

# The Visa Exchange



Information for Public Sector and Higher Education Personnel

SUMMER 2007

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## Visa Guide to GSA SmartPay® 2007

Visa is making its presence felt at the 9th Annual GSA SmartPay Training Conference 2007 in Philadelphia, PA. The theme of this year's conference "Continue the Revolution" is a reference to the host city's past and the profound impact of payment cards on government procurement processes.

As in previous years, Visa has a significant presence at the show with a booth and speakers in many sessions. Visa speakers include Linda McGee, vice president, Commercial Solutions, Bruce Sullivan, vice president, Commercial Sales, and Steve Johnson, director, Commercial Sales.

Visa's theme at the event is "Life takes Excellence" and will include the Visa Hall of Excellence, dedicated to celebrating government agencies' achievements. The theme reflects Visa's long-standing commitment to providing its government clients with the products and support they need to improve efficiencies converting from paper-based processes to electronic methods of payment. Attendees are invited to come to the Visa booth to see these products in action and talk to Visa professionals about their payment card needs. For more information about the event, please visit [www.gsasmartpayconference.org](http://www.gsasmartpayconference.org).

**Bank of America: IRS Reporting 1099 "C VISA Purchase A/OPCs**  
Linda McGee, vice president,  
Visa Commercial Solutions  
Tuesday, August 21, 3:30-4:40pm

**Citibank Presents: Credit Card Basics**  
Bruce Sullivan, vice president,  
Visa Commercial Sales  
Tuesday, August 21, 2:00-3:10pm

**Citibank and Visa Presentation**  
Steve Johnson, director,  
Visa Commercial Solutions  
Thursday, August 23, 9:30-10:40am

**USBank: Life of a Secure Transaction "C Visa Session**  
Steve Johnson, director,  
Visa Commercial Solutions  
Tuesday, August 21, 12:30-1:40pm

**Visa: Tips on Implementation of OMB Circular A-123, Appendix B**  
Bruce Sullivan, vice president,  
Visa Commercial Sales  
Wednesday, August 22, 3:30-4:40pm  
Thursday, August 23, 2:00-3:10pm

**Visa: 1099 and 1057 Reporting**  
Linda McGee, vice president,  
Visa Commercial Solutions  
Wednesday, August 22, 2:00-3:10pm  
Thursday, August 23, 9:30-10:40am

**Identity Theft presented by Visa**  
Steve Johnson, director,  
Visa Commercial Solutions  
Tuesday, August 21, 2:00-3:10pm  
Wednesday, August 22, 3:30-4:40pm  
Bruce Sullivan, vice president,  
Visa Commercial Sales  
Thursday, August 23, 12:30-1:40pm

**The Life of a Secure Transaction presented by Visa**  
Steve Johnson, director,  
Visa Commercial Solutions  
Wednesday, August 22, 9:30-10:40am  
Wednesday, August 22, 12:30-1:40pm  
Thursday, August 23, 2:00-3:10pm





Philadelphia Skyline



Elfreth's Alley



Philadelphia Museum of Art

## Visa's GSA SmartPay® City Guide

### Top 10 Things To Do In Philadelphia

After a day at the GSA SmartPay Conference sessions, take some time to discover the sights, sounds and tastes of the City of Brotherly Love. Here are some popular destinations in Philadelphia, with driving distances calculated from the convention center. For maps and additional information, visit [www.PhiladelphiaUSA.travel](http://www.PhiladelphiaUSA.travel)

#### Betsy Ross House

This house celebrates the life of Betsy Ross, a Philadelphia woman believed to have made the very first American flag. *Open 10 a.m. to 5 p.m. Tuesday-Sunday. Admission \$3. 1.5 miles. [www.betsyrosshouse.org](http://www.betsyrosshouse.org)*

#### Elfreth's Alley

The oldest continuously occupied residential street in the U.S. is also a National Historic Landmark. The cobblestone street is lined with 32 Colonial- and Federal-style homes. *Museum houses open 10 a.m. to 5 p.m. Monday-Saturday; noon to 5 p.m. Sunday. Admission \$5. 1.5 miles. [www.elfrethsalley.org](http://www.elfrethsalley.org)*

#### National Constitution Center

The story of the Constitution is told through pictures, texts and artifacts. See the award-winning performance, Freedom Rising. *Open 9:30 a.m. to 5 p.m. Sunday-Friday; 9:30 a.m. to 6 p.m. Saturday. Admission \$12. 1 mile. [www.constitutioncenter.org](http://www.constitutioncenter.org)*

#### Old City Arts District

One of the city's best cultural, dining and shopping districts. Tour galleries, dance companies and more, and dine at one of the many delicious restaurants located in this waterfront neighborhood. *1 mile. [www.oldcity.org](http://www.oldcity.org)*

