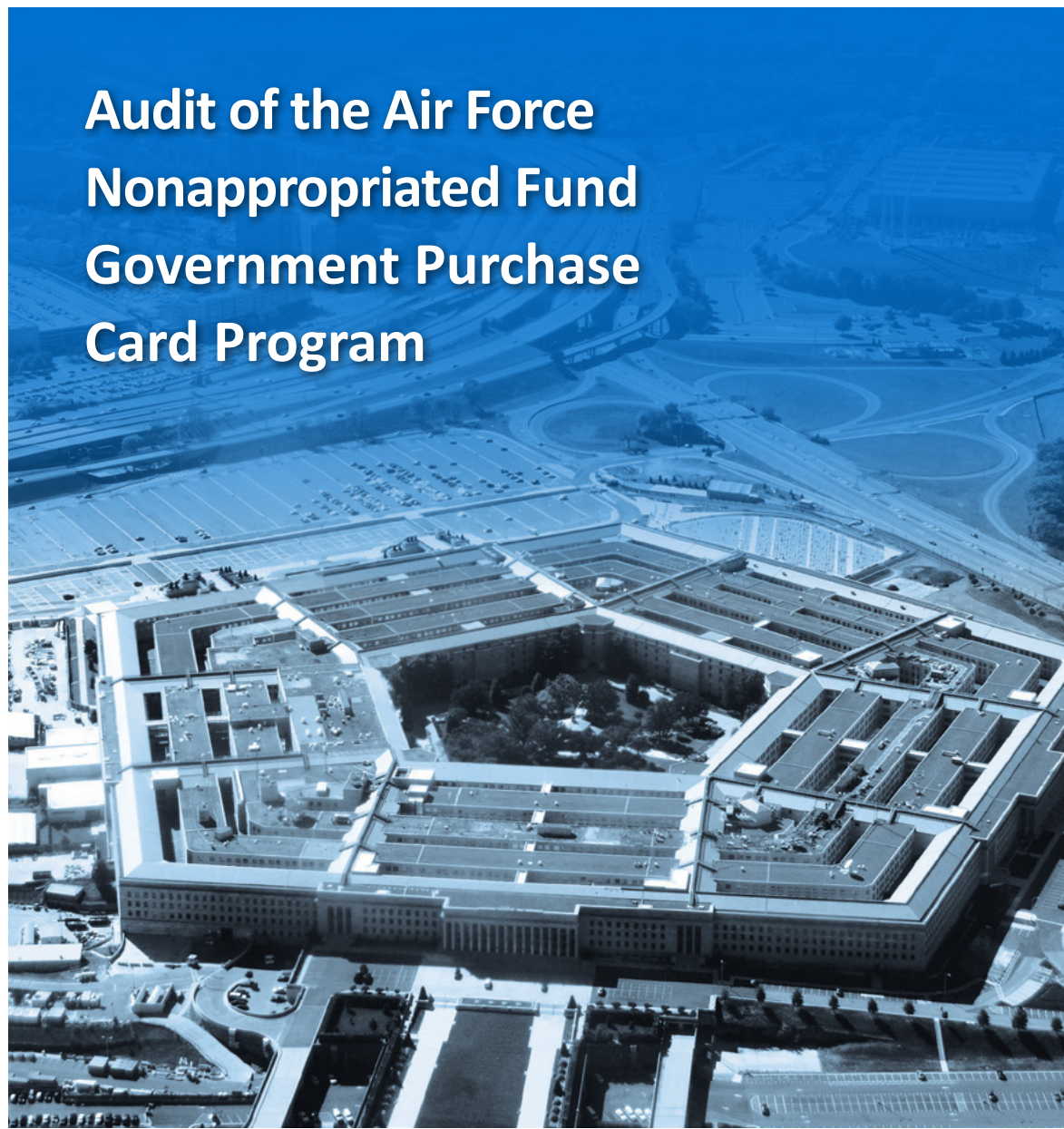




# INSPECTOR GENERAL

*U.S. Department of Defense*

AUGUST 16, 2019



## **Audit of the Air Force Nonappropriated Fund Government Purchase Card Program**

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







# Results in Brief

## *Audit of the Air Force Nonappropriated Fund Government Purchase Card Program*

August 16, 2019

### Objective

We determined whether Government purchase card (GPC) cardholders under the Air Force Nonappropriated Fund Purchasing Office properly made and documented purchases in accordance with applicable laws and regulations.

Public Law 112-194, "Government Charge Card Abuse Prevention Act of 2012," section 2784, title 10, United States Code (2012), requires the DoD Office of Inspector General (DoD OIG) to conduct periodic audits and reviews of the DoD purchase card program.

### Background

Nonappropriated funds (NAFs) are not appropriated by Congress but are funds received by the DoD from the sale of goods and services. NAFs are used to support Morale, Welfare, and Recreation programs, such as fitness, arts and crafts, auto hobby shops, outdoor recreation, bowling, golf, and other membership programs, as well as other programs for the collective benefit of military personnel, their family members, and authorized civilians.

The Air Force NAF Purchasing Office is the central purchasing office that oversees NAF contracting procedures throughout the Air Force. The Air Force NAF Purchasing Office developed, implemented, and maintains the Air Force NAF GPC program, which made 312,261 purchases totaling \$255.2 million between July 1, 2017, and June 30, 2018.

### Background (cont'd)

Personnel in the Air Force NAF GPC program include:

- installation program coordinators, who manage the GPC program at the installation level and delegate purchase authority to cardholders;
- approving officials, who certify the cardholders' GPC statement and determine whether the items purchased were for official use; and
- cardholders, who purchase supplies, resale items, and services for supporting activity needs, including the Air Force Morale, Welfare, and Recreation program or other support activities.

Office of Management and Budget Circular A-123, Appendix C, states that an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements and includes payments with insufficient or a lack of documentation.

According to the DoD Government Charge Card Guidebook, administrative discrepancies are actions that violate operational policies or procedures but do not violate Federal law or regulation. Examples include incomplete forms and documentation and failure to retain required documents for the required period.

### Finding

Although Air Force NAF GPC cardholders made purchases supporting the Air Force Morale, Welfare, and Recreation program and other support activities, not all purchases were proper and documented in compliance with applicable laws and regulations.

Based on our statistical projection of the 312,261 purchases between July 1, 2017 and June 30, 2018, Air Force NAF GPC cardholders:

- did not have proper written authority to use the NAF GPC for up to 28,901 purchases because installation program coordinators and approving officials did not manage the cardholders' delegations of purchase authority;



# Results in Brief

## *Audit of the Air Force Nonappropriated Fund Government Purchase Card Program*

### **Finding (cont'd)**

- did not provide the proof of purchase to support up to 14,110 purchases because installation program coordinators and approving officials did not manage the cardholders' documentation and Air Force Instruction 34-275 did not always require cardholders to retain supporting documentation; and
- erroneously paid sales tax on up to 25,755 purchases because cardholders did not identify sales tax and have it removed at the time of purchase.

In addition, cardholders made recurring GPC purchases to the same merchant without establishing a contract because Air Force NAF GPC cardholders did not successfully coordinate with contracting offices to aggregate recurring GPC purchases.

As a result of these deficiencies, we statistically projected that cardholders made up to \$23.3 million in potential improper payments on 14.6 percent, or 45,737 of 312,261 purchases between July 2017 and June 2018.<sup>1</sup> Additionally, Air Force NAF GPC program personnel were responsible for administrative discrepancies on up to 303,125 purchases totaling \$167.3 million. Unless Air Force NAF GPC controls are strengthened, cardholders will continue to make improper payments, pay sales tax, and miss out on cost savings through negotiated contracts.

### **Recommendations**

We recommend that the Director of the Air Force Nonappropriated Fund Purchasing Office:

- establish an annual requirement to review cardholder delegations of purchase authority to determine if the current installation program coordinator is establishing and retaining purchase limits to meet mission requirements;
- review the statistically sampled purchases that did not include the required supporting documentation or that included erroneously paid sales tax to determine if the purchases were improper payments and report confirmed improper payments in accordance with the Improper Payments Elimination and Recovery Improvement Act;
- establish procedures in AFI 34-275 for retaining documentation when cardholders separate from an organization;
- develop procedures in AFI 34-275 to ensure that cardholders retain documentation that:
  - supports the purchase approval,
  - verifies that items or services were received,
  - proves all items or services were purchased,
  - describes the items or services,
  - provides the reason for the purchase, and
  - identifies for whom the purchase was made;
- direct all installation program coordinators, approving officials, and cardholders to determine whether the purchases are tax-exempt and recoup any erroneously paid sales tax; and
- identify purchases that are logically associated or purchased together and aggregate them to obtain lower prices and standardize requirements, as well as incorporate a requirement for aggregation into policy.

<sup>1</sup> See Appendix B, "Statistical Sample" for discussion on the projection.



# Results in Brief

## *Audit of the Air Force Nonappropriated Fund Government Purchase Card Program*

### Management Comments and Our Response

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed with the recommendations and stated that the Air Force officials will:

- Establish a requirement to review the cardholder delegations of purchase authority on an annual basis.
- Review purchases without supporting documentation or with sales tax and report the confirmed improper payments.
- Include instructions in a new Air Force Manual and Installation/Unit out-processing checklists for cardholder separations.
- Include instructions in a new Air Force Manual for required supporting documentation, including purchase requests, receipt of items or services, elements of a valid proof of purchase, and transaction notes.

- Include instructions in a new Air Force Manual, training, and education programs regarding the validation and recoupment of sales tax.
- Include instructions in a new Air Force Manual regarding the aggregation of purchases to obtain cost savings.

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force addressed all specifics of the recommendations. Therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify that the planned actions have been completed.

