

# The Government Purchase Card

"... we pledge to: significantly expand the use of purchase cards over levels existing in January 1993, with a target increase of at least 100% by October 1, 1994..."



September 1994

# Reinventing the Federal Government

We will invent a government that puts people first, by—

- Putting Customers First
- Cutting Red Tape
- Empowering Employees to Get Results
- Cutting Back to Basics

*Bill Clinton*

*Al Gore*

## PREFACE

Last October, Dr. Steven Kelman, the Administrator of OMB's Office of Federal Procurement Policy, asked Senior Agency Procurement Executives to voluntarily sign a pledge to promote one of the first National Performance Review's procurement recommendations: to provide managers with the ability to authorize employees who have a bona fide need to buy small dollar items directly using a purchase card.

Signing pledges was new to Procurement Executives; there was nothing like this in the Federal Acquisition Regulation. Nevertheless, ten of them agreed that, in one year, they would increase purchase card usage by 100% over January 1993 usage.

The year is up. While the final tabulation will not be available until mid-October, by the end of the tenth month, July, they had increased purchase card usage by 119%, making 82,000 purchases per month worth almost \$19,000,000. While meeting the pledge is gratifying in itself, the real merit here is in the success stories heard from those program managers and their employees who have been entrusted to buy what they need, when they need it, to do their jobs. Since starting this project, the ten agencies have made 750,000 purchases faster, better and at less cost with the card. Plus, they report virtually no waste or abuse.

The following report documents the work of the Departments of Commerce, Energy, Health and Human Services, Interior, State, Transportation, Treasury, Office of Personnel Management and Federal Emergency Management Agency in meeting this pledge. It documents what they found, what they did and what they recommend as next steps.

Procurement Executives from the above named agencies have concurred in this report.

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## EXECUTIVE SUMMARY

The National Performance Review identified Government procurement reform as one way of achieving a Government that works better and costs less. Increasing use of the Government Purchase Card was identified as a component of procurement reform.

Through the efforts of the Procurement Executives from the Departments of Commerce, Energy, Health and Human Services, Interior, State, Transportation and Treasury, the Office of Personnel Management, the Federal Emergency Management Agency and the Commissioner, Information Resources Management Service at the General Services Administration, use of the Government Purchase Card has increased dramatically. The Government Purchase Card is a success story, yet there are still many opportunities to expand its use. This report will detail how actual experience using the Government Purchase Card has demonstrated the following advantages:

- o Expedited "on the spot" purchasing rather than paperwork languishing "in the system" for two to six weeks.
- o Empowering the end users to buy what they need to do their jobs rather than relying on a purchasing agent for items costing less than \$2,500.
- o Administrative savings of \$53.77 per transaction when compared with traditional Government purchasing and payment methods.
- o Improved accountability.

Ten Executive Branch agencies pledged, through their Procurement Executives, and, at GSA, their Commissioner, IRMS, to increase purchase card usage and the number of cardholders by 100% by October 1994. In July, we reported to the Administrator of the Office of Federal Procurement Policy (OFPP) that the pledge had been fully honored three months early. As of July 1994, these 10 agencies were making 81,895 buys worth \$20,182,358 per month; 119% more than the January 1993 benchmark.

This report demonstrates how the pledge was honored. Initially, Procurement Executives from Commerce, Transportation, Energy, HHS, Interior, State and Treasury formed a Purchase Card Council. OFPP and Financial Management Services (FMS) also participated in this council. Membership grew as other agencies either signed the pledge or expressed interest in learning more. Members of this council:

- o successfully challenged administrative and regulatory barriers to card use,
- o shared "best practices" in implementation and training,

- o promoted card use at conferences, and
- o publicized the benefits of the card by publishing an informal newsletter.

We firmly believe that the Government Purchase Card still offers many untapped opportunities to streamline procurement and cut costs. Although great progress has been made since we signed the pledge, we have included a listing of additional actions which we recommend to further implement the program throughout the Federal Government.

## Taking the Pledge

The National Performance Review (NPR) established a goal to create a Government that works better and costs less. Government-wide procurement reform was identified as one avenue to accomplish this objective. One of the principal NPR procurement reform recommendations was to expand the use of the Government purchase card for buying small dollar items to achieve a more responsive, efficient and streamlined mechanism for small purchasing. The purchase card is a VISA credit card that the Government uses to buy small dollar supplies and services.