#### The Franklin Institute Science Museum

The most visited museum in Pennsylvania, complete with an IMAX® theater and Fels Planetarium. Buy tickets now for the long-awaited exhibit, Tutankhamun and the Golden Age of the Pharaohs. *Open 9:30 a.m. to 5 p.m. 1 mile. [www.fi.edu](http://www.fi.edu) for exhibit hours, ticket and admission prices.*

#### Philadelphia Museum of Art

Founded in 1876, the museum is home to more than 2,000 paintings, sculptures, decorative arts and architectural settings. Run up the wide stone steps of the museum's entrance made famous by the movie Rocky. *Open 10 a.m. to 5 p.m. Tuesday-Sunday; 10 a.m. to 8:45 p.m. Friday. Admission \$12. 3.8 miles. [www.philamuseum.org](http://www.philamuseum.org)*

#### Reading Terminal Market

The best farmer's market in the city, it houses more than 80 merchants selling fresh produce and prepared foods. While you're here try Philadelphia's sandwich of choice, the Philly cheesesteak. *Open 8 a.m. to 6 p.m. Monday-Saturday. 0.5 miles. [www.readingterminalmarket.org](http://www.readingterminalmarket.org)*

*Continued on page 3...*



Independence Hall

## Visa's GSA SmartPay® City Guide

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### Independence Visitor Center

The primary point of orientation for the city of Philadelphia.

*Get information on local attractions, city tours and more. Open 8:30 a.m. to 6 p.m. 0.7 miles.*

**[www.independencevisitorcenter.com](http://www.independencevisitorcenter.com)** for attraction and ticket prices.

### Independence Hall

The Assembly Room is where the Declaration of Independence and U.S. Constitution were signed and where the design of the American flag was decided upon. Free tickets are required for admission and are available at the Independence Visitor Center. *Open 9 a.m. to 4:30 p.m., timed ticket entry.*

*0.6 miles. **[www.independencehall.org](http://www.independencehall.org)***

### Citizens Bank Park

Home to the Philadelphia Phillies, this new stadium opened in 2004. *6.5 miles.*

**[www.philadelphia.phillies.mlb.com](http://www.philadelphia.phillies.mlb.com)** for game times and ticket prices.

## Visa Executive Wins Minority Enterprise Executive Council Award

Linda McGee, vice president, Visa Commercial Solutions, was the proud recipient of a prestigious award recognizing minority women in influential business positions.

The MEEC hosted the 1st Annual Awards Luncheon on February 26th at the Westin Grand Hotel in Washington, D.C. The event honored McGee and 24 other women who have made "major contributions to the business community by creating opportunities for other entrepreneurs."

As part of her role in Commercial Solutions, McGee has helped minority businesses more successfully bid for government contracts. "Linda is an excellent advocate for not only Visa products but the value of Visa to minority-owned businesses across the U.S.," said Darren Parslow, senior vice president, Visa Commercial Solutions. "She has, on her own initiative, developed seminars, workshops and other tools that enable minority-owned businesses to compete more effectively for government contracts. I can't think of anyone more deserving of the MEEC award than Linda."

## Security Top of Mind for Visa

### Visa Develops Layered Security Strategy to Maintain Trust in Electronic Payments

Fraud is a threat that never sleeps and we at Visa must work to meet this threat head-on with security measures that reduce the risk of fraud at any point in the payment network. The responsibility to mitigate the risk of fraud is shared by all of the touch points throughout the payment process including the cardholder, merchant, the financial institutions and the payment networks. To that end, Visa is committed to remaining at the forefront of security in the payment industry.

The success of card payment networks like Visa is built on trust – on the part of issuers, merchants and cardholders. With more than \$4.6 trillion in global card sales volume in 2006, Visa is committed to preserving trust in electronic payments by constantly updating and upgrading its security processes.

As Joe Majka, vice president, Investigations and Fraud Management, Visa USA, says: “Fraud is a threat that never sleeps and we at Visa must work to meet this threat head-on with security measures that reduce the risk of fraud at any point in the payment network. The responsibility to mitigate the risk of fraud is shared by all of the touch points throughout the payment process including the cardholder, merchant, the financial institutions and the payment networks. To that end, Visa is committed to remaining at the forefront of security in the payment industry.”

Visa has developed a layered security strategy that combines policies, programs, cross-industry initiatives and technologies with one ultimate goal – maintaining Visa as a safe and secure way for governments, businesses and consumers to pay and be paid.