Please see the Recommendations Table on the next page for the status of recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Air Force Nonappropriated Fund Purchasing Office	None	1.a, 1.b, 1.c, 1.d, 1.e.1, 1.e.2, 1.e.3, 1.e.4, 1.f, and 1.g	None

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

August 16, 2019

MEMORANDUM FOR DIRECTOR, AIR FORCE NONAPPROPRIATED FUND PURCHASING OFFICE  
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of the Air Force Nonappropriated Fund Government Purchase Card Program  
(Report No. DODIG-2019-113)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report and conformed to the requirements of DoD Instruction 7650.03.

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services agreed to address all the recommendations presented in the report; therefore, the recommendations are considered resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, the recommendations may be closed when we receive adequate documentation showing that all agreed-upon actions to implement the recommendations have been completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Your response should be sent to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me at [REDACTED], [REDACTED]

A handwritten signature in black ink that reads "Theresa S. Hull".

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment

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## Acronyms and Abbreviations



# Introduction

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## Objective

We determined whether Government purchase card (GPC) cardholders under the Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) properly made and documented purchases in accordance with applicable laws and regulations.

Public Law 112-194, “Government Charge Card Abuse Prevention Act of 2012,” section 2784, title 10, United States Code (10 U.S.C. § 2784 [2012]), requires the DoD Office of Inspector General (DoD OIG) to conduct periodic audits and reviews of the purchase card program.

## Background

The nonappropriated fund (NAF) GPC is used to make authorized Government purchases, including purchases of supplies and equipment up to \$5,000. The NAF GPC is also used for non-personal services up to \$2,500 and construction services up to \$2,000.<sup>2</sup> However, cardholders may also use the NAF GPC as a method of payment on agreements, purchase orders, delivery orders, and contracts up to the limit of the contracting officer’s warrant.<sup>3</sup> The Air Force NAF GPC program spent \$255.2 million on 312,261 purchases between July 1, 2017, and June 30, 2018.

The AFNAFPO, which is the central purchasing office that oversees NAF contracting procedures throughout the Air Force, developed, implemented, and maintains the Air Force NAF GPC program. The AFNAFPO develops policy and training and supports purchases, transaction management, payment execution, and analytical reporting requirements.

## ***Nonappropriated Funds and Their Role in the Morale, Welfare, and Recreation Program***

According to DoD Regulation 7000.14, “DoD Financial Management Regulation” (DoD FMR), volume 13, chapter 1, “Nonappropriated Fund Accounting,” nonappropriated funds, unlike appropriated funds, do not come from Congress and are not held within the U.S. Treasury. NAFs are funded through the sale of goods and services. NAFs are used to support Morale, Welfare, and Recreation (MWR) programs, as well as for the collective benefit of military personnel, their family members, and authorized civilians.

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<sup>2</sup> Examples of non-personal services include service contracts for custodial services, grass cutting, lawn care, and repair or maintenance of equipment.

<sup>3</sup> Contracting officers are responsible for executing orders or contracts up to the limit indicated on their contracting officer warrants, according to AFMAN 64-302, “Nonappropriated Fund Contracting Procedures,” November 8, 2016.

Air Force Policy Directive 34-2, "Managing Nonappropriated Funds," June 21, 2012, states that a NAF includes cash and other assets that a nonappropriated fund instrumentality (NAFI) both generates and receives from sources other than congressional appropriations.<sup>4</sup> NAFs are Government funds separate from funds of the U.S. Treasury, but entitled to the same privileges, immunities, and fiduciary responsibilities. NAFs include dividends from Army and Air Force Exchange Service operations; fees, charges, dues, and retail proceeds from NAFI-supported activities; income from NAF concessionaire contracts and commercial sponsors; contributions and donations; and grants from other NAFIs.

The Air Force uses NAFs to support and conduct numerous MWR programs as part of its effort to keep morale high. The MWR activities and programs include fitness, sports, library, child development, youth arts and crafts, auto hobby shops, outdoor recreation, clubs, slot machines, bowling, golf, aero club, and other membership programs. According to DoD Instruction 1015.10, the MWR programs:

- are an integral part of the military and benefits package;
- build healthy families and communities and provide consistently high-quality support services that are commonly furnished by other employers or state and local governments to their employees and citizens;
- encourage positive individual values and aid in recruitment and retention of personnel; and
- promote esprit de corps and provide for the physical, cultural, and social needs; general well-being; quality of life; and hometown community support of Service members and their families.

### ***Roles and Responsibilities in the Air Force NAF GPC Program***

The Air Force NAF GPC program structure includes a three-level hierarchy that consists of installation program coordinators (IPCs), approving officials (AOs), and cardholders.

#### ***Installation Program Coordinator***

The IPC is responsible for the NAF GPC program at the installation and major command level. The IPC provides each AO with a written letter of appointment, issues a written delegation of purchase authority (DoPA) to each cardholder, establishes a reporting system, and provides mandatory NAF GPC training and surveillance.<sup>5</sup>

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<sup>4</sup> A nonappropriated fund instrumentality is an entity of the U.S. Government and is supported in whole or in part by nonappropriated funds.

<sup>5</sup> The DoPA describes the types of purchases authorized and dollar limitations of the NAF GPC. It also identifies the name, rank or grade, duty title, and telephone number of the cardholder and approving official and specifies that only NAF funds may be used for NAF GPC transactions.

### *Approving Official*

The AO is the cardholder's immediate supervisor or a higher-level official. AOs are responsible for the cardholders' performance and compliance with applicable guidance. AOs are required to approve each of their subordinate cardholders' transactions and at least three times each week ensure the cardholders have reviewed the transaction before payment. Once per month, the AO has to certify the cardholder's GPC statement and determine whether items purchased were for official use.

### *Cardholder*

Cardholders are issued a written DoPA from the IPC to use the NAF GPC to purchase supplies and equipment up to \$5,000 and non-personal services up to \$2,500 without exceeding their single purchase limit or monthly purchase limit. A NAF contracting officer can specify the NAF GPC as a method of payment on agreements, purchase orders, delivery orders, and contracts up to the limit of their warrant.

### ***Air Force Instruction 34-275, "Air Force Nonappropriated Fund Government Purchase Card Program," June 23, 2011***

Air Force Instruction (AFI) 34-275 establishes responsibilities, authorities, and procedures for purchasing with the Air Force NAF GPC. The Instruction provides guidance for IPCs, AOs, and cardholders. Specifically, the Instruction prohibits the cardholders from:

- exceeding the purchase limits on the DoPA;
- splitting purchases in order to stay within the single purchase limit;
- obtaining cash advances;
- purchasing non-personal services exceeding \$2,500; and
- purchasing construction services exceeding \$2,000.

AFI 34-275 also requires that cardholders:

- verify that sales tax is not included in the purchase amount;
- obtain a signed DoPA from the IPC;
- obtain approval from supervisors before each purchase;
- retain the proof of purchase, such as cash register receipts or invoices;
- verify that the quantity and quality of the items or services furnished were in accordance with the agreement (verbal or written) with the vendor; and
- provide a description of the items purchased and the reason for the purchase in the bank system transaction notes.

## ***Categories of Government Purchase Card Violations***

We used the definition of an improper payment from Office of Management and Budget Circular, No. A-123, Appendix C, “Requirements for Payment Integrity Improvement,” June 26, 2018, and the definition of an administrative discrepancy from the “DoD Government Charge Card Guidebook,” October 2017.

### ***Improper Payment***

According to Office of Management and Budget Circular No. A-123, Appendix C, an improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received, and any payment that does not account for credit for applicable discounts. In addition, when an agency’s review is unable to discern whether a payment was proper because of insufficient or missing documentation, the payment should be considered an improper payment.

The Office of the Under Secretary of Defense (Comptroller), Accounting and Finance Policy Directorate, has oversight responsibility for the DoD’s improper payment reporting and compiles the DoD-wide results annually as part of the DoD’s Agency Financial Report.<sup>6</sup> According to the Improper Payments Elimination and Recovery Improvement Act of 2012, an agency must include all identified improper payments in its reported estimates, regardless of whether the agency recovered the improper payment. The Act requires agencies to include purchase card payments in the improper payments estimate, where appropriate.

### ***Administrative Discrepancy***

According to the “DoD Government Charge Card Guidebook,” October 2017, administrative discrepancies are actions that violate operational policies or procedures but do not violate Federal law or regulation. Examples include incomplete forms and documentation, failure to retain required documents for the required period, and cardholders not following the required policy and procedures for purchasing supplies or services to fill a valid Government need. We used the term “administrative discrepancy” to summarize documentation issues related to the approval of the purchases, verification of receipt of items or services, and cardholder transaction notes.

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<sup>6</sup> DoD FMR, volume 4, chapter 14, “Improper Payments.”



## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>7</sup>

We identified internal control weaknesses in the Air Force NAF GPC program. Specifically, the IPC did not always properly retain written authority for cardholders to use the GPC and cardholders did not always retain documentation supporting the NAF GPC purchases. We will provide a copy of the report to the senior official responsible for internal controls at the AFNAFPO.

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<sup>7</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding

### Purchase Compliance and Documentation Within Air Force NAF GPC Program Needs Improvement

Although Air Force NAF GPC cardholders made purchases supporting the Air Force MWR program and other support activities, not all purchases were proper and documented in compliance with applicable laws and regulations.<sup>8</sup> Based on our statistical projection of the 312,261 purchases between July 1, 2017, and June 30, 2018, Air Force NAF cardholders:

- did not have proper written authority to use the NAF GPC for up to 28,901 purchases because IPCs did not manage cardholder DoPAs;
- did not provide documentation to support up to 14,110 purchases because IPCs and AOs did not manage the cardholders' supporting documentation and AFI 34-275 did not always require cardholders to retain supporting documentation; and
- erroneously paid sales tax on up to 25,755 purchases because cardholders did not identify sales tax and have it removed at the time of purchase.

