combat Command Langley Air Force Base, VA	Lt. Col. Steve Tye Tsgt. Don Otey	5-16-96	Air Combat Command Perspective	DSN: 574-3379
Department of the Army Fort Lewis Building 4174 Fort Lewis, WA 98433-5000	Mr. Ray Bailey Ms. Anne Belle Ms. Candice Johnson	5-14-96	Fort Lewis Automated IMPAC System	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Department of the Army Military District of Washington Fort McNair, Building 39 Washington, DC 20319-5058	COL Sharon Volgyi	5-14-96	MDW Automated IMPAC System	Phone: (202) 685-3223
Department of the Army Fort Sill and Defense Finance and Accounting Service-DAO Fort Sill, OK 73503	Mr. Chip Bates-DFAS Ft Sill Mr. Bernard Valdez Ms. Vickie Owers	5-14-96	Fort Sill Automated IMPAC System	
Department of the Army 109 Army Pentagon Washington, DC 20310	Mr. Bruce Sullivan Ms. Kathy Miller	4-17-96	Army IMPAC Program and Issues	
Department of the Navy Fleet Combat Training Center Atlantic Dam Neck, VA 23461	Ms. Mary Kay West	7-29-96	Purchase ADP System (PADPS) User Perspective.	Phone: (757) 433-6019
Department of the Navy Navy Management Systems Support Office Code 96 Office Productivity Systems 1441 Crossways Boulevard Chesapeake, VA 23320-2843	Mr. Mark R. Anderton Mr. Jim Amspacher Mr. Robert Fink	7-29-96	Purchase ADP System (PADPS) Demonstration.	Phone: (757) 523-8164
Department of the Navy Naval Air Warfare Center Weapons Division Code 230000D China Lake, CA 93555-6001	Ms. Joanne Monastero Mr. Mike Calimlin Mr. John Watkins	5-1-96	Automated IMPAC Reconciliation Program Demonstration	
Department of the Navy Patuxent Naval Air Station Building 405, MS2 NAWCAD Patuxent River, MD 20670	Ms. Karen Gray Ms. Sandra Sableski	5-1-96	Automated IMPAC Reconciliation Program Demonstration	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Department of the Navy U.S. Marine Corps Marine Corps Logistics Base Albany Contracts Directorate Code 89 P.O. Drawer 43019 Albany, GA 31704-3019	Mr. Charles Nobes Ms. Cecelia Trujillo	4-18-96	IMPAC Program; Installation Level Roles Using IMPAC	
Department of the Navy Headquarters Naval Supply Systems Command 1931 Jefferson Davis Highway Room 622 Arlington, VA 22240	CAPT John Pledger CAPT David Capizzi	5-16-96	IMPAC On-Board Ship	
U.S. Department of the Treasury Financial Management Service Liberty Center 401 14th Street Washington, DC	Mr. Paul Gist Ms. Cathy Donchatz Ms. Elaine Harvey Ms. Sally Phillips Mr. Eric Beasley	4-17-96	Intra-/Interagency Collection Program	
U.S. Department of the Treasury Financial Management Service Chicago Financial Center 536 S. Clark Street Chicago, IL 60605	Mr. Ollice Holden Mr. Pete Bishop	5-2-96	FedSelect	An Alternative to VISA Checks
U.S. Department of Transportation United States Coast Guard Financial Support Branch 1430A Kristina Way Chesapeake, VA 23326	Mr. Edward G. Burgh	4-16-96	USCG IMPAC Program	
General Services Administration Federal Supply Service Services Acquisition Center Washington, DC 20406	Mr. Ralph Hostetter Ms. Teresa Sorrenti	5-8-96	GSA Advantage Supply System	
General Services Administration Federal Supply Service Services Acquisition Center Washington, DC 20406	Ms. Doris Marsh	4-16-96	IMPAC Program with RMBCS	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Intel Corporation Corporate Purchasing CH10-41 145 South 79th Street Chandler, AZ 85226	Mr. Craig A. Fruehan	6/6/96	Corporate Purchase Card Program	
Management Concepts, Inc. 8230 Leesburg Pike, Suite 800 Vienna, VA 22182	Mr. John Repetti Mr. Joe Klem Mr. Thomas F. Dungan, III	6-17-96	CD-ROM IMPAC Training Package	Phone: (703) 790-9595 Fax: (703) 790-1371
Rocky Mountain Bank Card System 1400 Eye Street, NW Washington, DC 20005	Mr. Phil Johnson Mr. David Clonts Mr. Craig Spencer Mr. Mark Jester Ms. Jeanne Coco	4-16-96 4-23-96 7-29-96 8-12-96	IMPAC Program and Implementation Briefs	
U.S. Postal Service 475 L'Enfant Plaza SW Washington DC 20260-6209	Mr. George E. Melendez Mr. Sam Guttman	4-19-96	U.S. Postal Service Program	Phone: (202) 268-5693
VersionPlus SoftWare, Inc. 10009 Marguerita Avenue Glenn Dale, MD 20769	Mr. Jay G. Starry	7-24-96	COTS Cardholder System Demonstration	Phone: (301) 464-0294 Fax: (301) 464-0684

# APPENDIX G

## FLOWCHARTS (“As Is” MODEL)

### Current Process (Micro-purchase)

The figures and descriptions in the following discussion reflect a notional current process for use of the purchase card within the U.S. Department of Defense (DoD). This model represents a top-level view of the basic steps uniformly performed among the DoD activities. The methods to accomplish these steps, however, vary significantly between activities. Major differences exist in the assignment of program responsibilities, extent of preapproval and screening procedures, and in decision-making authority. Additionally, the mechanisms made available to cardholders are as different within the DoD activities as they are among them. For analysis, the current process model is divided into six general sections, each containing basic procedures:

- Establishment/implementation of the purchase card program to include account and cardholder setup.
- Funding.
- Identification of sources (FAR, Part 8).
- Special requirements (hazardous material, ammunition, data collection, etc.).
- Purchase.
- Reconciliation.

#### A. Establishment and Implementation of the Purchase Card Program

##### 1. Account Setup

Figure 1 presents the steps to setup an account. The *GSA Guidebook* describes procedures for establishing new accounts and adding/changing cardholders and approving officials.

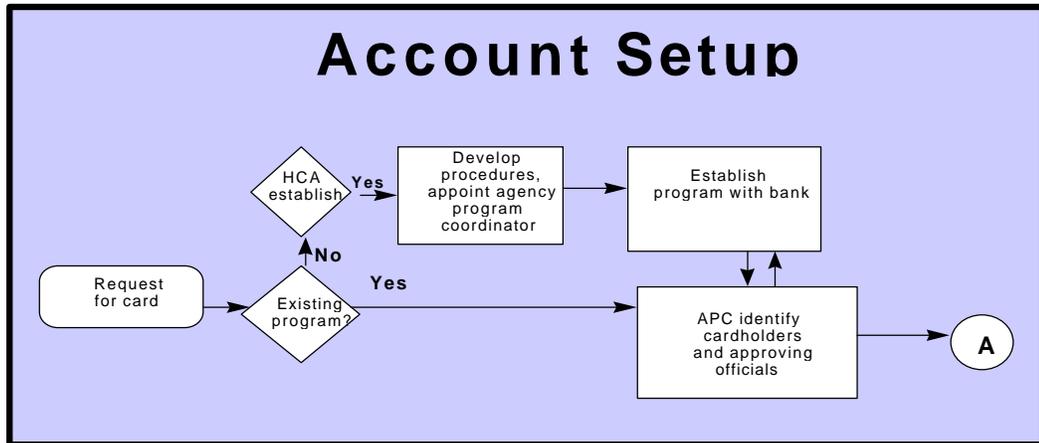


Figure 1

Once an activity decides to implement the purchase card program, it issues a delivery order against the General Services Administration (GSA) contract with Rocky Mountain Bank Card System (RMBCS). The delivery order specifies the name, address, and telephone number of the local APC and designates points of contact for the billing and disputes offices. RMBCS has 15 working days from delivery order acceptance to contact the agency program coordinator (APC) in order to develop an implementation plan. Generally, throughout the Department, the APCs' responsibilities consistently have been assigned to the contracting office, largely because authority to purchase comes from the heads of the contracting activities (HCAs). Identification of points of contact for the billing and the disputes offices differ between and within DoD activities. The selections vary from the APC or another member of the contracting office, to individuals located within the budget office, finance office, payment office, or from other related communities within an activity. Some DoD activities currently are standardizing the functional location of these positions. For example, current Army policy identifies the billing office point of contact as the payment office servicing an activity such as the Defense Finance and Accounting Service (DFAS). Others generally identify the billing office point of contact as the local contracting office. Most often, the designation of the billing office results from negotiations between the payment office and the APC.