#### **The five critical areas covered in Visa’s security approach are:**

1. Secure the payment environment to protect card data and render it useless to thieves.
2. Monitor, identify and prevent fraud by using technology and best practices.
3. Manage the impact of fraud by helping consumers and financial institutions recover from its effects.
4. Inform and engage all stakeholders through

industry, merchant and cardholder education.

5. Create an environment of partnerships by promoting industry engagement and accountability around security.

#### **1. Secure the payment environment**

Protecting cardholder data is imperative to reducing the risk of fraud. Visa has been at the forefront of these efforts and has recently teamed up with other card organizations to create the Payment Card Industry Data Security Standard (PCI DSS). The cross-industry initiative standardizes data security requirements for merchants. By the end of 2006, 50 percent of Visa merchants were PCI-compliant. In 2007 Visa is ramping up its compliance efforts through financial incentives to help merchants make needed changes as well as increased penalties for non-compliance.

Visa is also looking at ways to manage fraud if a criminal does obtain card data. For example, Visa’s Dynamic Card Verification Value (DCVV), which is used currently in contactless transactions, is a unique numeric code that is applied to each transaction. The one-time code ensures that, even if the card is stolen, it cannot be used for any subsequent transactions.

#### **2. Monitor, identify and prevent fraud**

Visa Advanced Authorization is a real-time, in-flight risk evaluation solution. In addition to providing the issuer with a risk score for fraud, Advanced Authorization also provides a risk condition code which will let the issuer know

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## Security Top of Mind for Visa (continued from page 4)

certain information, such as whether or not a card has been part of a previous known compromise. Visa is also looking to secure transactions in a variety of other ways, including using multiple layers of both card and cardholder authentication. This may be achieved by using new technologies such as electronic signatures, dynamic magnetic stripes and other information unique to the cardholder.

### **3. Manage the impact of fraud**

When card data is compromised, speed is of the essence. Visa's security teams work with law enforcement, financial institutions and merchants to investigate potential data compromises. Most importantly, the organization works hard to help prevent card fraud. For example, once Visa has validated that an account compromise has occurred, Visa sends affected issuers a secure e-mail from Visa's Compromised Account Management System to alert them of the compromise. The issuers can then monitor, close or block the accounts as needed to avoid fraudulent charges.

In an effort to ensure that the liability for fraud losses is balanced, Visa has developed a new fraud-recovery process for compromised magnetic-stripe data - Account Data Compromise Recovery (ADCR). The new ADCR process provides faster reimbursements for issuers and helps acquirers and merchants to better forecast their potential fraud liability. Finally, Visa is integrating Interlink and PLUS ATM transactions into Visa Resolve Online, enabling issuers and acquirers to resolve PIN-based transaction disputes.

### **4. Inform and engage all stakeholders**

Visa reaches out to cardholders, merchants, law enforcement and policymakers to inform, engage and support them in the fight against fraud. For instance, Visa has and continues to conduct a variety of forums around the country to help educate merchants on their vulnerabilities and responsibilities for protecting cardholder data. This effort includes maintaining a list of approved point of sale devices and information on the vulnerabilities of other devices.

### **5. Create an environment of partnerships**

Visa takes its role as a leading payment brand very seriously, and has forged alliances with its peers and partners to promote dialogue and best practices. For example, Visa co-hosts an annual Visa Security Summit, which brings together industry leaders, merchant and government representatives, academics and law enforcement officials to focus on addressing payment card fraud. The PCI Data Security Standard discussed above requires close collaboration between all the card brands involved through the PCI Security Standards Council. In addition, Visa partners with the Council of Better Business Bureaus, the National Federation of Independent Businesses, and the U.S. Chamber of Commerce to create ongoing educational efforts related to security.

## Muise Brings Wealth of Experience to Government Team



**Darren Muise**, director,  
Public Sector Commercial Sales, Visa USA

As a former Bank of America card sales manager, Darren Muise brings valuable relationship experience to his role as director of Public Sector Commercial Sales at Visa USA. His focus is on program development and growth and retention for the state, local and higher education segments. Muise joined Visa in February 2007 after more than six years at Bank of America, where he was senior vice president of Card Sales. In addition to his experience selling commercial payment products, Muise brings a client perspective to Visa through his work at International Paper Inc., where he was responsible for corporate and purchasing cards before joining Bank of America.

"You could say I have seen the purchasing card process from one end of the industry to the other," said Muise. "There is a lot to be said from gaining an understanding of the issues facing end-users, as well as issuers and the card company."

One of the realizations Muise has made in his short time at the organization is the difference between Visa and its competitors. "What I have come to better understand are the key differences between Visa and other card companies," Muise said. "It's not just the products; it's the people and expertise that Visa brings to the table that makes the difference with clients."

