# NAVAL POSTGRADUATE SCHOOL

## MONTEREY, CALIFORNIA

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## MBA PROFESSIONAL REPORT

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### Marine Corps Unit-Level Internal Management Controls for the Government-Wide Commercial Purchase Card

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        December 2003

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13. ABSTRACT

In this thesis, we offer recommendations to improve the current Marine Corps internal management controls for the Government-Wide Commercial Purchase Card (GCPC) program. The 2002 General Accounting Office testimony on the Navy GCPC program noted the continued existence of significant internal control weaknesses, despite a number of improvements made to the program over several years. Using the fraud triangle as its philosophical construct, this thesis develops practical methods by which to lessen the ability of those involved with administration of a GCPC program to rationalize improper and illegal actions. Its specific recommendations are to: convert the GCPC cards from individually named credit cards to unit cards with personalized numbers; change the appearance of the cards; control the number of cards within each unit by authorizing level five agency program coordinators to define and implement best practice controls; and provide electronic receipts of all cardholder transactions daily to Approving Officials and Agency Program Coordinators.

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**MARINE CORPS UNIT-LEVEL INTERNAL MANAGEMENT CONTROLS FOR THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD**

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iii

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# MARINE CORPS UNIT-LEVEL INTERNAL MANAGEMENT CONTROLS FOR THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD

## ABSTRACT

In this thesis, we offer recommendations to improve the current internal management controls for the Government-Wide Commercial Purchase Card (GCPC) program. Despite the existence of mandated internal management controls, the program has been fraught with fraud, misuse, and abuse since its implementation. The 2002 General Accounting Office testimony on the Department of the Navy GCPC program noted the continued existence of significant internal control weaknesses, despite a number of improvements made to the program over several years. Using the fraud triangle as its philosophical construct, this thesis develops practical methods by which to lessen the ability of those involved with administration of a GCPC program to rationalize improper and illegal actions. Its specific recommendations are to: convert the GCPC cards from individually named credit cards to unit cards with personalized numbers; change the appearance of the cards; control the number of cards within each unit by authorizing level five agency program coordinators to define and implement best practice controls; and provide electronic receipts of all cardholder transactions daily to Approving Officials and Agency Program Coordinators.

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# TABLE OF CONTENTS

# LIST OF FIGURES

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# ACKNOWLEDGMENTS

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**EXECUTIVE SUMMARY**


All federal agencies, including the Department of
Defense (DoD), use the Government-Wide Commercial Purchase
Card (GCPC) for making "micro-purchases", which are defined
as purchases, from commercial vendors, involving sums up to
$2500.  Although purchase cards can be used along with
other contracting methods to pay for purchases up to
$9,999,900, their primary use has been to enable
cardholders to buy low-dollar value items for the
government from civilian vendors while avoiding the longer
and more costly traditional acquisition process.  The
simplification of the purchasing process provided by the
GCPC program has proven of tremendous benefit to the DoD;
it has sped delivery of low-dollar value items while
lowering the direct costs associated with those purchases.
However, the program has also experienced shortcomings,
particularly with regard to its internal control
environment.

As highlighted in the 2002 DoD Charge Card Task Force
Final Report and the 2002 General Accounting Office
testimony on Navy purchase card vulnerabilities, weaknesses
have existed throughout the DoN and Marine Corps in the
internal controls associated with the GCPC program.  These
weaknesses include lack of adherence to key internal
controls, and have been coupled with high levels of fraud
and GCPC program card misuse and abuse.  In recent years
the DoD and the DoN have attempted to address many of the
GCPC program shortcomings, principally by focusing efforts
toward developing means to identify fraud and to limit the
potential for GCPC program card misuse and abuse.

Despite the significant improvements made to the GCPC program internal control environment in the recent past, one area which holds potential to further improve the GCPC program internal control environment has not as yet received sufficient attention.  That area pertains the rationalization leg of the fraud triangle, an internal management control concept discussed by Joseph T. Wells in his book titled *Occupational Fraud and Abuse*.  According to the fraud triangle theory, one way to help ensure an adequate internal control environment is to limit an individual's ability to rationalize his or her potentially illicit activities.

The four recommendations contained within this report were developed by the authors as means of combating the rationalization we believe is inherent in the current GCPC program.  Our recommendations are to: convert the GCPC cards from individually named credit cards to unit cards with personalized numbers; change the appearance of the cards; control the number of cards within each unit by authorizing level five APCs to define and implement "best practice" controls; and provide electronic receipts of all cardholder transactions daily to approving officials and agency program coordinators.  By implementing these four changes, the authors believe the DoN and Marine Corps can reduce the levels of fraud, misuse, and abuse currently experienced within the GCPC program.

# I. INTRODUCTION

## A. FRAUD, ABUSE, AND MISUSE IN THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD PROGRAM

Military personnel did personal shopping at Wal-Mart and The Home Depot, partied at Hooters and Bottoms Up nightclubs and charged personal items like DVD players, computers, and pet supplies to their government purchase cards, according to documents obtained by The Associated Press.[1]

Documents gathered by Grassley from the Bank of America, which handles Pentagon travel credit cards, detail the case of a Marine sergeant who ran up $20,000 in charges, then left the service and the bill unpaid. The Marine's credit card for travel, issued in March 2000, was restricted because he had a questionable credit record. His bosses soon quadrupled its limit from $2,500 to $10,000, the documents show. The bank issued a fraud warning in August 2000 after suspicious activity on the card, but the Marines raised the credit limit twice more to $25,000. The sergeant eventually made two cash withdrawals from the card over two months totaling $8,500. The Marine's credit was finally revoked in February, almost a year after it was issued, and he left the service. The bank was forced to write off the debt as a loss.[2]

The General Accounting Office (GAO) has uncovered what may be the tip of the iceberg with regard to improper purchases by people empowered to buy using their government-wide purchase cards at two Navy units in San Diego. GAO found "With the ineffective overall internal control environment, it is not surprising that the three basic internal controls...were ineffective."

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1. http://www.detnews.com/2001/politics/0107/29/politics-256479.htm, Author: John Solomon, Associated Press, *Pentagon Employees Rang Up $9 Billion on Government Credit Cards,* 28 Jul 2001

2. FreeRepublic.com, Author: AP, "A Conservative News Forum", 7/27/2001

They also recounted five cases of alleged purchase card fraud of which one case has been successfully prosecuted.  The amount involved in all five was over $660,000 to date with investigations continuing in the remaining four cases.  Here's what was bought for personal use: home improvement items, laptops, electronic organizers, DVD players, an air conditioner, clothing, jewelry, and other items such as eyeglasses, pet supplies, phone calls, tires, flowers, and pizza.  GAO says, "The control breakdowns related to the frauds were so pervasive that the total dollar amount of these frauds could not be determined."

One unit bought flat panel computer monitors costing from $800 to $2,500 each instead of standard monitors costing $300.  When asked about this at a congressional hearing, the Navy suggested that they were required to conserve space onboard ships.  However, not all were used onboard ships.  Also uncovered were routine purchases without documented government need, including electronic organizers as well as the accompanying $100 designer carrying cases and a $400 leather briefcase.  Neither Navy unit had documented policies and procedures to support the valid need for these types of items.  There also were cases where a cardholder's single day purchases from the same vendor appeared to be a circumvention of the cardholder's single purchase limit.[3]

As highlighted in the preceding articles, it has proven difficult for the Department of Defense (DoD), Department of the Navy (DoN), and U.S. Marine Corps to maintain adequate internal control environments for the Government-Wide Commercial Purchase Card (GCPC) and Official Travel Card programs.  This difficulty has been

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3. http://www.managementconcepts.com/acquisition/NavyCardarchive.asp, 24 Oct 03

manifested in numerous instances of purchase card program fraud, and card abuse and misuse. And yet having a robust internal control environment is a key factor in preventing the types of illicit card use which have all too often characterized the program. In seeking ways to improve existing internal controls for the purchase card program, one would naturally review current management ideas dealing with internal controls for organizations. One current such management idea was discussed by Joseph T. Wells, founder of the Association of Certified Fraud Examiners, in his book *Occupational Fraud and Abuse*. Wells argues that for fraud to occur there must exist three legs of support for a fraud triangle, those legs consisting of incentive, opportunity, and rationalization.

Accordingly, one way to help ensure an adequate internal control environment is to limit an individual's ability to rationalize his or her potentially illicit activities; by lessening the ability of an individual to convince himself that his activities are justifiable (due to perceived urgency of need, that he deserves or requires an item despite existing guidance or instructions to the contrary, that an action can be construed as within the larger meaning of those instructions, etc.), an organization should be able to lower the probability that members of that organization will commit fraud against it. Along with measures designed to limit the ability of individuals to rationalize wrongful behavior, internal controls can also be designed to limit the opportunities, and where possible the incentives, to commit fraud.

Undoubtedly, because the GCPC program provides individuals the ability to access and use large amounts of

government credit, the program will always be vulnerable to the risk of fraud.  An incentive to steal is inherent in the program, and a thief determined to steal by use of his GCPC card obviously will have the opportunity to do so. However, automated measures (such as restrictions, or blocks, on where purchases can be made), verification requirements, and audit procedures can largely suffice to identify illicit card use and monetarily limit an individual's ability to defraud the government.

On the other hand, an individual who intentionally steals makes no attempt to rationalize his activities.  As can be ascertained from the Marine Corps' Purchase Card Semi-Annual Review for the first half of fiscal year 2003 (Appendix A), many of those making illicit purchases with their GCPC cards or ignoring existing, mandatory internal controls and established internal control processes, would not consider themselves thieves.  At the time of their illicit purchases, they most likely rationalized those purchases as not being the illegal activities they in fact were.

Whether purchasing a sandwich at Subway or bedding and towels for a visiting foreign military officer, otherwise trusted and diligent government employees improperly used their government purchase cards; yet because many of those purchases involved very low dollar amounts or did not directly benefit the purchaser, it is likely they saw those purchases as not truly representing fraud against the government of the United States.  Additionally, the cardholder's  unit  may  tend to see any illicit use as

reflecting only on the individual cardholder and not on the unit itself as the card are issued in the cardholder's, and not the unit's, name.

