GSA SmartPay 3
Innovative Payment Solutions

presented by
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Good morning/afternoon

My name is Erin VanDagna and I am the Service Delivery Branch Chief in the Center for Charge Card Management. During this session, we are going to talk about innovation in the GSA SmartPay program. We'll discuss industry trends and ideas, how to get more out of the GSA SmartPay program, innovative solutions and how to get started. Please feel free to ask questions along the way and to share your own experiences with innovation.
As we go through the presentation, it's important to keep in mind what innovation means to you within the context of your program. For some, innovation will be keeping up with the latest trends in the payments marketspace. For others, it will be to simply use what's currently available under the master contracts.
So, along the lines of innovation, ask yourself the following questions. (read questions). The best thing about GSA SmartPay is that the requirements are broad enough to include a wide-range of products and services that are specifically spelled out in the master contract or that are even in the marketplace yet. We anticipate innovation. In fact, we expect it from the bank providers.
These next few slides are going to cover innovative products that aren’t specifically spelled out in the master contract, but could be used under the program when they become available or, if they are already available, if your agency has a business need for them.
GROWING IMPACT OF MILLENNIALS & GEN Z

• There is a growing demand for immediacy and highly personalized experiences.
• Almost 70% of the Gen Z generation use mobile banking apps daily, with 68% wanting instant payments.
• Younger consumers are demanding an exceptional digital payments experience on all platforms – most importantly on their smartphones.
• These demands are forcing banks and payments players to either think beyond the functional aspect of mobile payment apps and create an engaging customer experience, or risk getting squeezed out of the process.

80% of millennials would give up television for a day and 28% would give up friends or money to keep their mobile phone.
In the consumer world, we can expect to see expanded offerings and payment opportunities between banks, people and other non-financial organizations. One such example is Zelle. Zelle is a private financial services company owned by the banks Bank of America, BB&T, Capital One, JPMorgan Chase, PNC Bank, US Bank, and Wells Fargo. The Zelle service enables individuals to electronically transfer money from their bank account to another registered user’s bank account (within the United States) using a mobile device or the website of a participating banking institution. The Zelle service was launched in 2017.

As with any payment service/tool, it’s important to know who you’re dealing with and since Zelle and other tools like Venmo deal in person to person money transfers, there is a risk of fraud. For example, users have reported experiencing fraud when making payment to someone and then not receiving the item purchased. Banks are hesitant to get involved in such transactions. As a word of caution, when using Zelle or Venmo, it works best when you know and trust the person you’re sending money to.
Standard plastic cards come with embossed account numbers on the card and that account number can even be stored online or in a database somewhere to be used again. As EMV becomes more and more prevalent, we’ll begin to see an increased use in codes that change with each transaction thus making them more secure. The industry will see more technological advances with cool technologies like blockchain – securely linked records (called blocks) that are linked together and secured using cryptography. Bitcoin is a prominent user of blockchain. Augmented reality and virtual reality will allow people to use their electronic devices to actually see (virtually) what they’re buying and how it will work or fit into reality and then complete the purchase. We can all imagine how this will play out in the consumer space with furniture, shoes, clothes etc. But, in the Government, AR and VR can also help us meet mission by enhancing what we see online and how it will fit into reality.

We’ll also begin to hear more and more about the Internet of Things -- The Internet of Things (IoT) is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data
over a network without requiring human-to-human or human-to-computer interaction.
**BIOMETRICS**

- Authentication using fingerprints, faces, voices, hands, iris’ etc.
- Biometrics are already being used as security features upon initiation of a payment – Apple Pay, Samsung Pay, Android Pay
- When combined, biometrics and geolocation information can help banks compare the location of the device with the cardholder’s stated location to determine the potential of fraud.
- Some banks are even using acoustic analysis to verify a payment location.

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**Biometric payment** is a point of sale (POS) technology that uses **biometric** authentication to identify the user and authorize the deduction of funds from a bank account or to make purchases. Fingerprint **payment**, based on fingerscanning, is the most common **biometric payment** method in use today.

Acuity Market Intelligence reports that by 2022, more than 5.5 billion biometrically-enabled mobile devices will be in use, creating a global platform for these payments.

Apple Pay kicked off the initial growth of biometric mobile payments, allowing customers to make payments in stores and on apps using their fingerprint to access banking information. Android Pay and Samsung Pay furthered the movement toward these payments, the Juniper Research report noted.

**Mastercard's Identity Check Mobile** service, set to go live later this year, allows users to scan their fingerprints or take a selfie to validate their identity and make a payment. After a soft launch in 2016, Mastercard
surveyed users and found that 74% of respondents said biometrics like fingerprints or selfies were easier to use than traditional passwords. And 90% said they believed they would use biometrics for online payment security in the future.

