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NAVSUPINST
DON CCPMD
Oct 13 2006

NAVSUP INSTRUCTION 4200.99

Subj: DEPARTMENT OF THE NAVY (DON) POLICIES AND PROCEDURES
FOR THE OPERATION AND MANAGEMENT OF THE GOVERNMENT-
WIDE COMMERCIAL PURCHASE CARD PROGRAM (GCPC)

- Ref:
- (a) FAR Part 13
 - (b) DFARS Part 213
 - (c) FMR Volume 5, Chapter 4
 - (d) FMR Volume 5, Chapter 33
 - (e) FMR Volume 10, Chapter 4
 - (f) FMR Volume 13
 - (g) DOD Government Charge Card Guidebook
 - (h) NAVSUPINST 4200.85 (series)
 - (i) GSA Smart Pay Contract GS-23F-98006
 - (j) Purchase Card Program Re-engineering
Implementation memo #6 of 20 Jul 98
 - (k) USD (P&R) memo, "Government Charge Card
Disciplinary Guide for Civilian Employees"
21 Apr 03
 - (l) USD (P&R) memo, "Disciplinary Guidelines for
Misuse of Government Charge Cards by Military
Personnel" 10 Jun 03
 - (m) Civilian Human Resources Manual Sub-Chapter 752
 - (n) DOD IG memo, "Guidance for the Investigation of
Fraud, Waste, and Abuse Involving Use of
Purchase and Travel Cards", 25 Sep 02
 - (o) NMCARS 5201, 5203
 - (p) USC 10 2302 (8)
 - (q) DOD Charge Card Guidebook for Establishing and
Managing Purchase, Travel and Fuel Card Programs
 - (r) USD (AT&L) memo, "Internal Controls for the
Purchase Card Program", 08 Dec 05
 - (s) OMB Circular A-123, Appendix B Credit Worthiness
Requirements, 05 Aug 05
 - (t) SECNAVINST 5430.7N

Encl: (1) DON PURCHASE CARD PROGRAM POLICY

0526-LD-105-8501

1. Purpose. Provide DON guidance on policies and procedures regarding the use of the GCPC program and is supplemental to references (a) through (t). This instruction was written to incorporate Purchase Card Policy Notices (PCPNs), updates to acquisition policy and financial management policy into one document. This instruction will be supplemented with local Internal Operating Procedures (IOPs) that do not conflict with the guidance provided.

2. Cancellation. DON EBUSOPSOFFINST 4200.1A.

3. Scope and Applicability. This instruction applies to all DON activities using the Purchase Card Program. Non-Appropriated Fund (NAF) activities are bound by the DON EBUSOPSOFFINST 4200.2 for Purchase Card Program procurement purposes.

PCPNs are interim policy updates. A complete instruction would include the NAVSUPINST 4200.99 and all interim PCPNs. Purchase Card Administrative Notices (PCANs) are non-policy notices for Purchase Card Program participants. Both PCPNs and PCANs will be distributed to Level III Agency Program Coordinators (APCs). They will also be distributed via the email subscription on our website: <https://www.navsup.navy.mil/ccpmd>. All PCPNs and PCANs will be posted on this website within 24 hours of distribution. APCs shall sign up for the DON Consolidated Card Program Management Division (CCPMD) email subscription in order to receive policy and administrative notices. It is highly encouraged that Approving Officials (AOs) and Cardholders (CHs) also sign up for the email subscription.

4. Instruction and Desk Guide Guidance. The DON CCPMD has taken an alternative approach to communicating Purchase Card Program policy and procedures. In lieu of incorporating policy and operational procedures in one document, the program will provide two distinct documents. This instruction will encompass policy. The Purchase Card Desk Guide will contain procedural information on day-to-day operations. The desk guides are role based, providing seven distinct modules focused on the role an individual performs within the program. There is some redundancy among the various desk guide modules, by design, to facilitate ease of access to information pertinent to a particular user.

This instruction and issued PCPNs have the force and effect of DON regulations.

5. Summary of Revisions. This document is substantially revised and must be completely reviewed. NAVSUPINST 4200.99 was written to incorporate PCPNs, updates to acquisition policy and financial management policy into one document.

a. Procedures. This instruction sets forth the DON policy and procedures for the management of the Purchase Card Program as defined in references (a) through (t). This instruction will be supplemented with local IOPs that do not conflict with the guidance provided.

b. Change Information. The following is a summary of major changes incorporated in this revision of the instruction:

(1) Desk guides are not policy, rather procedural documents.

(2) Review official requirement (for purchase card) removed.

(3) Non-appropriated fund references removed.

(4) Term claimant removed. Replaced with Component activity.

(5) Credit balances will be cleared and a check forwarded to the activity semiannually.

(6) Waiver process defined.

(7) Report PPMAP findings to DON CCPMD within 60 days of final report.

(8) Fleet card is primary vehicle for purchase of fuel.

(9) Sample letter of delegation revised.

6. Send Us Your Comments. DON CCPMD welcomes your comments and suggestions on the quality and usefulness of this document. Your input is an important part of the information used for revision. Did you find any errors? Is the information clearly presented? Do you need more information? If so, where?

If you find any errors or have any other suggestions for improvement, please indicate the document title, chapter,

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section and page number. You can send comments in the following ways:

Electronic mail: DON_purchaseCARD@navy.mil

Website: <https://www.navsup.navy.mil/ccpmd>

FAX: 717.605.9362, Attn: Purchase Card Instruction

Postal service:

Commander
Naval Supply Systems Command
NAVSUP Code 34 Building 214
5450 Carlisle Pike P.O. Box 2050
Mechanicsburg PA 17055-0791

If you would like a reply, please provide your name, address, telephone number and electronic mail address.



D. H. STONE
Commander

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DEPARTMENT OF THE NAVY PURCHASE CARD PROGRAM POLICY



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CHAPTER 1

PURCHASE CARD PROGRAM POLICY

1. Scope. This chapter provides policy for DON activities operating, managing and performing oversight of the Purchase Card Program.

2. What is the Purchase Card Program?

a. The Purchase Card Program is intended to streamline small purchase methods; minimize paperwork; eliminate Imprest Fund (petty cash); streamline payment processes; and simplify the administrative effort associated with traditional and emergent purchase of supplies and services.

b. The purchase card is used to purchase supplies and services for official government business valued at or below the micro-purchase threshold of \$2,500.

c. The purchase card may be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold up to \$9,999,900 depending on the type of contracting vehicle utilized with the appropriate delegation of authority from the Head of the Contracting Activity (HCA).

3. What are the Benefits?

a. Reduces administrative paperwork through streamlining of the procurement process.

b. Streamlines the certification and payment process.

c. Enables Defense Finance and Accounting Service (DFAS) vendor payment by Electronic Funds Transfer (EFT) through a commercial bank.

d. Eliminates or minimizes prompt payment interest through the use of the online certification and payment system.

e. Provides rebates to the DON based on the dollar volume of use and timeliness of payment.

4. Background. The need for the Purchase Card Program began with Executive Order 12352, "Procurement Reform", issued in 1982. After several interim programs, the DON issued a tailored Task Order, DON-9700-003, to Citibank on July 6, 1998, to provide worldwide purchase card services for the DON. The Purchase Card Program was developed to provide a fast and convenient method to procure and/or pay for all requirements under the micro-purchase threshold (\$2,500 for supplies and services, \$2,000 for

construction and \$25,000 for CHs Outside of the United States (OCONUS) under the appropriate conditions).

a. The purchase card can be used as either a procurement method or method of payment.

(1) Procurement method is defined as a CH performs the task of ordering, obtaining and paying for supplies/services.

(2) Method of payment is defined as a CH pays, via government purchase card, for supplies or services ordered and obtained via some other procurement contractual vehicle.

(3) The purchase card shall be used to purchase supplies and services for official government business per references (a) through (t), HCA instructions and local IOPs.

(4) The purchase card shall only be used for authorized United States (U.S.) Government purchases. Intentional use of the purchase card for other than official Government business will be considered an attempt to commit fraud against the U.S. Government and will result in immediate cancellation of an individual's purchase card and potential disciplinary action. The use of the purchase card for personal purchases for any reason is strictly prohibited.

b. The purchase card will be used for the following categories:

(1) Micro-Purchase Requirements

(a) The purchase card shall be used to buy and/or pay for all requirements valued at or below the micro-purchase threshold. The purchase card shall be used to make open market purchases for supplies and services not to exceed \$2,500 and construction not to exceed \$2,000.

(b) OCONUS CHs with appropriate delegations of contracting authority, may use the purchase card, not to exceed \$25,000, for procurements.

(2) The purchase card may be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold for the following categories provided appropriate authority has been granted by the HCA and is stated within the delegation letter.

(a) Department of Defense (DOD) printing requisitions/orders valued at \$100,000 and below.

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(b) Purchase Orders (SF 1449/DD 1155) valued at \$100,000 and below or up to \$5 million for commercial items.

(c) Blanket Purchase Agreement (BPA) orders valued at \$100,000 and below or up to \$5 million for commercial items.

(d) Delivery order against Federal Supply Schedules (FSS) valued at \$9,999,900 or below.

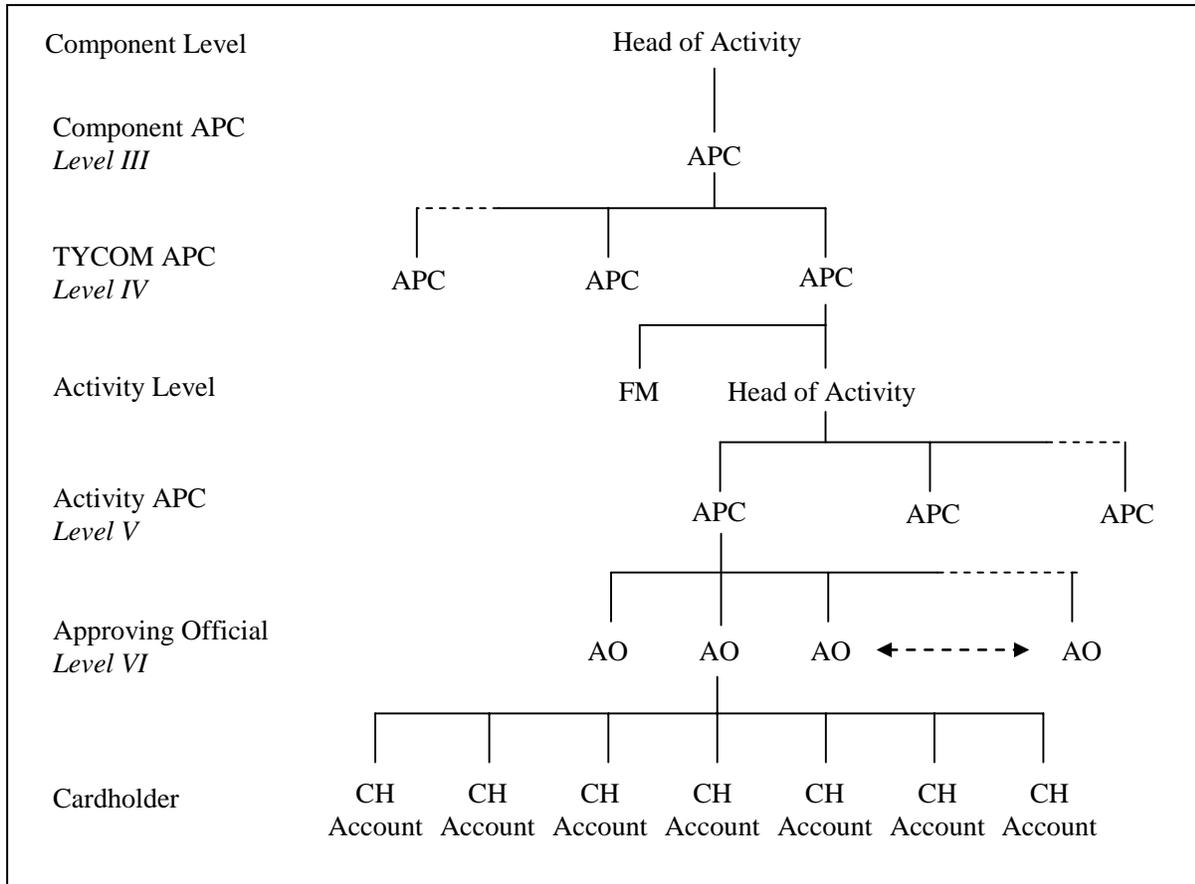
(e) Basic Ordering Agreements (BOA) and orders under Indefinite Delivery Type Contracts (IDTC) valued at \$9,999,900 and below.

(f) Oral orders against Letters of Agreement valued between \$2,500 and \$25,000 for supplies only.

(g) Placing delivery and task orders (e.g. DOD eMail) against competed Indefinite Delivery, Indefinite Quantity (IDIQ) contracts for orders valued at \$100,000 and below.

(h) The purchase card shall be used as a method of payment to pay for training requirements using the DD 1556 (Certification of Training) and valued at \$25,000 and below.

5. Purchase Card Hierarchy Diagram



6. Key Personnel

a. HCA. HCAs are responsible for oversight of activities to which they delegate contracting authority, including those under their cognizance that manage and operate local Purchase Card Programs. Commands operating and managing local Purchase Card Programs are responsible for performing oversight of their local program following the guidance provided in this instruction and its associated references. Findings and results for this oversight requirement shall be reported through procurement channels.

There are 9 Echelon 2 contracting activities within the DON who delegate Purchase Card Program authority.

- Office of Naval Research (ONR)
- Naval Air Systems Command (NAVAIR)
- Naval Sea Systems Command (NAVSEA)

- Naval Facilities Engineering Command (NAVFAC)
- United States Marine Corps (Marine Corps System Command/HQ Installation & Logistics) (I&L, HQMC)
- Strategic Systems Program (SSP)
- Military Sealift Command (MSC)
- Space and Naval Warfare Systems Command (SPAWAR)
- Naval Supply Systems Command (NAVSUP)/Naval Inventory Control Point (NAVICP)

NAVSUP HCA supports 11 component activities.

- Field Support Activity (FSA)
- Assistant for Administration, Under Secretary of the Navy (AAUSN)
- Office of Naval Intelligence (ONI)
- Bureau of Medicine and Surgery (BUMED)
- Chief of Naval Personnel (NAVPERS)
- Commander Navy Installations (CNI)
- Commander US Atlantic Fleet (LANTFLT)
- Commander US Pacific Fleet (PACFLT)
- Commander Naval Reserve Force (RESFOR)
- Naval Special Warfare Command (SPECWAR)
- Naval Education and Training Center (NETC)

Contracting authority is required prior to the establishment of a Purchase Card Program. An activity is required to obtain contracting authority through the appropriate HCA. HCAs provide different levels of contracting authority for activities. The activity establishing a new Purchase Card Program will need to provide verification that contracting authority has been granted to the Level III APC when setting up the activity with the bank. New activity/hierarchy setups must be coordinated through the Level III APC before submitted to DON CCPMD and the bank.

(1) HCA Reviews. Navy Marine Corps Acquisition Supplement (NMCARS) 5201.691-1 provides that each HCA is

responsible for oversight and review of their subordinate contracting organizations. In addition, NMCARS 5201.691-1 requires that by 30 December of each year, HCAs must report to the Deputy Assistant Secretary of the Navy (DASN) for Acquisition Management (ACQ) a summary of relevant findings from the results of the previous fiscal year's Procurement Performance Management Assessment Program (PPMAP). The following metrics/key areas should be considered and incorporate in your HCA program's PPMAP process.

- (a) Number of purchase card reviews conducted.
- (b) Number of activities using the purchase card.
- (c) Number of purchase card activities that received an unacceptable rating resulting in a suspension of the Purchase Card Program.
- (d) Number of activities that had their purchase card authority reinstated.
- (e) AO span of control.
- (f) Number of actions exceeding the micro-purchase threshold (not to include those actions that were processed as a method of payment).
- (g) Questionable transactions.
- (h) Instances of split purchases.
- (i) Excessive instances of purchase card delinquencies.
- (j) Screening of requirements for their availability from mandatory Government sources of supply.
- (k) Separation of buying and receiving functions.
- (l) The Level V APC shall report findings from PPMAP reviews to their Level III APC (through Level IV APC when applicable), which in turn shall report to DON CCPMD within 60 days of final report.

b. HA. HAs (i.e. Commanders, Commanding Officers (COs), Officers-In-Charge (OICs), directors) managing their DON Purchase Card Programs are responsible for the following program elements. HAs are responsible for support/sponsorship to all participants in the Purchase Card Program as follows:

(1) Ensures that appropriate administrative and disciplinary action is taken when fraudulent, improper and/or abusive purchase card transactions are found.

(2) Ensures that all program participants have received the required training per DOD and DON policy and procedures.

(3) The HA should receive initial training on purchase card policy and refresher training every two years. Chapter 1, section 8 of this instruction delineates specific training requirements. Documentation of training must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

(4) Establish effective internal management controls to ensure appropriate management, operation and oversight of the local Purchase Card Program.

(5) Ensure appropriate resources are allocated to the program.

(6) Ensure the local program is being executed per DOD and DON guidance.

(7) Ensure program personnel, APCs, AOs and CHs are properly appointed.

(8) Ensure that the number of AOs and purchase card accounts appointed within a command is the minimum number necessary to meet mission requirements and within current span of control guidance.

(9) Establish local policies and procedures identifying informal and formal disciplinary action to be taken against APCs, AOs and CHs for non-compliance, fraud, misuse and/or abuse. The range of disciplinary actions should be based on the severity and frequency of the infraction. Disciplinary action could range from informal actions, such as written or verbal counseling detailing the concern and directing corrective action and greater oversight, to account suspension or cancellation, to official letters of reprimand, to demotion, removal or potential criminal prosecution.

(10) Establish and maintain a command climate to prevent requiring or requesting personnel from exercising undue influence over the actions of a CH.

(11) Shall ensure that the roles and responsibilities of the individuals within their programs are not in conflict and adequate checks and balances are in place to manage local programs.

c. APC. The APC is designated by the CO through an official letter of delegation and is the individual responsible for day-to-day oversight and audit management of the program. The APC is an accountable official within the Purchase Card Program per reference (d). Below listing of requirements applies to all levels of APCs unless otherwise stated.

(1) Hierarchy String. There are three levels of APCs: Level III (component level), Level IV (management control level) and Level V (activity level). It is highly recommended that a Level III APC be a full time position for the Purchase Card Program.

(2) Audit Requirements. The Level V APC is required to, at a minimum, perform, oversee and manage monthly transactional purchase card reviews along with semiannual reviews, touching every aspect of the program. Level III/IV APCs are encouraged to review a compilation of activity reviews. The results of the semiannual review shall be reported through the chain of command to the DON CCPMD.

The Level V APC shall notify their chain of command and the DON CCPMD (via the Level III APC) when an investigation or audit commences and ends. The Level V APC is also required to report any failures and corrective actions taken to their Level III APC (through Level IV APC when applicable) which in turn shall report to DON CCPMD when outside auditors review the Purchase Card Program. This includes Naval Audit Service (NAVAUDSVC), PPMAP, DOD IG, internal reviews, etc. When reporting a Naval Criminal Investigative Service (NCIS) investigation, provide the case number, if assigned, to allow for direct follow up from DON CCPMD.

