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MANAGEMENT INITIATIVE DECISION



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INITIATIVE DECISION IS PROHIBITED.

MID 904

TITLE: Department of Defense Charge Card Management

DATE: December 18, 2002

DECISION: The Under Secretary of Defense (Comptroller) approved the alternative estimate.

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SUBJECT: Department of Defense Charge Card Management

DOD COMPONENTS: Military Departments and Defense Agencies.

SUMMARY OF EVALUATION: The alternative:

- Establishes and documents responsibility for implementation and program management of outstanding Charge Card Task Force recommendations.

- Establishes and documents responsibility for implementation and program management of follow-on recommendations to the Charge Card Task Force final report, dated June 27, 2002. (NOTE: These recommendations will be incorporated into the recommendations of the Charge Card Task Force addressed in this MID.)

- Establishes and documents responsibility for implementation of recommendations contained in General Accounting Office (GAO) reports on charge card management. (NOTE: These recommendations also will be incorporated into the recommendations of the Charge Card Task Force addressed in this MID.)

- Transitions responsibility for implementation and management of the Task Force recommendations from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Performance and Management Excellence Directorate to the appropriate organizations.

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DETAIL OF EVALUATION: Early in calendar year 2002, following reports of charge card misuse within the DoD, the Secretary of Defense directed a review of charge card programs. On March 19, 2002, the USD(C) established a DoD Charge Card Task Force (herein referred to as the Task Force) to evaluate the Department's purchase and travel charge card programs and to develop recommendations to improve and strengthen program management

The Task Force developed recommendations to improve the Department's charge card programs. Details of each of these recommendations, to include current status of completed and outstanding recommendations, can be found in the document "Status Report on the DoD Charge Card Task Force." Once this MID is signed, this status report will be posted on the OUSD(C) website.

For Task Force recommendations not yet completed, the alternative establishes time frames and assigns responsibilities for completion to the appropriate DoD Component.

The alternative also assigns responsibility for implementation of new recommendations that have been established since the publication of the Task Force's final report. This includes recommendations stemming from GAO reviews of the program.

Recommendations Not Yet Completed. Recommendations from the Task Force final report not yet completed include:

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

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

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

Responsibility:

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

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

Recommendation CO-4: Complete development of automated data mining tools to provide improved surveillance of purchase card programs. The PCPMO will use data obtained through data mining

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to develop additional purchase card management metrics. Expand data mining to the travel charge card program.

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

The PCPMO will develop proposed management metrics and submit them to the OUSD(C) within 90 days of the signing of this MID.

Recommendation PC-2: Accelerate electronic certification and bill paying systems for purchase cards.

Responsibility: Within 90 days of the release of the memorandum, the PCPMO, in coordination with the DoD Components and the purchase card issuing banks, will develop an implementation plan to field an on-line statement certification process for remaining activities. This plan will detail additional resource requirements to implement an accelerated fielding schedule.

Recommendation PC-4/TC-12: Develop enhanced training materials for purchase cardholders, approving officials, and APCs. Increase awareness of travel card training materials.

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

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

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Responsibility: Within 90 days of the signing of this MID, the OUSD(C), with the support of the OGC and Office of the Director, Defense Procurement and Acquisition Policy (ODDP/AP), will implement revisions to the Department of Defense Financial Management Regulation ("DoDFMR"). These revisions will: (1) clarify the application of pecuniary liability and the conditions under which cardholders and approving officials can be held pecuniarily liable; and (2) promulgate policy consistent with section 1005 of the FY 2003 National Defense Authorization Act, which allows the Department to impose pecuniary liability on accountable officials.

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

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

Responsibility: The alternative requires the OGC, by March 31, 2003, to ensure that all necessary administrative procedures are in place to implement the Program Fraud Civil Remedies Act within the Department. If additional procedures are required, OGC should provide a detailed schedule for development and implementation of those procedures. The OGC will obtain information from the Components on the number of potential cases. Upon identification of appropriate cases, OGC will enter into a Memorandum of Understanding with one or more other agencies for Administrative Law Judge services.

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

Responsibility: ODDP/AP will, by March 31, 2003, publish a revision to the Defense Federal Acquisition Regulation Supplement clarifying that: (1) purchase card abuse is a crime under Article 92 of the Uniform Code of Military Justice (UCMJ); civilian personnel may be subject to appropriate administrative

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or disciplinary action up to, and including, removal from the federal service for purchase card misuse or abuse; and (2) commanders and supervisors are required to ensure compliance with purchase card regulations. The OUSD(C) will publish the corresponding revisions to the "DoDFMR" by February 15, 2003.

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

Responsibility: The TCPMO and the OUSD(C) will establish metrics on the (1) dollar value and number of accounts delinquent; (2) age of delinquent accounts; (3) number of accounts in salary offset; and (4) dollar amount charged. These metrics will be included in existing OUSD(C) financial management metrics within 90 days of the signing of this MID.

