Purchase Management Essentials
2018 GSA SmartPay® Training Forum
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LEARNING OBJECTIVES

Here is a quick run down of the learning objectives we will cover in our session today. By the time we are done here today we should be able to –

- List benefits of the GSA SmartPay® Program
- List GSA SmartPay® 3 Purchase Business Line Products / Services
- Apply Micro-Purchase Thresholds (MPTs) Correctly
- Apply the Purchase Card to Purchases, Orders, & Payments
- Understand Purchase Card Program Rules
- Understand Roles and Responsibilities
- Apply Fraud and Preventative Measures
- Locate Resources for Program Coordinators
The GSA SmartPay® Program was established in 1998 and is the world’s largest government charge card and commercial payment solutions program, providing services to more than 560 Federal agencies, organizations, and Native American tribal governments. Prior to the GSA SmartPay® payment solution, the Federal Government used traditional paper-based payment processes such as purchase orders for small dollar purchases such as those under the micro-purchase threshold. In many cases, traditional paper-based processing techniques cost more to process than the amount of the transaction itself. The inefficiency, costs, and risks associated with these process were a key factor in the increased use of GSA SmartPay solutions. Our solutions streamline transaction processing, increase accountability, and provide a more efficient and effective means to monitor transactions and identify fraud, waste, and abuse.

The GSA SmartPay® Purchase Card is one of four business line offerings under the GSA SmartPay® 3 contracts, travel, integrated, and fleet being the others. There are presently 289,699 GSA SmartPay® purchase card accounts which alone used the card to complete nearly 20.4 million transactions in FY17 totaling almost $18.9 Billion in spend through the
program. The FY17 statistics show a slight decrease from FY16.

There are a number of benefits to using the GSA SmartPay® Purchase Card as a payment solution. See if you can find a few in this word search. What did you find?

• **Safety** and **Transparency** – Improves financial controls and tools to access to spend data for increased transparency. Safety features include **EMV** to make your cards **secure**.

• Electronic Access to Data via the **EAS** and other **Data Mining** Tools – Provides online access to accurate, comprehensive transaction detail to help mitigate fraud, waste, and abuse.

• **Refunds** – Under GSA SmartPay® 2, agencies have the opportunity to earn refunds based on two components -- dollar volume of transactions and the speed of payment. Under GSA SmartPay 3, the refund calculations are combined into a single refund rates that includes both volume and speed of pay.

• **Cost Savings** Realized – Enhances the government negotiation leverage through strategic sourcing of enterprise data and administrative savings through payment efficiencies. The estimated administrative savings for the purchase card alone is $1.7B per year or $70 per transaction when used in place of a written purchase order. Agencies also pay no direct fees for things like mobile applications and payments, alert services, 24/7 customer service, chip cards, declining balance cards, foreign currency cards, ghost cards, single use accounts, tokenization, and virtual accounts as well as feature including automated account reconciliation, spend audits, and data mining tools which are compliant with PL 112-194 data mining requirements.

• **Integrated** with GSA Advantage!*® – all GSA schedule contracts include a contract term that the card can be used as an ordering and payment mechanism, under the MPT and for many contracts, over the MPT; subject to the cardholder’s purchasing authority.

• **Automatic Point-of-Sale Discount** Recognition from Federal Strategic Sourcing Initiative (FSSI) Vendors such as those for office supplies.

• Best in Class (**BIC**) solution as designated by the Office of Management and Budget (**OMB**).
• **Tax Exempt** status at point of sale.

• **Training** to include A/OPC, approving official, and card holder training via our training materials and courses on the smartpay.gsa.gov website and our annual GSA SmartPay training forums.

• World-wide Acceptance – Can be used anywhere in the world where merchants accept cards.

• Eliminates the need for Imprest Funds / Petty Cash Accounts
## GSA SmartPay® 3 Purchase Business Line Tier 1 Products and Services (C.3.1.1)

<table>
<thead>
<tr>
<th>All Business Lines</th>
<th>Purchase Business Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accounts Payable File Review</td>
<td>• Convenience Checks*</td>
</tr>
<tr>
<td>• Association Program Management Tools</td>
<td>• Declining Balance Cards</td>
</tr>
<tr>
<td>• Chip &amp; PIN / Signature Cards</td>
<td>• Foreign Currency Cards</td>
</tr>
<tr>
<td>• Email / SMS Alert Service</td>
<td>• Mobile Applications</td>
</tr>
<tr>
<td>• ePayable - Supplier-Initiated Payments (SIP)</td>
<td>• Mobile Payments</td>
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<tr>
<td>• Ghost Card</td>
<td>• Net Billing</td>
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<tr>
<td>• Interchange-Based Government-to-Government (G2G) Transactions</td>
<td>• * Fee-based CLIN</td>
</tr>
</tbody>
</table>

GSA SMARTPAY® 3 PURCHASE BUSINESS LINE TIER 1 PRODUCTS AND SERVICES (C.3.1.1)

All business lines under the new GSA SmartPay® 3 contract include the Tier 1 products and services shown in the left-hand column. They include:

- 24-hour EAS Customer Service
- Accounts Payable File Review
- Association Program Management Tools
- Chip & PIN / Signature Cards
- Email / SMS Alert Service
- ePayable - Supplier-Initiated Payments (SIP)
- Ghost Card
- Interchange-Based Government-to-Government (G2G) Transactions
- Mobile Applications
- Mobile Payments
- Net Billing
- Non-Interchange based Government-to-Government (G2G) Transactions*
- Real-Time Web Assistance
- Single Use Account (SUA)
- Tokenization
- Virtual Cards
- 24-hour EAS Customer Service

* Fee-based CLIN
• Single Use Account (SUA)
• Tokenization
• Virtual Cards

Those Tier 1 products and services specific to the purchase business line are shown in the right-hand column. They are:
• Convenience Checks*
• Declining Balance Cards
• Foreign Currency Cards

Tier 1 products and services are available at no-cost to your agency / organization simply by using the GSA SmartPay® Purchase Card. The only exceptions are the two items shown in italics and indicated with an asterisk – Non-Interchange Based Government-to-Government (G2G) Transactions and Convenience Checks – which do come at a fee to the Government. The products and services available to your agency / organization under your GSA SmartPay® 3 task order will be communicated to you by your Level 1 A/OPC or program coordinator. Fees for the two CLINs annotated are established in the your agency’s / organization’s task order.