This ability to rationalize card fraud, misuse, and abuse contributes to the poor internal control environment perceived to exist throughout the GCPC program and detailed in both the 2002 DoD Charge Card Task Force Final Report and General Accounting Office (GAO) Testimony regarding Navy vulnerabilities to fraud. While one could debate the legitimacy of the rationalizations a GCPC program cardholder might make, and while the ability to rationalize a wrongful action does not make it justifiable, the current purchase card internal control environment can be improved by implementing internal control measures designed to help eliminate the ability of individuals to rationalize the improper use of GCPC program cards. In this report we will attempt to develop practical means by which to lessen the ability of those involved with administration of a GCPC program to rationalize improper and illegal actions. First however, we will outline the current structure and functioning of the GCPC program and further expand upon the underlying management theory that guided the development of this report.


**B.    OVERVIEW OF THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD PROGRAM**

The GCPC program has its roots in the 1982 Presidential Executive Order 12352, "Procurement Reform", which directed the DoD, as well as all executive agencies, to, "Establish programs to simplify small purchases" along

with other initiatives intended to streamline and simplify various governmental procurement processes.[4]  On July 6, 1998, the DoN awarded a three-year contract, with options for extending the service period, to Citibank to provide purchase card services throughout the DoN.[5]  Currently managed by the DoN eBusiness Operations Office (EBUSOPSOFF), the program is part of the U.S. General Services Administration's (GSA) "SmartPay" program, whose current contracts with five service providers (Bank of America, Bank One, Citibank, Mellon Bank, and U.S. Bank) are effective until November 29, 2003.[6]

For the Marine Corps, the Contracts Division, Installations and Logistics Department, Headquarters, U.S. Marine Corps (LB, I&L, HQMC) has oversight responsibility for the GCPC program and maintains a GCPC program office within the Management and Oversight Branch (LBM) of the LB Division.

According to the executive summary of the June 27, 2002 DoD Charge Card Task Force Final Report, implementation of the GCPC program had resulted in an estimated savings of $900 million by the report date.  GCPC program-generated savings result from rebates based on volume of transactions and cost reductions resulting from the automation of purchase order processes.

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4. Executive Order 12352, 17 Mar 1982.

5. http://www.don-ebusiness.navsup.navy.mil, 30 Oct 2003.

6. http://www.gsa.gov/Portal/gsa/ep/channelView.do?pageTypeId=8199&channelPage=%2Fep%2Fchannel%2FgsaOverview.jsp&channelId=-13497, 31 Oct 2003.

The purpose of the GCPC program, as stated in the EBUSOPSOFF Instruction (EBUSOPSOFFINST) 4200.1A, is:

> to provide DoN civilian and military employees a convenient and commercially available method to make low-dollar value purchases.[7]

Low-dollar purchases, also called "micro-purchases", are defined as those less than $2500.  Purchase cards are used throughout the DoD and can be used along with other contracting methods to pay for purchases up to $9,999,900.

In essence, GCPC cards are commercial credit cards. The cards enable cardholders to buy low-dollar value items for the government from civilian vendors while avoiding the longer and more costly traditional acquisition process. This simplification of the purchasing process has proven of tremendous benefit to the DoD; it has sped delivery of low-dollar value items while lowering the direct costs associated with those purchases.  However, the program has also experienced shortcomings, particularly with regard to its internal control environment.

As highlighted in the 2002 GAO testimony on Navy purchase card vulnerabilities, weaknesses have existed throughout the DoN in the internal controls associated with the GCPC program.  These weaknesses, which include lack of adherence to key internal controls and shortcomings in the program's management culture and existing supporting infrastructure, have resulted in fraud and card misuse and

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7. EBUSOPSOFFINST 4200.1A, p. III.

9

abuse by GCPC cardholders.[8]  These types of weaknesses,
common to GCPC programs throughout the DoD and the entire
U.S. Government, have drawn increasing managerial attention
within DoD since implementation of the GCPC program.  Past
attempts to improve the GCPC program internal control
environment have included measures designed to identify
fraud as well as to limit the potential for card misuse and
abuse.  The DoN and Marine Corps have addressed many of the
weaknesses articulated in the 2002 GAO testimony and DoD
Charge Card Task Force Final Report, and we will briefly
outline the recommendations made in those reports and the
corrective actions already taken in response to those
recommendations.

But, despite the significant improvements made to the
GCPC program internal control environment in the recent
past, our research into the GCPC program and those past
improvements has led us to believe that one area which
holds potential to further improve the GCPC program
internal control environment has not as yet received
sufficient attention.  That area pertains to the concept of
the rationalization leg of the fraud triangle, which we
will discuss in this report.  We believe that by
implementing measures designed to reduce the potential for
rationalization of illicit purchases by cardholders, the
Marine Corps, DoN, and DoD could further improve the
current GCPC program internal control environment.  As
such, we offer four specific recommendations to improve the
GCPC program internal control environment for Marine Corps

8. GAO Testimony Before the Subcommittee on Government Efficiency, Financial
Management and Intergovernmental Relations, Committee on Government Reform, House
of Representatives, p. 2.

units which administer GCPC programs: conversion of the
GCPC program from individually named issued credit cards to
unit cards with personalized card numbers; changing the
physical appearance of the GCPC program cards; authorizing
level five APCs to determine unit best practice; and
providing electronic receipts of all cardholder
transactions to Approving Officials (AOs) and Agency
Program Coordinators (APCs).


## C.    SCOPE OF RESEARCH


This report is focused on the internal management
controls associated with GCPC programs in Marine Corps
operating forces units.  Although recommendations contained
within this report may be applicable to other managerial
levels of the GCPC program, we sought specifically to
examine existing internal management controls in use by
Marine Corps operating forces units and to offer
recommendations for improving those controls.  Currently,
each unit managing a GCPC program must meet specified
controls (which we will outline in this report) and is
encouraged to implement other local controls as deemed
necessary by the unit.

The topic of examining the internal controls for the
GCPC program was originally suggested by an action officer
from LB, I&L, HQMC as an area which held potential for a
Naval Postgraduate School Master of Business Administration
Project.  Our research began with a review of the 2002 GAO
Testimony regarding Navy vulnerabilities to fraud and GCPC
program card abuse and the 2002 DoD Charge Card Task Force
Final Report, extended to review of existing DoD and DoN

testimonies regarding the internal controls and existing weaknesses found throughout many levels of the GCPC program within the DoD and DoN, and included reviews of current DoN orders and regulations for management of a GCPC program. We also reviewed the on-line training programs sponsored by the DoN e-Business Operations Office and the Defense Acquisition University Continuous Learning Center. We conducted interviews with the Marine Corps Base Camp Pendleton and Marine Corps Air Station Miramar APCs as to the strengths and weaknesses they saw within their programs and conducted phone interviews or sought information from a variety of other individuals involved in management of the GCPC program in the Marine Corps and within the DoN.

Following our initial review of documents, we narrowed the scope of our research to focus strictly on the internal control environment associated with management of a GCPC program at the Marine Corps unit (battalion/squadron) level. By doing so, we limited our detailed evaluation to those controls mandated or recommended for use by unit cardholders, approving officials, and agency program coordinators. We found that many potential improvements applicable to all levels of the DoD GCPC program had already been identified or implemented. The types of improvements made to the GCPC program in the last several years include automation of the billing statement reconciliation process (and thus a speeding up of the payment process to card issuers), limitation of the number of cardholders managed by AOs and APCs, improvement to GCPC program training, and development of data-mining capabilities. Rather than attempting to evaluate those

initiatives, we sought to identify new areas in which the internal controls for a unit-level GCPC program could be strengthened.

As a result of our research, we have identified what we believe to be an area in which the GCPC program internal control environment can be further improved.  By implementing measures designed to help break the rationalization leg of the fraud triangle, we believe the occurrence of fraud, misuse, and abuse of GCPC cards can be further reduced.  This report will detail our recommendations for accomplishing that reduction.

**D.    THE FRAUD TRIANGLE**

As depicted below, the fraud triangle consists of three legs, each of which, according to the theory, need to exist to some extent for fraud to occur within an organization.



**The Fraud Triangle**
Three conditions are present when fraud occurs.

**Incentive/Pressure**
Management or other employees may have an incentive or be under pressure, which provides a motivation to commit fraud.

**Opportunity**
Circumstances exist—for example, the absence of controls, ineffective controls, or the ability of management to override controls—that provide an opportunity for fraud to be perpetrated.

**Rationalization/Attitude**
Those involved in a fraud are able to rationalize a fraudulent act as being consistent with their personal code of ethics. Some individuals possess an attitude, character or set of ethical values that allows them to knowingly and intentionally commit a dishonest act.

Figure 1.  The Fraud Triangle. (From:
http://www.aicpa.org/pubs/jofa/jan2003/ramos.htm)

The Society for Human Resource Management describes the fraud triangle as follows:

> To reduce embezzlement losses, experts say employers must start by examining the three factors that lead employees to pocket corporate dollars. Those factors form "the fraud triangle," which is expressed by the following equation: *motivation + opportunity + rationalization = embezzlement*.
>
> Motivation refers to financial pressure on employees—such as medical bills, college tuition payments, gambling debts, lifestyle changes, etc. — with additional stress if the employee feels he can't share his predicament with others.
>
> Opportunity means an employee is in a position to embezzle. That can translate to access to cash, goods or other company assets — and controls that are inadequate or non-existent.
>
> Rationalization is the personal justification employees use to convince themselves to commit embezzlement. "It's just a loan," they might tell themselves. Other rationalizations include: I'm underpaid compared to others; I'm entitled, the boss is getting paid too much; others are doing it, etc.
>
> The good news is that employers can slash the potential for embezzlement if they eliminate or reduce any one of the three elements.[9]

As we will discuss in this report, we believe past efforts to improve the GCPC program internal control

9. Society for Human Resource Management October 2003, Vol. 48, No. 10, *The Five-Finger Bonus by* Robert J. Grossman.  Used with permission of HR Magazine, published by the Society for Human Resource Management, Alexandria, Va. All rights reserved.

environment have mainly targeted the opportunity leg of the fraud triangle, with the goals of lessening the opportunity for individuals to commit fraud and to quickly identify fraud, as well as card misuse and abuse, when it occurs. Our recommendations will be targeted instead toward reducing the rationalization leg of the fraud triangle; by successfully doing so we believe units administering GCPC programs can improve their existing GCPC internal control environments. Before detailing our recommendations, we will outline the functioning of a purchase card program and discuss pertinent elements of the 2002 GAO testimony and Charge Card Task Force report referenced earlier.

