



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
ACQUISITION LOGISTICS AND TECHNOLOGY  
US ARMY CONTRACTING AGENCY  
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SEP 21 2005

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(ACQUISITION)  
DIRECTORS, DEFENSE AGENCIES

Subject: Use of the Government Purchase Card (GPC) in Support of Hurricane Katrina Rescue and Relief Operations

This memorandum provides implementing instructions for recently issued OMB and DOD guidance (enclosed) regarding the use of the purchase card in support of the Hurricane Katrina Rescue and Relief Operation. I have outlined below the actions that must be taken by purchase card program officials under your cognizance to ensure Katrina related funding is spent efficiently, effectively and appropriately.

In view of the unprecedented GPC spending authority provided in support of this effort, I have requested and the DoDIG has agreed to conduct a comprehensive review of GPC usage in support of Hurricane Katrina rescue and relief operations. Please be advised that we fully expect that Inspector General auditors will be examining all Katrina related purchases made with the card looking for both compliance with governing policy and misuse.

To date, detailed and specific budgetary guidance has not been issued by the DOD Comptroller to address supplemental funding appropriated by the Congress for Katrina rescue and relief operations. When this guidance is available, I will provide it under separate cover.

Existing management controls identified in the Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs are applicable to the Katrina Relief and Rescue Operation. The guide can be found on the OSD Defense Procurement and Acquisition Policy web site ([www.acq.osd.mil/dpap](http://www.acq.osd.mil/dpap)) under the Items of Interest/Purchase Card tab. No later than 1 October 2005, this guide will be modified to include updated guidance for contingency and humanitarian aid operations.

It is strongly recommended that non procurement purchase cardholders who will be making Katrina related purchases with the card over an extended period complete the web based tutorial course CLM011 in the Continuous Learning Center of the Defense Acquisition University site ([www.dau.mil](http://www.dau.mil)).

The responsibilities for purchase card officials are:

Agency/Organization Program Coordinators:

- Distribute governing policy and guidance with respect to use of the GPC for Katrina operations to all GPC officials throughout your agency

- Increase GPC spending limits to billing officials and cardholders only where appropriate
- Maintain a discreet record of all billing and cardholder accounts with increased single purchase and monthly limits, including convenience check accounts
- Where single purchase limits are increased, ensure cardholder monthly limits and billing officials limits have been raised appropriately for non procurement and contracting official cardholders
- Verify availability of funds with Resource/Financial Managers
- Work with resource managers to add alternate lines of accounting earmarked for Katrina support operations to appropriate billing and cardholder accounts
- Contact servicing card issuing bank to remove velocity limits from appropriate accounts
- Reissue delegations of procurement authority to reflect the new dollar limits
- Develop and issue instructions to enable the identification and capture of all GPC purchases (transactions and dollars) spent on Katrina relief
- Develop and issue guidance on required documentation to identify purchases in support of the Katrina relief operation
- Develop and implement a supplemental oversight program for all accounts with elevated spending limits in support of the Katrina relief operation
- Ensure contracting officer warrants are revised for higher micro purchase thresholds if required

#### Resource/Financial Managers

- Develop unique Lines of Accounting (Alternate or Default) to be used only when GPC purchases are made in support of the Katrina relief operation. In addition, make appropriate modifications when detailed budgetary guidance is provided by the DOD Comptroller. In addition, separate alternate and default LOAs should be established for purchases made using the card that constitute reimbursable support funded by and/or provided to the Federal Emergency Management Agency (FEMA).
- Assist in the identification and tracking of all GPC dollars and associated transactions spent in support of the Katrina relief operation
- Notify A/OPC of fund availability

#### Billing/Certifying Officials:

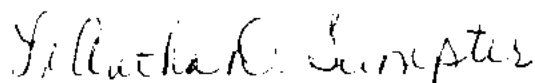
- Ensure proper documentation is recorded and maintained for GPC transactions in support of the Katrina rescue and relief operations
- Ensure cardholder compliance with all governing statute and regulatory guidance regarding use of the GPC in support of Katrina rescue and relief operations
- Establish and maintain a discreet record of number of transactions and dollars spent in support of the Katrina relief operation
- Ensure cardholders properly identify and record purchases made using the GPC in support of the Katrina rescue and relief operations
- Ensure cardholders use correct line of accounting for purchases made in support of Katrina operations
- Ensure that convenience checks written in support of Katrina operations do not exceed authorized spending limits and that the source of supply for the good or service made with the convenience check does not accept a purchase card

- Ensure check writer obtains the Tax Identification Number (TIN) or SSN for the merchant or supplier.
- Ensure that all open market transactions (those not placed under existing contracts) that exceed \$15,000 are pre-approved by a warranted contracting officer who is not the cardholder, or a senior manager at the GS-14 level or above.
- For construction contracts in support Katrina operations, the card may only be used as a method of payment. An existing contract vehicle must be in place, prior to the use of this authority.

