THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

20 JUL 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DIRECTOR, DEFENSE MANPOWER DATA CENTER

SUBJECT: Purchase Card Program Reengineering Implementation Memorandum #6: Streamlined Payment Practices

I have long supported efforts to streamline operations and reduce costs in the Department by implementing the government-wide commercial purchase card for purchases and payments at or below $2,500.

A recent review of Defense Finance and Accounting Service (DFAS) commercial invoice processing data indicates that there are still 4.6 million commercial invoice payments made annually that could be eliminated if the purchase card were used as the payment vehicle. For example, in January 1998 DFAS processed nearly 217,000 payments made on contracting instruments, nearly 83,000 inter-/intra-government payments, over 65,000 miscellaneous payments, and over 17,000 training payments valued at or below $2,500 that were not on the commercial purchase card. DFAS has estimated that moving these payments to the purchase card could save the Department millions annually--savings that are needed to modernize and maintain our fighting forces.

I recognize that many of you are currently reviewing your business processes to broaden acceptance of the purchase card; however, I believe more must be done. Specifically, I direct the following:

- The Under Secretary of Defense (Personnel and Readiness) shall issue Department-wide policy by August 15, 1998, directing expedited use of the purchase card as the method of payment for all training requests using the DD Form 1556 valued at or below $25,000, and all medical services and Nonappropriated Fund payments valued at or below $2,500 when determined to be appropriate and cost effective.

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- The Under Secretary of Defense (Acquisition and Technology) and the Purchase Card Program Management Office (PMO) shall develop Department-wide policy by October 1, 1998, requiring the use of the purchase card to pay for goods and services purchased using standard contracting instruments, such as the Standard Form 1449 and the DD Form 1155, valued at or below $2,500. This policy shall address contracts, purchase orders, blanket purchase agreements, basic ordering agreements, and orders under task and delivery order contracts. It will also address bills of lading and stock fund transactions. USD(A&T) will also work with the General Services Administration to develop policies that further the use of the purchase card to pay for goods and services available on Federal Supply Schedules.

- The Under Secretary of Defense (Comptroller) will issue Department-wide policy by October 1, 1998, requiring the use of the purchase card for all Military Interdepartmental Purchase Requests (DD Form 448) valued at or below $2,500.

- Each DoD Component will ensure that the commercial purchase card is used whenever feasible as the payment vehicle for all goods and services valued at or below $2,500. Components using electronic commerce/electronic data interchange systems that result in a more cost-effective payment process must develop a business case analysis for each system which must be forwarded to me, through the Director, DFAS, by August 31, 1998, for approval. Components must also forward to me, through the Purchase Card PMO, by August 31, 1998, an assessment of any operational requirement that precludes full implementation of the purchase card. You are to provide me a report, through the Director, DFAS and the Purchase Card PMO, by October 1, 1998, of your purchase card program accomplishments.

- The Director, DFAS shall provide a monthly report to the Purchase Card PMO, with copies to me and the Under Secretaries of Defense for Acquisition and Technology, Personnel and Readiness, and Comptroller, of the quantities and sources of commercial invoice payments at or below $2,500. The reporting will begin no later than October 1, 1998. On a quarterly basis, this report will include an analysis of the payments by type and source. The Director, DFAS in conjunction with the affected DoD Component will conduct 100 percent audits of commercial invoice transactions at up to three installations per Military Department and the Defense Logistics Agency beginning in July 1998.

Until we expand the use of the purchase card, the Department will be unable to achieve the savings projected in the Quadrennial Defense Review and reduce the associated costs of our financial transactions. Therefore, I expect everyone in the Department to support the expedited expansion of the purchase card program. For further information, your staff may contact the Purchase Card Program Manager, Mr. Bruce Sullivan, at (703) 681-7564.

John J. Hamre