



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

August 5, 2005

CIRCULAR NO. A-123  
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Management's Responsibility for Internal Control

**1. Purpose.** This Circular provides a central reference point for guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. This Circular emphasizes the need for integrated and coordinated internal control assessments that synchronize all internal control-related activities.

The body of the circular provides updates to and general guidance on internal control. The appendices provide guidance for specific control environments. As new guidance is developed in specific areas, it will be added as additional appendices. Currently, Appendix A defines management's responsibilities related to internal control over financial reporting, and the process for assessing internal control effectiveness along with a summary of the significant changes. It includes new, specific requirements for conducting management's assessment of the effectiveness of internal control over financial reporting. Appendix B establishes standard requirements and practices for improving the management of government charge card programs.

The revisions to the Circular will become effective in Fiscal Year 2006 and supersede all previous versions. In the interim, OMB Circular No. A-123, "Management Accountability and Control," revised, June 21, 1995, should continue to be followed.

**2. Authority.** The Circular is issued under the authority of the Federal Managers' Financial Integrity Act of 1982 as codified in 31 U.S.C. 3512.

**3. Policy.** Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness. When assessing the effectiveness of internal control over financial reporting and compliance with financial-related laws and regulations, management must follow the assessment process contained in Appendix A. Annually,

management must provide assurances on internal control in its Performance and Accountability Report, including a separate assurance on internal control over financial reporting, along with a report on identified material weaknesses and corrective actions.

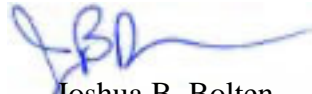
**4. Actions Required.** Agencies and individual Federal managers must take systematic and proactive measures to: (i) develop and implement appropriate, cost-effective internal control for results-oriented management; (ii) assess the adequacy of internal control in Federal programs and operations; (iii) separately assess and document internal control over financial reporting consistent with the process defined in Appendix A; (iv) identify needed improvements; (v) take corresponding corrective action; and (vi) report annually on internal control through management assurance statements.

**5. Effective Date.** This Circular is effective beginning with Fiscal Year 2006.

**6. Applicability.** This Circular is applicable to all executive agencies; however, the requirements in Appendix A are applicable only to the 24 CFO Act agencies.

**7. Inquiries.** Further information concerning this Circular may be obtained from the Financial Standards and Grants Branch, Office of Federal Financial Management, Office of Management and Budget, Washington, DC 20503, 202/395-3993.

**8. Copies.** Copies of this Circular may be obtained from [www.omb.gov](http://www.omb.gov).



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Attachment

# **APPENDIX B**

## **Improving the Management of Government Charge Card Programs**

# Improving the Management of Government Charge Card Programs

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## Chapter 1 – General Information

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### **1.1 What is the purpose of this Guidance?**

The purpose of this Guidance is to:

- Consolidate and update current government-wide charge card program requirements and guidance issued by Office of Management and Budget (OMB), General Services Administration (GSA), Department of the Treasury (Treasury), and other Federal agencies, as well as provide a single source document to incorporate updates, new guidance, or amendments to existing guidance; and
- Establish standard minimum requirements and suggested best practices for government charge card programs that may be supplemented by individual agency policy and procedures.

### **1.2 What is the goal of this Guidance?**

The goal of this Guidance is to maximize benefits to the Federal Government when using government charge cards to pay for goods and services in support of official Federal missions. The benefits of this approach include, but are not limited to:

- Reducing administrative costs and time for purchasing and paying for goods and services;
- Ensuring the most effective controls are in place to mitigate the risk of fraud, misuse, and delinquency;
- Improving financial, administrative, as well as other benefits offered to the government by government charge card providers and other entities, including maximizing refunds where appropriate;
- Using government charge card data to monitor policy compliance and inform management decision-making to drive a more cost effective card program; and
- Assuring recovery of state and local taxes paid on fleet cards.

### **1.3 Under what authority is this Guidance being issued?**

This Guidance is issued under the authority of 31 U.S.C. 1111; Reorganization Plan No. 2 of 1970; Executive Order 11541; the Chief Financial Officers Act of 1990 (P.L. 101-576); and the Office of Federal Procurement Policy Act (41 U.S.C. Chap. 7.)

### **1.4 To which agencies does this Guidance apply?**

The provisions of this Guidance apply to all Executive Branch departments and agencies.

### **1.5 What is a government charge card?**

A government charge card is an account established by a commercial financial institution (hereinafter, “charge card vendor”) on behalf of agencies or individual agency employees to which the cost of purchasing goods and services may be charged. Although actual plastic cards are associated with most of 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. For the purposes of this Guidance, the term “charge card” or “card” will mean “government charge card” as defined herein.

### **1.6 What are the different types of government charge cards?**

There are several types of government charge cards, including: purchase, travel, fleet, AIR, SEA, and integrated cards. Travel cards are issued as either individually billed accounts with individual liability, or as centrally-billed accounts, wherein the government is liable for all purchases, including those that are the result of misuse or abuse; however, the vendor banks retain financial liability for fraudulent transactions. Specific definitions are contained in the Glossary, Attachment 1, page 31. The requirements provided throughout this Guidance apply to all charge card types, unless specifically noted as applicable to only a particular type of card.

### **1.7 How will the requirements in this Guidance be implemented?**

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

Consistent with the general principles outlined in the body of Circular A-123 and Appendix A, agencies have an ongoing requirement to evaluate the effectiveness of the actions taken to comply with the requirements of this Guidance. For example, agencies must periodically evaluate the effectiveness of the controls put in place to mitigate the risks of payment delinquencies and charge card misuse (see Chapter 4).

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**2.1 Are agencies required to develop and maintain a charge card management plan?**

Yes, each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this Guidance.

**2.2 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 are critical to assure that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency.

**2.3 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 charge card program. These officials will include, but are not limited to, Agency/Organization Program Coordinator (A/OPC), Approving Officials or other equivalent officials, and other accountable/billing officials;
- Establishment of a process for formal appointment of cardholders and approving officials, where applicable;
- Implementation of a process to ensure the credit worthiness of new charge card applicants consistent with Chapter 6 of this Guidance;
- Description of agency training requirements;
- Management controls, policies, and practices for ensuring appropriate charge card usage and oversight of payment delinquencies, fraud, misuse, or abuse;
- Establishment of appropriate authorization controls;
- Implementation of policies and practices to ensure strategic sourcing consistent with Chapter 8 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;
- Recovery of charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization; and

- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to this Guidance, including, but not limited to, evaluating the effectiveness of training (Chapter 3), risk management controls (Chapters 4 and 6), refund management controls (Chapter 7), strategic sourcing policies (Chapter 8), and tax recovery efforts (Chapter 11).



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### **3.1 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.

### **3.2 Why is training on charge card management important?**

Training is important because it is vital that charge card managers and cardholders understand their roles and responsibilities in order for charge card programs to be effectively implemented.

### **3.3 Who is required to take charge card management training?**

All program participants, including cardholders and charge card managers (including Agency/Organization Program Coordinator (A/OPC), Approving Officials (AO), and other accountable/billing officials), must be trained in charge card management.

### **3.4 What are the general training requirements for all charge card programs?**

The general training requirements for all charge card programs are:

- All program participants must be trained prior to appointment;
- All program participants must take refresher training, 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 all training certificates must be maintained pursuant to U.S. National Archives and Records Administration (NARA) requirements, General Records Schedule 1. Item 10a.

