

Calendar No. 315

114TH CONGRESS }
1st Session }

SENATE

{ REPORT
114-174

SAVING FEDERAL DOLLARS THROUGH
BETTER USE OF GOVERNMENT PURCHASE
AND TRAVEL CARDS ACT OF 2015

—
R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1616

TO PROVIDE FOR THE IDENTIFICATION AND PREVENTION OF
IMPROPER PAYMENTS AND THE IDENTIFICATION OF STRATEGIC
SOURCING OPPORTUNITIES BY REVIEWING AND ANALYZING THE
USE OF FEDERAL AGENCY CHARGE CARDS



DECEMBER 8, 2015.—Ordered to be printed

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DECEMBER 8, 2015.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 1616]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1616) to provide for the identification and prevention of improper payments and the identification of strategic sourcing opportunities by reviewing and analyzing the use of Federal agency charge cards, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. PURPOSE AND SUMMARY

S. 1616 establishes an office within the General Services Administration (GSA) to review and analyze the use of charge cards by employees of the Federal government to identify trends of abuses of charge and travel cards as well as opportunities for strategic sourcing. The legislation also requires the Office of Management and Budget (OMB) to issue new guidance to agencies for the oversight and administration of Federal charge cards. In addition, S. 1616 also establishes an interagency task force to develop and

share best practices, requires the development of an interagency library of analytics tools and data sets for use in managing charge card transactions, and sets requirements for GSA and other agencies to report to Congress on implementation of the bill.

II. BACKGROUND AND THE NEED FOR LEGISLATION

The use of Federal agency purchase cards and travel cards poses ongoing challenges and opportunities. Improved oversight, controls and analysis of Federal charge card use could result in reduced improper payments and misuse. The Federal government could also improve the identification of strategic sourcing opportunities by analyzing charge card use for potential savings.

Federal charge cards have been the subject of congressional hearings, Government Accountability Office reports¹ and Office of Inspector General (OIG) reviews highlighting their misuse. For example, the misuse of government travel cards by the Department of Defense (DOD) employees at casinos and adult entertainment establishments was the subject of a DOD OIG report earlier this year.² That OIG report detailed specific steps needed for improved oversight by the DOD, many of which could also be adopted by other agencies. Similar problems at the DOD spurred a 2006 Committee hearing,³ and a subcommittee of the House Oversight and Government Reform Committee also held a hearing on the use of Federal charge cards for high-end gym memberships, gift cards, and hair salons.⁴ The misuse of Federal purchase cards within the Department of Veterans Affairs, where cardholders at the agency appeared to have avoided using competitive bidding by breaking up large purchases into many smaller ones, was also the topic of news articles and a congressional hearing.⁵

The oversight of Federal purchase cards also has been a focus of recent legislation. In 2012, the Committee favorably reported the Government Charge Card Abuse Prevention Act, sponsored by Senator Charles Grassley, which was signed into law later that year.⁶ The law requires agencies to establish safeguards and internal controls for charge cards, including use of systems and technologies to identify illegal, improper, or erroneous purchases. The law also requires annual reporting by Federal agencies and OMB, as well as

¹ See, e.g., GOV'T ACCOUNTABILITY OFFICE, GAO-08-333, GOVERNMENTWIDE PURCHASE CARDS: ACTIONS NEEDED TO STRENGTHEN INTERNAL CONTROLS TO REDUCE FRAUDULENT, IMPROPER, AND ABUSIVE PURCHASES (2008), available at <http://www.gao.gov/new.items/d08333.pdf>.

² DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL, DOD CARDHOLDERS USED THEIR GOVERNMENT TRAVEL CARDS FOR PERSONAL USE AT CASINOS AND ADULT ENTERTAINMENT ESTABLISHMENTS (2015), available at <http://www.dodig.mil/pubs/documents/DODIG-2015-125.pdf>.

³ *DHS Purchase Cards: Credit without Accountability: Hearing Before the Comm. on Homeland Security and Governmental Affairs*, 109th Cong. (2006), available at <http://www.hsgac.senate.gov/hearings/dhs-purchase-cards-credit-without-accountability>.

⁴ *Gym Memberships, Gift Cards and Hair Salons: Examining the Misuse of Government-Supplied Credit Cards: Hearing Before the H. Subcomm. on Government Operations*, 113th Cong. (2014), available at <https://oversight.house.gov/hearing/gym-memberships-gift-cards-hair-salons-examining-misuse-government-supplied-credit-cards/>.