You will notice that several of the items now listed as Tier 1 (mandatory) products and services used to be listed as Tier 2 under the GSA SmartPay® 2 contract. As industry evolves, so does our program and the products and services that we receive.

Definitions of Tier 1 products and services can be found in Sections C.1 and/or C.3.1.1 of the GSA SmartPay® 3 Master Contract found at the following link:


During our training today we will primarily discuss carded products, the typical mechanism for making purchases under the GSA SmartPay® Purchase Business Line.
GSA SMARTPAY® 3 PURCHASE BUSINESS LINE TIER 2 PRODUCTS AND SERVICES (C.3.1.2)

All business lines under the new GSA SmartPay® 3 contract include the “parent” categories of Tier 2 products and services shown in the left-hand column. However, since Tier 2 products and services are “value-added”, or “optional”, they may or may not be included in each bank’s GSA SmartPay® 3 master contract and will vary from bank to bank. Banks had the option to offer bank or brand-specific proprietary payment solutions and other services under the Tier 2 categories of:

- Additional Authorization Controls
- Additional Data Mining Tools
- Additional International Customer Service
- Combined Charge Card / I.D. Card
- Commercially Offered Convenience Services
- Emerging Technology
- ePayables – Buyer Initiated Payments (BIP)
- ePayables -- Straight-Through Processing (STP)

All business lines vary by bank, and the following are some examples of optional offerings:

<table>
<thead>
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<tbody>
<tr>
<td>Vary by Bank (Proprietary Offerings)</td>
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<tr>
<td>Additional Authorization Controls</td>
<td>Optional ATM Access</td>
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<td>Additional Data Mining Tools</td>
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<tr>
<td>Additional International Customer Service</td>
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<tr>
<td>Combined Charge Card / I.D. Card</td>
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</tr>
<tr>
<td>ePayables -- Straight-Through Processing (STP)</td>
<td></td>
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<tr>
<td>Software</td>
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</tbody>
</table>

All Offerings are Fee-Based with exceptions specific to each Bank.
Software

Those Tier 2 products and services categories specific to the purchase business line are Optional ATM Access, shown in the right-hand column. These products and services are typically enhancements to the purchase card program that agencies / organizations may choose to order / utilize for added program functionality either at the A/OPC level or the cardholder level.

Tier 2 products and services also typically come at a cost to your agency / organization when utilized. And your Level 1 A/OPCs and/or your agency program coordinators, working with your Contracting Offices, are in the process of or have recently completed the procurement of your GSA SmartPay® 3 task orders, under which these services may have been ordered and the fees to your agency / organization established. If you have questions about what products or services were included in your agency’s task order, contact your agency / organization Level 1 A/OPC or program coordinators. Definitions of Tier 2 products and services can be found in Sections C.1 and/or C.3.1.2 of the GSA SmartPay® 3 master contract or agency / organization task order.
WHAT IS A MICRO-PURCHASE (FAR Subparts 2.101 and 13.201(b))

The Federal Acquisition Regulation (FAR) Subpart 13.201(b) states, “The Governmentwide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see [FAR] 2.101).” Easy enough, right? That simple guidance gets a little more complicated when we break it apart. What falls under a “micro-purchase”? Does that mean I can buy anything under a certain dollar value from anywhere I want?

Let’s start with what is a “micro-purchase”. A micro-purchase is defined by FAR Subpart 2.101 as an acquisition of supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold, or MPT. As we will see in our next slide, however, we have had some variation in this over the years.
If you've been following the changes to the MPT in FAR Subpart 2.101 and in other legislation like the Fiscal Year (FY) 2017 and FY2018 National Defense Authorization Acts (NDAA), you know that this threshold has changed a lot over the past three to four FYs. Going back to the beginning, the Federal Acquisition Streamlining Act (or FASA) established the category of “micro-purchases” in FAR and the initial $2,500 micro-purchase threshold (MPT). Six years later, in FY2010, the MPT was raised from $2,500 to $3,000 and again five years later in FY2015 the MPT was raised $3,000 to $3,500. These increases were as part of the FAR Council’s review of all acquisition thresholds done every 5 years to consider adjustments for inflation.

In the FY2017 NDAA two short years after the increase to $3,500, DoD only received an increase to their MPT. The DoD has/had two MPTs -- $5,000 for those purchases funded with DoD appropriations and $10,000 for DoD Basic Research Programs and DoD Science and Technology Reinvention Laboratories, and Institution of Higher Education or related / affiliated nonprofit entities or nonprofit research organizations / independent research institutions covered under 31 USC 6303-6305. This change in the
DoD MPTs have been implemented through a series of memos and class deviations, with the most recent being FAR Class Deviation 2018-O0013 effective 4/13/2018 which rescinds previous guidance on the subject.

The FY2018 NDAA Section 806 included an increase of the MPT for civilian agencies from $3,500 to $10,000. As a result, in February of 2018 many Senior Procurement Executives at the civilian agencies started issuing their own FAR class deviations to implement the higher MPT as they wait for the FAR Council to issue the eventual update to FAR Subpart 2.101. As of May 7, 2018, 13 civilian agencies have issued MPT Deviations to the FAR.

<table>
<thead>
<tr>
<th>Energy</th>
<th>Education</th>
<th>Executive Office of the President</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCC</td>
<td>GSA</td>
<td>Millennium Challenge Corp</td>
</tr>
<tr>
<td>NASA</td>
<td>NSF</td>
<td>Pension Benefit Guaranty</td>
</tr>
<tr>
<td>Peace Corps</td>
<td>State</td>
<td>Treasury</td>
</tr>
<tr>
<td>USDA</td>
<td>VA</td>
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</tbody>
</table>

Each agency will implement the increased MPT differently. For your agency, check with your procurement office, head of the contracting activity, or senior procurement executive for the appropriate implementation guidance for your agency.

