



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
ACQUISITION LOGISTICS AND TECHNOLOGY  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103



2 5 APR 2002

REPLY TO  
ATTENTION OF

SAAL-PI

MEMORANDUM FOR AGENCY PROGRAM COORDINATORS

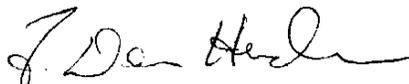
SUBJECT: Draft DoDIG Report: Controls over the DOD Purchase Card Program  
(D-2002-075), March 29, 2002

The above subject draft audit revealed several purchase card program internal controls as weak or non-existent. It is requested that you review your component's procedures and ensure that they adequately address the weaknesses identified by the DoDIG. Specifically:

- a. Cards are issued only to individuals with continuing, bona fide needs. The need to pre-establish accounts is no longer valid as the bank on-line system provides quick setups. Card and approving official accounts no longer needed shall be cancelled. Accounts used infrequently but valid shall have additional controls in place to protect the government from potential cardholder or outside fraudulent use. An acceptable control would include setting the monthly spending limit on the card account to \$1 until such time as the card is needed. Ad hoc queries should be performed on the bank's database at least every six months to identify accounts no longer needed (i.e., not used in 6 months).
- b. Account limits reflect actual need and available funding. Past spending on card accounts should be used as a basis for establishing single purchase and monthly spend limits. The limits may be further restricted by the amount of available funding. Monthly spending needs can be controlled at the billing account and/or the cardholder level. In setting limits, do not use \$0 for the single purchase limit as that is the value used for unlimited spending.
- c. Cards are blocked from use at inappropriate merchant types. Cards are currently blocked DoD-wide from use at merchants categorized in one of 20 merchant category codes. Card accounts should be further tailored to merchants the cardholder will typically use in support of the office mission. The card-issuing banks will assist in developing category groups for your application at the local level.

- d. Transaction decline reports should be monitored periodically thru the bank ad hoc reporting system. While declines show that authorization controls are working, you should be alert to unusually large numbers of declines by cardholders. Card declines may indicate cardholders are attempting to circumvent the internal controls.
- e. Convenience checks are not to exceed \$2,500. Program reviews (both agency program coordinator and heads of contracting) shall include an examination of convenience check transactions to ensure that program officials are complying with governing financial management and acquisition regulations. The program reviews should also include a "spot check" examination of convenience checks written to individuals to ensure that these transactions are legal, proper, and correct. While it may be entirely appropriate to write a convenience check to an individual such as a chapel organist or guest speaker who does not accept the purchase card, controls should be in place to ensure they are.

Program reviews at the installation and higher level should include independent confirmation that purchase card program officials are proactively addressing these weaknesses in their "day to day duties." Again, I stress that the Department's Senior Executives realize that the vast majority of card officials are doing an outstanding job. They also realize the critical importance of the program's continuation. Unfortunately, recent press reports have tended to focus on the few unscrupulous individuals that have taken advantage of the program's weaknesses. This erodes the public trust in our ability to manage the program. We must be diligent in our efforts to ensure that the program weaknesses are strengthened and that we are routinely using these controls to catch the few individuals misusing the trust we placed in them.



Bruce E Sullivan  
Director, Purchase Card Program  
Management Office

