

**Department of Defense
Charge Card Task Force
Status Report**



December 2002

The implementation of charge card programs in the Department of Defense (DoD) is a cost-saving business initiative that reforms processes and improves mission effectiveness. For example, use of purchase cards resulted in an estimated savings of over \$900 million over the past 8 years. And implementation of the travel charge card significantly reduced the number of cash travel advances required. Charge cards carry with them an inherent risk of abuse or misuse, however, and recent audit reports provide evidence of failures of the internal control systems designed to mitigate this risk. These failures foster the misperception that the Department cannot effectively manage the public resources entrusted to it.

Following reports of charge card misuse within the DoD, the Secretary of Defense directed a review of the charge card programs. On March 19, 2002, the Under Secretary of Defense (Comptroller) (USD(C)) established a DoD Charge Card Task Force (herein referred to as the Task Force) to evaluate the Department's purchase and travel charge card programs and to develop recommendations for improvements. Members of the Task Force included representatives from major Defense organizations that manage, set policy for, or review charge card programs. Where necessary, the Department also consulted with other governmental organizations, to include the Office of Management and Budget, Office of Personnel Management, General Services Administration, and Department of Justice.

The overall goal of the Task Force was to develop recommendations that improve and strengthen the Department's charge card programs without adversely affecting the effectiveness of the programs. The Task Force concluded that the Department's purchase and travel charge card programs represent sound cost-saving business practices and that the vast majority of our military and civilian personnel use government charge cards appropriately and exercise proper fiscal stewardship of taxpayer resources. Problems, however, were identified. For example:

Purchase card audits and investigations reveal incidents of misuse, abuse, and fraud. Causes include inadequate command emphasis and poorly enforced internal controls. Travel charge card delinquent payment rates are unacceptably high. While the Department has reduced delinquencies, its rate of delinquent payments is significantly above the average rate of federal civilian agencies. Inadequate command emphasis and lack of compliance with existing policies are factors contributing to delinquencies.

The Task Force developed 25 recommendations that will significantly improve the Department's charge card programs.

New initiatives have been developed subsequent to the release of the charge card task force final report. In addition, the GAO recommended in three of its reports, that the (USD(C)) assess the recommendations contained in the reports and, where applicable, incorporate them into or supplement the DoD Charge Card Task Force recommendations.

Management Initiative Decision (MID), "Department of Defense Charge Card Management consolidates these new recommendations with the recommendations of the Charge Card Task Force.

MID 904 also:

- Establishes and documents responsibility for implementation and program management of outstanding charge card task force recommendations.
- Establishes and documents responsibility for implementation and program management of follow-on recommendations to the Charge Card Task Force final report, dated June 27, 2002. Note: These recommendations will be incorporated into the recommendations of the Charge Card Task Force addressed in the MID.
- Establishes and documents responsibility for implementation of recommendations contained in General Accounting Office (GAO) reports on Charge Card management. Note: These recommendations will also be incorporated into the recommendations of the Charge Card Task Force addressed in the MID.
- Transitions responsibility for implementation and management of the Task Force recommendations from the OUSD(C) Performance and Management Excellence Directorate to the appropriate organizations.

Recommendations from the Task Force final report not yet completed include:

Recommendation CO-1: Guidance should be issued on the requirement for all military members and civilian employees to maintain appropriate stewardship of public resources and for all managers in the Department both to manage charge card programs

properly, and to strictly enforce compliance with internal control procedures.

Action Required: On June 21, 2002, the Deputy Secretary of Defense signed a memo (attached) drafted by the Task Force to the Service Secretaries and Agency Heads reiterating the need for proper management of purchase and travel card programs and stressing the importance that senior military leaders and civilian managers be directly involved. In addition, the Component Heads are required to provide a report on actions taken to resolve current cases of charge card misuse, abuse, and delinquencies and to preclude future instances.

Status of action required: Completed

Recommendation CO-2: Implement an overarching regulation covering charge card responsibilities within the Department.

Action Required: The USD(C), in consultation with the Office of the DoD General Counsel, will prepare a directive assigning responsibilities for management of all charge card programs (to include travel charge cards, purchase cards, fleet cards, aviation into plane (AIR) cards, and telephone calling cards).

Status of action required: Draft directive is in coordination.

Responsibility: The MID requires the Accounting and Finance Policy and Analysis Directorate, OUSD(C) and the OUSD(AT&L), in consultation with the Office of the DoD General Counsel, to jointly promulgate a DoD directive. This directive should assign responsibilities for management of all charge card programs (to include travel charge cards, purchase cards, fleet cards, aviation into plane (AIR) cards, and telephone calling cards). The alternative requires that this directive be completed within 90 days of the signing of MID 904.

Recommendation CO-3: Develop methods to ensure more positive control of charge cards when an individual leaves an organization.

Actions Required:

- The USD(C) will direct the Components to ensure that Agency Program Coordinators (APCs) cancel purchase charge card accounts and transfer/cancel travel card accounts when cardholders leave the organization.

Status of Action Required: Memorandum directing cancellation of purchase cards when cardholders leave the organization was signed by the Under Secretary of Defense (Acquisition, Technology and Logistics) ((USD)(AT&L)) and the USD(C). The memorandum also directs the cancellation of purchase card accounts that have not been used in the previous 12 months and that an annual review be performed by purchase card agency program coordinators to determine whether their cardholders have a continuing need for their purchase cards. The memorandum is dated November 27, 2002.

A memorandum directing the Components to take the appropriate actions with respect to travel charge cardholders upon arrival in and departure from their DoD Component and each individual duty station was signed by the USD(C) on September 21, 2001.

- The PCPMO and TCPMO, in conjunction with the Personnel community, will develop, where possible, methods to notify APCs when a cardholder separates from an organization.

Status of Action Required: The Defense Manpower Data Center (DMDC) is providing the Travel Card Program Management Office (TCPMO) with a list containing names of personnel that DMDC records indicate have separated from the Department, retired or are deceased and for whom the travel charge card bank has indicated a travel charge card account remains open. The lists have been provided to the appropriate DoD Component for action. However, since DMDC receives data from the personnel and pay systems monthly and from the travel charge contractor only quarterly, the TCPMO is pursuing a more timely source of this information.

The TCPMO has initiated discussions with the Defense Travel System Program Management Office (PMO, DTS) and the travel charge card contractor bank to explore ways that the DTS system can notify the contractor bank of changes in a person's travel status and facilitate automatic activation and deactivation of travel charge cards based on the initiation or termination of travel status.

The TCPMO has also drafted a memorandum to the Defense Integrated Human Resource System (DIHMRS) Program Management Office in the Office of the Under Secretary of Defense (Personnel and Readiness) to request the initiation of dialogue between that office and the travel and purchase card program management offices. DIHMRS appears to offer the control capabilities above and the added ability to track the transfers of individuals within the Department.

Responsibility: MID 904 requires that, within 90 days of the signing of the MID, the TCPMO implement an interim process to notify APCs when a cardholder separates from an organization. The interim process will use listings provided by the Defense Manpower Data Center (DMDC) that name personnel who have separated from the Department, retired, or are deceased but still maintain an open account. The alternative requires Component Travel Charge Card Program Managers (CPMs) to review these listings and cancel accounts of separated, retired and deceased personnel. The CPMs are to report the number of accounts cancelled to the TCPMO and PCPMO within one month of the end of each quarter.

Within one year of the signing of the MID, the TCPMO and PCPMO are required to develop options for short and long term actions to ensure travel and purchase charge card accounts are: cancelled when an individual retires or separates; cancelled or deactivated when an individual transfers within the Department. The PMO, DTS will assist in development of the capability of DTS to notify the travel charge card contractor of changes in an individual's travel status and have travel charge cards automatically activated or deactivated based on their travel status. The OUSD(P&R) will assist in an assessment of the capability to develop a link between the travel charge card contractor and the information on change of address, change of organizational unit, separation date and retirement date to be included in the Defense Integrated Human Resource System (DIHMRS).

Recommendation CO-4: Complete development of automated data mining tools to provide improved surveillance of purchase card programs. Apply the lessons learned from this initiative to develop a parallel program for unit cards i.e. centrally billed travel cards. Explore the applicability of this methodology to individually billed travel cards.

Actions Required:

- The Defense Finance and Accounting Service (DFAS) Internal Review, in coordination with the Office of the Inspector General, DoD (OIG) completed development of a set of indicators designed to identify potential abuse or misuse of Government purchase cards. DFAS coded thirty-eight of the indicators and developed a process to target payments for review by combining related indicators. The initial results identified 6.5 million transactions with at least one indicator, from a population of 12 million transactions

totaling \$6.5 billion. Through careful analysis, in collaboration with our review partners, we have refined our selections to 13,393 transactions totaling \$38,253,105. This subset pertains to purchases made during the period of July through December 2001. The 13,393 transactions relate to 2,066 cardholders (1,604 approving officials) in 752 cities.

