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Acronyms

A/OPC	Agency/Organization Program Coordinator
AAA	Army Audit Agency
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFI	Air Force Instruction
ARB	Air Reserve Base
GAO	Government Accountability Office
GPC	Government Purchase Card
IG	Inspector General
SOP	Standing Operating Procedure



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 10, 2007

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
DIRECTOR, PURCHASE CARD JOINT PROGRAM
MANAGEMENT OFFICE
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Controls Over the Army, Navy, and Air Force Purchase Card
Programs (Report No. D-2007-043)

We are providing this report review and comment. The Director, Army Purchase Card Program did not respond to the draft report; however, we considered comments from the Director of the Department of the Navy, Consolidated Card Program Management Division and the Director, Air Force Purchase Card Program Management Office when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request the Director, Army Purchase Card Program Management Office provide comments to Recommendations A.1.a., A.1.b., B.1.a., B.1.b., and B.1.c.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to AudACM@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET). We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Deborah Carros at (703) 604-9217 (DSN 664-9217). See Appendix C for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink that reads "Richard B. Jolliffe".

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

Department of Defense Office of Inspector General

Report No. D-2007-043

January 10, 2007

(Project No. D2005-D000CK-0202.000)

Controls Over the Army, Navy, and Air Force Purchase Card Programs

Executive Summary

Who Should Read This Report and Why? Army, Navy, and Air Force purchase card program managers, certifying officials, approving officials, alternate approving officials, and cardholders responsible for implementing and overseeing purchase card processes should read this report because it identifies problems with internal controls.

Background. We performed this audit in response to a request from the DoD Purchase Card Joint Program Management Office. The DoD Purchase Card Joint Program Management Office requested that we review closed accounts of purchase cards with credit balances to determine whether balances were refunded. As of May 2, 2005, 5 Army and Air Force installations had 88 closed accounts of purchase cards with credit balances valued at \$51,082. As of June 15, 2005, 3 Navy installations had 54 closed accounts of purchase cards with credit balances valued at \$90,847.

We also reviewed the convenience check component of the Government purchase card program because of the known risks associated with convenience checks. Thirty-six check writers issued 1,694 convenience checks, valued at \$993,252, from October 1, 2003, through April 30, 2005, at 7 Army, Navy, and Air Force installations.

Results. Purchase card program officials failed to establish effective controls over the accounts of closed purchase cards with credit balances at three Army installations, three Navy installations, and two Air Force installations. For the installations reviewed, two Army, three Navy, and two Air Force agency/organization program coordinators did not monitor closed accounts that had credit balances. Also, Army, Navy, and Air Force purchase card program officials did not retain cardholder documentation for closed accounts. As a result, credit balances on closed accounts of purchase cards may not be properly identified, refunded, and available for Government use (finding A).

Controls over the use of convenience checks were weak and program officials did not establish an effective oversight program at Army, Navy, and Air Force installations visited. Specifically, Army, Navy, and Air Force officials did not issue delegation of authority letters to convenience check writers, review the program, or conduct unannounced audits of convenience check accounts. Further, Army and Air Force approving officials did not retain documentation when checks were used. As a result, convenience checks are vulnerable to unnecessary risk and misuse (finding B).

Controls over the purchase card programs at Air Force installations visited were inadequate, and program oversight was weak. In addition, controls over purchase card program training were weak at two of the three Navy installations visited. Specifically, Navy and Air Force cardholders and approving officials did not receive required initial

purchase card training or the refresher purchase card training; Air Force agency/organization program coordinators and approving officials had more than the standard span of control for purchase card accounts; and Air Force agency/organization program coordinators were purchase cardholders and convenience check writers. Unless purchase card program management officials strengthen internal controls and program oversight, the Navy and Air Force cannot ensure continuous program improvement and risk mitigation necessary to prevent fraud, waste, or mismanagement (finding C).

The Director, Army Purchase Card Program Management Office; the Director of the Department of the Navy, Consolidated Card Program Management Division; and the Director, Air Force Purchase Card Program Management Office, must establish controls to ensure proper management and use of the purchase card program in accordance with DoD and Component guidance. See the Findings section of the report for the detailed recommendations.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of Navy (Acquisition Management) concurred with the findings and recommendations and stated the Department of Navy, Consolidated Card Program Management Division established policy and procedures in Naval Supply Instruction 4200.99, dated October 13, 2006, which implements recommendations A.2.a., A.2.b., B.2.a, B.2.b, and C.1. In addition, the Chief of Staff/Policy for Deputy Assistant Secretary of Navy (Acquisition Management) issued a Purchase Card Administrative Notice on July 21, 2006, implementing recommendation A.2.c.

The Department Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred with the findings and recommendations and stated the Air Force Government Purchase Card Program Management will establish policies, procedures, and controls to implement all recommendations.

The Director, Army Purchase Card Management Program did not respond to the draft report issued on September 19, 2006. We request the Director, Army Purchase Card Management Program provide comments to Recommendations A.1.a., A.1.b., B.1.a., B.1.b., and B.1.c.

Table of Contents

Executive Summary	i
Background	1
Objectives	2
Review of Internal Controls	2
Findings	
A. Accounts of Closed Purchase Cards With Credit Balances	3
B. Convenience Checks	13
C. Purchase Card Program Controls	21
Appendixes	
A. Scope and Methodology	25
B. Prior Coverage	27
C. Report Distribution	29
Management Comments	
Under Secretary of Defense for Acquisition, Logistics, and Technology	31
Department of the Navy	32
Department of the Air Force	39

Background

We conducted this audit in response to a request from the DoD Purchase Card Joint Program Management Office. The DoD Purchase Card Joint Program Management Office requested that we review the accounts of closed purchase cards with credit balances to determine whether balances were refunded. We also reviewed the convenience check component of the Government purchase card program because of the known risks associated with convenience checks.

Government Purchase Card Programs. Federal Government purchase card programs, which have been in existence throughout the Government since 1989, were established to streamline acquisition processes by providing a low-cost, efficient method for obtaining goods and services directly from vendors. The Government Purchase Card (GPC) is used when making purchases or paying for supplies, services, or construction in accordance with the Federal Acquisition Regulation. Federal Acquisition Regulation Subpart 13.2 states that the GPC is the preferred method when purchasing and paying for micro-purchases. When the purchase card is not feasible, convenience checks provide an alternative. A “micro-purchase” is an acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold of \$2,500, except for construction where the threshold is \$2,000.

With the establishment of the General Services Administration SmartPay Program in 1998, contracts were awarded to five service providers: Bank of America, Bank One, Citibank, Mellon Bank, and U.S. Bank. Federal Government departments and agencies were to choose the charge card service provider with capabilities meeting agency requirements. The Army and Air Force purchase card programs operate under a Government General Services Administration contract with U.S. Bank; the Navy purchase card program operates under a Government General Services Administration contract with Citibank. For FY 2005, Army purchase card transactions totaled 4.5 million, valued at \$3.5 billion; Navy purchase card transactions totaled 2.18 million, valued at \$1.5 billion; and Air Force purchase card transactions totaled 2.8 million, valued at \$1.6 billion.

DoD Program Participants and Responsibilities. The Under Secretary of Defense for Acquisition, Technology, and Logistics, in cooperation with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and the DoD Purchase Card Joint Program Management Office are responsible for the DoD purchase card program. Authority is further delegated to contracting offices at installations to dedicate adequate resources for the GPC program. However, agency/organization program coordinators (A/OPCs) manage the daily operations of the GPC program. Furthermore, A/OPCs, approving officials, and cardholders at installations must collectively provide reasonable assurance that purchase card transactions are appropriate and meet a valid Government need.

Objectives

The overall audit objective was to determine whether controls over the Army, Navy, and Air Force purchase card programs were effective and appropriate. Specifically, we reviewed the accounts of closed purchase cards with credit balances and the use of convenience checks at selected Army, Navy, and Air Force locations. We also reviewed the managers' internal controls as they related to the overall objective. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the audit objectives.

Review of Internal Controls

We identified internal control weaknesses for Army, Navy, and Air Force purchase card programs as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. Although we identified management control weaknesses at each site we visited, we did not consider them material as defined by DoD Instruction 5010.40. Army, Navy, and Air Force purchase card program officials at installations visited failed to establish effective controls over closed accounts of purchase cards with credit balances. In addition, controls over convenience check use were weak, and program officials did not establish effective program oversight. Implementing our recommendations should correct the identified weaknesses.

A. Accounts of Closed Purchase Cards With Credit Balances

Purchase card program officials failed to establish effective controls over the accounts of closed purchase cards with credit balances at three Army installations, three Navy installations, and two Air Force installations. At the installations reviewed,

- two Army, three Navy, and two Air Force A/OPCs did not monitor closed accounts that had credit balances; and
- Army, Navy, and Air Force purchase card program officials did not always retain cardholder documentation for closed accounts.

Monitoring and retention did not occur because Army, Navy, and Air Force guidance for managing the purchase card program does not require that officials monitor the accounts of closed purchase cards with credit balances. In addition, Army and Air Force officials failed to implement existing policies and procedures for retaining cardholder documentation; and Navy guidance for managing the purchase card program does not require that officials retain cardholder documentation on closed accounts.

