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Strategic Payment Solutions

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A Note from the GSA Payment Solutions Service Center

Maximize Your GSA SmartPay® Payments Program through Strategic Payment Solutions

The GSA SmartPay program is dedicated to maximizing efficiency and increasing savings and refunds for customer agencies/organizations. That's why the GSA SmartPay 3 Master Contract includes more strategic payment solutions than ever before to take your program to the next level, many of which are included at no additional cost to your agency/organization. Strategic payment solutions will allow you to gain efficiencies on current spend, capture additional spend, increase refunds, improve oversight and control, and gain transparency and accountability within your program.

The GSA SmartPay 3 Master Contract was awarded to two contractors: Citibank®, N.A and U.S. Bank®. Agencies/organizations subsequently awarded a task order to one of the two GSA SmartPay 3 Master Contract banks. The strategic payment solutions described in this folder are available to your agency/organization under the Master Contract; however, it is important to confirm that these solutions have also been included in your agency/organization's task order before working to implement the solutions. This can be done by contacting your Level 1 Agency/Organization Program Coordinator (A/OPC) or your agency/organization's GSA SmartPay task order Contracting Officer.

Once you review the available strategic payment solution offerings, it is important to contact your GSA SmartPay contractor bank to ask for additional information on their specific offerings outlined in your task order. The contractor bank can provide your agency/organization with specific commercial or government examples of how the payment solution offerings could be utilized within your program. The contractor bank can also provide you with assistance by completing an Accounts Payable File Review (A/P File Review).

This publication provides your agency/organization with a wealth of information on the strategic payment solutions available within the GSA SmartPay Master Contract. It also provides examples of current agency/organization use, potential opportunities, and information on the best way to move forward once you have determined to take your program to the next level.

If you have questions about the strategic payment solutions offered through the GSA SmartPay program or about next steps on how to implement these solutions please email us at **gsa_smartpay@gsa.gov.** We look forward to helping our customer agencies/organizations begin to maximize the benefits that the GSA SmartPay program has to offer.

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GSA SmartPay® Strategic Payment Solutions

Card-Not-Present Solutions

What is a "Card-Not-Present Solution" and what solutions are available under the GSA SmartPay program?

A card-not-present solution is a mechanism to complete a transaction without having a physical card in place. As the payment marketplace embraces more digital transactions, card-not-present solutions are becoming more and more common. Consumers and commercial entities alike have transitioned to making a large portion of their purchases online as opposed to in-person at a brick-and-mortar location. Federal agencies/organizations are following suit and the trend toward online purchasing continues to grow. In addition, many commercial entities have implemented digital payment options at their physical locations.

The GSA SmartPay program offers several different strategic payment solutions for agencies/organizations to consider, including:

- Declining Balance Cards
- Ghost Cards
- Mobile Payments
- Single Use Accounts

Now that we know the card-not-present offerings offered under the GSA SmartPay Master Contract, let's discuss the differences and benefits of each of these strategic payment solutions.

All of the card-not-present solutions listed to the left are offered as Tier 1 Products and Services, or Core Products, under the GSA SmartPay Master Contract. This means that the contractor banks are required to provide the solutions at no additional cost to your agency/organization.

Card-Not-Present Solutions and Benefits

Declining Balance Cards

Declining balance cards have the same functionality as a charge card, but the limits on the declining balance cards do not have to refresh each month. Declining balance cards are a central liability and thus are paid for by the agency/organization much like the purchase or travel Centrally Billed Accounts (CBAs). This type of card can be used for a specific purpose or for a specified time period and with a predetermined credit limit. The credit limit can be reset as needed, set for a specified time, or become inactive once the balance is depleted.

A declining balance card allows for greater oversight and control. Like with a traditional centrally billed payment solution, an agency/organization pays for the amount designated on the card as the card is depleted (and not when the card is set up and the limit designated), and therefore it would not be considered an advanced payment. Similar authorization controls, such as Merchant Category Code (MCC) blocks, can be used on declining balance cards in the same way that they are used to control the traditional GSA SmartPay program cards.

Real life example: The Department of Health and Human Services's (HHS) GO!card℠ is a declining balance payment solution (in the form a traditional plastic card, rather than the "card-not-present" option). The GO!card℠ replaced a traditional paper check system for federal government employees receiving transit benefits. Using this declining balance payment solution resulted in reduced administrative costs by eliminating the manual processes associated with issuing paper checks and vouchers for transit subsidies. Furthermore, it yielded more cost savings due to the "no waste" feature of declining balance cards.