Cardholders:

- Obtain appropriate requirements documentation to support purchases made in support of the Katrina relief operation.
- Comply with all appropriate laws and acquisition regulations when making purchases
- Identify and record purchases made in support of the Katrina relief operation. At a minimum, this will include details on the specific goods or services purchased with the GPC and how it will specifically support Katrina rescue and relief operations.
  - Strongly recommend that cardholders annotate the purchase log with the letter K to indicate a Katrina purchase and print a hard copy record of the purchase log at the end of the billing cycle.
  - The purchase log should also be further annotated with the letter F to identify purchases made with the card that constitute reimbursable support provided to the Federal Emergency Management Agency.
- Ensure each GPC transaction is charged to the line of accounting specifically established for purchases made in support of the Katrina relief operation
- Write convenience checks only when necessary and within authorized dollar thresholds for Katrina support, i.e., confirm that supplier source does not accept the GPC or formal contract
- Obtain TIN or SSN for supplier whenever convenience checks are written
- All open market transactions (those not placed under existing contracts) that exceed \$15,000 must be pre approved by a warranted contracting officer or a senior manager at the GS-14 level or above.
- For construction contracts in support Katrina operations, the card may only be used as a method of payment. An existing contract vehicle must be in place, prior to the use of this authority.

This memorandum and associated guidance will be posted to the following web site ([www.acq.osd.mil/dpap/general/hurricane\\_katrina\\_relief.htm](http://www.acq.osd.mil/dpap/general/hurricane_katrina_relief.htm)) In addition, we will request that each of our two card issuing banks advise their respective AOPCs (through a mass emailing capability provided through their electronic access system) of this existence of this policy memorandum and its posting to the web site. Questions concerning this guidance should be directed to Dan Carro at 703-681-3417 or emailed to [dan.carro@hqda.army.mil](mailto:dan.carro@hqda.army.mil)



LeAntha D. Sumpter  
 Director,  
 Purchase Card Joint  
 Program Management Office

Enclosed Policy References:

OMB Memorandum dated September 13, 2005 Chief Acquisition Officers and Chief Financial Officers, raising the micro-purchase threshold to \$250,000 for Katrina relief.

OSD Comptroller Memorandum dated September 13, 2005 to Services/Agencies USDs temporarily raising the dollar limit on convenience checks from \$2500 to \$15,000, for Katrina relief 2.

OSD AT&L Memorandum dated September 16, 2005 to Services/Agencies, USDs updating and clarifying DOD policy on purchases made in support of Katrina relief.

PC Joint PMO, questions and answers on Katrina relief. We plan to update and expand this section as new information or guidance evolves.


PC Joint PMO memo to DOD IG, 12 Sep 05, "Request for Audit of Katrina Related Transactions"

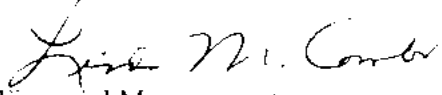


EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D C 20503

September 13, 2005

MEMORANDUM FOR THE CHIEF ACQUISITION OFFICERS AND CHIEF  
FINANCIAL OFFICERS

FROM: David H. Safavian  
Administrator  
Office of Federal Procurement Policy 

Linda M. Combs  
Controller  
Office of Federal Financial Management 

SUBJECT: Implementing Management Controls to Support Increased  
Micro-purchase Threshold for Hurricane Katrina Rescue and  
Relief Operations

Section 101 of the Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina (Public Law 109-62, hereinafter "the Act") raises the micro-purchase threshold to \$250,000 for procurements of property or services determined by the head of an executive agency to support Hurricane Katrina rescue and relief operations. This new procurement authority will allow agencies to provide critical supplies and services to the Gulf region that will directly impact the recovery effort. In support of this goal, agencies must take affirmative steps to ensure that this flexibility is used solely for efforts that have a clear and direct relationship to Hurricane Katrina rescue and relief operations, and that appropriate management controls are established and maintained to support this new authority.

