

# NAVAL POSTGRADUATE SCHOOL Monterey, California



## THESIS

**AN ANALYSIS OF THE GOVERNMENT COMMERCIAL  
PURCHASE CARD WITHIN THE UNITED STATES  
MARINE CORPS**

by

George T. Carroll

December 2002

Thesis Advisor:  
Associate Advisor:

Marshall Engelbeck  
David V. Lamm

**Approved for public release; distribution is unlimited.**

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE December 2002	3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE: An Analysis of the Government Commercial Purchase Card within the United States Marine Corps			5. FUNDING NUMBERS	
6. AUTHOR(S) George T. Carroll				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words)  In this thesis, the researcher reviewed the Government Commercial Purchase Card program within the United States Marine Corps. The program was reviewed to identify areas where improvements could be made. Problems exist, but they do not appear to be with current procedures. Current issues facing the Marine Corps are (1) split purchases, (2) purchases against Navy Supply Command Instruction (NAVSUPINST) 4200.94, (3) purchases without a bonafide need, (4) purchases that exceeded the CH's limit, and (5) purchases for personal use. Recommendations have been made with the intent to improve the overall management of the purchase card program. The Government purchase card program is a sound and mature program, that with emphasis on internal control, misuse could be reduced while the amount of usage increases.				
14. SUBJECT TERMS Government Commercial Purchase Card, acquisition, contracting			15. NUMBER OF PAGES 107	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	

THIS PAGE INTENTIONALLY LEFT BLANK

**Approved for public release; distribution is unlimited.**

**AN ANALYSIS OF THE GOVERNMENT COMMERCIAL PURCHASE CARD  
WITHIN THE UNITED STATES MARINE CORPS**

George T. Carroll  
Captain, United States Marine Corps  
B.S., Tarleton State University, 1995

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN MANAGEMENT**

from the

**NAVAL POSTGRADUATE SCHOOL  
December 2002**

Author: George T. Carroll

Approved by: Marshall Engelbeck  
Thesis Advisor

David V. Lamm  
Associate Advisor

Douglas A. Brook, Ph.D.  
Dean, Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

## **ABSTRACT**

In this thesis, the researcher reviewed the Government Commercial Purchase Card program within the United States Marine Corps. The program was reviewed to identify areas where improvements could be made. Problems exist, but they do not appear to be with current procedures. Current issues facing the Marine Corps are (1) split purchases, (2) purchases against Navy Supply Command Instruction (NAVSUPINST) 4200.94, (3) purchases without a bonafide need, (4) purchases that exceeded the CH's limit, and (5) purchases for personal use. Recommendations have been made with the intent to improve the overall management of the purchase card program. The Government purchase card program is a sound and mature program, that with emphasis on internal control, misuse could be reduced while the amount of usage increases.

THIS PAGE INTENTIONALLY LEFT BLANK



# TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>A.</b>	<b>BACKGROUND.....</b>	<b>1</b>
<b>B.</b>	<b>PURPOSE .....</b>	<b>1</b>
<b>C.</b>	<b>RESEARCH QUESTIONS .....</b>	<b>2</b>
	<b>1. Primary Research Question .....</b>	<b>2</b>
	<b>2. Secondary Research Questions .....</b>	<b>2</b>
<b>D.</b>	<b>DEFINITIONS .....</b>	<b>2</b>
<b>E.</b>	<b>SCOPE AND LIMITATIONS .....</b>	<b>4</b>
<b>F.</b>	<b>METHODOLOGY OF THESIS.....</b>	<b>4</b>
<b>G.</b>	<b>ORGANIZATION OF STUDY.....</b>	<b>4</b>
<b>II.</b>	<b>BACKGROUND.....</b>	<b>7</b>
<b>A.</b>	<b>INTRODUCTION.....</b>	<b>7</b>
<b>B.</b>	<b>HISTORY OF GOVERNMENT PURCHASE CARD.....</b>	<b>7</b>
<b>C.</b>	<b>USES OF GOVERNMENT PURCHASE CARD .....</b>	<b>10</b>
	<b>1. Mandatory Uses of the Purchase Card .....</b>	<b>11</b>
	<b>2. Recommended Uses of the Purchase Card .....</b>	<b>11</b>
	<b>3. Categories the Purchase Card are not Allowed for Use .....</b>	<b>12</b>
	<b>4. Noteworthy Exceptions and Issues of Concern .....</b>	<b>12</b>
	<b>1. Split Requirements .....</b>	<b>12</b>
	<b>2. Written Documentation.....</b>	<b>13</b>
	<b>3. Cash Refunds.....</b>	<b>13</b>
	<b>4. Gift Checks, Rebates or Incentives .....</b>	<b>13</b>
	<b>5. Business Card Analysis.....</b>	<b>13</b>
<b>D.</b>	<b>SUMMARY.....</b>	<b>13</b>
<b>III.</b>	<b>PURCHASE CARD PROGRAM .....</b>	<b>15</b>
<b>A.</b>	<b>INTRODUCTION.....</b>	<b>15</b>
<b>B.</b>	<b>KEY PLAYERS WITHIN THE PURCHASE CARD PROGRAM.....</b>	<b>15</b>
	<b>1. Head of Activity.....</b>	<b>15</b>
	<b>2. Agency Program Coordinator.....</b>	<b>16</b>
	<b>3. Approving Official.....</b>	<b>17</b>
	<b>4. Reviewing Official .....</b>	<b>18</b>
	<b>5. Purchase Cardholder .....</b>	<b>18</b>
<b>C.</b>	<b>MARINE CORPS GOVERNMENT-WIDE PURCHASE CARD PROCEDURES .....</b>	<b>19</b>
	<b>1. Account Set-Up.....</b>	<b>20</b>
	<b>2. Making Purchases .....</b>	<b>22</b>
	<b>1. Supplies.....</b>	<b>23</b>
	<b>2. Services .....</b>	<b>23</b>
	<b>3. Account Reconciliation .....</b>	<b>25</b>
<b>D.</b>	<b>SUMMARY.....</b>	<b>33</b>

<b>IV. ANALYSIS .....</b>	<b>35</b>
<b>A. INTRODUCTION.....</b>	<b>35</b>
<b>B. CURRENT ISSUES IN THE MARINE CORPS .....</b>	<b>35</b>
<b>1. Split Purchases.....</b>	<b>36</b>
<b>2. Prohibited Items .....</b>	<b>38</b>
<b>3. Not Bonafide Need.....</b>	<b>39</b>
<b>4. Over The Cardholder’s Limit.....</b>	<b>40</b>
<b>5. Personal Use.....</b>	<b>42</b>
<b>C. SPAN OF CONTROL.....</b>	<b>43</b>
<b>D. PURCHASE CARD PROGRAM REVIEW.....</b>	<b>44</b>
<b>E. INTERNAL CONTROL.....</b>	<b>46</b>
<b>F. RULES AND REGULATIONS .....</b>	<b>48</b>
<b>G. DEBIT CARD.....</b>	<b>49</b>
<b>I. SUMMARY.....</b>	<b>53</b>
<b>V. CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>55</b>
<b>A. CONCLUSIONS.....</b>	<b>55</b>
<b>B. RECOMMENDATIONS .....</b>	<b>57</b>
<b>C. RESEARCH QUESTIONS .....</b>	<b>59</b>
<b>1. Primary Research Question .....</b>	<b>59</b>
<b>2. Subsidiary Research Questions.....</b>	<b>59</b>
<b>D. SUGGESTED FURTHER STUDIES.....</b>	<b>61</b>
<b>APPENDIX A. DEFINITIONS.....</b>	<b>63</b>
<b>APPENDIX B. ACRONYMS.....</b>	<b>69</b>
<b>APPENDIX C. EXCEPTIONS TO USE OF THE PURCHASE CARD .....</b>	<b>73</b>
<b>APPENDIX D. LIST OF PROHIBITED AND SPECIAL ATTENTION ITEMS RELATED TO PURCHASE CARD BUYS.....</b>	<b>75</b>
<b>APPENDIX E. DOD/DON STANDARD MCC CODE BLOCKS.....</b>	<b>85</b>
<b>LIST OF REFERENCES .....</b>	<b>87</b>
<b>INITIAL DISTRIBUTION LIST .....</b>	<b>91</b>

## LIST OF FIGURES

Figure 1.	Purchase Card Hierarchy Diagram [From REF 7].....	17
Figure 2.	Sample Purchase Card Log [From REF 12].....	19
Figure 3.	Establishing a Purchase Card Program [From REF 13].....	21
Figure 4.	Approving Official Account Set-up [From REF 13] .....	22
Figure 5.	Cardholder Account Set-up [From REF 13] .....	22
Figure 6.	Purchase Workflow [From REF 12] .....	25
Figure 7.	Cardholder Account Reconciliation [From REF 12] .....	27
Figure 8.	Approving Official Reconciliation and Certifying Officer Certification [From REF 13] .....	29
Figure 9.	Pay and Confirm Process [From REF 12].....	30
Figure 10.	Dispute Process [From REF 12].....	31
Figure 11.	EDI External Obligation Process [From REF 13].....	32
Figure 12.	EDI External Invoice Process [From REF 13].....	32
Figure 13.	EDI Internal Process [From REF 13].....	33
Figure 14.	Change in Number of Navy-wide Cardholders, October 2000 to March 2002 [From REF 25] .....	45

THIS PAGE INTENTIONALLY LEFT BLANK

## LIST OF TABLES

Table 1.	Marine Corps FY01 (Sep 00 - Aug 01) GPC Review Results [From REF 22].....	51
Table 2.	Marine Corps FY02 (Oct 01- Mar 02) GPC Review Results [From REF 22].....	52
Table 3.	Marine Corps FY02 (Apr - Nov 02) GPC Review Results [From REF 22] ...	52
Table 4.	Marine Corps FY02 (Apr - Nov 02) GPC Internal Control Review Results from [From REF 22] .....	53
Table 5.	Marine Corps GPC Misuse Totals .....	55

THIS PAGE INTENTIONALLY LEFT BLANK

## **ACKNOWLEDGMENTS**

I would like to make special acknowledgement to my wife, Diana. Without her, I could not have completed all that I was able to do during my time here.

THIS PAGE INTENTIONALLY LEFT BLANK



## **I. INTRODUCTION**

### **A. BACKGROUND**

Since the initial application of the credit card within the United States Marine Corps contracting force in 1989, the Government Purchase Card (GPC) has proven itself to be a very reliable tool for making quick and immediate purchases. By 1994, ten of the Marine Corps' major field activities had implemented the program as well as six Marine Corps Districts, plus the Marine Corps Forces Reserve have implemented utilization of the purchase card. The GPC has been restricted to only be used by base contracting personnel in some activities while in other activities individual tenant activities have been allowed to use the card.

Implementation of the Federal Acquisition Streamlining Act has placed more emphasis on allowing contracting officers to apply sound business judgment instead of blindly following detailed regulations and procedures. All across the Department of Defense (DOD) reform initiatives are being pushed to streamline the acquisition process.

Both the GPC and the travel card are items of interest to DOD for delinquency of payments as well as fraud and abuse. Regulations are continuously being presented and passed in hopes to reduce the fraud, abuse and delinquency relating to these credit cards. These problems have caught the attention of the General Accounting Office as well as the DOD Inspecting Generals office.

### **B. PURPOSE**

The purpose of this thesis is to identify and evaluate the complete process of the Government Commercial Purchase Card program within the United States Marine Corps and to propose recommendations to improve this process.

This research will map the process of the United States Marine Corps Government Commercial Card Purchase Card program. It will include outlining the responsibilities of the Head of Activity, Agency Program Coordinator, Approving Official, and the Card Holder. Once the process has been outlined, it will then be assessed so that recommendations can be made to improve any process and to determine any improvements in the efficiency of the GPC within the United States Marine Corps.

## **C. RESEARCH QUESTIONS**

Consistent with the background, the following questions have been proposed.

### **1. Primary Research Question**

How can management of the Government Commercial Purchase Card be improved within the United States Marine Corps?

### **2. Secondary Research Questions**

- What is the primary objective of the Government purchase card within the United States Marine Corps?
- What is the complete process of the Government purchase card as utilized within the United States Marine Corps?
- What are the issues/problems facing the United States Marine Corps with the purchase card?
- What actions need to be implemented in order to improve the Government purchase card program within the United States Marine Corps?

## **D. DEFINITIONS**

Certain key definitions are needed in order to properly identify and evaluate the purchase card program. A more thorough list of definitions is provided in appendix (A).

Accountable Official – DOD military members and civilian personnel, who are designated in writing and are not otherwise accountable under applicable law, who provided source information, data or service (such as a receiving official, a cardholder, and an automated information system administrator) to a certifying or disbursing officer in support of the payment process. They have pecuniary liability for erroneous payments resulting from their negligent actions. [REF 8]

Agency Program Coordinator (APC) – An individual designated by the ordering agency/organization to perform task order contract administration within the limits of delegated authority and to manage the card program for the agency/organization. This individual shall have overall responsibility for the card program(s) within their agency/organization, and may determine who participates in the card program(s). Multiple levels of program coordinators exist within different hierarchies or at different hierarchical levels within the program for each agency/organization. [REF 8]

Approving Official (AO) – The individual responsible for reviewing and verifying the monthly purchase card statements of the card accounts under his/her purview. [REF 8]

Cardholder (CH) – An individual designated by an agency to be issued a card. The card bears the individual's name and can be used by that individual to pay for official purchases in compliance with agency internal procedures. Also applies to convenience check account holders. [REF 8]

Government Purchase Card – The purchase card is the charge card account established with the issuing bank that enables properly authorized Government personnel to buy and pay for supplies and services in support of official Government business. [REF 8]

Head of Activity (HA) – For the purposes of this instruction, the HA is the military officer in command or the civilian executive in charge of the mission of a Department of Navy (DON) command or activity which has been granted contracting authority by the cognizant Head of Contracting Authority (HCA). The HA has overall responsibility for managing the delegation and use of this authority by personnel under his/her command. [REF 8]

Head of Contracting Authority (HCA) – The official at one of the 23 DON components listed at Defense Federal Acquisition Regulation (DFAR) 202.101 and Navy Acquisition Procedure Supplement (NAPS) 5202.101 (e.g. COMNAVSUPSYSCOM, COMNAVAIRSYSCOM, etc.) who has overall responsibility for managing contracting authority within his/her contracting chain of command. They are responsible for the delegation, re-delegation and use of contracting authority including use of the purchase card by DON commands, DON activities and DON personnel under his/her contracting cognizance. [REF 8]

Reviewing Official – An individual, appointed by the head of the activity (or their designees), which is responsible for pre and post payment reviews of payments certified by the certifying officer. The reviewing official shall not concurrently serve as an accountable, certifying or disbursing official. [REF 8]

## **E. SCOPE AND LIMITATIONS**

The scope will include: (1) a background review of the GPC within the United States Marine Corps, (2) process mapping of the current Marine Corps procedures regarding the GPC, and (3) a review of the current issues facing the Marine Corps with the GPC.

This thesis primarily looks at the purchase card use at the micro-purchase level. A detailed review of account set-up was not conducted even though account set-up is included within mapping the process. More emphasis was focused on making purchases with the purchase card and reconciliation, certification, and payment of account invoices/statements. Purchases with the convenience check or for services are not discussed for those procedures are similar in fashion. Actual payment of invoices/statements by the Defense Finance and Accounting Service (DFAS) was not reviewed for this thesis.

## **F. METHODOLOGY OF THESIS**

This thesis begins with an examination of the background of the Government Commercial Card within the United States Marine Corps. After reviewing the background, the process of current GPC use/management within the Marine Corps was mapped. A review of the most recent Marine Corps semi-annual program review was conducted to identify and examine current issues facing the Marine Corps with the GPC. The thesis concludes with a summary of key findings and recommendations for improving the program for the United States Marine Corps.

## **G. ORGANIZATION OF STUDY**

Following the thesis introduction in this chapter, Chapter II describes the history of the GPC and gives a brief description of the uses of the GPC as used within the Marine Corps.

Chapter III discusses the data gathered from literature research and the World Wide Web to form the program policies and practices currently utilized within the Marine Corps. The focus of this chapter maps the process of the GPC program within the Marine Corps.

Chapter IV analyzes the information from Chapter III, specifically the process of the GPC and identifies procedures within the program where improvements could be made.

Chapter V summarizes the conclusions made, provides recommendations for improvement, and identifies areas for future research.

THIS PAGE INTENTIONALLY LEFT BLANK

## **II. BACKGROUND**

### **A. INTRODUCTION**

The purchase card program was adopted by the DON to streamline procurement and payments for all requirements under the micro-purchase threshold (\$2,500 for supplies and services, \$2,000 for construction and \$25,000 for Outside Continental United States (OCONUS) under the appropriate conditions). It is designed to simplify the administrative burden associated with the traditional and emergent purchases of supply and services. The program is intended to provide DON civilian and military employees a streamlined method to make low-dollar value purchases and to provide an automated card management, reconciliation, and payment tool. [REF 8]

The procurement system, which previously had been layered in checks and balances and populated by contract specialists who prepared individual purchase orders for relatively low dollar supplies, has now become more efficient due to the purchase card program. Much of the procurement responsibility has been transferred to individual cardholders and approving officials. [REF 3] Use of the purchase card has also “dramatically reduced acquisition cycle time and the paperwork associated with making and paying for procurement actions, thus reducing (administrative) costs and improving timeliness”. [REF 7]

In streamlining the procurement system, the purchase card plays an important role in eliminating unneeded paperwork. On the flip side, purchase cards can be abused in the absence of internal controls and management attention. Such abuses have been cardholders making unauthorized purchases, not obtaining required approval prior to making purchases, splitting of one or more purchases, and embezzlement. [REF 9]

### **B. HISTORY OF GOVERNMENT PURCHASE CARD**

Prior to the purchase card, the Federal acquisition process expended large amounts of time and effort of large numbers of people working in a system governed by a myriad of rules and regulations. Due to the disclosure of several well-publicized accounts of fraud, waste, and abuse as well as other procurement-related scandals, President Reagan commissioned the Blue Ribbon Commission on Defense Management,

also referred to as the Packard Commission, to review the entire acquisition process of the DOD and conduct an analysis of DOD's management policies and procedures with the acquisition process. [REF 21]

On March 17, 1982, the Federal Government adopted the purchase card program concept when President Reagan signed Executive Order 12352, "Procurement Reform." [REF 14] The Executive Order addressed the requirement that procurements become more effective in supporting mission accomplishment. It also mandated that the heads of executive agencies in the business of buying goods and services from the private sector take steps to that end of supporting mission accomplishment. The program was established to primarily reduce administrative costs and other burdens imposed on the Federal Government procurement function and the private sector. To accomplish this meant eliminating unnecessary paperwork and regulations, reducing reporting requirements, and revamping solicitation provisions and contract clauses. To establish programs aimed to simplify small purchases was a challenge of this Executive Order; to include minimizing paperwork burdens imposed on the private sector and to establish administrative procedures to ensure contractors/vendors received timely payment, especially small businesses. [REF 14]

The first implementation of the purchase card within DOD was conducted at the National Oceanic and Atmospheric Administration (NOAA) in 1986. This trial run was to determine the feasibility and effectiveness of a Government Wide Commercial Credit Card Program. [REF 3]

The Rocky Mountain Bankcard System (RMBCS) was awarded the first contract to provide MasterCard services for this program. In the program's infancy, there were 24 actively participating organizational activities. [REF 21]

With the success of the pilot program at NOAA, the General Services Administration (GSA) was tasked by the Office of Management and Budget (OMB) to develop a credit card program for the entire Government. Again, RMBCS was chosen to provide the services, but the VISA card would be used instead of the MasterCard. In 1988 within the DOD four DON facilities were among the first to take part in a DOD test program to determine the feasibility of the program to military procurement. Among the



four DON facilities chosen, Marine Corps Base Camp Lejeune served as the test bed for the Marine Corps beginning in January 1989. [REF 21]

