

112TH CONGRESS  
1ST SESSION

# S. 300

To prevent abuse of Government charge cards.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 2011

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

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## A BILL

To prevent abuse of Government charge 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 Charge  
5       Card Abuse Prevention Act of 2011”.

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) There is a record in each executive agency  
2 of each holder of a purchase card issued by the  
3 agency for official use, annotated with the limita-  
4 tions on single transactions and total transactions  
5 that are applicable to the use of each such card or  
6 check by that purchase cardholder.

7           (2) Each purchase cardholder and individual  
8 issued a convenience check is assigned an approving  
9 official other than the cardholder with the authority  
10 to approve or disapprove transactions.

11           (3) The holder of a purchase card and each of-  
12 ficial with authority to authorize expenditures  
13 charged to the purchase card are responsible for—

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

18               (B) forwarding such reconciliation to the  
19 certifying official in a timely manner to enable  
20 the certifying official to ensure that the Federal  
21 Government ultimately pays only for valid  
22 charges.

23           (4) Any disputed purchase card charge, and  
24 any discrepancy between a receipt and other sup-  
25 porting documentation and the purchase card state-

1       ment of account, is resolved in the manner pre-  
2       scribed in the applicable governmentwide purchase  
3       card contract entered into by the Administrator of  
4       General Services and in accordance with all laws and  
5       executive agency regulations.

6           (5) Payments on purchase card accounts are  
7       made promptly within prescribed deadlines to avoid  
8       interest penalties.

9           (6) Rebates and refunds based on prompt pay-  
10      ment, sales volume, or other actions by the agency  
11      on purchase card accounts are reviewed for accuracy  
12      and properly recorded as a receipt to the agency  
13      that pays the monthly bill.

14          (7) Records of each purchase card transaction  
15      (including records on associated contracts, reports,  
16      accounts, and invoices) are retained in accordance  
17      with standard Government policies on the disposition  
18      of records.

19          (8) Periodic reviews are performed to determine  
20      whether each purchase cardholder has a need for the  
21      purchase card.

22          (9) Appropriate training regarding the proper  
23      use of purchase cards is provided to each purchase  
24      cardholder in advance of being issued a purchase  
25      card and periodically thereafter and to each official

1 with responsibility for overseeing the use of purchase  
2 cards issued by an executive agency in advance of  
3 assuming such oversight duties and periodically  
4 thereafter.

5 (10) The executive agency has specific policies  
6 regarding the number of purchase cards issued by  
7 various component organizations and categories of  
8 component organizations, the credit limits author-  
9 ized for various categories of cardholders, and cat-  
10 egories of employees eligible to be issued purchase  
11 cards, and that those policies are designed to mini-  
12 mize the financial risk to the Federal Government of  
13 the issuance of the purchase cards and to ensure the  
14 integrity of purchase cardholders.

15 (11) The executive agency utilizes effective sys-  
16 tems, techniques, and technologies to prevent or  
17 identify fraudulent purchases.

18 (12) The executive agency invalidates the pur-  
19 chase card of each employee who—

20 (A) ceases to be employed by the agency,  
21 immediately upon termination of the employ-  
22 ment of the employee; or

23 (B) transfers to another unit of the agency  
24 immediately upon the transfer of the employee

1           unless the agency determines that the units are  
2           covered by the same purchase card authority.

3           (13) The executive agency takes steps to re-  
4           cover the cost of any erroneous, improper, or illegal  
5           purchase made with a purchase card or convenience  
6           check by an employee, including, as necessary,  
7           through salary offsets.

8           (b) GUIDANCE ON MANAGEMENT OF PURCHASE  
9           CARDS.—Not later than 180 days after the date of the  
10          enactment of this Act, the Director of the Office of Man-  
11          agement and Budget shall review the existing guidance  
12          and, as necessary, prescribe additional guidance governing  
13          the implementation of the safeguards and internal controls  
14          required by subsection (a) by executive agencies.

15          (c) PENALTIES FOR VIOLATIONS.—

16               (1) IN GENERAL.—The head of each executive  
17          agency shall provide for appropriate adverse per-  
18          sonnel actions or other punishment to be imposed in  
19          cases in which employees of the agency violate agen-  
20          cy policies implementing the guidance required by  
21          subsection (b) or make improper, erroneous, or ille-  
22          gal purchases with purchase cards or convenience  
23          checks.

