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COMPTROLLER

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures--Change 1

On March 27, 1997, the Under Secretary of Defense (Comptroller) issued "Purchase Card Reengineering Implementation Memorandum #3: Streamlined Financial Management Procedures." That guidance stipulated rules governing the ongoing effort to reengineer the purchase card process, as well as procedures for delayed dispute, payments and other financial management aspects of the Department of Defense (DoD) purchase card program.

The "Joint Report of the Purchase Card Financial Management Team and the Purchase Card Integrated Product Team to the Under Secretary of Defense (Acquisition and Technology) and the Under Secretary of Defense (Comptroller)" required the reengineered business practice for purchase card invoices to be paid in accordance with the Office of Management and Budget (OMB) Circular A-125, "Prompt Payment." Accordingly, Purchase Card Reengineering Implementation Memorandum #3 required billing statements to be paid in full during the authorized prompt payment window (i.e., between the 23rd and 30th day), preferably on the 23rd day, except for disputed items. Subsequent to the issuance of that policy, the Department requested, and OMB subsequently authorized, the Department to make payments earlier.

Accordingly, Purchase Card Reengineering Implementation Memorandum #3 hereby is amended. Attached to this memorandum is a revised policy document. Changes to the issuance of March 27, 1997, are identified by a star (★) preceding each changed paragraph or subparagraph. All other provisions of Purchase Card Reengineering Implementation Memorandum #3 continue to apply.

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These policies are applicable to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the Department of Defense; the Defense Agencies and the Department of Defense Field Activities. These policies are effective as specified herein. The Heads of the DoD Components shall ensure that this guidance is adhered to in day-to-day operations and in the design, modification, and maintenance of the DoD Component's procurement and financial management systems.

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William J. Lynn

Attachment

DEPARTMENT OF DEFENSE POLICIES FOR ADVANCE RESERVATIONS OF FUNDS, ACCOUNTING TREATMENT AND BILLING STATEMENT PROCESSING FOR MICRO-PURCHASE TRANSACTIONS USING THE GOVERNMENT PURCHASE CARD

A. PURPOSE

To establish policies for the Department of Defense (DoD) Purchase Card Program relative to the advance reservation of funds, summary-level recording of financial data, use of an automated purchase card management and reconciliation system, payment certification at the approving official level, and delayed dispute.

B. APPLICABILITY AND SCOPE

★ These policies are applicable to the Office of the Secretary of Defense; the Military Departments; the Chairman of the Joint Chiefs of Staff and the Joint Staff; the Combatant Commands; the Inspector General of the DoD; the Defense Agencies and the DoD Field Activities (hereafter referred to collectively as the "DoD Components").

C. RESPONSIBILITIES

1. The Under Secretary of Defense (Comptroller) shall develop, administer, maintain and monitor compliance with, and grant exceptions (as appropriate) to, all financial management policies for the Purchase Card Program.

2. The Heads of DoD Components shall implement, ensure compliance with, and recommend changes to these financial management policies for the Purchase Card Program.

3. The Director, Defense Finance and Accounting Service (DFAS) shall develop implementing procedures and prepare necessary changes to the "DoD Financial Management Regulation" (DoD 7000.14-R).

D. POLICIES

1. Advance Reservations of Funds

a. Advance reservations of funds shall be used in conjunction with all purchases made using purchase cards. Depending upon the prevailing DoD Component business practice, advance reservations of funds shall take the form of bulk commitments or bulk obligations. They shall be established via commitment and/or obligation documents covering all purchase cards used for micro-purchases. Advance reservations of funds shall be established by the cognizant resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator (APC), and should be considered when setting office and cardholder purchase limits. The use of advance reservations of funds should ensure positive funds control and preclude expenditures from exceeding obligations.

b. Bulk funding for purchase cards shall be aggregated when multiple cards will be posted against the same line of accounting. Unique document reference numbers shall not be assigned to each purchase card. The card number itself satisfies the need for an identifier.

c. The disbursing office shall validate each certified billing statement against the corresponding bulk obligation. If no bulk obligation is identified, a simultaneous obligation shall be recorded, in coordination with the purchasing activity, in the activity's official accounting records.

2. Summary Accounting

a. Summary-level financial data shall be used for recording micro-purchases in the official accounting records. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) does not require purchase details; rather, all that is required is an aggregate amount spent on "micro-purchases."