## 2. Cardholder Setup

Once an activity establishes a program, RMBCS provides account setup forms to the APC to be completed for each cardholder and approving official (AO). The account setup information includes each cardholder's single purchase limit, monthly limit, and name of the AO (usually a supervisor). Transmission format of the setup forms varies greatly within the Department. RMBCS accepts the forms via paper, computer-to-computer communication, facsimile, bank-established electronic data formatted transmission, or other mutually acceptable method. Most activities continue to use paper and facsimile transmissions to establish and update cardholder accounts. In fact, of the 1,812 "level 4" activities with purchase card programs in the Department, only 282 or 16 percent have

electronic access to RMBCS for cardholder setup and file maintenance. The point at which individuals are identified for cardholder setup also varies within the Department. Figure 2 and the description that follows explain typical procedures performed within DoD activities for the establishment of card limits, training, delegation of authority or appointment of cardholders, and issuance of cards by the RMBCS.

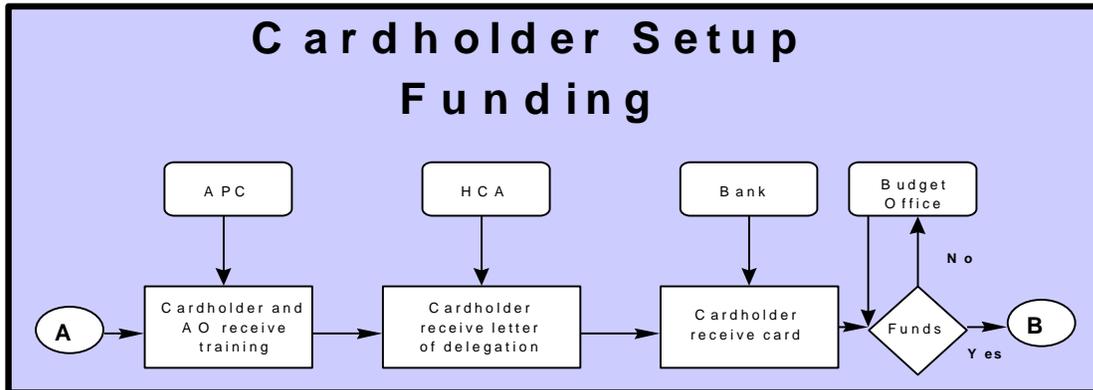


Figure 2

**a. Card Limits**

A dollar threshold is established for each cardholder and AO. The cardholder has a *single-purchase dollar limit* and the 30-day *monthly billing-cycle purchase limit*. The AO has a 30-day monthly billing-cycle limit, which typically is the sum of all subordinate cardholder 30-day limits.

A single-purchase dollar limit is determined by the activity; this limit usually does not exceed \$2,500 unless the card is used by a warranted contracting official. The single-purchase limit is established by the APC with input from the AO after determining a dollar value the cardholder is expected to require for individual purchases.

The 30-day monthly billing-cycle limits for the cardholder and AO are established by the APC after input from the budget office and the AO. Within DoD activities, the 30-day billing-cycle limits are often tied to the funding allocation process. Most DoD activities tie approving officials' monthly limits directly to the total funds allocated to their cardholders.

**b. Training**

The Department did not establish standard training requirements for use of the purchase card. Rather, it left to the discretion of the individual activities the extent of training required to ensure that assigned personnel used the card within the prescribed parameters. Thus, activities developed a variety of training courses. These courses range from local installation instructions, to service or agency courses, to Defense Acquisition University courses. Some activities also use a GSA-developed course available on CD-ROM. Basically, the topics covered in cardholder include the laws, regulations, policies, and procedures pertaining to

micro-purchases and simplified acquisition procedures. In addition, training on funding, supply, and other functional areas is provided. Local instructions typically cover areas such as supply, maintenance, property control, and fiscal responsibilities. Some activities (e.g., the Army and the Defense Mapping Agency (DMA)) also include all cardholders with procurement integrity training, while others provide this training only to cardholders designated as procurement officials (those expected to purchase more than \$20,000 worth of goods and services during a 12-month period). The length of training also varies within the Department, ranging from 4 hours to 1 week. In some cases, agencies require cardholders with single-purchase limits exceeding the micro-purchase limit to complete either Purchasing 101 and Purchasing 201 or Contracts 101 offered by the Defense Acquisition University.

**c. *Delegation of Authority (Appointment)***

GSA procedures require that cardholders be appointed in writing. Generally, the HCA or authorized designee within the DoD activity gives a delegation of procurement authority to the cardholder. Letters of delegation to cardholders range in formality from limited warrants using a Certificate of Appointment (SF 1402) to informal letters as described in the GSA Sample Procedures.

**d. *Issuance of Cards***

RMBCS forwards the embossed purchase card to the cardholder (or to the APC or AO as designated) within 5 working days from receipt of the setup information or, if received electronically, within 2 working days. Upon receipt of the card, the cardholder must activate the card by calling the Voice Response Unit provided by RMBCS. This procedure provides an internal control to ensure the card has been received by the cardholder.

**B. Funding**

The methods for providing funds to cardholders also vary greatly across the Department. Some activities (e.g., Air Force) request funding for cardholders during cardholder setup, prior to training and delegation of authority, while other activities (e.g., Army) provide funding the same time that individuals are identified to be cardholders. Still others (e.g., DMA) request funding only after cardholders have received purchase card training. In all cases, sponsoring activities can associate the card limits directly with available funding.

Cardholders are required by statute to ensure that sufficient funding is available to cover proposed transactions made with the purchase card. However, the procedure of acquiring this allocation of funds varies significantly within, as well as between, various DoD activities. For example, in many activities, cardholders are required to request funding each time they have a requirement, while others provide the cardholder bulk funding (i.e., typically an allocation of a certain sum of money to a cardholder to be used over a specified length of time—usually quarterly). For those activities requiring funding approval prior to purchase card transactions, the cardholder must contact the budget/ finance officer to obtain proper funding documentation. Prior to release of funds, the finance/budget

officer annotates information in the accounting journal to document the resources associated with each purchase card transaction. At the end of the month, the cardholder is required to enter the appropriate accounting data next to every card transaction listed in the monthly Statement of Account (SOA).

After the cardholder signs the monthly Statement of Account, it is forwarded through the AO to the payment office. (See *Cardholder Reconciliation*.) The payment office then must enter each transaction manually as if it were a separate invoice. This is because transaction is annotated with a discrete line of accounting data. Additionally, some activities use multiple accounting lines (some with different payment offices) with the same card. When the monthly statements are reconciled, the lines of accounting must be identified and reported manually so that the transactions can be paid and accounted for by the correct payment offices.