The FY2019 NDAA Section 822 as proposed by the House and Section 813 as proposed by the Senate, raise(d) the DoD threshold again to $10,000, on par with the FY2018 NDAA raise for civilian agencies. The [yet to be published] Proposed Rule 2018-004 would make this change permanent for all agencies and also [currently] states that the value of convenience checks are limited to ½ the current MPT (or to the account holder’s single transaction limit, if set at less than ½ the MPT).

However as with any increase, there is need for additional information at the agency level before implementation. The new MPTs are subject to agency implementing guidance. Also use of the purchase card at increased MPTs does not negate compliance with procurement laws and still requires that compliance with several statutory exemptions to the MPTs shown on this slide, depending on the purchase.
MPT EXCEPTION FOR CONSTRUCTION

“Construction” is defined by FAR Subpart 2.101 as construction, alteration, or repair of buildings, structures, or other real property and includes improvements of all types. Examples of construction includes building a structure, repairing a hole in a parking lot or street, replacing a leaking roof or window, etc. Also, some tasks which appear to be services are actually construction, depending on the volume or work being performed.

The micro-purchase threshold for construction is $2,000 and is set by 40 USC 31 subchapter IV, Wage Rate Requirements (Construction) – formerly known as the Davis-Bacon Act. Over the $2,000 threshold several other acts kick in which require specific contract clauses, terms, and conditions such as the Construction Wage Rate Requirements statute, Contract Work Hours and Safety Standards statute, and the Copeland (Anti-Kickback) Act, to name a few.

Any construction activities totaling over $2,000 in aggregate costs must be referred to your procurement office for purchase.

<table>
<thead>
<tr>
<th>MPT Exception for Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction, alteration, or repair buildings, structures, or other real property</td>
</tr>
</tbody>
</table>

MPT = $2,000

- Altering, remodeling, installation on site of items fabricated off-site;
- Dredging;
- Painting and decorating (at time of construction or as an alteration or repair);
- Manufacturing or furnishing materials, supplies, or equipment on a work site;
- Transportation of materials to the work site or portions of the building or work between a secondary site.
MPT EXCEPTION FOR SERVICES

FAR Subpart 37.101 defines “services” as directly engaging the time / effort of a contractor whose primary purpose is to perform a task rather than furnish a supply item. A service contract may be either a nonpersonal or personal contract. It can also cover services performed by either professional or nonprofessional personnel whether on an individual or organizational basis. This table shows the differences between the types of services.

Examples of nonpersonal services include repair, servicing equipment, packing / crating / storage, advisory and assistance services, custodial / janitorial / housekeeping, food service, laundry / linen-supply, snow / trash / garbage removal, aerial spraying and aerial reconnaissance for fire detection, operation and/or maintenance of facilities, landscaping, drafting / graphic arts, communications, transportation, training, data collection / processing / analysis, etc.

The micro-purchase threshold for nonpersonal service is $2,500 and is set by statute (Service Contract Labor Standards). Over the $2,500 MPT for these services...
Examples of nonpersonal professional services are where a preponderance of the work is performed by a profession recognized as such based on a prolonged course of study. Professional services include architect-engineering services, chemists, biologists, accountants, lawyers, medical / dental, actuarial computation, and physics, and instructors of the same.

A word of caution about services. The purchase of services should be for completion of an identifiable task. However “personal services” are where the purchase of services that creates an employer / employee relationship between the Government either through the terms of the agreement or the manner of performance. If the Government will exercise supervision and control over the person(s) performing the work, the work is a “personal service”. Personal services contracts are illegal because they circumvent civil service hiring laws, unless authorized specifically by statute. (Reference: FAR 37.104) So what are a couple of examples to illustrate this?

- Personal services (prohibited) would be purchasing the services of Joe Smith to assist the Director with daily assignments given as needed. The Director would assign work to Joe and review Joe’s work as it was completed. This structure creates an employer-employee relationship between the Government Director and Joe Smith with the Director supervising the Contractor. This is prohibited.

- Non-personal services (allowable) would be hiring company ABC & Associates to provide an administrative services complete a list of weekly tasks / duties outlined in a firm statement of work. Work tasks would be assigned, managed, and reviewed by a Contractor Supervisor prior to submission to the Government’s Contracting Officer’s Representative for acceptance. This structure allows the contractor to supervise their own staff and determine the use of appropriate resources to complete the required list of tasks each week. Direct supervision of the work or contractor personnel is not performed by the Government.
MPT EXCEPTION FOR CONTINGENCY OPERATIONS

In FY1998, the Stafford Act increased the MPT for use under contingency operations. There are two slightly different definitions of “contingency operations” for civilian versus military agencies. For civilian agencies, contingency operations include the acquisition of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack. The DoD definition adds defense against or recovery from cyber attacks, international disaster assistance (22 U.S.C. 2292), and emergency or major disaster (42 U.S.C 5122), except for construction subject to Wage Rate Requirements (Construction).

The micro-purchase threshold for both civilian and military agencies is —

- $20,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and
- $30,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States.

Purchases using this authority must have a clear and direct relationship to
the support of a contingency operation. Typically the Head of the Agency, or their delegated authority such as a Senior Procurement Executive, will define the contingency operation in writing and provide parameters for the use of the purchase card. (Examples: Hurricanes Katrina, Sandy, and most recently Harvey.)

Under the Proposed Rule 2017-009 published 6/26/2018 (open for comment until 8/27/2018), the DoD class deviation mentioned here would implement the DoD Deviation additions you see here at the bottom of the slide as part of the FAR and make them applicable to all agencies.
**PROCUREMENT VS PAYMENT MECHANISM (FAR 13.301)**

The purchase card can be used in three ways, depending on the value of the transaction and the authority of the cardholder.

1. **Procurement Mechanism** = the card is used as the procurement tool to acquire and pay for goods and services by means other than use of an existing contract. (i.e., Open Market)
2. **Ordering Mechanism** = the card is used to order goods and services under an existing contract only if authorized in the contract itself.
3. **Payment Mechanism** = the card is used only to pay for goods and services acquired by other means.

