

STATEMENT OF JERRY S. HINTON  
DIRECTOR OF FINANCE  
DEFENSE FINANCE AND ACCOUNTING SERVICE  
BEFORE THE  
U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON GOVERNMENT REFORM  
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND  
INTERGOVERNMENTAL RELATIONS  
ON  
OVERSIGHT HEARING ON USE AND ABUSE OF GOVERNMENT PURCHASE CARDS  
JULY 30, 2001

Good morning, Mr. Chairman, Congresswoman Schakowsky and members of the Subcommittee. My name is Jerry S. Hinton and I am the Director for Finance, Defense Finance and Accounting Service. I welcome the opportunity to discuss with you DFAS' responsibilities for paying Purchase Card bills.

I would like to start by giving you a general picture of the size of our responsibility and operations. DFAS is the largest finance and accounting operation in the world. Our mission is to provide responsive, professional finance and accounting services for the Department of Defense. On an annual basis we pay approximately 5.4 million military members, civilians, retirees, and annuitants; issue approximately \$288 billion in disbursements; execute some 100 million accounting transactions; pay approximately 14 million invoices and over 5 million travel payments. During FY2000, DFAS paid approximately 10 million Chargecard transactions totaling \$5.5 billion.

The DFAS Purchase Card payment process is in accordance with the DoD Financial Management Regulation and DoD policy memorandums. Specifically, DFAS performs a pre-payment review or audit before Chargecard payments for paper invoices are made. The pre-payment review or audit includes checking: (1) For the Procurement Instrument Identification Number (PIIN), and, if needed, the Sub-Procurement Instrument Identification Number (SPIIN); (2) For Payees' names and addresses; (3) That the invoice date is later than the purchase order date; (4) That it is the original invoice, and that the invoice number and date are correct; (5) That the estimated pay date is correct; (6) That the appropriate paying office is identified by the line of accounting referenced; (7) That the Prompt Pay or other Certification is provided; (8) That the correct amount is being paid to include interest where applicable, and (9) That only charges certified by the approving official are being paid. The entitlement system, Standard Accounting and Reporting System (STARS) One Pay, automatically schedules the payments through a disbursing module (ADS) to make the payments when required.

Now I'd like to address the GAO draft that discussed duplicate payments for Chargecard invoices. We have confirmed some duplicate Chargecard payments were made at DFAS San

Diego during the period covered by the audit. Most of these duplicate payments were caused by Citibank errors. Shortly after the duplicate payments were discovered, Citibank systemically corrected the problem that had contributed to the duplicate payments. One duplicate payment was caused by ship error; we have instituted internal controls to guard against a repetition of this type of error. All duplicate payments identified were recovered from Citibank.

Mr. Chairman and Congresswoman Schakowsky, that concludes my remarks and I will be happy to answer your questions.