



# The Visa Exchange

Information for Government Personnel

Summer 2005



## Visa Government Forum Celebrates Excellence, Looks Toward Future Innovations

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The 2005 Visa Government Forum offered participants insights on breaking payment program news from Washington insiders, open discussions on the hottest issues and demonstrations of the latest payment products on May 5 and 6 at the Ronald Reagan International Trade Center in Washington D.C.

Visa's Bruce Sullivan kicked off the Forum by highlighting the SmartCard program's considerable accomplishments over the past year — purchase card transactions saved the federal government \$1.4 billion in 2004, \$100 million of which was earned through refunds.

In his keynote address, Congressman Tom Davis, chairman of the U.S. House of Representatives Committee on Government Reform, provided an overview of recent acquisition legislative and oversight activities and called the purchase card "an invaluable tool for agency efficiency." He said that shifting authority from procurement officers to individual cardholders is an invaluable way to cut red tape, especially in a post Sept. 11 world when it is imperative that government workers be able to procure supplies rapidly and still achieve savings.

Additional program highlights included:

Neal Fox, assistant commissioner for commercial acquisition at the General Services Administration's (GSA) Federal Supply Service, shared insights from the successful implementation and management of the GSA SmartPay program. Fox noted the increased efficiencies and cost savings generated by the program's rich payment card transaction data, as opposed to the labor-intensive paper procurement system. The GSA will apply his team's insights to prepare for the "next generation" of SmartPay programs, slated to begin in late 2008.

Danny Werfel, director of the financial integrity and analysis branch in the Office of Federal Financial Management, Office of Management and Budget (OMB), gave an update and answered questions on the OMB charge card circular requiring agencies to conduct creditworthiness checks (FICO scores) on prospective centrally-billed cardholders. In a related session, Stephen Heard, director of frameworks in the UK, explained how a Visa government procurement card program has realized \$556 million in taxpayer savings on \$3.4 billion of public expenditure.

The Department of Commerce (DOC) took top honors with the coveted Program Optimization Award. Janette Labbee, director of DOC's Bankcard center, worked extensively to convince the CFOs of 11 disparate DOC bureaus to replace existing processes that paid purchase card invoices in 30 calendar days (earning only modest rebates), with a new process that cut the payment process to three business days after invoice, increasing rebates 36 basis points for all DOC bureaus.



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Janette Labbee, Director,  
Bankcard Center,  
U.S. Department of Commerce

# Department of Commerce Takes Home Program Optimization Award

## Bankcard Center Director Shares Award-Winning Tips

The U.S. Department of Commerce (DOC) took top honors at this year's Visa Government Forum, earning the Visa Program Optimization Award for outstanding program management and purchase card program best practices.

In accepting the award, Janette Labbee, director of DOC's Bankcard center, credited dramatically accelerated payment process times and significantly increased rebates to the "persistence and open-mindedness of DOC management."

Labbee worked extensively to convince the chief financial officers of 11 disparate DOC bureaus to replace existing processes that paid purchase card invoices in 30 calendar days (earning only modest rebates), with a new process that cut the payment process to three business days after invoice, increasing rebates 36 basis points for all DOC bureaus.

"People get used to doing things the same way, so you'll always run into lots of reasons not to change existing systems," Labbee said following the award presentation. "But when 'business as usual' means lost opportunities, an agency can't afford not to make changes for the better."

Labbee thanked Citigroup for going the extra mile to compile the data she needed to make a convincing case for the improvements.

"We're honored that we were able to help Janette accomplish so much," said Richard Heilman, vice president and director of public sector programs for Citibank Commercial Card Services, as he congratulated Labbee. "Supporting these initiatives is a team effort. We work with Visa to make sure our clients have what they need to make their purchase and travel card programs the best they can be."

Some of the best practices Labbee's team recommended to generate efficiencies and savings include:

- **Gather Statistics.** Look at CFO reports to familiarize yourself with how much your agency is using purchasing cards versus other agencies. Measure your performance against other agencies. Benchmark your returns and opportunities for financial and socio-economic improvement.
- **Use Visa's Program Optimization.** The program is simple to use, and it does much of the work for you, using spend analysis to point out opportunities for using purchasing cards and making recommendations to increase efficiency.
- **Leverage Strategic Sourcing.** It's more cost effective to negotiate with contractors. The purchasing card gives you extra bargaining clout by improving management reporting so you can analyze and leverage spending patterns.
- **Senior Level Involvement.** Present your findings at the highest levels — to the CFOs and the director of procurement. Communicate the opportunities for breakthrough gains and leaps forward in efficiency and cost savings. Be persistent. Continue to present your findings each year until you get buy-in to make changes.

