

IN THIS ISSUE

	Page
Visa Innovation	1
GSA Takes Billions in Taxpayer Savings Seriously	2 – 3
A Trusted Partner	3
“Ask the CFO” Radio Show	3
Visa SmartPay Knowledge-Sharing	4 – 6
Mark Your Calendar	7

Visa Innovation

New Tools to Address Fraud, Misuse and Strategic Sourcing

Visa is dramatically redesigning its data-management tools to address the more challenging needs faced by today’s agency program coordinators (APCs), such as pending legislation that require programs to use “machine learning” and the increasing demands of GAO audits, Inspector General investigations, Congressional hearings and inquiries — many of the concerns raised in the OMB Circular A-123 Appendix B.

In the near future, Visa’s data-management capabilities will deliver specific misuse reports and incorporate neural network technologies that enable evolving machine intelligence to improve fraud-detection results and speed ongoing evaluation.

For the first time, APCs will be able to easily access both card data and other accounts payable files for more comprehensive strategic sourcing analysis and program optimization.

All of this expanded functionality will be accessible from an easy-to-use Web-based system available through each agency’s SmartPay contract. Agencies will have better access to actionable and intelligent information for improved fraud and misuse management and more effective sourcing options.

Critical Advantages

- Increases efficiencies/effectiveness
- Ease of use
- Neural networking for greater accuracy and intelligence
- Broader strategic-sourcing file access
- Program optimization capabilities
- Enhanced security
- Web-based

The new data-mining/strategic-sourcing solutions will also be made available to state, local and higher-education markets.

For more information about these new Visa tools, contact Visa at publicsector@visa.com or call Bruce Sullivan at (703) 623-4318 or Steve Johnson at (703) 287 8855. Agency program coordinators who were unable to attend briefings about the new tools at the SmartPay conference may schedule an individual briefing.



GSA Takes Billions in Taxpayer Savings Seriously

Annual GSA SmartPay Conference Equips Administrators With Latest Tools and Techniques to Realize Even Greater Efficiencies and Cost-Savings

Thousands of agency organization program coordinators, approving officials, financial and procurement managers and policy officials met at the 2006 General Services Administration (GSA) SmartPay training conference in St. Louis. The key objective was to learn the latest best practices for replacing purchase orders and checks with more efficient card transactions.

This year's training event demonstrated the GSA's continuing commitment to building on its already significant savings success. The curriculum included three days of focused training sessions on topics that ranged from program optimization, to cardholder activity oversight and Internal Revenue Service (IRS) 1099 reporting compliance.

Experts who led the knowledge-sharing sessions included GSA procurement professionals, financial institutions serving government agencies and Visa USA. The annual conference provided an excellent opportunity for defense and civilian agencies to network, learn best practices and improve an already high-performing program.

Program optimization is a crucial step for agencies that already have card programs in place, because it allows program coordinators to access merchant data and analyze internal buying patterns. This allows the agency to quickly identify the vendors and individuals still paying by paper-based procurement who could be realizing savings by using the payment card. Program optimization is the process of analyzing and improving a card payment program for maximum efficiency.

Last year, the GSA SmartPay program saved an estimated \$1.4 billion in taxpayer dollars by replacing costly and inefficient paper and purchase order transactions with purchasing cards. An additional \$2 billion was saved through the use of travel cards, an estimate based on discounted pricing through the GSA's City-Pair Program. These tremendous efficiencies can be augmented even further through the use of strategic sourcing — the logical extension of optimization to capitalize on both card and noncard spend.

Additionally, card security and safety are crucial to a successful card program. The conference featured sessions on identity theft prevention and other security tactics to keep cards, cardholders and programs safe.

Sessions on compliance with the Internal Revenue Service (IRS) 1099 reporting clarified Visa's role in working with the IRS to create a method to tag transactions subject to this reporting step. The sessions provided essential information that program coordinators must know, including exceptions, merchant category codes and IRS deadlines.

GSA SmartPay is the largest charge card program of its kind in the world, with more than 2.7 million cardholders. Of these, approximately 439,000 are fleet (vehicle) charge cards, 300,000 are purchase charge cards and 2 million are travel cards. More than 350 federal agencies and tribal organizations participate in the GSA SmartPay program.

GSA Takes Billions in Taxpayer Savings Seriously (cont.)

Be sure to mark your calendars for next year's GSA SmartPay conference, scheduled August 21-23, 2007 in the city of Philadelphia.