As a result, credit balances on closed accounts of purchase cards may not be properly identified, refunded, and available for Government use. Furthermore, unless purchase card controls are strengthened and management engages in more proactive oversight, the Army, Navy, and Air Force cannot continuously improve the program or mitigate risk of fraud, waste, or mismanagement.

Purchase Card Program Guidance

Department of Army, “Government Purchase Card Standing Operating Procedure,” July 31, 2002.¹ The Army Standing Operating Procedure (SOP) defines the requirements for establishing, maintaining, and operating the purchase card program. The Army SOP requires that the chiefs of contracting offices issue delegation of authority letters granting purchase authority for cardholders and convenience check writers. The delegation of authority must specify the single and monthly purchase limitations unique to each cardholder or check writer. The A/OPCs at the installation level manage the daily operations of the purchase card program. A/OPCs develop and implement local procedures, provide initial and biannual refresher training to cardholders and approving officials, issue delegation of authority letters to cardholders, conduct annual reviews of all approving official accounts, review convenience check transactions, and maintain an appropriate span of control over approving official and cardholder accounts.

¹ The draft Army Regulation 715-xx, “Government Purchase Card Program,” was issued December 6, 2005, to supersede the Army Standing Operating Procedure; however, the scope of our audit was based on data prior to the issuance of this revision.

The Army SOP limits the amounts of convenience checks to no more than \$2,500 per check. In addition, checking accounts must be audited quarterly in accordance with Army Federal Acquisition Regulation Supplement 5113.270. The Army SOP states that certified billing statements and supporting documentation will be retained for 6 years and 3 months after final payment. The Army SOP further states that the approving official must maintain these records until they are transferred to a records holding area.

Department of the Navy eBusiness Operations Office Instruction 4200.1A, “Department of Navy Policies and Procedures for the Operation and Management of the Government Commercial Purchase Card Program,” September 2, 2003. Department of the Navy eBusiness Operations Office Instruction 4200.1A (the Navy Instruction) provides guidance on policies for the GPC program. The Navy Instruction states that the A/OPC is responsible for daily program oversight, ensuring that cardholders and approving officials are properly appointed and trained, as well as maintaining training documentation and delegation of authority letters the Commanding Officer issues to cardholders and approving officials. The A/OPC also should review the transactions during monthly reviews of purchase cards. The Navy Instruction further states that an officer or DoD civilian independent of the office that maintains the convenience check account must perform unannounced audits of the accounts annually.

Air Force Instruction 64-117, “Air Force Government-Wide Purchase Card (GPC) Program,” December 6, 2002.² Air Force Instruction (AFI) 64-117 establishes responsibilities and procedures for the GPC and convenience checks. The instruction states that installation commanders or their equivalents are responsible for the operation of the GPC program on their installations. It further states that the Contracting Squadron Commander or the chief of the contracting office designates at least one primary and one alternate A/OPC who will manage the installation GPC program. The A/OPC issues delegation of authority letters, provides initial training and annual refresher training to cardholders and approving officials, and performs annual reviews of the account of each approving official. In addition to those responsibilities, the A/OPC should perform an annual review of convenience check accounts under an approving official. The approving official must also perform quarterly reviews of each convenience check account. The instruction further states that approving officials must maintain the originals of supporting documentation for an account when the cardholder transfers, is reassigned, retires, or when the account is closed.

² Although Air Force Instruction 64-117 was revised in January 2006, the scope of our audit was based on data before the instruction was revised.

Review of Closed Purchase Card Accounts

We reviewed the accounts of 142 closed purchase cards³ with credit balances, valued at \$141,929, at 8 Army, Navy, and Air Force installations. Army and Air Force accounts were closed as of May 2, 2005, and Navy accounts were closed as of June 15, 2005, with credit balances and represented 100 percent of closed accounts with credit balances at each installation.

U.S. Bank, which issues purchase cards to the Army and Air Force, has an internal policy to refund credit balances when an account has no activity for 6 months. Citibank, which issues purchase cards to the Navy, does not have such a policy and therefore does not automatically refund credit balances. The Citibank policy requires that the A/OPCs request a refund for credits on any closed Navy purchase card accounts.

Army Closed Purchase Card Accounts. For the Army, we reviewed 69 closed accounts of purchase cards with credit balances, valued at \$44,101, at 3 installations. Specifically,

- Fort Carson, Colorado, had 26 closed accounts of purchase cards with credit balances, valued at \$8,537;
- Fort McPherson, Georgia, had 13 closed accounts of purchase cards with credit balances, valued at \$34,119; and
- Fort Stewart, Georgia, had 30 closed accounts of purchase cards with credit balances, valued at \$1,445.

U.S. Bank refunded credit balances for closed accounts or transferred credit balances to a new account of purchase cards reviewed at Fort Carson, Fort McPherson, and Fort Stewart. Specifically, all credit balances on the closed accounts reviewed at Fort Carson and Fort Stewart were refunded. The credit balances on 11 of the 13 closed accounts reviewed at Fort McPherson were refunded; new approving official accounts were established for the remaining 2 closed accounts, and any individual credit balances were transferred to the newly established accounts.

Navy Closed Purchase Card Accounts. For the Navy, we reviewed 54 closed accounts of purchase cards with credit balances, valued at \$90,847, at 3 installations. Specifically,

- Commander Navy Region Northwest, Washington, had 19 closed accounts of purchase cards with credit balances, valued at \$53,480;
- Naval District Washington, District of Columbia, had 24 closed accounts of purchase cards with credit balances, valued at \$19,875; and

³ The closed accounts of purchase cards with credit balances are actually approving official accounts. We reviewed some cardholder accounts under the closed approving official accounts with credit balances to verify the amount of the credit balances.

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- Naval Medical Center San Diego, California, had 11 closed accounts of purchase cards with credit balances, valued at \$17,492.

As a result of our audit, the A/OPCs at Commander Navy Region Northwest and Naval Medical Center San Diego requested and received refunds for each of the credit balances on the closed accounts of purchase cards we reviewed. However, credit balances remain on those closed accounts of purchase cards reviewed at Naval District Washington, and as of July 2006 the A/OPC had not requested a refund from Citibank.

Air Force Closed Purchase Card Accounts. For the Air Force, we reviewed 19 closed accounts of purchase cards with credit balances, valued at \$6,981, at 2 installations. Specifically,

- March Air Reserve Base (ARB), California, had 13 closed accounts of purchase cards with credit balances, valued at \$3,100, for which the Air Force Reserve Command was responsible; and
- Moody Air Force Base (AFB), Georgia, had 6 closed accounts of purchase cards with credit balances, valued at \$3,881, for which the Air Force Special Operations Command (formerly Air Combat Command) was responsible.

U.S. Bank refunded credit balances on the closed accounts of purchase cards reviewed at March ARB and Moody AFB. Those balances were refunded in accordance with U.S. Bank's policy.

Monitoring Accounts of Closed Purchase Cards With Credit Balances

The A/OPCs at two Army installations, three Navy installations, and two Air Force installations did not monitor closed accounts with credit balances. A/OPCs did not monitor accounts because Army, Navy, and Air Force guidance for managing purchase card programs does not discuss monitoring closed accounts of purchase cards with credit balances.

The A/OPC at Fort Stewart stated that she established procedures for monitoring Army installations closed accounts with credit balances as a result of our audit.

Army Account Monitoring. The A/OPCs at Fort McPherson and Fort Stewart did not monitor closed accounts with credit balances. However, neither the Army SOP nor the draft Army Regulation 715-xx, "Government Purchase Card Program," which superseded the Army SOP, assign responsibility for monitoring credit balances on closed accounts.

Fort McPherson. The Fort McPherson A/OPC stated that the Customer Automation and Reporting Environment⁴ system shows the balance of the activity for individual transactions posted during the most recent billing cycle but does not show the balance on the account. As a result, closed accounts do not show a credit balance if no activity was posted during the billing cycle. The Fort McPherson A/OPC stated that no guidance for monitoring closed accounts existed, but she did not check for credit balances because she believed monitoring accounts was the responsibility of approving officials.

Fort Stewart. As a result of our audit, the A/OPC at Fort Stewart initiated actions to monitor closed accounts with credit balances. The A/OPC stated that she periodically runs a report in the Customer Automation and Reporting Environment system to review for credit balances on both open and closed accounts. The Fort Stewart A/OPC stated that for closed accounts with a credit balance greater than \$1,000, she requests a refund from U.S. Bank; for credit balances less than \$1,000, she waits until the bank provides a refund.

Fort Carson. The Fort Carson A/OPC monitored closed accounts and stated that she receives quarterly refunds from U.S. Bank for closed accounts with outstanding credit balances. The A/OPC stated that she runs a monthly transaction summary report to verify credit balances.

