



SmartPay®

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U.S. General Services Administration

Advanced Concepts in Purchase Card Management

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GSA SmartPay TRAINING FORUM

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Continuous Learning Points (CLPs)

To receive CLPs:

- You must have an active DAU or FAI CSOD account PRIOR to the first day of the GSA SmartPay forum
- CLPs will be awarded automatically in FAI CSOD—DO NOT submit a request for CLP
- Please allow 4–6 business weeks after training for processing
- Any questions, please email pshctraining@gsa.gov



**Who we are and
how you can reach
us**

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**What topics will
this class cover?**

Learning Objectives

- Purchase Card Regulations and Policies
- Prohibited Sources
- Policy Points of Emphasis
- Questions and Break
- Specific Use Cases
- Best Practices and Resources
- Questions

Purchase Card Regulations and Policies

Section Overview

- Micro-Purchase Thresholds
- Federal Acquisition Regulation
- Public Law 112-194
- OMB Circular A-123, Appendix B

Micro-Purchase Threshold

FAR Subpart 2.101, Definitions, includes micro-purchase thresholds based on type of purchase and guidance.

If acquiring...	MPT* is...
Construction subject to Construction Wage Rate Requirements (CWRR)	\$ 2,000
Services subject to Service Contract Labor Standards (SCLS)	\$ 2,500
Supplies; Services not subject to SCLS	\$ 10,000
Supplies or Services from institutions of higher education (20 U.S.C 1001(a)) or related / affiliated nonprofit entities, or nonprofit research organizations or independent research institutes.	\$ 10,000 (or higher per Head of the Agency)
Support of a Contingency Operation (<u>except Construction</u>) <ul style="list-style-type: none">• Awarded, performed, or purchased in the U.S.• Awarded, performed, or purchased outside the U.S.	\$ 20,000 \$ 35,000

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Federal Acquisition Regulation

What does the FAR say about using purchase cards?

- FAR Subpart 13.201(b) indicates that the governmentwide commercial purchase card shall be the preferred method to purchase and pay for micro-purchases
- FAR Subpart 13.301, *Governmentwide Commercial Purchase Card* indicates:
 - Agencies should encourage card use by contracting officers to place orders against contracts established under FAR Part 8 procedures
 - Agencies should also encourage placement of orders/make payments under other contractual instruments

Public Law 112-194

The *Government Charge Card Abuse and Prevention Act of 2012* ([P.L. 112-194](#)) requires the following safeguards and internal controls, which include:

- Record maintenance of purchase cardholders, including single transaction or overall purchase limits
- Reconciliation, certification, and record retention requirements are outlined for purchase cardholders
- Review data mining requirements to identify and prevent erroneous and improper/illegal purchases
- Refund validation and training requirements

Public Law 112-194

Penalties, risk assessments, and audits:

- Appropriate punishment for adverse personnel action such as violation of agency policy or illegal, improper, or erroneous purchases including dismissal procedures
- Requires agency inspectors general to conduct reviews of purchase card programs and identify/analyze potential risks
- Requires inspectors general to look for spending patterns and ways to leverage agency expenditures
- Requires inspectors general to report findings and any implementation of updated procedures to the agency and OMB

OMB Circular A-123, Appendix B

OMB Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs* provides guidance in alignment with Public Law 112-194 and covers card management topics, such as:

- Internal controls
- Training
- Performance metrics and reporting
- Refund management
- Strategic sourcing and category management

OMB Circular A-123, Appendix B

Purchase card internal controls include:

- *Application process*, includes applications, delegation of authority, training
- *Transaction process*, includes disputes and improper transactions
- *Review and approval process*, includes reconciliation, documentation, and approvals
- *Charge card management process*, including the separation of duties, delinquencies, span of control, and invoicing approvals and payments

OMB Circular A-123, Appendix B

OMB circular purchase card training addresses:

- *Who is required to take training?* Cardholders, card managers, AOPCs, approving officials (AO)
- *How often?* A minimum of every three years, though some agencies may require more frequent training
- AOPC training should encompass an understanding of cardholder and AO functions, card management functions, electronic access system functions, data analytics tools, and reporting

