

## **SUPPORTING STATEMENT - PART A**

### **Exchange Accounts Receivable Files (0702-XXXX)**

#### **A. JUSTIFICATION**

##### **1. Need for the Information Collection**

Title 10 U.S.C. §2481, "Defense Commissary and Exchange Systems: Existence and Purpose," requires that the Secretary of Defense operate a world-wide system of exchange stores that is intended to enhance the quality of life of members of the uniformed services, retired members and dependents of such members. The Army and Air Force Exchange Service (Exchange) is a Non-Appropriated Fund (NAF) instrumentality of the United States of America. Army Regulation 215-8/Air Force Instruction 34-211(I), "Army and Air Force Exchange Service Operations" charges the Army and Air Force Exchange Service with the dual and enduring mission of providing quality merchandise and services to its customers at competitively low prices and of generating earnings which provide a dividend to support family, morale, welfare and recreation (FMWR) programs.

The information collection is the basis for determining Exchange patron credit eligibility to enhance the patron's shopping experience, to determine the patron's suitability to cash checks at Exchange facilities, and to collect government debts. Allowing patrons to use credit in their shopping experience supports the efficiency and effectiveness of the Exchange's marketing programs and the mission to support FMWR programs.

Army Regulation 215-8/AFI 34-211(I) authorizes criteria to obtain identity as an Exchange patron. The Secretary of the Army and the Secretary of the Air Force of the military departments may grant deviations with regard to authorized patron access for individuals or classes and groups of persons at specific garrisons and installations. Delegation of this authority outside the Secretariat concerned is prohibited. Deviations may be granted, when based on alleviating individual hardships. Patrons include individuals who are members of the uniformed services, retired members, and dependents of members of the Armed Forces, commissioned officers of the Public Health Service, and commissioned officers of the NOAA. A dependent is defined as "a dependent or former dependent entitled to transition compensation under 10 USC 1059, if not eligible under another provision of law, while receiving payments for transition compensation." Other individuals may meet the requirements of being patrons as mandated by regulation.

This collection is also authorized by:

Title 10 U.S.C. §3013, "Secretary of the Army" which delegates authority to the Exchange for mission activities; the "Federal Claims Collection Act of 1966" (Pub.L.89-508, as amended), "Debt Collection Act of 1982" (Pub.L.97-365, as amended), 31 CFR 285.11, "Administrative Wage Garnishment" and DoD 7000.14-R, Volume 13 and Volume 16, "Department of the Defense Financial Management Regulation" all of which provide collection and recovery authority. "Executive Order 9397 (SSN), as amended" allows the exchange to collect Social Security Numbers associated with a patron's Exchange account.

## 2. Use of the Information

The Exchange offers "personal credit" accounts to service members for purchases of military clothing and to all patrons a private label Military Star credit card for retail purchases. Established credit is acceptable at any participating Army and Air Force, Navy, Marine Corps, and Coast Guard Exchanges or online at [shopmyexchange.com](http://shopmyexchange.com) and [mynavyexchange.com](http://mynavyexchange.com). Authorized patrons of the Exchange include individuals who are defined in Army Regulation 215-8/AFI134-211(I), Tables 7-1 and 7-2 or designated by Congress action. This includes individuals who are members of the uniformed services, retired members, and dependents of members of the Armed Forces, commissioned officers of the Public Health Service, and commissioned officers of the National Oceanic & Atmospheric Administration (NOAA).

Patrons deciding to apply for credit may voluntarily complete the "on-line" application form through <https://www.myecp.com/>, or through a local Exchange facility by completed the Exchange paper form 6450-002, "Military Star Credit Application", or by providing information to an authorized Exchange cashier at the Point of Sale (POS). (The submitted POS Application process is from an internal training system and has not been approved for public release.) Some Exchange facilities assist patrons by allowing them access to a company owned computer for completion of the on-line application.

Patrons who are approved for credit may update their account information by completing Exchange form 6450-005, "Exchange Credit Program Update Account." This form is also used for current holders of the Exchange co-brand Rewards MasterCard. Please note: the co-brand MasterCard was recently discontinued for all new applications. However, patrons who currently possess the Rewards MasterCard can continue to use their card.