In addition, cardholders made recurring GPC purchases to the same merchant without establishing a contract because Air Force NAF GPC cardholders did not successfully coordinate with contracting offices to aggregate recurring GPC purchases.

As a result of these deficiencies, we statistically projected that cardholders made up to \$23.3 million in potential improper payments on 14.6 percent, or 45,737 of 312,261 purchases between July 2017 and June 2018.<sup>9</sup> Additionally, Air Force NAF GPC program personnel were responsible for administrative discrepancies on up to 303,125 purchases totaling \$167.3 million. Unless Air Force NAF GPC controls are strengthened, cardholders will continue to make improper payments, pay sales tax, and miss out on cost savings through negotiated contracts.

<sup>8</sup> Public Law 112-194, "Government Charge Card Abuse Prevention Act of 2012," section 2784, title 10, United States Code, October 5, 2012.

<sup>9</sup> See Appendix B, "Statistical Sample," for discussion on the sample and our projected results.

## Air Force NAF GPC Purchases Supported the Intended Programs

Air Force NAF GPC cardholders spent \$255.2 million through 312,261 purchases between July 1, 2017, and June 30, 2018. We used a statistical sample of 121 purchases, made by 116 cardholders, to review the Air Force NAF GPC program

*We determined that the cardholders' purchases supported the Air Force MWR program or other support activities and included items or services such as food for resale, recreational activities, office supplies, or repair services.*

(see Appendix D for a summary of the audit results). We determined that the cardholders' purchases supported the Air Force MWR program or other support activities and included items or services such as food for resale, recreational activities, office supplies, or repair services. For example, on March 23, 2018, a cardholder from Yokota Air Base purchased engraving

material, pet tags, t-shirts, and sublimation sheets (custom printer paper) for \$596.90. The items were for the Yokota Arts and Crafts Center inventory, which is part of the MWR program. The cardholder had documentation (see Appendix C) to support the purchase authority, purchase request, proof of purchase, verified receipt of items, and complete transaction notes.

- **DoPA.** The IPC provided a DoPA that supported the cardholder's purchase and was issued on January 24, 2013, with a single purchase limit of \$5,000.
- **Purchase Request/Approval.** The cardholder obtained a NAF GPC purchase request form that included the supported activity, date of request, list of items requested and corresponding dollar amount, and merchant. The purchase request also included the date and signature for the requestor, cardholder, and AO as well as a statement requiring that the request be retained in the purchase documentation.
- **Proof of Purchase.** The cardholder retained the proof of purchase, which included the merchant information, total cost, quantities of items purchased, order date, shipment date, and invoice date. The proof of purchase also included an itemized list that matched the items on the purchase request and the total cost.
- **Receipt of Items/Services.** The cardholder documented that the items were received on the "Material Inspection and Receiving Report." The "Material Inspection and Receiving Report" included the merchant name, invoice number, quantity of items received, description of items received, transaction amount, and shipping location. The report also included the date the items were received as well as the name and signature of the individual who verified that the items were received in apparent good condition.

- **Transaction Notes.** The cardholder’s transaction notes in the bank system included the items purchased and order number that matched the proof of purchase. The information in the bank system also included that the purchase was for engraving shop resale as a part of the Yokota Arts and Crafts Center.

However, we determined that improvements to program guidance and additional program controls are needed within the Air Force NAF GPC program. Maintaining valid documentation, like that described above, ensures that oversight officials can verify that the cardholder had the purchase authority and that the items purchased were requested, approved, purchased, and received by the organization.

## Improvements Needed in Air Force NAF GPC Program

*Air Force NAF GPC cardholders made up to \$23.3 million in potential improper payments that corresponded with 45,737 purchases between July 2017 and June 2018.*

The Air Force NAF GPC Program needs improvements to program guidance and additional program controls because cardholders did not always have proper written authority to support their purchases, did not always maintain supporting documentation, paid sales

tax when not required to, exceeded monthly purchase limits, and did not aggregate purchases on contracts. Based on these deficiencies, we projected that Air Force NAF GPC cardholders made up to \$23.3 million in potential improper payments that corresponded with 45,737 purchases between July 2017 and June 2018. In addition, we projected that Air Force NAF GPC program personnel were responsible for administrative discrepancies on up to 303,125 purchases for \$167.3 million.

### **Cardholders Did Not Have Valid Written Purchase Authority**

Cardholders made purchases without valid written purchase authority, making those purchases potentially improper. IPCs did not always manage or maintain cardholder DoPAs or adjust the cardholders’ monthly purchase limits. AFI 34-275 defines the cardholder’s DoPA as a document, issued by the IPC to each designated cardholder, which fully describes the types of purchases the cardholder is authorized to make and the dollar limitations of the cardholder’s GPC. The DoD FMR, volume 14, chapter 1, “Administrative Control of Funds,” states that for all DoD funds, “all delegations or redelegations of authority . . . must be made in writing.”



### *IPCs Did Not Retain Cardholders' Delegations of Purchase Authority*

IPCs did not provide DoPAs to support the cardholders' purchases for 6 of the 121 purchases. The IPCs are required to retain the DoPA for as long as the cardholder is performing that function, and 2 years after that.<sup>10</sup> IPCs did not always retain cardholders' DoPAs and were consequently unable to determine whether purchases were proper. For example, on August 10, 2017, one cardholder at Joint Base Charleston paid \$366.53 to purchase 36 packs of golf balls for resale in the golf course pro shop. However, the IPC could not locate the cardholder's DoPA to support that the cardholder had the authority to make the purchase, making the payment potentially improper according to Office of Management and Budget Circular A-123, Appendix C.<sup>11</sup> Because IPCs did not manage their cardholders' DoPAs, cardholders could not provide purchase authority support for up to \$8.1 million in payments that corresponded with 28,901 purchases, according to our statistical projection. The dollar value of a cardholder's purchase made without proper written purchase authority (the DoPA), that the Agency confirms to be an improper payment, should be reported in accordance with the Improper Payments Elimination and Recovery Improvement Act.

*Because IPCs did not manage their cardholders' DoPAs, cardholders could not provide purchase authority support for up to \$8.1 million in payments that corresponded with 28,901 purchases.*

### *IPCs Did Not Adjust Cardholder Monthly Purchase Limits*

The IPCs did not always monitor cardholder purchase amounts and re-issue the cardholders' DoPAs with a monthly purchase limit that reflected planned mission requirements. According to the NAF GPC training, IPCs are responsible for ensuring cardholders are notified through a DoPA of their respective duties and responsibilities. Instead, the IPCs managed the cardholders' limits through the bank system. The monthly purchase limit is the total dollar value of NAF GPC purchases that cardholders may not exceed in any single month. IPCs use the monthly purchase limits to ensure that budget authorizations for each activity are not exceeded.

We determined that 28 of 116 cardholders exceeded the monthly purchase limits established on the DoPAs by the IPC. For example, a cardholder from Robins Air Force Base had a DoPA signed by the IPC on October 28, 2009,

<sup>10</sup> Air Force Records Disposition Schedule, Table 64-4, Rule 26.04, "Government-Wide Purchase Card Program Administration Individual Account Files," April 2, 2018.

<sup>11</sup> Office of Management and Budget Circular No. A-123, Appendix C, "Requirements for Payment Integrity Improvement," June 26, 2018.

with a monthly purchase limit of \$10,000. The IPC re-issued the DoPA on October 30, 2017, with a monthly purchase limit of \$5,000. However, between July 2017 and June 2018, the cardholder's total monthly spending was consistently greater than either the \$10,000 or \$5,000 monthly purchase limits. Table 1 shows the cardholder's actual monthly expenditures and corresponding purchase limits for a 1-year period.

*Table 1. Cardholder Expenditures and Monthly Purchase Limit*

Period	Cardholder Monthly Spend	Cardholder Monthly Purchase Limit on DoPA
July 2017	\$82,479.65	\$10,000
August 2017	87,392.68	10,000
September 2017	76,642.53	10,000
October 2017	92,567.75	10,000
November 2017	74,524.00	5,000
December 2017	62,087.37	5,000
January 2018	75,676.05	5,000
February 2018	76,319.94	5,000
March 2018	83,778.15	5,000
April 2018	75,451.74	5,000
May 2018	83,825.28	5,000
June 2018	85,244.78	5,000

Source: The DoD OIG.

The IPC increased the cardholder's limit in the bank system but did not comply with guidance to redelegate the cardholder's monthly purchase limit in writing. The increased limit in the bank system allowed the cardholder to spend up to \$155,000 in a month and exceed the purchase authority delegated on the DoPA. After discussion with the audit team, the IPC reissued the cardholder's DoPA on February 5, 2019, with an increased monthly purchase limit of \$110,000. The IPC also planned to review each of the cardholders' DoPAs on a quarterly basis.

If IPCs do not review and update the DoPAs to ensure that the authorizations are sufficient to support the need and ensure that cardholders do not exceed their monthly purchase limits, then IPCs will not be able to determine whether the cardholders have the proper authorization to make purchases.

The AFNAFPO Director should establish a requirement for an annual statistical review of all cardholders' DoPAs to determine whether the IPCs are properly retaining the DoPAs as well as establishing monthly purchase limits to meet

mission requirements. Once the review is completed, the AFNAFPO Director should review and validate that the cardholder DoPAs are being retained in accordance with AFI 34-275. Finally, the AFNAFPO Director should identify all cardholders without proper written purchase authority and report the purchases that were made without proper authority as improper payments, in accordance with the Improper Payments Elimination and Recovery Improvement Act.