Since the adoption of the purchase card program in 1989, the program has expanded throughout Government activities. By 1996, the purchase card was found to be superior to traditional methods of procurement of goods and services by the General Accounting Office (GAO). Costs involved with mission support, labor, and payment processing costs were reduced by 50% due to the purchase card program, the result of end-user organizations being able to purchase directly from vendors versus going to contracting offices. [REF 20]

Not only had the end-user realized improvements and benefits from the purchase card, but contractors/vendors began realizing improvements and benefits as well. Some of the benefits to the contractors/vendors were verbal requests from Government representatives for goods and services, as well as instantaneous payments, alleviating the burden of submitting duplicate copies of invoices to DFAS, which sometimes took several months to be paid. [REF 14]

Former Vice President Gore's National Performance Review (NPR), in 1994, identified purchase cards as a major acquisition reform and recommended that all agencies increase the usage of purchase cards. [REF 4] Within the NPR, expansion of the use of the purchase card to purchase small dollar valued items and to allow the use of the purchase card outside the Government procurement office was recommended. This initiative alleviated paperwork required by the technical community by empowering those organizations to purchase small dollar valued items within their own cognizance. It also permitted Purchasing Agents and Contract Specialists within Acquisition Centers to dedicate more time and effort towards more important and larger dollar valued acquisitions. [REF 14]

The NPR also recommended that the Federal Acquisition Regulation (FAR) and its supplements be amended to encourage the use of the purchase card. [REF 14] The Federal Acquisition Streamlining Act (FASA), in 1994, created a "micro-purchase" category for goods and services valued under \$2,500 and reduced or eliminated many

restrictions on those purchases. [REF 20] In 1995 the FAR designated the purchase card to be the preferred method to pay for micro-purchases. [REF 9]

The contract for the purchase card program was competed again in February 1994 by General Services Administration (GSA). RMBCS again won the award. Included as a provision in the contract was the ability for agencies to establish control requirements before credit cards were issued as well as the ability for agencies to specify spending limits per user was also included. GSA also created operating procedures for the purchase card. A significant change was the elimination of agency administrative fees for the use of the purchase card and GSA imposed a requirement for RMBCS to offer agency refunds for credit card bills paid in a timely manner. [REF 14]

In a memo dated March 28, 1996, Honorable John J. Humre, former Under Secretary of Defense, recommended maximum use of the purchase card and the feasibility to utilize VISA checks that would be charged to the cardholder's account. The memorandum also eliminated the imprest funds except for authorized contingency operations and exceptional circumstances. [REF 14]

Then in November 1998 credit cards that were in existence since GSA began expired. GSA awarded five ten-year contracts to Citibank, Bank One, Mellon Bank, Bank of America, and U.S. Bank. This meant Federal agencies had the flexibility to choose a provider and a choice of credit cards (VISA or MasterCard) as the agencies purchase card, travel card, or fleet needs. This act no longer restricted Federal agencies to one particular provider, they were now able to mix or match the three services. [REF 14]

### **C. USES OF GOVERNMENT PURCHASE CARD**

The purchase card is to be used to make purchases for supplies and services for official Government business. [REF 8] The purchase card is intended to pay for authorized purchases of goods and services below the small purchase limit of \$2,500. [REF 14] Since the implementation of FASA, use of the purchase card has been expanded to its use for payments above \$2,500. Contracting Officers can also use the purchase card for purchases up to \$25,000 and as a way to streamline the closeout process on contracts up to the Simplified Acquisition Threshold (SAT) of \$100,000.

[REF 3] In support of contingency operations outside of the United States, if any contract is to be awarded and performed, as well as purchases, to include humanitarian or peacekeeping operations, the SAT is \$200,000. [REF 8]

Depending on the type of contracting vehicle used and with appropriate authority from the Head of the Contracting Activity, the purchase card can be used in conjunction with other contracting methods as a means of payment above the micro-purchase threshold up to \$9,999,900. [REF 8]

### **1. Mandatory Uses of the Purchase Card**

All purchases at or below the micro-purchase threshold will be bought and/or paid for utilizing the purchase card. The purchase card will be used for all purchases of supplies and services not exceeding \$2,500 and construction not exceeding \$2,000. With appropriate delegation of contracting authority, OCONUS purchase cardholders may use the purchase card for procurements not exceeding \$25,000. To the maximum extent practicable, micro-purchases are to be rotated among qualified suppliers by the cardholder. Additionally, the purchase card is to be used for training requirements using the DD 1556 (Certification of Training) and is valued at or below \$25,000. [REF 8]

### **2. Recommended Uses of the Purchase Card**

The purchase card may be used for other purchases as well. These other purchases can be in conjunction with other contracting methods above the micro-purchase threshold. These include:

- Requisitions/orders for DOD Printing at and below \$100,000; [REF 8]
- Purchase orders and Blanket Purchase Agreement (BPA) orders for commercial items valued at and below \$100,000 or up to \$5 million; [REF 8]
- Delivery orders from Federal Supply Schedules, as well as Basic Ordering Agreements and orders under Indefinite Delivery Type Contracts (IDTC) valued at or below \$9,999,900; [REF 8]
- Procurement of supplies from oral orders against Letters of Agreement between \$2,500 and \$25,000. [REF 8]

Appendix (C) contains a comprehensive list of items which are prohibited or that require special attention.

### **3. Categories the Purchase Card are not Allowed for Use**

Consistently, specific categories have been identified as not allowed for procurement with the purchase card. Specific prohibitions are provided below:

- Long-term rental or lease of land or buildings; [REF 8]
- Travel or travel related expenses (excluding conference rooms, meeting spaces and local transportation such as Metro fares, subway tokens, etc.);
- Cash advances; [REF 8]
- Sales, rental and lease of vehicles and classified requirements or other requirements that require written contract terms and conditions; [REF 8]
- Purchase of material, standard or non-standard, procured for installation in operational weapons systems, without written consent from the Integrated Material Manager; [REF 8]
- Weapon systems related parts including safety/safety of flight and configuration control. The purchase card must be used as the method of payment for orders issued via other contractual vehicles for micro-purchase requirements for weapons systems related parts. [REF 8]

Appendix (D) contains a comprehensive list of items which are prohibited or that require special attention.

### **4. Noteworthy Exceptions and Issues of Concern**

As with every program there are some exceptions that are considered noteworthy. Additionally, specific to the purchase card are some issues of concern that should be addressed.

#### ***1. Split Requirements***

Under no circumstance are cardholders to split requirements that exceed the micro-purchase threshold in an attempt to avoid competition requirements. Additionally, cardholders should not break down requirements to circumvent single purchase limits. [REF 8]

## ***2. Written Documentation***

Written determination from a Senior Executive Service (SES), flag, or general office is required prior to completing a purchasing where the card is not used to buy or pay for a micro-purchase. Delegation of this requirement may be pushed down to the senior local commander or directory. Written determination is to be included in the procurement file documentation to provide proof of the propriety of the transaction. [REF 8]

## ***3. Cash Refunds***

Under no circumstances is a cardholder to accept cash refunds for items being returned to the vendor. This includes cash refunds for items never received by the cardholder as well as damaged items. Credit to the purchase card account shall only be accepted. [REF 8]

## ***4. Gift Checks, Rebates or Incentives***

If a cardholder receives a gift check, vendor rebate, or other purchase incentives, under no circumstance shall the cardholder retain the items for possibility of retention for personal use. If received, the cardholder must turn these items over to the U.S. Treasury. [REF 8]

## ***5. Business Card Analysis***

Whenever a DOD/DON activity that utilizes Electronic Commerce or Electronic Data Interchange systems (EC/EDI) resulting in a more cost-effective payment process than the purchase card, each of those activities must develop a Business Card Analysis (BCA), as stated in Purchase Card Reengineering Memorandum #6, put out by the Deputy Secretary of Defense on 20 July 1998. The BCA is to compare the costs and benefits of the current system used by the activity versus the use of the purchase card as a method of payment. [REF 8]

## **D. SUMMARY**

The purchase card program has come a long way since its inception in 1989. It has streamlined much of the acquisition process, and improvements are continuously being made. One of the greatest benefits of the purchase card is that it has given the end user their own portion of contracting, allowing the procurement of goods to be more

responsive and satisfying the requirements quicker. Paperless acquisition is making great strides within DOD, and the purchase card is at the forefront.

### **III. PURCHASE CARD PROGRAM**

#### **A. INTRODUCTION**

This chapter will take a look at the purchase card program as it exists today, to include the roles and responsibilities of the key players within the program, the organization as it is set within the Marine Corps, and process mapping of the purchase card program. This involved reviewing the DON eBusiness Operations Office Instruction 4200.1 dated 19 Sep 2002, as well as the DON Purchase Card Program Desk Guides, available from DON eBusiness web site.

The chapter concludes with a detailed process flow model of the purchase card program. This aids the analysis in Chapter IV to identify any step within the program where improvements could be recommended.

#### **B. KEY PLAYERS WITHIN THE PURCHASE CARD PROGRAM**

Within the purchase card program there are five key players involved: the Head of Activity (HA), the “Agency” Program Coordinator (APC), Approving Officials (AO), Reviewing Officials (RO), and Purchase Cardholders (CH). Each of these individuals is personally accountable for the strict adherence to the program’s policies and procedures. [REF 8] Figure 1 shows the hierarchy of the key players.

##### **1. Head of Activity**

The HA can be a military officer or a civilian executive in charge who is granted contracting authority by the Head of Contracting Activity (HCA) and is responsible for managing that authority. The HA determines if the purchase card is capable of supporting the organization’s mission, and if so, then the HA must request from the HCA authority to establish his/her local purchase card program. [REF 13]

The HA is responsible for establishing effective internal management controls to aid in ensuring appropriate management, operation, and oversight of the local purchase card program, to include ensuring the program is being executed in accordance with DOD and DON guidance. [REF 8]

The HA is also responsible for ensuring appropriate resources are allocated to the local program. This includes ensuring Commands have the minimum number of program

personnel, APCs, AOs, and purchase card accounts appointed to meet mission requirements. The HA must also ensure that all program personnel, APCs, AOs, and CHs are properly appointed and trained. [REF 8]

The HA must also establish policies and procedures applicable to the local program identifying informal and formal disciplinary action to be taken against APCs, AOs, and CHs for noncompliance, fraud, misuse and/or abuse. The severity and frequency of infractions can determine the range of disciplinary actions; which can be from informal actions, such as written or verbal counseling detailing the concern and directing corrective action and the requirement for greater oversight, to account suspension or cancellation, to official letters of reprimand, to demotion, removal or possible criminal prosecution. The HA is also responsible for establishing and maintaining a command climate control to prevent requiring or requesting personnel from exercising undue influence over the actions of a CH. [REF 8]

## **2. Agency Program Coordinator**

The APC, appointed by the HA, is responsible for establishing and executing the local purchase card program in accordance with DOD and DON policies and procedures. The responsibility of ensuring program personnel are properly appointed, trained and are capable of performing their respective duties is delegated to the APC from the HA, this includes ensuring that only personnel who require purchase cards for mission requirements are issued purchase cards. The APC also ensures that AO and CH profiles are appropriate for local mission requirements. [REF 8]

To ensure account profile information is current and accurate, the APC should perform regularly scheduled maintenance, which must not be less than that quarterly, on command AO and CH accounts. The APC examines for frequency of use and ensures that AO/card account span of control remains within a ratio of seven CHs to one AO. Whenever local reviews reveal non-compliance, misuse and/or abuse, the APC is to take appropriate action. To aid the APC in monitoring the program, reports are available through the ad-hoc reporting tool within the bank system. A detailed description of the ad-hoc reporting tools options can be obtained from the Purchase Card Desk Guide. [REF 8]



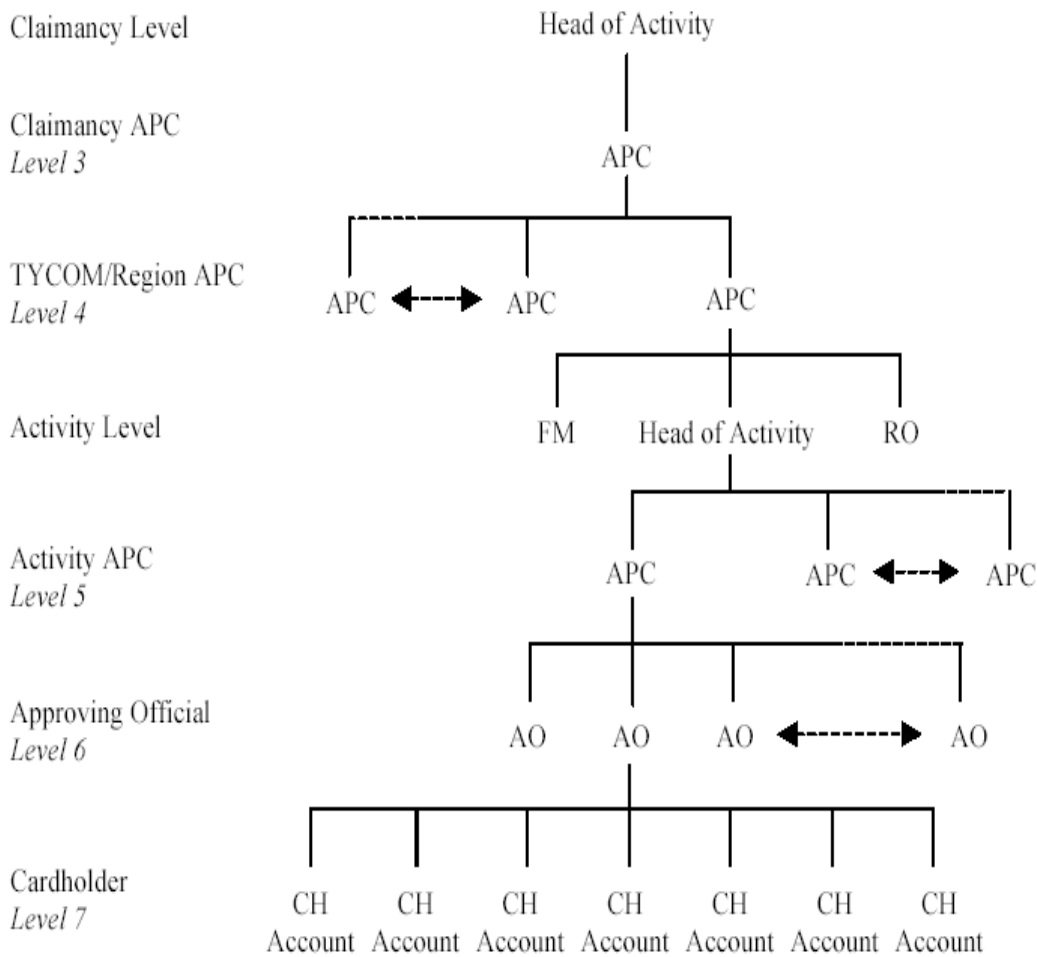


Figure 1. Purchase Card Hierarchy Diagram [From REF 7]

### 3. Approving Official

The AO is responsible for ensuring all purchases accomplished by the CHs within his/her cognizance are appropriate and the charges are accurate. According to the DON eBusiness Operations Office Instruction (EBUSOPSOFFINST) 4200.1, the AO is synonymous with Certifying Official. The AO, as the Certifying Official, verifies supporting transaction documentation on all card accounts prior to certifying monthly invoices. Prior to certification, the AO is to ensure proper receipt, acceptance, and inspection is accomplished on all items being certified for payment. Certification of monthly invoices normally occurs in 5 days. [REF 8]

In the event of suspected unauthorized purchases, i.e. purchases that would indicate non-compliance, fraud, misuse and/or abuse, the AO is to notify the Commanding Officer and APC. [REF8]

#### **4. Reviewing Official**

The RO is not a mandatory position, but a recommended one. The RO is appointed by the HA, or designee, and is responsible for pre- and post-payment reviews of payments that are certified by the AO or the disbursing officer. The RO cannot serve concurrently as an accountable, certifying or disbursing official, or APC. [REF 8]

The RO is to perform monthly pre- and post-certified payment audits using stratified statistical random sampling. The RO is to make initial determination of questionable certifications, maintain files of all inquiries, and track all inquiries to ensure they are resolved within 30 calendar days. If the RO determines questionable legality, propriety or correctness, the RO must refer these to the APC and HA. [REF 8]

The RO must also forward copies of final reports with findings to the HA, DON eBusiness Operations Office and ASN (Financial Management and Comptroller) in accordance with the Financial Management Regulation, Volume 5, Chapter 13. [REF 8]

#### **5. Purchase Cardholder**

The CH is to ensure proper and adequate funding is available prior to conducting any purchase and ensure only mission essential requirements at fair and reasonable prices from responsible suppliers are purchased. The CH screens all requirements for availability from mandatory Government sources of supply. To aid in this, the CH maintains either a manual or automated log that documents individual transactions and the screening of mandatory sources of supply. The purchase card log and all supporting documentation are to provide an audit trail supporting the decision to use the purchase card and if any required special approvals were obtained. [REF 8] The purchase card log and supporting documentation is to provide the following information:

- Date the item or service was ordered
- The merchant name.
- The dollar amount of the transaction.
- A description of the item or service ordered.

- Date of receipt.
- Name of individual receiving item or service.
- Paid but not received (pay and confirm)
- Credit received?
- Disputed? [REF 8]

Figure 2 is an example of a purchase card log.

Purchase Card Log				
Date	Vendor	Desc	Amount	Rcvd
Sample				

Figure 2. Sample Purchase Card Log [From REF 12]

The CH reviews monthly purchase card statements to ensure all charges are proper and accurate; then forwards the monthly statement, with appropriate supporting documentation (i.e., sales slips, documentation of receipt and acceptance, purchase log, etc.), to the AO in a timely manner to maximize rebates and minimize prompt payment penalties. The CH must also follow appropriate procedures for ‘pay and confirm’ and/or “disputes.” A thorough description can be found in the Purchase Card Desk Guide. [REF 8]

**C. MARINE CORPS GOVERNMENT-WIDE PURCHASE CARD PROCEDURES**

Within the Marine Corps, a major purpose of the purchase card program is to simplify the acquisition process of micro-purchases. Empowerment of operational

personnel as cardholders to purchase supplies and services below \$2,500 with the purchase card has allowed contract offices and other procurement personnel to devote more time towards complex acquisitions and responsibilities. There are three basic steps within the DON and the Marine Corps with the purchase card program: 1) account set-up, 2) making micro-purchases with the purchase card, and 3) reconciling, certifying, and paying purchase card invoices/statements. [REF 2]

### **1. Account Set-Up**

Establishment of a purchase card program within an organization begins when the HA, also referred to as the Commanding Officer (CO), determines that a purchase card program is required to support the mission of the organization. Once the organization decides that a purchase card program is required, the HA requests authority from the HCA to establish a program. Once the HA receives approval from the HCA, the HA should then appoint ROs to perform pre- and post-certification reviews of certified invoices within the program. The HA also appoints an APC who will be responsible for the activity's management of the program. [REF 13]

The APC is required to complete specific training to become familiar with all guidance governing the organization's program; at a minimum this guidance is the FAR, DFAR, and the DON EBUSOPSOFFINST. The APC is then responsible for developing the activity's local policy and procedures (Internal Operating Procedure) that are mission specific. [REF 13]

To create a hierarchy level for the activity, the APC coordinates with Citibank under existing contracts and task orders. Specific details vary depending on the automated system utilized by the agency. Once Citibank has established the reporting hierarchy, the APC can begin the AO account set-up. [REF 13] Figure 3 maps this process for establishing a purchase card program.