(1) DoD activities shall summarize disbursing data to preclude any duplication of lines of accounting (LOAs) before submitting certified billing statements and accounting data to the disbursing office for entry into the supporting vendor pay, disbursing and accounting systems. Specifically, DoD activities shall "roll up" disbursing data by LOA to eliminate duplicate LOAs that cite different amounts on one certified billing statement. Approving officials shall ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The following methods may be used to facilitate summary level accounting:

(a) Employ a single LOA per purchase card.

(b) Devise approving official (AO) and cardholder relationships so that, to the maximum extent possible, the resulting purchase card billing statements comprise a single purchase card, or embrace multiple purchase cards citing one LOA.

(c) Use a single object class for all micro-purchases (i.e., "2625") in formal accounting records.

(2) It is acknowledged that local managers and purchase cardholders may need to keep track of individual transactions on a more detailed basis. **Therefore, DoD Components shall deploy a cardholder automated purchase card management and reconciliation system that captures detailed transaction data to accommodate the amount of detail needed at the field level.** (See paragraph 3, "Automated Purchase Card Management and Reconciliation System.")

b. The level of accounting data summarization must be consistent with the advance reservation of funds and the data for entry into the vendor pay, disbursing and accounting systems in order to maintain positive funds control and prevent unmatched disbursements. In order to preclude unmatched disbursements, each LOA should be identified to the commitment and/or obligation that previously established the reservation of funds for card purchases.

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3. Automated Purchase Card Management and Reconciliation System

a. An automated purchase card management and reconciliation system shall be used to track, reconcile and aggregate accounting data for purchase card transactions when there is a requirement to account for purchases at multiple levels (e.g., appropriations, cost centers, reimbursable work orders or object classes). The automated system shall facilitate summarization to the fewest number of LOAs possible and should minimize manual efforts associated with the reconciliation and posting of these financial transactions.

b. The OUSD(C), through the DFAS, will provide and maintain a suite of purchase card management and reconciliation systems to keep track of the purchase card transactions at the field level, on a more detailed basis. Four Component-developed systems are available today for use in tracking purchases, reconciling purchase transactions against credit card billing statements and, ultimately, passing the accounting data electronically to the DFAS. These migration systems are

- National Imagery and Mapping Agency (NIMA)--formerly Defense Mapping Agency--"Commercial Purchase Card Access Database"
- Military District of Washington "Purchase Card Management System"
- Navy Management Systems Support Office "Purchase Card ADP System" (PADPS)
- Washington Headquarters Services "Automated Purchase Card Reconciliation, Transaction Log, and Cost Distribution System"

c. Each DoD Component shall direct the use of one of these existing automated purchase card management and reconciliation systems for use by all its cardholders within the timeframe specified for implementation of the purchase card contractor's new platform, called the "Corporate Payment System (CPS)." See Purchase Card Reengineering Implementation Memorandum #2.

(I) The DoD Components should not devote resources to the development of new purchase card systems, but should implement one of the existing systems selected in coordination with lic Office of the DFAS Deputy Director for Information Management.

(2) Each DoD Component should evaluate the available systems, in coordination with the DFAS, and select the one that best meets its needs. To initiate implementation of a cardholder system, the DoD Component Headquarters should contact the Office of the Deputy Director for Information Management, DFAS-HQ/SD, at (703) 607-3964 or DSN 327-3964.

(3) The table at the appendix hereto identifier the functionality that should be evaluated by each Component as it considers these systems in coordination with the DFAS.

(4) The DFAS will provide the user training necessary to implement one of these systems in each DoD Component.

★ d. Each of these migration systems needs some upgrading. The USD(C) will fund and accomplish that effort through the DFAS. It is anticipated that data shall be input into an automated system only once and then interfaced to other applications requiring the data (i.e., single source data entry). To this end, the migration cardholder automated purchase card management and reconciliation systems shall' enable data to interface with supporting financial systems used within the Department

e. The DFAS may expand the list of purchase card Systems as it identifies and evaluates additional existing systems; however, the DFAS shall be required to support any systems so selected.

