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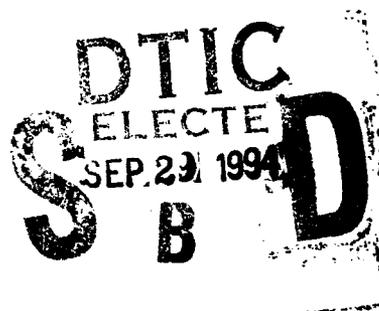


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NAVAL POSTGRADUATE SCHOOL Monterey, California



THESIS



**THE EFFECTS OF CREDIT CARD
PURCHASING AT INSTALLATION LEVEL**

by

Henry L. Schnepf

September 1994

Principal Advisor:
Associate Advisor:

David V. Lamm
Alice Crawford

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The Effects of Credit Card
Purchasing at Installation Level

by

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Major, United States Army
B.S., United States Military Academy, 1978

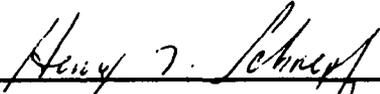
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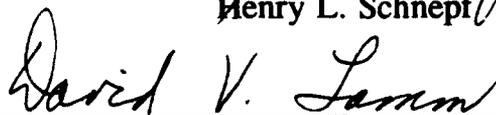
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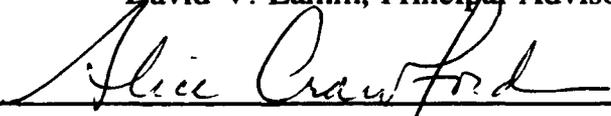


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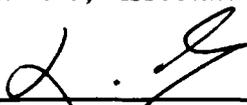
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ABSTRACT

This research reviews the use of the Governmentwide commercial credit card program at the United States Military Academy (USMA), West Point, NY. The intent of the study is to analyze the credit card process. Questionnaires were developed to assess the credit card program. Cardholders and approving officials were the respondents to the questionnaires. Two years of purchasing data were subjected to a statistical t-test to determine the affect decentralized credit card purchasing had on workload and Procurement Administrative Lead Time (PALT). The conclusions based on this research are that credit card implementation at USMA has been successful and is an effective method of decentralized purchasing. The research also uncovered problems with tax charges and internal management controls. Recommendations made to the Directorate of Contracting include possible contract modification concerning tax charges, continuous screening of cardholders by the USMA administrative office, expanding the program to all USMA activities, and having existing cardholders use the card for other than urgent requirements.

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I. INTRODUCTION

This research will focus on the impact of implementing the Governmentwide commercial credit card program at the installation level. The study will focus on one Army installation, the United States Military Academy (USMA), West Point, NY. The credit card program was implemented at West Point in October 1992 for small purchases of less than \$2500. The credit card was to take the place of Blanket Purchase Agreements (BPAs), imprest fund purchases, and standard form (SF) 44¹ purchases used by ordering officers. The intended goals of the West Point credit card program were to simplify procurement, increase customer satisfaction by reducing procurement administrative lead time, and ensure proper internal management controls were in place. An evaluation of the West Point credit card program will assess its success at meeting the intended goals. Additionally, the research will be used to determine if any modifications can be made to improve the credit card program at West Point.

¹ The SF-44 is a multiple copy form used for over-the-counter purchases made while away from the purchasing office or at remote locations. To receive payment, a vendor sends one copy of the completed SF-44, as an invoice, to the agency making the purchase.

A. RESEARCH QUESTIONS

1. Primary Research Question:

What are the effects of implementing the Governmentwide commercial credit card program at the installation level?

2. Subsidiary Research Questions:

- a. What is the Governmentwide credit card program?
- b. How was the credit card program (to include management controls) implemented at West Point, N.Y.?
- c. How did the implementation of the credit card program affect the installation contracting office in terms of workload and Procurement Administrative Lead Time (PALT)?
- d. What problems have been encountered in the execution of the credit card program at West Point, N.Y.?
- e. What modifications can be made to improve the efficiency of the West Point credit card program?

B. DISCUSSION

The credit card program was initiated in 1986 by the Department of Commerce under authority of the Office of Federal Procurement Policy, Office of Management and Budget to promote vendor acceptance of credit cards and to increase the

operational efficiency of purchases [Ref. 1]. The General Services Administration (GSA) began administering the program in 1989 in order to provide credit card services to all Federal Government agencies. The United States Military Academy entered the credit card program in October 1991 for use in small purchases of less than \$2500. The implementation of the credit card program at the United States Military Academy will be further described in Chapter III of the thesis. This study will assess the effectiveness of the credit card program, and its impact on the installation contracting office and their customers.

C. SCOPE OF THE THESIS

This thesis will focus on an analysis of the United States Military Academy's credit card program. The circumstances leading to the decision to implement the program and the development of management policies and internal controls was researched. The study will focus on the Academy's decentralized use of the credit card by authorized cardholders that are not members of the installation contracting office. The thesis will further assess the change in workload and workload patterns and recommend modifications to the credit card program to improve its efficiency. Two years (Fiscal Year (FY) 92 and FY 93) of data were compared and analyzed. The FY 92 information encompasses procurement data prior to implementation of the credit card program. Fiscal Year 93

information encompasses procurement data after implementation of the credit card program. The study is limited to only appropriated fund purchases. Nonappropriated fund (NAF) use of the credit card was excluded from this thesis.

D. ASSUMPTIONS

It is assumed that the reader is familiar with the Federal acquisition process. Specifically, the reader is assumed to be knowledgeable of small purchase procedures contained in the Federal Acquisition Regulation (FAR) and its supplements. The reader is also expected to be familiar with Army and acquisition terminology. A list of all acronyms used in this thesis is presented at Appendix A. To assess the impact of credit card buying on the small purchase workload within the contracting office, an assumption was made that a purchase by a cardholder equates to a Purchase Request (PR) that the contracting office would have received if decentralized credit card purchasing had not been in effect.

E. DEFINITIONS

Administrative Office - the office within an organization with authority to delegate procurement authority and responsibility for procurement oversight. At the United States Military Academy the administrative office is the Directorate of Contracting.

Approving Official - an individual who reviews a cardholder's monthly purchases, certifies the cardholder's monthly statement, and ensures payments are for authorized purchases.

Cardholder - an individual to whom a credit card is issued. The cardholder is authorized to use the credit card to make purchases within assigned dollar limits. Purchases by the cardholder must comply with all applicable regulations including the FAR and its supplements, and all agency regulations and procedures.

Director of Contracting (DOC) - the head of the West Point installation contracting office who has overall responsibility for managing the credit card program. The DOC issues delegation of procurement authority to cardholders and specifies any limitations to that authority.

Disputes - occur when a cardholder receives a statement that lists incorrect transactions (e.g., sales tax charged, improper amount charged, merchandise not received, etc.). The cardholder or approving official notifies the Dispute Office contact (at West Point this is the Chief, Small Purchase Division). The questioned transaction is credited until the dispute is resolved.

Rocky Mountain Bankcard System, Inc. (RMBCS) - the contractor who maintains all credit accounts. RMBCS issues cards to cardholders, and sends out monthly statements to cardholders, approving officials and finance offices. RMBCS

pays merchants for cardholders purchases and receives reimbursement, plus an administrative fee, from Government finance offices.

Contracting Officer's Technical Representative (COTR) -the individual who oversees the West Point credit card program and serves as a liaison between the United States Military Academy and Rocky Mountain Bankcard System, Inc. At West Point the Chief, Small Purchase Division is the COTR and must approve all changes in dollar limits and merchant codes.

Statement of Account - a monthly listing of purchase transactions by each cardholder which, when certified by the approving official, authorizes payment to RMBCS.

F. METHODOLOGY

The methodology for this research consisted primarily of a review of existing policies and procedures, interviews with West Point installation contracting personnel and a review of USMA small purchase records. Additionally, questionnaires were developed for USMA cardholders and approving officials to determine their perceptions of the effectiveness of the West Point credit card program. A copy of the cardholder survey is presented as Appendix B, and a copy of the approving official survey is at Appendix C. The presentation of data collected is for the specific time frame FY 92/FY 93 and is not the status of the USMA credit card program at the time of publication of this research.

The first phase of research consisted of a review of existing literature concerning the credit card program. The literature review included the FAR and the Army Federal Acquisition Regulation Supplement (AFARS), General Accounting Office (GAO) reports, Defense Logistics Studies Information Exchange (DLSIE) reports, theses from the Naval Postgraduate School and American University, and RMBCS publications. The literature review was conducted to provide the reader with a brief history of the credit card program, and an understanding of the credit card process in Government purchasing.

The next phase of research involved conducting the interviews, and administering the cardholder and approving official surveys. In this phase, questionnaires were developed to provide a forum for cardholders and approving officials to voice their opinion about the West Point credit card program. The targeted population of the survey included all current USMA cardholders and approving officials, and any prior cardholder who had their purchasing authority withdrawn.

The cardholder survey consisted of three sections. Section one consisted of questions that provided information on the cardholder's purchasing experience. Section two was designed to obtain information concerning the West Point training program for credit cardholders. The third section provided an opportunity for cardholders to assess the USMA credit card program. The third section also allowed

respondents to provide any additional comments they felt necessary concerning credit card purchasing.

The approving official survey consisted of two sections. Section one was designed to obtain information concerning the USMA credit card training for approving officials. Section two provided approving officials an opportunity to assess the West Point credit card program. The cardholder and approving official questionnaires are the only documented surveys of this type to the targeted populations.

The questionnaires were distributed to the cardholders and approving officials by the West Point DOC. Specifically, the surveys were disbursed by the Chief, Small Purchase Division functioning in the role of administrative office for the credit card program. Some questionnaires were distributed through West Point's internal distribution network while others were hand delivered to the cardholders. There was no requirement for a cardholder to provide his/her name.

After all the survey data were collected, each question was analyzed. The analysis and the results of the responses are in Chapter V. Each question and its associated response provide management additional tools to assist in the administration of the USMA credit card program.

The final phase involved extracting archival data from West Point's automated Standard Army Contracting System

(SAACONS)² database. Two years of actual purchasing data were collected and analyzed to determine the impact of the credit card on the workload (PRs received by the contracting office), and how PALT was effected.

G. BENEFITS OF THE STUDY

The research will help the United States Military Academy evaluate the effectiveness of the credit card program. It will determine if the program achieved the goals of the installation contracting activity and their customers. Analysis of the questionnaires provided valuable information about cardholders impressions of the credit card program and possible modifications for improvement. Finally, the research assisted in determining if adequate internal management controls were in place to discourage abuse of the credit card system.

H. ORGANIZATION OF THE THESIS

Chapter I discussed the purpose and scope of the thesis as well as assumptions that were made. Definitions that are peculiar to the credit card program were also presented. Chapter II provides background information concerning the credit card program while Chapter III discusses the implementation of the program at the United States Military

² SAACONS is Army standard contracting software and is a registered trademark of the contractor, CACI - Federal, Inc.