### 3.5 What are the specific training requirements for each type of charge card program?

The specific training requirements for each type of charge card are:

#### **3.5.1 Purchase Card Program Training**

- ***Cardholder***

Training for cardholders of the government purchase card must provide general information on how to use a charge card. It must familiarize the cardholders with Federal procurement laws and regulations, agency policies, and proper card use. Training requirements must be consistent with the level of responsibility or spending authority the cardholder will have.

- ***AOs or Certifying Officials***

Training in Federal acquisition, applicable financial policies and regulations, and AO responsibilities are required prior to assuming the AO responsibilities. AOs must also receive the same training as the cardholders.

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 (JWOD) Act requires the Government to purchase certain supplies or services from JWOD participating non-profit agencies, if they are available within the period required. Additionally, certain supplies and services are required to be purchased from Federal Prison Industries, often called UNICOR. For supplies and services that are required to be purchased from these mandatory sources, please see [www.jwod.gov/procurementlist](http://www.jwod.gov/procurementlist) or [www.unicor.gov](http://www.unicor.gov). 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. (41 U.S.C. 48), (2) JWOD participating non-profit agencies, and (3) Commercial sources; for Services – (1) JWOD participating non-profit agencies and (2) Federal Prison Industries, Inc., or commercial sources.

- ***A/OPCs***

Training must familiarize A/OPCs with cardholder and AO responsibilities, as well as proper management, control and oversight tools and techniques. The A/OPCs must also receive training by the charge card vendor on using their Electronic Access System (EAS) (or applicable system) to manage the program.

#### **3.5.2 Travel Card Program Training**

- ***Cardholder***

Training for cardholders of the travel card must provide general information on traveling for the government and review how to use a travel card, including agency travel card policy and procedures, and proper card use. It must also familiarize cardholders with the

Federal Travel Regulation (FTR), specifically Part 301-51 - Paying Travel Expenses and Part 301-54 - Collection of Undisputed Delinquent Amounts Owed to the Contractor Issuing the Individually Billed Travel Charge Card. If the approving official is not a travel cardholder, it is required that this individual take the same training as travel cardholders.

- ***A/OPC***

Training on the roles and responsibilities of the A/OPC is required prior to appointment, including proper management, control and oversight tools and techniques, and the FTR Part 301-70 - Internal Policy and Procedures Requirements, Subpart H - Policies and Procedures Relating to Mandatory Use of the Government Contractor-Issued Travel Charge Card for Official Travel Section 301-70.700 through 708. The A/OPC must also receive the same training as the cardholders.

### **3.5.3 Fleet Card Program Training**

- ***Cardholder***

Training for cardholders of the fleet card must provide general information on how to use a fleet card, applicable regulations, proper use, and agency policy and procedures related to use of the fleet card.

Note: Fleet cards can be issued to organizations, drivers or vehicles. It is recommended that brochures and card sleeves be used to provide general information on how to properly use a government fleet card.

- ***A/OPC***

Training that covers the additional roles and responsibilities of the A/OPC, including proper management, control and oversight tools and techniques, is required prior to appointment. The A/OPC will also receive the same training as the cardholders.

### **3.5.4 Integrated Card Program Training**

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.

Note: Web links to available training resources are contained in References, Attachment 6, page 45.

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**4.1 Are agencies required to implement risk management controls, policies, and practices in implementing charge card management programs?**

Yes, each agency must implement risk management controls, policies, and practices consistent with the requirements of this Chapter.

**4.2 Why is risk management important in the context of charge card programs?**

Risk management controls, policies, and practices are a critical tool for ensuring the efficiency and integrity of charge card programs by eliminating payment delinquencies, charge card misuse, fraud, and other forms of waste and abuse.

**4.3 What are the general responsibilities of charge card managers in implementing risk management controls, policies, and practices?**

The general responsibilities of charge card managers in implementing risk management controls, policies and practices are:

- Implementing the appropriate controls to ensure compliance with Federal laws, Federal and agency regulations, and for monitoring program effectiveness;
- Ensuring that any risk management policies and practices established in the agency’s charge card management plan are carried out effectively and that the charge card management plan is updated with enhanced risk management policies and practices, as appropriate;
- Ensuring that cardholder statements of account and supporting documentation are reviewed and utilized to monitor delinquency, misuse, and other transaction activities;
- Ensuring separation of duties among key functions such as making purchases, authorizing purchases and payments, certifying funding, and reviewing and auditing;

- Overseeing the establishment and maintenance of master file/official cardholder records, including training, appointment, single and monthly purchase limits, and related records;
- Reviewing available data (including the use of data mining where appropriate) to detect instances of delinquency, fraud, and misuse and identify trends and outliers in relevant indicators of charge card program performance;
- Maintaining a policy that ensures that administrative and/or disciplinary actions are initiated in the event cardholders or other program participants fail to meet their responsibilities with respect to appropriate use and timely payment of the charge card; and
- Communicating the agency's policy with respect to administrative and/or disciplinary actions to cardholders, and other program participants, including when referral to an agency Office of Inspector General is appropriate and/or required.

#### **4.4 What specific risk management controls, policies, and practices are required for addressing payment delinquencies?**

Charge card managers are responsible for ensuring that payment obligations are paid on time and that all relevant Prompt Payment Act requirements are met.

Where the agency is responsible for making payments to the charge card vendor, charge card managers are required to:

- Establish a process, with necessary internal controls, to ensure that all payments are timely, accurate, and appropriate;
- Closely monitor delinquency reports from charge card vendors;
- Contact appropriate personnel (including Agency/Organization Program Coordinator, Approving Officials, or other accountable/billing officials) to ensure that delinquent payments are addressed and corrective actions are taken to prevent further occurrence; and
- Incorporate all controls, practices and procedures related to centrally billed account delinquencies into the agency's charge card management plan, consistent with Section 2.3 of this Guidance;

Where individual cardholders are responsible for making payments to the charge card vendor, charge card managers are required to:

- Closely monitor delinquency reports from charge card vendors;
- Contact the delinquent cardholder promptly to ensure payment is made or to obtain a remediation plan;
- Transmit a formal communication to the cardholder advising the individual that if the delinquent amount is not paid within a specified timeframe, the supervisor may initiate disciplinary action;
- Incorporate all controls, practices and procedures related to individually billed account delinquencies into the agency's charge card management plan, consistent with Section 2.3 of this Guidance; and

- Implement split disbursement and salary offset procedures for travel card programs consistent with the sections below.

#### **4.4.1 Split disbursement**

Split disbursement 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 appropriate party.

Note: On April 21, 2005, the Department of Treasury formally waived requirements of 31 CFR 208.6 and 210.5. This waiver will, “allow Federal agencies to issue part or all of an employee’s travel reimbursement to the travel card issuing bank for crediting to the employee’s travel card account.” To view the document in its entirety, go to: [http://www.fms.treas.gov/news/split\\_travel\\_disbursement\\_waiver.pdf](http://www.fms.treas.gov/news/split_travel_disbursement_waiver.pdf).

#### **4.4.2 Salary offset**

Salary offset is the collection of an undisputed, delinquent charge card amount via direct deduction from an employee’s payroll disbursement or retirement annuity on behalf of the charge card vendor. Salary offset applies to individually billed accounts only.

#### **4.4.3 Split disbursement and salary offset waiver procedures**

Split disbursement and salary offset are mandatory; however, agencies may waive or provide for an exemption when they determine 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 the Office of Management and Budget (OMB) in writing, and provide the reasons therein. The Director of OMB, in consultation with the Administrator of the General Services Administration (GSA), will respond no later than 30 days after receiving the request for waiver or exemption.