<table>
<thead>
<tr>
<th>Procurement Mechanism</th>
<th>Ordering Mechanism</th>
<th>Payment Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire and pay for goods and services by means other than use of an existing contract. (i.e., Open Market)</td>
<td>Order goods and services under an existing contract only if authorized in the contract itself.</td>
<td>Pay for goods and services acquired by other means, when the Contractor agrees to accept contract payment(s) using the card.</td>
</tr>
</tbody>
</table>
 PROCUREMENT VS PAYMENT MECHANISM (FAR Subpart 13.301) (CONTINUED )

At or below the micro-purchase thresholds for supplies, services, and construction we previously discussed, cardholders may use their cards as procurement, ordering, and payment mechanisms within their single and monthly transaction limits.

For those actions valued over the micro-purchase thresholds for supplies, services, and construction, only cardholders who are also warranted Contracting Officers (COs) or appointed as Ordering Officers may use their card under applicable laws and policies to –

- Place task or delivery orders against existing contracts if use of the purchase card as a purchase mechanism is authorized in the basic contract terms and conditions (ORDERING MECHANISM); and
- Make payments on purchase orders, task/delivery orders or contracts where the card is accepted as a form of payment (PAYMENT MECHANISM).

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### Procurement vs Payment Mechanism

<table>
<thead>
<tr>
<th>MPT</th>
<th>Who</th>
<th>Procure</th>
<th>Order</th>
<th>Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; or = MPT</td>
<td>All Cardholders</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>&gt; MPT</td>
<td>Cardholder who is also a Contracting Officer or Ordering Officer (for orders) or Payment Official (for payments)</td>
<td>No ¹</td>
<td>Yes ² &amp; ³</td>
<td>Yes ⁴</td>
</tr>
</tbody>
</table>

¹ Transactions over the micro-purchase threshold must comply with applicable Federal procurement laws, regulations, and agency policies (i.e., public notification, competition, selection, etc.).

² Both the cardholder limit AND the Contracting Officer / Ordering Officer authority (warrant) limit applies to the transaction. (EX: Warrant is Unlimited but single transaction limit is $250,000, orders cannot exceed $250,000.)

³ Certification of funds availability is required prior to making the purchase.

⁴ Exceptions for cards used solely for contract payments.
Please remember that both the Contracting Officer / Ordering Officer authority limits and cardholder limits apply. For example, if a Contracting Officer holds a $10M warrant but only has a $250K single transaction limit, they are still held to the lower cardholder limits.

COs must comply with all federal procurement laws and agency regulations and policies when using the card. Cardholders who are also COs or Ordering Officers are not exempt for normal procurement processes simply because they hold the purchase card. This includes the need to issue a formal written purchase order / contract, requirements for publicizing purchases, acquisition planning, etc.

PAYMENT OFFICIALS: Some agencies have individuals that hold “payment cards” for the sole purpose of making payments under established contracts. The dollar values for those persons should be delegated by the Contracting Office or Chief Financial Officer and the limits for those cardholders may be higher than the typical card holder, in accordance with agency policies.
REQUIRED SOURCES (FAR SUBPART 8.002(A)(1)&(2))

When trying to determine a source for the purchase, many considerations must be made. The first of these considerations is the availability of supplies or services from mandatory sources. Federal Acquisition Regulation (FAR) Subpart 8.002(a)(1)&(2) outlines mandatory sources for supplies and services in their descending order of priority – which are listed here on the table.

**SUPPLIES:**
For example, you are asked to purchase an executive desk chair. What steps do you take to determine from which source you should purchase the chair?

1. First look the existing inventory of the agency to see if there is a chair that can meet your needs.

2. If there is not a chair available within the agency, then look to excess inventories of other agencies for a suitable chair to meet your needs.
(3) If a chair meeting your needs is not found through the use of excess inventories, then look to UNICOR to meet your needs.

(4) If UNICOR cannot meet your needs or delivery requirements, then check the Government’s Procurement List managed by AbilityOne for products from participating non-profit agencies.

(5) If a chair meeting your needs cannot be found through an AbilityOne participating non-profit agencies, then look to purchase from wholesale supply sources such as GSA, DLA, or VA stock programs.

(6) You may purchase from a commercial source only after consideration has been made to the previous sources.

SERVICES:
Similar steps are taken for services – see the right-hand column of the table.

There are a few exceptions to the consideration of mandatory sources of supply and services for things like utility services, printing and/or printing supplies, leasing vehicles, strategic and critical materials (e.g., metals and ores) from inventories exceeding Defense National Stockpile requirements, and helium. Exceptions can be found in FAR Subpart 8.003 for additional guidance.

To access the Procurement List for the latest on items / services that must be procured through mandatory sources, see the link here to the abilityone.gov sight.
Recurring Payments

**General Rule:** If the aggregate total of the payments over a 12-month period (or less if the contract duration is shorter) does not exceed the single transaction limit of the cardholder, the purchase card may be used.

**Check Your Knowledge:**
Alice P. Cardholder at GSA has a single transaction limit of $10,000. Alice is asked to make fifteen (15) equal monthly payments totaling $12,000 on an order. Can Alice make the recurring payments using her purchase card?

YES!
$12,000 / 15 = $800
$800 x 12 = $9,600
$9,600 < $10,000

RECURRING PAYMENTS

The general rule of thumb is that when you have recurring payments you may use the purchase card to make those payments if the aggregate total of the payments over a 12-month period (or less if the contract duration is shorter) does not exceed the single transaction limit of the cardholder. Again, Payment Officials who are delegated higher authority for payment purposes will be subject to the policies of the agency in that case.

Let’s discuss an example. Alice P. Cardholder at GSA has a single transaction limit of $10,000. Alice is asked to make fifteen (15) equal months payments totaling $12,000 on an order.

Can Alice make the recurring payments using her purchase card? YES. Dividing $12,000 by 15 months we get a monthly payment amount of $800. Taking $800 x 12 months = $9,600, less than Alice’s single transaction limit of $10,000. Alice can make the payments with her purchase card.