### C. Identification of Sources

**General**—Once a requirement has been identified by the cardholder, several decisions need to be made regarding the sources for the supplies or services. These decisions are illustrated in Figure 3. The priority of sources is dictated by FAR, Part 8. In order of priority, the sources are local inventories, Federal Prison Industries (FPI), Industries for the Blind and Severely Disabled, wholesale supply sources, Federal Supply Schedules, and commercial sources. The cardholder is required to screen these sources in order of priority to determine if they can satisfy the requirement. Federal Supply Schedules no longer are mandatory for use by the Department of Defense.

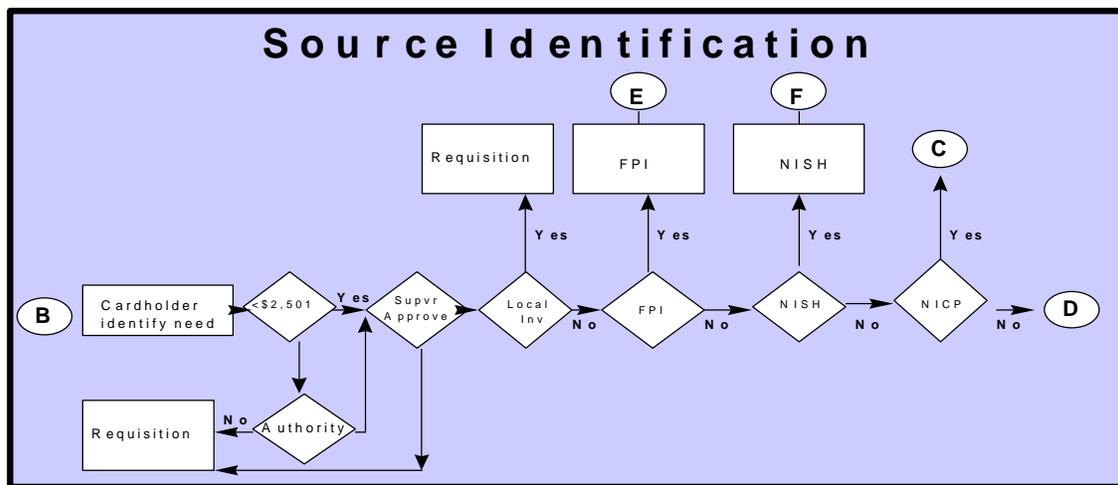


Figure 3

#### 1. Local Inventories

Local inventories are those inventories maintained at the activity or installation. These inventories can be office supplies maintained in a self-service supply center or stocked or excess items maintained by the local supply community in response to activity demands to include the Defense Reutilization and Marketing Office (DRMO).

## **2. Federal Prison Industries**

Federal agencies are required by law to obtain items manufactured or produced by FPI prior to acquiring those items from commercial sources. Typically, FPI manufactures furniture and other related items. In cases where FPI is unable to supply the items as needed, waivers are granted. FPI recently created a Quick Ship catalog for government agencies and it accepts the purchase card for all Quick Ship catalog buys and guarantees that the products will be shipped within 30 days of order.

## **3. Items Produced by Industries for the Blind and Severely Disabled**

The Javits-Wagner-O'Day (JWOD) Program was established in 1971 to increase employment and training opportunities for people who are blind or have other severe disabilities and, whenever possible, to prepare them for competitive employment. Under the JWOD Program, Federal agencies are required to buy products and services furnished by non-profit agencies employing such individuals.

The Committee for Purchase From People Who Are Blind or Severely Disabled is the Federal agency that administers the JWOD Program. It decides which supplies and services must be purchased and determining the prices government agencies will pay for those items.

JWOD items are available to government activities only through GSA, the Defense Logistics Agency (DLA), or specific contractors authorized to order from GSA.<sup>8</sup> Items include office supplies, textiles, and industrial products such as paints and cleaners. Participating nonprofit agencies also perform many services, from janitorial/custodial services to administrative services or micrographics work. Cardholders must use catalogs or some other method to determine which items are produced by NIB/NISH.

## **4. Wholesale Supply Sources**

Approximately 4.8 million items in the DoD wholesale supply system are centrally managed by DoD inventory managers. Organizations that require managed supplies generally should requisition the supplies from the assigned inventory manager. Currently, the cardholder is responsible for checking the supply system for availability of managed items. Under certain conditions, the Defense Federal Acquisition Regulation Supplement (DFARS) authorizes organizations to bypass the inventory manager and locally procure supplies. If the supply system does not offer the best value in terms of time, cost, or quality for the required item, then local purchase authority generally is granted by the supply officer to the requiring activity. A recent change to the DFARS eliminated the requirement to document the best value justification for local procurement of micro-purchases.

## **D. Special Requirements**

After the source of supply has been determined, the cardholder must determine if any special requirements must be satisfied prior to purchasing the item. These special

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<sup>8</sup> GSA recently awarded a multiple award schedule to the following companies for office supplies that include NIB/NISH items: Boise Cascade, Staples, and Office Depot.

requirements, described in Figure 4, may include property accountability, review of automated data processing equipment (ADPE), and handling and storage of hazardous material (HAZMAT) and sensitive items (ammunition and weapons).<sup>9</sup> Valid concerns for personnel safety and environmental protection exist, and DoD activities address them in various ways. Some activities strictly prohibit the use of the card to purchase these items while others impose special reviews and preapprovals prior to their purchase.

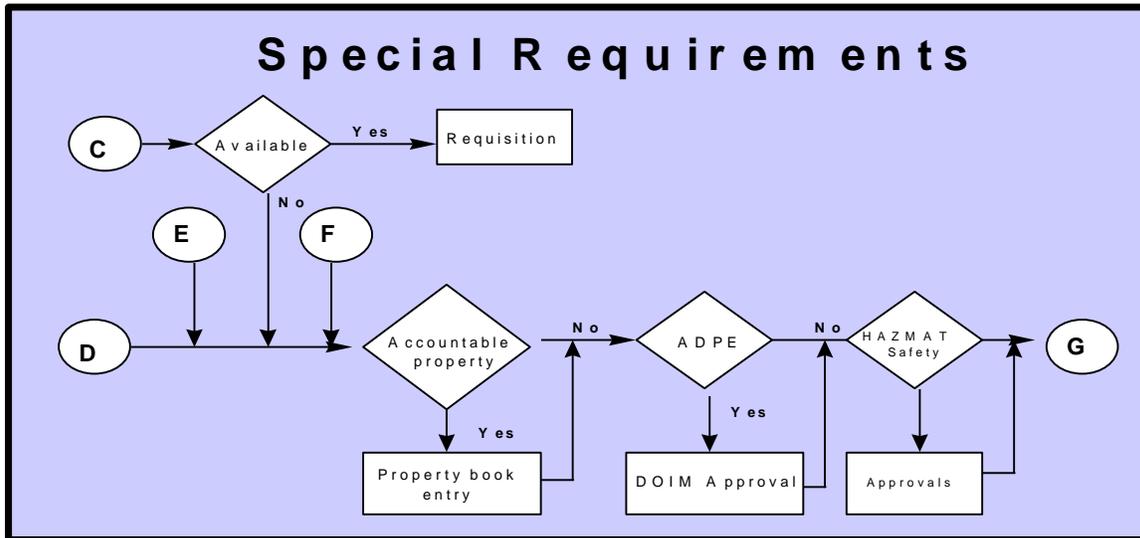
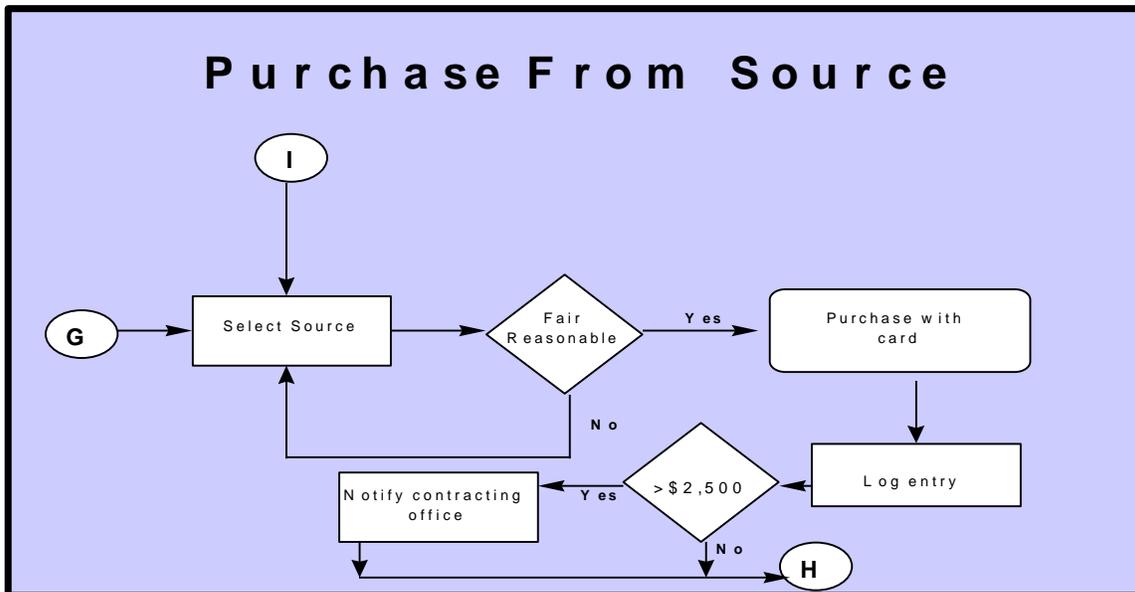


