



U.S. General Services Administration

# Federal Acquisition Service

## GSA SMARTPAY® TRAVEL CARD PROGRAM

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GSA SmartPay® Program

## Value to the Customer

- Learn about the GSA SmartPay® travel charge card program
- Learn about fraud and misuse of charge cards, indicators, and preventative measures
- Learn and share best practices of charge card program management

## Agenda

- GSA SmartPay® Program Overview
- Travel Charge Card Overview
- Legislation, Regulations, and Oversight
- A/OPC and Cardholder Roles
- Misuse/Abuse and Fraud
- Best Practices for Managing Your Travel Charge Card Program
- Questions and Answers

## Program Overview

- GSA SmartPay®, established in 1998, is the largest government charge card program in the world
- The GSA SmartPay® program enables over 350 Federal agencies, organizations, and Native American tribal governments to obtain charge card products and services through Master Contracts that GSA has currently established with five banks
- Agencies issue task orders against these existing Master Contracts to obtain charge card products and services

## Program Stakeholders

- Agencies/organizations
  - Utilize charge card products and services to support their missions and operations
- GSA Office of Charge Card Management (OCCM)
  - Provide overall program management and advocacy
- Banks (Bank of America, Citibank, JPMorgan Chase, Mellon Bank, and US Bank)
  - Provide charge card products and services through GSA Master Contracts
- Associations (MasterCard and VISA)
  - Partner with the banks to issue the charge cards
- Office of Management and Budget (OMB)
  - Perform oversight of the government-wide charge card program

## Business Lines

- Purchase Cards
  - Utilized to purchase supplies and services in support of agency/organization missions and operations
- Travel Cards
  - Covers travel and travel-related expenses
  - Only GSA SmartPay® customers can access the City Pair Program
- Fleet Cards
  - Utilized to purchase government vehicle fuel and maintenance services
  - Cards are usually issued to vehicles, rather than individuals
- Integrated Cards
  - Offers functionality of two or more of the other business lines

## Charge Card Benefits

- Administrative savings and efficiency, estimated at \$1.8 billion in administrative processing cost avoidance in FY07 for purchase cards alone
- Travel cards provide access to the City Pair Program (also operated by GSA), which saves the government approximately \$2.8 billion/year
  - 72% average discount off comparable commercial fares
- Rebates based on dollar volume and payment performance
- Electronic transaction data, enabling better reporting and ability to detect waste, abuse, and fraud
- Access to merchants offering Point-of-Sale discounts, including Office Depot, Home Depot, etc.
- OCCM provides program-wide representation on regulations and issues impacting the program

## Tax Exemption

- Centrally Billed Government purchases are tax exempt
- Most states do not recognize tax exempt status for Individually Billed Accounts (IBA) accounts
- Each state has different policies and procedures around the tax exemption of purchases made with GSA SmartPay® cards
- The GSA SmartPay® website provides information on each state's requirements; often cardholders will need to print a form to give to the merchant
  - Visit the GSA SmartPay® website and click on “tax information”
  - OCCM is requesting updated information from states for GSA SmartPay® 2; this information will be posted to the website later this year as it becomes available
- Tax recovery plans and processes are an important part of managing your charge card program

## GSA SmartPay® 2

- The current GSA SmartPay® contract expires on November 29, 2008; all charge cards will be cancelled and replaced with new cards no later than this date
- No later than November 30, 2008, agencies/organizations must transition to (and begin processing transactions through) one of the GSA SmartPay® 2 banks:
  - Citibank
  - JPMorgan Chase
  - US Bank
- Agencies/organizations rely on charge card services to support their missions and operations – ensuring a successful transition, without gaps in service, is of utmost importance

## GSA SmartPay® 2 Enhanced Products and Services

- Contactless cards – faster transactions, the card does not leave the hand of the cardholder
- Pre-paid (stored value) cards – capability to load and reload cards with specific dollar values; cards can be issued with required value on short notice
- Cardless accounts – provides established vendor-specific charge accounts without physical cards
- Convenience checks – improved ability to issue and reconcile checks online such as:
  - Electronic transaction records that must include merchant name
  - Online imaging of cleared checks