Information collected from the patron allows the Exchange to address their credit worthiness, and provide monthly statements and debt communication, to include wage garnishments. In order to establish this credit worthiness, Exchange Military Star personnel review the application and obtain an electronic credit history report via the patron's SSN. Patrons, whose credit is determined acceptable, will receive a credit card and a specified credit limit. Patrons, who present an unacceptable credit risk, will receive a denial letter in accordance with applicable regulations. The letter may be sent electronically, through the mail, or both.

Exchange Form 6450-002 collects the following data for application of credit on retail transactions and/or for purchases of military clothing: patron's name; home address; home, cell, and work telephone numbers; military branch of service, pay grade, Enlisted Termination of Service (ETS) or End of Service (EOS) date(s); social security number; gender; date of birth; number of dependents; checking account bank name and savings account bank name; monthly salary and other monthly income; name of spouse, spouse's monthly income and spouse's social security number; authorizations of users who are qualified patrons which includes the individual's names, social security numbers, relationship to the applicant, date of births, gender, and whether or not that individual should be eligible to purchase military clothing; and the applicant's handwritten or electronic signature and date.

Patrons who wish to update account information may do so voluntarily on Exchange Form 6450-005. This form includes the patron's names; account number; changes in the patron's name, address, home or work telephone number; a checkbox to notify that the account holder is authorizing new authorized users to the account; a checkbox to notify removal of authorized users; individual names, relationship to account holder, date of birth and social security number of removed authorized users; and the account holder's physical or electronic signature and date.

The completed application form is then provided to an Exchange representative either by hand or through electronic means. The account application, if obtained by the Exchange in a paper format, is scanned and forwarded to the Exchange Headquarters in Dallas, Texas. At that point, the information is entered into an electronic database and stored in the Exchange Financial Management System. Once scanned, the paper form is destroyed by shredding. If obtained through electronic means, the application is saved in the same system.

### 3. Use of Information Technology

The use of technology enhances the ability of the Exchange to collect data accurately, timely, and confidentially. Approximately 75% of all applications received are completed on-line by patrons who choose to submit their information through <https://www.myecp.com/> or through an authorized/designated Exchange point of sale register. Applications only need to be submitted once, which lessens the individual's burden. Patrons, who submit their applications by electronic means, may be notified immediately of the results. The system is readily available for disclosure to the patron or their designee upon their request pursuant to the Privacy Act of 1974, as amended, *Title 5 U.S.C. §552a*.

The system allows immediate access to required data for purposes of addressing account inquiries, updating accounts, corresponding with financial institutions and/or Internal Revenue Service, and collecting debt from other Employers (Wage or salary garnishments). The SSN collection is used to obtain data for these purposes, as well as, taxpayer information relative to the account.

4. Non-Duplication

This specific information is not available from other sources as it is collected only at the time of application, or when the patron updates account information.

5. Burden on Small Business

The collection of information does not have an impact on small businesses or other entities.

6. Less Frequent Collection

Information is collected from members of the public on a voluntary basis. The collection is triggered by the patron's desire to obtain credit with the Exchange, i.e. "as needed" or "on occasion". Less frequent collection is not possible.

7. Paperwork Reduction Act Guidelines

No special circumstances exist that require collection to be conducted in a manner inconsistent with the guidelines delineated in Title 5 CFR 1320.5(d)(2).

8. Consultation and Public Comments

a. A notice of the proposed collection was published in the Federal Register on January 20, 2016, 81 FRN 3121. No comments were received. A notice of submission to OMB was published in the Federal Register on July 7, 2016, 81 FRN 44299.

b. Significant input and information was received from the Exchange Military Star directorate in relation to the continued use and burden relative to collection of information for this system of records. It is determined that the information is only maintained in one database and used accordingly as outlined in section 2 of this Supporting Statement.

9. Gifts or Payment

No payments or gifts are offered to the respondents.

10. Confidentiality

Personal data information is securely collected, stored and managed in accordance with the draft copy of the Exchange System of Records Notice (SORN) AAFES 0702.34, entitled "Exchange Accounts Receivable Files." Individuals providing information are informed verbally, through electronic notification, or through the Privacy Act Statement on the form that the information they choose to provide is voluntary on

their part. They are also informed of the routine uses of disclosure at the time of submitting their personal information. A draft copy of the SORN is provided.