Academy. Chapter IV presents the facts, data, and responses to interviews and surveys. Chapter IV also provides the analysis of all data. Chapter V presents conclusions and recommendations. Recommendations will be made to the Directorate of Contracting, United States Military Academy concerning any modifications that can be made to improve the credit card program at that installation.

II. BACKGROUND

The Federal Government uses many procurement vehicles to accomplish small purchases of required goods and services. These small purchase vehicles include Imprest Funds, Blanket Purchase Agreements and Standard Form (SF) 44. Many times vendors do not accept these methods of Government purchases as they lead to lengthy delays in payment. This, in turn, limits the number of vendors that are available to solicit, and higher than normal prices for goods and services may result. Use of a commercial credit card ensures vendor acceptability and provides another method of accomplishing small purchases. Specifically, the stated objective of the Governmentwide commercial credit card program is to simplify the small purchasing process while improving cash management practices [Ref. 2].

A. HISTORY OF THE CREDIT CARD PROGRAM

The Governmentwide commercial credit card program was initiated during the Reagan administration by the President's Council on Management Improvement. A pilot program was initiated by the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce, under Executive Order No. 12352 - "Procurement Reform" and with the authority of the Office of Federal Procurement Policy, Office

of Management and Budget, in September, 1986. [Ref. 3] The current commercial credit card program was developed in 1989 by the General Services Administration (GSA) in order to provide credit card services to all Government agencies. GSA Federal Supply Services (FSS) subsequently awarded a single schedule contract (Federal Supply Schedule No. GS-00F-06010, Industrial Group 615, IG Class 6153) for commercial credit card services. The contract was awarded to Rocky Mountain Bankcard Systems Inc., a subsidiary of Colorado National Bank. Under the terms of the contract, Rocky Mountain Bankcard Systems, Inc. was to provide VISA cards and credit card services for a period of one year with annual renewal options for four additional years [Ref. 4].

The Government credit card is an internationally accepted VISA credit card. The VISA card is distinctively designed and identified for official Government use. It contains the Great Seal of the United States and restricted use designations. The official name of the card is International Merchant Purchase Authorization Card (I.M.P.A.C.).³ VISA cards are distributed by RMBCS directly to cardholders at their place of work. Rocky Mountain Bankcard Systems, Inc. conducts no individual credit checks, nor do they maintain files containing personal information such as social security

³ I.M.P.A.C. is a registered trademark of the contractor, Rocky Mountain Bankcard Systems, Inc., located in Denver, Colorado.

numbers or home addresses. Card use is restricted to the individual who is issued the card and cannot be used for purchasing personal items.

The credit card program is intended for purchases of commercially available items that can be delivered for immediate use. Participation in the credit card program does not relieve the agencies of utilizing the FAR mandated required sources of supply or small purchase procedures. Specifically, agencies must satisfy their requirements via agency inventories, excess personal property (FAR 8.1), Federal Prison Industries, Inc. (FAR 8.6), the Committee for Purchase from the Blind and other Severely Handicapped (FAR 8.7), wholesale supply sources, mandatory Federal supply schedules (FAR 8.4), and optional use Federal supply schedules (FAR 8.4) before using the credit card at commercial enterprises. If an item or service is not available through the required sources, the cardholder must then deal with small business concerns (FAR 13.105).

B. HOW THE PROGRAM WORKS

Participation in the credit card program requires an initial implementation meeting with a RMBCS or VISA representative. The representative provides training for administrative management and finance office personnel on all aspects of the program. The representative also provides all necessary materials to open cardholder accounts if, after the

implementation training, the agency elects to initiate a credit card program.

After the implementation meeting, organizations desiring to participate in the credit card program must send a delivery order to GSA along with internal procedures developed for the organization. GSA will provide a generic set of internal procedures, which can be tailored for each organization. Activities must also designate an Administrative Office Contact, Finance Office Contact, Dispute Office Contact, and a COTR. The Administrative Office Contact serves as a focal point for coordination of credit card applications, issuance and destruction of credit cards, and cardholder training. The Finance Office Contact is responsible for paying RMBCS for purchases and the required administrative fees. The Dispute Office Contact coordinates, processes, and monitors all disputed purchases, credits, and billing errors. The COTR serves as a liaison with RMBCS and oversees the I.M.P.A.C. program.

After GSA receipt of the delivery order, the administrative office identifies the approving officials and cardholders. The administrative office determines what specific controls will apply to each individual cardholder and submits all necessary application paperwork to RMBCS. Rocky Mountain Bankcard Systems Inc. mails a VISA I.M.P.A.C. credit card to the cardholders within 10 days of receipt of the

applications. Once the card is received, cardholders may begin to use it for purchases.

C. MANAGEMENT CONTROLS

The controls on the Governmentwide commercial credit card program are designed into the contract and authorization process. Predetermined limits restrict the amount of money that each cardholder can obligate. A single purchase limit restricts cardholders to purchases up to a predetermined amount. The single purchase limit is the amount allowed during the processing of a single purchase transaction, whether it is for one or numerous items. A cardholder is also assigned a monthly cardholder limit. This is the maximum amount that can be spent by a particular cardholder for any month. Finally, a monthly office limit is assigned. The monthly office limit is a budgetary limit for all cardholders under the purview of a specific approving authority. The cumulative purchases of all cardholders cannot exceed the monthly office limit of the approving official.

Credit card purchases are made either over-the-counter at the merchant's place of business or via telephonic transactions. Each time a purchase is made with the I.M.P.A.C. card the authorization process begins. VISA requires all purchases over \$50.00 to be authorized by RMBCS. This authorization ensures that the cardholder is within his

single purchase limit and monthly limit, and that the monthly office total has not been exceeded.

The authorization process also includes checks to ensure that cardholders are conducting business with only the merchant types that are permitted under the GSA contract. The cardholder is generally prohibited from purchasing items or services from the following list:

1. Rental/lease of vehicles when on official travel.
2. Rental/lease of land or buildings.
3. Purchase of transportation tickets (airline, bus, boat, or train).
4. Purchase of meals, drinks, or lodging.
5. Purchase of gas or oil for vehicles.
6. Repair of GSA vehicles.
7. Purchase of janitorial, yard or maintenance services.
8. Purchase of telephone equipment.
9. Purchase of personal clothing or footwear.
10. Purchase of non-expendable property.
11. Purchase of items available from FAR mandated sources.
12. Cash Advances. [Ref. 1: p. 12].

In addition to the GSA prohibitions, each activity participating in the credit card program may further restrict any or all of their individual cardholders. This is accomplished during the initial application process when the administrative office can eliminate specific merchant type codes from a cardholder application. A list of merchant types are at Appendix D.

When a purchase is initiated the authorization process electronically verifies that spending limits and merchant types have not been violated. If spending limits have been

exceeded, or a merchant is not of an authorized type, the bank will reject the purchase transaction.

The certification process provides additional management controls. Each month the cardholder, approving official, and finance office verify and certify the monthly purchase transactions. The cardholder receives a monthly account summary that provides a detailed history of his purchases. The cardholder must reconcile the billing statement, note any exceptions taken to the bill, sign the bill verifying that the purchases were approved transactions, and forward the statement to the approving official for certification.

The approving official receives a composite monthly account summary for all cardholders. The approving official is responsible for receiving signed statements from all cardholders, reviewing them, reconciling any problems, certifying each cardholder statement, and delivering the statements to the appropriate finance office [Ref. 5]. Certification by the approving official acts as a receiving report and authorizes the finance office to disburse payment for the bill.

The finance office provides final verification of the process. RMBCS provides the finance office total documentation of all credit card purchases made by each agency. The finance office verifies that all credit card activity balances. This includes cardholder statements of account, approving official account summaries, and finance

office account summaries. Upon completion of the finance office verification, payment to RMBCS will be made up to the amount supported by the statements plus any administrative charges.

D. FUTURE OF CREDIT CARD PURCHASING IN THE ARMY

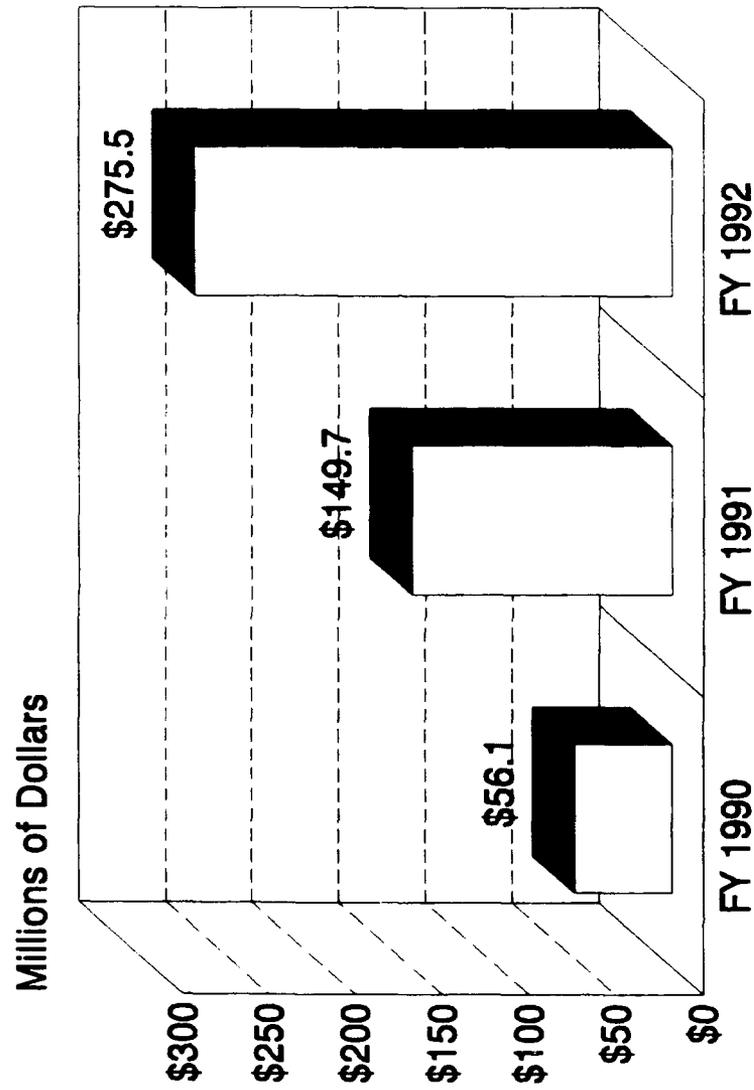
From the inception of the program, purchases via the GSA I.M.P.A.C. program have grown steadily. Figure 1 displays the growth by fiscal year [Ref. 6]. The Department of Defense (DoD) is the largest user of the credit card program accounting for 50 percent of the funds used for credit card purchases [Ref. 5: p. 9]. Within DoD the Navy has been the most active in the commercial credit card program while the Air Force has been the least active. Beginning in FY 91 the Army has increased usage of I.M.P.A.C. program to where they have almost equalled the Navy in terms of dollars expended. Figure 2 displays the breakdown of credit card usage within DoD [Ref. 5: p. 11].