Figure 4

## E. Purchases

Figure 5 illustrates the following purchasing process. Once the screening has been accomplished, a determination has been made as to the appropriate source of supply, and all required approvals have been granted, the cardholder then obtains a quote from a vendor. If the cardholder determines that the quoted price is fair and reasonable based on his or her knowledge of market prices, an order then is placed with the vendor. If the purchase price is not considered reasonable, the cardholder locates another source with a fair and reasonable price. Purchases from the NISH at higher-than-commercial-market prices are acceptable. (Records of competitive bids and quotes are not required.) Cardholders are required to rotate sources of supplies/services.

<sup>9</sup> DFARS 208.703-1(a)(3)(i),(ii),(iii).



**Figure 5**

Every time a purchase is made, whether it is done over the counter or by telephone, a document must be retained as proof of purchase. These documents later will be used to verify (reconcile) the purchase shown on the cardholder SOA issued at the end of the monthly billing period. If the purchase is made over the counter, the cardholder retains a copy of the charge slip, which becomes the accountable document. If the transaction is made over the phone, the cardholder records the transaction and maintains the documentation, which should include the vendor's name, price quote, item identification, and date of purchase, for later reconciliation with the monthly statement. The cardholder should also request the vendor to send a receipt.

The methods for maintaining files or record of transactions currently vary greatly across the Department. Many activities maintain simple paper logs of transactions including date of order or purchase, item purchased, price, and the name of the vendor. Other activities have developed automated tracking systems to assist cardholders in tracking purchases and reconciling their card statement at the end of the billing period. DMA, Military District of Washington (MDW), and other activities have developed unique automated tracking systems. These systems typically allow cardholders to enter purchases and other data into the program as purchases are made and then facilitate the reconciliation of those transaction with the SOA and the accounting records. The United States Postal Service (USPS) and the United States Department of Agriculture (USDA) populate their database systems by downloading the RMBCS transaction data into agency systems. Cardholders then supplement RMBCS information with item descriptions and accounting data. Some of the local DoD programs interface with the accounting systems to ease account reconciliation; however, most do not. DMA and MDW systems also provide cardholders with a "checkbook" balance. As cardholders enter transactions or purchases into the system, the system maintains an available funds balance and does not authorize additional purchases when funds are not sufficient to cover them. While automated programs, many

cardholders do not have access to terminals or simply may prefer to maintain a simple handwritten log of purchases

## F. Reconciliation

Monthly reconciliation procedures are identified in the GSA sample procedures and the Federal Supply Schedule for the purchase card. This procedure is illustrated in Figure 6. The RMBCS distributes three monthly documents within 5 working days after the end of the 30 day billing cycle. The first is the cardholder SOA, which lists all purchases, credits, and other transaction data that the cardholder made during the billing period. The second is the Approving Official Summary (AOS-R090), which contains a summary of all charges made by cardholders under each AO. The third report is the Official Invoice (R063), which provides summary data for the billing cycle on all AO and cardholder accounts in a particular activity.

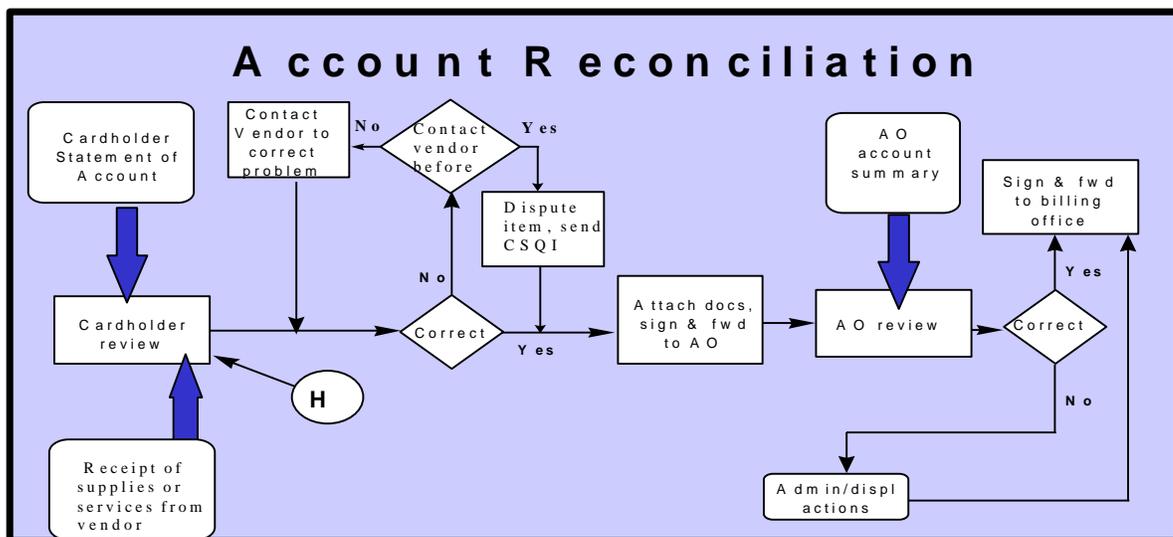


Figure 6

The reports can be forwarded via paper, on diskette or by electronic transmission. The Department has 1,812 "level 4" activities participating in the purchase card program. Of these, only 27 (1 percent) receive their monthly statements electronically.

### 1. Cardholder Reconciliation

When the cardholder's SOA is received, the cardholder verifies the information on the statement and fills in the appropriate accounting classification (if not the same as the master accounting code) and a description of each purchase. If all charges are valid, the cardholder then must sign the cardholder SOA, attach all supporting documentation, and forward it to the AO or designated alternate. If an item has been returned and the credit voucher received, the cardholder verifies that the credit is reflected on the statement. If items purchased with the card are found to be defective (i.e., price, quantity or quality), the cardholder must seek to obtain replacement or correction from the merchant as soon as

possible. If the merchant refuses to replace or correct the faulty item or charge, the purchase of the item is considered to be in dispute. If a cardholder receives an SOA that lists a transaction for merchandise that has not been received, merchandise that is defective, or a transaction that includes an unauthorized charge, he or she must try to resolve the charge with the vendor. If attempts to resolve the situation with the vendor are unsuccessful, the cardholder is to notify the disputes official. The cardholder disputes the charge by completing a Cardholder Statement of Questioned Item (CSQI) form. The RMBCS credits the amounts of disputed transactions until they are resolved. A copy of the CSQI must be sent to the appropriate designated billing office. If for some reason the cardholder does not have documentation to support a purchase, he or she must attach an explanation that includes the description of the item, date of purchase, vendor's name, and why no support documentation is being provided.

