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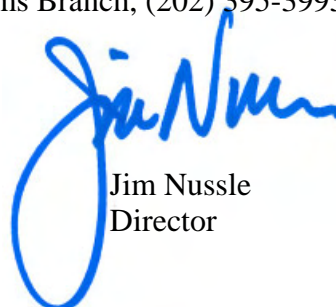
TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Improving the Management of Government Charge Card Programs

Appendix B of OMB Circular A-123 prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. This revision responds to recommendations made by the Government Accountability Office (GAO) regarding the Federal purchase card program as well as agency comments and suggestions made by Agency/Organization Program Coordinators. These revisions replace and rescind all previously issued OMB Circular A-123 Appendix B policy dated February 2006 and August 2005. Significant updates to Appendix B are as follows:

- Updated the micropurchase threshold to reflect the current \$3,000 threshold (Section 5.3);
- Expanded descriptions for erroneous and improper purchases including practices for minimizing such purchases (Sections 4.6 through 4.8);
- Added a requirement for charge cardholders, approving officials, or both to reimburse the government for any unauthorized transactions or erroneous purchase card transactions that were not disputed (Section 4.8);
- Incorporated guidance on disciplinary actions for fraud and other egregious abuse of a government charge card (Section 4.9);
- Updated performance metrics (Section 5.5);
- Added a chapter on internal controls for convenience checks (Chapter 12); and
- Added a chapter on controls related to property acquired with government charge cards (Chapter 13).

This revision is effective as of the date of this memorandum. A revised version of the entire Appendix B to OMB Circular A-123 is available on the OMB web site. All questions or inquiries concerning Appendix B should be addressed to the Office of Federal Financial Management, Financial Analysis and Systems Branch, (202) 395-3993.



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Director

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 charge cards are issued as either individually billed accounts with individual liability, or as centrally-billed accounts, wherein the government is liable for all purchases, 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. 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. The plan should be updated annually, or more frequently, if necessary to remain current. Agencies shall submit a copy of their plan to OMB, Office of Federal Financial Management, on an annual basis, not later than January 31 of each calendar year.

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 and convenience check 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).

Chapter 3 – Training

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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. Further, training should ensure charge card holders are informed of any changes or updates to the charge card program.

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 purchase cardholders must provide general information on card use. It must familiarize cardholders with Federal procurement and property laws and regulations, agency procurement and property and other card-related policies, convenience check usage, and other applicable proper card use guidelines. Training requirements shall be consistent with the cardholder's level of responsibility or spending authority.

- ***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 (AbilityOne) Act requires the Government to purchase certain supplies or services from AbilityOne participating non-profit agencies, if they are available within the period required. For supplies and services that are required to be purchased from this mandatory source, please see www.AbilityOne.gov/procurementlist. Cardholder training and oversight activities should focus on ensuring that cardholders meet the requirements established in FAR 8.704. The list of priorities is as follows: Supplies – (1) Federal Prison Industries, Inc. (41 U.S.C. 48), (2) AbilityOne participating non-profit agencies, and (3) Commercial sources; for Services – (1) AbilityOne participating non-profit agencies and (2) Federal Prison Industries, Inc., or commercial sources.

- ***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 Charge Card Program Training

- ***Cardholder***

Training for travel charge cardholders must provide general information on traveling for the government and review how to use a travel charge card, including

agency travel charge 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 Parts 301-54 and 301-76 - Collection of Undisputed Delinquent Amounts Owed to the Contractor Issuing the Individually Billed Travel Charge Card. Even if the approving official is not a travel charge cardholder, this individual is required to take the same training as travel charge 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 AIR Card Program Training

- ***Card User***

Training for AIR card users shall provide general information on how to use a government AIR card, including applicable regulations, proper use, and agency policy and procedures related to the use of the AIR card

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

- ***AOs or Certifying Officials***

AOs must, at a minimum, receive training similar to card users for the AIR card program. Additionally, they shall complete training required by the Financial Management

Regulation and/or applicable financial policies. In addition, AOs must also complete specific AO training developed by the Defense Energy Supply Center (DESC) Program Management Office and/or their Component Manager.

- *A/OPCs*

The A/OPC shall, at a minimum, receive the same training as the card users. Training that covers the additional roles and responsibilities of an A/OPC, including proper management, control and oversight tools and techniques, is strongly recommended prior to appointment.

