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Visa Government Forum 2006

The annual Visa Government Forum is the premier government payment solutions event for federal agency program coordinators. This year's forum will feature authoritative updates on government policy issues and mandates by key General Services Administration officials, the future of purchase cards as envisioned by Visa thought leaders, interactive demos of the latest products, panel discussions, round-table brainstorms, networking opportunities and more.

Visa Government Forum Agenda – April 25

SmartPay Program Update

David Shea, director of SmartPay charge card program for the General Services Administration.

Visa Commercial Solutions Product Update

Elizabeth Buse, executive vice president of Product Development and Management, Visa USA.

Panel Discussion

Danny Werfel, director, Financial Integrity and Analysis branch of the Office of Federal Financial Management

Sue McIver, General Services Administration Federal Acquisition Service, Office Supply Strategic Sourcing

- Strategic sourcing
- Creditworthiness

Round-Table Sessions I and II

Government Forum Participants

- Travel
- Purchasing

Visa Government Forum Agenda, Technology Day – April 26

Meeting and Product Demos

- Visa Commerce
- Program Optimization
- 1099/1057 Reporting
- Supplier Enrollment
- QMart
- Visa Information Management

The Visa Government Forum is free and open to all GSA program participants. Please register at www.visa.com/govtforum, and indicate which day(s) of the conference you plan to attend.



Social Security Administration Accelerates Payment Efficiency With Visa Program Optimization

Building on the success of its existing purchase card program, the Social Security Administration recently partnered with Citibank N.A. to utilize Visa's Program Optimization tools as a way to identify even more opportunities for increasing its use of purchase cards.

Starting in April 2004, the initiative focused on analyzing Social Security's disbursement data from third-party drafts and accounts payable systems payments, a procedure that rapidly opened a clear window of opportunity.

"We've done optimization internally for years, so we already knew our strengths and problem areas when we started working with Citibank on the project," said Joyce Heath, Supervisory Fiscal Management Analyst for the Division of Administrative Payments. "But the Visa Program Optimization analysis provided a match of our payment data to the Visa merchant data, something we couldn't do on our own. And once the reports were generated, we could see an immediate payoff."

One of those payoffs was a summarization of Social Security buying groups that revealed where most of the agency's spending was coming from and how top vendors were being paid.

"That data allows us to identify the office and directly target the vendors and individuals who are currently being paid by draft check but could be paid with the purchase card," Heath said. "We can slice and dice the new data by office, the office's corresponding common accounting number (CAN), vendor and region. This is a wealth of information."

The Visa Program Optimization efforts identified an incremental \$20 million in disbursements that could be moved to the purchase card with the potential elimination of paper associated with more than 40,000 drafts. Cost savings per transaction are estimated at \$30.

Social Security is still examining the data and determining what percentage of drafts and transactions will be migrated to an electronic payment system. Certain offices and vendors, most likely, will be targeted to make the switch. Heath says that the agency is pleased, but it never stops looking for better results.

"Program optimization is always a priority for Social Security," she said, citing key agency objectives for financial management responsibility. The process also helped Social Security comply with the Office of Management and Budget's mandates to improve performance against the President's Management Agenda, the Government Paperwork Elimination Act of 1998, the Debt Collections Improvement Act of 1996 and the Paper Reduction Act of 1995.

Social Security's program optimization was customized into two parts. In addition to the first third-party draft data phase, a second phase examined accounts payables. Telecommunications is the top third-party draft priority (a \$9 million spend); however, small purchases are also of considerable size and importance. Smaller accounts payable opportunities will be analyzed in the future.

In addition to data analysis, Social Security is focused on transforming identified paper business processes into the electronic format as soon as possible. Next steps will include the review of dollar-threshold limitations, benchmarking payment analysis, best practices gleaned from other agencies and conducting video awareness training. So far, office visits and one-on-one contacts to re-educate cardholders have been the most effective change agents.

