



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 15, 2008

M-08-18

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Jim Nussle
Director

SUBJECT: Preventing Waste, Fraud, and Abuse in Use of Government Charge Cards

This memorandum serves as a reminder to each department and agency (agency) that it is responsible for maintaining internal controls which reduce the risk of waste, fraud, and abuse in the government charge card programs and for initiating appropriate administrative and/or disciplinary actions for charge card misuse. In addition, this memorandum outlines additional actions that each agency must take by June 30, 2008, in order to strengthen its internal controls.

On April 8, 2008, the Government Accountability Office (GAO) issued a report on internal control weaknesses in the government charge card program as well as instances of fraudulent, improper, and abusive charge card activity.¹ The Office of Management and Budget (OMB) is extremely concerned with the incidences of charge 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. In Fiscal Year (FY) 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.

OMB has provided guidance to agencies regarding the charge card programs through Appendix B to OMB Circular A-123, Improving the Management of Government Charge Card Programs (http://www.whitehouse.gov/omb/circulars/a123/a123_appendix_b.pdf). This existing guidance requires agencies to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. 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.

¹ *Governmentwide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, And Abusive Purchases*, GAO-08-333. (Washington, D.C., March 14, 2008).

OMB is in the process of revising Appendix B in consideration of some of the recent GAO findings. In the interim, I am asking you to ensure that your agency immediately begins to develop and implement the following charge card policies and also updates its Charge Card Management Plan and charge card training to reflect these changes:

- Extend the internal controls over purchase card activities to convenience checks and further remind cardholders that the use of convenience checks issued on the purchase card should be minimized;
- Require cardholders to obtain prior approval or subsequent review of purchase card activity for purchase transactions that are under the micropurchase threshold;
- Develop and implement 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;
- Develop and implement specific guidance for documenting independent receipt and acceptance of items obtained with a purchase card, including: (1) purchases of a de minimis amount that do not require documentation of independent receipt and acceptance and (2) responsibilities of the approving official or supervisor to ensure items purchased were actually received; and
- Develop and implement specific guidance for inventorying items obtained with a purchase card that are considered to be sensitive and pilferable property (e.g., handheld devices, small electronics) and are easily converted to personal use.

Further, OMB will be updating Appendix B to incorporate financial reimbursement requirements for any improper purchase card transactions made by the cardholder and/or approving officials as well as enhanced semi-annual reporting by each agency relating to instances of charge card waste, fraud, and abuse (including the disciplinary and other corrective actions that the agency has taken).

While it is unfortunate a breakdown in the internal controls occurred, I applaud agency leadership for taking quick and immediate action to recover the funds and for taking disciplinary actions for those individuals involved in the wrongdoing. Overall, OMB believes misuse of the Federal charge card is the exception rather than the rule and most Federal employees are using government charge cards responsibly.

Thank you for your attention to this important issue. Please confirm to me, in writing, by no later than June 30, 2008, that your agency has implemented, at a minimum, the internal controls bulleted above. If you believe that your agency already has sufficient controls in place and additional controls are unwarranted, please also communicate this to me in writing by June 30th. Please send your response to fiareports@omb.eop.gov. If your staff has any questions concerning this memorandum, they may contact Kim Farington at (202) 395-3993 or via email at kfarington@omb.eop.gov.