

## **Introduction:**

The Office of Charge Card Management (OCCM) has developed a point by point analysis of S.300, otherwise known as the Charge Card Abuse Prevention Act, in order to illustrate the overlap between the proposed legislative requirements and the requirements of OMB Circular A-123, Appendix B. The below document outlines each requirement of S.300 and provides a response that indicates which section of OMB Circular A-123, Appendix B fulfills the requirements outlined in S.300.

## **Section 2: Management of Purchase Cards**

**REQUIRED SAFEGUARDS AND INTERNAL CONTROLS.**—The head of each executive agency that issues and uses purchase cards and convenience checks shall establish and maintain safeguards and internal controls to ensure the following:

1. There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card or check by that purchase cardholder.

**Response:** Chapter 4 of OMB Circular A-123, Appendix B (herein referred to as “the Circular”) entitled Risk Management requires card managers to oversee the establishment and maintenance of a master file/official cardholder records, including training, appointment, single and monthly purchase limits, and related records. In addition, Chapter 5 of the Circular entitled Performance Metrics and Data Requirements requires agencies to implement extensive performance metric and data reporting procedures. In the case of the purchase card, agencies are required to report the total number of cards, number of active accounts, percentage of employees with cards, dollars spent and refunds earned, span of control, and number of cardholders that have transaction limits above and below the \$3,000 micropurchase threshold. Reporting requirements for convenience checks include: total number of individuals authorized to write checks, total number of checks written, number of checks written above and below the \$3,000 micropurchase threshold.

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

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to identify key management officials, including approving officials and outline a formal appointment process in the agency’s charge card management plan. Chapter 4 of the Circular requires charge card managers to ensure that there is a separation of duties among key functions such as making purchases, authorizing purchases and payments, certifying funding, and reviewing and auditing. Therefore, cardholders are not authorized to be their own approving officials. In addition, the Circular requires that agencies report

the span of control (number of cardholder assigned to each approving official) to ensure that there are not too many cardholders assigned to each approving official.

3. The holder of a purchase card and each official with authority to authorize expenditures charged to the purchase card are responsible for—
  - (A) reconciling the charges appearing on each statement of account for that purchase card with receipts and other supporting documentation; and
  - (B) forwarding a summary report to the certifying official in a timely manner of information necessary to enable the certifying official to ensure that the Federal Government ultimately pays only for valid charges that are consistent with the terms of the applicable Government-wide purchase card contract entered into by the Administrator of General Services.

**Response:** Chapter 4 of the Circular entitled Risk Management requires cardholders and charge card management officials to reconcile charge card transactions and statements in a timely manner. In the case of the Circular, the term certifying official is interchangeable with approving official.

4. Any disputed purchase card charge, and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account, is resolved in the manner prescribed in the applicable Government-wide purchase card contract entered into by the Administrator of General Services

**Response:** Disputes are handled in accordance with Section C.1.18.1.11 Billing Discrepancies in the GSA SmartPay 2 Master Contract. In addition, Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to develop a charge card management plan, which includes a requirement for management controls, policies, and practices for ensuring appropriate charge card and convenience check usage. This includes ensuring that cardholders are aware of dispute processes and procedures.

5. Payments on purchase card accounts are made promptly within prescribed deadlines to avoid interest penalties.

**Response:** Chapter 4 of the Circular entitled Risk Management outlines risk management controls. More specifically, section 4.4 states that charge card managers are responsible for ensuring that payment obligations are paid on time and that all relevant Prompt Payment Act requirements are met. This includes: establishing a process, with strict internal controls, to ensure that charges and payments are timely, accurate, and appropriate; closely monitoring delinquency reports from charge card vendors; contacting appropriate personnel to ensure that delinquent payments are addressed and corrective actions are taken to prevent further occurrence; and incorporating all of these practices and procedures into a charge card management plan.

6. Rebates and refunds based on prompt payment, sales volume, or other actions by the agency on purchase card accounts are reviewed for accuracy and properly recorded as a receipt to the agency that pays the monthly bill.

**Response:** Chapter 7 of the Circular entitled Refund Management addresses refund management requirements for agencies. Section 7.4 requires agencies to review refund agreements with contractor banks prior to the rebid of a task order, quarterly, to ensure proper amounts are refunded, and annually, to benchmark against other agreements throughout the government.

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

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to include record retention requirements in their charge card management plans. Record retention requirements for the charge card program are in accordance with the National Archives and Records Administration (NARA) retention requirements and agency specific record retention requirements.