#### **4.4.4 Due process requirements prior to salary offset**

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, pages 40-41);
- Provide the employee the opportunity to inspect and copy the records related to the claim; and
- Provide the employee an opportunity to make a written agreement with the charge card vendor to repay the delinquent amount.

#### **4.5 What administrative and/or disciplinary actions may be imposed on delinquent travel cardholders?**

Appropriate agency personnel may impose, but are not limited to, the following administrative and/or disciplinary actions on delinquent travel cardholders:

- Suspend employee accounts once they reach 61 days past the statement date;
- Instruct that the charge card vendor cancel cards, withhold account reinstatement, initiate collection efforts, notify credit bureaus, and assess late fees; and
- Impose additional disciplinary actions deemed appropriate by the agency.

#### **4.6 What specific risk management controls, policies, and practices are required for addressing charge card misuse?**

Charge card managers are responsible for ensuring that charge cards are used for authorized purchases or expenses only.

In carrying out these activities, charge card managers are required to:

- Identify specific risks associated with charge card programs;
- Develop policies and procedures to mitigate risks associated with charge card programs;
- Ensure that the agency has policies in place that require managers to review charge card reports, as appropriate;
- Develop and implement agency policies outlining appropriate administrative and/or disciplinary actions for charge card misuse, taken in context of individual agency personnel practices;
- Implement appropriate training for cardholders, approving officials, and all other staff involved in using charge cards consistent with Chapter 3 of this Guidance;
- Review charge card statements and account activity reports to identify questionable or suspicious transactions;
- Review ATM cash withdrawals for reasonableness and association with official travel;
- Contact employees to inquire about questionable or suspicious transactions;
- Require charge card statement reconciliation or transaction reconciliation in a timely manner;
- Initiate administrative and/or disciplinary actions for each occurrence of charge card misuse; and
- Incorporate all controls, practices and procedures related to charge card misuse into the agency's charge card management plan, consistent with Section 2.3 of this Guidance.

#### **4.7 What administrative and/or disciplinary actions may be imposed for charge card misuse?**

Appropriate agency personnel may impose, but are not limited to, the following administrative and/or disciplinary actions for misuse:

- Deactivate, suspend, or cancel employee accounts; and
- Impose additional disciplinary actions deemed appropriate by the agency.

In cases of suspected fraud, charge card managers must refer these instances to independent investigatory agencies (e.g., the agency's Office of Inspector General or the Department of Justice) for investigation.

See Best Practices in Managing Government Charge Card Programs, Attachment 5, pages 43-44, for additional strategies that charge card managers should employ in mitigating the risk of, and otherwise addressing, charge card delinquency and misuse.



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**5.1 Are agencies required to maintain and report data and performance metrics related to charge card management programs?**

Yes, each agency must maintain and report data and performance metrics consistent with the requirements of this Chapter.

**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, waste, and abuse; and
- Performance trends in managing costs and other relevant indicators of program success.

**5.3 What data are agencies required to report?**

Agencies are required to report to the Office of Management and Budget, and maintain for their own use, the following data as specified below:

Travel and purchase cards:

- Number of cards;
- Number of active accounts;
- Percentage of employees that are cardholders;
- Net number of new accounts (new less cancelled);
- Charge card dollars spent; total refunds earned; percentage of potential refunds earned;
- Number of cases reported by the agency Office of Inspector General; and
- Number of administrative and/or disciplinary actions taken for card misuse (including delinquency).

Travel cards only:

- Number and percentage of travel cards with monthly and/or transaction limits (\$0 - \$2,500; \$2,500 - \$5,000; \$5,000 - \$7,500; \$7,500 – above.);
- Number and percentage of travel cards with ATM withdrawal limits (\$0 - \$2,500; \$2,500 - \$5,000; \$5,000 - \$7,500; \$7,500 – above.);
- Percentage of travel cardholders that travel less than 5 times annually;

Purchase cards only:

- Ratio of purchase cardholders to approving officials (span of control);
- Average number of monthly purchase card transactions reviewed per approving official;
- Number of purchase cardholders with contracting warrants above \$2500;
- Number of purchase cardholders with transaction limits of \$2,500 or more that do not hold contracting warrants;

Those agencies listed in the original Chief Financial Officers Act of 1990 and the Department of Homeland Security are required to report these items on a quarterly basis, beginning in the first quarter of Fiscal Year 2006, with the report due not later than January 31, 2006. All other agencies are also required to report these items on an annual basis, beginning in the first quarter of Fiscal Year 2006, with the report due not later than January 31, 2006.

All agencies are required to report to the Office of Management and Budget, Office of Federal Financial Management, and maintain for their own use, the following narrative information

- The date(s) of most recent and next scheduled independent review (e.g., Office of the Inspector General) 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 the steps the agency takes to address protracted turnaround time (> than 15 working days) following voucher submission for travel voucher reimbursement, if applicable;
- A description of the method the agency utilizes to identify and detect possible card misuse, including the use of any specialized information technology solutions as well as any requests to charge card vendors for data reports;
- Agency future plans (within the next 12 months) to enhance charge card systems by automating reviews to detect instances of abuse, misuse, and fraud;
- A description of any best practices the agency employs in charge card management; and
- Any additional useful information regarding charge card programs.

Those agencies listed in the original Chief Financial Officers Act of 1990 and the Department of Homeland Security are required to report these items on an annual basis, beginning in the first quarter of Fiscal Year 2006, with the report due not later than January 31, 2006. All other

agencies are required to report these items on a bi-annual basis, beginning also in the first quarter of Fiscal Year 2006, with the report due not later than January 31, 2006.

In regard to strategic sourcing reporting, agencies are required to report to the Office of Management and Budget, Office of Federal Procurement Policy, as set forth in the May 20, 2005, memorandum from OMB's Deputy Director for Management. Charge card strategies are to be included as part of this agency-wide acquisition reporting. (To view the memorandum, go to [www.whitehouse.gov/omb/procurement/comp\\_src/implementing\\_strategic\\_sourcing.pdf](http://www.whitehouse.gov/omb/procurement/comp_src/implementing_strategic_sourcing.pdf).)

#### **5.4 Why are performance metrics important in the context of charge card programs?**

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

#### **5.5 What performance metrics are agencies required to report?**

Agencies listed in the original Chief Financial Officers Act of 1990 and the Department of Homeland Security are required to report to the Office of Management and Budget via the Metric Tracking System (MTS) the following performance metrics on a monthly basis:

- Travel Card Delinquency Rates, Individually Billed Accounts (IBA) – the percent of travel card balances outstanding over 61 days for IBA's.
- Travel Card Delinquency Rates, Centrally Billed Accounts (CBA) – the percent of travel card balances outstanding over 61 days for CBA's.
- Purchase Card Delinquency Rates – the percent of purchase card balances outstanding over 61 days.

Information regarding these metrics and MTS can be accessed at <http://www.fido.gov/mts/cfo/public>.

Additional metrics related to Federal charge card managements are currently under development by the Chief Financial Officer's Council Committee on Performance Measurement. This Guidance will be updated as additional charge card metrics are finalized and implemented.

Agencies are encouraged to develop additional charge card performance metrics deemed most appropriate and useful to improved charge card management.