Before a purchase card may be issued to any CHs, an AO must be designated and have an open account. The AO must be nominated in writing by the HA to perform AO roles and functions, this nomination is forwarded to the APC. AOs may be either military or civilian. [REF 13]

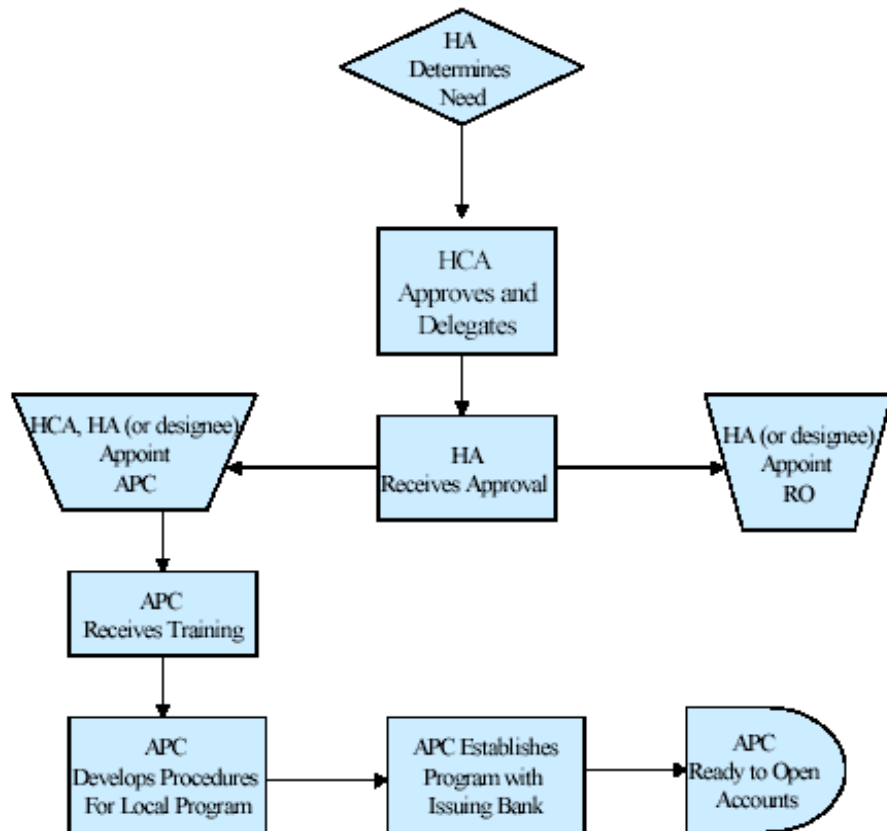


Figure 3. Establishing a Purchase Card Program [From REF 13]

Once the APC accepts the nomination of the AO, the APC must schedule training for the AO. After the AO receives the required training, the APC must obtain necessary information to open an account with Citibank. The necessary information includes demographic and financial information. Once the account is open, the APC provides the AO with a Letter of Delegation. [REF 13] Figure 4 maps the AO account set-up.

To establish a CH account, an individual must be designated as the responsible account holder. The CH is nominated in writing by their supervisor to the APC. After the nomination has been accepted for the CH, the APC schedules the CH for appropriate training. Once the CH has completed the training, the APC gathers all appropriate information to establish the CH's account. The information includes demographics, funding information, and the AO that will be responsible for oversight and review. At this time an individual is identified who will be responsible for certification and payment of the CH's account; the AO usually serves as the Certifying Official. Finally, the CH is

provided a Letter of Delegation from the APC and the APC opens the account with Citibank. [REF 12] Figure 5 maps the process of CH account set-up.

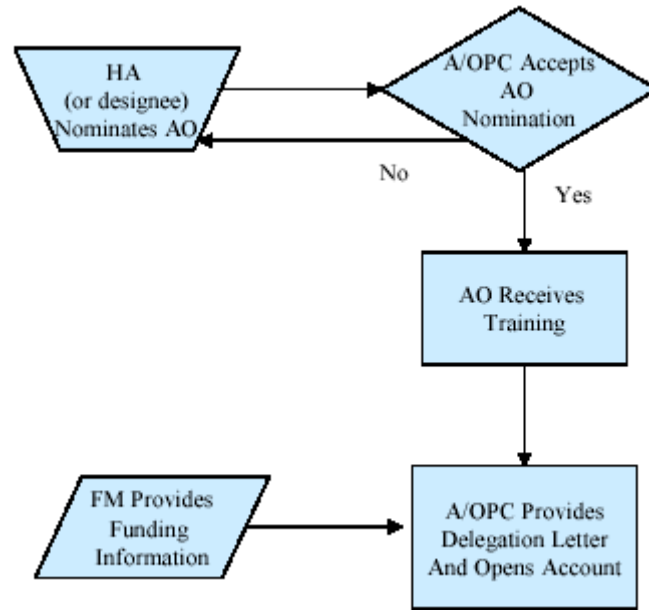


Figure 4. Approving Official Account Set-up [From REF 13]

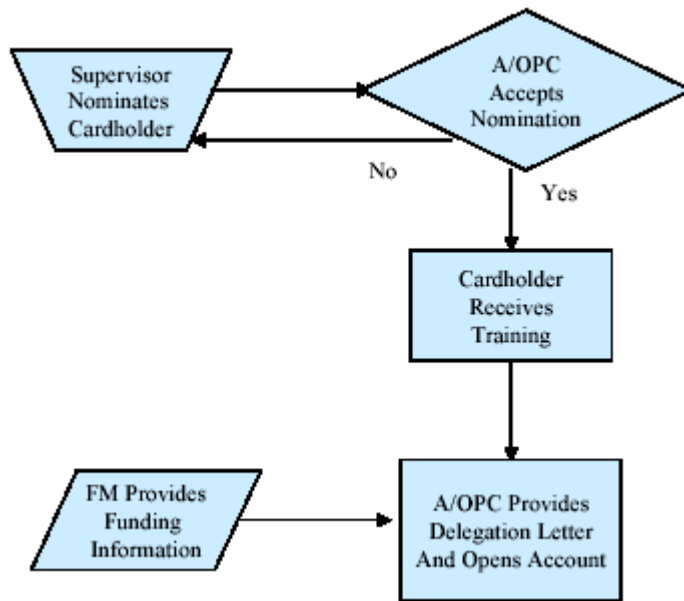


Figure 5. Cardholder Account Set-up [From REF 13]

## 2. Making Purchases

When an agency identifies a mission requirement exists, the requirement is forwarded to the procuring unit within the agency, for the Marine Corps this is usually

the supply section. Once the requirement has been identified, the CH ensures that the requested item(s) is not currently available from any of the required sources of supply as mandated by regulations and rules governing use of purchase cards. [REF 12] Per FAR part 8.001(a), agencies are to satisfy their requirements for supplies and services from or through the sources and publications listed below in descending order:

***1. Supplies***

- Agency inventories;
- Excess from other agencies;
- Federal Prison Industries, Inc.;
- Products available from the Committee for Purchase From People Who Are Blind or Severely Disabled;
- Wholesale supply sources, such as stock programs of the GSA, the Defense Logistics Agency, the Department of Veterans Affairs, and military inventory control points;
- Mandatory Federal Supply Schedules;
- Optional use Federal Supply Schedules; and
- Commercial sources (including educational and nonprofit institutions). [REF 15]

***2. Services***

- Services available from the Committee for Purchase From People Who Are Blind or Severely Disabled;
- Mandatory Federal Supply Schedules;
- Optional use Federal Supply Schedules; and
- Federal Prison Industries, Inc., or commercial sources (including educational and nonprofit institutions). [REF 15]

Some local governing instructions may exist designating preferred sources of supply, such as Indefinite Delivery, Indefinite Quantity (IDIQ) type contracts or any existing BPAs. The requested item(s) should not be prohibited by law or regulation or require special approvals. As with any regulations, there are exceptions to the rule. A CH

should select the most appropriate source of supply without circumventing the FAR. [REF 12]

If the item(s) requested is not available through any of the required sources of supply, the CH is allowed to purchase the item(s) on the open market. The CH determines if he/she is authorized to make the purchase based upon the dollar value of the item(s) requested, in total, compared to the authority granted to the CH by the delegation letter. If the aggregate dollar value of the item(s) requested is above the CH's authority, the requirement is forwarded to the local contracting office for processing. [REF 12]

Before making the purchase, the CH should make every attempt at ensuring rotation of the qualified vendor base. Additionally, the DON publishes a list of specific types of products and/or services from vendors that CHs are prohibited from buying. Categories, referred to as Merchant Category Codes (MCC), are automatically configured into the CH's purchase card before being issued. [REF 12] See appendix (E) for a complete list of blocked MCCs.

The CH is not able to make the purchase just yet; he/she must ensure that funding is available to cover the purchase. If funding is not available or if the item(s) are prohibited the CH is to notify the requestor of the situation. At this point, hopefully the requestor does not persist that the CH proceed with the purchase; if the requestor does persist then the CH should report the incident to the AO, APC, and/or Financial Manager (FM). If special approval is required then the CH must obtain the approval before placing an order or making the purchase. [REF 12]

Another caution to be aware of when using the purchase card is the concept of split purchases. CHs splitting a purchase in the attempt to keep the purchase(s) underneath the micro-purchase threshold, to not exceed the assigned single purchase limit, or to keep from sending the requirement to the contracting office is not allowed under any circumstances. [REF 12]

After the CH makes the purchase, an entry in the purchase log must be made. Once the item(s) is received, the CH makes a record of receipt in the purchase log in accordance with local procedures. [REF 12]



If the item(s) is considered accountable property, in accordance with Accountable Property instructions for the organization, it must be reported to the Property Book Officer to be logged and processed accordingly. A property book is normally a formal property management or accounting system for non-expendable property. Accountable property usually consists of property that is purchased, leased (such as capital leases), or otherwise obtained and having a unit acquisition cost of more than \$4,999.99. Accountable property can also include sensitive items or those items that require a high degree of protection and control due to statutory requirements or regulations. [REF 12] Figure 6 maps the purchase workflow.

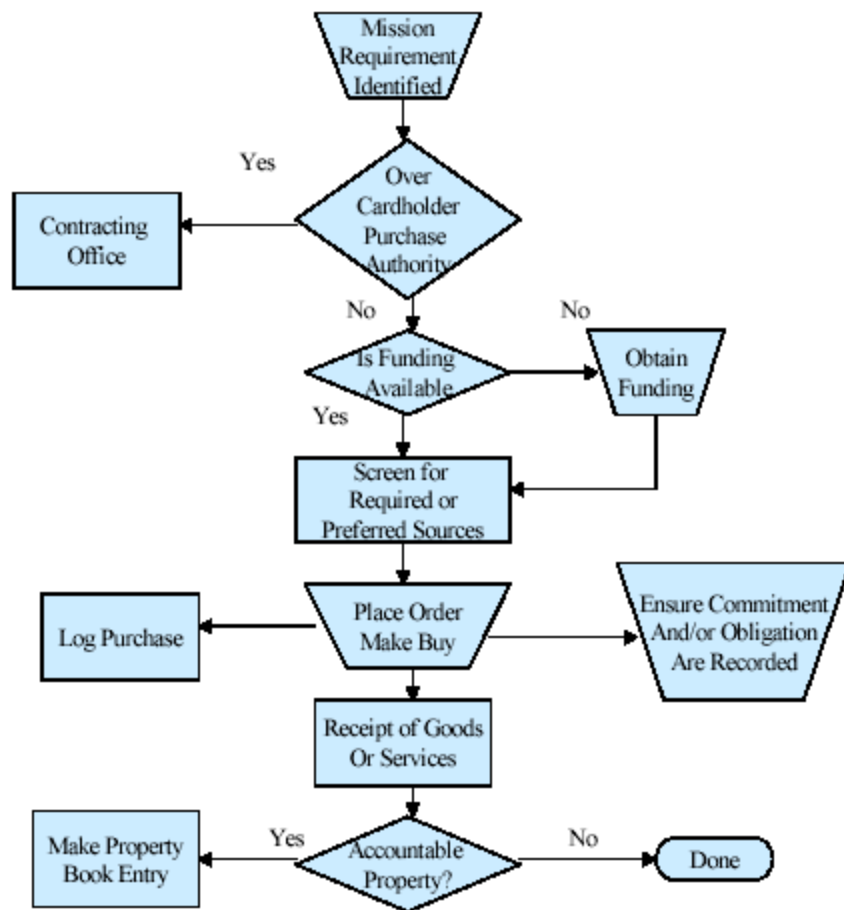


Figure 6. Purchase Workflow [From REF 12]

### 3. Account Reconciliation

At the end of each billing cycle, each CH receives his/her purchase card statement. Each CH is responsible for reconciling his/her purchase card statement for

accuracy. The first step for the CH is to review each transaction listed to match it to the entries made in the purchase card log for validation. If the CH determines a listed transaction is invalid, a dispute with Citibank must be initiated immediately. If a listed transaction differs from a purchase card log entry, the CH must contact the vendor to discuss and resolve the issue. If the issue is not resolved in 30 days then the CH must file a dispute. The dispute process will be discussed shortly. [REF 13]

If the transactions listed are valid, they must be approved. If the goods and/or services have not been received, the CH must still approve the transaction for payment. The CH should then closely track the goods and/or services to ensure the item(s) has been received by the next billing statement. [REF 13]

Once all the transactions have been reconciled, whether approved or disputed, the CH must acknowledge the validity of the transactions with either personal signature or electronic acceptance. Upon acceptance by the CH, the CH approves the statement then forwards to the AO for the AOs second level review and approval. [REF 13] Figure 7 maps the process for CH account reconciliation.

The AO approves all transactions for his/her assigned CHs. Critical for management controls of the purchase card, it is highly recommended that the AO be the CH's supervisor and/or co-located. [REF 13]

The AO must ensure that all CH transactions are legal, proper, and correct in accordance with governing rules and regulations. A list of the governing rules and regulations can be found in EBUSOPOFFINST 4200.1. If questionable transactions are discovered, the AO must meet with the CH to review supporting documentation and possibly consult with the FM. If the transactions are deemed legal, proper, and correct, the AO approves the statement. If transactions are not legal, proper, and correct, the liability associated with the transactions must be determined.

If any transactions are determined to be invalid or an improper purchase, the AO must contact the CH to resolve the issue. The CH should contact the vendor so that the item(s) can be returned and a credit received. Cash should never be received for a return. A dispute may need to be filed by the CH to receive credit. If negligence was involved by the CH, then appropriate administrative or disciplinary action is to be taken in

accordance with DOD disciplinary policies for purchase card misuse and abuse or the organization’s governing personnel policies and procedures. Military members are subject to the Uniform Code of Military Justice as well. [REF 13]

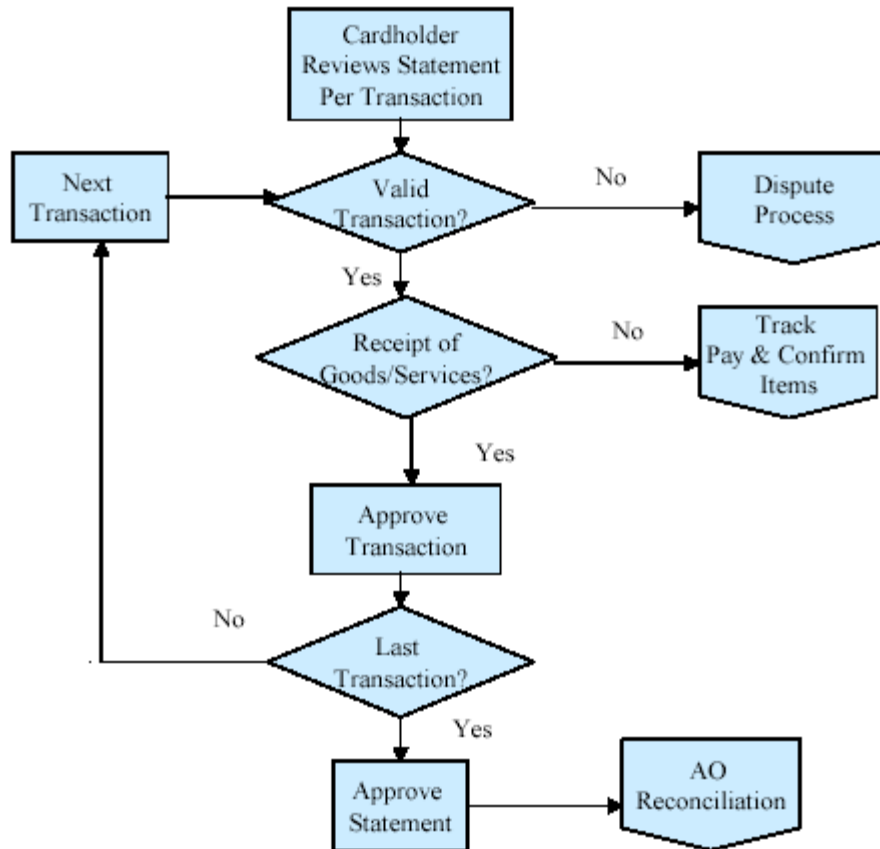


Figure 7. Cardholder Account Reconciliation [From REF 12]

If any transactions in question were processed in accordance with established controls set by the organization but found to be inappropriate, the Government is obligated to make payment to the bank as Citibank has fulfilled its responsibilities under the purchase card contract. The Government must then seek restitution from the responsible employee(s) involved for any losses incurred as a result of their improper purchases. [REF 13]

Based on their duty assignments, CHs and AOs are accountable and responsible officials. [REF 13] The AO is normally appointed as the Certifying Officer; and if so then pecuniary liability for an illegal, improper, or incorrect payment is automatically

assigned. As the Certifying Officer, the AO must certify the statement, acknowledging approval of all transactions as legal, proper, and correct, and then forwards the statement to the appropriate payment office. If the AO is not appointed as a Certifying Officer, then the statement must be forwarded to whoever is appointed as the Certifying Officer to be certified before processing for payment. [REF 13]

If the statement is electronically certified (by the AO), then the payment process will be in accordance with Electronic Data Interchange (EDI) External and Internal Processes, which will be briefly explained and included as part of the whole purchase card process. [REF 13]

The AO is also responsible for ensuring their CH accounts are kept current. If a delinquency notice is received at anytime from Citibank, the AO must take actions to resolve the issue. Assistance can be obtained from the APC and/or payment office. [REF 13] Figure 8 shows the AO reconciliation and Certifying Officer certification process.

If the vendor has shipped the item(s) but the organization has not received them, a pay and confirm process is conducted which allows Citibank to be paid. As previously stated, the CH is to monitor the receipt of approved purchases for goods or services which have not been received to ensure delivery. The CH should communicate with the vendor to determine delivery status. If the next billing cycle has dropped before the organization receives the goods and/or services, the CH must file a dispute. [REF 12] Figure 9 shows the Pay and Confirm Process.