Navy Account Monitoring. The A/OPCs at Commander Navy Region Northwest, Naval District Washington, and Naval Medical Center San Diego did not monitor closed accounts with credit balances. The Navy Instruction states that A/OPCs may close accounts after an approving official verifies that all outstanding transactions and payments clear the account. However, the Navy Instruction does not require that A/OPCs monitor these accounts after they are closed to ensure no additional transactions, such as rebates and refunds, are posted to the account. The A/OPCs at Commander Navy Region Northwest, Naval District Washington, and Naval Medical Center San Diego stated that they did not monitor the accounts after closure.

Air Force Account Monitoring. The A/OPCs at March ARB and Moody AFB did not monitor closed accounts under their purview. AFI 64-117 states that the approving official may request that an A/OPC cancel an account only after all outstanding transactions (that is, charges and credits) clear the bank. Transactions can continue to post to an account in the form of rebates and refunds after an account is closed. AFI 64-117 does not discuss monitoring accounts after closure so no additional activity requiring a refund to the Government occurs. The March ARB A/OPC was unaware that credit balances on the closed accounts of purchase cards we reviewed actually existed and did not consider monitoring accounts after they are closed because the guidance did not address this matter. The Moody AFB A/OPC was also unaware of the credit balances on the closed accounts of purchase cards we reviewed and stated that she did not realize she was still responsible for those accounts when Moody AFB changed Major Command from the Air Combat Command to the Air Force Special Operations Command.

⁴ The Customer Automation and Reporting Environment system is the U.S. Bank electronic access system that allows A/OPCs and approving officials to review transactions.

Although existing guidance does not discuss monitoring closed accounts, Army, Navy, and Air Force A/OPCs are still responsible for managing the daily activities of the purchase card program and should have managed the issues with credit balances on closed accounts when the issues arose. If this issue is not resolved, future credit balances on closed accounts may not be properly identified, refunded, and made available to the Government.

Retaining Cardholder Documentation

Purchase card program officials at three Army installations, two Navy installations, and two Air Force installations did not retain cardholder documentation on closed accounts. The severity of that condition varied by site as discussed in the following sections. The variations occurred because Army and Air Force officials were not consistent when retaining cardholder documentation, and Navy guidance for managing the purchase card program does not discuss retaining cardholder documentation on closed accounts.

Army Retention. Purchase card program officials at Fort Carson, Fort McPherson, and Fort Stewart did not always retain cardholder documentation on closed accounts. The Army SOP states that officials must retain certified billing statements and supporting documentation for 6 years and 3 months after final payment. The Army SOP further states that the approving official must maintain records until they are transferred to a records holding area. However, the Army SOP does not discuss who should maintain the records for closed approving official accounts. For the three Army installations reviewed, we requested billing statements for the closed accounts of 69 purchase cards for the 12 months prior to the account being closed to validate the accuracy of the credit balances. We also requested supporting documentation for selected closed accounts based on questionable transactions we identified from the available billing statements.

Fort Carson Cardholder Documentation. Fort Carson purchase card program officials could not locate billing statements for 12 of the 26 closed accounts reviewed, and supporting documentation for any transactions for 2 of the 6 closed accounts selected for further review. The A/OPC at Fort Carson stated that when she ran transaction reports in the Customer Automation and Reporting Environment system for each of the closed accounts, she received a “no output” message for 12 of the 26 accounts. She stated that she receives a hard copy of these detail transaction reports from U.S. Bank each month, but does not retain the reports after review. Approving officials could not locate supporting documentation for any transactions for 2 of the 6 selected closed accounts because the cardholders were deployed. For 4 of the 6 selected closed accounts, approving officials provided supporting documentation for selected transactions, and we did not identify any problems with the documentation.

Fort McPherson Cardholder Documentation. The A/OPC at Fort McPherson provided transaction reports for each of the 13 closed accounts; however, purchase card program officials could not locate supporting documentation for 1 of the 8 closed accounts selected for further review. The A/OPC at Fort McPherson stated that the approving official was no longer

stationed at Fort McPherson and that no one knew where the documentation was located.

Fort Stewart Cardholder Documentation. The A/OPC at Fort Stewart provided transaction reports for each of the 30 closed accounts; however, purchase card program officials could not locate supporting documentation for 8 of the 12 closed accounts selected for further review. For 7 of the 12 selected accounts, the cardholders were deployed, and the approving officials did not know where the documentation was located. For the one cardholder account, the A/OPC at Fort Stewart stated that the approving officials were no longer stationed at Fort Stewart, and that no one knew where the documentation was located.

The Army SOP requires that approving officials maintain records until those records are transferred to a records holding area. The Army SOP does not discuss, however, who should maintain the records if the approving official transfers, deploys, or retires. The Army SOP should be revised to include guidance for retaining cardholder documentation when the approving officials transfer, deploy, or leave for any reason.

Navy Retention. Purchase card program officials at Commander Navy Region Northwest and Naval Medical Center San Diego in most cases did not retain cardholder documentation on closed accounts. The Navy Instruction states that Navy activities establishing local purchase card programs must develop internal operating procedures that include written guidance on maintaining and retaining purchase card records. However, the internal operating procedures for the three Navy installations reviewed do not discuss maintaining and retaining documentation. To validate the accuracy of the credit balances for the three Navy installations reviewed, we requested billing statements for 54 closed accounts of purchase cards for the 12 months prior to accounts being closed.

Commander Navy Region Northwest Cardholder Documentation. Purchase card program officials at Commander Navy Region Northwest provided billing statements for 2 of the 19 closed accounts. For the 2 accounts, the documentation contained all billing statements for the 12 months prior to the accounts being closed. For 17 of the 19 accounts, the billing statements for all 12 months prior to account closure were unavailable. The Commander Navy Region Northwest A/OPC stated that CitiBank personnel stated that bank statements were not available 12 months after account closure.

Naval District Washington Cardholder Documentation. The Naval District Washington A/OPC provided billing statements from the CitiBank automated information system for each of the 24 closed accounts. Because we did not identify any questionable transactions, no supporting documentation was requested for further review.

Naval Medical Center San Diego Cardholder Documentation. The A/OPC at Naval Medical Center San Diego provided billing statements for all 11 closed accounts from the automated information system. Although we did not request additional supporting documentation, the A/OPC stated that she could not provide any transaction supporting documentation for the 11 closed accounts.

Air Force Retention. Purchase card program officials at March ARB and Moody AFB did not always retain cardholder documentation on closed accounts. AFI 64-117 states that documents the cardholder received or generated supporting transactions must be maintained for 3 years after final payment. AFI 64-117 further states that the approving official must maintain the originals of supporting documentation for accounts when the cardholder transfers, is reassigned, retires, or when the account is closed. However, the guidance does not specifically discuss who maintains the records when approving official accounts are closed. To validate credit balances for the two Air Force installations reviewed, we requested billing statements for 19 closed accounts of purchase cards for the 12 months prior to the purchase card accounts being closed. Because we identified closed accounts with questionable transactions, we also requested supporting documentation for those accounts.

March ARB Cardholder Documentation. Purchase card program officials at March ARB could not locate billing statements for 9 of the 13 closed accounts. As a result, we requested cardholder supporting documentation for all transactions for the 12 months prior to account closure for all 13 accounts. We received documentation for 9 of the 13 accounts and determined all transactions reviewed were reasonable and in accordance with guidance. We did not review documentation for 4 of the 13 accounts because the A/OPC did not retain the documentation.

Moody AFB Cardholder Documentation. Purchase card program officials at Moody AFB could not locate billing statements for two of the six closed accounts. We analyzed the available billing statements for the four closed accounts. On two of the closed accounts, we did not identify any questionable transactions. On one closed account, we identified one purchase split between two cardholders. On another, we identified a questionable transaction. Therefore, we requested additional supporting documentation for those two closed accounts. Moody AFB purchase card program personnel could not provide supporting documentation for the account with the split purchase and the account with the questionable transaction.

We could not validate the accuracy of credit balances at the Navy or Air Force installations visited or at Fort Carson. In addition, we could not verify that selected questionable transactions at the three Army installations visited and Moody Air Force Base were not misuses of the purchase card. As a result, Army, Navy, and Air Force purchase card program managers should strengthen controls for retaining cardholder files.

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Director, Army Purchase Card Program Management Office:

a. Establish policies and procedures requiring that specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government.

b. Establish controls requiring specific program officials identify and monitor cardholder documentation when cardholders or approving officials transfer, retire, or deploy.

Management Comments. The Director, Army Purchase Card Program Management Office did not comment on the recommendations. Therefore, we request that the Director, Army Purchase Card Program Management Office provide comments to the final report.

A.2. We recommend that the Director of the Department of the Navy, Consolidated Card Program Management Division:

a. Establish policies and procedures requiring that specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred. He stated the Department of the Navy, Consolidated Card Program Management Division has established policy and procedures in Naval Supply Instruction 4200.99, signed October 13, 2006, for refunding credit balances on closed and inactive accounts semiannually. Every month, the Department of the Navy, Consolidated Card Program Management Division sends the Level III A/OPCs a listing of their current credit balances. The Department of the Navy, Consolidated Card Program Management Division issued the Purchase Card Administrative Notice on July 21, 2006, requiring activities to address existing credit balances that were 60 days and older. In August 2006, credit balances totaling more than \$900,000 from over 500 accounts were identified for refund. As of October 31, 2006, approximately \$753,000 has been returned to Department of Navy activities as a result of this new policy.

