DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333 - 0001

REPLY TO
ATTENTION OF

03-02-CP-P
AMCCP-P 20 Nov 03

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Ensuring Effective Internal Controls on the Purchase Card Program

1. Recent audits by the General Accounting Office and the US Army Audit Agency (USAAA) identified several areas where internal controls on the purchase card program were not fully implemented. Some of the deficiencies were omission of purchase card program duties from the performance standards of program officials and failure to review spending limits to ensure they are appropriate for the dollar value of the purchases made by the cardholder.

2. I am especially concerned by USAAA's finding that performance standards for program coordinators and billing officials did not accurately reflect their purchase card program responsibilities. We must hold program coordinators, Billing Officials, and cardholders accountable through specific and measurable objectives in their performance standards. It is the responsibility of the Head of the Activity to ensure that effective internal controls are in place on the purchase card program and that program officials' performance standards include purchase card responsibilities. AMC Command Policy No. 03-02-CP-P at enclosure 1 establishes internal controls and responsibilities for the Heads of Activities and purchase card personnel.

3. The purchase card program provides significant savings and internal efficiencies to the Army and is crucial to our mission. To maintain the program's credibility we must ensure appropriate safeguards are in place. I charge you and your program officials to acquaint yourselves with this and other purchase card guidance and ensure that the program's requirements are appropriately implemented.

Encl
as

PAUL J. KERN
General, USA
Commanding

AMCCP-P

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SUBJECT: Ensuring Effective Internal Controls on the Purchase Card Program

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AMC COMMAND POLICY NUMBER 03-02-CP-P - GOVERNMENT PURCHASE CARD PROGRAM:
(Supercedes Policy No. 02-01-CP-P)

1. **Issuance and Retention of Purchase Cards.** Issuance and retention of purchase cards shall only be to individuals with a continuing, bona fide need. A continuing, bona fide need is defined as transactions of more than 1 per month. Accounts which reflect one or no transactions for 2 consecutive months shall be considered inactive. At least every 6 months the responsible Agency/Organization Program Coordinator (A/OPC) shall identify those cardholder and billing official accounts that are inactive and reduce the spending limit to $1.00 or cancel the account.

2. **Single Purchase Spending Limits.** No purchase greater than the micro-purchase threshold will be made with a purchase card or a convenience check. The billing official, in coordination with Resource Management, will establish single purchase limits which will be determined based on prior purchase history. Account expenditures will be reviewed at least every 6 months by the Agency/Organization Program Coordinator to determine if purchase limits need to be adjusted.

3. **Monthly Purchase Spending Limits.** Monthly purchase limits shall be established by the billing official in coordination with Resource Management for each cardholder. Establish an appropriate limit per card based on expected monthly use. Review every 6 months to bring in line with actual purchase history. Regardless of the established monthly spending limit, no amounts in excess of budgetary limits will be spent.

4. **Office Spending Limits.** Office spending limits shall be assigned to each billing official by the Agency/Organization Program Coordinator based on the total cardholders' monthly spending limits. The total shall not exceed established budgetary limits.

5. **Usage of the Card as a Payment Vehicle.** Principal Assistants Responsible for Contracting/ Directors of Contracting may appoint cardholders to use the government purchase card to make payments against a contractual instrument, but only if specifically authorized by the card-issuing authority.

- Orders by non-procurement ordering officials against blanket purchase agreements may not exceed $25,000.

- Procurement officials may be authorized to make payments on contracts up to the limit specified in the contract, except that no individual payment transaction may exceed $9,999,999.99. To use the card as a payment vehicle, the contract must contain a provision authorizing payment by credit card.

6. **Ratio of Cardholders to Billing Officials.** No single billing official shall be assigned more than seven cardholders by the Agency/Organization Program Coordinator. Any exception for more than seven cardholders per billing official must be approved by the Chief of the Contracting

Office for 8-10 cardholders, by the Principle Assistant Responsible for Contracting for 11-19 cardholders, or the Purchase Card Program Manager for 20 or more cardholders.

7. **Conflict of Interest (Internal Controls).** To reduce the risk of error, waste, or wrongful acts and to reduce the risk of those acts going undetected, key duties and responsibilities in authorizing, processing, recording, and reviewing transactions will be separated among individuals. Key duties include authorizing, approving, and recording transactions; requisitioning and receiving equipment, supplies, and services; making payments; and reviewing or auditing transactions.

8. **Mandatory Training and Refresher Training.** All cardholders and billing officials must complete purchase card training prior to being authorized to perform their duties. To meet this training requirement, cardholders and billing officials must complete the DoD Government Purchase Card Tutorial at **http://clc.dau.mil/kc/no_login/portal.asp**. It may be supplemented by locally developed training for installation unique procedures. All cardholders and billing officials must complete refresher training at least every 2 years and ethics training annually.

9. **Prohibited Vendors.** A government purchase card shall not be used for the following categories of vendors:

Wire transfer/money orders; antique shops; pawn shops; antique reproductions; jewelry stores; direct marketing insurance; manual or automatic cash advances from financial institutions; foreign currency, money orders, and travelers checks from non-financial institutions; security brokers/ dealers; savings bonds; timeshares; dating and escort services; gambling; casino gaming chips; off-track betting; political organizations; court costs; alimony; child support; fines; bail and bond payments; tax payments; and automated referral services. Card usage may be further restricted so that cardholders are limited to purchases of only those goods/services they legitimately need to meet mission requirements.

