DEPARTMENT OF THE AIR FORCE
AIR FORCE LOGISTICS MANAGEMENT AGENCY

LETTER REPORT

LOCAL PURCHASE TRANSACTION DATA COLLECTION

PROJECT MANAGER: **MSgt Tony Nicholson**

TEAM MEMBERS: **CMSgt Rob Ohnemus**
SMSgt Mike Horne
Dr. Doug Blazer

AFLMA PROJECT NUMBER: LS199826800

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BACKGROUND: The International Merchant Purchase Authorization Card (IMPAC) is the official Government-wide credit card. IMPAC was issued for the purpose of streamlining government procurement. Though the card was originally issued in 1986, government procurement actions via the IMPAC card were not significant until 1994 when both the Executive Order 12931 (Federal Procurement Reform) was issued and the Federal Acquisition Streamlining Act was passed. These actions eventually resulted in reduced paperwork requirements for government purchases under $2500.

Air Force military members and civilian employees now use the IMPAC credit card to pay for official government purchases within the guidelines of the Federal Acquisition Regulation (FAR) and applicable Air Force policy and regulations. The IMPAC credit card may be used to purchase supplies, equipment, and non-personal services up to the micro-purchase level, which is currently $2500. If authorized, the IMPAC card can be used to make purchases above the micro-purchase threshold from pre-priced contracts and agreements such as the Federal Supply Schedule. In these situations, the authority to use IMPAC does not exceed $25,000 per transaction. IMPAC is used in lieu of a Standard Form 44 or cited as the method of payment on agreements, purchase orders, delivery orders, and contracts.

The IMPAC program has provided significant benefits to the Air Force. Before the DoD implemented the use of the IMPAC card, buying supplies and services valued under $2500 was paper-intensive, inefficient, and time-consuming. In many cases, weeks, and sometimes months, would pass before a purchase order was satisfied. Millions of purchases for supplies and services valued under $2500 flow through DoD annually and, as a result, the paper-intensive process was just too expensive and cumbersome. DoD soon realized that the IMPAC program reduced the costs for these purchases.

The Air Force has since revised many of its procedures to streamline and simplify use of the purchase card. The intent was to make the IMPAC card as "user friendly" as possible. The Air Force recognized that some supplies or services, such as parts on weapon systems, explosives, regulated medical items, and hazardous materials still required the appropriate controls. However, they felt that for the most part, 90 percent of eligible purchases should be satisfied via the IMPAC program. In April 1997, the Air Force Chief of Staff "encouraged" MAJCOM commanders to expand the use of the IMPAC card at all Air Force installations to reach the goal of using IMPAC for 90 percent of all eligible purchases. In response, HQ USAF/ILSP tasked supply retail accounts to help enforce compliance with the DoD and Air Force policy to use the IMPAC card for eligible purchases.

PROBLEM STATEMENT: In May 1998, HQ USAF/ILSP tasked the AFLMA to collect the data needed to determine if Air Force retail supply units are enforcing compliance with Air Force and DoD policy to use the IMPAC credit card for 90 percent of the eligible purchases.

OBJECTIVE: Develop a method to periodically collect appropriate Standard Base Supply System (SBSS) local purchase transaction history data and segregate the data into the following HQ USAF-directed categories:

a) Total JBx (local purchase) item records with unit price less than $2500
b) Total JBx item records with unit price less than $2500, demand level is greater than zero
c) Total JBx item records with unit price less than $2500, demand level is greater than zero, no adjusted level on file
d) Total JBx item records with unit price less than $2500, demand level is greater than zero, an adjusted level is on file
e) Requisitions for item records with unit price less than $2500
f) Requisitions for item records with unit price less than $2500, extended cost less than $2500
g) Requisitions for item records with unit price less than $2500, extended cost greater than $2500
h) JBx requisitions on file but now, no corresponding item record is on file

METHODOLOGY: We developed a query program to periodically scan the SBSS Consolidated Transaction History (CTH) record to select the appropriate local purchase transactions. The query program also selected the corresponding item records and adjusted level details. The query program was initially processed at every Air Force supply host account on a monthly basis. It is now processed quarterly and it creates three output files. The first file contains the appropriate local purchase transactions from the previous quarter, the second file contains the item records from the stock numbers in the local purchase transaction file, and the third file contains adjusted levels (if any) for those same stock numbers. The three output files are automatically sent to the AFLMA via the File Transfer Protocol (FTP).

