



# Stay informed with the latest news for the public sector

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## San Diego county makes the best use of purchase card flexibility

For San Diego county, purchase cards deliver flexibility that helps make the county's purchasing program run smoothly.

"Our purchasing process is both centralized and de-centralized, and our card program is flexible enough to support both requirements," says Winston McColl, director of purchasing and contracting for San Diego County.

The county is the sixth largest in the United States and has a workforce of over 16,000 employees who staff 50 departments. About 3 percent of that workforce has a purchase card to be used to make purchases in line with their job descriptions.

"Our card program allows purchasing for high volume, low dollar items, and sole source procurement," he explains. With an annual count of 90,000 transactions on the card program, the card program's utility is a very good thing.

"The manpower we would need to handle such volume of payables in the old paper-based way would be astronomical, and so would the cost," says McColl, who estimates almost \$100 in savings on the cost of every transaction that is done using a purchase card.

*continued on page 2 ...*

# San Diego county makes the best use of purchase card flexibility

## About the profiled card program

Approximate number of cards:

600

Approximate average monthly spend:

\$2.4 million

Year program established:

1995

Numbers are current as of May 2011.

*continued from page 1 ...*

Because the county relies on over 600 cardholders to make appropriate purchasing decisions, McColl makes sure cardholder training is thorough and regular.

“We spend the time to make sure fraud doesn’t happen,” he says. New card holders get trained in the appropriate use and expected accountability in purchasing responsibilities. Everyone’s training class completion is tracked and training updates happen regularly for all staff.

“We are now looking at providing training update classes online, which will enhance knowledge and save employees time,” he says.

McColl also uses two extra tools to abate fraud: regular auditing of purchases and an interfacing software program that overlays the county’s financial system.

“One-third of all cardholders are audited every year. We take a very close look at their purchasing history to be sure each cardholder’s purchasing activity remains compliant,” says McColl.

McColl also knows first-hand about how the purchase card program helps keep the county doing its job even in the face of emergency.

“In 2003 and 2007, we had terrible fires out here,” he explains. “Hundreds of thousands of people were displaced and looked to us to shelter and feed them immediately. Because we had the card program in place, it was not a problem to purchase \$250,000 in cots from a regional WalMart, in order to accommodate all our residents who had to rely on temporary assistance centers for shelter.”

“We consider the purchase card to be an important tool in our emergency preparedness program,” he says. ↗

## State and local government card programs in the news

**Gilmer County, WV** reports **implementing the Visa Purchase card** program this spring, after county commissioners attended a purchase card workshop with West Virginia State Auditor Glen B. Gainer III.

*Gilmer Free Press, April 21, 2011*

The city of **Daytona Beach Shores** earned **\$22,856 in rebates** last year from its purchase card program. Now in its third year, the purchase card program also **reduced the number of checks** the city issues by 53 percent over last year.

*Daytona Beach News-Journal, April 18, 2011*

**Lee County, AL** reports that at the end of the 2010 calendar year they had just **over \$1.2 million in spending** on their Visa purchase card program. This netted them **a rebate of \$5,077.**

*Opelika-Auburn News, February 28, 2011*

The **city of Muskegon** recently joined the state of Michigan's Visa purchase card program. Benefits include a higher rebate percentage and pooling of purchases volume with the state to increase rebate revenue. The city anticipates that the move **will increase annual rebates to about \$48,000** over the previous purchase card program.