3.5.5 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.

Chapter 4 – Risk Management

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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 applicable;

- 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 if available) 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.
- Ensuring that cardholders and those receiving property comply with agency prescribed management controls over property;
- Ensuring that property acquisitions take place only after the requisitioner considers the agency's existing property inventory and available Federal excess property;
- Ensuring that agency prescribed records have been updated for any accountable and/or sensitive property acquired with purchase cards (See Glossary for the definition of "sensitive" and "accountable" property); and
- Ensuring proper internal controls exist for all purchases, including purchases under the micropurchase threshold.

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 strict internal controls, to ensure that all charges and 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;
- Formally notify the cardholder that delinquency in payment may result in 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 charge 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 applicable 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 charge card issuing bank for crediting to the employee’s travel charge card account.” To view the document in its entirety, go to: 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. See Attachment 4 for a sample due process notice for a salary offset.

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

Due process must be granted that is substantially equivalent to that under 31 U.S.C. 3716, Administrative offset. In accordance with this Section's implementing regulations at 31 CFR Parts 900-904 (The Federal Claims Collection Standards), 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);
- Provide the employee the opportunity to inspect and copy the records related to the claim;
- Provide the employee an opportunity to review the agency decision related to the claim; and
- Provide the employee an opportunity to make a written agreement with the charge card vendor to repay the delinquent amount.

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

Payment delinquency associated with a Government travel charge card is prohibited. The agency may impose, but is 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 disciplinary action deemed appropriate by the agency.

4.6 What is an erroneous or improper purchase? (The terms "erroneous purchase" and "improper purchase" have the same meaning in this Guidance)

An improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts include overcharges and undercharges. An improper purchase can be one of two types: 1) unauthorized or 2) incorrect, and may include any of the following:

- A purchase that was made for an ineligible recipient or for an ineligible service;
- A fraudulent purchase;

- A duplicate purchase;
- A purchase for services not received;
- A purchase for the incorrect amount;
- A purchase made in the absence of available funding; and
- A purchase made on the same day from the same vendor to circumvent cardholder single transaction limits.

As mentioned, there are two types of improper purchases: unauthorized and incorrect.

- Unauthorized purchases consist of items that are intentionally purchased and are outside of the cardholder's purchasing authority. For instance, using a government charge card to purchase a tennis racket is an unauthorized purchase.
- Incorrect purchases are mistakes that are the result of an unintentional error during the purchase process. For example, when a purchase cardholder is asked to buy one filing cabinet but purchases three cabinets, this is an incorrect purchase. A series of seemingly incorrect purchases may require investigation to determine whether these purchases are actually unauthorized purchases.

Fraudulent purchases include those made by cardholders that were unauthorized and intended for personal use, purchases made using government charge cards or account numbers that had been stolen or compromised, and purchases correctly charged to the charge card but that involve potentially fraudulent activity that went undetected.

4.8 What documentation should be maintained to minimize erroneous and improper purchases?

To the maximum extent possible, agency personnel requesting a cardholder to acquire an item(s) with a purchase card should provide written requests to the purchase cardholder for the items. If it is not possible for the requester to make the request in writing, the purchase cardholder should document in their file the requester's name, item description, quantity, estimated cost, and date of request. The purchase cardholder should also document availability of funds at the time of each purchase and obtain prior approval before making self-generated purchases.

Travel and fleet cardholders should continuously monitor the billing statements associated with each charge card to minimize improper and/or erroneous purchases.

4.8 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, and implement strict internal controls to mitigate these risks to the greatest possible extent;
- 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 necessary;
- Develop and impose disciplinary action deemed appropriate by the agency in cases of charge card misuse;
- Implement proper 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;
- Confirm that the correct appropriation/line of accounting is cited for the purchase card transaction;
- 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.

In cases where a cardholder fails to resolve and/or timely dispute (if necessary) an erroneous charge, the cardholder, consistent with agency policy, shall reimburse the government for the cost of that transaction. When a cardholder makes an improper purchase, the cardholder, in accordance with agency policy, shall: (a) reimburse the government for the cost of the purchase and (b) be subject to disciplinary action.

