



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

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Ms. Linda Springer
Controller
Office of Management and Budget
Executive Office of the President
Washington DC

Dear Ms. Springer:

Thank you for the opportunity to provide comments on the draft guidance regarding the conduct of creditworthiness evaluations for government charge cards. As you may know, the Department of Defense has been working on this issue since it was originally placed in the Defense Appropriation Act for Fiscal Year 2003 and an implementation plan for the Department of Defense (DoD) is already in place. We support the intent of the draft guidance to provide a standard process and scoring criteria for evaluating creditworthiness. We also support an alternative means of evaluating creditworthiness in the absence of a credit check. We are concerned, however, that the proposed guidance would place an unnecessary administrative burden and expense on the Departments and Agencies with little program improvement. Specifically, we do not believe that paragraphs three and four of the guidance represent the best course of action, and should be modified.

The legislative mandate to evaluate creditworthiness did not recognize that existing law requires individual consent in order to conduct a credit check. It also did not recognize that a process does not currently exist to conduct credit checks on purchase cardholders. DoD has established a self-certification process to resolve this issue for the Department and we have shared this approach with your staff and with the General Services Administration.

Paragraph three provides guidance for credit scores relating to purchase cards. There is currently no mechanism for Departments to conduct credit checks on purchase cardholders. In addition to the consent issue, some of the card issuing banks have indicated that they do not believe they would be authorized under the Fair Credit Reporting Act to conduct credit checks on purchase cardholders because the credit instrument is being issued on behalf of the government rather than the individual. This problem is further complicated by the limits on access to credit information of foreign nationals who currently hold purchase cards, and who are a vital part of the purchase card program. While the cost of obtaining an actual credit score is inexpensive, the



administrative process required to request, review and store credit checks for the potentially hundreds of thousands of future cardholders would be considerable. The Office of Personnel Management previously indicated a cost of approximately \$17 to \$20 per instance to provide this service. With over half of the dollars spent and number of cards issued under the SmartPay program, this burden would fall primarily on DoD. We recommend the simpler and more cost effective solution of using self-certification to meet the legislative requirement for purchase cards. With all of the actions taken to date to improve the charge card program controls, we believe the additional step of having to develop a credit check process is unnecessary and not cost effective, especially since it would still require individual consent to execute.

Paragraph four allows for the issuance of a restricted card after a review of the applicant's most recent SF 85P, or if an SF 85P was not completed or cannot be located, by requiring the applicant to answer questions similar in scope to those contained in Section 22 of the SF 85P. Because DoD maintains centralized personnel record keeping systems at various locations, individual personnel records may or may not be maintained in the same location as the potential cardholder. This alternative is, in affect, a three-step process that is both time consuming and expensive and one we believe to be operationally un-executable. In addition, the SF 85P is likely to provide little useful information because it is typically issued only at the time of employment. DoD's self-certification form, to be completed by potential cardholders prior to issuance of a government charge card, is a more up-to-date and accurate reflection of the applicant's current standing and is a more cost effective way to comply with the existing legislation. We therefore recommend the simpler and more cost effective solution of using self-certification to meet the legislative requirement for purchase cards bc included in the OMB guidance as a legitimate alternative.

We recommend that you reconsider the wording in paragraphs three and four and the potential impact on the operational ability to utilize the government charge cards. We understand, and are committed to minimizing the risk of misuse of government charge cards. We are concerned, however, that the proposed guidance would result in less use of the cards and additional administrative expense to the Departments. We would be happy to discuss these issues with you further. If you need further information please contact Ms. Betty Wucher at (703) 681-2214 or by email at betty.wucher@saalt.army.mil.



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