To access additional information about program optimization, card security, 1099 reporting or any other SmartPay training topic, contact Bruce Sullivan, Vice President of Government Services, Visa USA at brsulliv@visa.com or by calling (703) 623-4318. Additional government savings information is also available at www.visa.com/gov.

A Trusted Partner

Visa was a significant presence at the 2006 GSA SmartPay conference, sharing knowledge and insight into payment industry trends affecting the government, demonstrating innovative solutions to help APCs do their jobs faster and more efficiently, and looking to the future with advanced new data-mining solutions that will enable agencies to meet and exceed the requirements of pending legislation.

The success of the GSA SmartPay program is due largely in part to the combined efforts of thousands of agency program coordinators, and Visa is proud to be a partner in that success.

Visa appreciates the trusted partnership between Visa member financial institutions and federal agencies, and will continue to earn that partnership every day.

“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.

Visa SmartPay Knowledge-Sharing

From program optimization through 1099 QPCA reporting, Visa is abreast of the trends, laws, and evolving changes of the payment industry and how they affect federal government agencies. At the 2006 GSA SmartPay conference in St. Louis, the Visa Government staff presented a range of informative knowledge-sharing sessions.

The Visa sessions were designed with the goal of enabling Agency Program Coordinators (APCs) to learn more and accomplish more with their programs. Key presenters Bruce Sullivan, Vice President of Visa Government Services, and Steve Johnson, Director, Visa Public Sector Commercial Solutions, brought extensive experience as former agency card program officials; Martin Johnson, Director, Visa Public Sector Commercial Solutions, added important insights from his experience as a former management and strategy consultant from the payments industry. Session highlights and some recommended practices are listed below.

Visa: How the World Pays

The Visa brand has a powerful global presence, accepted by millions of merchants and nearly 1 million ATMs around the world.

Visa utilizes overlapping technological safeguards to protect cardholders, agencies, and merchants from fraud, including building and maintaining a secure network, protecting cardholder data, implementing strong access control, regularly monitoring and testing networks, and more.

Visa: Program Optimization

U.S. government purchase card spending has grown dramatically.¹

- 1999: \$10.2 billion volume, 20.6 million transactions, 517,082 cards
- 2005: \$17.4 billion volume, 25.9 million transactions, 301,217 cards

The purchase card can help the government work more efficiently at a lower cost while gaining increased oversight and transaction controls, better purchasing data, improved vendor management and strategic sourcing. According to the GSA, using purchase cards saves \$54 per transaction, versus transactions made using the old purchase order process.²

Strategies to grow agency programs include:

- Analyzing higher-ticket opportunities (transactions more than \$2,500 for which the purchase card may be used as a method of payment OR for which other Visa electronic payment options, such as Visa Commerce, may be appropriate)
- Identifying new pockets of spend (transactions less than \$2,500 not currently on the card)
- Eliminating convenience checks and third-party drafts (recognizing opportunities to convert check transactions to the purchase card)
- Participating in Visa's Program Optimization (Visa and its issuers work with agencies on ways to grow the program)

Visa SmartPay Knowledge-Sharing (cont.)

Visa: Identity Theft Prevention

The 1990s spawned a new variety of crooks, called identity thieves, who target consumers conducting everyday financial transactions. Identity theft is the manipulation or improper accessing of another person's identifying information, such as a Social Security number, a mother's maiden name, or a personal identification number, in order to fraudulently establish credit or take over a deposit, credit or other financial account.

To minimize your risk of identity theft:

- Protect credit cards, bank accounts and phone accounts with passwords
- Use a firewall, virus protection and anti-spyware software
- Secure personal information in your home
- Ask about information-security procedures in the workplace
- Routinely order a copy of your credit report from each of the three credit bureaus
- Don't give out personal information on the phone, by mail or over the Internet
- Guard your mail and trash from theft
- Carry only the identification information and credit and debit cards that you need
- Be wary of promotional scams
- Keep your wallet or purse in a safe place at work

Take this test to see how safe you are: www.idsafety.net. If you do become a victim of identity theft, call 1-866-ID-HOTLINE to receive free and confidential assistance from trained counselors.

Visa: Form 1099-MISC Compliance³

The Internal Revenue Code and Income Tax Regulations require governmental entities to file Form 1099-MISC for each person to whom they have paid at least \$600 in a calendar year for rents, vendor services (including parts and materials), prizes and awards, or other income payments. Exceptions are provided for, among other things, payments for merchandise, freight, telephone, storage and similar items; certain payment card transactions; and certain payments to corporations (excluding payments made by federal executive agencies for vendor services). Governmental entities must also furnish information statements to payees for reportable transactions.