In instance where an official directs an erroneous purchase to be made by a cardholder or directs a cardholder to purchase items or services that are subsequently determined to be improper, the official who directed the purchase shall, in accordance with agency policy: (a) reimburse the government and (b) be subject to disciplinary action.

4.9 What administrative and/or disciplinary actions may be imposed for charge card misuse?

Improper, fraudulent, abusive, or negligent use of any Government charge card is prohibited. The agency may impose disciplinary action for charge card infractions, including removal for serious or repeated infractions. Appropriate agency personnel may impose, but are not limited to, the following administrative and/or disciplinary actions for negligence, misuse, abuse, or fraud:

- Verbally counsel and issue a letter of counseling/reprimand to the employee;
- Deactivate, suspend, or cancel employee accounts; and
- Impose additional disciplinary actions deemed appropriate by the agency.

Circumstances surrounding each case should be considered when determining the proper type of corrective or disciplinary/adverse action, if any, which may be imposed. Generally, a progression of increasingly severe penalties is suitable. In some instances, the infraction may warrant the most severe penalty for a first offense.

Egregious purchases are most severe when they result in an intentional private gain for a cardholder/purchaser with little if any benefit to the agency. Agencies must comply with all applicable law and regulatory guidance in determining whether to impose disciplinary or adverse action in any specific case.

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, for additional strategies that charge card managers may consider employing to mitigate 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, Office of Federal Financial Management, and maintain for their own use, statistical and narrative information related to each charge card program.

5.3.1 Statistical Reporting

Agencies listed in the original Chief Financial Officers Act of 1990 and the Department of Homeland Security are required to report the following data as specified below on a quarterly basis. All other agencies are also required to report these items on an annual basis:

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 to the agency Office of Inspector General or agency/organization program coordinator for possible card misuse and/or abuse;
- Number of administrative and/or disciplinary actions taken for card misuse, including delinquency (if known); and
- Number of administrative and/or disciplinary actions taken for convenience check misuse.

Travel charge cards only:

- Number and percentage of travel charge cards with monthly and/or transaction limits (\$0 - \$3,000; \$3,001 - \$5,000; \$5,001 - \$7,500; \$7,501 – above.);
- Number and percentage of travel charge cards with ATM withdrawal limits (\$0 - \$3,000; \$3,001 - \$5,000; \$5,001 - \$7,500; \$7,501 – above.);
- Percentage of travel cardholders who, as defined by the agency, are infrequent travelers;

Purchase cards only:

- Ratio of approving officials to purchase cardholders (span of control);
- Average number of monthly purchase card transactions reviewed per approving official;
- Number of purchase cardholders with contracting warrants above \$3,000;
- Number of purchase cardholders with transaction limits of \$3,000 or more that do not hold contracting warrants;

Convenience checks only:

- Total number of individuals authorized to write convenience checks;
- Total number of convenience checks written;
- Number of checks written over \$3,000; and
- Number of checks written under \$3,000.

Note: GSA shall (1) take action to automate the provision of this data from the contractor banks to the maximum extent possible, with appropriate data oversight by agencies, and (2) coordinate the provision of appropriate data to OMB. Agencies shall report manually in the interim until an automated process is implemented.

5.3.2 Narrative Reporting

Agencies listed in the original Chief Financial Officers Act of 1990 and the Department of Homeland Security are required to report on the following narrative information on an annual basis at the same time the first quarter statistical reports are submitted. All other agencies are required to report on these items on a bi-annual basis:

- 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 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.

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.)

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 charge card Delinquency Rates, Individually Billed Accounts (IBA) – The balance outstanding over 60 days from the statement date for IBAs divided by the average net charge volume (NCV) for IBAs for the period 2 months to 5 months prior to the period being reported¹.
- Travel charge card Delinquency Rates, Centrally Billed Accounts (CBA) – The balance outstanding over 60 days from the statement date for CBAs divided by the average net charge volume (NCV) for CBAs for the period 2 months to 5 months prior to the period being reported².
- Purchase Card Delinquency Rates – The balance outstanding over 60 days from the statement date for Purchase cards divided by the average net charge volume (NCV) for Purchase cards for the period 2 months to 5 months prior to the period being reported³.

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 improve charge card management.