To push efficiency to even higher levels, DOC is incorporating a Visa Program Optimization study of its accounts payable data as a key component of its Spend Analysis Initiative. Visa's Program Optimization tool is a powerful way for agencies to improve the effectiveness of their procurement programs by identifying opportunities to increase the use of purchase cards.

Agencies within DOC are also working toward integrating purchase card payments with its e-procurement solutions, such as FedBid's Reverse Auction service. Both initiatives are designed to provide administrative savings in accounts payable and procurement, higher rebates through increased card usage and compliance with acquisition policies.





# News You Can Use

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

## **Visa Hosts Quarterly Agency/Organization Program Coordinator (A/OPC) Networking Meeting in September**

Visa will host its next quarterly A/OPC networking meeting Sept. 20 at the JW Marriott in Washington D.C. The “Responsibilities of the A/OPC in Strategic Sourcing” meeting is the latest in the series designed to provide policymakers and administrators the latest news affecting payment card programs, as well as an opportunity to meet and mingle with policymakers, colleagues and representatives from Visa financial institutions.

Visa’s last two quarterly A/OPC meetings featured representatives from the Office of Management and Budget and the Department of Defense, who addressed the new creditworthiness requirement and its implementation. For more information, contact Bruce Sullivan: 703-623-4318 or brsulliv@visa.com.

## **Federal Supply Service Commissioner Retires After 35 Years**

Donna Bennett, the commissioner of the Federal Supply Service, announced her retirement from the agency on July 3 after a distinguished 35-year career in government. Bennett was a staunch supporter of the SmartPay program and played a key role in the evolution of the program.

## **General Services Administration Plans Major Reorganization**

The General Services Administration (GSA) is considering a move to combine the Federal Supply Service and the Federal Technology Service into a single organization — the Federal Acquisition Service. Under the draft reorganization plan, the SmartPay program will move from the current Services Acquisition Directorate to the Travel and Property Disposal Services Relocation Business Portfolio. The SmartPay program will be co-managed with GSA’s eTravel and City Pairs programs. For additional information, visit [www.gsa.gov/gsa/cm\\_attachments/GSA\\_BASIC/FTS-FSS-REORG-DRAFT\\_Plan\\_R2-w-p9-m\\_OZ5RDZ-i34K-pR.doc](http://www.gsa.gov/gsa/cm_attachments/GSA_BASIC/FTS-FSS-REORG-DRAFT_Plan_R2-w-p9-m_OZ5RDZ-i34K-pR.doc).

## **General Services Administration Releases SmartPay Request for Information**

GSA has released a Request for Information (RFI) to consider new technology and applications in support of the next SmartPay program.

GSA is looking for innovative approaches to provide an end-to-end payment solution, including charge card and debit card capabilities on a government-wide scale for users within and beyond the continental United States. The payment solution should capture data and provide management information regarding card usage while ensuring both Privacy Act and security requirements are met.

For a synopsis and complete RFI, visit [www2.eps.gov/spg/GSA/FSS/FCX/Reference%2DNumber%2DGSASmartPayRFI/listing.html](http://www2.eps.gov/spg/GSA/FSS/FCX/Reference%2DNumber%2DGSASmartPayRFI/listing.html).





# Medical University of South Carolina Breaks New Ground in Program Optimization

Visa's Purchasing Card Program Optimization initiative is a powerful way to improve the effectiveness of procurement programs by identifying opportunities to increase the use of purchasing cards within an organization. Several federal agencies are currently maximizing their programs with the initiative, which has recently become available to states and public universities as well. The first university to implement these tools, the Medical University of South Carolina (MUSC), is already seeing outstanding results.

Founded in 1824, MUSC is a progressive education pioneer, having transformed itself from a small private college that trained physicians into a respected state university with a medical center and six colleges that produce medical doctors, dentists, pharmacists, biomedical scientists and many other health professionals.

Motivated by a round of budget reductions, MUSC first instituted its purchasing card program with Bank of America in 1998, training and certifying 1,197 cardholders. By using purchasing cards for routine purchases, MUSC currently saves more than \$69 per transaction and has realized total savings to date of \$22.8 million.