The entire optimization program was a significant success with minimal resource commitment on the agency's part. "Citibank N.A. and Visa offered us all the program optimization resources at no cost," Heath added.

The optimization project received immediate upper-management buy-in. A team was formed to quickly develop a project plan highlighting which categories of payments would yield the quickest and most ideal optimization results. The team keeps Social Security's management and the Office of Acquisitions and Grants continually updated to ensure that the project proceeds smoothly.

"Here at Social Security, we're very focused on maximizing our purchase card program to achieve greater efficiency and cost savings, and on improving our payment process and Social Security's financial management goals," Heath said. "Visa's Program Optimization helped identify potential process cost savings, helped facilitate oversight of purchases and increased refund payments."

Mark Your Calendar

2006 Trade Shows and Conferences

Federal Government

April 2005

Visa Government Forum
April 25 – 26
Washington, D.C.

May 2005

Visa International Government Services Forum
May 31 – June 1
Buenos Aires, Argentina

ASMC Professional Development Institute (American Society of Military Comptrollers)
May 30 – June 2
San Diego, Calif.

June 2005

AGA Professional Development Conference (Association of Government Accountants)
June 18 – 21
San Diego, Calif.

Federal Fleet Conference
June 20 – 22
Los Angeles, Calif.

GSA National Travel Forum (General Services Administration)
June 26 – 28
Los Angeles, Calif.

July 2005

Excellence in Government (Government Executive)
July 10 – 12
Washington, D.C.

GSA SmartPay Conference (General Services Administration)
August 1 – 3
St. Louis, Mo.

State and Local Government

August 2005

NASACT 2006 Annual Conference (National Association of State Auditors, Controllers and Treasurers)
August 19 – 23
Omaha, Neb.

News You Can Use

Visa is committed to helping agency program coordinators navigate payment card program requirements and stay abreast of the latest information in ever-changing regulatory environments.

Mark Catlett and Donna Bennett Join Visa Team

To help ensure Visa's continued leadership in offering payments solutions and consultative services, Visa has retained two prominent financial management and acquisition experts as consultants: Mark Catlett, former assistant secretary and chief financial officer of the Department of Veterans Affairs; and Donna Bennett, former commissioner of the General Services Administration's Federal Supply Schedules.

Catlett and Bennett will continue serving the public interest in the SmartPay program by working closely with issuing financial institutions to find ways to help agency program coordinators improve program efficiency. Bringing this level of expertise to APCs through the issuing financial institutions is consistent with Visa's policy to offer the best service and technology to its members and user organizations.

Micropurchase Threshold Update

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council have both proposed an amendment to the Federal Acquisition Regulation that would adjust the micropurchase threshold from \$2,500 to \$3,000 in order to account for inflation. Public comments on FAR 2.101 closed on February 10. For more information, reference FAR Case 2004-033 by visiting <http://www.arnet.gov/far/ProposedRules/>.

NOTE: Information provided is for reference purposes only. It is recommended that you consult your legal counsel regarding any laws and regulations that may apply to your program.



Steve Johnson, Director of Public Sector Commercial Solutions, Visa USA

Steve Johnson: Profile in Developing Proactive Solutions

To familiarize readers with the faces driving Visa's activities in the public sector, The Visa Exchange regularly features individual profiles. This issue features Steve Johnson, director of Public Sector Commercial Solutions, Visa USA.

A member of the Visa Public Sector Commercial Solutions team since August 2005, Steve Johnson brings 23 years of government experience to Visa. Johnson focuses on helping program managers and agency program coordinators (APCs) maximize resources while maintaining the proper controls.

Coming to Visa from the Department of Defense Travel Card Program Management Office, Johnson has an insider's perspective on the DoD's dramatic travel card program turnaround in both delinquency and overall performance. Delinquency rates that were in the high teens before 2002 have since dropped to a consistent 4 percent to 5 percent — even dipping below the 4 percent mark in the summer of 2005. Johnson credits the accomplishment to three key factors: hard-working agency program coordinators, a strong commitment to improvement from management and good partnerships.