24               (2) DISMISSAL.—Penalties prescribed for em-  
25          ployee misuse of purchase cards or convenience

1 checks shall include dismissal of the employee, as  
2 appropriate.

3 (3) REPORTS ON VIOLATIONS.—The guidance  
4 prescribed under subsection (b) shall direct each  
5 head of an executive agency with more than  
6 \$10,000,000 in purchase card spending annually,  
7 and each Inspector General of such an executive  
8 agency on a semiannual basis, to submit to the Di-  
9 rector of the Office of Management and Budget a  
10 joint report on violations or other actions covered by  
11 paragraph (1) by employees of such executive agen-  
12 cy. At a minimum, the report shall set forth the fol-  
13 lowing:

14 (A) A description of each violation.

15 (B) A description of any adverse personnel  
16 action, punishment, other action taken against  
17 the employee for such violation.

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

20 (1) conduct periodic assessments of the agency  
21 purchase card or convenience check programs to  
22 identify and analyze risks of illegal, improper, or er-  
23 roneous purchases and payments in order to develop  
24 a plan for using such risk assessments to determine

1 the scope, frequency, and number of periodic audits  
2 of purchase card or convenience check transactions;

3 (2) perform analysis or audits as necessary, of  
4 purchase card transactions designed to identify—

5 (A) potentially illegal, improper, erroneous,  
6 and abusive uses of purchase cards;

7 (B) any patterns of such uses; and

8 (C) categories of purchases that could be  
9 made by means other than purchase cards in  
10 order to better aggregate purchases and obtain  
11 lower prices (excluding transactions made under  
12 card-based strategic sourcing arrangements);

13 (3) report to the head of the executive agency  
14 concerned on the results of such analysis or audits;  
15 and

16 (4) report to the Director of the Office of Man-  
17 agement and Budget on the implementation of rec-  
18 ommendations made to the head of the executive  
19 agency to address findings of any analysis or audit  
20 of purchase card and convenience check transactions  
21 or programs for compilation and transmission by the  
22 Director to Congress and the Comptroller General.

23 (e) DEFINITION OF EXECUTIVE AGENCY.—In this  
24 section, the term “executive agency” has the meaning  
25 given such term in section 4(1) of the Office of Federal

1 Procurement Policy Act (41 U.S.C. 403(1)), except as  
 2 provided under subsection (f)(1).

3 (f) RELATIONSHIP TO DEPARTMENT OF DEFENSE  
 4 PURCHASE CARD REGULATIONS.—

5 (1) IN GENERAL.—The requirements of sub-  
 6 sections (a) through (d) shall not apply to the De-  
 7 partment of Defense.

8 (2) CONFORMING AMENDMENTS.—Section 2784  
 9 of title 10, United States Code, is amended—

10 (A) in subsection (b), by adding at the end  
 11 the following new paragraphs:

12 “(11) That each purchase cardholder and indi-  
 13 vidual issued a convenience check is assigned an ap-  
 14 proving official other than the cardholder with the  
 15 authority to approve or disapprove transactions.

16 “(12) That the Department of Defense utilizes  
 17 effective systems, techniques, and technologies to  
 18 prevent or identify fraudulent purchases.

19 “(13) That the Department of Defense takes  
 20 appropriate steps to invalidate the purchase card of  
 21 each employee who—

22 “(A) ceases to be employed by the Depart-  
 23 ment of Defense, immediately upon termination  
 24 of the employment of the employee; or



1           “(B) transfers to another unit of the De-  
2           partment of Defense immediately upon the  
3           transfer of the employee unless the Secretary of  
4           Defense determines that the units are covered  
5           by the same purchase card authority.

6           “(14) That the Department of Defense takes  
7           appropriate steps to recover the cost of any erro-  
8           neous, improper, or illegal purchase made with a  
9           purchase card or convenience check by an employee,  
10          including, as necessary, through salary offsets.