Activities differ in the handling of charges for items not yet received. Some activities automatically will initiate a CSQI and remove the charge from the SOA. Other activities will wait until the next billing period to see if the item is received before initiating a CSQI. RMBCS estimates that more than 99 percent of disputes are resolved without credit; in fact, items billed but not received almost always are received prior to receipt of the next bill.

The method of funding is a significant factor in determining the effort in reconciling the monthly SOAs. If the cardholder received bulk funding, the single line of accounting can be encoded on the card or the cardholder annotates the accounting data once on the top of his or her monthly SOA. If the cardholder received individual funding for each transaction, he or she must write in the accounting data for each transaction. If the cardholder was provided funding from separate accounting lines, payable by different payment offices, the cardholder also has to separate the transactions (cut and paste) and handle them as if they were separate invoices going to different payment offices.

## **2. Approving Official Certification**

The AO is responsible for reviewing the signed cardholder SOA. This review should assure that the agency's card usage procedures have been followed and all purchases were for bona fide government needs. Use of the card for other than official purposes should result in the supervisor taking appropriate administrative and/or disciplinary actions with the cardholder. Once the SOA has been reviewed and signed, the AO forwards that SOA together with the Approving Official Statement (AOS) and required documentation to the designated billing office for payment.

## **3. Billing Office**

The billing office accumulates the various cardholder SOAs and AOSs and reconciles them to the official invoice. If an item is disputed and the cardholder forwards the SOA with the CSQI, the charges associated with the disputed item(s) are removed from the official invoice. When disputed items are removed from the invoice, the payment office is required to complete a Notification of Invoice Adjustment (NIA) and forward it with the invoice payment (less disputed charges) to RMBCS.

Subsequent cardholder SOAs, AOSs, and invoices do not list disputed charges. Disputed transactions are recorded on RMBCS report F107 until resolved. The billing office, APC, and cardholder receive the F107 report for applicable disputes on a monthly basis. Once a disputed item is resolved (replacement, receipt, or credit), the F107 will show resolution. Payment then is due for the resolved disputes.

The method for payment of resolved disputes differs within and between activities. Once cardholders resolve disputes, they must notify the billing office to pay the charges incurred. Some cardholders simply add the now resolved disputes on their current SOAs. Others attach the F107 and notify the billing office that the charge is now payable. The lack of both continuity and traceability to the original invoice creates a problem both for the billing office and RMBCS. Monthly cardholder reconciliation between the SOA and disputed items to the original invoice is essential in assuring proper payments on invoices.

Depending on how accounts were established, reconciliation of the individual certified cardholder SOA with the official invoice may be accomplished at other than the payment office. In cases where the APC or contracting office was identified as the billing office, that office receives the official invoice. The reconciled invoice then is forwarded to the disbursing office for payment.

# APPENDIX H

USD(C) MEMORANDUM OF FEBRUARY 26 AND MAY  
14, 1996

**(QUARTERLY REVIEWS OF COMMITMENTS AND OBLIGATIONS)**

# APPENDIX I

USD(C) MEMORANDUM OF MAY 28, 1996

**(PROPERTY ACCOUNTABILITY)**

# APPENDIX J

## ENACTMENT OF CERTIFYING OFFICER LEGISLATION

Section 913 of Public Law 104-106, the National Defense Authorization Act for Fiscal Year 1996, amended sections of Title 31, United States Code, relating to certifying officers. The amendment makes these provisions applicable to the U.S. Department of Defense (DoD). Specifically, 31 USC 3325 (Vouchers) permits the Secretary of Defense to delegate authority to certify vouchers to members of the Armed Forces, and 31 USC 3528 (Responsibilities and Relief from Liability of Certifying Officials) now applies to certifying officials within the Department of Defense.

The DoD Office of the Deputy Chief Financial Officer has oversight for implementing these statutory changes. A separate team has been chartered to develop implementing procedures, which will be reflected in a revision to Volume 5, “Disbursing Policies and Procedures,” of the *DoD Financial Management Regulation* (DoD 7000.14-R). These changes are expected to make certifying officers personally accountable and pecuniary liable for the correctness of payments based on their certifications. This accountability includes assuming responsibility for subordinates’ work used as the basis for certification.

Personal accountability means that the certifying officer of an improper payment may be held liable for repayment to the government of amounts improperly paid. This generally is referred to as “pecuniary liability.” Relief from liability may be granted by the Comptroller General of the United States based on the due diligence of the certifying officer. In certifying a voucher, the certifying officer is responsible, under 31 USC 3528, for—

- Information stated in the certificate, voucher, and supporting records.
- The computation of a certified voucher amount.
- The legality of a proposed payment under the appropriation or fund involved.
- Repaying a payment that—
  - Is illegal, improper, or incorrect because of an inaccurate or misleading certificate.
  - Is prohibited by law.
  - Does not represent a legal obligation under the appropriation or fund involved.

Coincidentally, this change to Title 31 permits a streamlining of the purchase card invoice payment process. By appointing a certifying officer at the installation/activity level, there will be no need for the Defense Finance and Accounting Service (DFAS) also to reconcile and certify those invoices; that responsibility can reside at the activity level. The activity already reviews and reconciles its official purchase card invoices. Certification of those invoices at activity level will eliminate the redundant reconciliation by the DFAS and the associated delays in making payments to the purchase card contractor.[ck1]

# APPENDIX K

## Procurement Procedures Decision Tree (prior to 31 December 1999)

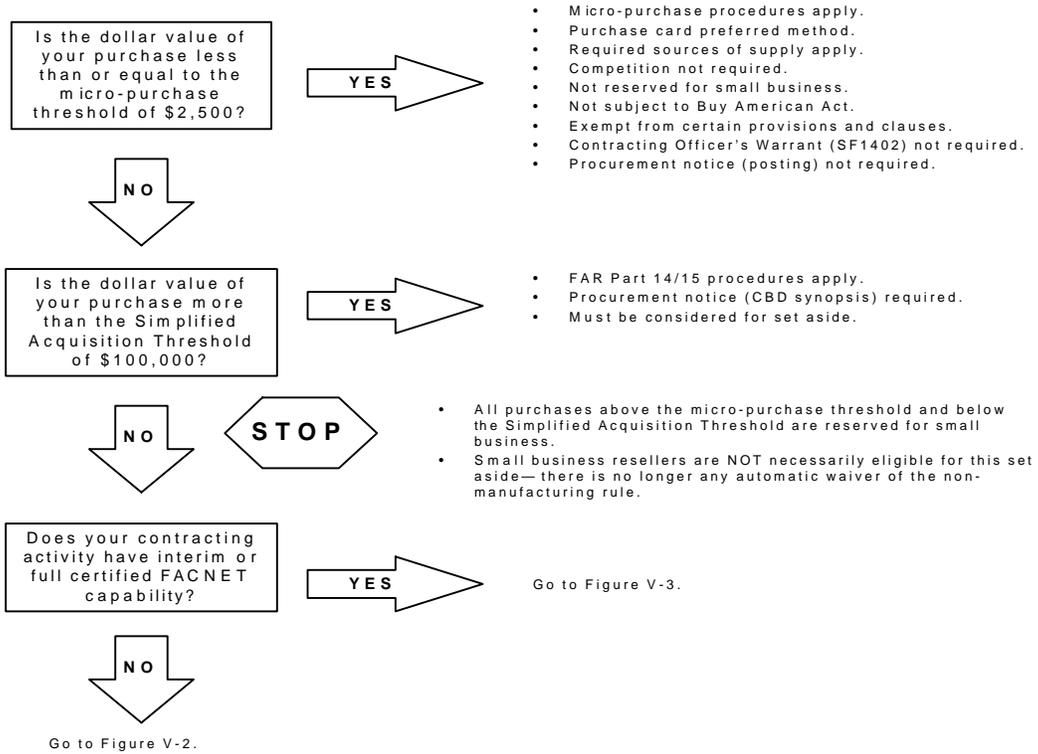


Figure V-1

**Procurement Procedures Decision Tree**  
**Contract Activities NOT FACNET Certified**  
**Purchase Value Over \$2,500 but Not Exceeding \$100,000**