Do not split payments to a single vendor between cardholders to circumvent the 12-month recurring payments guidelines.
LONG-TERM RENTALS OR LEASE OF LAND OR BUILDINGS (GSA SMARTPAY® 3 MASTER CONTRACT, SECTION C.8.14.1)

The Contractor shall have a mechanism to further restrict the use of a Purchase account for the purchase or acquisition of long-term rentals or lease of land or buildings. Long-term is defined as any rental agreement or lease that extends beyond a 12-month period and is intended for more than a temporary basis.

In the case of long-term rentals or lease of land or buildings, the Purchase account may only be used as a payment mechanism, within accountholder authorized purchase limits and after consideration of agency/organization-specific policy.

Purchase accounts may, however, be used as a purchase and payment mechanism in the case of short-term rentals or leases (defined as those rentals/leases with a duration less than 12 months) within accountholder authorized purchase limits and after consideration of agency/organization-specific policy.
Examples of appropriate uses of a Purchase account for rental agreements or lease of land or buildings include:

- Purchase and/or payment of a conference facility to house a five-day conference or meeting (where a Travel CBA would not be appropriate);
- Purchase and/or payment of office space to house an agency/organization for three months in case of an emergency, such as responding to a natural disaster or act of terrorism;
- Purchase and/or payment of a temporary storage unit where a unit is deployed and requires short-term storage and staging space for equipment for the duration of a month-long training exercise; and
- Payment under a contract made through the local Contracting Office for a long-term lease, whereby payment of the monthly invoice is authorized via a Government Purchase Card.
WHAT IS A SPLIT PURCHASE?

Splitting purchases is a prohibited practice with the card. What is considered “splitting a purchase”?

Splitting a purchase is breaking a single transaction down to two or more smaller transactions to circumvent the cardholder’s single transaction limit or to stay under the MPT.

Cardholders and approving official that participate in split purchases may have their cards revoked and face disciplinary action.

The slide outlines an example of a split purchase. DoD employee, Peggy C. Cardholder, has a single transaction limit of $5,000. She needs to purchase a flat-bed trailer for a strategic customer with delivery required within 48 hours. The total cost is $12,000. Peggy calls vendor, Trailers-R-Us. They have one trailer in stock and can deliver tomorrow. Peggy is crunched for time so she asks the vendor to charge her card for no more than $5,000 as many times as it takes to complete the purchase. What should Peggy C. Cardholder have done instead?
This scenario is a real-life example of the purchase of a trailer. When the customer’s budget analyst saw multiple funding requests for the same amount of money on the same day using the same funding code, she got suspicious and notified her supervisor. The CFO for the customer contacted the legal department who in turn contacted the Criminal Investigations Division (CID). CID questioned the cardholder (the Project Manager servicing this customer), the Approving Official, the head of the Contracting Office, the Budget Analyst, and Requestor (Customer) and found that the Requestor was trying to spend one-year money in September without going through their assigned contracting office, which at that time was not accepting new orders for end of fiscal year processing. The Project Manager (cardholder) stated she was trying to do the right thing and help her strategic customer. The Project Manager ended up suspended for 14 days for improper use of the card and the Requestor (Customer) was reprimanded for their involvement by submitting separate budget requests.
TAX EXEMPTION AND SURCHARGES (GSA SMARTPAY® BULLETINS 17 AND 20):

TAXES:
States have the sovereign right to assess taxes on the purchase of goods and services, but do not have the authority to assess taxes for purchases made directly by the Federal Government, or any agent or instrumentality of the Federal Government. Cardholders are considered “agents” and the cards are a form of “instrumentality” similar to a contract or purchase order wherein the Government is billed directly. In the case where the Federal Government is directly responsible for payment, then States cannot assess taxes. Merchants and vendors act as the tax collection point and as such, determine when to assess tax and when not to. However, given this information, **GSA does not have the authority to mandate tax exemption status for Federal Government transactions.**

All Purchase Card accounts fall into the category of Centrally Billed Accounts (CBAs) for which the customer agency/organization is directly billed and liable for making the payment. As such, transactions under the purchase card are exempt from sales taxes in all 50 states and U.S. territories. However, 13 states still required a form be completed for such an exemption.
Those states are listed on this slide. Vendors are expected to collect tax in accordance with established State tax laws and regulations. However, laws may change very suddenly and merchants and vendors rely on point of sale employees, who may not have updated information. Merchants and vendors may choose to err on the side of caution and assess taxes even for CBA cards (reclamation option available to agencies). When a merchant is in doubt, cardholders are encouraged to ask merchants to contact the applicable State taxation authority for clarification prior to completing the purchase.

While sales tax is exempt in every state and U.S. territories, some states have other taxes which the government is subject to pay:

- New Mexico imposes a gross receipts tax rather than a sales tax. The Federal Government is only exempt from specific types of transactions in New Mexico. For example, centrally billed cards are not subject to gross receipts taxes on tangible property but may be for other types of purchases.
- Hawaii has a General Excise Tax (GET) which is levied on businesses selling tangible personal property or services, not at the point of sale. Businesses can pass this tax to their customers even though the tax is imposed on the vendors. Hawaii used to exempt the Federal Government from these taxes however, this exemption was suspended in 2011 and eliminated completely in 2013.
- Illinois also levies taxes on merchants / vendors which can be passed on to the cardholder as an indirect tax.
- Arizona levies taxes on merchants, not on consumers directly. The Arizona Transaction Privilege Tax ruling states that Federal Government transactions are subject to tax including utilities and prime contracts.

Purchases through Amazon.com are automatically subject to tax in 21 states, regardless of the form of payment. However, the government is eligible for exemption in those states through the Amazon Tax Exemption Program (ATEP). To receive tax exemption from Amazon.com the cardholder must complete an enrollment process which includes uploading appropriate state tax exemption forms from the SmartPay SmartTax site and accepting terms and conditions.