"Writing the policy memo is the easy part," Johnson said of meaningful performance improvements. "But it was the APCs, the commanders, and the senior managers all working together and following through step by step that made real change possible."

Now Johnson is finding how rewarding it can be from the Visa perspective to help program managers and APCs create that kind of commitment — both for delinquency reduction and beyond. "Program challenges continue to shift. Reducing delinquency rates is still essential, but now we're also focusing more on assisting government departments in making the most of their resources," he said.

Johnson also feels that his program management background gives him additional insight into how Visa products, such as QMart and Program Optimization, help solve pressing government priorities, such as strategic sourcing and data mining.

"I'm helping to develop the best solutions for Visa financial institutions and their clients so that they can direct more resources toward their core missions," Johnson said. "It's great to be in a position to assist so many agencies in reaching their key objectives."

Visa Program Optimization: Spotlighting Efficiency and Cost Savings

When organic growth of purchase card programs slows, many organizations focused on reaching the next level of effectiveness turn to Visa to take part in Purchase Card Program Optimization. The customized service, offered by Visa and its member financial institutions, analyzes an organization's procurement spend data in ways that give purchase card program managers a fresh window into their card-use patterns — insight that helps clearly identify opportunities for realizing additional efficiencies and cost savings.

Federal agencies, state agencies and state universities that have used Visa's Program Optimization have identified additional purchase card spend opportunities for transactions below the micropurchase threshold.

Visa Program Optimization

How It Works:

- Identifies opportunities for increasing the use of the purchase card versus traditional procurement methods, resulting in increased process savings, cost savings and, where appropriate, rebates.
- Provides insight into improvement opportunities within the organization's program through a detailed program assessment, and provides access to Visa's Procure-to-Pay consultative tools.
- Generates recommendations for improving the purchase card program, including guidance for implementation and for monitoring program success.

Step by Step

Visa's approach to program optimization is flexible in order to support the unique needs of each organization; no two optimization projects are alike. However, all Visa Program Optimization reviews are based on the following four key best-practices:

- A high-level strategic assessment of the organization's purchase card program to ensure that optimization results are linked to the organization's strategic goals.
- A detailed analysis of the organization's noncard accounts payable file to identify the source of purchases that could be transferred to purchase cards.
- A basis for supplier-analysis guidance that provides insights into negotiating volume discounts or other incentives.
- A best-practices assessment, uniquely tailored to the organization.

Online Tools

Visa has also created user-friendly Program Optimization consultative tools that are accessible online through the Visa Information Management portal.

Performance Gauge is a diagnostic tool that allows an organization's representative to quickly and easily compare their organization's program performance with that of best-practices organizations simply by answering a series of program questions. The gauge will automatically rate the organization in a variety of performance areas and recommend specific best practices to improve program areas where greater efficiencies are possible.

Benefits Calculator is a tool that enables coordinators to easily estimate the financial benefits that they could realize by creating or expanding a purchase card program, all by simply filling in a few data fields. The Benefits Calculator quickly provides an estimate of the benefits associated with increasing the use of the purchase card, including process cost savings and rebates.

Next Steps

To learn more about, or to initiate, Visa Program Optimization for your organization, please contact your Visa issuing financial institution or Martin Johnson at majohnso@visa.com.

To access the Visa Performance Gauge and Benefits Calculator tools, contact your Visa issuing financial institution.

We Want to Hear From You!

Innovative Use of Purchase and Travel Cards

Share your success! Everyone can learn from the improvements and best practices of individual agencies. We want to hear about your achievements — how you've used purchase cards or travel cards to increase your agency's cost savings or to achieve other agency goals. *The Visa Exchange* may highlight your accomplishments in upcoming editions.

Please submit questions or a synopsis of your achievements to publicsector@visa.com.