Recommendation TC-2: Accelerate the use of split disbursement. A provision in the FY 2003 Defense Authorization Bill allows the Department to mandate the use of split disbursement.

Recommendation TC-5: Expand the application of salary offset. A provision in the FY 2003 Defense Authorization Act allows the Department to apply salary offset uniformly against all DoD civilian and military personnel pay and against all DoD military and civilian personnel receiving retirement pay.

Responsibility (TC-2 and TC-5): The OUSD(C) will promulgate policy consistent with the new legislation in the "DoDFMR" within 90 days of the signing of this MID. The OUSD(C) will coordinate with the OGC and the OUSD(P&R) to ensure any labor issues are resolved prior to Department-wide implementation.

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

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

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

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

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

Responsibility: The OUSD(C) will publish a revision to the "DoDFMR" that incorporates the exemption within 90 days of the signing of this MID.

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

Responsibility: The PMO, DTS will provide the results of its evaluation and a draft statement of work to the OUSD(C) within 90 days of the signing of this MID.

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

Responsibility: The OUSD(C) will publish a revision to the "DoDFMR" within 90 days of the signing of this MID.

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

New Recommendation CO-5: Establish a reporting requirement for statistics on criminal investigations, and on administrative sanctions related to the improper use of government charge cards.

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

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

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

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

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

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

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

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

New Recommendation CO-6: Office of Management and Budget (OMB) Reporting Requirement. A memorandum signed by the Director, OMB on October 15, 2002, establishes a requirement for agencies to report quarterly on efforts to prevent fraud and abuse related to purchase and travel card programs.

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

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New Recommendation CO-7: Implement the requirement contained in Section 8149 of Public Law 107-248 to evaluate the creditworthiness of an individual before issuing the individual a government purchase charge card or government travel charge card.

Responsibility: The PCPMO and the TCPMO will develop plans to implement the requirements of Section 8149, to include resource requirements. The plans will be submitted to the OUSD(C) within 90 days of the signing of this MID.

New Recommendation CO-8: Implement the requirement contained in Section 8149 of Public Law 107-248 to establish DoD guidelines and procedures for disciplinary actions to be taken against DoD personnel for improper, fraudulent, or abusive use of government purchase charge cards and government travel charge cards.

Responsibility: The OUSD(P&R) will develop the necessary DoD-wide policy to meet the requirements of Section 8149 of Public Law 107-248 for both military and civilian personnel. The OUSD(C), OGC, DoD Component employee relations organizations, and purchase and travel charge card program officials will support OUSD(P&R) in this effort. The Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) will initiate any necessary revisions to security regulations. The new or revised DoD policy will be completed and submitted for formal coordination within 90 days of the signing of this MID.

New Recommendation CO-9: Implement the requirement contained in Section 8149 of Public Law 107-248 to limit the total number of accounts for DoD purchase charge cards and travel charge cards to no more than 1,500,000 accounts.

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

New Recommendation CO-10: Implement the requirement of Section 8149 of Public Law 207-248 that requires the Secretary of

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Defense to submit to the congressional defense committees a report on the implementation of the requirements and limitations in Section 8149, including the guidelines and procedures established for disciplinary actions to be taken against Department personnel not later than June 30, 2003.

Responsibility: The OUSD(C) will prepare and submit the report by June 30, 2003.

New Recommendation TC-13: Implement Federal Travel Regulation (FTR) exemption from mandatory use of the travel charge card for those employees who travel five times or less a year.

Responsibility: The OUSD(C) will evaluate the revision to the FTR and, if appropriate for the Department, publish a revision to the Department's infrequent traveler definition contained in the "DoDFMR" within 90 days of the signing of this MID.

Incorporation of GAO Recommendations from October 2002 report, "Travel Cards Control Weaknesses Leave Army Vulnerable to Potential Fraud and Abuse," (GAO-03-169) and September 2002 report, "Navy is Vulnerable to Fraud and Abuse But is Taking Action to Resolve Control Weaknesses," (GAO-02-1041). The GAO provided recommendations to improve travel and purchase card policies and procedures within the Army and Navy. The GAO also recommended that the USD(C) assess the recommendations and, where applicable, incorporate them into or supplement the DoD Charge Card Task Force recommendations to implement throughout DoD. Most of the GAO recommendations are included in existing recommendations from the charge card task force or are addressed by other recommendations in this MID. The Charge Card Task Force Status Report specifically addresses the existing recommendation associated with each GAO recommendation.

The following recommendations from the GAO report require actions not yet addressed by existing recommendations:

New Recommendation TC-14: Implement GAO recommendation to develop comprehensive, consistent initial training and periodic refresher training for travel cardholders, focused on the purpose of the program and appropriate uses of the card.

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

New Recommendation TC-15: Implement the GAO recommendation to develop a process to monitor and track travel reimbursements that exceed the 30-day requirement so that individuals not paid within the statutory period are paid late fees in accordance with the law.