Muise points to the after-sales value that Visa brings to the client relationship. "Without a doubt, Visa is prepared to go the extra mile with our members' government clients once the deal is signed and that makes all the difference in the world. When I was at Bank of America, time and time again the Visa team members demonstrated their expertise, their tools and the commitment that helped my clients to be successful."

Going the extra mile is something Muise has been doing, literally, since he joined the Visa Government team. He has been on the go non-stop. "With so many opportunities out there, it's difficult to say no," he said. "But I think my family would like me to say it once in a while."

## Best Practices Augment Popular Purchase Card Programs

### Visa USA and Deloitte Work Together to Improve Card Program Efficiencies for Governments

Purchase cards have become important tools for federal, state, local and higher education departments across the United States. As cards have proliferated, a number of best practices have emerged for administering card programs and monitoring their use. Visa USA has worked with Deloitte Consulting to collate these best practices into a comprehensive guide for agencies. In this issue of the Visa Exchange we focus on one Best Practice, that if implemented, can help federal agencies manage spending more efficiently.

#### **Utilize Purchase Cards as a payment tool in higher spend categories**

Government agencies tend to focus on using payment cards for relatively low-value transactions (micropurchase threshold or less). Best practice organizations use cards for other spend categories, including recurring payments (utilities, phone, etc.), emergency services and office equipment (computers).

Bear in mind that purchase cards may be used for ordering and payment, but not for contracting goods or services. When a contractor is used, they can bill the purchase card account rather than issue an invoice when an order is received. When using a purchase card, acquisition transactions must comply with applicable law, regulations and agency guidelines, such as the Competition in Contracting Act and Federal Acquisition Regulations, as well as other Executive Orders and agency supplements.

Organizations should review the ongoing GSA schedule and vendor lists in order to identify

companies with whom they could pay with purchasing cards. Organizations should turn to their issuing bank to help them analyze their accounts payable file, as well as other proprietary targeting data.

In instances where a preferred vendor does not accept purchase cards, the agency should consider encouraging acceptance in the following ways:

- Combine purchasing power to encourage acceptance.
- Incorporate card acceptance into the request for proposal (RFP) process.

The benefits of using purchase cards for higher-value transactions are similar to those found in other spend categories, and may include: lower transaction costs as a result of eliminating paperwork; greater speed and flexibility than purchase orders; access to detailed reporting; and increased visibility and control.

#### **Action Steps for Agencies:**

1. Identify spending types that could be transitioned to purchase cards.
2. Work with your issuing bank to identify vendors that accept purchase cards.
3. Seek assistance from your issuing bank to enable vendors to accept purchase cards if they currently do not.
4. Work with your issuing bank to leverage Visa's expertise and best practice guidance on program optimization.

## Security, Control and Efficiency the Buzzwords at this Year's Forum

Industry Leaders Gather in Washington, D.C. for 10th Annual Visa Government Forum

This year's Visa Government Forum featured an interesting mix of industry leaders and Visa executives, who focused on utilizing technology and cross-industry cooperation to increase efficiencies and drive out fraud from government procurement. The Washington, D.C. event, now in its 10th year, attracted almost 200 attendees from federal government agencies and Visa financial institutions.

### Day One

The keynote was given by Mr. Greg Kutz, managing director of the Forensics Audits and Special Investigations unit at the Government Accountability Office. Given his mandate, which is to monitor government fraud, waste and abuse, it is not surprising that Kutz detailed some of the unauthorized use of government charge cards that he and his team have discovered. However, despite instances of past misuse, Kutz advocates that government agencies use the card because it provides them with greater visibility on spending and provides the efficiencies the government needs as it faces a rising fiscal crisis. He emphasized that agencies need to use the card with the proper control measures in place.

David Shea, director of the federal government's SmartPay® Charge Card Program for the General Services Administration (GSA), framed the discussion by putting some numbers behind government spending and stated that government savings from the purchase card alone came to \$1.7 billion in FY06. Shea reminded the agency attendees that, while rebates are an important part of the program, service levels and efficiency

savings from the card programs are more beneficial than rebates alone. SmartPay2 is intended to provide access to more industry best practices. GSA is willing to assist agencies in preparing for transitions, and Shea emphasized that all agencies need to be planning for transition to the new contract even if they decide to stay with their current provider.

Joe Majka, vice president, Investigations and Fraud Management, Visa USA, discussed Visa's five-tiered security strategy for combating fraud (see Security Story on page 4 for more details). He pointed out that data stored with merchants has been compromised without their knowledge, resulting in losses. Visa provides merchants with education, software testing and approved product lists to help them secure data more effectively. This year, Visa announced a \$20M incentive pool to acquiring banks to help merchants become PCI-compliant. Visa is also assessing penalties to acquiring banks whose merchants are not in compliance. As a further financial incentive, Visa announced at its Security Summit in March that merchants will only qualify for lowest interchange rates if they are PCI-compliant.

