Charge Card Management Plan

Department of Defense

Governmentwide Commercial Purchase Card Program

Author: Sheila McGlynn

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Version: 2.0 (SmartPay 3)

Version History

Version	Date	Timeframe Covered	Author
SmartPay 3 (SP3) Transition on November 30, 2018. New versioning started.			
1.0	1/30/2020	Fiscal Year (FY) 2019	Sheila McGlynn
2.0	1/19/2022	FYs 2020 and 2021	Sheila McGlynn

Contents

1   Introduction

Office of Management and Budget (OMB) Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, misuse, and delinquency in government charge card programs. As required by Appendix B of the Circular, this plan outlines the policies and procedures used by the Department of Defense (DoD) to ensure that the objectives of the Governmentwide Commercial Purchase Card (GPC) Program are realized and that an effective system of internal controls is in place to identify and manage high-risk transactions. This plan applies to all DoD GPC programs under the Army / Air Force / Defense Agencies and Navy SmartPay ® 3 (SP3) Task Orders.

The *Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs* (referenced hereafter as the "Guidebook"), is designed to help DoD officials establish and manage charge card programs. It is the cornerstone document used by DoD for all GPC policy and guidance. Although the term "Guidebook" is in its title, it carries the weight of the Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance, and Information (PGI), where it is incorporated by reference in PGI 213.301. The GPC policy environment is also governed by financial management policies prescribed in the DoD Financial Management Regulation (FMR).

The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) / Defense Pricing and Contracting (DPC) is in the process of drafting a GPC-unique guidebook for GPC Program officials only to use in lieu of the aforementioned Guidebook. It will incorporate recent GPC policy updates, including those related to new SP3 enterprise systems and related requirements, better reflect updated GPC roles and responsibilities, and better align the content to the audience. It is anticipated that this GPC-unique Guidebook will be released by the end of FY22. Upon release, the Travel and Fuel Card Programs will be solely responsible for generating and updating their own Charge Card policies and procedures.

2   Key Management Officials

Table 3.1 lists the key management officials associated with the DoD GPC Program, including Component Program Managers (CPMs). Listing the approximately 40,000 names of all levels of Oversight Agency/Organization Program Coordinators (OA/OPCs), A/OPCs, Approving/Billing Officials (A/BOs), and Certifying Officers here would be unwieldly. However, a complete dynamic record of all DoD GPC key management officials is maintained in the card-issuing bank's Electronic Access System (EAS), and once fully matured, will be captured in DoD's Joint Appointment Module (JAM) as well. A description of the responsibilities for each program role is available in the Guidebook or successor document (for simplicity, hereafter "Guidebook" shall refer to the existing Guidebook, or successor GPC-unique document).

Name	Title
Ms. J. Lisa Romney	OUSD(A&S)/DPC / Director, Contracting eBusiness

Mr. Morris McIllwain	Army CPM
Mr. Richard R. White	Air Force CPM
Mr. Christopher Zegley	Navy CPM
Varies by agency[1]	Other Defense Agencies (ODA) CPM

Table 3.1. GPC Program Key Management Officials

In November of 2018, concurrent with the start of the SP3 transaction period, ODA Leads transitioned from their SP2® Level 3 role (with DPC serving as their Level 2/CPM) to Level 2 CPMs within DoD's organizational hierarchy. DPC now serves as the Agency Program Management Office, with roles and responsibilities defined in Guidebook.[1] On June 2, 2020, DPC and Defense Contract Management Agency (DCMA) signed a Memorandum of Agreement (MOA) transferring certain procurement oversight responsibilities for particular programs including GPC from DPC to DCMA. In accordance with this MOA, DPC maintains full responsibility for developing and issuing GPC policy, and DCMA conducts GPC program oversight and oversees GPC policy execution.

