OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

NOV 27 2002

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Internal Controls for the Purchase Card Program

In the interest of providing stronger internal controls for the Department's purchase card program, we have determined that all Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities must accelerate fielding of on-line certification and bill payment tools at every DoD installation. The two card-issuing banks currently provide card officials access to an on-line capability to review, in real time, charge card transactions as they post to the banks' systems. This capability also allows the on-line approval and certification of invoices and the subsequent transmission of certified invoices directly to the supporting finance systems. On-line, real-time approval and certification enhances internal controls, and provides greater visibility of invoices to ensure timely certification; timely certification decreases delinquencies and prompt payment interest penalties, and increases rebates. The on-line, real-time tools also enhance supervisors' and program officials' surveillance capabilities.

At the present time, the on-line certification and bill payment interface systems are only partially implemented in the Department. Use of the banks' on-line systems is mandatory unless a waiver is approved. Each Component must take action to schedule implementation with the Program Management Office (PMO) and aggressively facilitate DoD-wide implementation by December 30, 2002. Both training resources and interfaces to supporting finance and accounting systems are drivers that must be managed by the Components to meet the desired implementation date.

Only the Director, Defense Procurement, with concurrence from the Deputy Chief Financial Officer, may grant waivers to the December 30, 2002 implementation date, or from the mandate to use the banks' on-line certification and bill payment interface systems. Waiver requests must justify any proposed alternative to the use of the card-issuing banks' systems, and shall describe how the proposed alternative is cost-effective and superior in capability. Also describe how those internal controls inherent in the banks' systems are incorporated into any proposed alternate process.

Status of DoD Component progress in implementing the on-line systems, and copies of any approved waivers, shall be provided to the PMO and Director, Defense Procurement by the first of each month with the first report due November 1, 2002. The attached waiver format is provided for your use.

The contact for this memorandum is Mr. Bruce E. Sullivan, Director, DoD Purchase Card Joint Program Management Office. He may be reached at (703) 681-7564, or by e-mail at bruce.sullivan@saalt.army.mil.

Dov S. Zakheim
Under Secretary of Defense
(Comptroller)

E. C. Aldridge, Jr.
Under Secretary of Defense for
Acquisition, Technology and Logistics

Attachment
As stated

Request for Waiver
from Requirement to Use U.S. Bank or Citicorp Purchase Card
On-Line Certification And Bill-Payment Tool

This is justification to waive the requirement to:

(1) Use the card-issuing banks' on-line tool and/or
(2) Implement the tool prior to December 30, 2002

Rationale for the waiver:

(A) Current method of certification and payment (i.e., paper, electronic)
Number of purchase card invoices paid per month
Average lines of accounting per invoice
Current cost to process Invoices

(B) Proposed Alternate process (may be current process if waiving December 30 implementation date)
Cost to process invoices
Internal controls to ensure timely reconciliation and payment (automated card suspensions, electronic interfaces with finance and accounting systems, etc.)
Internal controls to be used to provide oversight (on-line review by billing officials, etc.)
Expected date of implementation of alternate process or bank process

Approval: (must be no lower than the Director, Defense Procurement with concurrence from the Deputy Chief Financial Officer)

cc:

PCPMO
OUSD(C)
ODDP