

Calendar No. 169

115TH CONGRESS }
1st Session }

SENATE

{ REPORT
115-129

SAVING FEDERAL DOLLARS THROUGH
BETTER USE OF GOVERNMENT PURCHASE
AND TRAVEL CARDS ACT OF 2017

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1099

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



JULY 11, 2017.—Ordered to be printed

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JULY 11, 2017.—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. 1099]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1099) 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. 1099 authorizes the existing Office of Charge Card Management within the General Services Administration (GSA) 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. 1099 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.¹

II. BACKGROUND AND THE NEED FOR LEGISLATION

The use of Federal agency purchase cards and travel cards poses ongoing challenges and opportunities for Federal agencies. Improved oversight, controls and analysis of Federal charge card use could result in reduced improper payments and misuse. The Federal Government could also analyze charge card use for potential savings through strategic sourcing opportunities.

Federal charge cards have been the subject of congressional hearings 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 in 2015.² 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 misuse 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 Government Accountability Office has also issued reports recommending action to curb abuse and improper payments.⁶

The oversight of Federal purchase cards also has been a focus of previous Committee 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

¹On June 24, 2015, the Committee approved S. 1616, Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015. That bill is substantially similar in purpose to S. 1099. Accordingly, this committee report is in large part a reproduction of Chairman Johnson's committee report for S. 1616, S. Rep. No. 114-174.

²Department 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 Sec. & 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/>.

⁵Lisa 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: Hearing Before the 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*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>.

that year.⁷ 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 periodic risk assessments by Inspectors General of agency purchase card programs.

The Obama administration also took action to strengthen Federal charge card oversight during the past several years. In 2014, President Obama signed Executive Order 13681, Improving the Security of Consumer Financial Transactions, which included the promotion of more secure charge card operations for Federal agencies.⁸ 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.⁹

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 discuss misuse, there is no consistent method for Federal agencies to quickly share the identified fraud schemes or oversight techniques, such as those identified by the DOD OIG.¹⁰ 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 charge 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 cards data presents insight into the travel patterns of agencies and can help GSA identify things like 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 analytics 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 2017 would improve anti-waste and fraud analysis and facilitate the sharing of information about charge card abuse and best practices among Federal agencies. The

⁷ Pub. L. No. 112-194 (112th Cong.).

⁸ Exec. Order No. 13681, *available at* <https://obamawhitehouse.archives.gov/the-press-office/2014/10/17/executive-order-improving-security-consumer-financial-transactions>.

⁹ OMB Circular A-123, App. B, *available at* https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A123/a123_appendix_b.pdf.

¹⁰ 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>.

legislation would also establish procedures to identify strategic sourcing opportunities through analysis of Federal charge card transactions.

The bill instructs the GSA to develop a strategy to review charge card purchases to better identify patterns of questionable transactions and recover improper payments. GSA already collects charge card transaction data in its administrative role of overseeing Federal agency charge card programs. S. 1099 is intended to require GSA to assist agencies in their ongoing oversight responsibilities through the analysis of the transaction data.

S. 1099 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.¹¹ Under S. 1099, GSA would assist agencies by conducting sophisticated, government-wide analysis for potential waste and fraud schemes, high-risk sellers and other risks of charge card misuse, and share best practices across the Federal Government.

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.¹²

III. LEGISLATIVE HISTORY

Senator Tom Carper, Ranking Member Claire McCaskill, and Senator Charles Grassley introduced S. 1099, the Saving Federal Dollars through Better Use of Government Purchase and Travel Cards Act of 2017, on May 11, 2017. The bill was referred to the Homeland Security and Governmental Affairs Committee.

The Committee considered S. 1099 at a business meeting on May 17th, 2017. The bill was ordered reported favorably *en bloc* by voice vote. Members present for the vote on the bill were Senators Johnson, McCain, Portman, Paul, Lankford, Enzi, Hoeven, Daines, McCaskill, Tester, Heitkamp, Peters, Hassan, and Harris.

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

Section 1. Short title

This section presents the bill's title as "Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2017."

Sec. 2. Definitions

This section provides definitions for "Improper Payment," "Questionable Transaction," and "Strategic Sourcing."

Sec. 3. Expanded use of data analytics

This section instructs OMB and GSA to develop a strategy to better use data analytics in overseeing travel and purchase cards. It states that GSA's existing capabilities should suffice. The purpose of the analytics expanded use is to (1) identify patterns or trends

¹¹ Pub. L. No. 112-194 (112th Cong.).

¹² 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>.

of questionable transactions, (2) find potential areas for agencies to further use streamlining processes and cost reduction practices, (3) develop metrics for high-risk activities, and (4) devise a plan to create a library of analytic tools for agencies.

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

This section states that no later than 180 days after this bill is enacted, the director of OMB, the Administrator of GSA and the interagency charge card data management group established in section 5 shall issue guidance to improve information sharing by (1) requiring Federal agencies to identify high-risk activities and communicate that information, (2) requiring Federal agencies to review reports by charge card-issuing banks on possible fraud or improper transactions, (3) share information that may be related to potential questionable transactions, (4) consider recommendations made by Inspectors General, and (5) include other requirements determined by the Director to carry out the bill.

Section 5. Interagency Charge Card Data Management Group

This section creates the Interagency Charge Card Data Management Group to develop and share best practices. In addition to creating the group it lays out rules, oversight, and membership of the management group.

Section 6. Reporting requirements

No later than one year after the enactment of the bill, GSA shall submit a report to Congress on its implementation. In addition to the report to Congress, the head of each Federal agency described in the Government Charge Card Abuse Prevention Act of 2012 shall submit a report to OMB. OMB shall also submit a report to Congress about the implementation of the bill. GSA shall submit a report to Congress identifying further potential saving opportunities for government agencies under the Federal charge program.

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 and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

JULY 5, 2017.

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. 1099, the Saving Federal

Dollars Through Better Use of Government Purchase and Travel Cards Act of 2017.

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. 1099—Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2017

S. 1099 would increase oversight of federal agencies' use of purchase and travel charge cards. The legislation would require the Office of Management and Budget and the General Services Administration (GSA) to develop a strategy to enhance the analysis of data to detect improper use of such cards. The bill also would establish an interagency task force to facilitate the sharing of information about the use of federal charge cards and to promote best practices to reduce fraud and improper payments. Finally, S. 1099 would require agencies to report to the Congress on the use of such cards.

Information from the GSA suggests that most provisions of the bill would codify current policy and practice. 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 73 Inspector Generals (IG) and their 13,000 employees spend about \$2.7 billion a year to detect and deter fraud, waste, and mismanagement of government funds. Because of those ongoing activities, CBO estimates that implementing the bill would not significantly increase costs.

The bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting S. 1099 would not affect revenues.

CBO estimates that enacting S. 1099 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

S. 1099 contains no intergovernmental or private-sector mandates as defined in Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was 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 not make 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.