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## II.  THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD PROGRAM STRUCTURE

### A.    GCPC PROGRAM STRUCTURE

Several layers of responsibility are involved in the administration of a DoN GCPC program; the program follows the hierarchical structural design depicted in the following diagram:
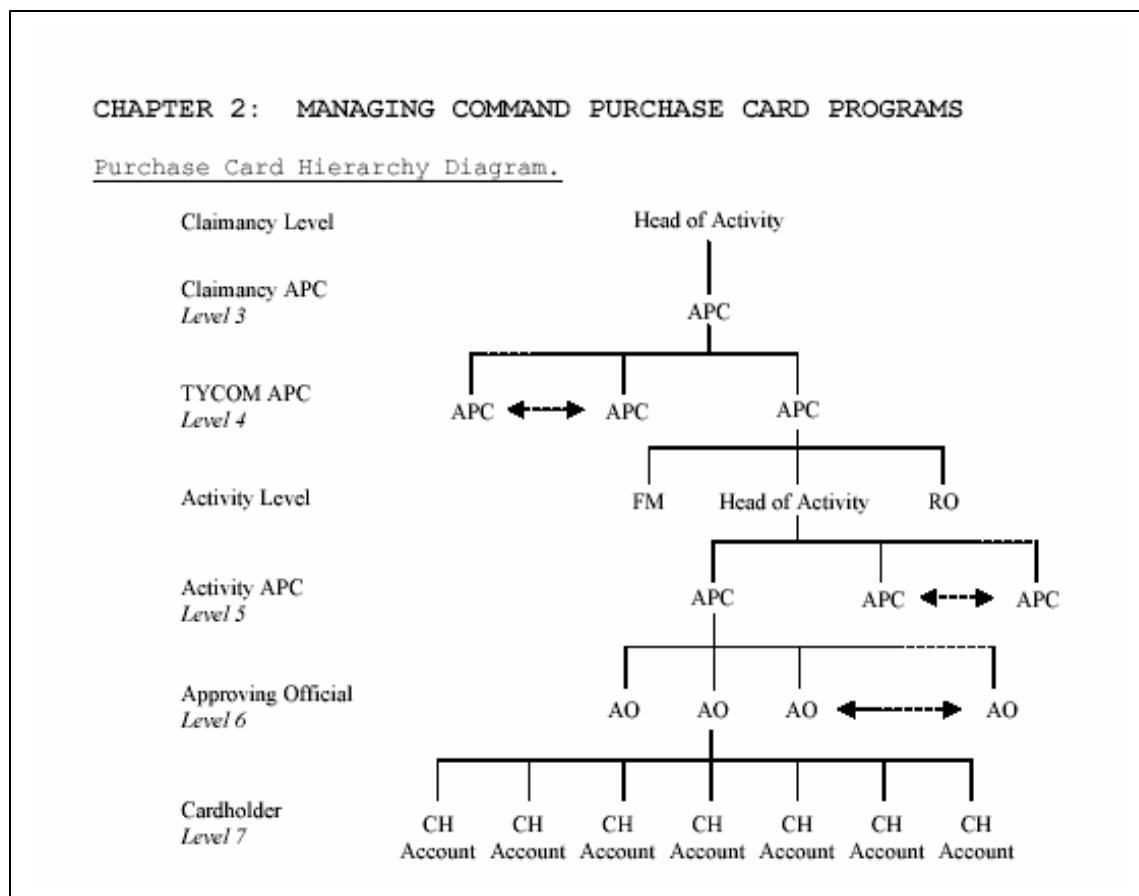


Figure 2.  Purchase Card Hierarchy Diagram.  (From: DoN EBUSOPSOFFINST 4200.1A, p. 13)

While not exhaustive in specifying all aspects of the administration of a local GCPC program, we will sketch how the program is intended to function and describe the duties of those involved in a local program in the next few paragraphs. We then describe the internal controls for a GCPC program as specified in EBUSOPSOFFINST 4200.1A.

## B.   GCPC PROGRAM ADMINISTRATION

At the lowest level of the GCPC program is the actual GCPC cardholder. Next is the Approving Official (AO), responsible for approving the cardholder's purchases and certifying monthly invoices from Citibank. The unit-level (level five) Agency Program Coordinator (APC) supervises the entire unit's GCPC program for the Head of Activity (HA), normally the unit's Commanding Officer. Above the HA are various APC levels, individuals responsible for coordinating an ever-broadening scope of the GCPC program, up to the Major Claimancy level.

Per EBUSOPSOFFINST 4200.1A, all DoN GCPC program cardholders, AOs, and APCs are required to complete GCPC program training before beginning to participate in the program. The training can be conducted over the internet and consists of a minimum of two different parts. Training tailored to individual roles within a GCPC program is offered on the Navy's e-Business website; additionally, participants must take the GCPC program tutorial offered through the Defense Acquisition University Continuous Learning Center.[10]  Once training is completed, GCPC program

10. EBUSOPSOFFINST 4200.1A, p. 26

participants are required to adhere to the program
administration rules outlined in the EBUSOPSOFFINST
4200.1A.

The training available from the DoN eBusiness
Operations Office is available at www.don-
ebusiness.navsup.navy.mil and is depicted in the web-page
snapshot below:
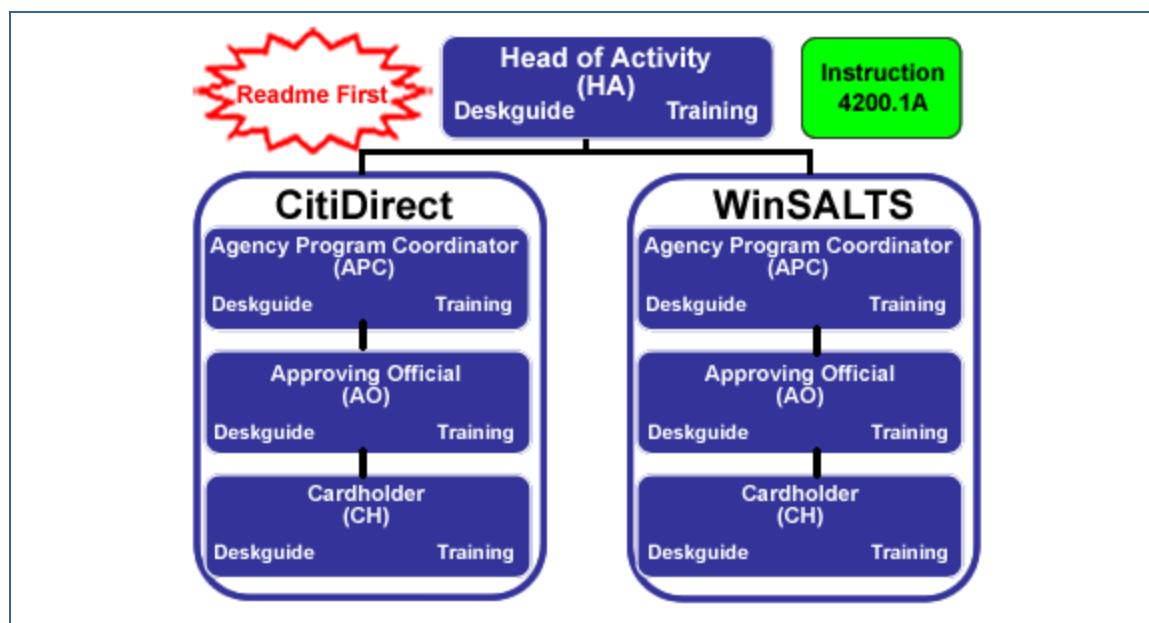


Figure 3. Purchase Card Training. (From: http//www.don-
ebusiness.navsup.navy.mil)

By clicking a computer mouse on the different portions
of this website, an individual is automatically linked to
training tailored to his specific duties within the GCPC
program, as well as being afforded on-line access to other
documents and information, such as EBUSOPSOFFINST 4200.1A
and various desk guides.  After successfully completing the
initial training, individuals are required to complete
refresher training at least once every two years, as well

as completing annual ethics training (as found in Joint Ethics Regulations DoD 5500 7-R and 5 CFR 2638.705).[11]

Although in practice the administrative structure of a GCPC program may vary slightly from unit to unit based on differing capabilities and requirements (for instance, due to personnel restrictions, an AO could also serve as a cardholder within a unit), the basic structure is the straightforward hierarchy depicted in Figure 2. Following successful completion of training and designation by the HA, an individual is assigned duties as a cardholder, AO, or APC, and Citibank is notified (by the unit's APC, or next higher level APC) of the assignment. AOs can supervise up to seven subordinate cardholder accounts and are responsible for overseeing and auditing those accounts. A level five (i.e., unit) APC can be assigned to oversee up to three hundred individual cardholder accounts. Once a cardholder has been officially assigned as such by his HA, the APC sets up the GCPC program cardholder's account with Citibank, normally on-line, and the cardholder then receives a GCPC program card from Citibank. The unit APC also ensures cardholders attend required refresher training, facilitates the issuance of the card to the cardholder, and sets the cardholder's single purchase and monthly transaction limits, as designated by the HA.

The GCPC is issued individually to the cardholder and, although stating that the card is to be used only for official U.S. Government purchases, bears the cardholder's name. The cardholder is responsible for making only approved purchases with the card and bears pecuniary

11. EUSOPSOFFINST 4200.1A, p. 26

20

liability to the U.S. Government for illegal purchases.
The cardholder is also responsible to review mandatory
sources of supply (the Javits-Wagner-O'Day Act Program
(JWOD), Federal Prison Industries (FPI), and per the
Resource Conservation and Recovery Act), reconcile monthly
billing statements from Citibank, act to resolve any
discrepancies in those statements, and certify monthly
invoices for payment.

AOs approve cardholder purchases, verify the monthly
statements for each of their cardholders, and forward their
certifications of those statements to Defense Finance and
Accounting Service (DFAS).  Upon AO certification of a
cardholder's monthly statement, DFAS pays Citibank for the
validated transactions.