Ghost Cards

A ghost card is an account number that is specific to an agency/organization or an entity within an agency/organization. The term "card" can be misleading because there is not a need for a plastic card for the transactions. A ghost card is a CBA that is designated specifically for a supplier frequently utilized by an agency/organization, allowing for any authorized agency/organization personnel to purchase from the vendor without having to use multiple cards or accounts. The ghost card is typically managed in a central location by one office/department within an agency/organization.

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A ghost card allows for an agency/organization to consolidate purchases to a single vendor under one account, aiding in reconciliation as well as transaction oversight. Agencies/organizations can utilize ghost cards for purchases such as booking airfare for travelers and for paying utilities. It is important to note that accounts issued in the agency/organization or department name, instead of an individual's name, have different chargeback and dispute rights. Similar to the declining balance card, agencies/organizations may consider the option to utilize this solution in the form of a traditional plastic charge card. Agencies/organizations should ensure that they check with their contractor bank for additional details.

Real Life Example: An agency/organization used a ghost card to pay for recurrent delivery services on a Blanket Purchase Agreement (BPA). This innovative solution improved operational efficiencies, reduced administrative costs, and allowed the agency to earn additional refunds.

Mobile Payments

Mobile payments allow agencies/organizations to make secure payments utilizing a mobile device (a smartphone) at the point of sale. Essentially, a mobile payment is a version of a charge card loaded onto a mobile device so that the account holder doesn't have to carry a plastic charge card. Mobile payment utilization has increased drastically in the consumer card industry and has started to gain traction in the corporate card industry. Many brick-and-mortar retailers accept some form of mobile payments.

Under the GSA SmartPay 3 Master Contract, mobile payments are offered to your agency/organization at no additional charge. It is important, however, to note that each agency/organization must determine their own policies and procedures regarding the implementation of mobile payments. For example, your agency/organization must determine whether mobile payments are allowable for CBA accounts and/or Individually Billed Accounts (IBA) accounts. In addition, it's important to review the types of mobile devices for implementation. If your agency/organization provides employees with mobile devices, they may have a policy that allows for mobile payments to be authorized only on agency/organization-owned mobile devices. However, if your agency/organization does not provide employees with mobile devices, they may determine that individual card/account holders will be authorized to utilize mobile payments on their personal devices.

In accordance with the GSA SmartPay 3 Master Contract, agency-specific contractual requirements related to mobile payments must be outlined in the agency/organization task order document. Agency/organization-specific policies for mobile payments should be outlined in agency/organization policy documents or memorandums.

Single Use Accounts

Single use accounts allow an agency/organization to utilize a virtual account number for a single payment. The limit on each single use account is equal to the single payment amount. A single use account can provide your agency/organization with a precise set of controls surrounding a single payment, including establishing the virtual account number for a single dollar amount, a limited amount of time, Merchant Category Code (MCC) blocks, and account expiration dates. Agencies/organizations also have the ability to append accounting data for seamless reconciliation. Similar to declining balance cards and ghost cards, agencies/organizations may consider the option to utilize this solution in the form of a traditional plastic charge card.

Single use accounts are a great option for agencies/organizations looking to reduce the number of convenience checks being written. By utilizing an account number one time, the agency/organization reduces the risk of fraud as compared to convenience checks, while increasing oversight into the payment data.

Single use accounts are also a great option for agencies/organizations looking to expand contract payments through the charge card program. They allow agencies/organizations to make invoice payments to a specific vendor for a specific invoice and include controls to ensure that the vendor only receives the invoice amount. Agencies/organizations can greatly maximize refunds by moving these types of payments to single use accounts.

For More Information

As you can see, the GSA SmartPay Master Contract provides a variety of card-not-present payment solution options. The best way to get started with taking advantage of these solutions is to contact your contractor bank and ask them how these offerings can benefit your program.

If you have questions about the strategic payment solutions offered through the GSA SmartPay program, please email us at **gsa_smartpay@gsa.gov.** We look forward to helping our customer agencies/organizations begin to implement solutions that will maximize the benefits that the GSA SmartPay program has to offer.