### **Cardholders Did Not Provide Supporting Documentation**

*Cardholders had up to 14,110 potential improper payments and 303,125 purchases with administrative discrepancies related to supporting documentation.*

Cardholders did not always provide documentation to support their purchases. This occurred because the AOs and IPCs did not manage the cardholders' supporting documentation and AFI 34-275

did not require cardholders to retain all supporting documentation. As a result, cardholders had up to 14,110 potential improper payments and 303,125 purchases with administrative discrepancies related to supporting documentation, according to our statistical projection. Specifically, cardholders did not always provide documentation to support:

- proof of purchase,
- approval by supervisors obtained before the purchase, and
- verification of the receipt of items or services.

Additionally, cardholders did not always describe, within the bank system notes, the items or services purchased and the reason for the purchase. Without supporting documentation, fraud, misuse, and abuse can be difficult to detect.

#### *Proof of Purchase*

Cardholders either did not provide proofs of purchase to support their purchases or provided proofs of purchase that did not include itemized lists of goods or services. AFI 34-275 requires the AOs to obtain and review each of their cardholders' GPC statements with copies of the proofs of purchase to ensure that purchases were appropriate, given the duties of the cardholder and the activity. AOs are required to retain proof of purchase documentation for 10 years after final payment.<sup>12</sup> According to an AFNAFPO official, receipts should be itemized and may include cash register receipts, invoices, or electronic purchase confirmations. The AO and cardholder validate the items at the time of receipt as well as the end of the month against the GPC monthly statement, as required by AFI 34-275.

<sup>12</sup> Air Force Records Disposition Schedule, Table 64-04, Rule 26.01, "Government-wide Purchase Card Program Administration at Using Office," April 2, 2018.

### *Proofs of Purchase Not Retained*

Cardholders were unable to provide the proofs of purchase for 1 of the 121 purchases because the AO and IPC did not retain them in accordance with AFI 34-275 and NAF GPC training. For example, on August 26, 2017, a cardholder from Yokota Air Base purchased printer paper and then subsequently separated from his organization and moved out of the country without providing the IPC with all the required paperwork. The NAF GPC training module states that when the cardholder separates, the cardholder is to provide the IPC with all paperwork, including the GPC statements and original proofs of purchase. According to the IPC, the cardholder provided the purchase card records for the printer paper to the AO, which the AO subsequently lost. Therefore, the IPC could not verify the items purchased or the legitimacy of the purchase.

*As a result of the missing proofs of purchase, cardholders had potential improper payments related to as many as 14,110 purchases.*

As a result of the missing proofs of purchase, cardholders had potential improper payments related to as many as 14,110 purchases, according to our statistical projection. The AFNAFPO Director needs to review the purchases

that do not include a proof of purchase to determine if the purchase was an improper payment and report confirmed improper payments in accordance with the Improper Payments Elimination and Recovery Improvement Act. The AFNAFPO Director should revise AFI 34-275 to establish procedures for tracking and retaining documentation when cardholders separate from an organization.

### *Proofs of Purchase Not Itemized*

The cardholders' proofs of purchase were not always detailed to show the items or services purchased because AFI 34-275 and the NAF GPC training did not specifically require that the cardholders' proofs of purchase be itemized. For example, on August 18, 2017, a cardholder from Aviano Air Base made a purchase for €50 at a restaurant in Italy. The proof of purchase included the date of purchase, merchant name, and total cost; however, it did not include an itemized list of items or services. According to the cardholder, the purchase was for a gift card for bingo prizes; however, without an itemized receipt, the AO could not verify the item purchased.

The cardholders' proofs of purchase did not always include an itemized list of goods or services so the AOs could not effectively support what the cardholder purchased and the legitimacy of the purchase. Therefore, the AFNAFPO Director should establish requirements in AFI 34-275 that specify necessary components of a valid proof of purchase, such as the date of purchase, the total cost, and a description of the items or services purchased.



### *Prior Approval*

Cardholders did not provide documentation for 106 of the 121 sample purchases to show how they received approval for the purchase or how the purchase requirement was generated. Office of Management and Budget Circular A-123, Appendix B, “Improving the Management of Government Charge Card Programs,” January 2009 requires:

To the maximum extent possible, agency personnel requesting a cardholder to acquire an item(s) with a purchase card should provide written requests to the purchase cardholder for the items. If it is not possible for the requester to make the request in writing, the purchase cardholder should document in their file the requester’s name, item description, quantity, estimated cost, and date of request. The purchase cardholder should also document availability of funds at the time of each purchase and obtain prior approval before making self-generated purchases.

Cardholders did not provide documentation related to how the purchase requirement was generated or that the purchase was approved. For example, a cardholder from Holloman Air Force Base paid \$70.20 on November 29, 2017, for two Amazon Fire Sticks to advertise Force Support Squadron events and programs on televisions, but did not provide documentation supporting the purchase approval.

The cardholders did not provide the documentation because AFI 34-275 does not require the cardholders to retain approval documentation. Specifically, AFI 34-275 requires AOs and their respective managers to provide the procedures for approving cardholder purchases before purchases are initiated; however, it does not require that cardholders actually document the approval. According to an AFNAFPO official, all of the cardholders’ purchases must be approved prior to the purchase.

Because purchases lacked supporting approval documentation, we statistically projected that cardholders had up to 293,250 administrative discrepancies for \$127,670,988. Without sufficient documentation that describes the purchase requirement and approval, the AO is unable to verify how the requirement was generated and the need for the purchase.

*Because purchases lacked supporting approval documentation, we statistically projected that cardholders had up to 293,250 administrative discrepancies for \$127,670,988.*

The AFNAFPO Director should establish a requirement in AFI 34-275 that cardholders retain documentation to show how the purchase requirement was

generated, the need for the purchase, and the activity it supports. The revised guidance should also require that cardholders retain documentation that includes the items requested, dollar amount, and the name and signature of the requestor, approving official, and cardholder.

### *Verified Receipt of Items or Services*

Cardholders did not provide documentation supporting that the items or services purchased were received for 43 of the 121 sample purchases. AFI 34-275 requires that cardholders verify that the quantity and quality of the items or services furnished are in accordance with the vendor agreement (verbal or written) to ensure that cardholders receive the items or services that they are being charged for. AFI 34-275 also requires that the person receiving the item or service provide a copy of the invoice or delivery ticket to the cardholder for use in annotating the merchandise receipt. It is then up to the AO to ensure that timely receipt of merchandise and services is documented and the individual receiving the merchandise compares the order form to the invoice or delivery ticket.

Cardholders did not always provide support for the verification that items or services were received because AFI 34-275 does not require cardholders to retain documentation to support the verification. For example, on October 3, 2017, a cardholder at Scott Air Force Base paid \$108.50 for a repair service on a line trimmer for the golf course maintenance shop. According to an AFNAFPO official, the individual requiring the service was responsible for confirming that the service was complete and for providing the cardholder with the invoice for payment. The AO would then accept that the service was complete because the cardholder paid the invoice. However, without documentation, the AO could not support whether the cardholder verified that the items or services were received in accordance with the agreement with the vendor.

Because the purchases lacked supporting documentation related to the receipt of the items or services, we statistically projected that cardholders had up to 138,995 administrative discrepancies that totaled \$67,902,153. Retaining documentation related to the receipt of items would allow the cardholders and oversight officials to verify that the items or services purchased were received by the activity in accordance with the agreement with the vendor.

*Because the purchases lacked supporting documentation related to the receipt of the items or services, we statistically projected that cardholders had up to 138,995 administrative discrepancies that totaled \$67,902,153.*

The AFNAFPO Director should establish a requirement in AFI 34-275 that cardholders retain documentation which shows that items or services were received in accordance with the vendor agreement and include the name of the individual that received the item or service and the individual's signature and contact information.

### *Transaction Notes*

Cardholders did not include all required information in the bank system notes for 26 of the 121 sample purchases.<sup>13</sup> The NAF GPC training states that the information contained in the bank system is crucial to justifying and verifying whether the purchase was authorized and the AFI requires that cardholders include the items purchased and the reason for the purchase. The NAF GPC training adds that generic statements are not acceptable and that the notes should include the items or services purchased, the reasons for the purchase, and for whom the items or services were purchased.

Cardholders used generic statements instead of detailed transaction notes, which hindered the AOs ability to certify that the purchases were authorized. For example, between July 2017 and June 2018, a cardholder from Laughlin Air Force Base had 27 purchases for \$562.96 for shipments with the United Parcel Service (UPS). Those purchases included generic statements in the transaction notes, such as "UPS Invoice," "UPS bill for 2 packages," or "UPS shipping fees." According to the IPC, the cardholder's purchases were shipments for customers, but the supporting documentation only included the merchant (UPS) and the dollar amount. Neither the cardholder's transaction notes nor the supporting documentation included the reasons for the purchase or for whom the items or services were purchased.

*Because cardholders did not include the description of the items or services purchased or the reason for the purchase, up to 91,331 purchases included administrative discrepancies.*

The cardholders' notes were considered incomplete because the cardholders did not include the items or services purchased or the reason for the purchase and AOs approved purchases without all the required information. Because cardholders did not include

the description of the items or services purchased or the reason for the purchase, up to 91,331 purchases included administrative discrepancies, according to our statistical projection. Without the required information in the transaction notes, the AO and other oversight officials are unable to verify that the purchase was authorized. Detailed transaction notes are critical during the transaction approval

<sup>13</sup> The cardholders' notes related to the purchases were in the JP Morgan Chase PaymentNet online system.

process because the AOs must ensure that the purchase was authorized and necessary to the mission and that the notes contain all necessary information to identify the purchase.

The AFNAFPO Director should revise AFI 34-275 to include the requirement that bank system notes must contain the specific items or services purchased, the reason for the purchase, and for whom the items or services were purchased.