SURCHARGE:
Surcharges may be assessed on purchases, depending on the vendor. A Surcharge is a fee added to the cost of purchase assessed by the retailer to compensate the retailer of the customer’s use of a charge / credit card. Not all vendors will impose a surcharge. Several states to not allow or limit surcharges and VISA and Mastercard have strict guidelines for the assessment of surcharges. Generally the surcharge is capped at 4% of the total transaction amount but some states have additional guidelines.
For a comprehensive list of tax information and to view the SP Bulletins, see the smartpay.gsa.gov
THIRD PARTY PAYMENT PROCESSORS (GSA SMARTPAY® BULLETIN 23)

Smart Bulletin 23 covers use of third party payment processors when making purchases with the purchase card. Third party payment processors are non-bank entities that provide payment processing services to merchant. These merchant transactions primarily included credit card payments, but also covered Automated Clearing House (ACH) debits and creating and depositing remotely created checks (RCCs) or “demand drafts.” This includes entities like Amazon Pay, Apple Pay, PayPal, Flagship, iPayment, Square, and Samsung Pay, among others.

At the time third party payment processors first started popping up on the internet in 2012, the Financial Crimes Enforcement Network (FinCEN) at the Department of Treasury issued an advisory bulletin regarding use of these processors meant to protect the U.S. financial system from money laundering and terrorist financing. At the time, FinCEN suggested that alternate payment methods should be considered. GSA also issued Smart Bulletin 23 in early 2015 as use of third party payment processors progressed. Since 2012 and 2015, the industry in this area has exploded. Now it is not uncommon for merchants, particularly smaller merchants, to
utilize third party payment processors for their banking and payments / receipts processing. For many merchants, third party payment processors are quickly becoming their only method of conducting the financial portion of their business and third party payment processors are now widely used.

Although there are no existing government-wide policies or procedures outlining the use of third party payment processors, several agencies have developed internal policies related to this issue. These policies range from the complete restriction of third party payment processors to less restrictive policies which allow for transactions to be made when a workaround cannot be identified. GSA will soon release a revision of Smart Bulletin 23 recommending that agencies consider the use of third party payment processors / tools so long as the transaction is not with an unknown or unusual merchant.

Even with this revision, cardholders should not establish accounts or agree to commercial terms and conditions of third party payment processors without consent from their legal counsel or other proper authority. Consideration regarding account verification limits, disputes processes, and lack of level II and level III transactional data should also be considered when deciding to use third party payment processors. Lastly, merchant names are often truncated by the third party payment processor making reporting, reconciliation, and oversight more difficult as part of management of the card program.
Federal Procurement Data System (FPDS) Reporting

GSA SmartPay® Smart Bulletin 26 and FAR Subpart 4.606

Agencies must report all contract actions over the MPT awarded under an Indefinite Delivery Vehicle (IDV), including all calls and orders.

GSA CCCM reports purchase card data to FPDS rolled up to the agency level outside of the regular FPDS database. There is no duplicate reporting.

When agencies need to track IDV utilization via FPDS –

✔ Use Individual FPDS Contract Action Reports (CARs) per FAR 4.606 to report each action over the MPT.
✔ Use FPDS Express Reports to combine data for all actions at or below the MPT by vendor per FAR 4.606(a)(3). FPDS Express Reports, when used, must be done at least monthly.

FEDERAL PROCUREMENT DATA SYSTEM (FPDS) REPORTING (GSA SMARTPAY® SMART BULLETIN 26)

Government Accountability Office (GAO) report indicates that FPDS does not include data from intelligence agencies, the U.S. Postal Service, judicial branch and most of the legislative branch. If you are required to report to FPDS, the Federal Acquisition Regulation (FAR) Subpart 4.606(a)(1)(iii) states that, as a minimum, agencies must report all contract actions over the micro-purchase threshold awarded under an IDV, to include all calls and orders. Examples of IDVs include Task and Delivery Order Contracts (Government-wide Acquisition Contracts (GWACs) and Multi-agency contracts), GSA Federal Supply Schedules, Blanket Purchase Agreements (BPAs), and Basic Ordering Agreements (BOAs). Given that the GSA Center for Charge Card Management (CCCM) also reports purchase card data to FPDS, questions have been received as to whether or not agencies / organizations should report orders under IDVs when the order falls at or below the micro-purchase threshold and the order was placed using the purchase card. There have been concerns that, should an agency submit a direct report to FPDS for such an order, it could result in duplicative FPDS data reporting. The question has also been asked if coding Data Element 6N, Purchase Card as Payment Method, with “yes” would alleviate concerns of duplicate reports. This bulletin addresses these concerns.
GSA CCCM provides purchase card data to FPDS as part of its responsibilities under the Government card program under FAR Subpart 4.606(a)(2). The data CCCM reports to FPDS is housed outside of the regular database and is not co-mingled with data submitted by agencies / organizations; removing any concerns regarding duplicative reporting. CCCM reports only agency level data, such as the total numbers of transactions and total dollars. CCCM data does not associate orders placed using the purchase card to specific IDVs. If an agency / organization require that FPDS contain that data for the purposes of tracking and monitoring IDV-specific utilization, agencies / organizations must report such orders to FPDS directly.

Agencies / Organizations have the option to consolidate FPDS reporting for orders at or below the micro-purchase threshold placed with the purchase card that would otherwise be administratively burdensome to report separately. The FPDS Express Reports can be used for this purpose, as outlined in FAR Subpart 4.606(a)(3). For example, an agency / organization may have a single IDV where 50% of the orders for the month were placed with the purchase card and fall at or below the micro-purchase threshold. In this situation, the agency / organization would report all orders over the micropurchase threshold via separate Contract Action Reports (CARs) as required by FAR 4.606, but could also choose to combine all orders that fall at or below the micropurchase threshold under a single IDV-specific FPDS Express Report for the purposes of tracking total IDV-specific utilization. When FPDS Express Reports are used they should be submitted at least monthly.

When either FPDS CARs or Express Reports are utilized, Data Element 6N (Purchase Card as Payment Method) should be coded “yes” when the purchase card was or will be used to pay the contractor for the order(s) being reported. Data Element 6N provides an indication that the action was backed by a contract vehicle / document where paperless methods of invoicing and payment were used and is only used for the purposes of sustainability reporting.
RECORDKEEPING REQUIREMENTS (GSA SMARTPAY® SMART BULLETINS 25 and 28)

A/OPCs should become familiar with the following references related to record retention and their purchase card program.