10. **Prohibited Transactions.** The government purchase card shall not be used for the following:

- Split purchases.
- Cash advances.
- Purchase of information technology without prior approval of your local DOIM.
- Rental or lease of land or buildings on a long-term lease.
- Purchase of food, drinks, clothing, lodging or travel costs (under very limited circumstances, these items may be legally purchased using the government purchase card. Legal review should be obtained prior to making such purchases).

- Purchase of airline or bus tickets or other travel related expenses.
- Aviation, diesel, gasoline fuel or oil for aircraft.
- Repairs on leased or GSA fleet operated vehicles.
- Personal use.
- Advertising without prior approval.
- Purchases made by individuals other than the authorized cardholder.
- Hazardous material without local authority approval.
- Purchases made by individuals who have not received mandatory training.
- Making purchases and returning them to the vendor for cash or vendor credit slips (a credit must be issued against the same card on which the purchase was made).
- Purchases by contractors. Contractors must obtain purchase cards directly from the bank, subject to the approval of the Agency Organization Program Coordinator. However, it must be clear that the contractor cannot commit or expend government funds.
- Payment for unratified actions unless the files are properly annotated and the ratification is properly documented in accordance with FAR 1.602-3.
- Gifts or momentos (under very limited circumstances, these items may legally be purchased using the government purchase card. Legal review should be obtained prior to making such purchases).
- Items or services that cannot be purchased with appropriated funds

The Billing Official (BO) Must:

- Perform a 100 percent review of all cardholder transactions monthly and certify statements for payment. *Reviews will include checking for: fraudulent purchases; purchases from prohibited vendors or for personal use; reasonableness of price; priority sources have been satisfied; compliance with established spending limits; purchases were in support of office mission.
- Annually, billing officials will certify through the internal control checklist that they have conducted the 100 % reviews of cardholder transactions; (for a copy of the checklist, see http://www.amc.army.mil/amc/rda/rda-ap/impactut.html).

- Ensure cardholders follow all required policies and procedures regarding purchases with the government purchase card.

- Ensure that the billing statements are reviewed and certified within 15 calendar days following the end of the billing cycle.

- Retain the original cardholder's statement of account, all supporting documentation and copies of the certified Billing Statement for a period of 6 years, 3 months.

- Complete a SF 450, Financial Disclosure Report annually if they certify purchases exceeding the small purchase threshold (currently $100,000) in a 12-month period using the government purchase card.

- Notify the A/OPC prior to leaving his or her position.

- Direct cardholders, in writing, to obtain his/her approval prior to making purchases (optional).

❖ Positive findings for bullet 1 above may result in a warning letter, appropriate disciplinary action, payment for inappropriate items purchased by the individual(s) which made the purchase, and reporting of the incident to the A/OPC.

Cardholders Must:

- Ensure that appropriate funding is available prior to making purchases.

- Ensure the purchase card is only used for official government purposes in support of the office mission.

- Safeguard the purchase card and account number at all times.

- Ensure purchase requests/receipts, funding availability, packing slips, and the statement of questioned items forms are forwarded to the billing official within 5 days after receipt of the bank statement.

- Check mandatory sources of supply prior to initiating purchases.

- Ensure purchases are in accordance with policies and procedures for use of the government purchase card.

- Purchase is within the cardholder's single purchase limit.

- Inform the vendor that billing cannot occur until the item(s) are shipped and/or delivered.

- Complete a SF 450, Financial Disclosure Report, annually if they make purchases

exceeding the small purchase threshold (currently $100,000) in a 12-month period using the Government purchase card.

- Notify their A/OPCs before they depart and return the purchase card to the A/OPC for cancellation of the account with the bank.

- Retain purchase documentation including the statement of account and receipts for 3 years.

The Agency/Organization Program Coordinator must:

- Process nominations received for cardholders/billing officials from local agency supervisors, conduct training, prepare policy and guidance, and prepare delegation of authority memoranda to appoint cardholders and billing officials.

- Change dollar thresholds and cancel cards.

- Perform a review of billing official accounts based on a statistically relevant sampling of accounts. *This sampling shall be conducted throughout the year. Submit written reports summarizing their reviews to key program personnel (Billing Officials and their raters). Report significant findings (such as systemic problems, fraud, or gross abuse by an individual) to the chief of contracting, and head of the activity.

- Revoke purchase cards and recommend termination of any cardholder/billing official for failure to comply with established policies and procedures.

- Serve as the purchase card focal point at each organization.

- Serve as the liaison between the organization and U.S. Bank, acting as a point of contact, to discuss any matters that may arise due to government purchase card use.

- Enter data into the Customer Automation Reporting Environment (CARE) to set up and/ or cancel cardholder/billing official accounts.

- Appoint replacement billing officials prior to the departure of existing billing officials.

- Document that cardholders and billing officials have received refresher training once every 2 years. A dated copy of the completed examination will satisfy this requirement.

❖ A statistically relevant sampling is defined as one-half of all billing official statements annually.

The Head of the Activity must:

- Assure program reviews are conducted in accordance with DoD component policy and take appropriate action to correct deficiencies identified as a result of audits and reviews.

- Ensure effective internal management controls are in place.

- Appoint Billing Officials and cardholders (or delegate this responsibility). Ensure Billing Officials are in the cardholders' supervisory chain of command or are in a position where they have some knowledge of the cardholder's mission and purchases and can influence the cardholder's rating.

- Ensure performance standards of purchase card program personnel (including cardholders, billing officials, and program coordinators) include specific and measurable purchase card program objectives that hold purchase card program participants responsible for their purchase card duties.