

GetSmart

The GSA SmartPay Newsletter

Volume 5, Number 1

August 2010

Letter from the Director

Dear GetSmart Readers,

In a recent speech to industry executives, GSA Administrator Martha Johnson accepted the President's challenge urging agencies/organizations to lead by example in using environmentally responsible products and technologies (Executive Order 13514). She explained "... we at GSA are embracing a zero environmental footprint (ZEF) goal. We are setting our sights on eliminating the impact of the Federal government on our natural environment." As one of the single largest consumers of products and services in the world, who is better positioned than the Federal government to start replacing our daily habits with more sustainable practices? With over 3.1 million GSA SmartPay charge cards in circulation, there is ample opportunity to transform concept to real results in achieving progress on sustainable purchasing actions

You might be wondering "what does that mean for me?" or "how can I contribute to the 'ZEF' initiative?" So I thought it might be helpful to spend a few moments reviewing what it means to be sustainable with the GSA SmartPay program and how we can work together to achieve "ZEF." Did you know that [GSA Advantage! ®](#) has thousands of products and services available to assist your agency/organization in meeting environmental purchasing goals? You can browse the "[environmental aisle](#)" or search for environmentally preferable products by selecting one or more environmental indicators (e.g., biobased, green seal of approval, recycled content, ENERGY STAR® compliant, etc.). And of course, use the GSA SmartPay purchase card to make those green purchases.

While perhaps not abundantly known, GSA Advantage! ® tracks green purchases made using the GSA SmartPay purchase card through the Advantage Spend Analysis Program (ASAP). We are collaborating with the Office of Management and Budget (OMB) and the White House Council on Environmental Quality's Office of Federal Environmental Executive (OFEE) to identify future improvements in the reporting of green purchases. But for now, I encourage you to visit www.asap.gov to run a report on your GSA Advantage! ® green purchases. This information can help to buttress your organization's annual Resource Conservation and Recovery Act (RCRA) reports.

Industry and the Federal government are working together to make cards a best practice not only for payments, but also for a sustainable government and the environment alike. For example, using data provided by US Bank, approximately 61% of GSA SmartPay purchase cardholders sup-

ported by US Bank have opted to receive electronic statements, saving an estimated 1.8 million pieces of paper a year. GSA SmartPay cardholders are given the choice to elect electronic rather than paper notifications and billing statements from their contractor bank, and there will be a focused push for this effort in the next few months. Citibank is launching an upgraded version of its Electronic Access System (EAS) and will be offering (and suggesting) to cardholders the ability to turn-off their paper statements and request to receive only electronic notifications and billing statements. Did you know that for every tree Citibank saves (equal to 8000 sheets of paper), they plant 10 saplings in its place, thus ensuring significant efforts to stay as green and grow "greener." Similarly, US Bank and JPMorgan Chase cardholders can opt out of mailed statements and instead access statements and transaction reporting electronically through their EAS. I am excited about the cardholders who are realizing the importance of sustainability and encourage those who have not already done so to sign up for electronic statements; agency/organization program coordinators (A/OPCs) should contact your bank's relationship manager to see what kind of tools they offer to migrate your agency/organization to a paperless environment. Your dedication to continuously improve charge card management and align with the President's Executive Order focused on green government initiative is appreciated!

A special thanks to all of you who attended the 12th Annual GSA SmartPay Training Conference in Atlanta, Georgia earlier this month! With 4,973 attendees participating in this year's conference, we made an effort to choose many eco-friendly items to emphasize the message of respecting the earth's resources and bring us one-step closer to "ZEF." It is always a great experience for my staff and I, as well as representatives from our contractor banks, to meet with many of you and have the opportunity to share the latest trends in the charge card industry, answer questions, and participate in discussions regarding solutions to agency/organization business challenges. I hope you enjoyed the conference as much as we did.

Until next time, thank you for your continued commitment to this government-wide program and please let me know how the GSA SmartPay team can help you and your respective programs make "ZEF" a reality.

-Dave

*As stated in the GSA SmartPay2 Master Contract, "In addition to the record retention requirements of FAR 4.703, the Contractor shall be the Government's agent for document repository as it relates to all transactions under the card program(s). The Contractor shall maintain electronic records of all transactions that exceed \$25,000 for a period of 6 years and 3 months after final payment, and for all transactions of less than \$25,000, for a period of 3 years after final payment. Final payment is defined as the final payment for the particular charge under each agency's/organization's task order. In addition, Contractors shall provide online access to data for a minimum of 18 months after the transaction occurs.

