

109TH CONGRESS
2^D SESSION

H. R. 5581

To prevent abuse of Government credit cards.

IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 2006

Mr. WILSON of South Carolina introduced the following bill; which was referred to the Committee on Government Reform, and in addition to the Committee on Armed Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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-

1 tablish and maintain safeguards and internal controls to
2 ensure the following:

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

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

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

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

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

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

1 scribed in the applicable Governmentwide purchase
2 card contract entered into by the Administrator of
3 General Services.

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

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

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

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

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

23 (10) That the executive agency has specific poli-
24 cies regarding the number of purchase cards issued
25 by various organizations and categories of organiza-

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

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

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

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

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

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

1 (b) MANAGEMENT OF PURCHASE CARDS.—The head
2 of each executive agency shall prescribe regulations imple-
3 menting the safeguards and internal controls in subsection
4 (a). The regulations shall be consistent with regulations
5 that apply Governmentwide regarding the use of purchase
6 cards by Government personnel for official purposes.

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

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

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

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

24 (1) periodically conduct risk assessments of the
25 agency purchase card program and associated inter-

1 nal controls and analyze identified weaknesses and
2 the frequency of improper activity in order to de-
3 velop a plan for using such risk assessments to de-
4 termine the scope, frequency, and number of peri-
5 odic audits of purchase cardholders;

6 (2) perform periodic audits of purchase card-
7 holders designed to identify—

8 (A) potentially fraudulent, improper, and
9 abusive uses of purchase cards;

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

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

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

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

24 (e) DEFINITION OF EXECUTIVE AGENCY.—In this
25 section, the term “executive agency” has the meaning

1 given such term in section 4(1) of the Office of Federal
2 Procurement Policy Act (41 U.S.C. 403(1)).

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

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

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

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

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

22 “(11) That the Department of Defense utilizes
23 technologies to prevent or identify fraudulent pur-
24 chases, including controlling merchant codes and uti-
25 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) That there is a record in each execu-
25 tive agency of each holder of a travel charge

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

5 “(B) That 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) That periodic reviews are performed
10 to determine whether each travel charge card-
11 holder has a need for the travel charge card.

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

17 “(E) That each executive agency has spe-
18 cific policies regarding the number of travel
19 charge cards issued by various organizations
20 and categories of organizations, the credit limits
21 authorized 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) That the head of each executive agen-
4 cy 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) That each executive agency utilizes
8 technologies to prevent or identify fraudulent
9 purchases, 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) That each executive agency ensures
14 that the travel charge card of each employee
15 who ceases to be employed by the agency is in-
16 validated immediately upon termination of the
17 employment of the employee.

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

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) INSPECTOR GENERAL REQUIREMENTS.—
10 The Inspector General of each executive agency
11 shall—

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

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

1 “(C) report to the head of the executive
2 agency concerned on the results of such audits;
3 and

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

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

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

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

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

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

23 (1) That items submitted on an employee’s
24 travel voucher are compared with items paid for
25 using a centrally billed account to ensure that an

1 employee is not reimbursed for an item already paid
2 for through a centrally billed account.

3 (2) That the executive agency submits requests
4 for refunds for unauthorized purchases to the holder
5 of the applicable contract for a centrally billed ac-
6 count.

7 (3) That the executive agency submits requests
8 for refunds for fully or partially unused tickets to
9 the holder of the applicable contract for a centrally
10 billed account.

11 **SEC. 5. REGULATIONS.**

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

14 (1) the head of each executive agency shall pro-
15 mulgate regulations to implement the requirements
16 of sections 2 and 4; and

17 (2) the Administrator of General Services shall
18 promulgate regulations required pursuant to the
19 amendments made by section 3.

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

○