

# **GOVERNMENTWIDE COMMERCIAL PURCHASE CARD (GCPC) PROGRAM PROCEDURES AND PROPERTY ACCOUNTABILITY**

## **Advanced Management Program**

JUNE 2002

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**TITLE: GOVERNMENTWIDE COMMERCIAL PURCHASE CARD (GCPC)  
PROGRAM PROCEDURES AND PROPERTY ACCOUNTABILITY**

**BACKGROUND:**

The Governmentwide Commercial Purchase Card (GCPC) Program is one of the most beneficial acquisition tools introduced in recent years. NAVSUPINST 4200.94 authorizes use of the purchase card to buy and/or pay for all requirements under the micro-purchase threshold. The purchase card shall be used to purchase supplies and services up to \$2,500 and construction up to \$2,000. It must be used either as a procurement or payment method for micro-purchases. The purchase card shall be used to purchase supplies and services in accordance with FAR Part 13, DFARS Part 213, NAPS 5213, the General Services Administration (GSA) SMART PAY Contract (GS-23F-98006), HCA instructions and local operating procedures. The three primary players in the GCPC Program are:

1. Agency Program Coordinator (APC). The individual designated by the Commanding Officer (CO) or Head of Activity (HA) has overall responsibility for the management, administration and day-to-day operations of the purchase card program at the activity.
2. Approving Official (AO). The individual responsible for reviewing and verifying the monthly purchase card statements of the cardholders under his/her purview. The AO must verify all purchases were necessary and for official government purposes in accordance with the applicable directives. Unless otherwise specified, the AO must also be the certifying Officer for his/her cardholder(s) and in that capacity must certify the monthly billing statement and forward it to the appropriate office for payment.
3. Cardholder (CH). Any government employee who is designated by the HA or designee to be issued a purchase card or purchase card account. The purchase card bears the name/account number of this individual.

The use of the card has expanded since its inception in 1982. Table 1 illustrates Navy GCPC activity for the past 3 fiscal years.

Table 1 – Navy GCPC Activity

	FY00	FY01	FY02 (YTD)
Card Holders	43,000	29,914	24,074
Transactions	2.7 million	2.7 million	1.7 million
Sales (in \$)	1.6 billion	1.8 billion	1.2 billion

Data obtained from Citibank



The Navy's Purchase Card Program is part of the Governmentwide Commercial Purchase Card Program, which was established to streamline federal agency acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. DOD reported that it used purchase cards for 95% of its eligible transactions - more than 10 million transactions, valued at \$5.5 billion - in fiscal year 2000. The Navy's reported purchase card activity represented nearly one third of the reported DOD total during fiscal year 2000 - 2.7 million transactions, valued at \$1.7 billion.

The General Accounting Office (GAO) conducted an audit between August 2000 and June 2001 of two GCPC programs in San Diego: SPAWAR and the Public Works Center (PWC). According to unaudited DOD data, SPAWAR and PWC San Diego activities accounted for \$68 million (about 15 percent) of the \$451 million in fiscal year 2000 Navy purchase card payments processed by Defense Finance and Accounting Service (DFAS) San Diego. The audit highlighted deficiencies in the GCPC program that may also exist throughout the Navy GCPC program. The findings included a proliferation of cardholders, an excessive ratio of cardholders to AOs, insufficient training, failure to capture rebates, fraudulent/improper/abusive transactions and the failure to record accountable items in property records. The AMP team wanted to explore the GAO requirement for property accountability. The GAO report states, "An Agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories and equipment that might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records (GAO Standards for Internal Control in the Federal Government)."

The GAO report also cited NAVSOP 1000-3M, which required that property be recorded in property records along with a description of the item, property identification number, model and serial number, manufacturer, acquisition cost and the location or custodian of the property. Subsequent to the GAO audit, SECNAVINST 7320.10 was issued (August 2001) and it redefined the property accountability requirements for Navy owned property. Under the new regulation, items routinely purchased with the GCPC such as digital cameras, cell phones, computer accessories and software, tools, digital personal assistants, televisions and VCRs could be classified as Pilferable Property except they do not meet the "not easily replaced or repaired" clause in the description. Property considered to be pilferable must meet the following criteria in the SECNAVINST: Portable items that can easily be converted to personal use and have been determined by the commander to be a) critical to fulfilling the activity's mission/business **AND** b) hard to repair or replace. As written, section b) of the Pilferable Property definition in the SECNAVINST 7320.10 can be used to preclude inventorying property commonly purchased with the GCPC.



## **DISCUSSION:**

The team elected to investigate a solution for the property accountability issue that would satisfy GAO audit requirements and not overburden Navy personnel or the Defense Property Accountability System (DPAS), a contractor operated government property accountability system. The team evaluated the following options:

### **1. Identify a POC or office to receive and manage property purchased with the GCPC.**

The process for receiving and distributing GCPC purchases varies at each installation. At COMNAVSPECWARCOM in San Diego all property purchased with the GCPC is received and distributed by the Supply Department. At Trident Refit Facility, Kings Bay all procurement with the GCPC is received by the Supply Department. At the Great Lakes Training Center supplies purchased with the GCPC are delivered directly to the end user. At NAVSUP in Mechanicsburg each directorate is responsible for receiving property ordered with the GCPC, since there is no Supply Department at NAVSUP.

