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CIRCULAR NO. A-123, Appendix B
Revised

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought
Acting Director

SUBJECT: Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*

The Administration is committed to improving the efficiency and effectiveness of government operations while maintaining internal controls that reduce the risk of fraud, misuse and delinquency. Charge card use offers many benefits for the Federal government and taxpayers. Every fiscal year, billions of dollars are spent through millions of purchase, travel, fleet, and integrated charge cards and related payment transactions around the world. The goal of this Guidance is to maximize these benefits to the Federal Government, while continuing to evolve the application of reasonable internal controls to ensure the program is operating as intended. The benefits of this approach to card management include, but are not limited to:

- Reducing administrative costs and time for purchasing and paying for goods and services;
- Supporting front-line program delivery personnel in acquiring supplies and services quickly, while permitting contracting professionals to focus on acquisitions where their training and skills are most productively applied;
- Enabling use of both card and cardless payment products as payment methods under contracts (generally above the micro-purchase threshold) where appropriate;
- Ensuring effective controls are in place to mitigate the risk of internal fraud, misuse and delinquency, including revisions to controls to reflect changes resulting from Public Law (P.L.) 112-194, the Government Charge Card Abuse Prevention Act of 2012, and revisions to OMB Circular A-123 as a result of new GAO standards for internal control;
- Improving financial, administrative, and other benefits offered to the government by charge card providers and other entities, including maximizing refunds where appropriate;
- Leveraging government charge card data and analytics to monitor policy compliance and inform management decision-making to drive a more cost effective card program in accordance with agency policies;
- Streamlining and consolidating reporting requirements consistent with OMB Memorandum 17-26; and
- Collectively defining fraud, misuse and delinquency for disciplinary and reporting purposes.

The purpose of this Guidance is to consolidate current government-wide charge card program management requirements and guidance issued by the Office of Management and Budget (OMB), the General Services Administration (GSA), the Government Accountability Office (GAO), the Department of the Treasury (Treasury), and other Federal agencies, as well as provide a single document that incorporates new guidance or amendments to existing guidance. In addition, this guidance establishes standard minimum requirements and best practices for government charge card programs that may be supplemented by individual agency policies and procedures.

This revision is effective as of the date of this memorandum and replaces and rescinds the previously issued OMB Circular A-123 Appendix B policy dated January 2009 as well as OMB Memorandum M-13-21 dated September 2013. All questions or inquiries concerning Appendix B should be addressed to the Office of Federal Financial Management (202) 395-5670.

Attachment:

OMB Circular A-123 Appendix B, A Risk Management Framework for Government Charge Card Program

APPENDIX B

A Risk Management Framework for Government Charge Card Programs

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Chapter 1 – General Information

1.1. What is the purpose of this Guidance?

The purpose of this Guidance is to:

- Consolidate all government-wide charge card program management requirements and guidance issued by the Office of Management and Budget (OMB), the General Services Administration (GSA), the Government Accountability Office (GAO), the Department of the Treasury (Treasury), other Federal agencies, and new guidance and amendments to existing guidance; and
- Establish standard minimum requirements and best practices for government charge card programs that may be supplemented by individual agency policies and procedures.

1.2. What are some of the benefits of Government Charge Cards and how do the benefits align with the goals of this Guidance?

Charge card use offers many benefits for the Federal Government and taxpayers. Every fiscal year, billions of dollars are spent through millions of purchase, travel, fleet, and integrated charge cards and related payment transactions around the world. The goal of this guidance is to maximize these benefits to the Federal Government, while continuing to evolve the application of reasonable internal controls to ensure the program is operating as intended. The benefits of this approach to card management include, but are not limited to:

- Reducing administrative costs and time for purchasing and paying for goods and services;
- Supporting front-line program delivery personnel in acquiring supplies and services quickly, while permitting contracting professionals to focus on acquisitions where their training and skills are most productively applied;
- Enabling use of both card and cardless payment products as payment methods under contracts (generally above the micro-purchase threshold) where appropriate;
- Ensuring effective controls are in place to mitigate the risk of fraud, misuse, and delinquency, including revisions to controls to reflect changes resulting from the Government Charge Card Abuse Prevention Act of 2012, Pub. L. No. 112-194, and revisions to OMB Circular A-123 as a result of new GAO standards for internal control;
- Improving financial, administrative, and other benefits offered to the government by charge card providers and other entities, including maximizing refunds where appropriate;
- Leveraging government charge card data and analytics to monitor policy compliance and inform management decision-making to drive a more cost effective card program in accordance with agency policies;
- Assuring compliance with applicable tax law, including obtaining exemptions from or recovery of state taxes paid on fleet cards to the maximum extent possible, purchase and travel centrally-billed account tax exemptions, and individually-billed travel tax exemptions, as permitted by individual states and localities; and
- Supporting expanded use of innovative cardless and card related payment products, as well as ePayable solutions where appropriate.

1.3. What significant revisions have been made to this guidance?

Table 1: Significant Revisions to Guidance

Chapter	Revision to Appendix B	Purpose of Revision
Chapter 2 – Internal Controls	Changed Chapter 2 from Charge Card Management Plan to Internal Controls which provides an overview of internal controls and internal control tools for managing agency charge card programs.	Changed to align better with risk management practices for the government charge card program.
Chapter 4 – Training	The training portion of Chapter 4 has been updated to provide a chart of training requirements for card management personnel and cardholders. Training on Data Analytics tools, techniques and reports is a new requirement for purchase, travel, fleet and integrated A/OPCs.	Provide guidance on training requirements for card management personnel and cardholders including additional training on analytics tools and techniques.
Chapter 5 – Performance Metrics and Data Requirements	Chapter 5 was updated to streamline reporting requirements.	Reduce the reporting burden on agencies while providing guidance to use data analytics to manage an agencies charge card program.
Chapter 8 – Category Management & Strategic Sourcing	Chapter 8 was updated to include new Category Management initiatives along with Strategic Sourcing initiatives.	Provide guidance for leveraging the government charge card program in support of the Category Management initiatives.
Chapter 10 – Sustainability Environmental Requirements	Chapter 10 was updated to include the most current sustainability and environmental purchasing requirements.	Update guidance on current sustainability and environmental purchasing requirements.
Chapter 14 – Grants Funding Solutions	Chapter 14 was created to provide guidance on charge card use for Grants Funding initiatives.	Provide guidance to agencies on using the charge card program to support grant funding initiatives.

1.4. Under what authority is this Guidance being issued?

This Appendix is issued under the authority of 31 United States Code (U.S.C.) § 1111; 41 U.S.C. § 1909; 10 U.S.C. § 2784¹; Reorganization Plan No. 2 of 1970; Executive Order (EO) 11541; the Chief Financial Officers Act of 1990 (P.L. 101-576); the Government Charge Card Abuse Prevention Act of 2012 (P.L. 112-194); and Travel and Transportation Reform Act of 1998 (P.L. 105-264).

¹Section 2784 of Title 10 of the United States Code applies only to Department of Defense agencies.

1.5. To which agencies does this Guidance apply?

The provisions of this Guidance apply to all Executive Agencies as defined in 41 U.S.C. § 133. Any questions regarding Appendix applicability should be directed to the OMB Office of Federal Financial Management (OFFM).

1.6. How will the requirements in this Appendix be implemented?

The requirements in this Appendix pertain to the use of charge card programs by agencies and their employees and must be referenced or included in internal agency regulations, procedures, and training materials. The requirements in this Appendix further pertain to characteristics of the card programs used by the Federal Government and must be included in any contract for charge card services.

As it is the primary charge card services program in the Federal Government, this Appendix will make reference to the GSA SmartPay program managed by the GSA Federal Acquisition Service. Consistent with the general principles outlined in OMB Circular A-123, agencies have an ongoing requirement to explore the effectiveness of the actions taken to comply with the requirements of this Appendix. For example, agencies must periodically explore the effectiveness of the controls put in place to mitigate the risks of payment delinquencies and charge card misuse (see *Chapter 2 – Internal Controls*) and also evaluate opportunities for expanded card and related payment services use.

Throughout this Appendix, the terms “Must” and “Will” denote a requirement that management will comply with in all cases. “Should,” indicates a presumptively mandatory requirement except in circumstances where the requirement is not relevant for the Agency. “May” or “Could,” indicate best practices that may be adopted at the discretion of management.

1.7. What is a government charge card?

A government charge card is an account established by a commercial financial institution (hereinafter, “contractor bank”) on behalf of agencies or individual agency employees to which the cost of purchasing goods, services, and travel may be charged. Although actual plastic cards may be issued for these accounts, this term may also be applied to certain accounts established by these same commercial companies that are billed directly to agencies and/or individuals, and therefore, are “cardless” accounts. Increasingly, the use of mobile and other innovative payment technologies is also reducing/eliminating the need to issue plastic. For the purposes of this Appendix, the term “charge card” or “card” will mean “government charge card” as defined herein, including accounts for which actual plastic is not issued (*i.e.*, cardless).

1.8. What are the different types of government charge cards and payment tools?

There are many types of government charge cards and cardless accounts, including: purchase, travel, fleet, integrated, AIR, SEA, SEA Swipe, transit benefit, and grants funding cards. Travel charge cards are issued as either individually billed accounts with individual liability, or as centrally-billed accounts, wherein the government is liable for all purchases. The requirements provided throughout this Appendix apply to all charge card and cardless account types, unless specifically noted as applicable to only a particular type of account or card. Additional card

types/payment capabilities may be added from time to time as payment industry offerings and technology evolve that are of interest to the Federal Government.

Chapter 2 – Internal Controls

2.1. Why do we have a system of internal controls?

Internal Controls are tools to help program and financial managers achieve results and safeguard the integrity of their programs. Effective internal controls provide reasonable assurance that significant risks or weaknesses that could adversely impact the agency's ability to meet its objectives are prevented, minimized or are detected in a timely manner.

A system of internal controls include measures such as policies and procedures, checks and balances, monitoring and reviews to identify potentially wasteful, fraudulent and other potential misuse associated with government-wide charge cards. Internal controls are necessary to ensure the achievement of organizational objectives; operational effectiveness and efficiency; reliable financial reporting; and compliance with laws, regulations and policies.

The Government Charge Card Abuse and Prevention Act of 2012 (Pub .L. No. 112-194) requires all Executive Branch agencies to establish and maintain safeguards and internal controls to prevent waste, fraud, and abuse of purchase cards, travel cards, fleet cards, integrated cards, and centrally billed accounts, while enhancing program integrity through increased opportunities for community collaboration and transparency.

The information provided in this Chapter is designed to help agencies create specific controls that complement the annual requirements established by OFFM as well as meet the requirements of The Government Charge Card Abuse and Prevention Act of 2012.

2.2. Are agencies required to implement risk management controls, policies, and practices in implementing charge card management programs for all business lines?

Yes, in accordance with OMB Circular A-123 each agency is responsible for implementing management practices that identify, assess, respond, and report on risks. Annually, agencies must develop a risk profile coordinated with their annual strategic reviews. As part of an agencies' Enterprise Risk Management process, risk management controls, policies, and practices consistent with the requirements of this Chapter should be implemented. Below is an illustrative example of a risk profile for charge card risk.

Table 2: Illustrative Example of a Risk Profile for Charge Card Risks

STRATEGIC OBJECTIVE – Improve Reputation of the Agency								
Risk	Inherent Assessment		Current Risk Response	Residual Assessment		Proposed Risk Response	Owner	Proposed Risk Response
	Impact	Likelihood		Impact	Likelihood			Category
Reputational Risk of Charge Card Misuse	High	Low	REDUCTION: Agency X has developed a program and internal control processes.	Low	Low	Agency X will continue monitoring internal controls, but due to low impact and likelihood, no other actions proposed.	Primary – Program Office	Primary – Internal Control / Monitoring
OPERATIONS OBJECTIVE – Manage This Risk of Fraud in Charge Card Program								
Charge Card Fraud	Medium	Low	REDUCTION: Agency X has developed a program and internal control processes.	Medium	Low	Agency X will provide training on fraud awareness, identification, prevention, and reporting.	Primary – Program Office and OIG	Primary – Internal Control
REPORTING OBJECTIVE – Provide Reliable Reporting to OMB								
Risk	Inherent Assessment		Risk Response	Residual Assessment		Proposed Action	Owner	Proposed Action
	Impact	Likelihood		Impact	Likelihood			Category
Due to budget constraints, Agency X unable to accurately report to OMB	Low	High	REDUCTION: Agency X has assigned joint violation reporting as collateral duties to other offices in CAO/SPE, OCFO, Admin/Fleet Mgmt. as appropriate	Low	Medium	Agency X will develop budget proposals to train and hire more personnel.	Primary – Chief Financial Officer, Chief Acquisition Officer/SPE, Admin/Fleet Mgmt., etc. as appropriate	Primary – Internal Control Assessment and Strategic Review
COMPLIANCE OBJECTIVE – Comply with Government Charge Card Abuse Act of 2012								
Due to budget constraints, Agency X is unable to meet deadlines for semi-annual Joint Violation reports	Low	High	REDUCTION: Agency X has assigned joint violation reporting as collateral duties to other offices in CAO/SPE, OCFO, Admin/Fleet Mgmt. as appropriate	Low	Medium	Agency X will develop budget proposals to train and hire more personnel.	Primary – Chief Financial Officer/Chief Acquisition Officer/SPE, Admin/Fleet Mgmt., etc. as appropriate	Primary – Internal Control Assessment and Strategic Review

2.3. Why is risk management important in the context of charge card programs?

Each employee is responsible for safeguarding Federal assets and the efficient delivery of services. Risk management controls, policies, and practices are a critical tool for ensuring the efficiency and integrity of charge card programs by reducing payment delinquencies and charge card internal fraud and misuse.

2.4. Purchase Card Internal Controls

The controls provided below are separated into the following four processes: application, transaction, review and approval, and charge card management. These controls must be established and monitored by agencies to provide annual assurance for proper program use.

Application Process

Controls exist to ensure:

- Cardholders receive delegation of purchase authority;
- The application for a government charge card is completed by each employee, approved by her or his supervisor and documentation of supervisory approval is maintained;
- The Agency/Organization Program Coordinator (A/OPC) assigned to the office reviews and completes each charge card application accurately;
- A/OPCs are the only individuals authorized to process charge card applications; and
- Employees complete all required training prior to submission of their charge card application.

Transaction Process

Controls exist to:

- Promptly detect potentially improper transactions, which may include splitting purchases, buying outside of business line authority, spending over authorized limits, and purchasing prohibited goods and services;
- Ensure disputed purchases and discrepancies between a receipt and other supporting documentation and the statement of account are resolved in the manner prescribed in the master contract; Support and expand the use of the purchase business line use as a payment method under existing contracts in accordance with FAR 13.301(b) and for agency payments generally; and, Ensure non-warranted cardholders and payment office officials are appropriately delegated authority (or otherwise assigned authority in accordance with agency procedures) to process payments using the purchase card business line. In this context, a “payment office official” is an employee within an agency responsible for accounts payable processing/ payment of invoices of various kinds.