3   Written Appointment Letters

JAM is the SP3 DoD electronic application to initiate, review, approve, store, and terminate required delegations of procurement authority and/or appointments. Each appointment contains standardized data elements and customizable data elements to ensure delegations meet DoD requirements as well local/agency requirements. Additional details on the required contents of GPC appointment letters can be found in the Guidebook. Although JAM supports the appointment of all necessary roles, the transition to electronic appointments as the authoritative data source will continue to be iterative based on system maturity. For those individuals who do not yet have electronic appointments in JAM, and those who have been granted a Procurement Integrated Enterprise Environment (PIEE)/JAM waiver by DPC, their paper appointments remain the authoritative source.

4   Credit Worthiness of New Individually Billed Accounts

This requirement is not applicable to the DoD GPC Program, as GPCs are centrally billed accounts.

5   Training Requirements

DPC maintains a list of GPC training classes, which roles (CPMs, OA/OPCs, A/OPCs, A/BOs, Certifying Officers, and Cardholders (CHs)) are required to take each class, and the required frequency for each (see https://www.acq.osd.mil/asda/dpc/ce/pc/training.html). DPC additionally assesses the need for and develops subject-specific guides to cover topics that help GPC program participants succeed with the usage of new systems, features, and processes. These are created on an as-needed basis and have been tremendously helpful to the GPC community. They are located at the training URL provided above.

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[1]See OUSD(A&S)/DPC memo titled "Appointment of GPC Purchase Card Officials – SP3 Transition Memorandum #3," dated November 16, 2018.

At the time of appointment initiation and thereafter, JAM validates that the appropriate DoD-mandated training/refresher training requirements have been completed. In addition, A/OPCs are encouraged to provide training tailored to their Contracting Activities and local GPC procedures and practices. JAM provides users the ability to specify and manage local training requirements as well. Additional details about training requirements can be found in the Guidebook.

6 Managing Controls and Oversight

DoD emphasizes a risk-management approach to managing its GPC Program. A portfolio of internal controls is in place to safeguard taxpayer resources. These controls ensure compliance with applicable laws and regulations and provide reasonable assurance that the GPC Program is used efficiently, effectively, and legally to achieve the purpose for which it was established, while identifying and managing high-risk transactions. The Guidebook additionally details the automation of internal controls that has been possible with the integration of electronic appointments with the card-issuing bank's EAS. A complete list of these controls, including the requirement for GPC Program officials to identify and report all potentially fraudulent transactions to investigative authorities for review, are included within the Guidebook.

The Guidebook requires CHs to frequently review their transactions throughout the billing cycle, using the card-issuing bank's EAS. It also requires CHs and A/BOs to reconcile transactions/statements as soon as possible to avoid delinquencies and maximize refunds. The card-issuing bank suspends any billing account that goes 60 days delinquent (90 days from the statement date). If any such account goes 180 days delinquent the entire activity will be suspended. Upon payment receipt, the suspension is automatically lifted.

With the transition to SP3, the Department implemented and mandated use of a dynamic, enterprise-wide (contractor-provided) three-pronged oversight review process conducted by each DoD component in the data mining (DM) tool. The three prongs of the review process consist of: Case Reviews, Monthly A/OPC Reviews and Semi-Annual Head of Activity Reviews (SAHAR).

Daily DM case reviews are initiated when the tool evaluates each SP3 transaction against a set of business rules to identify high-risk transactions. When identified, the tool creates and assigns a case for adjudication to determine if the transaction is to be classified as one of five disciplinary categories standardized across the Department in GPC policy.[2] Adjudicators additionally assess cases to establish findings (e.g., not for government use; exceeds minimum mission need) and corrective action(s), ranging in severity from *refresher training* to *elevation to an investigative agency* (for the most