Adam Goldberg, from the Office of Management and Budget (OMB) Financial Management Policy Office, provided an overview on how the president's Management Agenda promotes better business practices in government. The financial management component

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## Security, Control and Efficiency the Buzzwords at this Year's Forum (continued from page 8)

includes use of credit cards and metrics for delinquency monitoring. Metrics provide leadership oversight to ensure that programs are properly run and have resulted in improvements across many areas, but much remains to be done. Goldberg indicated that the delinquency metric for travel cards would begin to be calculated using a rolling average rather than a single month ratio of delinquency to outstandings.

Addressing efficiencies, Traci Engle, director, Information Products, Visa USA, discussed the steps Visa is taking to provide government entities with enhanced data to travel and procurement transactions. Visa acquires data from airlines for up to 198 legs of airline travel and hotel folio data from many of the largest chains in the business. As part of the effort to increase the availability of hotel data, Visa looked specifically at the government's use of hotels and is using this volume information as part of its FY07 targets for expansion of additional data sources. Engle further discussed Visa's quality review initiative, which ensures accurate and valid data reporting.

Maureen McAllister, director, Consulting and Strategic Integration, Visa USA, provided an overview presentation of Visa's Advanced Authorization fraud detection tool. Advanced Authorization provides real-time fraud scoring that provides both a risk and a reason code for every U.S. transaction across VisaNet. For more information on Advanced Authorization, go to page 4.

### Day Two

Day Two of the event consisted of a Town Hall-style forum, where attendees were invited to participate in an open discussion led by Mark Heisten, senior director of Commercial Solutions, Visa USA. Following the initial discussion, attendees broke out into roundtable sessions related to areas most important to them including: Identifying Misuse, Abuse and Fraud, Program Optimization, Enhanced Data, Creditworthiness and Delinquencies, Micropurchase Threshold and Payments against Contracts and Orders.

Delegates at the Misuse, Abuse and Fraud roundtable requested that suspicious transactions be identified at the point of transaction to reduce after-the-fact investigations. Within the Program Optimization stream, delegates asked that contracting officers be given more control over purchases that exceed the micropurchase threshold. The delegates who participated in the Enhanced Data roundtable would like to see more acceptance in the utility sector, specifically telecom providers. Opportunities exist to more tightly integrate card data into e-travel systems, providing business travelers with better reconciliation data and finance managers with better information to pay bills on time. For more information on the roundtable discussions at the Forum, go to Page 8 in the Trends and Directions section of the Visa Exchange.

# Trends and Directions

## Lively Discussions Mark Day Two of Visa's Federal Government Forum

Roundtable discussions almost always spark a lively debate and Day Two of the Visa Government Forum was no exception. With a record-breaking attendance of nearly 120 agency program administrators, there was a unique opportunity for fellow administrators to ask questions, share experiences and learn from one another. Before the breakout sessions began, Mark Heisten, senior director, Commercial Solutions, Visa USA, led a town hall-style forum.

Afterwards, the attendees rolled up their sleeves and participated in five separate roundtable discussions:

- Identifying Misuse, Abuse and Fraud
- Program Optimization/Competitive Sourcing
- Enhanced Data
- Creditworthiness and Delinquencies
- Micropurchase Threshold

### Identifying Misuse, Abuse and Fraud

There was a general consensus among participants that fraud was a systemic risk that affected all parties, not just issuing banks. As such, delegates identified three main issues that need to be addressed:

- Identify suspect transactions at the point-of-transaction to reduce the need for post-transaction investigations. Without the resources or the technology, it is sometimes difficult to detect fraudulent transactions before they happen.
- Today they see that there are declining transactions only because the Merchant Category Codes (MCCs) do not reflect the goods/services the government purchases from that merchant. That limits the ability

to use a purchase card. It is also difficult to be certain of abuse or misuse just based on the merchant.

- Establish a common or minimum set of requirements for automation that all bidding banks must meet.

The panel proposed a number of solutions, including:

- Could there be a score sent along with the Advanced Authorization score in the authorization message perhaps? This would help prevent the misuse, fraud or abuse from happening.
- Migrate to using MCCs that relate to the purchases government agencies make, use a sub-MCC, or at the very least track the MCCs to ensure they are accurate. This would help better identify suspicious purchases, or even help improve authorization rates.

