

## **Improving Prevention of Waste, Fraud, and Abuse in Use of Government Charge Cards**

Instilling financial management disciplines in all Federal agencies is a primary objective of the President's Management Agenda (PMA) – better accounting of assets and liabilities, accurate tracking of receipts and payments, and strong controls to mitigate waste, fraud, and abuse. The PMA reinforces this objective by holding agencies accountable for key financial management results, such as meeting reporting deadlines and achieving a "clean opinion" (or passing score) on financial statement audits. One area that exemplifies the Administration's commitment to these disciplines and objectives is the ongoing improvements being made to the management of the Federal Charge Card Program.

Nearly 3.1 million Federal charge cards are currently in use throughout the Federal government. In fiscal year 2007 alone, Federal charge card transactions totaled more than \$27 billion and provided an estimated \$1.8 billion in annual savings, underscoring the critical role this program plays in improving the acquisition process. These Federal charge cards are used to purchase goods and services, pay for travel and travel related expenses, and also operate and maintain the Government's vehicles and aircraft. With so many active cards throughout the Federal government, each department and agency must maintain strong internal controls to reduce the risk of waste, fraud, and abuse in the government charge card program.

In August 2005 and April 2006, OMB issued guidance to agencies regarding the charge card programs through Appendix B to OMB Circular A-123, *Improving the Management of Government Charge Card Programs*, which requires agencies to maintain internal controls that reduce the risk of fraud, waste, and error in their charge card programs. ([whitehouse.gov/omb/circulars/a123/a123\\_appendix\\_b.pdf](http://whitehouse.gov/omb/circulars/a123/a123_appendix_b.pdf)). The goal is to ensure a standard set of the most effective practices are in place governmentwide to mitigate the risk of fraud, misuse, and delinquency by (1) requiring agencies implement common internal control requirements and (2) promulgating best practices for agency charge card programs. Agencies must develop and maintain written policies and procedures for the appropriate use of charge cards (i.e., a Charge Card Management Plan) and submit them to OMB on an annual basis. Further, agencies must report data and performance metrics related to charge card management programs, including instances of misuse, to OMB on a periodic basis.

Incidences of credit card misuse are tracked by Federal agencies and reported to OMB on a periodic basis and agencies continually work to eliminate these incidences. While OMB and Federal agencies have made significant improvement in the charge card program and reduced the number of instances of misuse of the Government Charge Card Program, there are some individuals who unfortunately find ways to evade these controls. Some of these isolated instances were recently reported on April 8, 2008, when the Government Accountability Office (GAO) issued a report, *Governmentwide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases* (GAO-08-333), on internal control weaknesses in the government

purchase card program as well as instances of fraudulent, improper, and abusive purchase card activity. OMB is extremely concerned with the incidences of purchase card abuse by Federal employees highlighted in GAO's report. This is a very serious issue that breaches the trust of the taxpayers as well as diminishes the significant benefits that are achieved through the Federal charge card program.

OMB is in the process of revising Appendix B in consideration of some of the recent GAO findings. In the interim, agencies were asked to ensure that each agency immediately begin to develop and implement specific charge card policies and also update its Charge Card Management Plan and charge card training to reflect changes ([whitehouse.gov/omb/memoranda/fy2008/m08-18.pdf](http://whitehouse.gov/omb/memoranda/fy2008/m08-18.pdf)). Some of these changes include extending the internal controls over purchase card activities to convenience checks, requiring cardholders to obtain prior approval or subsequent review of purchase card activity for purchase transactions, and developing and implementing specific guidance for ensuring that appropriate disciplinary actions (including dismissal) are properly considered and imposed for fraud and other egregious abuse of a purchase card.

While it is unfortunate a breakdown in the internal controls occurred, agency leadership should be commended for taking quick and immediate action to recover the funds and for taking disciplinary actions for those individuals involved in the wrongdoing. OMB believes that Federal charge card misuse is the exception rather than the rule, and most Federal employees are using government charge cards responsibly. Our objective is to ensure that taxpayer dollars are being spent appropriately and prudently. We believe that the tools currently in place, accompanied by upcoming changes to OMB guidance, will to further mitigate the risks associated with the charge card program.