Audit Response. The comments are responsive, and no additional comments are required.

b. Establish policies and procedures requiring that specific program officials identify and monitor retention of cardholder documentation when cardholders or approving officials transfer, retire, or deploy.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred and stated Naval Supply Instruction 4200.99, dated October 13, 2006, states that all files should be turned in to the A/OPC when a cardholder leaves the command. The A/OPC is then responsible for retaining the files.

Audit Response. The comments are responsive, and no additional comments are required.

c. Direct that the agency/organization program coordinator at Naval District Washington request a refund from Citibank for any outstanding credit balances on closed accounts.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred and stated that the Purchase Card Administrative Notice, issued on July 21, 2006, required all Level III A/OPCs to resolve accounts with credit balances. As of September 21, 2006, Naval District Washington had no closed accounts with a credit balance.

Audit Response. The comments are responsive, and no additional comments are required.

A.3. We recommend that the Director, Air Force Purchase Card Program Management Office:

a. Establish policies and procedures requiring that specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred and stated Air Force Government Purchase Card Program Management will establish policies and procedures requiring specific program officials to identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

b. Establish policies and procedures requiring that specific program officials identify and monitor retention of cardholder documentation when cardholders or approving officials transfer, retire, or deploy.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred and stated Air Force Government-Wide Purchase Card Program Instruction (AFI 64-117) provides guidance for retaining documentation when cardholders retire or are reassigned or separated. The Air Force will establish additional policy to identify and monitor retention of cardholder documentation when approving officials transfer, retire, or deploy. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

B. Convenience Checks

Controls over the use of convenience checks were weak and program officials did not establish an effective oversight program at Army, Navy, and Air Force installations visited. Specifically,

- Army, Navy, and Air Force A/OPCs did not issue delegation of authority letters to convenience check writers;
- Army, Navy, and Air Force officials did not review the program, nor did they conduct unannounced audits of convenience check accounts; and
- Army and Air Force approving officials did not retain documentation when checks were used.

These conditions occurred because program management officials for purchase cards did not implement policies and procedures for convenience checks, including maintenance and use of check accounts, and retention of documentation. As a result, convenience checks were vulnerable to fraud, waste, and abuse. Unless controls for purchase cards are strengthened and management engages in proactive oversight, the Army, Navy, and Air Force cannot continuously improve the program or mitigate the fraud, waste, or mismanagement.

Convenience Checks Review

The 36 authorized check writers at 3 Army, 2 Navy, and 2 Air Force installations wrote 1,694 convenience checks, valued at \$993,252, from October 1, 2003, through April 30, 2005.

Army Convenience Checks. The 9 authorized check writers at Fort Carson, Fort McPherson, and Fort Stewart wrote 581 convenience checks, valued at \$380,949, from October 1, 2003, through April 30, 2005. Specifically,

- 6 check writers at Fort Carson wrote 299 checks, valued at \$164,928;
- 2 check writers at Fort McPherson wrote 154 checks, valued at \$106,489; and
- 1 check writer at Fort Stewart wrote 128 checks, valued at \$109,532.

Navy Convenience Checks. The 5 authorized check writers at Commander Navy Region Northwest and Naval Medical Center San Diego wrote 203 convenience checks, valued at \$108,203, from October 1, 2003, through April 30, 2005. Specifically,

- 3 check writers at Commander Navy Region Northwest wrote 115 convenience checks, valued at \$61,985; and

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- 2 check writers at Naval Medical Center San Diego wrote 88 convenience checks, valued at \$46,218.

Naval District Washington did not have a convenience check account and did not plan to establish an account.

Air Force Convenience Checks. The 22 authorized check writers at March ARB and Moody AFB wrote 910 convenience checks, valued at \$504,100, from October 1, 2003, through April 30, 2005. Specifically,

- 6 check writers at March ARB wrote 274 convenience checks, valued at \$97,087, from 9 accounts;⁵ and
- 16 check writers at Moody AFB wrote 636 convenience checks, valued at \$407,013, from 21 accounts.

Check Writing Authority

Army, Navy, and Air Force controls over the use of convenience checks did not require that A/OPCs issue delegation of authority letters to authorized convenience check writers. Controls did not exist because program management officials for purchase cards at three Army, two Navy, and two Air Force installations did not implement policies and procedures for convenience checks. DoD Financial Management Regulation 7000.14-R, volume 5, chapter 2, section 0210, "Convenience Checks," states that the activity commander or director must issue delegations of authority to the check writer and approving official in writing.

Army Check Writer Authority. The Army Federal Acquisition Regulation Supplement states that the chiefs of contracting offices issue delegations of authority to cardholders. The Army SOP directs that A/OPCs issue delegation of authority letters to cardholders. The Fort Carson A/OPC did not issue delegation of authority letters to any of the six check writers reviewed. After we announced our review, the Fort McPherson chief of contracting issued delegation of authority letters to two check writers, and the Fort Stewart chief of contracting issued a delegation of authority to one check writer. Check writers without proper delegation of authority may not be held pecuniarily liable for payments made using the convenience checks.

Navy Check Writer Authority. The Navy Instruction states that an activity commander or director who is authorized to establish the account should issue delegations of authority in writing. The A/OPC did not know whether a delegation of authority letter had been issued to one of the three check writers in

⁵ The nine convenience check accounts at March ARB were managed by six check writers and overseen by three A/OPCs at different Major Commands. One check writer was accountable to the Air Force Audit Agency A/OPC at Bolling AFB; two check writers were accountable to the Air Force Materiel Command A/OPC at Edwards AFB; and three check writers were accountable to the Air Force Reserve Command A/OPC at March ARB.

accordance with DoD and Navy guidance because the cardholder file did not contain a copy of the delegation of authority letter.

The Commander at Naval Medical Center San Diego issued delegation of authority letters to both check writers in accordance with DoD and Navy guidance.

Air Force Check Writer Authority. A/OPCs at Air Force installations did not issue delegation of authority letters to 8 of the 22 convenience check writers at March ARB and Moody AFB. AFI 64-117 states that the A/OPC should issue delegations of authority to cardholders. The instruction directs that the commander or chief of the base contracting office must sign the letter. Two check writers at March ARB were accountable to the Air Force Materiel Command A/OPC located at Edwards AFB, California. The A/OPC at Edwards AFB did not issue delegation of authority letters to the check writers. Another check writer at March ARB was accountable to the Air Force Audit Agency A/OPC located at Bolling AFB. The A/OPC at Bolling AFB did not issue a delegation of authority letter to the check writer. The A/OPC at Moody AFB did not issue delegation of authority letters to 5 check writers.

The Army, Navy, and Air Force should strengthen controls over delegation of authority for convenience checks and for overseeing use of the checks. Check writers without the required delegation of authority may not be held pecuniarily liable for payments made using the convenience checks.

Periodic Reviews of Convenience Checks

Army, Navy, and Air Force program management officials for purchase cards did not implement existing policies and establish procedures for reviewing and auditing convenience check accounts. DoD Financial Management Regulation 7000.14-R, volume 5, chapter 2, section 0210, "Convenience Checks," states that an officer or equivalent DoD civilian employee who is independent of the office maintaining the account must annually conduct an unannounced audit of each convenience check account.

Army Reviews. Army A/OPCs did not regularly review transactions for the convenience check accounts at Fort Carson, Fort McPherson, and Fort Stewart, and they did not ensure convenience check accounts were audited quarterly as Army guidance requires.

Transaction Reviews. The Army SOP states that the A/OPCs must review convenience check transactions to ensure program officials are complying with regulations. However, the A/OPCs did not perform reviews of convenience check transactions for the six check writers at Fort Carson, two check writers at Fort McPherson, and one check writer at Fort Stewart. The A/OPC at Fort Carson stated that she did not review convenience check transactions because the check writer was located in the Directorate of Contracting, and she stated she felt it would be a conflict of interest if she reviewed the account. The A/OPC at Fort McPherson stated that she reviewed the primary check writer's account a few

months before our audit was announced, but stated that she does not regularly monitor convenience check transactions. The Fort Stewart A/OPC acknowledged that convenience check accounts were supposed to be reviewed, but she has never reviewed the account.

Convenience Check Account Reviews. A/OPCs at Army installations did not ensure convenience check accounts were audited quarterly as required. The Army SOP states that convenience check accounts must be audited quarterly in accordance with the Army Federal Acquisition Regulation Supplement 5113.270(a). The Army Federal Acquisition Regulation Supplement 5113.270(a) states that a duly appointed, disinterested third party under the guidance of the local Internal Review activity must audit the convenience check accounts. The local Internal Review activities did not conduct quarterly audits for the nine convenience check accounts at Fort Carson, Fort McPherson, and Fort Stewart.