The AFLMA consolidates the three files from all bases into three Air Force-wide files: a transaction file, an item record file, and an adjusted level file. The files are imported into a Microsoft Access database and segregated into the eight HQ USAF defined categories. The segregated data is then exported to Microsoft Excel spreadsheets. The Excel spreadsheets are stored on the AFLMA web site (http://www.il.hq.af.mil/aflma/lgs/lgsindex.html) and are available to all government and military users. We encouraged both HQ USAF and MAJCOM personnel to review the data.

The Excel worksheets summarize the local purchase transactions collected by the AFLMA since the inception of the project in July 1998. Attachments One, Two, and Three provide examples of each of the worksheets respectively.

1. Summary Worksheet - Lists the transaction count by MAJCOM, by month, and by type account (host or satellite) for each of the eight categories.

2. Charts (Eight Worksheets) - The transaction data is segregated by MAJCOM and by month and is graphically depicted for each of the eight HQ USAF-directed categories.

3. Actual base data (Fourteen Worksheets) - Lists the actual transaction count, for each of the seven categories (see categories A-G above) for every host base and satellite account. Note that we did not segregate the records in category H by type account (i.e. host or satellite).

DISCUSSION: While we were not asked to analyze the SBSS local purchase data we collected, a cursory review of the data did raise several questions. We are concerned that using only the data in these eight categories may lead to inaccurate conclusions about how well the Air Force units are complying with the IMPAC policy. For example,

- HQ USAF/ILS specifically asked us to determine the total number of JBx (local purchase) with a unit price less than $2500 with a positive demand level. However, a more appropriate measure would be to review any JBx item record with a positive requirement. Even in those situations where the demand level is zero, a positive requirement would result in requisitions.

- As we understand it (there are other interpretations), current IMPAC policy does not allow breaking down single purchases into multiple purchases that are less than the single purchase limit merely to permit IMPAC purchases (unless the product or service is available on government schedule). This is confusing especially in light of those cases where base contracting will accept requisitions from base supply if the extended price is greater than $2500. Using July 1998 data as an example, of 6,574 requisitions for items under $2500, more than half (3,495) had an extended cost greater than $2500. Do these qualify as "legal" IMPAC purchases in the context of current Air Force policy? Should the Air Force determine how many single orders it would take to order these items? There are other purchases (e.g. hazardous items, controlled items) where it is not "legal" to use the IMPAC card. So, for the 3078 requisitions with extended price less than $2500, should the Air Force determine how many were actually "legal" IMPAC purchases?

- Individual equipment is an exception to the IMPAC policy. IMPAC procedures (paragraph 3.3.14) state the "the purchase of clothing items is prohibited." The IMPAC policy assumes that activities should be able to plan for individual equipment item needs so that Individual

Equipment (IEU) has a chance to provide items to meet the users' needs. If an emergency does occur and a user needs the items quickly and base supply cannot provide the items in a timely manner, the user must justify the need. The user is required to obtain verification that base supply cannot meet the need and obtain approval from base supply to purchase the item through commercial sources. Should the Air Force determine how many items with demand levels and with requisitions are for IEU items?

- Our data indicates that a considerable number of JBx requisitions were for equipment items. Should the IMPAC policy override current Air Force equipment accountability policy or should base supply still enforce current equipment policy? If so, how would we ensure equipment purchases were recorded and placed on accountable records? Since the Air Force supply community will bear the brunt of any criticisms due to the loss of equipment accountability, this is an issue worth exploring.