Program News

12th Annual GSA SmartPay Training Conference Recap

TODAY'S
VISION
TOMORROW'S
REALITY



The 12th Annual GSA SmartPay® Training Conference

The 12th Annual GSA SmartPay Training Conference took place earlier this month from August 10-12th in Atlanta, Georgia at the Georgia World Congress Center and marked another successful conference for the GSA SmartPay program! For those who attended, the conference provided a wealth of information, including a variety of training courses and presentations from GSA, contractor banks Citibank, JPMorgan Chase, and US Bank, the MasterCard and Visa networks, the Office of Management and Budget (OMB), and more. Sustainable procurement, identity theft, strategic sourcing, micro-purchasing, innovation, delinquency management, and fraud were among the many topics offered at this year's conference.

During the opening session, GSA Administrator Martha Johnson addressed conferees highlighting how the highly effective and efficient GSA SmartPay charge card program is delivering for citizens and GSA client agencies; she also acknowledged that helping other government agencies strategically use the GSA SmartPay card is a critical part of GSA's mission. Multiple conference sessions focused on the innovative payment solutions available for the GSA SmartPay2 program, beyond the traditional charge card. We hope that those who attended learned how your agency/organization can expand your card program while increasing efficiency and strengthening internal controls by utilizing these innovative payment solutions.

Thank you to all participants and attendees of this year's conference for making it a great success! Electronic versions of all the session presentations will be posted on the GSA SmartPay website, www.gsa.gov/smartpay, or the respective bank websites, no later than early September. Agency/organization program coordinators (A/OPCs) should be sure to save the date for the 13th Annual GSA SmartPay Training Conference in Las Vegas, Nevada on August 16-18th, 2011! Please contact Dana Todd, dana.m.todd@gsa.gov, with any questions or comments.

GSA SmartPay in More Than One Flavor

In the past, the GSA SmartPay program has focused primarily on the traditional "plastic" charge card for purchase, travel and fleet applications. While these applications have been very effective at streamlining and providing flexibility in payment processes, here at the GSA Office of Charge Card Management (OCCM) we are also focused on more innovative and forward thinking payment solutions to improve the program and meet evolving agency/organization needs.

GSA OCCM continues to encourage innovation through continuous market research and regular meetings with industry, "Beyond Plastics" strategy and conferences, training workshops, guides, annual conferences, and more. *Continued on page 3...*

Program News

(Continued from page 2)

Many of you are already innovators within the program, and some examples of additional products and services that are being piloted or implemented to meet agency/organization evolving needs include:

Product	Features/Benefits
Payment Card (in use) <i>Department of State</i>	-Used to pay for specific recurring services that occur on a monthly or other frequent basis, such as courier services or utility charges -Used for specific purpose and are blocked for all Merchant Category Codes (MCC) except for the specific need at hand
Cardless Account (in use) <i>Department of Veterans Affairs</i>	-Provides established vendor-specific charge account without physical cards -Lowers transaction processing cost
Declining Balance Card (in use) <i>USAID</i>	-Centrally Billed account that is individually assigned to Foreign Service Nationals who are not eligible for an Individually Billed travel card -Allows USAID to capture additional spend, eliminates the need for cash, and increases the opportunity to earn refunds
Prepaid Cards (in pilot) <i>Department of Commerce</i>	-Provides a re-loadable and re-usable card solution -Card can be activated immediately
Controlled Spend Account (in pilot) <i>US Air Force</i>	-Mission driven with a spend limit based on approved travel authorizations -Contains value only when personnel is performing official government travel, thereby mitigating risk -Lowers processing cost by reducing/replacing the need to use Centrally Billed Accounts (CBAs)
Go! Card™ (in use) <i>Health and Human Services</i>	-Used to cover transit benefits for eligible Federal employees -Amount is refreshed on card account monthly and spend data is captured electronically -Merchant Category Code (MCC) controls are in place to ensure funds are used appropriately, reducing fraud and misuse
Foreign Currency Card (in use) <i>Department of State</i>	-Intended for use by personnel residing in foreign countries transacting business in foreign currencies -Eliminates currency conversion exchange fees