Level five APCs, in addition to overseeing the
training of cardholders and AOs and the issuance of GCPC
cards within their units, coordinate with higher-level
APCs, monitor the activities of their AOs and cardholders,
and coordinate with Citibank when necessary to help resolve
discrepancies.  Level five APCs also conduct monthly
transactional reviews of the transactions of all their
subordinate cardholders, attempting to identify any
questionable card activity for additional investigation (p.
29), and ensure the accuracy of their account profiles at
least quarterly (by checking to ensure the AO/cardholder
span of control remains within boundaries and that those
individuals listed by Citibank as active members of the
local program are in fact still participants in the
program.[12]

12. EBUSOPSOFFINST 4200.1A, p. 27.

21

Additionally, level five APCs are responsible to conduct semi-annual reviews of the functioning of their local programs.[13]

Lastly, EBUSOPSOFFINST 4200.1A specifies that a unit Review Official (RO) audit AO certifications using stratified statistical random sampling methods. The RO, although a member of the unit, should not be within the AO's supervisory chain-of-command and is meant to provide an additional means to help ensure the validity and timeliness of GCPC program payments (pp 4 & 15-16).[14]

Although as described in the EBUSOPSOFFINST 4200.1A, a GCPC unit program appears uncomplicated, in practice one may prove difficult to manage due to personnel rotations, lack of program familiarization among participants, or other factors. Likewise, the internal controls specified in the Instruction and the training materials which serve the program appear simple and logical, and in many cases intuitive. It is to a description of the internal controls specified in the EBUSOPSOFFINST 4200.1A which we next turn.

## C.   GCPC PROGRAM INTERNAL CONTROLS

In addition to outlining the individual responsibilities of those involved in a GCPC program, EBUSOPSOFFINST 4200.1A specifies the internal controls to be used to help prevent GCPC program card fraud, misuse, and abuse. These controls include: separation of duties; separation of functions; limitation of spans of control; completion of required training; establishment of single

13. EBUSOPSOFFINST 4200.1A, p. 28.

14. EBUSOPSOFFINST 4200.1A, p. 4 & 15-16.

purchase and billing cycle (30 days) limits; limitation of authorized transaction types; utilization of merchant category code blocks; closure of unneeded accounts; and conduct of internal program reviews.   The Instruction also encourages units to develop their own internal operating procedures for management of their individual, local GCPC programs.

According to the Instruction, cardholders, AOs, and APCs should be different individuals; when such separation is not possible, the Instruction outlines procedures to ensure that more than one individual is involved in the purchasing, receipting, and accounting for items procured by use of a GCPC program card.   In addition to this separation of duties, the Instruction also requires a separation of functions, specifying that someone other than the cardholder receipt for purchased items, or at least verifies receipt of purchased items if the cardholder is also the end user of the items being purchased.   These procedures to separate program administration duties and purchase and receipt functions are intended to ensure that no one individual can solely conduct, receipt for, approve, certify, and account for GCPC purchases.   Ensuring that multiple individuals are involved in the purchase and receipt of items and the certification of those transactions for payment is a fundamental control measure designed to limit the potential for perpetration of fraud within an organization.

EBUSOPSOFFINST 4200.1A limits spans of control within a GCPC program.   AOs are limited to supervising no more than seven cardholders, while level five APCs are limited to overseeing a total of three hundred cardholders.   These

spans of control are meant to ensure both AOs and APCs can reasonably conduct their review and audit responsibilities as outlined in the Instruction.

As described previously, unit APCs act to ensure all GCPC program personnel complete at least the required initial training prior to participation in the program; they are also responsible to ensure participants complete refresher training at least once every two years and annual ethics training.  Additionally, APCs establish cardholder single purchase and billing cycle monetary limits as specified by the AH who appointed the cardholder.  These limits are supposed to be based on an analysis of unit historic spending patterns and should reflect actual unit spending requirements.

While the enforcement of training requirements certainly helps ensure individuals remain cognizant of the proper boundaries of the use of their GCPC program cards, limitations to spending authorizations are intended to lessen the monetary impact of any fraud or other illicit spending.  As a cardholder can not exceed his single purchase or monthly limits without his APC increasing those purchase card authorization limits, any attempt to illicitly spend the government's money at a level higher than that normally expended by a unit in a day or during a month would require the collusion of the APC in the attempted fraudulent use of the card.

A cardholder's account can be limited to certain transaction types (no internet orders, for instance), and all cards within the DoD are blocked from use at businesses registered under certain merchant category codes (see Appendix B for a full listing of DoD-wide blocked codes).

These blocks prevent all purchases at merchants categorized by those codes. Other merchant category codes can be blocked if not needed by the individual cardholder for the types of transactions he is authorized to conduct. Limiting transaction types and blocking merchant codes are measures designed to prevent approval of transactions at the point of sale at businesses for which there is no identified requirement for the cardholder to make purchases. Furthermore, enclosure (2) of EBUSOSOFFINST 4200.1A lists additional prohibitions pertaining to use of the GCPC, as well specifying the rules governing exceptions to those prohibitions. These internal controls are, of course, intended to help prevent cardholders from knowingly or inadvertently using their GCPC cards to conduct proscribed transactions.

According to EBUSOPSOFFINST 4200.1A, APCs are to suspend cardholder accounts thirty days before a cardholder transfers from the command and to close inactive or no longer needed accounts.[15] The thirty-day suspension is intended to ensure a cardholder does not transfer from his command before certification of his last monthly bill. AOs must review every cardholder transaction monthly before certifying their cardholder's statements, and ROs are required to audit the monthly AO certifications for all the unit's cardholders. Although level five APCs do not have to certify each individual cardholder transaction (which can easily number in the thousands), they do have to screen all those transactions and attempt to identify fraudulent activity in the accounts. APCs are specifically directed

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15. EBUSOPSOFFINST 4200.1A, p. 27

to attempt to identify suspicious vendors, split purchases, inequitable distribution of business, and any other suspected card misuse or fraud. APCs also must conduct semi-annual reviews of the internal controls associated with their GCPC programs.

Lastly, AHs and APCs are encouraged to establish other controls, as they see fit, to help limit the potential for fraud, abuse, and misuse within their GCPC programs. Although the internal controls described in the preceding paragraphs would appear sufficient to enable GCPC program administrators to effectively manage a GCPC program and prevent wide-spread instances of fraudulent use of GCPC program cards, they often have not sufficed; the 2002 GAO Testimony and DoD Report detail significant weaknesses in the GCPC program internal control environment, despite the existence of those internal controls listed previously and the continuous efforts made to strengthen them since the inception of the GCPC program.

Although it is not the purpose of this report to highlight what may be the short-comings of existing GCPC program internal controls, we believe those controls have largely been aimed at limiting the opportunity for individuals to commit fraud, misuse, and abuse with their GCPC cards, and to identify fraud, misuse, and abuse when it occurs. While certainly an instrumental part of any internal control program, the use of controls aimed at denying individuals the opportunity to commit fraud and to quickly identify its occurrence is in and of itself an incomplete solution, particularly when the incentives to commit fraud (in the case of the GCPC program, the ready access to large amounts of government credit) can not be

eliminated.  Although recent efforts to improve the
training provided to those participating in the GCPC
program may in fact be intended to prevent individuals from
easily rationalizing illicit purchases and misuse of their
GCPC program cards, we believe additional measures can be
implemented to combat the rationalization leg of the fraud
triangle.  Before we detail those recommendations however,
we will first describe how the GCPC program creates savings
for the U.S. Government while speeding the more traditional
military acquisition process.

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# III.  THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD PROGRAM SAVINGS CREATION AND THE ORDER-DOCUMENTATION-PAY CYCLE

## A.  GCPC PROGRAM SAVINGS CREATION

The purchase card program was designed to provide a less costly and more efficient way for all the DoD organizations to buy goods and services.  By authorizing cardholders to buy low-cost supplies and services with the GCPC card, the DoD has been able to, and will continue to be able to, leverage its resources by increasing its efficiencies.  Through the GCPC program, DoD components have their operating needs quickly satisfied at reduced costs.

To provide an illustrative example of the dramatic benefits of the GCPC program to Marine Corps operating forces units, one need only remember the supply process for needed items not held in current unit inventory consumable supply stocks nor available at Direct Support Stock Control before implementation of the GCPC program.  Prior to having GCPC purchase cards in units, Marines submitted formal requests for required items through their chain of command. If those requests were approved by each level of the chain, they were then answered at (at the minimum) the Battalion/Group-level supply departments.  The approval process alone could take several days, with additional time required for actual purchase and delivery of the requested items.  Today through use of the GCPC program card, units can in most cases immediately satisfy their supply needs,

the same day, through a commercial vendor, without the requirement for the lengthy approval process.

This streamlining of the acquisition process saves the DoD an estimated $20 for every item purchased with the card as compared to the former, strictly paper-based, approval-laden buying process.[16]  In 2002, GCPC cardholders made more than ten million purchases with GCPC program cards, saving the government in excess of $200 million in administrative costs.  As stated by Under Secretary of Defense (Comptroller) and Chief Financial Officer Dov S. Zakheim at a June 27, 2002 press conference in regards to GCPC program cards, "they really are essential to improving business practices."[17]

In addition to saving the government money by streamlining the acquisition process, Citibank also has a provision in its purchase card contract to provide the government with cash rebates or refunds for early or on-time payments.  This refund is a deduction from the amount charged or a return of part of the price paid for each purchase.  The rebate or refund computation formula is included in the purchase card contract; the rebate amount is calculated monthly by Citibank for all purchases made with DoD GCPC program cards and verified by DFAS.  Rebates or refunds attributable to the use of the government purchase cards are credited to operation and maintenance (O&M) accounts of the DoD.  Although individual units don't receive the rebates, which would in effect increase their

16.  www.acq.osd.mil/dp/docs2002/Purchase_Card_Questions_Answers_doc

17.  Defense Link, *DoD Moves to Improve Charge Card Programs*, 27 Jun 2002.

O&M purchasing power, the savings to DoD can be substantial.[18]  Figure 4 shows the rebate savings amounts calculated (in thousands) through September 2003.

| FY 03  DoD Purchase Card Usage US Bank and Citibank | | | | |
|---|---|---|---|---|
| | Total Accounts | | Fiscal Year thru 30 Sep 03 | TOTAL |
| Agency | B/O | C/H | Sales | Transactions | Rebates |
| Navy (17) | *4,823 | 19,807 | $1,853,181 | 2,539 | $4,436 |
| Army (21) | 26,202 | 66,922 | $3,026,240 | 4,510 | $19,837 |
| Air Force (57&58) | 19,294 | 47,437 | $1,757,483 | 3,018 | $14,039 |
| Defense Agencies (97) | 3,108 | 7,207 | $   599,072 | 666 | $2,769 |
| | | | | | |
| Totals | 53,427 | 141,373 | $7,235,977 | 10,735 | $ 36,082 |

Figure 4. FY-03 DoD Purchase Card Usage, 31 October 2003 (From: http://purchasecard.saalt.army.mil/03metrics.htm)

## B.    THE ORDER-DOCUMENTATION-PAY CYCLE

Perhaps the greatest success of the GPCP program, as well as the basis for much of its cost effectiveness, is the savings enjoyed by the DoD in man-hours required to administer low-dollar value acquisitions throughout the department.  The current program's use of electronic billing and reconciliation processes has been a dramatic improvement over the initial GCPC program manual processes. Prior to 1998, the GCPC program billing, reconciliation,

18. DoD Financial Management Regulation 7000.14R

and payment process consisted of six steps:

1) Cardholder purchases and receives item from merchant.  The Merchant's bank processes card transactions and the card-issuing bank pays the merchant.