The effort to increase the use of the purchase card focused on actions under \$2,500. This threshold was chosen for several reasons: first, the current threshold for competition is \$2,500 -- program personnel can buy without obtaining competitive quotes as long as the price they are quoted is fair and reasonable; purchases under \$2,500 are generally less complex and do not require extensive procurement knowledge; and items are often available off-the-shelf for immediate delivery.

Government-wide small purchase statistics for fiscal year 1993 indicate that out of 19,262,130 actions worth \$22 billion approximately 10 million of the actions totalling approximately \$4 billion are under \$2,500.

Making the purchase card available, with appropriate training, to more individuals outside of procurement offices will greatly assist in moving the procurement process from red tape to results by enabling program offices to obtain their requirements on a timely and cost effective basis without burdensome paperwork, layers of approvals and wasted time going through the procurement office for each purchase.

To help reach the goal to expand usage of the purchase card, the Procurement Executive for the Department of the Treasury spearheaded a project to demonstrate endorsement of this reform initiative by signing a pledge to increase purchase card usage by 100% by October 1994. The pledge was made to Dr. Steven Kelman, Administrator of the Office of Federal Procurement Policy (OFPP). A copy of the pledge is attached as Appendix A. It was the first pledge of the procurement reinvention agenda and set the baseline and served as a model for other pledges to follow.

Initially, Procurement Executives from the Departments of Commerce, Interior, Health and Human Services, State, Transportation and Treasury signed the pledge. The Commissioner, Information Resources Management Service, General Services Administration (GSA) also signed. A short time later, the Department of Energy, the Federal Emergency Management Agency and

the Office of Personnel Management demonstrated support of this innovative effort by also signing this pledge.

On July 21, 1994, the Treasury Procurement Executive reported to Dr. Kelman that the pledge had been met, three months ahead of schedule. As of July 1994, sales had increased by 119%. The ten pledge agencies are making over 1 million purchases a year using the Government purchase card. A summary chart showing growth of the purchase card program at the ten agencies that signed the pledge is shown as Appendix B.

In addition to increasing sales, members also pledged to place the card into the hands of appropriately trained line managers and other non-procurement personnel; identify and eliminate internal impediments to the maximum beneficial use of the purchase card and actively promote and support legislation to eliminate statutory impediments; and, finally, cooperate with each other and OFPP to share experiences relevant to the expanded use of the purchase card.

### Purchase Card Council

Soon after the pledge was signed, the Treasury Procurement Executive established the Purchase Card Council. The Council's mission was to help agencies meet the pledge. Initially, the Council consisted of representatives from the pledge agencies. OFPP and Treasury's Financial Management Service (FMS) were also represented on the Council and served as advisors. Representatives from the Agriculture Research Service of USDA and the Drug Enforcement Administration attended several meetings. Federal Prison Industries participated to see how increased card usage would affect its program. The Council was chaired by Treasury. A list of Purchase Card Council representatives is contained in Appendix D.

### Publicizing the Purchase Card

The Purchase Card Council promoted the Government purchase card by publishing articles in journals and magazines, participating at small business fairs, and creating its own publication. Since by law purchases under \$25,000 are reserved for small business, we (the Purchase Council) concentrated our publicizing efforts on small, disadvantaged and women-owned businesses.

CardCopy, an informal bulletin, was published by the Council to promote use of the Government purchase card by sharing information with other Government agencies that are using or considering using the card.

Treasury and the Small Business Administration co-sponsored the Procurement Opportunities Expo-94 at Andrews Air Force Base on

April 20, 1994. GSA and Treasury exhibited the Government purchase card at this conference. Over 600 small, women-owned and minority businesses visited the booth to obtain information about the card.

Another small, women-owned and minority business conference, Treasury's PARTNERSHIPS'94, held on May 4, 1994, at the Mellon Auditorium in Washington, D.C., included a GSA exhibit on the Government purchase card. Many of the \$1.7 million on-the-spot purchases made at the conference were made with a Government purchase card.

To further publicize the program, honorary purchase cards were presented to Treasury Secretary Bentsen and Assistant Secretary (Management), George Muñoz. A photograph of the card being presented to Secretary Bentsen was on the cover of Inside Treasury. Dr. Kelman was presented with an honorary card at a subsequent Procurement Executives Association meeting. This card was framed and hangs in his office for all visitors to see.

Treasury, at yet another Partnership conference held August 23-24, 1994, in Los Angeles, California, made all on-the-spot purchases with the Government purchase card.