Status of action required: Completed

- DFAS Internal Review, in coordination with the OIG, met with and delivered cardholder profiles to the Service audit organizations and DoD agencies for the purpose of validation through field research.

Status of action required: Completed

- Auditors from the OIG, Service audit organizations, and DoD agencies will complete field research and communicate their findings to DFAS Internal Review for the purpose of validating the 38 detection indicators. The PCPMO will develop, where possible, enhanced purchase authorization controls and fraud detection techniques, and coordinate review of the methodology and use of these techniques with the DoD General Counsel and DoD Privacy Officer.
- The PCPMO will use data obtained through data mining to develop additional purchase card management metrics.
- The OIG and DFAS, in conjunction with the OUSD(C) and the services, will complete a strategy and concept of operations for application of data mining tools to centrally-billed travel charge cards.

Status of actions required: Reviews of the initial purchase card transactions from the Components have been completed and the results are being processed. The next phase of transaction reviews will expand to OCONUS transactions and Non Appropriated Fund transactions.

For the travel charge card transactions, the OIG and DFAS have obtained transaction data from the travel charge contractor bank. The data will be used to determine fraud detection and card misuse techniques as well as proposals for standard reports that will be furnished to APCs and higher program officials. A determination on what frequency the data will be required in the future will also be made. The initial transaction data will be furnished free of charge from the

bank. The bank anticipates that providing data on a recurring basis will involve considerable resources and time. An estimate of proposed costs for the recurring effort will be developed by the bank once the OIG and DFAS determine the requirements for the transaction data and how often it is to be provided.

Responsibility: MID 904 requires the OIG, in collaboration with OUSD(C) and the PCPMO, to develop options concerning the scope, offices of responsibility, personnel requirements and funding for data mining and deliver them to the Deputy Chief Financial Officer (DCFO) within 90 days of the signing of the MID. The plan also will define the resource requirements for FY 2003 and beyond to include resources required to purchase hardware and software and the personnel requirements for the data mining initiative.

The PCPMO will develop proposed management metrics and submit them to the Performance and Management Excellence Directorate, OUSD(C) within 90 days of the signing of the MID.

Recommendation PC-1: The PCPMO, in coordination with the Office of the Director of Defense Procurement and Acquisition Policy (ODDP/AP), should develop an end-to-end Concept of Operations for the purchase card program. The Concept of Operations should include a review of all relevant regulations, policies and procedures to identify areas where the program should be strengthened. The Final Concept of Operations should be widely disseminated throughout the Department as a guide for the implementation and maintenance of purchase card programs.

Actions Required:

- The ODDP/AP formed a multi-functional team that drafted a Concept of Operations - a single document describing all the elements of a properly organized purchase card program.

Status of Action Required: Completed. The Concept of Operations, dated July 31, 2002, is available on the Purchase Card PMO website at <http://purchasecard.saalt.army.mil>.

- The DDP will issue the final Concept of Operations as a deskbook to guide all purchase card officials in the Department.

Status of Action Required: Completed. The Concept of Operations, dated July 31, 2002, is available on the Purchase Card PMO website at <http://purchasecard.saalt.army.mil>.

Recommendation PC-2: Accelerate electronic certification and bill paying systems for purchase cards. Require the Components to use either the card-issuing bank's on-line systems or an alternative that offers equivalent capabilities.

Actions Required:

- The PCPMO will prepare a memorandum for joint signature by the USD(AT&L) and USD(C) directing all Components to accelerate implementation of electronic billing and certification systems for purchase cards.

Status of Action Required: Memorandum was signed by the USD(AT&L) and the USD(C). It is dated November 27, 2002.

- The PCPMO in coordination with the DoD Components and the purchase card issuing banks, will develop implementation plans for remaining activities to field an on-line statement certification process. This plan will include any additional resources required to implement an accelerated fielding schedule.

Status of Required Action: With the exception of the Corps of Engineers all of the Military Department general funded activities have on-line statement certification capability. Capability is required in the DoD agencies and the working capital funded activities.

Responsibility: Within 90 days of the signing of MID 904, the PCPMO, in coordination with the DoD Components, will develop an implementation plan to field an on-line statement certification process for the remaining activities. This plan will detail additional resources requirements to implement an accelerated fielding schedule.

Recommendation PC-3: Establish a best practice for the appropriate span of control between the purchase card agency program coordinator and cardholders.

Actions Required:

- Developed a recommended span of control for purchase card Agency Program Coordinators as part of the Concept of Operations working group.

Status of Required Action: Completed. Included in the Purchase Card Concept of Operations. The Concept of Operations, dated July 31, 2002, is available on the Purchase Card PMO website at <http://purchasecard.saalt.army.mil>.

- The Director, Defense Procurement will establish a "best practice" span of control of no more than 300 purchase cardholder accounts to each purchase card APC.

Status of Required Action: Completed. Included in the Purchase Card Concept of Operations. The Concept of Operations, dated July 31, 2002, is available on the Purchase Card PMO website at <http://purchasecard.saalt.army.mil>.

Recommendation PC-4: Develop enhanced training materials for purchase cardholders, approving officials, and APCs.

Actions Required:

- Program Manager, Purchase Cards will complete development of a comprehensive training CD-ROM to be distributed to all purchase card officials. Narratives for the training CD will be developed by the following organizations:

- 1) Introduction (All)
- 2) Regulations (All)
- 3) Requirements (All)
- 4) Pecuniary Liability (OGC, OUSD(C))
- 5) Proactive Efforts for Detection (IG DoD, DFAS)
- 6) Actual Case Studies (IG DoD)
- 7) Summary (All)

Status of Required Action: Comments on the first draft of the CD were provided to the Federal Law Enforcement Training Center on November 5, 2002. The estimated completion date for this final version of the CD is November 30, 2002.

Responsibility: The PCPMO and TCPMO will complete development of the comprehensive training CD-ROM within 90 days of the signing of MID 904.

- The PCPMO will complete review of GSA-developed and hosted APC training package and, if necessary, obtain a customized version for the Department.

Status of Required Action: Complete. The PCPMO's review of the module found it to be sufficient for DoD APCs.

- The PCPMO will Develop training to be hosted on the Defense Acquisition University (DAU) Continual Learning Center (CLC) web site.

Status of Required Action: Completed. The purchase card training module was placed on the DAU website in August 2002. The Director, Defense Procurement and Acquisition Policy, OUSD(AT&L) signed a memo, September 27, 2002 requiring that all DoD personnel holding a Government Purchase Card must complete the DAU CLC Government Purchase Card Tutorial module.

Recommendation PC-5: Develop a best practice for the appropriate skill sets an should possess.

Actions Required: Completed; included in the Purchase Card Concept of Operations.

- Developed a list of recommended skills and grade levels for Agency/Organization Program Coordinators as part of the Concept of Operations.

Status of Required Action: Completed; included in the purchase card Concept of Operations.

- The Director, Defense Procurement will establish a "best practice" for required skills and recommended grade level for a purchase card APC.

Status of Required Action: Completed; included in the purchase card Concept of Operations.

Recommendation PC-6: Review procedures for establishing pecuniary liability against charge card certifying officials to ensure that appropriate procedures are in place. Provide a mechanism for disseminating guidance on the application of pecuniary liability procedures to all elements involved in charge card billing approval and certification.

Actions Required:

- The OUSD(C), with assistance from the Office of the General Counsel (OGC), developed proposed revisions to the DoD

Financial Management Regulation ("DoDFMR") that explicitly address application of pecuniary liability in the government charge card programs. The OUSD(C) also developed a plan for ensuring that these procedures are appropriately disseminated. The respective card program management office will include this guidance into training materials.

Status of Required Action: Completed.

- The OUSD(C) will prepare a revision to the "DoDFMR" to clarify the application of pecuniary liability.
- The OGC will complete its review of the specific conditions under which cardholders and approving officials can be held pecuniarily liable.
- Once the OGC review is complete, the OUSD(C) will publish revisions in final form.

Status of Required Actions: Draft revision to the "DoDFMR" has been coordinated. The formal coordination comments are being incorporated into the revision.