Whenever a CH is unable to resolve any issue with a vendor, CHs have the right and responsibility to process a dispute. If a dispute is required and the CH has been unable to resolve the issue with a vendor, even though the dispute is not with Citibank the CH is to initiate a dispute with Citibank in accordance with Citibank's procedures. There are times when Citibank may request additional information to properly adjudicate the dispute, if so then the CH is obligated to provide the additional information. If the CH fails to comply with the request, the CH, and therefore the Government, loses the right to dispute. [REF 12]

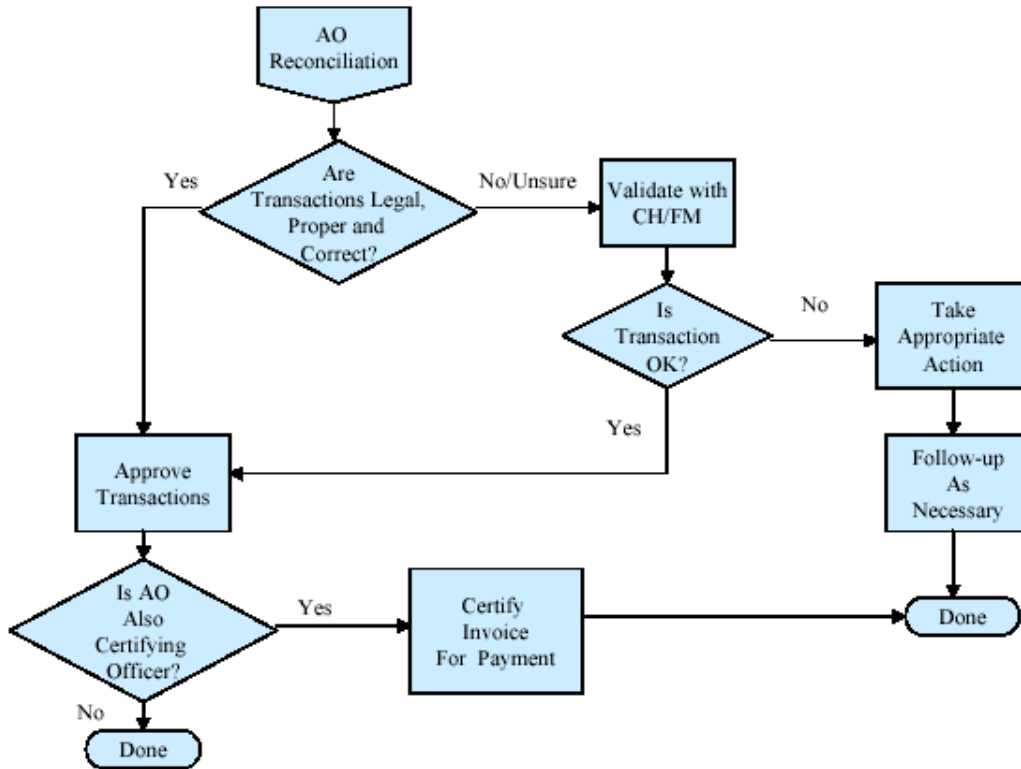


Figure 8. Approving Official Reconciliation and Certifying Officer Certification [From REF 13]

If Citibank accepts the dispute, the bank will provide a provisional credit to the CH’s account. No further action is required if the dispute is resolved in favor of the CH. However, if the dispute is found in favor of the merchant then the CH will be re-billed for the transaction. If the CH is re-billed, the transaction must be approved for payment through the AO. [REF 12] Figure 10 maps the Dispute Process.

For the GPC EDI, this process occurs both internally and externally to the Government. EDI is the mechanism utilized to communicate fund obligations and certify invoices between DON and Citibank. Before the purchase card can be used, funds must be obligated within the appropriate DON accounting system. [REF 13] The appropriate accounting system for the Marine Corps is the Standard Accounting, Budget, and Reporting System (SABRS). [REF 27]

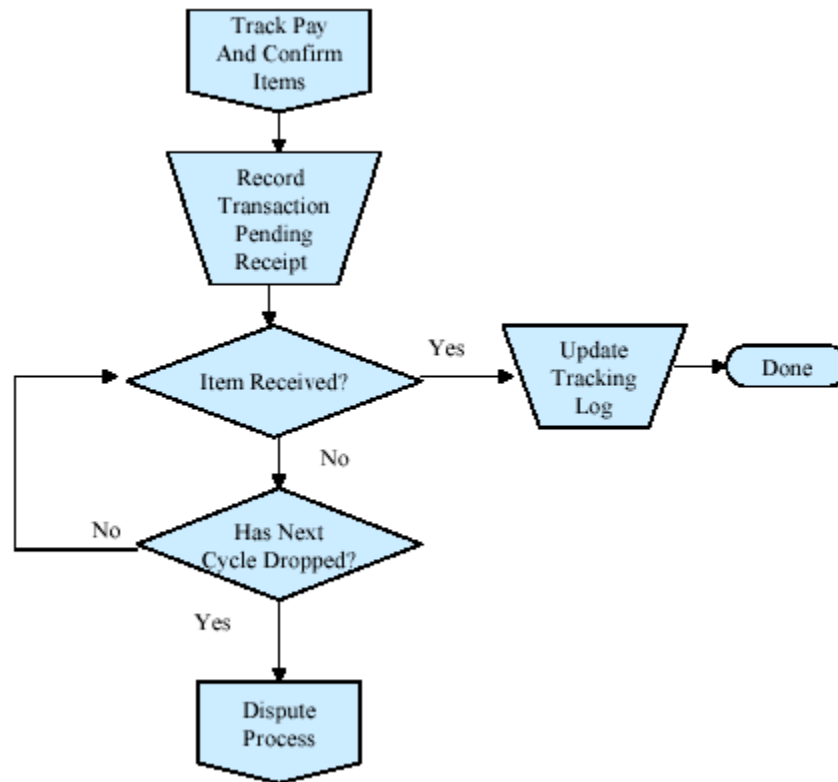


Figure 9. Pay and Confirm Process [From REF 12]

Citibank will generate an obligation record for transmission to SABRS based on business rules established within EDI Concept of Operations, called an “821” type record. When the file is created, it is transmitted from Citibank to the Government via the Defense Electronic Business Exchange (DEBX) network. This network receives the transactions and translates the EDI record to a format that is processed by SABRS. The translation results in a User Defined File (UDF) that is then transmitted to and processed by SABRS. [REF 13]

EDI records are validated in the translation process. If a file cannot be translated due to invalid data or if some of the required data is missing, processing requirements are not met and the DEBX will request for retransmission of the file. If the file is processed in accordance with specifications, DEBX will generate a “997” type acknowledgement and send it back to Citibank. A “997” type record informs the Citibank that the file was accepted by SABRS. [REF 13] Figure 11 shows the EDI External Obligation Process.

A second EDI process is the external invoice process. This process is conducted similar to the external obligation process. Citibank will generate an “810R” type record, which is triggered by the certification of the official invoice presented by Citibank. When an “810R” type file is generated, Citibank transmits it to the Government via DEBX. DEBX receives the EDI transaction and then translates the record into a format to be processed by SABRS. Just as the previous process stated, this translation results in an UDF that is transmitted to SABRS. [REF 13]

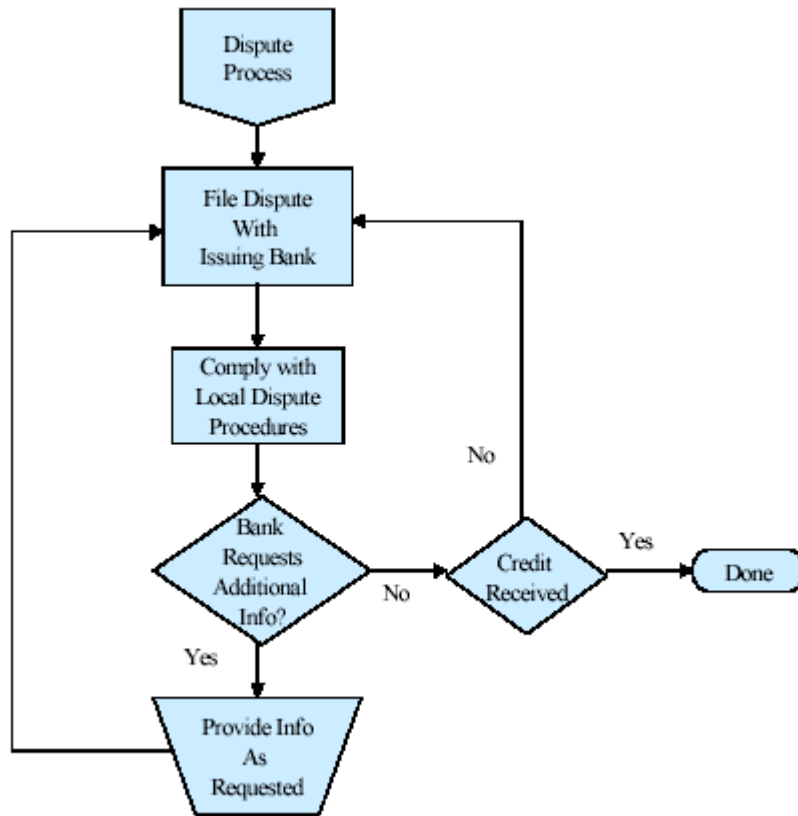


Figure 10. Dispute Process [From REF 12]

EDI records are validated in the translation process. If a file cannot be translated due to invalid data or if some of the required data is missing, processing requirements are not met and the DEBX will request for retransmission of the file. If the file is processed in accordance with specifications, DEBX will generate a “997” type acknowledgement and send it back to Citibank. A “997” type record informs the Citibank that the file was accepted by SABRS. [REF 13] Figure 12 shows the EDI External Invoice Process.

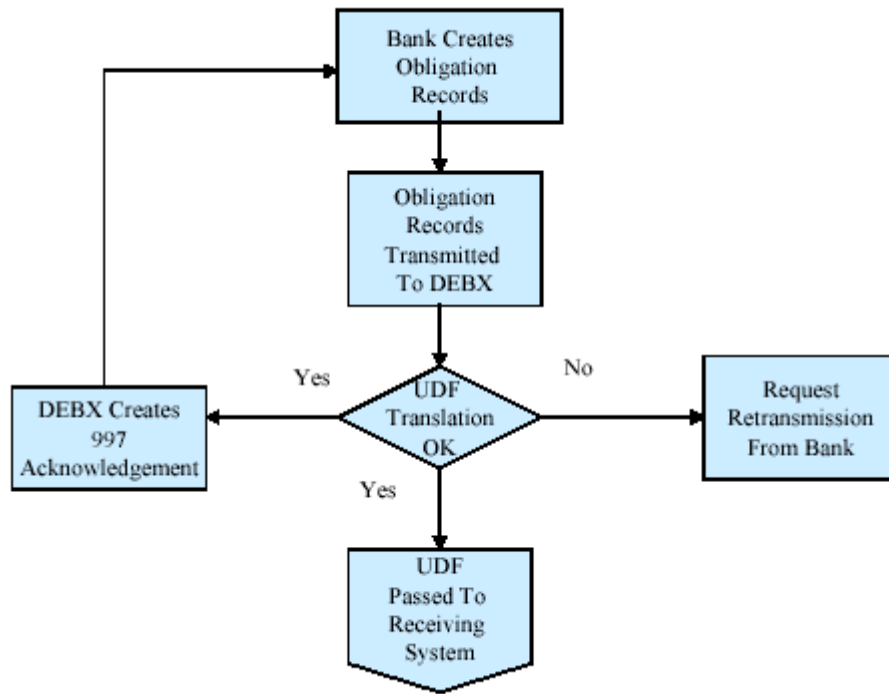


Figure 11. EDI External Obligation Process [From REF 13]

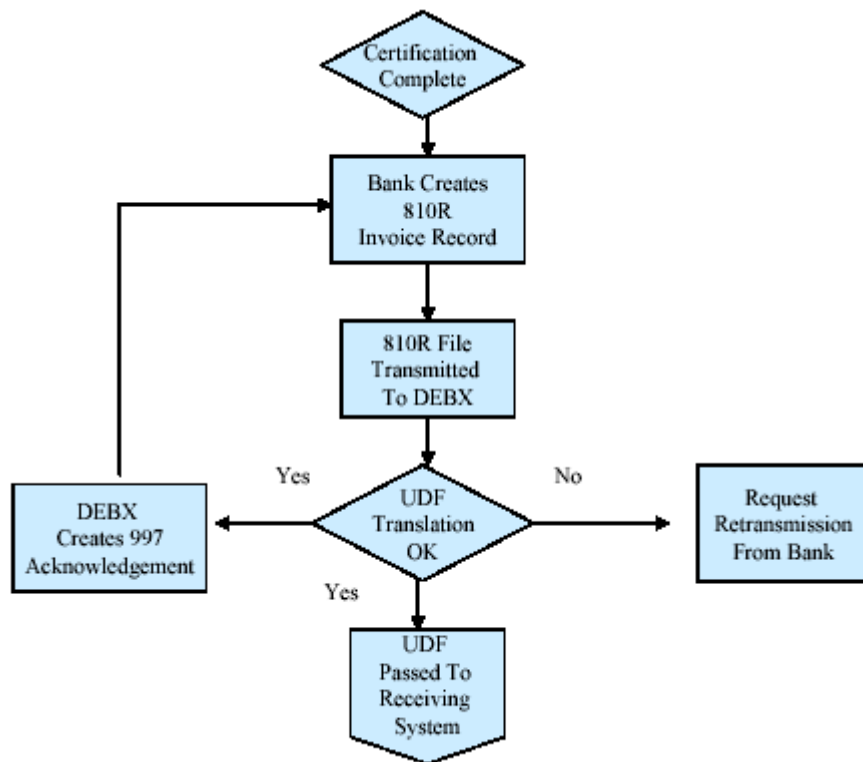


Figure 12. EDI External Invoice Process [From REF 13]



The final process is SABRS processing the file. Whether the file is an obligation or an invoice file, after it has been transmitted from Citibank to DEBX and the “997” type record has been transmitted to the Citibank, the Government has accepted responsibility for processing the file. Creation of the UDF facilitates the processing of the record within SABRS. After the UDF is generated, it is transmitted from DEBX to SABRS either directly or through an intermediary source for processing. SABRS then accepts the UDF for processing without modification and is processed as any other accounting and invoice record. [REF 13] Figure 13 is the EDI Internal Process.

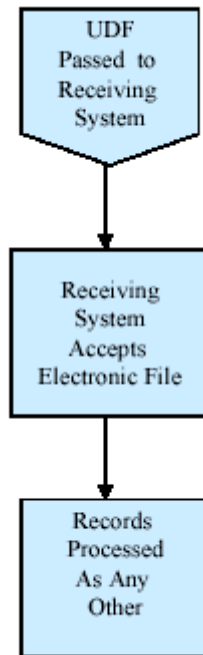


Figure 13. EDI Internal Process [From REF 13]

#### **D. SUMMARY**

This chapter presented an overview of the Government-wide Purchase Card Program within the United States Marine Corps. It has reviewed the responsibilities of the key players within the purchase card scheme as well as mapped out the process of the purchase card from account set-up to account reconciliation and payments. Even though the evolution of the program’s processes was not discussed, the program has become

more and more sophisticated over the years. The Internet is bringing on-line management available through Citibank as well as a step closer to a paperless system.

More specific details of roles and responsibilities of key players and detailed explanations of specific procedures within the program are available within the DON eBusiness Desk Guides. Chapter IV will analyze the program and identify procedures within the program where improvements could be made.

## IV. ANALYSIS

### A. INTRODUCTION

This chapter provides an analysis of the information presented in Chapter III, as well as additional information obtained from Headquarters, United States Marine Corps (HQMC). The first section analyzes certain issues with the literature review conducted of the purchase card rules and regulations.

### B. CURRENT ISSUES IN THE MARINE CORPS

The Marine Corps performs semi-annual purchase card program reviews per EBUSOPSOFFINST 4200.1. [REF 8] While conducting research for this thesis, the Marine Corps had completed a semi-annual review from April to September 2002. The results of that program review, along with the results of the program review for Fiscal Year (FY) 2001 and the results of the program review from October 2001, to May 2002 were looked at to conduct a trend analysis.

Requirements for the semi-annual reviews were to conduct a 100 percent review of all transactions during the reporting periods. The Level 5 APC, located at each contracting command within the Marine Corps, conducted the reviews. There were 22 contracting offices that participated in the review. The reviews of transactions were conducted by exporting reports utilizing Citibank Ad Hoc transaction reports. [REF 8]

During FY01, from September to August, 387,623 purchase card transactions were conducted and reviewed during the FY01 review. During FY02, from September 2001 to March 2002 189,831 purchase card transactions were conducted and reviewed; from April to September 2002, 204,764 purchase card transactions were conducted and reviewed during the semi-annual review, for a total of 394,595 purchase card transactions during FY02. [REF 22]

The categories for identifying transactions during the review, referred to as questionable transactions, were, (1) split purchases, (2) purchases against Navy Supply Command Instruction (NAVSUPINST) 4200.94, (3) purchases without a bonafide need, (4) purchases that exceeded the CH's limit, and (5) purchases for personal use. [REF 8]

## **1. Split Purchases**

As previously stated in Chapter II, under no circumstances are CHs allowed to split requirements that exceed the micro-purchase threshold in an attempt to avoid competition requirements. Additionally, cardholders should not break down requirements to circumvent single purchase limits. [REF 8]

Split purchases is the top issue of inappropriate transactions facing the Marine Corps. For FY01, the total number of split purchases identified were 1,105, which is 0.29 percent of the total number of transactions conducted during FY01. The contracting office within the Marine Corps with the most split purchases identified was Marine Corps Ground Combat Training Command (MCGCTC), formerly Marine Corps Air Ground Combat Center (MCAGCC), Twenty-nine Palms with 569 identified split purchases. Marine Corps Base (MCB), Camp Pendleton had the second highest number of split purchases identified at 223. [REF 22]

In FY02, during the first half of the fiscal year the Marine Corps identified 434 split purchases, 0.23 percent, and during the second half of the fiscal year identified 623, 0.3 percent, for a total of 1,057 split purchases. That is 0.27 percent of the total number of transactions conducted during FY02. MCB, Camp Lejeune had the highest number for FY02, at 457, which was an increase of 432 from the amount of identified split transactions for FY01 at MCB, Camp Lejeune. MCGCTC, Twenty-nine Palms had the second highest number, at 130, which was a decrease and improvement of 439 from FY01. [REF 22]

Even though the total number of split transactions identified, within the Marine Corps, declined by 38, split purchases appear to be the top issue within the Marine Corps. Additionally, for FY02 the Marine Corps saw an increase of possible split purchases from the first six months to the second six months of the fiscal year. However, since the transactions reviewed were from ad hoc reports and not from a review of actual receipts and invoices, it is difficult to determine exactly how many of these transactions were truly split purchases. Some of the split purchases may actually be legitimate purchases in which the CH may not have known of the total requirements at the time of the purchase.

It is speculated, by the researcher, that Twenty-nine Palms had the highest number of split purchases in FY01 due to the fact that Twenty-nine Palms is a training command and must support various schools as well as visiting Marine Corps units throughout the year who are participating in a Combined Arms Exercise (CAX). As for MCB, Camp Pendleton possessing 223 split purchases in FY01, this could be attributed to the various training units stationed aboard Camp Pendleton as well as the high operation tempo of the Marine Corps units there as well. The high operation tempo units do not concern themselves with rules and policies much, they tend to know what they want and they usually want it yesterday. This same analogy could be applied to MCB, Camp Lejeune for FY02. However, if this were true, the researcher feels that the number of split purchases would remain fairly constant from one year to the next for these commands.

Another speculation made by the researcher is that requestors and CHs believe that submitting a purchase request to the local contracting office will only delay the receipt of the items requested. The GPC is intended to streamline and simplify the acquisition process, but having to send requisitions to the contracting offices sometimes tends to delay things. Local contracting offices are finding themselves managing the GPC program instead of being able to devote more time and effort to larger contracts. It is safe to assume that a large majority of the split purchases identified were actually purchases split to circumvent the single purchase limit or to not exceed the micro-purchase threshold in an attempt to avoid competition requirements or to avoid having to send the requirement to the contracting officer, enabling the requestor to receive the items requested in a more timely manner.

Something must be said regarding the reduction of split purchases at Twenty-nine Palms from FY01 to FY02. A reduction of 439 incidents is remarkable. The researcher was unable to find any evidence as to the reason for the reductions. It is speculated that the reductions are due to the attention that the Government Credit Card Programs are getting. All the programs have been getting scrutinized recently. Commanders may be becoming aware of the issues and may be implementing corrective measures. The reason for the reduction could also be attributed to a change in local procedures due to a possible change in personnel at the local contracting office.