(3) Training. APCs must receive initial training on purchase card policy as well as refresher training every two years. Chapter 1, section 8 of this instruction delineates

specific training requirements. Current documentation of training must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

Level III APCs (or their alternates) are required to attend APC conferences. It is highly encouraged that Level IV/V APCs attend these conferences.

(4) DD 577. APCs must complete the revised DD Form 577. This form should be maintained within APC documentation for an accountable official.

(5) Quarterly Briefings. It is recommended that the HA/CO receive quarterly briefings regarding the status of the program. Topics to consider for these briefings should include the number of cards, spending patterns, delinquency issues and instances of misuse, abuse or fraud.

(6) Level V APC Day to Day Operations

(a) Establish and ensure execution of the local program per DOD and DON policies and procedures.

(b) Ensure program personnel, APCs, AOs and CHs are properly appointed, trained and are capable of performing their respective duties. In addition, no less than annually, ensure that only personnel who require purchase cards for mission requirements are issued purchase cards and have a continuing need for purchase cards.

(c) Ensure AO and CH account profiles are appropriate for local mission. Perform regularly scheduled maintenance, no less than quarterly, on command AO and purchase card accounts to ensure that the account profile information is current and accurate and to examine frequency of use.

(d) Ensure that appropriate action is taken when local reviews reveal non-compliance, misuse, abuse and/or fraud.

(7) Program Oversight. Utilize reports available through the custom reporting tool (Citibank Custom Reporting System (CCRS)) within the bank system to proactively monitor the program. At a minimum, the following shall be monitored/reported as indicated.

(a) Span of Control. AO to CH account ratio shall not exceed 1:7. APC to CH account ratio shall not exceed 1:300. Monitor span of control monthly. Those activities that exceed span of control will be required to report on their non-compliance. If activity does not take timely action, DON CCPMD will close accounts in order to have activity back at required span of control. Contingency and deployed accounts are included in span of control requirements.

(b) Delinquency. Accounts become delinquent 30 days from the statement date if the bank has not received payment. Unpaid balances 60 days from the statement date are considered 30 days past due and shall not exceed one percent of the activity's current balance. All level APCs should monitor their delinquencies, at a minimum, on a weekly basis by verifying that payments have posted at the bank and resolving any unpaid suspended invoices. Suspended STARS invoices can be reviewed on the weekly A and M status report.

Those activities that exceed the one percent delinquency standard will be required to report reasons for not meeting the standard. These reports are due back to DON CCPMD by the 15th of the following month (example, June cycle closes on June 19th. Activities exceeding the one percent standard must report to DON CCPMD by July 15th).

(c) Credit Limit Review. Credit limits of AOs and CHs shall be reviewed on a quarterly basis. Spending limits should be tied directly to funding allocated for each card account. These spending limits should be established by the responsible fund certifying official and should be consistent with historical spending patterns to ensure adequate funds availability and minimize government liability (General Accountability Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies, Title 7 Fiscal Guidance).

(d) OMB Reporting. DON CCPMD is required to report quarterly on:

1. Number of CHs with spending limits greater than \$2,500 with contracting officer warrants per FAR 1.603.

2. Number of CHs with spending limits greater than \$2,500 with delegations other than contracting officer warrants.

These reports are due to DON CCPMD approximately 15 days after the quarter ends. Level III APCs shall consolidate component data and submit one form to DON CCPMD.

(e) Inactive Cards. Accounts that have not been used more than three times in the last six months should be closed. If the accounts are noted as either deployed or contingency accounts, credit limits shall be set at \$1.00 (allows for inactive accounts to remain open).

(f) Convenience Checks. Convenience checks shall not exceed \$2,500. Accounts that have checks written for any amount over \$2,500, must be closed and that check writer can no longer have a convenience check account.

(8) Establishing Appropriate Authority. It is the responsibility of the Level V APC to ensure that each AO and CH has an appropriate grant of authority to satisfy mission requirements. CH accounts should be established which recognize applications for the card other than for micro-purchases (i.e. printing requests, training, method of payment). In addition, to ensure proper spending limits are adhered to, Level V APCs shall ensure that the purchase card account profile (in the bank's online card management system) does not exceed the limits in the delegation document.

(9) Bank Access. All APCs are required to have access to the bank's application. Setup forms can be found on the DON CCPMD website under the bank guidance tab. Bank access allows the APC to review transactions, set up CH accounts and run reports required for audit and day-to-day operations of the program. Forms require the signature of the departing APC or the next higher level APC for approval.

(10) APC File Maintenance and Retention. The Level V APC shall establish an individual file for each AO and CH. The file shall be retained for the duration the employee serves in this capacity and for three years beyond.

(a) AO

1. Written request from supervisor (nomination letter).

2. Initial and all refresher training

documentation.

of delegation. 3. Copy of initial and all subsequent letters

4. Account setup form.

5. DD Form 577 (signature card for DFAS).

6. Record of disciplinary actions taken (if known).

(b) CH

letter). 1. Written request from supervisor (nomination

documentation. 2. Initial and all refresher training

of delegation. 3. Copy of initial and all subsequent letters

4. DD Form 577.

5. Account setup form if processed manually.

6. Record of disciplinary actions taken (if known).

(11) Separation of Duties. Commanders, COs and APCs shall ensure that the roles and responsibilities of the individuals within their programs are not in conflict and adequate checks and balances are in place to manage local programs.

APCs shall not be AOs or CHs within the same hierarchy. In cases where commands have limited numbers of personnel to execute the Purchase Card Program and an APC must be an AO, an approved waiver is required from the DON CCPMD. The HA shall ensure that a command department independent of the local Purchase Card Program office performs the monthly and semiannual reviews.

(12) Attendance

(a) APC Conferences. Level III APCs (or their alternate) are required to attend APC conferences at the command's expense. Level IV/V APCs are highly encouraged to attend.

(b) Monthly Teleconferences. Level III APCs (or their alternate) are required to phone in for the monthly teleconferences held by DON CCPMD. These monthly teleconferences are held on the fourth Thursday of each month beginning at 1400 Eastern Standard Time. Information from these meetings is recorded in meeting minutes and posted to the DON CCPMD website. It is the Level III APC's responsibility to promulgate the information to lower level APCs, AOs and CHs.

d. AO. The AO is the program's first line of defense against misuse, abuse and fraud. The AO is responsible for ensuring proper use of the purchase card through approval of purchases and certification of monthly invoices for payment.

(1) Training. AOs must receive initial training on purchase card policy as well as refresher training every two years. Chapter 1, section 8 of this instruction delineates specific training requirements. Current documentation of training must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

(2) Delegation of AO. DON activities shall appoint AOs as certifying officers and accountable officials per the DOD Financial Management Regulation (FMR). Certifying officers are pecuniary liable for erroneous payments they certify. AOs and certifying officials are synonymous in the DON Purchase Card Program and for the purposes of this instruction will be referred to as AOs.

A delegation letter from the HA (or their designee) is required indicating dollar limits. If no guidance is given, the AO monthly billing limit shall not exceed 2 times the sum of the CH monthly limits. The delegation letter can be incorporated with the DD 577 provided all of the required limits, sources and transaction types are filled out within block 14.

(3) DD Form 577. AOs must complete the revised DD Form 577. This form shall be maintained with DFAS for accountable official/signature verification. The appointment letter for the

AO informs the program participant of their role and does not specifically appoint the AO as the certifying officer.

(4) Certifying Officer. As a certifying officer, the AO will issue a letter of delegation to all accountable officials (i.e., CHs) under their purview, which apprises the accountable official(s) of their pecuniary liability for erroneous payments that result from the negligent performance of accountable officials (CHs) duties. The CO or their designee can also accomplish this requirement.

(5) Bank Access. AOs that certify electronically through CitiDirect must have access to the bank's application. Setup forms can be found on the DON CCPMD website under the bank guidance tab. Forms must be signed by the Level V activity APC. When completing the forms, make sure to provide an alternate mailing address (recommend APC) in case of deployment.

(6) DFAS Requirement. AOs must complete a DD Form 577 and submit it to the appropriate DFAS office.

(7) Span of Control. DOD policy requires that the AO to card account ratio be no more than 1:7. A waiver is required to exceed the ratio of 7 accounts. To clarify, only 7 CH accounts in total are allowed per AO regardless of the number of AO accounts assigned (not per AO account). In addition, consideration should be given to the number of transactions per CH an AO is required to review. The APC should evaluate the timeliness and effectiveness of the AO's invoice review and certification process to ensure that the number of transactions for all card accounts allows the AO to complete a thorough review and certification.

(8) Separation of Duties. Individuals designated as AOs shall not be assigned as CHs or as APCs within the same hierarchy. If personnel considerations require an AO to be a CH, under no circumstances shall any CH be their own AO. In addition, AOs should be, to the greatest extent possible, the supervisor of the CH or be in the direct line of authority of their CH, but not supervisor of their APC.

(9) File Retention. Financial documents (invoices, dispute documentation, receipts, etc.) shall be retained for a period of six years and three months.

(10) Certification. Immediately upon receipt from the CH, the AO shall review and approve the monthly card account statements in addition to reviewing and certifying for payment the monthly billing statement. The monthly billing statement is a summary invoice of all transactions of the card accounts established under the AOs account.

(a) Ensure that all purchases accomplished by the purchase CHs within their cognizance are appropriate and the charges accurate.

(b) Verify supporting transaction documentation on all card accounts prior to certifying the monthly invoice.

(c) Notify the HA and APC in the event of any suspected unauthorized purchase (purchases that would indicate non-compliance, fraud, misuse and/or abuse).

(d) Ensure proper receipt, acceptance and inspection is accomplished on all items being certified for payment. Standard business practices state that the requisitioner of the goods shall not be the receiver. The AO shall verify the existence of receipt and acceptance documentation. Evidence of receipt, inspection and acceptance is required (per reference (h)) by the AO. One example of physical validation is the AO signing or initialing in a corner of each of the CHs transaction receipts.

(e) Certify the monthly invoice within 5 business days of receipt; and

(f) When manual, sign and date the monthly statement to signify accuracy. If certifying electronically, AOs will need to print out their electronic statement for signature.

e. CH

(1) Nomination/Delegation of CH. DON activities will nominate and appoint CHs as accountable officials per the DOD FMR. A letter from the immediate supervisor nominates the CH. A delegation letter is required to show authority to purchase supplies and/or services. The delegation letter is from the HA (or their designee). CH designation represents the HA's confidence in the CH's integrity and is assigned according to

mission requirements. Individuals designated as CHs shall not be assigned as AOs or as APCs within the same hierarchy.

The CH will be held pecuniarily liable as an accountable official to the Government for the amount of any erroneous payment certified and paid based on false or negligent information provided to the certifying officer. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members who misuse the purchase card are subject to court martial under 10 U.S.C. 932, UCMJ Art. 132.

CHs shall not be subjected to undue influence over their actions as a CH by APCs, AOs or others within the command.

(2) Training. CH training is critical. Initial training and biennial refresher training is required. Chapter 1, section 8 of this instruction delineates specific training requirements. Current documentation of training must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

(3) Bank Access. CHs that certify electronically through CitiDirect must have access to the bank's application. Setup forms can be found on the DON CCPMD website under the bank guidance tab. APCs are able to set up CH accounts online using CitiDirect. Convenience check accounts cannot be set up online. When completing the forms, make sure to provide an alternate mailing address (recommend APC) in case of deployment.

(4) Purchases/Approval of Statement

(a) Ensure proper and adequate funding is available prior to any purchase card action.

(b) Screen all requirements for their availability from the mandatory Government sources of supply.

(c) Purchase only mission essential requirements at fair and reasonable prices from responsible suppliers only if mandatory sources are unavailable.

(d) Maintain either a manual or automated purchase log that documents individual transactions. The purchase card log and supporting documentation should provide an audit trail supporting the decision to use the card and any required special approvals that were obtained. At a minimum, the purchase log shall contain the following:

1. Date the item or service was ordered.

2. The merchant name.
3. The dollar amount of the transaction.
4. A description of the item or service ordered.
5. Date of receipt.
6. Name of individual receiving item or service.
7. Paid but not received (pay and confirm).
8. Credit received.
9. Disputed.
10. Mandatory sources screened.
11. Mandatory sources used/not used indicating why.
12. Maintained by cycle, not monthly, in order to reconcile with statement.

(e) Review the monthly purchase card statement to ensure that all charges are proper and accurate.

(f) Forward the monthly purchase card statement to the AO with the appropriate supporting documentation, within 5 working days, to maximize rebates and minimize prompt payment penalties. Supporting documentation shall be at minimum.

1. Requisition form (showing funding approval).
2. Signed sales receipt - ensure legible signature (shows receipt/acceptance; what was purchased).
3. Purchase Log (shows screened for mandatory sources/Section 508 of the Rehabilitation Act compliance).
4. Any supporting documentation justifying the transaction.

(g) Follow the appropriate procedures for 'pay and confirm' and/or disputes per Chapter 2 of this instruction.

(h) Ensure a proper separation of function is occurring for each purchase card transaction. NMCARS 5203.101-1 provides that controls shall be established at each activity exercising procurement authority to ensure that there is a 3-way separation of function to prevent personal conflicts of interest

and fraud, waste and abuse. A single individual may perform only one of the following functions:

1. Initiation of the requirement.
2. Award of contract or placement of order.
3. Receipt, inspection and acceptance of supplies or services.

If circumstances preclude an individual from performing a single function, at a minimum, a two-way separation of function for all purchase card transactions must occur to protect the integrity of the procurement process. The individual responsible for the award of a contract or placement of an order shall not perform the receipt, inspection and acceptance function.

(i) CH has the responsibility to ensure that any credit card fees paid by the vendor are not added to the price of the items (MasterCard rules prohibit surcharging with a few exceptions such as telephone or Internet purchases from companies such as TicketMaster). The CH ensures that any credit card fee paid by the vendor is not added to the price of the items.

(j) CH must rotate micro-purchase requirements among qualified suppliers to the maximum extent practicable.

(k) CH ensures that vendors are instructed not to charge sales tax, unless the location of the merchant's business is in a state that does not afford the federal government a tax-exempt status under its state and local laws (e.g., Arizona, Hawaii).

(l) The CH reminds the vendor that his/her purchase card account may not be billed until after the material has been shipped or service provided.

(m) CH ensures micro-purchases are compliant with Section 508 of the Rehabilitation Act.

(5) File Retention. Financial documents (invoices, dispute documentation, receipts, etc.) shall be retained for a period of six years and three months. Non-financial documents shall be retained for a period of three years (e.g. training certificates).

(6) DD Form 577. CHs must complete the revised DD Form 577. This form should be maintained with CH documentation for an accountable official.

(7) Safeguarding of the Card Account Information. The full account number shall not be transmitted by fax or email. If the purchase needs to occur using fax or email, note the form that the vendor should contact the CH by telephone. Account information may be transmitted via the following means:

- Over the counter
- Over the phone
- Internet, secure/encrypted site (command authorization required within delegation letter)

7. Contracting Authority. Prior to establishing a local DON Purchase Card Program, the HA (i.e., CO) must obtain a grant or delegation of authority to operate a Purchase Card Program. The delegation should be accomplished per the guidance provided below.

a. By the HCA. All DON activities must obtain a delegation of contracting authority, following the cognizant HCA's procedures prior to local implementation of the Purchase Card Program.

b. By the HA. The HA shall personally delegate contracting authority to each potential CH, or shall delegate to one individual within the activity (e.g. the APC) the right to re-delegate contracting authority to CHs within the activity. No authority may be given to a CH in excess of the authority given in writing to the activity by an HCA.

8. Training Requirements

a. All program participants, APCs, AOs and CHs, must receive initial training on purchase card policy as well as refresher training every two years. It is highly encouraged that the HA also receive initial training on purchase card policy as well as refresher training every two years.

Documentation of training for all participants must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond.

b. Prior to designation as a program participant via a letter of delegation, all prospective APCs, AOs and CHs shall successfully complete mandatory training in DOD and DON policies and procedures, as well as local IOP. The initial training requirements mandate that potential program participants take the appropriate role based DON CCPMD Computer Based Training (CBT) and the Defense Acquisition University (DAU) Computer

Learning Center (CLC) DOD Government Purchase Card Tutorial. In addition, all CHs appointed via a SF 1402 shall also take the DAU CON 237 Simplified Acquisition course.

c. Refresher training on current DON policies and procedures and local IOP is required at least every two years. All CHs, AOs and APCs shall take the appropriate role based DON CCPMD training.

d. The annual ethics training requirements for all Government employees is found in the Joint Ethics Regulation (JER), DOD 5500.7-R, as well as 5 CFR 2638.705. CHs who make purchases in excess of \$100,000 per fiscal year must complete OGE Form 450 and, therefore, are required to take local annual ethics training. AOs who certify in excess of \$100,000 of purchases per fiscal year must also complete OGE Form 450 and take local annual ethics training. CHs and AOs who do not exceed these respective \$100,000 per fiscal year thresholds may still be required to complete OGE Form 450 and take local annual ethics training if required by their supervisor when, in the supervisor's judgment, the CH or AO otherwise has duties involving the exercise of significant independent judgment over matters that will have a substantial impact on the integrity of DON operations or relationships with non-Federal entities, or to avoid actual or apparent conflicts of interest. All ethics questions, including those pertaining to training, should be directed to the local DON Office of General Counsel and/or next higher-level APC.

e. Certificates are required to be maintained by prospective program participants and active program participants as an indication of successful training completion for all pertinent training requirements.

f. Any CH or AO (with the exception of those who are deployed) who have not completed the required basic or biennial refresher training shall have their accounts immediately suspended by the APC. Proper controls must be in place within the activity IOP to ensure that suspended card accounts (due to not having proof of training) are not reinstated without the approval of the APC that suspended the card or a higher-level APC.

9. Delegation Letter. Activities should establish local procedures for nominating and appointing APCs, AOs and CHs. At a minimum, the procedures shall include furnishing each APC, AO and CH with a letter of delegation on command letterhead outlining the duties and responsibilities of the position. Letters shall also contain the date indicating when the letter is issued. A letter of rescission should be issued and attached

to the letter of delegation when the program participant leaves the command.

a. A letter of delegation shall be used to delegate:

(1) Micro-purchase authority (\$2,000 for construction) and/or authority to use the purchase card as a method of payment.

(2) Authority to use the purchase card as a method of payment for training requests, DD Form 1556, up to \$25,000.

(3) Authority to use the purchase card as payment to Document Automation and Production Service (DAPS) up to \$100,000.

(4) Orders solely for UNICOR or JWOD products up to \$100,000.

(5) Authority to issue oral orders up to \$2,500 against FSS contracts (BPAs, IDTC, etc.).

b. Standard Form 1402 (Certificate of Appointment) shall be used to delegate:

(1) Authority for OCONUS purchase CHs to use the purchase card as a procurement method up to \$25,000 (\$2,000 for construction).