Something new this year, we have encouraged agencies/organizations to submit innovation nominations, where an agency/organization has implemented an innovative product or service under the GSA SmartPay program that provides significant, new benefits. We received a number of nominations and after careful consideration, we recognized two agencies at the 12th Annual GSA SmartPay Conference with the first ever GSA SmartPay Innovation Award: the Department of Health and Human Services (HHS) for their Go! Card™ and the United States Department of Agriculture (USDA) for their Custom Program Management Reports. GSA Administrator Martha Johnson and Federal Acquisition Service (FAS) Commissioner Steven Kempf presented the awards at this year's Annual GSA SmartPay Training Conference. The Go! Card™ provides a more efficient method for HHS to distribute transit benefits to its employees. HHS anticipates savings of 20-40% as compared to their former, manual distribution program. USDA's initiative involves the use of a variety of custom card management reports that have enabled them to reduce convenience check usage by nearly 20%, increase refunds by \$200,000 annually, and reduce fraud. Under the GSA SmartPay program, HHS is serviced by JPMorgan Chase and USDA is serviced by US Bank. Congratulations to both HHS and USDA! Honorable mention was also made of nominations from: Department of Commerce (Single Use Account and Virtual Card – JPMorgan Chase), United States Agency for International Development (Declining Balance Card – Citibank), and United States Postal Service (Enhanced Centrally Billed Account Payment Reconciliation Process – Citibank).

Together, we're poised to take today's vision and make it tomorrow's reality. Our new products and services under GSA SmartPay2 continue to position the program as an innovative leader in the payments area and as a shepherd of good government. We at GSA OCCM encourage all of you to continue to be innovative and learn about all the new ways the program can do even more to support mission delivery in your agency/organization!

Features

How Using Cards and e-Payments Can Save the Government Money

The article republished below originally appeared in the June 29, 2010 edition of Public Sector Travel <http://www.publicsectortravel.org.uk/2010/06/29/how-using-cards-and-e-payments-can-save-the-government-money/>. Co-authored by Betty Low and Mark Fray, the article discusses how the United Kingdom's government charge card should be better utilized to save money, with mention of the United States GSA SmartPay program and its program benefits. Although there are many opportunities to further improve payment efficiency within the GSA SmartPay program, this article, written from the United Kingdom's perspective, serves as a reminder of just how far we have come, together.

Electronic payment mechanisms could provide a means for public sector bodies to achieve savings without affecting staff or the provision of services.

A senior American Express executive, Michael Green, told Public Sector Travel: "A new broom is sweeping through Parliament. The cuts that departments have been asked to achieve are aggressive. This will drive people adopting card programs and prompt those with programs to use them more."

Green, Director, Public Sector Sales, UK Commercial Card, believes that an increased uptake and use of electronic payment mechanisms will help government departments achieve their target cuts without affecting the level or service or jobs.

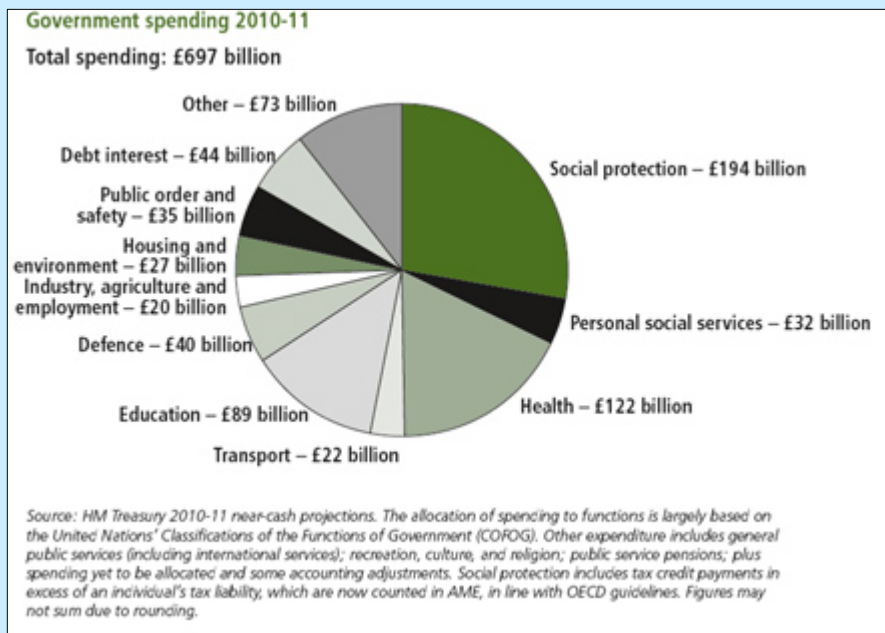
A recent briefing by The Hill in Washington reports that the General Services Administration's Smart-Pay program has saved US agencies \$1.7 billion or up to \$70 per purchase. The US Department of the Treasury last week announced plans to switch to electronic payments, eliminating about 136 million paper checks, saving almost \$50 million in postage costs and saving US taxpayers about \$300 million over the first five years.