## **2. Prohibited Items**

During the performance of the semi-annual program reviews, NAVSUPINST 4200.94 specifically identified items that are prohibited for purchase utilizing the purchase card. During the latter half of FY02, EBUSOPSOFFINST 4200.1 was published and superseded NAVSUPINST 4200.94. Just as NAVSUPINST 4200.94 provided a list of prohibited items, EBUSOPSOFFINST 4200.1 provides a list that of items prohibited to purchase with the purchase card. The complete list of prohibited items is included in appendix (D).

A purchase of prohibited items is the second issue for the Marine Corps. There were 480 transactions that were identified as purchases of prohibited items as explained in EBUSOPSOFFINST 4200.1 and the Purchase Card Desk Guides, this was 0.12 percent of the total purchases during FY01. MCGCTC, Twenty-nine Palms, again, was identified as having the most purchases of prohibited items, 189. The contracting office with the second highest number of purchases for prohibited items was MCB, Camp Pendleton, having 130. [REF 22]

During the semi-annual review for the first half of FY02, the Marine Corps identified 202 transactions, 0.11 percent of the total for the period, which were categorized as purchases of prohibited items. The unit with the most purchases of prohibited items during this reporting period was Marine Forces Reserve (MARFORRES), at 89. The units with next highest number of prohibited purchases during this period was MCAGCC, Twenty-nine Palms and Marine Corps Recruit Depot (MCRD), Parris Island, with 30 each. For the second half of FY02, the Marine Corps experienced a decline of prohibited items purchased; the number identified was 192, 0.09 percent of the total number for the period. The total of prohibited items purchased identified during FY02 was 394. This was 0.1 percent of the yearly total for FY02. [REF 22]

An analysis of the reviews indicates a decline of purchases for prohibited items, from 480 in FY01 to 394 in FY02, a reduction and improvement of 86. [REF 22] Even though the Marine Corps saw a drop in purchases for prohibited items; again, since the

reviews were conducted utilizing ad hoc reports it is hard to determine if every purchased item identified in this category was officially for prohibited items. Some of the items listed as prohibited may be purchased after obtaining prior special approval. Since ad hoc reports were reviewed and not the purchase card files of CHs, it is unable to determine if special approval was obtained prior to making the purchases. Some items listed as prohibited may be procured using traditional purchase methods (e.g. purchase orders, BPA calls, etc) and paid for using the purchase card. [REF 8]

The researcher was unable to determine exactly why purchases of prohibited items were being conducted at the various bases. It is speculated that the reason for the purchases is due to requestors and CHs knowing that if they forward a request for a prohibited item to the contracting office, it would be denied. The perpetrators may be following the idea that it is easier to ask for forgiveness than permission, so they make the purchase for prohibited items and then deal with whatever consequences that arise.

Just as with split purchases, the researcher feels the improvements made are attributed to commanders becoming aware of the problems due to the bad publicity, as well as new personnel implementing different policies.

### **3. Not Bonafide Need**

All purchases within DOD require a bonafide requirement; purchases are not to be made if no bonafide need exists. Questionable transactions in this category, during the reviews were purchases that were not required to fulfill minimum mission requirements and/or immediate need to support DON mission. This category does not include purchases for items intended for personal use, which will be discussed shortly.

In FY01, purchases in this category ranked as the third issue within the Marine Corps with 342 purchases, 0.09 percent. The contracting office with the most purchases in this category, 116, was MCB, Camp Pendleton. The unit with the second most purchases in this category was MCB, Quantico, with 112. [REF 22]

In FY02, the Marine Corps saw a dramatic reduction in other than bonafide needs/requirements. In the first reporting period for the fiscal year, the Marine Corps experienced 63 purchases in this category, 0.03 percent. MCB, Quantico, which had 112 in the previous fiscal year, had the most in this reporting period with only 24; a reduction

of 88. Two units had the next highest amount of purchases in this category, MARFORRES and MCAGCC, Twenty-nine Palms, with nine purchases each. In the second reporting period of FY02, the Marine Corps had reduced these purchases to 34, just 0.02 percent of total purchases for this period. MCAGCC, Twenty-nine Palms, which had nine in the previous six months, had increased to 13 for this period. Marine Corps Systems Command (MARCORSYSCOM), which previously had no purchases in this category for the previous reporting period, had eight purchases, putting it as the contracting office with the second most purchases in this category during the second reporting period. [REF 22]

Across the Marine Corps, in FY02, there were 97 purchases considered not to have a bonafide need. [REF 22] This was a dramatic reduction from FY01, when the Marine Corps had 342 purchases in this category.

It is speculated that the current scrutiny of the GPC and travel cards programs are making senior leadership more conscious of the problems occurring. As the leaders are becoming aware they are taking appropriate actions to correct the incidents of misuse.

#### **4. Over The Cardholder's Limit**

As previously discussed, purchase cards are issued with an established single purchase limit, normally \$2,500. However, Level 5 APCs can establish single purchase limits on individual CHs at different thresholds. Having the Level 5 APC establish a single purchase limit other than \$2,500 requires justification and should be determined based on the units, not the CHs, purchase history. Regardless of the single purchase limit established for a CH, all CHs are not allowed to make purchases exceeding their single purchase limit. If a purchase is to exceed the CH's authorized limit, the CH is to direct the request to the local contracting office for procurement; and as stated previously splitting of the purchase to circumvent the single purchase limit is not authorized.

In FY01, the Marine Corps experienced 275 purchases, 0.07 percent, that were over a CH's authorized limit. This was the fourth issue for the Marine Corps during FY01. MCB, Quantico possessed the largest number of purchases exceeding a CH's authorized limit, 157. The second largest number of purchases exceeding a CH's authorized limit was 51 from Non-Appropriated Fund (NAF), Quantico. [REF 22]



In FY02, the Marine Corps experienced a decrease in purchases above a CH's authorized limit. During the first reporting period, the Marine Corps had 84 transactions identified as over a CH's authorized limit, 0.04 percent of transactions for the period. MCGCTC, Twenty-nine Palms had 38, MARFORRES had 24 during the period. In the second half of the fiscal year, the Marine Corps saw an improvement of purchases in this category, 34 or 0.02 percent for the reporting period. However, MCGCTC, Twenty-nine Palms had the highest number again of 23, which was a reduction from the previous six months. The next unit with the second highest number of purchases within this category was Marine Corps Air Station, Iwakuni with only six. As a whole, for FY02 the Marine Corps had 118 purchases, 0.03 percent, that exceeded a CH's authorized limit. [REF 22]

The trend in this category is an improvement from FY01 to FY02, a decline of 157 transactions categorized as exceeding a CH's authorized purchase limit. [REF 22] Even though the rationale behind why CHs conducted purchases above their established purchase limits is unavailable, if a requirement existed which mandated a purchase to exceed a CH's limit, a request could have been made to the Level 5 APC requesting a one-time purchase limit increase. Just as with split purchases, it is speculated that purchases that exceeded a CH's limit were to expedite the purchase and keep from sending the purchase request to the contacting office.

Evidence to determine exact causes of CHs exceeding their authorized limit was not available in the audit reports, but it is speculated that the reason for purchases which exceeded a CH's purchase limit is due to the immediate need of the requirement by the requestor and to the impression that if the request was forwarded to the local contracting office it would be delayed. Requirements tend to be considered urgent and delays are unacceptable.

The improvements in reduced number of CHs purchasing over their authorized limits is speculated that commanders are beginning to feel the pressure from the scrutiny the purchase card program has recently been receiving. The researcher believes that unit commanders are no longer pressuring CHs to fill the requests in an expeditious manner, and if requests exceed the CH's purchase limit then the requests are being forwarded to the local contracting office.

## **5. Personal Use**

Purchases that are not for Government use, but intended for personal use are not authorized. All purchases within DOD are to support mission requirements are not to be personal in nature. This category is the fifth issue in the Marine Corps concerning questionable transactions.

There were 252 purchases classified as for personal use in FY01, 0.07 percent of the FY's total purchases. The contracting office with the most purchases in this category in FY01 was MCB, Camp Pendleton with 102. MCB, Quantico possessed 53 transactions in this category, making them the office with the second most transactions categorized at for personal use.

The Marine Corps saw a dramatic improvement in purchases within this category during FY02. In the first reporting period, there were 24 purchases, only 0.013 percent. MARFORRES had the most with nine. MCB, Quantico, again, had the second most but the number had been reduced to only seven. During the second reporting period, the Marine Corps continued to reduce the number of these transactions. Only 14 were conducted, 0.007 percent of the reporting periods total transactions. MARCORSSYSCOM had four transactions, the highest for the period. Three other contracting offices had the second highest amount of purchases considered personal in nature at three each. The total number of purchases of this category during FY02 was 38, 0.009 percent of the yearly total. [REF 22]

The researcher believes the reason to CHs making purchases for personal use is primarily due to lack of internal control and lack of oversight from AOs and APCs. AOs are assigned as a collateral duty, so AOs tend to only perform their functions as needed. This, along with instances where there is no separation of duty allows for CHs to defraud the Government and purchase items they would not normally purchase if properly supervised.

As with the previous category, not only did the Marine Corps experience a reduction of purchases in this category in FY02, a massive reduction of purchases in this category from FY01 to FY02 was realized, from 252 to just 38. The researcher feels that the recent attention that the purchase card program has been receiving has made

commanders more aware of the possible problems associated with GPC and these commanders are beginning to enforce current regulations. AOs are beginning to feel the pressure that if they do not perform their assigned duties, that they may be held accountable too.

### **C. SPAN OF CONTROL**

Another area of the GPC program review was the program profile, which identifies the span of control. Within DON, the ratio is not to exceed seven CHs to each AO within an organization. Additionally, there should be no more than 300 CHs assigned to each Level 5 APC within an organization. [REF 8]

The data from FY01 program review did not contain the number of CHs, AOs, or APCs to determine the appropriate span of control.

In the first six months of FY02, the Marine Corps had approximately 5,926 personnel involved with the purchase card program. Of this number, 141 were Level 3 APCs located throughout the 22 contracting activities. There were 1,602 AOs, and 4,183 CHs. The average ratio across the broad Marine Corps during this reporting period was 2.61 CHs for every AO. MARFORRES had the highest number of CHs assigned to an AO with a ratio of four to one. The average ratio of CHs to APCs during this period was 29.67 CHs for every one APC. MARFORRES had the largest number of CHs to APC ratio of 225 to one; while MCB, Camp Butler had the second largest number of CHs to APC ratio of 156 to one. [REF 22]

In the second half of FY02, while the Marine Corps experienced an increase of GPC purchases, there was a decrease of purchase card program personnel. The total number during this period was approximately 5,173 personnel involved. There was an increase of one for Level 3 APCs to 142, while a decrease of AOs to 1,542. The Marine Corps also had a decrease of CHs, from 4,183 in the first six months to 3,489 in the last six months, a reduction of 694. The ratio in this period was 2.26 CHs to one AO, and 24.57 CHs to one APC, on average across the Marine Corps. The command with the highest CH to AO ratio was Marine Forces Europe (MARFOREUR), at five to one. There were eight commands with the second highest ratio of three CHs to one AO. The ratio of CHs to APCs, on average, was 24.57 to one. MCB, Camp Lejeune had the

highest at 165 CHs to one APC; while MCB, Camp Butler had 147 CHs to one APC. [REF 22]

Assignment as a CH and AO is normally a collateral duty within the Marine Corps, meaning the individuals appointed must perform this duty along with the various other collateral duties assigned and their primary duty within their commands. Most of these individuals are not dedicated to the purchase card program on a full-time basis and perform purchase card duties only when needed. For this reason, command level APCs have stated that APCs and AOs do not have sufficient time to perform their transaction reviews. [REF 25] The researcher is unaware of any current measures in place, other than the mandated audits, to ensure CHs and AOs perform their duties diligently. Due to the nature of the GPC and the ability to spend public funds, assignment as a CH or AO should be treated equal as one's assigned primary duties. Most fitness reports and performance reports cover only the individual's primary duties, leaving collateral duties by the wayside. Positive or negative performances of collateral duties are not recorded on an individual's fitness report or performance report. Markings of collateral duties are left to the latitude of the reporting senior.

Not only did the Marine Corps experience a reduction of CHs, due to DOD directing all military units to reassess their number of CHs and to ensure that GPC were limited to only those who needed them, the DON reduced their total number of CHs by more than half, from 59,000 in June 2001 to approximately 25,000 in March 2002. The reduction in numbers is attributed to employee attrition and cancellation of cards of individuals who no longer needed them. [REF 25] Figure 14 shows the gradual increase, then decrease of CHs Navy-wide.

#### **D. PURCHASE CARD PROGRAM REVIEW**

In the conduct of the purchase card reviews, as previously stated, total numbers of transactions completed during the reporting period were reviewed. Even though the program reviews revealed questionable transactions that may require further investigation, the reports do not provide an accurate picture of factual improper transactions and the dollar amounts associated with them.

Even though there were 38 purchases categorized as for personal use during FY02, the dollar value associated with these may be small or large depending on the circumstances surrounding the purchase, which can best be shown by some examples.

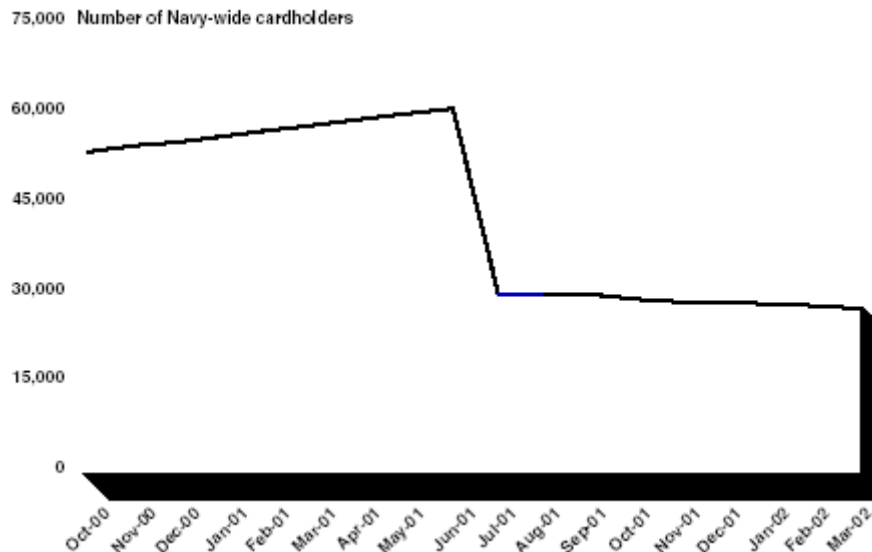


Figure 14. Change in Number of Navy-wide Cardholders, October 2000 to March 2002  
[From REF 25]

A CH may be conducting a legitimate purchase at LOWE'S and while waiting in the check-out lane the CH decided he/she wants a soft drink, which is provided at the check-out counter. At that point, the CH chooses a soft drink and places it on the conveyer belt with the bonafide items, assuming the soft drink purchase is diminutive, although prohibited. This would result in a purchase of a personal item, as well as an item against EBUSOPSOFFINST 4200.1, of approximately one to two dollars.

Another example could be the CH may have been purchasing items strictly for personal use, intending to use his/her own credit card, but unintentionally hands the cashier the GPC. This results in an honest mistake made by the CH, and the associated dollar value could range from miniscule to possibly close to the CH's authorized purchase limit.

A third example of a purchase in the personal use category could be an intentional use of the purchase card to obtain items for personal use, which would be viewed as intentional attempt to defraud the Government. This could happen where a CH may

already own a personal credit card(s) but may have maxed their personal credit limits. This could result in the CH using the GPC to obtain the item(s), regardless of the dollar value. This example, as well as the previous example, could be for low dollar items such as a soft drink to high dollar items. This analysis is just an example, but the concept of identifying the dollar value associated with questionable transactions is the same and would provide a more accurate picture of fraud or misuse of public funds with the GPC.

For split purchases or purchases exceeding a CH's authorized limit, the dollar value associated with these can be much more since many CH authorized limits are normally \$2,500. Split purchases would be identified from the ad hoc reports as purchases from the same vendor on the same or consecutive dates or within a short time period to keep the purchase below the micro-purchase threshold.

Even though the analysis of transactions from the program identifies an increase of total purchases with a decrease of questionable transactions, the reviews do not identify if the dollar amount associated with the questionable transactions is decreasing or increasing. It is unable to determine if misuse of public funds is rising or declining.

As explained in the previous section, if program personnel do not have the sufficient time to devote to GPC issues except when needed, this could be part of the reason why questionable transactions continue. It was not evident from the semi-annual reviews that program personnel were able to devote more time to GPC program, correlating to the reduction of questionable transactions.

#### **E. INTERNAL CONTROL**

Another section of the semi-annual purchase card program review is internal control and checking to see if CHs are following published guidance. Only datum from the second half of FY02 were available and are commented on.

Level 3 APCs were to developed summary statistics of all transactions during the reporting period. Based on the total number of transactions reviewed, a statistical sampling table was referenced to identify the minimum number of transactions to audit. Some contacting offices audited only the number directed from the sampling table, while other offices audited more than directed. The specific areas of the audit were (1) number of CHs without a copy of their letter of delegation, (2) number of CHs without

documented training completed, (3) number of transactions without documented screening of mandatory sources, (4) number of transactions without documents of certification in proper timeframe, (5) number of transactions without proper separation of ordering, purchasing, and receipt functions, (6) number of transactions without documented receipt by independent party/end user, and (7) number of transactions in which the end item was not on hand (as applicable). [REF 22]

The results of the audit, as mentioned previously, covers only the latter half of FY02. Of the 204,764 total transactions reviewed in the Marine Corps, 17,162 transactions were audited in the areas mentioned above. [REF 22] The results of the transactions audited Marine Corps-wide are:

- 21 CHs did not have a copy of letter of delegation (0.12 percent); [REF 22]
- 371 CHs had no documentation of completing mandatory training (2.16 percent); [REF 22]
- 771 instances of transactions had no documentation of screening of mandatory sources of supply first (4.49 percent); [REF 22]
- 616 instances of transactions that were not certified according to the proper timeframe (3.59 percent); [REF 22]
- 714 instances of transactions where there was no separation of functions (ordering, purchasing, and receipt) (4.16 percent); [REF 22]
- 1,115 instances of transactions where there was no documentation indicating receipt by an independent party/end user (6.5 percent); and [REF 22]
- 11 instances of transactions where the end item was not on hand (0.06 percent). [REF 22]

Of the total number of transactions audited, 3,619 instances were discovered that did not follow critical internal controls, or 21.1 percent of the total transactions audited.

Of these listed, the researcher concludes that the most important factors were when there was no separation of duties and no documented receipt by an independent

user/third party. These two account for over 10 percent of the audited results and can present the most problem with possible intent to defraud the Government.

The 616 instances of transactions that were not certified within proper timeframes is not keeping with The Prompt Payment Act and keeps the Government from earning any possible rebates. The instances of CHs not documenting screening of mandatory sources of supply, unsubstantiated, is probably due to requestors and CHs not wanting to wait for items to be delivered from those sources. The possibility is also that requestors believe they are able to receive a like or similar product at a reduced price from a local vendor. Except for Javits-Wagner-O'Day Program (JWOD), the researcher is not sure whether purchasing from mandatory sources of supply represents a best value.

Not having on file documentation of completing training is only a paper shuffle. Local agencies have procedures to train CHs prior to issuing GPC, and a review of the current training tutorials, from Defense Acquisition University (DAU) Continuous Learning Center and the DON eBusiness Operations website, appear thorough. Upon completion of the tutorials, certificates can be printed to be placed in required records. Whether or not CHs had a copy of their letter of delegation on file is minor, and should not draw much concern.