(2) Authority to place calls against Letters of Agreement from \$2,500 to \$25,000, or against BPAs up to \$100,000 (\$5 million for commercial items).

(3) Contingency contracting officer's authority to use the purchase card up to the simplified acquisition threshold.

(4) Authority to place electronic delivery or task orders (e.g. DOD eMall) (against competed IDIQ contracts for orders over the micro purchase threshold but not to exceed \$100,000).

Table 1. Summary Details

Situation	Letter of Delegation	SF 1402*
Open market purchases	Up to \$2,500	Over \$2,500
BPA Calls	N/A	All instances

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Training using DD 1556	Up to \$25, 000	N/A
DAPS	Up to \$100,000	N/A
Issue and place orders against Letters of Agreement	N/A	All instances
Delivery order against FSS	Up to \$2,500	Over \$2,500
Orders against IDTC	Up to \$2,500	Over \$2,500
JWOD/UNICOR products only	Up to \$100,000	Over \$100,000
Mix of commercial and JWOD/UNICOR products	Up to \$2,500	Over \$2,500
Method of payment	All instances	N/A

*Most types of contracting methods requiring a SF 1402 also require a HCA Delegation of Authority.

c. Each letter of delegation or SF 1402 shall specify the following information:

(1) Single purchase limits for open market (construction not to exceed \$2,000).

(2) Government sources of supply.

(3) Billing cycle limit.

(4) Transaction types authorized (i.e., over-the-counter, telephone orders or via the Internet).

(5) Applicable limits for DD 1556, DAPS, calls against Letters of Agreement or BPAs, orders against IDTCs (e.g. FSS), limits on placing electronic orders against competed IDIQ contracts or any limits on use as a method of payment.

(6) When leaving the command or no longer part of the Purchase Card Program, a letter of rescission should be issued canceling the delegation letter and/or the SF 1402 (if not addressed in the delegation letter, see sample).

10. IOPs. Activities establishing local Purchase Card Programs shall develop an IOP to manage and operate the local Purchase Card Program. The IOP shall be written and provided to all Purchase Card Program personnel and shall be updated to reflect current guidance from DON CCPMD. Commanders, COs and APCs shall establish internal management controls to operate, manage and provide oversight of the local Purchase Card Program. At a minimum, the following controls shall be put in place to maintain the integrity of the Purchase Card Program.

a. Designation of offices/personnel involved in the Purchase Card Program with specific responsibilities.

- (1) CO/HA
- (2) APC
- (3) AO
- (4) CH
- (5) Designated billing office
- (6) Financial Manager/Comptroller

b. The IOP should include specific written guidance for:

- (1) The purchase request process (i.e. obtaining funding, approvals);
- (2) Screening/documentation requirements;
- (3) Solicitation and award procedures (as applicable);
- (4) Receipt inspection and acceptance of supplies/services ensuring proper separation of functions;
- (5) Local procedures for property management;
- (6) Any special processing requirements necessary to ensure appropriate obligation and expenditure of fiscal year end funds;
- (7) Reconciliation, verification and certification of the CH's statement and AO billing invoice;
- (8) Maintenance and retention of purchase card records;
- (9) Restricted purchases;
- (10) Procedures for resolving suspected fraud, abuse or misuse of the purchase card;
- (11) Closure of CH accounts upon transfer, retirement or termination of employment;
- (12) Local training requirements; and
- (13) Disciplinary/administrative actions.

11. Personnel Requirements. The following categories of personnel may be issued a purchase card or be appointed as an AO or APC to accomplish official duties.

- a. Civilian Government employees.
- b. Members of the Armed Forces.
- c. Foreign nationals (both direct and indirect hires) subject to operational control and day-to-day management and supervision by U.S. civilian and military personnel.

If contractor support services are required to assist the APC to fulfill the administrative responsibilities required by the Purchase Card Program, the following requirements must be met:

- a. Contractor support shall not allow for changes/maintenance within the bank system, only data collection/management for the program;
- b. Each request for a contractor shall be reviewed individually by the Level III APC and major component HA; and
- c. Each request would require a Business Case Analysis (BCA) approval at the appropriate local level, requiring CO approval. This request will be formally sent to the Level III APC and major component HA as a formal request with proper signatures on letterhead.

(1) The primary APC would need to have direct oversight over the contractor.

(2) The contractor must sign a non-disclosure statement.

(3) Statement of Work (SOW) must be explicit regarding the functions to be performed.

(4) Contractors acting as Purchase Card Program assistants would not be an accountable official (as is required of an APC).

(5) Access to bank electronic applications would be 'read only' access so that no maintenance or changes could be made.

(6) The bank would recognize the Purchase Card Program assistant as a separate role and would not lump the user with APCs/alternate APCs.

12. Account Set Up Procedures

a. Single Purchase Limit. Each CH's delegation of authority document shall include limits commensurate with anticipated purchase requirements of the CH.

(1) APCs should review the CH expenditures for the previous twelve months and select the highest single transaction dollar amount as the limit. For new accounts for which no spending patterns exist, the APC should conduct an anticipated spending pattern projection.

(2) In the absence of any other information, a single purchase limit of \$500 is recommended. The single purchase limit should be reviewed and adjusted by the APC to ensure compliance with this instruction.

(3) The limit when using the card with government sources of supply or as a method of payment for properly issued simplified acquisitions and electronic orders placed against competed IDIQ contracts is \$100,000 (\$5 million for commercial items including options using the procedures of FAR 13.5, i.e. purchase orders, BPA calls) and \$9,999,900 for orders issued against GSA schedule contracts or other IDTCs.

(4) Single purchase limits will be reviewed by DON CCPMD on a quarterly basis. Any CH with a single purchase limit set up within the bank system greater than \$250K will be required to provide justification.

b. Billing Cycle Limit (30-Day Limit)

(1) Each CH and AO account delegation of authority shall include their billing cycle limit. The billing cycle limit may be assigned in increments of \$100 up to \$9,999,900. CH and AO billing cycle limits shall be reviewed by the APC, at a minimum, quarterly. For existing accounts, the APC should review the CH's expenditures for the previous twelve months, select the month with the highest expenditures and use that amount. For the AO, the APC should add the limits for all CHs and use 2 times that amount for the AO billing cycle limit. For new accounts for which there is no spending history, the APC should conduct an anticipated spending pattern projection and apply the guidelines above to the projection. In the absence of any other information, a billing cycle limit of \$5,000 is recommended for the CH.

(2) No account shall be set with a single purchase transaction amount greater than \$500,000 without written approval from DON CCPMD.

c. Merchant Category Code (MCC) Blocks. DON has blocked purchase card transactions for certain categories of merchants. Some examples include casinos, jewelry stores, drinking establishments, etc. These MCCs are automatically applied to CH account profiles at the time of set-up. APCs should further limit CH transactions by type of merchant by blocking MCCs that

CHs would not have a need to use. The DON CCPMD website contains a list of current DON-wide MCC blocks.

d. Setup Forms. To set up an account with the bank, the APC must complete the account setup forms (available on DON CCPMD website). The APC must include the account hierarchy, the default line of accounting and the credit limits. Setup forms must be signed by the current APC or alternate APC. If the setup is for a new hierarchy, Level III APC and DON CCPMD approval is required.

Prior to setting up an AO or CH account, the APC shall verify that required training and delegations are in order. Accounts can also be setup online using CitiDirect. Convenience check accounts cannot be setup online.

The name on the AO account will be listed in Citibank as the Activity in the first name field of the AO profile. The last name field remains blank. The agency/organization name field will show the name of the person in the AO position.

It is possible to have additional lines embossed on the CH plastic. The fourth line must be indicated on the CH setup form and should be very clear as to what is to be printed on the plastic. For example: "For Government Use Only," "ORF Account," "Tax ID #."

13. Closing CH Accounts

a. The APC shall ensure, to the maximum extent practicable, that the CH account is suspended at least 30 days (one billing cycle) prior to the projected date of any transfer, retirement or termination.

(1) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account. Under no circumstances shall a CH account remain open past the official detachment date of the CH.

(a) If there are transactions still outstanding, have the APC reduce the CH credit limits, as soon as practical, to \$1.00 (single and monthly limits) and cut up the credit cards to avoid any more charges. This needs to be done early enough to ensure that all transactions post to the statement and can be certified prior to CH departure.

(b) Once all transactions have been posted, have the APC close the CH account and rescind the delegated authority.

(c) For an AO account, the Citibank balance must be zero. If there is an outstanding balance, a manual

certification will need to occur to balance the account. If there is a credit balance, then request a check from Citibank made out to U.S. Treasury and have DFAS apply the money to the lines of accounting that generated the credit as determined by the APC/AO/CH.

(d) All files shall be turned in to the APC when a CH leaves the command for retention by the APC. This will allow auditors the ability to locate documents after the CH has departed.

(e) Plastic card (and checks if CH has a convenience check) shall be destroyed.

(2) At least quarterly, the APC should compare their entire CH listing against the command's official personnel roster and close any CH accounts not verified by their personnel office. Components shall take the necessary steps to ensure APCs are notified of personnel changes that would warrant cancellation of charge card authorization.

(3) At least quarterly, the APC shall review AO profiles and accounts. AO accounts shall be closed after all CH accounts under the purview of that particular AO have been closed.

(4) Ensure that the command's checkout process includes a requirement to physically turn in a detaching CHs card before detachment.

b. Inactive Accounts. The APC shall ensure that any CH account that has not been used in the previous six months or was used less than 3 times in the six months period is closed unless the supervisor submits an acceptable justification to the APC (i.e. contingency or deployed).

(1) Account activity will be reviewed as part of the semiannual review process.

(2) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account.

c. Contingency Account. Contingency accounts are normally not active, but can be used if the primary CH's account is unavailable. Designating the account as a contingency account ensures the account is not closed if identified as inactive. Within the CH profile, input 'Contingency' in the Discretionary Code 2 field. The APC shall ensure that any CH account designated as a contingency account is set to a credit limit of \$1.00 (single and monthly limits) until the account is activated

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for usage. Contingency cards are included in span of control requirements (1:7 ratio accounts to AO.)

Chapter 2

PURCHASE CARD PROCESS

1. Financial Management Requirements. The DOD FMR provides overall financial management policy governing all financial transactions within the department including purchase card transactions. The volumes and chapters that are applicable to the government purchase card are contained in references (c) through (f).
2. Simplified Acquisition Procedures. NAVSUPINST 4200.85D, Simplified Acquisition Procedures, provides overall acquisition management policy for DON. Questions concerning simplified acquisition procedures should be addressed to NAVSUP Code 02.
3. Necessary Expense Rule. When you are faced with questions regarding whether you can or cannot purchase items, one general rule is the "Necessary Expense Rule." When applying the necessary expense rule, expenditures can be justified after meeting a three-part test.
 - a. The expenditure must be reasonably necessary to carry out an authorized agency function or will contribute materially to the effective accomplishment of that function. The expenditure cannot be justified merely because an agency official thinks it is a good idea. The important thing is not the significance of the proposed expenditure itself or its value to the government or to some social purpose in abstract terms, but the extent to which it will contribute to accomplishing the purposes of the appropriation (the mission of the agency).
 - b. The expenditure must not be prohibited by law.
 - c. The expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

If participation is directly connected with and is in furtherance of the purposes for which a particular appropriation has been made and an appropriate administrative determination is made to that effect, then the appropriation is available for the expenditure. When in doubt, seek guidance from fiscal counsel.

The importance of the above sentence is that the authorization is not whether the purchase card can be used or not but whether you can buy the particular item in question. In most cases, if the comptroller and legal office are in concurrence (that you can use appropriated funds to buy item X, etc.) then the purchase card is just the vehicle to accomplish the procurement action not the bottom line decision maker.

4. Funding Requirements

a. DON activities shall bulk fund to the maximum extent practical all purchase card transactions. The cost of a transaction processed by DFAS is based on a specific Unit Cost Output and is adjusted each year. The following is a breakdown of the various costs associated with the purchase card payment. This table shows the benefit of using the purchase card and electronic payments through DFAS.

Table 2

	2004	2005	2006
Output 009 - Commercial Pay - Navy (Manual)	\$16.82	\$19.08	\$21.86
Output 029 - Commercial Pay - Navy (Electronic)	\$10.57	\$3.66	\$3.63
Output 039 - Commercial Pay - GCPC (Electronic)	\$3.96	\$3.26	\$3.78

This cost is based on the number of Lines of Accounting (LOA) paid on an invoice. If DFAS manually processes an invoice with one LOA/Standard Document Number (SDN) then the bill is \$21.86. If there are 10 LOA/SDNs the bill is for \$218.60. The dollar value of the LOA is not a factor. If an activity submits a LOA/SDN for manual payment for \$1.00, it costs the Navy \$21.86 to process.

If you send in a pay-ready file you are charged the Output 029 rate at \$3.63.

Output 039 is the charge for a completely electronic transaction.

Outputs 029 and 039 must be totally electronic. If any manual effort takes place, the 009 rate would be applied to the entire invoice.

The Electronic Data Interchange (EDI) 821 transaction does not have a unit cost charge. The charges are billed for the total trial balance.

b. Convenience check accounts shall be bulk funded.

c. APCs, AOs and CHs shall ensure that proper purchase card transaction information is being recorded into their respective accounting and bill paying systems. Purchase Card participants should work with their resource financial manager/comptroller.

5. Separation of Function. Activities shall ensure the same person does not initiate the requirement, award the purchase action or receive the materials.

NMCARS 5203.101-1 provides that controls shall be established at each activity exercising procurement authority to ensure that there is a 3-way separation of function to prevent personal conflicts of interest and fraud, waste and abuse.

A single individual may perform only one of the following functions:

- Initiation of the requirement;
- Award of contract or placement of order; and
- Receipt, inspection and acceptance of supplies or services.

If circumstances preclude an individual from performing a single function, at a minimum, a two-way separation of function for all purchase card transactions must occur to protect the integrity of the procurement process. The individual responsible for the award of a contract or placement of an order shall not perform the receipt, inspection and acceptance function.

a. In cases where the CH is picking up the material at the vendor's location, the end user or other designated receiving personnel shall legibly print their name and title, then sign and date the receipt confirming independent receipt and acceptance of the material or services. In cases where the CH must send/receive an email, an email digitally signed using the DOD Common Access Card (CAC) is required to replace a hard signature.

b. In the event the CH is the end user, the CH may sign the vendor receipt. However, the CH shall ensure another Government employee within the command co-signs, along with their printed name and title and dates the receipt.

6. Pay and Confirm Procedures. DON activities operating a Purchase Card Program shall institute pay and confirm procedures as part of their financial management program. Pay and confirm procedures are used in instances where CHs have been billed and have not received the items ordered. The CH shall confirm with the vendor that the items ordered are in transit and reconcile the monthly statement in full anticipation that the supplies will be received within the next billing cycle. The CH shall track the transactions that have not been received and pay the invoice in full. If the supplies are not received within the next billing cycle, the CH will then dispute the item using

established dispute procedures. In addition, pay and confirm procedures include damaged items received, which are still under warranty, where the contractor confirms they will replace, modify or repair within the next billing cycle. Pay and confirm procedures do not include the payment of statements in full, which contain billing errors or questionable transactions.

7. Purchase Procedures. Whether the purchase is made over-the-counter, over-the-phone or on the Internet, the following applies.

a. Vendors are instructed not to charge sales tax unless the location of the merchant's business is in a state that does not afford the federal government a tax-exempt status under its state and local laws. In 1998, GSA sent letters to all states and commonwealths requesting their support of the GSA SmartPay card program by continuing to extend tax exemption status to the federal government credit card purchases. GSA did not receive responses from the following states:

- New York,
- Kentucky,
- Vermont, and
- Michigan.

b. The CH ensures that any credit card fee paid by the vendor is not added to the price of the items (except in overseas locations).

c. The CH reminds the vendor that his/her purchase card account may not be billed until after the material has been shipped or service provided.

d. Avoid back ordering or delivering partial quantities. If an item must be back ordered or a partial quantity accepted, the merchant must agree to only bill for the actual quantity shipped.

e. For easier statement reconciliation, the CH ensures that all items are delivered or picked up within the same billing cycle. If not practical, the CH shall follow Pay and Confirm procedures.

8. Reconciliation and Certification

a. CH Reconciliation. The CH is responsible for the approval of the statement at the close of the monthly cycle. The CH should periodically review the transactions within the

bank system prior to the end of the cycle. The CH shall match each statement transaction against the CH purchase log and transaction documentation to ensure all transactions are valid. The review should also include reallocation to an alternate line of accounting (if applicable) and approval or dispute (as appropriate) of each transaction that is posted to the statement. All documentation shall be forwarded to the AO once the reconciliation process is complete.

b. AO Reconciliation. The AO will review each transaction made by CHs to ensure all supporting documentation is obtained and correct, CH reviews have been completed properly, ensure receipt of property has been properly documented and verify all transactions were necessary and valid Government purchases. Within 5 business days of receipt, the AO shall certify the billing account invoice for payment.

9. Delinquency

a. Accounts become delinquent 30 days from the statement date if the bank has not received payment. Unpaid balances 60 days from the statement date are considered 30 days past due and shall not exceed one percent of the activity's current balance. DOD policy requires the issuing bank to suspend any billing account that goes over 60 days past due.

b. All accounts under a billing account (Level 6, AO) will be suspended should the billing account exceed 60 days past due, regardless of amount.

(1) Before initiating suspension procedures, the bank is required to contact and notify the APC and designated billing official on two separate occasions.

(2) When an account reaches 45 days past due, the bank will request payment for the undisputed principal amount in writing or by documented telephone call to the APC and designated billing official. The bank will also provide a pre-suspension/pre-cancellation report that identifies the undisputed amount that is overdue.

(3) If payment for the undisputed principal has not been received 55 days past due, the bank will notify the APC and designated billing office electronically or in writing that suspension will take place if the payment is not received by the 5th calendar day after notification. The bank will also provide a Point of Contact (POC) at the bank to assist in resolving the past due account.

(4) If payment for the undisputed principal has not been received 60 days past due, the bank will suspend the account.

The suspension will automatically be lifted once the undisputed principal amount has been paid and posted at the bank.

(5) Requests for suspension exemptions for billing officials with operational emergencies may be granted on a case-by-case basis. Exemption requests must be submitted in writing from the Level III (major component level/echelon 2) APC to DON CCPMD. Exemption requests must include a statement describing what actions will be taken to resolve account delinquencies.

c. Billing accounts that exceed 180 days past due will result in the entire activity (Level V APC) being suspended.