- FAR Subpart 4.703

- Office of Management and Budget (OMB) Circular A-123, Appendix B, Improving the Management of Government Charge Cards (as revised)

- National Archives and Records Administration (NARA), General Records Schedule (GRS), Transmittal 23 (Sep 2014) -- GRS 1.1, Financial Management and Reporting Records

- GAO Audit Report #GAO-17-276, Purchase Cards: Little Evidence of Potential Fraud Found in Purchases, But Documentation Issues Exist (Feb 2017)
• GSA SmartPay® 3 Master Contract, Section C.7.2.4, Record Retention and Retrieval

Records include all transaction-related documentation such as: documentation pertaining to the preapproval to make a purchase card transaction, if and when such pre-approval is required by the cardholder’s agency / organization policy; contractor quotes, invoices, documentation of approval and acceptance, funding information, etc. What, how, and where this information is housed is based on the agency / organization policies.

The GSA SmartPay® 3 Master Contracts, Section C.7.2.4, states –
“In addition to the record retention requirements of FAR Part 4.703 Contractor Records Retention, the Contractor shall serve as the document repository agent for all GSA SmartPay® transactions. The Contractor shall maintain electronic records of all transactions for a period of six (6) years after final contract payment. Final contract payment is defined as the final payment for the particular charge under each agency’s/organization’s task order.”

This section goes on to say –
“Contractors shall provide online access to data (e.g., through the EAS) to GSA and the agency/organization for six (6) years after the occurrence of each transaction. Review/approval and reconciliation data are considered to be parts of the transaction and shall be subject to the same six (6) year record retention requirement. Should an agency/organization decide to use the Contractor’s EAS as their official record keeping system then the agency’s/organization’s data, shall be subject to the same six (6) year record retention requirement from the date of creation. Longer transaction record retention and retrieval requirements than those mentioned above may be necessary and will be specified by an agency/organization in task order level requirements.”
A/OPC: The A/OPC plays a key role in the management and success of the purchase card program at the agency / organization level. These bullets outline the typical roles / responsibilities of the A/OPC but may vary by level, depending on the hierarchies for control / oversight established at your agency. The A/OPC is responsible primarily as the focal point for answering all questions related to the charge card program at the agency / organization level. A/OPCs also have several other responsibilities. They may serve a role in performance oversight of the GSA SmartPay® contractor for your agency’s / organization’s task order and transition to SP3; providing feedback on performance for annual performance evaluations. A/OPCs coordinate the intake of all charge card applications and issuance or destruction of cards. They also suspend and process cancellations of charge card accounts. A/OPCs establish the types of reports and review reports on a regular basis to monitor for misuse, abuse, and fraud. They also arrange for and/or conduct internal training on the use of the card, typically in the form of some sort of routine refresher training for cardholders and approving officials.

APPROVING OFFICIAL: Approving Officials (AO) also play key roles in
preventing fraud, abuse, and misuse. While roles may differ between agencies, some responsibilities that could be included are listed here. AOs such insure approval of all purchases such that they are necessary and for official use. AOs should assist cardholders in the resolution of questionable charges, certify monthly invoices resulting from cardholder transactions, and conduct informal compliance reviews.

ACCOUNT HOLDER: Account Holders are the “first line of defense” when it comes to the proper use of the purchase card account. Account holders have a specific set of responsibilities that should be followed in the execution of the GSA SmartPay® Purchase Card program. Account Holders should:

• Secure their cards and account information (do not share PIN numbers, card numbers, cards, etc);
• Maintain records for all transactions (purchase, acceptance, receipts, correspondence, purchase authorization information, etc.);
• Use the account ethically and only for official government purchases;
• Understand agency policies / procedures for use of the card and the terms of the account holder agreement;
• Immediately report a lost, stolen, or compromised account information;
• Monitor and track expenses and perform timely reconciliation;
• Dispute transaction timely and in accordance with agency and bank policies;

Purchase cards should only be used for expenses that fall with the purchase card solution -- do not use the purchase card for travel or fleet purchases. Examples: Do not use the purchase card to pay for personal travel expenses of someone who left their GSA SmartPay® Travel card at home. Do not use the purchase card to pay for tires for a fleet vehicle.
CATEGORIES OF FRAUD

There are three (3) categories of fraud related to the purchase card usage.

Cardholder Fraud: Fraud committed by the cardholder themselves

Non-Cardholder Fraud: A third party obtains account information and uses that information to make purchases with a counterfeit purchase charge card. Or the card is part of account takeover, or "identity theft". If a card was never received or stolen, a non-cardholder can use the account. Must promptly report unreceived cards or lost / stolen cards.

Merchant Fraud: Involves fraud committed by merchants either with or without the knowledge or consent of the cardholder, such as:
- False charges/transactions. The merchant charges for supplies/services never provided.
- Mischarges. The merchant charges a different amount than the actual transaction. For instance, if a cardholder makes a transaction for $20.00 but the merchant processes the transaction for the amount of $200.00.
• Bribes and gratuities. The merchant offers bribes or gratuities to the cardholder to engage in fraudulent activity.

Approving Officials and A/OPCs can also be found guilty of fraud if they participate in any of these activities with the cardholder and/or the merchants.
WHAT WOULD YOU DO?

As the A/OPC, you have the responsibility to report any suspected or actual fraud to the appropriate authorities in Government.

In this scenario, Jack P. Cardholder uses his GSA SmartPay® Purchase Card to make an official purchase of $1,000 for vendor E-Z-Gates to fix the back fence at the Government compound. A few days later Jack brags to co-workers his brother, who owns E-Z-Gates, did a great job fixing the fence. Jack points to new picnic tables on the grounds and says he purchased those from E-Z-Gates too. One of Jack’s co-workers brings this information to your attention. What should you do?