The attached document outlines actions agencies must take to implement the increased threshold in a responsible and effective manner. This guidance applies to all types of micro-purchases, but it is geared toward purchases made with the government wide purchase card. Cardholders and ordering officials must determine that prices are reasonable. In addition, certain laws will continue to apply, such as procurement integrity statutes and other laws providing for criminal and civil penalties. The General Services Administration (GSA) is developing supplementary guidance to (1) clarify laws and other requirements applicable to micro-purchases conducted under the increased threshold, and (2) help agency personnel determine whether a transaction is "in support of Hurricane Katrina rescue and relief operations" and therefore allowable under section 101 of the Act.

The increased micro-purchase threshold is just one of a number of tools available to agencies to address procurement needs in response to Hurricane Katrina. Agencies may avail themselves of the simplified acquisition methods to conduct open market

purchases under the simplified acquisition threshold, which has been increased to \$250,000 in accordance with 41 U.S.C. 428a. In addition, agencies should continue to take appropriate advantage of existing acquisition vehicles, such as GSA's Multiple Award Schedules.

Please ensure this guidance is distributed broadly to all individuals (i.e., program, contracting, finance, legal, and other officials) that have responsibilities for ensuring effective use of purchase cards. For additional information, please contact Sally Beecroft in the Office of Federal Financial Management on (202) 395-1040, or Lesley Field in the Office of Federal Procurement Policy on (202) 395-4761.

Attachment

**Management Controls for Implementing Section 101 of the “Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina”**

A. Program management responsibilities.

1. There will be no blanket increase of cardholder authority. The head of each executive agency (with delegation at a level no lower than the head of the contracting activity) must identify in writing those individuals who are authorized to use the higher threshold; these individuals must be working directly on Hurricane Katrina-related acquisitions.
2. Each agency must modify contracting officer and other warrants, as appropriate, and ensure that cardholders have sufficient training appropriate for the increased authority.
3. Agencies shall work with card issuing banks to raise monthly and single transaction limits accordingly.
4. Agencies must establish and communicate policies and procedures for determining whether a transaction is “in support of Hurricane Katrina rescue and relief operations” and therefore allowable under Section 101 of the Act.
5. All open market transactions (those not placed under existing contracts) that exceed \$50,000 must be pre-approved by a warranted contracting officer (other than the buyer or cardholder) or a senior manager at the GS-14 level or above.
6. The head of the agency must designate officials to conduct follow-up reviews of transactions made pursuant to Section 101 of the Act. These follow-up reviews should take place as soon as practicable, but no later than 60 days after any given transaction. The officials shall evaluate whether the transaction: (a) was consistent with agency’s policies and procedures identified in paragraph A.4, above, and was otherwise reasonable and appropriate; (b) provided the maximum practicable opportunity for small business participation under the circumstances (see paragraph B.2, below), and (c) was appropriately documented by the cardholder. Based on these reviews, the official shall make recommendations to the head of the agency on changes to the policies and procedures identified in paragraph A.4 above, and any administrative or disciplinary actions required.

7. Agencies should increase management controls to mitigate risk under the new micro-purchase authority. OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, provides guidance on implementing strong internal controls. Examples include, but are not limited to the following, as may be appropriate:
- Increasing the frequency and scope of reviews of spending and transaction limits to ensure appropriateness;
  - Limiting the number of individuals authorized to use the increased micro-purchase threshold and the length of time this authority can be used;
  - Evaluating the span of control for approving officials;
  - Blocking card use for high risk merchant category codes; and
  - Establishing a control to ensure that card accounts are canceled when the employee returns from temporary duty or leaves the agency.

Agencies should review OMB Circular A-123, Appendix B for additional guidance on appropriate controls for charge card programs, with special emphasis on Sections 2.3 (planning), 3.4 - 3.5 (training), 4.3 - 4.7 (disciplinary actions, use of data, key personnel, etc.), 6.3 - 6.4 (creditworthiness), and Attachment 5 (best practices).