It is expected that Army usage of the credit card program will continue to grow. The National Performance Review (NPR)⁴, while not specifically mentioning the I.M.P.A.C. program, recommended increased use of credit cards as a way to lower costs and reduce bureaucracy in conducting small

⁴ The NPR, under the direction of Vice President Gore, was a major management reform initiative intended to identify ways to make the government work better and cost less.

GSA I.M.P.A.C PROGRAM

Sales by Fiscal Year



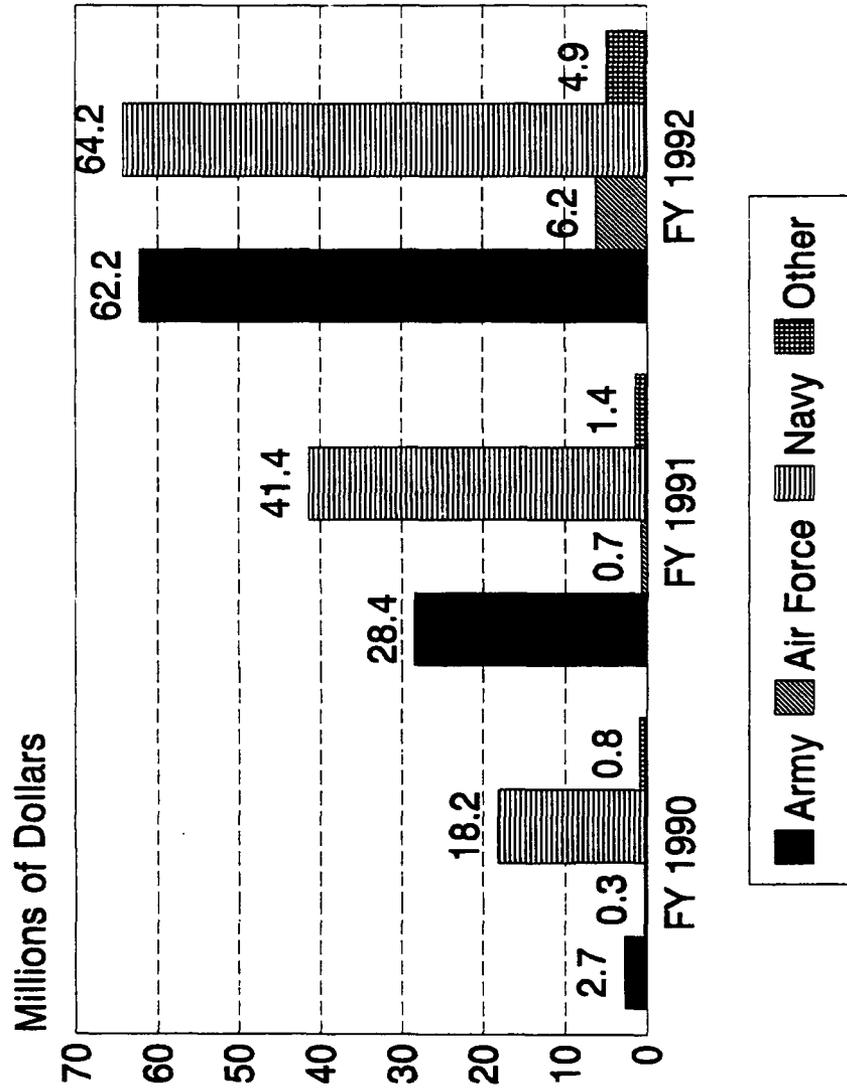
Source: General Services Administration

Figure 1

Sales by Fiscal Year

COMMERCIAL CREDIT CARD PROGRAM

DoD Usage FY 1990 - FY 1992



Source: General Services Administration

Figure 2

DoD Usage

purchases [Ref. 7]. In assessing the NPR, the General Accounting Office (GAO) concurred with the credit card recommendation [Ref. 8]. Previously, GAO reported that when adequate controls are in place, the use of credit cards can help agencies improve the efficiency of purchasing and payment processes when used for purchases of \$25,000 or less from commercial or Government sources [Ref. 9]. NPR and GAO endorsement of the credit card program, coupled with the existence of already established credit card procedures in the Army Federal Regulation Supplement, should provide the impetus for any nonparticipating Army activities to enter the Governmentwide commercial credit card program.

E. SUMMARY

This chapter presented the history of the credit card program. A GSA contract was awarded to RMBCS to provide VISA cards and credit card services. The credit card program is intended for purchases of commercially available items and is designed to replace BPAs, SF-44s, and imprest fund transactions. It is not intended to circumvent established purchasing procedures. Chapter III will present the history of the I.M.P.A.C. program at USMA.

III. CREDIT CARD IMPLEMENTATION AT WEST POINT

The United States Military Academy, West Point, NY educates and trains future Army Officers. It provides cadets a formal college education, like many other universities, along with introductory military skills. In addition to being a college campus with all the academic, social, and athletic activities associated with such, West Point is a military installation. As an installation, West Point is responsible for providing services to the cadets and assigned military personnel. Typical installation services include, but are not limited to, housing, medical care, dental care, legal services and youth activities. The organization responsible for installation contracting functions at West Point is the Directorate of Contracting (DOC).

A. ORGANIZATION OF THE DIRECTORATE OF CONTRACTING

The DOC was formed in 1989 to contract for goods and services that were not available through the DoD supply systems. The DOC consists of approximately 50 employees organized into five functional divisions. The five-division DOC organization is standard to all Army installations unless an alternative organization has been approved by the U.S. Army Contracting Support Agency [Ref. 10]. The five divisions are the Contracting Division, the Contract

Administration Division, the Support Division, the Nonappropriated Fund Division, and the Purchasing Division.

The Contracting Division (14 employees) awards contracts over \$25,000 (appropriated funds) in accordance with Federal acquisition regulations. The Contract Administration Division (14 employees) administers the contracts awarded by the Contracting Division. The Support Division (6 employees) provides analysis of contract proposals and is responsible for the administrative functions of the directorate. This includes, but is not limited to, the mail room and bid openings. The Nonappropriated Funds (NAF) Division consists of four (4) employees and is responsible for all contracts and small purchases using nonappropriated funds. The NAF Division also administers all their own awards. The Purchasing Division (10 employees) buys all goods and services under \$25,000 and administers their own awards. The DOC is commanded by a military officer (the Director of Contracting) who is assisted by a Deputy Director. All personnel are civilian except the Director.

B. DECENTRALIZED PURCHASING PRIOR TO CREDIT CARDS

Purchasing operations at USMA originate when an installation activity determines there is a requirement for an item of supply or for performance of a specified service. The

activity that has the requirement initiates a purchase request⁵ that specifies the required item. The requesting activity also obtains funding approval from the budget representative within their organization. The funding approval certifies that funds are available for the purchase. Finally, the requesting activity has a document number assigned to the requisition so that the request can be properly tracked from initiation through final payment.

After an activity initiates a purchase request, the documentation is either forwarded to the installation contracting office for purchase, or, if the contracting officer has delegated procurement authority, the requesting activity initiates a decentralized procurement. Prior to the credit card, Blanket Purchase Agreements (BPAs) were the primary means of decentralized procurement at West Point [Ref. 11].

At USMA the responsibility for establishing BPAs resides with the Purchasing Division. Establishment of a BPA by the contracting officer enables designated members of activities other than the installation DOC to purchase goods and services from selected vendors within a specified price range (not to exceed the \$2500 single purchase limit). The persons to whom procurement authority is delegated are referred to as BPA callers.

⁵ USMA purchase requests for installation contracting support are normally prepared on DD Form 1348-6 for supplies and equipment, and on DA Form 3953 for services.

Execution of a decentralized procurement at USMA involves an organization's designated BPA caller receiving a properly funded purchase request from their activity. Upon receipt of the request, the BPA caller determines whether or not the requested goods and services are within the scope of the BPA, and if the items are available through required sources of supply. Once it has been determined that the requested item is appropriate for BPA purchase, the caller will notify one of the DOC approved BPA vendors to procure the item. The caller is required to keep all documentation concerning the purchase to include a telephone log which delineates the price, terms, and conditions of every buy. A BPA vendor who accepts the BPA call will deliver the item to a central receiving warehouse or, if requested, to the requesting activity (direct delivery). Upon receipt of the item, the requesting activity prepares a receiving report that, when matched to the vendor's invoice, enables the finance office to pay the vendor.

C. IMPLEMENTATION OF THE CREDIT CARD PROGRAM

The decentralized BPA process continued until July 1991 when procurement irregularities were discovered at the United States Military Academy. Specifically, BPAs were being used for personal gain by an authorized BPA caller. This resulted in a command decision to discontinue the use of most BPAs

until a formal investigation was conducted.⁶ The discontinuance of BPAs required the DOC to procure all goods and services for West Point which resulted in increased DOC workloads, an associated increase in PALT, and customer dissatisfaction [Ref. 11].

The U.S. Army Audit Agency (AAA) conducted an investigation and determined that the BPA caller purchased and stole at least \$276,000 of property without being detected over a period of two years. The investigation concluded that controls over BPAs were not adequate. The findings determined that the BPA caller's activity did not separate key duties. The BPA caller was allowed to initiate requisitions, purchase and pick up items of supply, and complete receiving reports. The findings also concluded that contracting personnel did not conduct reviews of BPA purchases and that finance personnel did not properly review purchase documentation prior to making payments [Ref. 12].

In addition to the U.S. Army Audit Agency report, USMA conducted their own investigation. The findings of this investigation were essentially the same as the AAA. Additional findings concluded that decentralized BPAs did not foster good supervisory record-keeping procedures, and that BPA callers were not able to maintain procurement records in accordance with the FAR and its supplements. Based on the

⁶ BPAs that were considered mission essential for hospital and aviation operations were not discontinued.

findings, the investigative board recommended that BPAs be centralized at the DOC thereby eliminating decentralized BPA purchasing. The centralization of BPAs was to be accompanied by increased DOC staffing. Finally, the board recommended that DOC establish and enforce written guidance that separates the duties of buyer and receiver, and prevents Government employees from picking up supplies from a vendor's place of business [Ref. 13].

The command decision to discontinue use of most BPAs caused the DOC to examine other decentralized procurement alternatives. Though BPAs accounted for the majority of decentralized purchases, DOC had also appointed ordering officers for selected activities. In accordance with procurement regulations, ordering officers can be appointed by the DOC for purchases that need to be made by Government employees who are away from the installation for a period of time. As such, pilots of the USMA aviation unit were appointed as ordering officers as were selected members of the Directorate of Admissions who were stationed throughout the U.S. to recruit cadet candidates. Because of the regulatory restrictions on the appointment of ordering officers, it was determined that this procurement vehicle could not fill the void left by the discontinuance of decentralized BPAs.