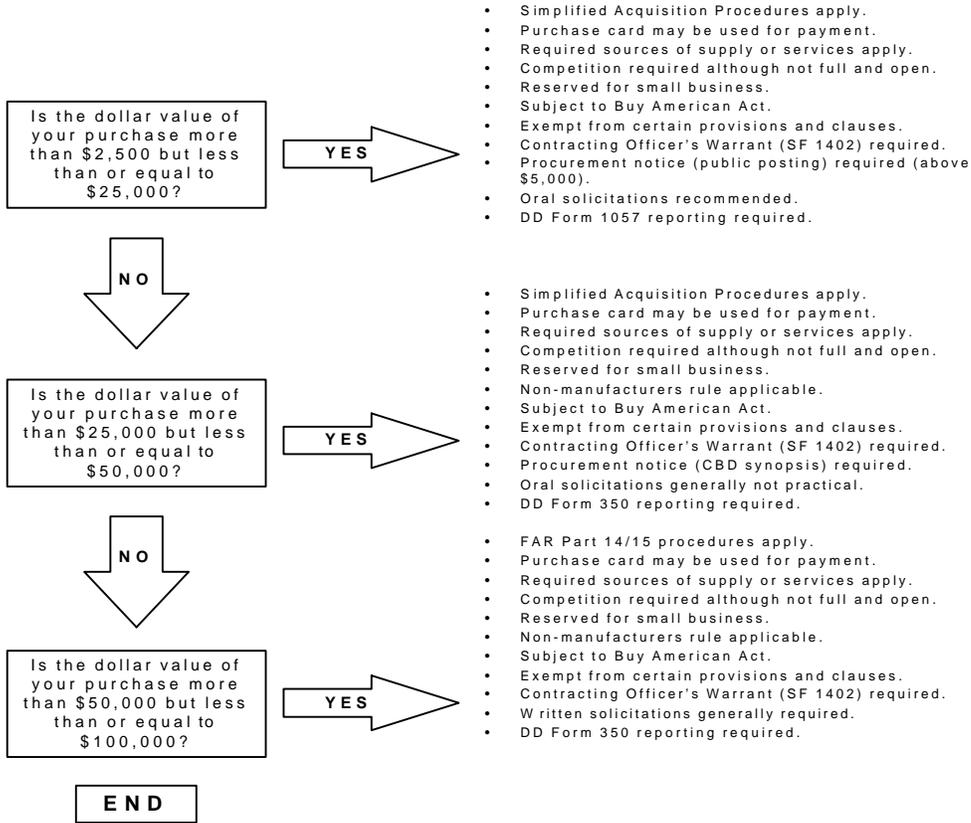
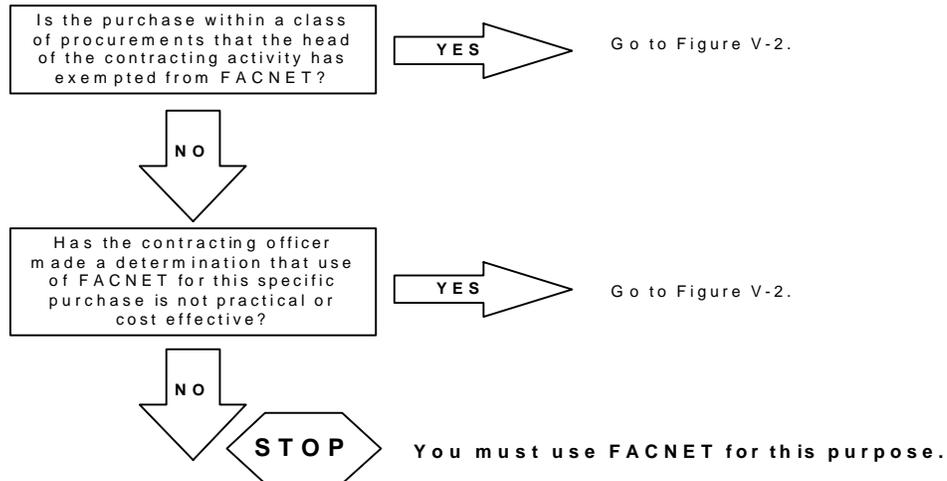


Figure V-2

**Procurement Procedures Decision Tree**  
**Contract Activities WITH Interim Certified FACNET**  
**Purchase Value Over \$2,500 but Not Exceeding \$100,000**



- Simplified Acquisition Procedures apply.
- Purchase card may be used for payment.
- Required sources of supply or services apply, but not on FACNET.
- Competition required although not full and open
- Reserved for small business.
- Subject to Buy American Act.
- Exempt from certain provisions and clauses.
- Contracting Officer's Warrant (SF1402) required.
- Oral solicitations may not be used.
- DD Form 1057 or DD Form 350 reporting required.

Figure V-3

# APPENDIX L

## CONTRACT ACTIONS (1991–1995)

The statistics below provide the number of contract actions\* and dollars spent from those actions for FY 1991 through FY 1995 at varying funding levels. (Note: The \$0–\$10,000 range includes the \$0–\$2,500 figures, and the \$0–\$25,000 range includes the \$0–\$10,000 figures. The number of contract actions above \$25,000 does not include foreign military sales and interagency actions, and it is not cumulative.)

Fiscal Year Dollars (Thousands)	Contract Actions (Thousands)	Contract Actions (Percent)	Dollars (Billions)	Dollars (Percent)
<b>FY 1991</b>				
0–2.5	5,228	85.3	2.3	1.7
0–10	5,749	93.8	4.4	3.3
0–25	5,899	96.3	6.4	4.8
>25	229		126.3	
TOTAL	6,128		132.7	
<b>FY 1992</b>				
0–2.5	5,361	85.6	2.4	2.0
0–10	5,910	94.4	4.8	4.0
0–25	6,050	96.6	6.8	5.7
>25	213		113.4	
TOTAL	6,263		120.2	
<b>FY 1993</b>				
0–2.5	5,250	85.9	2.4	2.0
0–10	5,730	93.8	4.6	3.9
0–25	5,882	96.3	6.8	5.7
>25	227		112.3	
TOTAL	6,109		119.1	
<b>FY 1994</b>				
0–2.5	4,962	85.9	2.3	2.0
0–10	5,418	93.8	4.4	3.8
0–25	5,560	96.2	6.6	5.7
>25	217		108.4	
TOTAL	5,777		115.0	

<b>Fiscal Year Dollars (Thousands)</b>	<b>Contract Actions (Thousands)</b>	<b>Contract Actions (Percent)</b>	<b>Dollars (Billions)</b>	<b>Dollars (Percent)</b>
<b>**FY 1995</b>				
0-2.5	4,545	83.9	2.1	1.9
0-10	5,014	92.6	4.2	3.7
0-25	5,184	95.7	6.5	5.7
>25	233		106.6	
TOTAL	5,417		113.1	