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**6.1 Are agencies required to assess the credit worthiness of all new purchase and travel card applicants prior to issuing a card?**

Yes, pursuant to Section 639 of the Consolidated Appropriations Act, 2005 (P.L. 108-447) each agency must assess the credit worthiness of all **new** purchase and travel card applicants prior to issuing a card. Current cardholders, as of the effective date of this Circular and Appendix, are not subject to the requirements of this chapter.

Further, a current cardholder who leaves government service and then returns would be considered a new applicant for the purposes of credit worthiness requirements. However, a hiring agency may, but is not required to, assess the credit worthiness of a current cardholder who transfers from another agency.

**6.2 Why is it important to assess the credit worthiness of a purchase and travel card applicant?**

Credit worthiness assessments are an important internal control to ensure that charge cardholders are financially responsible.

**6.3 What steps are required before issuing a purchase and travel card to a first-time applicant?**

Consistent with the requirements of this Chapter, all agencies must perform a credit worthiness evaluation prior to issuing a purchase or travel 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 credit score obtained must be 660 or higher. (Examples of credits 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 card applicants with a credit score less than 660.**

For first time travel card applicants with a credit score of less than 660, the agency may issue a card, but more stringent restrictions will apply. In implementing such additional restrictions, the agency will take one or more of the following actions:

- Reduce the overall dollar limit for the card;
- Reduce the limit on individual transaction amounts;
- Limit (or further limit, if applicable) the types of transactions allowed;
- Issue a pre-paid card that automatically restricts dollar amount and transaction types;
- Limit (or further limit, if applicable) the dollar amount of transactions that can be applied to the card within a particular time period;
- 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.

### **6.3.3 First time purchase card applicants with a credit score between 500 and 660.**

For first time purchase card applicants with a credit score between 500 and 660, the agency may issue a card, but more stringent restrictions will apply consistent with Section 6.3.2 above. The agency may not issue a purchase card to applicants with a credit score lower than 500.

## **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 Section 6.3.2 above) travel or purchase card to a first time applicant, but the agency must conduct an alternative credit worthiness assessment to determine whether the individual possesses a satisfactory credit history. Specifically, the agency must review the proposed applicant's most recent Standard Form (SF) 85P, Section 22, Questionnaire for Public Trust Positions, or SF 86, Section 27, 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. In addition, this vehicle must contain a statement that meets the requirements of Section 552a of the Privacy Act.

## **6.5 Is the process followed different when foreign nationals apply for a charge card?**

No. Agencies that employ applicants who are foreign nationals must treat those individuals in the same manner as described in Sections 6.3 and 6.4 above.

#### **6.6 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 Sections 6.3 of this Chapter, or at the agency's discretion, may be conducted by reviewing the restricted cardholder's card usage during the initial period of card issuance.

#### **6.7 What options do agencies have to offer applicants denied a charge card due to the outcome of their credit worthiness evaluation?**

Applicants who were denied a charge card due to the outcome of their creditworthiness evaluations can be re-evaluated at a time deemed most appropriate by the agency. The applicant's credit worthiness will again be evaluated based on the requirements of this Chapter.

#### **6.8 What are the relevant recordkeeping requirements for the credit worthiness evaluation process?**

Agencies will be required to maintain records of employees' credit worthiness evaluations and travel/purchase card histories, consistent with the requirements of the Privacy Act. Absent a current Privacy Act system of records that can appropriately house such information, an agency will be required to establish a new system of records.

#### **6.9 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 national emergency, contingency, peacekeeping, or humanitarian missions).

#### **6.10 Is there a Federal source for obtaining charge card applicant credit scores?**

Yes. Agencies may, but are not required to, contact the Office of Personnel Management (OPM), Center for Federal Investigative Services (CFIS), which is developing a reimbursable process to provide credit scores, and to transmit them to designated agency personnel. For further information, agencies can contact OPM's Program Manager/Customer Service Group at 202-606-1042.

#### **6.11 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. Information in this Schedule can be found at <http://www.gsa.gov/financial>.

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### **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. The three types of refunds are:

- 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;<sup>1</sup> and
- Corrective – payments from the charge card vendor to the agency to correct improper or erroneous payments or an invoice adjustment.

### **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, charge card managers 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 (<http://www.fms.treas.gov/prompt/formulas.html>); and
- Employ the necessary internal controls to identify and collect corrective refunds.

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<sup>1</sup> 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).



### **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 sales and productivity refunds, charge card managers must:

- Check the productivity and sales refund deals offered by charge card vendors in comparison to other government-wide charge card contracts to ensure a competitive offer<sup>2</sup>;
- 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 4 of this Guidance; and
- Initiate internal controls to ensure that appropriate charge card use is maximized.

### **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, charge card managers must review their agency's refund agreement:

- Prior to re-bid of the task order;
- Quarterly, to ensure proper amounts are refunded; and
- Annually, to benchmark against other agreements throughout government in order to plan for re-bid.

### **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.

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<sup>2</sup> The General Services Administration (GSA) maintains information on many agency refund arrangements and may be utilized by agency managers for market research purposes.

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**8.1 What does the term “strategic sourcing” mean in the context of government purchase cards?**

Strategic sourcing is the process of continually analyzing the way agencies spend funds through contracts, delivery orders, and through the government purchase card program in order to ensure that agencies are:

- Leveraging their sourcing power by seeking opportunities to achieve discounts on commonly purchased goods and services; and
- Applying discounts to all charge card transactions, as appropriate.

**8.2 Why is strategic sourcing with government purchase cards important?**

Strategic sourcing is important because the government spends billions of dollars each year through purchase card programs (as well as other contract mechanisms) and each transaction has the potential to increase the sourcing power of the government. Purchase card program managers should be aware of any agency-wide or multi-agency wide contracts that will yield better pricing and ensure that cardholders are aware of agency policies for using these contracts. For example, agencies should minimize the number of small orders from schedule contracts and consider a more strategic approach to buying certain commodities.

The AOPC should review purchase card spend and make recommendations to the Chief Acquisition Officer to improve the buying process and increase savings based on volume.

**8.3 What are agencies required to do to initiate strategic sourcing?**

In accordance with the OMB memorandum on strategic sourcing ([www.whitehouse.gov/omb/procurement/comp\\_src/implementing\\_strategic\\_sourcing.pdf](http://www.whitehouse.gov/omb/procurement/comp_src/implementing_strategic_sourcing.pdf)), agencies are required to implement strategic sourcing for certain commodities, and should analyze purchase card spending data as part of this effort. Agencies must develop and implement policies and practices that ensure effective strategic sourcing. These policies and practices include:

- A thorough spend analysis, including contract data, delivery order data, and purchase card data;<sup>3</sup>
- 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;
- Communication and training strategy; and
- Development of internal control mechanisms to ensure agency compliance with the requirements of this Chapter.

In developing the charge card management plan required under Section 2.3 of this Circular, agencies must incorporate a discussion of the policies and practices included in this Section. For example, how will cardholders know that the agency has negotiated better pricing for certain commodities? Will the vendor community be permitted to contact cardholders to let them know about new pricing under agency contracts? Will such contracts be mandatory or optional?

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<sup>3</sup> A spend analysis is an evaluation of goods and services purchased to detect patterns and identify opportunities for savings.