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GSA SmartPay® Strategic Payment Solutions ePayables Solutions

What are ePayables and what kind of ePayables are offered under the GSA SmartPay program?

ePayables are a solution that augments or replaces the accounts payables process such that electronic transactions take place directly between the government and the supplier. ePayables solutions are typically used with merchants who are traditionally paid by check or EFT or with merchants who do not accept charge card payments (like utility companies).

For the purpose of the GSA SmartPay Master Contract, ePayables do not include virtual cards, single use accounts, or other products/services presently defined under business lines.

The GSA SmartPay program offers three different ePayables solutions for agencies/organizations to consider, including:

- Supplier-Initiated Payments
- Straight-Through Processing
- Buyer-Initiated Payments

Supplier-Initiated Payments are offered as a Tier 1 Product and Service, or Core Product, under the GSA SmartPay 3 Master Contract. This means that the contractor banks are required to provide the solution at no additional cost to your agency/organization. Straight-Through Processing and Buyer-Initiated Payments are offered as Tier 2 Products and Services. This means that the contractor bank may charge a fee for utilizing these solutions.

It is important to learn the differences in the processes of each of the offered ePayables. Let's discuss how each ePayable works, including the roles of agencies/organizations, the contractor banks, and merchants in the ePayables process.

ePayables Solutions

Supplier-Initiated Payments (SIP)

Supplier-Initiated Payments are the process of electronically connecting suppliers (or other merchants) to the government's supply chain and back-end payment systems. This type of solution allows a supplier to enroll with the contractor bank in order to connect to an agency/organization's supply chain and/or bank-end payment system. The contractor bank prepares the invoices and processes approved invoices on behalf of the agency/organization. The contractor bank remits payment to the supplier/merchant utilizing agency/organization payment files for disbursement against designated account(s) for specific transactions.

The chart below outlines the specific process utilized for Supplier-Initiated Payments.

1. Supplier (merchant) enrolls through GSA SmartPay contractor bank.
2. Supplier (merchant) invoices agency/organization.
3. Transaction is reconciled.
4. Contractor bank prepares invoice for submission to agency/organization.
5. Agency/organization approves invoice in their financial system.
6. Transaction is processed through the contractor bank.
7. Payment is remitted to supplier (merchant).
8. Agency/organization is notified through the Electronic Access System (EAS).

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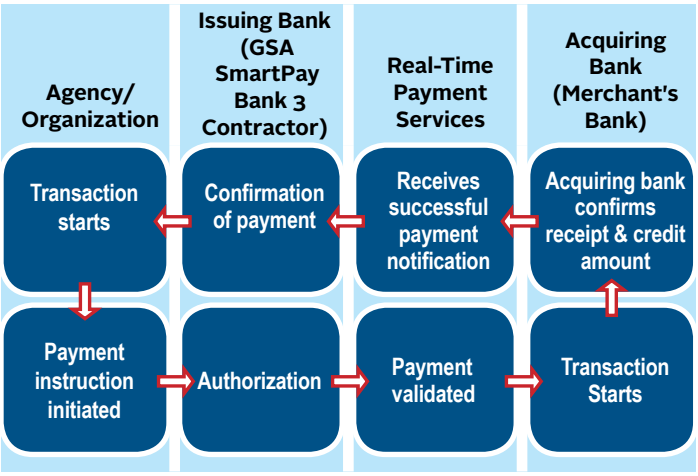
Straight-Through Processing (STP)

Straight-Through Processing is an automated payment transaction processing service where the agency/organization sends the payment file directly to the merchant's acquiring institution (the financial institution or bank that they utilize for their business). The networks (Visa or Mastercard) process the payment automatically on behalf of the agency/organization and contractor bank and deposit the funds directly into the merchant's bank account.

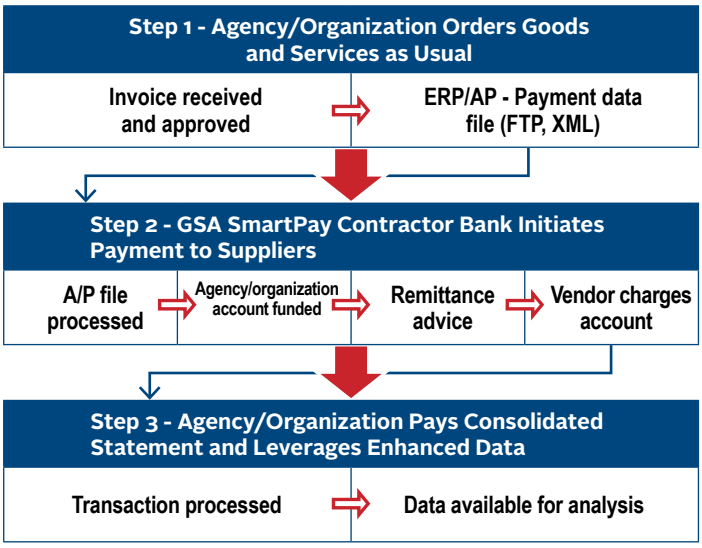
The chart below outlines the specific process utilized for Straight-Through Processing.