Review and Approval Process

Controls exist to ensure:

- A cardholder reconciles transactions in accordance with agency policy, but no later than 30 days after the end of the cycle date;
- Proper supporting documentation accompanies charge card transactions;
- The Approving Official (AO) approves or disapproves charge card transactions in accordance agency policy, but no later than 30 days after the end of the cycle date;

- A cardholder is not the approver of her or his own transactions regardless of review and approval methodology;
- A summary report is provided to the certifying official in a timely manner containing information necessary to enable the certifying official to ensure that the Federal Government ultimately pays only for valid charges that are consistent with the terms of the applicable Government-wide purchase card contract entered into by the Administrator of General Services; and
- Any disputed purchase card charge, and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account, is resolved in the manner prescribed in the applicable Government-wide purchase card contract entered into by the Administrator of General Services.

Charge Card Management Process

Controls exist to:

- Ensure charge card balances are paid and accounts are closed as required;
- Ensure lost, damaged, or stolen cards are properly addressed;
- Ensure charge card delinquency is addressed and take necessary steps to recover the cost of any illegal, improper, or erroneous purchases or payments;
- Ensure the AO has direct knowledge of the cardholder's role and the ability to verify receipt of goods or services;
- Ensure the number of cardholders and AOs/Supervisors assigned to an A/OPC is reasonable based on the volume of cardholder activity and organizational structure;
- Ensure the assignment of duties is appropriately separated by individual, except in situations where such separation is not practical. This separation may include the following duties: authorizing, approving, and recording transactions; receiving assets; approving cardholder statements; making payments; certifying funds; and reviewing or auditing situations where separation of duties is impractical shall be minimized, and transactions under these circumstances shall be documented in accordance with agency procedures;
- Define AO appointment process, responsibilities and training requirements;
- For cardholders, AOs, Certifying Officers and A/OPCs, to complete reviews of transactions and to ensure disputes, when necessary, occur within the timelines defined in the master contract; and
- Identify instances where a cardholder fails to resolve and/or timely dispute (if necessary) an erroneous charge and to require, consistent with agency policy, the cardholder to reimburse the government for the cost of the item or service purchased.
- Ensure cardholders notify their AO, A/OPC, and the contracting bank immediately upon discovery that a purchase card is lost, damaged, stolen or fraudulently used.

In addition to the purchase card controls discussed above, the following controls should be considered for purchase card use above the micro-purchase threshold:

There are generally three scenarios in which the purchase business line is used above the micro-purchase threshold. In the first scenario, a purchase card is used by an ordering official to place an order under a contract, who has been designated in writing by the cognizant Contracting Officer, to place orders under that contract and who is acting within the scope of their delegated authority. In the second scenario, a purchase card is used by an authorized cardholder to make a

payment under an existing contract. In the third scenario, a payment office official uses the purchase business line for all manner of appropriate payments, including (but not limited to) payments under existing contracts. Agency payment office officials using the purchase card business line to make payments should be designated in writing pursuant to their agency's policies. These scenarios are intended to illustrate, but not limit, use of the purchase business line for payments. Agencies are encouraged to use the purchase business line for payments provided appropriate internal controls are applied. The purchase business line offers payment cards on white or non-branded plastic and virtual payment platforms which can be provided to agency payment offices. Such purchase business line payment solutions should be used only for payments, and not for purchase transactions, in order to maintain appropriate separation of duties and comply with statutory and regulatory contracting and purchasing requirements.

2.4.1. What is an erroneous or improper purchase?

The terms "erroneous purchase" and "improper purchase" have the same meaning in this Guidance. An improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other applicable requirements. Incorrect amounts include overcharges and undercharges.

An improper purchase can be one of two types -- unauthorized or incorrect:

- Unauthorized purchases consist of items that are intentionally purchased and are outside of the cardholder's purchasing authority.
- Incorrect purchases are mistakes that are the result of an unintentional error during the purchase process. A series of seemingly incorrect purchases may require additional scrutiny to determine whether these purchases are actually unauthorized purchases.

2.4.2. What documentation should a purchase business line cardholder maintain?

When required by agency policy, agency personnel requesting a purchase business line cardholder to make a purchase should provide a written request to the purchase cardholder for the supplies/services. If it is not possible for the requester to provide the request in writing or when agency policy does not require pre-approval, the purchase cardholder should document in their file the requester's name, item description, quantity, estimated cost, and date of request. Relevant records must be maintained by appropriate agency personnel consistent with National Archives and Records Administration (NARA)² or longer if required by agency policy. Documentation of the availability of funds and the pre-approval obtained prior to making a purchase should be made in accordance with agency policy. Agency policy should require cardholder "self-generated purchases" to require AO approval prior to purchase and independent receipt/acceptance by another employee other than the cardholder. In extenuating circumstances where pre-approval or post-approval and/or independent receipt/acceptance processes cannot be accommodated, the cardholder should document the purchase card file with the reasons as to why these functions were not performed in accordance with agency policy.

² <http://www.archives.gov/records-mgmt/>

2.4.3. What are mandatory sources of supplies and services?

The FAR sets forth the priorities for how and from whom supplies and services must be purchased. Purchase cardholders should be familiar with FAR Part 8 which outlines the priorities for the purchase of supplies and services.

2.5. Travel Card Internal Controls

The controls required below are separated into the following four processes: application, transaction, review and approval, and charge card management. These controls are required to be established and monitored by agencies to provide assurance that the program is operating as designed.

Application Process

Controls exist to ensure:

- The application for a government contractor- issued charge card is completed by each employee who is issued a card and approved by her or his supervisor;
- The A/OPC assigned to the office reviews and completes each charge card application accurately;
- A/OPCs are the only individuals authorized to process charge card applications; and
- Employees satisfactorily complete all required training.

Transaction Process

Control exists to ensure the travel business line is used:

- When the cardholder is authorized to travel for official government business; or
- For local travel as authorized by agency policy.

Review and Approval Process

Controls exist to:

- Ensure that travel business line transactions are timely reviewed and approved such as through agency travel voucher/miscellaneous voucher process as appropriate;
- For cardholders, to retain receipts consistent with agency policy; and
- Ensure a cardholder is not the approver of her or his own transactions.

Charge Card Management Process

Controls exist:

- To ensure that charge card balances are paid and accounts are closed when required;
- In form of agency procedures to deal with lost, damaged, or stolen cards;
- To manage charge card delinquencies;
- To ensure steps are taken to recover the cost of any illegal, improper, or erroneous purchases or payments; and
- For split disbursement, which is the process of dividing a travel voucher reimbursement between the charge card vendor and traveler, the balance owed to each is sent directly to the applicable party.

Split Disbursement and Salary Offset Waiver Procedures

The ability for travelers to “split” reimbursements and salary offset are mandatory; however, agencies may request a waiver to these requirements if it is determined that the cost of implementing split disbursement and/or salary offset exceeds the benefits of implementation.

The agency head must request such a waiver from the Director of OMB in writing, and provide the reasons therein. The Director of OMB, in consultation with the Administrator of the GSA, will respond no later than 30 days after receiving the request for waiver or exemption.

Due Process Requirements Prior to Salary Offset

Due process must be granted that is substantially equivalent to that under Administrative Offset, 31 U.S.C. § 3716³. In accordance with this Section's implementing regulations at 31 CFR Parts 900-904 (The Federal Claims Collection Standards)⁴, the due process requirements that must be implemented prior to salary offset are:

- Provide the employee with written notice of the type and amount of the claim, the intention to collect the claim by deduction from the employee's disposable pay, and an explanation of the employee's rights as a debtor (a sample due process notice is contained in *Attachment 4: Sample Due Process Notice for Salary Offset Procedures*);
- Provide the employee the opportunity to inspect and copy the records related to the claim;
- Provide the employee an opportunity to review the agency decision related to the claim; and
- Provide the employee an opportunity to make a written agreement with the charge card vendor or agency to repay the delinquent amount.

2.5.1. What administrative and/or disciplinary actions may be imposed on delinquent travel cardholders?

Delinquencies associated with a Government travel charge card are prohibited. The agency may impose, but is not limited to, the following administrative actions for delinquent travel cardholders:

- Suspend employee accounts once they reach 61 days past the statement date;
- Instruct the charge card vendor to cancel cards, withhold account reinstatement, initiate collection efforts, notify credit bureaus, and assess late fees; and/or
- Initiate salary offset to collect any undisputed, delinquent travel charge card amount via direct deduction from an employee's payroll disbursement or retirement annuity on behalf of the travel charge card vendor or agency. See *Attachment 4* for a sample due process notice for a salary offset. This function is generally performed by an agency's Human Resources organization. (See 2.10 *What are the general responsibilities of executive agency Human Resources Offices in implementing risk management controls, policies, and practices?* for further guidance).

2.5.2. What documentation should be maintained to minimize erroneous and improper travel business line transactions?

Travel card transaction documentation should be maintained in accordance with agency policy. Typically, this information is retained in the agency travel system.

³ <https://www.gpo.gov/fdsys/pkg/USCODE-2010-title31/html/USCODE-2010-title31-subtitleIII-chap37-subchapII-sec3716.htm>

⁴ <https://www.gpo.gov/fdsys/pkg/CFR-2011-title31-vol3/xml/CFR-2011-title31-vol3-subtitleB-chapIX.xml>

2.6. Fleet Card Internal Controls

Controls exist to:

- Ensure cards are issued to a named cardholder, a specific vehicle or piece/group of equipment and responsible employee is indicated, and are only used to acquire fuel and maintenance for authorized vehicles and/or equipment;
- Require data entry into fuel dispensers in accordance with agency policy, which may include: (a) driver identification, (b) vehicle identification, (c) mileage (if applicable), etc.; and
- Verify that transactions were incurred during the performance of official government business.

2.7. Integrated Card Internal Controls

Internal Controls listed for purchase, travel, and fleet business lines are also applicable to integrated card use.

2.8. What are the general responsibilities of charge card officials in implementing risk management controls, policies, and practices?

While not all responsibilities will apply to all business lines, the general responsibilities of government charge card managers in implementing risk management controls, policies and practices are to establish:

- Appropriate controls to ensure compliance with Federal laws, Federal and agency regulations, and for monitoring program effectiveness;
- Risk management policies and practices through the agency's charge card management plan;
- The charge card management plan is updated with a process to update the charge card management plan with enhanced risk management policies and practices, as applicable;
- Policy criteria for determining account establishment and application of correct spending limits;;
- Policy designed to manage financial risk to the Federal Government and to help ensure the integrity of government charge card programs;
- Policy requiring records of each purchase, travel and fleet card issued are retained in accordance with agency and NARA policy;
- Policy detailing review criteria, documentation, and associated timelines to ensure cardholder has an on-going need for assigned credit limits;;
- Policy for account closure when the cardholder/check writer separates from government service, departs the agency or, when the account is no longer needed;
- Policy for cardholder/check writer internal agency transfers;
- Policy to monitor and address delinquencies;
- Policy addressing separation of duties among roles, such as cardholders, AOs, and A/OPCs and other positions as appropriate;
- Policy for the use of data analytics tools (see *2.11 Additional Internal Control Tools*) or electronic bank systems to detect potential instances of potential fraud, misuse and delinquency and to identify trends in charge card program performance;

- Policy to require card managers routinely review charge card reports;
- Training policy for cardholders, AOs, and other staff involved in either managing or using charge cards consistent with *Chapter 4 – Training* of this Guidance;
- Policy regarding the review of ATM cash withdrawals for reasonableness and association with official travel;
- Policy for contacting employees to inquire about questionable or suspicious transactions;
- Policy requiring use of the correct appropriation/line of accounting;
- Policy requiring purchase business line statement reconciliation or transaction reconciliation in a timely manner;
- Policy for providing a summary report to the certifying official in a timely manner to ensure that the Federal Government ultimately pays for only valid purchase card charges that are consistent with the terms of the applicable charge card services contract; and
- Coordinate with the agency Human Resources Office to ensure policy is issued addressing administrative and/or disciplinary actions for occurrences of charge card misuse (see *2.10 What are the general responsibilities of executive agency Human Resources Offices in implementing risk management controls, policies, and practices?* for additional information).

2.9. What are the general responsibilities of executive agency Inspectors General in reviewing risk management controls, policies, and practices?

The Government Charge Card Abuse Prevention Act of 2012⁵ requires Inspectors General (IG) of executive agencies with more than \$10,000,000 in annual purchase and/or \$10,000,000 travel card spending to:

- Conduct periodic assessments of the agency purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments;
- Perform analyses or audits, as necessary, of purchase card transactions designed to identify potentially illegal, improper, or erroneous uses of purchase cards, any patterns of such uses, and categories of purchases that could be made by means other than purchase cards in order to aggregate purchases and obtain lower prices (excluding transactions made under card-based strategic sourcing arrangements);
- Perform analyses or audits, as necessary, of travel card transactions designed to identify potentially illegal, improper, or erroneous uses of travel cards, and any patterns of such uses;
- Report to the head of the executive agency concerned on the results of such analysis or audits;
- Report to the Director of OMB on the implementation of recommendations made to the head of the executive agency to address findings of any analysis or audit of purchase card, convenience check, or travel card transactions or programs for compilation and transmission by the Director of OMB to Congress and the Comptroller General; and

⁵ Public Law (Pub. L. No.) 112-194

- Report jointly with the respective agency head to the Director of OMB on confirmed charge card violations.⁶

2.10. What are the general responsibilities of executive agency Human Resources Offices in implementing risk management controls, policies, and practices?

Circumstances surrounding each case of card misuse, abuse and/or fraud must be considered when determining the proper type of corrective or disciplinary action, if any, which may be imposed. Generally, a progression of increasingly severe penalties (“progressive discipline”) is appropriate. However, in certain instances, the violation of proper charge card use policy may be sufficiently serious to warrant imposition of the most severe penalty for a first offense.

Egregious purchases are most severe when they result in an intentional private gain for a cardholder/purchaser with little if any benefit to the agency. Agencies must comply with all applicable law and regulatory guidance in determining the application of disciplinary action. In cases of suspected fraud, charge card managers must refer these instances to independent organizations (e.g., the agency’s Office of Inspectors General (OIG) or the Department of Justice) for investigation.

When a cardholder is found liable for an improper purchase, the Executive agency, pursuant to the Charge Card Abuse Prevention Act of 2012 shall take steps to recover the cost including as necessary, through salary offsets. In instances where an official directs an improper purchase to be made by a cardholder, the official who directed the purchase must, in accordance with agency policy: (a) reimburse the government and (b) be subject to disciplinary action.⁷

Executive Agency Human Resource Offices should:

- Establish and maintain disciplinary policies (such as a “table of penalties”), in coordination with agency charge card managers, addressing penalties for charge card misuse, abuse and fraud;
- Communicate the agency’s policy with respect to administrative and/or disciplinary actions for charge card abuse, misuse and fraud to AOs, cardholders, check writers and other program participants, including when referral of suspected violations to an agency OIG is appropriate and/or required⁸;
- Assist cardholder/card manager supervisors in imposing appropriate disciplinary actions, when warranted; and
- Assist card managers in reporting disciplinary actions taken in relation to card use violations, consistent with applicable charge card management, human resources, privacy, and other relevant policies.

⁶ See *Attachment 6: Disciplinary Category Definitions Guidance* for additional information of reportable violations categories and examples.

⁷ See *Attachment 5: Best Practices in Managing Government Charge Card Programs* for additional strategies that agencies may consider employing to address, charge card fraud, delinquency and misuse.

⁸ See *Attachment 6: Disciplinary Category Definitions Guidance* for additional information of reportable violations categories and examples.