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[2]DPC July 3, 2017 memorandum titled "Interim Guidance on Government Purchase Card Disciplinary Category Definitions used in Office of Management and Budget Violations Reporting", incorporated into the Guidebook, established and defined six disciplinary categories as follows: internal fraud, abuse, misuse, delinquencies, administrative discrepancies, and external fraud. The August 2019 update to OMB Circular A-123 Appendix B adopted DoD's terms and definitions, with a few minor alterations. To unify disciplinary category definitions across the Federal Government's charge card programs, DPC/Contracting eBusiness memo dated 27 January 2020 titled "Final Governmentwide Commercial Purchase Card Disciplinary Category Definitions Guidance" adopted these Circular Appendix B definitions for use across all DoD GPC SP3 programs. Note: because data mining cases are managed at the transaction level and delinquencies are identified at the Managing Account level, they are not associated with DM cases. Delinquencies are tracked and managed via bank-issued and DPC-generated reports, with policy requirements as described above.

egregious policy violations), depending on the details of the case.[3] Department policy requires that appropriate management officials be notified for corrective action to be taken.

Component A/BOs and A/OPCs are required to close each assigned DM case prior to closing out the month and before higher level OA/OPCs and CPMs view monthly GPC statistics as part of their Monthly A/OPC Reviews. Monthly A/OPC reviews help to identify management of internal controls that are not performing up to expectations and to investigate a full month of data mining case adjudication information.

Use of the tool enhances controls and improves oversight by requiring the involvement of high-level officials to ensure organizational GPC operations are well understood and monitored as part of the Semi-Annual Head of Activity Review process. System-driven semi-annual reviews provide A/OPCs with the opportunity to inform their management on upwards of 60 data points covering GPC Transactions, DM, Internal Controls, and overall Program Management metrics over the most recent six-month period.

These capabilities, when combined with other tools, serve to monitor the overall compliance of local card programs and, when appropriate, pinpoint those installations, bases, directorates or accounts that need further examination to safeguard Government assets. CPMs provide their completed SAHAR Reports to DPC each January and July for review. DPC shares this reporting data with the GPC Integrated Solutions Team Governance Board to inform its decision making.

Finally, GPC policy implementing this SP3 DM oversight process requires OA/OPCs and A/OPCs to suspend Managing Accounts (MAs) (and, in egregious cases, all MA accounts under an A/OPC) if they fail to perform these oversight duties in a timely manner.

All convenience check transactions are considered high risk and require DM case reviews. The detailed convenience check requirements in compliance with OMB regulation are addressed in the Guidebook. In addition, DoD Financial Management Regulation Volume 10, Chapter 23 addresses the financial-related aspects of the convenience check regulatory requirements. The Guidebook coverage includes policy requirements specific to convenience check usage and those requirements that apply to both card and convenience check usage.

Additional details are covered in DoD's GPC Narrative Reporting, submitted annually to the General Services Administration as required by OMB Circular A-123, Appendix B.

7   Authorization Controls

GPC policies are designed to ensure both separation of duties and to ensure that all transactions are appropriately authorized and reviewed. All GPC roles and responsibilities are defined in the Guidebook, while electronic authorization controls are incorporated within the bank's EAS and card processing

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[3]DPC April 18, 2019 memorandum titled "Department of Defense SmartPay ® 3 Government-wide Commercial Purchase Card Policies, Procedures and Tools – SP3 Transition Memorandum #6" specified DoD's mandatory SP3 policies, procedures and electronic program management and control compliance tools. It also lists all disciplinary category determinations, findings, and corrective actions available to DoD adjudicators in the DM case management tool.

network (e.g. electronic authorizations for each transaction that check against specific card limits and allowable merchant category codes to ensure proper purchasing behavior).

8 Strategic Sourcing, Category Management and Acquisition Gateway

Components are required to periodically analyze GPC transaction data and spend patterns to identify opportunities to obtain savings, and to periodically determine the feasibility for broader application of these efforts across their organization. They are also encouraged to identify recurring, repetitive purchases (e.g., utility service needs) made with the GPC and, where appropriate, put these acquisitions into service contract vehicles where the GPC is used as a method of payment.

CHs are required to comply with all DoD-wide and Component-specific strategic sourcing and category management policies, goals, and initiatives designed to optimize their purchasing power and allow them to take advantage of lower negotiated prices.