- Collect information – Ask to see any records related to the purchases.
- Report to the Proper Agency Official – Lower level A/OPCs may be required to report up and/or internally any suspected instances of misuse, abuse, or fraud.
- Contact the Agency Inspector General (IG) – If fraud is suspected, an
A/OPC can file a complaint with his/her agency’s Inspector General (IG). Inquiries that are informal administrative investigations are normally completed within 180 days, however time can vary depending on the complexity or amount of additional information needed to complete the investigation. This is a must. Do not conduct your own investigation. Collect information and turn it over to the IG.

- **Suspend / Deactivate Account** – You may have cause to suspend the account during the investigative period and, depending on the findings, deactivate or close the account permanently. This is especially important if you suspect third-party involvement in the misuse, abuse, or fraud.

- **Refresher Training** – If the severity of the findings is such that the account holder retains their purchase card privileges, consider requiring refresher training for the cardholder and possibly the Approving Official to ensure the rules for use of the card are understood.

- **Notify the Approving Official / Supervisor** – Again, depending on the outcome of the findings, contact the cardholder’s Approving Official and supervisor.

- **Notify Human Resources** – Misuse, abuse, and fraudulent use of the purchase card carries consequences for the employee ranging from counseling to termination. The A/OPC should contact Human Resources with details of the investigative findings so they can work with the supervisor or levy any discipline necessary in accordance with agency disciplinary policies.

Human nature is to jump to the worst conclusion. However, is there a possibility this situation is okay? This is a real life example of a purchase made at a small lake that an agency ran. The closest town was over 30 miles away and the only bonded contractor in the nearest town was the cousin of the purchase card holder. In this case, the cardholder had quotes from other vendors from other locations that were higher than his brother. For the fence, he also had direction from security that the fence needed to be fixed ASAP to secure the compound. Was this the best way to get this purchase made? Maybe not. Were all the approvals necessary in place to include approval from the Approving Official? Could another process be put in place should Jack’s brother be the only person who can do the work? Look at all the angles and give your cardholder the benefit of the doubt until you have the facts and work with them to create processes that prevent these types of issues from the start.
Preventative Measures
GSA SmartPay® Smart Bulletin 21

<table>
<thead>
<tr>
<th>Program Evaluations</th>
<th>Reports (C.7.3.1)</th>
<th>Internal Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Account Activity</td>
<td>Authorization Controls</td>
</tr>
<tr>
<td>Convenience Check</td>
<td>Declined Transactions</td>
<td>Card Limits</td>
</tr>
<tr>
<td>Spend Reviews</td>
<td>Disputes</td>
<td>Delegation of Authority</td>
</tr>
<tr>
<td>Procurement /</td>
<td>Fraud Analytics Lost / Stolen / Invalid Cards</td>
<td>Merchant Code Blocks</td>
</tr>
<tr>
<td>Purchase Management Reviews</td>
<td>Unusual Spending Activity</td>
<td>Random Record Checks</td>
</tr>
<tr>
<td>Records Retention</td>
<td>Ad Hoc</td>
<td>Separation of Duties</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td>Regular Recurring Refresher Training</td>
</tr>
</tbody>
</table>

See OMB Circular A-123 Appendix B and OMB Memo M-13-21

PREVENTATIVE MEASURES (GSA SMARTPAY® SMART BULLETIN 21)

There are several steps that can be taken in the management of the purchase card program to mitigate potential misuse and fraud through the establishment of preventative measures. A few such measures are:

• Program Evaluations – A/OPCs should perform an evaluation of local operating procedures of the use of the cards against agency policies and rules for use of cards. Usually this is done as part of the annual Internal Management Controls reviews at most agencies. A/OPCs should ensure that cardholders and approving officials are operating within the bounds of these policies and rules in the areas of: compliance with not only agency policies for use of the card but other related regulations and policies such as those governing procurement, training requirements (including initial and refresher training), delegations of authority, integrity of the purchase process, receipt and acceptance procedures, and records retention.
BEST PRACTICE: Use a standardized form to provide additional info to A/OPCs on questionable transactions.

• Separation of Duties – Making sure that the duties of cardholders, Approving Officials, and A/OPCs do not overlap. BEST PRACTICE:
When appointing A/OPCs or AOs, consider factors such as grade level, position, training, span of control, etc.

- Random Record Reviews – AOs and Cardholders should be able to provide documentation of purchases such as written authorizations, receipts, invoices, etc., upon request, even at random intervals. The Guide for Management of Purchase Card use contains a checklist to highlight indicators that may point to cardholder fraud.

- Reports – There are a variety of reports that can be used to review transaction history. The Guide for Management of the Purchase Card talks to each of these reports in detail and how they can be used to determine if transactions are being made with suspicious merchants, unusually high spending patterns, purchases that exceed authorizations, merchants that fall within blocked Merchant Category Codes (MCCs), etc. BEST PRACTICE: Place ad-hoc reports in a shared folder for all A/OPCs to access them. Helps develop consistent use of data across the agency / organization.

- Credit Limits – Limits can be set to restrict single-purchase and daily/weekly/monthly expenditures by cardholders. The A/OPC, IAW agency policies, sets credit limits which best fit the agency’s needs. Realistic but not excessive limits will deter misuse without jeopardizing mission needs. Remember, you can always raise limits at any time in response to emergency or unforeseen surge situations.

See OMB Circular A-123 Appendix B and the OMB Memo M-13-21 which provided supplemental guidance to the circular in the areas of required safeguards, internal controls, risk assessments, and audits. These items are all outlined in the GSA SmartPay® Smart Bulletin 21.
GSA SMARTPAY® ONLINE TRAINING

The Center for Charge Card Management (CCCM) offers free online purchase card training for cardholders and A/OPCs at the website shown on this slide. Cardholders can set up a profile, register, and manage online training courses and certificates from this site.
RESOURCES FOR PROGRAM COORDINATORS

While you are here, check out some of the other great sessions we offer on other GSA SmartPay® topics and program areas. And check out our website at smartpay.gsa.gov where you can found guides, handouts, and materials for use at your agency. Just click on “Resources” and “For Program Coordinators” for a the information we presented here today and much more.
LEARNING OBJECTIVES COMPLETED

We have I hope you found we met all our learning objectives for today.
QUESTIONS