The JWOD program, which began in 1971, provides employment opportunities for Americans who are blind or who have severe disabilities. These Americans, employed by state and private nonprofit organizations, provide goods and services to the Federal Government. It is primarily made up of the National Industries for the Blind (NIB) and the National Industries for the Severely Handicapped. Industries that are a part of JWOD are a mandatory source of supply for the Federal Government. [REF 18]

## **F. RULES AND REGULATIONS**

During the research period of this thesis, DON EBUSOPSOFFINST 4200.1 dated 19 September 2002, was published and then reviewed by the researcher. There are no major discrepancies found within the new EBUSOPSOFFINST 4200.1. The new manual has not been in circulation long enough for review and comments for validity and drawbacks by purchase card program personnel.



The current Marine Corps Order (MCO) that provides general guidance regarding the purchase card program is MCO P4200.15G, “Marine Corps Purchasing Procedures Manual.” [REF 26] Prior to EBUSOPSOFFINST 4200.1 being published, the Marine Corps relied upon detailed guidance in NAVSUPINST 4200.94, dated 29 June 1999, in managing their purchase card program, making day-to-day decisions, and developing local operating procedures. [REF 2] MCO P4200.15G is a general procurement order and was written prior to either of the Navy instruction manuals. With the publishing of EBUSOPSOFFINST 4200.1, the NAVSUPINST 4200.94 was cancelled and superseded by the new publication. [REF 8] Even though two changes have been published to MCO P4200.15G, it is outdated and older than either of the two Navy instruction manuals.

However, the Marine Corps has a draft MCO addressing the GPC program currently being reviewed at HQMC, but the document has not been entirely reviewed, approved, and promulgated. [REF 2]

Even though EBUSOPSOFFINST 4200.1 is published, absence of MCO guidance can leave unanswered questions of policies, priorities, procedures, requirements, and systems unique to Marine Corps’ operations and missions.

#### **G. DEBIT CARD**

The GPC, works like any other credit card, where purchases are applied against the user’s credit limit. The merchant or service provider collects what is owed from the card-issuing bank, whom the CH must repay. In the commercial world, the amount of credit issued to the CH is determined by the CH’s credit history, income, debts, and ability to pay. The CH applies charges against their credit with the understanding that they are to repay the amount, plus interest if not paid in full each month. [REF 19]

The difference of the GPC is that credit limits are based off the amounts listed in the GSA contract with Citibank and can be set at different levels by the CH’s APC. Credit history checks, income, and debts of CHs are not conducted prior to issuing the GPC and have no bearing on who receives the purchase card. Financial responsibility of the CH is not determined before issuing a GPC. Citibank receives their payment from DFAS after the CH and AO certify the GPC statement. Even though the GPC has established credit limits, charges applied against the credit limit can be exceeded.

An alternative to a credit card is a debit/check card. Merchants, worldwide, accept debit cards, and consumers are increasing their usage of debit cards. The difference of a debit card is that purchase amounts are subtracted from money the debit CH has in their bank account. Debit CHs are allowed to only make purchases up to a predetermined limit, which is established by how much money is in their personal bank account. Payments are timelier as merchants receive their payments directly from the CH's personal bank account, eliminating the step of the CH having to write a check to pay the card statement. Payments are automatically deducted from the CH's personal checking or savings account, immediately. [REF 19]

There are two types of debit cards, "on-line" and "off-line." "On-line" debit cards are enhanced automatic teller machine cards that require a personal identification number (PIN) to approve the transaction. "Off-line" debit cards look like and resemble a credit card. Once the card is swiped, the merchant's terminal identifies the card as a debit rather than a credit card and creates a debit against the user's bank account. The transaction is stored and then processed usually within two to three days. Most, but not all, transactions are verified to see if there are adequate funds available; and instead of using a PIN the customer must sign a receipt, just as with a credit card. [REF 17]

If DON adopted debit cards, this could eliminate delinquency rates due to late payments. Funds would be front loaded by the owning units, which would eliminate DFAS from the "pay and chase" game and merchants would receive their payments more timely. It could be written into the contract that MCCs still be applied to the Government debit card. With a debit card, if returning goods or canceling services purchased, the transaction is treated as if the purchase were made with cash or a check and the money is returned directly to the user's account.

Since most debit cards do not require a credit history check, if debit cards were adopted it could be included in the contract that the card-issuing bank conduct credit checks to determine if the intended CH is deemed financially responsible.

There are some negative aspects about using a debit card. The researcher was unable to determine if single purchases limits can be enforced with the use of a debit card. Commercially, consumers using debit cards do not have the right to withhold

payment in the event of a dispute with a merchant over goods or services paid for, if adopted this would have to be addressed. Disputes may be initiated for unauthorized charges or other mistakes within 60 days. [REF 17] Additionally, some banks and merchants charge transactions fees for using debit cards; but just as the Government does not pay taxes regulation can be passed stating Government debit cards would be exempt from fees. [REF 19] There are additional security measures that would have to be considered before adopting a debit card.

Table 1 shows the numbers from the FY01 GPC review. Table 2 is the numbers from the FY02, first half, GPC review. Table 3 and 4 are the numbers from the FY02, second half, GPC review.

Contracting Office	Total Trans Reviewed	Not Bonafide Need	Personal Use	> CH Limit	Split Purchase	Prohibited Items	Total ? Trans
NAF Quantico	68,438	4	33	51	43	7	138
MARCORSYSCOM	3,257	0	0	0	27	6	33
MCTSSA	833	0	0	0	0	0	0
MARFORSouth	361	0	0	0	0	0	0
MCB, Camp Lejeune	61,552	0	0	0	25	16	41
MCLB, Albany	12,636	0	0	0	2	1	3
MCRD, Parris Island	15,731	0	12	46	41	7	106
MCB, Camp Pendleton	31,002	116	102	5	223	130	576
MARFORRES	61,083	0	0	5	18	0	23
MCAS, Yuma	9,008	0	0	0	0	0	0
MCAS, Miramar	11,332	0	21	6	4	5	36
MARFORLANT	3,012	0	0	0	0	7	7
MARFOREUR	158	0	0	1	0	2	3
MCSA, Kansas City	4,643	0	0	0	0	0	0
MCAGCC, 29 Palms	10,092	109	26	2	569	189	895
MCB, Camp Butler	8,193	0	0	0	14	7	21
MCLB, Barstow	6,369	0	0	0	22	0	22
MCAS, Iwakuni	3,665	0	0	0	2	0	2
MCRD, San Diego	18,858	1	0	0	0	1	2
MCB, Quantico	21,713	112	53	157	91	88	501
MCB, Hawaii	11,650	0	0	0	1	5	6
MCAS, Cherry Point	24,037	0	5	2	23	9	39
<b>USMC TOTALS</b>	<b>387,623</b>	<b>342</b>	<b>252</b>	<b>275</b>	<b>1105</b>	<b>480</b>	<b>2,454</b>

Table 1. Marine Corps FY01 (Sep 00 - Aug 01) GPC Review Results [From REF 22]

Contracting Office	Total Trans Reviewed	Not Bonafide Need	Personal Use	> CH Limit	Split Purchase	Prohibited Items	Total ? Trans
NAF Quantico	31,968	2	2	3	59	5	71
MARCORSYSCOM	1,501	0	0	0	2	6	8
MCTSSA	415	0	0	0	0	0	0
MARFORSouth	203	0	0	0	0	1	1
MCB Camp Lejeune	21,004	2	2	0	29	2	35
MCLB, Albany	6,655	0	0	0	13	2	15
MCRD Parris Island	11,474	0	0	0	33	30	63
MCB, Camp Pendleton	14,695	5	0	0	11	4	20
MARFORRES	31,160	9	9	24	34	89	165
MCAS Yuma	3,798	0	0	0	6	0	6
MCAS Miramar	5,775	1	1	2	19	1	24
MARFORLANT	1,658	2	0	0	1	0	3
MARFOREUR	100	0	0	0	0	0	0
MCSA, Kansas City	3,095	0	0	0	0	0	0
29 Palms	3,850	9	2	38	60	30	139
MCB, Camp Butler	4,083	0	0	0	4	10	14
MCLB Barstow	5,534	0	0	0	1	0	1
MCAS Iwakuni	2,547	0	0	0	16	0	16
MCRD San Diego	11,194	0	1	0	27	5	33
MCB Quantico	10,515	24	7	17	17	0	65
Kaneohe Bay	5,990	0	0	0	20	4	24
Cherry Point, NC	12,617	9	0	0	82	13	104
<b>USMC TOTALS</b>	<b>189,831</b>	<b>63</b>	<b>24</b>	<b>84</b>	<b>434</b>	<b>202</b>	<b>807</b>

Table 2. Marine Corps FY02 (Oct 01- Mar 02) GPC Review Results [From REF 22]

Contracting Office	Total Trans Reviewed	Not Bonafide Need	Personal Use	> CH Limit	Split Purchase	Prohibited Items	Total ? Trans
NAF Quantico	22,020	0	3	1	10	6	20
MARCORSYSCOM	2,230	8	4	0	3	8	23
MCTSSA	471	0	0	0	0	0	0
MARFOR SOUTH	197	0	0	0	0	0	0
MCB Camp Lejeune	23,655	6	3	2	428	45	484
MCLB, Albany	7,485	0	0	0	1	1	2
MCRD Parris Island	13,589	0	0	0	0	10	10
MCB, Camp Pendleton	18,687	0	0	0	2	5	7
MARFORRES	28,983	2	0	1	6	16	25
MCAS Yuma	4,239	1	1	0	5	0	7
MCAS Miramar	8,128	1	0	0	22	1	24
MARFORLANT	1,537	0	0	0	1	1	2
MARFOREUR	135	0	0	0	0	0	0
MCSA, Kansas City	3,357	0	0	0	0	0	0
MCGCTC 29 Palms	4,087	13	3	23	70	58	167
MCB, Camp Butler	5,612	1	0	0	3	0	4
MCLB Barstow	7,117	0	0	0	0	0	0
MCAS Iwakuni	3,119	0	0	6	0	0	6
MCRD San Diego	13,121	2	0	1	2	36	41
MCB Quantico	15,154	0	0	0	1	1	2
MCB Hawaii	7,278	0	0	0	55	3	58
MCABE Cherry Point	14,563	0	0	0	14	1	15
<b>USMC TOTALS</b>	<b>204,764</b>	<b>34</b>	<b>14</b>	<b>34</b>	<b>623</b>	<b>192</b>	<b>897</b>

Table 3. Marine Corps FY02 (Apr - Nov 02) GPC Review Results [From REF 22]

Contracting Office	Total Trans Reviewed	Trans Audited	No Del Letter	No Doc Training	No Doc Man Screening	No Doc Proper Cert	No Sep of Functions	No Doc End User Receipt	End Item Not On Hand
NAF Quantico	22,020	916	0	0	0	0	0	0	0
MARCORSYSCOM	2,230	125	6	0	10	0	10	10	0
MCTSSA	471	20	0	0	0	0	0	0	0
MARFORSOUTH	197	13	0	0	1	0	0	1	0
MCB Camp Lejeune	23,655	125	5	53	11	63	5	12	0
MCLB, Albany	7,485	80	0	0	0	0	0	1	0
MCRD Parris Island	13,589	230	0	0	0	0	10	5	0
MCB, Camp Pendleton	18,687	4,711	10	188	439	471	151	289	5
MARFORRES	28,983	125	0	11	3	1	7	19	1
MCAS Yuma	4,239	80	0	0	30	0	1	3	0
MCAS Miramar	8,128	100	0	0	7	0	3	3	0
MARFORLANT	1,537	827	0	5	7	0	0	0	0
MARFOREUR	135	135	0	0	0	0	0	0	1
MCSA, Kansas City	3,357	80	0	0	14	0	4	2	0
MCGCTC 29 Palms	4,087	80	0	0	14	3	15	15	0
MCB, Camp Butler	5,612	3,385	0	0	128	0	495	495	0
MCLB Barstow	7,117	4,524	0	0	0	0	0	150	0
MCAS Iwakuni	3,119	80	0	0	0	0	0	0	0
MCRD San Diego	13,121	290	0	1	52	6	0	5	0
MCB Quantico	15,154	125	0	113	45	67	12	60	4
MCB Hawaii	7,278	80	0	0	9	0	0	1	0
MCABE Cherry Point	14,563	1,031	0	0	1	5	1	44	0
<b>USMC TOTALS</b>	<b>204,764</b>	<b>17,162</b>	<b>21</b>	<b>371</b>	<b>771</b>	<b>616</b>	<b>714</b>	<b>1115</b>	<b>11</b>

Table 4. Marine Corps FY02 (Apr - Nov 02) GPC Internal Control Review Results from [From REF 22]

## I. SUMMARY

Reviewing the total numbers for each fiscal year, it is evident that the Marine Corps is increasing the use of the Government-wide Commercial Card. However, even though there was a decrease of questionable transactions of 2,454 in FY01 to 1,704 in FY02, a decrease of 750, the researcher was unable to determine the dollar value associated with these transactions. An improvement of 0.0063 to 0.0043 percent of all transactions gives the impression that improvements are being made across the Marine Corps on utilization of the GPC and implementation of current policies.

This chapter conducted a trend analysis of the GPC program reviews that were conducted during FY01 and FY02. Current issues regarding purchase transactions within the Marine Corps have been identified, as well as issues regarding the program in general. Chapter V will provide conclusions and recommendations.

THIS PAGE INTENTIONALLY LEFT BLANK

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

The objective of this thesis was to examine the GPC program within the United States Marine Corps, specifically in an effort to identify recommendations for improvement of the program. Through literary research, some personal interviews, and reviews of purchase card program reports, the researcher has been able to map the complete purchase card process and identify the current issues/problems facing the Marine Corps.

The primary conclusion is that the premise of the GPC program is sound and mature. Even though misuse occurs, the researcher does not believe that the program is fraught with fraud and abuse. Policies and procedures are in place to obviate misuse. Where the problem appears to be is with implementation of the rules and polices. It is not expected that misuse of the purchase card will be completely eradicated, even by implementation of additional mandatory policies and procedures. Table 5 shows the comparison of numbers of the percentages of misuse for each reporting period. A decline in the amount of misuse is evident when comparing numbers of misuse for the Marine Corps.

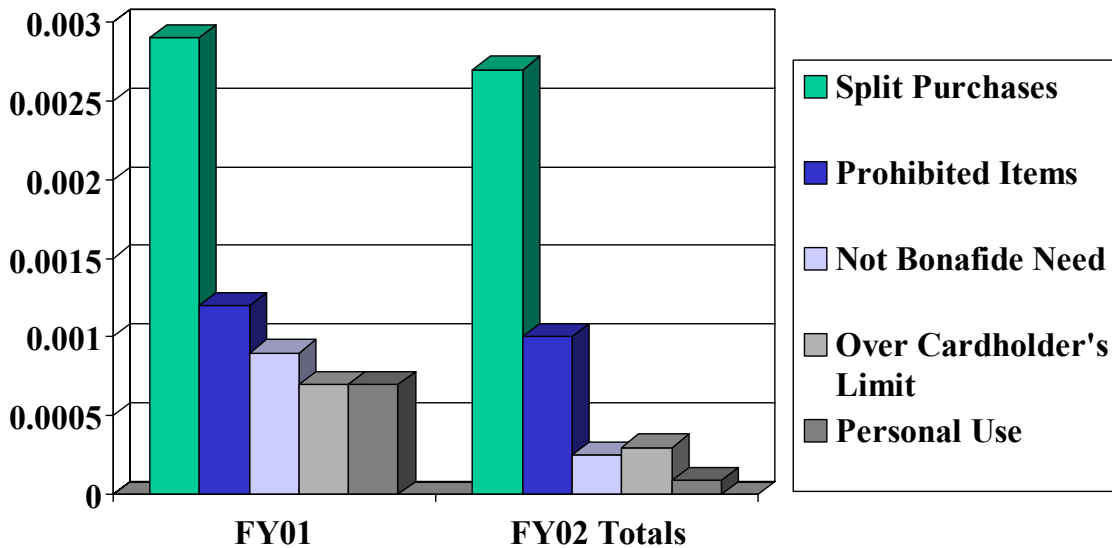


Table 5. Marine Corps GPC Misuse Totals

Every time someone is identified as misusing the GPC, the Navy normally calls for a mandatory stand-down and immediately requires additional mandatory training for all program personnel, as well as directing additional reviews. The GPC program saves time and money for the users by allowing them to purchase items they need in a timelier manner, and hopefully freeing up contracting office personnel to devote time and effort to larger contracts. But when the Navy directs additional training and reviews to be conducted, resources are being used inadvertently by impeding the work of compliant personnel. The span of control standard of seven CHs to one AO and 300 CHs to one APC is adequate so long as individuals involved with incidents of misuse are held accountable.

Single purchase limits and MCCs are established at Citibank as a control mechanism, yet CHs are still able to conduct purchases that exceed their authorized limit or violate MCCs. It is unclear as to how Citibank authorizes purchases that exceed a CHs authorized limit, except for vendors that still use the manual machine to make an impression of the GPC.

Current training tutorials are adequate and thorough, but should not be expected to suffice as the only training required prior to assigning personnel to the program. From reviewing the purchase card program reports, there is no evidence that concludes that individuals with no training are actually misusing the purchase card more.

The majority of the personnel involved in the purchase card program are following procedures; however, what about incidents where undue influence is being pressured onto CHs? These reports are unsubstantiated. Program personnel are instructed and trained in proper procedures, but what about the individuals throughout the Marine Corps that are requesting items or services be purchased? As far as they are concerned, they have a means to receive the support they require expeditiously and are unfamiliar with the FAR and other policies governing contracting. It is the responsibility of CHs, AOs, and APCs to advise these individuals of the procedures in place. One dynamic is to recognize that warfighters are only interested in having their requests filled as quickly as possible.



Even though the total number of questionable transactions have been identified, the real impact of misuse can best be determined by the dollar amount associated to the questionable transactions. Questionable transactions of high dollar values, obviously, have more of an impact and require more attention and effort than questionable transactions of low dollar value.

## **B. RECOMMENDATIONS**

As previously stated, the researcher does not recommend an addition of any new policies and procedures. However, the researcher has identified some actions that should be reviewed and considered which may improve the performance of the program.

The first recommendation is to consider utilizing a debit card instead of the credit card as the vehicle in the GPC program. Funds can be front loaded, which if loaded each fiscal quarter could possibly reduce the amount of over expenditures by CHs. Additionally, DFAS is traditionally slow at making payments in a timely fashion; therefore front loading of funds could remove DFAS from the “pay and chase” game associated with the current program. This could help improve the deficiency rate associated with late payments, as well as increase the amount of rebates available from Citibank when payments are received. This would comply with the Prompt Payment Act.

The second recommendation is to consider requiring Citibank to perform credit checks of personal credit histories on individuals recommended to be CHs. It is expected that when an individual is recommended to be a CH that this individual is considered credit worthy and financially sound, but the AO or APC do not have a sure way of determining this. Credit checks are considered a best practice procedure in industry, and an individual with less than acceptable credit history presents a higher than average risk to the Government that the GPC will be used for other than intended purposes. If Citibank replies that the individuals credit report is unacceptable, then a new individual should then be recommended.

The third recommendation is for APCs to conduct a review of authorized purchase limits for all CHs under their cognizance. Policies state that purchase limits should be set on unit spending trends, as well as current mission needs. If units require additional latitude on authorized limits, then commands can submit letters of justification.

If limits are repeatedly abused, then limits should be reduced, or cards revoked and all purchases sent through contracting offices.

The fourth recommendation is for APCs to review all MCCs and to consider adding additional MCCs to restrict vendors available for places of purchases of items that may contain questionable items or that do not support mission requirements. Except for manual card approvals conducted by vendors, this should restrict purchases for items for personal use or prohibited items. MCCs can be added or deleted to individual accounts, with justification from spending units. APCs can make modifications as appropriate.