*City commission meeting minutes, April 14, 2011* ↗



## Making it easier to automate accounts payable

### Benefits to state and local governments in automating payables

#### **Efficient cash flow**

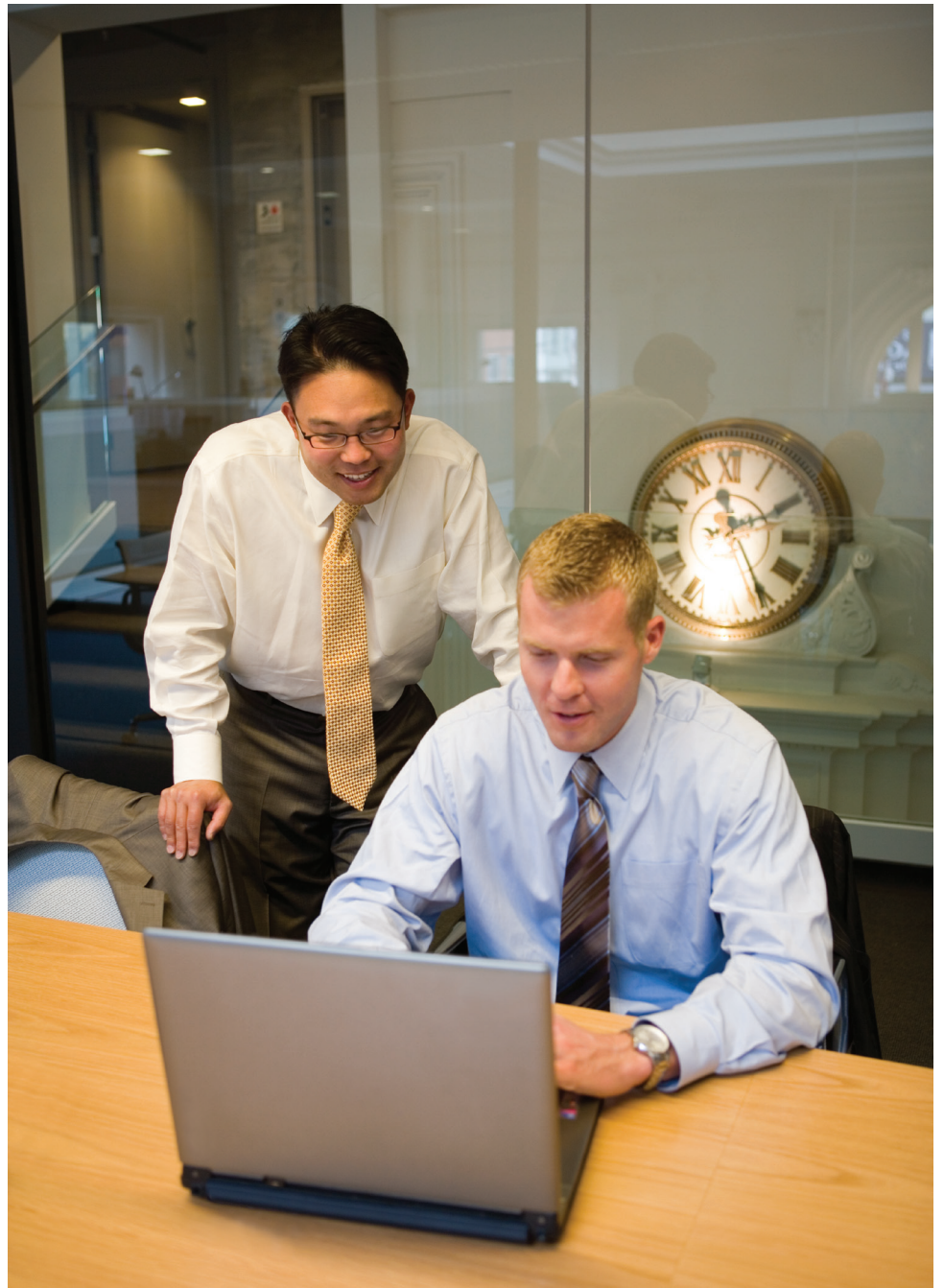
All supplier transactions are settled before the statement is received; one payment is due for all transactions after the statement is received.

#### **Predictability**

All supplier transactions are paid via one monthly payment, on the same day each month.

They may not wear capes or be blessed with super powers, but Dave Meaney and his team at Visa are considered superheroes of back office processes.

“Government, like business, is focusing on everything possible to find and deal with inefficiencies in order to drive down costs,” says Meaney, Visa Business-to-Business Services. “But with government, not only are they struggling to do that with fewer staff, they are also looking at ways to provide more transparency in the ordering-invoicing-payments cycle. Our job is to deliver them those tools and support their efforts.”



## Making it easier to automate accounts payable

State and local government entities understand that payables automation is a great way to take full advantage of their ERP systems. But their concern is that they do not have the staff and time to do that right.

“For governments that have not yet taken advantage of automated payables, the biggest concern is biting off more than they can chew,” says Meaney. “Their IT resources are juggling multiple responsibilities, and the accounts payable team does not want a long on-boarding program or to get stuck with a system that is partially in place.”

To come to their aid, Meaney and his team build their services around the implementation needs of the client, helping to seamlessly integrate their clients’ accounting system into the platform. “We do the heavy lifting and the on boarding for them,” he says.