After further review of alternative decentralized purchasing options, the Director of Contracting implemented a pilot I.M.P.A.C. credit card program at USMA in July 1992.

The credit card was to take the place of BPAs, S.-44 purchases used by ordering officers, and the DOC imprest fund. Three small activities were chosen to participate in the pilot program. After a successful three-month pilot program the DOC recommended, and the USMA command group concurred, that the credit card would become the primary procurement vehicle for decentralized purchases.

The goals for implementing credit card purchasing installation-wide were to reduce the administrative costs of purchasing supplies and services while increasing customer satisfaction by reducing PALT. This was to be accomplished with improved procedural checks and balances to preclude the procurement irregularities that had occurred with previous decentralized purchasing methods.

D. THE CREDIT CARD PROCESS

In expanding the credit card program throughout West Point, the DOC developed an extensive Standard Operating Procedures (SOP) manual for Governmentwide commercial credit card use at USMA. The SOP contains instructions for setting up individual I.M.P.A.C. credit card accounts as well as identifying, and delineating responsibilities of the administrative office contact, the finance office contact, the dispute office contact and the COTR.

USMA has also added additional restrictions to the GSA purchasing prohibitions⁷. The additional restrictions prohibit cardholders from purchasing items from post exchanges, the cadet bookstore, or USMA nonappropriated fund activities. Additionally, cardholders cannot purchase meals for reserve training or procure any item that is available at the USMA Self Service Supply Center [Ref. 14].

The SOP also requires that all cardholders and approving officials attend a DOC-developed credit card purchasing course. This course was developed to meet the AFARS mandate that all approving officials and cardholders receive a minimum of eight (8) hours of credit card training prior to executing their credit card duties [Ref. 15]. Topics covered in the USMA DOC credit card course include procurement ethics and standards of conduct, an overview of the Governmentwide commercial credit card program, establishing a credit card account, use of the credit card, required sources of supplies and services (FAR, Part 8), small purchases (FAR, Part 13), credit card security, purchasing procedures, and billing and reconciliation procedures [Ref. 16].

Once a cardholder and the associated approving official have attended the required training, and an I.M.P.A.C. credit card has been received from RMBCS, credit card purchases can commence. Execution of USMA credit card purchases is a ten-

⁷ GSA purchasing prohibitions were previously stated in Chapter II of this research.

step process and begins (step one) when a USMA activity determines there is a requirement for an item of supply or service.

After a need has been identified the next step (step 2) is for the activity to initiate a purchase request, and obtain proper fund certification (step 3) and a valid document number (step 4). These first steps in the process are required whether an activity is using credit card procedures or forwarding a purchase requisition to the contracting office for DOC to purchase.

Once a properly completed purchase request is received by the cardholder, the cardholder must check to see if the items are available from the required sources of supply (step 5).⁸ After ensuring that the required item is not available from the required sources of supply, the cardholder can initiate the credit card purchase (step 6).

The credit card purchase can be made telephonically or at the merchant's place of business. As all USMA cardholders have single purchase limits of \$2500 or less, cardholders are not required to solicit competitive quotes if they determine the quoted price to be fair and reasonable [Ref. 14: p. 17]. Additionally, since the purchase will be under \$25,000, all credit card purchases must be reserved exclusively for small business concerns. Each cardholder must document the purchase

⁸ The required sources of supply were previously identified in Chapter II of this research.

on a DOC approved Credit Card Log, which records the date the item was ordered, the name of the supplier, the business size, the item description, the quantity ordered with the unit price and total price.

After the purchase has been made, the next step in the process (step 7) is for the requiring activity to receive the material. After delivery (or pick-up) of the item, the Credit Card Log is annotated by the cardholder to indicate the date the item was received.

Step 8 occurs when the cardholder reconciles the monthly RMBCS statement. This is accomplished by the cardholder matching the purchase requests with the Credit Card Log and the RMBCS billing statement. Since USMA uses numerous different appropriations (e.g., Operations and Maintenance-Army, Other Procurement-Army, Research, Development, Test & Evaluation-Army, etc.), the cardholder is also required to annotate the RMBCS invoice with the complete fund cite used for the purchase. If the bill contains questioned items, the cardholder will refer those purchases to the approving official or USMA disputes contact for resolution. The reconciled statement is signed by the cardholder and forwarded to the approving official.

Upon receipt, the approving official reviews and certifies the cardholder's monthly statement (step 9). This review is to ensure that the purchases are completed in accordance with FAR, DFARS, AFARS and West Point requirements [Ref. 15: p.

29,544]. The West Point Finance and Accounting Office pays the RMBCS invoice (step 10) upon receipt of the approving official's certified monthly statements.

E. SUMMARY

This chapter presented the history of the I.M.P.A.C. program at West Point. The credit card program was implemented after procurement irregularities were discovered in USMA's decentralized BPA process. Investigations revealed that the lack of separation of key purchasing duties allowed a BPA caller to steal \$276,000 over a two year period. In implementing the USMA credit card program, the West Point DOC developed an extensive SOP and training program. Decentralized credit card purchases consist of a ten-step process that begins when a USMA activity determines a need for an item, and ends when the installation Finance and Accounting Office pays the monthly RMBCS invoice. Chapter IV will present and analyze facts, data, and responses to surveys concerning the USMA credit card program.

IV. DATA PRESENTATION AND ANALYSIS

This chapter contains the data presentation and analysis. It contains four (4) major sections. The first two sections present and analyze data for the surveys sent to cardholders and approving officials. The third and fourth sections contain quantitative data, which are statistically analyzed to determine the effects of credit card purchasing on the installation contracting office.

A. CARDHOLDER SURVEY

Surveys were sent to all personnel who were authorized to use the credit card for purchases during FY 93. This encompassed forty four (44) cardholders [Ref. 17]. Twenty nine (29) cardholders replied to the survey for a sixty six (66) percent response rate.

The cardholder survey had three major sections, Procurement Experience, Training, and Assessment of the Credit Card Program. Responses to each question within a section are presented followed by an analysis of the responses.

1. Procurement Experience

This section of the survey was used to give the reader some knowledge about USMA cardholders. Specifically, this section will provide a picture of a typical cardholder in

terms of experience and time spent on credit card transactions.

a. Question 1

Prior to becoming a cardholder, had you ever worked in Government procurement? Yes/No. How long?

b. Analysis

Twenty seven (27) cardholders answered this question. Sixty seven (67) percent responded that they had worked in Government procurement prior to becoming a cardholder. Thirty three (33) percent answered that they had no prior procurement experience. A review of cardholder's job titles indicates that many are involved in the process of procuring Government supplies within the DoD supply system. Job titles included Supply Clerk, Property Control Manager, Supply Editing Clerk, Supply Technician, Command Supply Discipline Monitor, and Budget Assistant. Each of these positions are technically involved in procurement, but none are directly related to purchasing. In fact, very few of the cardholders have actual purchasing experience [Ref. 18]. The mean time cardholders worked in Government procurement was 3.5 years; however, the range of responses was from a minimum of zero (0) years to a maximum of twenty three (23) years. The mean time was distorted by the

extreme values, so calculation of a trimmed mean⁹ was performed to get a more representative value of procurement experience. In this instance the trimmed mean was 2.8 years.

c. Question 2

Are you currently a cardholder? If yes, how long have you been a cardholder?

d. Analysis

Twenty nine (29) cardholders responded to this question. All responses were from current cardholders. No previous cardholders who had their purchasing authority withdrawn responded to the survey. As the USMA credit card program is relatively new, there was little variation in the amount of time provided as answers. The answers ranged from three months to fifteen months. On average, the typical cardholder has had purchasing authority for just over eleven (11) months.

e. Question 3

What is your average number of monthly credit card purchases?

f. Analysis

Twenty two (22) cardholders answered this question. The range of answers varied from one (1) purchase per month to sixty five (65) purchases per month. On average,

⁹ The trimmed mean is calculated by eliminating the top 5% and bottom 5% of data, and computing the mean of the remaining data.

the typical cardholder made sixteen credit card purchases per month. Because of the disparity in the ranges, a trimmed mean was also calculated. In this instance the trimmed mean indicated that a cardholder makes (fourteen) 14 credit card purchases monthly. The number of purchases per month is related to the size and budget of the cardholder's organization. Cardholders belonging to a large organization, such as the USMA hospital, have many more requirements and a larger budget than a small activity such as the four-person Photonics Research Laboratory.

g. Question 4

How much time (on average) do you spend on routine credit card purchases (telephonic or over-the counter) out of a typical 40-hour work week?

h. Analysis

Twenty six (26) cardholders answered this question. The average time spent on weekly credit card purchases was 4.9 hours. This is almost twenty hours per month spent on purchasing activities or, when compared to the average number of monthly purchases, 1.4 hours per purchase. Contributing factors to time spent on each purchase include reviewing purchase requests for fund certification, phone calls to obtain competitive quotes, completing required purchase logs as required by USMA SOP, and traveling to and from local vendors for over-the-counter purchases.

i. Question 5

How much time (on average) do you spend on credit card activities, other than routine purchases, out of a typical 40-hour work week?

j. Analysis

Twenty five (25) cardholders responded to this question. Answers to this question indicate that the typical USMA cardholder spends 3.5 hours per week on other than routine credit card purchases. This equates to fourteen (14) hours per month. The time spent on activities other than credit card purchasing is attributed to official disputes, telephonic inquires concerning status of credit card purchases, and reconciling monthly statements.

k. Question 6

What is the average turnaround time (from the time the credit card order is placed until delivery and acceptance)?

l. Analysis

Twenty eight (28) cardholders provided answers to this question. Responses to this question indicate that a cardholder can expect an item ordered by credit card to be delivered in six (6) days. This quick delivery time is attributed to eliminating the DOC from the purchasing process. A purchase requisition submitted to the USMA DOC has to compete with all other requisitions for attention. A typical USMA requisition will spend more time in the DOC que waiting

to be worked on than it takes a vendor to deliver items purchased by credit card [Ref. 18]. The credit card program eliminates the competition for attention and allows the cardholder to make an immediate purchase with little paperwork.

2. Procurement Experience Summary

The typical USMA cardholder spends 8.4 hours per week on credit card transactions and has been a cardholder for just over eleven (11) months. The majority of cardholders have Government procurement experience (mostly in procuring goods from the DoD supply system), but very few have any actual purchasing experience. A USMA cardholder makes an average of fourteen (14) credit card purchases per month. Each purchase is delivered to West Point in approximately six (6) days.