In the UK card usage by the public sector is at nowhere near the penetration levels seen in the States. The Government Purchase Card (GPC) has existed since 1997 but it was available only as a Barclaycard Visa card until the recent tender to be on the Payment Card Solutions & Associated Services (GPC 3) framework. Six issuers – AirPlus, American Express, Barclaycard Commercial, J P Morgan Chase, the Co-op and RBS – are on the payment cards framework which became effective in February. The opportunities for public sector adoption are huge as the framework is for both travel cards and integrated cards so that both traditional travel, purchasing, lodge are included as well as pre-paid and contact-less (for example, Oyster cards) as well as expense management solutions.

However, according to the GPC annual report only about £1 billion of travel and general procurement spend goes through the government purchase card program. Given the size of identified public sector spend on travel, the obvious inference is that this represents only a small fraction of government spending on travel alone.

Yael Klein, managing director of AirPlus International, says that the problem is not in people taking the cards but in making proper use of them.

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Features

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“Many will take a card for the sake of taking a card because they think it’s the right thing to do, but taking a card doesn’t save money. You save money from moving to “no touch” processes.” She continues, “At the moment government processes are very manual. There is manual uploading to a general ledger. An electronic process saves money as the US government has discovered.”

American Express’s Green says that cards are vastly underused and cited certain departments such as the NHS which is one of the highest spending areas (see government spending chart below) but represents only 1% of government spend through the card.

Green thinks that a lack of general understanding of benefits of cards prevents a higher uptake. “Cards make spend visible, all spend is consolidated and captured in one place and they drive efficient processes. They are definitely products for our times,” he says. Green also points out that programs like this which require uptake to deliver savings had the greatest chance of success when they had the benefit of “senior sponsorship”.

“Cards are not only free for users but all government organizations can benefit from a rebate regardless of the size of spend of their program. – it helps the cash flow.”

Green pointed out that consolidating spend provided data which enabled more informed purchasing decisions which could also help savings.

“The fear is that 25% [the amount that non-protected departments are being asked to cut from their budgets] will just be cut across the board rather than looking creatively at this is the way to do it. Low value, high volume purchases are better on the card as less paper pushing would be required and people could be deployed to do other jobs.”

Yael Klein agrees: “There’s no argument against it – it’s just the process of change. But once it’s used properly they get the benefits of costs, controls, transparency.”

KPMG estimates that £25 is saved for every government transaction that is done on a card rather than by paper.

But AirPlus’s Klein is optimistic that these savings will happen in the UK public sector. “People don’t understand what its worth. Implementing is costly and a change process is always difficult. That’s just human nature. People need to understand the benefits before undertaking.

“Mandating is an answer if you do it properly but in itself mandating hardly ever works because a general mandate won’t take account of different cultures and needs.”

Her view is that there are unquestionable benefits for adoption but those are best communicated by peers. “People who’ve done it successfully have to talk about it,” she says.

Features

Reduction in Convenience Check Usage

GSA Office of Charge Card Management (OCCM) is working with the Office of Management and Budget (OMB) and Executive Branch customer agencies/organizations to reduce the total number and dollar amount of convenience checks by 5% in fiscal year (FY) 2010. This goal represents approximately 21,000 fewer checks and a decline of \$12 million total spend. GSA OCCM is monitoring agency/organization convenience check usage and spend on a monthly basis, and is discussing best practices for reducing convenience check usage.