When a state or local government considers moving away from check payments to automated payments, its back office staff is usually concerned about the time it will take them to identify those of their suppliers for which this system would be most appropriate, and how to reach out and convert those suppliers to automated payments. Meaney and his team take care of that area, too.

“We provide the tools to help the government’s issuer target the list of suppliers, reach out and make the suppliers aware of the advantages of automated payments, and then ask them for their participation,” he says.

While making it easier for state and local government to adopt payables automation is Meaney’s goal, he and his team are also looking ahead to introducing new payables innovations, like straight-through processing and additional controls.

“These are innovations we are working on now in order to make it even easier and less time consuming for government to pay suppliers, and to minimize reconciliation issues. There’s a great opportunity to convert more paper payments to electronic payments, and add more efficiency and control to the supply chain process. That makes my job exciting.” ↩

Payables automation allows state and local governments to provide more transparency in the ordering-invoicing-payments cycle.

## Update on 1099 reporting

The status quo for Form 1099 reporting is reinstated.

As widely anticipated, President Obama signed into law on April 14th a bill to repeal expanded Form 1099 information reporting requirements for certain business payments and rental property expense payments.

The Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 specifically repeals:

- the requirement for businesses, charities, and governmental entities to report payments to companies for merchandise purchased in the aggregate of \$600 or more (originally effective for 2012);
- the requirement for rental property owners to report expense payments in the aggregate of \$600 or more (originally effective for 2011); and
- the requirement for businesses, charities, governmental entities, and rental property owners to report payments for services and merchandise to corporations (other than attorneys and certain health care providers) in the aggregate of \$600 or more (originally effective for 2012).

The repeals under the new law are retroactive, thus reinstating the status quo for Form 1099 reporting as established prior to enactment of the **2010 Patient Protection and Affordable Care Act** and the **2010 Small Business Jobs Act**.

*For more information, contact Darren Muise at [dmuise@visa.com](mailto:dmuise@visa.com).* ↗

## Update on “TIPRA” Withholding Requirement

The effective date for public institutions to deduct and withhold (with few exceptions) a tax of 3 percent from payments they make to any person that has provided goods or services has been postponed until January 1, 2013.

Tax code section 3402(t), enacted in 2006 as part of the Tax Increase Prevention and Reconciliation Act of 2005, aims to prevent tax avoidance by individuals and entities receiving payments from government purchasers. The law requires federal, state, and some large local governments (those local governments with more than \$100 million in annual expenditures) to withhold 3 percent of payments made for the purchase of goods and services. Some of the rules that are especially notable include:

- IRS and Treasury have decided that the rules do not apply to payment card transactions for the foreseeable future. If they change their mind, interested parties will have an opportunity to comment before any change becomes final. In that event, affected parties will be given at least 18 months following issuance of final regulations to implement the changes.
- Single payments below \$10,000 are not subject to these requirements.
- Payments to non-resident aliens and foreign corporations are generally excluded from the new withholding rules but may be subject to other withholding and reporting rules under other existing tax code sections.
- Generally, payments made from government grants will be excluded. ↘

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The 3 percent deduction/  
withholding requirement  
is postponed until 2013.

MARK YOUR CALENDAR

## 2011 Trade shows & conferences



### October

National Council of County  
Association Executives  
*Annual Meeting*  
October 19, Philadelphia, PA  
[NACO.org](http://NACO.org)

National Institute of  
Governmental Purchasing  
*Strategic Procurement Planning*  
October 25-26, Kennesaw, GA  
[NIGP.org](http://NIGP.org)

National Institute of  
Governmental Purchasing  
*Developing and Managing RFPs*  
October 26-28, McKinney, TX  
[NIGP.org](http://NIGP.org)

### November

National Institute of  
Governmental Purchasing  
*Introduction to Public Procurement*  
November 2-4, Waterford, MI  
[NIGP.org](http://NIGP.org)

National League of Cities  
*Congress of Cities Expo*  
November 9-12, Phoenix, AZ  
[NLC.org](http://NLC.org)

National Institute of  
Governmental Purchasing  
*Risk Management*  
November 16-17, Austin, TX  
[NIGP.org](http://NIGP.org)

### December

National Association of State Treasurers  
*Issues Conference on Public Funds*  
December 4-6, New York, NY  
[NAST.org](http://NAST.org)

National Institute of  
Governmental Purchasing  
*Developing and Managing RFPs*  
December 7-9, Austin, TX  
[NIGP.org](http://NIGP.org)