### ***Cardholders Paid Sales Tax***

Cardholders erroneously paid sales tax on 4 of the 121 sample purchases, subsequently overpaying for the purchase. According to AFI 34-275, the Government is exempt from paying sales tax on GPC purchases. In addition, the initial GPC training provided to the cardholders specifically states that most purchases are tax exempt and that cardholders are required to inform the merchant that the purchases are for official U.S. Government use and exempt from state or local sales tax.<sup>14</sup>

For example, on December 7, 2017, a cardholder from Arnold Air Force Base purchased sanitation items to maintain a clean environment for the golf course snack bar. The purchase included three invoices that all included sales tax. We compiled the cardholder's purchases from that merchant and provided them to the IPC for review and action. The IPC verified that the merchant improperly charged sales tax on all of the invoices to that cardholder. The IPC stated that he coordinated with the merchant on January 16, 2019, and the merchant was issuing a check for the improperly paid tax. On April 19, 2019, the merchant issued a check for \$242.74 to reimburse the golf course for the sales tax.

Cardholders made overpayments because they did not always identify sales tax at the time of the purchase and inform the merchant of the Government's tax-exempt status. Because the cardholder purchases included sales tax, we statistically projected that up to 25,755 purchases were potential improper payments.

*Because the cardholder purchases included sales tax, we statistically projected that up to 25,755 purchases were potential improper payments.*

The AFNAFPO Director should direct all installation program coordinators, approving officials, and cardholders to determine whether the purchases are tax-exempt and recoup any erroneously paid sales tax. The AFNAFPO Director

<sup>14</sup> Overseas purchases may include the tax if vendors do not acknowledge tax-exempt status and circumstances make it impractical to buy from a local vendor that does not charge the tax or order from a U.S. vendor.

should also review all purchases with sales tax to determine whether the purchases were improper and report confirmed improper payments in accordance with the Improper Payments Elimination and Recovery Improvement Act.

### ***Cardholders Made Recurring Purchases with the Same Merchant***

Cardholders sometimes made recurring purchases to merchants on the NAF GPC without establishing a negotiated contract, such as a blanket purchase agreement, to leverage Government buying power. AFI 34-275 does not require that cardholders aggregate GPC purchases to standardize requirements and procurement processes or obtain lower prices. However, Office of Management and Budget Circular A-123, Appendix B, states:<sup>15</sup>

To the greatest degree possible . . . agencies should use this [GPC] information to determine when sufficient quantities of like items are being procured via purchase card and evaluate when other procurement and supply methods, such as purchase card enabled strategic sourcing agreements, may better leverage the Government's buying power through consolidation of requirements.

Cardholders made recurring purchases without a contract because they did not successfully coordinate with the contracting office and aggregate purchases. For example, a cardholder from Ramstein Air Base used the NAF GPC to make 434 purchases for \$368,720 to the same vendor, between July 2017 and June 2018, but did not successfully coordinate with the contracting office and establish a contract that would be more economical. The purchases were for food to support restaurants, and the vendor batched the purchases on a weekly or semi-weekly basis, so the cardholder made the 434 purchases over 40 separate days. According to the IPC, establishing a negotiated contract would reduce the number of transactions and lower administration costs. Furthermore, the General Services Administration website states that blanket purchase agreements are established to fill repetitive needs for supplies or services and make it easier for the contractor and buyer to fill recurring needs with the customer's specific requirements in mind, while using the buyer's full buying power by taking advantage of quantity discounts, saving administrative time, and reducing paperwork.

Cardholders and IPCs should coordinate with contracting officials to determine if reoccurring purchases with the same merchant could be placed on a contract. This would increase the Government's buying power through consolidation of requirements and reduce the number of transactions and lower administration costs.

<sup>15</sup> Office of Management and Budget Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs," January 15, 2009.

The AFNAFPO Director should identify items or services that could be purchased together to obtain lower prices and standardize requirements, as well as incorporate a requirement in the AFI 34-275 regarding purchase aggregation.

## Conclusion

Improper payments and administrative discrepancies will continue until AFNAFPO establishes adequate controls over the NAF GPC program. AFNAFPO management must ensure that cardholders have proper written authority to purchase items and services and that they retain supporting documentation, exclude sales tax from purchases, and coordinate with the contracting offices to aggregate purchases and reduce costs. Without supporting documentation, fraud, misuse, and abuse can be difficult to detect. The funds spent on sales tax and the savings obtained through negotiated contracts could be better used to support the MWR program and for the collective benefit of military personnel and their family members.

## Recommendation, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend that the Director of the Air Force Nonappropriated Fund Purchasing Office:**

- a. Establish a requirement for an annual statistical review of all cardholders' delegations of purchase authority to determine whether the installation program coordinators are properly retaining the delegations of purchase authority as well as establishing monthly purchase limits to meet mission requirements.**

### *Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed and stated AFNAFPO will establish requirements for IPCs to perform an annual statistical review of all cardholders' DoPAs and forward their reviews to AFNAFPO. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

### *Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.



- b. Review and validate that the cardholder delegations of purchase authority are being retained, in accordance with Air Force Instruction 34-275.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed to the recommendation and added that the new Air Force Manual will only reference the Air Force Records Disposition Schedule as the authority for documentation retention and AFNAFPO will provide more timely documentation retention updates to the field through its program website and training modules. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

- c. Review the statistically sampled purchases that did not include the required supporting documentation or that included sales tax to determine if the purchases were improper payments and report confirmed improper payments in accordance with the Improper Payments Elimination and Recovery Improvement Act.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that AFNAFPO will review the transactions and comply with the recommendation. The Assistant Deputy estimated that these actions will be completed by November 1, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive documentation supporting the review and reporting of the improper payments.

- d. Establish procedures in Air Force Instruction 34-275 for retaining documentation when cardholders separate from an organization.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will specifically state that the cardholder is required to surrender the GPC and all documentation to the IPC, who will retain the documentation in accordance with the Air Force Records Disposition Schedule. In addition, the IPCs will request that the NAF GPC be added to the Installation/Unit Out-Processing checklist. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual and an out-processing checklist.

- e. Establish a requirement in Air Force Instruction 34-275 so cardholders retain documentation to show, at a minimum:**
- 1. Generation of the purchase requirement, need for the purchase, activity it supports, items requested, dollar amount, and the name and signature of the requestor, approving official, and cardholder.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will maintain a requirement for AOs and their respective managers to ensure procedures are in place within their activities that provide an approval mechanism for cardholder purchases prior to initiating purchases. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

2. **Items or services were received in accordance with the vendor agreement, including the name of the individual that received the item or service and the individual's signature and contact information.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will require cardholders to maintain documentation that supports that the items or services were received as ordered. The Assistant Deputy estimated that this action will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

3. **Necessary components of a valid proof of purchase, such as the date of purchase, the total price, and a description of the items or services purchased.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will include the description of a valid proof of purchase. The Assistant Deputy estimated that this action will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

4. **Necessary components of the transaction notes, such as the items or services purchased, reason for the purchase, and for whom they were purchased, as well as require detailed statements within the notes.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will clearly define the level of itemized detail required in the cardholder transaction notes. The Assistant Deputy estimated that this action will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

- f. Direct all installation program coordinators, approving officials, and cardholders to determine whether the purchases are tax-exempt and recoup any erroneously paid sales tax.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed, stating that the new Air Force Manual will maintain the requirement to validate and recoup any sales tax paid. The Assistant Deputy also stated that AFNAFPO will incorporate this requirement into its training and education programs. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

- g. Identify items or services that should be purchased together to obtain lower prices and standardize requirements, as well as incorporate a requirement in the Air Force Instruction 34-275 regarding purchase aggregation.**

*Headquarters Air Force, Manpower, Personnel, and Services Comments*

The Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, responding for the Air Force Nonappropriated Fund Purchasing Office Director, agreed with the recommendation to identify items or services that should be purchased together and include the requirement regarding purchase aggregation in the policy. The Assistant Deputy estimated that these actions will be completed by December 15, 2019.

*Our Response*

Comments from the Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, addressed the specifics of the recommendation; therefore, the recommendation is resolved but remains open. We will close the recommendation once we receive and review the issued Air Force Manual.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from August 2018 through June 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the Air Force NAF GPC purchases that posted to the bank system between July 1, 2017, and June 30, 2018. We obtained our universe of purchases from the JPMorgan Chase PaymentNet system, which included 312,261 purchases for \$255.2 million.

We used the universe of purchases to develop a statistical sample and determine whether the cardholders properly made and documented purchases in accordance with applicable laws and regulations. The AFI 34-275 is the primary regulation for the AFNAFPO GPC program and establishes the responsibilities, authorities, and procedures for purchasing with the Air Force NAF GPC. We reviewed each of our sample purchases to determine the activity the purchase supported, if the AO approved the purchase, and if the cardholders:

- exceeded their purchase limits,
- split purchases to circumvent their purchase limits,
- erroneously paid sales tax,
- made duplicate payments,
- purchased unauthorized items or services,
- maintained documentation related to the:
  - delegation of purchase authority,
  - approval obtained before the purchase,
  - proof of purchase,
  - verification that items or services were received, and
  - transaction notes in the bank system.<sup>16</sup>

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<sup>16</sup> Unauthorized items or services included cash advances, classified items, major telecommunications services, hazardous items, and non-personal services exceeding \$2,500.



We provided our list of sample purchases to AFNAFPO officials and requested documentation (delegation of authority letters, approval before purchase, proof of purchase, receiving reports, and property records). We also obtained the line of accounting information, cardholder notes, and purchase limit data from the JPMorgan Chase PaymentNet system.

## Use of Computer-Processed Data

We used the JPMorgan Chase PaymentNet system to obtain our universe of Air Force NAF GPC transactions. We coordinated with AFNAFPO officials regarding the reliability of the bank data and used the hard copy documentation to verify the merchant name, date, and purchase amount.