### **2. Institute an inventory recording system that utilizes an electronic record to track property.**

- a. Where the property is received and distributed by the Supply Department the existing DPAS system can be used. This system includes assigning a barcode to the property that includes the Unit Identification Code (UIC). For property received by the end user or a designated POC within the unit ordering the property, the existing bar code system could also be used. This would require coordination between the receiver and the Supply Department.
- b. Microsoft Excel or Access Software - a basic spreadsheet using software already available on all personal computers can be utilized to maintain property records for supplies procured with the GCPC and received by someone other than the Supply Department. Developing a spreadsheet or database that incorporates all the previously required Navy property record information would require personnel to design and maintain the spreadsheet/database as well as provide data entry support for all supplies bought with the GCPC.
- c. Commercially Available Barcoding Systems - A multitude of barcoding/inventory systems are available for use. They range



from small hand held units to extensive computer units with large barcode printers. Cost ranges from several thousand dollars to over \$10,000. Based on the fact that the GCPC purchases are delivered to the various end users at each location, the cost of this equipment for each office/department at an installation would be excessive and preclude input to DPAS.

**3. Change the definition of pilferable property in the SECNAVINST or include a list of property the activity would like to be accounted for in the Installation Operating Plan (IOP).**

- a. If the SECNAVINST is changed to remove the “not easily replaceable or repairable” portion of the Pilferable Property definition then most of the property purchased with a GCPC would have to be recorded in DPAS.
- b. If the SECNAVINST is not changed, each installation has the ability to modify their IOP to identify property under \$2,500 that is considered pilferable, even if easily replaced. A broad generic listing of property considered pilferable could be developed for distribution within the DON or each command can evaluate the type of property normally purchased with the GCPC and tailor their IOP to include just this property or a threshold value.

**RECOMMENDATIONS:**

The following should keep the GCPC losses to an immaterial level, thus satisfying the GAO.

1. Items purchased with the GCPC shall be signed as received by the end user and subject to random audit by the command’s internal review staff if not accounted for formally in DPAS.

Pro: This will save the time which would be required to enter, maintain and inventory GCPC property every three years. Additionally, end users would be accountable for property and therefore less likely to pilfer it or allow it to be pilfered. Finally, internal review is more independent than solely an APC review.

Con: Property that is installed in ships’ systems would not be available for random audit.

2. The item receipt will be annotated to include model/serial number, property description, date distributed to the end user with the name, signature and location of the end user.

Pro: This would document the end user's accountability and permit random audit. The item receipt doubles as a hand receipt, so no additional document or automated system is required. This would meet the GAO requirement for more accountability.

Con: There is no provision to update the item receipt when someone leaves the command.

3. AOs shall verify GCPC invoices for payment only after establishing:
  - a. Adequacy of supporting order receipt and invoice.
  - b. Legality of payment with appropriated funds.

Pro: Only items that were ordered, received and invoiced would be paid for which would serve as a check on the credit card holder (currently AOs rely on the cardholders to report discrepancies). Only accurately calculated credit card invoices would be paid. Only items that are legal to purchase with appropriated funds will be paid for. This also meets the GAO requirement for checks and balances on the cardholder.

Con: More time will be required for AO review.

4. Each command should develop its own determination/list of pilferable property, depending on its mission requirement.

Pro: The list would be of manageable length, and tailored to local needs.

Con: There would not be uniformity across the Navy.

The team believes that these four recommendations will meet the requirements of property accountability, reduce abuse and pilferage, and yet avoid the expense and labor effort of formal systems. Thus, bar coding, Excel/Access spreadsheets and DPAS are not recommended for items costing less than \$2,500.

**REFERENCES:**

(a) NAVSUPINST 4200.94 DEPARTMENT OF NAVY (DON) POLICIES AND PROCEDURES FOR THE IMPLEMENTATION OF THE GOVERNMENTWIDE COMMERCIAL PURCHASE CARD (GCPC) PROGRAM

(b) SECNAVINST 7320.10 DEPARTMENT OF THE NAVY (DON) PERSONAL PROPERTY POLICIES AND PROCEDURES

(c) GAO REPORT TO CONGRESS "PURCHASE CARDS: CONTROL WEAKNESSES LEAVE TWO NAVY UNITS VULNERABLE TO FRAUD AND ABUSE." NOVEMBER 2001 (GAO-02-032)

(d) GAO TESTIMONY "PURCHASE CARDS: CONTROL WEAKNESSES LEAVE TWO NAVY UNITS VULNERABLE TO FRAUD AND ABUSE." MARCH 13, 2002 (GAO-02-506T)