2.11. Additional Internal Control Tools

2.11.1. Cardless Solutions

Cardless (*i.e.*, virtual accounts) payment processes offer a solution to various payment challenges, including large ticket transactions, payments to vendors which do not typically accept card-based payments, one-time supplier payments or recurring transactions with a specific vendor. Cardless accounts also help agencies increase refunds and achieve sustainability goals as the virtual card authorization and transaction posting process is completely electronic.

- **Ghost Card:** A centrally billed cardless account designated for a supplier which is frequently used by an agency, where the account number is typically assigned to the vendor, allowing for any authorized agency personnel to purchase from this vendor without having to use multiple cards or accounts.

Benefits: Reduction in the number of open accounts makes payment processing and oversight easier; allows for a higher level of control; and reduces the risk of lost or stolen cards.

- **Single Use Account:** A virtual account number that may be used during a limited time period, for a limited dollar amount, and/or for a specific vendor. A single use account can offer a pre-established account that is available for instantaneous issue, where a newly generated account number can be created for a specific transaction.

Benefits: Account numbers can be generated instantly; controls can be placed on an account such as Merchant Category Code (MCC) blocks, spending limits, timeframes, and account expiration dates allowing for increased oversight of spend; disposable, one-time use account numbers, reduce the risk of fraud; seamless reconciliation; and offers the potential to further reduce the use of convenience checks.

- **Electronic Invoice Presentment and Payment (EIPP):** EIPP allows agencies and merchants to manage the entire invoice and payment cycle online, eliminating the steps and procedures typically associated with a paper-based system.

Benefits: Invoice status is viewed online allowing for increased visibility and control of invoice tracking and history for both buyers and suppliers; accelerated payment settlement, due to the elimination of mail time typically associated with paper-based processes; ability to pay merchants who traditionally do not accept card-based payments on high dollar transactions; and an efficient payment process, which reduces the possibility of late payments and therefore the likelihood to incur Prompt Payment Act penalty interest.

2.11.2. Agency Savings Opportunities

The cardless solutions identified in 2.11.1 *Cardless Solutions* are cost effective alternatives to other payment methods that streamline the payment process and decrease administrative costs while increasing refund opportunities for the agency/organization. Agencies/organizations can

therefore potentially garner further program benefits by moving additional procurement spend and all manner of payments, as appropriate, to a cardless solution.

Other solutions include:

- Stored value and declining balance cards where a set amount can be placed on the account and the cardholder cannot spend more than that amount.

These card accounts are often offered in two versions: reloadable and non-reloadable. Both types of cards can offer reduced administrative costs and inefficiencies compared to other payment methods. These solutions may also provide an alternative to the use of cash, convenience checks and electronic fund transfers, offering the opportunity for agencies/ organizations to increase refunds.

- Opportunities for additional savings through the use of other contracts and programs offered by GSA. For example, certain contract vehicles available through the Federal Strategic Sourcing Initiative (FSSI) offer point of sale discounts through automatic recognition of GSA SmartPay Purchase card accounts. These include:
 - Office supplies (OS);
 - Janitorial and sanitation (JAN/SAN) products;
 - Maintenance, Repair and Operating (MRO) supplies; and
 - Other FSSI vehicles, which offer opportunities for Purchase card use, including: (1) Ground Express Delivery (DDS) and (2) Additional information on strategic sourcing vehicles is available as noted below
- For Travel cards, additional savings can be garnered through the use of the following:
 - City Pairs discounted airfares (available to eligible agencies/ organizations only)
 - Fedrooms discounted lodging program.
 - US Government Rental Car/Truck program.

Discounts on strategic sourcing programs with GSA SmartPay point of sale recognition apply whether a cardholder is buying in-store, phone, fax, or online.⁹

Further information on major categories of products and services acquired by the Federal Government is available through the Acquisition Gateway.¹⁰ This information includes best practices, prices paid, ordering guides, specifications/statements of work, etc., for everything from laptop computers to vehicles to professional services.

2.11.3. Third Party Payment Tools

Third Party Payment companies offer e-commerce/Internet payment solutions for commercial transactions. Vendors (or “merchants”) pay third party processors a transaction fee for these services rather than setting up and processing transactions through a traditional merchant charge card acceptance (or “acquiring”) process. These vendors can use a third party payment company

⁹ Further information on FSSI offerings can be found by visiting www.gsa.gov/fssi

¹⁰ <https://hallways.cap.gsa.gov>

to process transactions, send invoices, and receive payment. Vendor payments through a third party often support multiple payment methods, including use of a charge card.

Internet transactions that are made using third party payment platforms are considered to be high-risk as available transaction data may not be completely passed to the government's contractor bank and transaction dispute terms may vary from those offered on a traditional charge card transaction. Consistent with agency policy, alternative methods of payment, or purchase from a different vendor which does not use another entity to process their charge card payments, should be considered prior to making a card payment using a third party processor.

Each agency must develop and issue guidance regarding the use of third party payment providers. This guidance must include criteria for when these transactions are authorized as well as relevant cardholder documentation required to demonstrate that other vendors and/or payment options were considered. Charge card managers must ensure that all cardholders are educated on agency-specific policy relating to the use and risk of third party vendor payment systems.

2.11.4. Accounts Payable Reviews and Business Case Analyses

Given the continuing evolution of electronic payment capabilities, agencies are encouraged to periodically perform reviews of existing payment practices to optimize effectiveness. These reviews should consider factors such as: ease of use, opportunities to generate revenue from payment processes ("rebates"), price discounts for faster vendor payment, transaction fees, transaction data, and internal controls.

2.11.5. Payment Card Data analytics

For the purposes of this Circular, "data analytics" is the application of electronic tools (software and/or systems) for automated data sorting, filtering and mining techniques using self-learning algorithms to search charge card transaction data in order to identify patterns, trends, risks, opportunities and other information. Data analytics and reporting tools are available as part of the GSA SmartPay government-wide charge card program. Agencies have the ability to monitor their account transactions to identify any unusual spending patterns or frequency of transactions. Agency data analytics in addition to the data analytics techniques already used by the banks to monitor account transactions provide a multi-layered approach to help identify suspected fraud, misuse and delinquency. Data analytics can also be used to identify opportunities for expanded card use and associated benefits for agencies. Agencies are expected to make use of data analytics tools in their management of charge card programs, to include Category Management initiatives (see *Chapter 8 – Category Management & Strategic Sourcing*).

Chapter 3 – Charge Card Program Management

3.1. Are agencies required to develop and maintain a charge card management plan?

Yes, each agency must develop, issue, and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this Guidance. The plan must be updated in accordance with the following schedule:

- Within 12 months after agency/organization task order placement under a newly awarded GSA SmartPay master contract;
- Tag and Pool entities within 12 months after joining an agency's task order;
- Within 12 months after a new statute, EO, addressing charge card management becomes effective;
- Otherwise, every 2 years from the date of the last update or more frequently, if needed, to address valid agency/organization IG findings or to otherwise remain current.

Agencies must update their plan in accordance with the schedule shown above. OMB reserves the right to request these plans at any time.

3.2. Why is maintaining a charge card management plan important?

Maintaining a charge card management plan is important because the establishment of written, formal policies and procedures is critical to assure that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency.

3.3. What are the required elements of an agency's charge card management plan?

The elements required in the charge card management plan are:

- Identification of key management officials and their responsibilities for each business line (purchase, travel, fleet, integrated, etc.);
- Establishment of a process for written appointment of purchase and integrated (purchase business line) cardholders per FAR-1.603-3(b). Written appointment for other business lines should be included if required by agency policy;
- Implementation of a process to ensure the credit worthiness of new charge card applicants consistent with *Chapter 6 – Credit Worthiness for Individually Billed Accounts (IBA)* of this Guidance;
- Description of agency training requirements (consistent with and/or in addition to the training requirements of this Guidance);
- Management controls, policies, and practices for ensuring appropriate charge card and convenience check use and oversight of fraud, misuse and delinquency;
- Establishment of appropriate authorization controls;
- Acknowledgment of agency policies and practices developed to ensure appropriate consideration by cardholders of category management, Acquisition Gateway, and strategic sourcing arrangements consistent with *Chapter 8 – Category Management & Strategic Sourcing* of this Guidance;
- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program

- management issues;
- Documentation and record retention requirements consistent with NARA and Agency specific policies; and
- Policies for the closure or transfer of charge cards and maintenance of other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.

3.4. Are annual certifications under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. § 3512(d) (2)) required for Charge Card Programs?

Yes, to ensure compliance with the Charge Card Act, each agency head must provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The annual certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. § 3512 (d) (2)).

3.5. Which agencies are required to participate in the Government-wide Charge Card Metrics and Benchmarking Program?

All agencies using Government charge cards are required to have a metrics and benchmarking program. For agencies participating in the GSA SmartPay Program, effective the date of issuance of this revised Circular appendix, all Chief Financial Officers (CFO) Act agencies/organizations are required to participate in the government-wide GSA facilitated, metrics program, as well as those agencies/organizations which GSA Charge Card Management has identified as having a “higher risk” charge card program. Participation in the government-wide charge card metrics and benchmarking program should be accomplished through participation in the GSA Data Management Group (DMG). For other charge card programs, the responsible agency/organization should contact OMB’s OFFM for guidance on the establishment of a metrics and benchmarking program.

3.6. What are the objectives of the Government-wide Charge Card Metrics and Benchmarking Program?

The objectives of the Government-wide Charge Card Metrics and Benchmarking Program are to determine whether the program is performing efficiently against other similar charge card programs and to drive continuous improvement using best practices and metrics to measure overall performance. Additionally, the program is meant to encourage the exchange of ideas through lessons learned and identified best practices to enhance collaboration between Government agencies to effectively gather feedback on data/reporting related initiatives, and realize the most effective and efficient way of managing data and data quality related to the charge card program.

3.7. What unique management requirements apply to micro-purchases?

- *Do Not Pay List Applicability* – Due to the low level of correlation between the Do Not Pay List and the merchants from which the Federal Government typically makes micro-purchases, there is no need to check the Do Not Pay List prior to making micro-purchases.

- *System for Award Management (SAM) Applicability* – In accordance with FAR subsection 4.1102, contractors (“merchants”) from which purchases are made under the micro-purchase threshold that use a Government-wide commercial purchase card as both the purchasing and payment mechanism, as opposed to using the purchase card for payment only, are exempt from the requirement to be registered in the SAM.
- *Reporting Purchase Card Transaction Information* – FAR subparagraph 4.606 (a) (2) states that “The GSA Center for Charge Card Management [CCCM] will provide the Government purchase card data, at a minimum annually, and GSA will incorporate that data into Federal Procurement Data System (FPDS) for reports.” CCCM, in order to meet this requirement, will post information on the GSA SmartPay website. This data will include executive agency total transactions and total spend for each fiscal year. These totals must be provided for each of the two following categories of spend: (i) at or below the micro-purchase threshold and (ii) above the micro-purchase threshold. Note that this GSA report does not obviate the need for agencies to report contract actions above the MPT that use the charge card as a method of payment per FAR Part 4. Non-GSA SmartPay card programs shall contact OFFM for guidance on transaction reporting.
- *Approval of Changes to Thresholds for Acceptance of Cards as a Payment Vehicle for Inter-governmental Transactions* – Use of the card for inter-governmental transactions is permitted, however, agencies should consider factors such as speed of payment, lower administrative processing costs, refunds earned, and data availability when deciding to make such payments. The maximum amount of individual inter-governmental charge card payment transactions is addressed in the Treasury Financial Manual (TFM). Any changes to this maximum amount must first be reviewed by OMB and GSA prior to implementation. Also, should lower interchange cost inter-governmental card payment products become available, this threshold will be reevaluated.¹¹
- *Reporting to USASpending* – The Center for Charge Card Management (CCCM) provides a government-wide GSA SmartPay summary report to USASpending.gov. This data shows total annual spend by agency. Agencies are therefore not required to report GSA SmartPay data to USASpending. Non-GSA SmartPay card programs shall contact OFFM for guidance on USA Spending reporting.

¹¹ <http://tfm.fiscal.treasury.gov/>

Chapter 4 – Training

4.1. Are agencies required to provide training on charge card management?

Yes, each agency must provide training on charge card management consistent with the requirements of this Chapter. Given the billions of taxpayer dollars annually spent through government charge card programs in support of agency/organization mission, agencies are expected to devote appropriate resources to ensuring their network of card managers and cardholders are properly trained. This requirement includes proper training before an employee assumes responsibilities as a card holder or card manager. For example, for participating agencies/organizations in the GSA SmartPay program, card manager attendance at the annual GSA SmartPay Training Forum is highly encouraged. The Charge Card Abuse Prevention Act of 2012¹² requires that appropriate training be provided to each purchase cardholder and each official with the responsibility for overseeing purchase card use. Similar requirements for travel cardholders and oversight officials are contained in section 3 of that same Public Law.

4.2. Why is training on charge card management important?

Proper training is integral to the integrity of charge card programs. Training is required so that charge card managers and cardholders understand their roles and responsibilities for charge card programs to be effectively implemented. Also, training ensures charge card managers and cardholders are kept current regarding relevant changes to charge card program management requirements.

4.3. Who is required to take charge card management training?

For purchase, travel, and integrated programs, participating agency personnel must be trained in charge card management. This requirement applies to cardholders and charge card managers, A/OPCs, and if applicable under agency policy, AOs and travel approvers and their designee(s). Agency policy may also require other staff involved with charge card programs to complete card management training.

4.4. What are the general training requirements for all charge card programs?

The general training requirements for purchase, travel, and integrated charge card programs are:

- All program participants must be trained prior to appointment;
- All program participants must take refresher training in accordance with agency policy but, at a minimum, every 3 years;
- All program participants must certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions. Agencies will determine the method of certification; and
- Copies of required training certificates must be maintained pursuant to NARA requirements.

¹² Pub. L. No. 112-194 at section 1909, subparagraph (a) (9)

4.5. What are the specific training requirements for each type of charge card program?

Table 3: Specific training requirements for each type of charge card

Training Program	Cardholder	Approving Officials (AOs), Certifying Officials & Travel Approvers ¹³	A/OPCs and Fleet Managers
Purchase Card	<ol style="list-style-type: none"> 1. Provide general information on card use. 2. Familiarize cardholders with: <ul style="list-style-type: none"> • Federal procurement and property laws, and regulations. • Agency procurement and property, and other card-related policies. • Convenience check usage. • Other applicable proper card use guidelines. 	<ol style="list-style-type: none"> 1. AOs must receive the same training as the cardholders and other relevant training as required by agency policy. 2. Certifying Officials must receive appropriate training as defined by agency policy in accordance with their role in certifying official invoice payments. 3. AOs must be trained in the procedures for identifying and reporting suspected fraud, misuse and delinquency. 4. Agencies may include other specific training requirements within their card management policies. 5. In accordance with agency policy, AOs may receive training on the Electronic Access System (EAS). 	<ol style="list-style-type: none"> 1. A/OPCs training at a minimum must include the following: <ul style="list-style-type: none"> • Cardholder and AO responsibilities • Procedures for identifying and reporting fraud, misuse and delinquency • Proper card management (account set-up, authorization controls, account close-out, available bank reports, etc.) • Control and oversight tools, and techniques. 2. Receive training on using the Electronic Access System (EAS) (or applicable systems, to include data analytics tools) to manage the program. 3. Data Analytics tools, techniques and reports.