NOTE: By providing us with information, you consent to the disclosure of same (including, without limitation, your name and your agency's name) for purposes of future publication in The Visa Exchange. Otherwise, all information you provide will be subject to the terms of our privacy policy. Visit http://usa.visa.com/sitewide/privacy_policy.html?it=search.

Travel Card Delinquency Rates Continue to Climb Over the 4 Percent Mark in January

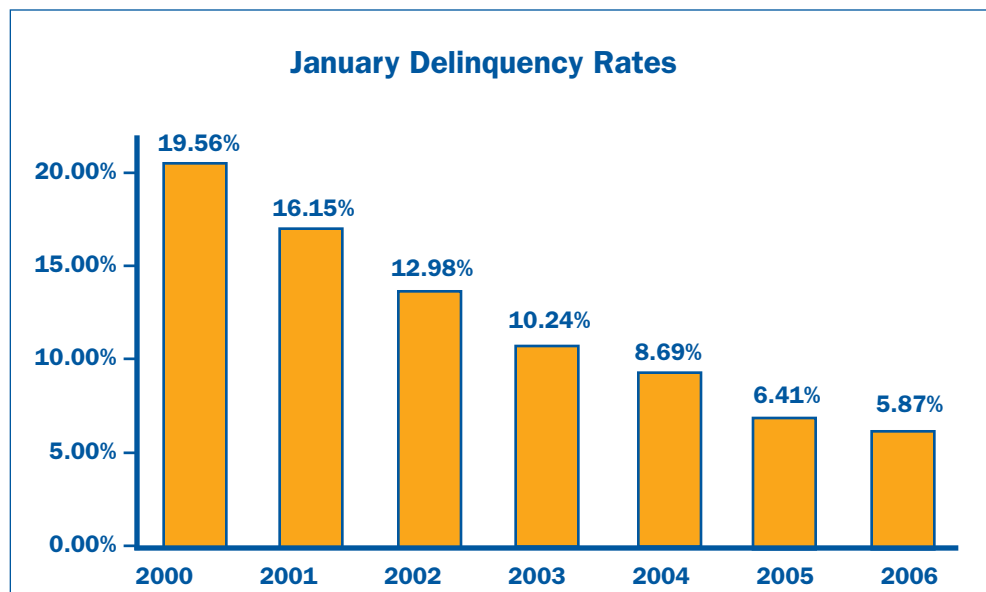
In January, the individually billed accounts (IBA) delinquency rate rose to 5.87 percent and the centrally billed travel card delinquency rate rose to 4.8 percent.¹

Delinquency rates have historically been higher during the months of December and January partly because of lower dollar spend. Since delinquency is calculated by dividing the 61-plus-day balance by the current total outstanding balance, and fewer people travel during the winter months, the ratio of delinquent dollars to outstanding dollars increases, raising the delinquency rate.

However, during January 2006, there was also an increase in overdue balance amounts.¹ Agencies should analyze their own numbers to determine the specific cause of their increases and craft a plan to reverse the problem. (Vacationing account holders or payment office personnel can both contribute to bills that are not reconciled in a timely fashion.)

Although the goal is to achieve low levels of delinquency every month, the January 2006 rate is still the lowest IBA delinquency rate for the month of January since the year 2000, as delinquency continues its year-over-year downward trend.

