



DEPARTMENT OF THE NAVY
SPACE AND NAVAL WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

Canc frp: Dec 09

SPAWARNOTE 4208
2.0
10 Dec 08

SPAWAR NOTICE 4208

From: Assistant Commander for Contracts, Space and Naval
Warfare Systems Command

Subj: PROGRAM AUDIT TOOL MANDATE FOR SPAWAR

Ref: (a) NAVSUPINST 4200.99, DON Purchase Card Instruction
(b) SSCSDINST 7300.1A, Government Commercial Purchase
Card Program Internal Operating Procedures
(c) SSC Atlantic Purchase Card Internal Operating
Procedures

Encl: (1) NAVSUPSYSCOM ltr 4600 Ser SUP 34/207 of 06 Oct 08
(2) Team SPAWAR Purchase Card Program Audit Tool (PAT)
Implementation Plan

1. Purpose. Enclosure (1) modifies references (a) through (c) to make it mandatory for Team SPAWAR to use the Department of the Navy (DON), Purchase Card Program Audit Tool (PAT) for monthly reviews beginning with the March 2009 billing cycle and semi-annual reviews beginning with the March 20 to September 19, 2009 period.

2. Background. The PAT has been developed for DON Consolidated Card Program Management Division (CCPMD). Its purpose is to be a method for review and corrective actions on certain infractions of procedures and policy in the administration of the DON Purchase Card Program by utilizing data-mining filters.

3. Action

a. All purchase card participants will update NAVSUPINST 4200.99 as required by paragraphs 3 and 5 of enclosure (1).

b. Approving Officials (AOs) will have approximately ten business days, review to be completed no later than the first Friday following the billing cycle close, to complete and submit their PAT monthly review to the Level V Agency Program Coordinator (APC).

c. The Level V APCs will have approximately 15 business days, review to be completed no later than the fourth Friday of the month following billing cycle close, to complete their review and submit their responses to the Level III APC.

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d. The Level III APCs must submit the SPAWAR Team response to the CCPMD office no later than 50 days after the close of the business cycle.

e. Since the semi-annual review is tied to the completion of the PAT review, the AO, who is in the "deployed" status in PAT when the Level V APC submits the activity's review, must complete the deployed PAT review no later than the end of the next cycle. The Level V APCs will manage the AO submission process to ensure that the activity response is submitted by the due date.

f. If the activity's PAT response is not submitted by the due date, the Head of Activity (HA) and the Level V APCs will be notified via e-mail that the PAT submission was not received in accordance with SPAWAR policy. The activity will have three business days to submit their PAT responses. Failure to complete the PAT review within the three business days may result in the Activity's purchase card program being suspended by SPAWAR.

g. The PAT shall be used for SPAWAR semi-annual review effective with the March 20 - September 19, 2009 semi-annual review.

h. The Level V APCs for SSC Atlantic and SSC Pacific shall update their Purchase Card Internal Operating Procedures to reflect changes dues to PAT implementation no later than March 1, 2009.

4. Enclosure (2) contains the details for SPAWAR implementation of PAT.

5. The point of contact for this action is the SPAWAR Purchase Card Team, Level III, APC, Ms. Deborah Lis, (619)524-7170, deborah.lis@navy.mil.



TIMOTHY K. DOWD

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DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
5450 CARLISLE PIKE
PO BOX 2050
MECHANICSBURG PA 17055-0791

TELEPHONE NUMBER
COMMERCIAL
AUTOVON
IN REPLY REFER TO:
4600
SUP 34/207
OCT 10 2008

From: Director, Consolidated Card Program Management Division,
Naval Supply Systems Command
To: Commander, Space and Naval Warfare Systems Command
Ref: (a) NAVSUPINST 4200.99
Subj: PROGRAM AUDIT TOOL MANDATE FOR SPACE AND NAVAL WARFARE
SYSTEMS COMMAND (SPAWAR)

1. The Department of the Navy Consolidated Card Program Management Division (DON CCPMD) has approved the request to mandate the Program Audit Tool (PAT) in place of the Agency Program Coordinator (APC) monthly review and semi-annual review for the SPAWAR component effective with the March 2009 billing cycle (begins February 20, 2009).

2. PAT will be the required reporting format for the monthly review.

3. For SPAWAR only, the following changes are authorized for reference (a):

a. Replace Chapter 3, Paragraph 2, with the following requirement:

(1) Monthly Review

(a) The activity Level V APC shall conduct or oversee/manage the monthly transactional reviews. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APC's cognizance (10 percent transaction review). Results shall be available within PAT to the CO and Level III/IV APC on a monthly basis.