It is clear from our limited review of the data, MAJCOM procedures, and current Air Force policy that the Air Force supply community does not yet have a clearly defined set policy or procedures for IMPAC compliance. For example,

- It is not clear if the Air Force wants to use IMPAC for accountable equipment items or for requisitions exceeding $2500 in extended cost.

- Current procedures at some MAJCOMs do not guarantee retail supply stocks are exhausted before the customer purchases new items.

- The current IMPAC procedures give organizations the authority to purchase weapon system items with the IMPAC card. However, some MAJCOMs have advised their maintenance activities to not purchase weapon system items with the IMPAC card for "safety of flight" reasons.

- Contracting's role in enforcing IMPAC compliance is sometimes unclear. Shouldn't Contracting serve as a check and balance for base supply? In other words, just because a request for local purchase is accepted by base supply and processed for requisitioning through contracting doesn't mean it should arbitrarily be accepted by Contracting. Contracting should challenge the request if it is IMPAC eligible.

The data we collected per HQ USAF direction does not accurately identify how well the Air Force is meeting its goal of 90 percent usage for *IMPAC eligible items*. In part, because the data we collected does not differentiate a local purchase item as IMPAC eligible and in part because IMPAC eligible is not clearly defined. In other words, the Air Force supply community needs a clear policy on IMPAC usage and then a standard set of procedures to ensure Air Force supply activities enforce the policy effectively and efficiently (use all existing retail supply stocks before buying more).

Current Air Force supply procedures do not provide clear guidance on "how" bases are to enforce compliance with DoD and Air Force policy on IMPAC usage. As a result, MAJCOMs are using slightly different procedures. While actual supply procedures for enforcing customer compliance with the IMPAC policy are a bit complicated (the Air Force instructions outlining base procedures are still in draft at the time of this report), the contracting procedures for IMPAC purchases are stated in a single paragraph. USAF IMPAC Internal Procedures paragraph 5.3.7 states that the Chief of Supply (COS) " *Confirms assets are not available off-the-shelf, verifies that the item is on the unit's Allowance Standards, and establishes required equipment accountability. The COS is encouraged not to stock commercial items, but uses discretion to accommodate local circumstances. The COS informs base activities which types of categories of commercial items will no longer be stocked to enable the base activities to procure the items through commercial sources without first checking with the COS. For installations that use Logistics Management Control Activities (LMCAs), cardholders may contact the LMCA instead of the COS and the LMCA has the responsibility assigned to the COS in this paragraph*".

We think the SBSS local purchase transaction data *is not* the only metric to determine if base-level activities are complying with DoD and Air Force policy. In fact, the SBSS local purchase transaction data we are collecting only represents purchases *not* processed via the IMPAC program, and it only represents those processed through base supply. Other units, such as Civil Engineers, Medical, and Services also have supply systems. A complete look at Air Force compliance with IMPAC usage would have to include many systems other than the SBSS.

The Air Force contracting community currently collects the number of purchases (and dollar amount) made through the IMPAC program and through non-IMPAC actions (base contracting). HQ USAF/SAF metrics shows the AF (and all MAJCOMs) currently in compliance with DoD and Air Force policy on purchases for items valued less than $2500. As a matter of fact, 95 percent (in FY 98) and 98 percent (in FY 99) of eligible purchases (both measured by actions and dollar amounts) were made through the IMPAC program. The SAF IMPAC metrics are available on the internet at http://www.safaq.hq.af.mil/contracting/policy/AQCO/part13/impac.shtml and are also provided in this report in Attachment Four. (So, there is some question as to whether the HQ USAF/ILS needs us to continue to collect the SBSS local purchase transaction data.)