¹³ Agency managers are responsible for ensuring that cardholders follow the mandatory source requirements established in Part 8 of the Federal Acquisition Regulation (FAR) (Required Sources of Supplies and Services.) For example, the Javits-Wagner-O'Day (AbilityOne) Act requires the Government to purchase certain supplies or services from AbilityOne participating non-profit agencies, if they are available within the period required. For supplies and services that are required to be purchased from this mandatory source, please see www.AbilityOne.gov/procurementlist. Cardholder training and oversight activities should focus on ensuring that cardholders meet the requirements established in FAR 8.704. The list of priorities is as follows: Supplies – (1) Federal Prison Industries, Inc., (2) AbilityOne participating non-profit agencies, and (3) Commercial sources; for Services – (1) AbilityOne participating non-profit agencies and (2) Federal Prison Industries, Inc., or commercial sources.

Training Program	Cardholder	Approving Officials (AOs), Certifying Officials & Travel Approvers ¹³	A/OPCs and Fleet Managers
	<p>3. Requirements must be consistent with the cardholder's level of responsibility or spending authority.</p> <p>4. Use of the card for contract payments consistent with agency policy.</p>		
Travel Card	<p>1. Provide training on government official travel policies and local travel (when applicable).</p> <p>2. Include information on agency specific travel charge card policies and procedures, and proper card use.</p> <p>3. Familiarize cardholders with relevant portions of the Federal Travel Regulation or Joint Travel Regulation (FTR/JTR) as appropriate.</p> <p>4. Cardholder training must also make travelers aware that use of the card generates refunds and other benefits for their organization.</p>	<p>1. Prior to assuming travel approver responsibilities the following training is required:</p> <ul style="list-style-type: none"> • Applicable travel policies and regulations. • The process for identifying and reporting suspected fraud, misuse and delinquency. <p>2. In accordance with agency policy, Travel Approvers may also receive the same training as the cardholders.</p>	<p>1. A/OPCs training at a minimum must include the following:</p> <ul style="list-style-type: none"> • Cardholder and AO responsibilities • Procedures for identifying and reporting suspected fraud, misuse and delinquency • Proper card management (account set-up, authorization controls, account close-out, available bank reports, etc.) • Control and oversight tools, and techniques. <p>2. Receive training on using the Electronic Access System (EAS) (or applicable systems, to include data analytics tools) to manage the program.</p> <p>3. Data Analytics tools, techniques and reports.</p>

Training Program	Cardholder	Approving Officials (AOs), Certifying Officials & Travel Approvers ¹³	A/OPCs and Fleet Managers
Fleet Card	1. Provide general information on how to use a government Fleet card including: <ul style="list-style-type: none"> • Applicable regulations • Proper use 2. User Guides and Driver Guides are made available.	N/A	1. Provide training on management of government Fleet cards that covers: <ul style="list-style-type: none"> • Procedures for identifying and reporting fraud, misuse and delinquency • Proper card management (account set-up, authorization controls, account close-out, available bank reports, etc.) • Control and oversight tools, and techniques.
Integrated Card¹⁴	<i>To receive purchase, travel, and/or fleet authority employees must first be trained on the business lines they will receive authority for and the participant role as described above.</i>		
AIR Card¹⁵	1. Provide general information on how to use a government AIR card, including: <ul style="list-style-type: none"> • Applicable regulations. • Proper use. • Agency policy and procedures related to the use of the AIR card. 	1. Receive training similar to card users for the AIR card program. 2. Complete training required by the Financial Management Regulation and/or applicable financial policies. 3. Complete specific AO training developed by the Defense Energy Supply Center (DESC) Program Management Office and/or their Component Manager.	1. Receive the same training as the card users. 2. Strongly Recommended: Training that covers the additional roles and responsibilities of an A/OPC, including: <ul style="list-style-type: none"> ○ Proper management. • Control and oversight tools and techniques.
Swipe SEA Card	1. Provide general information on how to use a government Swipe SEA card, including: <ul style="list-style-type: none"> • Applicable regulations. • Proper use. 	1. Receive training similar to card users for the Swipe SEA card program. 2. Complete training required by the Financial Management Regulation and/or applicable financial policies.	Swipe SEA Card training and point of contact information can be accessed from the DLA-Energy website at: http://www.dla.mil/Energy/Offers/Products/GovernmentFuel.aspx

¹⁴ Web links to available training resources are contained in *Attachment 6: Disciplinary Category Definitions Guidance*.

¹⁵ The AIR card is issued to an aircraft and not to an individual cardholder; therefore, it is strongly recommended that brochures and card sleeves be placed in the aircraft to be used to provide general information on proper card usage.

Training Program	Cardholder	Approving Officials (AOs), Certifying Officials & Travel Approvers ¹³	A/OPCs and Fleet Managers
	<ul style="list-style-type: none"> • Agency policy and procedures related to the use of the Swipe SEA card. 	<ol style="list-style-type: none"> 3. Complete specific AO training developed by the Defense Logistics Agency Energy Fuel Card Program Management Office and/or their Component Manager. 	
SEA Card	<ol style="list-style-type: none"> 1. Provide general information on how to use a government SEA card, including: <ul style="list-style-type: none"> • Applicable regulations. • Proper use. • Agency policy and procedures related to the use of the SEA card. 	<ol style="list-style-type: none"> 1. Receive training similar to card users for the SEA card program. 2. Complete training required by the Financial Management Regulation and/or applicable financial policies. 3. Complete specific AO training developed by the Defense Logistics Agency Energy Fuel Card Program Management Office and/or their Component Manager. 	<p>SEA Card training and point of contact information can be accessed from the DLA-Energy website at: http://www.dla.mil/Energy/Offers/Products/GovernmentFuel.aspx</p>

Chapter 5 – Performance Metrics and Data Requirements

5.1. Why are performance metrics important in the context of charge card programs and are agencies required to maintain and report these metrics?

Performance metrics are a critical tool for improving charge card management. Tracking performance on key indicators of program success is necessary for charge card managers and other stakeholders to:

- Assess the effectiveness of management controls, policies, and practices; and
- Identify areas where increased management attention is needed.

Each agency must maintain and report performance metric data consistent with the requirements in *5.3.2 Narrative Reporting* and *5.3.3 Reports on Violations*.

5.2. Why is data reporting important in the context of charge card programs?

Data reporting is a critical tool for improving charge card management. Charge card managers and other stakeholders need timely and accurate data to assess:

- Compliance with legislative and administrative requirements;
- The effectiveness of efforts to mitigate risks of fraud, misuse and delinquency; and
- Performance trends in managing costs and other relevant indicators of program success.

5.3. What data are agencies required to report?

Agencies should maintain for their own use, statistical and narrative information related to each charge card program. Executive agencies with more than \$10,000,000 in annual purchase business line spend must submit a joint agency and IG report to the Director of OMB on violations or other actions covered in 41 U.S.C. § 1909 (c)(1). See *5.3.3 Reports on Violations* for additional information.

5.3.1. Statistical Reporting

For agencies subject to the CFO Act, GSA's Center for Charge Card Management (CCCM) will post the following information on its website for agencies participating in the GSA SmartPay Program; information pertaining to other GSA SmartPay participating agencies may be posted as well. OMB memorandum M-17-26 dated June 25, 2017 discontinued agency statistical reporting to OMB. However, it requires agencies maintain this statistical information for their own use and management of their charge card program. The memorandum also calls for consolidating existing reporting requirements in a central location. This circular appendix serves as the central location for said requirements, and the GSA SmartPay website serves as the central posting site for the agency statistical data, to the extent CCCM can obtain this information in an electronic, automated manner from the contractor banks. The balance of this data will be provided by the CFO Act agencies to CCCM. CCCM may issue further guidance on both narrative and statistical reporting through the GSA Smart Bulletin process. The statistical reporting information listed below must be posted, at a minimum, on an *annual* fiscal year basis. Agency-provided

information must be furnished to CCCM no later than 90 calendar days after the end of the fiscal year, count of accounts, as defined by GSA;¹⁶

- Total number of accounts across the charge card program as compared to the prior reporting period;
- Total charge card dollars spent; total refunds earned; and
- Ratio of the number of confirmed violations reported pursuant to P.L. 112-194 as compared to the number of valid transactions within the reporting period (GSA's Center for Charge Card Management will obtain confirmed violation information from OMB/OFFM).

Purchase cards only (to be provided to CCCM by CFO Act Agencies)

- Ratio of A/Os to purchase cardholders (span of control); and
- Number of purchase cards with transaction limits over the micro-purchase threshold.

Convenience checks only:

- Total number of convenience checks written;
- Number of checks written over micro-purchase threshold;
- Number of checks written under micro-purchase threshold; and
- Total dollar amount of checks written.

Fleet cards only (to be provided to CCCM by CFO Act Agencies):

- Ratio of reviewing officials to fleet cards (span of control); and
- Number of fleet cards with transaction limits over micro-purchase threshold.

Integrated cards only (to be provided to CCCM by CFO Act Agencies):

- Ratio of A/Os to integrated cardholders (purchase business line - span of control);
- Ratio of reviewing officials to integrated cards (fleet business line – span of control); and
- Number of integrated cards with transaction limits over the micro-purchase threshold.

5.3.2. Narrative Reporting

OMB Memorandum M-17-26, , *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, June 25, 2017 discontinued agency narrative reporting to OMB. However, it requires that agencies still maintain this information for their own use and management of their charge card program. The memorandum also calls for consolidating existing reporting requirements in a central location. This circular appendix serves as the central location for said requirements, and CCCM will serve as the central repository of agency narrative reports. For agencies subject to the CFO Act, the following information should be updated *annually on a fiscal year basis and provided to CCCM no later than 90 calendar days after the end of each fiscal year*: the date(s) of most recent and next scheduled independent review (e.g., OIG), if known in advance, for all agency charge card programs;

- A description of the current process for monitoring delinquency, including what reports the agency reviews and what actions are taken when a problem is discovered;
- A description of any best practices the agency employs in charge card management;

¹⁶ Count of Accounts is number of active accounts capable of executing a non-payment transaction at the point in time when the report is run.

- Progress reports on agency integration of GSA SmartPay e-payable payment process into their accounts payable processes ; and
- Any additional information regarding agency management and use of charge card programs, including innovative applications to streamline business processes, increased revenue generation from expanded use for payments, and creative internal controls which maintain program integrity, flexibility and ease of use.

5.3.3. Reports on Violations

In accordance with the Government Charge Card Abuse Prevention Act of 2012, Executive agencies with more than \$10,000,000 in annual purchase business line spend must submit a joint agency and IG report to the Director of OMB on violations or other actions covered in 41 U.S.C. § 1909 (c)(1). At a minimum, the report must include:

- A summary description of confirmed violations involving misuse of charge cards following completion of a review by the agency or by the Inspector General of the agency¹⁷; and
- A summary description of all adverse personnel action, punishment, or other action taken based on each violation.

While management is responsible for correcting any internal control deficiencies identified in the charge card program, the purpose of this report is to identify confirmed violations involving misuses of the purchase card following completion of a review by the Inspector General. Accordingly, an administrative or internal control process inconsistency that does not result in confirmed fraud, loss to the Government, or misappropriation of funds or assets (whether or not recouped) is not a reportable violation for purposes of the semi-annual report.

Joint violation reporting for fleet and travel business line transactions is not required at this time due to the relatively low dollar value of fleet transactions and the fact that the majority of travel transactions are the liability of the individual cardholder, and not the Federal Government. However, if OMB determines that such reporting is subsequently warranted, OMB will work with GSA's Center for Charge Card Management to issue a GSA Smart Bulletin establishing and defining these added violation reporting requirements.

¹⁷ See Attachment 6: *Disciplinary Category Definitions Guidance* for additional information of reportable violations categories and examples.

Chapter 6 – Credit Worthiness for Individually Billed Accounts (IBA)

6.1. Are agencies required to ensure the credit worthiness of new IBA travel charge card applicants is assessed by the contractor banks prior to issuing a card?

Yes, pursuant to the Consolidated Appropriations Act, 2008 (Pub. L. No. 110-161, Division D, Title VII, section 743), each agency/organization must ensure a credit worthiness assessment is conducted of all new IBA travel charge card applicants prior to issuing a card. Under the GSA SmartPay Program, the contractor bank will conduct this assessment for the agency/organization and advise the A/OPC as to whether a restricted or unrestricted card will be issued. Credit worthiness scores are not provided to agencies or A/OPCs.

6.2. Why is it important to assess the credit worthiness of a travel charge card applicant?

As IBAs are an individual liability, credit worthiness assessments are a useful indicator of financial responsibility.

6.3. What steps are required before issuing a travel charge card to a first-time applicant?

Consistent with the requirements of this Chapter, all agencies must ensure a credit worthiness evaluation is conducted prior to issuing a travel charge card to first time applicants.

6.3.1. Obtain credit score

In order for a first time applicant to receive a card to which standard agency restrictions apply, a credit score must be obtained for that employee. The credit score obtained must be 660 or higher. (Examples of credit scores acceptable are FICO, an acronym for Fair Isaac Corporation, a Beacon score, etc.) The numerical score indicates the credit risk level associated with a specific credit applicant. Credit scores obtained during any other process of background clearance that are less than 12 months old may also be used.

6.3.2. First time travel charge card applicants with a credit score less than 660

For first time travel charge card applicants with a credit score of less than 660, the agency may require the issuer to issue a “restricted” card, but more stringent restrictions will apply. In implementing such additional restrictions, the agency should take the following actions:

- Reduce the overall dollar limit for the card, and
- Reduce the monthly card limit.

Note: Reductions in these limits must be sufficient to address additional risk exposure.

Additionally, agencies should consider the following further controls, as appropriate:

- Limit (or further limit, if applicable) the types of transactions allowed;
- Issue a pre-paid, stored value, or declining balance card that automatically restricts dollar amount and transaction types;
- Limit (or further limit, if applicable) the monthly or cycle limit on the account;
- Limit (or further limit, if applicable) the length of time a card remains active, such as for the length of time in travel status only; and/or

- Restrict (or further restrict, if applicable) use at ATMs.

6.4. What process is required if obtaining a credit score is not possible?

If obtaining a credit score is not possible (e.g., the applicant refuses to provide consent or does not have a credit history), an agency may still issue a "restricted" (as defined in 6.3.2 *First time travel charge card applicants with a credit score less than 660*, above) travel charge card to a first time applicant, but the agency must ensure the contractor bank conducts an alternative credit worthiness assessment to determine whether the individual possesses a satisfactory credit history. Specifically, the agency's contractor bank must review the proposed applicant's most recent Standard Form (SF) 85P, Section 22, Questionnaire for Public Trust Positions, or SF 86, Section 26, or use a similar vehicle containing the same type of questions as in the forms and sections noted and use the information provided to assess credit worthiness. In either case the vehicle used must not be older than one year.

6.5. May agencies issue individually-billed travel charge cards to foreign nationals?

No. Foreign nationals are not eligible to hold individually-billed travel charge cards issued by Federal agencies, as they are not Federal employees. However, centrally-billed travel accounts may be used to pay for their travel expenses when required by and approved by the agency.

6.6. Are credit worthiness assessments required for new centrally-billed travel account applicants?

No. Centrally-billed travel accounts and purchase card accounts share common characteristics in terms of structure, purpose and risk; therefore, credit worthiness assessments are not required for centrally-billed travel accounts, and are to be treated in the same manner as purchase card accounts for the purpose of this Chapter.