## Use of Technical Assistance

We used the Quantitative Methods Division (QMD) to design and provide a statistical sample of GPC purchases.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD Office of Inspector General (DoD OIG), and Air Force Audit Agency (AFAA) issued four reports discussing the Government purchase card. Unrestricted GAO reports can be accessed at <https://www.gao.gov/>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. Unrestricted Air Force Audit Agency reports can be accessed from [www.afaa.af.mil](http://www.afaa.af.mil) by clicking on Freedom of Information Act Reading Room and then selecting audit reports.

## GAO

Report No. GAO-17-276, “Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist,” February 14, 2017

The GAO’s Government-wide review found some weaknesses in the approval process for micropurchases due to inadequate documentation. In its sample, the GAO found that 22 percent of transactions Government-wide did not have complete documentation to substantiate the transactions’ approval process. Specifically, the GAO estimated that 23 percent of DoD transactions did not maintain complete documentation.

## ***DoD OIG***

Report No. DODIG-2019-039, "Reporting of Improper Payments for the Defense Finance and Accounting Service Commercial Pay Program," December 21, 2018

The DoD produced an incomplete and inaccurate improper payment estimate for the first two quarters of the DFAS Commercial Pay Program FY 2018 Improper Payment Elimination and Recovery Act reporting period. The calculation of the improper payment estimate did not include the results of improper payment reviews for \$2.2 billion of DoD transportation payments, \$2.4 billion in government purchase card payments, or \$1.1 billion in Army payments made at selected overseas offices.

Report No. DODIG-2015-060, "U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchase," December 19, 2014

U.S. Southern Command cardholders did not complete purchases in accordance with program guidance. Specifically, cardholders did not provide sufficient supporting documentation for their purchases, use mandatory sources, or have proper written authority to use the GPC.

## ***Air Force***

Report No. F2017-0042-REE000, "Nonappropriated Funds Purchase Card Program 39th Air Base Wing Incirlik AB, Turkey," August 21, 2017

Cardholders did not effectively purchase goods and services using the NAF GPC, exceeded spending limits, split purchases, and did not account for purchased assets at the unit level.

## Appendix B

### Statistical Sample

**Population:** There were 312,261 positive transactions, which was the sample frame.

**Measure:** The specific transaction attribute was determined to be either in compliance or not in compliance.

**Parameters:** QMD calculated a valid simple random sample without replacement. The sample size was 121. We used a 95-percent confidence level, 23-percent error rate, and precision of +/- 7.5-percent.

**Sample Plan:** The audit team advised QMD that each of the 312,261 transactions were uniquely identified and numbered from 1 to 312,261. QMD generated 121 random numbers using the Excel Rand function and provided these to the team. This constituted the random sample.

**Analysis:** Based on the sample results we calculated the following statistical projections at the 95-percent confidence level:

*Table 2. Summary of Statistical Projections on Potential Improper Payments*

Type Error 95-Percent Confidence Interval	Lower Bound	Point Estimate	Upper Bound	Precision
<b>Proof of Purchase Not Retained</b>				
Error rate	0.02%	0.8%	4.5%	LB - 0.8%
Number errors	66	2,581	14,110	UB + 3.7%
<b>Delegation of Authority Not Retained</b>				
Error rate	0.7%	5.0%	9.3%	+ - 4.3%
Number errors	2,068	15,485	28,901	
<b>Sales Tax Paid</b>				
Error rate	0.9%	3.3%	8.2%	LB - 2.4%
Number errors	2,836	10,323	25,755	UB + 4.9%
<b>Overall Potential Improper Payments</b>				
Error rate	3.5%	9.1%	14.6%	+ - 5.6%
Number errors	11,039	28,388	45,737	

Source: The DoD OIG.

Table 3. Summary of Statistical Projections on Administrative Discrepancies

Type Error 95-Percent Confidence Interval	Lower Bound	Point Estimate	Upper Bound	Precision
<b>Purchase Approval Not Documented</b>				
Error rate	81.3%	87.6%	93.9%	+ - 6.3%
Number errors	253,852	273,551	293,250	
<b>Verified Receipt of Items/Services Not Documented</b>				
Error rate	26.2%	35.5%	44.5%	+ - 9.0%
Number errors	82,942	110,969	138,995	
<b>Transaction Notes in the Bank System</b>				
Error rate	13.7%	21.5%	29.2%	+ - 7.8%
Number errors	42,863	67,097	91,331	
<b>Overall Administrative Discrepancies</b>				
Error rate	86.4%	91.7%	97.1%	+ - 5.3%
Number errors	269,783	286,454	303,125	

Source: The DoD OIG.

**Interpretation of Projections at 95-percent confidence level:** We are 95 percent confident that the Overall Potential Improper Payment error rate (at least one type of error) is between 3.5 percent and 14.6 percent and the point estimate is 9.1 percent. Likewise, the number of transactions with errors is between 11,039 and 45,737 and the point estimate is 28,388. It would be incorrect to say we are 95 percent confident the point estimate is 28,388. The confidence level is associated with the interval.

We used the Exact Binomial (Beta Inverse) to calculate the projections for the Proof of Purchase Not Retained and Sales Tax Paid due to few errors. The Exact Binominal calculation produces asymmetrical bounds and, therefore, the precision or percentage between the lower bound and point estimate is not equal to the percentage between the upper bound and point estimate. To calculate the Delegation of Authority Not Retained and Overall projections (because there were more errors), we used the normal distribution, which produces symmetrical bounds; the precision for the upper and lower bounds are equal for each type of error rate. Precision is calculated as:

$$[(\text{lower or upper bound rate} - \text{point estimate})/\text{point estimate}] \times 100].$$

*Table 4. Summary of Statistical Projections on Administrative Discrepancies*

Type Error 95-Percent Confidence Level	Point Estimate	Upper Bound	Precision
Overall Potential Improper Payments	\$12,525,537	\$23,265,381	+ - 85.7%
Delegation of Authority Not Retained	4,708,225	8,149,399	+ - 73.1%
Overall Administrative Discrepancies	105,916,634	167,286,702	+ - 57.9%
Purchase Approval Not Documented	105,081,168	127,670,988	+ - 21.5%
Verified Receipt of Items/ Services Not Documented	48,141,278	67,902,153	+ - 41.0%
Incomplete Transaction Notes in the Bank System	67,602,958	127,269,953	+ - 88.3%

Source: The DoD OIG.

**Interpretation of Upper Limit One-Tail Projection at 95-percent confidence level:**

We are 95 percent confident that the Overall Potential Improper Payments dollar error is not more than \$23,265,381 and the point estimate is \$12,525,537. It would be incorrect to say we are 95 percent confident that the point estimate is \$23,265,381. The confidence level is associated with the upper interval.

We calculated the statistical projections for the dollar error at the 95-percent confidence level one-tail normal distribution because the calculated lower bound was negative. In a one-tail calculation, the audit risk is at either the lower or upper bound. The audit risk is the compliment of the confident level (100% - 95%, or 5%). This means there is a 5-percent chance that the upper bound projection in the population is different from the calculated amount shown.

# Appendix C

## Examples of Documentation

On March 23, 2018, a cardholder from the Yokota Air Base purchased engraving material, pet tags, t-shirts, and sublimation sheets (custom printer paper) for \$596.90. The items were for the Yokota Arts and Crafts Center inventory, which is part of the MWR program. The cardholder's documentation included the request (see Figure 1), proof of purchase (see Figure 2), and verification of the receipt of the items (see Figure 3).

Figure 1. Purchase Request Retained by Cardholder

Print Form

**NAF P-CARD**  
**PURCHASE REQUEST FORM**

NAF P Card Purchase Request: Mar 14, 2018 (D/M/Y)      Log Number: 82

The following purchase is to be made for: 374FSS/FSWT, Plaque Shop (Activity Name and Symbol)

Request the following item(s) to be purchased with the NAF P-card:

Item	Item description	Merchant	Total Amount (\$)	SIAC	Cost Center
1	Aluminum Sheet (30ea.)	JDS	\$ / ₩ 300.00 (USD)	720	0734
2	Sublimatable Pet Tag (50ea.)	JDS	\$ / ₩ 40.00 (USD)	401	0734
3	- PS270		\$ / ₩		
4	Display Samples (T-Shirts, 10ea.)	JDS	\$ / ₩ 110.00 (USD)	720	0734
5	- PS271		\$ / ₩		
6	Sublimation Sheet (8.5x11, 11x17 - 400ea.)	JDS	\$ / ₩ 200.00 (USD)	720	0734
7	- PS275		\$ / ₩		
8			\$ / ₩		
9	- TCN#FF5209-8073-G010-XXX		\$ / ₩		
10			\$ / ₩		
11			\$ / ₩		
12			\$ / ₩		
13			\$ / ₩		
14			\$ / ₩		
15			\$ / ₩		

Total Amount: \$ / ₩ 650

Have you received proper authorization for the following?  
 Hazardous Materials     IT Equipment     High Value Equipments     Uniforms     Prizes     Capital Assets (NRB)

Must be signed by Activity Manager and FUNDS must be available before purchase.

Requested by: [Redacted]      Date: Mar 14, 2018  
Signature

Approved by (Activity Manager or AO): [Redacted]      Date: Mar 15, 2018  
Signature

Card Holder: [Redacted]      Date: Mar 15, 2018  
Signature

Total Amount Spent (\$/₩): 596.90      Transaction Number:                     

Comments: \_\_\_\_\_


Note: P-card holders are not authorized to spend more than the \$ amount approved above and must ensure that all original purchase documents (receipt/invoice/order sheet/delivery ticket) be filed with this original form in the P-card binder or official file plan.

