

109TH CONGRESS
2D SESSION

S. 3480

To prevent abuse of Government credit cards.

IN THE SENATE OF THE UNITED STATES

JUNE 8, 2006

Mr. GRASSLEY (for himself and Mr. COLEMAN) introduced the following bill;
which was read twice and referred to the Committee on Homeland Security and Governmental Affairs

A BILL

To prevent abuse of Government credit cards.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Government Credit
5 Card Abuse Prevention Act of 2006”.

6 **SEC. 2. MANAGEMENT OF PURCHASE CARDS.**

7 (a) REQUIRED SAFEGUARDS AND INTERNAL CON-
8 TROLS.—The head of each executive agency that issues
9 and uses purchase cards and convenience checks shall es-
10 tablish and maintain safeguards and internal controls to
11 ensure the following:

1 (1) That there is a record in each executive
2 agency of each holder of a purchase card issued by
3 the agency for official use, annotated with the limi-
4 tations on single transaction and total credit
5 amounts that are applicable to the use of each such
6 card by that purchase cardholder.

7 (2) That each purchase card holder is assigned
8 an approving official other than the card holder with
9 the authority to approve or disapprove expenditures.

10 (3) That the holder of a purchase card and
11 each official with authority to authorize expenditures
12 charged to the purchase card are responsible for—

13 (A) reconciling the charges appearing on
14 each statement of account for that purchase
15 card with receipts and other supporting docu-
16 mentation; and

17 (B) forwarding such reconciliation to the
18 designated official who certifies the bill for pay-
19 ment in a timely manner.

20 (4) That any disputed purchase card charge,
21 and any discrepancy between a receipt and other
22 supporting documentation and the purchase card
23 statement of account, is resolved in the manner pre-
24 scribed in the applicable Governmentwide purchase

1 card contract entered into by the Administrator of
2 General Services.

3 (5) That payments on purchase card accounts
4 are made promptly within prescribed deadlines to
5 avoid interest penalties.

6 (6) That rebates and refunds based on prompt
7 payment on purchase card accounts are monitored
8 for accuracy and properly recorded as a receipt to
9 the agency that pays the monthly bill.

10 (7) That records of each purchase card trans-
11 action (including records on associated contracts, re-
12 ports, accounts, and invoices) are retained in accord-
13 ance with standard Government policies on the dis-
14 position of records.

15 (8) That periodic reviews are performed to de-
16 termine whether each purchase cardholder has a
17 need for the purchase card.

18 (9) That appropriate training is provided to
19 each purchase cardholder and each official with re-
20 sponsibility for overseeing the use of purchase cards
21 issued by an executive agency.

22 (10) That the executive agency has specific poli-
23 cies regarding the number of purchase cards issued
24 by various organizations and categories of organiza-
25 tions, the credit limits authorized for various cat-

1 categories of cardholders, and categories of employees
 2 eligible to be issued purchase cards, and that those
 3 policies are designed to minimize the financial risk
 4 to the Federal Government of the issuance of the
 5 purchase cards and to ensure the integrity of pur-
 6 chase cardholders.

7 (11) That the executive agency utilizes tech-
 8 nologies to prevent or identify fraudulent purchases,
 9 including controlling merchant codes and utilizing
 10 statistical machine learning and pattern recognition
 11 technologies that review the risk of every trans-
 12 action.

13 (12) That the executive agency invalidates the
 14 purchase card of each employee who—

15 (A) ceases to be employed by the agency
 16 immediately upon termination of the employ-
 17 ment of the employee; or

18 (B) transfers to another unit of the agency
 19 immediately upon the transfer of the employee.

20 (13) That the executive agency takes steps to
 21 recover the cost of any improper or fraudulent pur-
 22 chase made by an employee, including, as necessary,
 23 through salary offsets.

24 (b) MANAGEMENT OF PURCHASE CARDS.—The head
 25 of each executive agency shall prescribe regulations imple-

1 menting the safeguards and internal controls in subsection
2 (a). The regulations shall be consistent with regulations
3 that apply Governmentwide regarding the use of purchase
4 cards by Government personnel for official purposes.

5 (c) PENALTIES FOR VIOLATIONS.—The regulations
6 prescribed under subsection (b) shall provide for appro-
7 priate adverse personnel actions or other punishment to
8 be imposed in cases in which employees of an executive
9 agency violate such regulations or are negligent or engage
10 in misuse, abuse, or fraud with respect to a purchase card,
11 including imposition of the following penalties:

12 (1) In the case of an employee who is suspected
13 by the executive agency to have engaged in fraud,
14 referral of the case to the United States Attorney
15 with jurisdiction over the matter.

16 (2) In the case of an employee who is found
17 guilty of fraud or found by the executive agency to
18 have egregiously abused a purchase card, dismissal
19 of the employee.

