

Zakheim, Aldridge Publish Policy on Internal Controls for the Purchase Card Program



ACQUISITION,
TECHNOLOGY AND
LOGISTICS

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Internal Controls for the Purchase Card Program

A growing number of reports from the audit community point to incidences of poor internal management controls in place at Department of Defense (DoD) activities that use the government-wide purchase card program. While the auditors note that policies and procedures at Departmental and DoD Component level are adequate, they continue to identify major findings at field locations. These findings include: 1) inadequate initial or refresher training for cardholders and approving officials; 2) excessive spans of control that place too many cardholders under a single approving official; 3) a failure of approving officials to review cardholder invoices fully prior to certifying invoices for payment; 4) payment delinquencies; and 5) insufficient accountability over goods and services purchased, especially valuable or easily pilferable goods such as personal data assistants.

The purchase card program was established as a cornerstone of DoD acquisition reform because it offers a streamlined, cost-saving method to buy needed goods valued at or below the micropurchase threshold. The cards also may be used as a method of vendor payment by contracting officers and others with delegated procurement authority. As with any tool, however, purchase cards must be employed judiciously and with appropriate management controls to preclude fraud, waste, and abuse.

FEDERAL RECYCLING PROGRAM

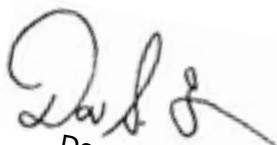


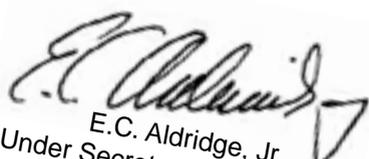
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Effective management controls are required by the "Federal Managers' Financial Integrity Act of 1982" (which is codified in Title 31, United States Code, Section 3512) and implemented by DoD Directive 5010.38 and DoD Instruction 5010.40. Within this context, and relative to the purchase card program, the Fiscal Year 2001 Statement of Assurance of one military department noted that: "These weak internal controls have resulted in lost, stolen, missing, or misused government property, potentially abusive use of purchase cards, and payment of unauthorized and potentially fraudulent charges."

Use of the purchase card shall be in accordance with the Federal Acquisition Regulation, Part 13; the Defense Federal Acquisition Regulation Supplement, Part 213; the General Services Administration (GSA) SmartPay contract; and DoD and Component instructions and policy guidance. In particular, the purchase card shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official government business is a very serious matter that directly affects public confidence in the Department. Commanders and managers at all levels are responsible for maintaining adequate internal review programs. Commanders and managers at all levels are also responsible for investigating alleged cases of purchase card fraud or abuse, and for taking appropriate corrective and disciplinary action whenever cardholders or approving officials are determined to have violated the rules and regulations governing the use of purchase cards.

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