4. Payment Certification

★ a. A trained AO (collaterally appointed as a purchase card certifying officer in accordance with Purchase Card Reengineering Implementation Memorandum #1)--or other designated certifying officer--shall receive, approve and officially certify payment of each purchase card billing statement

b. In order to effect purchase card invoicing at the AO level, action shall be taken by DoD Components to designate billing offices and cognizant AOs within the Component's activities, vice DFAS offices, to receive the official purchase card billing statements.

c. Each designated billing office (i.e., AO) shall be delegated the authority to certify official purchase card billing statements, pursuant to 31 U.S.C. 3325 (per Purchase Card Reengineering Implementation Memorandum #1), and transmit those billing statements for payment. As stipulated under the "Summary Accounting" section, above, the certifying officer shall ensure that accounting entries are summarized to the maximum extent

★ d. The certified billing statement must be received by the designated paying office as soon as possible, but not later than 15 days (in paper mode) or 20 days (electronically) after the official date of the invoice, and may be paid immediately, or within 5 workdays if a payment backlog exists. This will allow the payment to be made timely and will maximize, to the extent prudent, the refund offered by the purchase card contractor.

e. Should the certifying officer fail to receive the Statement of Account (SOA) reconciliations from subordinate cardholders in sufficient time to allow for the biffing statement to be *paid timely (i.e., within 23 days), the billing statement shall be certified in full and forwarded to the* disbursing office for payment (in accordance with paragraph D.5. "Delayed Dispute" below). The certifying officer then shall follow-up with delinquent cardholders to ensure that the SOA reconciliation is accomplished. The cardholder reconciliation and related processing of disputed items shall occur no later than the next reporting cycle prescribed under the "Delayed Dispute" section, below.

f. DoD activities shall, to the maximum extent practicable, receive the purchase card billing statement electronically from the purchase card contractor at the designated billing office. Servicing DoD disbursing offices, which pay purchase card billing statements, shall receive certified billing statements electronically (to the maximum extent possible) and make payments by electronic funds transfer.

★ g. Within this reengineered process, the DFAS role will be limited to validating that sufficient funds have been obligated, determining any prompt payment interest and penalties due and paying the billing statement. The DFAS will not replicate the reconciliation process before making, payment on certified purchase card billing statements. While early payment provisions of OMB Circular A-125, "Prompt Payment," have been waived, final payment dates and late interest penalty payment provisions of the Circular continue to apply.

h. Until such time as the foregoing "Payment Certification" procedures are implemented and designated billing office address changes are made, AOs shall use the Business Account Summary Report (R090)--in lieu of the billing statement--to effect certification. [Note:
The conversion to the CPS platform will eliminate these distinctions.]

Delayed Dispute Procedures

a. Most disputes currently are due to billings being received in advance of verification that goods have been received and accepted. Inmost cases, receipt and acceptance of the goods is verified before the next billing statement is received.

★ b. Consistent with the practice adopted in other executive branch agencies, the Department and its Components shall implement a "pay and confirm" process whereby payment of invoices will be made promptly, subject to follow on verification of receipt and acceptance of goods.

(1) A Cardholder Statement of Questioned Items (CSQI) can and should be initiated for any valid dispute. However, except as indicated below, payment for an item not yet received normally should not be withheld initially due to nonreceipt, and no Notification of Invoice Adjustment (NIA) should be submitted.

★ (2) Billing statements shall be paid in full immediately, or within 5 workdays if a payment backlog exists, except for disputed items.

c. Cardholders initially shall refrain from issuing a CSQI for instances of nonreceipt for recently ordered goods that appear on the SOA. The CSQI and subsequent MA shall not be filed prior to attempts to resolve such cases directly with the vendor. Rather, cardholders should:

(1) Contact the vendor to validate that shipment has been made. [Note: The purchase card is not authorized for use in situations where a merchant bills for ordered goods in advance of shipment or delivery.] For cases of nonshipment, items will be disputed officially only if the merchant fails to credit the account in the next billing cycle.

(2) Make note of the nonreceipt in retained records.

(3) If; by the time of receiving the second billing statement, receipt and acceptance of the goods cannot be verified, the cardholder shall submit a CSQI for preparation of an NIA.

(4) Any remaining discrepancies shall be disputed within 60 days of the billing statement date on which the original billing of the transaction occurred, as provided under the GSA contract.

E. WAIVER PROCESS

1. The OUSD(C) may grant waivers to these policies for contingency operations and for exceptional circumstances.

2. Requests for deviations from, or exceptions to, these policies shall be submitted through, and evaluated by, the applicable Military Department Office of the Assistant Secretary for Financial Management and Comptroller, Defense Agency Comptroller, or equivalent.

3. Waiver requests endorsed by the DoD Component Headquarters shall be forwarded for consideration to the Director for Accounting Policy, Office of the Deputy Chief Financial Officer. Such requests must contain adequate justification and demonstrate the need for a waiver or exception to the specific policy.

F. EFFECTIVE DATE AND IMPLEMENTATION

1. These policies are effective immediately.

2. The Heads of DoD Components shall ensure that these policies are adhered to in day-to--day operations and in the design, modification, and maintenance of the DoD Component's procurement and financial management systems.