14W AF(34-27), 4.3.4 All receipts and other purchase documents ensuring the purchases were appropriate and made according to instructions and AFMAN 64-302, must be attached to this form and kept with signed SOA.

FSR FORM  
Dw-12



Figure 2. Proof of Purchase Retained by Cardholder



**JDS Industries**  
 PO Box 84806  
 Sioux Falls, SD  
 57118-4806

INVOICE NO. PAGE  
7443330 1

INVOICE DATE  
3/22/2018

ACCOUNT NUMBER  
[REDACTED]

SOLD TO  
[REDACTED]

SHIP TO

YOKOTA ARTS & CRAFTS CENTER  
 DLA SN JOAQUIN TRACY DEPOT  
 TCN#FF52098073G010XXX  
 25600 CHRISMAN RD BLDG 30-CCP  
 TRACY CA 95376

DATE ORDERED	DATE SHIPPED	ORDER NUMBER	PURCHASE ORDER NUMBER	TERMS
3/14/18	3/22/18	9295540	2018H082	CREDIT CARD [REDACTED]

SHIPPED VIA: UPS GROUND      SHIPPED FROM: Los Angeles CA

QTY ORDERED	QTY SHIPPED	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
10	10	JDSFLEX06Q	12X24 GLOSS BLK/GLD FLEX W/ADHESIVE BACK	9.500	95.00
10	10	JDSFLEX02PRQ	12X24 BRSHD ALUM/BLK PRMR PREMIER FLEX W/ADH BACK	9.500	95.00
10	10	JDSFLEX01PRQ	12X24 BRSHD GOLD/BLK PRMR PREMIER FLEX W/ADH BACK	9.500	95.00
25	25	PET120BU	1" ROUND BLU PET TAG	.720	18.00
25	25	PET011PK	1 3/8X 1 1/4PNK HEART TAG	.740	18.50
2	2	VA1SJBVYE4	LRG YLLW BASIC T SHRT SLV	7.100	14.20
2	2	VA1SJBVSD2	SML SAND BASIC T AMER BACKCNTRY BASIC T	7.100	14.20
2	2	VA1SJBBS1	XS STEEL BASIC T SS AMER BACKCNTRY BASIC T SS	7.100	14.20
2	2	VA1SJBBSZ4	LRG BLIZ BLU BASIC T SS AMER BACKCNTRY BASIC T SS	7.100	14.20
2	2	VA1SJBWBH3	MED WHT BASIC T SHORT SLV BASIC T-SHORT SLEEVE	6.300	12.60
400	400	TPX8511S	8.5X11 TRUE PIX SUB PAPER	.175	70.00
400	400	TPX1117S	11X17 TRUE PIX SUBL PAPER	.340	136.00

Message: N/C COD FEE  
 N/C FREIGHT  
 FREE FREIGHT PROMO \$500.00

Comments: \*OVER 1000 NEW PRODUCTS FOR 2018!!

\*\*\*\*\*  
 AMOUNT \$596.90  
 SHIPPING & HANDLING \$.00  
 \*\*\*\*\*  
 TOTAL \$596.90

Accounts Past Due are Subject to a 1-1/2% Service Charge Per Month (18% Per Year).

Figure 3. Verified Receipt of Items Retained by Cardholder

MATERIAL INSPECTION AND RECEIVING REPORT											
1. PROC INSTRUMENT IDEN (CONTRACT)		ORDER NO		INVOICE NO		INVOICE DATE		7. PAGE OF		ACCEPTANCE POINT	
7443330		270		7443330		01-Mar-18		1 1			
2. SHIPMENT NO.		3. DATE SHIPPED		4. BL.		DISCOUNT TERMS					
7443330		31-Mar-18									
9. PRIME CONTRACTOR				CODE		10. ADMINISTERED BY		CODE			
JDS Industries											
Industries				Mr. work							
				CELL							
11. SHIPPED FROM (if other than 9)				CODE FOB		12. PAYMENT WILL BE MADE BY		14. MARKED FOR			
Yakima Arts Crafts Center						IMPACT CARD		401/H3B			
13. SHIPPED TO				CODE							
[REDACTED]				Attention							
[REDACTED]				[REDACTED]							
15. ITEM NO.	16. STOCKPART NO.	DESCRIPTION			17. QTY SHIPREC'D	18. UNIT	19. UNIT PRICE	20. AMOUNT			
	TPX8511S	Tri Flex Classics 8.5x11			400	EA	\$0.18	\$70.00			
	JDSFLEXBQ	JDS Flex Black			12 x 24	10	EA	\$9.50	\$95.00		
	JDSFLEX2PRQ	JDS Flex Premier Silver			12 x 24	10	EA	\$9.50	\$95.00		
	JDSFLEXD1PRQ	JDS Flex Premier Gold			12 x 24	10	EA	\$9.50	\$95.00		
	PET1208U	Pet Tag Round Blue			1" round	25	EA	\$0.74	\$18.50		
	PET011PK	Pet Tag Heart Pink			1.375 x 1.12	25	EA	\$0.72	\$18.00		
	TPX1117S	True Flex Classic 1117			VARIOUS	400	EA	\$0.34	\$136.00		
	VA1SJVYE4	Basic T Yellow 4			Large	2	EA	\$7.10	\$14.20		
	VA1SJVSD2	Basic T Sand 2			Small	2	EA	\$7.10	\$14.20		
	VA1SJ08ST1	Basic T Steel 1			XS	2	EA	\$7.10	\$14.20		
	VA1SJ08SD4	Basic T Blue 4			Large	2	EA	\$7.10	\$14.20		
	VA1SJ08WH3	Basic T White 3 MED			Medium	2	EA	\$6.30	\$12.60		
Order Subtotal					\$596.90	Freight Charge	\$0.00	Order Total		\$596.90	
21. CONTRACT QUALITY ASSURANCE										22. RECEIVER'S USE	
A. ORIGIN					B. DESTINATION					Quantities shown in column 17 were received in apparent good condition except as noted.	
COA		ACCEPTANCE of listed items			COA		ACCEPTANCE of listed items			DATE RECEIVED	
		has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting					has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting			08-May-18	
DATE		SIGNATURE OF AUTH GOVT REP			DATE		SIGNATURE OF AUTH GOVT REP			SIGNATURE OF AUTH GOVT REP	
TYPE NAME AND OFFICE					TYPE NAME AND OFFICE					TYPE NAME AND OFFICE	
23. CONTRACTOR USE ONLY										*If quantity received by the contractor is less than quantity shipped, indicate by (check) mark, if different, enter actual quantity received below quantity shipped and encode.	
DD FORM 250, NOV 82 (EF-V4)											

## Appendix D

### Summary of Audit Results Using a Statistical Sample

Air Force NAF GPC cardholders spent \$255.2 million through 312,261 purchases between July 1, 2017, and June 30, 2018. We used a statistical sample of 121 purchases, made by 116 cardholders, to review the Air Force NAF GPC program. During the review, we identified 11 potential improper payments related to cardholders erroneously paying sales tax or not retaining the delegation of purchase authority letters (DoPA) and proofs of purchase. We also identified 111 administrative discrepancies related to the cardholders not documenting the purchase approval and verification of the receipt of items or services, as well as incomplete transaction notes.

*Table 5. Summary of Audit Results Including Potential Improper Payments and Administrative Discrepancies*

Sample Number	Potential Improper Payments			Administrative Discrepancies		
	DOPA Not Retained	Proof Of Purchase Not Retained	Sales Tax Paid	Purchase Approval Not Documented	Verified Receipt Of Items/ Services Not Documented	Incomplete Transaction Notes
1				X		
2				X		
3				X		X
4				X	X	
5				X	X	
6				X	X	X
7				X	X	
8						
9				X	X	
10				X	X	
11				X	X	
12			X	X		
13	X			X		
14				X		X
15				X	X	
16	X			X	X	
17				X		

*Table 5. Summary of Audit Results Including Potential Improper Payments and Administrative Discrepancies (cont'd)*

Sample Number	Potential Improper Payments			Administrative Discrepancies		
	DOPA Not Retained	Proof Of Purchase Not Retained	Sales Tax Paid	Purchase Approval Not Documented	Verified Receipt Of Items/ Services Not Documented	Incomplete Transaction Notes
18		X		X	X	
19				X	X	X
20				X	X	X
21					X	
22				X		
23				X		X
24				X		
25	X			X		
26				X		
27				X		
28				X		X
29				X		
30						X
31						
32				X		X
33				X	X	
34				X	X	X
35				X		
36				X	X	X
37				X		X
38				X		
39			X	X	X	
40	X			X	X	X
41				X	X	
42				X	X	X
43				X		
44				X		
45						
46				X	X	

*Table 5. Summary of Audit Results Including Potential Improper Payments and Administrative Discrepancies (cont'd)*

Sample Number	Potential Improper Payments			Administrative Discrepancies		
	DOPA Not Retained	Proof Of Purchase Not Retained	Sales Tax Paid	Purchase Approval Not Documented	Verified Receipt Of Items/ Services Not Documented	Incomplete Transaction Notes
47				X	X	
48				X		
49				X		
50				X		
51				X	X	
52				X		
53						X
54				X		X
55				X		
56						
57						
58	X			X	X	X
59				X	X	
60				X	X	X
61				X		X
62				X	X	
63				X		
64				X		
65			X			
66				X	X	
67				X		
68				X		
69				X		
70				X	X	
71				X		
72				X	X	
73	X			X		
74				X		
75				X	X	

*Table 5. Summary of Audit Results Including Potential Improper Payments and Administrative Discrepancies (cont'd)*

Sample Number	Potential Improper Payments			Administrative Discrepancies		
	DOPA Not Retained	Proof Of Purchase Not Retained	Sales Tax Paid	Purchase Approval Not Documented	Verified Receipt Of Items/ Services Not Documented	Incomplete Transaction Notes
76				X		X
77				X		
78				X		
79				X		
80				X		
81				X		
82				X		
83				X		
84				X		
85				X		
86				X		
87				X	X	
88				X	X	
89				X		
90				X		X
91				X		
92				X		
93						
94				X		
95				X		
96				X		
97					X	X
98				X	X	
99				X	X	
100				X		
101				X		
102				X		
103				X	X	
104				X		



*Table 5. Summary of Audit Results Including Potential Improper Payments and Administrative Discrepancies (cont'd)*

Sample Number	Potential Improper Payments			Administrative Discrepancies		
	DOPA Not Retained	Proof Of Purchase Not Retained	Sales Tax Paid	Purchase Approval Not Documented	Verified Receipt Of Items/ Services Not Documented	Incomplete Transaction Notes
105				X		
106				X	X	
107						
108				X		
109				X	X	
110				X		
111				X	X	X
112			X		X	
113						
114				X		X
115						
116				X	X	
117				X		X
118				X		
119				X		
120				X	X	
121				X		X
<b>Total</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>106</b>	<b>43</b>	<b>26</b>
	<b>Potential Improper Payments - 11</b>			<b>Administrative Discrepancies - 111</b>		

Source: The DoD OIG.

