



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

JUN 3 1999

MEMORANDUM FOR DISTRIBUTION

Subj: PROCESS IMPROVEMENTS AND COMPLIANCE WITH THE POLICIES
OF THE PURCHASE CARD PROGRAM WITHIN THE DEPARTMENT OF
THE NAVY

Encl: (1) Revised Certification Statement

As a result of our experience with and analysis of the purchase card process, we have identified several systemic difficulties that must be resolved to achieve the overall benefits and goals envisioned for the program within the Department of the Navy (DON). Primary systemic factors that have impeded total achievement of the goals include insufficient obligations, non-compliance with pay and confirm, and timely certification of invoices. The first two factors can be remedied by all organizations complying with the basic policies. However, an important element, which we believe offers the greatest immediate improvement to the process, is found within the invoice certification and payment phase of the process.

Currently, the invoice certification process requires purchase cardholders to reconcile their account and forward a signed copy of their statement of account to their Approving Official (AO), who received the purchase card invoice. By signing the statement, the cardholder is notifying the AO in writing that he is in agreement with their monthly statement. Upon receipt of this notification from the cardholders, the AO certifies the invoice and forwards it to the servicing Defense Finance and Accounting Service Operating Location for payment. The AO, as certifying officer, is verifying that the purchases were legal, proper, and correct, which is a prerequisite to payment. These actions are inconsistent with actual practice because it is not possible for the AO to personally review and verify the cardholder's individual transactions and statements of account. Rather, the AO is relying upon the integrity of each individual purchase cardholder assigned to him. Therefore, it is the purchase cardholder who is clearly knowledgeable as to whether the transactions are in accordance with approved policies and procedures.

As a result of the above, the certification process is being modified within the DON to clearly recognize the responsibility of the cardholder. Effective immediately, the AO will certify the purchase card invoices based upon the presumption that all

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cardholders accounts are proper unless the AO has been notified in writing to the contrary within five working days of receipt of the purchase card invoice. This new policy recognizes that the ultimate responsibility for purchases being proper is with the cardholder. This change in policy will ensure that the cardholder will inform the AO in a prompt manner of any duplicate payments or fraudulent or improper charges to his account. This exception reporting process also provides substantial benefits including elimination of unnecessary administrative steps, more timely payment of purchase card invoices, minimizing delays attributable to AOs awaiting cardholder responses, and maximizing rebates. In conjunction with this process change, the wording on the certification statement has been amended to more clearly reflect the responsibilities of the cardholder. A copy of the revised certification statement is provided as enclosure (1).

To address other systemic problems, resource managers should ensure that advance reservation of funds, commonly referred to as bulk obligations, is used to the maximum extent possible and that there is sufficient funding available to cover all anticipated purchases to be made in the billing period. We recognize that in some cases, resource managers are striving to maximize their flexibility in the use of budget authority by minimizing the amounts that they encumber in any given period. However, these budgetary cash management actions, if not continuously monitored, can defeat the very objectives that they are intended to achieve because the Department must pay interest for late payments, as well as creating delinquencies which are a poor reflection on our financial management practices. Thus, we must modify our current business practices to eliminate the delay in payments and corresponding interest penalties attributable to insufficient obligations. Interest charges are increasing and are being monitored closely. Organizations causing excessive interest penalties will be subject to the reallocation of their resources to reimburse the DON prompt pay interest centrally managed account. This reallocation will be reflected on your major command's current year operations and maintenance fund authorization document (allocation or sub-allocation).

Further, commands and activities should ensure that their AOs and cardholders fully comply with the concept of pay and confirm. Specifically, invoices will not be disputed or delayed if the vendor has shipped the goods but they have not been received. In such instances, invoices should be certified and

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the cardholder should monitor for the receipt of goods in the subsequent month. If goods are not received in time for the cardholder to certify the next month's invoice, the cardholder must notify their AO and formally dispute the item(s) under the extant dispute process.

Finally, the Agency Program Coordinator and AOs should coordinate with their resource managers on at least a weekly basis to review any suspended purchase card transactions which cannot be paid by their servicing Operating Locations due to insufficient funds. In cases where AOs have a significant number of transactions, it may be advantageous that they be given direct access to the bill paying system to review the suspended transactions reports. Organizations desiring to pursue this complementary process should contact their resource/financial manager to establish the necessary user identifications and passwords to gain direct access to the bill paying system processing their payments.

The changes in the certification of invoices as well as timely posting of obligations and adherence to pay and confirm will provide for a more efficient administration of the purchase card program. The actions discussed above are to be implemented immediately by all commands and activities.


Charles P. Nemfakos
Senior Civilian Official

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PURCHASE CARD CERTIFICATION STATEMENTS

I certify on (insert date) that, except as may be noted herein or on supporting documents, the purchases and amounts shown documented on this statement:

a. Are correct and were required to fulfill immediate mission requirements of my organization.

b. Do not exceed spending limits approved by the Resource Manager.

c. Are not for my personal use or the personal use of the receiving individual.

d. Are not items that have been specifically prohibited by my organization or by statute (e.g., real estate, transportation and travel).

e. Are not part of a system or larger purchase exceeding \$100,000.00 in value.

f. Have not been split into smaller segments to stay under the micro purchase limit (\$2,500.00).

In making this certification, I understand that the cardholder has not notified me of any duplicate payments, and/or any fraudulent or improper charges to their account. The cardholder will be responsible for repaying my organization, up to the amounts permitted by regulation, for any purchases that do not meet the above requirements as determined by later audit and/or reconciliation. I also understand that the disbursing officer will charge for any late interest payment penalties in accordance with the Prompt Payment Act.

Enclosure (1)