(b) This process, at a minimum, shall consist of viewing all transactions not identified by PAT by choosing the 'Add Transaction' button. The Level V APC shall review the transactions not selected by PAT filters. Transactions that the APC deems needing AO review shall be added to PAT. The AO will be required to respond to the added transaction as if PAT had generated the transaction for review.

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(c) File reviews shall be performed on all transactions selected within PAT either automatically by the filter set or manually added by an APC. File reviews shall include reviews of the following areas:

1. CH log,
2. Compliance with CH's delegation of authority,
3. Integrity of purchase request (signatures for approval of purchase, quantity matches, etc.), and
4. Receipt, inspection and acceptance procedure.
5. In addition, transactions shall be reviewed

for:

- Proper separation of function and
- Verification that the AO has reviewed the CH purchases.

(d) Due dates for the monthly review will be established within the component Internal Operating Procedure (IOP) but shall not exceed 50 days past the cycle date. Compliance with the due date is critical for workflow reviews within PAT. Any Level V review not completed within 30 days of the set due date will have the account suspended at the level V by the Level III APC.

4. PAT will be the required reporting format for the semi-annual review.

5. Replace Chapter 3, Paragraph 3, with the following requirement:

a. Semi-Annual Level V APC Review Responsibilities will consist of two reviews:

(1) An evaluation of internal procedures and management controls and

(2) A transactional review. The reporting periods for the semiannual reviews shall encompass the billing cycles of 20 March through 19 September or 20 September through 19 March.

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b. Evaluation of internal operating procedures (IOPs) and internal management controls.

c. The following areas, at a minimum, must be documented for the Internal Operating Procedure and Internal Management Review:

(1) Review of internal operating procedures to ensure compliance with current DoD/DON regulations and directives; IOP must be on file and in compliance with current NAVSUPINST 4200.99;

(2) Ensure program compliance with applicable training requirements; Documentation of training for all participants must be maintained by the APC for the duration the participant/employee serves in this capacity and for three years beyond;

(3) Appropriate delegations of authority; Letters of appointment, Letters of Delegation, and DD Form 577s must be current and on file.

(4) Integrity of purchase request process; check for signatures for approval of purchase, quantity matches, funding approval;

(5) Compliance with micro-purchase procedures;

(6) Receipt, inspection and acceptance procedures; Activities shall ensure the same person does not initiate the requirement, award the purchase action or receive the materials.

(7) Invoice certification process; Each transaction reviewed and statement approved within 5 business days of the end of the cycle by the CH. Invoice certified for payment within 5 business days of receiving it from the CH;

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

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

(10) Span of Control (Card accounts to A0 and card accounts to APC);

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(11) Delinquencies; APCs should monitor their delinquencies by verifying that payments have posted at the bank and resolving any unpaid or suspended invoices. Accounts become delinquent 30 days from the statement date if the bank has not received payment. Unpaid balances 60 days from the statement date are considered 30 days past due and shall not exceed one percent of the activity's current balance.

(12) Account spending limits (monthly and single transaction limits); spending limits should be tied directly to funding allocated for each card account. Contingency and/or deployed accounts should be set to \$1.00. Amounts in the CH profile should never exceed the authorized amounts in the letter of delegation.

(13) Screening for mandatory sources; Documentation should be included in transaction file folder that sources were screened and/or used, if not, justification should be provided within the file

(14) Equitable distribution of business; CH must rotate micro-purchase requirements among qualified suppliers to the maximum extent practicable.

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

(16) Signed semiannual reviews must be on file with a copy of the corrective actions taken;

(17) Convenience Checks: An independent review of the convenience check account must be completed on an annual basis. An officer or equivalent DOD civilian who is independent of the account must audit Convenience Check accounts yearly on an unannounced basis. This can be the Level III or IV APe or a Level V APC outside of the hierarchy. Checks should be stored in a secure location. All checks written shall be reported to the IRS for tax purposes.

d. Transactional Review: The semi-annual transactional review will consist of the transactional review consolidation of monthly reviews within PAT. The next semi-annual review reporting period covers 20 September 2008 - 19 March 2009. SPAWAR's semi-annual review for 20 September 2008 - 19 February 2009 shall be submitted in accordance with NAVSUP=NST 4200.99 separately from the collected data within

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PAT. SPAWAR's semi-annual review for 20 February 2009 - 19 March 2009 shall be submitted in accordance with NAVSUPINST 4200.99 separately from the collected data within PAT.

e. Signed Statement: The Level V APC shall report to the Commanding Officer/HA on all actions taken on all deficiencies noted. A signed statement that the Commanding Officer reviewed all findings and concurs with the disciplinary actions taken on any noted findings is required to be sent to the Level III APC for semi-annual review compliance. This at a minimum should consist of the Level V APC providing a copy of the CO/Management report from PAT to the CO to sign. The CO/HA shall formalize local policies and procedures within the IOP identifying the formal and/or informal disciplinary/administrative actions (to include repayment to the government) that will be levied by the command as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants (i.e., APCs, AOs, purchase CHs, supervisors/managers).