8. When initiating administrative or disciplinary actions for card misuse, charge card managers should, in addition to consultation with agency human resources professionals, where appropriate:
- Communicate clearly the penalties for fraud and misuse of the purchase card;
  - Initiate verbal counseling and warning;
  - Provide written warning;
  - Suspend or revoke charge card privileges;
  - Suspend or revoke employee security clearance;
  - Include misuse occurrence in employee performance evaluations;
  - Suspend or terminate employment;
  - Ensure consistent enforcement of penalties; and
  - Publish actions taken by the agency for misuse of charge cards.
9. Responsibilities identified in this section that have been assigned to the head of the executive agency may be delegated to a level no lower than the head of the contracting activity.



B. Additional acquisition responsibilities.

1. Cardholders and ordering officials are reminded to ensure that prices are reasonable. These common sense determinations may take into consideration the extraordinary circumstances of the rescue and recovery operations.
2. Although there is no absolute requirement to award micro-purchases to small businesses, agencies using this authority are expected to provide small businesses maximum practicable opportunity under the circumstances to participate in federal acquisitions as prime contractors and subcontractors. Where possible and consistent with efficient acquisition of needed supplies and services, local small businesses should be given priority.
3. Section 307 of the Stafford Act (P.L. 93-288) establishes a preference, to the extent feasible and practicable, for contracting with local organizations, firms, or individuals for debris clearance, distribution of supplies, reconstruction, and other major disaster or emergency assistance activities.
4. If making a purchase on behalf of another agency, the agency making the purchase will ensure the requesting agency has the authority to make the purchase and fully document the purchase card transaction, including the date and time of the request, the name and contact information of the requesting official, and funding authorization.



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

SEP 13 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
COMMANDERS OF THE COMBATANT COMMANDS  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF  
DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
INSPECTOR GENERAL OF THE DEPARTMENT OF  
DEFENSE  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION  
DIRECTOR, NET ASSESSMENT  
DIRECTOR, FORCE TRANSFORMATION  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES


SUBJECT: Temporary Increase in Convenience Check Dollar Limit in Support of  
Hurricane Katrina Recovery Efforts

Effective immediately, I hereby authorize a temporary increase in the maximum purchase dollar limit per convenience check, from \$2,500 to \$15,000, in support of recovery efforts related to Hurricane Katrina, such increase to remain in effect until March 7, 2006.

The Department of Defense Financial Management Regulation, Volume 5, Chapter 2, provides the Department's policy regarding the use of convenience checks. All appropriate internal control procedures should continue to be followed.

When issuing a convenience check, the Purchase Card Account Holder should obtain and record the payee's Tax Identification Number (TIN) on the payment record to ensure compliance with the requirements of the Internal Revenue Code and the Debt Collection Improvement Act of 1996. Generally, the TIN is the Social Security Number for an individual or the Employer Identification Number for a business. In the event the TIN information is not available, the Purchase Card Account Holder will obtain the social security number of the individual receiving the convenience check.

My point of contact for this action is Ms. Carol Phillips. She may be reached by phone at (703) 693-6503 or by email at [carol.phillips@osd.mil](mailto:carol.phillips@osd.mil).

A handwritten signature in black ink, appearing to read "T. McKay". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Teresa McKay  
Deputy Chief Financial Officer



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

SEP 16 2005

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Use of the Increased Micro-purchase Threshold and Governmentwide Commercial Purchase Card for Purchases in Support of Hurricane Katrina Rescue and Relief Operations

The purpose of this memorandum is to update and clarify Department of Defense policy applicable to purchases of property or services made in support of Hurricane Katrina rescue and relief operations. This memorandum supplements my memorandum, "Increased Thresholds for Procurements in Support of Hurricane Katrina Relief Efforts" issued on September 2, 2005 (Attachment 1); supplements Class Deviation 2005-O0005, dated September 2, 2005; implements Section 101 of P.L. 109-62, the "Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina," and implements Office of Federal Procurement Policy memorandum dated September 13, 2005.

**Thresholds:** The micro-purchase threshold and the Simplified Acquisition Threshold are increased to \$250,000, and the Test Program for Commercial Items threshold is \$10 million for procurements in support of Hurricane Katrina rescue and relief. For Hurricane Katrina rescue and relief, DoD Governmentwide Commercial Purchase Card users may use the purchase card for purchases of commercial items up to \$15,000, and DoD Contracting Officers may use the purchase card for purchases of commercial items up to the increased micro-purchase threshold of \$250,000.