- The OUSD(C), with the support of the OGC and ODDP/AP, will review any enacted legislation allowing the Department to impose pecuniary liability on accountable officials to determine if additional changes are required in the "DoDFMR." This review should include an analysis of all of the reviews (such as pre- and post-payment reviews) required to be performed on the purchase card payments. This analysis should seek to determine if all of the reviews currently required by various regulations contribute to a strong control system for the purchase card program, and whether some reviews could be consolidated or streamlined.

Status of Required Action: The FY 2003 Defense Authorization Bill sent to the President for signature on November 13, 2002 allows the Department to impose pecuniary liability on Accountable Officials.

Responsibility: Within 90 days of the signing of this MID, the Accounting and Finance Policy and Analysis Directorate, OUSD(C), with the support of the OGC and Office of the Director, Defense Procurement and Acquisition Policy (ODDP/AP), will implement revisions to the Department of Defense Financial Management Regulation ("DoDFMR"). These revisions will: (1) clarify the application of pecuniary

liability and the conditions under which cardholders and approving officials can be held pecuniarily liable; and (2) promulgate policy consistent with section 1005 of the FY 2003 National Defense Authorization Act which allows the Department to impose pecuniary liability on accountable officials.

The Accounting and Finance Policy and Analysis Directorate, OUSD(C), with the support of the OGC and ODPP, will, within six months of the signing of the MID, complete an analysis of all pre and post payment review procedures and prescribe the procedures required to be performed on purchase card payments. This analysis will include an evaluation of whether certain reviews could be consolidated or streamlined.

Recommendation PC-7: Investigate alternative methods of prosecuting cases of fraudulent charge card usage.

Actions Required: Outline criminal, civil, and administrative remedies available to the Department such as referring cases to the Department of Justice Public Integrity Section or to state or local authorities for prosecution. Indicated that the DoD investigative agencies should pursue all possible remedies, as these cases are a Department priority.

Status of Required Action: Completed.

- Determined that no new legislation permitting officials other than ALJs to preside over cases under the Program Fraud Civil Remedies Act (PFCRA) is required at present. The Department can obtain ALJ services from other agencies under the Economy Act. Also, if the need arises, DoD can seek to hire ALJs from the existing pool of serving ALJs or retired ALJs who are eligible to be appointed as reemployed annuitants.

Status of Required Action: Completed.

- In an effort to increase prosecution of cases of fraud, the Department of Defense will aggressively pursue all available remedies including criminal, civil and administrative sanctions. This would also include the use of the PFCRA when deemed appropriate. Additionally, the following outlines how matters of fraud will be handled as they are detected and investigated:

- 1) The Defense Criminal Investigative Service (DCIS), representing the IG DoD, in coordination with the Military Criminal Investigative Organizations, has solicited the support of numerous U.S. Attorney's Offices throughout the

United States. All have been receptive to considering purchase card cases for criminal prosecution that involve the Department of Defense. In instances where the case may not get prosecuted by a local United States Attorney, the case may be referred to the Public Integrity Section, Department of Justice, as an alternative venue for criminal prosecution for purchase card cases.

2) Those cases that are declined for criminal prosecution may be pursued for civil action by the Affirmative Civil Enforcement (ACE) Division of the local U.S. Attorney's Office.

3) If the cases are criminal and/or civilly declined for prosecution, the DoD can pursue civil action under the PFCRA. This will require the use of one or more Administrative Law Judges (ALJ). The Office of the General Counsel initiated discussions with the Office of Personnel Management, which facilitates agencies seeking to obtain the services of one or more ALJs from other agencies under the Economy Act.

In addition to the aforementioned options, the DoD can take suspension/debarment action against vendors engaged in fraudulent activity as part of a coordination of remedies plan.

The remedies in items 1-4 are not mutually exclusive and may be used in combination.

Status of Required Action: Completed. DCIS transmitted guidance via email to investigative community.

- OGC will confirm that all necessary administrative procedures are in place to implement the PFCRA in the Department. If additional procedures are required, it will provide a schedule for development and implementation of those procedures.
- OGC will obtain information from the Components on the number of potential cases.
- Upon identification of appropriate cases, OGC will enter into a Memorandum of Understanding (MOU) with one or more other agencies for ALJ services.
- The IG DoD and Defense Components will use all available means to aggressively pursue cases of fraud.

Responsibility: MID 904 requires the OGC, to ensure by

March 31, 2003, that all necessary administrative procedures are in place to implement the PFCFA within the Department. If additional procedures are required, OGC should provide a detailed schedule for development and implementation of those procedures. The OGC will obtain information from the Components on the number of potential cases. Upon identification of appropriate cases, OGC will enter into an MOU with one or more other agencies for ALJ services.

Recommendation PC-8: Review current regulations to determine if the provisions on compliance are sufficient. If not, develop revised compliance guidance.

Actions Required:

- A list of recommended regulatory changes has been developed by ODDP/AP and OUSD(C).

Status of Required Action: Completed

- The Director, Defense Procurement and the USD (C) will prepare a revision to the Defense Federal Acquisition Regulation Supplement and the "DoDFMR". Changes will include: Clarification that purchase card abuse is a crime under Article 92 of the Uniform Code of Military Justice (UCMJ) and that civilian personnel may be subject to appropriate administrative or disciplinary action up to, and including, removal from the federal service for purchase card misuse or abuse. Requirement for commanders and supervisors to ensure compliance with purchase card regulations.

Status of Required Action: Draft revision to the "DoDFMR" has been coordinated. The formal coordination comments are being incorporated into the revision. The change to the DFARS is at the Office of Management and Budget for approval.

Responsibility: ODDP/AP will, by March 31, 2003, publish a revision to the Defense Federal Acquisition Regulation Supplement clarifying: (1) that purchase card abuse is a crime under Article 92 of the UCMJ and that civilian personnel may be subject to appropriate administrative or disciplinary action up to, and including, removal from the federal service for purchase card misuse or abuse; and (2) commanders and supervisors are required to ensure compliance with purchase card regulations. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will publish the corresponding revisions to the "DoDFMR" by February 15, 2003.

Recommendation PC-9: Investigative agencies must ensure that supervisors and/or security managers are informed of all allegations of purchase card abuse so that an appropriate determination can be made regarding suspension of the security clearance.

Action Required: The Inspector General of the Department of Defense, representing the DoD investigative community, will issue guidance to ensure that security managers and supervisors are appropriately notified when a cardholder comes under investigation for purchase card fraud.

Status of Required Action: Completed. The Inspector General, DoD issued guidance via memorandum dated September 25, 2002.

Recommendation TC-1: Develop standard metrics to allow senior managers to monitor the status of the travel card program. Metrics should be reported on a monthly basis and be reported at both the total Department level and by Component.

Actions Required:

- The OUSD(C) established the monthly delinquency rate as a metric. DoD Components have established target goals for this metric. The Task Force agreed to the definition of the remaining metrics.

Status of Required Action: Completed

- The TCPMO and the USD(C) have developed additional management metrics, including delinquent payment amounts and aging statistics for delinquent payments and will verify the data sources for them by July 15, 2002.

Status of Required Action: Verification of the data sources has been completed. The standard metrics recommended for the travel card program are:

Monthly delinquency rates, as computed by GSA
Dollar value and number of accounts delinquent
Aging of accounts
Number of accounts going to salary offset (120 days)
Dollars charged off (at 210 days)

Responsibility: The TCPMO and the Accounting and Finance Policy and Analysis Directorate, OUSD(C) will establish metrics on the (1) Dollar value and number of accounts

delinquent; (2) Age of delinquent accounts; (3) Number of accounts in salary offset; and (4) Dollar amount charged. These metrics will be included in existing OUSD(C) financial management metrics within 90 days of the signing of MID 904.

Recommendation TC-2: Accelerate the use of split disbursement.

Actions Required:

- The OUSD(C) will develop a legislative proposal that would provide the authority for the Department to implement mandatory split disbursement.

Status of Required Action: Completed

- The Task Force recommends that the Department work with the OMB to develop a legislative proposal to provide the authority to mandate the use of split disbursement.

Status of Required Action: The FY 2003 Defense Authorization Act allows the Department to mandate the use of split disbursement.

- If it is determined that the authority for mandatory use of split disbursement is not forthcoming, the task force recommends that OUSD(C) promulgate policy directing that default split disbursement be implemented for military personnel, and civilian employees once any required union bargaining has been completed.

Status of Required Action: The FY 2003 Defense Authorization Act allows the Department to mandate the use of split disbursement.

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will promulgate policy consistent with the new legislation in the "DoDFMR" within 90 days of the signing of MID 904. That office will coordinate with the OGC and the OUSD(P&R) to ensure any labor issues are resolved prior to Department wide implementation.