\* Total contract actions less foreign military sales and interagency actions

\*\* Reporting of purchase card transactions on DD Form 1057 terminated during year

# APPENDIX M

## USD(C) MEMORANDUM OF MARCH 28, 1996

**(Imprest Funds)**

# APPENDIX N

## SUMMARY OF RECOMMENDATIONS

Rec No.	Description	Page No.	OPR	OCR	Action Step Deadlines		
					Tasking Date	Interim Milestone	Implement/ Complete Date
IV-1	Issue policy on establishing tenant purchase card accounts to preclude cross-disbursements.	8	USD(C) DUSD(AR)	DoD Components	11-1-96	1-2-97	2-1-97
IV-2	Include the government's tax exemption number on each purchase card.	8	USD(C)	GSA DoD Components	10-15-96	1-2-97	As cards are reissued
IV-3	DLA will pursue capturing information from DMDC download.	9	USD(C)	DMDC DLA	10-15-96	3-1-97	7-1-97
IV-4.A	Require use of "remote access" (modem transmission) for cardholder setup and account maintenance.	10	DUSD(AR)	DoD Components	11-1-96	11-15-96	12-1-96
IV-4.B	Mandate that the local APC and servicing RMO jointly coordinate cardholder purchase limits.	10	USD(C) DUSD(AR)	DoD Components	11-1-96		1-2-97
IV-5.A	Direct the Defense Career Contract Management Board to develop and maintain core competencies for cardholder training.	11	DDP	DAU	11-1-96		1-2-97
IV-5.B	Direct DAU to develop uniform training materials based on core competencies.	11	DUSD(AR)	DAU	12-1-96	1-2-97	4-1-97
IV-6.A	Direct DAU to design a purchase card "sleeve" and wallet card printed with cardholder instructions.	11	DUSD(AR)	DAU	12-1-96		1-2-97
IV-6.B	Arrange with GSA for production and distribution of card sleeves or wallet reminders or inserts to monthly statements.	11	USD(C)	GSA DoD Components	11-1-96		2-1-97
IV-7	Mandate the use of an advance reservation of funds (bulk funding). Coordinate bulk funding and cardholder limits.	13	USD(C)	DoD Components	10-15-96		11-1-96
IV-8	Initiate a DFARS case to eliminate formal prepurchase documentation and approval requirements placed on the cardholder.	15	DDP	DoD Components			12-1-96
IV-9.A	Issue a class waiver to deviate from the FAR priority to obtain commercial supplies, valued within the micro-purchase threshold, from local inventories.	16	DDP	DoD Components			11-1-96
IV-9.B	Prepare a case to initiate a change to the FAR, removing the priority to obtain commercial supplies valued within the micro-purchase threshold from local inventories.	16	DDP	ARSSG			12-1-96
IV-10.A	Direct Components to provide an automated screening capability to cardholders for NIB/NISH and FPI items.	17	DUSD(AR)	DoD Components ARSSG			11-1-96

Rec No.	Description	Page No.	OPR	OCR	Action Step Deadlines		
					Tasking Date	Interim Milestone	Implement/ Complete Date
IV-10.B	Request determination of a threshold under which NIB, NISH, FPI and GPO are not applicable as mandatory sources.	17	DUSD(AR)	ARSSG			12-1-96
IV-11.A	Waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from wholesale supply sources.	19	DDP	DoD Components			11-1-96
IV-11.B	Prepare a DFARS case that eliminates the requirement that micro-purchases of commercial items, assigned for IMM, be acquired from the IMM manager.	19	DDP	DUSD(L) ARSSG			12-1-96
IV-12.A	Clarify that DoD Components may purchase HAZMAT and sensitive items with the card given appropriate screening.	19	DUSD(L) ARSSG	DoD Components	12-1-96		1-2-97
IV-12.B	Direct that IM offices publish lists of compatible FIP resources authorized for cardholder use without additional IM pre-approvals.	19	ASD(C3I)	DoD Components	11-1-96		1-2-97
IV-12.C	Mandate the cessation of screening for accountable property and require that cardholders receive germane training on accountable property.	19	DUSD(L)	DoD Components	11-1-96		1-2-97
IV-13	Establish DoD-wide core standards and policies for purchase card account reconciliation; eliminate multiple layers of review; implementation; redefine AOs, APC, and RMO (or equivalent) roles; and specify minimum documentation and retention.	25	USD(C) DUSD(AR)	DoD Components ARSSG	11-1-96		3-1-97
IV-14	Request RMBCS to transmit weekly (flat file) downloads of all DoD transactions to DMDC for processing. DMDC to provide user access to reports.	26	USD(C)	DMDC DISA RMBCS GSA	10-15-96	11-1-96	1-2-97
IV-15	Request DMDC to translate downloaded data into a user-friendly format accessible to authorized users. End users without connectivity may obtain reports by other means.	26	USD(C)	DoD Components DMDC RMBCS	10-15-96	2-1-97 3-1-97	7-1-97
IV-16	Require Components to adopt, on an interim basis, an existing automated purchase card reconciliation system in coordination with DMDC and DFAS. Moratorium on new systems.	26	ASD(C3I)	USD(A&T) USD(C) DoD Components DFAS	12-1-96		3-1-97
IV-17	Direct the formation of a DoD interdisciplinary task group to develop or select a standard purchase card management and reconciliation system. Task group to examine system features.	26	ASD(C3I)	USD(A&T) USD(C) DoD Components DFAS DMDC	11-1-96	12-1-96 2-1-97 2-15-97 3-1-97 4-1-97 7-1-97 8-1-97 10-1-97	9-30-98
IV-18	Maximize electronic receipt of the R063 invoice.	27	USD(C)	DoD Components	11-1-96	12-1-96	1-2-97

Rec No.	Description	Page No.	OPR	OCR	Action Step Deadlines		
					Tasking Date	Interim Milestone	Implement/ Complete Date
IV-19	Delegate invoice certification authority to the billing office.	28	USD(C)	DoD Components DFAS	11-1-96	11-1-96 1-2-97 2-1-97 3-1-97	4-1-97
IV-20.A&B	Direct the use of summary-level financial information in cases where there is no compelling argument to collect more detailed accounting data.	30	USD(C)	DFAS DoD Components	10-15-96	11-1-96 12-15-96	1-1-97
IV-20.C	Develop interfaces between the automated reconciliation system(s) and the supporting accounting system(s).	30	USD(C)	ASD(C3I) DFAS	11-1-96		9-30-98
IV-21	Mandate summarized accounting data. Recommendation incorporated into IV-20A&B.	30					
IV-22	Adopt a single object class and develop an object class statistical sampling methodology. Recommendation withdrawn.	30					
IV-23.A	Mandate accelerated invoice reconciliation process. Recommendation incorporated into IV-19.	33					
IV-23.B	Initiate a delayed dispute process for purchase card transactions.	33	USD(C)	DoD Components	11-1-96		1-2-97
IV-23.C	Mandate standard invoice disbursement procedures to include payment via EFT.	33	USD(C)	DFAS DoD Components	11-1-96	11-15-96	1-2-97
IV-24	Task and fund DMDC to process and distribute RMBCS data against a knowledge-based protocol to assist in detecting card misuse.	34	USD(C)	ODoDIG/QMD DMDC DFAS	10-15-96	1-6-97 2-1-97	4-1-97
IV-25	Develop a standardized methodology to evaluate purchase card usage and provide sampling techniques that follow transactions through to end-users.	34	USD(C)	ODoDIG/QMD DMDC DoD Components	10-15-96	11-15-96 12-1-96	1-2-97
IV-26	Locally implement sufficient, non-impeding, and adaptive controls to assure that purchase card misuse and fraud is minimized.	34	USD(C)	DoD Components	11-1-96		2-1-97
IV-27	Include reviews of purchase card transactions in each activity's management control process.	35	DDP	ARSSG			11-1-96
IV-28	Require that functional managers be given read-only access to surveillance reports and data generated by the automated systems supporting the purchase card program.	35	DUSD(AR)	ARSSG			11-1-96
IV-29	Direct organizations to revise internal procedures to widely adopt the new property accountability threshold.	35					5-28-96