**Class Deviations:** Class Deviation 2005-O0005 is supplemented. The list of laws at Attachment 2 supersedes the list attached to Class Deviation 2005-O0005. Class Deviation 2005-O0006 will be separately distributed, providing Office of Federal Contract Compliance Programs waiver of certain equal opportunity clause requirements in contracts in support of Hurricane Katrina relief efforts.

**Statutory Flexibilities:** When using the Governmentwide Commercial Purchase Card to support Hurricane Katrina relief efforts in accordance with FAR 13.301(c), authorized users need not comply with section 15(j) of the Small Business Act (15 U.S.C. 644(j)); the Buy American Act (41 U.S.C. 10a-10c); the Davis-Bacon Act (40 U.S.C. 276a-276a-7) or the Berry Amendment (10 U.S.C. 2533a).

**Statutory Requirements:** Other laws and requirements will continue to apply, such as procurement integrity statutes and laws providing criminal and civil penalties.



Contracting Officers and Governmentwide Commercial Purchase Card users are responsible for ensuring compliance with applicable laws. The information in Attachment 2 is representative of laws and requirements that may apply to particular purchases, but is not all inclusive. Therefore, other laws may apply to a particular purchase.

**Management Controls:** It is of critical importance to ensure that these flexibilities are used only for efforts that have a clear and direct relationship to Hurricane Katrina rescue and relief operations, and that they are used in a responsible and effective manner with appropriate management controls. Attachment 3 provides management control guidelines and procedures for the appropriate use of these flexibilities.

The attached guidance applies to micro-purchases authorized by P.L. 109-62, including purchases made with the Governmentwide Commercial Purchase Card. In general, contracting officers are expected to ensure the reasonableness of all prices and to use competitive procedures to the maximum extent practicable.

This memorandum and other related documents are available at <http://www.acq.osd.mil/dpap/>. My point of contact is Ms. Linda Neilson. She can be reached at (703) 697-8334, or via email at [linda.neilson@osd.mil](mailto:linda.neilson@osd.mil).



Kenneth J. Krieg

Attachments:  
As stated

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
COMMANDERS OF THE COMBATANT COMMANDS  
ASSISTANT SECRETARIES OF DEFENSE  
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DIRECTORS OF THE DOD FIELD ACTIVITIES



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

SEP -2 2005

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Increased Thresholds for Procurements in Support of Hurricane Katrina Relief Efforts

I hereby authorize the use of the special emergency procurement authorities in 41 U.S.C. 428a to increase the micro-purchase, the simplified acquisition, and the test program for commercial items thresholds for the procurements in support of Hurricane Katrina relief efforts. Therefore, procurements made by the DoD in support of this contingency may use the rules specified in the Federal Acquisition Regulation and its Defense supplement for a contingency within the United States. This means that the micro-purchase threshold is increased to \$15,000 (FAR 13.201(g)(1)(i)), the Simplified Acquisition Threshold is increased to \$250,000 (FAR 2.101), and the test program for commercial items threshold is increased to \$10 million (FAR 13.500(c)) for procurements in support of Hurricane Katrina relief efforts.

My point of contact is Ms. Sandi Bennett, DPAP/Policy. She can be reached at (703) 693-0197, or via email at [Sandra.Bennett@osd.mil](mailto:Sandra.Bennett@osd.mil).

  
Kenneth J. Brigg



Attachment (1)

**Checklist of Applicable Laws and Requirements**  
**The contractor agrees to comply with the following list for the acquisition of Commercial Items that do not exceed the Micro-Purchase Threshold of \$250,000 in Support of Hurricane Katrina**

**I. Applicable to all Purchases**

Statute or Executive Order (EO)	Requirements	For more information see FAR/DFARS	
31 U.S.C. 1352	Anti-lobbying. Do not use appropriated funds to lobby for award of federal contracts.	FAR Subpart 3.8	√
18 U.S.C. 431	Officials not to benefit		
41 U.S.C. 51 58	Anti-Kickback Act of 1986. The requirement for the incorporation of the contractor procedures for the prevention and detection of violations, and the contract requirement for contractor cooperation in investigations are not applicable.	FAR 3.502	
41 U.S.C. 265,	Whistle-blower protection	FAR Subpart 3.9	
10 U.S.C. 2409			
49 U.S.C. 40118	Fly American	FAR Subpart 47.4	
41 U.S.C. 423	Procurement Integrity	FAR 3.104	
31 CFR Chapter 5	The Contractor shall not provide products from Cuba, Iran, Libya, Sudan, or North Korea, or any entity or individual listed by the Office of Foreign Assets Control as Specially Designated Nationals or Blocked Persons.	FAR Subpart 25.7	
10 U.S.C. 2631	Applies to ocean transportation of cargo owned by, or destined for use by, DOD	FAR Part 47 and DFARS Subpart 247.5	