## Management Comments

### Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force



**DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, DC**

29 Jul 2019

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAF/A1  
1040 Air Force Pentagon  
Washington DC 20330

SUBJECT: Air Force Response to DoD Office of Inspector General Draft Report, Audit of the Air Force Nonappropriated Fund Government Purchase Card Program, (Project No. D2018-D000AX-0189.000)

1. This is the Department of the Air Force response to the DoDIG Draft Report, Audit of the Air Force Nonappropriated Fund Government Purchase Card Program, (Project No. D2018-D000AX-0189.000). The Air Force concurs with the report as written and welcomes the opportunity to respond.
2. AF/AIS in coordination with Air Force Services Center (AFSVC) will correct issues identified in this report and develop and implement a corrective action plan outline in the following recommendations:

**RECOMMENDATION 1.a:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish a requirement for an annual statistical review of all cardholders' delegations of purchase authority to determine whether the installation program coordinators are properly retaining the delegations of purchase authority as well as establishing monthly purchase limits to meet mission requirements.

**AIR FORCE RESPONSE:** Concur. The Air Force Nonappropriated Fund Purchasing Office (AFNAFPO) will establish a requirement for an annual statistical review of all cardholders' delegations of purchase authority to ensure programs are in compliance of program requisites.

The new Air Force Manual will require all Installation Program Coordinators to forward both their Annual Program Review as well as the Nonappropriated Funds Financial Analyst Program review to AFNAFPO. The Surveillance Checklist has been revised to include a review of each cardholder folder to include validating the Delegation Letters for compliance. Estimated Completion Date: 15 Dec 19

**RECOMMENDATION 1.b:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Review and validate that the cardholder delegations of purchase authority are being retained, in accordance with Air Force Instruction 34-275.

**AIR FORCE RESPONSE:** Concur. The current Air Force Instruction contains obsolete references from the Air Force Records Disposition Schedule (AF RDS). The new Air Force Manual will only reference the AF RDS as the authority for documentation retention. AFNAFPO will provide more timely updates to the field through its program website and training modules. Estimated Completion Date: 15 Dec 19

## Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force (cont'd)

**RECOMMENDATION 1.c:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Review the statistically sampled purchases that did not include the required supporting documentation or that included erroneously paid sales tax to determine if the purchases were improper payments and report confirmed improper payments in accordance with the Improper Payments Elimination and Recovery Improvement Act.

**AIR FORCE RESPONSE:** Concur. AFNAFPO will review the transactions and comply with the recommendation. Estimated Completion Date 1 Nov 19.

**RECOMMENDATION 1.d:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish procedures in Air Force Instruction 34-275 for retaining documentation when cardholders separate from an organization.

**AIR FORCE RESPONSE:** Concur. The new Air Force Manual will specifically state the Cardholder surrenders the card for destruction to the Installation Program Coordinator. Cardholder will also turn in all documentation (e.g. folders, files, etc.) to the Installation Program Coordinator to maintain IAW Air Force Records Disposition Schedule (AF RDS). In addition, the Installation Program Coordinator will request the NAF P-Card be added to the Installation/Unit Out-Processing checklist. Estimated Completion Date: 15 Dec 19

**RECOMMENDATION 1.e.1:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish a requirement in Air Force Instruction 34-275 so cardholders retain documentation to show, at a minimum: Generation of the purchase requirement, need for the purchase, activity it supports, items requested, dollar amount, and the name and signature of the requestor, approving official, and cardholder.

**AIR FORCE RESPONSE:** Concur. Air Force Instruction 34-275, paragraph 4.3.7 requires approving officials (AOs) and their respective managers are required to ensure procedures are in place within their activities that provide an approval mechanism for cardholder (CH) purchases prior to initiating purchases. Purchases are made with programmed budget authority. Budget Authority for Activities and Programs within a Nonappropriated Funds Instrumentality (NAFI) is approved within the annual Income & Expense budget and the Capital Requirements Budget processes. These budget processes provide the authority to execute expenses and capital requirements as defined in AFMAN 34-201, *Use of Nonappropriated Funds*.

The primary benefits of the Purchase Card Program are the card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time-consuming purchase request/order process, reducing procurement lead time, providing transaction cost savings, reducing procurement office workload, and facilitating payment to include reductions in interest payments. Similar to the Air Force Appropriated Fund Government Purchase Card, this program utilizes the Pay and Confirm process to capitalize on rebates.

This requirement will remain in the new Air Force Manual. Estimated Completion Date: 15 Dec 19

**RECOMMENDATION 1.e.2:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish a requirement in Air Force Instruction 34-

## Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force (cont'd)

275 so cardholders retain documentation to show, at a minimum: Items or services were received in accordance with the vendor agreement, including the name of the individual that received the item or service and the individual's signature and contact information.

**AIR FORCE RESPONSE:** Concur. The Air Force Manual will be revised in accordance to the recommendation. Estimated Completion Date: 15 Dec 19

**RECOMMENDATION 1.e.3:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish a requirement in Air Force Instruction 34-275 so cardholders retain documentation to show, at a minimum: Necessary components of a valid proof of purchase, such as the date of purchase, the total price, and a description of the items or services purchased.

**AIR FORCE RESPONSE:** Concur. The new Air Force Manual will provide a full description of what constitutes a valid proof of purchase. Estimated Completion Date: 15 Dec 19

**RECOMMENDATION 1.e.4:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Establish a requirement in Air Force Instruction 34-275 so cardholders retain documentation to show, at a minimum: Necessary components of the transaction notes, such as the items or services purchased, reason for the purchase, and for whom they were purchased, as well as require detailed statements within the notes..

**AIR FORCE RESPONSE:** Concur. Air Force Manual will be updated to ensure transaction note components are clearly defined as to the level of itemized detail required, to include items or services purchased and the reason for the purchase.

**RECOMMENDATION 1.f:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Direct all installation program coordinators, approving officials, and cardholders to determine whether the purchases are tax-exempt and recoup any erroneously paid sales tax.

**AIR FORCE RESPONSE:** Concur. This is a requirement of the current Air Force Instruction (reference AFI 34-275, 4.9.1.5) to validate and attempt to recoup the money; it will also carry-over to the new Air Force Manual. AFNAFPO will also incorporate this requirement into its training and education programs. Estimated Completion Date: 15 Dec 19.

**RECOMMENDATION 1.g:** The DODIG recommends that the Director of the Air Force Nonappropriated Fund Purchasing Office: Identify items or services that should be purchased together to obtain lower prices and standardize requirements, as well as incorporate a requirement in the Air Force Instruction 34-275 regarding purchase aggregation.

**AIR FORCE RESPONSE:** Concur. AFNAFPO manages the Air Force Nonappropriated Fund contracting system and this requirement is addressed in Air Force Manual 64-302, Chapter 4, Commander's Smart Buy Program (CSBP). The CSBP is a cooperative purchasing program between installation level Nonappropriated Fund activities and the AFNAFPO. The program assists all commanders, regardless of service component, to acquire quality products at favorable prices. The CSBP provides multiple contracting instruments and programs that leverage nonappropriated fund requirements across the enterprise. Examples are the Essential Product

## Assistant Deputy Chief of Staff for Manpower, Personnel, and Services, Headquarters Air Force (cont'd)

Program (Bowling, Bingo, Lodging Amenities, etc.), the Nonappropriated Food & Beverage Prime Vendor Program as well as established nonappropriated fund purchasing agreements that provide decentralized ordering capability. This represents almost \$200M in annual leveraged spend. Estimated Completion Date: 15 Dec 19

3. The AF/AIS point of contact is [REDACTED], [REDACTED] or via email at [REDACTED]

DEFILIPPI.GWENDOLYN.RUTH  
YN.RUTH [REDACTED]

Digitally signed by  
DEFILIPPI.GWENDOLYN.RUTH.

GWENDOLYN R. DEFILIPPI, SES  
Asst DCS, Manpower, Personnel and Services

## Acronyms and Abbreviations

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<b>AFI</b>	Air Force Instruction
<b>AFNAFPO</b>	Air Force Nonappropriated Fund Purchasing Office
<b>AO</b>	Approving Official
<b>DOPA</b>	Delegation of Purchase Authority
<b>GPC</b>	Government Purchase Card
<b>IPC</b>	Installation Program Coordinator
<b>MWR</b>	Morale, Welfare, and Recreation
<b>NAF</b>	Nonappropriated Fund
<b>NAFI</b>	Nonappropriated Fund Instrumentality

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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