### Program Optimization

Ensuring that a purchasing card program is run optimally is a constant challenge for government agencies. During this breakout session, delegates identified issues including:

- How the purchase card can be used and what the rules would be.
- How contracting officers can have more control over purchases that exceed the micropurchase threshold.
- How to handle the often time-consuming sourcing process.

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### Trends and Directions (continued from page 10)

A number of solutions were proposed, including:

- Training, education and the implementation of best practices that will enable A/OPC's to become more informed about legislation regarding use of the purchase card as a payment method.
- Contracting officers should be made aware of the increased controls and spend visibility associated with making purchases with the card. Knowledge/best practice sharing by peer agency contracting officers and support from Visa/issuing banks would be helpful.
- Visa and its Members should share best practices for streamlining sourcing observed by federal agencies.

#### Enhanced Data

Receiving enhanced data is of enormous value to government agencies. During this session, participants questioned how Visa can ensure that enhanced data makes it downstream from the merchant to their internal systems. In general, agencies would like to see more card acceptance in the utility sector, particularly telecom companies.

#### Creditworthiness and Delinquencies

Determining a potential cardholder's creditworthiness is a continuing challenge for government agencies that need to balance risk with consumer privacy. Legislation requires agencies to assess their employees' creditworthiness, but this sets up a potential conflict between the mandatory use provision of the Travel and Transportation Reform Act and the individual consent for a credit check requirement in the Fair Credit Reporting Act.

In the absence of an individual's consent to conduct a credit check, agencies must decide to implement an alternative method for evaluating creditworthiness, as allowed by OMB Circular A123 Appendix B, or not issue travel cards to travelers even though they may travel frequently. With delinquencies at historically low levels, there seems little impetus to change the current system. However, the roundtable did discuss some alternatives:

- Self-certification as an alternative process for evaluating creditworthiness was discussed. The Social Security Administration has implemented a tailored form based on a similar form developed by the Department of Defense.
- Create a tiered card program whereby spending restrictions can be removed or altered based on the cardholder's proven ability to manage the card properly or increase his or her credit score.
- Opportunities remain to more tightly integrate the card data into the e-travel systems, providing travelers with better reconciliation data and supervisors with better means of ensuring that charge cards are properly paid in a timely manner. Travel Card program managers need to be allowed to engage in the agency discussions with the e-travel providers.

#### Micropurchase Thresholds

The micropurchase threshold (MPT) was raised recently to \$3,000 and delegates wondered how agencies are implementing the changes. Others questioned whether the MPT could be raised to \$25,000.

A number of other issues were raised, including:

- Can my disbursing office use the card to pay invoices? Do purchasing rules apply?
- What limits are in the new MPT of \$3,000 (construction, services, etc)?
- What conditions must be met to use the card above the MPT?
- What changes can be made to improve the processes?

A number of solutions were proposed, including:

- Research the Federal Acquisition Regulations to determine if the thresholds in the Service Contract Act (SCA) and Davis Bacon Act (DBA) were changed, and if not, how to implement the new MPT threshold.
- Research the requirements in authorizing cardholders to use the card above the MPT, both as an ordering tool as well as a disbursing tool.
- Disseminate the information in an educational forum (A/OPC Networking Meeting).

The roundtable participation provided the opportunity to share practices among different departments and address the current issues that still challenge card program managers. Visa will continue to facilitate discussion on these issues through our quarterly networking meetings and through the Visa Exchange. If you have a best practice you would like to let us know about, please email us at [publicsector@visa.com](mailto:publicsector@visa.com).



Pictured from left to right are Ray Estrada, Kelley Mustion, Dawn Bilodeau and Dan Schwemmer.

## U.S. Army Streamlines Tuition Assistance

### Visa and U.S. Bank Enable More Efficient Distribution of Funds to Soldiers for College Tuition

Every year, the Department of the Army provides tuition assistance (TA) to U.S. soldiers so they may further their education and complete their college degrees. In the past, the Army's paper-based TA program was slow, labor-intensive and expensive to manage. Soldiers would work with Army Education Center personnel located across the country to fill out a paper application form. These paper-based forms were processed manually and the educational institution would receive a manual payment.

#### U.S. Bank Proposal and Project Team

In November 2005, the Army approached U.S. Bank about using a Visa-branded Army Government Purchase Card (GPC) program to streamline the TA program's end-to-end process. The proposal incorporated best-practice processes and used new technologies to reduce time, labor and operating costs associated with processing TA approvals, invoices and payments. A project team was established to analyze the proposal, determine the requirements, chart out a process flow, assign the areas of responsibility and develop a Master Project Plan. The project team represented U.S. Bank Government Services, the Department of the Army Purchase Card Program Management Office, U.S. Army Human Resources Command (HRC), IBM Consulting Services, Global Electronic Exchange (GEX) and Defense Finance and Account Service (DFAS). For many of the team members and touch-points involved in the new process, this meant that new systems had to be developed and/or process changes implemented to support this initiative.