The Chief of Internal Review at Fort Carson stated that the FY 2001 review indicated good management controls were in place, and the risk factor of the convenience check program was considered low. The Chief of Internal Review stated that convenience check audits were in the annual Internal Review Plan until creation of the Army Contracting Agency. The audits were deferred to perform other audits with higher risk. The Chief stated that changes made in the Army Federal Acquisition Regulation Supplement, which requires quarterly auditing of convenience check accounts, should have been coordinated with Headquarters Department of the Army Internal Review to include requirements in Army Regulation 11-7, "Internal Review."

The Chief of Internal Review at Fort McPherson stated that because the Army Contracting Agency was a separate agency, the Internal Review Office for the U.S. Army Forces Command did not have purview over the purchase card program and its management of the program, including convenience checks. The Chief stated that the Army Contracting Agency must request an outside Internal Review function to perform required reviews of convenience checks.

The Chief of Internal Review at Fort Stewart stated that he was aware of the requirement to review convenience check accounts quarterly, but he had not done any formal quarterly audits of the convenience check account selected for review because his office was understaffed.

A/OPCs are responsible for managing the purchase card program and should have performed the required surveillance reviews and audits.

Navy Reviews. The A/OPC at Commander Navy Region Northwest did not ensure convenience check accounts were audited annually as DoD and Navy guidance require. The Navy Instruction states that an officer or DoD civilian independent of the office maintaining the convenience check account must annually conduct an unannounced audit of the accounts. In February 2004 and again in March 2006, the Fleet and Industrial Supply Center, Procurement Management Branch, reviewed the purchase card program at Commander Navy Region Northwest. The reviews included assessment of the convenience checks.

Although the Navy reviewed the program, the reviews did not meet the annual requirement.

The A/OPC at Naval Medical Center San Diego did not ensure convenience check accounts were audited annually as DoD and Navy guidance require. Command Evaluation and Integrity performed unannounced audits of the convenience check accounts at Naval Medical Center San Diego in both February 2003 and January 2005. The reviews assessed the convenience checks; but like those at Navy Region Northwest, these reviews did not meet the annual requirements.

Air Force Reviews. A/OPCs at Air Force installations did not annually review convenience check accounts or audit convenience check accounts as DoD Financial Management Regulation requires. In addition, approving officials did not perform quarterly surveillance reviews of each account.

Annual Surveillance Reviews. AFI 64-117 requires that as a part of the annual surveillance of accounts A/OPCs review each convenience check account under an approving official. The A/OPCs did not perform the required reviews for 3 of the 6 check writers at March ARB and 10 of the 16 check writers at Moody AFB.

Quarterly Approving Official Reviews. AFI 64-117 states the approving official must conduct quarterly reviews of each check account as a part of the regular surveillance activities. The approving officials did not conduct reviews of convenience check accounts quarterly for 5 of the 6 check writers at March ARB and 10 of the 16 check writers at Moody AFB.

Annual Convenience Check Account Reviews. A/OPCs at Air Force installations did not ensure convenience checks were audited annually, on an unannounced basis, as required by the DoD Financial Management Regulation. The A/OPCs at March ARB and Moody AFB were unaware of the requirement for unannounced audits of convenience check accounts. Therefore, no independent unannounced audits were performed on the convenience check accounts reviewed at March ARB and Moody AFB.

The DoD Financial Management Regulation does not specify the independent office responsible for performing the annual audits of convenience check accounts. However, as part of the daily management of the purchase card program, the A/OPC should ensure that convenience check account audits are performed. Because these audits were not performed, convenience checks are vulnerable to unnecessary risk and misuse. Unless purchase card controls are strengthened and management engages in proactive oversight, the Army, Navy, and Air Force cannot ensure the continuous program improvement and risk mitigation necessary to prevent fraud, waste, or mismanagement.

Retaining Documentation

An Army approving official at Fort McPherson and Air Force approving officials at March ARB and Moody AFB did not retain check writer documentation. This occurred because program management officials for purchase cards did not implement existing policies and procedures for retaining documentation.

Program officials for Commander Navy Region Northwest and Naval Medical Center San Diego purchase cards properly retained files and documentation for convenience check writers and the transactions.

Army Retention. A Fort McPherson approving official did not retain check writer documentation. The Army SOP requires that certified billing statements and supporting documentation must be retained for 6 years and 3 months after final payment. The Army SOP also requires the approving official to maintain the records until they are transferred to a records holding area. Fort McPherson personnel destroyed supporting documentation for FY 2003 convenience check transactions for one check writer. The check writer stated that another employee who believed the records were no longer required destroyed the check writer's records. Because those records were destroyed, we were unable to review three of the eight convenience checks issued by the check writer.

Air Force Retention. Approving officials at March ARB and Moody AFB did not retain check writer documentation. AFI 64-117 requires that the check writer maintain transaction files and documentation for three years after final payment. AFI 64-117 also requires that the approving official must maintain the originals of the documentation for accounts when the check writer transfers, is reassigned, or retires, or when the account is closed. Approving officials did not retain supporting documentation for 1 of the 6 convenience check writers at March ARB, and 3 of the 16 convenience check writers at Moody AFB. Because the approving officials did not retain supporting documentation as required, we were unable to review 62 of the 910 convenience checks issued at March ARB and Moody AFB.

Army and Air Force program managers for purchase cards should strengthen controls for retaining the required documentation.

Recommendations, Management Comments, and Audit Response

B.1. We recommend that the Director, Army Purchase Card Program Management Office, establish controls that require:

a. Delegation of authority letters before convenience check writers can write checks.

b. Periodic reviews of convenience check transactions.

c. Proper retention of documentation in accordance with the Army Standing Operating Procedures.

Management Comments. The Director, Army Purchase Card Program Management Office did not comment on the recommendations. Therefore, we request that the Director, Army Purchase Card Program Management Office provide comments to the final report.

B.2. We recommend that the Director of the Department of the Navy, Consolidated Card Program Management Division, establish controls that require:

a. Delegation of authority letters before convenience check writers can write checks.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred. Naval Supply Systems Command issued Naval Supply Instruction 4200.99, dated October 13, 2006, which required that delegations of authority to maintain and use convenience checks be issued in writing specifically to the activity approving official, check custodian, and convenience check writer by the activity commander or director who is authorized to establish the account.

Audit Response. The comments are responsive, and no additional comments are required.

b. Periodic reviews of convenience check transactions.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred. Naval Supply Instruction 4200.99, dated October 13, 2006, states that an officer or equivalent DoD civilian who is independent of the office maintaining the account must annually conduct unannounced audits of convenience check accounts.

Audit Response. The comments are responsive, and no additional comments are required.

B.3. We recommend that the Director, Air Force Purchase Card Program Management Office, establish controls that require:

a. Delegation of authority letters before convenience check writers can write checks.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred. AFI 64-117 provides guidance for establishing convenience check accounts, which requires a letter of appointment to maintain the use of convenience checks. However, the Air Force GPC Program Management Office will establish controls to improve compliance and obtain coordination from the DoD Purchase Card Program Management Office. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

b. Periodic reviews of convenience check transactions.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred and stated AFI 64-117 provides guidance for establishing convenience check accounts, which requires surveillance of check writer accounts. However, the Air Force GPC Program Management will establish controls to improve compliance and obtain coordination from the DoD Purchase Card Program Management Office. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

c. Proper retention of documentation in accordance with the Air Force Instruction 64-117.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred and stated AFI 64-117 provides guidance for establishing convenience check accounts, which requires proper retention of documentation. However, the Air Force GPC Program Management Office will establish controls to improve compliance and obtain coordination from the DoD Purchase Card Joint Program Management Office. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

C. Purchase Card Program Controls

Controls over the purchase card programs at Air Force installations visited were inadequate, and program oversight was weak.⁶ In addition, controls over purchase card program training at two of the three Navy installations visited were weak. Specifically,

- 40 of the 159 Navy and Air Force cardholders and 39 of the 135 Navy and Air Force approving officials reviewed did not receive the initial purchase card training or the refresher purchase card training;⁷
- A/OPCs at March ARB and Bolling AFB⁸ had more than the standard span of control for purchase card accounts;
- of the approving officials reviewed, 35 Air Force approving officials had more than the standard cardholder to approving official ratio; and
- the primary and alternate A/OPCs at March ARB were both purchase cardholders and convenience check writers.

Control weaknesses occurred because Navy and Air Force purchase card managers did not effectively implement purchase card program guidance for cardholder training, and Air Force purchase card managers did not effectively manage approving official span of control. Unless purchase card program management officials strengthen internal controls and program oversight, the Navy and Air Force cannot continuously improve the purchase card program and mitigate the risk of fraud, waste, or mismanagement.

Purchase Card Program Controls and Oversight

Controls over the purchase card programs at Air Force installations visited were inadequate, and program oversight was weak. In addition, controls over purchase card program training at two of the three Navy installations visited was weak. Those conditions occurred because Navy and Air Force program management officials for purchase cards did not effectively implement guidance for cardholder training, and Air Force program management officials did not effectively manage the span of control over purchase card accounts.

⁶ Army purchase card program controls were discussed in DoD IG Report No. D-2006-099, "Purchase Card Program Controls at Selected Army Locations," July 21, 2006.