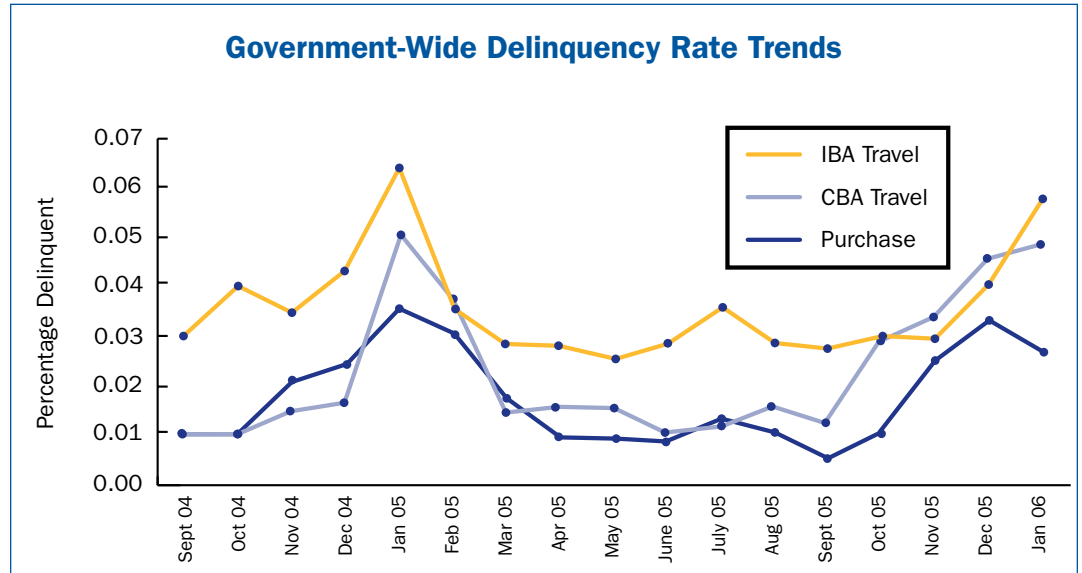
The chart below illustrates the yearly trend of individually billed travel cards.



General Supplies and Services Monthly Report

¹ *United States Government Services Association, Chief Financial Officer's Monthly Report*

The chart below illustrates delinquency-rate trends over the past 17 months for individually billed travel cards, centrally billed travel cards and purchase cards.



General Supplies and Services Monthly Report

“Ask the CFO” Radio Show

Tune in to “Ask the CFO” on Federal News Radio 1050-AM, the program that interviews a chief financial officer from a different federal agency every week. Gain insights into government accounting best practices from distinguished guests, such as Samuel Mok, CFO, Department of Labor; Janice Lambert, CFO of the Internal Revenue Service; and Greg Walter, CFO of the National Highway Traffic Safety Administration.

“Ask the CFO” airs every Thursday at 10 a.m. EST on Federal News Radio. Or listen to broadcasts anytime with your Windows Media Player at www.federalnewsradio.com.



Bruce Sullivan, Vice President of Government Services, Visa USA

Trends and Directions

Safety First

Visa is an industry leader in helping to protect agencies, members and employees from payment card fraud and identity theft. Bruce Sullivan, vice president of Government Services, discusses Visa's multiple layers of cardholder protection.

Visa has implemented a wide variety of security applications to protect the agencies, cardholders and merchants who depend upon our payment solutions. Through cooperation, innovation and a multilayered approach, Visa has been able to drive down its systemwide fraud rate to the lowest levels in our association's history, even while transaction volume has continued to increase.

It's important to appreciate that multiple Visa security systems work together to keep our programs, agencies and employees safe. Spotlighted here are a few of the key Visa security protections and their value to federal agencies.

Cardholder Verification Code (CVV2)

The three-digit number printed on the back of your Visa card is the cardholder verification value, which helps protect against a form of fraud known as "skimming." Skimming typically occurs when someone in a retail setting steals information from a card's magnetic stripe by swiping the customer's card in a skimming device. Later, the "skimmed" card information can be transferred to a counterfeit card and used to make fraudulent purchases.

The CVV2 code is separate and distinct from the magnetic strip on the back of the card and the embossed card numbers on the front of the card. Skimming or obtaining the account number will not provide this card value. When merchants ask cardholders for the three-digit CVV2 number, the merchants are ensuring that cardholders are using the genuine card, not stolen information. When merchants and cardholders validate the CVV2 number, they minimize occurrences of fraud for agencies and for themselves. Although agencies are not usually liable for fraudulent transactions, administrative efforts to identify and dispute fraudulent transactions can detract from card savings.