10. Issuing Outside of Commands, Components and Agencies. Commands whose procurement structure requires issuing purchase cards to a prospective CH not within their command, component or agency should follow these preferred guidelines when setting-up the purchase card account.

a. Both the receiving and issuing command must receive permission from their HCA with notification to the DON CCPMD.

b. The issuing command (owns the funding) should enter into a Memorandum of Understanding (MOU) with the receiving command (the resident command of the purchase CH). At a minimum, the MOU should address the roles of the key personnel involved (i.e. funds administrator, APC, AO, etc.). MOU is required if there is support of an external customer.

c. The receiving command should abide by the issuing command's IOP.

d. The CO or HA of the issuing command shall provide either a letter of delegation or contracting officer's warrant (SF1402) to the prospective CH(s) of the receiving command per this instruction. Prior to issuing the letter of delegation or contracting officer's warrant, the APC of the issuing command will ensure that the prospective CH meets all of the requirements for becoming a CH or contracting officer.

e. The issuing command is responsible for funds management related to the issued purchase cards. This includes ensuring the proper types and kinds of funding are provided as well as ensuring the integrity of the funding lines of accounting.

f. The issuing command is responsible for oversight of purchase card transactions and shall conduct monthly reviews (copy of review forwarded to the receiving command). Copies of the review results will be forwarded to the commanding officer of both the issuing and receiving command. Administrative action shall be defined in the MOA.

g. The receiving command is responsible for exercising appropriate command and control supervision over the CH within the command structure. Internal reviews shall be conducted by the AO (receiving command) on a monthly basis with the results provided to the issuing command's CO and APC.

h. At a minimum, the monthly review shall target the following elements:

- (1) Suspicious vendors,
- (2) Split purchases,
- (3) Equitable distribution of business,
- (4) Exceeding the micro-purchase threshold,
- (5) Suspected fraudulent transactions,
- (6) Proper separation of function being performed, and
- (7) Verification that the AO has reviewed the CH purchases.

11. Hierarchy Moves. Hierarchy moves are defined as changing the assignment of a hierarchy level to a new or another existing hierarchy level (i.e., span of control has more than 7 accounts and a new AO account is required; one command takes over another command, UICs change and new accounts are established). Hierarchy moves are not permitted online using CitiDirect. All hierarchy moves shall be submitted through the Level III APC (signature required) before sending to the bank. If the requested hierarchy move involves more than one component activity, both Level III APC signatures are required on the request form prior to submittal to the bank for processing. The bank will not process moves without the proper paperwork on file with a Level III APC signature.

Hierarchy moves are not encouraged. It is recommended that accounts are closed and then re-opened under the new hierarchy. Problems with hierarchy moves are:

- a. Loss of visibility of the account history within the bank application,
- b. Billing issues, and
- c. Affects rebate calculations.

In addition, all moves across HCA lines require new delegations of contracting authority from the new HCA prior to the move.

HCAs will provide further guidance to components under their purview.

Hierarchy moves must be reported to the HCA to notify them prior to the change. This allows the HCA and audit groups visibility of the moves within the Purchase Card Program and ensures new hierarchies have the proper contracting authority in place at all times.

12. Dispute Process

a. The CH will have 60 days from the date of the billing statement to formally dispute transactions.

b. Disputable Charges. Disputes involving the following items must be handled between the CH and the bank (with notification to the Level V APC): duplicate billing, non-receipt of merchandise, returned merchandise, canceled merchandise or services, invoice amount discrepancies and/or the transaction was paid by other means.

It is recommended that the CH try resolving the dispute with the vendor first, then, if appropriate, file a dispute if the credit is not received on the next billing cycle.

Prior to submitting the formal dispute form, the CH must initiate communication with the bank and notify the APC of the dispute.

Once a dispute has been filed, the bank will suspend the disputed charge from the outstanding balance due and acknowledge initiation of the dispute to the CH by letter. Based on the outcome of the dispute process, the charge will either be resolved in favor of the CH or the merchant. If the dispute is resolved in favor of the CH, the charge is offset by either a vendor credit or bank initiated credit. If the dispute is resolved in favor of the merchant, a letter will be sent to the CH explaining the decision and the charge will appear in the balance due on the next invoice and must be certified for payment.

All dispute documentation shall be retained by the AO for six years and three months.

c. Non-disputable Charges. Charges on the CH statement that involve misuse or abuse by the CH are not disputable with the bank. If the transaction was processed following the controls established (i.e., within the purchase limits, not from

a vendor with a blocked Merchant Category Code) then the bank has fulfilled its responsibilities under the contract and the government is obligated to make payment for the transaction. The government must seek restitution from the employee for any losses as a result of their improper transaction.

Accordingly, transactions that are determined to be fraudulent (i.e., use of a lost or stolen card) or unauthorized by the CH shall not be certified for payment. The bank must be notified and the CH will complete an affidavit to be submitted to the bank. A formal dispute will not be initiated with the bank and the invoice shall be "short paid" by the amount of the transaction(s) in question using the manual certification process.

Convenience check transactions, transportation charges and any form of taxes cannot be disputed through the bank. These must be resolved directly with the merchant.

13. Fraud Indicators. COs, directors or HAs should ensure that fraud awareness is part of local training for APCs, AOs and CHs. HCA, Fleet or other DON inspection organizations should be aware of certain fraud indicators, identified below when reviewing the Purchase Card Program. In addition, Level V APCs must report via the APC hierarchy chain of command to the DON CCPMD any instances where the review of a questionable item is reported to the DOD IG, Naval Audit Service (NAVAUDSVC), GAO or Naval Criminal Investigative Service (NCIS) for further investigation. When reporting an NCIS investigation, provide the case number, if assigned, to allow for direct follow up from DON CCPMD.

a. Documentation

- (1) Photocopies instead of original documents.
- (2) Missing documentation (requisition to support purchases, required approvals, etc.).
- (3) Obvious changes or whiting-out of information.
- (4) Information that is backdated.

b. Repetitive Purchases

- (1) Splitting requirements to avoid certain requirements or restrictions, i.e. micro-purchase threshold.
- (2) Not equitably distributing business among suppliers could indicate favoritism, setup of ghost companies or use of ghost vendors.

c. Purchases to Vendors that do not appear mission related (Suspicious Merchant Category Codes (MCC), i.e. Casinos, Jewelry Stores).

d. Services

(1) Performance that appears out of the scope of work that was originally agreed upon. (Actual performance does not match contractual SOW).

(2) Overruns and variances. (Approvals are not documented, explanatory justifications missing, etc.)

(3) Contractor estimate equal to Government estimate. (Personnel releasing advance information to contractor).

e. Purchases of high value items at low prices or low value items at high prices.

f. Returns/Credits

(1) Did the Government receive the full credit for the item purchased?

(2) Is there a pattern of errors in billings, returns or credits?

g. Disputes. Frequent or repetitive disputes by a single CH.

h. Lost or Stolen Cards. Frequent or repetitive reports of lost or stolen cards by a single CH.

14. Lost/Stolen Card. If a purchase card is lost or stolen, the CH will notify the bank immediately. In addition, the CH will notify the AO and APC in writing as soon as possible. The notification shall include the following information.

a. The card account number (last 6 digits).

b. The CH's complete name.

c. The date and location loss became evident.

d. Date and time the bank was notified as well as date and time reported to the police.

e. Purchases made on the card since it was discovered lost or stolen.

f. Any other pertinent information.

15. Convenience Checks. Prior to establishing a convenience check account, the command/activity must have an active Purchase Card Program in place.

a. Requests must be justified in writing and approved by the commander/director of the installation or tenant activity and coordinated through the Level III APC.

b. An account set-up request form must be completed and submitted with a copy of the command approval directly to the bank.

c. Convenience checks may only be used after the command/activity has made every attempt to use the purchase card.

d. Individual convenience checks shall not be issued in excess of \$2,500.

e. Convenience checks shall be issued in the exact amount of the payment and shall not be split to avoid the micro-purchase threshold (excludes having to write four checks to total \$10,000 OCONUS in support of contingencies declared by the Secretary of Defense).

f. Delegations of authority to maintain and use convenience checks shall be issued in writing specifically to the activity approving official, check custodian and convenience check writer by the activity commander/director who is authorized to establish the account.

g. Convenience checks shall not be issued as an "exchange for cash vehicle" to establish cash funds.

h. More than one checking account is allowed per activity; however, the number of convenience check accounts shall be limited to as few as feasible.

i. Activities may ONLY appoint ONE convenience check writer to sign and issue checks for the command for each account. Activities are not authorized to appoint alternate check writers.

j. Activities fielding Convenience Check accounts must provide convenience check custodians with a safe or locking cabinet for storage of the checks.

k. Convenience checks may be mailed only when internal controls are in place to avoid duplicate payments.

l. Activities shall establish internal controls to include approval at least one level above the check writer.

m. An officer or equivalent DOD civilian who is independent of the office maintaining the account must audit Convenience Check accounts yearly on an unannounced basis. This can be the Level III or IV APC or a Level V APC outside of the hierarchy.

n. In order to maintain effective internal controls, an AO or APC may not perform the functions of the convenience check custodian or check writer.

o. Convenience check custodians are responsible for the safeguarding and security of their checks and account information.

p. Copies of cleared convenience checks are not automatically returned from the bank with the statement. If needed, the check writer can request copies from the bank.

q. The convenience check writer's bank account number is located on the bottom of each check and is not the number shown on the monthly billing statement.

r. Financial considerations for use with the convenience checks:

(1) Activities are responsible for all costs associated with the Convenience Check program. Activities must pay 1.50 percent of the check amount for each convenience check issued.

(2) Convenience check accounts shall be bulk funded.

s. Reporting convenience checks to the Internal Revenue Service (IRS) for tax purposes.

(1) There is a statutory requirement for DOD/DON to report payments made to contractors/merchants using convenience checks that are reportable to the IRS. Reportable payments include payments for services, rent, medical training, maintenance fees, instructors, teachers, speakers, etc., regardless of the dollar value. If the payment was for goods and services combined, it must be reported.

(2) Data shall be reported to DFAS via the 1099 Tax Reporting Program on the Internet. (DFAS POC: cco.checks@dfas.mil)

(3) All dollar amounts must be reported. DFAS will summarize payments to arrive at the IRS threshold.

(4) Payments are to be reported on a calendar year basis (January - December).

(5) Deadline for all data input is December 31st.

(6) The minimum data that convenience check writers shall capture prior to issuing a convenience check for services is as follows:

(a) Payee's name.

(b) Payee's address.

(c) Payee's tax identification number (i.e., social security number or their employee identification number).

(d) Check number.

(e) Amount of the check.

(f) Date of the check.

(g) Convenience check writers choosing not to use this process remain liable for the issuance of the 1099M to the vendor and the electronic filing to the IRS in the proper format. Each command operating and managing a convenience check account failing to file is responsible for any fines levied by the IRS for non-reporting.

t. Closing a Convenience Check Account

(1) Convenience checks will not be posted to closed accounts. Checks presented after an account has been closed will be returned to the merchant with an Account Closed reason code.

(2) When closing an account with convenience checks, the APC shall always:

(a) Collect and destroy any unused convenience checks.

(b) Ensure all checks have cleared before closing the account.

(3) Check Disposal Procedures.

(a) Destruction. Prepare a Certificate of Destruction (DD form 2661). The certificate shall be prepared with an original and one copy and shall include the complete mailing address of the command; date and method of destruction; serial number of each check; typed name, title, grade or rank and signature of the witness; and typed name, title, grade or rank and signature of the check writer. When blocks of checks

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are destroyed, the beginning and ending serial numbers of the block may be shown. Otherwise, each check shall be listed in numerical sequence.

(b) Verification. The check writer and at least one witness shall examine the checks to verify they are the actual checks to be destroyed, verify the check numbers with information on the Certificate of Destruction and sign the Certificate of Destruction only after witnessing the actual destruction of the checks.

(c) Disposition. Voided, compromised or no longer required checks shall be stored in a safe segregated from all other checks until destroyed. The voided, compromised, or no longer required checks shall be destroyed locally at least once each quarter by either burning or shredding. If destroyed by burning, the checks shall be completely burned. If destroyed by shredding, fragments shall be no larger than 1 inch in width and 1/4 inch in length. In either event, a certificate of destruction shall be prepared listing the serial numbers and method of destruction and shall be signed by the check writer and at least one witness.

Chapter 3

MANAGEMENT CONTROLS

1. Quarterly Briefings. It is recommended that the CO receive quarterly briefings regarding the status of the program. Topics to consider for these briefings should, at a minimum, include the number of cards, spending patterns, delinquency issues, instances of misuse, abuse or fraud, corrective actions taken and results of monthly reviews/semiannual reviews.

2. Monthly Review

a. Monthly Level V APC Reviews. The activity Level V APC shall conduct or oversee/manage the monthly transactional reviews. The review(s) shall include all of the purchase card transactions within the previous month for all card accounts under the APC's cognizance (100 percent transaction review). Results shall be reported to the CO and Level III/IV APC on a monthly basis.

b. The review shall target the following critical elements:

- (1) Suspicious vendors,
- (2) Split purchases,
- (3) Equitable distribution of business on stand-alone purchases,
- (4) Exceeding the micro-purchase threshold and any delegated authority, and
- (5) Suspected fraudulent or potential misuse/abuse transactions.

c. This process, at a minimum, should consist of running the all transaction report using the bank's reporting system. The Level V APC should review the transaction report and further review transactions that are targeted by numbers 1-5 above. This should include reviews of the following:

- (1) CH log,
- (2) Delegation letter,
- (3) Integrity of purchase request (signatures for approval of purchase, quantity matches, etc.), and
- (4) Receipt, inspection and acceptance procedure.

- (5) In addition, transactions shall be reviewed for
- Proper separation of function being performed and
 - Verification that the AO has reviewed the CH purchases.

At least 10 percent of all transactions shall be reviewed (file review). If after a 10 percent file review, discrepancies are found, a 100 percent file review of that CH's transactions is required.

3. Semiannual Level V APC Reviews. Semiannual reviews shall consist of two reviews: 1) an evaluation of internal procedures and management controls and 2) a transactional review. A copy of the report(s) shall be provided to the activity CO and Level III APC (through Level IV APC when applicable). The Level V APC shall report to the CO on all actions taken on all deficiencies noted in the semiannual review. A signed statement that the CO reviewed all findings and concurs with the disciplinary actions taken on any noted findings on the semiannual review results is required to be sent to the Level III APC. The reporting periods for the semiannual reviews shall encompass the billing cycles of 20 March - 19 September and 20 September - 19 March.

a. The following areas, at a minimum, must be covered in the internal procedures and management review:

(1) Review of internal procedures to ensure compliance with current DOD/DON regulations and directives.

(2) Program compliance with applicable training requirements.

(3) Appropriate delegations of authority.

(4) Integrity of purchase request process.

(5) Compliance with micro-purchase procedures.

(6) Receipt, inspection and acceptance procedures.

(7) Invoice certification process.

(8) Internal procedures to resolve disputes and monitor command delinquencies.

(9) Use of the purchase card as a payment method.

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(10) Span of Control (card accounts to AO and card accounts to APC).

(11) Delinquencies.

(12) Account spending limits (monthly and single transaction limits).

(13) Screening for mandatory sources.

(14) Equitable distribution of business.

(15) Identify any internal management controls and action taken or planned to rectify the situation.

b. The following areas, at a minimum, must be covered in the transaction review.

(1) Purchases that exceed minimum need to support DON mission.

(2) Purchases not for Government use, but for personal use.

(3) Purchases that exceeded authorized limits.

(4) Requirements that were split to circumvent the micro-purchase threshold.

(5) Purchases that were prohibited items.

c. With each transaction reported (1 - 5 above) include the following:

(1) Item purchased.

(2) Dollar value of the transaction.

(3) How transaction was discovered.

(4) Listing of all disciplinary/administrative actions taken.

(5) Date of all disciplinary/administrative actions taken.

(6) Include name of activity.

(7) The hierarchy number.

(8) The date of the transaction.

The HA shall formalize local policies and procedures within the IOP identifying the formal and informal disciplinary actions and/or corrective measures (to include repayment to the government) that will be levied by the command as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e., APCs, AOs, purchase CHs, including supervisors/managers.

All Level V APCs shall complete the semiannual review in a timely manner and return responses to the component Level III APC (through Level IV APC when applicable) for consolidation. The Level III APC will report one summary response for the Level III component to the DON CCPMD no later than 30 April or 31 October depending on the reporting period.

4. Semiannual Level III APC Reporting. Each major component shall report the information provided in major Component Reporting Element paragraph below semiannually to DON CCPMD by 30 April and 31 October of each year. The reporting period for the semiannual review due 31 October of each year shall encompass the billing cycles of 20 March - 19 September. The reporting period for the semiannual review due 30 April of each year shall encompass the billing cycles of 20 September- 19 March. Level III APCs shall compile this report from the Level V APC semiannual review results established in paragraph 3.3. A copy of the component report shall be provided to the component CO. The APC shall report to the CO on all actions taken on all deficiencies noted in the semiannual review. A signed statement that the CO reviewed and concurs with the disciplinary actions taken on any noted findings on the semiannual review results is required to be sent to the DON CCPMD with the semiannual report. The semiannual report (using the template described below), internal weaknesses and the signed statement are due to the DON CCPMD by 30 April and 31 October of each year depending on the reporting period.

Major Component Reporting Elements

a. Total number of APCs. APCs with documented evidence of mandatory training (if not 100 percent of program APCs, provide explanation).

b. Total number of AOs. AOs with documented evidence of mandatory training (if not 100 percent of program AOs, provide explanation).

c. Total number of CHs. CHs with documented evidence of mandatory training (if not 100 percent of program CHs, provide explanation).

- d. Total number of HAs. HAs with documented evidence of training (if not 100 percent of program HAs).
- e. Total number of purchase card accounts.
- f. Number of Level V APCs who exceed the ratio of 300 card accounts to one APC.
- g. Average ratio of purchase card accounts to AO accounts.
- h. Number of AO accounts above the 1:7 ratio (Provide activity name, ratio and corrective action or verification of waiver).
- i. Questionable transactions.
 - (1) Purchases that exceed minimum need to support DON mission.
 - (2) Purchases not for Government use, but for personal use.
 - (3) Purchases that exceeded authorized limits.
 - (4) Requirements that were split to circumvent the micro-purchase threshold.
 - (5) Purchases that were prohibited items.

With each transaction reported ((1) - (5) above) include the following:

- Item purchased
 - Dollar value of the transaction
 - How transaction was discovered
 - Listing of all disciplinary/administrative actions taken
 - Date of disciplinary/administrative action taken
 - Include name of activity
 - The hierarchy number; and
 - The date of the transaction.
- j. Special Emergency Procurement Authority.

k. Weaknesses in Internal Management Controls.

Use a separate submittal form to include the following details (word document).

- Description of weak areas
- Activity name
- Hierarchy number
- Action taken or planned to rectify situation

l. Follow up on last semiannual review. (Address repeat findings and weaknesses not corrected).

m. Activity CO review.

n. Internal Procedures.

o. Was an independent audit performed on all convenience check accounts within the last twelve months?

The required Excel template for the Level III APC submission is posted on the DON CCPMD website. In addition, there is a step-by-step instructional guide as to how to complete the form, also posted on the website. This format is required for the Level III APC submittal to the DON CCPMD. This Excel template may also be used by the Level V APC to submit their transactional review to the Level III/IV APC; however, the Level III APC may choose not to have the Level V submit their transactional review in that format.

5. Credit Balances. Credit balances occur due to duplicate certifications and over-payments due to manual certification, erroneous postings by the bank or credits that post after the account has been closed. Due to inattention, these balances range from \$200K to \$1.2M every month and represent government funds that could be used to fill other DON requirements.