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

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### **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 electronic and information technology (E&IT), they must ensure that such E&IT allows Federal 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 Federal 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 Is the exception for micro purchases from the requirements of Section 508 of the Rehabilitation Act still in effect?**

No. On April 1, 2005, the micro purchase card exception regarding Section 508 of the Rehabilitation Act permanently expired. All micro purchases, including open market buys and those made through government contract vehicles (e.g., GSA Advantage), will be subject to the provisions set forth in Section 508 of the Rehabilitation Act, unless an exception applies (see part 39.2 of the Federal Acquisition Regulation on [www.acqnet.gov/far](http://www.acqnet.gov/far)).

### **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 Buy Accessible 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 [www.buyaccessible.gov](http://www.buyaccessible.gov). 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 which may be found either by visiting [www.section508.gov](http://www.section508.gov) and selecting the FAQs link, or by visiting [www.access-board.gov/508.htm](http://www.access-board.gov/508.htm), and selecting the “Frequently Asked Questions” link.

#### **9.4 Are there any penalties for non-compliance with Section 508 of the Rehabilitation Act?**

Yes. Any decision made to not comply with Section 508 of the Rehabilitation Act would mean risking the possibility of a civil action involving your agency. Section 508 of the Rehabilitation Act has the same civil action remedies as those accorded under Sections 794a(a)(2) and 794a(b) of Title 29 United States Code.

Note: Web links to available information on Section 508 of the Rehabilitation Act are contained in References, Attachment 6, page 46. Also see <http://www.section508.gov>.

## Chapter 10 - Environmental Requirements

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### **10.1 Are agencies required to account for the environmental quality of products procured with government purchase cards?**

Yes, each agency must account for the environmental quality of products procured with purchase cards consistent with the requirements of this Chapter.

### **10.2 What steps are agencies required to take related to the environmental quality of products procured with government purchase cards?**

Agencies must develop and implement policies and practices that ensure the following requirements are met:

- The Resource Conservation and Recovery Act, Section 6002, requires the purchase of recycled content (recovered materials) products designated by the Environmental Protection Agency (EPA). The 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 [www.epa.gov/cpg](http://www.epa.gov/cpg) for a complete list of designated products, EPA’s recommendations, and additional information.
- The Farm Security and Rural Investment Act, Section 9002, and E.O. 13101 of September 14, 1998, require agencies to purchase bio-based products. The U.S. Department of Agriculture designates biobased products and provides guidance to assist agency purchasing of these products. Information on these products can be obtained or linked from [www.ofee.gov](http://www.ofee.gov), under “Green Purchasing.” USDA also has biobased products web site at [www.biobased.oce.usda.gov](http://www.biobased.oce.usda.gov).
- The Energy Policy Act (EPAct) of 1992 and E.O. 13123 of June 3, 1999, 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). These include major appliances, computers, air conditioners and other energy-using equipment.
- E.O. 13221 of July 31, 2001, requires agencies to purchase products that use minimal amounts of power when in standby mode. FEMP developed a Standby Power Device Product Listing with information on products such as computers, fax machines, printers, televisions and other appliances. Agencies can refer to the Energy Star website,

[www.energystar.gov](http://www.energystar.gov), <http://www.eere.energy.gov/femp/technologies/eeproducts.cfm>, and/or [www.epa.gov/epp](http://www.epa.gov/epp).

- E.O. 13101 emphasizes the significance of Federal purchasing of environmentally preferable products (EPP). These products can be viable alternatives to products containing hazardous materials, toxic chemicals, or have other harmful effects on our environment. EPA developed a number of tools to help Federal purchasers identify and purchase greener products and services, including draft purchasing guides on greener carpets, greener meetings and conferences, greener cleaning products, and greener copiers.
- E.O. 13148 of April 21, 2000, requires agencies to purchase non-ozone depleting substances. EPA's Significant New Alternatives Policy (SNAP) program provides lists of products containing non-ozone depleting substances, which you can find at [www.epa.gov/ozone/snap/lists/index.html](http://www.epa.gov/ozone/snap/lists/index.html).
- E.O. 13148 also requires agencies to reduce their use of selected toxic and hazardous chemicals. The first five priority chemicals are lead, mercury, cadmium, PCBs, and naphthalene. Information on alternative products or substances is available on the Office of the Federal Environmental Executive's web site, [www.ofee.gov](http://www.ofee.gov), under "Green Purchasing."

### **10.3 What are the relevant requirements related to the environmental quality of products procured with government fleet cards?**

For government fleet card purchases to service a government vehicle, agencies must ensure that re-refined oil and retread tires must be purchased if available and practicable. Also, if the government vehicle is an alternative fuel vehicle (AFV) (whether dual- or fuel-flex), agencies are required to ensure that cardholders purchase alternative fuel where readily available at a reasonable cost, instead of gasoline. Section 6002 of the Resource Conservation and Recovery Act, as well as E.O. 13101 and 13149 of April 21, 2000, are the authoritative sources for the oil and tires requirements. The EPAct and E.O. 13149 are the authoritative sources for the alternative fuel vehicle requirement.

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**11.1 Why is state and local tax recovery important?**

The Federal Government is not liable to pay taxes to State and local governments, and thus, any such taxes paid must be recovered. In addition, the monies represented by these taxes are a source of funds to the Federal agency issuing the fleet card; failure to recapture tax payments increases the cost of that Federal agency’s fleet card purchases.

**11.2 Does tax recovery only apply to fleet cards?**

No. Federal Government transactions, for which any of the government charge cards are used, are exempt from State and local taxes. The agency should work with the charge card vendor cooperatively to ensure that merchants and States do not tax these transactions. Agencies must be prepared to provide vendors with proof of tax exempt status via their agency’s Tax Identification Number. In instances where the tax-exempt status is not recognized at the point of sale, agencies should work with their charge card merchants and State or local authorities to accomplish tax recovery. In the case of individually billed accounts, travelers must provide a tax exemption certificate to lodging vendors, when necessary, to exclude state and local taxes from their hotel bills.

**11.3 Should agencies pay state and local taxes for fleet card transactions?**

No, the Federal Government is exempt from paying most state and local taxes where allowed by given state statute. However, in some states and localities, the Federal Government is required to pay state and local taxes, but is eligible to recover the taxes in the form of a refund, upon application to the state or locality.

**11.4 How are state and local taxes recovered for the fleet card (except DOD)?**

The charge card vendor issuing the fleet card should be contractually required to provide information on a regular basis to the Federal agency owning/commercially leasing the conveyance or fueled appliance, which includes, but is not limited to, identification of the sites



within a state where expenditures occurred, specific merchant, and dollar amount, and gallons of fuel purchased.

The Federal agency must identify the appropriate entity within each state that they must work with in the tax recovery process, the address, and reporting requirements of that entity. In the case of vehicles operated by a Federal agency that are not owned/commercially leased by that agency but are leased by the agency (including leased by DOD) from GSA, GSA will receive the above information from the charge card vendor and pursue the state and local taxes recovery.

### **11.5 How must the recovered state and local taxes be used for the fleet card?**

Tax monies recovered are returned to the appropriation from which the commensurate 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 recovered taxes; e.g., fuel, maintenance.

### **11.6 How are state and local taxes recovered for the DOD fleet card?**

There are two methods of recovery available:

- For most transactions, the tax is effectively backed out before the fleet card vendor invoices DOD. The oil company files with the state to recover the tax based on its sale to DOD. The oil company credits the fleet charge card vendor and the credit is to be passed 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.
- In states where the oil company is not required to file for a credit with the state, the Defense Finance and Accounting Service (DFAS) files for the tax refund based on tax payment details provided by the charge card vendor, as well as information calculated by the DOD.