Verified by Visa

Verified by Visa is an anti-fraud password program that ensures that only you, the cardholder, can use your card for online transactions. It is easy to enroll in Verified by Visa. Go to <https://usa.visa.com/personal/security/vbv> or enroll while shopping online at one of the thousands of merchants that participate in the program. Once you are enrolled, each time you shop online with a participating merchant, you'll be prompted to enter your password in the Verified by Visa window. Your identity will be verified, and the transaction will be completed.

Advanced Authorization

Advanced Authorization is a first-of-its-kind technology that instantaneously pinpoints fraud and emerging security threats in real time — in the moments just before a transaction is authorized.

When a Visa card is swiped at the checkout (or activated during an Internet, phone or mail-order transaction), Advanced Authorization provides an instantaneous rating of that transaction's potential for fraud to the issuing financial institution, including whether the card is part of a reported data security compromise. The issuer is then able to send an immediate response to the merchant about whether to accept or decline that transaction based, in part, on this sophisticated evaluation.

Information Security

Visa was first in the industry to address information security concerns by instituting the Cardholder Information Security Program (CISP) to protect Visa cardholder data. CISP requires all merchants and service providers that store, process or transmit Visa cardholder data to maintain the highest information security standards. Visa and its member banks are working together to implement this solution. Visa has also led the campaign to implement substantive security compliance and validation requirements.

In addition, Visa has collaborated to create a worldwide and industrywide standard for consumer data protection known as the Payment Card Industry (PCI) Data Security Standard. Like CISP, PCI requires that merchants build and maintain a secure network, protect cardholder data, maintain a vulnerability management program, regularly monitor and test networks and implement strong access control measures.

Visa Liability Waiver Program

The Visa Liability Waiver is a vital safeguard built into the purchase card program that enables agencies to provide Visa cards to employees with minimized risk. Although agencies are liable for card misuse and there are no substitutes for employee training and strong internal controls to guard against employee fraud, the Visa Liability Waiver Program protects agencies against eligible losses that might be incurred through card misuse by a terminated employee.

If an employee misuses SmartPay centrally billed card privileges, the Visa Liability Waiver waives certain eligible charges and helps minimize agency losses. Features include:

- Automatic enrollment for both issuer and agency.
- Increased coverage — up to \$100,000 per cardholder — for agencies with five or more valid cardholders.
- No deductible, and no extra costs to the issuer or agency.
- No maximum cap per issuer or agency.



Purchase Card Creditworthiness Requirement Removed

Visa and its financial institutions met several times with congressional members and staff throughout the summer and fall of 2005 to clarify exactly how the legislative requirement to conduct creditworthiness checks (FICO scores) on cardholders would negatively impact SmartPay card program savings.

In late 2005, lawmakers made the decision to remove the purchase cardholder creditworthiness requirement from the fiscal year 2006 appropriations legislation.¹

Although the new legislation still includes a creditworthiness requirement for government travel cardholders, there is no longer a requirement to conduct creditworthiness determinations on purchase cardholders.¹ The OMB Circular A-123 policy² (which clarifies implementation of the appropriations law) is being revised to be consistent with the legislative language.

Visa Offers Department of Defense Implementation Expertise

Steve Johnson, former program manager of the Department of Defense's Travel Program and an expert in implementing the travel card creditworthiness requirement, has joined the Visa team. Johnson spoke with many agency organization program coordinators at Visa's last A/OPC networking meeting and is looking forward to assisting with agency travel card implementation challenges. To arrange a one-on-one consultation with Johnson, simply contact your issuing bank.

¹H.R. 3058: *Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia and Independent Agencies Appropriations Act, 2006, Sec. 846 (PL109 - 115) 109th U.S. Congress (2005 - 2006)*

²OMB Circular No. A-123, "Management Accountability and Control," Appendix B, "Improving the Management of Government Charge Card Programs"

NOTE: Information provided is for reference purposes only. It is recommended that you consult with your legal counsel regarding any laws and regulations that may apply to your program.