6. The NAVSUP point of contact is Ms. Wendy Stutzman, SUP 34, 717-605-9394, DSN 430-9394 or e-mail wendy.stutzman.ctr@navy.mil.



Louis P. Calabro, Jr.

Copy to: Tim Dowd, Director for contracts

10 Dec 08

**SPAWAR TEAM PURCHASE CARD
PROGRAM AUDIT TOOL (PAT)
IMPLEMENTATION PLAN**

1. Background. The 2002 GAO Purchase Card Inspection/Audit recommended that some form of data-mining be performed on a regular basis to uncover areas of fraud, waste and abuse in the Department of Defense Purchase Card Program. Department of the Navy (DON) tasked Citidirect (the Navy purchase card bank) to develop a "tool" for data-mining.

a. The Program Audit Tool (PAT) was developed in 2005 and revised in 2006. The original PAT tool in 2005 required Agency Program Coordinator (APC) review of questionable transactions that were found by data-mining using a variety of filters. The initial PAT was time-consuming and not user friendly. After DON review, the original PAT was modified to be more user friendly and to have the Approving Officials perform review in PAT before certification.

b. The Revised PAT began running as a pilot program in December 2007. Several Navy commands (NAVSEA, BUMED), began use of PAT in late 2007 and early 2008. The DON Consolidated Card Program Management Division (CCPMD) has made PAT mandatory for all Navy commands by the end of 2009.

2. Overview. PAT has been developed for the DON CCPMD. Its purpose is to be a method for review and corrective action on certain infractions of procedure and policy in the administration of the DON's Purchase Card Program.

3. Implementation. The DON CCPMD has made PAT mandatory for the SPAWAR Team with the March 2009 billing cycle (February 20 - March 19). It would be helpful if the Approving Officials (AOs) began use of PAT before the March cycle to make any necessary changes to filters before the mandatory date.

4. The SPAWAR Team will begin use of PAT with the **March billing cycle.** All AOs and APCs must:

- a. Have access to PAT no later than December 15th.
- b. Be trained by February 5th.
- c. Using PAT by the March billing cycle (Mar 19th)

d. It will be the responsibility of the Level V APC at each site to ensure that all Purchase Card (PC) participants are properly trained and have access to PAT on schedule. The Level V APC will coordinate any efforts with the command APC to ensure a smooth transition.

e. A schedule of tasks for implementation can be found at the end of this document.

5. Policy and Procedures. PAT will be the required reporting format for the monthly review beginning with the March 20th billing cycle. PAT will also be the format for the SPAWAR semi-annual review beginning with the period March 20 - September 19, 2009.

a. CCPMD has instructed SPAWAR to make authorized changes for NAVSUPINST 4200.99. Those changes can be found in enclosure (1)

b. The following policy for SPAWAR PAT use shall be incorporated into each activity's Internal Operating Procedure (IOP).

6. Monthly Review

a. The activity Level V APC shall conduct or oversee/manage the monthly transactional reviews. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APCs cognizance (ten percent transaction review). Results shall be available within PAT to the SPAWARSYSCOM HCA, the Activities' Commanding Officer and Level III/IV APC on a monthly basis.

b. This process, at a minimum, shall consist of reviewing all transactions not identified by PAT by choosing the 'Add Transaction' button. The Level V APC shall review the transactions not selected by PAT filters. Transactions that the APC deems needing AO review shall be added to PAT. The AO will be required to respond to the added transaction as if PAT had generated the transaction for review.

c. File reviews **SHALL** be performed on all transactions selected within PAT automatically by the filter set or manually added by an APC. File review can be done by using scanned files if the scanned files provide the ability to review the following mandatory areas:

- (1) Card Holder Log
- (2) Compliance with CH's delegation of authority
- (3) Integrity of purchase request (signatures for approval of purchase, quantity matches, etc.) and
- (4) Receipt, inspection and acceptance procedures
- (5) In addition, transactions shall be reviewed for:
 - (a) Proper separation of function and
 - (b) Verification that the AO has reviewed the CH purchases.

d. The AOs will have approximately ten business days to complete and submit their review to the Level V APC. The AO reviews will be due by the first Friday of the month following the billing cycle. Remember that all entries are permanent records, can not be deleted, and are visible up the Chain of Command.

e. The Level V APC will have approximately 15 business days to complete their review and submit their response to the Level III APC. The Level V APC review will be due to the Level III no later than the fourth Friday of each month.

f. The Level III APC must perform their review and submit the SPAWAR Team response to the CCPMD office no later than 50 days after the cycle closes.

g. Since the semi-annual review is tied to the completion of the PAT review, an AO who is in the "deployed" status in PAT when the Level V APC submits the activity's review, must complete the deployed PAT review no later than the end of the next cycle. The Level V APC will manage the AO submission process to ensure that the activity response is submitted by the due date.

h. If the activity's PAT response (Level V APC) is not submitted by the due date to the Level III APC, the Head of the Activity (HA) and the Level V APC for that site will be notified by e-mail that the PAT submission was not received in accordance with the SPAWAR policy. The activity will have three business days to submit their PAT response. Failure to complete the PAT

review within three business days may result in the activity's purchase card program being suspended by the SPAWARSSYSCOM Level III APC.