¹ For example, the January metric would be the balance outstanding more than 60 days as of the January cycle date divided by the average NCV for months November, October, September, and August. In this example: Jan Delinquency = Jan 61+ / (NCV Nov + NCV Oct + NCV Sept + NCV Aug) / 4

² For example, the January metric would be the balance outstanding more than 60 days as of the January cycle date divided by the average NCV for months November, October, September, and August. In this example: Jan Delinquency = Jan 61+ / (NCV Nov + NCV Oct + NCV Sept + NCV Aug) / 4

³ For example, the January metric would be the balance outstanding more than 60 days as of the January cycle date divided by the average NCV for months November, October, September, and August. In this example: Jan Delinquency = Jan 61+ / (NCV Nov + NCV Oct + NCV Sept + NCV Aug) / 4

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

Yes, pursuant to Section 846 of the Consolidated Appropriations Act, 2008 (P.L. 110-161, Title VII, section 743), each agency must assess the credit worthiness of all **new** travel charge card applicants prior to issuing a card. Credit worthiness assessments are an important internal control in Federal travel charge card programs. Current cardholders are not subject to the requirements of this chapter.

Credit worthiness evaluations for new purchase card applicants are no longer legislatively mandated due to the passage of the 2006 Consolidated Appropriations Act. However, agency officials and charge card managers may continue to require these evaluations at their discretion. At a minimum, they must remain mindful of the risks involved with charge card issuance, and continue to consider pertinent factors before issuing new purchase cards.

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 travel charge 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 travel charge 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 travel charge card to first time applicants.

6.3.1 Obtain credit score.

In order for a first time applicant to receive a card to which standard agency restrictions apply, a credit score must be obtained for that employee. The credit score obtained must be 660 or higher. (Examples of 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 charge card applicants with a credit score less than 660.

For first time travel charge card applicants with a credit score of less than 660, the agency may 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.

6.4 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 charge 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.

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

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

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

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

6.7 When are re-evaluations of credit worthiness required?

A credit worthiness assessment must be conducted for restricted cardholders before the cardholder is issued a renewed card. The re-evaluation of credit worthiness may be conducted by obtaining a credit score as described in 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.

6.8 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. If official travel is required, the agency may issue a restricted charge card per section 6.3.2 above.

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

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

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

Yes. The credit worthiness restrictions may be temporarily lifted at the discretion of a Department or Agency head, in order to ensure the safety of American citizens and/or property

(e.g., during times of national emergency, contingency, peacekeeping, or humanitarian missions).

6.11 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 has developed 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.

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

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

In addition, credit scores are also available through GSA's Financial and Business Solutions (FABS) Schedule contractors. 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;⁴ 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.

⁴ 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 offer⁵;
- 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.

⁵ 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 A/OPC should review and analyze purchase card spending patterns and levels for opportunities to negotiate discounts and make recommendations to the Chief Acquisition Officer to improve the buying process and increase savings based on volume.

To the greatest degree possible, suppliers should provide, and agency information systems should collect, information on property acquired via purchase card. This information must be sufficient to establish property records within agency systems. In addition, agencies should use this information to determine when sufficient quantities of like items are being procured via purchase card and evaluate when other procurement and supply methods, such as purchase card enabled strategic sourcing agreements, may better leverage the Government’s buying power through consolidation of requirements.

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), 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;⁶
- 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?

⁶ 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).

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. 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 and selecting the FAQs link, or by visiting 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. 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 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, under "Green Purchasing." USDA also has biobased products web site at www.biobased.oce.usda.gov.
- The Energy Policy Act (EPAct) of 2005 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.eere.energy.gov/femp/technologies/eeproducts.cfm>, and/or 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.
- 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, 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 card; failure to recapture tax payments increases the cost of that Federal agency’s charge 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 applicable, to exclude state and local taxes from their hotel bills. Agencies have historically experienced difficulty getting certain vendors and States to recognize tax exemption on Federal charge card transactions and subsequent attempts to recover incorrectly assessed taxes is proven complicated and time-consuming. Nonetheless, agencies are required to make good-faith attempts to accomplish these actions.

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.

Chapter 12 – Convenience Checks

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Questions

12.1.1 What are convenience checks?

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

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

12.2 What are the requirements for authorizing convenience checks?

Only SmartPay purchase account holders are eligible for convenience check writing authority. In addition to purchase card training, individuals must also complete specialized training on convenience checks prior to being authorized to write checks only in accordance with Section 12.1.