CONCLUSIONS: Clear Air Force supply procedures for enforcing compliance with current IMPAC policy need to be published and dual tracking by the AFLMA and SAF/AQ should stop. The metrics the AFLMA collects to measure local purchase item records and requisitions appear to reflect different interpretations of policy and execution by different MAJCOMs. In addition, the metrics currently collected by the AFLMA do not measure the percent of eligible IMPAC purchases actually purchased with IMPAC – only items that are not purchased via the IMPAC are instead measured. While this data does have some value on its own, it clearly needs to be looked at and analyzed in conjunction with other metrics, such as those produced by SAF/AQ to get an overall assessment of Air Force compliance. The Air Force supply community must come on-line with better IMPAC policy to alleviate the frustration at both base and MAJCOM levels.

RECOMMENDATIONS:

1. Clarify and document IMPAC policy.
   OPR: HQ USAF/ILSP

2. Collect and review the procedures currently used by the MAJCOMs to enforce Air Force IMPAC usage policy and develop a "best of breed" set of procedures to provide to all MAJCOMs. A "best of breed" procedure would ensure the supply community is doing all it can to comply with the DoD and Air Force policy on purchases valued under $2500, but still ensure all current retail supply stock that is otherwise IMPAC eligible is exhausted.
   OPR: HQ USAF/ILSP OCR: HQ SSG/ILS

3. Discontinue the current local purchase data collection effort. Since the Air Force seems to have met its goal of using the IMPAC for 90 percent of eligible purchases (as measured by HQ USAF/SAF), the current AFLMA data collection effort adds little, if any, value.
   OPR: AFLMA/LGS

4. If the local purchase transaction data is still needed, task the AFLMA to modify the AFLMA local purchase data collection program to more accurately measure how well the Air Force is complying with IMPAC policy. For example, determine which items eligible for IMPAC purchase are instead purchased through base supply. Note that some items (e.g. hazardous, extended price greater than $2500) are not IMPAC eligible and therefore should be categorized differently.
   OPR: HQ USAF/ILSP OCR: AFLMA/LGS

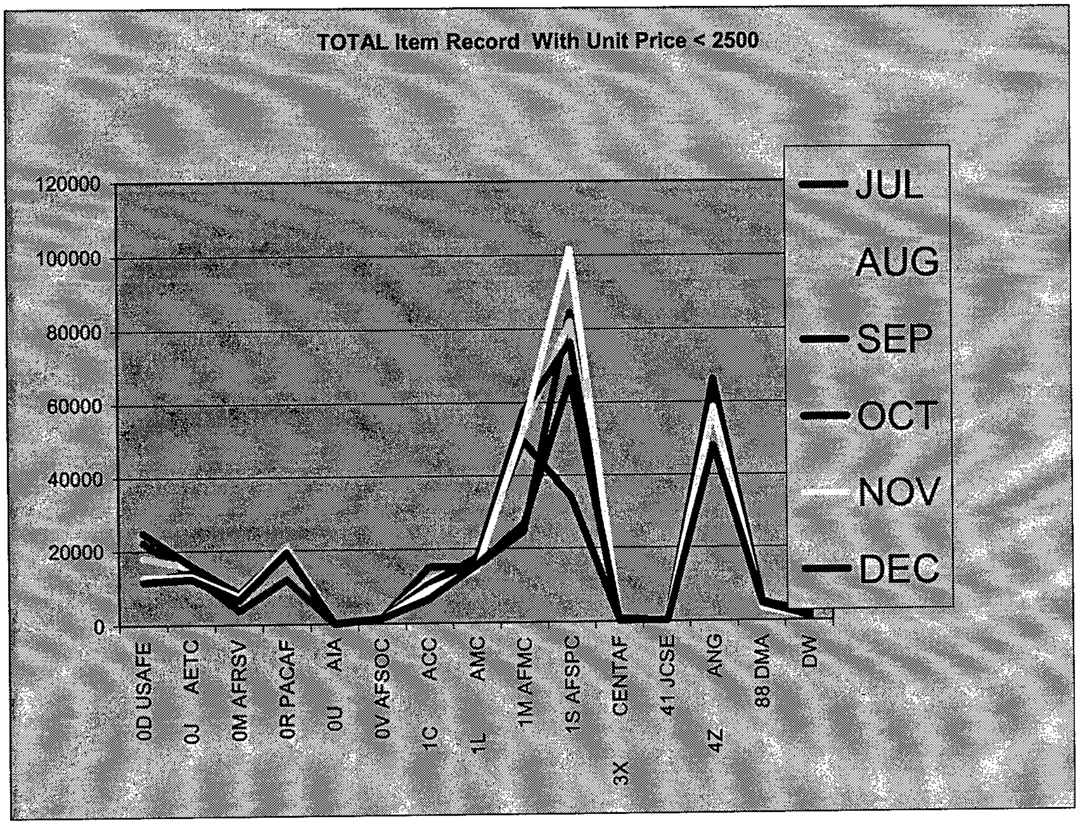
DISTRIBUTION: Refer to attached Standard Form 298.