Responsibility: The DFAS and the DoD Components will evaluate the feasibility and cost associated with developing an interim system to track voucher submission and disbursing dates and calculate interest due on vouchers exceeding the 30 day requirement. The results of the evaluation will be provided to the OUSD(C) within 90 days of the signing of this MID.

New Recommendation TC-16: Implement the following GAO recommendations associated with APCs:

- Establish Component guidance on who should be given APC responsibilities that considers (1) the knowledge, skills, and abilities required, (2) the time required to carry out APC responsibilities on a day-to-day basis, and (3) the length of time an individual should be required to stay in the APC position. Components should evaluate whether the APC position should be full time.

- To avoid high APC turnover, Components should evaluate the feasibility of maximizing the use of permanent civilians rather than military employees to serve in the role of APC.

- Establish guidance on APC span of control aligning the responsibilities with time available to ensure effective performance.

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- Establish Component procedures on how APCs should carry out their responsibility to monitor card usage for all cardholders assigned to them. Included in the procedures should be development of a data mining program enabling APCs to scan a large number of transactions and target potentially inappropriate transactions for further review.

- Establish a requirement for assessing performance of travel monitoring and other APC duties as a rating factor on all APCs' performance evaluations.

- Establish a requirement for cognizant APCs to retain records documenting any cardholder's fraudulent or abusive usage of the travel card; require this information to be provided to the gaining APC when the cardholder is transferred.

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

New Recommendation TC-17: Implement GAO recommendation to review, in conjunction with the travel charge card contractor, individuals with APC-level access to the Electronic Account Government Ledger System (EAGLS) to limit such access to only those with current APC duties.

Responsibility: The OUSD(C) will ensure that the appropriate revisions are made to DoD regulations to ensure termination of access to the card contractors' electronic systems upon transfer, dismissal, retirement, or separation of personnel. These revisions should be incorporated into DoD regulations by June 30, 2003.

New Recommendation PC-10: Incorporate GAO recommendations to establish job descriptions that identify responsibility and performance standards for cardholders, approving officials, and agency program coordinators, and to link the cardholders,

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approving officials, and agency program coordinators' performance appraisals to these performance standards.

Responsibility: The ODDP/AP will, within 90 days of the signing of this MID, revise the Purchase Card Concept of Operations to recommend that cardholders and approving officials have specific knowledge, skills and abilities in their job description/ performance criteria related to their purchase card responsibilities.

New Recommendation PC-11: Implement GAO recommendation to establish a database that maintains information on all purchase card training taken by cardholders, approving officials, and agency program coordinators. Require that agency program coordinators update the database whenever these purchase card program officials take training.

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

New Recommendation PC-12: Implement GAO recommendation to direct agency program coordinators to review an approving official's overall workload and determine whether the approving official has the time necessary to perform the required review functions.

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

New Recommendation PC-13: Implement GAO recommendation to identify vendors used by DoD for frequent purchases, to evaluate Component purchasing practices with these vendors, and to

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forward the results of this evaluation to the appropriate Component acquisition organization. The acquisition organization should pursue contracts with these vendors, where applicable, to optimize Component purchasing power.

Responsibility: The PCPMO will direct all Components to review FY 2002 purchase card transaction files and stratify the volume of purchases by vendor. This data should be reviewed to determine if any Component-wide contracts should be established. The alternative requires Components to provide the results of their reviews to the PCPMO within 90 days of the signing of this MID.

Incorporation of General Accounting Office (GAO) June 2002 report, "Purchase Cards Control Weaknesses Leave Army Vulnerable to Fraud, Waste, and Abuse," (GAO-02-732) recommendations. The GAO recommended that the USD(C) direct the Task Force to assess their recommendations, and to the extent applicable, incorporate them into Task Force recommendations to improve purchase card policies and procedures. Most of the GAO recommendations are included in existing recommendations from the Charge Card Task Force or elsewhere in this MID. The Charge Card Task Force Status Report specifically addresses the existing recommendation associated with each GAO recommendation.

The alternative in this MID assigns responsibility for the following outstanding recommendations from the GAO report:

New Recommendation PC-14: Implement GAO recommendation to develop and implement procedures and checklists for use by approving officials in the monthly review of cardholders' transactions. These procedures and checklists should specify the type and extent of review that is expected of approving officials and the required review documentation.

Responsibility: Within 90 days of the signing of this MID, the ODDP/AP will revise the Purchase Card Concept of Operations to include procedures and checklists to be used by approving officials.

New Recommendation PC-15: Implement GAO recommendation to develop and implement a program oversight system that includes

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standard activities and analytical tools to be used by program coordinators in evaluating program results.

Responsibility: The ODDP/AP will revise the Purchase Card Concept of Operations to include standard procedures for performing program oversight within 90 days of the signing of this MID.

MID Reporting Requirement

New Recommendation CO-11: The alternative establishes a quarterly reporting requirement on status of each recommendation/initiative. The organizations assigned responsibility for completion of the actions detailed in this document are responsible for reporting their status to the Director for Performance and Management Excellence, OUSD(C), by the 30th day of each December, March, June, and September.

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