The information collected is protected under the Privacy Act of 1974, as amended. Respondents are assured confidentiality, verbally or through electronic means, by the Exchange associate who collects the information, or through the Exchange system providing the application form.

Access to the information collected is restricted. Use of records is limited to person(s) who are properly screened/cleared, have an official "need to know," and have responsibility for servicing records in performance of their official duties. Access to computerized data is role-based, i.e. positions that place associates in jobs that require servicing, reviewing or updating records. The Military Star (MS) Directorate, for active accounts, and the Treasury Offset Program (TOP), for collection efforts use the information collected through the electronic system where the application is stored. Associates under these directorates are authorized Exchange personnel with a need-to-know. Other authorized need-to-know Exchange personnel who review account information include: Exchange associates at a local exchange who receives the paper application, legal staff and collection authorities who process wage garnishments and treasury offsets to federal income taxes.

Access is further restricted by passwords, which are changed periodically; and physical entry is restricted by the use of locks, guards, and passwords which are changed periodically or other administrative procedures such as IT audits of security features. Exchange associates with access to this file are trained annually by the Treasury on the protection of tax information. The collection of and maintenance of credit card information follows the Data Security Standards (DSS) promulgated by the Payment Card Industry (PCI) Security Counsel.

Disclosure of respondent information is made upon submission of the individuals' original, notarized, written request for documents. Information is either disclosed to the requester personally, or a third party representative. Disclosures may be made outside of DoD, to the Department of the Treasury, debt collection agencies, employers, and consumer reporting agencies. Disclosures are limited to information necessary to establish the identity of the individual, the amount, status and history of any claims and the agency or program under which the claim arose for the purpose of the consumer reporting agency to prepare commercial credit reports. Other disclosures may be made to law enforcement authorities for investigatory purposes or through the routine uses disclosures as authorized by statute.

Exchange Form 6500-002 and Exchange Form 6450-005 are currently being revised by an outside contractor to include the Agency Disclosure Notice (ADN), the Privacy Act Statement (PAS) and Instructions as displayed on the provided drafts.

The Exchange is a retail entity and a substantial portion of all annual sales/revenues occur during holiday and peak seasons. On-line portals must remain active during these times and the focus of personnel is to ensure optimal execution of

the Exchange's mission. Drafts of the on-line portal have been provided for review. Revisions of these portals will include the ADN, PAS and Instructions.

Patrons, who choose to submit their application at an authorized/designated Exchange point of sale location, will be provided a paper copy of the Sample ADN, PAS and Instructions along with the required financial Disclosure Notice. Social Security Number requested and provided is authorized under DoDI 1000.30 Enclosure 2, section 2c (4) (7).

The account application, if obtained by the Exchange in a paper format, is scanned and forwarded to the Exchange Headquarters in Dallas, Texas. The information is entered into an electronic database and stored in the Exchange Financial Management System. Once scanned, the paper form is destroyed by shredding. If obtained through electronic means, the application is saved in the same system. Information collected is maintained for the course of the debt and closed out when the debt is paid in full. Information is disposed of by the proper destruction method 10 years after the debt is paid in full. Electronic records are destroyed by erasing.

A draft copy of the PIA, section 1 and 2, is being provided for OMB's review.

#### 11. Sensitive Questions

Respondents may be asked to provide social security number and date of birth. Collection of social security number is authorized under DoDI 1000.30 "SSN Instruction Use Case" Enclosure 2 sections 2.c.(4) and (7). Justification for use of the SSN is provided.

#### 12. Respondent Burden, and its Labor Costs

##### a. Estimation of Respondent Burden

The average annual burden estimate for reporting and recordkeeping requirements were derived from estimates from the Military Star directorate based upon the history of obtaining applications for credit accounts. The growth tendency of receipt of applications from individuals is usually about 1% per year. Our public notice previously reflected the 2014 actual number of applications. However, since that time, the 2015 numbers have been calculated and are being reported in this statement. Due to the deletion of the Military Star Take It Home Today layaway plan, the number of respondents reported in 2015 is slightly lower than previously reported in our public notice. In addition, the burden hours in 2015 are considerably less than reported as most individuals chose to provide information through electronic means. Information is submitted and collected at the patron's request.