⁵ Lisa Rein, *The mysterious case of \$54 million VA spent on prosthetics in \$24,999 payments*, THE WASHINGTON POST (June 16, 2015), available at <http://www.washingtonpost.com/blogs/federal-eye/wp/2015/06/16/the-mysterious-case-of-54-million-va-spent-on-prosthetics-in-24999-payments/>; *Waste, Fraud, and Abuse in the VA Purchase Card Program: H. Comm. on Veterans Affairs*, 114th Cong. (2015), available at <https://veterans.house.gov/hearing/waste-fraud-and-abuse-in-va-s-purchase-card-program>.

⁶ Pub. L. No. 112-94.

periodic risk assessments by Inspectors General of agency purchase card programs..

The White House and OMB have taken action to strengthen Federal charge card oversight during the past several years. The President signed Executive Order 13681, Improving the Security of Consumer Financial Transactions, which included the promotion of more secure charge card operations for Federal agencies.⁷ Also, the OMB Circular A-123 Appendix B, Improving the Management of Government Charge Card Programs, detailed improved policies and procedures for federal charge card programs.⁸

However, there is still a clear need for strengthening and improving Federal oversight and administration by Federal agencies of charge card programs. While agencies are required to individually develop new oversight techniques to detect misuse, there is no consistent method for Federal agencies to quickly share the identified fraud schemes or oversight techniques, such as those identified this year by the DOD OIG.⁹ In addition, not all government agencies have established robust data mining, or anti-waste and fraud analytics, for their charge card programs. The Federal government could also do a better job surveying agency-wide purchase card data to identify ways to improve efficiency, as well as taking aggressive efforts to recover inappropriately spent dollars.

Of the two types of credit cards, travel cards and purchase cards, purchase cards present the greater risk to taxpayers. In most cases, individual employees are only reimbursed for authorized charges on travel cards and must pay for any unauthorized charges using their own personal funds. On the other hand, in most cases, agencies pay the entire monthly bill for purchase cards and can only identify unauthorized charges after they have already been paid.

Still, travel card data presents insight into the travel patterns of agencies and can help GSA identify excess conference spending, first-class travel, and travel charges incurred near the employee's home. Many of these charges may not be fraudulent, and likely were approved by supervisors.

Similarly, purchase cards—due to the structured, electronic nature of the transactions—provide government-wide insight into small-dollar spending patterns that is not available elsewhere, such as USAspending.gov. GSA analysts can use this information to find ways to save money.

The Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015 would improve anti-waste and fraud analysis and facilitate the sharing of information about charge card abuse and best practices among federal agencies. The legislation would also establish procedures to identify strategic sourcing opportunities through analysis of Federal charge card transactions.

⁷ Exec. Order No. 13681, available at <https://www.whitehouse.gov/the-press-office/2014/10/17/executive-order-improving-security-consumer-financial-transactions>.

⁸ OMB Circular A-123, App. B, available at <https://www.whitehouse.gov/sites/default/files/omb/assets/agencyinformation-circulars-pdf/a123-appendix-b.pdf>.

⁹ DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL, DOD CARDHOLDERS USED THEIR GOVERNMENT TRAVEL CARDS FOR PERSONAL USE AT CASINOS AND ADULT ENTERTAINMENT ESTABLISHMENTS (2015), available at <http://www.dodig.mil/pubs/documents/DODIG-2015-125.pdf>.

The bill instructs the GSA to review charge card purchases. GSA already collects charge card transaction data in its administrative role of overseeing federal agency charge card programs. S. 1616 is intended to require GSA to assist agencies in their ongoing oversight responsibilities through the analysis of the transaction data.

S. 1616 builds on the 2012 Government Charge Card Abuse Prevention Act, which required agencies to establish certain types of control and oversight over the agency's charge card usage.¹⁰ Under S. 1616, GSA would assist agencies by conducting sophisticated, government-wide analysis for potential waste and fraud, without relieving agencies of the need to conduct their own scrutiny. Federal agencies would also share information about fraud schemes, high-risk sellers and other risks of charge card misuse. This way, agencies will learn from one another's successes and mistakes.

Finally, the legislation would facilitate analysis of government-wide purchase card data spending patterns to better leverage Federal government purchasing power when buying in bulk. This is often called "strategic sourcing," and has become a proven way to save taxpayer funds.¹¹

III. LEGISLATIVE HISTORY

Ranking Member Tom Carper, Chairman Ron Johnson, and Senators Charles Grassley and Claire McCaskill, introduced S. 1616 on June 18, 2015, and the bill was referred to the Committee.

The Committee considered S. 1616 at a business meeting on June 24, 2015. The Committee adopted the bill by voice vote. Members present for the vote on the bill were Senators Johnson, McCain, Lankford, Ayotte, Ernst, Sasse, Carper, Tester, Baldwin, and Heitkamp.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section establishes the bill's title as the "Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015."

Section 2. Definitions

This section establishes definitions for "Strategic Sourcing" and "Improper Payment."