6.7. When are re-evaluations of credit worthiness required?

A credit worthiness assessment must be conducted for restricted cardholders before the cardholder is issued a renewed card. The re-evaluation of credit worthiness may be conducted by obtaining a credit score as described in 6.3 *What steps are required before issuing a travel charge card to a first-time applicant?*, or at the agency's discretion, may be conducted by reviewing the restricted cardholder's card usage during the initial period of card issuance. The type of account issued (restricted/ unrestricted) for the renewed card must be determined by thresholds described in 6.3 *What steps are required before issuing a travel charge card to a first-time applicant?*

6.8. For cardholders issued restricted accounts, how frequently can a reassessment of credit worthiness be requested?

The cardholder's credit worthiness may be reassessed based on the requirements of this Chapter, no more frequently than once a year. Credit worthiness may be reassessed prior to card renewal, as described above.

6.9. Are there separate recordkeeping requirements for the credit worthiness evaluation process?

No, there are not separate or additional recordkeeping requirements from requirements that are currently in effect for the government-wide travel charge card program. Use of agency existing systems of record is adequate.

6.10. Is there any circumstance in which credit worthiness restrictions may be temporarily lifted?

Yes. The credit worthiness restrictions may be temporarily lifted at the discretion of a Department or Agency head, in order to ensure the safety of American citizens and/or property (e.g., during times of emergency response, contingency operations, peacekeeping, or humanitarian missions). If official travel is required, the agency may issue a restricted charge card per 6.3.2 *First time travel charge card applicants with a credit score less than 660*, above.

6.11. Is there a Federal source for obtaining charge card applicant credit scores?

Yes. Agencies may, but are not required to, contact OPM, Center for Federal Investigative Services (FIS), which has a process to provide credit scores as part of background investigations. Questions about OPM's background process which includes credit scoring, can be directed to FISInquiries@opm.gov or by calling [202-606-1800](tel:202-606-1800).

6.12. May an agency contract with their respective bank card issuer to manage the credit worthiness assessments on its behalf?

Yes. Agencies may negotiate this requirement into their respective task orders, as long as the bank agrees to comply with the guidelines outlined in this Guidance, including the recordkeeping requirements of the Privacy Act.

In addition, credit scores are also available through GSA's Financial and Business Solutions (FABS) Schedule contractors.¹⁸

¹⁸ Information on the GSA Financial and Business Solutions (FABS) Schedule contractors can be found at: <https://www.gsa.gov/financial>.

Chapter 7 – Refund Management

7.1. What does the term “refund” mean in the context of charge cards?

A refund is a monetary payment provided by charge card vendors to agencies.¹⁹ The three types of typical refunds are as follows:

- Sales: Payments from the charge card vendor to the agency based on the dollar or “spend” volume during a specified time period;
- *Productivity*: Payments from the charge card vendor to the agency based on the timeliness and/or frequency of payments to the vendor; and
- *Corrective*: Payments from the charge card vendor to the agency to correct improper or erroneous payments or an invoice adjustment.

Note: for the GSA SmartPay 3 Program, a composite refund approach is used which combines sales and productivity refunds together. As a result, there is generally no separate sales or productivity refunds. For simplicity, the refunds under GSA SmartPay 3 are referred to as “sales” refunds.

7.2. Why is improved refund management important?

Proper management of refunds is critical to ensuring that agencies maintain cost-effective charge card programs. To drive down costs, while ensuring that charge card programs effectively support the agency mission and financial controls, agencies must strive to:

- Obtain the best competitive deal from charge card vendors in terms of sales and productivity refunds offered balanced against the services provided;
- Utilize proper cash management decision-making to maximize agency sales productivity refunds or government wide interest income earned by Treasury as the situation determines;²⁰ and
- Employ the necessary internal controls to identify and collect corrective refunds.

7.3. What steps must an agency take to maximize sales and productivity refunds?

In order to ensure that agencies are in the best position to maximize refunds, agencies must:

- Check the refund ranges provided in the Agency Metrics that GSA CCCM posts on GSA Interact;
- Utilize another agency’s existing task order (“tag along”) when possible and cost-beneficial to do so;
- Ensure on-time payments and appropriate card use by employing the processes and tools identified in *Chapter 2 – Internal Controls* of this Guidance; and

¹⁹ A “rebate” – a term used in prior government charge card guidance – is synonymous with a “productivity refund.” Notably, Congress has used the term “refund” and “rebate” interchangeably. See P.L. 106-291, Department of Interior and Related Agencies Appropriations Act, 2001 (Sec. 113).

²⁰ <http://www.fims.treas.gov/prompt/formulas.html>

- Review refunds based on prompt payment, sales volume, or other actions by the agency for accuracy are properly recorded as a receipt to the agency.

7.4. How often must an agency review its refund agreement?

In order to ensure that an agency's refund agreement is providing the best competitive deal and is being carried out effectively, appropriate agency personnel must review the agency's refund agreement and the technical requirements at least annually or prior to re-compete of the task order or prior to option exercise.

7.5. What flexibilities do agencies have with respect to how proceeds of refunds can be used?

Unless specific statutory authority exists allowing refunds to be used for other purposes, refunds must be returned to the appropriation or account from which they were expended, and can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute.

This section must not be construed to apply to non-refund payments from charge card vendors to agencies, such as signing bonuses or other monetary inducements.

7.6. What are agency/organization responsibilities and what tools and guidance are available to help ensure quarterly refunds are paid correctly?

GSA provides a refund guide, quarterly refund reports, a refunds review tool for agency/organization use, and a GSA SmartPay data warehouse dashboard to support individual agencies in meeting requirements to conduct a review to monitor the accuracy of refund payments and the proper recording of refund payments as receipts to the agency. For all card and account types, each individual agency is responsible for verifying the accuracy of their own refunds based on prompt payment, sales volume, or other actions by the agency as well as addressing any variances.

Chapter 8 – Category Management & Strategic Sourcing

8.1. What does the term Category Management mean in the context of government purchasing practices?

Category management is an approach the Federal Government is applying to buy smarter and more like a single enterprise. Category management enables the government to eliminate redundancies, increase efficiency, and deliver more value and savings from the government's acquisition programs. It involves:

- Identifying core areas of spend;
- Collectively developing heightened levels of expertise;
- Leveraging shared best practices; and
- Providing acquisition, supply and demand management solutions.

The government-wide Category Managers have identified solutions and strategies agencies should leverage to achieve these objectives. Furthermore, one of the primary tools in delivering category management is known as the Acquisition Gateway.²¹ Built by GSA, it enables Federal Government buyers from agencies to act as one acquisition community. The Acquisition Gateway is a workspace that provides accurate, useful, and unbiased advice. It helps federal acquisition professionals learn what they need to know, connect with others to collaborate and communicate, and act to accomplish their tasks effectively.

Inside the Acquisition Gateway, purchase cardholders can find solution comparisons, connect with other acquisition professionals, and explore product and service category hallways. The hallways feature expert articles, templates, market research tools, prices paid data, and more to achieve successful outcomes at each step of the acquisition lifecycle.

While the Acquisition Gateway may be of assistance to micro-purchasers in identifying potential sources, the larger benefit is expected to relate to identifying potential contracts against which authorized officials may place orders and where perhaps the purchase business line can be used as a payment method.

8.2. What does the category management mean in the context of government charge cards?

Category Managers have developed strategic plans covering the \$326 billion (as of FY 2018) in common goods and services. These plans identify strategies and solutions to better leverage its purchasing power, reduce total costs, and improve overall performance. Many solutions available under Category Management permit the use of charge cards as payment solutions. Agencies are encouraged to increase the value proposition of Category Management by using charge cards (and earning associated refunds) as a payment method.

²¹ <https://hallways.eap.gsa.gov/>

8.3. What are agencies required to do with charge cards in relation to category management and strategic sourcing?

The Federal Government spends billions of dollars each year through purchase and travel card programs (as well as other contract mechanisms) and each transaction has the potential to increase the sourcing power of the government. Purchase and travel card program managers should be aware of any agency-specific requirements to ensure compliance with strategic sourcing. Purchase card and travel card managers should work with the Category Managers to ensure the agency is leveraging category management solutions. It is the responsibility of agency purchase card managers to ensure that cardholders are aware of agency policies for using these contracts. Agencies/organizations should share their purchase card reports with the Category Manager and Category Management Program Management Office. The data should be analyzed by agency to evaluate purchasing patterns and assess if there are opportunities to better leverage the Government's buying power through the category management. Often, these contracts or ordering vehicles can include use of the purchase card to streamline the acquisition process and add further value through the generation of refunds.

With regard to travel card use, consistent with agency policy, travel card managers shall ensure travel cardholders are aware of and utilize strategic sourcing/Category Management vehicles such as City Pairs, FedRooms, etc.

In accordance with the OMB memoranda on category management²², agencies are required take actions towards:

- Buying as One Through Category Management
- Deploying Talent and Tools Across Agencies and Growing Talent Within Agencies to Drive Innovation

Agencies are required to use specific solutions for certain commodities, such as laptops/desktops, software, mobile devices and services and others as directed by OMB (please see the Acquisition Gateway for current requirements). Therefore, agencies should analyze purchase card spending data as part of this effort. Agencies must develop and implement policies and practices that ensure effective implementation of category management principles. These policies and practices include:

- A thorough spend analysis, including contract data, delivery order data, and purchase card data;
- A balanced approach considering socio-economic goals and prioritized objectives, if applicable;
- Performance measures to assess progress toward achieving agency strategic sourcing goals;
- Establishment of key roles and responsibilities, including identification of the official responsible for achieving agency strategic sourcing goals; and
- Communication and training strategy.

²² <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/procurement/memo/simplifying-federal-procurement-to-improve-performance-drive-innovation-increase-savings.pdf>

Chapter 9 – Requirements for Micro Purchases under Section 508 of the Rehabilitation Act

9.1. What does Section 508 of the Rehabilitation Act require?

Section 508 of the Rehabilitation Act requires that when Federal departments or agencies develop, procure, maintain, or use Information and Communication Technology (ICT) they must ensure that such ICT allows employees with disabilities to have access to and use of information and data that is comparable to the access to and use of information and data by other employees.

Section 508 also requires that individuals with disabilities, who are members of the public seeking information or services from a Federal department or agency, have access to and use of information and data that is comparable to that provided to the public without disabilities.

9.2. When making a micro-purchase of ICT, which 508 requirements apply?

Section 508 must be considered when making micro-purchases. Make sure that the available accessibility information applies to the version of the product to be purchased. Is there an accessible version of the product available for a reasonable price? Appropriate Section 508 due diligence for micro-purchases should be performed to the maximum extent possible, including:

- Understanding Section 508 responsibilities;
- Spending a reasonable amount of time on market research;
- Considering the degree of risk for accessibility; and
- Using available tools and resources.

9.3. Are there any on-line tools or resources, such as a set of frequently asked questions (FAQs) to which I can refer for guidance when making purchase approval decisions?

Yes. The BuyAccessible Wizard is a web-based application that makes it easier to buy products and services that comply with Federal requirements for Section 508 of the Rehabilitation Act. It helps Federal buyers quickly and easily identify the Section 508 standards and requirements related to their purchases, while also helping government buyers for both small and large acquisitions. The Wizard is available at <http://app.buyaccessible.gov/baw/Main.jsp>. In addition, the Architectural and Transportation Barriers Compliance Board (or Access Board), GSA, and the Interagency Section 508 Working Group have developed a set of detailed FAQs.²³

²³Visit <http://www.section508.gov/content/faq-final> for a list of Section 508 FAQs

Chapter 10 – Sustainability Environmental Requirements

10.1. Are agencies required to account for the sustainability of products procured with government purchase cards?

Yes, each agency must account for the sustainability of products procured with purchase cards consistent with the requirements of this Chapter and the Federal Acquisition Regulation.

10.2. What steps are agencies required to take related to the sustainability of products procured with government purchase cards?

Agencies must develop and implement policies and practices that ensure products and services meet the sustainability requirements in statutes and EO 13693 - Planning for Federal Sustainability in the Next Decade of March 19, 2015.²⁴

EO 13693 requires agencies to purchase products and services:

- Meeting the statutory requirements for recycled content, energy- and water-efficient products, and biobased products (see below);
- Identified by the following U.S. Environmental Protection Agency (EPA) programs: Significant New Alternatives Policy (SNAP) alternatives to ozone depleting substances; WaterSense (for water efficient products), Safer Choice (for products that contain safer chemicals); and SmartWay (for freight and other transportation providers); and
- Meeting non-federal specifications, standards, and labels recommended by EPA or selected by their agency.

In addition, EO 13693 - Planning for Federal Sustainability in the Next Decade requires agencies to purchase environmentally sustainable electronic products, and EO 13221 - Energy Efficient Standby Power Devices, July 31, 2001, requires agencies to purchase products that use minimal amounts of power when in standby mode. While low standby power is now included within the Energy Star specifications for most products, agencies can refer to <http://energy.gov/eere/femp/find-product-categories-covered-efficiency-programs> for FEMP's low standby recommendations. Lists of environmentally sustainable electronic products can be found in the Green Procurement Compilation.

The statutory programs are as follows:

- The Resource Conservation and Recovery Act, Section 6002, requires the purchase of EPA-designated recycled content (recovered materials) products. EPA maintains a list of designated recycled-content products and recommends the percentages of recycled content that the products must contain. Agencies can refer to the Green Procurement Compilation²⁵ for a complete list of designated products, EPA's recommendations for recycled content percentages, and additional information.

²⁴Refer to GSA's Green Procurement Compilation, <https://sftool.gov/greenprocurement> for the current lists of designated products, product sources, and other relevant information.

²⁵ <https://www.epa.gov/environmental-topics/land-waste-and-cleanup-topics>

- The Farm Security and Rural Investment Act, Section 9002 require agencies to purchase biobased products. The U.S. Department of Agriculture's (USDA) BioPreferred Program designates biobased products and provides guidance to assist agency purchasing of these products. Agencies can refer to the Green Procurement Compilation or <http://www.biopreferred.gov/BioPreferred/> for a complete list of USDA- designated products, USDA's recommendations for biobased content percentages, and additional information.
- The Energy Policy Act (EPA) of 2005 require agencies to select and purchase Energy Star products or those products in the upper 25 percent of energy efficiency as designated by the Department of Energy's Federal Energy Management Program (FEMP).²⁶ Agencies can refer to the Green Procurement Compilation, <https://www.energystar.gov/>, and <http://energy.gov/eere/femp/energy-efficient-products-and-energy-saving-technologies> for the lists of Energy Star standards and FEMP energy-efficiency recommendations, respectively.

10.3. What are the relevant requirements related to the sustainability of products procured with government fleet cards?

For government fleet card purchases to service a government vehicle, agencies must ensure that re-refined engine lubricating oil and retread tires be purchased if available and practicable. Recycled, bio-based, FEMP-designated or non-ozone depleting products should be used where available and practicable as well. Also, if the government vehicle is an alternatively fueled vehicle (AFV) (whether dual- or fuel-flex), agencies are required to ensure that cardholders purchase alternative fuel if within 5 miles or 15 minutes of fuel and where readily available at a reasonable cost, instead of gasoline conventional fuel. Section 9002 of the Farm Security and Rural Investment Act of 2002, Section 6002 of the Resource Conservation and Recovery Act, the Energy Independence and Security Act 2007 (EISA) Section 525 and FAR Part 23, as well as EO 13693, are the authoritative sources for fuel, oil and tire requirements. The Energy Policy Act, EISA 2007 Section 141 and EO 13693 are the authoritative sources for the alternative fuel vehicle acquisition requirements.