**II. More than \$2,500.**

Statute or Executive Order (EO)	Requirements	For more information see FAR/DFARS	
41 U.S.C. 351 et seq.	The Contractor agrees to comply with the Service Contract Act of 1965, as amended. If this is a service contract, each service employee shall be paid not less than the minimum monetary wages and shall be furnished fringe benefits in accordance with the wages and fringe benefits determined by the Secretary of Labor, or authorized representative, as specified in any wage determination attached to this contract. No employee shall be paid less than the currently applicable minimum wage specified under section 6(a)(1) of the Fair Labor Standards Act of 1938, as amended.	FAR Subpart 22.1006	√

**III. More than \$10,000.**

Statute or Executive Order (EO)	Requirements	For more information see FAR/DFARS	
E.O. 11246	The Contractor represents that the Contractor complies with Equal Employment Opportunity (EEO) and does not maintain or provide segregated facilities for its employees. The Contractor will not be obligated to develop the affirmative action program, prepare the reports, or provide the notices usually required under the regulations implementing E.O. 11246, as amended. See Department of Labor memorandum, subj: Contracts for Hurricane Katrina Relief Efforts, dated September 9, 2005, for limited exemptions and waiver from some of the requirements.	FAR Subpart 22.8	√
29 U.S.C. 793	The contractor agrees to comply with Affirmative Action for Workers with Disabilities. The Contractor will not be obligated to develop the affirmative action program, prepare the reports, or provide the notices usually required under the regulations implementing Section 503 of the Rehabilitation Act of 1973, as amended.	FAR Subpart 22.14	
42 U.S.C. 6962	Use of recovered material. If this contract is for an EPA designated product, the contractor certifies that the percentage of recovered materials used in the performance of the contract will be at least the amount required by the applicable contract specifications.	FAR Subpart 11.3	

**IV. More than \$100,000.**

Statute or Executive Order (EO)	Requirements	For more information see FAR/DFARS	
31 U.S.C. 1352	The offeror certifies that no Federal appropriated funds have been paid to any person to influence or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress, on his or her behalf in connection with the award of this contract. Disclosure using OMB Form LLL is required if the contractor makes payments with nonappropriated funds which would be prohibited is paid for with appropriated funds.	FAR Subpart 3.8	✓
38 U.S.C. 4212	Application of Labor Laws. The contractor agrees to comply with Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans. The Contractor will not be obligated to develop the affirmative action program, prepare the reports, provide the notices, or list the job openings usually required under the regulations implementing section 4212 of the Vietnam Era Veteran Readjustment Assistance Act, as amended.	FAR Part 22.13	
40 U.S.C. 3701 et seq	Contract Work Hours and Safety Standards Act	FAR Subpart 22.3	

**V. \$175,000. or more**

Statute or Executive Order (EO)	Requirements	For more information see FAR/DFARS	
19 U.S.C. 2501 et seq.	WTO GPA. If buying items listed at DFARS 225.401-70, obtain oral certification that the supplies are U.S.-made, or the products of a designated or qualifying country, unless domestic end products are not available.	FAR 25.4, DFARS 225.4, 252.225-7020	✓

## **Department of Defense Management Control Guidelines and Procedures**

These management control guidelines and procedures implement section 101 of P.L. 109-62, the "Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina" and the guidance in OFPP Memorandum dated September 13, 2005.