Section 3. Office of Federal Charge Card Analytics and Review

This section instructs GSA to establish an Office of Federal Charge Card Analytics and Review to use the charge card data it currently possesses to identify ways to save money. The bill is intended to provide flexibility for GSA to organize this function into an existing division, such as the Data Management division.

¹⁰ Pub. L. No. 112-94.

¹¹ GOV'T ACCOUNTABILITY OFFICE, GAO-13-417, STRATEGIC SOURCING: LEADING COMMERCIAL PRACTICES CAN HELP FEDERAL AGENCIES INCREASE SAVINGS WHEN ACQUIRING SERVICES (2013), available at <http://www.gao.gov/products/GAO-13-417>.

Section 4. Guidance on improving information sharing to curb improper payments

This section instructs that, not later than 180 days after the date of the bill's enactment, the Director of OMB, in consultation with the Administrator of GSA, agency heads, and the GSA task force created by Section 3, to issue guidance on carrying out Section 3 which shall include: requiring agencies to identify and share information about high-risk merchants; (2) ensuring agencies are reviewing the reports of concerning transactions; (3) ensuring agencies are sharing information about fraud schemes with GSA's task force and other agencies; and (4) any other requirements necessary to carry out the directives of the bill.

Section 5. Interagency task force

This section establishes an interagency task force to identify best practices related to charge card oversight by federal agencies.

Section 6. Reporting requirements

This section requires GSA and each covered agency to submit a report to Congress within one year on their compliance with this bill.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill. The Committee concurs with the Congressional Budget Office, which states that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandate Reform Act and would not affect state, local, and tribal governments. The enactment of this legislation will not have significant regulatory impact.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

AUGUST 12, 2015.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1616, the Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

KEITH HALL.

Enclosure.

S. 1616—Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015

Summary: S. 1616 would increase oversight of federal agencies' use of purchase and travel cards. The legislation would establish an Office of Federal Charge Card Analytics and Review within the Government Services Administration (GSA) to examine purchases made using federal charge cards. Under S. 1616, GSA also would

establish an interagency task force to facilitate the sharing of information and to promote best practices to reduce fraud and improper payments. Finally, S. 1616 would require GSA to report to the Congress on the effectiveness of those efforts.

Based on information from GSA regarding the current government charge card program, CBO estimates that implementing S. 1616 would cost \$65 million over the 2016–2020 period, assuming appropriation of the necessary amounts. Enacting S. 1616 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1616 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 1616 is shown in the following table. The costs of this legislation fall within function 800 (general government).

	By fiscal year, in millions of dollars—					2016–2020
	2016	2017	2018	2019	2020	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	10	15	15	15	10	65
Estimated Outlays	9	15	15	15	11	65

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2015, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for federal salaries and expenses.

Under current law and policy, agencies have many tools to combat fraud and misuse related to charge cards. Agencies have coordinators to oversee the use of charge cards; they also use tools such as credit limits, blocks on merchants based on the type of business, activity reports, and employee guides that explain best practices for using federal charge cards. In addition the 72 Inspector Generals (IG) and their 14,000 employees spend about \$2.5 billion a year to detect and deter fraud, waste, and mismanagement of government funds.

The legislation would expand the role of GSA in overseeing government-wide use of charge cards by establishing the Office of Federal Charge Card Analytics and Review. This new office would examine all charge card purchases made by federal employees and contractors with an aim to reduce improper purchases.

Based on the costs to operate the Recovery Accountability and Transparency Board (Recovery Board), which sought to detect and prevent waste, fraud, and abuse of funds provided by the American Recovery and Reinvestment Act of 2009, CBO estimates that GSA would spend \$65 million over the 2016–2020 period to monitor government charge card spending. Including start-up spending in 2016, those amounts would fund the creation of an operations center with software to aggregate and analyze large volumes of charge card data. CBO expects that some costs to analyze the charge cards would diminish over time as some standardized work was developed.

The proposed Office of Federal Charge Card Analytics and Review may detect additional waste, fraud, and abuse beyond what

is already identified by similar efforts under current law. Such efforts could result in savings. However, CBO has no basis for predicting whether the efforts of the new office would lead to a significant increase in the recovery of fraudulent payments, or would significantly reduce future instances of improper use of charge cards.

Pay-As-You-Go considerations: None.

Intergovernmental and private-sector impact: S. 1616 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Matthew Pickford; Impact on state, local, and tribal governments: Paige Piper/Bach; Impact on the private sector: Jon Sperl.

Estimate approved by: Theresa Gullo; Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

Because this legislation would not repeal or amend any provision of current law, it would make no changes in existing law within the meaning of clauses (a) and (b) of paragraph 12 of rule XXVI of the Standing Rules of the Senate.