# GSA SmartPay® 2 Travel Card



Travel

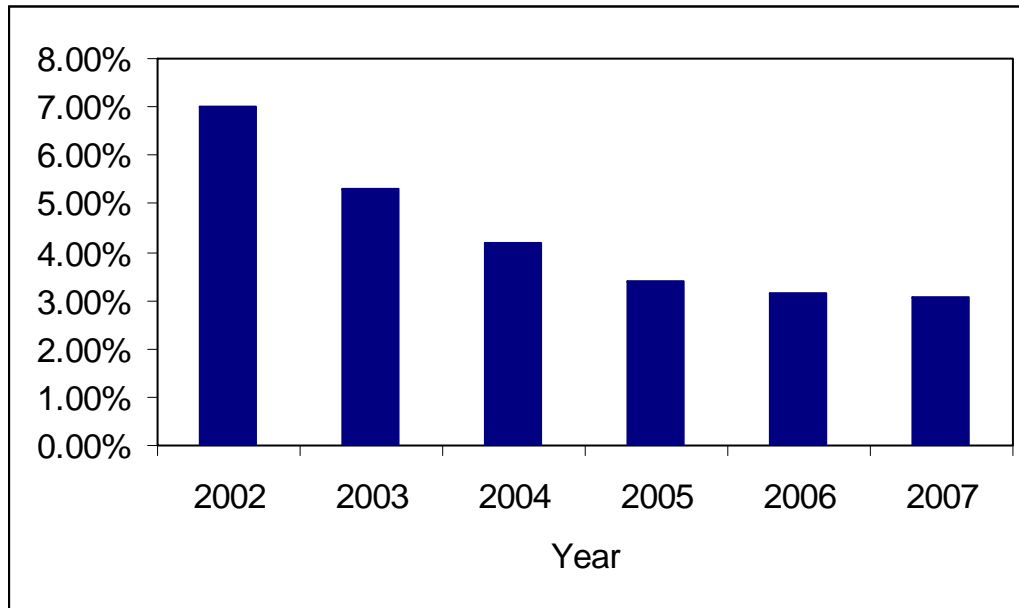
## Travel Charge Card Overview

- The government travel charge card covers official government travel and travel-related costs
- Only the GSA SmartPay® travel charge card allows access to GSA City Pair airfares
- The government saves on travel processing costs and generates revenue through volume refunds
- Two account types:
  - Centrally Billed Accounts (CBA): **Government Liability**
  - Individually Billed Accounts (IBA): **Individual Liability**

## Travel Charge Card Overview

- In FY 2007 travel charge cards:
  - Generated over \$7.2 billion in spend
  - Processed 41 million transactions
  - Were utilized by 2 million cardholders
- Annual spend volume has more than doubled since FY98 (\$3.4 Billion to \$7.2 Billion in FY07)
- Approximately \$4.52 billion in travel savings in FY07 through the City Pair program

## Travel Card Delinquency Rates



- Government IBA delinquency rates have steadily declined since 2002 but are still greater than the private sector
- As a comparison, corporate delinquency rates are typically 2 – 3%

## Public Laws and Regulations for Travel Cards

- Public Law 105-264, Travel and Transportation Reform Act (TTRA) of 1998:
  - Mandates that Federal employees use the government travel charge card for all payments of expenses related to official government travel
    - Exemptions are allowed in accordance with the Federal Travel Regulation (FTR) 41, Code of Federal Regulations (CFR) § 300-304
      - For example, employees who travel five (5) times or less a year are exempt from mandatory use of the government travel charge card— per the discretion of an agency/organization's policy
- Office of Management and Budget (OMB) Circular A-123, Appendix B:
  - Establishes standard minimum requirements and best practices for improving the management of government charge card programs
  - For more information, visit:  
[http://www.whitehouse.gov/omb/circulars/a123/a123\\_appendix\\_b.pdf](http://www.whitehouse.gov/omb/circulars/a123/a123_appendix_b.pdf)

## Public Laws and Regulations for Travel Cards

- Public Law 109-115, Section 846 of the Consolidated Appropriations Act of 2006:
  - Requires agencies/organizations to assess the creditworthiness of **first-time** IBA travel charge card applicants prior to issuing a card
  
- Other Regulations:
  - All travel individually billed accounts (IBAs) **must** be paid **on time** by the individual cardholder
  - Agency/organization-specific policies and established procedures