### **A. Program management responsibilities.**

1. There will be no blanket increase of cardholder authority. The head of each contracting activity must identify in writing those individuals who are authorized to use the higher threshold; these individuals must be working directly on Hurricane Katrina-related acquisitions. Appropriate DoD contracting officers may use the purchase card for Hurricane Katrina-related procurements up to \$250,000 in value; other cardholders may use the card for such procurements up to \$15,000 in value.
2. Each contracting activity must modify contracting officer and other warrants, as appropriate, and ensure that cardholders have sufficient training appropriate for the increased authority.
3. Contracting activities shall work with card issuing banks to raise monthly and single transaction limits accordingly.
4. Contracting activities must establish and communicate policies and procedures for determining whether a transaction is "in support of Hurricane Katrina rescue and relief operations" and therefore allowable under section 101 of the Act.
5. All open market transactions (those not placed under existing contracts) that exceed \$15,000 must be pre-approved by a warranted contracting officer (other than the buyer or cardholder) or a senior manager at the GS-14 level or above.
6. The head of the contracting activity must designate officials to conduct follow-up reviews of transactions made pursuant to section 101 of the Act. These follow-up reviews should take place as soon as practicable, but no later than 60 days after any given transaction. The officials shall evaluate whether the transaction: (a) was consistent with agency's policies and procedures identified in paragraph A.4, above, and was otherwise reasonable and appropriate; (b) provided the maximum

Attachment (3)

practicable opportunity for small business participation under the circumstances (see paragraph B.2, below), and (c) was appropriately documented by the cardholder. Based on these reviews, the official shall make recommendations to the head of the agency on changes to the policies and procedures identified in paragraph A.4 above, and any administrative or disciplinary actions required.

7. Contracting activities should increase management controls to mitigate risk under the new micro-purchase authority. OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, provides guidance on implementing strong internal controls. Examples include, but are not limited to the following, as may be appropriate:

- Increasing the frequency and scope of reviews of spending and transaction limits to ensure appropriateness;
- Limiting the number of individuals authorized to use the increased micro-purchase threshold and the length of time this authority can be used;
- Evaluating the span of control for approving officials;
- Blocking card use for high risk merchant category codes; and
- Establishing a control to ensure that card accounts are canceled when the employee returns from temporary duty or leaves the agency.

Contracting activities should review OMB Circular A-123, Appendix B for additional guidance on appropriate controls for charge card programs, with special emphasis on Sections 2.3 (planning), 3.4 - 3.5 (training), 4.3 - 4.7 (disciplinary actions, use of data, key personnel, etc.), 6.3 - 6.4 (creditworthiness), and Attachment 5 (best practices).

8. When initiating administrative or disciplinary actions for card misuse, charge card managers should, in addition to consultation with agency human resources professionals, where appropriate:

- Communicate clearly the penalties for fraud and misuse of the purchase card;
- Initiate verbal counseling and warning;
- Provide written warning;
- Suspend or revoke charge card privileges;
- Suspend or revoke employee security clearance;
- Include misuse occurrence in employee performance evaluations;
- Suspend or terminate employment;
- Ensure consistent enforcement of penalties; and
- Publish actions taken by the agency for misuse of charge cards.

9. Responsibilities identified in this Attachment may not be delegated to a level lower than the Head of the Contracting Activity.

**B. Additional acquisition responsibilities.**

1. Cardholders and ordering officials are reminded to ensure that prices are reasonable. These common sense determinations may take into consideration the extraordinary circumstances of the rescue and recovery operations.
2. Contracting officers are expected to use competitive procedures to the maximum extent practicable
3. Although there is no absolute requirement to award micro-purchases to small businesses, contracting activities using this authority are expected to provide small businesses maximum practicable opportunity under the circumstances to participate in federal acquisitions as prime contractors and subcontractors. Where possible and consistent with efficient acquisition of needed supplies and services, local small businesses should be given priority.
4. Section 307 of the Stafford Act (P.L. 93-288) establishes a preference, to the extent feasible and practicable, for contracting with local organizations, firms, or individuals for debris clearance, distribution of supplies, reconstruction, and other major disaster or emergency assistance activities.
5. If making a purchase on behalf of another agency, the agency making the purchase will ensure the requesting agency has the authority to make the purchase and fully document the purchase card transaction, including the date and time of the request, the name and contact information of the requesting official, and funding authorization.
6. The purchase card may only be used as a method of payment (see FAR 13.301(c)(3) for construction contracts.

## Questions and Answers

### Katrina Relief and Use of the GPC up to \$250,000

#### **Who can be granted an increased purchase card limit and how can it be implemented?**

After careful consideration of a supervisor's request to increase a cardholder's purchase card limit to support Hurricane Katrina Recovery Operations, the A/OPCs may direct the bank to increase a non-contracting officer purchase card limit to \$15,000. A/OPCs may approve and implement supervisor's requests for an increased purchase card limit of \$250,000 to support Hurricane Katrina Recovery Operations for cardholders who are also warranted contracting officers.