### **11.7 How must the recovered state and local tax monies from the DOD fleet card be used?**

Recovered tax funds are returned to the working capital fund.

## **Attachment 1 – Glossary**

**Abuse:** Use of a government charge card to buy authorized items, but at terms (e.g., price, quantity) that are excessive, is for a questionable government need, or both. Examples of such transaction would include purchase of items such as a day planner costing \$300 rather than one costing \$45; allowable refreshments at an excessive cost; and, year-end or other bulk purchases of computer and electronic equipment for a questionable government need.

**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.

**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 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 Federal agencies, state and local law enforcement agencies, and foreign governments as a means to procure 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 legal agent 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.

**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.

**Charge card managers:** Any Federal personnel responsible for implementing charge card programs, including, but not limited to, Agency/Organization Program Coordinator, Approving Officials, and accountable/billing officials.

**Data mining:** 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.

**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:** A 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.

**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 Purchase Charge Card program.

**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, page 36.

**Fraud:** Any felonious act of corruption or attempt to cheat the government or corrupt the government's agents. For the purposes of this Guidance, use of government charge cards 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 a part of official government business, are instances of fraud. This list is not intended to be all inclusive.

**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 the General Services Administration.

**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.

**Joint Federal Travel Regulation (JFTR):** Travel policy that applies to the military.

**Merchant:** The source for the agencies' supplies or services. The merchant may be: a required source inside or outside the government, another government agency, a private sector merchant of supplies or services. A merchant must provide supplies and services to meet the agency's needs at a reasonable price.

**Micro purchase:** As defined in Federal Acquisition Regulation (FAR) 2.101, an acquisition of supplies or services (except construction), the aggregate amount of which does not exceed \$2,500, except that in the case of construction, the limit is \$2,000. This threshold may be revised throughout the contract period to reflect any revisions to the FAR.

**Misuse:** Use of a Federal charge card for other than the official government purpose(s) for which it is intended.

**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:** The process of assessing or measuring risk, and then developing strategies to mitigate its effects.

**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.

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

**Travel 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:** Any activity taken with respect to a government charge card that fosters, or results in, unnecessary costs or other program inefficiencies.

## **Attachment 2 – Acronyms**

**A/OPCs** - Agency/Organization Program Coordinators

**AOs** - Approving Officials

**AFV** - Alternative fuel vehicle

**AIR** - Aviation Into-plane Reimbursement Card Program

**CBA**- Centrally Billed Accounts

**DESC** - Defense Energy Support Center

**DFAS** - Defense Finance and Accounting Service

**DLA** - Defense Logistics Agency

**DOD** – Department of Defense

**E&IT**- Electronic and Information Technology

**EAS** - Electronic Access System

**EPA** - Environmental Protection Agency

**EPP** - Environmentally preferable products

**EPACT** - The Energy Policy Act

**FEMP** - Federal Energy Management Program

**FAR** - Federal Acquisition Regulation

**FTR** - Federal Travel Regulation

**GSA** - General Services Administration

**GFC PMO** - Government Fuel Card Program Management Office

**IBA** - Individually Billed Account

**JFTR** - Joint Federal Travel Regulation

**MTS** - Metric Tracking System

**NARA** – (U.S.) National Archives and Records Administration

**OMB** - Office of Management and Budget

**SEA** - Ships' bunkers Easy Acquisition Card Program

## **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)/Defense Energy Support Center (DESC)/Fuel Card Program Management Office (GFC PMO) is designated as the program management office for the DOD Fleet 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 DOD Fleet Card.

### **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 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 for the following supplies and services (as authorized by agency policy):

- Fuels: Gasoline, gasohol, regular unleaded, premium unleaded, special unleaded, diesel/diesel marine fuel, propane, and liquid petroleum gas including 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 the question 5, below.)

**5. What is Split Billing functionality?**

Split Billing functionality is the process whereby fuel purchases are separated from non-fuel purchases. The fuel card processors (Aviation Into-plane Reimbursement (AIR), Ships' bunkers Easy Acquisition (SEA), and DOD Fleet Card contractors) are responsible for separating fuel purchases from non-fuel purchases (splitting the invoice).

**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 DESC GFC Program Management Office, or specific AO training offered by their applicable Military Service Component Manager.

**7. What is the AIR Card?**

The AIR Card is the mission-critical Aviation Into-plane Reimbursement (AIR) Card Program that provides Federal agencies, State and local law enforcement agencies, and foreign governments a means to procure aviation fuel and related ground services. Program customers utilize AIR Cards to purchase aviation fuel and ancillary services at aviation merchants located throughout the world.

**8. Who has oversight of the AIR Card Program?**

DESC's GFC PMO is designated as the program management office for the AIR Card. The GFC PMO provides overall program management, develops and disseminates policy and training, coordinates AIR card enrollment and permission access to other electronic systems, and issues data instructions for the AIR Card. Authorized users and the Military Services and Defense Agencies must provide component level management, as well as develop and maintain adequate procedures and physical safeguards to ensure strict compliance of the AIR Card.

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

The AIR Card is available for aircraft used by the military services, Federal civilian agencies, State and local law enforcement agencies and authorized foreign governments for aviation fuel and ground services worldwide. The AIR Card allows for fueling at over 7,000 commercial airports worldwide.



Enrollment is required for any non-DOD participant authorized to use DESC's Into-Plane contract locations and an Accountable Official must be designated as the point of contact responsible for validating purchases under the AIR card program account.

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

The AIR Card does allow purchases of the following ancillary services:

- De-fuel
- Re-service
- De-icing
- Lavatory services
- Catering
- Towing
- Oil
- Engine start
- Backhaul charges

NOTE: These ancillary charges are billed directly to the home payment office separately under split billing procedures. (See also question 5, page 37.)

**11. What training is required for AIR Card users?**

Training for AIR Card users must provide general information on using a government AIR Card, including applicable regulations, proper usage, and agency policy and procedures related to card usage.

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

**12. What training is required for AIR Card Accountable Officials (AOs)?**

The training required for AIR Card AOs must include training similar to what AIR Card users receive. AIR Card AOs must also complete training required by the Financial Management Regulation and/or the applicable Military Service financial policy. In addition, AIR Card AOs must complete either specific AIR Card AO training developed by the DESC GFC Program Management Office, or specific AO training offered by their applicable Military Service Component Manager.

**13. What training is required for AIR Card Agency/Program Coordinators (A/OPCs)?**

A/OPCs, as a minimum, must receive the same training as AIR Card users. Training that covers the additional roles and responsibilities of an A/OPC, including proper management, control, and oversight tools and techniques, is recommended prior to appointment.

**14. What is the SEA Card?**

The SEA Card is the mission-critical Ships' bunkers Easy Acquisition (SEA) Card Program that provides Federal agencies a means to procure bunker fuel and fuel related service. Program customers utilize SEA Cards to purchase 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.

**15. Who has oversight of the SEA Card Program?**

DESC's 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.

**16. 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. Use of the program by other Federal civilian agencies will be considered in the future. The SEA Card program allows for fueling at 300 bunker contract locations worldwide as well as permitting local purchases at non-contract locations.

**17. 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 DESC 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.

## 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 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 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

### GROUNDINGS FOR APPEAL

As a general matter, employees are expected to timely reimburse the travel 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 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 card contractor are the subject of a timely dispute that the Travel Card contractor has not resolved.
3. The charges sought by the travel card contractor have been released in bankruptcy.
4. The employee and the travel 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 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 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 card should only be used for official travel expenses, which are reimbursed by the government, the employee should be able to reimburse the travel 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.