²⁶ Agencies can refer to the Green Procurement Compilation, <https://www.energystar.gov/>, and <http://energy.gov/eere/femp/energy-efficient-products-and-energy-saving-technologies> for the lists of Energy Star standards and FEMP energy-efficiency recommendations, respectively.

Chapter 11 – State Tax Exemption

11.1. Why is understanding State tax exemption requirements important?

It is important for employees to understand tax exemption requirements for each State, in order to know when it is appropriate for merchants and vendors to collect State taxes for transactions when a Federal Government charge card is used as the method of payment. This will enable cardholders to help preserve operating budgets for mission-critical activities by ensuring appropriate tax compliance.

11.2. Who determines State tax exemption and requirements?

In accordance with interpretations of the Supremacy Clause of the United States Constitution, States cannot tax obligations paid directly by the Federal Government. However, when a government employee is directly billed and reimbursed later, each State has the ability and authority to assess taxes.

11.3. How does payment liability affect exemption status?

There are two different types of charge card accounts: Centrally Billed Accounts (CBA) and Individually Billed Accounts (IBA). For CBA charge cards, the Federal Government is directly billed for charges and therefore is liable for making payments. As a result, CBA charge cards are exempt from State taxes in all 50 States and United States territories.

For IBA charge cards, Federal employees are directly billed for charges and therefore are liable for making payments. Although individuals may be conducting business on behalf of the Federal Government, they are not considered to be “agents” of the government due to payment liability. Consequently, States are not obligated to exempt IBA cards from State assessed taxes. For agencies using split disbursement, the cardholder is still responsible for the payment, and as such, transactions may still be subject to tax.

11.4. Should agencies pay State taxes on CBA charge cards?

CBA charge cards are tax exempt in every State and United States territory, as payment liability falls directly on the Federal Government. In rare instances, merchants may be unwilling to grant an exemption. In these circumstances, cardholders are encouraged to seek another source for the required product/service. If due to urgency or lack of product/service availability from another source, the cardholder may pay the taxes in question, but must document the reason for doing so.

11.5. Should agencies pay State taxes on IBA charge cards?

The Federal Government may be responsible for paying State taxes, in accordance with each individual State’s tax requirements and policies. It is important for cardholders to verify exemption and taxation requirements with each State's Department of Revenue or on the [GSA SmartPay website](#).

11.6. What types of taxes is the Federal Government exempt from?

Even though the Federal Government may be exempt from State taxes, depending on State tax requirements, Federal Government employees may not be exempt from conference facility fees or taxes, and county, city, and local taxes. For CBA charge cards, the Federal Government is exempt from sales tax in every State and United States territory.

11.7. Which types of cards are eligible for tax reclamation?

Federal Government transactions, for which any of the government charge cards are used, are exempt from State taxes. Agencies should work with charge card vendors cooperatively to help ensure that merchants do not assess State taxes on official Federal Government charge card transactions. Agencies should be prepared to provide vendors with proof of tax exempt status through the agency's Tax Identification Number. In instances where the tax-exempt status is not recognized at the point of sale in States that should honor tax exemption status, agencies should work with vendors, banks, and State tax authorities to reclaim improperly assessed taxes.

Federal Government travelers should be prepared to provide applicable tax exemption forms and a Federal Government identification or travel orders. Agencies have historically experienced difficulty with accurate tax exemption and timely reclamation. Nonetheless, agencies should make good-faith attempts for tax exemption at the point of sale for all CBA transactions and for IBA transactions in applicable States, and in reclaiming improperly assessed taxes.

11.8. How should State taxes be reclaimed for purchase and travel business lines?

In the event taxes are improperly assessed on a transaction, cardholders should attempt to resolve the matter with the merchant. In rare cases, it may not be possible to recover the improperly assessed taxes.

11.9. Should agencies pay State taxes for fleet card transactions?

No, fleet cards are usually CBA charge cards and the Federal Government is exempt in every State and United States territory that allows for tax reclamation. Note that in most States and localities, fuel tax is included in the price of gasoline.

11.10. How are State taxes reclaimed for the Fleet card (for non-Department of Defense)?

The charge card vendor issuing the fleet card may be contractually required to provide information on a regular basis to the Federal Government entity owning/commercially leasing the vehicle or fueled equipment. This may include, but may not be limited to, identification of the sites within a State, where expenditures occurred, specific merchant, and dollar amount, and gallons of fuel purchased.

The Federal Government entity must identify the appropriate entity within each State that they must work with in the tax recovery process, as well as the address and reporting requirements of that entity. In the case of vehicles operated by a Federal Government agency that are not owned/commercially leased by that agency but are leased by the agency (including leased by

DoD) from the GSA, GSA will receive the above information from the charge card vendor and pursue the state tax recovery.

11.11. How must the reclaimed State taxes be used for the fleet card?

In accordance with appropriations law, unless an exemption has otherwise been granted, reclaimed taxes must be returned to the account from which the expenditure was made. While such monies can be used for any legitimate expenditure from that appropriation, consideration should be given to applying the monies to the same type expenditure that generated the reclaimed taxes (e.g., fuel, maintenance).

11.12. How are state and local taxes recovered for the DoD fleet card?

There are two methods of reclamation that may be available:

1. For most transactions, the tax is effectively backed out before the fleet card vendor invoices DoD. The oil company files with the State to reclaim the tax based on its sale to DoD. The oil company credits the fleet charge card vendor and the credit is given to DoD by backing out the tax before invoicing DoD. There are some independent retailers who are not associated with an oil company that do not back-out the tax. In those instances, DoD files with the state directly for tax recovery. There are also the states where DoD has to go to the oil company to file for a refund.
2. In States where the oil company is not required to file for a credit with the state, the Defense Finance and Accounting Service files for the tax refund based on tax payment details provided by the charge card vendor, as well as information calculated by DoD.

11.13. How must the recovered state and local tax monies from the DoD fleet card be used?

Reclaimed tax funds are returned to the working capital fund.

Chapter 12 – Convenience Checks

12.1. What are convenience checks?

Convenience checks are a payment and/or procurement tool intended only for use with merchants that do not accept purchase cards or any other form of payment. Convenience checks should be used as a payment method of last resort, only when no reasonable alternative merchant is available who accepts the charge card. Convenience checks (which are considered to be “third party drafts” by Treasury) are limited to the threshold as established in FAR 13.305-3(b).

P.L. 104-134, The Debt Collection Improvement Act of 1996 requires that, with limited exceptions, Federal payments be made through electronic means. The Department of the Treasury has ruled that checks are not electronic funds transfer (EFT) compliant.

12.2. What are the requirements for authorizing convenience checks?

Generally, only purchase account holders are eligible for convenience check writing authority; however, in some instances fleet cards may have convenience checks associated with them. Purchase cardholder training (and fleet card training when applicable) should cover convenience check writing as part of the overall purchase business line training, prior to being authorized to write checks only in accordance with *12.1 What are convenience checks?*

12.3. What are the authorized uses?

Convenience checks may be written only to vendors who do not accept the purchase card, for emergency incident response, and for other agency approved purposes that comply with P.L. 104-134, the Debt Collection Improvement Act of 1996.

12.4. What are the restrictions on use?

Convenience checks may not be written to:

- Vendors who accept the purchase card;
- Vendor transactions already under another method of acquisition, e.g., purchase orders, contracts, etc. (see FAR 32.1103 for permissible exceptions,);
- Employee reimbursements;
- Cash advances;
- Salary payments, cash awards, or any transaction processed through the payroll system,
- Travel-related transportation tickets;
- Meals or lodging related to employee travel except as related to emergency incident response; and
- Other restrictions as determined by Agency policy.

12.5. As convenience checks are not considered electronic payments, are there goals to reduce their use?

Yes, in consultation with OMB, GSA has established guidance addressing check use commensurate with legitimate agency needs. This guidance has been provided in GSA SmartPay Smart Bulletin No. 12.²⁷

12.6. What are the elements of a properly written convenience check?

Checks must be used in sequential order. Each convenience check must be entered in a check register or log for tracking purposes. The check fee must also be deducted in the register or log, if applicable.²⁸ At a minimum, the following information must be entered on each check:

- DATE: Enter the date on which the check is being issued. Spell out the date (e.g., October 30, 2016). Do not predate or postdate a convenience check;
- PAY TO THE ORDER OF: Enter the name of the payee. Under no circumstances may convenience checks be issued to “cash” or the payee line left blank. Checks may not be issued to “self”;
- AMOUNT: Write the amount of the convenience check in the spaces provided in numbers and words; e.g., one hundred twenty-six dollars and 39/100 in the applicable space; and
- An original signature.

Convenience checks must be written only for the exact amount of the purchase.

12.7. When must Form 1099 information be collected by the check writer?

The Internal Revenue Service (IRS) requires that information be collected for reporting income to the IRS when a convenience check is used for purchases. If a person is “engaged in a trade or business and, in the course of that trade or business, pays any person \$600 or more of rent, salaries, wages, premiums, annuities, compensation, remunerations, emoluments, or other fixed or determinable gains, profits and income during a calendar year, *IRS Code Section 6041 generally requires them to file an information return with the IRS and to furnish an information statement to the payee.*”

Agencies may rely on the merchant category codes (MCC) in determining whether a transaction is subject to Form 1099 reporting. IRS Form 1099 MISC is used to collect that information.²⁹ An MCC table which may be used to determine whether transactions are reportable for Form 1099 reporting can be found on the IRS website. Failure to file a correct information return (Form 1099) by the due date may result in a penalty imposed by the IRS. Collection of this data may contain personally identifiable information (PII) and must be appropriately protected.

²⁷ GSA Smart Bulletins can be accessed at <https://smartpay.gsa.gov>.

²⁸ **Note:** the check fee is not included in the total amount of the micro-purchase; the check may be written up to the micro-purchase threshold and the check fee is not included as part of the micro-purchase total.

²⁹ <https://www.irs.gov/pub/irs-pdf/f1099misc.pdf>

12.8. When are payments exempt from Form 1099 reporting?

Form 1099 reporting is restricted to services. Section 1.6041-3(c) of the Income Tax Regulations exempt purchases of “merchandise,” as well as “telegrams, telephone, freight, storage and similar charges” from these reporting requirements. See IRS Bulletin 2004-31, Part III for more information and a complete list of exceptions.

12.9. What must Agencies include in the Agency Charge Card Management Plan and/or Agency policy regarding convenience checks?

Agencies must issue written policies and procedures for the appropriate use of convenience checks in accordance with the requirements of this document. At a minimum, policies, procedures and internal controls for purchase cards will also apply to convenience check usage.

In addition, the charge card management plan, policy, and/or procedures for convenience checks must address:

- Restrictions on use (e.g., types of purchases, dollar limitations, etc.);
- Training requirements;
- Fees;
- Stop payment;
- Replacement checks;
- Independent reviews;
- Improper use; Departure of check writer (e.g., resignation, change of position, etc.);
- reconcile check register information to transaction data on statements;
- Record retention requirements (which are identical to those for card transactions); and
- Separation of duties.

As applicable, agency charge card management plans, policies, and procedures for convenience checks may also include:

- Criteria for issuance of convenience checks
- Additional agency reporting requirements; and
- Waiver procedures.

12.10. What is the process for obtaining a waiver when writing convenience checks?

Agency policy and procedures must require a waiver for deviation from, or exceptions to the requirements prescribed in this Appendix. Such requests must contain adequate justification and demonstrate the need for a waiver or exception to the specific policy. For civilian agencies, waivers must be approved by the Head of the Contracting Activity or appropriate official as defined by agency policy. Within DoD, each component and agency must establish an appropriate level for waiver approval.

12.11. What are the reporting requirements?

See 5.3 *What data are agencies required to report?* for reporting requirements in regard to convenience checks.

12.12. Related Information References

The following references provide additional information regarding convenience checks:

- The Debt Collection Improvement Act of 1996, Public Law 104-134³⁰
- Internal Revenue Service Revenue Procedure 2004-43³¹
- Internal Revenue Code 26 CFR 1.6041 A and 1.6041 b³²
- Federal Acquisition Regulation 32.1103³³

³⁰ <https://www.dol.gov/ocfo/media/regs/DCIA.pdf>

³¹ https://www.irs.gov/irb/2004-31_IRB/ar17.html

³² <https://www.irs.gov/pub/irs-drop/rp-04-43.pdf>

³³ <https://www.acquisition.gov/browse/index/far>

Chapter 13 – Management of Property Acquired by a Purchase Card

13.1. Why is effective management of property acquired by a purchase card important?

Each year the Federal Government acquires billions of dollars' worth of property with the purchase cards. Agencies must have reasonable, effective internal controls so that this property can be accounted for, and so that use of this property is limited to official purposes.

13.2. Who is the "receiver" for property acquired through the use of the purchase charge card?

The receiver is an individual who is authorized to accept property in accordance with agency procedures.

13.3. What Government policies address property management?

Cardholders and/or custodians must be familiar with, and follow, their agency policies governing property management, which should implement Federal government-wide policies. The GSA Administrator, through the Federal Management Regulation, or other issuance method, should promulgate issued Federal government-wide policy and guidance to agencies on the receipt and use of Federal property in consultation with Federal agency customers, as appropriate. Because property acquired by the purchase card and/or convenience check is frequently delivered directly to the cardholder or the end-user (receiver), each agency must issue policies and procedures to ensure effective management of this property. At a minimum, agency policies and procedures must address:

- The determination of items to be classified as "sensitive", and the establishment of dollar value thresholds for accountable property (See *Attachment 1: Glossary* for the definition of "sensitive" and "accountable" property), taking into account the risk of loss of data or sensitive information on electronic items;
- A process of notifying the agency property management activity of property receipt, including situations where property is delivered at locations other than a central receiving facility;
- The process for the agency to record property in the agency property tracking system and financial systems, including the designation of property as sensitive or accountable, when applicable;
- The documentation of independent receipt and acceptance, when appropriate, to ensure that items purchased were actually received, including procedures addressing remote locations and emergency/urgent purchases where independent acceptance may be difficult or impossible; and
- Procedures for cardholders and/or custodians of the property to follow when property is determined to be missing, stolen, or damaged.

These policies and procedures must be implemented so as not to unnecessarily disrupt the streamlined benefits associated with the use of the purchase card. Agencies should ensure that controls over property are consistent with agency standards for property purchased through other methods.