Susie Edwards, director of budget and purchasing for MUSC, is still looking ahead. "We've made great strides, but it's important to us to continue to save as much as possible," she said. "Our Issuer, Bank of America, gave us a compelling outline of what Program Optimization could help us achieve. And Visa's Program Optimization gives us access to Visa's Benefits Calculator (a Procure-To-Pay consulting tool) that will allow us to measure the success of our program."

"MUSC is a real leader when it comes to cost savings," said Henry Siler, vice president, Bank of America. "Susie and her team continue to make their purchase card program a model for other organizations to follow."

MUSC began its program optimization process in April 2005. Visa's initial analysis of its accounts payable files revealed that the university conducts 30,000 transactions annually, totaling \$6.8 million with Visa vendors.

Edwards' team developed an action plan to identify what they call "quick hit opportunities" to gain the most value from the project:

- [Identify departments with purchases that qualify for purchasing card payments.](#)
- [Identify categories of expenses currently not allowable for purchasing cards under internal policies. Revisit those policies.](#)
- [Develop a communication plan to notify purchasing card users of potential cost savings and usage.](#)

Although she's putting her team on a timeline to address all three action items by December, Edwards says it's amazing how much the optimization process has already revealed about their card program — even at this early stage.



“Visa’s Program Optimization has sorted and organized our data in ways that give us a new, transparent look at how our organization operates,” she said. “It’s amazing how looking at the same figures from a different angle can be so revealing.”

Sharon Ford, purchasing card administrator for MUSC, agrees. By analyzing the program optimization data, Ford has already noticed that several departments are not using their purchasing cards for all purchases, even though they were authorized to do so.

“Many of our research areas are growing very quickly and don’t realize they need to equip their new staff with the cards,” she said. “Now that we’ve identified this problem, we can quickly educate the new staff and provide them with cards.”

Ford also found several specific account codes that are not allowed on the purchasing card. A total of 6,100 transactions are currently being made through more expensive payment channels, such as checks. Visibility and exact data give her the tools to potentially convert these codes to purchasing cards — a potential savings of over \$426,000.

Both Ford and Edwards are excited by these preliminary findings and eager to find even more opportunities to make their program more efficient.

“This helps us see what’s not happening. Until now, we weren’t aware so many of our departments were not utilizing the purchasing card as often as they could,” Ford explained.

Although the program is still in its initial phase, both Edwards and Ford already say they would definitely recommend Visa’s Program Optimization to other organizations.

Edwards also said that program optimization has made her very popular with other purchase card program administrators in the state.

“At conferences where we network, like Bank of America’s User’s Conference for South Carolina, Sharon and I get approached by all kinds of colleagues curious about our progress with program optimization,” Edwards said. “We have lots of phone numbers — everyone wants us to keep them informed of our results. Many state organizations are learning from our experience.”

Those final results will be well documented. Edwards’ team has an action plan in place to monitor purchasing card performance indicators from start to finish. MUSC is tracking all transactions per month per department, and after implementing the optimization strategies, they will do another review to document the extent of their progress.

“This is a wonderful benchmarking opportunity for us,” Edwards said. “We’re making sure we can quantify every cent of our program optimization success.”





Rick Malcolm, vice president,  
public sector, Visa USA

## Rick Malcolm: Profile in Leading Visa's Commercial Solutions Public Sector

*To familiarize readers with the faces driving Visa's activities in the public sector, The Visa Exchange regularly features individual profiles. In this issue, Rick Malcolm discusses the expansion of initiatives to assist government agencies in his role as vice president, public sector for Visa USA.*

Since the 1980s, Visa has been committed to creating efficient, state-of-the-art payment processes specifically for the public sector by providing better products, better service and the most experienced people. One of the newest additions to Visa Commercial Solutions to deliver enhanced value to Visa and its issuing financial institutions' government clients is Rick Malcolm, recently appointed to the position of vice president, public sector.

Moving into this new role in May 2005, Malcolm brings with him years of experience in creating efficiencies and cost savings for commercial and government clients in direct collaboration with Visa Member financial institutions. Malcolm also helped launch Visa Commerce, the powerful cardless electronic payment tool with the capability to handle large single transactions of up to \$10 million.