OMB Circular A-123, Appendix B

OMB circular purchase card performance metrics and reporting include:

- *Annual statistical reporting:* GSA Center for Charge Card Management (CCCM) maintains on behalf of the agencies
 - Includes items such as the number of purchase accounts and the total purchase spend
- *Annual narrative reporting:* CCCM maintains on behalf of the agencies
 - Includes items such as descriptions of agency best practices and information about delinquency monitoring practices

Prohibited Sources

Prohibited Sources

- Section 889 conformance
- Federal Acquisition Supply Chain Security Act Orders
- American Security Drone Act

Section 889 conformance

Section 889 of the *John S. McCain National Defense Authorization Act for Fiscal Year 2019* (P.L. 115-232):

- FAR 52.204–24, *Representation Regarding Certain Telecommunications and Video Surveillance Services or Equipment*. GSA SmartPay Section 889 tool available.
- FAR 52.204–25, *Prohibition on Contracting for Certain Telecommunications and Video Surveillance Services or Equipment*

Section 889 conformance

- Part A prohibits the government from obtaining certain telecommunications equipment or services produced by certain covered entities, their subsidiaries, and affiliates
 - Applicable to commercial items and micro-purchases
- Part B prohibits the government from contracting with any entity that uses certain telecommunications equipment or services produced by the entities listed in the statute
 - Applicable to every sector and every dollar value when entering into contracts

Supply Chain Security Orders

Federal Acquisition Supply Chain Security Act Orders.

- [FAR 52.204-30](#), *Federal Acquisition Supply Chain Security Act Orders—Prohibition*
- Removal of covered articles from executive agency information systems or the exclusion of one or more named sources or named covered articles from executive agency procurement actions
- [SAM.gov tool](#) is available

American Security Drone Act

The American Security Drone Act of 2023 is included in the *National Defense Authorization Act for Fiscal Year 2024* ([P.L. 118-31](#)).

- Bans the procurement or use by the federal government of unmanned aircraft systems (UAS) that are manufactured or assembled by certain foreign entities, including entities subject to influence or control by China, with exceptions
- Government-issued purchase cards may not be used to procure any UAS from a covered foreign entity

Policy Points of Emphasis

Section Overview

- Multiple Award Schedule (MAS) Payments
- Surcharges
- End User License Agreement
- Emergency Use
- Card Usage For Cost-reimbursable Contractors

MAS Payments

All MAS contracts have incorporated FAR 52.232-36 *Payment by Third Party* for payment of supplies and services.

- Contractors must accept payment, under the MAS contract through payment by a third party, which includes contractor banks
- Processing fees should already be included in awarded MAS prices, meaning contractors are not authorized to add processing fees
- Contractors have agreed to accept the purchase card as a payment mechanism—regardless of the transaction dollar amount—subject only to limitations related to a contracting officer’s warrant level or agency-specific thresholds or restrictions

Card Surcharges

Surcharges are fees that a retailer chooses to include when a customer uses a charge card or credit card product.

- Must not exceed negotiated network fees, 3 percent for VISA, or 4 percent for Mastercard in any state
- Merchant must post notice and list as a separate line item
- Not all states allow surcharges
- Agency policy should make cardholders aware of surcharges
 - Consider including a policy for purchase cardholders consider another merchant that does not apply a surcharge

End User License Agreements

End user license agreements, terms of service, or other similar legal instruments or agreements.

- Indemnification clauses inconsistent with federal law and are unenforceable, but could violate [31 U.S.C. Section 1341](#), *Limitations on Expending and Obligating Amounts* (Anti-deficiency Act), if agreed to by the government
- [FAR 52.232-39](#), *Unenforceability of Unauthorized Obligations*, applies to any micro-purchase
- The cardholder does not need to provide the clause to the vendor to be applicable

Emergency Use

Emergency use of the purchase card requires:

- Developing and maintaining/updating agency specific policies and procedures for use of charge cards or other payment solutions during an emergency or disaster situation
- Working with the contractor bank to establish procedures and processes to implement during emergencies
- Educating and training cardholders on proper card use, applicable policies and regulations, and fraud prevention strategies during emergencies

Emergency Use

Emergency and disaster response guidance.