Rec No.	Description	Page No.	OPR	OCR	Action Step Deadlines		
					Tasking Date	Interim Milestone	Implement/ Complete Date
V-1	Identify as an alternative "best practice" in the "Desk Book" the use of agreements for vendor pre-acceptance of clauses and provisions for procurements above the micro-purchase threshold through \$25,000.	38	DUSD(AR)				12-1-96
V-2	Maximize EC/EDI and EFT for payment in contract and contract payment process. Limit use of the card as order/payment method.	41	USD(C)	DoD Components ARSSG	11-1-96		1-2-97
VI-1.A	Mandate that DoD activities with sales of goods and services to other agencies accept purchase cards for payment (optional for ISSAs).	45	USD(C)	DDP DoD Components DFAS Treasury	11-1-96		1-2-97
VI-1.B	Work with the Treasury Department to extend the termination date for use of the PCCN.	45	USD(C)	Treasury	10-15-96	11-15-96	12-15-96
VI-1.C	Work with the GSA to modify the RMBCS contract to (1) provide "acquirer bank" services and (2) remove dollar limits on inter- and intradepartmental purchases/ sales.	45	USD(C)	GSA DFAS RMBCS	12-1-96	1-2-97	2-1-97
VI-2	Coordinate with the card "acquirer bank" and DFAS to implement procedures for acceptance and processing of purchase card collection transactions. (Draft recommendation incorporated into Recommendation VI-1.A.)	45					
VII-1	Perform a study one year after fielding the automated reconciliation system and implementing other recommendations to determine efficacy of increasing micro-purchase threshold.	46	DUSD(AR) OSADBU	ARSSG	11-1-96		3-1-98
VII-2.A	Micro-purchase authority for commercial items will be delegated to end-user organizations.	47	DUSD(AR)	ARSSG			11-1-96
VII-2.B	Propose legislation for purchase card use in contingency operations up to simplified acquisition threshold.	47	DUSD(AR)	ARSSG			11-1-96
VII-3.A	Incorporate into a training module solutions to increase vendor acceptance of the purchase card.	48	DUSD (AR)	DAU			11-1-96
VII-3.B	Offer information to educate local businesses on benefits of purchase card use.	48	DUSD (AR)	ARCC			11-1-96
VII-4	Communicate to GSA the Department's requirements for the succeeding purchase card contract.	48	USD(C)	USD(A&T) ASD(C3I) GSA			10-15-96
VII-5	Establish pilot programs for the use of VISA and FedSelect checks.	49	USD(C)	GSA DFAS WHS	9-1-96		11-1-96
VII-6	Direct DoD Components to develop viable goals for micro-purchases made using the purchase card.	50	DUSD(AR)	DoD Components ARSSG	11-1-96		1-2-97

Rec No.	Description	Page No.	OPR	OCR	Action Step Deadlines		
					Tasking Date	Interim Milestone	Implement/ Complete Date
VII-7	DoD Component Heads shall emphasize the benefits of the purchase card program, encourage coverage at schools and conferences, and develop "road shows" to promote use.	50	DUSD(AR)	DoD Components ARSSG ASD(PA)	11-1-96		12-1-96
VII-8	Encourage DoD Components to develop stories on the advantages and success of the purchase card.	51	DUSD(AR)	DoD Components ARSSG ASD(PA)	11-1-96		12-1-96
VII-9	Encourage local purchase card coordinators to utilize commanders' calls to promote the purchase card program.	51	DUSD(AR)	DoD Components ARSSG ASD(PA)	11-1-96		12-1-96
VII-10	Establish a Purchase Card oversight office to provide project management, monitoring and oversight of implementation of the recommendations in this report.	51	USD(C)	DoD Components USD(A&T)	11-1-96		1-2-97

# APPENDIX O

## ACRONYMS

ACRN	Accounting Classification Reference Number
ADPE	Automated Data Processing Equipment
AO	Approving Official
AOS	Approving Official Statement
APC	Agency Program Coordinator
ARSSG	Acquisition Reform Senior Steering Group
ASD(C3I)	Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
CFO	Chief Financial Officer
CSQI	Cardholder Statement of Questioned Items
DAR Council	Defense Acquisition Regulation Council
DAU	Defense Acquisition University
DDP	Director of Defense Procurement
DeCA	Defense Commissary Agency
DEPSECDEF	Deputy Secretary of Defense
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DMA	Defense Mapping Agency
DMDC	Defense Manpower Data Center
DPS	Defense Printing Service
DoD	Department of Defense
DoDAAC	DoD Automatic Addressing Code
DoDGC	DoD General Counsel
DoDIG	Department of Defense Inspector General
DoDIG/QMD	Department of Defense Inspector General/Quantitative Methods Division
DRMO	Defense Reutilization and Marketing Office
DSS-W	Defense Supply Source-Washington
DUSD(AR)	Deputy Under Secretary of Defense (Acquisition Reform)
DUSD(L)	Deputy Under Secretary of Defense (Logistics)

EC/EDI	Electronic Commerce/Electronic Data Interchange
EFT	Electronic Funds Transfer
FACNET	Federal Acquisition Computer Network
FAR	Federal Acquisition Regulations
FARA	Federal Acquisition Reform Act
FASA	Federal Acquisition Streamlining Act of 1994
FEDLOG	Federal Logistics Catalog
FIP	Federal Information Processing
FMS	Financial Management Service, U.S. Department of the Treasury
FMSC	Financial Management Steering Committee
FPI	Federal Prison Industries
FYDP	Future Years Defense Plan
GAO	General Accounting Office
GPO	Government Printing Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HAZMAT	Hazardous Materiel
HCA	Head of the Contracting Activity
IFMS	Interagency Fleet Management System
IM	Information Management
IMM	Integrated Materiel Management
IMPAC	International Merchant Purchase Authorization Card
ISIS	Inspection Service IMPAC Scanner
ISSA	Inter-Service Support Agreement
JCP	Joint Committee on Printing
JWOD	Javits-Wagner-O'Day Program
LAN	Local Area Network
LOA	Line of Accounting
MILSBILLS	Military Standard Billing System
MILSTRIP	Military Standard Requisition Procedures
MIPR	Military Interdepartmental Purchase Request
NIA	Notice of Invoice Adjustment
NIB	National Industries for the Blind
NISH	National Industries for the Severely Handicapped
NPR	National Performance Review
NULO	Negative Unliquidated Obligation

OCR	Office of Collateral Responsibility
ODoDIG	Office of Department of Defense Inspector General
OMB	Office of Management and Budget
OPLOC	Operating Location (DFAS)
OPR	Office of Primary Responsibility
OSADBU	Office of Small and Disadvantaged Business Utilization
OSD	Office of the Secretary of Defense
PADPS	Purchase Card ADP System
PC	Personal Computer
PCCN	Plastic Card Collection Network
PCFMT	Purchase Card Financial Management Team
PCIPT	Purchase Card Integrated Product Team
PCPMO	Purchase Card Program Management Office
PMR	Procurement Management Review
POMA	Program Objective Memoranda
PPA	Prompt Payment Act
RMBCS	Rocky Mountain BankCard System
RMO	Resource Management Office
SOA	Statement of Account
TFO/TBO	Transactions For Others/Transactions By Others
TIN	Taxpayer Identification Number
UMD	Unmatched Disbursement
USD(A&T)	Under Secretary of Defense (Acquisition and Technology)
USD(C)	Under Secretary of Defense (Comptroller)
WHS	Washington Headquarters Services

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[ck1]