OMB Circular A-123, Appendix B states “convenience checks should be used as a payment method of last resort, only when no reasonable alternative merchant is available who accepts the charge card.” Furthermore, using the GSA SmartPay charge cards has the potential to earn greater refunds and improve transparency. When using a convenience check, agencies/ organizations receive refunds based on the check fee rather than the actual total dollar amount of the check. If your agency/organization purchases from a vendor that does not accept charge cards, GSA OCCM recommends increasing vendor awareness of the benefits of accepting the GSA SmartPay charge card, such as payment within 1-3 days, improved cash flow, etc. As a reminder, GSA Supply Schedule vendors are required to accept the GSA SmartPay purchase card for micro-purchases. Don’t forget there are also other payment tools available in the GSA SmartPay2 master contract that agencies/ organizations can use, such as cardless accounts, payment cards, stored value cards, etc.

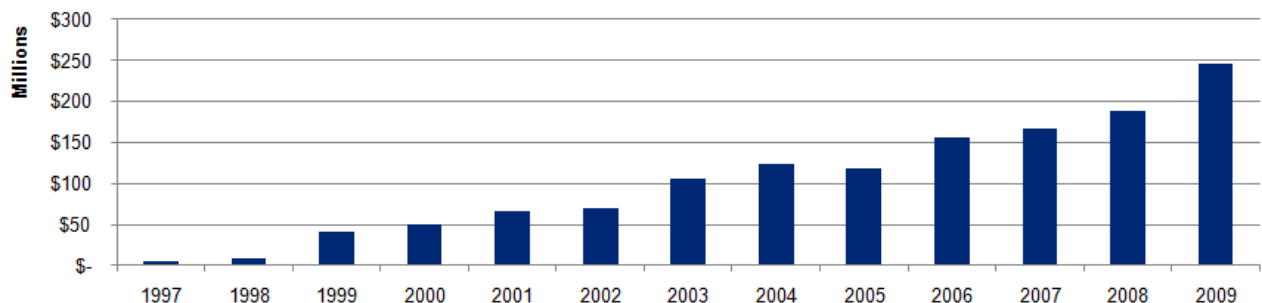
GSA OCCM understands this is a reduction, not elimination, goal and recognizes that some agencies/ organizations have already taken actions to reduce the total number and total dollar value of convenience checks. GSA OCCM also recognizes some agencies/organizations may have unique mission-related payments that justify the use of convenience checks. GSA OCCM released a Smart Bulletin (No. 12) on August 17th on the convenience check reduction initiative, providing operational guidance for agencies/organizations. If you have any questions, recommendations, or concerns, please contact Perry Hampton, perry.hampton@gsa.gov

GSA SmartPay Program Refunds—FY2009

The GSA SmartPay charge cards generate performance-based refunds for agencies/organizations. In fiscal year (FY) 2009 agencies/organizations received \$255 million in refunds. This represents a 36% increase over the FY08 total of \$187 million, despite a 3% reduction in program spend from FY08 to FY09. This increase is a result of improved refund rates in the new GSA SmartPay2 program; GSA OCCM estimates that agencies/ organizations have the potential to receive greater refunds throughout the GSA SmartPay2 Master Contract. Agencies/organizations have received approximately \$1.4 billion in refunds since 1997.

See below for annual refund data since 1997.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Total Refunds Paid	\$6M	\$10M	\$41M	\$51M	\$66M	\$64M	\$106M	\$123M	\$131M	\$156M	\$166M	\$187M	\$255M	\$1,357M



Updates

Spotlight on Selected Laws Affecting Charge Card Programs

Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), Section 511 (P.L. 109-222) requires that Federal, state, and local governments making \$100 million or more in aggregate payments for property and/or services annually, withhold an amount equal to 3% of such payments made after December 31, 2011. This law applies to all payment methods, not solely charge cards. Withholding requirements will not apply to any payment that is less than the payment threshold amount of \$10,000 at the point of sale. Proposed Treasury regulations have not been finalized at this point, but if finalized as proposed the primary impact of TIPRA is on purchase card use for contracting payments; travel and fleet charge cards should largely remain unaffected. GSA OCCM submitted comments on Treasury's proposed implementation regulations concerning the challenges of implementation as it relates to the GSA SmartPay charge card program and the commercial payment process it uses.

GSA OCCM, at the request of OMB, is leading an inter-agency TIPRA Charge Card Working Group, which kicked off on August 3, 2010 and meets on a weekly basis. The purpose of the Working Group is to address the impact of TIPRA Section 511 withholding tax issues with customer agencies/organizations and develop recommendations for its implementation for consideration by an OMB TIPRA Executive Steering Committee. A/OPCs interested in participating in the TIPRA Charge Card Working Group should contact Joline McDonald at: joline.mcdonald@gsa.gov.