Buyer-Initiated Payments (BIP)

Buyer-Initiated Payments are a type of transaction that requires no action by the supplier (the merchant), no point-of-sale terminals, and no other hardware/software to receive payment.

The chart below outlines the specific process utilized for Buyer-Initiated Payments.



ePayable Solutions are Continually Evolving within the Payments Sector

As ePayables become more available commercially, there will be an increased opportunity for agencies/organizations to expand their programs and utilize these solutions. Agencies/organizations should review the GSA SmartPay Master Contract thoroughly to understand the functionality and the pricing related to ePayable offerings and also communicate with their contractor bank to learn more about the specific ePayables currently offered. For example, a Supplier-Initiated Payment is a Tier 1 offering, which means that all awarded contractor banks must make it available to the agencies/organizations. However, the other ePayable offerings (Straight-Through Processing and Buyer-Initiated Payments) are Tier 2 offerings. This means that your contractor bank may or may not currently offer them under the Master Contract and/or your agency/organization's task order.

Always check with your contractor bank to get the latest information on their ePayable offerings.

For More Information

If you have questions about the strategic payment solutions offered through the GSA SmartPay program, please email us at **gsa_smartpay@gsa.gov.** We look forward to helping our customer agencies/organizations begin to implement solutions that will maximize the benefits that the GSA SmartPay program has to offer.

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Diving Deeper into Strategic Payment Options

Now that you know more about the strategic payment solutions offered under the GSA SmartPay Master Contract, what are some examples of how to use them? What are your next steps?

Although many agencies/organizations have become experts in traditional charge card payments, they often are not aware that the GSA SmartPay Master Contract has many payment solutions that allow them to greatly expand their programs through increased spend and efficiencies. Once you get a better understanding of the wide variety of offerings, your next step should be to take a look at payment areas within your agency/organization where you can capture additional spend through the program. One way to dive deeper into reviewing potential opportunities includes:

- Accounts Payable (A/P) File Reviews: An A/P File Review is a process where the contractor bank reviews an agency/organization's payment files in order to find potential areas where payment solutions can be leveraged. In order to receive an A/P File Review, your agency/organization must provide financial and payment information to the contractor bank. The bank will then provide a full report outlining areas where your agency may be able to capture additional spend through your program and/or gain efficiencies by utilizing offered strategic payment solutions. Your agency/organization can utilize this information to work with the bank to implement new payment strategies within your program.

The GSA SmartPay 3 Master Contract states that the contractor bank shall provide an A/P File Review after task order award unless the agency/organization indicates that they do not want a review.

Once you have done your research, you will need to work with your contractor bank, your agency/organization contracting personnel, and your agency/organization management to come up with a potential strategy to implement.

Strategic Payment Solution Examples

How can your agency/organization leverage the offered payment solutions? There are many different areas of opportunity that you can explore to implement strategic payment solutions. The following are just a few examples of potential areas to review and consider that may be a practical next step in expanding your program.

Recurring Payments (Contract Payments, Rent, Utilities)

Many agencies/organizations have recurring payments for a wide variety of products or services, including contract payments, rent, utilities, and much more. You can use one of the offered virtual card solutions such as single use accounts, declining balance cards, or ghost cards for recurring payments. An example of a recurring payment may be a consulting contract that your agency/organization awarded for a five-year period. Traditionally, you make a payment against the contract through your financial accounting system. Instead, however, your agency/organization could implement the use of a ghost card to make a recurring monthly payment against the contract. It is important to note that the appropriate contract must be in place and the contractor must be set up to accept the payments via cards. Another example of utilization may be that your agency/organization has recurring payments with limitations on a monthly or quarterly basis. Your agency/organization may want to consider utilizing a declining balance card for payments such as transportation subsidies (similar to the HHS GO!card℠).