⁷ Because of the high number of cardholders and approving officials at each installation, we judgmentally selected 10 percent of all cardholders and approving officials at each Navy and Air Force installation, and reviewed training files to determine whether purchase card training was completed.

⁸ Air Force Audit Agency had one check writer at March ARB who was accountable to an A/OPC located at Bolling AFB. As a result, we audited the A/OPC program controls at Bolling AFB.

Purchase Card Training. Navy Instruction requires that cardholders and approving officials complete local, Navy, and DoD purchase card training before delegation as a program participant. The Navy Instruction also requires that cardholders and approving officials complete refresher training on local and Navy purchase card policies and procedures every 2 years. However, of the 37 cardholders and 20 approving officials at the 3 Navy installations reviewed, 21 cardholders and 9 approving officials did not receive the required refresher purchase card training. Specifically, 5 cardholders and 4 approving officials at Naval District Washington, and 16 cardholders and 5 approving officials at Naval Medical Center San Diego did not complete the required training. All cardholders and approving officials at Commander Navy Region Northwest completed the required refresher training.

AFI 64-117 requires the A/OPC to provide training to cardholders and approving officials. The guidance requires program participants to complete training on the purchase card program before being delegated authority. However, of the 122 Air Force cardholders reviewed, 19 did not receive the required initial purchase card training. Specifically, 13 of the 45 cardholders at Bolling AFB, 1 of the 26 cardholders at Edwards AFB, and 5 of the 28 cardholders at Moody AFB did not receive initial purchase card training. All cardholders at March ARB received initial purchase card training.

Of the 115 Air Force approving officials reviewed, 28 did not receive initial purchase card training. Specifically, 16 of the 42 approving officials at Bolling AFB, 3 of the 25 approving officials at Edwards AFB, 1 of the 22 approving officials at March ARB, and 8 of the 26 approving officials at Moody AFB did not receive initial purchase card training as required.

Agency/Organization Program Coordinator Span of Control. AFI 64-117 does not discuss the A/OPC span of control. However, the DoD Charge Card Guidebook states that each A/OPC should have no more than 300 accounts, including cardholder and approving official accounts. Such a ratio allows the A/OPCs to effectively accomplish their responsibilities. The A/OPC span of control at March ARB and Bolling AFB exceeded the guidance of 300 to 1. Specifically, the March ARB A/OPC had 327 purchase card accounts. Although an alternate A/OPC was appointed, she did not assist with the daily operations of the purchase card program. The Bolling AFB A/OPC was responsible for 894 purchase card accounts. Although the Bolling AFB had two alternates, purchase card responsibilities were only 50 percent of their duties.

Approving Official Span of Control. AFI 64-117 requires a standard span of control of not more than seven cardholders per approving official or a written justification for approving officials with more than seven cardholders assigned. At the sites reviewed, 35 Air Force approving officials exceeded the Air Force standard ratio of 7 to 1. Specifically, 15 approving officials at Bolling AFB, 3 approving officials at Edwards AFB, 6 approving officials at March ARB, and 11 approving officials at Moody AFB had more than seven cardholders. In addition, the approving officials did not have written justification to specify how they were able to maintain appropriate oversight as required.

Approving officials with an unreasonable number of cardholders assigned to their accounts may not promptly or properly review and certify monthly billing statements for cardholders. A ratio that is too great decreases the ability for approving officials to effectively manage assigned cardholders. The total number of transactions, as well as the number of assigned cardholders, must be considered when determining an acceptable ratio of cardholders to approving officials.

Separation of Duties

The primary and alternate A/OPCs at March ARB were both purchase cardholders and convenience check writers. AFI 64-117 requires that A/OPCs initiate accounts, issue delegation of contracting authority, and provide training and business advice to approving officials, cardholders, and check writers. As a result, significant concerns about separation of duties arise when an A/OPC both performs and oversees execution of cardholder and check writer duties. In addition, the former chief of the operational contracting office at March ARB was the delegating official for program participants of purchase cards and also delegated convenience check writer authority. As a result, the chief delegated Government purchase card authority to herself. The practice was a conflict of interest.

Recommendations, Management Comments, and Audit Response

C.1. We recommend that the Director of the Department of the Navy, Consolidated Card Program Management Division, establish controls requiring that cardholders and approving officials receive purchase card training.

Management Comments. The Chief of Staff/Policy for Deputy Assistant Secretary of the Navy (Acquisition Management) concurred and stated that Naval Supply Instruction 4200.99, dated October 13, 2006, states the head of an activity will ensure that all program participants have received the required training in accordance with DoD and Department of Navy policy and procedures; documentation of training must be maintained by the A/OPC for the duration the participant serves in this capacity and for 3 years beyond; and the Level V A/OPC must establish an individual file for each approving official and cardholder. Also, as part of the Department of Navy purchase card semiannual review, A/OPCs are required to review compliance with training requirements and report findings to the Head of the Activity.

Audit Response. The comments are responsive, and no additional comments are required.

C.2. We recommend that the Director, Air Force Purchase Card Program Management Office, establish controls requiring that:

a. Cardholders and approving officials receive purchase card training.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred and stated AFI 64-117 provides guidelines on mandatory initial training and refresher training requirements for cardholders, approving officials, and A/OPCs. In response to DoD Purchase Card Program Management Office policy, dated August 22, 2006, which extended the mandatory refresher training requirement to A/OPCs and certifying officials, the Air Force is in the process of establishing policy to meet the requirement with an estimated completion date of March 30, 2007.

Audit Response. The comments are responsive, and no additional comments are required.

b. Agency/organization program coordinator and approving official span of control is reduced to a manageable level.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred. He stated the Air Force GPC program coordinator is currently conducting a review of all GPC span of control waivers granted to each Major Command. Reviewers will ensure the ratio of cardholders to approving officials and A/OPCs to cardholders and approving officials are reduced to manageable levels. All waivers for the 7 to 1 span of control ratio are now issued as individual waivers, applicable only to the individual name on the waiver. Waivers will also be reviewed annually on the anniversary date of the waiver.

Audit Response. The comments are responsive, and no additional comments are required.

c. Purchase card program officials responsible for managing or overseeing the purchase card program are not delegated authority as a cardholder or check writer.

Management Comments. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) concurred. He stated Air Force GPC program management will work with DoD Purchase Card Program Management Office to establish guidance and policy that prohibits program officials who are responsible for managing or overseeing the purchase card program from being delegated authority as cardholders or check writers. The Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) plans to complete this action by January 2007.

Audit Response. The comments are responsive, and no additional comments are required.

Appendix A. Scope and Methodology

We reviewed purchase card program controls at three Army installations: Fort Carson, Fort McPherson, and Fort Stewart; three Navy installations: Commander Navy Region Northwest, Naval District Washington, and Navy Medical Center San Diego; and two Air Force installations: March ARB and Moody AFB. We analyzed data provided by the DoD Inspector General Data Mining Division on closed accounts of purchase cards with credit balances, as of May 2 and June 15, 2005, and judgmentally selected the installations to be visited based on:

- high number of closed accounts of purchase cards with a credit balance,
- high credit balances,
- questionable card status (that is, temporarily closed), and
- closed accounts containing a credit balance since FY 2004.

At each Army installation visited, we reviewed controls over closed accounts of purchase cards with credit balances and convenience check accounts. We reviewed controls over these types of accounts and other program controls at the Navy and Air Force installations visited. (We did not review overall Army purchase card program controls. We discussed Army purchase card program controls in DoD OIG Report Number D-2006-099, "Purchase Card Program Controls at Selected Army Locations," July 21, 2006.)

For the closed purchase card accounts, we requested billing statements during the 12-month period preceding the date of closure and reviewed any available billing statements provided. In addition, we reviewed supporting documents for questionable transactions we identified as a result of our review. For the convenience check accounts, we reviewed billing statements, check logs, carbon copies, and supporting documentation for checks issued from October 1, 2003, through April 30, 2005, at seven of the eight installations. We also reviewed the purchase card programs at Bolling AFB and Edwards AFB based on our review of the convenience check accounts at March ARB. For controls over the purchase card programs, we reviewed listings of cardholders and approving officials, training files, and account reviews. We interviewed key purchase card program personnel from U.S. Bank, Citibank, the Purchase Card Program Management Offices, and each Army, Navy, and Air Force installation visited.

We performed this audit from June 2005 through January 2007 in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We relied on computer-processed data from U.S. Bank and Citibank, which was provided by the Defense Manpower Data Center. We did not perform a formal reliability assessment of the computer-processed data. However, we were able to establish data reliability for the information by comparing convenience check and purchase card transaction data with source documentation. We did not find material errors that would

preclude the use of computer-processed data to meet the audit objective or that would change the conclusion of this report.

Government Accountability Office High-Risk Area. The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the DoD Contract Management high-risk area.