The fifth recommendation is that performance of duties, as CH, AO, and APC, should be tied to fitness reports and performance appraisals. As stated, CHs and AOs normally treat their duty as collateral and perform them only when needed. This may be a factor that hinders improvement of reducing the amount of misuse. Nonetheless, these individuals are still assigned those duties and they should be reported appropriately. If they do not perform their duties as assigned, even if minuscule, appropriate reporting on fitness reports and performance appraisals is warranted. The same concept applies in the positive performance of their assigned duties.

The sixth recommendation is to hold people accountable for their inappropriate actions. Regulations are in place directing the procedures for use of the GPC; but these regulations do not appear to be followed. Internal controls are lacking. If undue influence is applied to the CH, the person applying the influence should be held accountable, not the CH. If CHs are making inappropriate transactions, not only should the CH be held accountable but also so should the AO and possibly APC for their lack of oversight of the CH.

The final recommendation is to correlate dollar value to the amount of questionable transactions identified during the semi-annual program reviews. This will provide a better explanation as to how much money the Marine Corps is losing due to inappropriate actions by CHs and AOs. Total numbers of transactions do not cover the gambit of waste, fraud, and abuse. Relating misuse to a dollar amount is always the most graphic display of the gravity of the problem.

## **C. RESEARCH QUESTIONS**

### **1. Primary Research Question**

**How can management of the Government Commercial Purchase Card be improved within the United States Marine Corps?**

Management of the Government Commercial Purchase Card cannot really be improved within the United States Marine Corps regarding any new policies. What is required is strict compliance of the policies and procedures that are now in place with the issuance of the new EBUSOPSOFFINST 4200.1. Additionally, make commanders throughout the Marine Corps aware of the importance of defrauding the Government through misuse of the GPC and educate them as to what procedures are acceptable and which are not acceptable. Making commanders aware of this should have flag officer attention, not the CHs or AOs educating the commanders. The CHs and AOs fall within the responsibility of the commanders, so misuse by the CHs and AOs should have some bearing on the efficiency reports of the senior leadership.

### **2. Subsidiary Research Questions**

**What is the primary objective of the Government purchase card within the United States Marine Corps?**

The primary objective of the GPC within the United States Marine Corps is to simplify and streamline the acquisition process for micro-purchases for the end user. Additionally, it has allowed for contract offices, as well as other procurement personnel, to devote more time toward complex procurement tasks and responsibilities.

However, many contracting offices are finding that they are devoting a large portion of their time managing the purchase card program within the area. This is now causing them to devote time to the program toward managing the program when they should be focusing on other procurement tasks.

**What is the complete process of the Government purchase card as utilized within the United States Marine Corps?**

The complete process, from account set-up to payment through EDI, has been discussed in Chapter III. It is not going to be readdressed here, for the reader can refer back to Chapter III if warranted.

**What are the issues/problems facing the United States Marine Corps with the purchase card?**

The top three issues/problems facing the United States Marine Corps are CHs splitting purchases, purchasing items directly prohibited according to EBUSOPSOFFINST 4200.1, and CHs making purchases exceeding their authorized spending limits, which may be attributable to lack of internal controls. The trend is that these issues are on the decline, but they are still happening. Two other issues are CHs purchasing items without an actual mission requirement and purchasing items for personal use.

The items being purchased need to be more closely reviewed to determine mission requirement validity, because split purchases and purchases exceeding authorized limits may possess valid mission requirements. Granted, other contractual methods should be created to satisfy these requirements, but strong emphasis should be more on purchases with no bonafide need or for purchases of personal use. These two categories of misuse or abuse possess the most potential for fraudulent behavior.

**What actions need to be implemented in order to improve the Government purchase card program within the United States Marine Corps?**

Various actions should be taken that could improve the GPC program within the United States Marine Corps. These actions are listed below and will be explained in further detail in the following section.

- Consider looking at the feasibility of utilizing debit cards in lieu of credit cards to serve the purpose of the GPC;
- Consider requiring Citibank to perform credit report checks on individuals recommended to be CHs;
- APCs need to realistically review authorized purchase limits of CHs and establish realistic limits appropriate to the needs of the unit;
- Review MCCs and consider restricting additional places of business by the use of MCCs;

- Associate performance of duties as CH, AO, and APC to fitness reports and performance appraisals;
- Hold individuals accountable for misuse of the GPC, even if this includes the requestor, CH, AO, and APC;
- When conducting semi-annual program reviews, associate the dollar value to questionable transactions to identify the area that is costing the Marine Corps, and the Government, the most money.

**D. SUGGESTED FURTHER STUDIES**

During the conduct of this thesis, the researcher discovered areas that warrant further research. Those areas are mentioned below.

- Should the single purchase limit be increased or decreased, not just for individual CHs?
- What improvements are necessary regarding efficiency of DFAS for purchase card payments?
- Should split purchase restrictions be applicable to the GPC program?
- For routine, repetitive purchases, should the requirement to rotate vendors or screen for mandatory sources of supply be required with the GPC, with the exception of JWOD?

THIS PAGE INTENTIONALLY LEFT BLANK

## **APPENDIX A. DEFINITIONS**

Accountable Official – DOD military members and civilian personnel, who are designated in writing and are not otherwise accountable under applicable law, who provided source information, data or service (such as a receiving official, a cardholder, and an automated information system administrator) to a certifying or disbursing officer in support of the payment process. They have pecuniary liability for erroneous payments resulting from their negligent actions. [REF 8]

Accountable Property – A term used to identify property recorded in a formal property management or accounting system. Accountable Property includes all property purchased, leased (capital leases), or otherwise obtained, having a unit acquisition cost of \$5,000 or more (land, regardless of cost), and items that are sensitive, or classified. [REF 8]

Agency Program Coordinator (APC) – An individual designated by the ordering agency/organization to perform task order contract administration within the limits of delegated authority and to manage the card program for the agency/organization. This individual shall have overall responsibility for the card program(s) within their agency/organization, and may determine who participates in the card program(s). Multiple levels of program coordinators exist within different hierarchies or at different hierarchical levels within the program for each agency/organization. [REF 8]

Approving Official (AO) – The individual responsible for reviewing and verifying the monthly purchase card statements of the card accounts under his/her purview. [REF 8]

Billing Cycle – The billing cycle consists of approximately a 30-day billing period. Each monthly bill will be comprised of transactions (debits and credits) that post to the banks' system during this period. For DON the billing cycle begins on the 22nd of the month and ends on the 21st of the subsequent month. Cycle ends only occur on a business day (i.e. Monday through Friday) and as a result may adjust accordingly. The cycle end date will occur on the last business day of the normal cycle. [REF 8]

Billing Cycle Office (Credit) Limit – An authorization control assigned to each approving official, as determined by the ordering DON activity, which limits the cumulative spending amount of all card accounts assigned to that Approving Official during a given billing cycle. Any office limit may be assigned in increments of \$100 up to \$9,999,900. The office limit primarily is used for budgetary control purposes and may be adjusted up or down at any time. It encompasses all outstanding charges within a billing period. [REF 8]

Billing Cycle Purchase Limit – An authorization control that limits an account’s cumulative spending for purchases in a given billing cycle. This limit or the billing office limit shall be used to ensure cardholders do not exceed reserved funding (positive funds control). Any purchase limit may be assigned in increments of \$100 up to \$9,999,900. This limit may be adjusted as ordering DON activities deem appropriate and shall be established for each cardholder account. It should reflect normal usage by that cardholder and must not default to the maximum available limit. [REF 8]

Bulk Funding – An advance reservation of funds where a commitment or obligation is recorded in the aggregate rather than by individual transactions. [REF 8]

Cardholder (CH) – An individual designated by an agency to be issued a card. The card bears the individual’s name and can be used by that individual to pay for official purchases in compliance with agency internal procedures. Also applies to convenience check account holders. [REF 8]

Cardholder Statement – The statement of charges provided to a cardholder detailing all of the transactions posted to their account during a billing cycle. [REF 8]

Commercial Items (Supplies) – Any items, other than real property, that are of a type customarily used for non-governmental purposes and that:

- a. Has been sold, leased or licensed to the general public; or
- b. Has been offered for sale, lease or license to the general public. (A full definition can be found at FAR 2.101) [REF 8]

Contracting Officer – Government employees who have the authority to bind the Government to the extent of their delegated purchasing authority. Purchase cardholders



are provided that authority by their commanding officer or APC in writing by the issuance of a Letter of Delegation or SF 1402 Contracting Officer's Warrant. [REF 8]

Convenience Checks – Third party drafts issued using Government purchase card account. [REF 8]

Delegation of Contracting Authority – A document, issued by authorized agency personnel, that establishes the individual as an authorized cardholder. This delegation of contracting authority shall specify spending and usage limitations unique to the cardholder. Each activity, in its internal procedures, must designate who shall be responsible for issuance of these delegations. This delegation must come down from the Head of the Contracting Activity. [REF 8]

Disputes – Instances where transactions on the cardholder's statement do not agree with entries in the log or retained receipts that are presented to the bank for resolution. This may include circumstances where the cardholder did not make the transaction, the amount of the transaction is incorrect or the quality or service is an issue. [REF 8]

Government Purchase Card – The purchase card is the charge card account established with the issuing bank that enables properly authorized Government personnel to buy and pay for supplies and services in support of official Government business. [REF 8]

Hazardous Materials (HAZMAT) – Hazardous materials or products that are customarily sold to the general public to be used for non-governmental purposes (commercial products) which are in the same size and packaging found commercially and subject to procedures found later in this instruction. Examples of those materials or products include those required on a routine basis to meet daily operational needs, such as, lubricants, batteries, toner cartridges, detergents, etc. [REF 8]

Head of Activity (HA) – For the purposes of this instruction, the HA is the military officer in command or the civilian executive in charge of the mission of a DON command or activity which has been granted contracting authority by the cognizant

HCA. The HA has overall responsibility for managing the delegation and use of this authority by personnel under his/her command. [REF 8]

Head of Contracting Authority (HCA) – The official in command at one of the 12 DON components listed at DFARS 202.101 (e.g. COMNAVSUPSYSCOM, COMNAVAIRSYSCOM, etc.). They are responsible for the delegation, re-delegation and use of contracting authority including use of the purchase card by DON commands, DON activities and DON personnel under his/her contracting cognizance. [REF 8]

Invoice – The monthly invoice is the official billing invoice for payment purposes, which is provided to the Certifying Officer by the issuing bank. The invoice identifies all of the purchase card transactions of his/her cardholders during a billing cycle. The invoice can be paper based or presented through the Electronic Access System of the issuing bank. [REF 8]

Letters of Agreement (LOAs) – A streamlined procedure for procuring commercial supplies between \$2,500 and \$25,000, based on using oral solicitations, placing oral orders and paying for the oral orders using the purchase card. LOAs shall not be established for the procurement of services. [REF 8]

Merchant Category Code (MCC) – A code used by the issuing bank to categorize each merchant according to the type of business the merchant is engaged in and the kinds of goods and services provided. These codes are used as an authorized transaction type code on a card/account to identify those types of businesses who provide goods and/or services that are authorized for use by the cardholder. [REF 8]

Micro-Purchase – An acquisition of supplies or services, the aggregate amount of which does not exceed \$2,500, (except construction which is limited to \$2,000). FAR Part 2.101. [REF 8]

Pecuniary Liability – Personal financial liability for fiscal irregularities of disbursing and certifying officers and accountable officials as an incentive to guard against errors and theft by others, and also to protect the Government against errors and dishonesty by the officers themselves. [REF 8]

Pilferable Property – Portable items that could easily be converted to personal use and are (1) critical to fulfilling the activity’s mission/business objective and (2) hard to repair or replace. [REF 8]

Purchase Card Log – A manual or automated log in which the cardholder documents individual transactions and screening for mandatory sources using the purchase card and/or convenience checks. [REF 8]

Reconciliation – The process by which the cardholder and AO review the monthly statements, reconcile against available vendor receipts and purchase card log and authorize payment of those charges provided on the monthly billing/cardholder statements. [REF 8]

Reviewing Official – An individual, appointed by the head of the activity (or their designees), which is responsible for pre and post payment reviews of payments certified by the certifying officer. The reviewing official shall not concurrently serve as an accountable, certifying or disbursing official. [REF 8]

Services – For the purposes of this instruction, services are firm-fixed priced (including unpriced orders with an established ceiling), non-personal, commercially available requirements in which the Government directly engages the time and effort of a contractor to perform a task (e.g. repairs, maintenance, annual maintenance agreements, etc.). [REF 8]

Simplified Acquisition Threshold – The upper level at which an acquisition may use simplified acquisition rules, currently \$100,000, except that in the case of any contract to be awarded and performed, or purchase to be made, outside the United States in support of a contingency operation (as defined in 10 U.S.C.101 (a)(13)) or a humanitarian or peacekeeping operation (as defined in 10 U.S.C.2302 (8) and 41 U.S.C. 259(d)), the term means \$200,000. FAR 2.101. [REF 8]

Single Purchase Limit – A dollar limit on each purchase assigned to each cardholder for a single transaction. [REF 8]

Split Purchase – The "requirement" is the quantity known at the time of the buy. If an individual purchases as [s] he becomes aware of a requirement, the requirement is

each. If the requirements are consolidated and purchases are made once a day, the requirement becomes what was received during the day. If an individual has historically purchased as things became known to them, even if they have the same thing ordered twice in one day from the same vendor, that does not have to be splitting. Splitting is the "intentional" breaking down of a known requirement to stay within a threshold (i.e. the \$2,500 micro-purchase threshold) or to avoid having to send the requirement to the contracting officer. [REF 8]

Tax Exempt – The elimination of state and local taxes from federal purchases in accordance with state and federal law. The phrase “U.S. Government Tax Exempt” is printed on the front of each purchase card. [REF 8]

Transaction Type – The transaction type is the method by which an order is placed when using the purchase card. Purchase card buys may be made over-the-counter, over-the-phone or via the Internet. [REF 8]

## **APPENDIX B. ACRONYMS**

AO – Approving Official

APC – Agency Program Coordinator

ASN (RD&A) – Assistant Secretary of the Navy (Research, Development and Acquisition)

AUL – Authorized Use List (HAZMAT)

BCA – Business Case Analysis

BOA – Basic Ordering Agreement

BPA – Blanket Purchase Agreement

BUMED – Bureau of Naval Medicine

CH – Cardholder

CNO – Chief of Naval Operations

CO – Commanding Officer

CONUS – Continental United States

DAPS – Defense Automated Printing Service

DAU – Defense Acquisition University

DFAR – Defense Federal Acquisition Regulation

DFAS – Defense Finance and Accounting Service

DOD – Department of Defense

DON – Department of Navy

EBUSOPSOFF – Electronic Business Operations Office

EBUSOPSOFFINST – eBusiness Operations Office Instruction

EC/EDI – Electronic Commerce/Electronic Data Interchange

EFT – Electronic Funds Transfer

EIT – Electronic and Information Technology

EPA – Environmental Protection Agency

FASA – Federal Acquisition Streamlining Act

FAR – Federal Acquisition Regulation

FMR – Financial Management Regulation

FMS – Foreign Military Sales

FOB – Free-on-Board

FPI – Federal Prison Industries

FSS – Federal Supply Schedule

FY – Fiscal Year

GAO – General Accounting Office

GPC – Government Purchase Card

GSA – General Services Administration

HA – Head of the Activity

HAZMAT – Hazardous Material

HCA – Head of Contracting Authority

HRSC – Human Resources Service Center

IDTC – Indefinite Delivery Type Contract

IMM – Integrated Material Manager

IMPAC – International Merchant Purchase Authorization Card

IOP – Internal Operating Procedure

JWOD – Javits-Wagner-O’Day Program

LCM – Life Cycle Management

LOA – Letter of Agreement

MARCORSYSCOM – Marine Corps Systems Command

MARFOREUR – Marine Forces Europe

MARFORRES – Marine Forces Reserve

MCABE – Marine Corps Air Bases East

MCAGCC – Marine Corps Air Ground Combat Center

MCAS – Marine Corps Air Station

MCB – Marine Corps Base

MCC – Merchant Category Code

MCGCTC – Marine Corps Ground Combat Training Command

MCRD – Marine Corps Recruit Depot

MCSA – Marine Corps Support Activity

MCTSSA – Marine Corps Tactical Systems Support Activity

MOU – Memorandum of Understanding

MSDS – Material Safety Data Sheet

MWR – Morale, Welfare and Recreation

NAF – Non-appropriated Fund

NAPS – Navy Acquisition Procedure Supplement

NAVINST – Navy Instruction

NAVSUPINST – Navy Supply Command Instruction

NIB – National Industries for the Blind

NISH – National Industries for the Severely Handicapped

NMCI – Navy-Marine Corps Intranet

NOAA – National Oceanic and Atmospheric Administration

NPR – National Performance Review

OCONUS – Outside Continental United States

OEM – Original Equipment Manufacturer

OMB – Office of Management and Budget

PMP – Pest Management Plan

PPMAP – Procurement Management Assessment Program

PSICP – Program Support Inventory Control Point

RMBCS – Rocky Mountain Bankcard System

RO – Reviewing Official

SABRS – Standard Accounting, Budget, and Reporting System

SAT – Simplified Acquisition Threshold

SES – Senior Executive Service

USD(C) – Under Secretary of Defense (Comptroller)

VIXS – Video Info Exchange System

VTC – Video Teleconferencing



## **APPENDIX C. EXCEPTIONS TO USE OF THE PURCHASE CARD**

This appendix provides a list of exceptions to use of the purchase card. All the information in this appendix is taken directly from reference 13.

1. The following requirements are exempt from the mandatory use of the purchase card for micro-purchases for procurements or payments.

a. The place of performance is entirely outside any of the State, territory or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

b. The purchase is a Standard Form (SF) 44 purchase for aviation fuel and oil.

c. The purchase is an overseas transaction by a contracting officer in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(8)

d. The purchase is for training exercises in preparation for overseas contingency, humanitarian or peacekeeping operations.

e. The payment is made with a convenience check

f. The payment is for a transportation bill

g. The purchase is under a Federal Supply Schedule contract that does not permit the use of the purchase card

h. The purchase is for medical services and:

1) It involves a controlled substance or narcotic

2) It requires the submission of a Health Care Summary Record

3) The ultimate price of the medical care is subject to an independent determination that changes the price based on application of a mandatory CHAMPUS Maximum Allowable Charge determination that reduces the Government liability below the billed charges.

4) The Government already has entered into a contract to pay for the services without the use of the purchase card.

5) The purchases is a beneficiary seeking medical care; or

6) The senior local commander or director of a hospital or laboratory determines that use of the purchase card is not appropriate or cost-effective.

The Medical Prime Vendor Program and the DOD Medical Catalog Program are two examples where the use of the purchase card may not be cost-effective.

## **APPENDIX D. LIST OF PROHIBITED AND SPECIAL ATTENTION ITEMS RELATED TO PURCHASE CARD BUYS**

This information applies to Department of the Navy Agency Program coordinators, approving officials and purchase cardholders with established Purchase Card programs. For a full explanation, and/or background information on prohibitions referenced in this appendix, refer to the NAVSUPINST 4200.85 (series). Not all of the prohibitions found in this appendix require special approvals. Some may be procured using traditional purchase methods (e.g. purchase orders, BPA calls, etc) and paid for using the purchase card. All the information in this appendix is taken directly from reference 8.

### Advance Payments

General rule: Except for requirements such as subscriptions for publications (i.e. Navy Times, Federal Contracts Reporter, Commercial Clearing House Inc, etc.) and post office box rentals advance payments are prohibited.

### Advertising

General rule: Unless specific approvals have been obtained advertising contract actions are not authorized in accordance with the NAPS.

Exception: The Chief of Naval Personnel has authorized an increase from \$1,000 to \$2,500 for the specific media advertising purchase limit for Commanding Officers of Navy Recruiting Districts to commensurate with the current micro-purchase threshold. This authority cannot be re-delegated and each advertisement is conditioned upon the use of a properly executed DD Form 1535.

