



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

05 JUL 2001



SAAL-PI

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTORS, DEFENSE AGENCIES

SUBJECT: Internal and Management Controls – DOD Purchase Card Program

One of the basic tenets of the purchase card program is that fraud-related losses, while unavoidable, can be managed so as to protect the interests of the American taxpayer. Underlying this principle is the need for a system of internal and management controls. If implemented properly, the controls will minimize losses to a level that is reasonable when compared to industry standards as well as the savings that are generated through the use of the card. While I remain confident that the favorable ratio of savings to losses can continue well into the future, there is increasing evidence to suggest that management complacency may well threaten this "margin of safety" if we do not maintain a respectful vigilance.

Central to this vigilance is the allocation of appropriate resources to allow program officials to perform their duties accurately and completely. Audit communities repeatedly advise me that they continue to find instances of an unacceptable span of control between billing officials and cardholders. Billing officials are our first line of defense against fraud, waste, and abuse, as they are required to review each of their cardholder statements. If they have too many cardholders under their purview there is no way these officials can perform the required reviews and attendant certifications of cardholder purchases. As a general rule of thumb, a billing official should have no more than 5-7 cardholders assigned to them for oversight. Of course, this ratio is subject to review if the billing official has one or more cardholders who make many purchases during the month. Similar breakdowns in the chain of controls takes place if agency program coordinators at the base/installation level are assigned responsibility for

the card program as a collateral duty without the required time and attention to devote to the program. Installation/base level agency program coordinators must be given adequate resources to complete the annual or semi-annual compliance reviews required by your card programs in addition to their routine training, account establishment and maintenance duties.

There is more than anecdotal evidence to suggest that the cited beleaguered officials are becoming more the norm than the exception within the Department. In the coming weeks I would ask that you conduct an assessment of the policies and guidelines that are in effect to assist commanders and directors in the proper allocation of resources to the purchase card program. If you have any questions, please do not hesitate to contact me at (703) 681-7564 or my Deputy, Dennis Hudner, at (703) 681-3315.



Bruce E. Sullivan
Director, Purchase Card Joint
Program Management Office

CF:

Under Secretary of Defense (Acquisition & Technology)
Under Secretary of Defense (Comptroller)
Assistant Secretary of the Army (Financial Management & Comptroller)
Assistant Secretary of the Air Force (Financial Management & Comptroller)
Assistant Secretary of the Navy (Financial Management & Comptroller)
Director, Defense Finance and Accounting Office
Directors, DOD Field Activities