Fujitsu has even predicted that biometric authentication will soon become the standard for unlocking and driving vehicles, offering a more secure and personalized option than keys.
GETTING MORE OUT OF GSA SMARTPAY

Let's take a look at how you can get more out of the GSA SmartPay program for your agency.
GSA SMARTPAY® SAVINGS CALCULATOR

- CCCM developed the GSA SmartPay® Savings Calculator to be an interactive tool for agencies to estimate the impact of transferring spend to GSA SmartPay® payment solutions
  - The tool is designed to enhance and support leadership payment decision making
  - Provides estimates for potential savings based on increased utilization
  - Please note that the tool assumes any generated refunds are provided directly to the agency

Available at http://smartpay.gsa.gov/about-gsa-smartpay/program-statistics/savings-calculator
ACCOUNTS PAYABLE FILE REVIEW

- An A/P File Review is a systematic review of accounts payable files to identify spend opportunities. Customers must provide GSA SmartPay® contract banks with at least one year of information:
  - Information that includes payment date
  - Vendor information including name, address, and identification
  - Cost center and expense codes
- GSA SmartPay® contract bank will provide:
  - Recommendations to increase use of GSA SmartPay®
  - A list of key vendors that the agency does business with but does not accept cards
  - Industry best practices and benchmarks
  - Agency action plan
EXAMPLES OF COST SAVINGS IDENTIFIED

• (1) Inconsistent card use at a large government agency resulted in missed refund opportunities. Agency implemented bank recommendations:
  – Reduced check spend by migration to card spend
  – Increased spend from approximately $1M to more than $40M in 5 years

• (2) State/local government entity had gaps in card use and manual payment mechanisms:
  – Increased card usage by more than 100%
  – Realized more than $1M in cost savings annually
CONTRACT PAYMENTS USING VIRTUAL CARDS

ePayables are systems and applications that connect financial systems and facilitate transactions and payments.

<table>
<thead>
<tr>
<th>Solution</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Virtual Cards</td>
<td>Electronic payment solution associated with a SmartPay account with a uniquely generated account number that may be used either for a limited time, for a limited amount and/or for a specific vendor.</td>
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*Note:* This cardless payment solution offers the same benefits as using purchase cards for paying contractors (e.g., *convenience, refunds, enhanced reporting*), but provides greater integration with internal controls built into agency procurement and finance processes for more *security and efficiency*. 
These next few slides are going to cover innovative products that aren’t specifically spelled out in the master contract, but could be used under the program when they become available or, if they are already available, if your agency has a business need for them.
ePayables are systems and applications that connect financial systems and facilitate transactions and payments.

- **Virtual Cards**: one-time use account numbers that may be used during a limited time, for a limited amount and possibly for a specific vendor.
- **Buyer-Initiated Payments**: a type of transaction that requires no action by the supplier, no point-of-sale terminals or other hardware/software required to receive payment.
- **Supplier-Initiated Payments**: the process of electronically connecting suppliers (or other merchants) to the government’s supply chain and back-end payment systems.
- **Straight-through Processing (STP)**: an automated payment transaction processing service where the purchasing organization sends the payment file directly to the acquiring institution. The networks process the payment automatically and deposit the funds directly.
GSA SMARTPAY 3 SOLUTIONS

GHOST CARDS

- A charge card number that is specific to an agency/organization or an entity within an agency/organization.
- Purchases made are then charged back to the agency/organization or the entirety within the agency/organization to which the charge card number was issued.
GSA SMARTPAY 3 SOLUTIONS
TAX ADVANTAGE CARD

• New product offering that combines an Individually Billed Account (IBA) and Centrally Billed Account (CBA)
  – Provides a means to obtain tax exemption automatically at the point of sale for rental cars and lodging charges.
  – Charges for other travel-related purchases such as meals and incidentals are billed to the IBA portion of the account, will still incur tax, and the individual traveler will still be liable for payment to the bank for those charges.
  – Allows traveler to use one card that simplifies tax-exemption procedures by automatically diverting tax-exempt charges at the point of sale.
GSA SMARTPAY 3 SOLUTIONS
MOBILE PAYMENTS

• GSA SmartPay 3 contractors are required to provide agencies/organizations the ability to make secure payments using a mobile device at the point-of-sale.