### Asbestos and Asbestos-Containing Materials

General rule: Purchase cardholders are not authorized to purchase asbestos or asbestos-containing materials.

### Black Oxide Coated Brass Threaded Fasteners

General rule: Purchase cardholders are not authorized to procure brass or copper alloy fasteners coated with black oxide.

### Buildings and/or Land, Long-Term Rental or Lease of

General rule: Purchase cardholders are prohibited from entering into long-term rentals or leases for buildings and/or land.

#### Business Cards

General rule: Flag Officers, member of the SES and general officers may authorize the printing of business cards limited to using existing software and agency-purchased stock for those positions that require business cards in the performance of official duties.

#### Cash Advances

General rule: Purchase cardholders are prohibited from using their purchase cards to obtain cash advances.

#### Christmas and Other Seasonal Decorations

General rule: Seasonal decorations may be acquired using the purchase card provided local customs and traditions are observed. Purchase cardholders are not authorized to buy Christmas cards.

#### Coffee Pots, Coffee, Refreshments

General rule: Unless the purchase of coffee pots, coffee, or refreshments is for an authorized mess, as defined in NAVSUP Publication 486 Vol-1, Chapter 1 and BUPERINST 1710.11C the purchase of these items are prohibited. Purchase cardholders are also prohibited from buying refreshments for other Government employees.

Exceptions: The use of Official Representation Funds for official entertainment and Center of Influence events involving Navy recruiters are exceptions to this rule. In addition, Navy recruiters are authorized to use the purchase card to buy meals for recruiting applicants as an out of pocket expense.

Agencies sponsoring a conference are allowed to provide light refreshments during morning, afternoon or evening breaks for conference attendees when most a majority of the attendees are in a travel status. Travel within an employee's local commuting area does NOT satisfy the requirement to be in a 'travel status'. Light refreshments may be approved by the command sponsoring the conference if they decide it is appropriate use of their funds. The Government purchase card can be used to pay for the refreshments. Use of the card and funding for this purpose is subject to local Command approval. Card officials should ensure acceptability within their own command prior to using the card for this purpose.

#### Commercial Vehicles, Purchase of

General rule: Purchase cardholders shall not use their cards to purchase commercial vehicles.

#### Commercial or GSA Vehicles, RENTAL/LEASE of (Without Drivers)

General rule: Purchase cardholders are not authorized to use their purchase cards to rent/lease commercial or GSA vehicles.

#### Employee Identification Tags

General rule: Unless the requiring activity/command determines that use of the identification tags are necessary and in support of mission requirements, activities may not use appropriated funds to purchase employee identification tags.

#### Fireworks Display

General rule: Purchase cardholders may not use appropriated funds to buy fireworks.

#### Fuel, Oil, Services, Maintenance and Repairs

General rule: Purchase cardholders are not authorized to purchase fuel, oil, services, maintenance and repairs of Interagency Fleet Management System and GSA Fleet Management Programs (i.e. repair of GSA leased vehicles).

#### HAZMAT and Hazardous Waste Disposal

General rule: Except for commonly used hazardous material the purchase of HAZMAT by cardholders is prohibited. Incentive Music and Equipment General rule: Except for specifically programmed music, the purchase of music and equipment for broadcasting (inc. radios, automatic record players or phonographic records) for entertainment purposes is generally not authorized.

Exception: Specifically programmed music may be purchased based on a written determination by the commanding officer describing how the acquisition would improve morale, benefit the command, etc., and thereby qualify as a necessary expense under the necessary expense rules. This prohibition also does not preclude the expenditure of appropriated funds for the purchase of a public address system required for intra-station communication.

#### Lodging and Meals

General rule: Purchase cardholders are prohibited from using their purchase cards for the payment of lodging and meals for employees on temporary duty.

Exception: Certain reserve activities are authorized to buy meals for Naval reservists during drill activities.

#### Luggage

General rule: The purchase of luggage for employees/service members to carry personal belongings while on travel orders is generally not authorized.

Exception: Sea bags issued to service members and briefcases, etc., furnished for the express purpose of carrying official documents associated with the duties of the service member or employee.

#### Medical and Dental Care From Civilian Non-Federal Sources

General rule: Purchase cardholders shall not use their cards for payment of medical and dental services.

#### Membership Dues

General rule: Except for membership dues, which solely benefit the agency or activity the purchase of club, association, organization and other related memberships, are prohibited.

Exception: The use of appropriated funds for membership dues of an activity or agency is permissible if the membership contributes to the fulfillment of the mission of the activity or agency.

#### Ozone Depleting Substances (ODS)

General rule: Purchase cardholders are not authorized to purchase ODS materials.

Exception: Contracting officers may use their purchase card as a method of payment provided guidance in the NAPS is strictly adhered to.

#### Personal Services

General rule: Unless you have specific statutory authority purchase cardholders may not contract for personal services using the purchase card.

#### Pesticides

General rule: Unless prior approvals are obtained from cognizant Pest Management Consultant at the appropriate NAVFAC or BUMED division, purchase cardholders are not authorized to contract for purchase of pesticides.

#### Plaques, Ashtrays, Paperweights and other Mementos As Give-Away Items

General rule: The use of appropriated funds to buy give-away items such as plaques, cuff links, hats, T-shirts, license plate covers, bracelets, ashtrays, Christmas cards, paper-weights, cigarette lighters, novelty trash cans, key chains and similar items is generally prohibited.

Exception: The purchase of give-away items in support of employee recognition programs may be authorized if accomplished in accordance with agency policy.

#### Printing and Duplication

General rule: Purchase cardholders are prohibited from buying printing or duplication services from sources other than DAPS.

#### Purchase from Government Employees or Businesses Owned or Controlled By Government Employees

General rule: Purchases from Government employees (military or civilian) or from business organizations substantially owned or controlled by Government employees are generally prohibited.

#### Reprographic Equipment

General rule: The purchase/lease/rental/trial/replacement or change in rental or lease plan of reprographic equipment is not authorized unless the requestor has complied with the requirements of the Navy Reprographic Equipment Program. The requestor must obtain written approval from the cognizant DAPS for all shore copying equipment with speeds of 71 or more copies per minute. (Examples of reprographic equipment are; copiers and high-speed copiers, Diazo process equipment, laser printers, and duplicating equipment).

#### Sensitive Compartmented Information In Contracts

General rule: Purchase cardholders are not authorized to enter into negotiations that will include requirements for contractor access to Sensitive Compartmented Information unless the customer has staffed the requirement through Commander, Office of Naval Intelligence, Code ONI-532.

### Shipboard Habitability Equipment, Including Furniture, Laundry/Dry Cleaning and Food Service Equipment

General rule: Except for furniture, laundry, dry cleaning, and food service equipment listed in the following catalogs are prohibited.

1. Furniture equipment – S9600-AD-GTP-010, U.S. Navy Shipboard Furniture Catalog with applicable changes.
2. Laundry/dry cleaning equipment – S6152-B1-CAT-010, Navy Laundry and Dry Cleaning Catalog with applicable changes.
3. Food service equipment – S6161-Q5-CAT-010, The Shipboard Food Service Equipment Catalog with applicable changes.

### Transportation, Purchase of

General rule: DON purchase cardholders are not authorized to use their card to ship logistics items or pay for cargo shipments except for emergency shipments where the activity or base transportation officer is not available. The GSA Express Small Package Contract now authorizes the use of the card to ship items using the FedEx contract when shipping administrative small packages under 150 pounds.

### Travel, or Travel Related Expenses

General rule: The purchase card cannot be used to pay for Government employee travel or travel related expenses (i.e. expenses associated with official travel including transportation, lodging, or meals).

### Uniform Items

General rule: Cardholders are not authorized to use appropriated funds to purchase uniform items.

### Visual Information (VI) Equipment

General rule: VI production equipment may not be provided to, acquired for, or used by, non-VI activities or personnel (See Definitions). Requests for VI equipment that exceed the dollar thresholds listed below must be forwarded to the appropriate Major Claimant Visual Information Management Office (MCVIMO) for approval. The MCVIMO must certify that acquisitions are in accordance with activity authorizations prescribed by OPNAVINST 3104.1 and 3104.2. Requests for VI equipment that support VI functions that are not authorized for the activity can not be approved at MCVIMO or local levels and must be held pending N09C1 approval of the new function.



Non-VI activities or personnel may acquire non-production VI equipment, unless otherwise specified by local VI instructions or when restricted by local credit card dollar call limitations, non-professional consumer type VI equipment such as 35mm film based photographic camera systems costing less than \$1,000; overhead, slide, filmstrip, and motion picture projection equipment costing less than \$5,000; audio and video recorder players costing less than \$5,000; video cameras and camera-recorders costing less than \$5,000; digital photographic cameras costing less than \$5,000; digital photographic printers costing less than \$10,000; and, video, LCD, LED, and CRT projectors costing less than \$10,000.

Exceptions: The following types of equipment are exempt.

1. VI equipment:

- a. Acquired and distributed by the Navy Exchange;
- b. Embedded in non-VI systems, which cannot be separated or operated to perform a VI function outside the system;
- c. Purchased with non-appropriated or morale welfare recreational funds including entertainment systems;
- d. Used solely to support research, development, test and evaluation (RDT&E) programmed mission requirements;
- e. Procured by the Naval Media Center in support of Armed Forces Radio and Television activities and "Navy and Marine Corps News This Week;"
- f. Used by administrative and security offices only for identification (ID) purposes;
- g. Dedicated to Pilot Landing Training (PLAT) System, secure flight crew briefing systems and meteorological information systems;
- h. Acquired under the Ship Building and Conversion, Navy (SCN) program; or,
- i. VI equipment acquired for Video Conferencing (VTC) activities managed per OPNAVINST 2015.1

2. Timing and synchronization apparatus related to instrumentation recording.

3. Radiographic equipment (industrial, medical and dental (x-rays)).

4. Office-related support equipment including: word processing equipment; transcribing and intercom equipment; telephone answering devices; xerographic equipment; and microform production and using (viewing and printing) equipment.

#### VI Equipment

a. Production. Items used for the recording, producing, reproducing, processing, broadcasting, editing, distribution, exhibiting, and storing of VI. Includes professional still, motion picture and video cameras; editing equipment, telecine equipment, audiotape and cassette duplicators; computer generated graphics systems; film and paper processing equipment photographic printers.

b. Non-production. Items used to maintain, repair, store, retrieve, exhibit or otherwise provide for the use of VI products. Includes videotape/disc players and television monitors; interactive video equipment; and, slide, film strip, motion picture, overhead, opaque and video projectors.

#### VI Activity

An organizational element or a function within an organization in which one or more individuals are classified as VI, or whose principal responsibility is to provide VI services. Navy VI activities are further identified by Defense Visual information Activity Numbers (DVIAN).

#### Visual Information-Audiovisual (VI-AV) production including interactive video acquisition

General rule: Per OPNAVINST 3104.1 and its implementing instructions, the Naval Media Center (NMC) is the single contracting activity within the DON authorized to procure VI-AV productions. All requests for contracting for VI-AV productions, except as excluded below, must be forwarded to the Chief of Naval Operations (N09C1) via the appropriate Major Claimant Visual Information Management Office (MCVIMO) for approval and or assignment.

Exceptions: The following are exempt from the DOD VI production reporting requirements (Visual Information Production Request and Report, DD 1995 and the search of the Defense Automated Visual Information System (DAVIS) products.

a. Mixed media packages with a predominance of text;

b. Television spot announcements, public service announcements, news clips, and information programs funded by Armed Forces Radio and Television Service (AFRTS);

- c. The Navy Broadcasting Department of the Naval Media Center;
- d. Activities engaged in or supporting research, development, test and evaluation;
- e. The Navy Exchange;
- f. Productions acquired from commercial sources by or for;
  - (1) DOD dependent schools.
  - (2) Morale, welfare, and recreation (MWR) activities.
  - (3) Education centers.
  - (4) Non-VI libraries controlled by SECNAVINST 5401.2 (NOTAL).
- g. Productions funded and reported as an integral part of a recruiting advertising contract; or,
- h. Interactive courseware acquired under OPNAVINST 1500.73.

Commercial Off-The-Shelf Visual Information-Audiovisual (VI-AV) production acquisition

General rule: Commercial off-the-shelf VI productions that support local, major claimant or Navy-wide requirements do not require a completed DD 1995 and may be purchased without MCVIMO or CNO (N09C1) validation. However, a DAVIS search is required to ensure that completed Navy or other DOD VI productions that may satisfy the requirements do not already exist. The DAVIS can be accessed via the Internet at <http://dodimagery.afis.osd.mil/>.

Withdrawal of Tax-free Ethyl and Specifically Denatured Alcohol

General rule: The purchase of tax-free ethyl and specifically denatured alcohol is not authorized unless a permit from the Bureau of Alcohol, Tobacco and Firearms has been issued.

THIS PAGE INTENTIONALLY LEFT BLANK

## APPENDIX E. DOD/DON STANDARD MCC CODE BLOCKS

The following are the “standard” DOD/DON MCC Code Blocks. [REF 12] A complete list of all MCCs can be obtained by contacting Citibank.

<u>MCC Code</u>	<u>Name</u>
4011	Railroads - Freight Home Supply
4121	Taxicabs/Limousines
4761	Telemarketing of Travel Related Services
4829	Wire Transfer-Money orders
5441	Candy, Nut Confectionery Stores
5681	Furriers and fur shops
5813	Drinking Places (Alcoholic Beverages) Bars, Taverns, Nightclubs
5921	Package Stores, Beer, Liquor
5932	Antique shops
5933	Pawn shops
5937	Antique reproductions
5944	Jewelry stores
5960	Direct Marketing Insurance
5993	Cigar Stores and Stands
6010	Financial Institutions Manual Cash Advances
6011	Financial Institutions Automatic Cash Advances
6051	Non-financial Institution-Foreign currency, money orders, traveler's checks
6211	Security brokers/Dealers
6381	Insurance-Premiums

6399 Insurance - Not Elsewhere Classified

6529 Remote Stored Value Load – Member Financial Inst. - MC

6531 Payment Service Provider

6532 Payment Transaction - Member Financial Inst

6533 Payment Transaction Merchant

6611 Overpayments

6760 Savings bonds

7012 Time shares

7273 Dating and escort services

7321 Consumer Credit Reporting Agencies

7332 Blueprint and Photocopying Services

7341 Window Cleaning Services

7511 Truck Stop Transactions

7524 Express Payment Service Merchants - Parking Lot

7833 Express Payment Service Merchants - Motion Picture

7994 Video Game Arcades/Establishments

7995 Betting, casinos, gaming chips, off – track betting

8651 Political organizations

9211 Court costs, alimony, and child support

9222 Fines

9223 Bail and bond payments

9311 Tax payments

9280 Automated referral services

9411 Government Loan Payments

## LIST OF REFERENCES

1. Acquisition, Controls Over the DOD Purchase Card Program. Department of Defense Inspector General Report No. D-2002-075, 29 March 2002.
2. Bradson Corporation. Purchase Card Analysis and Benchmarking. Analysis conducted by Bradson Corporation of the United States Marine Corps' Purchase Card Program, August 2001.
3. Braney, Ronald C. *An analysis of the credit card program using process innovation*, Masters Thesis, Naval Postgraduate School, Monterey, CA, December 1999.
4. Burk, Michele M. *An analysis of purchase card reconciliation times*, Masters Thesis, Naval Postgraduate School, Monterey, CA, December 1999.
5. Citibank. "Citibank Government Purchase Card Guide." [<http://www.Citibank.com/us/gov>]. 1998.
6. Citibank. "Citibank Government Purchasing Cardholder Guide." [<http://www.Citibank.com/us.gcs/document/guides/purchase/purchc/htm>]. 2000.
7. Defense Viewpoint, *Improving the Combat Edge Through Outsourcing*, DOD Report, Vol. 11, Number 30, March 1996.
8. Department of Navy eBusiness Operations Office Instruction 4200.1, "Department of Navy Policies and Procedures for the Operation and Management of the Government Commercial Purchase Card Program," Mechanicsburg, PA, 19 September 2002.
9. DOD Purchase Card Program Audit Coverage. Department of Defense Inspector General Report No. D-2002-029, 27 December 2001.
10. DON Purchase Card Program. "Agency Program Coordinator (APC) Desk Guide." Version 1.0, [<http://www.don-ebusiness.navsup.navy.mil>]. 19 September 2002.
11. DON Purchase Card Program. "Approving Official (AO) Desk Guide." Version 1.0, [<http://www.don-ebusiness.navsup.navy.mil>]. 19 September 2002.
12. DON Purchase Card Program. "Cardholder Desk Guide." Version 1.0. Available [<http://www.don-ebusiness.navsup.navy.mil>]. 19 September 2002

13. DON Purchase Card Program. "Head of Activity Desk Guide." Version 1.0. [<http://www.don-ebusiness.navsup.navy.mil>]. 19 September 2002.
14. Embrey-Jones, Gloria J. *An Analysis of the SmartPay Program at the U.S. Army Communications Electronics Command*, Masters Thesis, Naval Postgraduate School, Monterey, CA, December 2001.
15. Federal Acquisition Regulation.
16. General Accounting Officer. "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency." GAO/NSIAD-96-138, August 1996.
17. National Consumer League. "Debit Cards: Beyond Cash and Checks." [<http://www.nclnet.org/debtbro.htm>].
18. NIB. "What is the Javits-Wagner-O'Day (JWOD) Program?" [<http://www.nish.org/docs/875.doc>].
19. NOLO, Law for All. "Different Types of Credit and Debit Cards." [<http://www.nolo.com/lawcenter/ency/index.cfm/catID/734BECB6-ADDE-4041-AEC595AF30EA15CE>]. 2002.
20. Megargel, Jeffrey W. *An examination of MARFORRES purchase cardholders and approving official self-motivation*, Masters Thesis, Naval Postgraduate School, Monterey, CA, December 2000.
21. Slater, Richard S. *An analysis of credit card use as a method for making small purchases in the United States Marine Corps*, Masters Thesis, Naval Postgraduate School, Monterey, CA, December 1994.
22. Telephone conversation between Chester L. McMillon, Level 3 Agency Program Coordinator, Government-wide Commercial Purchase Card Program, Headquarters, United States Marine Corps and the author, 9 December 2002.
23. United States General Accounting Office, "Payment Processing: Validation of Receipt and Acceptance," GAO/IAMD-99-111R, April 1999.
24. United States General Accounting Office, "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency," GAO/NSIAD-96-138, August 1996.
25. United States General Accounting Office, "Purchase Cards: Navy is Vulnerable to Fraud and Abuse but Is Taking Action to Resolve Control Weaknesses," GAO-02-1041, September 2002.



26. United States Marine Corps Order P4200.15G, "Marine Corps Purchasing Procedures Manual," Washington D.C., 1991.
27. United States Marine Corps Order P7300.21, "Marine Corps Financial Execution Standard Operating Procedure Manual," Washington D.C., 2001.

THIS PAGE INTENTIONALLY LEFT BLANK

## INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center  
Fort Belvoir, Virginia
2. Dudley Knox Library  
Naval Postgraduate School  
Monterey, California
3. Marine Corps Representative  
Naval Postgraduate School  
Monterey, California
4. Director, Training and Education, MCCDC, Code C46  
Quantico, Virginia
5. Director, Marine Corps Research Center, MCCDC, Code C40RC  
Quantico, Virginia
6. Marine Corps Tactical Systems Support Activity (Attn: Operations Officer)  
Camp Pendleton, California
7. Professor Marshall Engelbeck, Code SM/SG  
Naval Postgraduate School  
Monterey, California
8. Dr. David V. Lamm  
Naval Postgraduate School  
Monterey, California
9. Captain Chester L. McMillon  
Government Purchase Card Program Office, Headquarters, Marine Corps  
Washington, D.C.