2) Card-issuing bank mails monthly paper statements to cardholder and approving official.

3) Cardholder reconciles statement.

4) Cardholder attaches supporting documentation and submits reconciled statement to approving official.

5) Approving official reviews purchases, approves and certifies invoice, and mails certified invoice to the paying office.

6) Paying office electronically transmits payment to card-issuing bank.[19]

Under this paper-based and mail-reliant process, the ability to review transactions was limited to the end of the billing cycle, when the paper statements were received by both the cardholders and their approving officials.  If a mail delay occurred for any reason, the entire reconciliation and payment process would be delayed, potentially adding weeks to the time between the bank's forwarding of the invoice and its receipt of final payment. Any such delay significantly increased the potential for violation of the Prompt Payment Act, with corresponding interest payments having to be made to the GCPC program card issuers as well as the loss to the government of any rebates based on timely payment of GCPC program card bills.

19. Testimony of Mr. Bruce Sullivan.

In 1998, the GSA re-competed the contract for GCPC services.  As a result of that competition, the program now includes an internet-based capability to setup, manage, and cancel GCPC program card accounts as well as to review, in real time, credit card transactions as they post to the banks' systems.  This on-line capability also allows GCPC cardholders to reconcile and certify their accounts only one day after the end of the billing cycle and to forward those certifications to their respective approving officials.  AOs are also able to certify all of their cardholder accounts on-line and forward their certifications electronically to the card issuer.  Through the internet, on-line certification can occur weeks before paper billing statements are even received by the cardholders and AOs.

Upon receipt of an AO's certification, the bank reformats the invoice, summarizes (or rolls up) all of the cardholders' transactions by lines of accounting, and transmits the certified invoice to the supporting finance and accounting system.  The Defense Finance and Accounting Service (DFAS) electronically processes the invoices and pays the bill.  Through electronic certification and payment, DFAS has lowered the rate it charges its DoD Component customers for bill-paying services by as much as sixty percent, or approximately $20 per transaction.

Another benefit of the on-line approval and certification process is that it ultimately enhances internal controls by instilling greater discipline in the program.  The timeliness and detail of information available concerning GCPC transactions enhances the ability of cardholders, AOs, and APCs to effectively manage their

programs.  Invoices do not get paid unless cardholders and AOs reconcile their accounts, and APCs are able to almost effortlessly track current account and reconciliation status'.  Additionally, the on-line process decreases delinquencies and Prompt Payment Act interest penalties since it enables invoices to be certified within a few days of the end of the billing cycle date, removing the impact of any mail delays between geographically separated card-issuing banks, certifying officials, and payment offices.

Currently, over eighty percent of Marine Corps purchase card invoices are paid by use of the electronic billing, reconciliation, and payment process.  The 2002 DoD Charge Card Task Force recommended that every government agency accelerate the electronic certification and bill paying systems for purchase cards, or obtain waivers from the Component's chief financial officer and acquisition executive.

# IV. 2002 REVIEWS OF THE GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD PROGRAM

## A. THE 2002 DOD CHARGE CARD TASK FORCE FINAL REPORT

Issued on June 27, 2002, the DoD Charge Card Task Force Final Report highlighted several problems with DoD charge card programs (including the GCPC program) as well as recommending solutions to those problems. The problems the report listed included misuse, abuse, and fraud attributed to poorly enforced internal controls. The report also recommended strengthening those controls and:

> enhancing the capability of the workforce to accomplish assigned charge card responsibilities[20]

The report recognized that the decentralization of procurement authority (for micro-purchases) from contracting organizations had increased the potential for purchase authority to be vested in individuals lacking procurement training and experience.[21] The report stated that:

> Among the most critical management controls in the purchase card program are the monthly review and approval of the cardholder's statement by the approving official.[22]

The report highlighted two areas of concern relevant to the GCPC program: misuse/abuse of the cards and late payment of card balances. Card misuse/abuse included:

20. 2002 DoD Charge Card Task Force Final Report, p. vi

21. 2002 DoD Charge Card Task Force Final Report, pp. 2-5

22. 2002 DoD Charge Card Task Force Final Report, pp. 2-4

split purchases to exceed spending limits; purchase of
prohibited goods and services; purchase of items for non-
governmental use or that do not represent best value to the
government; failure of the review process while certifying
invoices; fraud; and failure to properly receipt and
account for purchased items.  The report listed the primary
cause for card misuse/abuse as the failure of local
organizations to implement available internal controls,
leading to several weaknesses in the internal control
environment which included: unmanageable spans of control
and excessive numbers of cardholders; inadequate training
for cardholders and approving officials; inadequate review
of purchases; failure to use required supply sources; lack
of documentation and accounting for purchases; and
cardholder misuse of cards, including fraudulent purchases
and exceeding card limits.

 Although intentional misuse may not be preventable,
the report indicated that effective internal controls are
the key to identifying any such misuse, thereby limiting it
(ideally) to one billing cycle, and to correcting the
various program deficiencies annotated in the report.  The
report did note the actions which DoD had already taken to
strengthen the purchase card program.  Those actions
included: limiting the approving official to cardholder
ratio to 1:7; lowering card spending limits; blocking
unneeded merchant category codes for individual cards
(thereby tailoring the card to the types of purchases
normally required by the organization); and expanding audit
coverage.  The report also recognized DoN initiatives to
emphasize program accountability, improve training and

reinforce training requirements, and ensure the adequacy of local internal controls.

Additionally, the report noted the importance of organizational culture in the operation of an effective purchase card program, specifically highlighting the need for adequate resources (individuals assigned to management of the program) to be devoted to the program.  Included in the need for adequate resources were standardization of APC skill sets and the establishment of mandatory, standardized training for all personnel involved in the purchase card program.

Further, the Task Force recommended accelerating implementation of electronic billing, enabling on-line statement review, approval, and certification as a method to resolve the problem with late bill payment, and enhancing fraud detection capabilities through the use of data-mining.

Citibank offers a powerful suite of automated tools that APCs can use to conduct an on-line statement review, approval, and certification of all cardholder accounts. These on-line tools aid in resolving problems associated with late payments, interest penalties, and the loss of rebates.  These electronic capabilities provide APCs with the capability to review transactions in near real-time and, according to the Report, permit approving officials to perform continuous reviews into each of their cardholder accounts during the billing cycle, preventing a last minute deluge of receipts and invoices associated with the end of month reconciliation process.

Currently, eighty percent of all Marine Corps accounts are utilizing the on-line certification process.  According

to the DoN E-Business Operations Office, the reasons not
all units use the electronic review and certification
capabilities right now are: some deployed units are without
internet access; some units located outside the continental
United States cannot maintain high enough quality
connectivity to the internet to permit reliable use of the
systems electronic capabilities; and the bank's online
certification system does not accommodate all DoD
accounting systems, necessitating certain units to certify
their billing statements manually.

Despite these unresolved problems, the internet is
available at most locations worldwide, including aboard
nearly all of the U.S. Navy's ships.  Additionally, with
DoD initiatives to standardize all DoD accounting systems,
many of the current limitations to electronic review and
billing statement certification will become less prevalent
in the future.

Lastly, the report recommended clarifying and
strengthening sanctions for non-compliance with internal
controls, including: applying pecuniary liability to
cardholders and approving officials; increasing prosecution
of cases of fraud; and strengthening compliance language in
existing regulations through consolidation of existing
guidance and reiteration of the potential penalties for
card misuse and non-compliance with internal controls.  In
its specific recommendations, the task force recommended
DoD:

> Develop methods to assure more positive control
> of charge cards when an individual leaves an
> organization.[23]

23. 2002 DoD Charge Card Task Force Final Report, recommendation CO-3

B.  **THE 2002 GAO TESTIMONY BEFORE THE SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS, COMMITTEE ON GOVERNMENT REFORM, HOUSE OF REPRESENTATIVES, REGARDING NAVY VULNERABILITIES TO FRAUD AND ABUSE IN THE PURCHASE CARD PROGRAM**

The 2002 GAO testimony stated that

the control weaknesses we identified at the two Navy units in San Diego were representative of systemic Navy-wide purchase card control weaknesses[24]

The control weaknesses were systemic within the entire DoN, to include the Marine Corps.  The GAO testimony highlighted several weaknesses which echoed those identified by the DoD Charge Card Task Force.  The testimony stressed the need: for cultural change within the DoN to improve management attention toward the purchase card program; to ensure reasonable spans of control among APCs and AOs; to limit credit levels to historic needs; and to improve training at all levels of the program.  The GAO also noted that credit limits were commonly established arbitrarily instead of being based upon unit historical spending and that training, though available, was often not being documented for individuals involved in the purchase card program.  Nor was the existing training tailored to the differing needs of individuals performing different functions within the program.