During the next several months, the U.S. Bank Relationship Manager for the Army, Ray Estrada, the Project Owners from U.S. Army Human Resources Command (HRC), Kelley Mustion and Dawn Bilodeau, and the Army's GPC Program Manager, Dan Schwemmer, were responsible for managing the Master Project Plan and keeping the tasks and events on schedule.

#### Implementation and Launch

The project's success was the result of:

- The ability to pass the automated tuition approval file from IBM's tuition approval system to U.S. Bank's electronic access system.
- The ability to electronically pass the approved payment file from U.S. Bank through to the HRC accounting system.

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## U.S. Army Streamlines Tuition Assistance

(continued from page 12)

In June of 2006, the first Army TA transactions were successfully transmitted between the Army, IBM and U.S. Bank. HRC now could review their tuition transactions through U.S. Bank's electronic access system (Access Online), match the purchase card transaction to the original tuition order, reconcile the line of accounting and approve each transaction. In addition to providing HRC with increased automation and efficiency, through U.S. Bank's Access Online system, the Army also has been provided with greater oversight and program control capabilities.

After several months of Electronic Data Interchange (EDI) file transmission testing between U.S. Bank, GEX and DFAS, successful electronic Invoice and Obligations files flowed from U.S. Bank's Access Online, allowing DFAS to process the inbound transactions against HRC's financial system and electronically transmit payment to U.S. Bank for billed purchase card transactions. HRC's vision to streamline their Army TA program has been realized and the results are impressive.

### Results

In comparing the old process to the new, using actual comparisons between 1st Quarter FY2006 and 1st Quarter FY2007, the Army TA program reduced the number of manual invoices processed from 7,194 to 690, thereby providing an operational cost-savings of approximately \$137,000 per quarter. Additionally, using the U.S. Bank Visa-branded cards, the approximate \$71,000,000 in increased annual card volume has provided HRC with the opportunity to earn over \$100,000 per quarter through program rebates offered by U.S. Bank's card contract with the Department of the Army.

New Army TA program highlights:

- The once-decentralized approval and payment process has been centralized.
- The number of manual invoices processed has been dramatically reduced.
- The processing of invoices has been streamlined and automated.
- Using GPCs provides a lower processing cost for the Army.
- Electronic approval, payment, reconciliation and reporting have increased the Army's oversight and control capabilities.
- The Army is now earning a sizeable rebate from the GPC program, which allows HRC to further benefit the Army and its soldiers.
- The colleges and universities now are realizing payment timeframes of a few days versus several weeks/months, thereby eliminating late payment penalties.

As the Army, U.S. Bank and Visa continue to work together to expand the Army's TA program and increase card acceptance at additional colleges and universities, these benefits should increase.

## State Forum Focuses on “Working Smarter in the Age of Intelligence”

### Visa Highlights the Benefits of Utilizing Technology and Best Practices to Optimize Card Program Performance

State travel and purchasing card officials from 11 states gathered in Des Moines, Iowa to attend the Visa State Government Forum on April 19, 2007. The forum followed the three-day National Association of State Auditors, Comptrollers and Treasurers (NASACT) annual Middle Management conference. Visa’s event focused on utilizing technology and best practices to optimize the performance of state government card programs.

In his presentation, Martin Johnson, vice president, Commercial Sales, Visa USA, discussed Visa’s five-point security strategy (covered in detail on page 4). Meanwhile, Linda McGee, vice president, Commercial Solutions, Visa USA, provided a status on the Qualified Payment Card Agent (QPCA) program and talked about how state agencies can remove the burden of IRS requirements by choosing a Qualified Payment Card Agent (QPCA) that has a proven ability to meet IRS 1099 reporting requirements.

Darren Muise, director, Commercial Sales, Visa USA, outlined a six-phase approach to program optimization and discussed two complementary Visa tools. These include the Visa Performance Gauge that rates a purchase card’s performance against best practices and a Benefits Calculator that estimates the financial benefits of improving procurement efficiency.

Later in the day, attendees participated in a roundtable discussion on specific topics of interest (facilitated by Ann Cavanagh, director, Commercial Sales, Visa USA). Of universal interest was the issue of managing a RFP process.

