



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 18, 2008

S. 789

Government Credit Card Abuse Prevention Act of 2008

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on April 10, 2008*

S. 789 would require executive branch agencies to establish credit card controls and safeguards, including periodic risk assessment analysis and audits by inspectors general (IGs). Under the legislation, the Office of Management and Budget (OMB) would be required to issue guidelines for the use of credit cards. In addition, executive branch agencies, IGs, and OMB would be required to produce a variety of reports to the Congress that assess compliance with the new guidelines. Finally, S. 789 would allow for the dismissal of employees found guilty of abusing government credit cards.

CBO estimates that implementing S. 789 would cost \$85 million over the 2009-2013 period for agencies to conduct additional employee training and agency oversight, develop guidelines, and prepare additional reports, subject to the availability of appropriated funds. The bill could also affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration. CBO estimates, however, that any increase in spending by those agencies would not be significant.

Implementing S. 789 could improve agencies' control of credit card usage, thus discouraging the fraudulent use of government cards and reducing wasteful and fraudulent purchases. The Government Accountability Office (GAO) recently reported that almost \$17 billion is spent using government charge cards each year. GAO found that almost 50 percent of the government credit card transactions it reviewed failed to meet basic internal control standards, including ensuring that goods and services were properly authorized and actually received. To the extent that wasteful or fraudulent uses are discovered by implementing the procedures specified in S. 789, federal spending could decline, assuming that amounts provided in appropriation acts would be correspondingly reduced. However, the extent of improper usage of credit cards is undocumented, and CBO has no basis for estimating the potential savings from improved controls.

Most of the provisions of S. 789 would expand the current practices of the federal government regarding the use of credit cards. The General Services Administration is the contract administrator for federal credit cards, while OMB provides overall direction for governmentwide procurement policies, regulations, and procedures. IGs are responsible for preventing and detecting fraud and abuse in government programs and operations. In addition, agencies must actively manage their individual credit card programs by establishing policies and procedures, conducting oversight, and pursuing any unauthorized use of credit cards. Based on information from some agencies about the ongoing costs to administer federal credit cards, CBO estimates that implementing the bill would increase costs by \$25 million in 2009, primarily for additional employee training, increased agency oversight, and new reporting requirements, and \$15 million annually in subsequent years, mostly for additional oversight responsibilities and reporting requirements.

S. 789 contains no intergovernmental or private-sector mandates as defined in the 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, Deputy Assistant Director for Budget Analysis.