8. Periodic reviews are performed to determine whether each purchase cardholder has a need for the purchase card.

**Response:** Attachment 5 of the Circular entitled Best Practices in Managing Government Charge Card Programs states that when mitigating risks of misuse and/or delinquency, charge card managers should perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials. In addition, Chapter 5 of the Circular requires agencies to report the percentage of employees that are cardholders, number of cards, number of active accounts, net new number of accounts on a quarterly basis.

9. Appropriate training is provided to each purchase card holder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.

**Response:** Chapter 3 of the Circular entitled Training, requires that all program participants including cardholders and card managers (Agency/Organization Program Coordinators, Approving Officials, and other accountable/billing officials) be trained in card managements. All participants must be trained prior to appointment and must take refresher training, at a minimum, every 3 years. Copies of training certificates must be retained in accordance with NARA guidelines by each agency. In addition, many agencies have more stringent training requirements, including requiring training more frequently and requiring cardholders and card managers to take supplemental agency-specific training.

10. The executive agency has specific policies regarding the number of purchase cards issued by various component organizations and categories of component organizations, the credit limits authorized for various categories of cardholders, and categories of employees eligible to be issued purchase cards, and that those policies are designed to

minimize the financial risk to the Federal Government of the issuance of the purchase cards and to ensure the integrity of purchase cardholders.

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan discusses the requirements for agency charge card management plans. These requirements include management controls, policies, and practices for ensuring appropriate charge card and convenience check usage, establishment of appropriate authorization controls, identification of key management officials and their responsibilities, and establishment of a formal appointment process for cardholders and approving officials. These key elements address purchase card issuance concerns, credit limit establishment policies and procedures, and cardholder eligibility requirements.

11. The executive agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.

**Response:** Chapter 4 of the Circular entitled Risk Management requires card manager to implement risk management controls, policies, and procedures, including reviewing available data (including the use of data mining if available), to detect instances of delinquency, fraud, and misuse and identify trends and outliers in relevant indicators of charge card program performance. The GSA SmartPay 2 Master Contract contains several product and service offerings that are available to assist agencies with preventing or identifying cardholder misuse, including reporting tools and capabilities and data mining tools that are available through the contractor banks.

12. The executive agency invalidates the purchase card of each employee who—
  - (A) ceases to be employed by the agency, immediately upon termination of the employment of the employee; or
  - (B) transfers to another unit of the agency immediately upon the transfer of the employee unless the agency determines that the units are covered by the same purchase card authority.

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to address the recovery of charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.

13. The executive agency takes steps to recover the cost of any illegal, improper, or erroneous purchase made with a purchase card or convenience check by an employee, including, as necessary, through salary offsets.

**Response:** The government is ultimately responsible for payments made through government purchase cards. The salary offset process is authorized by the Travel and Transportation Act of 1998. Therefore, the implementation of salary offset processes is only authorized for Individually Billed accounts under the travel card program. The government is responsible for the payment of invoices in the case of Centrally Billed

purchase card purchases and the invoice is billed directly to the Government, not to the purchase cardholder.

If a purchase cardholder misuses a government purchase card, the agency may take disciplinary actions against the cardholder. Chapter 4 of the Circular entitled Risk Management discusses disciplinary actions that may be taken against purchase cardholders, including, but not limited to: verbally counsel and issue a letter of counseling/reprimand to the employee, deactivate, suspend, or cancel employee accounts, and impose additional disciplinary action deemed appropriate by the agency. These additional actions may include reporting the cardholder to the agency's Inspector General, termination of employment, and criminal prosecution.

#### Penalties For Violations:

1. **IN GENERAL.**—The head of each executive agency shall provide for appropriate adverse personnel actions or other punishment to be imposed in cases in which employees of the agency violate agency policies implementing the guidance required by subsection (b) or make illegal, improper, or erroneous purchases with purchase cards or convenience checks.

**Response:** Chapter 4 of the Circular entitled Risk Management discusses disciplinary actions that may be taken against purchase cardholders, including, but not limited to: verbally counsel and issue a letter of counseling/reprimand to the employee, deactivate, suspend, or cancel employee accounts, and impose additional disciplinary action deemed appropriate by the agency. These additional actions may include reporting the cardholder to the agency's Inspector General, termination of employment, and criminal prosecution.

2. **DISMISSAL.**—Penalties prescribed for employee misuse of purchase cards or convenience checks shall include dismissal of the employee, as appropriate.