Chapter 14 – Grants Funding Solutions

14.1. What is a grants funding card/cardless solution?

Grant-making agencies face the challenges of distributing Federal grant funds to grantees in an efficient, cost effective and transparent manner. There is a need to improve internal controls and enhance grantors' ability to oversee and evaluate their grant programs. The GSA SmartPay government-wide charge card program's card and cardless solutions can be used to fund Federal grants to help address key grantor and grantee challenges and provide agencies and organizations a significant opportunity to realize savings through administrative cost savings and enhanced reporting capabilities. The GSA SmartPay grants funding card/cardless solution also aligns with initiatives to promote procurement savings, increased transparency through improved reporting, and enhanced internal controls. Grantor agencies and grantees may be able to address Federal grant challenges and realize similar benefits by applying a GSA SmartPay Program solution for grants payment. Potential benefits include the following:

- **Refunds:** Agencies may be eligible to earn refunds based on charge card volume and speed of payment, as desired;
- **Oversight, and Accountability:** Powerful reporting tools increase the agency's ability to monitor and track grant activity; agencies can access management reports and dispute transactions up to 90 days from transaction date, to avoid erroneous payments and mitigate fraud;
- **Internal Controls and Reporting:** Merchant Category Code blocking and automated spend reporting increase agency control and spend visibility;
- **Increase Efficiency and Savings:** Streamlined payment processes reduce administrative processing costs;
- **Unique Account Numbering:** Funding traceability can be improved through the unique account numbering that many GSA SmartPay products offer
- **Funds Control:** Agencies do not release grant funds (i.e., pay bank) until after transactions occur; any unspent funds remain with agencies, which means that agencies avoid having to recover unspent grant funds during program close out; and
- **Grantee Payment and Reporting Efficiency and Transparency:** Grantees may realize cost savings due to automated and streamlined grants payment and spend reporting. GSA SmartPay Program solutions can be customized to provide automated grant spend and funds disbursement reporting, which reduces administrative processing costs and improves grant spend transparency.

14.2 What agencies can use a GSA SmartPay grants funding solution?

Agencies that issue grants and participate in the GSA SmartPay government-wide charge card program may choose to implement a GSA SmartPay grants funding solution.

Attachments

A.1 Attachment 1: Glossary

Abuse: Intentional use of the purchase, travel, fleet and/or integrated charge card in violation of the FAR, DFARS, Agency Supplements, or activity Government Purchase Card (GPC) policies/procedures. Evidence of intentionality shall be inferred from repeat offenses of the same violation, following administrative and/or disciplinary action taken for this violation.

Account Deactivation: A method to temporarily block the cardholder's ability to make transactions on the account without canceling the account altogether. While the account is deactivated, any transaction that the cardholder attempts to make will be declined at the point of sale. The agency can deactivate and reactivate an account through the charge card vendor's Electronic Access System (EAS) or by calling the charge card vendor. The charge card vendor's A/OPC guide or EAS will provide guidance to the agency on the deactivation and reactivation process.

Accountable Property: All personal property considered nonexpendable whose expected useful life is two years or longer and whose acquisition value, as determined by the agency policy, warrants tracking in the agency's property records, including capitalized and sensitive property.

Administrative Discrepancy: Actions that violate operational policies/procedures but do not violate federal law or regulation.

Agency/Organization Program Coordinator (A/OPC): This individual serves as the focal point for answering management, task order administration, establishing and maintaining accounts, and issuance and destruction of cards. The A/OPC oversees the card program(s) for his or her Agency/Organization and establishes guidelines. The A/OPC helps set up accounts; serves as liaison between the cardholder and the purchase card contractor; provides on-going advice; audits purchase card accounts as required; and keeps necessary account information current.

Approving Official (AO): In purchase card programs, this individual (typically a supervisor) ensures that the purchase card is used properly. The AO also authorizes cardholder purchases (for official use only), ensures that the statements are reconciled and submitted to the designated billing office in a timely manner. In travel charge card programs, this individual (also, typically a supervisor) signs the traveler's voucher, indicating approval for payment and for its content.

Authorization: The process of verifying, at the point of sale, that a purchase being made is allowable given the requirements, prohibitions, and controls established by the agency for that card.

Aviation Into-Plane Reimbursement (AIR) Card: A centrally billed, government charge card used by the military services and federal agencies as a means to procure commercial aviation fuel and related ground services.

Biobased Products: Commercial or industrial product (other than food or feed) that utilizes biological products or renewable domestic agricultural (plant, animal, and marine) or forestry materials.

Cardholder: The authorized individual using the charge card to buy goods and services in support of official government business. The cardholder holds the primary responsibility for the card's proper use.

Cardholder Statement: A statement, listing all transactions during the billing period, which is sent to each cardholder.

Cardless Account: An established account without a physical card.

Category Management: A retailing and purchasing concept in which the range of products purchased by a business organization or sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories.

Centrally Billed Account: A card/account established by the charge card vendor at the request of the agency/organization. These may be card or cardless accounts. Payments are made directly to the charge card vendor by the agency. All fleet and purchase cards are centrally billed cards/accounts. Federal agencies will specify which travel and integrated solution cards must be centrally billed cards/accounts at the task order level.

Certifying Official: The official within an agency or organization that is responsible for verifying that payments made by the Federal Government are legal, proper, and correct.

Charge Card: A government charge card is an account established by a commercial financial institution (hereinafter, "contractor bank") on behalf of agencies or individual agency employees to which the cost of purchasing goods and services may be charged. Although actual plastic cards may be issued for these accounts, this term may also be applied to certain accounts established by these same commercial companies that are billed directly to agencies, and therefore, are "cardless" accounts. The term "charge card" or "card" means "government charge card", including accounts for which actual plastic is not issued. No revolving balance can be carried over from month to month. The entire balance is due within one billing cycle. This distinguishes charge cards from credit cards.

Charge Card Managers: Any Federal personnel responsible for implementing charge card programs, including, but not limited to, Agency/Organization Program Coordinator and Approving Officials.

Convenience Check: Convenience checks are checks written against a purchase card account. Convenience checks are a payment and/or procurement tool intended only for use with merchants that do not accept purchase cards and for other authorized purposes where charge cards are not accepted. Convenience checks should be used as a payment method of last resort only when no reasonable alternative merchant is available who accepts the charge card.

Data Analytics: An automated process used to scan data bases to detect patterns, trends and/or anomalies for use in risk management or other areas of analysis.

Data Mining: Searching, scanning, sorting and filtering data to be used for program analysis.

Delegation of Procurement Authority Memorandum: A memorandum that recognizes the purchase card holder as a procurement official, grants authorization to spend government funds, and establishes the level of purchase authority.

Delinquency/Delinquent Account: An undisputed charge card account balance that is unpaid for more than 61 days past the statement date.

Disposable Pay: That part of current basic pay, special pay, incentive pay, retired pay, retainer pay, and in the case of an employee not entitled to basic pay, other authorized pay remaining after the deduction of any amount required by law to be withheld (other than deductions to execute garnishment orders in accordance with 5 CFR §581 and §582). Among legally required deductions that must be applied first to determine disposable pay are levies pursuant to the Internal Revenue Code (Title 26 U.S.C.) and deductions described in 5 CFR §581.105(b) through (f). (5 CFR §550.1103).

Due Process: The legal process to which an agency must adhere prior to the collection or salary offset on any undisputed delinquent amount on behalf of the charge card vendor.

ePayables - A solution that augments or replaces the accounts payables process such that electronic transactions take place directly between the Government and the supplier. ePayables solutions are typically used with merchants who are traditionally paid by check or EFT or merchants who do not accept charge card payments (e.g., utility companies). Examples include straight-through processing, buyer-initiated payments, supplier-initiated payments, procure to pay, and other card not present solutions. ePayables do not include virtual cards, single use accounts, or other products/services presently defined under business lines.

Electronic Access System (EAS): The charge card vendor's Internet-based system which provides a variety of reports which assist in the effective management of the Charge Card program.

External Fraud: Any felonious act of corruption or attempt to cheat the Government or corrupt the Government's agents by someone other than Government officials. Otherwise known as third party fraud.

Federal Travel Regulation (FTR): The regulation which implements statutory requirements and Executive Branch policies for the authorization of Federal civilian employees and others authorized to travel for official purposes at government expense.

Fiscal Year: October 1 through September 30.

Fleet Card: A government charge card used to purchase fuel, authorized repairs, parts, or services for government owned or leased vehicles, fueled appliances and equipment, small marine craft, and aviation, in support of official government business. Use of the card is subject to the policies of the agency possessing the card, except for cards assigned to vehicles leased by agencies from General Services Administration (GSA), whereby GSA policy governs.

Note: A DoD fleet card has additional restrictions in terms of authorized uses. See *Attachment 3: Department of Defense (DoD) Fleet, AIR, and SEA Cards: Frequently Asked Questions*.

Fraud: See Internal Fraud and External Fraud.

Government Charge Card: An account established by a commercial financial institution on behalf of agencies or individual agency employees to which the cost of purchasing goods and services may be charged. Use of the card is subject to the policies, as applicable, of the FAR and the Federal Property Administrative Services Act of 1949, as amended.

GSA SmartPay: The Federal Government's charge card program as of the issuance of this Guidance. This program provides Federal Government cardholders a means to pay for commercial goods and services, travel and travel-related expenses, and vehicle fleet expenses. Charge cards are issued through contracts with those charge card vendors who are a part of the

SmartPay program. These contracts, collectively referred to as the "Master Contract," are administered by GSA.

Improper Purchase: An improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts include overcharges and undercharges.

Individually Billed Account (IBA): A government contractor-issued charge card used by authorized individuals to pay for official travel- and transportation-related expenses for which the contractor (bank) bills the employee, and for which the individual is liable to pay.

Internal Fraud: Any felonious act of corruption or attempt to cheat the Government or corrupt the Government's agents by Government Purchase Charge Card Program officials. Use of the Government purchase, travel, fleet or integrated charge card(s) to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued, not as part of official government business.

Merchant: The source for the agencies' supplies or services. The merchant may be a required source inside or outside the government, another government agency, or a private sector merchant of supplies or services.

Micro-purchase: As defined in Federal Acquisition Regulation (FAR) 2.101. This threshold may be revised throughout the contract period to reflect any revisions to the FAR.

Misuse: Unintentional use of the purchase, travel, fleet and/or integrated charge card in violation of the FAR, DFARs, FTR, Agency Supplements, or Agency Policies/Procedures. These actions are the result of ignorance and/or carelessness, lacking intent, to include honest mistakes.

Official Invoice: A proper invoice, containing the data required by, and formatted in accordance with contract specifications requesting payment be made to the Contractor.

Performance Metrics (or Performance Measures): Statistics used to show how well or poorly a program or activity is meeting performance expectations (e.g., goals or targets). A baseline measurement is established and future targets are set as part of a goal-reaching process. Metrics are generated from program-related data and are often expressed as ratios, e.g., the delinquency rate for charge cards equals the total payments past due at the end of a reporting period divided by outstanding balances on all accounts at that time.

Purchase Card: A centrally billed, government charge card used to pay for goods and services in support of official government business.

Risk Management: A series of coordinated activities to direct and control challenges or threats to achieving an organization's goals and objectives.

Self-Generated Purchase – A purchase that is generated and made by the cardholder with a requirement from another party.

Sensitive Property: All property, regardless of value, that requires special control and accountability due to unusual rates of loss, theft or misuse, or due to national security or export control considerations. Such property includes: weapons, ammunition, explosives, information technology equipment with memory capability, cameras, and communications equipment. These classifications do not preclude agencies from specifying additional personal property classifications to effectively manage their programs. See 41 CFR Part 102-35.20.

Separation of Duties: A mandatory management control to prevent key functions from being done by the same person. Important duties, such as making purchases, authorizing payments, certifying funding and reviewing/auditing will be assigned to different individuals to minimize the risk of loss to the government to the greatest possible extent.

Strategic Sourcing: The collaborative and structured process of critically analyzing an organization's spending, and using this information to make business decisions about acquiring commodities and services, more effectively and efficiently.

Ships' Bunkers Easy Acquisition (SEA) Card: A centrally billed, government charge card that provides Federal agencies a means to procure bunker fuel and fuel related service.

Swipe SEA Card: A centrally billed, government charge card used by Federal agencies as a means to procure fuel for small vessels. In September 2011 the Department of Defense issued Final Rule CI 12-08 amending the Defense Federal Acquisition Regulation Supplement (DFARS) 213.306 to allow the use of the U.S. Government fuel cards in lieu of a SF 44 for fuel, oil and refueling-related items for the purchases not exceeding the simplified acquisition threshold. This change will improve the refueling capability of smaller vessels at non-contract locations.

Task Order: A document that specifies and authorizes products and services required and the negotiated price at which they will be provided.

Travel Charge Card: An individually or centrally billed, government contractor-issued charge card used by authorized individuals to pay for travel- and transportation-related expenses in compliance with the applicable regulations and in support of official government business.

Warranted Contracting Officer: A government employee with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. Warranted refers to the extent of the authority delegated to them, normally described by the dollar amount of the authority.

Waste: Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. For the purposes of this Guidance, waste is any activity taken with respect to a government charge card that fosters, or results in, unnecessary costs or other program inefficiencies.

A.2 Attachment 2: Acronym List

A/OPC	Agency/ Organization Program Coordinator	FY	Fiscal Year
AFV	Alternative Fuel Vehicle	GAO	Government Accountability Office
AO	Approving Official	GSA	General Services Administration
CBA	Centrally-Billed Account	IBA	Individually-Billed Account
CFIS	Center for Federal Investigative Services	ICT	Information and Communication Technology
CFO	Chief Financial Officer	IG	Inspector General
CFR	Code of Federal Regulation	IRS	Internal Revenue Service
DDS	Ground Express Delivery	JAN/SAN	Janitorial and sanitation products
DHS	Department of Homeland Security	JTR	Joint Travel Regulations
DMG	Data Management Group	MCC	Merchant Category Code
DoD	Department of Defense	MRO	Maintenance, Repair & Operating
EAS	Electronic Access System	NARA	National Archives and Records Administration
EFT	Electronic Funds Transfer	OFFM	OMB Office of Federal Financial Management
EIPP	Electronic Invoice Presentment and Payment	OMB	Office of Management and Budget
EO	Executive Order	OPM	Office of Personnel Management
EPA	Environmental Protection Agency	OS	Office Supplies
EPAct	Energy Policy Act	P.L.	Public Law
FABS	Financial and Business Solutions	PoS	Point of Sale
FDPS	Federal Procurement Data System	SAM	System For Award Management
FEMP	Federal Energy Management Program	SF	Standard Form
FICO	Fair Isaac Corporation	SNAP	Significant New Alternatives Policy
FSSI	Federal Strategic Sourcing Initiative	TFM	Treasury Financial Manual
FTR	Federal Travel Regulation	Treasury	Department of Treasury

A.3 Attachment 3: Department of Defense (DoD) Fleet, AIR, and SEA Cards: Frequently Asked Questions

1. What is the DoD fleet card?

The DoD fleet card is a centrally billed, government charge card applicable to vehicles that are owned or commercially leased by the Military Services or DoD Agencies, and used to buy and pay for fuel, refueling-related expenses, and emergency repairs for vehicles in support of official government business.

2. Who has oversight of the DoD Fleet Card Program?

The Defense Logistics Agency (DLA) Energy Government Fuel Card Program Management Office (GFC PMO) is designated as the DoD-level program management office for the DoD Fleet Card Program. The GFC PMO provides overall program management, develops and disseminates policy and training, coordinates the enrollment and permission access to other electronic systems, and issues instructions for the DoD fleet card. The Services/DoD Agencies provide Component and local policy, oversight, and physical procedures to mitigate the potential for fraud or misuse.

3. What vehicles are covered under the DoD fleet card?

Vehicles that are owned or are individually leased by the Military Services or DoD Agencies are covered under the DoD fleet card. GSA leased vehicles (“wet leased vehicles”) are NOT included in this program.