Proposed implementation regulations for Section 6050W of the Housing Assistance Tax Act (HATA) of 2008 were published in the Federal Register on November 24th, 2009. This section, if finalized as proposed, will shift the responsibility of IRS Form 1099 reporting to payment settlement organizations for most transactions beginning January 1, 2011. Merchant acquiring banks will therefore be required to report all payment card transactions (charge cards, prepaid cards, stored value cards, etc.), regardless of transaction value. This reporting shift does not include transactions that are processed through other third party payment processors (e.g. PayPal) or payments that are not linked to a charge card account (e.g., business-to-business transactions completed in systems such as Power Track), and thus agencies/organizations will still need to report these transactions. Gross payments reported under Section 6050W are subject to the 3% withholding requirement outlined in the Tax Increase Prevention and Reconciliation Act (TIPRA), unless they are already subject to a 28% backup withholding under section 3406. One example of a reason for 28% withholding is if a merchant fails to provide a Tax Identification Number (TIN) or provides an incorrect TIN.

If finalized as proposed, Section 6050W will relieve government agencies/organizations from a large portion of IRS Form 1099 reporting requirements for card-based transactions, except those subject to TIPRA withholding. OCCM is facilitating meetings with GSA SmartPay2 contractor banks and the Department of Treasury to discuss general payment procedures.

Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) was signed into law by President Obama on July 21, 2010. The Act was initially proposed on December 2, 2009 in the House (H.R. 4173) and in the Senate Banking Committee (S. 3217) to promote the financial stability of the United States. More specifically, as it relates to the charge card industry, the law was introduced to ensure that the fees charged for accepting debit cards are reasonable and proportional to the costs incurred.

With regards to the new law's impact on the GSA SmartPay program, section 920 contains language that prevents the networks (Visa, MasterCard) and other parties from issuing policies that require merchants to accept all cards for all transaction amounts; changes the rules to now permit the regulation of interchange fee on debit cards by the Federal Reserve (with the exception of government-issued debit cards), and also now allow merchants to set minimum and maximum transaction limits on credit card purchases. Specifically, merchants may now set a minimum dollar value for acceptance of a charge card, provided it does not exceed a \$10 limit.

Share Your Thoughts!

Email Us

Do you have questions or comments about laws or regulations affecting charge card programs?

We want to hear from you!

Please submit your questions or comments to Joline McDonald at joline.mcdonald@gsa.gov.

Updates

Staff Spotlight

Phillip Myers joined GSA OCCM in July 2008 in the Service Delivery Division as a Business Management Specialist. As a member of the GSA OCCM team, Phil presents at the annual FedFleet Conference as the GSA SmartPay representative. During the past two years at GSA OCCM, Phil has been focused on a variety of special projects and continues his dedication to providing excellent customer service to agencies/organizations. His favorite aspect about GSA OCCM is the people that he works with and the customers that he supports. Prior to joining GSA OCCM, Phil worked at the National Gallery of Art as a Level 1 Travel Agency/Organization Program Coordinator (A/OPC). Before that, his work experience includes Citibank and working as a buyer for Ford Motor Company. Naturally, Phil is reliable resource for answering customer questions related to the GSA SmartPay Fleet Card.



When Phil is not working, he enjoys cycling, traveling, and scuba diving. Originally born in Wiesbaden, Germany, Phil has never lived in one place for more than four years. He has lived coast to coast from California to Pennsylvania to North Dakota, and now lives in the Washington, DC Metro area. Phil has a passion for traveling to exotic places and hopes to go on a scuba diving trip. Phil is an avid cyclist and has raced in triathlons with the hopes of racing in one again later this year.

Upcoming Events: Mark Your Calendars

GSA SmartPay A/OPC Quarterly Meetings :

Thursday, October 21, 2010 from 10 am to 12 pm

Thursday, January 20, 2011 from 10am to 12pm

Discussions with Dave:

Friday, October 1, 2010 from 10am to 11am

Friday, November 5, 2010 from 10am to 11am

Friday, December 3, 2010 from 10am to 11am

The 13th Annual
GSA SmartPay Training Conference
Las Vegas, Nevada | August 16 - 18, 2011

See You in 2011...
www.gsasmartpayconference.org