**Response:** Chapter 4 of the Circular entitled Risk Management discusses disciplinary actions that may be taken against purchase cardholders. The section states that agencies may “impose additional disciplinary action deemed appropriate by the agency”. Chapter 4 does not specifically state dismissal of the employee as an examples of a disciplinary action, however, Attachment 5 of the Circular entitled Best Practices in Managing Government Charge Card Programs outlines “suspend(ing) or terminat(ing) employment” as an example of one best practice for initiative administrative or disciplinary actions. OMB may want to consider including dismissal as a potential action included in Chapter 4.

3. **REPORTS ON VIOLATIONS.**—The guidance prescribed under subsection (b) shall direct each head of an executive agency with more than \$10,000,000 in purchase card spending annually, and each Inspector General of such an executive agency, on a semiannual basis, to submit to the Director of the Office of Management and Budget

a joint report on violations or other actions covered by paragraph (1) by employees of such executive agency. At a minimum, the report shall set forth the following:

- a. A summary description of confirmed violations involving misuse of a purchase card following completion of a review by the agency or by the Inspector General of the agency.

**Response:** Currently, Chapter 5.3.1 of the Circular entitled Statistical Reporting requires all CFO agencies to report the number of cases of possible purchase card misuse reported to the agency's Inspector General. OMB will need to update the Circular to include a requirement for the agency as well as the Inspector General to report descriptions of the confirmed violations, not just the number.

- b. A summary description of all adverse personnel action, punishment, or other action taken based on each violation.

**Response:** Currently, Chapter 5.3.1 of the Circular entitled Statistical Reporting requires all CFO agencies to report the number of administrative/disciplinary actions taken for card and convenience check misuse. OMB will need to update the Circular to include a requirement for the agency as well as the Inspector General to report descriptions of the personnel actions.

Risk Assessments And Audits.—The Inspector General of each executive agency shall—

1. Conduct periodic assessments of the agency purchase card or convenience check programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments in order to develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions;

**Response:** Chapter 5.3.2 of the Circular entitled Narrative Reporting requires CFO agencies to report the date(s) of the most recent and next scheduled Inspector General independent assessments. This language does not require OMB to outline a specific frequency of reviews, however, OMB may want to consider including the language stating that IGs must conduct periodic assessments in a Circular rewrite. Currently periodic reviews are only outlined in the Best Practices section in Attachment 5.

2. Perform analysis or audits, as necessary, of purchase card transactions designed to identify—
  - a. potentially illegal, improper, or erroneous uses of purchase cards;

**Response:** The current Circular discusses that agencies should audit/analyze transactions to look for this, however, there are no specific requirements for Inspector Generals outlined in the Circular. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

- b. any patterns of such uses; and

**Response:** The current Circular discusses that agencies should utilize data mining tools to detect patterns, however, there are no specific requirements for Inspector Generals outlined in the Circular. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

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

**Response:** There are no requirements in the current Circular that discuss this topic. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

- 3. Report to the head of the executive agency concerned on the results of such analysis or audits; and

**Response:** There are no requirements in the current Circular that discuss this topic. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

- 4. Report to the Director of the Office of Management and Budget on the implementation of recommendations made to the head of the executive agency to address findings of any analysis or audit of purchase card and convenience check transactions or programs for compilation and transmission by the Director to Congress and the Comptroller General.

**Response:** There are no requirements in the current Circular that discuss this topic. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

### **Section 3: Management of Travel Cards**

**REQUIRED SAFEGUARDS AND INTERNAL CONTROLS-** The head of each executive agency that has employees that use travel charge cards shall establish and maintain the following internal control activities to ensure the proper, efficient, and effective use of such travel charge cards:

- 1. There is a record in each executive agency of each holder of a travel charge card issued on behalf of the agency for official use, annotated with the limitations on amounts that are applicable to the use of each such card by that travel charge cardholder.

**Response:** Chapter 4 of OMB Circular A-123, Appendix B (herein referred to as “the Circular”) entitled Risk Management requires card managers to oversee the establishment and maintenance of a master file/official cardholder records, including training, appointment, single and monthly purchase limits, and related records. In addition, Chapter 5 of the Circular entitled Performance Metrics and Data Requirements requires agencies to implement extensive performance metric and data reporting procedures. In the case of the travel card, agencies are required to report the total number of cards, number of active accounts, percentage of employees with cards, dollars spent and refunds earned, percentage of travelers considered infrequent travelers, monthly limits of travel cards, and ATM cash withdrawal limits of travel cards.