Attachment One
Summary Excel Worksheet

Total JBx Item Records with Unit Price < 2500

MONTH		0D USAFE	0J AETC	0M AFRSV	0R PACAF	0U AIA	0V AFSOC	1C ACC
JUL	HOST	19918	13755	0	12080	0	1521	15013
	Satellite	2348	3	3770	121	6	0	284
	TOTAL	**22266**	**13758**	**3770**	**12201**	**6**	**1521**	**15297**
AUG	HOST	17354	15624		20012		1527	11635
	Satellite	933	46	6767	1309	165		204
	TOTAL	**18287**	**15670**	**6767**	**21321**	**165**	**1527**	**11839**
SEP	HOST	22275	16007		19815		1527	10577
	Satellite	2668	47	8495		167		158
	TOTAL	**24943**	**16054**	**8495**	**19815**	**167**	**1527**	**10735**
OCT	HOST	9443	14182		18004		1537	10451
	Satellite	2585	20	7479	1353	165		166
	TOTAL	**12028**	**14202**	**7479**	**19357**	**165**	**1537**	**10617**
NOV	HOST	10248	13098		18966		1539	9033
	Satellite	2612	21	7596	1349	166		171
	TOTAL	**12860**	**13119**	**7596**	**20315**	**166**	**1539**	**9204**
DEC	HOST	9757	12400		18237		1536	6652
	Satellite	1972	21	6652	1259	153		141
	TOTAL	**11729**	**12421**	**6652**	**19496**	**153**	**1536**	**6793**

Attachment Two
Example Chart of Transaction Data



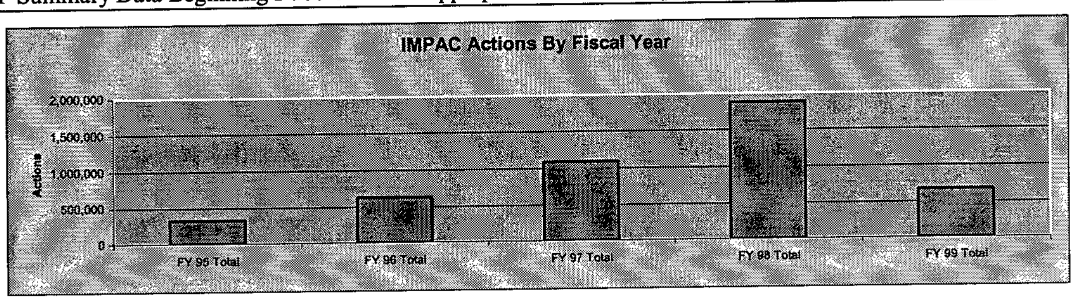
	0D USAFE	0J AETC	0M AFRSV	0R PACAF	0U AIA	0V AFSOC	1C ACC	1L AMC	1M AFMC	1S AFSPC	3X CENTAF	41 JCSE	4Z ANG	88 DMA	DW
JUL	22266	13758	3770	12201	6	1521	15297	15497	24590	84619	503		49202		
AUG	18287	15670	6767	21321	165	1527	11839	15795	52397	82054	885	464	58025	5414	1192
SEP	24943	16054	8495	19815	167	1527	10735	17120	57192	76470	866	434	66105	5320	1264
OCT	12028	14202	7479	19357	165	1537	10617	17662	49685	34050	778	409	65211	4973	2402
NOV	12860	13119	7596	20315	166	1539	9204	14503	52353	101767	504	780	58374	3559	1100
DEC	11729	12421	6652	19496	153	1536	6793	15614	26773	66342	364	393	47897	4750	1076