12.3 What are the authorized uses?

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

12.4 What are the restrictions on use?

Convenience checks may not be written to:

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

Convenience checks may not be written above the micropurchase limit as defined in the Federal Acquisition Regulation, Section 2.1 Definitions, unless the cardholder is a warranted contracting officer. For those cardholders who are not a warranted contracting officer, a written waiver must be obtained. At the time of issuance of this document those micropurchase amounts are as follows:

- Supplies - \$3,000
- Services - \$2,500
- Construction - \$2,000

12.5 What are the elements of a properly written convenience check?

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

- **DATE:** Enter the date on which the check is being issued. Spell out the date (e.g., October 30, 2008). Do not predate or postdate a convenience check;
- **PAY TO THE ORDER OF:** Enter the name of the payee. Under no circumstances may convenience checks be issued to “cash” or the payee line left blank. Checks may not be issued to “self”;
- **AMOUNT:** Write the amount of the convenience check in the spaces provided in numbers and words; e.g., one hundred twenty-six dollars and 39/100 in the applicable space; and
- An original signature.

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

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

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

The IRS states that Agencies may rely on the merchant category code (MCC) in determining whether a transaction is subject to Form 1099 reporting. IRS Form 1099 MISC is used to collect that information. A MCC table which may be used to determine whether transactions are reportable for Form 1099 reporting can be found at the following link:

http://usa.visa.com/download/corporate/resources/mcc_booklet.pdf.

Failure to file a correct information return (Form 1099) by the due date may result in a penalty imposed by the IRS.

12.7 When are payments exempt from Form 1099 reporting?

Form 1099 reporting is restricted to services. Section 1.6041-3(c) of the Income Tax Regulations exempt purchases of “merchandise,” as well as “telegrams, telephone, freight, storage and similar charges” from these reporting requirements. See IRS Bulletin 2004-31, Section 2 for more information and a complete list of exceptions.

12.8 What must Agencies include in the Agency Charge Card Management Plan and/or Agency policy?

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

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

- Restrictions on use (e.g., types of purchases, dollar limitations, etc.);
- Training requirements;
- Fees;
- Stop payment;
- Replacement checks;
- Independent reviews;
- Improper use;
- Departure of check writer (e.g., resignation, change of position, etc.);

- Reconcile check register information to transaction data on statements;
- Record retention requirements; and
- Separation of duties.

As applicable, the charge card management plan, policy, and procedures for convenience checks may also include:

- Approval levels for authorizers when different from purchase cards;
- Criteria for issuance of convenience checks (e.g., written justification for usage in lieu of purchase card or other methods of purchase, limitations on the number of individuals authorized as check writers within an entity, etc.);
- Additional agency reporting requirements; and
- Waiver procedures.

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

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

12.10 What are the reporting requirements?

See section 5.3 for reporting requirements in regard to convenience checks.

12.11 Related Information References

Public Law 104-134 The Debt Collection Improvement Act of 1996
Internal Revenue Service Revenue Procedure 2004-43
Internal Revenue Code 26 CFR 1.6041 A
Internal Revenue Code 26 CFR 1.6041-1 b
Federal Acquisition Regulation 32.1103

Chapter 13 – Management of Property Acquired by a Purchase Card

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

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

13.2 What Government policies address property management?

Cardholders and/or custodians must be familiar with, and follow, their agency policies governing property management, which shall implement Federal governmentwide policies. The Administrator of the General Services Administration shall issue Federal governmentwide policy and guidance to agencies on the receipt and use of Federal property in consultation with Federal agency customers, when appropriate.

Because property acquired by the purchase card and/or convenience check is frequently delivered directly to the cardholder or the end-user (inside delivery), each agency must issue policies and procedures to ensure effective management of this property. At a minimum, agency policies and procedures must address:

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

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

Attachments

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.

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

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

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

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

Aviation Into-Plane Reimbursement (AIR) Card: A centrally billed, government charge card used by 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.

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

Data 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.

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.

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

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

Joint Federal Travel Regulation (JFTR): Travel regulation 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, or a private sector merchant of supplies or services.

Micropurchase: 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 \$3,000, 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 developing strategies to mitigate its effects.