2. Rebates and refunds based on prompt payment, sales volume, or other actions by the agency on travel charge card accounts are monitored for accuracy and properly recorded as a receipt of the agency that employs the cardholder.

**Response:** Chapter 7 of the Circular entitled Refund Management addresses refund management requirements for agencies. Section 7.4 requires agencies to review refund agreements with contractor banks prior to the rebid of a task order, quarterly, to ensure proper amounts are refunded, and annually, to benchmark against other agreements throughout the government.

3. Periodic reviews are performed to determine whether each travel charge cardholder has a need for the travel charge card.

**Response:** Attachment 5 of the Circular entitled Best Practices in Managing Government Charge Card Programs states that when mitigating risks of misuse and/or delinquency, charge card managers should perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials. In addition, Chapter 5 of the Circular requires agencies to report the percentage of employees that are cardholders, number of cards, number of active accounts, net new number of accounts on a quarterly basis.

4. Appropriate training is provided to each travel charge cardholder and each official with responsibility for overseeing the use of travel charge cards issued by an executive agency.

**Response:** Chapter 3 of the Circular entitled Training, requires that all program participants including cardholders and card managers (Agency/Organization Program Coordinators, Approving Officials, and other accountable/billing officials) be trained in card managements. All participants must be trained prior to appointment and must take refresher training, at a minimum, every 3 years. Copies of training certificates must be retained in accordance with NARA guidelines by each agency. In addition, many agencies have more stringent training requirements, including requiring training more frequently and requiring cardholders and card managers to take supplemental agency-specific training.

5. Each executive agency has specific policies regarding travel charge cards issued for various component organizations and categories of component organizations, the credit limits authorized for various categories of card holders, and categories of employees eligible to be issued travel charge cards, and designs those policies to minimize the financial risk to the Federal Government of the issuance of the travel charge cards and to ensure the integrity of travel charge card holders.

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan discusses the requirements for agency charge card management plans. These requirements include management controls, policies, and practices for ensuring appropriate charge card and convenience check usage, establishment of appropriate authorization controls, identification of key management officials and their responsibilities, and establishment of a formal appointment process for cardholders and approving officials. These key elements address purchase card issuance concerns, credit limit establishment policies and procedures, and cardholder eligibility requirements.

6. Each executive agency has policies to ensure its contractual arrangement with each travel charge card issuing contractor contains a requirement that the creditworthiness of an individual be evaluated before the individual is issued a travel charge card, and that no individual be issued a travel charge card if that individual is found not creditworthy as a result of the evaluation (except that this paragraph shall not preclude issuance of a restricted use, prepaid, declining balance, controlled-spend, or stored value card when the individual lacks a credit history or has a credit score below the minimum credit score established by the Director of the Office of Management and Budget). The Director of the Office of Management and Budget shall establish a minimum credit score for determining the creditworthiness of an individual based on rigorous statistical analysis of the population of card holders and historical behaviors. Notwithstanding any other provision of law, such evaluation shall include an assessment of an individual's consumer report from a consumer reporting agency as those terms are defined in section 603 of the Fair Credit Reporting Act (15 U.S.C. 1681a).

**Response:** Chapter 6 of the Circular entitled Credit Worthiness requires agencies to assess the credit worthiness of all new travel charge card applicants prior to issuing a card pursuant to Section 846 of the Consolidated Appropriations Act 2008, (P.L. 110-161, Title VII, Section 743). In addition, the Circular states that a potential cardholder must have a credit score of 660 or higher in order to be assigned a travel charge card. If an applicant receives a credit score of less than 660, agencies may issue a restricted travel charge card to that applicant. The restricted card may have one or more of the limitations stated Chapter 5 of the Circular.

7. Each executive agency utilizes effective systems, techniques, and technologies to prevent or identify improper purchases.

**Response:** Chapter 4 of the Circular entitled Risk Management requires card manager to implement risk management controls, policies, and procedures, including reviewing available data (including the use of data mining if available), to detect instances of

delinquency, fraud, and misuse and identify trends and outliers in relevant indicators of charge card program performance. The GSA SmartPay 2 Master Contract contains several product and service offerings that are available to assist agencies with preventing or identifying cardholder misuse, including reporting tools and capabilities and data mining tools that are available through the contractor banks.

8. Each executive agency ensures that the travel charge card of each employee who ceases to be employed by the agency is invalidated immediately upon termination of the employment of the employee (or, in the case of a member of the uniformed services, upon separation or release from active duty or full-time National Guard duty).