Recommendation TC-3: The list of current travel cardholders should be reviewed to determine if all cardholders have a valid need for the card.

Actions Required:

- Obtain a list of cards not used over the past 12 billing cycles from the Bank and distributed applicable data to each of the Services and Agencies for review.

Status of Required Action: Completed

- The OUSD(C) will direct the card-issuing bank to cancel the accounts associated with the 100,000 expired travel charge cards and continue to cancel accounts associated with travel charge cards that have not been used in the previous 12 billing cycles as the cards reach expiration date

Status of Required Action: Completed. The USD(C) directed cancellation of the expired travel charge cards in a memorandum, "Charge card Task Force Recommendation - Cancellation of Travel charge Card Accounts," dated July 19, 2002.

- The OUSD(C) will direct the Components to cancel the remaining 300,000 accounts unless the Components justify, by name, the continued maintenance of the accounts.

Status of Required Action: Completed. The USD(C) directed cancellation of the remaining 300,000 accounts in a memorandum, "Charge card Task Force Recommendation - Cancellation of Travel charge Card Accounts," dated July 19, 2002. The implementation of this action did not include a review of the accounts by the Components. Of the combined total of 417,296 accounts that had either expired or not been used in the previous 12 months, a total of 339,074 were cancelled (78,222 accounts had charges on them between the time the list was obtained and the time the cancellations were accomplished).

- The OUSD(C) will direct the Components to review the requirement for all outstanding travel charge card accounts every six months.

Status of Required Action: Completed. The requirement is included in the USD(C) memorandum "Charge card Task Force Recommendation - Cancellation of Travel charge Card Accounts," dated July 19, 2002.

Recommendation TC-4: Heads of DoD Components review travel charge card account holders and, if appropriate based on an anticipated improvement in delinquency rates and/or reduction in

the number of cases of travel charge card misuse, request a change to the Department's infrequent traveler definition for their Component, as authorized in Volume 9, Chapter 3 of the "Department of Defense Financial Management Regulation."

Actions Required:

- All three Military Departments and 16 other Defense Components reviewed their travel charge card account holders to determine if a change to the Department's infrequent traveler definition would result in an improvement in delinquency rates and/or reduction in the number of cases of travel charge card misuse for their Component. The Navy is the only Component that concluded a change to the definition would be beneficial. Volume 9, Chapter 3 of the DoD Financial Management Regulation provides for the Heads of DoD Components to exempt additional classes of personnel from the mandatory use requirements of the Travel and Transportation Act. A request for exemption shall be submitted to the USD(C) for approval prior to implementation.

Status of Required Action: Completed.

- The Components will request a change to the infrequent traveler definition if it is determined that the change would contribute to reduced travel charge delinquency rates for their Component.

Status of Required Action: Ongoing.

Recommendation TC-5: Expand the application of salary offset.

Action Required: The Task Force recommends that the Department work with the OMB to develop legislative proposals to provide the authority to apply salary offset uniformly across all DoD personnel and to allow the use of salary offset against civilian retiree annuities.

Status of Required Action: The FY 2003 Defense Authorization Act allows the Department to apply salary offset uniformly against all DoD civilian and military personnel pay and against all DoD military and civilian personnel receiving retirement pay.

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will promulgate policy consistent with the new legislation in the "DoDFMR" within 90 days of the signing of MID 904. That office will coordinate with the OGC and the

OUSD(P&R) to ensure any labor issues are resolved prior to Department wide implementation.

Recommendation TC-6: Investigate travel processes at selected locations to determine the extent to which inefficient travel authorization and travel voucher submission processes contribute to delays in the receipt of reimbursement for official travel expenses.

Action Required: The OUSD(C) and the Travel Card Program Management Office PM, in conjunction with the Services and Defense Agencies and other Office of the Secretary of Defense functionals, as appropriate, will identify improvements in the travel process that would reduce the total time required to obtain travel reimbursements.

Status of Required Action: The Naval Audit Service, the Air Force Audit Agency and the DFAS Internal Review Office (DFAS processes travel settlements for the Army and Defense Agencies) have been requested to review the settlement processes in place for each Component and provide recommendations for improvement. will conduct audits of the travel process during the second quarter of FY 2003.

Responsibility: MID 904 requires the CPMs to ensure that the Naval Audit Service, the Air Force Audit Agency and the DFAS Internal Review Office are formally requested to conduct audits of the travel settlement process during the first quarter of FY 2003. The CPMs will submit recommendations for improved travel voucher processes to the TCPMO by March 30, 2003. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will publish any required revisions to the "DoDFMR" by June 30, 2003.

Recommendation TC-7: Evaluate alternatives to travel cards to determine benefits, costs, and operational impacts.

Action Required: The USD (C) will evaluate alternatives to the current travel charge card, such as debit cards, stored value cards, and newer technologies which may be available, and will also review the results of on-going pilot efforts, such as the Army debit card pilot.

Status of Required Action: The current charge card contractor bank is developing a debit card proposal. In addition, the TCPMO is pursuing the feasibility of using another vendor's debit card product.

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C), the TCPMO and the CPMs will develop recommended alternatives to the current travel charge card, such as debit cards and stored value cards, by April 30, 2003.

Recommendation TC-8: Create an exemption to mandatory travel card use for en route official travel associated with certain mission deployments.

Action Required: The OUSD(C) with support from the Components, will prepare a revision to the "DoDFMR" to provide an exemption to mandatory use of the travel charge card for travel incident to certain deployments/missions.

Status of Required Action: The Accounting and Finance Policy and Analysis Directorate within the OUSD(C) is drafting the proposed revision to Volume 9, Chapter 3 of the "DoDFMR."

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will publish a revision to Volume 9, Chapter 3 of the "DoDFMR" that incorporates the exemption within 90 days of the signing of MID 904.

Recommendation TC-9: Evaluate whether additional travel card control mechanisms can be incorporated into the Defense Travel System (DTS).

Action Required: The PMO, DTS will review the DTS to determine options for providing additional functionality to enhance travel charge card management and internal controls.

Status of Required Action: The PMO, DTS is developing a statement of work with its contractor to incorporate travel charge card control mechanisms. The PMO, DTS has initiated the evaluation of incorporating the activation of all travel cards upon initiation of travel authorizations in the DTS and deactivating the cards upon completion of travel.

Responsibility: MID 904 requires the PMO, DTS to provide the results of its evaluation and a draft statement of work to the Accounting and Finance Policy and Analysis Directorate within OUSD(C) within 90 days of the signing of the MID.

Recommendation TC-10: Investigative agencies must ensure that supervisors and/or security managers are informed of allegations of travel card misuse and abuse so that an appropriate determination can be made regarding suspension of the security clearance.

Action Required: The IG, DoD representing the DoD investigative community, will issue guidance to ensure that security managers and supervisors are appropriately notified when a cardholder comes under investigation for travel card misuse or abuse.

Status of Required Action: Completed. IG, DoD guidance issued via memorandum dated September 25, 2002.

Recommendation TC-11: Review current regulations to determine if the provisions on compliance are sufficient. If not, develop revised compliance guidance.

Actions Required: OUSD(C) reviewed the DoD Financial Management Regulation ("DoDFMR") to determine areas where revised language is required or recommended. The OGC and OUSD(C) developed provisions applicable to military and civilian personnel who abuse and misuse travel and purchase cards.

Status of Required Action: The OUSD(C) has prepared a revision to the "DoDFMR". Changes will include:

Clarification that misuse is a crime punishable under Article 92 of the Uniform Code of Military Justice and that civilian personnel may be subject to appropriate administrative or disciplinary action up to, and including, removal from the federal service for travel card misuse or abuse.

Requirement for commanders and supervisors to ensure compliance with travel charge card regulations.

Clarification of the specific conditions under which certifying officials for centrally billed accounts (may be held pecuniarily liable).

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will publish a revision to Volume 9, Chapter 3 of the "DoDFMR" within 90 days of the signing of MID 904.

Recommendation TC-12: Increase awareness of travel card training materials.

Action Required: OUSD(C), with cooperation from the TCPMO will evaluate the feasibility of: 1) addressing travel charge card training resources on the training CD to be developed to provide the results of the Task Force to purchase card program officials

and supervisors of program officials, and 2) providing the CD to travel charge card APCs and their commanders and supervisors.

Status of Required Action: Travel Card training is included in the CD-ROM under development by the Federal Law Enforcement Training Center. Completion is expected by November 30, 2002.

Responsibility: The PCPMO and TCPMO will complete development of the comprehensive training CD-ROM within one month of the signing of MID 904.