Appendix B. Prior Coverage

During the last 5 years, GAO, DoD IG, Army Audit Agency (AAA), Naval Audit Service, and Air Force Audit Agency (AFAA) issued 194 reports on Government purchase cards, in general. Of those reports, 18 specifically discuss the purchase card program or convenience checks Service-wide or at the locations we visited. None of the reports discuss credit balances on closed accounts. Additionally, none of the audit reports on purchase cards issued by the Naval Audit Service discuss convenience checks, credit balances on closed accounts throughout the Navy, or the purchase card program at the three Navy locations visited. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

GAO Report No. GAO-04-156, "Purchase Cards: Steps Taken to Improve DoD Program Management, but Actions Needed to Address Misuse," December 2, 2003

GAO Report No. GAO-03-292, "Purchase Cards: Control Weaknesses Leave the Air Force Vulnerable to Fraud, Waste, and Abuse," December 20, 2002

GAO Report No. GAO-02-732, "Purchase Cards: Control Weaknesses Leave Army Vulnerable to Fraud, Waste, and Abuse," June 27, 2002

DoD IG

DoD IG Report No. D-2006-099, "Purchase Card Program Controls at Selected Army Locations," July 21, 2006

DoD IG Report No. D-2005-055, "DoD Purchase Card Convenience Checks," May 3, 2005

DoD IG Report No. D-2002-075, "Controls Over the DoD Purchase Card Program," March 29, 2002

Army

AAA Report No. A-2005-0308-ALA, "Army Government Purchase Card Program, Fort Stewart, Georgia," September 21, 2005

AAA Report No. A-2005-0199-ALA, "The Army's Purchase Card Program
Aviation Division, Fort Stewart/Hunter Army Airfield, Georgia," June 13, 2005

AAA Report No. A-2005-0120-ALA, "Data-Mining Techniques for Purchase
Card Oversight," February 24, 2005 (For Official Use Only)

Air Force

AFAA Report No. F2004-0007-FC3000, "Air Force Government Purchase Card
Internal Controls," September 9, 2004

AFAA Report No. F2004-0031-FCI000, "Government Purchase Card, 452nd Air
Mobility Wing, March Air Joint Reserve Base CA," March 9, 2004

AFAA Report No. F2004-0030-FCI000, "Government-Wide Purchase Card,
362nd Recruiting Squadron, March Joint Air Reserve Base CA," March 9, 2004

AFAA Report No. F2004-0029-FCI000, "Government-Wide Purchase Card,
4th Air Force, March Air Reserve Base CA," March 5, 2004

AFAA Report No. F2003-0002-FC3000, "Memorandum Report, Joint Purchase
Card Project - Air Force," December 2, 2002

AFAA Report No. F2002-0006-C06400, "Air Force Purchase Card Program,"
August 6, 2002

AFAA Report No. F2002-0007-DD0000, "Air Force Purchase Card Program, Air
Force Flight Test Center, Edwards AFB CA," June 18, 2002

AFAA Report No. F2002-0005-DD0000, "Air Force Purchase Card Program, Air
Force Flight Test Center, Edwards AFB CA," January 31, 2002

AFAA Report No. F2002-0032-EL0000, "Air Force Purchase Card Program,
347th Rescue Wing, Moody AFB GA," January 2, 2002

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Director, Defense Procurement and Acquisition Policy
Director, Purchase Card Joint Program Management Office
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Auditor General, Department of the Army
Director, Army Purchase Card Program Management Office

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Director of the Department of the Navy, Consolidated Card Program Management
Division

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of the Air Force for Acquisition
Director, Director, Air Force Purchase Card Program Management Office
Auditor General, Department of the Air Force

Combatant Command

Inspector General, U.S. Joint Forces Command

Non-Defense Federal Organizations and Individuals

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information, Intergovernmental Relations, and the Census, Committee on Government Reform

Under Secretary of Defense for Acquisition, Logistics, and Technology Comments



ACQUISITION
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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OCT 16 2006

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING,
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS ^{YLB} 10/23/06

SUBJECT: Draft DoDIG Report D2005-D000CK-0202.000 "Report on Controls Over
the Army, Navy and Air Force Purchase Card Programs"
September 19, 2006

We have reviewed the subject draft report and have no comments. Separate responses will be provided by the Services addressing recommendations specific to their charge card programs. Although we are in discussions with the Services regarding these responses and appropriate next steps to address the issues identified, until their comments are formalized we cannot assess the adequacy of their proposed actions.

My point of contact for this matter is Ms. Susan Quinlan, SFCA-PC,
703-325-9501.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy



Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

OCT 31 2006

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR
GENERAL, PROGRAM DIRECTOR, CONTRACT
MANAGEMENT DIRECTORATE

Subj: NAVY COMMENTS TO DODIG DRAFT REPORT OF 19 SEPTEMBER
2006 ON CONTROLS OVER THE ARMY, NAVY, AND AIR FORCE
PURCHASE CARD PROGRAM (D2005-D000CK-0202.000)

Ref: (a) DoDIG Draft Report dated September 19, 2006

Encl: (1) DoN Comments on Subject DODIG Draft Report

The enclosed comments are provided in response to reference (a).

A handwritten signature in black ink, appearing to read "M. E. Laggard".

M. E. LAGGARD
Chief of Staff/Policy for
Deputy Assistant Secretary of the Navy
(Acquisition Management)

Copy to:
NAVIG

NAVY COMMENTS TO DODIG DRAFT REPORT OF 19 SEPTEMBER 2006
ON CONTROLS OVER THE ARMY, NAVY, AND AIR FORCE
PURCHASE CARD PROGRAMS
(D2005-D000CK-0202.000)

Finding A: Accounts of Closed Purchase Cards With Credit Balances

Purchase card program officials failed to establish effective controls over the accounts of closed purchase cards with credit balances at three Army installations, three Navy installations, and two Air Force installations. Of the installations reviewed,

- two Army, three Navy, and two Air Force agency/organization program coordinators (A/OPCs) did not monitor closed accounts that had credit balances; and
- Army, Navy, and Air Force purchase card program officials did not always retain cardholder documentation for closed accounts.

Monitoring and retention did not occur because Army, Navy, and Air Force guidance for managing the purchase card program does not require that officials monitor the accounts of closed purchase cards with credit balances. In addition, Army and Air Force officials failed to implement existing policies and procedures for retaining cardholder documentation; and Navy guidance for managing the purchase card program does not require that officials retain cardholder documentation on closed accounts.

As a result, credit balances on closed accounts of purchase cards may not be properly identified, refunded, and available for Government use. Furthermore, unless purchase card controls are strengthened and management engages in more proactive oversight, the Army, Navy, and Air Force cannot continuously improve the program or mitigate risk of fraud, waste, or mismanagement.

Navy Comment:

Concur. Current account monitoring and documentation retention policy is applicable to all accounts regardless of status (i.e. active, in-active, closed).

To help ensure activity compliance with this current policy, the DON CCPMD has established policy and procedures in recently signed, NAVSUPINST 4200.99, for refunding credit balances on closed and inactive accounts on a semi-annual basis. NAVSUPINST 4200.99 was signed on 13 October 2006. NAVSUPINST 4200.99 states:

*Credit balances occur due to duplicate certifications and overpayments due to manual certification, erroneous postings by the bank or credits that post after the account has been closed. Due to inattention these balances range from \$200K to \$1.2M every month and represent government funds that could be used to fill other DON requirements. CHs are responsible for reconciliation of their monthly statement using procedures found within the CH desk guide. APCs need to ensure that when credit balances are outstanding, the credits are applied to the same Line of Accounting (LOA) within the same Fiscal Year before requesting a refund check from the bank. APCs will need to contact the Client Account Specialists (CAS) at Citibank to transfer credit balances between accounts or to request a refund check, payable to "US Treasury", sent back to the activity. To eliminate or lessen the risk associated with credit balances and recoup valuable government funds more quickly the following procedure now applies:
Twice a year, on February 28th and August 31st, all credit balances over 60 days outstanding will be cleared and a check will be forwarded to the activity.*

Recommendations:

A.2. We recommended that the Director of the Department of the Navy, Consolidated Card Program Management Division:

a. Establish policies and procedures requiring that specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government.

Concur. The DON CCPMD has established policy and procedures in NAVSUPINST 4200.99, signed 13 October 2006, for refunding credit balances on closed and inactive

accounts on a semi-annual basis. Every month, the DON CCPMD sends the level 3 APCs a listing of their current credit balances. The DON CCPMD issued Purchase Card Administrative Notice (PCAN) on 21 July 2006, requiring activities to address existing credit balances that were 60 days and older. In August 2006, credit balances totaling more than \$900,000 from over 500 accounts was identified for refund. So far, approximately \$753,000 has been returned to DON activities as a result of this new policy. Action is complete for reporting purposes.

b. Establish policies and procedures requiring that specific program officials identify and monitor retention of cardholder documentation when cardholders or approving officials transfer, retire, or deploy.

Concur. NAVSUPINST 4200.99 states the following:

All files should be turned in to the APC when a cardholder leaves the command for retention by the APC. This will allow auditors the ability to locate documents after the cardholder has departed.

Action is complete for reporting purposes.

c. Direct that the A/OPC at Naval District Washington request a refund from CitiBank for any outstanding credit balances on closed accounts.