The GAO testimony further stated that there were insufficient (human) resources devoted to monitoring and oversight of the GCPC program, resulting in the inability

24. 2002 GAO Testimony, p. 2.

of APCs and AOs to effectively audit their programs.  It
also noted failures in implementation of internal controls,
to include failing to screen for required vendors,
weaknesses in documentation and acceptance of items, and
non-reconciliation of statements prior to certification.
The testimony highlighted the occurrence of three types of
improper purchases by GCPC cardholders: purchases not
serving an authorized governmental purpose; split
purchases; and purchases from improper sources.

However, the GAO did note the DoN recognized the
deficiencies in GCPC program administration, stating that
the:

> Navy has taken action or said it plans to
> implement all 29 of our recommendations to
> improve controls over the purchase card program.[25]

## C.    GCPC PROGRAM WEAKNESSES AND RECOMMENDATIONS

The many GCPC program weaknesses identified within the
2002 DoD Charge Card Task Force Final Report and GAO
Testimony were seen to be common throughout DoD, DoN, and
Marine Corps purchase card programs.  The identification of
those weaknesses, coupled with recommendations to alleviate
them, helped strengthen the GCPC program internal control
environment as corrective actions were implemented to
address those internal control weaknesses.  For instance,
our interview with the Marine Corps Air Station Miramar APC
confirmed the positive effect of the increased use of
electronic certification in solving the problem of late

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25. 2002 GAO Testimony, p. 3.

certification of Citibank invoices.  Although noting a still existing problem with AO turnover, this APC confirmed she no longer experienced late certifications from those AOs performing electronic certification of invoices.[26]

In addition to enabling on-line review and certification of billing statements, other improvements to the GCPC program have included: creation of data-mining capabilities through Citibank; limitation to the spans of control of those involved in a GCPC program; improvements to, and tailoring of, GCPC training programs; and increased management attention paid to the administration of GCPC programs throughout the DoD.  However, as we have stated previously, these improvements appear principally directed at limiting the opportunity for individuals to commit fraud by use of GCPC program cards and to quickly identify any fraud or card misuse once it occurs.  Undoubtedly, these initiatives have strengthened the GCPC internal control environment.  But rather than attempting to gain even further ground in limiting the opportunity for fraud or enhancing detection capabilities, the recommendations made in the concluding chapter of this report are directed against a different aspect of the "fraud triangle," that of rationalization.  By lessening the potential for GCPC program cardholders and administrators to rationalize wrongful use of GCPC purchase cards, the Marine Corps, DoN, and DoD may improve the current GCPC program internal control environment.

26. Interview with Ms. Denice Parks, APC, MCAS Miramar, 21 August 2003.

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# V. RECOMMENDATIONS AND CONCLUSION

## A. RECOMMENDATIONS

The benefits of the GCPC program are numerous and include:

1) Providing commercial credit cards and associated services in support of official government purchases.

2) Streamlining ordering, payment and procurement procedures, reducing administrative processing costs.

3) Improving government micro-purchase procurement operations and accountability.

4) Lowering the costs associated with micro-purchase and other commercial transactions.

5) Reducing the administrative paperwork associated with acquisition through governmental supply and acquisition channels.

6) Providing a wide variety of options when procuring items from commercial vendors.

7) Supporting operational forces' high operational tempo and worldwide commitments by empowering commanders with micro-purchase authority.

To improve the efficiency of the GCPC program, the DoD, the DoN, and the Marine Corps have taken many steps in the recent past to strengthen the internal controls associated with GCPC program management. Training modules are now available on-line and are tailored to the differing needs of individuals performing different functions at different levels within the GCPC program, making the required training both more accessible and more useful to

individuals.  Cardholders and approving officials are able
to electronically review and certify monthly billing
statements, helping to negate the potential for late
payments to Citibank.  By mid-2003, the Marine Corps had
reduced its number of active cardholders by over half, from
nearly 6,000 to 2,806.[27]  Elimination of unneeded cardholder
accounts greatly improves the ability of AOs and APCs to
manage the active accounts within their areas of
responsibility and thus improves the likelihood of
effective program management.

However, there remain weaknesses in the internal
controls of the unit-level GCPC programs, which we believe
could be readily improved.  Our recommendations to further
improve the GCPC program are to:

1) Convert the GCPC cards from individually named
credit cards to unit cards with personalized numbers.

2) Change the appearance of the cards.

3) Control the number of cards within each unit by
authorizing level five APCs to define and implement "best
practice" controls.

4) Provide electronic receipts of all cardholder
transactions daily to AOs and APCs.

27. Headquarters, Marine Corps, Purchase Card Semi-Annual Review, October 1,2002 –
March 30, 2003

1. **Recommendation #1: Convert the GCPC Cards from Individually Named Credit Cards to Unit Cards with Personalized Numbers.**

The DoD utilizes two types of credit card accounts: Centrally Billed Accounts (CBAs) and Individually Billed Accounts (IBAs). CBAs are normally used by organizations to centrally procure travel services (such as buying airline tickets). The bank issues CBAs to DoD organizations, and the payment of billed charges is solely a governmental liability. IBAs are government charge cards issued to military members and DoD civilian employees with their names embossed on the front of the cards. The individual cardholder is responsible for the prompt payment, in full, of the amount stated on the monthly billing statement and can be held criminally liable for any fraud committed against the government by use of the card, and for other misuse or abuse of the card. However, when an authorized cardholder (someone assigned in writing to conduct purchases for the government) makes a purchase with a card, whether the purchase is appropriate or inappropriate, the government is also legally liable for payment to the card issuer.

GCPC purchase cards are issued with the cardholder's name embossed on them as an internal control measure. Since only the individual cardholder can make purchases with the card (as only his name is on it), it is relatively simple to establish who made a questionable purchase. However, since the cards are similar in appearance to non-government credit cards and since the individual's name appears on the card, there is a risk that an individual may mistake the GCPC card for his personal credit card or be

able to rationalize illicit use of the GCPC program card as it is "his" because it bears his name.

Additionally, by issuing purchase cards to individual Marines with their names embossed on the cards, the Marine Corps is recognizing those cardholders as possessing sufficient maturity, responsibility, and competence to conduct commercial financial transactions on behalf of the government. As those assigned as cardholders, particularly in operational forces units, are likely to be very junior Marines within the unit, this high level of trust may not be commensurate with their actual personal financial situations or maturity levels; the incentives associated with access to large amounts of government credit may in fact create significant levels of temptation to commit fraud while also providing a ready source of rationalization. Particularly for individuals with little experience in financial management prior to entering the service, the issuance of a credit card with their name on it, which looks strikingly similar to a personal credit card, may be providing them an undeserved sense of entitlement to the use of the card. It is also unnecessary.

In contrast, when administering unit (CBA) credit cards, the determination of who made an actual illicit purchase can be a much more difficult endeavor as many individuals may have access to a particular card, even during the course of a single day. However, it is much more difficult for an individual to rationalize misuse of a unit card as it does not bear his name. Additionally, unit cards have to be accounted for by the unit to which the card is issued, and improper use of unit cards personally

reflects on the commander of the unit as the cards are directly under his control, not circuitously through the AO/APC hierarchy.

DoN's current service contract with Citibank does not limit the Marine Corps in the structure of its GCPC card accounts, meaning whether the cards are issued to individuals or to organizations is determinable by the Marine Corps. For this reason, the Marine Corps can tailor its GCPC program to incorporate the benefits of unit cards with the pecuniary control mechanisms associated with individually issued credit cards. By issuing the GCPC program cards with unit identifiers instead of personal names embossed on the front of the cards while associating card numbers to individual cardholders, the Marine Corps can negate much of the potential for rationalization inherent in the current program while maintaining a high level of card use accountability. To accomplish this would require modification to the current GCPC cards.

The authors' recommendation for a revised GCPC unit card is depicted in Figure (6). The card would still be issued directly from Citibank to the cardholder, but would not bear the cardholder's name. For accountability and to establish pecuniary responsibility to the cardholder, the last four digits of the card would be used to identify the individual cardholder. APCs and HAs would have increased interest in ensuring detaching cardholders returned their cards and had their accounts deactivated as the cards would be directly associable to the unit instead of to the individual cardholder. As is true of the program as currently administered, the cardholder would have sole access to his GCPC card while serving as a cardholder, yet

one potential source of the ability of a cardholder to rationalize illicit purchases (believing the card to be his because his name is on it) would be eliminated.

The existence of GCPC cards with unit names instead of individual names embossed on the fronts of the cards should also have the positive effect of increasing the attention HAs pay to who they designate as cardholders. Fraud, misuse, or abuse of a card would reflect negatively on the unit and its commander, instead of being primarily limited to reflecting upon the individual cardholder. Additionally, statistical metrics could more readily be devised to accentuate poorly managed unit GCPC programs.

## 2. Recommendation #2: Change the Appearance of the Cards

According to the Camp Pendleton APC, cardholders had sometimes explained that their illicit GCPC program card purchases were simple mistakes made because their GCPC program cards looked too much like their other, personal credit cards. Changing the GCPC program card appearance to make it more distinctive is an obvious solution to this type of confusion experienced by cardholders. The current GCPC program card, depicted in Figure (5), is very visually appealing and contains the sentence "For Official US Government Purchases Only" in faint, extremely small print under a large heading reading "United States of America." In addition to GCPC cardholder confusion, vendors seeing the large "VISA" symbol and the embossed cardholder's name can themselves easily overlook the tiny official purchase warning.

48

Although one benefit of the current appearance of the GCPC card is likely its unquestioned acceptance by commercial vendors as it looks largely like any other personal credit card, the card's appearance can be modified to eliminate any cardholder perception that the card isn't as "official" as it is in reality.  Figure (6) is the author's redesign recommendation.  This card, while still looking somewhat like a personal credit card would bear the issuing unit's name instead of the individual cardholder's name and state in large print **"FOR OFFICIAL US GOVERNMENT PURCHASES ONLY, CARDHOLDER VIOLATIONS SUBJECT TO 31 U.S.C 3528"**.  We believe a cardholder would find it much more difficult to rationalize illicit purchases with such a redesigned GCPC card.

The GCPC program card of today:



The current GCPC promotes personal spending and minimizes accountability by user's and Unit Commanders.

Figure 5. The Current GCPC Purchase Card.