"It's paramount that government agencies work with partners who have a deep understanding of how agencies operate and can quickly locate best-case solutions," Malcolm said. "Visa puts the industry's broadest and most integrated commercial card programs at the government's disposal. With our six-person team's collective 110 years of experience and the organization's continual development of products, services and best practices to federal agencies, state and local governments and universities, Visa works to help its public sector partners maximize their payment card programs, including controls, waste reduction, innovation, security and the elimination of fraud and abuse."

Malcolm leads a familiar Visa team comprised of government purchasing experts — including Bruce Sullivan, Martin Johnson, Steve Johnson, Melanie Sisler and Jon Beckstrom — all bringing insights that help public sector agencies enhance their programs to deliver maximum efficiencies.

Visa's insights and expertise in the public sector currently supports 55 major federal agencies and 31 state programs.

"In collaboration with the individual government agencies and Visa issuing financial institutions, we've helped to make significant improvements in the way the government does business," Malcolm said. "We look forward to continuing this partnership to implement the next generation of SmartPay."





# Product Spotlight

## Visa Commerce — A Powerful Solution for Intragovernmental Payments and High Ticket Purchases

For growing numbers of government agencies, policy changes are transforming their payment approach, increasingly requiring electronic government-to-government and government-to-business payments.

Visa has developed products and services that enable issuing financial institutions to provide their public sector clients innovative solutions, such as Visa Commerce, a powerful tool with the capability to handle single transactions of up to \$10 million, the initiation of a payment or the deferment of a settlement based on negotiated terms.

Funds are moved through Visa's network for a flat, negotiated transaction fee, a cost-effective option for large payments.

Visa Commerce meets the unique needs of government agencies seeking to make larger payments to industry partners. This non-card-based service is part of Visa's suite of innovative GSA SmartPay commercial solutions — Visa Purchasing, Visa Travel, Visa Fleet and Visa Commercial — to help agencies of all sizes make and receive payments more efficiently than paper-based methods such as checks.

Key buyer benefits of Visa Commerce include:

- **Control and initiate payment to suppliers** — Buyers can review the quality and quantity of products before making the payment.
- **Defer the settlement of the payment** — Dates can be established based on terms negotiated with suppliers.
- **Make payments in any amount up to \$10 million per transaction** — Higher value payments can be made for direct goods, such as raw materials, parts and manufacturing components.
- **Secure a data-rich solution** — Agencies gain immediate online access to both the payment and the invoice-related data associated with the purchase of goods.

Designed to complement procurement software, electronic invoice presentment services, and existing commercial card products, Visa Commerce represents an efficient, cost-effective and globally consistent means to utilize the VisaNet infrastructure and extend commercial payment solutions into the larger-value, invoice-based payment segment.

Visa Commerce provides a Web-based platform for trading partners to create, receive, review, approve and execute payments and to utilize reporting tools for accessing invoice and payment data to benefit government agencies. It also enables trading partners to apply payment terms to transactions — all for the benefit of government agencies.

A significant area of focus for Visa Commerce has been to provide an intragovernmental transaction solution for the federal government. The functionality and flexibility of Visa Commerce can also support purchases, reconciliation and reporting between agencies.

*To learn more about Visa Commerce, please contact Martin Johnson at [majohnso@visa.com](mailto:majohnso@visa.com).*

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Bruce Sullivan, vice president,  
government services, Visa USA

## Trends and Directions

Over the past few months, Visa and its issuing financial institutions have worked with legislators and their staffs to raise awareness and insight on three key issues that may impact government and consumer payment card programs: creditworthiness, strategic sourcing and the government levy program. Following is an overview of these recent developments.

### **Creditworthiness**

We continue to meet with Congressional members and staff to explain and clarify exactly how the requirement to conduct creditworthiness checks (FICO scores) on prospective centrally-billed cardholders could have a significant impact on further savings currently achieved in SmartPay card programs.

Members of Congress have told us they agree in principal that credit scores on centrally-billed accounts are not likely to reduce card misuse, but at this time, it looks as if either credit scoring or the use of restricted cards is very likely.

It is also probable that requirement language will be included in the FY06 appropriations language. The OMB has finalized similar language in its circular requiring either credit checks or the issuance of restricted-use cards.

### **Strategic Sourcing**

In the proposed Purchase Card Waste Elimination Act of 2005, Sen. Susan Collins required that federal agencies use data generated through payment card programs to secure better-than-retail prices in their ongoing negotiations with their vendors.