CHs are responsible for reconciliation of their monthly statement using procedures found within the CH desk guide. APCs need to ensure that when credit balances are outstanding, the credits are applied to the same LOA within the same fiscal year before requesting a refund check from the bank. APCs will need to contact the Client Account Specialists (CAS) at Citibank to transfer credit balances between accounts or to request a refund check, payable to "U.S. Treasury", sent back to the activity.

To eliminate or lessen the risk associated with credit balances and recoup valuable government funds more quickly, the following procedure now applies.

Twice a year, on 28 February and 31 August, all credit balances over 60 days outstanding will be cleared and a check will be forwarded to the activity.

6. Waiver Process. Suggested changes, request for waivers (e.g., span of control, AO/APC, MCC template) or deviations to this instruction should be sent to the DON CCPMD via the cognizant major component Level III APC. The suggested change must include a statement of the problem, the recommended solution and any necessary discussion. This information should be self-sustaining. Additional supporting information may be provided as enclosures. Waiver requests must be on letterhead with appropriate signatures.

Request for a waiver must also state the following.

- a. Activity name.
- b. Activity hierarchy number (Levels 3-6).
- c. Size of program.
 - (1) Average monthly number of transactions.
 - (2) Number of card accounts.
 - (3) Rating and date of last external audit review of card program.
- d. Length of time needed.
- e. If for AO/APC dual role,
 - (1) Must state steps in place to ensure independent review,
 - (2) Name of person in the position of AO and APC, and
 - (3) Full hierarchy string to include AO level.

The written request must go through the Level III APC for endorsement. The Level III APC shall forward the endorsement to the DON CCPMD for review. Once reviewed by the DON CCPMD, a written response stating approval/denial will be sent back to the Level III APC.

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7. Span of Control. DOD policy requires that the AO to CH account ratio not exceed 1:7. APC to CH account ratio shall not exceed 1:300. In addition, consideration should be given to the number of transactions per CH account an AO/APC is required to review. The APC should evaluate the timeliness and effectiveness of the AOs invoice review and certification process to ensure that the number of transactions for all card accounts allows the AO to complete a thorough review and certification.

Monitor span of control monthly. Those activities that exceed span of control will be required to report on their non-compliance. If activity does not take timely action, DON CCPMD will close accounts in order to have activity back at required span of control. Contingency and deployed accounts are included in span of control requirements.

Chapter 4

DISCIPLINARY GUIDELINES

GCPC misuse, abuse, fraud and payment delinquency will not be tolerated. The GCPC card is for official government business per references (a) through (s), HCA instructions and local internal instructions and for no other purpose. DON policy states improper, fraudulent, abusive or negligent use of a government purchase card is prohibited.

1. Policy. Per references (k) and (l), it is DOD policy that in each case of improper, fraudulent, abusive or negligent use of the purchase card by civilian or military personnel, including any use at establishments or for purposes that are inconsistent with the official business of DON or with applicable regulations, the supervisor of the responsible individual or parties will be informed in a timely manner in order that appropriate corrective, disciplinary or adverse action may be taken.

Supervisors who receive information indicating that a civilian or military employee has engaged in any fraud, misuse or abuse of a purchase card, shall take appropriate corrective or disciplinary/adverse action, including further investigation if needed. Restitution should be made by the responsible party/parties. Restitution can be made by a check payable to the U.S. Treasury via the activity's comptroller.

The intent of this policy is to ensure that management emphasis is given to the important issue of personal accountability for purchase card fraud, misuse and abuse. There is no intent to deprive managers and supervisors of their discretion in handling purchase card misuse in a manner appropriate to each individual case. The circumstances of each individual case will determine the appropriate type of disciplinary/adverse action, if any, that may be imposed. A progression of increasingly severe penalties is often appropriate in the case of minor instances of misuse, but more serious cases may warrant the most severe penalty for the first offense if abuse or fraudulent activity is prevalent. Clearly there is no single response appropriate for all cases. While the merits of each case may vary, timeliness, proportionality and the exercise of good judgment and common sense are always important. Where applicable, full consideration must be given to the relevant "Douglas Factors" as provided in Douglas v. Veteran's Administration, 5 MSPB 313 (1981).

2. Guidance

a. Civilian Personnel. Civilian personnel penalty guidelines shall address offenses with respect to government purchase cards and shall indicate that the penalty of removal from government service is an available maximum option for a first offense in appropriate cases as determined by the deciding official. See Table 3 for a sample of potential schedule of purchase card offenses and recommended remedies or penalties for such offenses. In taking corrective or disciplinary action against civilian personnel, supervisors shall use reference (k) as authoritative guidance. Purchase card offense(s) may be framed in any lawful manner. The servicing Human Resources Office should assist the supervisor in taking disciplinary/ adverse action on the selection of the charge and appropriate penalty based on the Navy's past practice, regulatory guidance, applicable case law and good judgment of the supervisor taking the disciplinary or adverse action. Coordination with the appropriate legal office should occur early in the process, as required by Navy policy.

TABLE 3

Examples of Disciplinary Action

The chart below is one example of a purchase card offense and recommended remedies or penalties for such offenses.

<u>OFFENSES</u>	<u>FIRST OFFENSE</u>	<u>SECOND OFFENSE</u>	<u>THIRD OFFENSE</u>
Unauthorized use of or failure to appropriately monitor use of Government Purchase Charge Card	Reprimand to removal	14-day suspension to removal	30-day suspension to removal

b. Military Personnel. Military personnel who misuse, abuse or commit fraud with the purchase card shall be subject to actions available under reference (l), including counseling, admonishment, reprimand, non-judicial punishment (Article 15, Uniform Code of Military Justice (UCMJ)), court-martial and administrative separation. In appropriate cases, pecuniary liability, referral for criminal prosecution in civilian courts, and civil enforcement action are other ways to hold military personnel personally accountable for charge card misuse.

In taking corrective or disciplinary action against military personnel who misuse or abuse the government purchase card, commanders or supervisors shall use the procedures established for each action by the appropriate military department and consult with their legal advisors as necessary. In addition to

corrective or disciplinary action, military personnel who misuse their government purchase card may have their access to classified information modified or revoked if warranted in the interest of national security. Commanders and supervisors shall follow previously issued guidance to ensure that security clearance reviews are conducted when the holder of a government purchase card comes under investigation for card misuse.

c. Commanders and COs. Commanders and COs shall include the Purchase Card Program in their Management Control Program checklists and ensure that suspected misuse, abuse and fraud of the purchase card is appropriately investigated.

d. APC. APCs shall monitor the bank's reporting system to identify potential purchase card misuse, abuse or potential fraud and shall notify the employee's supervisors immediately in those instances of suspected misuse, abuse or potential fraud. Level V APCs shall also notify their Level III APC (through Level IV APC when applicable) in cases of suspected misuse, abuse or potential fraud.

e. AO. The AO is the program's first line of defense against misuse, abuse and fraud. They are responsible for ensuring that all purchases made by CHs within their purview are appropriate, bona-fide and that the charges are accurate. Upon discovery of any improprieties, the AO must notify the CO and the APC.

3. Relationship to Security Clearances. The review of the security clearance of the individual involved (or the modification or revocation of such security clearances in light of this review), in purchase card misuse, abuse or fraud cases, is not a disciplinary action and should not be treated as such. However, this does not preclude a separate and independent review of such misuse, abuse or fraud by the appropriate security manager per references (k) and (l). Modification or revocation of a security clearance will result in appropriate action, which could include reassignment or removal.

Chapter 5

SPECIAL ATTENTION ITEMS

Noteworthy Exceptions and Issues of Concern

1. Split Requirements. CHs shall not break down requirements aggregating more than the simplified acquisition threshold or the micro-purchase threshold into several purchases that are less than the applicable threshold merely to

- Permit use of simplified acquisition procedures; or
- Avoid any requirement that applies to purchases exceeding the micro-purchase threshold.

Splitting requirements in that manner is a prohibited use of the purchase card and may be violating statutory requirements for small business participation, competition, Service Contract Act (SCA) or Davis Bacon Act requirements.

a. Split Purchase. The "requirement" is the quantity known at the time of the buy. If an individual purchases as he/she becomes aware of a requirement, the requirement is each separate instance. If the requirements are consolidated and purchases are made once a day, the requirement becomes what was received during the day. If an individual has historically purchased as items became known to them, even if they have the same item ordered twice in one day from the same vendor, it may not necessarily be considered splitting. Splitting is the "intentional" breaking down of a known requirement to stay within a threshold (i.e. the \$2,500 micro-purchase threshold) or to avoid having to send the requirement to the contracting officer.

b. Split Requirement. Split requirement is the breaking down of requirements totaling more than the simplified acquisition threshold or the micro-purchase threshold into several purchases merely to

- Permit use of simplified acquisition procedures; or
- Avoid any requirement that applies to purchases exceeding the micro-purchase threshold.

2. Budget Exchange Rate (BER) versus Daily Exchange Rate. Per the FMR, Volume 6A, Chapter 7, Paragraph 070106.c, "DOD Components shall record foreign currency obligations at the installation level in dollars, at the budgeted rate or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable

committee reports or the appropriate acts". Therefore, obligations for overseas purchases are to be established at the BER. To have this done via the bank system, the authorized accounting activity must be turned on at DFAS Norfolk. This request must be sent through DON CCPMD.

The purchase card shall be used to buy and/or pay for all requirements valued at or below the micro-purchase threshold. The purchase card shall be used to make open market purchases for supplies and services not to exceed \$2,500. CHs outside of the U.S., with appropriate delegations of contracting authority, may use the purchase card for purchases not to exceed \$25,000. These limitations are not dependent on the daily exchange or BER. They are absolute. Transaction amounts for overseas purchases will post at the bank using the daily exchange rate existing on the date the transaction is actually received by the bank. Prudent CHs must take the fluctuation of the daily exchange rate into account when making purchases close to their authorized limit to ensure this limit is not exceeded.

3. Mandatory Use of the Purchase Card. DFAR Part 213.270 requires the use of the GCPC as the method of purchase and/or method of payment for purchases valued at or below the micro-purchase threshold. This policy applies to all types of contract actions authorized by the FAR unless:

a. The Deputy Secretary of Defense has approved an exception for an Electronic Commerce/Electronic Data Interchange (EC/EDI) system or operational requirement that results in a more cost-effective payment process.

(1) A general or flag officer or a member of the Senior Executive Service (SES) makes a written determination that:

(a) The source or sources available for the supply or service do not accept the purchase card.

(b) The contracting office is seeking a source that accepts the purchase card.

(2) To prevent mission delays, if an activity does not have a resident general, flag officer or SES member, delegation of this authority to the level of the senior local commander or director is permitted.

b. The purchase or payment meets one or more of the following criteria:

(1) The place of performance is entirely outside the U.S. and its outlying areas.

(2) The purchase is a Standard Form 44 purchase for aviation fuel or oil.

(3) The purchase is an overseas transaction by a contracting officer in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(8).

(4) The purchase is a transaction in support of intelligence or other specialized activities addressed by Part 2.7 of Executive Order 12333.

(5) The purchase is for training exercises in preparation for overseas contingency, humanitarian or peacekeeping operations.

(6) The payment is made with a convenience check.

(7) The payment is for a transportation bill.

(8) The purchase is under a FSS contract that does not permit use of the GCPC.

(9) The purchase is for medical services and:

(a) It involves a controlled substance or narcotic,

(b) It requires the submission of a Health Care Summary Record to document the nature of the care purchased,

(c) The ultimate price of the medical care is subject to an independent determination that changes the price paid based on application of a mandatory CHAMPUS Maximum Allowable Charge determination that reduces the Government liability below billed charges,

(d) The Government already has entered into a contract to pay for the services without the use of a purchase card,

(e) The purchaser is a beneficiary seeking medical care, or

(f) The senior local commander or director of a hospital or laboratory determines that use of the purchase card is not appropriate or cost-effective. The Medical Prime Vendor Program and the DOD Medical Electronic Catalog Program are two examples where use of the purchase card may not be cost-effective.

4. Recurring Service. Contracting officers should establish a BPA to facilitate future purchases if recurring requirements for the same or similar supplies or services seem likely to exceed an annual cost of \$2,500. Regardless of dollar amount, if terms and conditions are required, a contract should be in place for the purchase.

5. Cash Refunds. Under no circumstances will the CH accept a cash refund for non-receipt of, returned or damaged items initially purchased using a government purchase card. The CH shall only accept credit to the account (if necessary, request a check payable to the U.S. Treasury).

6. Gift Checks, Rebates or Incentives. Under no circumstance will the CH retain gift checks, vendor rebates or other purchase incentives that can be converted to personal use. If received, these items must be turned over to the U.S. Treasury.

7. Delegation Letters

a. Refusal to Sign. Nominated personnel should sign their delegation letter. Refusal to sign the delegation letter may be evidence that they have refused the appointment. However, if the nominated personnel is performing the duties of an AO, CH or APC, notwithstanding the refusal to sign, then clearly they have accepted the appointment. By accepting the appointment, they are subject to all of the liabilities that go along with being an AO, CH or APC.

If, however, the person refuses to perform the duties of the position and those duties are in their position description, then they may be subject to disciplinary action, including dismissal for failure to perform required duties.

b. Turnover. Delegation letters are valid for the duration the employee serves in their capacity. Letters shall be updated when their content or contracting authority has changed but not simply due to the departure of the individual with signature authority.

8. Conference Fees. Conference fees should be placed on the purchase card, regardless of whether food/lodging is included in the cost.

A conference fee that includes meals, an event that has been authorized for the employee to attend, is a proper use of appropriated dollars. If meals or lodging is included in the conference fee, the traveler must so indicate when filing for travel expenses that meals and/or lodging were provided so that the government does not pay twice, but instead, reimburses the traveler for legitimate charges only (reduces per diem).

Travel card policy states that conference fees may be placed on the travel card, but ONLY when feasible to do so (less than \$25, not aware of fee until at conference, etc.). The travel card is not structured to accommodate conference fees.

9. Phishing. Phishing occurs when consumers are tricked into providing personal or account information through an unsolicited, phony e-mail or 'look alike' websites. This often results in identity theft of the victim. The bank NEVER uses an unsolicited e-mail to ask for confidential information (user ID, password, account number). To avoid getting hooked:

- a. Do not reply to the email,
- b. Do not click on links within the email,
- c. Confirm by calling the bank directly, and
- d. NEVER supply confidential data via email.

10. Business Case Analysis (BCA). Purchase Card Reengineering Memorandum #6, issued by the Deputy Secretary of Defense on 20 July 1998, requires that DOD/DON activities using EC/EDI that result in a more cost-effective payment process than the purchase card must develop a BCA for each system. The BCA must compare the benefits and costs of the current system versus the use of the purchase card as a payment method. Waiver requests must be submitted for any operational requirement that precludes full implementation of the purchase card. Submittals should include a POC, telephone number and description of the operational requirement and a complete assessment of the inability to use the purchase card.

11. Ordering Javits-Wagner-O'Day (JWOD). CHs shall screen all requirements for their availability from JWOD sources. If the purchase/order is solely for JWOD products, purchase cards may be used up to \$100,000. However, if the purchase or order is not JWOD or when the order is mixed between commercial items and JWOD items, the threshold for purchases is \$2,500.

12. Acquisitions From Federal Prison Industries (FPI/UNICOR). FAR Part 8 has designated UNICOR as a mandatory government source of supply for items over \$2,500 that purchase CHs must consider in acquiring supplies and services. The blanket waiver threshold was increased from \$25 to \$2,500. This means that contracting officers are no longer required to purchase products and services from FPI schedules that are at or below \$2,500.

13. Use of the Purchase Card OCONUS. CHs with appropriate delegations of contracting authority may use the purchase card up to \$25,000 on a "stand-alone" basis.

Conditions for use of this authorization are as follows:

a. The purchase is made OCONUS for use OCONUS (see DFARS 213.301 for definition),

b. The purchase is for a commercial item,

c. The purchase is not for work to be performed by employees recruited within the U.S.,

d. The purchase is not for supplies or services originating from or transported from or through sources identified in FAR Subpart 25.7,

e. The purchase is not for a ball bearing or roller bearing as end items, and

f. The purchase does not require access to classified or Privacy Act information.

g. CHs exercising this authority must receive training per this instruction (which includes CON 237) and be appointed via a SF 1402 (Certificate of Appointment).

h. CHs using the purchase card above \$2,500 shall ensure that requirements are competed among at least three vendors or a sole source justification is completed. In addition, CHs shall ensure that all written requirements above \$10,000 are posted in a public place for 10 days, all purchase prices are determined fair and reasonable and written documentation is provided in the purchase CH's purchase file establishing the basis for determining the prices fair and reasonable.

i. OCONUS use of the purchase card in contingency, humanitarian or peacekeeping operations. The following applies:

(1) OCONUS CHs with appropriate delegations of authority, who have been properly appointed to support humanitarian, contingency or peacekeeping operations may be authorized to use the purchase card on a stand-alone basis up to the simplified acquisition threshold in support of overseas contingency operations, as defined by 10 U.S.C. 101(a)(13), and humanitarian or peacekeeping operations as defined by 10 U.S.C. 2302(8)

(2) OCONUS use of the purchase card, on an open procurement basis up to the simplified acquisition threshold in support of humanitarian, contingency or peacekeeping operations is subject to the following requirements:

(a) The conditions noted in paragraph 5.13 a - f noted above have been met,

(b) The supplies and services being purchased are immediately available, and

(c) One delivery and one payment will be made.

14. Gasoline or Oil for DON-owned Vehicles and/or Vessels. CHs may use their purchase card to procure gasoline or oil for DON vehicles and vessels only when the Fleet Voyager card is not accepted and the purchase is under the micro purchase threshold. Fleet Voyager Cards may be used for cars, trucks and forklifts, in addition to small boats, tugs or barges as authorized by the activity. Fleet cards may also be used to purchase fuel for DOD owned/leased vehicles and equipment. Premium and special unleaded fuel is strictly prohibited unless required by the vehicle manufacturer. The Fleet Card is not authorized to obtain aviation fuel.

15. Hazardous Materials (HAZMAT). CHs are NOT authorized to purchase HAZMAT except for common use aside from the three specific instances provided.

a. Personnel assigned to properly established HAZMAT Centers who have been trained in receipt, inspection, acceptance and disposal of HAZMAT are authorized to use their purchase card to procure HAZMAT.

b. CHs who are supported by base Hazardous Materials Minimization (HAZMIN) Centers that are contractor owned or operated or otherwise managed and operated by a contractor are authorized to purchase HAZMAT at these specific facilities following local guidance.

c. Personnel using properly established HAZMAT centers where actual requisitions (forms/signatures required) are processed through the HAZMAT center (actual material is physically routed through the HAZMAT center for bar coding and processing); however, the funding is maintained at the local activity level.

d. All purchases of hazardous materials including common use HAZMAT shall comply with the following procedures:

(1) The end user/CH must comply with established local base or activity procedures for the procurement and use of HAZMAT. Such procedures shall, at a minimum, require screening the requested material against the activity's Authorized Use List (AUL) and approval by the designated HAZMAT official of a contractor-provided Material Safety Data Sheet (MSDS). (The CH shall not procure materials not listed on the activity AUL),

(2) The CH shall make available the appropriate MSDS to the product user,

(3) The CH shall notify the HAZMAT coordinator of receipt of HAZMAT, and

(4) If the HAZMAT official approves the purchase, the CH should instruct the vendor that change in the material approved under this purchase is not permitted and the shipping container must be labeled per direction in the Hazard Communication Standard (29CFR 1910.1200-et. seq.).