**Response:** Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to address the recovery of charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.

9. Each executive agency shall ensure that, where appropriate, travel card payments are issued directly to the travel card-issuing bank for credit to the employee's individual travel card account.

**Response:** Chapter 4 of the Circular entitled Risk Management requires agencies to implement split disbursement procedures. Split Disbursement is defined as the process of dividing a travel voucher reimbursement between the charge card vendor and traveler. The balance owed to each is sent directly to the applicable party.

**INSPECTOR GENERAL AUDIT.**—The Inspector General of each executive agency with more than \$10,000,000 in travel card spending shall conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. The findings of such audits or reviews along with recommendations to prevent improper use of travel cards shall be reported to the Director of the Office of Management and Budget and Congress.

**Response:** The current Circular discusses that agencies should conduct periodic independent reviews and assessments, however, there are no specific requirements for Inspector Generals outlined in the Circular. OMB may want to create a new chapter that specifically outlines the IG requirements found in S.300.

**PENALTIES FOR VIOLATIONS.**—Consistent with the guidance prescribed under paragraph (2), each executive agency shall provide for appropriate adverse personnel actions to be imposed in cases in which employees of the executive agency fail to comply with applicable travel charge card terms and conditions or applicable agency regulations or commit fraud with respect to a travel charge card, including removal in appropriate cases.

**Response:** Chapter 4 of the Circular entitled Risk Management discusses disciplinary actions that may be taken against travel cardholders, including, but not limited to: verbally counsel and issue a letter of counseling/reprimand to the employee, deactivate, suspend, or cancel employee

accounts, and impose additional disciplinary action deemed appropriate by the agency. These additional actions may include reporting the cardholder to the agency's Inspector General, termination of employment, and criminal prosecution.

Chapter 4 does not specifically state dismissal of the employee as an examples of a disciplinary action, however, Attachment 5 of the Circular entitled Best Practices in Managing Government Charge Card Programs outlines "suspend(ing) or terminat(ing) employment" as an example of one best practice for initiative administrative or disciplinary actions. OMB may want to consider including dismissal as a potential action included in Chapter 4.

#### **Section 4: Management of Centrally Billed Accounts**

**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. The executive agency shall ensure that officials with the authority to approve official travel verify that centrally billed account charges are not reimbursed to an employee.

**Response:** The current Circular does not contain language addressing this issue due to the fact that centrally billed cards are not in an individual employee's name. OMB may want to consider including some updated language to address this requirement in a Circular rewrite.

2. The executive agency shall dispute unallowable and erroneous charges and track the status of the disputed transactions to ensure appropriate resolution.

**Response:** Disputes are handled in accordance with Section C.1.18.1.11 Billing Discrepancies in the GSA SmartPay 2 Master Contract. In addition, Chapter 2 of the Circular entitled Charge Card Management Plan requires agencies to develop a charge card management plan, which includes a requirement for management controls, policies, and practices for ensuring appropriate charge card and convenience check usage. This includes ensuring that cardholders are aware of dispute processes and procedures.

3. The executive agency shall submit requests to servicing airlines for refunds of fully or partially unused tickets, when entitled to such refunds, and track the status of unused tickets to ensure appropriate resolution.

**Response:** The current Circular does not contain language addressing this issue due to the fact that centrally billed cards are not in an individual employee's name. OMB may want to consider including some updated language to address this requirement in a Circular rewrite.

**Conclusion:**

The majority of the proposed legislative requirements are already being addressed through OMB Circular A-123, Appendix B. There are three main issues that will need to be addressed in a Circular rewrite. The first issue is that OMB will need to update the narrative and statistical reporting requirement to include all executive agencies, not just CFO agencies and DHS. Second, OMB will need to outline new requirements for Inspector Generals, including required periodic assessments as well as reporting requirements. Inspector General requirements will be for executive agencies that have more than \$10,000,000 in annual purchase or travel card spend. Finally, OMB will need to address the requirement outlined in #13 of the Management of purchase cards section (section 2). The requirement discusses recovering costs for erroneous or improper purchases on purchases cards and provides an example of salary offsets. The current Circular states that salary offset is only used for Individually Billed travel cards and that repayment to the Government by employees that misuse the purchase card should be addressed within agencies' disciplinary policies. Further research in terms of agency disciplinary procedures on how to accomplish the requirement in the law may need to be completed. In addition to these three main issues, OMB may want to consider some of the minor updates/changes that have been outlined in the responses above.