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

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

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

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

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

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

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

Waste: 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 (DESC)/Fuel Card Program Management Office (GFC PMO) is designated as the DoD-level 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. The Services/DoD Agencies provide Component and local policy, oversight, and physical procedures to mitigate the potential for fraud or misuse.

3. What vehicles are covered under the DoD Fleet Card?

Vehicles that are owned or are individually leased by the Military Services or DoD Agencies are covered under the DoD Fleet Card. GSA leased vehicles are NOT included in this program.

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

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

- Fuels: Gasoline, gasohol, regular unleaded, premium unleaded, 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 allows purchases of the following fueling-related ancillary ground 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 above.)

11. 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.

12. 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.

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

The SEA Card is available for U.S. Government vessels used by the Military Services, Defense Agencies, and the U. S. Coast Guard for bunker fuel at commercial seaports. 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.

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

The Component responsibilities for reviewing fuel card transactions are to review the Military Standard Billing System (MILSBILLS) records, and take any other actions necessary to ensure disbursements are matched to a corresponding detail-level obligation. This is because 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.

15. Where can I find more information on fuel card training, fraud prevention, DESC-issued policies and procedures, and management controls?

You can find additional information on the AIR, DoD Fleet, and SEA Card programs at www.desc.dla.mil. Click on the Fuel Card PMO link on the left-hand side of the page. Once into the site, you will see that each program has its own link.

Attachment 4 – Sample Due Process Notice for Salary Offset Procedures

Date

Name

Address

City, State, ZIP

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

Dear Sir/Madam:

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

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

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

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

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

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

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

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

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

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

(Insert applicable agency closing)

(Insert applicable agency signature block)

Enclosure-
Grounds for Appeal

Enclosure to Sample Due Process Notice

GROUNDINGS FOR APPEAL

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

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

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

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

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

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

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:

- Implement strict internal controls that mitigate charge card risks to the great extent possible;
- Perform periodic reviews of spending and transaction limits to ensure appropriateness;
- Conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate;
- Monitor reports to identify potential split purchases;
- Deactivate travel charge cards during periods of non-travel status;
- Perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials; and
- Keep current on new and innovative solutions to detect and 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.

Section 4.9 provides examples of potential charge card offenses and remedies or penalties for such offenses. Egregious purchases are most severe when they result in an intentional private gain for the purchaser with little if any benefit to the agency. Agencies must otherwise comply with all applicable law and regulatory guidance in determining whether to impose disciplinary or adverse action in any specific case.

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

- Initially focus on high volume, commonly used supplies (such as office supplies, tools/hardware, express delivery, relocation services, etc.) which agency personnel use or could use the purchase card to obtain;
- Keep the program simple to start by 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
 - www.energystar.gov
 - www.epa.gov/cpg
 - www.eren.doe.gov/femp/procurement
 - www.greenhotels.com
 - www.ofee.gov
 - 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
- Government Metrics
 - www.fido.gov
- Accessibility and other special areas
 - www.Section508.gov
 - www.access-board.gov
 - www.AbilityOne.gov/procurementlist
 - www.unicor.gov
- www.buyaccessible.govGSA and GSA Programs
 - SmartPay Homepage – www.gsa.gov/gsmartpay
 - Federal Travel Regulation (FTR) – www.gsa.gov/travelpolicy
 - A/OPC Travel charge card Online Training – www.gsa.gov/aopctreveltraining
 - A/OPC Purchase Card Online Training – www.gsa.gov/aopcpurchasecardtraining
 - Cardholder Travel charge card Online Training – www.gsa.gov/spraveltraining
 - Cardholder Purchase Card Online Training – www.gsa.gov/sppurchasecardtraining
 - Tax Letter – www.gsa.gov/services/gsa-smartpay/taxletter
 - Financial and Business Solutions (FABS) Schedule - www.gsa.gov/financial
- Government Fuel Programs (AIR, SEA, Fleet)
 - <http://www.desc.dla.mil> (Look for Fuel Card PMO on left side of page and click.)
 - http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=10597&noc=T
 - or
 - 1) Go to 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. For additional AIR and SEA card programs guidance, go to www.desc.dla.mil/DCM/DCMPAGE.asp?LinkID=DESCSFAInterimPolicy under GFC Program Roles, Responsibilities and Accountability.