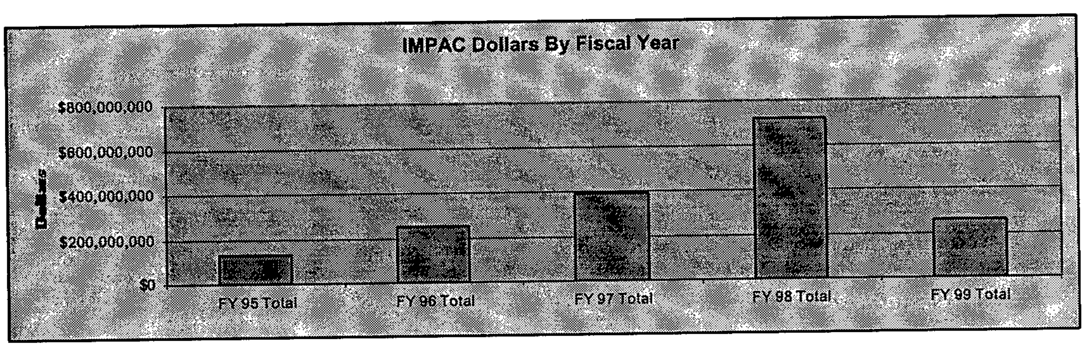
Attachment 3
Actual Base Data

704-HOST_csb	Total Of 101-HOST_rcd type	0D	0J	0R	0V	1C	1L	1M	1S
ANDE	13			13					
ANDR	3						3		
AVIA	10	10							
DOVE	2						2		
DYES	2					2			
EDWA	8							8	
EGLI	1							1	
EIEL	5			5					
ELME	4			4					
FRAN	1								1
GOOD	6		6						
GRAN	5						5		
HICK	4			4					
HOLL	3					3			
HURL	12				12				
INCI	11	11							
KADE	12			12					
KELL	16							16	
KUNS	1			1					
LACK	1		1						
LAUG	2		2						
MALM	2								2
MAXW	1		1						
MCCH	4						4		
MCCO	1						1		
MCGU	5						5		
MISA	22			22					
OSAN	6			6					
PATR	9								9
PETE	3								3
POPE	5						5		
RAF	7	7							
RAND	1		1						
ROBI	27							27	
SPAN	6	6							
TINK	80							80	
VAND	1								1
YOKO	9			9					
	311	**34**	**11**	**76**	**12**	**5**	**25**	**132**	**16**