16. Weapons Systems. Local purchase of Integrated Material Management (IMM) items such as critical material, standard or non-standard, for installation in operational weapons systems, shall not be procured using the purchase card. IMM items are to be procured per NAVSUPINST 4400.99, DFARS 208.7003 and NAVSUP 4200.85(series). However, use of the purchase card as a method of payment shall be used to the maximum extent practical and as required.

17. Video Teleconferencing (VTC) Equipment. OPNAVINST 2015.1 of 2 March 1992 and ALCOM R 051410Z of June 1995 (DON Naval Video Teleconferencing) provide policy and guidance for DON afloat/ashore activities requiring VTC capability. The present guidance provides that activities may procure any brand of VTC equipment they choose. However, the chosen brand must utilize the commercial standard H.320 (Joint Services Standard) or H.323 (for I/P based VTC) in order to communicate with other Naval activities. CNO (N611) is responsible for the Video Information Exchange System (VIXS) Tactical VTC Systems and the VIXS Network. Naval activities wishing to procure secure VTC systems that are to be operated over the VIXS Network must obtain the appropriate approvals provided in this paragraph. The VIXS program supports a VTC architecture that allows video conferencing between tactical (afloat) and (shore) users to conduct operational missions. All activities should use the following guidance when procuring VTC equipment:

a. For activities requiring non-secure VTC equipment, Chief of Naval Operations (CNO) N61 approval is not required.

b. Activities requiring secure VTC equipment that will not interface into the VIXS Network for operational purposes, CNO N61 approval is not required.

c. If requirements exist to interface into the VIXS hub to conduct multi-point conferencing, a request following ALCOM 29/95 shall be submitted for validation. Activities must have a valid justification to be approved. After CNO N61 approval is obtained, the system is procured and installed, VIXS

certification must be obtained. The DON POC for scheduling and conducting dial-up VIXS certification testing is the VIXS In Service Engineering Agent VTC Help Desk at SPAWAR System Center Charleston Code 732 CML: 843-218-4882 DSN: 312-588-4882.

Each activity is responsible for procuring additional or initial equipment outside of the VIXS POR. Furthermore, a Life Cycle Management (LCM) number or a memo from the sponsor stating the activity will be responsible for maintenance and operation of the system must be on the requirement. The VIXS program manager at COMSPAWARSYSCOM, resourced by CNO N611, supports the installation of one VIXS system at designated afloat locations and limited shore locations as well as the LCM for VIXS POR systems.

18. Household Goods (HHG) Transportation Services. The use of the purchase card to procure HHG transportation services is prohibited. Purchase CHs shall not use their purchase cards to procure HHG transportation services in any case where the line of accounting from the military or civilian member's orders provide funding for the move (permanent change of station or temporary duty funds). Presently, the ONLY existing exception to this prohibition is the limited authorization to use the purchase card in support of Direct Procurement Method (DPM) Contract, Schedule III, Local Moves.

Per FMR, Volume 2A, Chapter 2, the following guidance is provided. Where the purchase CH is using the purchase card to procure transportation services from Schedule III of a DPM contract, the APC, AO and CH shall ensure the following procedures are followed:

a. The costs associated with local moves should be charged to the operating funds, via the purchase card, of the organization controlling the assignment of quarters, regardless of military service. Local funding shortages will not negate any of the entitlements stated herein.

b. All current statutory, regulatory and directives including the FAR, DFARS, NMCARS and this instruction should be followed in procuring the services.

c. APCs and AOs will ensure that the ONLY transportation services procured are for Schedule III Local Moves and that appropriate action is taken where CHs use the purchase card to procure unauthorized HHG transportation services.

d. Personal property representatives shall counsel members on their entitlements, place the oral authorization to order local move services under the contract, and provide advance

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notification of impending local moves and pertinent cost information to the CH.

19. Unpriced Services. Unpriced services may be obtained using the purchase card only when the CH can establish, in communication with the vendor, a ceiling price that will not be exceeded by the vendor. This authority is limited to services in which the commercial marketplace sets the market prices for services and those market prices are identified in the CH documentation along with the established ceiling price (e.g. copier repair, fax machine repair, etc.).

20. Foreign Military Sales (FMS) Programs. CHs may use the purchase card to procure supplies and services in support of FMS programs. The procedures for using FMS case funds in conjunction with the purchase card is as follows:

a. Material purchased must be tracked to a specific FMS requisition or country/case/document number in an authorized accounting system, and

b. Proof of shipment must be documented to support possible Supply Discrepancy Report processing.

21. Electronic Storage of Purchase Card Documentation. Regular scanning of purchase card documentation is not sufficient to comply with record retention of documentation for the requirement of six years and three months. Unless audit trails and safeguards are built into the system being developed, an auditor will need to examine the original, unaltered purchase documentation.

22. Cellular Usage. Only the nationwide DON wireless contract awarded by the Fleet Industrial Supply Center San Diego (FISC SD) or the Navy Marine Corp Intranet (NMCI) contract shall be used to obtain Continental United States (CONUS) wireless communications. In no case shall these equipments or services be obtained under any other contractual vehicle (e.g. provided under a program or support services contract (ASN RD&A memo of 7 March 2005)).

a. Mobile (Cellular) Phone Services. Only NMCI or FISC SD contracts.

b. Mobile Data (i.e. Blackberry and like devices) Services. If activity is NMCI, must obtain through NMCI contract. Otherwise, NMCI or FISC SD contracts.

This policy does not apply to secure communication devices. Authority to approve waivers to this policy is delegated to PEO-IT (www.peo-it.navy.mil).

23. Utility Bills. CHs may use the purchase card to pay for charges resulting from utility services. Utilities under this authorization are defined as water, sewer, electric, natural gas and propane. Utility charges can only be paid for with the purchase card under the following conditions:

The utility does not assess a service charge or fee for using the purchase card as method of payment; and the charge does not exceed \$9,999,900 per transaction.

24. Letters of Agreement. Provides contracting officers, APCs and CHs an innovative approach to using the purchase card for procuring commercial supplies between \$2,500 and \$25,000, based on using oral solicitations, placing oral orders and paying using the purchase card. Letters of Agreement shall not be established for the procurement of services. Only contracting officers and agency program coordinators with appropriate delegation are authorized to establish Letters of Agreement.

a. The following conditions must apply:

(1) All Letters of Agreement shall be issued following this instruction and all oral orders in amounts greater than the micro-purchase threshold but not exceeding \$25,000 shall be paid using the purchase card as the method of payment.

(2) CHs authorized to use this method must complete the required training per this instruction and have the appropriate delegation of authority.

(3) CHs authorized to place orders against this type of agreement shall follow the procedures in the NAVSUPINST 4200.85D, enclosure (1), Chapters 5 and 6 regarding solicitation and evaluation of quotations exceeding \$2,500.

(4) CHs must maintain records of oral price quotations to reflect the propriety of placing orders to the vendor selected at the prices paid. This can be accomplished on a telecom record, buyer's abstract or other record of solicitation.

b. Delegation of Contracting Authority. Activities wishing to utilize this method must have an appropriate grant of authority from their cognizant HCA.

c. Letters of Agreement. Activities using this method must establish letters of agreement with small business vendors (refer to FAR Part 19) providing commercial supplies who agree to permit the use of the purchase card as a method of payment for oral orders. Letters of Agreement cannot be placed with large business concerns. Vendors must agree to bid on oral solicitations and to accept the terms and conditions normally

associated with the procurement of commercial items (refer to FAR Part 12). Orders shall be limited to supplies valued between \$2,500 and \$25,000 and will not be confirmed in writing. Clauses applicable to the acquisition of commercial items provided in FAR Part 12 should be incorporated in all agreements.

d. Establishing a Letters of Agreement. Contracting officers should establish letters of agreement on a SF1449 or DD Form 1155. APCs are limited to establishing letters of agreement using a letter format.

e. Reporting. Contracting officers or APCs must account for each letter of agreement established as a BPA on DD Form 350. Additionally, all oral orders against letter of agreement must be accounted for on the DD Form 350 as a BPA call.

f. Electronic Commerce. The HCA must make the required determination regarding the impracticality of processing solicitations via Federal Acquisition Computer Network or alternative EC methodologies when the solicitation will be oral and the payment is to be made under the letter of agreement.

g. Letters of Agreement List. A listing of contractors with whom a Letter of Agreement has been established will be maintained by the contracting officer or APC and provided to the CHs authorized to use this method. The listing must be reviewed and updated on a routine basis or as interested small businesses request Letters of Agreement and are added.

25. Appliances in the Workplace

(This includes coffee pots, microwaves, refrigerators and other related items.)

General Rule. The acquisition of kitchen equipment purchased for the purpose of supporting civilian and military employees in the workplace is generally allowable provided the following conditions are met:

a. Appropriations are available to pay for items such as refrigerators, coffee pots and microwaves when the primary benefit of their use accrues to the agency, notwithstanding a collateral benefit to the individual.

b. Agencies shall develop policy to ensure uniformity in the use of appropriations to acquire this equipment and determine the usefulness of appliances such as these in light of operational benefits, such as employee health and productivity, and the responsibility to provide a safe work environment.

c. Appropriations are not used to provide any equipment for the sole use of an individual and that agencies locate appliances acquired with appropriated funds only in common areas where they are available for use by all personnel. It should also be clear that appropriated funds will not be used to furnish goods, such as the coffee itself or microwaveable frozen foods to be used in the kitchen area.

References. U.S. General Accounting Office Case B-302993 (25 June 2004)

26. Prohibited and Special Attention Items

Please note that the listing below is not all-inclusive. For a complete listing, full explanation, and/or background information on prohibitions referenced in this section, refer to the NAVSUPINST 4200.85D, enclosure (2).

Not all of the prohibitions found below require special approvals. Certain items on the prohibited list can in fact be paid for with the purchase card if all of the necessary terms and conditions are met within an associated contract. Others may be procured using traditional purchase methods (e.g. purchase orders, BPA calls, etc.) and paid for using the purchase card.

a. Advance Payments

General Rule. Except for requirements such as subscriptions for publications (i.e. Navy Times, Federal Contracts Reporter, Commercial Clearing House Inc, etc.) and post office box rentals advance payments are prohibited. Subscriptions must be held to a minimum consistent with operational requirements. Accordingly, each subscription request must contain certification by the senior official (HA, CO, Commander, director, etc., per US Code Title 31) at the requesting command that a magazine/periodical is absolutely necessary for operational purposes.

Exception. Tuition

10 U.S.C. 2396 (a)(3) states, "An advance under an appropriation to the Department of Defense may be made to pay for tuition;" Tuition is also listed as an exception in SAP policy - NAVSUP 4200.85 (series) under the list of prohibited and special attention items for simplified acquisition procedures.

Further tuition guidance is contained in DOD Financial Management Regulation (FMR), Volume 10, Chapter 4, "MISCELLANEOUS ADVANCE PAYMENTS" Paragraph 040107 entitled

"Tuition", which states: "For instructions on payment procedures, refer to paragraph 120212."

FMR, Volume 10, Chapter 12, Paragraph 120212 Tuition, paragraph C states: "Advance Payment. Advance payment of tuition and other expenses is authorized either when the training facility renders or refuses to render a billing, or advance payment is indicated in Section G on the DD Form 1556. The public voucher will identify the training facility by name and address and indicate the amount and serial number of the check drawn to the trainee for the purposes of books, library and laboratory services. The original and 2 reproduced copies (front and back) of the Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, must be submitted to the disbursing office to support payment of the advance. The original Agency Finance/Disbursing copy of the DD Form 1556, copy 6 or 7, will be endorsed by the disbursing officer to reflect the advance payment and will be transmitted with the check to the trainee."

b. Advertising

Advertising contract actions are not authorized unless specific approval has been granted in accordance with DFARS 205.502. For civilian personnel advertising, the Secretary has delegated the approval authority to officers in command and officers in charge of all Navy and Marine Corps field activities.

Authority to approve the publication of paid advertising in newspapers for all other purposes is delegated, without power of re-delegation, to the Chief of the Contracting Office. Synopsizing in the Government-wide Point of Entry (GPE) as required by FAR 5.2 is not included in this general prohibition. Military recruitment advertising in high school and college publications may be paid in advance, but not in excess of \$500 per single contract.

The Secretary of the Navy has delegated authority for Navy recruiting advertising to the Commander, Navy Recruiting Command (NAVCRUITCOM) and Commander, Naval Reserve Force (COMNAVRESFOR) with power of re-delegation as follows:

NAVCRUITCOM - The Chief of Naval Personnel has authorized an increase from \$1,000 to \$2,500 for the specific media advertising purchase limit for Commanding Officers of Navy Recruiting Districts commensurate with the current micro-purchase threshold.

c. Asbestos and Asbestos-Containing Materials

General Rule. CHs are not authorized to purchase asbestos or asbestos-containing materials unless special requirements exist.

d. Black Oxide Coated Brass Threaded Fasteners

General Rule. Procurement of brass or copper alloy fasteners coated with black oxide, with characteristics as listed in NAVSUPINST 4200.85D is not authorized due to the potential serious problem in the misapplication of these fasteners during maintenance actions on surface ship Level 1 systems.

e. Buildings and/or Land, or Lease of Long-Term Rental

General Rule. CHs are prohibited from entering into long-term rentals or leases for buildings and/or land.

f. Business Cards/Employee Identification Tags

Flag officers, SES and general officers may authorize the printing of business cards, limited to using existing software and agency-purchased stock or cards procured from The Lighthouse for the Blind, Inc., if the cost of this source is equivalent or less than producing the cards on a personal computer. Business cards obtained under this authority shall be used for those positions that require business cards in the performance of their official duties.

The two exceptions to the policy are:

(1) The purchase of business cards for Navy recruiting commands. Business cards may be paid for by public expense (appropriated funds) only by those engaged in recruiting, i.e., for personnel initiating and maintaining direct contact with prospective recruits in the recruiting process. The content of the card is however limited to the name of the recruiter, title or rank, recruiting office address, telephone and fax numbers, Internet address and official activity seal of the recruiting command. The title "recruiter" must be used in conjunction with the individual name to identify the card as recruiting material. White index paper stock not to exceed 110 lbs in weight must be used in conjunction with black ink or Navy blue #3 ink or Marine green ink.

(2) DOD/DON policy authorizes general, flag or SES members to authorize printing of business cards for those organizations or positions that require business cards in the performance of their official duties.

The printing of business cards by Government employees is authorized provided DON senior official approval has been

obtained and existing software and agency purchased card stock is being utilized.

GAO has determined that employee Identification tags are not personal in nature. Therefore, activities may use appropriated funds to purchase these items (for use by military and/or civilian employees) when the requiring activity/command determines that use of employee identification tags is necessary for mission accomplishment and mandates their use. These items will remain the property of the Government.

g. Cash Advances

General Rule. CHs are prohibited from using their purchase cards to obtain cash advances.

h. Christmas and Other Seasonal Decorations

General Rule. CHs/buyers are authorized to use appropriated funds to obtain seasonal decorations for use in public areas.

Contracting officers must consider local customs and constitutional issues such as the freedom of speech and religion prior to making any such awards. Therefore, it is appropriate that decisions to use appropriated funds for these items be made by installation commanders within the context of local customs and practices.

Additionally, installation commanders are responsible for the use of base resources and are therefore, in the best position to ensure the exercise of prudence and discretion in authorizing the purchase and display of seasonal decorations.

The purchase of holiday and/or seasonal greeting cards is not a proper charge against appropriated funds.

i. Clothing, Safety/Specialty

(1) Safety Clothing, Footwear or Ergonomic Equipment. Requests for any type of Personnel Protective Equipment (PPE) under OSHA and its implementing regulations, i.e., safety clothing, footwear or ergonomic equipment require written approval from the safety officer.

(2) Special Clothing and Equipment. Appropriations are available for the purchase and maintenance of special clothing and equipment for the protection of personnel in the performance of their assigned tasks. In order for an item to be authorized, it must satisfy the following requirements (and will remain

property of the government) in order for these items to be procured with appropriated funding:

(a) The item must be "special" and not part of the ordinary and usual furnishings an employee may reasonably be expected to provide for himself,

(b) The item must be for the benefit of the government, that is, essential to the safe and successful accomplishment of the work and not solely for the convenience of the employee,

(c) If the nature of the work is destructive to clothing (i.e., working in a mess hall or cleaning an oil tank),

(d) The employee must be engaged in hazardous duty, or

(e) The clothing meets the Government's "minimum need" and will remain Government property with the Government assuming responsibility for issuing, tracking, cleaning, storage and repair of the clothing.

j. Commercial Vehicles, Purchase of

General Rule. CHs shall not use their cards to purchase commercial vehicles.

Sales, rental and lease of vehicles and classified requirements or other requirements that require written contract terms and conditions are prohibited.

k. Commercial or GSA Vehicles, RENTAL/LEASE of (Without Drivers)

General Rule. CHs are not authorized to use their purchase cards to rent/lease commercial or GSA vehicles due to contractual requirements.

l. Fireworks Display

General Rule. Purchase CHs may not use appropriated funds to buy fireworks.

m. Incentive Music and Equipment

General Rule: Except for specifically programmed music, the purchase of music and equipment for broadcasting (including radios, automatic record players or phonographic records) for entertainment purposes is generally not authorized.

Exception. Specifically programmed music may be purchased based on a written determination by the commanding officer describing how the acquisition would improve morale, benefit the command, etc., and thereby qualify as a necessary expense under the necessary expense rules. This prohibition also does not preclude the expenditure of appropriated funds for the purchase of a public address system required for intra-station communication.

n. Lodging and Meals

General Rule. The purchase of lodging and meals for individual employees on temporary duty is not authorized. Employees on temporary duty are responsible for arranging, obtaining and paying for their own lodging and meals. Each employee then submits a voucher detailing expenses and is reimbursed on the basis of the voucher, as provided in the Joint Travel Regulations (JTR). This is the usual method of incurring and paying for travel expenses.

Exceptions. When it is in the best interest of the Government, the contracting officer may enter into a contract with a commercial concern for rooms or meals, or both, for employees on temporary duty as there is no express prohibition in doing so other than the restriction on the rental of space in the District of Columbia. However, the statutory or regulatory limitations on per diem rates or actual expense rates are equally applicable to contracts or purchase orders entered into by agencies for lodging or meals.