## **Attachment 5 - Best Practices in Managing Government Charge Card Programs**

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

- Compare how many basis points similar size organizations are receiving;
- 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:**

- Perform periodic reviews of spending and transaction limits to ensure appropriateness;
- Conduct internal charge card program reviews;
- Monitor reports to identify potential split purchases;
- Deactivate travel 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 prevent misuse and fraud, such as:
  - data mining
  - 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
  - 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 for 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.

**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 focus 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 Supply 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.

## Attachment 6 – Internet Web Site References

- Green/Recycling
  - [www.epa.gov/ozone/snap/lists/index.html](http://www.epa.gov/ozone/snap/lists/index.html)
  - [www.energystar.gov](http://www.energystar.gov)
  - [www.epa.gov/cpg](http://www.epa.gov/cpg)
  - [www.eren.doe.gov/femp/procurement](http://www.eren.doe.gov/femp/procurement)
  - [www.greenhotels.com](http://www.greenhotels.com)
  - [www.ofee.gov](http://www.ofee.gov)
  - [www.epa.gov/epp](http://www.epa.gov/epp)
- Treasury/FMS
  - <http://www.fms.treas.gov/prompt/formulas.html>
  - [http://www.fms.treas.gov/news/split\\_travel\\_disbursement\\_waiver.pdf](http://www.fms.treas.gov/news/split_travel_disbursement_waiver.pdf)
- Government Metrics
  - [www.fido.gov](http://www.fido.gov)
- Accessibility and other special areas
  - [www.Section508.gov](http://www.Section508.gov)
  - [www.access-board.gov](http://www.access-board.gov)
  - [www.jwod.gov/procurementlist](http://www.jwod.gov/procurementlist)
  - [www.unicor.gov](http://www.unicor.gov)
- [www.buyaccessible.gov](http://www.buyaccessible.gov) GSA and GSA Programs
  - SmartPay Homepage – [www.gsa.gov/gsmartpay](http://www.gsa.gov/gsmartpay)
  - Federal Travel Regulation (FTR) – [www.gsa.gov/travelpolicy](http://www.gsa.gov/travelpolicy)
  - AOPC Travel Card Online Training – [www.gsa.gov/aopctreveltraining](http://www.gsa.gov/aopctreveltraining)
  - AOPC Purchase Card Online Training – [www.gsa.gov/aopcpurchasecardtraining](http://www.gsa.gov/aopcpurchasecardtraining)
  - Cardholder Travel Card Online Training – [www.gsa.gov/spraveltraining](http://www.gsa.gov/spraveltraining)
  - Cardholder Purchase Card Online Training – [www.gsa.gov/sppurchasecardtraining](http://www.gsa.gov/sppurchasecardtraining)
  - Tax Letter – [www.gsa.gov/services/gsa-smartpay/taxletter](http://www.gsa.gov/services/gsa-smartpay/taxletter)
  - Financial and Business Solutions (FABS) Schedule - [www.gsa.gov/financial](http://www.gsa.gov/financial)
- Government Fuel Programs (AIR, SEA, Fleet)
  - <http://www.desc.dla.mil/DCM/DCMPAGE.asp?pageid=28> Tax Recovery
  - [http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA\\_BASIC&contentId=10597&noc=T](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=10597&noc=T)
  - or
  - 1) Go to [www.gsa.gov/gsmartpay](http://www.gsa.gov/gsmartpay)
  - 2) Click on Agency information on the left-hand side of the page.
  - 3) Click on State Tax Letters on the left-hand side of the page.

Additional Fleet guidance can be found at

[www.desc.dla.mil/DCMPAGE.asp?LinkID=DESCpublications](http://www.desc.dla.mil/DCMPAGE.asp?LinkID=DESCpublications). For additional AIR and SEA card programs guidance, go to

[www.desc.dla.mil/DCM/DCMPAGE.asp?LinkID=DESCSFAInterimPolicy](http://www.desc.dla.mil/DCM/DCMPAGE.asp?LinkID=DESCSFAInterimPolicy) under GFC Program Roles, Responsibilities and Accountability.



## **Attachment 7 - Analysis of Comments and Changes**

In response to OMB's invitation to comment on the draft charge card guidance in the Federal Register on February 25, 2005, entitled, "Improving Government Charge Card Management," approximately eight non-Federal entities submitted written comments. An analysis of the comments received, including a description of any changes made in response, is included below.

### **General Comments**

*Comment:* One commenter recommended that the travel system should be fundamentally changed to a system where charges are billed to the government so employees can avoid the financial burden of repayment. The commenter emphasized situations where the agency is delayed in reimbursing the cardholder.

*Discussion:* A primary objective of the Guidance is to ensure that agencies review their current internal control processes and procedures to ensure that cardholder reimbursements are issued in a timely manner. The Guidance also requires agencies to utilize split disbursement for payment of travel vouchers, which is an automated process whereby what is owed to the charge card vendor is paid directly to the vendor as part of the agency's travel voucher reimbursement system.

*Change:* None.

### **Chapter 1 – General Information**

*Comment:* One commenter stated that to the extent that the circular establishes requirements not already included in SmartPay contract, their addition to the contract would be a matter for negotiation with the other parties to that contract.

*Discussion:* Throughout the Guidance, agencies are encouraged to identify areas wherein the charge card manager could leverage services from their card-issuing bank(s) to facilitate meeting guidance requirements.

*Change:* None.

### **Chapter 2 – Charge Card Management Plan**

*Comment:* One commenter asked whether requirements for cardholders to perform tasks such as transaction reconciliation (sic) should be included in an agency's card management plan.

*Discussion:* Section 2.3 of the Guidance sets forth general requirements on what is to be included in an agency's charge card management plan. The Guidance must be read in its entirety in order to discern the more specific items required in the plan. The specific control identified by the commenter is required in Chapter 4 Risk Management, and should be addressed in an agency's plan.

*Change:* None.

### **Chapter 3 – Training**

*Comment:* One commenter recommended that agencies require first time cardholders as well as those needing refresher training to have actual class room training as a condition to receive the credit card instead of having to only answer on-line questions

*Discussion:* As part of an agency’s ongoing review of the effectiveness of its internal controls, a re-assessment of policies and procedures regarding training of cardholders may be warranted. Thus, the agency may, at its discretion, utilize class room training in lieu of on-line training if the latter is determined to be ineffective.

*Change:* None.

*Comment:* One commenter questioned whether it was appropriate to include provisions related to the single purchase limit in the “Training” chapter.

*Discussion:* Agreed. Upon review, it was concluded that these provisions were outside the scope of the Guidance.

*Change:* Provisions deleted.

*Comment:* One commenter suggested that the Guidance should allow for a third option in issuing card with a single purchase threshold above \$2,500. The card is currently being used by some agencies as a way of making contract/invoice payments.

*Discussion:* Upon review, it was concluded that these provisions were outside the scope of the Guidance.

*Change:* Provisions deleted.

*Comment:* One commenter stated that the requirement for a contracting officer or delegated authority is unnecessary, especially when the card is used as payment utility for purchases above the micro purchase threshold.

*Discussion:* Upon review, it was concluded that these provisions were outside the scope of the Guidance.

*Change:* Provisions deleted.

*Comment:* Several commenters mentioned that the micro purchase threshold is not one number but varies by law.

*Discussion:* Upon review, it was concluded that these provisions were outside the scope of the Guidance.

