



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
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THE DIRECTOR

September 6, 2013

M-13-21

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Sylvia M. Burwell *SMB*  
Director

SUBJECT: Implementation of the Government Charge Card Abuse Prevention Act of 2012

Overview

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, which reinforced Administration efforts to prevent waste, fraud, and abuse of Government-wide charge card programs.

Consistent with existing guidance in OMB Circular No. A-123, Appendix B (Improving the Management of Government Charge Card Programs) and OMB Memorandum M-12-12 (Promoting Efficient Spending to Support Agency Operations), the Charge Card Act requires all executive branch agencies<sup>1</sup> (“agencies”) to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards,<sup>2</sup> and centrally billed accounts.

The Charge Card Act also establishes additional reporting and audit requirements, consistent with existing statutory responsibilities to avoid improper payments and protect privacy, among other things. Because Government charge card program oversight involves multiple agency functions, successful implementation of the Charge Card Act will require collaboration across agency charge card and human capital components, and Inspectors General (IGs).

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<sup>1</sup> The definition of “executive agency” for purposes of the Charge Card Act is found at 41 U.S.C. 133. Section 2 of the Charge Card Act (“Management of Purchase Cards”) does not apply to the Department of Defense (DOD). The Charge Card Act amended 10 U.S.C. 2784, which provides the requirements for purchase card management for DOD. Section 3 of the Charge Card Act (“Management of Travel Cards”) and Section 4 of the Charge Card Act (“Management of Centrally Billed Accounts”) do apply to DOD.

<sup>2</sup> The integrated card is a combination of two or more business lines on a single card (e.g., purchase and travel).

To that end, this memorandum provides an overview of the following aspects of compliance with the Charge Card Act:

- Required Safeguards and Internal Controls;
- Reports of Purchase Card Violations; and
- Inspector General Risk Assessments and Audits.

#### *Required Safeguards and Internal Controls*

To ensure compliance with the Charge Card Act, as of September 30, 2013, each agency head shall provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The annual certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(d)(2)). In addition, each agency will continue to maintain and annually submit Charge Card Management Plans no later than January 31, as required by OMB Circular No. A-123, Appendix B.

Additional requirements of the Charge Card Act include augmentation of existing internal controls. At a minimum, all agency Charge Card Management Plans shall be reviewed and updated, as necessary, to reflect the following internal control activities:

- To prevent an individual from being reimbursed for a bill already paid by the Government, by ensuring that agency officials who approve or settle official travel verify that charges paid directly by the Government to the bank are not also reimbursed to an employee or an employee's individually-billed account.
- To prevent the Government from spending money on unused tickets, by verifying the agency (travel management center or service or commercial travel office) submits requests to servicing common carriers for refunds of fully or partially unused tickets, and tracks the status of these tickets to ensure resolution.
- To deter employee misuse of Government cards, by implementing penalties for charge card violations that are jointly developed by agency charge card management and human resources components. These penalties will include salary offset, for instances of personal liability, and disciplinary actions for a cardholder or approving official's illegal, improper, or erroneous purchases made with a purchase card, convenience check, integrated card, or travel card. Disciplinary actions should include dismissal, as appropriate. The plan will define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting required of the IG and agency management, as discussed below.

To help ensure the required safeguards and internal controls are in place, the General Services Administration (GSA) has developed a compliance assessment tool posted on the GSA SmartPay website ([www.smartpay.gsa.gov](http://www.smartpay.gsa.gov)) under "[Smart Bulletins](#)." An agency should summarize the overall results in the completed compliance summaries and internal control

assurance assessments in the annual Charge Card Management Plans, beginning with the January 31, 2014 submission to OMB.

### *Reports of Purchase Card Violations*

Beginning with fiscal year 2013, each agency with more than \$10 million in purchase card spending<sup>3</sup> the prior fiscal year is required to submit semi-annual reports of employee purchase or integrated card<sup>4</sup> violations and the disposition of these violations, including disciplinary actions taken. Consistent with Section 6 of the Charge Card Act, the semi-annual reports shall not disclose personally-identifying information protected from disclosure under the Privacy Act of 1974 (5 U.S.C. 552a).

At a minimum, the report shall provide the following:

- A summary description of confirmed violations involving misuse of a purchase card or integrated card, following the completion of agency or IG review.
- A summary description of all adverse personnel actions, punishment, or other actions taken in response to each reportable violation involving misuse of a purchase or integrated card.

An administrative or internal control process inconsistency that does not result in fraud, loss to the Government, or misappropriation of funds or assets (whether or not recouped) is not a reportable violation for purposes of the semi-annual report.

The semi-annual Joint Purchase and Integrated Card Violation Report is to be prepared by the agency head and the IG for submission to OMB 120 days after the end of the reporting periods (i.e., April 1 to September 30 and October 1 to March 30), beginning with the January 31, 2014 submission. The submission should be incorporated into the existing Charge Card Management Plans, which are also due to OMB on January 31, 2014. The second semiannual report is due on July 31, 2014.

### *Inspector General Risk Assessments and Audits*

Under the Charge Card Act, IGs will conduct periodic<sup>5</sup> risk assessments of agency purchase cards (including convenience checks), combined integrated card programs and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. IGs will use

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<sup>3</sup> The \$10 million purchase card spending threshold relates to the violations reporting requirement only. All executive departments and agencies are required to implement the Charge Card Act's required internal controls for purchase cards, travel cards, and centrally billed accounts.

<sup>4</sup> For reporting purposes, purchase program activity conducted using integrated cards will be reported via purchase reports.

<sup>5</sup> At a minimum, risk assessments should be completed on an annual basis.

these risk assessments to determine the necessary scope, frequency, and number of IG audits or reviews of these programs.<sup>6</sup> Agencies should be aware of charge-card-related audit findings and ensure they are promptly resolved after completion of the audit, in accordance with OMB Circular No. A-50 (Audit Followup). IGs will report to the Director of OMB 120 days after the end of each fiscal year on agency progress in implementing audit recommendations, beginning with fiscal year 2013 submission due by January 31, 2014.

### Summary

The Charge Card Act establishes new reporting requirements and new audit requirements. The annual certification must be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(d)(2)), as of September 30, 2013. Updated Charge Card Management Plans and the first semiannual report on purchase card violations are due to OMB on January 31, 2014, and the second semiannual report is due on July 31, 2014. IGs are required to conduct annual risk assessments, and to submit an annual purchase and travel card audit recommendation status report to OMB beginning January 31, 2014 for compilation and transmission to Congress and the Comptroller General of the General Accountability Office. OMB will use these reports to continue to examine the effectiveness of Government charge card programs.

Questions regarding this memorandum can be directed to Mike Wetklow ([mwetklow@omb.eop.gov](mailto:mwetklow@omb.eop.gov)) in OMB's Office of Federal Financial Management.

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<sup>6</sup> Audits for travel cards shall be required only for agencies with \$10 million in prior year travel spending. The Charge Card Act did not provide for a purchase card spending threshold. Each IG should perform an annual purchase card risk assessment. These risk assessments shall guide analysis or audits as necessary.