Although many agencies are already realizing such savings, the proposed act requires greater use of schedules and other contract vehicles to secure even more savings from the SmartPay program. The legislation would also require cardholders to make case-by-case decisions to determine if using a strategic source actually offers a better value.

Agencies should be allowed to implement the requirement in ways that fit their procedures. They should also be able to provide cardholder exemptions in the use of contracts when deliveries via contract cannot meet the needs of the cardholder.

Many agencies have already taken the initiative to use federal supply schedules as a SmartPay best practice, with the Army, the Air Force, the Department of Agriculture and the Department of Homeland Security securing agency-wide contracts for office supplies.

### **Federal Payment Levy Program or Offset Program**

An amendment was recently proposed to the Purchase Card Waste Elimination Act bill that would require that the Treasury Department, the Internal Revenue Service and GSA to develop procedures ensuring that any purchase card payments to federal contractors be subjected to the federal payment levy program.

It is believed that Congress is concerned that contractors owing the government money are circumventing the normal government payment process (where the payment office would offset payments by the amounts due) by requesting that they be paid with the purchase card. Visa is currently working to study the actual extent of the problem.

# SmartPay Individually-Billed Travel Delinquencies at All-Time Lows

For the first time ever, government-wide individually-billed accounts (IBA) travel delinquencies have remained below 3 percent for four consecutive months. Although the June 2005 government-wide IBA delinquency rate rose to 2.85 percent from an all-time low of 2.5 percent in May, the June rate is almost 20 percent lower than the same period last year. Centrally-billed travel and purchase cards also remain at or close to historic lows. These outstanding performance rates have been achieved through the dedicated efforts of agency/organization program coordinators and their program offices.

Maximizing the use of bank reports is the most effective way to maintain performance at this level. The reports required under the GSA SmartPay master contract follow:

- **Pre-Suspension/Pre-Cancellation Report:** Provides a listing of accounts eligible for suspension or cancellation
- **Suspension/Cancellation Report:** Provides a listing of accounts that have been suspended or cancelled
- **Delinquency Report:** Provides account status for each period (bucket) when accounts are past due (30, 60, 90, 120 or more days)
- **Write-Off Report:** Lists amounts written off for non-payment
- **Exception Report:** Provides information on declined authorizations, merchant category code (MCC) reports for non-travel expenditure, ATM withdrawals, high-volume accounts, etc. (These reports may vary from financial institution to financial institution.)

Issuers may design additional reports to assist with delinquency management. Agencies are also encouraged to implement the federal employee salary offset program and the split disbursement program when applicable.

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Throughout the two-day event, Forum participants shared their experiences and learned from colleagues' insights during open discussions and networking sessions on travel, purchase and fleet card topics.

Technology Day, held on the Forum's second day, gave participants hands-on demonstrations of new Visa electronic payment and information management solutions, such as Visa's Procure-to-Pay Performance Gauge. This solution automatically rates agency program efficiency and makes specific suggestions for purchase card program optimization.

Forum attendees were also able to "test drive" Visa Fleet enhanced data retrieval capabilities and Visa Information Management services which give agencies access to 1099 Reporting/QPCA, Socioeconomic Reporting, and access to Visa's Supplier Matching Service, Supplier Enrollment Program and Supplier Locator. Reviewing these tools provided attendees with insight into products that will assist them in boosting the operating efficiencies of their card programs.

For additional information regarding the Visa Fleet card, please visit the Visa Web site at [Visa.com/government](http://Visa.com/government)

## Mark Your Calendar

### 2005 Government Events

#### August 2005

Annual GSA SmartPay  
Conference  
Aug. 30 – Sept. 1, 2005  
Boston, MA

#### September 2005

Visa Quarterly  
Agency/Organization Program  
Coordinator Networking Meeting  
Sept. 20, 2005  
Washington, D.C.

#### November 2005

Coalition for Government  
Procurement Awards Dinner  
Nov. 8, 2005  
Washington, D.C.

## We Want to Hear From You!

### Innovative Use of Purchase and Travel Cards

Share your success! All program administrators 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 will highlight your accomplishments in upcoming editions.

Please submit questions for future articles or a synopsis of your achievements to [visaexchange@visa.com](mailto:visaexchange@visa.com).



Recommendations or comments about The Visa Exchange, or requests to be removed from the mailing list can be sent to [VisaExchange@visa.com](mailto:VisaExchange@visa.com).