11          “(15) That the Inspector General of the De-  
12          partment of Defense conducts periodic assessments  
13          of purchase card or convenience check programs to  
14          identify and analyze risks of illegal, improper, or er-  
15          roneous purchases and payments and uses such risk  
16          assessments to develop appropriate recommendations  
17          for corrective actions.”; and

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

20          “(d) SEMIANNUAL REPORT.—The Secretary of De-  
21          fense and the Inspector General of the Department of De-  
22          fense, shall submit to the Director of the Office of Man-  
23          agement and Budget on a semiannual basis a joint report  
24          on illegal, improper, or erroneous purchases and payments  
25          made with purchase cards or convenience checks by em-

1 ployees of the Department of Defense. At a minimum, the  
 2 report shall include the following:

3 “(1) A description of each violation.

4 “(2) A description of any adverse personnel ac-  
 5 tion, punishment, or other action taken against the  
 6 employee for such violation.

7 “(3) A description of actions taken by the De-  
 8 partment of Defense to address recommendations  
 9 made to address findings arising out of risk assess-  
 10 ments and audits conducted pursuant to this sec-  
 11 tion.”.

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

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

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

18 “(1) REQUIRED SAFEGUARDS AND INTERNAL  
 19 CONTROLS.—The head of each executive agency that  
 20 has employees that use travel charge cards shall es-  
 21 tablish and maintain the following internal control  
 22 activities to ensure the proper, efficient, and effec-  
 23 tive use of such travel charge cards:

24 “(A) There is a record in each executive  
 25 agency of each holder of a travel charge card

1 issued on behalf of the agency for official use,  
2 annotated with the limitations on amounts that  
3 are applicable to the use of each such card by  
4 that travel charge cardholder.

5 “(B) Rebates and refunds based on  
6 prompt payment, sales volume, or other actions  
7 by the agency on travel charge card accounts  
8 are monitored for accuracy and properly re-  
9 corded as a receipt of the agency that employs  
10 the cardholder.

11 “(C) Periodic reviews are performed to de-  
12 termine whether each travel charge cardholder  
13 has a need for the travel charge card.

14 “(D) Appropriate training is provided to  
15 each travel charge cardholder and each official  
16 with responsibility for overseeing the use of  
17 travel charge cards issued by an executive agen-  
18 cy.

19 “(E) Each executive agency has specific  
20 policies regarding the number of travel charge  
21 cards issued for various component organiza-  
22 tions and categories of component organiza-  
23 tions, the credit limits authorized for various  
24 categories of cardholders, and categories of em-  
25 ployees eligible to be issued travel charge cards,

1 and designs those policies to minimize the fi-  
2 nancial risk to the Federal Government of the  
3 issuance of the travel charge cards and to en-  
4 sure the integrity of travel charge cardholders.

5 “(F) Each executive agency ensures its  
6 contractual arrangement with each servicing  
7 travel charge card issuing contractor contains a  
8 requirement to evaluate the creditworthiness of  
9 an individual before issuing that individual a  
10 travel charge card, and that no individual be  
11 issued a travel charge card if that individual is  
12 found not creditworthy as a result of the eval-  
13 uation (except that this paragraph shall not  
14 preclude issuance of a restricted use travel  
15 charge card or pre-paid card when the indi-  
16 vidual lacks a credit history or has a credit  
17 score below the minimum credit score estab-  
18 lished by the Office of Management and Budg-  
19 et). The Director of the Office of Management  
20 and Budget shall establish a minimum credit  
21 score for determining the creditworthiness of an  
22 individual based on rigorous statistical analysis  
23 of the population of cardholders and historical  
24 behaviors. Notwithstanding any other provision  
25 of law, such evaluation shall include an assess-

1           ment of an individual’s consumer report from a  
2           consumer reporting agency as those terms are  
3           defined in section 603 of the Fair Credit Re-  
4           porting Act.

5           “(G) Each executive agency utilizes effec-  
6           tive systems, techniques, and technologies to  
7           prevent or identify improper purchases.

8           “(H) Each executive agency ensures that  
9           the travel charge card of each employee who  
10          ceases to be employed by the agency is invali-  
11          dated immediately upon termination of the em-  
12          ployment of the employee.

13          “(I) Each executive agency utilizes, where  
14          appropriate, direct payment to the holder of the  
15          travel card contract.