- The *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (P.L. 100-700)
- Federal Acquisition Regulations parts:
 - FAR 2.101, *Definitions*
 - FAR 6.208, *Set-Asides for Local Firms During a Major Disaster or Emergency*
 - FAR 13.201, *General*
 - FAR 18, *Emergency Acquisitions*
 - FAR 26.2, *Major Disaster or Emergency Assistance Activities*
- In addition to government-wide regulations, agencies should develop agency-specific policies, procedures, and guidance

Cost-Reimbursable Contractors

Use of purchase cards for cost-reimbursement contractors is authorized under 40 U.S.C. Section 501, *Services for Executive Agencies* and governed by FAR Part 51, *Use of Government Sources by Contractors*.

- A substantial dollar portion is cost-reimbursable by nature and is authorized to use GSA sources of supply
- Contracting officer letter authorizing the contractor to utilize GSA sources of supply
- Different regulatory requirements; no FAR or appropriation law requirements for contractors

Cost-Reimbursable Contractors

Agency policy considerations should include:

- Separating hierarchies for tracking expenditures
- Establishing merchant category code controls based on specific contractor mission
- Contractor versus Government liability for payment
- How refunds on contractor purchase cards are remitted (e.g., to the funding or appropriation line)



Questions and BREAK!

Use Cases

Section Overview

- Contract Payments
- Training Payments
- Third-Party Payment
- E-marketplace Platforms
- Parking and Transportation
- Conference Space
- Long-Term Rental or Leases

Contract Payments

According to [FAR 13.301](#), *Governmentwide commercial purchase card*, purchase cards are not limited solely to use at or below the micro-purchase threshold.

- Making contract payments with cards is the most significant opportunity to realize card program benefits
- Annual government contract spending is nearly \$700 billion; current purchase card spend is less than \$30 billion
- Including card payment considerations for the presolicitation phase; [card payment clause available](#), however not required

Training Payments

The *Government Employees Training Act* ([P.L. 85-507](#)), as codified in [5 U.S.C. 4109](#), *Expenses of Training*, gives each federal agency authority for employee training.

- Agencies may pay, or reimburse the employee for, all or part of the necessary expenses of the training, including
 - Tuition and matriculation fees
 - Library and laboratory services
 - Purchase or rental of books, materials, and supplies

Training Payments

5 U.S.C. 4103 through 5 U.S.C. 4112 and [5 U.S.C. 4121](#), *Specific training programs*, gives agencies authority to establish policies for how agencies pay for training.

Policy considerations may include:

- Existing commercial off the shelf training
- Tailored or custom training, which may require development
- Cost of training (e.g., at or below micro-purchase threshold)
- Agency policies related to training (e.g., human resources, employee training and development, procurement)

Training Payments

An example includes agencies using the Army Federal Acquisition Regulation (AFAR) [Chapter 8, Education, Training and Tuition Assistance](#) to:

- Establishing thresholds for using the purchase card
- Determining policies for both individual training and training for groups
- Paying for training subscriptions
- When and how [Standard Form 182](#) is used
- When to establish a contract

Third-Party Payment

Third-party payment processors offer e-commerce or Internet payment solutions for commercial transactions.