3. Training

The intent of this section was to determine if the AFARS-required training was being conducted, how it was being conducted, and if the training adequately prepared individuals for cardholder duties. Finally, cardholders were asked if the training could be improved.

a. Question 7

How many hours of credit card training did you receive prior to becoming a cardholder?

b. Analysis

Twenty eight (28) cardholders answered this question. Seventy nine (79) percent responded that they had eight (8) hours of credit card training. Eighteen percent answered that they had received only four (4) hours of credit card training. One cardholder indicated that he had received sixteen (16) hours of training. The responses indicate that all cardholders are receiving credit card training. The AFARS requires all cardholders to receive a minimum of eight (8) hours of credit card training unless they had previously completed specific purchasing courses [Ref. 15]. The training provided by the USMA DOC is scheduled to last eight (8) hours. The difference in the responses may be attributed to the initiation of the pilot program where training was conducted a few hours at a time over the course of several weeks. It is also possible that cardholders just forgot how long the training session lasted. It is doubtful that potential cardholders would leave the training without being noticed as they are required to sign in when training commences and when returning from lunch [Ref. 18].

c. Question 8

Was follow-up training conducted? Yes/No.

d. Analysis

Responses to this question were received from twenty eight (28) cardholders. Sixty four (64) percent indicated that no follow-up training was conducted while

thirty six (36) percent indicated that follow-up training was conducted. Although not required by the AFARS, follow-up training reduces the potential for procurement abuses. A possible reason for the difference in responses could be what each cardholder envisions training to be. Some cardholders might believe that only classroom instruction is considered training. Other cardholders might believe that DOC oversight visits constitute training. Finally, some cardholders may consider a telephonic inquiry to the DOC as training.

e. Question 9

What type of training did you receive?

f. Analysis

All twenty nine (29) cardholders answered that they received local training by DOC personnel in lieu of formal instruction provided by GSA or the Army Logistics Management College (ALMC). Only the USMA administrative office contact had been trained by an institution other than West Point [Ref 11]. The total localization of training introduces cardholders to the USMA approach, but does not permit cross fertilization of problems and solutions that have occurred at other locations.

g. Question 10

Did the training you receive adequately prepare you for the duties of cardholder? Yes/No. Explain.

h. Analysis

This question was answered by twenty seven (27) cardholders. Ninety three (93) percent answered yes while only two (2) cardholders answered that the training was inadequate. Comments from the cardholders who answered no indicated that they felt the training was geared to procurement personnel and that actual cardholder duties were not discussed. A review of the USMA training material/lesson plans reveals that the training parallels that taught by GSA and covers cardholder's duties and responsibilities [Ref. 17]. Additionally, as every cardholder receives a Delegation of Authority to purchase items, it is hard to envision an effective credit card training course that is not geared towards procurement.

i. Question 11

Can the training be improved? Yes/No.

Explain.

j. Analysis

Twenty seven (27) cardholders responded to this question. Fifty two (52) percent felt that the training could not be improved, Forty eight (48) percent felt the training could be improved. The major themes presented by the cardholders who felt the training could be improved were:

1. Update classes needed (3).
2. Complete an actual credit card purchase/transaction (2).
3. Cover resolving disputes in more detail (2).

4. Shorten the class (1).
5. Go at a slower pace (1).
6. Gear the class for the office worker, not procurement personnel (1).
7. Go into a detailed explanation of the FAR (1).

The survey results indicate that different cardholders have different expectations, some of which are complete opposites of each other. One cardholder felt that the class could be shortened while other cardholders wanted a detailed explanation of the FAR and a slower pace, both of which would lengthen the training. The training must be geared to small purchases (FAR Parts 8, 13, and 15) [Ref. 15]. There is no need for a detailed explanation of the entire FAR as only small purchase procedures are the basis of credit card purchasing. It is possible that the cardholders who feel a need for update classes do not view the DOC oversight visit as training. The training also contains a practical exercise that encompasses a credit card transaction less phoning an actual vendor.

4. Training Summary

USMA cardholders are receiving the AFARS required credit card training. There is no formal follow-up training per se, but DOC oversight visits provide an opportunity to answer questions, make suggestions, and receive updates, in addition to conducting inspections. All cardholders receive training conducted by the USMA DOC even though formal credit

card courses exist. The surveys indicate that minor improvements are possible to the USMA credit card course; however, some of the suggestions conflict with each other and others are already incorporated into the training program.

5. Assessment of the Credit Card Program

This section of the survey was designed to determine how cardholders felt the program was working. Specifically this section provided cardholders an opportunity to voice their opinions concerning the benefits of credit card purchasing, as well as address any difficulties/problems with the program.

a. Question 12

Are the current credit card instructions issued by the installation DOC adequate? Yes/No. Explain.

b. Analysis

Twenty seven (27) cardholders responded to this question. Ninety three (93) percent believed that the current credit card instructions contained in the USMA SOP were adequate. Comments from the cardholders indicated the instructions were clear, explicit, detailed and easy to understand. This leads to the conclusion that the instructions are more than adequate. One cardholder felt that the instructions were geared to purchasing personnel instead of general office workers. The instructions must contain

purchasing information as that is the responsibility taken on by the cardholder.

c. Question 13

What determines whether an item is purchased with a credit card or sent to the DOC?

d. Analysis

Twenty four (24) cardholders answered this question. Eleven (11) of the cardholders gave two responses. These cardholders stated that the price of an item and the urgency of the requirement are the determining factors. Nine (9) cardholders indicated that only the urgency of the requirement was the determining factor while four (4) cardholders stated that price alone was instrumental in choosing to use the credit card. This indicates that cardholders are more likely to use the credit card for high priority or urgent requirements than for items that are below the cardholder's single purchase limit.

e. Question 14

Are there benefits to using the credit card?
Yes/No. Explain.

f. Analysis

Responses were received from all twenty nine (29) cardholders. Only one cardholder felt that there were no benefits to using the credit card. That cardholder indicated that the USMA program was too complicated. The remaining twenty eight (28) cardholders all believed their organization

benefitted by using the credit card. The major benefits stated by the cardholders are:

1. Quicker response time (23).
2. Bypass the DOC procurement process (6).
3. Cardholder in control of process (2).
4. Vendor paid quicker (2).
5. Less paperwork (1).

It is understandable why cardholders view quicker response time as a major benefit. The average lead time for small purchases averages 26 days until an award is made [Ref. 19]. A USMA credit card purchase takes, on average, 6 days. The reason for this is that credit card purchases remove DOC as the middleman. This reduces the amount of people involved in the process while having the cardholder being in total charge of the purchase. The requisition does not have to compete for attention within the DOC and enables cardholders to give requisitions immediate attention. Cardholders are better able to meet their needs, especially urgent requirements, using the credit card than by using the USMA contracting office.

g. Question 15

Are there difficulties in using the credit card? Yes/No. Explain.

h. Analysis

Twenty seven (27) cardholders provided answers to this question. Fifty two (52) percent felt there were no

difficulties while forty eight (48) percent felt there were difficulties in using the card. Difficulties mentioned include:

1. Additional work/paperwork (6).
2. Partial deliveries by vendors (1).
3. Cardholder's organization wants to use card without following established procedures (1).

Cardholders do incur extra work as a result of being authorized to make credit card purchases. This takes time away, on average 8.4 hours per week, from performing their primary job. Additional paperwork is required to document all purchases in order to ensure that taxpayers money is being properly used. Partial deliveries are possible whether a purchase is made by credit card or through the USMA DOC. The procedure used to purchase items will not decrease the chance of partial deliveries. Finally, pressure on the cardholder can take many forms. A cardholder may be pressured to make identical purchases only days apart (split award) in order to use the credit card. Also a cardholder may feel pressure to use the card to purchase items prohibited by the USMA SOP.

i. Question 16

Does your activity save time/money by participating in the credit card program? Yes/No. Explain.

j. Analysis

Responses from twenty eight (28) cardholders were received. Ninety three (93) percent indicated that

time/money was saved using the credit card while only two cardholders did not think the credit card saved time or money. Nine (9) cardholders specifically mentioned saving time as the result of the credit card. Time savings result from quicker delivery of items and less time spent with follow-up phone calls to the DOC for status. Money savings, mentioned specifically by four (4) cardholders, results from better prices that cardholders perceive they get. The DOC will normally solicit one, but not more than three quotes, for a purchase under \$2500 because of their workload. A cardholder who purchases, on average, fourteen (14) items per month can spend more time soliciting additional vendors to insure the best available price.

k. Question 17

Are your purchasing limits (max of \$2500) adequate? Yes/No. Explain.

1. Analysis

Twenty eight (28) cardholders responded to this question. Eighty nine (89) percent of the cardholders felt that the \$2500 limit was adequate. Only three (3) cardholders did not feel the limit was sufficient. Possible reasons for this could be the type or quantities of items cardholders are attempting to purchase. Large quantities of items needed to stock the Self Service Supply Center would not be able to be purchased with credit cards. Similarly, repair services might run over \$2500 on high technology equipment.

The costs would not be determined until a repair person actually showed up and diagnosed the problems. Finally, certain items are, by nature, very expensive and could not be purchased within the \$2500 limit. Raising the limit would require cardholders to solicit competition and comply with additional acquisition regulations.

m. Question 18

Do vendors readily accept Government credit card orders? Yes/No. If no, please explain.

n. Analysis

All twenty nine (29) cardholders answered this question. Ninety seven (97) percent of the cardholders stated that vendors readily accept credit cards. Only one cardholder had problems with vendors accepting credit cards. Reasons for a vendor not accepting Government credit cards could be unfamiliarity with the program (vendor familiar with Purchase Orders and BPA calls), or a vendor might not accept credit card purchases at all. This would most likely occur in areas that traditionally have never accepted credit cards. Examples of this could be a butcher who delivers meat products to the Cadet dining facility, or a medical laboratory that conducts tests for the hospital. Overall, cardholders do not have problems with vendors accepting Government credit cards.

o. Question 19

What major vendor problems have you experienced?

p. Analysis

Responses were received from twenty seven (27) cardholders. Thirty three (33) percent indicated they experienced no problems. Sales tax being charged was experienced by fourteen (14) cardholders, while delivery problems were encountered by six (6) cardholders. One cardholder was charged for items before they were received. Cardholders are supposed to inform the vendor that the purchase is tax exempt. If they do not remind the vendor, tax charges could appear on the bill. An additional source of tax charges could be vendors' automated billing systems, which automatically add tax to any purchase. When charged for sales tax, USMA cardholders must request credit from the vendor. The vendor must prepare the credit transaction, and RMBCS must process the transaction. All parties are involved in reconciling the tax charges resulting in wasted time that could be spent on other endeavors.