## Responsibilities of the A/OPC

- Agency/Organization Program Coordinators (A/OPCs) are primarily responsible for overseeing the agency's/organization's travel charge card program in support of its mission and operations
- A/OPCs liaise with OCCM, GSA SmartPay® banks, cardholders, and agency/organization management
- A/OPC responsibilities are outlined in the GSA SmartPay® Master Contract (paragraph 32) and will vary among agencies/organizations
- The number of A/OPCs that support charge card programs vary across the government – agencies/organizations should consider the ratio of A/OPCs to cardholders carefully
- “Level 1” A/OPCs are the highest ranking A/OPC within the agency/organization and the primary point of contact with OCCM

## Responsibilities of the A/OPC (continued)

- A/OPC responsibilities may include tasks such as:
  - Ensuring cardholders use the charge card correctly
  - Ensuring cardholders receive appropriate training
  - Monitoring account activity and managing delinquencies
  - Taking appropriate action regarding charge card fraud, misuse or abuse
  - Working with the bank to ensure agency and cardholder needs are met, as appropriate
  - Resolving any technical and operational problems between the bank and the cardholder as necessary
  - Managing (in many cases) the agency/organization's transition to GSA SmartPay® 2

## Responsibilities of Cardholders

- Use of the charge card appropriately, in accordance with agency/organization policy, other laws, and governmental regulations
- Pay IBA accounts on time
- Keep up to date with required training, including refresher training
- Look out for communications from A/OPCs and take appropriate action
- Use the card at the right time, i.e., activate and destroy the card at the right time as part of the transition to GSA SmartPay® 2

## What is Travel Card Misuse/Abuse and Fraud?

- The use of a travel card for anything other than official federal government travel and travel-related expenses is considered to be misuse/abuse of the card, and depending on the facts, may involve fraud
- Common examples of misuse/abuse include:
  - Personal use or unauthorized purchases
  - Use for or by someone other than the cardholder
  - Use while not on official government travel
  - Purchases from an unauthorized merchant
  - Excessive ATM withdrawals
  - Failure to pay undisputed amounts on time

## Non-Cardholder Fraud

- Non-cardholder fraud involves use of the card or cardholder data by an unauthorized person
- High-risk situations for non-cardholder fraud include:
  - The card was never received
  - The card was lost
  - The card was stolen
  - Altered or counterfeit cards
  - Account takeover

## Possible Indicators of Misuse/Abuse or Fraud

- Merchant Category Code (MCC) appears to be outside the cardholder's general area of responsibility
- The account has been closed due to fraud and a new card has been reissued
- The cardholder frequently disputes transactions
- The cardholder has had multiple authorizations declined
- The cardholder makes transactions on non-travel days
- The cardholder consistently hits his/her monthly limit
- The merchant address appears to be a home address

## Addressing Misuse/Abuse and Fraud

- A/OPCs have the responsibility to report any suspected or actual fraud to the appropriate authorities within the government
- If fraud is suspected of a cardholder, merchant, or other third party, A/OPCs may file a complaint with the agency's Inspector General for investigation
- Many agencies/organizations provide a hotline number for reporting misuse/abuse and fraud

## Consequences

- Reprimand
- Counseling
- Cancellation of card
- Notation in employee performance evaluation
- Suspension of employment
- Termination of employment
- Criminal prosecution

# General Charge Card Program Management Best Practices

- Engage management at the highest levels
- Train A/OPCs and cardholders
- Review credit limits and lower as appropriate
- Implement split disbursement and salary offset procedures; mandatory under the authority of OMB Circular A-123, Appendix B
- Use the bank's Electronic Access System (EAS), data mining tools, and/or agency/organization technology to run reports for reviewing questionable transactions and monitor charge card spending

## General Charge Card Program Management Best Practices (continued)

- Provide the GSA SmartPay® card-sized booklet, “Helpful Hints for Travel Card Use”, with each cardholder application
- Provide a reimbursement statement electronically to the cardholder to remind the individual to pay the bill and that reimbursement from the agency has been made
- Publish frequently asked questions (FAQs) related to travel on your agency’s/organization’s website
- Create a monthly newsletter to reinforce agency/organization travel policies and procedures
- Eliminate manually performing data analysis, by developing ad hoc reports that can be generated as needed

## General Charge Card Program Management Best Practices (continued)

- Review delinquency reports and track delinquency rates and charge offs/write offs:
  - Pre-suspension
  - Suspension
  - Pre-cancellation
  - Cancellation
  - Renewal reports
- Perform an annual review of all issued cards to determine if each cardholder meets the criteria for continued participation in the federal government travel charge card program