16          “(2) GUIDANCE ON MANAGEMENT OF TRAVEL  
17          CHARGE CARDS.—Not later than 180 days after the  
18          date of the enactment of the Government Charge  
19          Card Abuse Prevention Act of 2011, the Director of  
20          the Office of Management and Budget shall review  
21          the existing guidance and, as necessary, prescribe  
22          additional guidance for executive agencies governing  
23          the implementation of the requirements in para-  
24          graph (1).

25          “(3) PENALTIES FOR VIOLATIONS.—

1           “(A) IN GENERAL.—Consistent with the  
2 guidance prescribed under paragraph (2), each  
3 executive agency shall provide for appropriate  
4 adverse personnel actions to be imposed in  
5 cases in which employees of the executive agen-  
6 cy fail to comply with applicable travel charge  
7 card terms and conditions or applicable agency  
8 regulations or commit fraud with respect to a  
9 travel charge card, including removal in appro-  
10 priate cases.

11           “(B) REPORTS ON VIOLATIONS.—The  
12 guidance prescribed under paragraph (2) shall  
13 require each head of an executive agency with  
14 more than \$10,000,000 in travel card spending  
15 annually, and each inspector general of such an  
16 executive agency, on a semiannual basis, to sub-  
17 mit to the Director of the Office of Manage-  
18 ment and Budget a joint report on violations or  
19 other actions covered by subparagraph (A) by  
20 employees of such executive agency. At a min-  
21 imum, the report shall set forth the following:

22                   “(i) A description of each violation.

23                   “(ii) A description of any adverse per-  
24 sonnel action, punishment, or other action

1 taken against the employee for such viola-  
2 tion or other action.

3 “(4) RISK ASSESSMENTS AND AUDITS.—The in-  
4 spector general of each executive agency shall—

5 “(A) conduct periodic assessments of the  
6 agency travel charge card program and associ-  
7 ated internal controls to identify and analyze  
8 risks of illegal, improper, or erroneous travel  
9 charges and payments in order to develop a  
10 plan for using such risk assessments to deter-  
11 mine the scope, frequency, and number of peri-  
12 odic audits of travel charge card transactions;

13 “(B) perform periodic analysis and audits,  
14 as appropriate, of travel charge card trans-  
15 actions designed to identify potentially im-  
16 proper, erroneous, and illegal uses of travel  
17 charge cards;

18 “(C) report to the head of the executive  
19 agency concerned on the results of such anal-  
20 ysis and audits; and

21 “(D) report to the Director of the Office of  
22 Management and Budget on the implementa-  
23 tion of recommendations made to the head of  
24 the executive agency to address findings of any  
25 analysis or audit of travel charge card trans-

actions or programs for compilation and transmission by the Director to Congress and the Comptroller General.

“(5) DEFINITIONS.—In this subsection:

“(A) The term ‘executive agency’ means an agency as that term is defined in subparagraphs (A) and (B) of section 5701(1) of title 5, United States Code.

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

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

(a) REQUIRED INTERNAL CONTROLS FOR CENTRALLY BILLED ACCOUNTS.—The head of an executive agency that has employees who use a travel charge card that is billed directly to the United States Government shall establish and maintain the following internal control activities:

(1) Items submitted on an employee’s travel voucher shall be compared with items paid for using a centrally billed account on any related travel to ensure that an employee is not reimbursed for an item already paid for by the United States Government through a centrally billed account.



1           (2) The executive agency shall dispute unallow-  
2       able and erroneous charges and track the status of  
3       the disputed transactions to ensure appropriate reso-  
4       lution.

5           (3) The executive agency shall submit requests  
6       to servicing airlines for refunds of fully or partially  
7       unused tickets, when entitled to such refunds, and  
8       track the status of unused tickets to ensure appro-  
9       priate resolution.

10       (b) GUIDANCE.—Not later than 180 days after the  
11   date of the enactment of this Act, the Director of the Of-  
12   fice of Management and Budget shall review the existing  
13   guidance and, as necessary, prescribe additional guidance  
14   for executive agencies implementing the requirements of  
15   subsection (a).

16   **SEC. 5. CONSTRUCTION.**

17       Nothing in this Act shall be construed to excuse the  
18   head of an executive agency from the responsibilities set  
19   out in section 3512 of title 31, United States Code, or  
20   in the Improper Payments Act of 2002 (31 U.S.C. 3321  
21   note).

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