Delivery problems are not caused by use of the credit card. Items not being delivered, or being delivered late, are caused by vendor inefficiencies, not the use of a credit card. Cardholders who are charged for items not received have recourse through RMBCS by completing the appropriate paperwork or by notifying the local dispute office contact.

q. Question 20

Has the credit card program met your expectations? Yes/No. Explain.

r. Analysis

Twenty seven (27) cardholders provided responses to this question. Ninety six (96) percent responded that the credit card program had met their expectations while only one cardholder felt that it did not. Comments received from the cardholders indicated that participating in the credit card program was economically smart. The program simplifies selected small purchase procedures, and reduces administrative burdens and lead time while still complying with established small purchase procedures. The cardholder who did not feel the program met expectations possibly did not realize from the outset that the credit card program was not designed to circumvent established purchasing procedures.

s. Question 21

Are there ways to improve the credit card program? Yes/No. Explain.

t. Analysis

Only seventeen (17) cardholders responded to this question. Forty seven (47) percent of those responding felt that the credit card program was fine as is. Fifty three (53) percent indicated the program could be improved. The areas where cardholders indicated improvement was needed are:

1. Automate entire process (4).

- 2. Increase monetary purchasing limits (4).
- 3. More training (2).

Automating the entire process, from requisition initiation to final payment, involves more than credit card purchasing. While it is a worthwhile endeavor, it is beyond the scope of this research which covers only the implementation of credit card purchasing at USMA during FY 92 and FY 93. Purchasing limits can not be increased beyond \$2500 due to AFARS restrictions. Cardholders who feel more training is required possibly do not view the DOC oversight visits as a training opportunity. They most likely view the visits as a formal inspection designed to find out what is being done incorrectly and to fix blame.

u. Question 22

Rate the USMA credit card program on a scale of 1 to 10.

| | | | | |
|-----------|------|---------|------|------------|
| Excellent | Good | Average | Poor | |
| 10-9 | 8-6 | 5-3 | 2-1 | SCORE_____ |

v. Analysis

Twenty six (26) cardholders responded to this question. The mean rating for the credit card program was 9.0. This indicates that the majority of the cardholders believe the credit card program falls into the excellent category. Reasons for this include quicker awards and deliveries, less time spent on tracking status of requisitions

sent to the USMA DOC, and better prices obtained by the cardholder.

w. Question 23

What is your duty position title? What is your grade/rank? In addition to being a cardholder, are you also a funds certifier? Yes/No. A document register clerk? Yes/No.

x. Analysis

Twenty eight (28) cardholders responded to the questions concerning duty position titles and grade/rank. Twenty (20) cardholders provided answers concerning the additional duties of fund certifier and document register clerk. The most frequent duty positions held by cardholders were Supply Clerk (9 cardholders) and Budget Assistant (6 cardholders). Other duty positions held by cardholders included Supply Technician (3), Editing Clerk, Purchasing Agent, Supply Monitor, Property Control Manager, Physical Scientist, Research Analyst, Computer Manager, Family Advocacy Manager, and Accounting Technician. Twelve (12) cardholders held the grade GS-05. All but two of the cardholders were in the grades GS-04 through GS-07. Five (5) cardholders answered that they held additional duties as both a fund certifier and document register clerk. This is a potential problem area in that there is not a separation of key duties. A cardholder could initiate a requisition, certify availability of funds, and make the purchase. This lack of separation of duties was

the reason BPA purchasing was discontinued at USMA.¹⁰ Of the remaining fifteen (15) cardholders, six (6) stated that they had no additional duties, nine (9) had only the additional duty of document register clerk, and one (1) had only the additional duty of fund certifier. Having one additional duty in the area of fund certifier or document register clerk does not violate the separation of key duties principle. In these instances other individuals, besides the approving official, are involved in the credit card process thereby providing a set of checks and balances that reduces the risk of fraud and abuse.

y. Question 24

Additional comments. Cardholders were permitted to make additional comments pertaining to any aspect of the credit card program.

z. Analysis

Only three (3) cardholders took this opportunity to make comments about the USMA credit card program. All comments indicated that the program was a positive step in purchasing, and improved customer service. No negative comments were received indicating an overall satisfaction with the program.

¹⁰ Chapter III of this research paper contains AAA findings concerning the separation of duties.

6. Assessment of the Credit Card Program Summary

The credit card program at USMA is generally successful. The instructions issued by the DOC are adequate as is the purchasing limit of \$2500. The majority of vendors accept the credit card; however, some vendors charge sales tax on tax exempt purchases. Most cardholders use the credit card for urgent requirements and encounter little difficulty in completing their purchase. Benefits to using the card include better prices and quicker deliveries. A potential for fraud, waste and abuse occurs when cardholders have additional jobs that prevent the separation of key purchasing duties.

B. APPROVING OFFICIAL SURVEY

Surveys were sent to all personnel who acted as approving officials during FY 93. This encompassed thirty (30) approving officials [Ref. 17: pp. 7-8]. Fifteen (15) approving officials replied to the survey for a fifty (50) percent response rate.

The approving official survey consisted of seven (7) questions broken down into two sections, Training and Assessment of the Credit Card Program. Responses to each question within a section are presented followed by an analysis of the responses.

1. Training

This section of the survey was used to determine if the AFARS required training was being conducted, and if the

training adequately prepared individuals for approving official duties. Additionally, approving officials were queried about the amount of time they spent on approving official duties.

a. Question 1

How many hours of credit card training did you receive prior to becoming an approving official?

b. Analysis

Fifteen (15) cardholders answered this question. Sixty seven (67) percent responded that they had received eight (8) hours of training. Twenty seven (27) percent indicated that they had received only four (4) hours of training. One approving official indicated that he had received sixteen (16) hours of training. The responses indicate that all approving officials are receiving credit card training. The AFARS requires all approving officials to receive a minimum of eight (8) hours training unless they had previously completed specific purchasing courses [Ref. 15]. The training provided by the USMA DOC is scheduled to last eight (8) hours. The difference in the responses may be attributed to the initiation of the USMA pilot program where approving officials received training a few hours at a time over the course of several weeks. It is also possible that approving officials just forgot how long the training lasted. It is doubtful that potential approving officials would leave the training early without being noticed as they are required

to sign in when training commences and when returning from lunch.

c. Question 2

Did the training you receive adequately prepare you for the duties of approving official? Yes/No. If no, how can the training be improved?

d. Analysis

This question was answered by fifteen (15) approving officials. One hundred (100) percent responded that the training adequately prepared them for duties as approving official. No comments were received concerning how the training could be improved. This indicates a general level of satisfaction with the training provided by the USMA as all approving officials have been trained by DOC personnel.

e. Question 3

How much time (on average) do you spend on credit card activities out of a typical 40 hour week?

f. Analysis

Twelve (12) approving officials responded to this question. Answers to this question indicate that the average amount of time spent by approving officials on credit card activities is .9 hours. This equates to 3.6 hours per month. This time is attributable to reconciling monthly statements, resolving official disputes, and responding to telephonic inquires.

2. Training Summary

Approving officials are receiving the required AFARS training and are satisfied it prepares them for the duties of approving official. A typical approving official spends, on average, 3.6 hours per month on credit card related activities.

3. Assessment of the Credit Card Program

This section of the survey was designed to determine how approving officials conducted their duties, and if the program was structured to prevent abuses. Grades/ranks of each approving official were requested to determine the amount of visibility credit card purchasing was receiving installation wide.

a. Question 4

Are the current credit card instructions issued by the installation Directorate of Contracting (DOC) adequate? Yes/No. Explain.

b. Analysis

Fifteen (15) approving officials answered this question. Eighty (80) percent indicated that the instructions were adequate while twenty (20) percent felt they were not adequate. One approving official believed that the written instructions should contain a list of possible pitfalls. The USMA SOP does contain numerous lists of potential problem areas. This would indicate that perhaps the approving

official has not read, or has forgotten, that the SOP exists. Overall, the responses indicate satisfaction with the current credit card instructions.

c. Question 5

How do you ensure that cardholders' purchases are authorized, and made in accordance with the Federal Acquisition Regulation (FAR) and the West Point Credit Card SOP?

d. Analysis

Thirteen (13) approving officials provided responses to this question. All stated that as a minimum they match cardholders' monthly statements with approving officials' monthly statements. Ten (10) responded that in addition to matching statements they reconciled purchase requests with document registers or reviewed selected cardholder documentation. This review includes reconciling selected purchase requests in the cardholder files against purchases made and against document numbers, and verifying proper fund certification. This indicates that from the approving official perspective, the credit card purchasing is a management by exception program. Management by exception provides that top managers are informed about the progress of an operation only when there is a significant deviation from the plan or standard [Ref. 20]. At USMA, only when significant problems are discovered does the DOC become involved in corrective actions. This is acceptable when

remembering that management controls are also built into the contract and into the authorization process.¹¹

e. Question 6

Do you believe the West Point credit card program is structured properly to prevent procurement abuses? Yes/No. If no, what management controls do you recommend?

f. Analysis

Responses were received from fourteen (14) approving officials. All indicated that the program was structured to prevent procurement abuses. One (1) approving official stated that the program was too structured. The responses indicate the benefits (much quicker delivery of needed items) outweigh approving official costs (3.6 hours per month spent on credit card activities). Adding additional controls over the process (e.g., requiring a one hundred (100) percent monthly audit of all cardholder documentation) would increase the amount of time approving officials spend on credit card activities. This could possibly cause a reduction in the number of credit card purchases as approving officials will not have the time to complete their primary duties as well as approving official responsibilities. This, in turn, would result in the DOC receiving more purchase requests and

¹¹ The contractual controls within the I.M.P.A.C. program were discussed in Chapter II of the research and include single purchase limits, monthly purchase limits, and monthly office limits.

the benefits that resulted from credit card purchasing would be lost.

g. Question 7

What is your grade/rank?

h. Analysis

All fifteen (15) approving officials responded to this question. All approving officials who were in the military were field grade officers (three majors, one lieutenant colonel, and two colonels). Of the nine (9) civilian approving officials six (6) were GS-11s and above. This indicates that top management realizes the importance of this program and requires high level employees to become approving officials. The possible reasons for having lower ranking approving officials are that they have prior procurement experience, or perhaps they are one of the highest ranking individuals that are assigned to a small USMA activity.

4. Assessment of the Credit Card Program Summary.

Approving officials are normally high ranking civilians or field grade officers. They believe that the instructions issued by the DOC are adequate and that the credit card program is structured to prevent procurement abuses.

C. WORKLOAD ANALYSIS

The USMA DOC workload can be measured by the amount of purchase requests it receives during any given period. In this analysis two years of data are subjected to a statistical t-test. The theory being investigated is that credit card purchasing reduces the amount of purchase requests received by DOC. In conducting the t-test an assumption was made that the difference in workloads before and after credit card implementation follows a normal distribution.

Workload data from FY 92 and FY 93 are presented at Appendix E. The FY 92 information encompasses procurement data prior to implementation of the credit card program. Fiscal Year 93 information captures DOC workload after full implementation of the credit card program. The data were generated from queries to the USMA SAACONS system. The queries provided the number of monthly purchase requests received by the DOC for FY 92 and FY 93.