## Best Practices for Preventing Misuse/Abuse and Fraud

- Set reasonable spend limits
- Restrict use through MCC Blocks
- Deactivate cards as appropriate
- Review cardholder activity through reports generated from bank Electronic Access System

## Set Reasonable Spend Limits

- Monthly credit and (ATM) cash limits should correspond to historical travel spend patterns and the requirements of the job
- Limits may be raised easily to accommodate special circumstances (e.g., for frequent travelers or extended travel)
- Higher credit limits increase risk of fraud and misuse/abuse

## Restrict Use Through MCC Blocks

- Block certain merchant category codes (MCC) to prevent unauthorized use
- Merchants whose business is not travel related should be blocked to prevent a cardholder from making an unauthorized purchase
- Remember: MCC blocks are NOT foolproof! Work with merchants/contractors to correct inaccurate MCCs

## Deactivation

- Deactivate travel charge cards when not in use by frequent travelers
- A/OPCs may quickly deactivate/reactivate cards electronically or through the bank's customer service or EAS
- If a card is deactivated, authorizations will be declined at point of sale
  - Notify cardholder of deactivation, and communicate procedures to re-activate (e.g., who to call, when to call)
- Close travel charge card accounts for employees/cardholders who leave the agency

## Cardholder Activity Review

- Segregate questionable transactions
- Verify whether cardholder was on travel when transactions were made
- Look for patterns of suspicious behavior
  - ATM withdrawals with no other travel-related charges on the days surrounding withdrawals
  - Charges with merchants at locations not associated with travel (e.g., transactions in local zip codes)
- Declined transactions could indicate misuse

## Reviewing Cardholder Activity Through Reports

- Review questionable transactions through Exception Reports
- Transaction detail
  - Type of merchant
  - ATM withdrawals
  - Merchant location
  - Date of transaction
  - Declined transactions
- Pre-suspension/suspension
- Pre-cancellation/cancellation

## Reviewing Cardholder Activity Through Reports (continued)

- Declined transactions
- Declined authorizations
- Disputes
- Unusual spending activity
- Lost/stolen card
- Master file
- Ad hoc reports

## Training Best Practices

- OMB Circular A-123, Appendix B requires agencies/organizations to provide agency/organization-specific training
- Provide a comprehensive face-to-face cardholder training as orientation for new cardholders
- Address standards of conduct/ethics and clearly state consequences for misuse
- Discuss travel policy (per diem, GSA City Pair airline rates, reimbursement process, documentation requirements, etc.)
- Ensure cardholders and A/OPCs take the required refresher training requirements at a minimum every three years, or more frequently as per agency/organization policy
- Ensure that training is easily accessible

## Training Resources

- Travel-specific GSA SmartPay® online training:
  - Cardholders: Charting the Course (<http://www.gsa.gov/sptraveltraining>)
  - A/OPCs: (<http://www.gsa.gov/aopctraveltraining>)
- Agency-provided training
- Bank-provided training
- GSA SmartPay® Annual Training Conference
- Materials (available online, and hard copies may be ordered by visiting <http://apps.fss.gsa.gov/cmls>):
  - A Guide for Managing Your GSA SmartPay® Travel Charge Card Program
  - Mini card-sized brochure – “Helpful Hints for Travel Card Use”

## Additional Resources

- The Federal Travel Regulation (FTR) and FTR Library:  
[www.gsa.gov/ftr](http://www.gsa.gov/ftr)
- The Department of Defense, Joint Federal Travel Regulations (JFTR) for military employees and the Joint Travel Regulations (JTR) for DOD civilian employees:  
<https://secureapp2.hqda.pentagon.mil/perdiem/trvlregs.html>
- OMB Circular A-123, Appendix B:  
[http://www.whitehouse.gov/omb/circulars/a123/a123\\_appendix\\_b.pdf](http://www.whitehouse.gov/omb/circulars/a123/a123_appendix_b.pdf)

## Discussion: Sharing Best Practices for Managing Your Program

- What disciplinary policies does your agency/organization have in place?
- What preventative measures are in place to combat delinquency, misuse/abuse, or fraud?
- How does your agency/organization make use of the bank's electronic reports to help manage charge card accounts and activity?
- What have you found to be your charge card program's greatest challenge?

## Questions and Answers

**[www.gsa.gov/gsasmartpay](http://www.gsa.gov/gsasmartpay)**

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