Naval Reserve activities are reservists during authorized drill periods. Constraints on reservist eligibility and maximum price per reservist meals are contained in B-195133, 60 Comp. Gen. 181, 19 JAN 81 40 U.S.C. 34 (1976) BUPERSINST 1001.39 (series).

o. Luggage

General Rule. The purchase of luggage for employees or service members for carrying personal belongings while on official travel orders is not authorized. The prohibition is based on the principle that normally, the purchase of luggage is a personal expense. Not included in the prohibition are sea bags issued to service members and briefcases, etc., furnished for the express purpose of carrying official documents associated with duties of the service member or employee. In addition, furnishing luggage as a travel expense is also prohibited.

Exceptions. Where an employee is required by his official duties to perform extensive travel requiring luggage, a determination may be made that it would be unreasonable to require the employee to furnish luggage at his own expense.

Thus, appropriated funds may be used to buy luggage for such employees performing excessive travel, but only on the conditions that (1) the luggage would become Government property, (2) be stored in Government facilities, and (3) not be used for any personal business. What constitutes excessive travel is not precisely defined. However, in the Comptroller General decision cited below, service members were on official travel 26 weeks each year. The Comptroller General emphasized that the purchase of luggage would be permitted only in highly unusual circumstances. Reference: Comp. Gen. B-200154, Unpublished, 12 February 1981.

p. Medical and Dental Care From Civilian Non-Federal Sources

General rule. CHs shall not use their cards for the purchase of individual medical and dental services.

Exception. One noted exception is for Navy Recruiting Commands use of pre-induction physicals for recruits. U.S.C. 7901 provides that agencies have specific authority to include medical examinations, including pre-employment exams without charge to applicants in the health programs they are authorized to establish.

q. Membership Dues

General Rule. The purchase of club, association, organization, etc., memberships which solely benefit individual Government employees or officers and not their agency or activity is prohibited.

Exceptions. The use of appropriated funds for membership dues for an activity or agency is permissible if the membership contributes to the fulfillment of the mission of the activity or agency. The payment of membership dues for an individual is authorized only by specific appropriations, by express terms in a general appropriation, or in connection with employee training pursuant to 5 U.S.C. 4110.

References. 5 U.S.C. 5946; 5 U.S.C. 4110; 24 Comp. Gen. 814, 1945; 31 Comp. Gen. 398, 1952; 33 Comp. Gen. 126, 1953; 57 Comp. Gen. 526; 53 Comp. Gen. 429; DOD FMR Vol 5

r. Navy Exchange Purchases

General Rule. The purpose of the military exchanges and other morale, welfare and recreation activities is to provide goods and services to enhance the quality of life of service members and their families. Pursuant to 10 U.S.C., DOD Exchanges and other Non-Appropriated Fund Instrumentalities (NAFIs) are

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authorized to contract with federal agencies to provide goods and services beneficial to the efficient management and operation of the exchange or NAFI activity.

Policy. Contracting officers must continue to screen all requirements for their availability from the mandatory Government sources of supply identified in FAR 8.001. Supplies and services available from exchanges or NAFIs are not considered agency inventories for the purpose of this enclosure. Contracting officers are reminded that the purchase card is the preferred method of accomplishing micro-purchases including those from exchanges or NAFIs. Micro-purchase requirements must be rotated among qualified suppliers. Purchases above the micro-purchase threshold must be competed to the maximum extent practical. Also, contracting with exchanges or NAFIs does not automatically establish price reasonableness. Contracting officers must independently determine exchange or NAFI prices fair and reasonable. When contracting with exchanges or NAFIs, the provisions of OMB Circular A-76 apply. NAFI performance of a commercial activity is considered "in-house" or Inter-Service Support (ISSA) performance. For additional guidance on A-76 applicability, see NAVSUP Policy letter SA 98-20. The present rules for contracting with exchanges and NAFIs OCONUS (including Hawaii and Puerto Rico) remain unchanged. The restrictions of 10 U.S.C. 2423 and 2424 still apply. The specific limits are as follows:

- (1) The contract or purchase order cannot exceed \$50,000.
- (2) Supplies provided shall be from stock of the exchange on hand as of the date of the contract or purchase order.
- (3) The contract may not provide for the procurement of services not regularly provided by the exchange.

s. Ozone Depleting Substances (ODS)

General rule. Purchase CHs are not authorized to purchase ODS materials.

t. PayPal/Third Party Vendors

PayPal/Third Party Vendor usage is not allowed. There are two areas of concern; CH usage and vendor usage. PayPal is a third party payment provider. For CH usage, the problem lies in the fact that the CH has to open an account with PayPal (or other third party vendor) and charge money to the government card that sits in the account until such time the merchant accepts the payment which will automatically charge the PayPal (or other third party vendor) account. This is in direct opposition to purchase card policy of vendors not being allowed to charge against the card until such time as the material or service is

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provided. This would be 'bulk funding' the PayPal account (or other third party vendor account) without having received goods or services. It would be difficult to provide a valid receipt and acceptance for this transaction when all the CH did was reserve money in the PayPal (or other third party vendor) account.

For Vendor usage, most times the CH does not know the vendor uses PayPal (or other third party vendor) until after the fact. Use of these services does not enable DOD/DON to block inappropriate purchases either systemically or at the card account level through MCC tools. In addition, these services do not offer our program officials the same dispute and chargeback protections offered by VISA and MasterCard. If a CH purchases from a vendor that uses PayPal (or other third party vendor), the CH shall immediately stop using that vendor. Since PayPal (or other third party vendor) usage is not known until after the transaction is processed, APC should verbally counsel CH on PayPal (or other third party vendor) usage. Second usage of same vendor should result in disciplinary action.

u. Personal Services

General rule. Unless you have specific statutory authority, purchase CHs may not contract for personal services using the purchase card.

v. Pesticides

General rule. Unless prior approvals are obtained from cognizant pest management consultant at the appropriate NAVFAC or BUMED division, purchase CHs are not authorized to contract for purchase of pesticides.

w. Plaques, Ashtrays, Paperweights and other Mementos as Give-Away Items

General rule. The use of appropriated funds to buy give-away items such as plaques, cuff links, bracelets, ashtrays, greeting cards, paper-weights, cigarette lighters, novelty trash-cans, key-chains and similar mementos is prohibited. All such give-away items are viewed by the GAO as personal gifts, the purchase of which does not constitute a necessary and proper use of appropriated funds. GAO has long held that appropriated funds may not be used to acquire items that are not specifically set forth in an appropriation act.

Exceptions. The only exception for purchasing give-away items is when there is a direct connection between such items and the purpose for which the appropriation was made and if the item is essential to the carrying out of such purposes.

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(1) Official Representation Funds. If a requiring activity has received an expense-operating budget of official representation funds, the funds may be used to purchase mementos of a nominal cost used in connection with official ceremonies, dedications or functions. Such mementos may not exceed \$305 in cost. The mementos must be command mementos such as plaques and not personal items. Such mementos will not be presented to DOD personnel. In all cases, when items are presented within the authority of SECNAVINST 7042.7K, a complete record must be maintained by the authorization or sub-authorization holder to include the name of the recipient and the reason for the presentation.

(2) Awards Military Personnel. Appropriated funds may be used to purchase medals, trophies, badges, and similar devices for award to members of the armed forces, military units, or agencies for excellence in accomplishment or competition (excluding sports and welfare activities). The end of a tour of duty alone is not sufficient justification for presentation of a plaque unless superior professional performance is being recognized concurrently. Badges or buttons are authorized in recognition of military personnel for special services, good conduct and discharge under conditions other than dishonorable.

(3) Awards to Civilian Personnel. Appropriated funds may be used to purchase plaques to be given to civilian employees as authorized awards for recognition of special contributions or in conjunction with employee recognition programs.

x. Printing and Duplication

CHs are not authorized to purchase printing or duplication services unless specifically approved in writing by the cognizant DAPS. All questions concerning definitions of printing, duplicating, etc., should be referred to DAPS.

y. Purchase from Government Employees or Businesses Owned or Controlled By Government Employees

General Rule. Purchases from government employees (military or civilian) or from business organizations substantially owned or controlled by government employees are generally prohibited.

z. Radio Frequency and Wireless Devices

General Rule. Unless prior approval from the Installation Spectrum Management Office is obtained, purchase CHs are not authorized to procure radio frequency or wireless devices. Radio frequency and wireless devices include, but are not limited to: fixed and mobile radio transmitters, radars,

microwave radios, computer wireless technology and Commercial Off The Shelf (COTS) radio frequency wireless technology.

Exception. Wireless services and equipment obtained from either the Nationwide Department of Navy Wireless Contracts (NDWCs) or NMCI contract.

Exception. The purchase of exact replacement parts for existing systems does not require approval provided approval was obtained for the original purchase.

aa. Refreshments/Food

Reference. DOD Office of General Counsel memo of 1 September 2005.

General Rule. Food is a personal expense for which appropriated funds are not available absent legal authority. The following is a list of recognized exceptions, some of them overlapping, to the general rule in the context of conferences, meetings and events.

(1) Award Ceremonies. Food may be purchased only if:

(a) The award recipients are either federal employees or military members,

(b) The award recipients are publicly recognized, and

(c) The authorized agency official has determined that food materially advances the recognition of the recipient.

(2) Cultural Awareness Ceremonies. Food may be purchased only if:

(a) The food is part of a formal program intended to advance EEO objectives and to make the audience aware of the cultural or ethnic history being celebrated,

(b) The food is a sample of the food of the culture and is being offered as part of the larger program to serve an education function, and

(c) The portions and selection of dishes do not constitute a meal for which appropriated funds are not available under this exception.

(3) Training

(a) Appropriated funds may be used to cover food costs that constitute a non-severable portion of the registration or attendance fee for a training program.

(b) Food costs are considered non-severable if they are billed as part of the overall costs of the conference and the conference costs cannot be reduced by foregoing the food or by breaking out the food costs as a separate optional item.

(c) The cost of food provided at a training program conducted by the Government is presumed to be severable because the Government is responsible for arranging the program.

(d) If food costs are a severable part of the registration fee, appropriated funds are available for such costs only where necessary for the employee to obtain the full benefit of the training. For example, where essential training is conducted during a luncheon session, food may be provided at Government expense. Simply labeling a session as a "training event" is not sufficient; instead, the event must be a substantive program designed to improve trainee and agency performance.

More detail in reference to conferences by non-Federal entities, by another government agency and formal DOD conferences is given within this memo and is available on our website for reference.

bb. Reprographic Equipment

General Rule. The purchase/lease/rental/trial/replacement or change in rental or lease plan of reprographic equipment is not authorized unless the requestor has complied with the requirements of the Navy Reprographic Equipment Program. The requestor must obtain written approval from the cognizant DAPS for all shore copying equipment with speeds of 71 or more copies per minute. (Examples of reprographic equipment are; copiers and high-speed copiers, Diazo process equipment, laser printers and duplicating equipment).

cc. Sensitive Compartmented Information In Contracts

General Rule. CHs are not authorized to enter into negotiations that will include requirements for contractor access to sensitive compartmented information unless the customer has staffed the requirement through Commander, Office of Naval Intelligence, Code ONI-522.

dd. Shipboard Habitability Equipment Including Furniture, Laundry/Dry Cleaning and Food Service Equipment

Only furniture, laundry, dry cleaning and food service equipment in the following categories may be procured for installation in afloat units:

- (1) Furniture found in S9600-AD-GTP-010, US Navy Shipboard Furniture Catalog, with Change A,
- (2) Laundry and dry cleaning equipment found in S6152-B1-CAT-010, Navy Laundry and Dry Cleaning Catalog,
- (3) Food service equipment found in S6161-Q5-CAT-010, The Shipboard Food Service Equipment Catalog, and
- (4) Habitability equipment as discussed above, manufactured following Navy standard and hull type drawings, military, federal or authorized commercial specifications, and/or proven by certified test and evaluation or approved and controlled shipboard performance testing use.

ee. Transportation, Purchase of

General Rule. The purchase of transportation/logistic shipment is not authorized. Ordering freight transportation services is a function of activity material transportation officer who may issue a GBL to effect movement of supplies.

Logistics Shipments. Defined as shipments of material not identified as administrative shipments. When approved by NOLSC and per the Defense Transportation Regulation (DTR), Part II, Cargo Movement, the use of Commercial Bills of Lading (CBLs) vice GBLs is authorized. Under normal circumstances, the activity transportation officer will process these requirements.

If you have no transportation officer, the activity that performs transportation officer services for you will process these requirements. To use CBLs for Navy freight shipments, a commercial Forms and Procedures Account is required and must be obtained by contacting the Navy Operational Logistical Support Center (NOLSC) Transportation Code 032C, 1667 Piersey Street, Norfolk, VA 23511-2806, DSN 646-5469, COM 757-443-5469.

Administrative Shipments. Administrative shipments consist of items such as: general correspondence, personnel records, payroll records, laboratory samples (except whole blood and urine samples which are paid by SWT), electronic storage media (computer tapes, floppy discs, compact discs, videos), blueprints, legal/financial/recruiting/contracting or similar documents and technical manuals not requisitioned directly from stock.

Shipment of administrative material shall be funded by the local activity requesting shipment and will be shipped by the U.S.

Postal Service (USPS) whenever possible. When use of the USPS is not possible due to size/weight restrictions and a commercial carrier must be used, the procedure is as follows: Use the activity purchase card and cite command OM&N funds.

Exceptions. None.

References. DOD 4500.9-R, "Defense Transportation Regulation (DTR)," Parts I-VI, date varies per part.

DTR, Part II (Cargo Movement), Chapter 206

ff. Travel or Travel Related Expenses

General Rule. The purchase card cannot be used to pay for government employee travel or travel related expenses (i.e. expenses associated with official travel including transportation, lodging or meals).

Exception. Conference fees that include lodging/meals, conference rooms, meeting spaces and local transportation such as Metro fares (EZ Pass), subway tokens, etc.

gg. Uniform Items

General Rule. Uniform items that are part of the seabag are issued to Navy personnel upon enlistment and are to be replaced by the member with an annual cash allowance (Clothing Replacement Allowance). Therefore, seabag items will not be purchased with Operational Target (OPTAR) funds except as provided below. Organizational or personal protective clothing (aiguillettes, special safety shoes, disposable coveralls, etc.) is the property of the organization, remains with the organization and is paid for with OPTAR funds.

Exceptions.

(1) Seabag items can be issued or replaced as work clothing and procured using OPTAR funds for mess management specialists (e.g. tee-shirts, trousers, caps, aprons) and for personnel whose work is of a destructive nature to clothing (e.g. cleaning fuel oil tanks, entering boilers, decontamination work).

(2) Shoulder sleeve unit identification marks. Initial provision is free to each attached member and paid with OPTAR funds.

(3) Nametags are optional uniform items. Appropriated funds may be utilized to purchase employee identification tags when a command determination is made justifying that their use is reasonably necessary for mission accomplishment. As with organizational clothing, these items are the property of the organization and remain with the organization.

(4) Identification badges available through the supply system (e.g., Chief Master at Arms) are to be purchased with OPTAR funds. Other identification badges (e.g., Presidential service, JCS or locally designed badges) are not to be purchased with OPTAR funds.

hh. Visual Information (VI) Equipment

General Rule. VI production equipment may not be provided to, acquired for, or used by non-VI activities or personnel. For VI equipment policy, contact CNO (N09C1) VI Equipment and Activities Policy Officer at (202) 433-3790; DSN 288.

(1) Visual Information-Audiovisual (VI-AV) production including interactive video acquisition

General Rule. Per OPNAVINST 5290.1A, contracting for the development of Audiovisual (AV)/Visual Information (VI) including interactive multimedia AV/VI productions in the Navy is prohibited unless approved and assigned by CNO (N09C4).

For questions regarding this policy, contact CNO (N09C1) VI/AV Production Policy Officer at (202) 433-3714; DSN 288.

ii. Water, Bottled

General Rule. The GAO has held that in a variety of cases under the "necessary expense rule" appropriated funds should not be used to pay for subsistence or to provide "free food" to government employees while at their duty stations. As such bottled water is considered personal expense and government salaries are presumed adequate to enable government employees to provide their own food and beverage. Activities still wishing to supply water coolers for the purpose of providing bottled or spring water to individuals within the workplace should establish a "water fund" to cover such rentals.

Exceptions. Appropriated funds may be used to supply safe drinking water if the local water has been tested by medical/health professionals and classified as non-potable due to health concerns. (Proof of the classification must be maintained on file).

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jj. Withdrawal of Tax-free Ethyl and Specifically Denatured Alcohol

General Rule. The purchase of tax-free ethyl and specifically denatured alcohol is not authorized unless a permit from the Bureau of Alcohol, Tobacco and Firearms has been issued.

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ACRONYMS AND DEFINITIONS

Abuse (of Purchase Card). Intentional use of the purchase card for items not authorized by the FAR, DFAR, NMCARS, NAVSUPINST 4200.99 or local purchase card instructions. Neither commanding officers nor supervisors shall tolerate abuse of the purchase card. CHs who abuse their purchase card shall be subject to appropriate administrative or disciplinary actions.

Accountable Official. Individuals who are responsible in the performance of their duties for providing to a certifying officer information, data or service that the certifying officer directly relies upon in the certification of a voucher for payment. They are pecuniary liable for erroneous payments resulting from their negligent actions per section 2773a of Title 10, United States Code.

Accountable Property. Property recorded in a formal property management or accounting system. Accountable property is defined by a dollar threshold and/or the type of item (e.g., sensitive or pilferable). Accountable property includes all property purchased, leased (capital leases), or otherwise obtained, having a unit acquisition cost of \$5,000 or more (land, regardless of cost); and items that are sensitive, including but not limited to pilferable items.

Sensitive items require a high degree of protection and control. They may include items that are governed by statutory requirements or regulations such as narcotics and drug abuse items; precious metals; items that are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives and demolition or classified material (See Volume 10, Table 61 of DOD 4100.39-M, reference (k)). Additional and/or separate records or other record-keeping instruments shall be established for management purposes or when otherwise required by law, policy, regulation or agency direction. Pilferable items have a ready resale value or application to personal possession and are therefore especially subject to theft.

A and M Status Report. "A" status refers to those invoices with administrative errors that must be corrected prior to processing for payment. For example, invoices over 30 days old will initially go into "A" status awaiting input by a DFAS technician of an interest reason code. Secondly, invoices with erroneous LOAs will suspend in "A" status. These invoices will need to be deleted and resubmitted manually. Invoices submitted with the same document numbers assigned to offsetting transactions resulting in a zero dollar amount for an LOA will suspend in "A" status. These invoices will also need to be deleted and recertified using document numbers that are already being used in the certification so that there will be no financial impact of these offsetting transactions.

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"M" status refers to invoices that have been submitted to the DFAS for payment but are suspended because STARS cannot match the invoice to an obligation due to insufficient funds being obligated, an obligation for an invoiced SDN does not exist on the DFAS file (FADA), or there's an SDN error on the invoice or obligation document.

APC. Agency Program Coordinator.

AO. Approving Official.