- Merchants may be able to access acceptance services without a merchant account
- Transactions made through third-party payment processors may be considered high risk (elevated risk when the processor is not known)
- Agency guidance should include criteria for if, when, and why these transactions are authorized, and any other required agency-specific documents

Third-Party Payment

Agency policy should consider the following:

- *Account establishment*: Are cardholders required to establish an account or agree to terms and conditions?
- *Account verification limits*: Bank account requirement above certain dollar thresholds
- *Disputes*: Possible different dispute process
- *Merchant name*: More potential for truncated information
- *Data*: Less than Level II and Level III data

e-Marketplace Platforms

An e-Marketplace is an online platform where companies can register as buyers and sellers to conduct business to business transactions:

- Allows agencies to enhance competition within the online marketplace (e.g., GSA Commercial Platform)
- GSA Commercial Platform contains three vendors:
 - Amazon Business
 - Fisher Scientific
 - Overstock Government

e-Marketplace Platforms

Multiple benefits for agencies to utilize e-Marketplace platforms, including:

- Automatic state sales tax exemption at the point of sale
- Business pricing and quantity discounts
- Restricted by purchase card BINs (similar to [GSA Advantage!](#))
- Ability to highlight certain types of purchases such as [AbilityOne](#) or small business set-asides
- [Ordering procedures](#) are available

e-Marketplace Platforms

Agencies should take policies into consideration when establishing an e-Marketplace program.

- Restrictions on personal card, personal email, and personal address use
- Reminders regarding policy requirements such as sources of supply, micro-purchase thresholds, spending limits, and documentation
- Establish top-down workflows and maintenance/approval processes
- Utilize tools to analyze purchase patterns

Parking and Transportation

Agency policy dictates if purchase cards can be used for parking or transportation expenses.

- Expenses may include toll transponders, parking passes, and public transportation fare cards/passes
- Accounts must be in the name of the agency, not a person
- These may be considered “cash equivalents” and must be secured as such
- Consideration must be given for [31 U.S.C. 3324](#), *Advances*, specifically that payment cannot exceed the value of the good or service

Conference Space

Conference space is considered a “short-term” rental or lease agreement, meaning the agreement is in place for less than 12 months.

- Agencies can utilize the purchase card for the payment of conference space when a centrally billed travel solution is not available or appropriate
- Examples are training rooms within a hotel for training
- Always consider agency-specific policies before determining whether to utilize a purchase card for conference space

Long-term Rental Or Leases

Long-term rental agreements or leases extend beyond a 12-month period and are intended for more than a temporary basis.

- The GSA SmartPay 3 master contract requires contractor banks to be able to further restrict purchase cards for long-term rental and lease of land or buildings
- Agencies can only use the purchase card as a payment mechanism in accordance with a cardholder's authorized purchase limits and authority

Best Practices and Resources

Section Overview

- Oversight and Data Mining
- Audit and Program Reviews
- Lessons Learned From Audits
- Resources

Oversight and Data Mining

GSA SmartPay 3 master contract provides data mining and case management tools for program oversight:

- Data mining tools provide agencies with an automated process used to scan databases to detect patterns, trends, and/or anomalies for use in risk management, spending patterns, and other areas of analysis
- Case management tools enable high-volume automated processing of cases leveraging data mining, fraud analytics, and risk determination

Audit and Program Reviews

The GSA SmartPay program is a visible program often subjected to audits by inspector general personnel.

- Audits are performed on internal or external operations to ensure compliance with policy and to detect fraud and misuse
- It is important that agencies conduct thorough annual reviews so that they are prepared for any potential audits
- GSA SmartPay has audit resources, including the [GSA SmartPay audit repository](#)

Lessons Learned From Audits

- Oversight
 - Hierarchy Reviews
 - Account status
 - Internal audits
 - Patterns of misuse and non-compliance
 - Disciplinary action
- Documentation
 - Written authority prior to purchase
 - Purchase descriptions
 - Proof of purchase authorization
 - Proof of purchase
 - Proof of receipt/acceptance

Lessons Learned From Audits

- Approving Officials
 - Reviews of cardholder supporting documents
 - Timely Reconciliation
 - Statements
 - Timely refresher training
- Cardholders
 - Improper purchases
 - Timely Reconciliation
 - Remove sales tax at time of purchase
 - Rotate vendors
 - Timely refresher training

Resources

- [GSA SmartPay website](#)
- [GSA SmartPay training system](#)
- [GSA SmartPay master contract](#)
- [Government policies and regulations](#)
- [GSA SmartBulletins](#)
- [Section 889 tools](#)
- [Purchase card publications](#)

Questions

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