20 (d) RISK ASSESSMENTS AND AUDITS.—The Inspec-
21 tor General of each executive agency shall—

22 (1) periodically conduct risk assessments of the
23 agency purchase card program and associated inter-
24 nal controls and analyze identified weaknesses and
25 the frequency of improper activity in order to de-

1 develop a plan for using such risk assessments to de-
2 termine the scope, frequency, and number of peri-
3 odic audits of purchase cardholders;

4 (2) perform periodic audits of purchase card-
5 holders designed to identify—

6 (A) potentially fraudulent, improper, and
7 abusive uses of purchase cards;

8 (B) any patterns of improper cardholder
9 transactions, such as purchases of prohibited
10 items; and

11 (C) categories of purchases that should be
12 made by means other than purchase cards in
13 order to better aggregate purchases and obtain
14 lower prices;

15 (3) report to the head of the executive agency
16 concerned on the results of such audits; and

17 (4) report to the Director of the Office of Man-
18 agement and Budget and the Comptroller General
19 on the implementation of recommendations made to
20 the head of the executive agency to address findings
21 during audits of purchase cardholders.

22 (e) DEFINITION OF EXECUTIVE AGENCY.—In this
23 section, the term “executive agency” has the meaning
24 given such term in section 4(1) of the Office of Federal
25 Procurement Policy Act (41 U.S.C. 403(1)).

1 (f) RELATIONSHIP TO DEPARTMENT OF DEFENSE
2 PURCHASE CARD REGULATIONS.—

3 (1) Except as provided under paragraph (2),
4 the requirements under this section shall not apply
5 to the Department of Defense.

6 (2) Section 2784(b) of title 10, United States
7 Code, is amended—

8 (A) in paragraph (8), by striking “periodic
9 audits” and all that follows through the period
10 at the end and inserting “risk assessments of
11 the agency purchase card program and associ-
12 ated internal controls and analyze identified
13 weaknesses and the frequency of improper ac-
14 tivity in order to develop a plan for using such
15 risk assessments to determine the scope, fre-
16 quency, and number of periodic audits of pur-
17 chase cardholders.”; and

18 (B) by adding at the end the following new
19 paragraphs:

20 “(11) That the Department of Defense utilizes
21 technologies to prevent or identify fraudulent pur-
22 chases, including controlling merchant codes and uti-
23 lizing statistical machine learning and pattern rec-
24 ognition technologies that review the risk of every
25 transaction.

1 “(12) That the Secretary of Defense—

2 “(A) invalidates the purchase card of each
3 employee who ceases to be employed by the De-
4 partment of Defense immediately upon termi-
5 nation of the employment of the employee; and

6 “(B) invalidates the purchase card of each
7 employee who transfers to another agency or
8 subunit within the Department of Defense im-
9 mediately upon such transfer.”.

10 **SEC. 3. MANAGEMENT OF TRAVEL CARDS.**

11 Section 2 of the Travel and Transportation Reform
12 Act of 1998 (Public Law 105–264; 5 U.S.C. 5701 note)
13 is amended by adding at the end the following new sub-
14 section:

15 “(h) MANAGEMENT OF TRAVEL CHARGE CARDS.—

16 “(1) REQUIRED SAFEGUARDS AND INTERNAL
17 CONTROLS.—The head of each executive agency that
18 has employees that use travel charge cards shall es-
19 tablish and maintain safeguards and internal con-
20 trols over travel charge cards to ensure the fol-
21 lowing:

22 “(A) That there is a record in each execu-
23 tive agency of each holder of a travel charge
24 card issued by the agency for official use, anno-
25 tated with the limitations on amounts that are

1 applicable to the use of each such card by that
2 travel charge cardholder.

3 “(B) That rebates and refunds based on
4 prompt payment on travel charge card accounts
5 are properly recorded as a receipt of the agency
6 that employs the cardholder.

7 “(C) That periodic reviews are performed
8 to determine whether each travel charge card-
9 holder has a need for the travel charge card.

10 “(D) That appropriate training is provided
11 to each travel charge cardholder and each offi-
12 cial with responsibility for overseeing the use of
13 travel charge cards issued by an executive agen-
14 cy.

15 “(E) That each executive agency has spe-
16 cific policies regarding the number of travel
17 charge cards issued by various organizations
18 and categories of organizations, the credit limits
19 authorized for various categories of cardholders,
20 and categories of employees eligible to be issued
21 travel charge cards, and that those policies are
22 designed to minimize the financial risk to the
23 Federal Government of the issuance of the trav-
24 el charge cards and to ensure the integrity of
25 travel charge cardholders.