ASN(RD&A). Assistant Secretary of the Navy (Research, Development and Acquisition)

AUL. Authorized Use List (HAZMAT)

BCA. Business Case Analysis

BER. Budget Exchange Rate

Billing Cycle. The billing cycle is approximately a 30-day billing period. Each monthly bill will be comprised of transactions (debits and credits) that post to the banks' system during this period. For DON the billing cycle begins on the 20th of the month and ends on the 19th of the subsequent month. Cycle ends only occur on a business day (i.e. Monday through Friday) and as a result may be adjusted accordingly. The cycle end date will occur on the last business day of the normal cycle.

Billing Invoice. The monthly billing invoice is the official invoice for payment purposes which is provided to the certifying officer by the issuing bank. The billing invoice identifies all of the purchase card transactions of his/her CHS during a billing cycle. The invoice can be paper based or presented through the electronic access system of the issuing bank.

BOA. Basic Ordering Agreements.

BPA. Blanket Purchase Agreement

Bulk Funding. An advance reservation of funds where a commitment or obligation is recorded in the aggregate rather than by individual transactions.

CAC. Common Access Card.

CCPMD. Consolidated Card Program Management Division, Level 2 Program Management Office for DON.

CLC. Computer Learning Center.

Certifying Officer. A DOD military member or civilian employee of the Department appointed in writing to certify a voucher for payment.

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CH: Cardholder

CH Statement. The statement of charges provided to a CH detailing all of the transactions posted to their account during a billing cycle.

CO. Commanding Officer

Construction. Erection, installation or assembly of a new facility, the addition, expansion, extension, alteration, conversion or replacement of an existing facility, the acquisition or relocation of a facility and includes the repair and maintenance of building and public works and equipment installed and made a part of such facilities. It includes dredging, excavating and painting of buildings, structures or other real property. For purposes of this definition, the terms "buildings, structures or other real property" include but are not limited to improvements of all types such as bridges, dams, plants, highways, parkways, streets, subways, tunnels, sewers, mains, power lines, cemeteries, pumping stations, railways, airport facilities, terminals, docks, piers, wharves, ways, lighthouses, buoys, jetties, breakwaters, levees, canals and channels. Construction does not include the manufacture, production, furnishing, construction, alteration, repair, processing or assembling of vessels, aircraft or other kinds or personal property. (Per NAVSUPINST 4200.85D)

Contracting Officer. Government employees who have the authority to bind the Government to the extent of their delegated purchasing authority. Purchase CHs are granted limited contracting authority by their HA (CO) component director or, if authorized, the APC in writing by the issuance of a Letter of Delegation or SF 1402 Contracting Officer's Warrant.

CONUS. Continental United States

COTS. Commercial Off the Shelf

Critical Application Item (CAI). An item that is identified by the military services as essential to weapon system performance or operation, or the preservation of life or safety of operating personnel.

Critical Safety Item (CSI). A part, assembly, installation or production system with one or more critical or critical safety characteristics, that, if missing or not conforming to the design data, quality requirements or overhaul and maintenance documentation would result in an unsafe condition that could cause loss or serious damage to the end item or major components, loss of control, uncommanded engine shutdown or serious injury or death to personnel. Unsafe conditions relate to hazard severity categories I and II of MIL-STD-882, System Safety Requirements. CSAs are subsets of CAIs and include items

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determined to be "life-limited," "fracture critical," "fatigue-sensitive," etc. The determining factor in CSI classification is the consequence of failure, not the probability that failure or consequence would occur.

DASN (ACQ). Deputy Assistant Secretary of the Navy (Acquisition).

Delegation of Procurement Authority. A document issued by the authorized HCA (or their designee) that establishes the activity with contracting authority.

Designated Billing Office. The office designated by the ordering activity to receive and certify the official invoice, and in some instances, make payments against the official invoice.

Disputes. Instances where transactions on the CH's statement do not agree with entries in the log or retained receipts that are presented to the bank for resolution. This may include circumstances where the CH did not make the transaction, the amount of the transaction is incorrect or the quality or service is an issue.

DAPS. Document Automation and Production Service

DAU. Defense Acquisition University

DFARS. Defense Federal Acquisition Regulation Supplement

DFAS. Defense Finance and Accounting Service

DOD. Department of Defense

DOD FMR. Department of Defense Financial Management Regulation

DOD IG. Department of Defense Inspector General

DON. Department of Navy

DTR. Defense Transportation Regulation

EDI. Electronic Data Interchange

EC. Electronic Commerce

EFT. Electronic Funds Transfer

Exceeded Authorized Limits. The single purchase limit is the dollar limit established for each CH account for a single transaction. For example, a CH may have a single purchase limit of \$500.00. If that CH makes a purchase valued at \$575.00, the CH has exceeded his/her authorized limit. Additionally, the CH is assigned a billing cycle purchase limit, an authorization control that limits the card account's cumulative spending for

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purchases in a given billing cycle. This limit is used to ensure CHs do not exceed reserved funding (positive funds control). For example, a CH account may have a billing cycle purchase limit of \$10,000.00. If the CH makes purchases during a billing cycle totaling \$10,500.00, the CH has exceeded his/her authorized limit. It must be noted that despite the fact that these limits are established for the card account in the CitiDirect card management system, it is not a foolproof system. The business rules established by the MasterCard association will allow transactions to process over the established limits if the vendor does not obtain pre-authorization prior to submitting the transaction to Citibank or if the vendor is using the manual process of swiping the card to emboss the account information on a paper form.

Exceeds Minimum Mission Need. A purchase exceeds the Government's minimum needs when it is excessive in terms of quality, quantity or otherwise exceeds the minimum requirements to satisfy and support the Government in a particular instance. Purchases of authorized goods or services, at terms (e.g., price, quantity) that are excessive, or are for a questionable government need, or both, are considered abusive. In other words, don't purchase the Cadillac when the Chevy will satisfy the government's minimum need, don't purchase a dozen hammers just because you get a better unit price when one will do the job.

FAR. Federal Acquisition Regulation

File Turn. The average number of calendar days between the time a charge (purchase) is posted and payment is received by the issuing bank.

FMR. Financial Management Regulation

FPI. Federal Prison Industries

Fraud. Fraud includes theft or embezzlement from the Government, bribery, receipt or giving of gratuities, conflict of interest, violation of anti-trust laws, as well as false statements and/or false claims in the following areas.

- Pay and allowances,
- Procurement,
- Property disposal,
- Subsistence,
- Unauthorized services,
- Non-appropriated funds,

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- Foreign military sales, and
- Personnel matters.

FSS. Federal Supply Schedule

GAO. Government Accountability Office

GBL. Government Bill of Lading

GCPC. Government-wide Commercial Purchase Card

Ghost Transaction. Transactions purposely made with real or ghost (shell) companies for goods never delivered and/or services not performed with the intent to defraud the government.

Ghost Vendor. Fictitious entities created for the sole purpose of committing fraud. They may be nothing more than a fabricated name with an address used to collect disbursements from false billings.

GSA. General Services Administration

HAZMAT. Hazardous Materials. For the purpose of this instruction, commonly used HAZMAT means hazardous materials or products that are customarily sold to the general public to be used for non-governmental purposes (commercial products) which are in the same size and packaging found commercially and subject to procedures found later in this instruction. Examples of those materials or products include those required on a routine basis to meet daily operational needs, such as, lubricants, batteries, toner cartridges, detergents, etc.

HAZMIN. Hazardous Waste Minimization

Head of Activity (HA). For the purposes of this instruction, the HA is the military officer in command or the civilian executive in charge of the mission of a DON command or activity which has been granted contracting authority by the cognizant HCA. The HA has overall responsibility for managing the delegation and use of this authority by personnel under his/her command.

Head of Contracting Activity (HCA). The official in command at one of the 12 DON components listed at DFARS 202.101 (e.g. COMNAVSUPSYSCOM, COMNAVAIRSYSCOM, etc.). They are responsible for the delegation, re-delegation and use of contracting authority including use of the purchase card by DON commands, DON activities and DON personnel under his/her contracting cognizance.

HHG. Household Goods

IDIQ. Indefinite Delivery Indefinite Quantity

IDTC. Indefinite Delivery Type Contract

IMM. Integrated Material Management

IOP. Internal Operating Procedure

IRS. Internal Revenue Service

JER. Joint Ethics Regulation

JWOD. Javits-Wagner-O'Day Act

Letters of Agreement. A streamlined procedure for procuring commercial supplies between \$2,500 and \$25,000 based on using oral solicitations, placing oral orders and paying for the oral orders using the purchase card. LOAs shall not be established for the procurement of services.

LOA. Line of Accounting

Mandatory Sources. (FAR 8.002 Priorities for use of Government supply sources). The first step in the acquisition process is screening requirements for their availability from the mandatory Government sources of supply. The following sources are statutory and required for use by DON contracting officers/buyers (listed in descending order of priority).

Supplies

- Agency inventories
- Excess inventory from other agencies
- Federal Prison Industries (FPI)/UNICOR
- National Industry for the Blind (NIB)/Severely Disabled (NISH)
- Wholesale Supply Sources
- Mandatory Federal Supply Schedules (FSS)
- Optional use FSS
- Commercial Sources (including educational and nonprofit institutions)

Services

- NIB/NISH
- Mandatory Federal Supply Schedules (FSS)

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- Optional use FSS
- FPI/UNICOR or Commercial Sources (including educational and nonprofit institutions)

MCC. Merchant Category Code. A code used by the issuing bank to categorize each merchant according to the type of business the merchant is engaged in and the kinds of goods and services provided. These codes are used as an authorized transaction type code on a card/account to identify those types of businesses who provide goods and/or services that are authorized for use by the CH.

Minimum Need. A purchase exceeds the Government's minimum needs when it is excessive in terms of quality, quantity or otherwise exceeds the minimum requirements to satisfy and support the Government in this instance.

Misuse (of Purchase Card). Inappropriate and/or unintentional use of the purchase card for items not authorized by the FAR, DFAR, NMCARS, NAVSUPINST 4200.99 (series) or local purchase card instructions.

MOU. Memorandum of Understanding

NAVAUDSVC. Naval Audit Service

NAF. Non-appropriated Fund

NAFI. Non-Appropriated Fund Instrumentalities

NCIS. Naval Criminal Investigative Service

NDWC. Nationwide DON Wireless Contracts

NIB/NISH. National Industry for the Blind/Severely Disabled

NMCARS. Navy Marine Corp Acquisition Regulation Supplement

Non-Standard Material. Material that has not been entered into the DOD supply system, no NSN exists and can only be identified by a CAGE and part number or just a reference number.

NSN. National Stock Number

OCONUS. Outside Continental United States

Official Invoice. The monthly billing statement is the official invoice for payment purposes that is provided to the AO. The billing statement identifies all of the purchase card transactions of his/her card accounts during a billing cycle.

OIC. Officer in Charge

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OMB. Office of Management and Budget

OPTAR. Operating target is defined generally as an estimate of the amount of money that will be required by an operating ship, staff, squadron or other unit to perform the tasks and functions assigned to it. It is the term for the spending target provided by an operating budget holder to a unit of the operating forces to fund the unit's operations. The legal restrictions and penalties of 31 U.S. Code 1517 do not apply to OPTARs.

Pecuniary Liability. Personal financial liability for fiscal irregularities of disbursing and certifying officers and accountable officials as an incentive to guard against errors and theft by others and also to protect the government against errors and dishonesty by the officers themselves.

Pilferable Property. Items that have a ready resale value or application to personal possession and that are, therefore, especially subject to theft.

Potential Fraud. Potential fraud includes the appearance of the following theft or embezzlement from the Government; bribery; receipt or giving of gratuities; conflict of interest; violation of anti-trust laws as well as false statements and/or false claims in the following areas: pay and allowances, procurement, property disposal, subsistence, unauthorized services, non-appropriated funds, foreign military sales and personnel matters.

PCAN. Purchase Card Administrative Notice

PCPN. Purchase Card Policy Notice

POC. Point of Contact

POR. Program of Record

PPE. Personnel Protective Equipment

PPMAP. Procurement Performance Management Assessment Program

SDN. Standard Document Number

Services. For the purposes of this instruction, services are firm-fixed priced (including unpriced orders with an established ceiling), non-personal, commercially available requirements in which the Government directly engages the time and effort of a contractor to perform a task (e.g. repairs, maintenance, annual maintenance agreements, etc.).

Separation of Function. For the purposes of this instruction, separation of function is defined as one person making the purchase with the purchase card and a separate person receiving, inspecting and accepting the purchase.

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SES. Senior Executive Service

SAT. Simplified Acquisition Threshold. SAT means \$100,000, except for acquisitions of supplies or services that, as determined by the HA, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack (41 U.S.C. 428a), the term means:

a. \$250,000 for any contract to be awarded and performed, or purchase to be made CONUS; and

b. \$1 million for any contract to be awarded and performed, or purchase to be made, OCONUS.

Contracting offices with appropriate delegations of authority may use simplified acquisition procedures up to \$5 million dollars including options when acquiring commercial items using the Commercial Item Test Program and \$10 million for acquisitions of supplies or services that, as determined by the HA, are to be used to facilitate defense against or recovery from nuclear, biological, chemical or radiological attack.

Single Purchase Limit. A dollar limit on each purchase assigned to each CH for a single transaction.

SOW. Statement of Work

Standard Material. Material that has been assigned a NSN. Formal provisioning and item entry (cataloging) has taken place. The item is managed by a DOD Integrated Material Manager (IMM).

Tax Exemption. The elimination of state and local taxes from federal purchases per state and federal law. The phrase "U.S. Government Tax Exempt" is printed on the front of each purchase card.

Transaction Type. The method by which an order is placed when using the purchase card. Purchase card buys may be made over-the-counter, over-the-phone or via the Internet.

USD(C). Under Secretary of Defense (Comptroller)

USD (P&R). Under Secretary of Defense (Personnel & Readiness)

USD (AT&L). Under Secretary of Defense (Acquisition, Technology & Logistics).

UCMJ. Uniform Code of Military Justice

VTC. Video Teleconference

APC SAMPLE LETTER OF DELEGATION

1. This letter is a SAMPLE and should be modified to meet the needs of the activity.
2. Letter shall be on command letterhead.
3. Letter shall contain the date indicating when the letter is issued.

Date: Date letter issued

From: Commanding Officer/Head of Activity
To: Name of Individual

Subj: APPOINTMENT AS AN AGENCY PROGRAM COORDINATOR
DELEGATION OF AUTHORITY TO FURTHER DELEGATE PC AUTHORITY

Ref: (a) FAR 1.6
(b) DFAR 201.6
(c) NAVSUPINST 4200.99 (series)
(d) Local Internal Operation Procedure (IOP)

Delegation of Agency Program Coordinator

1. Per references (a) through (d), you are hereby appointed as an Agency Program Coordinator (APC) for the Government Commercial Purchase Card (GCPC). The specific limits of your authority are established below. You are reminded that you are personally accountable for strict adherence to the Department of the Navy (DON) purchase card policies and procedures.

- a. Delegation of Purchase Card authority to Cardholders (CHs) and/or Approving Officials (AOs).
- b. Dollar threshold assignment to CHs and/or AOs.
- c. Transaction type/purchase method assignment to CHs and/or AOs.
- d. Assignment of purchase restrictions: (MCC blocks, etc.).

2. The purchase card shall only be used for authorized United States (U.S.) Government purchases. Intentional use of the purchase card for other than official government business will be considered an attempt to commit fraud against the U.S. Government and may result in immediate cancellation of an individuals purchase card and further disciplinary action. You will be held personally liable to the Government for the amount of any non-government transactions. Under 18 U.S.C. 287, misuse

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of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members that misuse the purchase card may be subject to court martial under 10 U.S.C. 932, UCMJ Article 132.

3. Improper, fraudulent, abusive or negligent use of the government purchase card is prohibited. Supervisors who receive information indicating that an employee (military or civilian) has engaged in any fraud, misuse or abuse of a purchase card shall take appropriate corrective action as defined with the activity internal operating procedures. Your signature on this letter indicates that you have read and understand that policy.

4. When you leave the command and/or are no longer part of the Purchase Card Program, this letter of delegation is cancelled.

Signature of Individual appointed as APC
Signature of Head of Activity

Questions concerning this letter of authority or Purchase Card Program should be directed to the Command Head of Activity, (name of HA) who can be reached at (insert HA telephone number/email address).

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AO OR CH SAMPLE LETTER OF DELEGATION

1. This letter is a SAMPLE and should be modified to meet the needs of the activity.

2. Letter shall be on command letterhead.

3. Letter shall contain the date indicating when the letter is issued.

Date: Date letter issued

From: Commanding Officer/Head of Activity

To: Name of Individual

Subj: DELEGATION OF AUTHORITY TO USE THE GOVERNMENT PURCHASE CARD

Ref: (a) FAR 1.6

(b) DFAR 201.6

(c) NAVSUPINST 4200.99 (series)

(d) Local Internal Operating Procedure (IOP)

Delegation of Cardholder (CH) or Approving Official (AO)

1. Per references (a) through (d), you are hereby appointed a contracting officer for the United States of America, limited to the use of the Government Commercial Purchase Card (GCPC). The specific limits of your authority are established below. You are reminded that you are personally accountable for strict adherence to Department of the Navy (DON) Purchase Card policies and procedures when using the card.

a. Dollar Thresholds

(1) Purchase (only if authorized)

a. Not to exceed \$XX single purchase limit

b. Not to exceed \$XX billing cycle limit.

(2) Method of Payment (only if authorized)

a. Not to exceed \$XX single purchase limit

b. Not to exceed \$XX billing cycle limit.

(3) Convenience Check (only if authorized)

a. Not to exceed \$2,500 single purchase limit

b. Authorized Transaction Types (include authorized

categories)

- (1) Over the counter
- (2) Telephone orders
- (3) Internet orders.

c. Authorized purchases are (include authorized categories):

- (1) Stand-alone procurement method,
- (2) Method of payment against contract documents issued by a contracting officer,
- (3) Orders against Government contracts, such as IDIQs, GSA, FSS Schedules/GSA Advantage, JWOD, etc.
- (4) Document Automation and Production Service (DAPS)
- (5) Blanket Purchase Agreements (BPAs)/Letter of Agreement (LOA), and
- (6) Purchase of Training (DD Form 1556)

d. Purchase restrictions:

- (1) Merchant Category Code Blocks
- (2) Other, as applicable

2. The purchase card shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official government business will be considered an attempt to commit fraud against the US Government and may result in immediate cancellation of an individuals purchase card and further disciplinary action. You will be held personally liable to the Government for the amount of any non-government transactions. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members that misuse the purchase card may be subject to court martial under 10 U.S.C. 932, UCMJ Article 132.

3. Improper, fraudulent, abusive or negligent use of the government purchase card is prohibited. Supervisors who receive information indicating that an employee (military or civilian) has engaged in any fraud, misuse, or abuse of a purchase card shall take appropriate corrective action as defined with the activity IOP. Your signature on this letter indicates that you have read and understand that policy.

4. When you leave the command and/or are no longer part of the Purchase Card Program, this letter of delegation is cancelled.

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Signature of Individual appointed as CH or AO
Signature of Agency Program Coordinator OR Head of Activity

Questions concerning this letter of authority or Purchase Card
Program should be directed to the Command Agency Program
Coordinator, (name of APC), who can be reached at (insert APC
telephone number/email address).