New Charge Card Management Recommendations. The following management recommendations were developed subsequent to the release of the Charge Card Task Force Final Report:

New Recommendation CO-5: Development of systems needed to gather and report statistics on criminal investigations, and on administrative sanctions related to the improper use of government charge cards. The USD(C) is committed to developing the means to identify and track charge card abuses from identification through to punishment using electronic or other means. Such systems should provide summary information for management review and permit tracking to the source for obtaining specific information, as necessary. The focus will be the isolation and reporting of card abuse for personal gain, rather than technical violations such as split purchases. A workgroup led by the DCFO generally agrees that the Office of the Inspector General, DoD, working with its counterparts in the Components, can provide the desired management information on charge card abuses that result in criminal investigations.

- **Recommendation CO-5(a):** Develop a proposal for DoD-wide reporting of personal abuse charge card criminal investigations, to include the DCIS and the criminal investigative organizations of the DoD Components.

Responsibility: MID 904 requires the OIG to prepare a proposal for DoD-wide reporting of personal abuse charge card criminal investigations. The proposal is to be submitted to the Deputy Chief Financial Officer (DCFO) within 90 days of the signing of the MID.

- **Recommendation CO-5(b):** Determine the feasibility and cost of integrating the Component and Defense Criminal Investigative Service (DCIS) databases containing information on charge card abuses that result in criminal investigations. The integrated

database would have controlled access and standardized data elements.

Responsibility: MID 904 requires the OIG to prepare a proposal for DoD-wide reporting of personal abuse charge card criminal investigations. The proposal will include the integration of data from the DCIS and the criminal investigative organizations of the DoD Components. The proposal will include a combined standard database template, to include a cost estimate and list of the actions that would be required of the organizations involved. The proposal is to be submitted to the DCFO within 90 days of the signing of the MID.

- **Recommendation CO-5(c):** Track UCMJ actions (e.g., Article 32 investigations) and administrative personnel actions resulting from charge card personal use.

Responsibility: MID 904 requires the PCPMO, the TCPMO, OUSD(P&R), and the Accounting and Finance Policy and Analysis Directorate, OUSD(C) to prepare a proposal for reporting administrative sanctions related to charge card personal misuse. The proposal will include a cost estimate and actions required by the Components. The proposal is to be submitted to the DCFO within 90 days of the signing of this MID. The Accounting and Finance Policy Directorate, OUSD(C) and the PCPMO will develop a memorandum for signature by the USD(P&R) (the memorandum will be provided to the USD(P&R) via a transmittal memorandum signed by the USD(C)) that tasks the DoD Components to manually compile reports on disciplinary and administrative actions associated with purchase and travel card misuse and abuse associated with travel card delinquencies. The report will be submitted on a quarterly basis, beginning with the second quarter of FY 2003, until a reporting system is developed.

- **Recommendation CO-5(d):** Determine the feasibility of adding cancellation reason codes to the card issuing banks' databases.

Responsibility: MID 904 requires the PCPMO to assess the potential for creating charge card termination sub codes by the card-issuing banks. The PCPMO will provide an implementation proposal to the DCFO, to include a cost estimate within 90 days of the signing of the MID.

New Recommendation CO-6: Office of Management and Budget (OMB) Reporting Requirement. A memorandum signed by the Director, OMB

on October 15, 2002, establishes a requirement for agencies to report quarterly on efforts to prevent fraud and abuse related to purchase and travel card programs.

Required Action: The first quarterly report is due January 15, 2003 and will cover agency activities occurring between October 1, 2002 and December 31, 2002. OMB distributed a format for the report to all agencies for use for the reporting requirement on December 12, 2002.

Responsibility: MID 904 requires the PCPMO and the TCPMO to obtain the information necessary to complete the quarterly reports by the last day of each quarter. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will consolidate the information each quarter and submit the Department's report by the required due date. The PCPMO and the TCPMO will obtain the information necessary to complete the initial report by December 31, 2002. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will consolidate the information received from the PCPMO and the TCPMO and submit the Department's initial report to OMB no later than January 15, 2003.

New Recommendation CO-7: Evaluate the creditworthiness of all new DoD applicants for the government purchase and credit cards.

Required Action: Implement the requirement contained in Section 8149 of Public Law 107-248 (the FY 2003 DoD Appropriations Act) to evaluate the creditworthiness of an individual before issuing the individual a government purchase charge card or government travel charge card.

Credit checks for travel charge card applicants currently are done by the contractor bank unless declined by an applicant. Since a credit check process is in place an increase in cost would not be anticipated. However, to perform the current credit check, the contractor bank obtains only a credit score, not a full credit report. The Travel Charge Card Program Management Office will determine if Section 8149 of Public Law 107-248 permits the Department to issue travel charge cards to individuals with no credit history as opposed to a poor credit history. In that case, the bank would need to obtain a full credit report instead of a credit score for each individual at an additional cost of approximately \$3 for each credit report. The \$3 cost is based on the amount that the Navy's Central Adjudication Facility currently pays for credit reports it obtains as part of the security clearance adjudication process. Currently, if an applicant either declines a credit report or is

determined to have an unacceptable credit score by the bank, that applicant receives a restricted card with lower credit limits. An average of 110,000 restricted travel charge cards have been issued in each of the past 2 years. If full credit reports were required for all applicants receiving restricted cards, based on the average number over the past two years, the increased cost would be approximately \$330,000 per year.

For the purchase card program, no credit checks are currently performed. The Purchase Card Program Management Office's preliminary discussions with credit bureaus reveal that the cost involved in doing credit checks for new purchase card holders could be approximately \$198,000 per year. That figure is based on an average of 66,000 new cardholder applications each year and a credit report cost of \$3 for each applicant.

Responsibility: MID 904 requires the PCPMO and the TCPMO to develop plans to implement the requirements of Section 8149 of Public Law 107-248, to include resource requirements. The plans will be submitted to the Accounting and Finance Policy and Analysis Directorate, OUSD(C) within 90 days of the signing of the MID.

New Recommendation CO-8: Establish DoD guidelines and procedures for disciplinary actions to be taken against DoD personnel for improper, fraudulent, or abusive use of government purchase charge cards and government travel charge cards.

Required Action: Implement the requirement contained in Section 8149 of Public Law 107-248 (the FY 2003 DoD Appropriations Act) to establish guidelines and procedures for disciplinary actions to be taken against Department personnel for improper, fraudulent, or abusive use of government purchase charge cards and government travel charge cards. The disciplinary actions may include: the review of the security clearance of the individual involved; and the modification or revocation of such security clearance in light of the review.

Responsibility: MID 904 requires the OUSD(P&R) to develop the necessary DoD wide policy to meet the requirements of Section 8149 of Public Law 107-248 for both military and civilian personnel. OUSD(C), OGC, DoD Component employee relations organizations, and purchase and travel card program officials will support OUSD(P&R) in this effort. The Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) will initiate any necessary revisions to security regulations. The new or revised DoD policy will be

completed and submitted for formal coordination by February 1, 2003.

New Recommendation CO-9: Limit the total number of accounts for Department of Defense purchase charge cards and travel charge cards to no more than 1,500,000 accounts.

Required Action: Implement the Requirement contained in Section 8149 of Public Law 107-248 (the FY 2003 DoD Appropriations Act) to limit the total number of accounts for government purchase charge cards and government travel charge cards for the Department of Defense personnel during fiscal year 2003 to no more than 1,500,000 accounts.

Responsibility: MID 904 requires the PCPMO and the TCPMO to coordinate throughout the fiscal year to ensure the total number of accounts does not exceed the 1,500,000 ceiling. A report on the number of open accounts shall be provided to the Accounting and Finance Policy and Analysis Directorate, OUSD(C) by the 15th day of each month.

New Recommendation CO-10: **Reporting Requirement for Actions Required by Section 8149 of Public Law 207-248.**

Required Action: Section 8149 of Public Law 207-248 requires the Secretary of Defense to submit to the congressional defense committees a report on the implementation of the requirements and limitations in section 8149, including the guidelines and procedures established for disciplinary actions to be taken against Department personnel for improper, fraudulent, or abusive use of government purchase charge cards and government travel charge cards. The report is required not later than June 30, 2003.

Responsibility: The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will prepare and submit the report by June 30, 2003.

New Recommendation TC-13: **Reduce the number of travel charge cards in DoD by revising the definition of Infrequent Traveler.** Recommendation TC-4 from the DoD Charge Card Task Force required the Heads of DoD Components to review travel charge card accountholders and, if appropriate, request a change to the Department's infrequent traveler definition for their Component. The Department's definition of an infrequent traveler is "one who travels two or less times per year." Subsequent to the publication of the task force's final report, Amendment 108 to the Federal Travel Regulation (FTR) was published that exempts

employees who travel 5 times or less a year from the mandatory use of the Government travel charge card, with agency discretion to issue cards to such employees.