Attachment 4
IMPAC Usage

AF FY Summary for IMPAC vs SAP <$2,500							
	Actions		%		Dollars		%
	IMPAC	SAP<$2,500	IMPAC		IMPAC	SAP<$2,500	IMPAC
Qtr 1-FY95	45,429	99,287	31%	Qtr 1-FY95	$16,754,339	$54,464,581	24%
Qtr 2-FY95	69,958	152,055	32%	Qtr 2-FY95	$24,539,648	$69,740,800	26%
Qtr 3-FY95	90,021	182,791	33%	Qtr 3-FY95	$32,935,159	$80,887,161	29%
Qtr 4-FY95	117,321	208,250	36%	Qtr 4-FY95	$52,604,666	$101,354,177	34%
FY 95 Total	**322,729**	**642,383**	**33%**	**FY 95 Total**	**$126,833,812**	**$306,446,719**	**29%**
Qtr 1-FY96	90,923	114,502	44%	Qtr 1-FY96	$34,702,893	$59,263,674.00	37%
Qtr 2-FY96	147,961	126,603	54%	Qtr 2-FY96	$54,171,270	$57,275,812.00	49%
Qtr 3-FY96	176,591	121,541	59%	Qtr 3-FY96	$66,238,196	$57,121,755.00	54%
Qtr 4-FY96	212,695	122,879	63%	Qtr 4-FY96	$94,664,355	$63,767,849.00	60%
FY 96 Total	**628,170**	**485,525**	**56%**	**FY 96 Total**	**$249,776,714**	**$237,429,090**	**51%**
Qtr 1-FY97	187,902	83,944	69%	Qtr 1-FY97	$66,639,658	$46,411,138	59%
Qtr 2-FY97	259,649	79,211	77%	Qtr 2-FY97	$83,362,322	$37,663,278	69%
Qtr 3-FY97	297,368	73,719	80%	Qtr 3-FY97	$101,076,402	$35,550,266	74%
Qtr 4-FY97	344,250	73,725	82%	Qtr 4-FY97	$143,590,815	$40,280,671	78%
FY 97 Total	**1,089,169**	**310,599**	**78%**	**FY 97 Total**	**$394,669,197**	**$159,905,353**	**71%**
Qtr 1-FY98	307,482	34,482	90%	Qtr 1-FY98	$105,613,755	$20,327,728	84%
Qtr 2-FY98	467,922	23,864	95%	Qtr 2-FY98	$160,192,542	$12,684,274	93%
Qtr 3-FY98	534,197	20,542	96%	Qtr 3-FY98	$188,853,732	$10,858,700	95%
Qtr 4-FY98	573,913	19,661	97%	Qtr 4-FY98	$265,212,865	$9,925,405	96%
FY 98 Total	**1,883,514**	**98,549**	**95%**	**FY 98 Total**	**$719,872,894**	**$53,796,107**	**93%**
Qtr 1-FY99	489,893	12,653	**97%**	Qtr 1-FY99	$198,842,541	$8,015,340	**96%**
Jan 99	181,009	3,206	**98%**	Jan 99	$63,298,456	$1,942,371	**97%**
Qtr 3-FY99				Qtr 3-FY99			
Qtr 4-FY99				Qtr 4-FY99			
FY 99 Total	**670,902**	**15,859**	**98%**	**FY 99 Total**	**$262,140,997**	**$9,957,711**	**96%**
* AF Summary Data Beginning FY99 includes Appropriated and Non-Appropriated Fund IMPAC Actions/$$							





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501 Ward Street
Maxwell AFB, Gunter Annex AL 36114-3236

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13. ABSTRACT (Maximum 200 Words)

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The IMPAC program has provided significant benefits. Before the DoD implemented the use of the IMPAC card, buying supplies and services valued under $2500 was paper-intensive, inefficient, and time-consuming. Millions of purchases for supplies and services valued under $2500 flow through DoD annually and as a result, the paper-intensive process was just too expensive and cumbersome. DoD soon realized that the IMPAC program reduced the costs for these purchases. The AF has revised many of its procedures to streamline and simplify use of the purchase card. The intent was to make the IMPAC card as "user friendly" as possible. In April 1997, the AF Chief of Staff "encouraged" MAJCOM commanders to expand the use of the IMPAC card at all AF installations to reach the goal of using IMPAC for 90 percent of all eligible purchases. In response, HQ USAF/ILSP tasked supply retail accounts to help enforce compliance with the DoD and AF policy to use the IMPAC card for eligible purchases.

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