The t-test was conducted utilizing a popular statistical software package titled MINITAB.¹² In conducting the t-test the difference in monthly workloads was computed. The hypothesis for this test is upper tailed since the difference between workloads is the before credit card workload minus the after credit card workload. Mathematical expressions for the null hypothesis and alternate hypothesis are:

¹² MINITAB/Minitab is a registered trademark of Minitab Inc.

$$H_0 : U_d = 0$$

$$H_A : U_d > 0$$

If credit card usage reduces workload, the after credit card workload should be smaller, and the mean difference greater than zero (0). Executing the MINITAB t-test at a ninety five (95) percent confidence interval resulted in a mean difference of 664 purchase requests corresponding to a t value of 4.51. The null hypothesis is rejected as the p value is .0004 (less than .05). All other things being equal, it can be concluded that decentralized credit card purchasing has a significant effect on the mean workload of the DOC. [Ref. 21]

D. PALT ANALYSIS

The DOC PALT is measured by the amount of time (normally days) that expires from when the DOC receives a purchase request until it makes an award for the required item. In this analysis, two years of data are subjected to a statistical t-test. The theory being investigated is that credit card purchasing reduces PALT within the DOC. In conducting the t-test an assumption was made that the difference in PALT before and after credit card implementation follows a normal distribution.

Procurement Administrative Lead Time data from FY 92 and FY 93 are presented at Appendix F. The FY 92 information encompasses procurement data prior to implementation of the credit card program. Fiscal Year 93 information captures DOC

PALT after full implementation of the credit card program. The data were generated from queries to the USMA SAACONS system. The queries provided monthly DOC PALT for FY 92 and FY 93.

The t-test was conducted using MINITAB. In conducting the t-test the difference in monthly PALT was computed. The hypothesis for this test is upper tailed since the difference between PALT is the before credit card PALT minus the after credit card PALT. Mathematical expressions for the null hypothesis and alternate hypothesis are:

$$H_0 : U_D = 0$$

$$H_A : U_D > 0$$

If credit card usage reduces DOC PALT the after credit card PALT should be smaller, and the mean difference greater than zero (0). Executing the MINITAB t-test at a ninety five (95) percent confidence interval resulted in a mean difference of 3.417 days corresponding to a t value of 1.47. The null hypothesis is not rejected as the p value is .085 (greater than .05). All other things being equal, it can be concluded that decentralized credit card purchasing does not have a significant effect on the mean PALT of the DOC. [Ref. 22]

The result of this t-test reflects how cardholders are using the credit card. Surveyed cardholders indicated that they were more inclined to use the credit card for urgent requirements than on the basis of price (i.e., using the card for all purchases under \$2500). If the DOC had received the

urgent requests (indicated by a high priority number on the PR) they would make the award quicker than if the request was just for a routine requisition. The urgent requirements DOC received actually helped PALT because of the immediate attention they received. Cardholders who make purchases of urgent requirements eliminate some quick awards from the DOC workload that would have normally reduced the DOC's PALT. This elimination of quick awards hinders DOC in attempting to reduce PALT.

E. SUMMARY

This chapter presented and analyzed the data obtained from the surveys and from the USMA DOC. The research showed that cardholders are generally satisfied with I.M.P.A.C. program due to the efficiencies of credit card purchasing and quicker delivery of required items. Approving officials are satisfied that current management controls are adequate; however, the research also showed that the lack of separation of duties may increase the chance for potential procurement abuses. Finally, t-tests indicated that credit card purchasing has had a significant effect on reducing DOC workload but not on PALT. Chapter V will present conclusions and make recommendations to the USMA Directorate of Contracting.

V. CONCLUSIONS AND RECOMMENDATIONS

The purpose of this research was to analyze the effects of implementing the Governmentwide commercial credit card program at West Point, NY. The major conclusions and recommendations of this study are presented below.

A. CONCLUSIONS

Conclusion 1. The use of the Governmentwide commercial credit card at West Point, NY has been successful. The I.M.P.A.C. program is economically smart as it simplifies selected small purchase procedures. Cardholders realize reduced lead times while still complying with established small purchase procedures. The DOC experienced a significant reduction in workload, but not a corresponding decrease in PALT. This is a management by exception program that does not require complex management controls. The program is commercially accepted in that vendors readily accept Government credit card orders.

Conclusion 2. A potential problem exists in the execution of the credit card program in that management controls do not exist that adequately screen cardholders for proper separation of duties. The lack of separation of key purchasing duties that resulted in BPA irregularities exist in the current USMA credit card program. Some cardholders hold additional duties

as both a fund certifier and a document register clerk. A cardholder with these additional duties could initiate a requisition, certify the availability of funds, and make the credit card purchase. The lack of proper separation of key purchasing duties increases the potential for fraud, waste, and abuse.

Conclusion 3. Credit card purchasing has proven to be an effective method of decentralized purchasing at USMA. Use of the credit card has resulted in a quicker response time (an average of six days) than if the item had been purchased by the DOC. Use of the credit card also resulted in better prices as the cardholders are in charge of the entire process and can spend more time soliciting vendors for their particular requirement than can DOC personnel. Finally, approving officials do not spend an inordinate amount of time (approximately one hour per week) conducting their duties.

Conclusion 4. Vendors are charging sales tax on tax exempt purchases. This is evidenced by the fact that over fifty (50) percent of the surveyed cardholders experienced sales tax charges at one time or another. When sales tax is charged, additional work is required of the cardholder, the vendor, and RMBCS. The decision to charge, or not charge, sales tax is not a discretionary choice by the vendor. All Government purchases are exempt from sales tax charges.

B. RECOMMENDATIONS

Recommendation 1. USMA should request GSA to negotiate modifications to the Governmentwide commercial credit card contract that requires RMBCS action in resolving taxation problems. Currently, the terms of the contract do not require RMBCS to assist in recouping taxes charged by vendors [Ref. 22]. This results in USMA attempting to request credit from the vendor, or accepting and paying the sales tax. The costs of these actions are extra time spent by the cardholder contacting the vendor for taxation credit, the vendor preparing the tax credit paperwork, and RMBCS processing the credit. The contractor should be required to withhold payments to vendors equal to the amount of sales tax charged. Every RMBCS payment to a vendor should also contain a statement to the effect that all Government purchases are tax exempt and that any taxes billed to a Government customer will be withheld from payment. This puts the responsibility for taxes between the vendor and RMBCS. If, by chance, a vendor contacts a cardholder questioning the withheld tax payments, the cardholder can fax/send a copy of the RMBCS provided tax exempt letter to the merchant.

Recommendation 2. The USMA I.M.P.A.C. administrative office should continually screen all cardholders and potential cardholders to ensure proper separation of duties. Cardholders who are identified as having additional duties that conflict with their cardholder responsibilities should

have their purchasing authority withdrawn. Potential cardholders who are screened prior to training, and determined to have additional duties that do not permit proper separation of duties, should not be permitted to become cardholders. This screening of cardholders/potential cardholders will prevent the procurement irregularities that were discovered in the BPA process, and resulted in a AAA investigation. Although to date no abuse has been noted in the credit card program, potential for fraud, waste, and abuse exists when cardholders have additional jobs that prevent the separation of key purchasing duties.

Recommendation 3. The USMA DOC should encourage maximum utilization of credit cards. Chapter IV of this research highlighted the fact that cardholders make, on average, fourteen (14) credit card purchases per month, and that most purchases were for urgent or high priority requirements. The benefits of the credit card program should be discussed during Command and Staff meetings and DOC credit card visits in an attempt to gain greater visibility and acceptance. Emphasis should be on convincing current cardholders to expand their use of the card to all items under the \$2500, not just urgent requirements. Use of the credit card in this manner will realize the greatest utility in that all purchases, not just urgent requirements, will accrue the benefits of credit card purchasing.

Recommendation 4. The USMA DOC should require other West Point activities to participate in the credit card program. Any USMA organization still utilizing ordering officers (discussed in Chapter III of this research) should be required by the DOC to convert to credit card purchasing as the credit card was designed to replace the SF-44. The expanded use of the credit card will further reduce DOC's workload and may increase the productivity of DOC procurement personnel. This has not been realized under the current operating environment.

C. ANSWERS TO RESEARCH QUESTIONS

Responses to the research questions will be addressed beginning with the primary research question.

Primary Research Question. What are the effects of implementing the Governmentwide commercial credit card program at installation level? The credit card program at West Point was generally considered to be successful. Decentralized use of the credit card has improved customer support by simplifying purchasing procedures, and improving delivery times. Cardholders are purchasing high priority requirements and sending routine requirements to the DOC for action. Vendors readily accept Government credit card orders, which increases the number of vendors available to solicit and results in better prices. Installation contracting personnel take on additional responsibilities as they must administer the I.M.P.A.C. program. This is offset by the significant

decrease in workload received by the DOC. The credit card program has not reduced DOC PALT due to the cardholders using the card for high priority, quick awards. Finally, the management controls built into the contract and authorization process may be circumvented by an installation's own credit card process. West Point's lack of cardholder screening permits some cardholders to initiate requisitions, certify funds, and purchase an item with a credit card. This lack of separation of duties increases the potential for procurement abuses.

Subsidiary Research Question 1. What is the Governmentwide commercial credit card program? Chapter II of this research described the Governmentwide commercial credit card program. The I.M.P.A.C. card is intended for purchases of commercially available items that can be delivered to immediate use and is not intended to circumvent established purchasing procedures. The credit card program is designed to replace other decentralized purchasing methods including BPAs, SF-44s, and imprest fund transactions. The goal of the Governmentwide credit card program is to simplify the purchasing process while improving cash management practices.

Subsidiary Research Question 2. How was the credit card program implemented at West Point, N.Y.? The implementation of credit card purchasing at USMA was described in Chapter III of this research. After procurement irregularities were discovered in other decentralized purchasing methods, the USMA

DOC initiated the West Point credit card program. The DOC has developed an eight (8) hour training course that teaches both cardholders and approving officials proper credit card purchasing procedures. Upon completion of training, cardholders can begin using the card immediately after receipt of the card from RMBCS. Execution of a credit card purchase is a ten-step process designed to provide appropriate checks and balances to reduce the risk of fraud, waste, and abuse. Each cardholder is visited at least annually by the DOC to ensure compliance with existing procedures.

Subsidiary Research Question 3. How did the implementation of the credit card program affect the installation contracting office in terms of workload and PALT?

Chapter IV of this research discussed the effects of the credit card program on DOC workload and PALT. Two (2) years of data were subjected to a statistical t-test to determine if workload or PALT were significantly reduced by credit card purchasing. Data from FY 92 (prior to credit cards) and FY 93 (after credit cards) were used to conduct the tests. Results indicated that credit card purchasing had a significant affect on workload but not on PALT. Cardholders use the credit card for high priority or urgent items removing the quick (PALT reducing) awards from the DOC, thereby limiting the impact of credit card purchases on DOC PALT.