DoD's e-commerce ordering system, FedMall, provides buyers with access to tens of millions of individual items of supply, from centrally managed DoD and General Service Administration assets to commercial off-the-shelf products. This enables cardholders to engage in disciplined data-driven strategic cost management, and to leverage commercial best practices. FedMall also offers GPC cardholders access to commercial supplies by leveraging existing DLA and Service issued Contracts and GSA schedules.

Finally, GPC cardholders can use GSA's category management tool known as the Acquisition Gateway to find solution comparisons, connect with other acquisition professionals, and explore product and service category hallways. DPC has provided category management training to GPC oversight personnel, including content on the Acquisition Gateway and its hallways, which feature expert articles, templates, market research tools, prices paid data, and more, to achieve successful outcomes at each step of the acquisition lifecycle.

9 Reports and Data

Reports generated by the card-issuing bank and DM vendor are used by program officials to monitor the DoD GPC Program operations, including monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management topics. Bank-generated standard reports, run on a recurring basis, are available using predetermined parameters. Examples include Past Due, Exception, and Summary reports. Bank-generated ad-hoc reports are self-initiated by the A/BO or A/OPC, with certain fields customizable to meet individual needs. Examples include Accounts with Underutilized Credit Limits, Transactions Blocked at Merchant Category Codes, Potential Split Requirement Review, and Frequent Credits by Merchants. Both types of reports serve as powerful tools for local program officials to identify and solve potential problems early on.

The DoD's SP3 DM tool includes a report that holistically provides details of all the GPC key metrics to program oversight officials. This Semi-Annual Head of Activity Review report consolidates data from multiple sources and is intended to ensure adherence to internal controls and facilitate senior management's awareness of their GPC program's health.

10 Records Retention

Component procedures must specify GPC record retention requirements, to include identification of the responsible party, the required physical and electronic controls, the media used, and the location for record storage. The SP3 Charge Card master contracts require card-issuing banks to comply with Federal Acquisition Regulation record retention requirements by maintaining electronic records of all GPC transactions for six years after final contract payment.

11 Procedures at Employment Termination or Transfer

Controls are in place to ensure compliance with Charge Card Act, Public Law 112-194, with the exception of section 2 from which DoD is exempt, and 10 U.S.C.§ 2784, which requires the Department to take appropriate steps to "invalidate" purchase cards immediately for those who cease employment or transfer. The Guidebook requires that A/OPCs ensure card and convenience check accounts are closed upon departure, and that invalidated cards and convenience check stock are collected and destroyed.

With the deployment of electronic appointments and their integration with the card-issuing bank's EAS, DPC will soon be able to leverage a data feed from DoD's Electronic Human Resources system to automatically electronically identify a termination or transfer in order to terminate the necessary appointment and initiate the account termination in the EAS.

12 Additional Convenience Check Procedures

The detailed convenience check requirements in compliance with OMB regulations are addressed in the Guidebook. In addition, Volume 10, Chapter 23 of the DoD FMR addresses the financial-related aspects of the convenience check regulatory requirements. The Guidebook coverage includes policy requirements specific to convenience check usage and those requirements that apply to both GPC and convenience check usage.

Per the Guidebook, a convenience check is to be used only when use of the GPC is not possible, and for an amount at or below the applicable convenience check micro-purchase threshold. In line with this guidance, the DM application flags all convenience check transactions for review. During this, and monthly A/OPC reviews of all transactions, all facets of the transaction are required to be checked to determine the appropriateness of the transaction.

Controls have been added to the JAM application to restrict the granting of appointments where separation of duties are violated and to ensure only the individuals with the ability to write checks are given the necessary permissions. Prior to being appointed as convenience check writers, individuals are required to have the necessary DPC-mandated training, as well as additional training as determined by local procedures. Access to the card-issuing bank's EAS and the DM application will be granted via the JAM appointment. As such, when a check writer departs from his/her convenience check writer duties, the appointment will be terminated and access to the EAS will be removed.