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Did you know that the federal government typically spends billions in contract payments annually? Imagine if you moved just a portion of that spend to a GSA SmartPay strategic payment solution. Contract payments are one of the largest areas of opportunities to move payments and to greatly increase your agency/organization's refunds!

New, Temporary, and Part-Time Employees

Does your agency/organization have a unique mission that involves an influx of new, temporary, or part-time employees? There are many agencies/organizations that fall into these types of categories. Examples include the Department of Defense, which constantly hires new recruits for active duty (basic training/boot camp), the Bureau of Labor and Statistics, which hires temporary employees for the census, and the Federal Emergency Management Agency (FEMA), which hires temporary employees for emergencies such as natural disasters. Payments to these types of employees can be an administrative burden, carry a high risk of erroneous payments, and may be difficult to oversee. What if your agency/organization could utilize a strategic payment solution to lower those risks and streamline the payment process? The single use account (SUA) offering allows agencies/organizations to establish one account for these employees that can include controls such as Merchant Category Code (MCC) blocks and established spend limits.

Practical Use Example: The Department of Defense sends new personnel to basic training/boot camp, where trainees are provided with a voucher to cover expenses during the training time period. Instead of a voucher, trainees could be provided with a single use account to cover those expenses, which allows for spending limits, increased controls, and increased transparency into expenditures.

Supplier Retail Operations

Monthly subscription services with specific merchants are often common within the federal government. Many agencies/organizations enroll in subscriptions in order to keep up with the latest information and data within the commercial marketplace. Payments for these types of subscriptions occur regularly and frequently to a single merchant. In addition to ghost cards for these types of payments, agencies/organizations can also utilize Supplier-Initiated Payments, an ePayable strategic payment solution. Supplier-Initiated Payments require that the agency/organization and contractor bank work with the merchant to get them enrolled in the Supplier-Initiated Payments program. Once enrolled, the merchant will initiate payment requests to the agency/organization, who will receive the request through their Electronic Access System (EAS). The merchant controls the frequency of payment initiation and transaction processing. Supplier-Initiated Payments allow for the agency/organization to have a direct payment relationship with the merchant.

Practical Use Example: A federal agency/organization has a monthly subscription to gain access to industry data and information through a supplier such as Gartner®. The agency/organization and contractor bank work with Gartner to get the company enrolled in Supplier-Initiated Payments. Gartner initiates a payment request through the EAS to the federal agency/organization on the 15th calendar day of every month. The agency/organization is able to see the request in their EAS and make a payment directly to Gartner®.

Specialized or Complex Invoicing Processes

Does your agency/organization deal with complex invoicing processes with large vendors for large dollar values? Invoicing for these types of products or services can be very complex and time-consuming. Although complex, the opportunity for increased refunds is very great, given the dollar value of these types of transactions. Buyer-Initiated Payments, an ePayable solution, may be a potential solution that allows an agency/organization to control the frequency of payments to the vendor while simultaneously streamlining payment processes and reducing operational costs. Like Supplier-Initiated Payments, Buyer-Initiated Payments require that the agency/organization and contractor bank work with the vendor to get them enrolled in the Buyer-Initiated Payments program. Once enrolled, your agency/organization will be able to initiate purchasing supplies from the vendor through the EAS and will provide payment once supplies are received. The agency/organization controls the frequency of purchases and payments to the vendor. This solution is beneficial when you have more frequent back and forth purchasing and payments to a single vendor, which may add up to a larger dollar value.

Practical Use Example: A federal agency/organization that requires ongoing purchasing of lab supplies and equipment has a contractual agreement in place with a single vendor for those items. Instead of initiating a new financial document for every purchase, the agency/organization establishes a Buyer-Initiated Payments relationship with the vendor by enrolling them in the program with the assistance of their contractor bank and their contracting office. Now the agency/organization can initiate a request for lab supplies as frequently as needed through the EAS, receive the supplies from the vendor, and make the payment directly to the vendor through the EAS. This saves the agency/organization and the vendor time and money by streamlining the purchasing and payment processes.

For More Information

The GSA Payment Solutions Service Center is excited to offer agencies/organizations the opportunity to expand your programs, increase efficiencies, and increase refunds to support your missions. If you have questions about the strategic payment solutions offered through the GSA SmartPay program, please email us at **gsa_smartpay@gsa.gov**. We look forward to helping our customer agencies/organizations begin to implement solutions that will maximize the benefits that the GSA SmartPay program has to offer.

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