Concur. Purchase Card Administrative Notice issued 21 July 2006, required all HL3 APCs to resolve accounts with credit balances. As of 21 September 2006, Naval District Washington has no closed accounts with a credit balance. Action is complete for reporting purposes.

Finding B: Convenience Checks

Controls over the use of convenience checks were weak and program officials did not establish an effective oversight program at Army, Navy, and Air Force installations visited. Specifically,

- Army, Navy, and Air Force A/OPCs did not issue delegation of authority letters to convenience check writers;

-
- Army, Navy, and Air Force officials did not review the program, nor did they conduct unannounced audits of convenience check accounts; and
 - Army and Air Force approving officials did not retain documentation when checks were used.

These conditions occurred because program officials for purchase cards did not implement policies and procedures for convenience checks, including maintenance and use of check accounts, and retention of documentation. As a result, convenience checks were vulnerable to fraud, waste, and abuse. Unless controls for purchase cards are strengthened and management engages in proactive oversight, the Army, Navy, and Air Force cannot continuously improve the program or mitigate the fraud, waste, or mismanagement.

Navy Comment:

Concur. NAVSUPINST 4200.99 policy requires that an officer or DoD civilian (independent of the office maintaining the convenience check account) must audit convenience check accounts annually on an unannounced basis. DON CCPMD will reiterate current policy through administrative announcements and LVL 3 APC Conference Calls by 31 January 2007, to increase the awareness of this requirement concerning convenience checks. Due to lack of compliance, the DON CCPMD will request this be a special interest item for future Procurement Performance Measurement and Assessment Program (PPMAP) reviews.

Recommendations:

B.2. We recommended that the Director of the Department of the Navy, Consolidated Card Program Management Division, establish controls that require:

- a. Delegation of authority letters before convenience check writers can write checks.

Concur. No policy change needed. NAVSUPINST 4200.99 policy states:

Delegations of authority to maintain and use convenience checks shall be issued in writing specifically to the activity approving official, check custodian and convenience check writer by the

activity commander/director who is authorized to establish the account.

Action is complete for reporting purposes.

b. Periodic reviews of convenience check transactions.

Concur. No policy change needed. NAVSUPINST 4200.99 policy states:

An officer or equivalent DoD civilian who is independent of the office maintaining the account must audit Convenience Check accounts yearly on an unannounced basis. This can be the Level III or IV APC, or a Level V APC outside of the hierarchy.

Action is complete for reporting purposes.

Finding C: Purchase Card Program Controls

Controls over the purchase card programs at Air Force installations visited were inadequate, and program oversight was weak. In addition, controls over purchase card program training at two of the three Navy installations visited were weak. Specifically,

- 40 Of the 159 Navy, and Air Force cardholders and 39 of the 135 Navy and Air Force approving officials reviewed did not receive the initial purchase card training or the refresher purchase card training;
- A/OPCs at March ARB and Bolling AFB had more than the standard span of control for purchase card accounts;
- Of the approving officials reviewed, 35 Air Force approving officials had more than the standard cardholder to approving official ratio;
- The primary and alternate A/OPCs at March ARB were both purchase cardholders and convenience check writers.

Control weaknesses occurred because Navy and Air Force purchase card managers did not effectively implement purchase card program guidance for cardholder training, and Air Force purchase card managers did not effectively manage approving official span of control. Unless purchase card program management officials strengthen internal controls and program oversight, the Navy and Air Force cannot

continuously improve the purchase card program and mitigate the risk of fraud, waste, or mismanagement.

Navy Comment:

Concur. The DON CCPMD will reiterate to all level 3 APCs the usefulness of our training database to ensure compliance with training requirements by 31 January 2007. Due to lack of compliance, the DON CCPMD will request this be a special interest item for future PPMAP audits.

Recommendation:

C.1. We recommended that the Director of the Department of the Navy, Consolidated Card Program Management Division, establish controls requiring that cardholders and approving officials receive purchase card training.

Concur. No policy change needed. NAVSUPINST 4200.99 policy states:

The Head of Activity ensures that all program participants have received the required training in accordance with DoD and DON policy and procedures.

Documentation of training must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

The Level V APC shall establish an individual file for each AO and cardholder. The file shall be retained for the duration the employee serves in this capacity and for three years beyond.

(a) Approving Official: Initial and all refresher training documentation;

(b) Cardholder: Initial and all refresher training documentation;

As part of the DON purchase card semi-annual review, APCs are required to review compliance with training requirements and report findings to the Head of the Activity.

Action is complete for reporting purposes.

Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC
OFFICE OF THE ASSISTANT SECRETARY

OCT 27 2006

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: DoDIG Draft Report on Controls Over the Army, Navy, and Air Force Purchase Card Program, (Project No. D2005CK-0202)

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) to provide Air Force comments on subject report.

We appreciate the time and effort involved in reviewing closed purchase card accounts with credit balances and convenience checks. While your audit of our Air Force program was confined to March Air Reserve Base and Moody Air Force Base, your recommendations are certainly applicable to the entire Air Force purchase card program, and I intend to apply our corrective actions accordingly.

I concur with your recommendations A.3, B.3 and C.2 targeted at our Air Force program. Our specific corrective actions are described in the attached document, along with our anticipated completion dates.

SAF/AQC stands ready to assist in any way to ensure all concerns are addressed prior to the final report publication. My point of contact is Tatia Evelyn-Bellamy, and she may be reached at either Tatia.Evelyn-Bellamy@pentagon.af.mil or 703-588-7006.


CHARLIE E. WILLIAMS, JR.
Deputy Assistant Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
Field Response

Field Response

**DoD IG Draft Report on Controls Over the Army, Navy, and
Air Force Purchase Card Program, (Project No. D2005CK-0202)**

RECOMMENDATION A.3: We recommend that the Director, Air Force Purchase Card Program Management Office:

- a. Establish policies and procedures requiring that specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the Government.
- b. Establish policies and procedures requiring that specific program officials identify and monitor retention of cardholder documentation when cardholders or approving officials transfer, retire, or deploy.

AF Response: Concur.

Corrective Action A.3.a: AF GPC Program Management will establish policies and procedures requiring specific program officials identify and monitor credits applied to closed accounts until the credits are properly refunded to the government and identify and monitor retention of cardholder documentation when cardholders or approving officials transfer, retire, or deploy. Estimated completion date: 31 December 2006.

Corrective Action A.3.b: AF Government-Wide Purchase Card (GPC) Program Instruction (AFI 64-117) provides guidance for documentation retention upon reassignment, separation, or retirement of cardholders. However, it does not provide guidance specific to closed accounts. The AF will establish additional policy for document retention to include closed accounts. Estimated completion date: 31 December 2006.

RECOMMENDATION B.3: We recommend that the Director, Air Force Purchase Card Program Management Office, establish controls that require:

- a. Delegation of authority letters before convenience check writers can write checks.
- b. Periodic reviews of convenience check transactions.
- c. Proper retention of documentation in accordance with Air Force Instruction 64-117.

AF Response: Concur.

Corrective Action B.3.a, b and c: AFI 64-117 provides guidance for establishing convenience check accounts, which requires a "letter of appointment to maintain the use of convenience checks," surveillance of check writer accounts, and proper retention of

¹In an e-mail dated January 3, 2007, the Air Force Purchase Card Joint Program Management Office changed the estimated completion date to March 30, 2007

Field Response

documentation. However, the AF GPC Program Management will establish controls to improve compliance and obtain coordination from the DoD PCPMO. Estimated completion date: January 2007.

2

RECOMMENDATION C.2: We recommend that the Director, Air Force Purchase Card Program Management Office, establish controls requiring that:

- a. Cardholders and approving officials receive purchase card training.
- b. Agency/organization program coordinator and approving official span of control is reduced to a manageable level.
- c. Purchase card program officials responsible for managing or overseeing the purchase card program are not delegated authority as a cardholder or check writer.

AF Response: Concur.

Corrective Action C.2.a: AFI 64-117 provides guidelines on mandatory initial training and refresher training requirements for cardholders, approving officials, and agency/organization program coordinators (A/OPCs). In response to DoD PCPMO policy, dated 22 Aug 06, which extended the mandatory refresher training requirement to A/OPCs and certifying officials, the AF is in the process of establishing policy to meet the requirement with an estimated completion date of 31 December 2006.

2

Corrective Action C.2.b: The AF GPC Program coordinator is currently conducting a review of all GPC span of control waivers granted to each Major Command to ensure the ratio of cardholders to Approving Officials and A/OPCs to cardholder/approving officials are reduced to manageable levels. All 7:1 span of control ratio waivers are now issued as individual waivers, applicable only to the individual name on the waiver. Waivers will also be reviewed annually upon the anniversary date of the waiver. This process is ongoing.

Corrective Action C.2.c: AF GPC Program Management will work with DoD PCJPMO to establish guidance and policy that prohibits program officials who are responsible for managing or overseeing the purchase card program from being delegated authority as cardholders and/or check writers. Estimated completion date is January 2007.

2

²In an e-mail dated January 3, 2007, the Air Force Purchase Card Joint Program Management Office changed the estimated completion date to March 30, 2007

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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Inspector General Department of Defense

