

110TH CONGRESS
1ST SESSION

S. 789

To prevent abuse of Government credit cards.

IN THE SENATE OF THE UNITED STATES

MARCH 7, 2007

Mr. GRASSLEY (for himself, Mr. LIEBERMAN, Ms. COLLINS, 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 2007”.

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 transaction and total credit amounts
5 that are applicable to the use of each such card by
6 that purchase cardholder.

7 (2) Each purchase cardholder is assigned an
8 approving official other than the cardholder with the
9 authority to approve or disapprove expenditures.

10 (3) The holder of a purchase card and each of-
11 ficial 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) Any disputed purchase card charge, and
21 any discrepancy between a receipt and other sup-
22 porting documentation and the purchase card state-
23 ment 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) Payments on purchase card accounts are
4 made promptly within prescribed deadlines to avoid
5 interest penalties.

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

10 (7) Records of each purchase card transaction
11 (including records on associated contracts, reports,
12 accounts, and invoices) are retained in accordance
13 with standard Government policies on the disposition
14 of records.

15 (8) Periodic reviews are performed to determine
16 whether each purchase cardholder has a need for the
17 purchase card.

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

22 (10) The executive agency has specific policies
23 regarding the number of purchase cards issued by
24 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) The executive agency utilizes technologies
8 to prevent or identify fraudulent purchases, includ-
9 ing controlling merchant codes and utilizing statis-
10 tical machine learning and pattern recognition tech-
11 nologies that review the risk of every transaction.

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

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

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

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

23 (b) MANAGEMENT OF PURCHASE CARDS.—The head
24 of each executive agency shall prescribe regulations imple-
25 menting the safeguards and internal controls in subsection

1 (a). The regulations shall be consistent with regulations
2 that apply Governmentwide regarding the use of purchase
3 cards by Government personnel for official purposes.

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

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

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

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

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

1 terminate the scope, frequency, and number of peri-
2 odic audits of purchase cardholders;

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

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

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

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

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

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

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

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

3 (1) IN GENERAL.—Except as provided by the
4 amendments made by paragraph (2), the require-
5 ments under this section shall not apply to the De-
6 partment of Defense.

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

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

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

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

1 ognition technologies that review the risk of every
2 transaction.

3 “(12) That the Secretary of Defense—

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

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

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 safeguards and internal con-
22 trols over travel charge cards to ensure the fol-
23 lowing:

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

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

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

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

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

17 “(E) Each executive agency has specific
18 policies regarding the number of travel charge
19 cards issued by various organizations and cat-
20 egories of organizations, the credit limits au-
21 thorized for various categories of cardholders,
22 and categories of employees eligible to be issued
23 travel charge cards, and that those policies are
24 designed to minimize the financial risk to the
25 Federal Government of the issuance of the trav-

1 el charge cards and to ensure the integrity of
2 travel charge cardholders.

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

1 porting agency as those terms are defined in
2 section 603 of the Fair Credit Reporting Act.
3 The obtaining of a consumer report under this
4 subsection is deemed to be a circumstance or
5 purpose authorized or listed under section 604
6 of the Fair Credit Reporting Act.

7 “(G) Each executive agency utilizes tech-
8 nologies to prevent or identify fraudulent pur-
9 chases, including controlling merchant codes
10 and utilizing statistical machine learning and
11 pattern recognition technologies that review the
12 risk of every transaction.

13 “(H) Each executive agency ensures that
14 the travel charge card of each employee who
15 ceases to be employed by the agency is invali-
16 dated immediately upon termination of the em-
17 ployment of the employee.

18 “(I) Each executive agency utilizes manda-
19 tory split disbursements for travel card pur-
20 chases.

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

1 “(3) PENALTIES FOR VIOLATIONS.—The regu-
2 lations prescribed under paragraph (2) shall provide
3 for appropriate adverse personnel actions or other
4 punishment to be imposed in cases in which employ-
5 ees of an executive agency violate such regulations
6 or are negligent or engage in misuse, abuse, or fraud
7 with respect to a travel charge card, including re-
8 moval in appropriate cases.

9 “(4) ASSESSMENTS.—The Inspector General of
10 each executive agency shall—

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

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

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

1 “(D) report to the Director of the Office of
2 Management and Budget and the Comptroller
3 General on the implementation of recommenda-
4 tions made to the head of the executive agency
5 to address findings during audits of travel card-
6 holders.

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

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

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

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

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

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

1 (2) The executive agency submits requests for
2 refunds for unauthorized purchases to the holder of
3 the applicable contract for a centrally billed account.

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

8 **SEC. 5. REGULATIONS.**

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

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

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

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

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