1 “(F) That the head of each executive agen-
2 cy negotiates with the holder of the applicable
3 travel card contract, or a third party provider
4 of credit evaluations if such provider offers
5 more favorable terms, to evaluate the credit-
6 worthiness of an individual before issuing the
7 individual a travel charge card, and that no in-
8 dividual be issued a travel charge card if the in-
9 dividual is found not creditworthy as a result of
10 the evaluation (except that this paragraph shall
11 not preclude issuance of a restricted use travel
12 charge card when the individual lacks a credit
13 history or the issuance of a pre-paid card when
14 the individual has a credit score below the min-
15 imum credit score established by the agency).
16 Each executive agency shall establish a min-
17 imum credit score for determining the credit-
18 worthiness of an individual based on rigorous
19 statistical analysis of the population of card-
20 holders and historical behaviors. Notwith-
21 standing any other provision of law, such eval-
22 uation shall include an assessment of an indi-
23 vidual’s consumer report from a consumer re-
24 porting agency as those terms are defined in
25 section 603 of the Fair Credit Reporting Act.

1 The obtaining of a consumer report under this
2 subsection is deemed to be a circumstance or
3 purpose authorized or listed under section 604
4 of the Fair Credit Reporting Act.

5 “(G) That each executive agency utilizes
6 technologies to prevent or identify fraudulent
7 purchases, including controlling merchant codes
8 and utilizing statistical machine learning and
9 pattern recognition technologies that review the
10 risk of every transaction.

11 “(H) That each executive agency ensures
12 that the travel charge card of each employee
13 who ceases to be employed by the agency is in-
14 validated immediately upon termination of the
15 employment of the employee.

16 “(I) That each executive agency utilizes
17 mandatory split disbursements for travel card
18 purchases.

19 “(2) REGULATIONS.—The Administrator of
20 General Services shall prescribe regulations gov-
21 erning the implementation of the safeguards and in-
22 ternal controls in paragraph (1) by executive agen-
23 cies.

24 “(3) PENALTIES FOR VIOLATIONS.—The regu-
25 lations prescribed under paragraph (2) shall provide

1 for appropriate adverse personnel actions or other
2 punishment to be imposed in cases in which employ-
3 ees of an executive agency violate such regulations
4 or are negligent or engage in misuse, abuse, or fraud
5 with respect to a travel charge card, including re-
6 moval in appropriate cases.

7 “(4) The Inspector General of each executive
8 agency shall—

9 “(A) periodically conduct risk assessments
10 of the agency travel card program and associ-
11 ated internal controls and analyze identified
12 weaknesses and the frequency of improper ac-
13 tivity in order to develop a plan for using such
14 risk assessments to determine the scope, fre-
15 quency, and number of periodic audits of pur-
16 chase cardholders;

17 “(B) perform periodic audits of travel
18 cardholders designed to identify potentially
19 fraudulent, improper, and abusive uses of travel
20 cards;

21 “(C) report to the head of the executive
22 agency concerned on the results of such audits;
23 and

24 “(D) report to the Director of the Office of
25 Management and Budget and the Comptroller

1 General on the implementation of recommenda-
2 tions made to the head of the executive agency
3 to address findings during audits of travel card-
4 holders.

5 “(5) DEFINITIONS.—In this subsection:

6 “(A) The term ‘executive agency’ means an
7 agency as that term is defined in section 5701
8 of title 5, United States Code, except that it is
9 in the executive branch.

10 “(B) The term ‘travel charge card’ means
11 the Federal contractor-issued travel charge card
12 that is individually billed to each cardholder.”.

13 **SEC. 4. MANAGEMENT OF CENTRALLY BILLED ACCOUNTS.**

14 The head of an executive agency that has employees
15 who use a centrally billed account shall establish and
16 maintain safeguards and internal controls to ensure the
17 following:

18 (1) That items submitted on an employee’s
19 travel voucher are compared with items paid for
20 using a centrally billed account to ensure that an
21 employee is not reimbursed for an item already paid
22 for through a centrally billed account.

23 (2) That the executive agency submits requests
24 for refunds for unauthorized purchases to the holder

1 of the applicable contract for a centrally billed ac-
2 count.

3 (3) That the executive agency submits requests
4 for refunds for fully or partially unused tickets to
5 the holder of the applicable contract for a centrally
6 billed account.

7 **SEC. 5. REGULATIONS.**

8 (a) IN GENERAL.—Not later than 180 days after the
9 date of the enactment of this Act—

10 (1) the head of each executive agency shall pro-
11 mulgate regulations to implement the requirements
12 of sections 2 and 4; and

13 (2) the Administrator of General Services shall
14 promulgate regulations required pursuant to the
15 amendments made by section 3.

16 (b) BEST PRACTICES.—Regulations promulgated
17 under this section shall reflect best practices for con-
18 ducting purchase card and travel card programs.

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