Estimation of Respondent Burden Hours					
	Number of Respondents	Number of Responses per Respondent	Number of Total Annual Responses	Response Time	Respondent Burden Hours
Form 6450-002 "Military Star Card Application"	48,993	1	48,993	6 minutes	4,899 hours
Form 6450-005 "Exchange Credit Program Account Update"	246	1	246	2 minutes	8 hours
Electronic Collection: <a href="https://www.myecp.com/">https:// www.myecp.com/</a> online application	60,469	1	60,469	2 minutes	2,016 hours
POS Application through cashier	90,747	1	90,747	2 minutes	3,025 hours
Total	200,455	1	200,455	12 minutes	9,948

b. Labor Cost of Respondent Burden

Each respondent is estimated to spend approximately 2-6 minutes of time completing the application forms listed in part 2 of this statement. This differs from our public notice as more individuals choose to provide application data using electronic means. Using the United States Department of Labor Wage and Hour Division's Federal Minimum wage of \$7.25/hour (July 24, 2009), it is estimated the annual total labor cost to respondents is \$ 72,128.

Estimated Labor Cost of Respondent Burden					
	Number of Responses	Response Time per Response	Respondent Hourly Wage	Labor Burden per Response	Total Labor Burden
Form 6450-002 "Military Star Card Application"	48,993	6 minutes	\$7.25/Hour	\$0.725	\$35,520
Form 6450-005 "Exchange Credit Program Account Update"	246	2 Minutes	\$7.25/Hour	\$0.2417	\$59
Electronic Collection: <a href="https://www.myecp.com/">https:// www.myecp.com/</a> online application	60,469	2 minutes	\$7.25/Hour	\$0.2417	\$14,615
POS Application	90,747	2 minutes	\$7.25/Hour	\$0.2417	\$21,934

through cashier					
Total	200,455	12 min.	\$7.25/Hour	\$1.4501	\$72,128

13. Respondent Costs Other Than Burden Hour Costs

There are no capital or start-up costs associated with this collection.

14. Cost to the Federal Government

The estimated costs for the required recordkeeping and reporting activities were derived from consultations with the Military Star Directorate. It is estimated the Exchange utilizes retail and accounting associates across the world and those located at the HQ Exchange. This amounts to an approximately 148 associates with an average salary of \$15.00 per hour. (NAF Wage Schedule – 152 Dallas, TX Effective 04 Jan 2014.) It takes approximately 5 minutes to obtain information provided on forms and input into the database. Information provided by electronic means is automatically input into the database and only takes the associate around 2 minutes to assist the individual providing information.

Estimated Labor Cost to the Federal Government (nonappropriated)					
	Form 6450-002 "Military Star Card Application"	Form 6450-005 "Exchange Credit Program Account Update"	Electronic Collection: <a href="https://www.myecp.com/">https://www.myecp.com/</a> online application	POS Application through cashier	TOTAL
Number of Responses	48,993	246	60,469	90,747	200,455
Processing Time per Response	5 Minutes	2 Minutes	2 Minutes	2 Minutes	11 Minutes (.184 Hours)
Hourly Wage of Worker(s) Processing Responses	\$15.00 / Hour	\$15.00 / Hour	\$15.00 / Hour	\$15.00 / Hour	\$15.00 / Hour
Cost to Process Each Response	\$1.25	\$0.50	\$0.50	\$0.50	\$2.75
Total Cost to Process Responses	\$61,241	\$123.00	\$30,235	\$45,374	\$136,973

Estimated Operational and Maintenance Costs						
Equipment	Printing	Postage	Software Purchases	Licensing Costs	Other	Total

\$8,500	\$20,000	\$20,000	\$24,600	\$20,000	\$46,026	\$139,126
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Total Cost to the Federal Government		
Operational and Maintenance Costs	Labor Cost to the Federal Government	Total Cost (O&M Costs + Labor Cost)
\$139,126	\$136,973	\$276,099

15. Reasons for Change in Burden

This is an existing collection in use without an OMB control number.

16. Publication of Results

There are no plans to publish the results of this collection.

17. Non-Display of OMB Expiration Date

There is no request for approval to omit the display of the expiration date of the OMB approval on the instrument.

18. Exceptions to "Certification for Paperwork reduction Submissions"

There are no exceptions.