*Change:* Provisions deleted.

*Comment:* One commenter pointed out that the reference to the circumstances under which a cardholder may receive a limit in excess of the micro purchase threshold does not distinguish between purchasing cards and other types.

*Discussion:* Upon review, it was concluded that these provisions were outside the scope of the Guidance.

*Change:* Provisions deleted.

#### **Chapter 4 – Risk Management**

*Comment:* One commenter requested clarification on where in the delinquency timeline are agencies required to implement salary offset.

*Discussion:* Agencies should use a series of mechanisms to collect delinquent debt from individually billed charge accounts. Salary offset should be the final step taken, and only after the due process requirements described in the Guidance are implemented.

*Change:* None.

*Comment:* One commenter requested clarification on whether the agency's or the charge card provider's costs should be included in the cost/benefit analysis for a waiver from the split disbursement and salary offset requirements.

*Discussion:* The cost/benefit analysis included for a waiver request in the situation described should include the costs and benefits to the government agency (i.e., how are the taxpayer dollars affected?)

*Change:* None.

*Comment:* One commenter requested clarification on, in the event of a waiver, what alternative steps will be taken to ensure payment to the charge card vendor.

*Discussion:* The possible alternative steps should be examined as part of the cost-benefit analysis required for submission of a waiver request.

*Change:* None.

*Comment:* One commenter suggested that care should be taken to not create confusion or duplicate work already done by the charge card vendor.

*Discussion:* Agreed. Controls should be coordinated between the agency and the charge card vendor to avoid duplication or confusion.

*Change:* None.

*Comment:* One commenter pointed out that not all cardholders receive ‘statements,’ so requiring their reconciliation might be confusing.

*Discussion:* Agreed.

*Change:* The wording was modified in Section 4.6 to read “...statement reconciliation or transaction reconciliation...” to avoid confusion.

*Comment:* One commenter asserted that there is confusion over the use of the word “fraud” in connection with card programs.

*Discussion:* Agencies should rely on the definition of fraud contained in the Glossary, Attachment 1 to the Guidance.

*Change:* None.

## **Chapter 5 – Performance Metrics and Data Requirements**

*Comment:* One commenter requested clarification on how “potential refunds” should be calculated?

*Discussion:* Supplemental guidance on the calculation of “potential refund” will be provided by the Chief Financial Officer’s Council (CFOC) when the Metric Tracking System is updated to include a metric related to charge card refunds.

*Change:* Deleted this reporting requirement for purchase and travel cards.

*Comment:* One commenter requested clarification on how a bank would report whether ‘cardholders are taking advantage of opportunities for savings on purchase card micro purchases.’

*Discussion:* Under the new Strategic Sourcing initiative, agencies are required to develop strategies to work with vendor banks to determine how banks may be able to assist agencies with fulfilling this initiative and its reporting requirements.

*Change:* Language deleted and replaced with more general reporting requirements.

*Comment:* One commenter suggested that the Guidance include reporting requirements that capture the extent to which the card is being used for purchases/payments at, under, or above the micro purchase threshold.

*Discussion:* One of the primary goals of the Guidance is to ensure that Federal agencies implement cost effective charge card programs. Maximizing use of the card, to the extent it yields higher refunds and does not compromise program integrity, should be a key objective of charge card managers. A metric to measure the amount of potential refunds agencies actually

earn is currently under development by the CFOC's Metric Tracking System (MTS) project team.

*Change:* None.

*Comment:* One commenter requested that the first and second bullets – “Number and percentage of travel cards with monthly and/or transaction limits; Number and percentage of travel cards with ATM withdrawal limits” – be expanded so that agencies list the number of cards within ranges of limits, such as \$2,500 to \$5,000, as is currently reported for Purchase cards.

*Discussion:* Agreed.

*Change:* The wording of the reporting requirement has been modified as suggested.

*Comment:* One commenter asked what date should be used for delinquency calculations if an agency elects to bill daily, weekly, or monthly in face of the ‘outstanding over 61 days’.

*Discussion:* Agencies that elect to receive bills more often than monthly also pay in this way. Therefore, the situation of outstanding over 61 days is not applicable.

*Change:* None.

## **Chapter 6 – Credit Worthiness**

*Comment:* Several commenters claimed that a credit score should not be obtained on cardholders for centrally billed card programs because under these programs, the government agency is billed directly for credit card charges and the cardholder has no liability to the lender for these charges. These commenters further claimed that there appears to be no benefit to obtaining a credit score since there does not appear to be a correlation between credit worthiness and the likelihood that a credit product will be used in a responsible and law abiding manner.

*Discussion:* Credit worthiness evaluations for both travel and purchase cards are a requirement of law. The Guidance implements the legislative requirement.

*Change:* None.

*Comment:* Several commenters stated that the requirement to obtain a credit score may place card-issuing banks in a position of legal uncertainty and that the requirement to obtain credit scores will require amendments to SmartPay Contracts.

*Discussion:* The Guidance provides agencies with alternatives for obtaining credit scores if it is not possible for the card-issuing banks to provide the score.

*Change:* None.

*Comment:* One commenter indicated that the Guidance is unclear on who constitutes a first time applicant, and more specifically, if an employee moves from one agency to another, is the employee considered a first time cardholder and therefore subject to credit worthiness review.

*Discussion:* Agreed.

*Change:* The wording was modified in Section 6.1 to provide clarification that, "...a current cardholder who transfers between agencies is not required to have a credit worthiness assessment, except at the discretion of the hiring agency."

*Comment:* One commenter pointed out that because account expiration dates may vary by issuer, agency, and program, some cardholders could be subject to credit worthiness review annually while others are reviewed once every three years.

*Discussion:* The Guidance requires that all restricted cardholders be re-evaluated for credit worthiness before card renewal. This applies regardless of the length of time between issuance and renewal.

*Change:* None.

*Comment:* One commenter requested that the Guidance highlight that there may be other commercial vendors who could provide the credit score service for Federal agencies.

*Discussion:* Agreed.

*Change:* Changes modifying the wording in Section 6.11 were added to accommodate this comment.

## **Chapter 7 – Refund Management**

*Comment:* Several commenters suggested that the circular should consider other factors in addition to price (refunds) such as on-line certification and web-based electronic access system because the decision to award task orders should be based on best value, which includes non-price related factors.

*Discussion:* The Guidance states that agencies need to balance increasing refunds against prudent financial management and the quality of services provided.

*Change:* None.

*Comment:* One commenter pointed out that no guidance is provided about what should be done with 'signing bonuses' and 'other monetary inducements.'

*Discussion:* This is outside the scope of the Guidance.

*Change:* None.

*Comment:* One commenter suggested that this section be altered to allow agencies to utilize refunds in the period received, rather than the period earned.

*Discussion:* In Section 7.5, the Guidance states, "... refunds must be returned to the appropriation or account from which they were expended, and can then be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute." Thus, availability of the funds for use are dictated by the characteristics of the appropriation or account to which they were returned and shall be evaluated on a case by case basis.

*Change:* None.

### **Attachment 5 – Best Practices in Managing Government Charge Card Programs**

*Comment:* One commenter suggested that when considering re-competition, the cost to transition to a new provider should be considered.

*Discussion:* Agreed.

*Change:* Attachment 5 has been updated to reflect this point.

*Comment:* One commenter asked whether agency task orders are publicly available.

*Discussion:* Copies of agency task orders are on the GSA SmartPay web site.

*Change:* None.