• Determination for use of mobile payments shall be made at the agency/organization level (e.g. individually billed account holders, centrally billed accountholders).
GSA SMARTPAY 3 SOLUTIONS  
TOKENIZATION

- GSA SmartPay 3 contractors are required to provide capabilities for tokenization.
- Tokenization increases security of payments by allowing the cardholder to pay using a token generated to replace sensitive account number value with non-sensitive token values.
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INNOVATIVE APPLICATIONS USE CASE

Transit Subsidy Programs

- The Department of Health and Human Services administers the Go!card through the GSA SmartPay 2 Master Contract. Benefits include:
  - Limited to transit provider MCC code
  - Automated and reloadable fare media
  - Increased internal controls and accountability
  - Participants only spend what is needed monthly
  - Use or lose monthly benefit for better spend control
  - Reduce paper use
INNOVATIVE APPLICATIONS USE CASE

Utilities Payment

- GSA SmartPay® Program solutions may be used for payments to utility companies. For instance, through its Payment Card program, the Department of State pays utility bills with a GSA SmartPay® solution. Benefits include:
  - Potential to earn refunds on a recurring expense
  - Increase level of data available to help track energy use and expenditures
  - Identify high energy usage programs and helps facilities and operations identify potential issues
INNOVATIVE APPLICATIONS USE CASE

Grants Payment Solutions

- CCCM is working with potential customer agencies to develop and test a GSA SmartPay® grants payment solution, which could result in:
  - Increased refunds based on increased volume
  - Enhanced ability to track grant activity, helping to mitigate fraud, abuse, and erroneous payments
  - Increased internal controls such as MCC blocking
  - Streamlined grants payment processes to reduce administrative processing costs
These next few slides are going to cover innovative products that aren’t specifically spelled out in the master contract, but could be used under the program when they become available or, if they are already available, if your agency has a business need for them.
THE PURCHASE CARD AND THE FAR

- In accordance with the Federal Acquisition Regulation (FAR), agency procedures should not limit the use of the Purchase Card to micro-purchases. Rather, agency procedures should encourage the use of the Purchase Card in greater dollar amounts by contracting officers to place orders and to pay for purchases against contracts under part 8 procedures when authorized, and to place orders and/or make payment under other contractual instruments, when agreed to by the contractor (FAR Part 13.301).
MAKING CONTRACT PAYMENTS WITH GSA SMARTPAY

- Tools such as an A/P File Review and/or the GSA SmartPay® Savings Calculator can help identify areas to migrate spend to maximize cost savings and refunds
  - Review how your agency pays against existing contracts and spend
  - through those contracts
  - Review your agency’s policies on payments ag
USING GSA SMARTPAY FOR FEDERAL STRATEGIC SOURCING

- OMB established the Federal Strategic Sourcing Initiative (FSSI) Governance Council and anticipates that there will be additional strategic sourcing opportunities available in the near future
  - Review payments made outside of FSSI contracts that could be moved to an FSSI vehicle (could be determined with an A/P File Review)
  - Determine additional potential savings, refunds, and point of sale discounts that could be received by moving to FSSI vehicles
  - Utilize FSSI Implementation Kit
IMPROVING TRAVEL CARD
USE AND COMPLIANCE

- Improving GSA SmartPay® Travel Card use when employees travel could be an effective way to increase refunds earned and improve enhance internal controls
  - A/OPCs should develop a plan for enforcing travel card use policies within agencies
  - Local Travel:
    - The SmartPay® Master Contact and FTR Regulations allow for the use of SmartPay® travel card on local travel; permitting such use is at agency HQ discretion.
    - What are some of your agency’s best practices?
INNOVATIVE USES FOR GSA SMARTPAY FLEET

• GSA SmartPay® solutions can be designed to streamline Fleet payment processes and enhance data collection. Solutions include but are not limited to:
  – **GPS/Telematics**: GPS technology used to associate transactions to GPS coordinates for increased transparency to help mitigate fraud and abuse
  – **Fuel Advisors**: Designed to help bulk fuel purchasers find best available prices based on unique consumption patterns and low cost sources
  – **Corporate Payment Solutions**: Designed to help pay for services outside of traditional fleet transactions, including short term car rentals
WHERE IS THE MARKET GOING?

Are we there yet?
ADDITIONAL INFORMATION FOR INNOVATIVE SOLUTIONS

- There are a number of available resources for agencies to explore increased use of GSA SmartPay® solutions to help address agency payment challenges.
  - “GSA SmartPay® Saves” communications campaign and website
  - Innovative solutions brochures
  - Contractor banks resources, including brochures and/or classes
  - The Billion Dollar Challenge – increased refunds
GSA SMARTPAY POINTS OF CONTACT

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