



**UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100**

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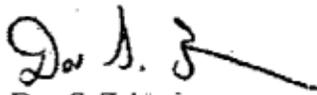
MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Implementation of Changes to the Department of Defense (DoD) Travel Card Policies to Reduce Delinquency Rates

Since the inception of the current travel charge card task order, delinquency rates for individual DoD member travel card accounts have been unacceptable and the Department's contractor has been forced to write-off a significant amount of bad debt. Delinquency in paying valid travel charge card debts is considered an abuse of the travel card privilege and subject to appropriate administrative action.

On April 11, 2001, the Defense Finance and Accounting Service (DFAS), on behalf of the Department, signed a task order modification with the current contractor. The task order is intended to encourage DoD members to pay their travel charge card bills in a more timely manner and reduce the financial risk of the contractor. Attached are the new policies agreed to in the task order modification. These revisions, as appropriate, will be included in the DoD Financial Management Regulation. Each DoD Component is expected to work with the DFAS and to take such other appropriate actions as necessary to implement the changes as addressed in the attachment.

If you have any questions concerning this matter please contact Mr. Ron Massengill of the Finance Policy Directorate. He may be reached by email: massengr@osd_pentagon.mil or by telephone at (703) 602-0125.


Dov S. Zakheim

Attachment

DEPARTMENT OF DEFENSE (DoD)
POLICIES TO REDUCE DELINQUENCY RATES FOR INDIVIDUAL TRAVEL
CHARGE CARD ACCOUNTS

1. Reduce the number of active cards issued to infrequent travelers. (As defined in Volume 9 of the DoD Financial Management Regulation, “infrequent travelers” are military members or DoD civilian personnel who travel two or fewer times per year.) DoD Components shall review the travel card database with the objective of reducing the number of active/outstanding travel charge cards. Those individuals determined not to need a travel charge card shall have their accounts closed, and others who do not travel frequently shall have theft cards deactivated. If an individual whose card is deactivated subsequently enters a travel status, his or her card shall be activated for the period of travel. Unit level Agency Program Coordinators (APCs) shall be responsible for identifying infrequent travelers and determining whether accounts of infrequent travelers will be placed in an inactive status through “deactivation.” Not later than December 31, 2001, APCs shall complete their review of cardholder files to identify infrequent travelers and, as deemed appropriate by the supervisor, deactivate or cancel cards of infrequent travelers. After December 31, 2001, APCS shall review any lists provided by the contractor on a periodic basis to identify cards for potential deactivation or cancellation at the supervisor’s discretion.
2. Implement default split disbursement no later than July 10, 2001. That portion of the travel settlement related to transportation, lodging and rental car shall be forwarded to the travel charge card contractor; the remainder of any entitlement (associated with meals and other incidental expenses) shall be sent to the traveler. However, the traveler may elect to specify an exact amount be forwarded to the travel charge card contractor. Default split disbursement is considered to be a benefit to the traveler because, if appropriate amounts are forwarded to the travel charge card contractor on behalf of the traveler, the traveler would not need to pay the travel charge card contractor him or herself. In addition, it would speed payment to the travel charge card contractor and, therefore, help to resolve the delinquency issue for travel charge card accounts. (Because the U.S. Marine Corps is transitioning accounting and disbursing systems it need not initiate default split disbursement until the transition is complete.)
3. Establish procedures to implement salary offset for delinquent amounts due to the contractor (not later than October 9, 2001). The “Travel and Transportation Reform Act of 1998” allows the salary offset of delinquent amounts due to the travel card contractor. The contractor may submit requests for collection of delinquencies that are 90 or more days past the closing date of the account, including amounts that may have been written off by the contractor. DoD Components shall provide for appropriate salary offsets after complying with the due process procedures established by the Defense Finance and Accounting Service. The contractor will not report to Credit Bureaus those accounts under active salary offset by DoD.

4. The travel charge card contractor may reduce both the cash and credit limits. The contractor may establish cash and credit line limits of no lower than \$250 cash/\$2,500 credit for standard cards and \$125 cash/\$1,000 credit for restricted cards. Cash and credit line limits will be phased in over a 6-month transition period. APCs can, with supervisor's approval, raise cash/credit limits to meet mission requirements.
5. The travel charge card contractor may increase the fee for cash advances at ATMs. The task order modification raises the fee for ATM cash advances to 3 percent of the amount withdrawn, or \$2, whichever is greater. This fee is a reimbursable expense to the traveler.
6. The travel charge card contractor may assess a \$20 fee for the expeditious delivery of cards. This fee shall apply when the expedited action is requested for individuals not currently in a travel status. The fee shall not apply to expedited delivery of emergency replacements of cards lost, stolen, or otherwise unusable by travelers who are in a travel status. This fee is a reimbursable expense to the traveler.
7. The travel charge card contractor may increase the monthly late fee charged to the cardholder to \$29 (from \$20). This late fee can be assessed monthly when an account is delinquent by 75-calendar days or more. (Previously the fee could not be assessed until the account was 120 days delinquent—which also was the point of cancellation.) The task order modification includes an exception for cardholders in a mission critical status. Mission critical is defined as “travel performed by DoD personnel under competent orders and performing duties that, through no fault of their own, may prohibit the prompt payment of their outstanding travel charge card bills.” Personnel in the mission critical category shall be determined on a case-by-case basis and be designated by the supervisor. While in a mission critical status, individual travel charge cards shall not be suspended or cancelled. Should there be outstanding bills, they should be settled within 45 days of removal from this status. In addition, the contractor will not penalize travelers when notified by the Government that payment delay was caused by the Government. The late fee is an individual cardholder expense and is not reimbursable to the traveler.
8. The travel charge card contractor may assess a \$29 return check fee to the cardholder. The travel charge card contractor is authorized to charge individual cardholders a \$29 return check fee. The return check fee is an individual cardholder expense and is not reimbursable to the traveler.
9. DoD Components shall address Travel Card issues during inprocessing and outprocessing of personnel. Inprocessing and outprocessing procedures shall be made more stringent to better ensure that travel card issues are adequately addressed. Specifically, the requirement for military members and civilian employees to inprocess and outprocess through the unit level agency program coordinators shall be added to the DoD Components existing personnel transfer and separation procedures. DoD Components shall enforce these procedures.

10. Notify cardholders whenever Commanders are notified of delinquencies. Agency program coordinators shall notify applicable cardholders whenever their Commanders are notified that a cardholder is delinquent in the payment of outstanding amounts on their account.
11. Debit Cards allowed. The revised task order allows individual activities to negotiate the use of debit cards (vice travel charge cards) with the contractor.
12. Pay by Phone Charge. The contractor may choose to offer a pay by phone service and establish a pay by phone charge to be paid by the individual cardholder. The use of a pay by phone service is an individual's decision. Therefore, if this service is elected, the fee is not reimbursable to the traveler.
13. Card Application and Cardholder Agreement. The Card Application and Cardholder Agreement must be modified and distributed to all cardholders before the changes related to the reduction to the cash and credit limits, the increased fee for cash advances at ATMs, the fee for the expeditious delivery of cards, the increase in the monthly late fee, and the return check fee go into effect.