Action Required. Implement Federal Travel Regulation Exemption from Mandatory Use of the Travel Charge Card for those employees who travel 5 times or less a year.

Responsibility: The revision to the FTR will require an evaluation of a change to the Department's infrequent traveler definition contained in Volume 9, Chapter 3 of the "DoDFMR." The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will evaluate the revision to the FTR and, if appropriate for the Department, publish a revision to the Department's infrequent traveler definition contained in the "DoDFMR" within 90 days of the signing of the MID.

Incorporation of General Accounting Office (GAO) October 2002 audit report, "Travel Cards Control Weaknesses Leave Army Vulnerable to Potential Fraud and Abuse," (GAO-03-169), recommendations. The GAO provided 26 recommendations to improve travel card policies and procedures within the Army. The GAO also recommended that the USD(C) assess the recommendations and, where applicable, incorporate them into or supplement the DoD Charge Card Task Force recommendations to improve travel card policies and procedures throughout DoD. The list of GAO recommendations that already are incorporated into MID 904 is as follows:

- **GAO Recommendation:** Evaluate the feasibility of extended use of credit checks for all travel card applicants.

Existing recommendation: Included in recommendation CO-7.

- **GAO Recommendation:** For credit check results currently obtained and additional future credit checks, to use the results to make decisions on travel card applicants. Decisions on whether to issue a travel card should consider prior credit problems (e.g., bankruptcy, convictions for writing bad checks, and defaulted credit cards, home mortgages, and automobile loans).

Existing recommendation: Included in recommendation CO-7.

- **GAO Recommendation:** Individuals with prior credit problems that are denied a travel card should either be required to

use their own credit card to travel or be provided alternative means of travel funding, such as advances.

Existing recommendation: Included in recommendation CO-7.

- **GAO Recommendation:** Individuals with no prior credit history should be provided with a "restricted" travel card with low credit and ATM limits.

Existing recommendation: Included in recommendation CO-7.

- **GAO Recommendation:** Develop procedures to periodically evaluate card usage and close accounts of infrequent travelers, which will minimize exposure to fraud and abuse.

Existing recommendation: Included in recommendation TC-3.

- **GAO Recommendation:** Cancel accounts for current infrequent travelers as noted in the Charge Card Task Force report.

Existing recommendation: Included in recommendation TC-3.

- **GAO Recommendation:** Evaluate the feasibility of establishing a policy to activate and deactivate cards on pre-determined start and end dates, which are tied to the cardholders' authorized travel orders. At a minimum, this policy should focus on controlling travel card use for the "high risk" enlisted military personnel in the E-1 to E-6 grades.

Existing recommendation: Included in recommendation CO-3.

- **GAO Recommendation:** Establish appropriate, consistent Army-wide policy on disciplinary actions that are to be taken with respect to fraudulent and abusive activity and delinquency related to the travel card.

Existing recommendation: Included in recommendation CO-8.

- **GAO Recommendation:** Refer any travel cardholders with secret or higher level of security clearance for whom financial problems related to the travel card are detected, to Army CAF for investigation as to whether the individual should continue to be entrusted with a secret or higher clearance.

Existing recommendation: Included in recommendations TC-10 and CO-8. In addition, the Under Secretary of Defense (Comptroller), in a memorandum addressed to the Assistant Secretary of Defense (Command, Control, Communications & Intelligence) (ASD(C3I)) dated August 8, 2002, requested issuance of guidance requiring prompt response to allegations of charge card misuse or abuse by military members or civilian personnel. The memorandum requested that security officials immediately report abuse/misuse allegations to the appropriate commander or head of a DoD organization and for those commanders or heads of organizations to make an immediate determination whether to continue the individual's access to classified information or suspend such access until the appropriate authority makes a final determination regarding eligibility to retain a security clearance. The ASD(C3I) published the requested guidance in a November 4, 2002 memo, "Suspension of Access to Classified Information Due to Abuse or Misuse of Government Charge Cards."

- **GAO Recommendation:** Assign responsibility and accountability over cardholders transferring between Army units or locations, including cardholders currently in "orphan" status. Any accounts not assigned to an APC should be immediately cancelled.

Existing recommendation: Included in recommendation CO-3. In addition, the USD(C), in a memorandum, "Charge card Task Force Recommendation - Cancellation of Travel charge Card Accounts," dated July 19, 2002, directed the review, on a semi-annual basis, of accounts for which the bank cannot identify the cardholders' organization (otherwise known as "orphan accounts"). The memorandum directed the cancellation of the "orphan accounts" unless the correct organizational hierarchy is provided to the card-issuing bank by the respective Component Program Manager within 60 days of the billing cycles associated with the semi-annual review (June and December).

- **GAO Recommendation:** Strengthen procedures for any employee discharging from service so that all cards are obtained from the holder, accounts are closed, and repayment of any outstanding debts is arranged.

Existing recommendation: Included in recommendation CO-3.

- **GAO Recommendation:** Backup procedures should be developed to identify active cards of departed cardholders, including comparing cardholder and payroll data.

Existing recommendation: Included in recommendation CO-3.

- **Evaluate the feasibility of establishing a policy to activate and deactivate cards on predetermined start and end dates, which are tied to the cardholders' authorized travel orders.** At a minimum, this policy should focus on controlling travel card use for the "high-risk" enlisted military personnel in the E-1 to E-6 grades."

Existing recommendation: Included in recommendation TC-9.

The following recommendations from the GAO report have not yet been specifically addressed by other recommendations:

- **GAO Recommendation:** Develop comprehensive, consistent initial training and periodic refresher training for travel cardholders, focused on the purpose of the program and appropriate uses of the card. The training should emphasize the prohibitions on personal use of the card, including gambling, personal travel, and adult entertainment. Such training should also address the policies and procedures of the travel order, voucher, and payment processes. For entry-level personnel, the training should also include information on basic personal financial management techniques to help avoid financial problems that could affect an individual's ability to pay his or her travel card bill.

Action Required (New Recommendation TC-14): The TCPMO and the Component Program Managers will evaluate current training material available from the bank's website, GSA and within the Department to ensure all areas of the recommendation are included and are accessible to travel cardholders. The evaluation will include a recommendation on whether to require documentation of the completion of such training by all cardholders, to include periodic refresher training. The evaluation will specifically address available training on personal financial management techniques, to include training currently offered by financial institutions that are resident on military installations.

Responsibility for action required and suspense date: The TCPMO, CPMs, and the Accounting and Finance Policy and Analysis Directorate within OUSD(C) will evaluate cardholder

training requirements and develop recommendations for improvements within 90 days of the signing of MID 904. The evaluation will include an assessment of whether to require documentation of the completion of such training by all cardholders, to include periodic refresher training. The evaluation will also specifically address training on personal financial management techniques. The Accounting and Finance Policy and Analysis Directorate within OUSD(C) will incorporate the revised requirement into the "DoDFMR" by June 30, 2003.

- **GAO Recommendation:** Revise the travel voucher and payment process by developing a process to monitor and track travel reimbursements that exceed the 30-day requirement so that individuals not paid within the statutory period are paid late fees in accordance with the law. Current systems for processing and computing travel vouchers do not provide for automated means of calculating interest due on vouchers exceeding the 30 days from the proper submission date. The Defense Travel System currently being deployed automates the voucher submission process and should reduce instances where reimbursements extend beyond the 30 days.

Action Required (New Recommendation TC-15): GAO stated that they did not consider DTS to be a timely or viable solution for identifying reimbursements beyond the 30 day requirement and that, until DTS is fully implemented and operational, GAO continues to believe that DoD needs to develop an interim process to identify late reimbursements and pay cardholders the appropriate fees in accordance with the law.

Responsibility: MID 904 requires the Defense Finance and Accounting Service and the Components to evaluate the feasibility and cost associated with developing an interim system to track voucher submission and disbursing dates and calculate interest due on vouchers exceeding the 30 day requirement. The results of the evaluation will be provided to the Accounting and Finance Policy and Analysis Directorate, OUSD(C) within 90 days of the signing of the MID.

- **GAO Recommendation:** To resolve severe voucher process problems specific to one of the units audited, GAO recommended that the Commander of the California Army National Guard take the following actions.
 - Evaluate travel card procedures from writing travel orders through documenting expenses on the voucher and completing

the reimbursement process with a goal of reengineering these processes to provide reasonable assurance that cardholder reimbursement is made within the 30-day requirement.