The Cycle for SPAWAR PAT monthly review shall be as follows:

Review	Days for review	Date of Month	Example: March Cycle 2009
Level VI AO	Approximately 10 Business days	Due the first Friday of the month following the cycle close	3 April 2009
Level V APC	Approximately 15 Business days	Due the 4 th Friday of the month following the cycle close.	24 April 2009
Level III APC	Approximately 10 Business days	The first Friday of the 2 nd month following the cycle close	8 May 2009
CCPMD Submission	50 Calendar Days	Approximately the 8 th of the following month	8 May 2009

i. If any of the completion days fall on a weekend or holiday, the review completion is due the day after.

7. Semi-Annual Review

a. Semi-Annual Level V APC review responsibilities will consist of two reviews:

(1) An evaluation of internal procedures and management controls and,

(2) A transactional review. The reporting periods for the semi-annual reviews shall encompass the billing cycles of March 20 through September 19 or September 20 through March 19.

b. For evaluation of IOP and Internal Management Controls, the change to enclosure (1) should be as followed: The semi-annual transactional review will consist of the transactional

review consolidation of the monthly reviews within PAT. However, the next semi-annual review reporting period which covers the period, September 20, 2008 to March 19, 2009 should be submitted in accordance with (unchanged) NAVSUPINST 4200.99 separately from the collected data within PAT.

8. Access to PAT. It is the responsibility of the Level V APC to ensure that all AOs can access Citidirect.

a. Ensure all AOs and APCs are able to log into PAT and view their hierarchy information
(<http://www.cards.citidirect.com/welcome.asp>)

b. If users need to reset their passwords or if access is needed, contact Citi's helpdesk directly at 1-800-790-7206 extension 69880.

9. Training & Training Materials. The Level III APC will provide the level V APCs with the attached PAT Help Documentation to be distributed to all PAT participants. The Level III APC will coordinate PAT website training for the command. The Level V APCs will provide any further workshop, detailed PAT training as required.

10. Communication Plan. The SPAWARSSYSCOM HCA will send an e-mail to the SPAWAR site Activities, notifying them of the change in SPAWAR policy for mandatory use of PAT March 2009. Level III APC will coordinate with CCPMD and SPWARSSYSCOM HCA as necessary.

a. Level III APC will coordinate webcast training with SPAWARSSYSCOM, SSC Atlantic and Pacific.

b. The Level V APC will promptly send an e-mail to all AOs instructing them that PAT will become mandatory for use with the March 2009 cycle.

c. Level V APC will keep site AOs apprised of policy and training relative to the transition to PAT.

d. All activity's IOPs must be updated to reflect the changes in this document and submit to the Level III APC for approval not later than February 1, 2009.

e. All SPAWAR purchase card participants will replace the pages in their NAVSUPINST 4200.99 with the required changes above no later than February 1, 2009.

Schedule of PAT Implementation Activities

Action	Action Officer	Due Date	Status
Send out PAT Help Documentation and training webcast schedule to all AOs & APCs	Site Level V APC	5 Nov 2008	Completed
Send out Letter to activity COs	Tim Dowd	15 Nov 2008	
Verify that AOs realize the impact of PAT to their workload	Site Level V APC	28 Nov 2008	
Schedule Webcast training for SPAWAR	SPAWAR Level III APC	1 Dec 2008	
Ensure AOs have PAT access	Site Level V APCs	10 Dec 2008	
Take webcast training	All AOs and APCs	1 Feb 2009	
Ensure all SPAWAR Pcard participants (including CHs) update their NAVSUPINST 4200.99 with changes for monthly and Semi-annual reviews	Site Level V APC	10 Jan 2009	
Schedule phone conference with NAVSEA Level 3 for PAT lessons learned	SPAWAR Level III APC	16 Jan 2009	
Verify all AOs and APCs have had training	Site Level V APCs	5 Feb 2009	
IOPs updated for PAT reviews	Atlantic & Pacific Level V APCs	15 Feb 2009	
Go Live with PAT	All Pcard participants	20 Feb 2009	