



General Services Administration

February 10, 2015

## **GSA SMARTPAY SMART BULLETIN**

**U.S. GENERAL SERVICES ADMINISTRATION  
FEDERAL ACQUISITION SERVICE  
SMART BULLETIN NO. 023**

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### **GSA SmartPay2–Third Party Payment Processors**

**EFFECTIVE DATE: From Issuance until superseded.**

**BUSINESS LINE(S) AFFECTED:**

Purchase and Integrated (purchase)

**INTRODUCTION:**

The Office of Charge Card Management (OCCM) frequently receives inquiries from customer agencies on the use of third party payment processors. Third Party Payment processors (e.g., PayPal, iBill, etc.) offer e-commerce/internet payment solutions for commercial transactions. The processors own merchant accounts that allow them to accept and process charge card orders on behalf of other companies. Many vendors choose to utilize third party payment processors in order to accept online payments without having to establish a merchant account through a bank. Some vendors find that this is a more cost effective option, especially if they do not process enough transactions to establish their own merchant account to accept charge cards. Vendors pay third party processors a transaction fee for these services rather than processing transactions through a merchant bank.

Internet transactions that are made using third party payment platforms are considered to be high-risk transactions (see [http://www.fincen.gov/statutes\\_regs/guidance/pdf/FIN-2012-A010.pdf](http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2012-A010.pdf)) and alternative methods of payment should always be considered. Although there are not any 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.

## **ISSUES:**

When deciding whether to restrict or allow cardholders to use third party payment platforms, it's important to take into consideration the following issues:

### **1) Account Establishment Requirement**

In some instances, the cardholder may be required to establish an account in order to make a purchase through a third party payment processor. The individual may be asked to provide detailed information and also to agree to commercial terms and conditions provided by the processor. Cardholders are prohibited to establish accounts and agree to commercial terms and conditions without consent from their legal counsel. Cardholders that agree to commercial terms and conditions without the proper authority or approval may be in violation of the Anti-Deficiency Act.

### **2) Account Verification Limits**

In many instances, third party payment processors require account verification after a certain dollar threshold has been reached during an established period of time (e.g. one month, one year). These limits vary depending on the merchant and the type of products being purchased. For example, a cardholder has reached a monthly transactional limit of \$5,000. The third party payment processor will not continue to process payments above that threshold until the cardholder provides the payment processor with a bank account number to verify that the cardholder is the actual owner of the card. This feature is in place to help prevent and detect fraud, however, GSA SmartPay Government charge cards are not linked to commercial or individual bank accounts. Therefore, it is impossible for cardholders to provide this information. This could result in a limitation on cardholders' abilities to make timely purchases.

### **3) Disputes**

The dispute process for third party payment systems differs from those of VISA and MasterCard processes. In a typical dispute process, the issuing bank works with the merchant directly to resolve a disputed transaction. The merchant is directly responsible for dispute resolution and any associated payments. When a third party payment processor has been utilized, however, the processor works with the issuing bank as an intermediary on behalf of the merchant. In some instances, when using a third party payment process the dispute process may differ greatly from that of the issuing bank dispute process. Cardholders should be instructed to read and thoroughly understand the third party payment processors dispute policy prior to making the purchase.

**4) Merchant Name**

When a third party payment system is used to pay a merchant for supplies or service, the merchant name is sometimes “truncated” and includes the payment processor name in the merchant field as well. This may create difficulty and inaccuracy for reporting, reconciliation, and oversight purposes.

**5) Data**

There is often less Level II and Level III transactional data available when utilizing a third party payment processor. The cardholder may only receive the merchant name and dollar amount of the transaction when making a purchase with a third party payment processor.

**ACTION:**

OCCM suggests that each agency/organization develop and issue internal guidance for the use of third party payment systems. This guidance should include criteria for when and why these transactions are authorized as well as the requirement of relevant documentation to demonstrate that other vendors and payment options were considered. Agency/Organization Program Coordinators (A/OPCs) shall ensure that all charge cardholders are educated on agency-specific policy relating to the use of third party payment processors.

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If you have any questions or comments regarding this Smart Bulletin, please contact OCCM at 703-605-2808 or via email at: [gsa\\_smartpay@gsa.gov](mailto:gsa_smartpay@gsa.gov)