Subsidiary Research Question 4. What problems have been encountered in the execution of the credit card program at

West Point, N.Y.? Problems with the USMA credit card program were discussed in Chapter IV of this research. Cardholders are most likely to use the card for urgent requirements. This limits the programs benefits to high priority requirements while routine requisitions under \$2500 still go through the entire procurement process. Sales tax is another problem encountered by cardholders. Although all credit card purchases are exempt from sales tax, some vendors include taxes on Government transactions. Finally, USMA has not effectively corrected the problems discovered in the AAA BPA investigation in that some cardholders have additional duties that prevent a separation of key purchasing duties.

Subsidiary Research Question 5. What modifications can be made to improve the efficiency of the West Point credit card program? Recommendations for improvement of the USMA credit card program were discussed in Chapter V of this research. The USMA needs to modify their screening process of cardholders to ensure proper separation of key purchasing duties while expanding the use of the credit cards wherever possible. Additionally, the DOC needs to become proactive in finding a solution to vendors charging sales tax. A possible solution is to request that GSA modify the contract to have RMBCS withhold any tax charges.

D. AREAS FOR FURTHER RESEARCH

Areas arising out of this research include a number of topics. The following are subjects that could be studied with respect to the I.M.P.A.C. program at USMA.

1. Can a cost benefit analysis of the USMA credit card program be conducted? Cardholders have indicated that the credit card saves time and money. Further research should quantify the costs and benefits to USMA.

2. Can the credit card program be expanded throughout all activities at USMA? Currently not all activities are participating in the I.M.P.A.C. program. Research should investigate why they are not participating and what can be done to improve participation at West Point?

3. Has the establishment of stock fund bypass authority improved the credit card system at West Point? The Army's Deputy Chief of Staff for Logistics approved a business practice change (stock fund bypass) as an enhancement to the USMA procurement process. This change is for FY 94 and is to last one (1) year as a test program. The research should study the effects of this business practice change on the USMA credit card program.

APPENDIX A - ACRONYMS

AAA - U.S. Army Audit Agency

AFARS - Army Federal Acquisition Regulation Supplement

BPA - Blanket Purchase Agreement

COTR - Contracting Officer's Technical Representative

DOC - Director of Contracting

DFARS - Defense Federal Acquisition Regulation Supplement

DoD - Department of Defense

FAR - Federal Acquisition Regulation

FY - Fiscal Year

GAO - General Accounting Office

GSA - General Services Administration

I.M.P.A.C. - International Merchant Purchase Authorization
Card

NAF - Nonappropriated Fund

NPR - National Performance Review

PALT - Procurement Administrative Lead Time

RMBCS - Rocky Mountain Bankcard System, Inc.

PR - Purchase Request

SAACONS - Standard Army Automated Contracting System

SF - Standard Form

SOP - Standard Operating Procedures

USMA - United States Military Academy

APPENDIX B - CARDHOLDER SURVEY

INSTRUCTIONS: This survey is designed to provide an overall picture of the West Point credit card program. In order to gather this information we are surveying cardholders and approving officials. Please read each question carefully, circle the appropriate response, and provide your answer in the designated spaces. Where an explanation is requested please be as concise and candid as possible. Responses should be based on your experience rather than the "party line". Return the completed survey to Ms. Lisle Lennon, Support Division, Directorate of Contracting, West Point, NY.

PROCUREMENT EXPERIENCE

1. Prior to becoming a cardholder, had you ever worked in government procurement? Yes/No How long? _____ years
_____ months
2. Are you currently a cardholder? Yes/No. If yes, how long have you been a card holder? _____ years _____ months
3. What is your average number of monthly credit card purchases? _____ purchases/month
4. How much time (on average) do you spend on routine credit card purchases (telephonic or over-the-counter) out of a typical 40 hour work week? _____ hours
5. How much time (on average) do you spend on credit card activities, other than routine purchases, out of a typical 40 hour work week? Other credit card activities include, but are not limited to, resolving problems, official disputes, telephonic inquires, and reconciling statements. _____ hours
6. What is the average turnaround time (from the time the credit card order is placed until delivery/acceptance)?
_____ days

TRAINING

7. How many hours of credit card training did you receive prior to becoming a cardholder? _____ hours
8. Was follow-up training conducted? Yes/No

9. What type of training did you receive? Local Training by Installation Personnel / Formal Training (e.g., GSA, ALM⁷ etc.) / Other_____

10. Did the training you receive adequately prepare you for the duties of cardholder? Yes/No. Explain_____

11. Can the training be improved? Yes/No. Explain_____

ASSESSMENT OF THE CREDIT CARD PROGRAM

12. Are the current credit card instructions issued by the installation Directorate of Contracting (DOC) adequate? Yes/No. Explain_____

13. What determines whether an item is purchased with a credit card or sent to the DOC? Price of item / Urgent requirements / Other _____

14. Are there benefits to using the credit card? Yes/No. Explain_____

15. Are there difficulties in using the credit card? Yes/No. Explain _____

16. Does your activity save time/money by participating in the credit card program? Yes/No. Explain_____

17. Are your purchasing limits (max of \$2500) adequate? Yes/No. Explain_____

18. Do vendors readily accept government credit card orders? Yes/No. If no, please explain_____

19. What major vendor problems have you experienced? None/ Sales tax charged / Unacceptable substitute / Other_____

20. Has the credit card program met your expectations?
Yes/No. Explain_____

21. Are there ways to improve the credit card program at West
Point? Yes/No. Explain_____

22. Rate the USMA credit card program on a scale of 1 to 10

| | | | |
|-----------|------|---------|------|
| excellent | good | average | poor |
| 10-9 | 8-6 | 5-3 | 2-1 |

Score_____

23. What is your duty position title?_____
What is your grade/rank?_____

24. Additional Comments_____

In the event a follow-up to this survey becomes necessary
would you be willing to be interviewed telephonically?
Yes/No. If yes, please provide your name, and a phone number
where you can be reached. Name_____

Phone_____. If you have questions or experience
difficulties in completing this survey, please contact MAJ
Hank Schnepf, COM (408) 656 - 0234, FAX (DSN) 878 - 2138.

APPENDIX C - APPROVING OFFICIAL SURVEY

INSTRUCTIONS: This survey is designed to assist in providing an assessment of the West Point credit card program. In order to gather this information we are surveying cardholders and approving officials. Please read each question carefully, circle the appropriate response and provide your answer in the designated spaces. Where an explanation is requested please be as concise and candid as possible. Responses should be based on your experience rather than the "party line". Your responses will be kept confidential. Return the completed survey to Ms. Lisle Lennon, Support Div, Directorate of Contracting, West Point NY.

TRAINING

1. How many hours of credit card training did you receive prior to becoming an approving official? _____ hours

2. Did the training you receive adequately prepare you for the duties of approving official? Yes/No If no, how can the training be improved? _____

3. How much time (on average) do you spend on credit card activities out of a typical 40 hour week? Credit card activities include, but are not limited to, resolving problems, telephonic inquires, and reconciling statements. _____ hours.

ASSESSMENT OF THE CREDIT CARD PROGRAM

4. Are the current credit card instructions issued by the installation Directorate of Contracting (DOC) adequate? Yes/No. Explain _____

5. How do you ensure that cardholder's purchases are authorized, and made in accordance with the Federal Acquisition Regulation (FAR) and the West Point Credit Card SOP?

- a. Matching cardholder monthly statement with approving official monthly statement.
- b. Reconciling purchase requests in the cardholders files with the appropriate document register.
- c. Other _____

6. Do you believe the West Point credit card program is structured properly to prevent procurement abuses? Yes/No. If no, what management controls do you recommend?_____

7. What is your grade/rank?_____

In the event a follow-up to this survey becomes necessary would you be willing to be interviewed telephonically? Yes/No. If yes, please provide your name and a phone number where you can be reached. Name_____ Phone_____

If you have questions or experience difficulties in completing this survey please contact MAJ Hank Schnepf, COM (408) 656 - 0234, FAX (DSN) 878-2138.

APPENDIX D - MERCHANT TYPES

The following list contains merchant codes which may be used in any combination to restrict cardholder purchases. If a code, or combination of codes, is used when setting up an account for a particular cardholder, no electronic authorization will be granted when a cardholder attempts to make a purchase.

| <u>CODE</u> | <u>MERCHANT CATEGORY</u> |
|-------------|--|
| A | Airlines, Airports |
| B | Vehicle Rental, Dealers, Service, Gasoline, Parts |
| C | Hotel, Motel |
| D | Misc. Transportation (Railroad, Taxi, Bus) |
| E | Telephone, Telegraph, Cable services & equipment |
| F | Transportation & Travel related services |
| G | Mail order houses |
| H | Food/Dairy stores, Drug/Liquor stores |
| I | Caterers, Restaurants, Bars |
| J | Discount/Department stores |
| K | Misc. & Specialty Retail stores (Lumber/Hardware, Lawn & Garden, Clothing, Home Furnishings, Music, & Household Appliance) |
| L | Contractors |
| M | Camps, Camp Sites, Amusement & Recreational Services |
| N | Misc. Personal Services |
| O | Misc. Business Services |
| P | Medical Services |
| Q | Schools, Educational Services, Day Care |
| R | Medical Services |
| S | Fuel (Fuel Dealers - Fuel Oil, Wood, Coal, Liquefied Petroleum) |

APPENDIX E - WORKLOAD DATA

The following list contains the monthly number of purchase requests received by the USMA DOC. Fiscal Year 92 information is prior to credit card initiation while FY 93 reflects workload data after full implementation of credit card purchasing.

| MONTH | FY 92 | FY 93 |
|--------------|--------------|--------------|
| October | 2121 | 1571 |
| November | 2107 | 1736 |
| December | 2206 | 2096 |
| January | 3146 | 1475 |
| February | 2556 | 2605 |
| March | 3817 | 2675 |
| April | 3364 | 3306 |
| May | 2947 | 1908 |
| June | 3139 | 2124 |
| July | 4023 | 3151 |
| August | 1245 | 552 |
| September | 1136 | 640 |

APPENDIX F - PALT DATA

This list contains PALT (in days) for DOC purchases in FY 92 and FY 93. The information for FY 92 is prior to the initiation of the credit card program while FY 93 contains PALT after full implementation of credit card purchasing.

| MONTH | FY 92 | FY 93 |
|--------------|--------------|--------------|
| October | 11 | 22 |
| November | 25 | 19 |
| December | 19 | 18 |
| January | 39 | 25 |
| February | 25 | 25 |
| March | 22 | 25 |
| April | 22 | 25 |
| May | 25 | 29 |
| June | 29 | 21 |
| July | 26 | 17 |
| August | 37 | 29 |
| September | 47 | 31 |

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