4. Are purchases for supplies and services authorized with the DoD Fleet Card?

The DoD Fleet Card allows transactions not to exceed the micro-purchase threshold for the following supplies and services (as authorized by agency policy):

- Fuels: Gasoline, gasohol, regular unleaded, premium unleaded (as specified by vehicle manufacturer), special unleaded, diesel/diesel marine fuel, Liquid Propane Gas (LPG) including Compressed Natural Gas (CNG), ethanol and methanol, E85, and bio-diesels;
- Lubricating services and lubricants (includes differential and transmission fluids);
- Antifreeze (ethylene glycol);
- Air and oil Filters and servicing;
- Batteries and battery charging;
- Tires and tire and tube repairs;
- Washing and cleaning;
- Mounting and dismounting snow tires and chains; and
- Replacement of spark plugs, fan and generator belts, windshield wiper arms and blades, lamps etc.

Note: The DoD fleet card can be used to obtain fuel for small boats, tugs, or barges as authorized by the activity. The DoD fleet card cannot be used to obtain aviation fuel at commercial

locations. Furthermore, all charges are billed directly to the home payment office separately under split billing procedures. (See question 5, below.)

5. What is Split billing functionality?

Split billing functionality is the process whereby charges invoiced are separated by fuel and non-fuel purchases. DLA Energy pays the fuel and fuel-related taxes, and then bills the unit at the applicable standard or local purchase price. The non-fuel purchases are billed directly to the customer card account. Customers are responsible for immediate payment of all non-fuel charges.

6. What training is required for DoD fleet card Accountable Officials (AOs)?

The training required for DoD fleet card AOs must include training similar to what fleet card users receive. DoD fleet card AOs must also complete training required by the Financial Management Regulation and/or the applicable Military Service financial policy. In addition, DoD fleet card AOs must complete either specific Fleet card AO training developed by the DLA Energy and or the applicable military service/DoD component.

7. What is the AIR Card?

The AIR Card is a plastic card, similar to a commercial charge card that is assigned to aircraft rather than an individual. It is utilized by DoD military services and Federal agencies to procure authorized aviation fuel and aircraft services at DLA Energy, plane contract locations and card accepting merchants operating at commercial airport locations worldwide. The card can also be used at installations acting as the customer's billing identification.

8. Who has oversight of the AIR Card Program?

The DLA Energy GFC PMO is designated as the program office for the AIR Card. The GFC PMO administers and coordinates the GFC program extensively within DoD and Federal agencies. The GFC PMO develops and disseminates policy, guidance and training; establishes AIR Card user permissions and access criteria to the electronic systems where account and transactional data is maintained; provides GFC guidance to the Service/Agency Component Program Managers; and manages account delinquencies, misuse and fraud.

The military services and Federal agencies provide component level management, as well as develop and maintain additional procedures, oversight and safeguards to mitigate the potential for fraud and misuse.

9. What aircraft are covered under the AIR Card Program?

The AIR Card is assigned to aircraft used by the military services and Federal civilian agencies. The AIR Card is accepted at 3,000 commercial airports worldwide. There are two other types of AIR Cards available; the "any aircraft" and the "into-truck" cards are available to meet fueling requirements.

10. What ancillary services are authorized for purchasing with an AIR Card?

The AIR Card allows the following ground service ancillary charges:

- Lavatory services
- De-icing
- Oil
- Engine start

Note: Additional services that are authorized can be found at <https://www.dla.mil/Energy/> These ancillary charges are billed directly to the customer's card account under the split billing procedures. (See question 5 above.)

11. What is the SEA Card?

The SEA Card is the mission-critical Ships' bunkers Easy Acquisition (SEA) Card Program that provides the DoD military services and Federal agencies a means to procure authorized bunker fuel and fuel related service. Customers utilize the SEA Card program to procure bunker fuel and fuel related services at ports throughout the world. SEA Card customers will utilize a secure web system to schedule fuel deliveries and view and approve resulting transaction details.

12. Who has oversight of the SEA Card Program?

The DLA Energy GFC PMO is designated as the program management office for the SEA Card. The GFC PMO provides overall program management, develops and disseminates policy and training, coordinates SEA Card enrollment and permission access to other electronic systems, and issues data instructions for the SEA Card. Authorized users and the military services and Defense Agencies must develop and maintain adequate procedures and physical safeguards to ensure strict compliance of the SEA Card.

13. What vessels are covered under the SEA Card Program?

The SEA Card is available for U.S. Government vessels used by the Military Services, Defense Agencies, and the U. S. Coast Guard for bunker fuel at commercial seaports. The SEA Card program allows for fueling at bunker contract locations worldwide as well as permitting local purchases at non-contract locations.

14. What are the Component responsibilities for reviewing fuel card transactions?

The Component responsibilities for reviewing fuel card transactions are to review the Military Standard Billing System (MILSBILLS) records, and take any other actions necessary to ensure disbursements are matched to a corresponding detail-level obligation. This is because DLA Energy pays for all fuel charges through the Defense Working Capital Fund. Unmatched obligations may reflect an account error on required billing information that should be resolved to eliminate MILSBILLS-rejected transactions. For non-fuel transactions, the unit will receive a direct billing from the Fuel Card Contractor. Components must validate the transaction data on the billing statement by matching the charges to the associated merchant receipt to ensure accuracy.

15. Where can I find more information on fuel card training, identifying potentially fraudulent transactions, DLA Energy-issued policies and procedures, and management controls?

You can find additional information on the AIR Card, DoD Fleet, and SEA Card programs at <http://www.dla.mil/Energy/Offers/Products/GovernmentFuel.aspx>.

16. What is the Swipe SEA Card?

The Swipe SEA Card is a centrally billed, government charge card applicable to vessels that are owned or commercially leased by the military services or Federal civilian agencies and used to buy and pay for “fuel only” for vessels in support of official government business.

17. Who has oversight of the Swipe SEA Card Program?

The DLA Energy GFC PMO is designated as the DoD-level program management office for the Swipe SEA Card. The GFC PMO provides overall program management, develops and disseminates policy and training, coordinates the enrollment and permission access to other electronic systems, and issues instructions for the Swipe SEA Card. The Military Services and DoD Agencies provide Component and local policy, oversight, and physical procedures to mitigate the potential for fraud or misuse.

18. What vessels are covered under the Swipe SEA Card?

Vessels that are owned or are individually leased by the Military Services or DoD Agencies are covered under the Swipe SEA Card. GSA leased vessels are NOT included in this program.

19. Are purchases for supplies and services authorized with the Swipe SEA Card?

The Swipe SEA Card does not permit any purchases for supplies or services. The Swipe SEA Card is authorized for fuel transactions up to the simplified acquisition threshold.

A.4 Attachment 4: Sample Due Process Notice for Salary Offset Procedures

Date

Name

Address

City, State, ZIP

Subject: Delinquent (Insert charge card vendor name) Charge Card Account Balance – Salary Offset

Dear Sir/Madam:

This is to advise you that (insert charge card vendor name) has requested the (insert Agency name) to offset your pay for a delinquent government travel charge card balance in the amount of \$ _____. The delinquent balance excludes any disputed transactions, which are still pending.

The Travel and Transportation Reform Act of 1998 authorizes the Administration to offset up to 15% of your disposable pay at the request of the travel charge card contractor to collect delinquent balances. Therefore, payroll deductions will begin the first pay period ending 30 days after the date of this letter unless you resolve the matter prior to such date or submit an appeal as described below. The deduction will continue until the total amount is paid-in-full, or we are notified by (insert charge card vendor name) to stop collection action.

The amount deducted in any single pay period, including the administrative fee, will be limited to 15% of your disposable pay. Disposable pay, for this purpose, is defined as your biweekly gross pay less deductions required by law, i.e., retirement, Thrift Savings Plan, Federal, State, local taxes, Medicare, Old-Age, Survivors, and Disability Insurance, regular life insurance and health benefit premiums, and any debt owed to the United States Government.

The deductions for the offset will show on your Leave and Earnings Statement as “PRV DEBT RECOV.”

If you wish to authorize a larger offset in order to accelerate the payment of this debt, please submit a written request to: (insert designated official contact information). Your request must specify a percentage of disposable pay or a specific dollar amount.

If you believe that your account is delinquent because you have not been reimbursed for a related travel voucher, please contact your Finance Office to determine the status of the voucher. You must inform this Office in writing of the name and phone number of your travel reimbursement voucher(s) approving official to verify a travel reimbursement delay.

You have the right to inspect and copy records related to the delinquency, to request (insert charge card vendor name) review its decision to pursue collection of the debt from your Federal salary, and to make a written repayment agreement with the charge card vendor. If you wish to exercise any of these rights, please contact a representative of (insert charge card vendor name) directly at XXX-XXXX. You must also contact (insert charge card vendor name), if you have questions about the requested offset, or wish to dispute the offset as erroneous. We suggest that you keep copies of any correspondence and/or evidence of payment to the charge card vendor.

(insert charge card vendor name) must report any charges or amount adjustments regarding the delinquent charge card balance offset to us.

If you feel you have received this notice in error your appeal rights are attached.

The Department's Employee Assistance Program is available to employees who wish to voluntarily and confidentially seek counseling due to stress caused by personal financial problems. For further information on the Employee Assistance Program please call XXX-XXXX.

If you have questions regarding our process in this matter, please contact (insert contact information).

(Insert applicable agency closing)

(Insert applicable agency signature block)

Enclosure-

Grounds for Appeal

Enclosure to Sample Due Process Notice

GROUNDS FOR APPEAL

Employees are expected to timely reimburse the travel charge card contractor for all undisputed charges on the card. Employees are also expected to have used the card only for expenses related to official travel, to have timely filed their travel vouchers and to have timely disputed any improper charges. Therefore, the grounds for an appeal are limited. The following may, if properly substantiated, be grounds for appeal:

1. The charges sought by the travel charge card contractor are the subject of a properly completed timely filed travel voucher that has not been paid by the government.
2. The charges sought by the travel charge card contractor are the subject of a timely dispute that the Travel charge card contractor has not resolved.
3. The charges sought by the travel charge card contractor have been released in bankruptcy.
4. The employee and the travel charge card contractor have signed a written payment agreement, and the employee is timely making payments as required by the agreement.
5. The employee has paid the delinquent balance in full.

The employee is responsible for providing proof to support any grounds for appeal. The nature of the proof will vary in each case. For example, proof to support an appeal based on the statement that the charges sought by the travel charge card contractor are the subject of a properly completely timely filed travel voucher that has not been paid by the government would include:

1. A copy of the voucher,
2. Copies of any communications with the travel payment office concerning payment,
3. A copy of the travel charge card billing statement, and
4. Any other evidence supporting the employee's statement.

As a general rule, financial hardship is not grounds for appeal. Because the travel charge card may only be used for official travel expenses, which are reimbursed by the government, the employee should be able to reimburse the travel charge card contractor without hardship. Any request that the salary offset not be processed, either at all or a reduced rate (less than 15% of disposable pay), because of financial hardship must include a detailed explanation of the hardship with a complete financial statement reflecting all income available to the household and all required monthly payments and debts.

For further information, please reference the FTR and applicable cardholder agreements.

A.5 Attachment 5: Best Practices in Managing Government Charge Card Programs

When re-competing task orders, charge card managers should:

- Compare refunds earned against refund ranges for similar-sized agencies as provided by CCCM government-wide performance metric reports;
- Review terms of similar sized organizations' task orders;
- Solicit bids from multiple charge card vendors;
- Factor the costs involved in transitioning to a new vendor bank;
- Consider changing current business practices to increase basis points (paying daily or weekly instead of monthly); and
- Consider pooling or tagging along with an existing contract.

When mitigating risks of misuse and/or delinquency, charge card managers should:

- Implement strict internal controls that mitigate charge card risks to the greatest extent possible;
- Perform periodic reviews of spending and transaction limits to ensure appropriateness;
- Conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate;
- Monitor reports to identify potential split purchases;
- Deactivate travel charge cards during periods of non-travel status;
- Perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials; and
- Keep current on new and innovative solutions to detect and identify potential fraud, misuse and delinquency, such as:
 - Data analytics;
 - Blocking card use for high risk merchant category codes;
 - More restrictive spending limits during expected periods of inactivity;
 - Periodic review of cardholder accounts for continued necessity; and
 - Establishing a control to ensure that card accounts are canceled when the employee retires or leaves the agency.

When initiating administrative or disciplinary actions for card misuse and/or instances when account delinquency is discovered, charge card managers should, in addition to consultation with agency human resources professionals:

- Initiate verbal counseling and warning; provide written warning; suspend or revoke charge card privileges;
- Suspend or revoke employee security clearance;
- Include misuse or delinquency occurrence in employee performance evaluations;
- Suspend or terminate employment;
- Ensure consistent enforcement of penalties; and
- Publish actions taken by the agency for misuse of charge cards.

Egregious purchases are most severe when they result in an intentional private gain for the purchaser with little if any benefit to the agency. Agencies must otherwise comply with all

applicable law and regulatory guidance in determining whether to impose disciplinary or adverse action in any specific case.

When implementing policies and practices that ensure effective strategic sourcing, charge card managers should:

- Initially focus on high volume, commonly used supplies (such as office supplies, tools/hardware, express delivery, relocation services, etc.) which agency personnel use or could use the purchase card to obtain;
- Keep the program simple to start by focusing on awarding Blanket Purchase Agreements (BPA) against the GSA schedule program; considering using E-Buy to help put these in place.
- Leverage vendors who already have highly evolved web-based ordering systems and who provide quick delivery;
- Explore how GSA Federal Acquisition Service can assist in developing virtual store fronts to host the agencies' BPAs (e.g., GSA Advantage!);
- Evolve the strategy as the agency gains more experience and better understands how the program supports mission needs, saves money, and improves the value of taxpayer dollars;
- Develop a communication strategy to effectively get the word out about discounted contracts ;
- Require merchants to monitor and report on the savings achieved versus "regular" GSA schedule prices (or whatever baseline is applicable);
- Maintain information on procurement activity usage of reduced-price contracts; and
- Renegotiate with merchants the price and terms of high-volume commodities at the end of a fixed period of time.

A.6 Attachment 6: Disciplinary Category Definitions Guidance

Table 4: Disciplinary Category Definitions Guidance

Category	Abuse	Internal Fraud	Misuse	Delinquency	Administrative Discrepancy	External Fraud
Reportable to OMB	Yes - purchase and integrated (purchase only)	Yes - purchase and integrated (purchase only)	Yes - purchase and integrated (purchase only)	No	No	No
Classification	Intentional	Malicious Intent	Unintentional	N/A	Unintentional	Malicious Intent
Definition	Intentional use of the purchase, travel, fleet and/or integrated charge card in violation of the FAR, DFARS, Agency Supplements, or activity Government Charge Card Program policies/procedures. Evidence of intentionality shall be inferred from repeat offenses of the same violation, following administrative and/or disciplinary action taken for this violation.	Any felonious act of corruption or attempt to cheat the Government or corrupt the Government's agents by Government Charge Card officials. Use of the Government purchase, travel, fleet or integrated charge card(s) to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued, not as part of official government business.	Unintentional use of the purchase, travel, fleet and/or integrated charge card in violation of the FAR, DFARS, FTR, Agency Supplements, or Agency Policies/Procedures. These actions are the result of ignorance and/or carelessness, lacking intent.	An undisputed charge card account balance that is unpaid for more than 61 days past the statement date.	Actions that violate operational policies/procedures but do not violate federal law or regulation.	Any felonious act of corruption or attempt to cheat the Government or corrupt the Government's agents by someone other than Government Charge Card Program officials.