Visa and forum attendees identified a few key requirements that include:

- Dedicated Resources – You need someone that can manage the RFP process, but you also need to make sure there is someone keeping the program running.
- Advisory Group – There needs to be a “user group” and “core voting panel” that is diverse and would include auditors, someone from finance, procurement, local government and/or higher education (if the institution falls under the state contract).
- Samples – Participants suggested looking at sample RFPs to get ideas of how to structure a RFP. There is also a sample RFP Payment Solutions Guide on [www.visa.com/commercial](http://www.visa.com/commercial), under Resources.

One participant asked if a fraud checklist exists. Recommendations from the room included:

- Pulling transaction reports; looking for split transactions
- Watching repetitive decline reports
- Monitoring certain merchant category codes (MCCs)
- Keyword searches

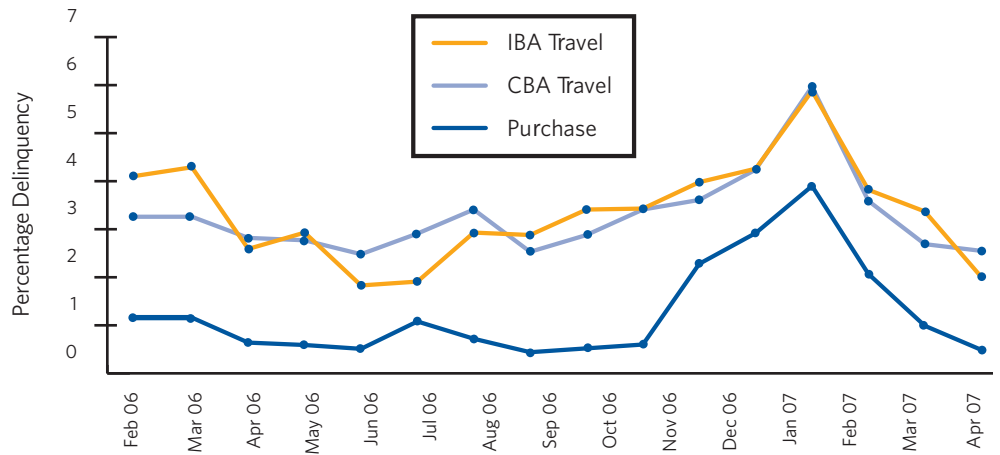
Finally, the discussion turned to Payment Card Industry (PCI) Data Security Standards (DSS), with one delegate requesting best practices to improve their processes. Visa distributed a six-step process for PCI DSS compliance:

- Step 1: Build and maintain a secure network
- Step 2: Protect cardholder data
- Step 3: Maintain a vulnerability management program
- Step 4: Implement strong access control measures
- Step 5: Regularly monitor and test networks
- Step 6: Maintain an information security policy

For more information on presentations that were given at the State Forum or for more information on Visa’s Solutions for state agencies, contact Darren Muise at [dmuise@visa.com](mailto:dmuise@visa.com).



## Delinquencies



### Government-Wide Delinquency Rate Trends

In April, delinquency rates continued on their three-month downward slope with travel IBA and CBA dropping from 5.97 and 5.88 percent in January to 2.55 and 2.01 percent respectively. Purchase also saw a significant decrease from its 12-month high in January of 3.9% to 0.49% in April. All three rates are lower than they were during April of last year.

Agencies should continue to work to identify the causes of delinquencies. Areas for possible analysis may include whether the implementation of e-travel systems is resulting in smaller outstanding balances month-to-month. For centrally billed travel and purchase cards, agencies may want to determine whether unreconciled charges reveal any particular problem areas or merchant relationships.

## "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 Jennifer Main, CFO, Small Business Administration; James Laychak, President of the Pentagon Memorial Fund; and John Potts, acting CFO of the National Highway Traffic Safety Administration.

"Ask the CFO" airs every Thursday at 10 a.m. EDT on Federal News Radio. Or listen to broadcasts anytime with a Windows Media Player at [www.federalnewsradio.com](http://www.federalnewsradio.com).

# The Visa Exchange



Information for Public Sector and Higher Education Personnel

SUMMER 2007

## Mark Your Calendar

### 2007 Trade Shows & Conferences

#### Federal Government

#### September 2007

AGA National Internal Control  
and Fraud Conference  
September 10-11, Atlanta, GA

#### October 2007

Governing - Managing Performance  
October 10-12, New York, USA

#### State & Local Government, Higher Education

#### September 2007

AGA National Internal Control  
and Fraud Conference  
September 10-11, Atlanta, GA

#### November 2007

Eastern Association of College and  
University Business Officers (EACUBO)  
November 4-6, West Sulphur Springs, WV

#### October 2007

Governing - Managing Performance  
October 10-12, New York, USA

The Council of State Governments (CSG)  
Annual State Trends and Leadership Conference  
November 11-14, Oklahoma City, USA