- Strengthen segregation of duties controls so that voucher examiners cannot prepare, validate, and receive payment for erroneous or fraudulent travel vouchers without detection. Improved controls should include eliminating the use of generic usernames and passwords for accessing the travel system.

Action Required: Validate corrective actions.

Responsibility for action required an suspense date: The Army National Guard (ARNG) response to the GAO report stated that the validation of these corrective actions will be accomplished through the ARNG Operational Review Program in fiscal year 2003. The ARNG will report through the Army's Component Program Manager to OUSD(C) Accounting and Finance Policy and Analysis Directorate that the corrective actions have been validated by October 1, 2003.

- **New Recommendation TC-16: GAO recommendations associated with Agency Program Coordinators:**
 - **GAO Recommendation:** Establish Army guidance on who should be given APC responsibilities that considers (1) the knowledge, skills, and abilities required to effectively carry out these responsibilities, (2) the time required to effectively carry out APC responsibilities on a day-to-day basis, (3) the length of time an individual should be required to stay in the APC position in light of time required to become proficient in the use of the tools relied on to effectively monitor card usage. Army should evaluate whether the APC position should be full time.
 - **GAO Recommendation:** To avoid high APC turnover, Army should evaluate the feasibility of maximizing the use of civilian rather than military employees to serve the role of APC.
 - **GAO Recommendation:** Establish guidance on APC span of control responsibilities so that such responsibilities are properly aligned with time available to ensure effective performance.
 - **GAO Recommendation:** Establish procedures to provide assurance that APCs receive training on their APC

responsibilities, including how to use EAGLS transaction reports and other available data to monitor cardholder use of the travel card--for example, reviewing account transactional histories to ascertain whether transactions are incurred during periods of authorized travel and appear to be appropriate travel expenses and from approved merchant category codes.

- **GAO Recommendation:** APCs should be trained to review EAGLS reports to identify cardholders that have written NSF checks for payment of their account balances, and refer the employee for disciplinary action.
- **GAO Recommendation:** Establish Army procedures detailing how APCs should carry out their responsibility to monitor card usage for all cardholders assigned to them. Included in the procedures should be development of a data-mining program enabling APCs to scan a large number of transactions, and target potentially inappropriate transactions for further review.
- **GAO Recommendation:** Establish a requirement for assessing performance of travel monitoring and other APC duties as a rating factor on all APCs' performance evaluations.
- **GAO Recommendation:** Establish an Army requirement for cognizant APCs to retain records documenting any cardholder's fraudulent or abusive usage of the travel card and require this information to be provided to the gaining APC when the cardholder is transferred.

Responsibility: The TCPMO, CPMs, and the Accounting and Finance Policy and Analysis Directorate, OUSD(C) will develop the necessary revised policy requirements for APC training, span of control, and functions and responsibilities to implement the GAO recommendations by January 31, 2003. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will incorporate the revised requirement into the "DoDFMR" by March 31, 2003.

- **GAO Recommendation:** Review, in conjunction with the travel charge card contractor, individuals with APC-level access to EAGLS to limit such access to only those with current APC duties.

Action Required (New Recommendation TC-17): Direct the DoD Components to establish and maintain effective internal management controls over access to the charge card contractors' electronic systems.

Status of Action Required: Completed. In a memorandum, "Management Controls over Access to Charge Card Contractor Electronic Systems," dated August 9, 2002, the Under Secretary of Defense (Comptroller) directed the DoD Components to immediately revalidate that all personnel with access to charge card contractor electronic systems (for Travel, Purchase, Fleet and Aviation Into Plane Reimbursement charge card programs) have a valid need for such access and terminate access for personnel who no longer have a valid need, to include individuals no longer performing APC functions. In addition, the memorandum directed the DoD Components to establish procedures to ensure that the system access accounts are reviewed on a regular basis.

Responsibility for follow-on action required and suspense date: The USD(C)'s August 9, 2002 memorandum stated that the responsibility for terminating access to the card contractors' electronic access systems upon transfer, dismissal, retirement, or separation of personnel having such access will be incorporated in DoD regulations as appropriate. The Accounting and Finance Policy and Analysis Directorate, OUSD(C) will ensure that the appropriate revisions are made to DoD regulations to ensure termination of access to the card contractors' electronic system upon transfer, dismissal, retirement, or separation of personnel. These revisions should be incorporated in DOD regulations by June 30, 2003.

Incorporation of General Accounting Office (GAO) September 2002 Report, "Navy is Vulnerable to Fraud and Abuse But is Taking Action to Resolve Control Weaknesses" (GAO-02-1041), recommendations. The GAO recommended that the USD(C) assess the recommendations in the report and, where applicable, incorporate them into or supplement the DoD Charge Card Task Force recommendations to improve travel card policies and procedures throughout DoD. The list of GAO recommendations that have been incorporated into MID 904 is as follows:

GAO Recommendation: Direct all agency program coordinators to review the number of cardholders who report to an approving official and make the changes necessary to prevent approving

officials from having the responsibility of reviewing more cardholders than allowed by Navy and DOD policies.

Existing recommendation: Included in task force recommendation PC-1. The roles and responsibilities for Agency/Organization Program Coordinators included in the Purchase Card Concept of Operations includes the requirement to maintain required span of control in accordance with DoD and Component guidance.

GAO Recommendation: Establish specific training courses for cardholders, approving officials, and agency program coordinators tailored to the specific responsibilities associated with each of those roles.

Existing recommendation: Included in recommendation PC-4. The DoD cardholder, approving official, and certifying official training module went live on the Defense Acquisition University's Continuing Learning web site on August 26, 2002. The DoD will mandate this training for all defense components. The web site offers a certification of completion upon satisfactory completion of the course.

GAO Recommendation: Establish job descriptions that identify responsibility and performance standards for cardholders, approving officials, and agency program coordinators.

GAO Recommendation: Link the cardholders, approving officials, and agency program coordinators performance appraisals to achieving their performance standards

Existing recommendation: Included in PC-1. The DoD Concept of Operations contains a recommendation that the APCs have specific knowledge, skills and abilities in their job description/performance criteria.

Existing recommendation: Included in PC-1. The DoD Concept of Operations contains a recommendation that the APCs have specific knowledge, skills and abilities in their job description/performance criteria.

Additional Action Required: (New Recommendation PC-10)

Incorporate a recommendation in the Concept of Operations that Cardholders and approving officials have specific knowledge, skills and abilities in their job description/performance criteria.

Responsibility: MID 904 requires the ODDP/AP to, within 90 days of the signing of the MID, revise the Purchase Card Concept of

Operations to recommend that cardholders and approving officials have specific knowledge, skills and abilities in their job description/performance criteria.

GAO Recommendation: Work with the Naval Audit Service and Command Evaluation staff to begin periodic audits of the purchase card program to provide Navy management - at the command and unit level - an independent assessment of the control environment and whether the agency program coordinators, approving officials, and cardholders are adhering to control procedures.

Existing recommendation: Department level guidance that the Component audit organizations as well as the Department of Defense Inspector General will perform periodic audits is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: That the Secretary of the Navy modify the definition of "Pilferable Personal Property" in SECNAV Instruction 7320.10 dated August 1, 2001, by eliminating the requirement that a portable item easily converted to personal use also be difficult to repair or replace, and specifically identify items such as computers, cameras, personal digital assistants, and audiovisual equipment as meeting the definition of being pilferable and thus accountable.

Existing recommendation: Not applicable. The GAO recommendation applied only to Department of Navy Policy. The Navy stated in its response to the GAO recommendation that it will revise its instruction to use the definition of pilferable property contained in DoD Instruction 5000.64. That definition is used by all other DoD Components.

GAO Recommendation: Revise NAVSUP Instruction 4200.94 provide cardholders, approving officials, and agency program coordinators detailed instructions on the following specific control activities:

- timely and independent receiving and acceptance of items obtained with a purchase card and documenting the results of that process,
- screening purchases for their availability from required vendors and documenting the results of the screening,

- promptly reconciling of the monthly purchase card statements to supporting documentation and documenting the results of that reconciliation,
- promptly reviewing of a cardholder purchase card statement by the approving official prior to certifying the statement for payment and documenting the results of that review, and
- prompt cardholder notification to property accountability officer of the pilferable property obtained with the purchase card, and approving official responsibility for monitoring that the pilferable property has been recorded in the accountability records.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Modify NAVSUP Instruction 4200.94 to require cardholders to maintain documented justification and advanced approval of purchases that fall outside the normal procurements of the cardholder in terms of either dollar amount or type of purchase.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Establish a Navy-wide database of known purchase card fraud cases by type of fraud that can be used to identify deficiencies in existing internal control and to develop and implement additional control activities, if warranted or justified.