#### **How much can a cardholder spend on Katrina relief?**

A cardholder can spend up to their delegated amount (\$15,000 for non-Contracting Officers and \$250,000 for Contracting Officers) on a single purchase. As always, the bank will not approve any purchase with a price that exceeds the total funding attached to the individual cardholders account.

#### **Must the cardholder be a warranted contracting officer to spend up to \$250,000?**

Yes, only cardholders who are warranted contracting officers and are supporting Hurricane Katrina Recovery Operations and hold delegations from the A/OPC are authorized to have their Purchase Card limit raised to \$250,000.

#### **Are there other spending amounts for cardholders?**

Yes, cardholders who have received the necessary delegation from their AOPC may spend up to \$15,000 on a single Katrina Recovery Operation related purchase. As always, the bank will not approve any purchase with a price that exceeds the total funding attached to the individual cardholders account. A cardholder does not have to be a warranted contracting officer to be granted a \$15,000 delegation.

#### **Are special funds to be used?**

Yes. Public Law 109-62 provided funds to support Katrina relief. However, you must communicate with your Resource Management/Budget Office to ensure that funds are available for your card and the necessary alternate lines of accounting are established in the bank system so that PC charges attributable to Katrina relief shall be re-allocated (instead of default line) to the appropriate Katrina special funding.

#### **Are there additional laws and regulations the contracting officer must comply with?**

Yes, the attached lists the laws and regulations for compliance. Additionally, the Contracting Officer must place a note to file that the urgency of need for the item or service required GPC use (versus other more time consuming contracting methods) and

the purchase had a clear and direct relationship to Hurricane Katrina rescue and relief operations. Prices must always be reasonable.

**Are there any special requirements for cardholders spending up to \$2,500 for Katrina Recovery Operation Efforts?**

Regular operating rules apply to purchases up to \$2,500 for Katrina Recovery Operation Efforts. However, during purchase card invoice reconciliation, the cardholder must ensure that all purchases made under this new authority are paid with Hurricane Katrina Recovery Operation Supplemental funding.

**Is there a preference for small business and local firms?**

Although there is no absolute requirement to purchase from small businesses you should provide small businesses maximum practicable opportunity to participate in these procurements. Section 307 of the Stafford Act (P.L. 93-288) establishes a preference, to the extent feasible and practicable, for contracting with local organizations, firms, etc. to clear debris, distribute supplies, reconstruction, and other major disaster or emergency assistance activities.

**Is there a new dollar limitation for convenience checks?**

The Office of the Under Secretary of Defense (Comptroller) authorized a temporary increase in the maximum purchase dollar limit for convenience checks from \$2,500 to \$15,000, in support of recovery efforts related to Hurricane Katrina. The increase is to remain in effect until March 7, 2006.



DEPARTMENT OF THE ARMY  
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SFCA-PC

SEP 12 2005

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING,  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE

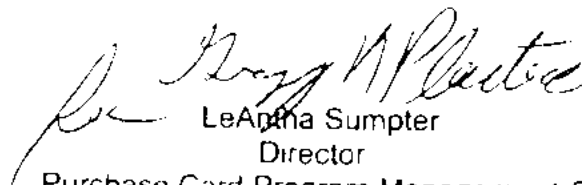
SUBJECT: Request for Audit of Katrina Related Transactions

To allow agencies to provide critical supplies and services to the Gulf region, Section 101 of the Second Emergency Supplemental Appropriations Act raised the micro-purchase threshold to \$250,000 for procurements of property or services determined by the head of an executive agency to support Hurricane Katrina rescue and relief operations. In support of this goal, the Department must take affirmative steps to ensure that this flexibility is used solely for Katrina-related efforts, and that appropriate management controls are established and maintained to support this new authority.

Therefore, we request your office conduct an of audit of transactions made pursuant to Section 101 of the Act. The audit shall:

- Identify whether the transactions were consistent with Department policies and procedures regarding use of the purchase card for Katrina relief efforts as identified in the attached DPAP memorandum;
- Evaluate whether the transactions were otherwise reasonable and appropriate;
- Recommend necessary changes to Department policies and procedures regarding Katrina related effort.

My point of contact for this matter is Ms. Susan Quinlan at commercial 703-681-3410.

  
LeAnna Sumpter  
Director  
Purchase Card Program Management Office

Enclosure