The GCPC program card of tomorrow:

***A distinctive appearance with a very readable header with the following***:

**UNITED STATES OF AMERICA**
**FOR OFFICIAL US GOVERNMENT PURCHASES ONLY**
**CARD HOLDER VIOLATIONS SUBJECT TO 31 U.S.C 3528**
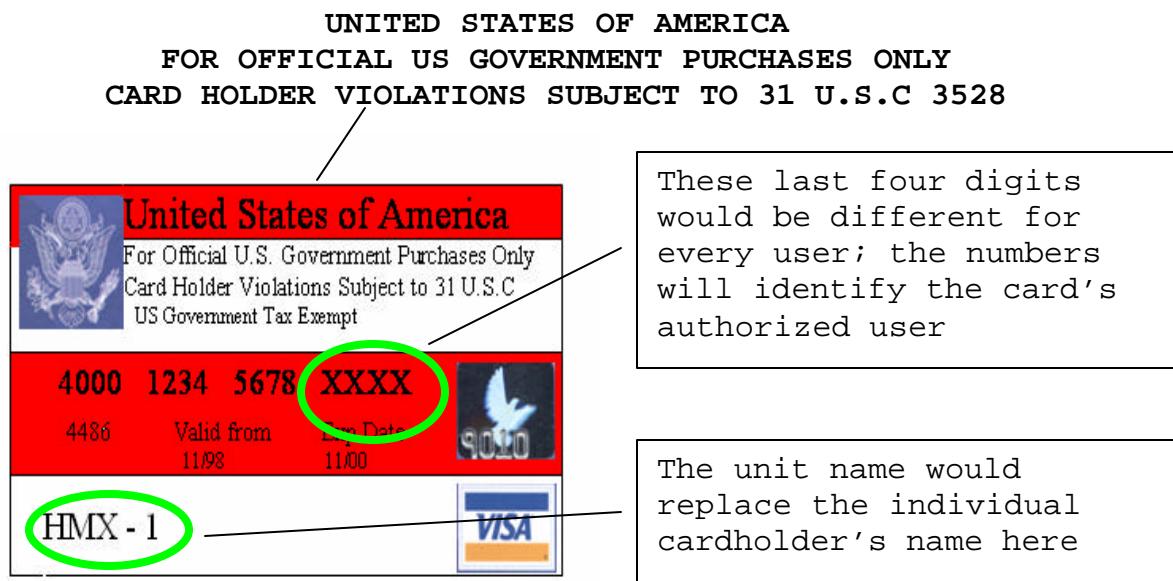


These last four digits would be different for every user; the numbers will identify the card's authorized user

The unit name would replace the individual cardholder's name here

Figure 6. Proposed GCPC Purchase Card.

50

**3. Recommendation #3: Control the Number of Cards Within Each Unit by Authorizing Level Five APCs to Define and Implement Best Practice Controls**

As of the writing of this report, the Marine Corps had 2,806 Cardholders, 1,310 AO's, and 120 APC's.  This level of GCPC program administrators represents a ratio of 23 cardholders per APC and 2.15 cardholders per AO, ratios well within the mandated spans of control of three hundred cardholders per APC and seven cardholders per AO.  However, according to the 2002 DoD Charge Card Task Force Final Report:

> there is no standard span of control for the Agency Program Coordinator's (APCs). The number of purchase card accounts assigned to an APC should be limited to a number that allows for proper administration of the purchase card program and execution of the internal control functions.[28]

The Task Force recommended a best practice approach to determining the appropriate number of cardholders within a unit rather than establishment of a specific number for all units administering GCPC programs.  However, best practice appears to be an undefined concept.

One can surmise that best practice should include not only a determination of how many cardholders are needed to provide a certain level of purchasing services, but also include analysis of such things as how well cardholders are trained, managed, supervised, and disciplined if fraud or card misuse occurs.  The best practice conceivably starts with each unit justifying a need for a cardholder, ensuring

28. DoD Charge Card Task Force Final Report, p. 2-12.

51

cardholders are properly trained, and having AOs ensure their cardholders adhere to GCPC program guidelines.

The level five APC is ultimately responsible for the success of a local GCPC program; therefore APCs should determine what constitutes best practice within their spans of control and thus be empowered to decide how many cardholders are required within their units.  The level five APC, most responsible for the day-to-day operation of a unit GCPC program, is the individual best able to determine GCPC program managerial needs for his unit.

For example, if a unit makes on average one hundred GCPC purchases per month, the APC might determine the unit's cardholder requirement to be only two cardholders. If the unit's requirement for commercial micro-purchases were to increase, necessitating the assignment of an additional cardholder within the unit, the HA would justify such increase to the APC in writing.  Conversely, should the unit's purchase card usage dramatically drop, the APC would notify the HA that one of the active cardholder accounts would be deactivated.  The unit APC, the individual in the best position to monitor the daily purchase card activity of the unit, should be empowered to fully manage the local program.

This recommendation is designed to strengthen unit GCPC program internal management controls by increasing the administrative burden involved in justifying excess numbers of cardholders within individual units.  Currently, units can keep their numbers of cardholder accounts unnecessarily large without having to justify the number of their accounts, as long as they do not exceed the mandated ratios of cardholders to AOs and APCs.

## 4. Provide Electronic Receipts of All Cardholder Transactions Daily to AOs and APCs

As stated in the DoD Task Force Final Report:

> the most critical management controls in the purchase card program are the monthly review and approval of the cardholder's statement by the approving official.[29]

As previously discussed in this report, Citibank provides an on-line capability to data-mine account transaction activity for all GCPC accounts. Currently, APCs and AOs are required to review, and for the AOs to certify, their cardholder's accounts on a monthly basis. Yet technology could easily make review of account statuses a daily activity for APCs and AOs. By providing them an account summary on a daily versus monthly basis, the GCPC program control environment can be improved.

APCs and AOs, screening their cardholder transactions daily, would no longer face the deluge of end of billing cycle verifications which presently confront them. This monthly deluge, along with the requirement to quickly complete the verification and certification processes, can tempt GCPC program administrators to perform a less than detailed review of their cardholder's monthly transactional activities. By reviewing the day's transactions that day, APCs and AOs would be able to more readily identify questionable transactions; the necessity to review transactions daily would add a level of discipline to the present review and certification process. Since the

29. DoD Charge Card Task Force Final Report, p. 2-4.

requirement to review and certify all cardholder transactions already exists, daily review only disciplines, instead of adding to, current requirements.

Additionally, cardholders, well aware that each transaction would be reviewed by both the AO and the APC the day the purchase was made, would be less able to rationalize questionable purchases. The knowledge that any such purchases would be more likely to be immediately identified would help negate the potential for cardholders to self-justify illicit card use by believing such use to be unlikely to be detected.

## B.    CONCLUSION

Fraud may not be fully preventable in any procurement process or program. Some incentive will always exist to steal, as will some opportunity to commit fraud. Likewise, even well designed internal controls have little impact in preventing fraud if they are not effectively implemented. Because of these factors, some of the internal controls designed for use in the GCPC program may not have had as great an affect in limiting GCPC program fraud or card misuse as originally intended; certainly the difficulties in maintaining robust internal control environments thus far experienced throughout DoD and other federal agencies indicate that existing internal controls for the GCPC program have not been completely effective.

Breakdowns in internal controls are both extraordinarily easy to envision and exceedingly difficult to prevent. For example, if an AO, pressed for time, does not actually review all the transactions for a particular

cardholder and instead simply certifies the invoice to ensure it is submitted on time, there exists a potential for fraud to escape detection.  If a unit, due to personnel limitations for instance, does not really separate the duties of purchasing, receipting for, and inventorying purchased items, the GCPC cardholder making the purchase has ample opportunity to defraud the government.  No matter how well the administrators designed the controls, no system or process can reasonably be made fraud-proof.

In recent years, much has been done to improve the ability of GCPC program administrators to limit the opportunity for fraud and GCPC program card misuse and abuse, and to detect such fraud or abuse when it occurs. In addition to these past initiatives, other preventive measures can be undertaken to positively influence the mindsets of those involved in the Government-wide Commercial Purchase Card program.  Limiting the ability of individuals to rationalize wrongful use of GCPC program cards can help to improve the program's internal control environment and further reduce instances of illicit purchases with GCPC program cards.  By implementing the recommendations contained within this report, the authors believe the Marine Corps, DoN, and DoD can enhance administration of the GCPC program.

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# APPENDIX A.   PURCHASE CARD RESPONSE FORMAT

**SEMI-ANNUAL REVIEW**
**OCTOBER 1, 2002 – MARCH 30, 2003**
**Date: 4 June 2003**

**Command:**  Headquarters, Marine Corps

**POC:**      Capt Chester McMillon

**Phone:**    (703) 695-6590 ext. 2543

**Hierarchy #:** 00027

USMC Level III results include all hierarchies. The training numbers reflect the Level IV hierarchy 00055, Marine Corps Community Services (USMC NAF) GCPC personnel that have not met current DoD and DoN training requirements.

A. Total number of Agency Program Coordinators (APCs): 160

B. Total number of Approving Officials (AOs): 1,676

C. Total number of purchase card accounts: 3,955

D. Number of APCs that exceeds the ratio of 300 card accounts to one APC: 0

E. Average Claimancy ratio of purchase card accounts to AOs: 2.36 cardholders per AO.

F. Number of AO accounts above the ratio of 7 card accounts to one AO. 0

G. Number of Cardholders, AOs, APCs with documented evidence of successful completion of mandatory training. (All USMC APCs, AOs, and cardholders, with the exception of the MCCS (USMC NAF) 00055 hierarchy, have been suspended until documentation is provided.)
Cardholders: 2,806
AOS: 1,310
APCs: 120

H. Questionable transactions:

1. Number of purchases not required to fulfill minimum, immediate need to support DoN mission: 33
2. Number of purchases not for government use, but for personal use: 25

Level IV APC:  Marine Corps Community Services (00055)
Item Purchased: Weight belt
Dollar Value of Transaction: $13.99
How it was discovered: AO review
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Phone charge
Dollar Value of Transaction: $1.10
How it was discovered: AO Review
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Phone charge
Dollar Value of Transaction: $2.25
How it was discovered: AO Review
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Extra room charge
Dollar Value of Transaction: $5.00
How it was discovered: AO Review
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Extra room charge
Dollar Value of Transaction: $5.00
How it was discovered: AO Review
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Ribbon/flowers display
Dollar Value of Transaction: $90.10
How it was discovered: Security
Disciplinary actions taken: Cardholder terminated.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Subway sandwich
Dollar Value of Transaction: $5.29
How it was discovered: AO review
Disciplinary actions taken: Activity reimbursed and cardholder counseled.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Theater tickets
Dollar Value of Transaction: $80.00
How it was discovered: Cardholder
Disciplinary actions taken: Activity reimbursed and cardholder verbally reprimanded. The Level III APC has instructed the Level IV APC to provide written documentation of the violation, guidance on proper procedures, consequences of future violations to the discrepant party.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Golf green fees
Dollar Value of Transaction: 35.00
How it was discovered: Cardholder
Disciplinary actions taken: Activity reimbursed and cardholder verbally reprimanded. The Level III APC has instructed the Level IV APC to provide written documentation of the violation, guidance on proper procedures, consequences of future violations to the discrepant party.