Existing recommendation: Included in recommendation CO-5.

GAO Recommendation: Establish a Navy-wide data mining, analysis, and investigation function to supplement other oversight activities. This function should include providing oversight results and alerts to major commands and installations when warranted.

Existing recommendation: Included in recommendation CO-4.

GAO Recommendation: Modify NAVSUP Instruction 4200.94 to include a schedule of disciplinary actions that will be taken against cardholders who make improper, or abusive acquisitions with the purchase card.

Existing recommendation: Included in recommendations PC-1, PC-6, PC-8, PC-9, and CO-8.

The following recommendations from the GAO report have not yet been specifically addressed by other recommendations:

GAO Recommendation: Establish a database that maintains information on all purchase card training taken by cardholders, approving officials, and agency program coordinators. Require that agency program coordinators update the database whenever these purchase card program officials take training.

Action Required (New Recommendation PC-11): Require all APCs to maintain a database of training completed by cardholders, approving officials and agency program coordinators.

Responsibility: MID 904 requires the PCPMO to publish guidance requiring all APCs to maintain a database of training completed by cardholders, approving officials and agency program coordinators within 90 days of the signing of the MID.

GAO Recommendation: Direct agency program coordinators to review an approving official's overall workload and determine whether the approving official has the time necessary to perform the required review functions.

Action Required (New Recommendation PC-12): Require all purchase card APCs to review approving officials' overall workload and determine whether the approving official has the time necessary to perform the required review functions. If the determination is that the approving official does not have the necessary time, the APC will address this situation with the approving official's commander or supervisor.

Responsibility: MID 904 requires the PCPMO to publish guidance requiring all approving officials' supervisors/commanders to perform the review and determination, with the support of agency program coordinators, within 90 days of the signing of this MID. If the determination is made that an approving official does not have the time necessary to perform the required review functions, that approving official's commander or supervisor will be required to take appropriate action to ensure that there is a designated approving official with the time and capacity to perform all required reviews.

GAO Recommendation: Identify vendors with which the Navy or Marine Corps use the purchase cards to make frequent purchases,

evaluate Navy purchasing practices with those vendors, and forward the results of that evaluation to the Assistant Secretary of the Navy for Research, Development and Acquisition to contract with them, where applicable, to optimize Navy purchasing power.

Action Required (New Recommendation PC-13): All Components will review FY2002 purchase card transactions to determine if any Component-wide contracts should be established.

Responsibility: MID 904 requires the Purchase card program management office to direct all Components to review FY2002 purchase card transaction files and stratify the volume of purchases by vendor. This data should be reviewed to determine if any Component-wide contracts should be established. The MID requires the Components to provide the results of their reviews to the PCPMO within 90 days of the signing of the MID.

Incorporation of General Accounting Office (GAO) June 2002 audit report, "Purchase Cards Control Weaknesses Leave Army Vulnerable to Fraud, Waste, and Abuse," (GAO-02-732) recommendations. The GAO recommended that the Secretary of the Army direct the Deputy Assistant Secretary of the Army (Procurement) and other Army officials as appropriate to improve the overall Army purchase card infrastructure by taking the following actions. The GAO also recommended that the USD(C) direct the Charge Card Task Force to assess the recommendations, and to the extent applicable, incorporate them into its recommendations to improve purchase card policies and procedures throughout DoD. The list of GAO recommendations that are incorporated into other recommendations is as follows:

GAO Recommendation: Direct the implementation of specific internal control activities for the purchase card program in an Army-wide standard operating procedure. While a wide range of diverse activities can contribute to a system that provides reasonable assurances that purchases are correct and proper, at a minimum, the following activities should be included in the promulgated procedure:

- Advance approval of purchases, including blanket approval for routine, low dollar purchases;
- Independent receiving and acceptance of goods and services;
- Independent review by an approving official of the cardholder's monthly statements and supporting documentation;

- Approving official reconciling the charges on the monthly statement with invoices and other supporting documentation and forwarding the reconciled statement to the designated disbursing office for payment as required by government-wide and DoD regulations; and
- Cardholders obtaining and retaining invoices that support their purchases and provide the basis for reconciling cardholder statements.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Reiterate records retention policy for purchase card transaction files and require that compliance with record retention policy be assessed during the program coordinator's annual review of each approving official.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Require the development and implementation of coordination and reporting procedures to help ensure that accountable property bought with the purchase card is brought under appropriate control.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Address key control environment issues in Army-wide standard operating procedures. At a minimum, the following key issues should be included in the procedure:

- Controls over the issuance and assessment of ongoing need for cards;

Existing recommendation: Department level guidance is included in recommendations CO-3 and CO-7.

- Cancellation of cards when a cardholder leaves the Army, is reassigned, or no longer has a valid need for the card;

Existing recommendation: Department level guidance is included in recommendation CO-3.

- Span of control of the approving official; and

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

- Appropriate cardholder spending limits.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Help ensure that program coordinators and approving officials have the needed authority, including grade level, to serve as the first line of defense against purchase card fraud, waste, and abuse by issuing a policy directive that specifically addresses their positions, roles, and job descriptions. Policies should also be established that hold these officials accountable for their purchase card program duties through performance expectations and evaluations.

GAO Recommendation: Assess the adequacy of human capital resources devoted to the purchase cards program, especially for oversight activities, at each management level, and provide needed resources.

Existing recommendation. Included in recommendation PC-11.

GAO Recommendation: Develop performance measures and goals to assess the adequacy of internal control activities and the oversight program.

Existing recommendation: Purchase card internal control management metrics will be developed by the purchase card program management office in conjunction with the purchase card data mining initiative (included in recommendation CO-4).

GAO Recommendation: Require reviews of existing cardholders and their monthly spending limits to help ensure that only those individuals with valid continuing purchasing requirements possess cards and that the monthly spending limits are appropriate for the expected purchasing activity. These reviews should result in canceling unneeded cards Army-wide and especially at Fort Hood where we found a significant problem.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Require additional prior documented justification and approval of those planned purchases that are "questionable" - that fall outside the normal procurements of the cardholder in terms of either dollar amount or type of purchase.

Existing recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Analyze the procurements for continuing requirements through micropurchases and require the use of appropriate contracting processes to help ensure that such purchases are acquired at best prices.

Existing Recommendation: Department level guidance is included in the Purchase Card Concept of Operations, Task Force Recommendation PC-1.

GAO Recommendation: Develop an Army-wide database on known fraud cases that can be used to identify potential deficiencies in existing internal control and to develop and implement additional control activities, if warranted or justified.

Existing recommendation: Included in recommendation CO-5.

GAO Recommendation: Develop and implement an Army-wide data mining, analysis, and investigation function to supplement other oversight activities. This function should include providing oversight results and alerts to major command and installations when warranted.

Existing recommendation: Included in recommendation CO-4.

The following recommendations from the GAO report have not yet been specifically addressed by other recommendations:

GAO Recommendation: Develop and implement procedures and checklists for approving officials to use in the monthly review of cardholders' transactions. These procedures and checklists should specify the type and extent of review that is expected and the required review documentation.

Action Required (New Recommendation PC-14): Procedures for approving officials are addressed in the Purchase Card Concept of Operations (see recommendation PC-1). The requirement to use

specific checklists in monthly reviews of cardholders' should be added to the procedures.

Responsibility: MID 904 requires the ODDP/AP to revise the Purchase Card Concept of Operations to include procedures and checklists within 90 days of the signing of the MID.

GAO Recommendation: Develop and implement a program oversight system for program coordinators that includes standard activities and analytical tools to be used in evaluating program results.

Action Required (New Recommendation PC-15): Agency Program Coordinator responsibilities are addressed in the Purchase Card Concept of Operations (see recommendation PC-1). A standard procedure for performing program oversight should be added to the concept of operations.

Responsibility: MID 904 requires the ODDP/AP to revise the Purchase Card Concept of Operations to include a standard procedure for performing program oversight within 90 days of the signing of the MID.

MID 904 Reporting Requirement

New Recommendation CO-11: MID 904 establishes a quarterly reporting requirement on status of each recommendation/initiative by the organizations assigned responsibility for completion of the actions detailed in this document. The monthly report will be provided to the Director for Performance and Management Excellence, Office of the Under Secretary of Defense (Comptroller) by the 30th day of each December, March, June, and September.