Visa sought changes to IRS regulations governing Form 1099-MISC information returns in order to facilitate cardholders' compliance with these reporting requirements. The IRS issued final rules and revenue procedures relating to information reporting and use of Qualified Payment Card Agents (QPCAs). The QPCA is an IRS designation which can be granted to payment card organizations, like Visa, that can demonstrate the ability to meet IRS standards surrounding the solicitation, collection, validation, maintenance and distribution, directly or through their members, of data required for IRS information reporting. Visa applied for QPCA status in 2005 and continues to work with the IRS to clarify the requirements and to complete the application process.

Visa SmartPay Knowledge-Sharing (cont.)

The QPCA regulations provide several benefits to agencies, including:

- A grace period for obtaining a merchant's Form 1099-MISC information
- A grace period before backup-withholding is required
- Minimal taxpayer identification number (TIN) solicitation requirements
- Visa handles TIN matching
- Agency receives status of merchant's TIN qualification on 1099 report
- Agency secures expanded penalty protection by relying on QPCA data

In addition, IRS Revenue Procedure 2004-43 provides an optional method, suggested by Visa, for determining which card transactions may be reportable, by classifying businesses by Merchant Category Codes (MCCs) according to whether they predominantly supply goods or services. Agencies can then rely upon the MCCs or equivalent Industry Codes assigned by a payment card organization to particular merchants/payees in determining whether transactions must be disclosed on Form 1099-MISC.

Visa was honored to participate in the 2006 GSA SmartPay training sessions. For those APCs who were unable to attend and would like additional information, please contact Bruce Sullivan at brsulliv@visa.com or by calling (703) 623-4318. SmartPay information can also be found at www.visa.com/gov.

¹ GSA Web site, SmartPay performance statistics.

http://www.gsa.gov/gsa/cm_attachments/GSA_DOCUMENT/PURCHASE99_R2F183_OZ5RDZ-i34K-pR.xls

² GSA Web site. Frequently asked questions: Why does the government have a charge card program?

http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_OVERVIEW&contentId=10141&faq=yes&noc=T#1

³ Information contained herein should not be relied upon for legal, regulatory, tax or other advice. It is recommended that you consult your own counsel for specific guidance on Form 1099-MISC reporting and related requirements applicable to your agency.

Mark Your Calendar

2006 Trade Shows and Conferences

Federal Government

September 2006

AGA First National Internal Control & Fraud Conference (Association of Government Accountants)
September 25 – 26
Atlanta, Ga.

October 2006

M2006 – The 9th Annual Data Mining Conference (Presented by SAS)
October 23 – 24
Las Vegas, Nev.

2006 Diversity and Women Leadership Summit and Gala (Diversity Best Practices and Business Women's Network)
October 25 – 26
Washington, D.C.

Air Force APC Conference
October 31 – November 2
Phoenix, Ariz.

November 2006

Coalition for Government Procurement's EIP Awards 2006 (Excellence in Partnerships)
November 13
Pentagon City, Va.

Pacific Emerging Issues Conference
Sponsored by AGA, ASMC and Visa
(Association of Government Accountants/American Society of Military Comptrollers)
November 13 – 14
Waikiki, Hawaii

December 2006

IIBT Best Practices and Technologies for Successful Emergency Management and Disaster Recovery Conference (International Institute of Business Technologies)
December 3 – 6
New Orleans, La.

eC3 Managing Change in a Connected World: Globalization and Government (National Electronic Commerce Coordinating Council)
December 4 – 6
Sacramento, Calif.

State and Local Government, Higher Education

October 2006

EACUBO Annual Meeting (Eastern Association of College and University Business Officers)
October 8 – 10
Boca Raton, Fla.

AFP (Association of Financial Professionals)
October 15 – 17
Las Vegas, Nev.

M2006 – The 9th Annual Data Mining Conference (Presented by SAS)
October 23 – 24
Las Vegas, Nev.

2006 Diversity and Women Leadership Summit and Gala (Diversity Best Practices and Business Women's Network)
October 25 – 26
Washington, D.C.

November 2006

Annual State Trends and Leadership Forum (The Council of State Governments)
November 30 – December 3
Phoenix, Ariz.