Level IV APC: Marine Corps Community Services (00055)
Item Purchased: Magazines
Dollar Value of Transaction: $20.66
How it was discovered: Cardholder
Disciplinary actions taken: Activity reimbursed and cardholder suspended.

Level IV APC: Marine Corps Base, Camp Lejeune (00073)
Item Purchased: Bedding, towels, kitchen items at Target for Peruvian Officer
Dollar Value of Transaction: $488.70
How it was discovered: Cardholder
Disciplinary actions taken: Cardholder, AO, and AO's supervisor received letters of caution. Level III APC has

recommended that cardholder account be suspended for 30 days.

Level IV APC: Marine Corps Base, Camp Lejeune (00073)
Item Purchased: $38.54
Dollar Value of Transaction: Towels and other household items at Walmart for Peruvian Officer.
How it was discovered: Cardholder
Disciplinary actions taken: Cardholder, AO, and AO's supervisor received letters of caution. Level III APC has recommended that cardholder account be suspended for 30 days.

Level IV APC: Marine Forces, Reserve (00077)
Item Purchased: Fed Ex charges
Dollar Value of Transaction: $4.41
How it was discovered: AO
Disciplinary actions taken: Cardholder formally counseled.
Level IV APC: Marine Forces, Reserve (00077)
Item Purchased: Fuel at Chevron
Dollar Value of Transaction: $73.00
How it was discovered: Cardholder
Disciplinary actions taken: Cardholder account closed and corporate account suspended.

Level IV APC: Marine Forces, Reserve (00077)
Item Purchased: Fuel at Chevron
Dollar Value of Transaction: $54.02
How it was discovered: Cardholder
Disciplinary actions taken: Cardholder account closed and corporate account suspended

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Exam Packet for State Certification
Dollar Value of Transaction: $477.00
How it was discovered: APC monthly transaction review
Disciplinary actions taken: Letter of caution to cardholder, investigation pending.

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Professional Association Membership
Dollar Value of Transaction: $99.00
How it was discovered: APC monthly review
Disciplinary actions taken: Letter of caution to cardholder, investigation pending.

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Franklin Covey Planner inserts
Dollar Value of Transaction: $54.80
How it was discovered: APC monthly review
Disciplinary actions taken: Latter of caution and
investigating reimbursement

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Gaylord Opryland Shuttle
Dollar Value of Transaction: $11.00
How it was discovered: APC monthly review
Disciplinary actions taken: Cardholder received 60-day
suspension and must attend refresher training. The U.S.
treasury was reimbursed for the total amount.

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Gaylord Opryland
Dollar Value of Transaction: $20.00
How it was discovered: APC monthly review
Disciplinary actions taken: Cardholder received 60-day
suspension and must attend refresher training. The U.S.
treasury was reimbursed for the total amount.

Level IV APC: Marine Corps Air Ground Combat Center (00087)
Item Purchased: Lodging, Radisson Opryland
Dollar Value of Transaction: 197.03
How it was discovered: APC monthly review
Disciplinary actions taken: Cardholder received 60-day
suspension and must attend refresher training. The U.S.
treasury was reimbursed for the total amount.

Level IV APC: Marine Corps Air Ground Combat Center
(00087)
Item Purchased: Lodging, Gaylord Opryland
Dollar Value of Transaction: 609.52
How it was discovered: APC monthly review
Disciplinary actions taken: Cardholder received 60-day
suspension and must attend refresher training. The U.S.
treasury was reimbursed for the total amount.

Level IV APC:  Marine Corps Base Camp Butler (00088)
Item Purchased: Soda
Dollar Value of Transaction: $5.97
How it was discovered: Cardholder
Disciplinary actions taken: Reimbursement and unit received
additional training

Level IV APC: Marine Corps Base Camp Butler (00088)
Item Purchased:  Food
Dollar Value of Transaction: $40.61
How it was discovered: Cardholder
Disciplinary actions taken: Reimbursement and AO cancelled
cardholder account.

Level IV APC:  Marine Corps Base Camp Butler (00088)
Item Purchased: Lodging
Dollar Value of Transaction: $939.75
How it was discovered: Cardholder
Disciplinary actions taken: Reimbursement and AO cancelled
cardholder account.

3. Number of purchase that exceeded authorized limits:
   10

4. Number of requirements that were split to circumvent
   the micro purchase threshold: 259

5. Number of purchases that were prohibited items as
   identified in the purchase card instruction/desk
   guides: 158

I.  Weaknesses in Internal Management Controls:

Level IV APC: Marine Corps Base Camp Lejeune (00073)
Weakness Area: Documented screening of mandatory sources
Corrective Action: All AOs received training letters.
Discrepant accounts will be re-audited in 3 months and
future infractions will result in 30-day suspension.
Level IV APC: Marine Corps Recruit Depot, Parris Island
(00075)
Weakness Area: Documentation of certification in proper
time frame.
Corrective Action: Proper certification timeline provided
to all GCPC personnel. All AOs have also received
additional training on how to properly document
certification.

Level IV APC: Marine Forces, Reserve (00077)
Weakness Area: Maintenance of delegation letter

Corrective Action: APC will send e-mail to all activity
GCPC personnel reiterating requirement.

Level IV APC: Marine Forces, Reserve (00077)
Weakness Area: Maintenance of documented training
Corrective Action: APC will send e-mail to all activity
GCPC personnel reiterating requirement.

Level IV APC: Marine Forces, Reserve (00077)
Weakness Area: Documented screening of mandatory sources
Corrective Action: An activity-wide purchase card/call log
is being developed and will be provided to all GCPC
personnel.

Level IV APC: Marine Forces, Reserve (00077)
Weakness Area: Documentation of certification within proper
timeframe.
Corrective Action: Guidance will be sent to all AOs and
cardholders outlining procedures for proper documentation
of certification. General instructions for AOs on proper
reconciliation, reallocation, and certification will be
included.


Level IV APC:  Marine Forces, Reserve (00077)
Weakness Area: Proper request process
Corrective Action:  A standard GCPC Purchase/Payment
Request will be provided  to all AOs and cardholders. It
will also be included in the role-based turnover files
being developed by the activity.


Level IV APC:  Marine Forces, Reserve (00077)
Weakness Area:  Documented receipt by end user
Corrective Action: The purchase request form will include
the section to allow for the documented receipt. The new
IOP will also reiterate the requirement.

Level IV APC: Marine Air Ground Combat Center (00087)
Weakness Area:  Proper request process
Corrective Action: All personnel receiving additional
training in this area. Discrepant personnel also received
letters of caution.

Level IV APC:  Marine Corps Base, Quantico (00096)
Weakness Area:  Documentation of certification in proper
time frame

Corrective Action: Discrepant personnel have received training and notice that additional discrepancies will result in suspension action.

Level IV APC:  Marine Corps Base, Quantico (00096)
Weakness Area: Documented receipt by end user
Corrective Action: All activity GCPC personnel have received reiteration of this requirement through e-mail.

# APPENDIX B.   PURCHASE CARD ALERT NUMBER 6

(16 APRIL 2003)

THIS ALERT IS APPLICABLE TO:

APPROVING OFFICIALS          | X |

CARDHOLDERS                  |   |

SUBJECT:   Blocking of Merchant Category Codes

The purpose of this Purchase Card Alert is to remind
Approving Officials and Cardholders of the Department of
Defense (DoD) policy restricting purchases of
items/services from merchants coded in certain categories.
This policy does not restrict "what" is purchased, but
rather restricts purchases from certain types of merchants.
**The below listed codes are blocked DoD wide and purchases
are prohibited from merchants registered under these
category codes.**

| | |
|---|---|
| 4829--Wire Transfer-Money Orders | 6211—SecurityBrokers/Dealers |
| 5932--Antique Shops | 6760--Savings Bonds |
| 5933--Pawn Shops | 7012--Timeshares |
| 5937--Antique Reproductions | 7273--Dating & Escort Services |
| 5044--Jewelry Stores | 7995--Betting, Casino Gaming Chips, |
| 5960--Direct Marketing Insurance |     Off- Track Betting |
| 6010--Financial Institutions Manual | 8651--Political Organizations |
|     Cash Advance | 9211--Court Costs, Alimony, Child |
| 6011--Financial Institutions |     Support |
|     Automatic Cash Advance | 9222—Fines |
| 6051--Non-Financial Institutions- | 9223--Bail and Bond Payments |
|     Foreign Currency, Money | 9311--Tax Payments |
|     Orders, Travelers Checks | 9700--Automated Referral Service |

**In addition to the above-listed codes**, your Agency Program
Coordinators have carefully reviewed the mission-specific
purchase card usage of each activity under the Purchase
Card Program.  The authority of the cardholders has been
tailored by blocking non-mission specific merchant category
codes in the US Bank System. For example, car washes are
prohibited purchases within the WHS/RE&F Purchase card
program, therefore, all car wash vendors will be blocked
from all card holders.  The cardholders will not be able to

purchase from "blocked" merchants.  This process will
ensure that purchases are made only from authorized types
of merchants.

If you experience a decline on your card, have the merchant
check with their bank to make sure their category code has
been input correctly.  If everything is correct between the
merchant and his bank, then call your APC and request a
one-time approval of the instant purchase or approval to
make purchases from this merchant category in the future.
When contacting the APC for this approval, be prepared to
justify the mission need for the purchase.

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