Treasury's Director for Small and Disadvantaged Business Utilization programs wrote letters to the U.S. Chamber of Commerce and National Small Business United requesting them to publish an article in their newsletters to further educate the small business community about the purchase card. National Small Business United published the article in Issue No. 94-4 of their Small Business USA newsletter. In addition, Set-Aside-Alert, a Publication of the Small Business Press and the National Association of Women Business Owners published narratives about the program.

The publicity created significant interest in the business and Government community. Hundreds of calls were received from companies wanting basic information about the program. State and local Government agencies, such as the Office of the Comptroller of the State of Texas, called and were provided helpful advice.

### Industry Forum

In one of the early meetings of the Purchase Card Council, it was decided to set up an industry forum in the Washington area where Government and private industry could meet and discuss their programs. However, after three Purchase Council members attended First Bank's annual private industry user conference on the VISA Purchasing Card Program in Minneapolis, Minnesota, it was realized that private industry's program was modeled substantially after the Government's program. This is a rare

instance where the Federal Government has taken the lead in developing a program which is being copied by private industry.

### Cost Benefit Analysis

Participating agencies were asked to perform a detailed cost benefit analysis on small purchases of \$2,500 and below, in order to compare the costs of making purchases using written purchase orders in a centralized small purchasing office versus using purchase cards in program offices where the requirement exists. A standardized methodology was developed for use by all participants, although agencies were free to tailor it to their circumstances. In addition, some agencies had already conducted cost-benefit analyses that were considered sufficiently up-to-date to be valid for the purposes of this study.

The methodology involved measuring or estimating the time required for all the various steps necessary to acquire supplies or services under \$2,500 for a single purchase. For each step, applicable salary rates were computed (in this portion of the analysis, costs other than direct and indirect personnel costs were negligible) and average total costs were summarized for written purchase orders and purchase cards.

The major elements of the analysis were as follows:

- Requisition Phase. This includes defining the requirement, preparing a requisition (if applicable), obtaining funding authorization, and obtaining any necessary approvals.
- Purchase Phase. Includes steps such as administrative review of requisition, review by purchasing staff for required sources, contacting vendors, documenting the solicitation/offer, selection of vendor, and issuing the purchase order.
- Administration Phase. This phase primarily includes closing out the order.
- Receiving Phase. Actions involved in receiving, inspection and acceptance are included in this phase.
- Invoice Phase. Includes actions related to reviewing and approving the invoice before it goes to the finance office for payment.
- Finance Processing. This includes sending the purchase order, receiving report and invoice to finance; verifying the cardholder statements and following-up on late statements; and reconciling disputed items. Finance office making sure that statement are received from each

cardholder; verifying that statements are signed by each cardholder and approving official; matching receiving reports with invoices; comparing statements with invoice report; reconciling list of disputed items; filling out notifications of invoice adjustment form; and, entering invoice amount onto schedule for payment.

It should be noted that, in the case of some agencies, analyses done in the past included an administrative fee as part of the cost of using the purchase card. As of March 1994, the administrative fee was eliminated from the contract. Because the fee was less than half of one percent for the last year of the contract period, its impact on any cost benefit analysis was negligible.

Also not included in the cost benefit analysis are the productivity based refunds that can be earned by the Government under the present purchase card contract. These refunds are earned for payment of the consolidated invoice sooner than 39 days after its receipt. The refund is .01% of the net sales amount for each day earlier than 39 days that the invoice is paid. Productivity based refunds (.05% of net sales) are also available if an agency elects to receive reports electronically.

The results of the cost benefit analysis show that the average cost (arithmetic mean) among the participating agencies for processing a purchase order and a purchase card buy, from identification of the requirement through closure of the sale, and payment are as follows:

Cost of Purchase Order = \$94.20  
Cost of Purchase Card = \$40.43

\* Potential Savings = \$53.77

Although the range of costs reported by the agencies is relatively wide, a single factor such as extent of reliance on automated procedures could explain much of the variances. In addition, it is worth noting that every analysis, without exception, showed a financial advantage for the purchase card, and the average figures indicate that a cost savings of over 50% is realistic.

It should be noted that most of the savings are not in the procurement office. Savings are difficult to pinpoint since they are in the multiple offices that identify, process and pay for requirements under \$2,500. While some of the savings will be in the procurement process, savings will be achieved in the finance office as well as the many offices that approve requisitions, purchase orders or invoices on their tedious journey from the official who needs the services or supplies to the providers of

the services or supplies.

### Moving Purchases to Program Offices

An analysis was made of the number of purchases under \$2,500 currently made by purchase orders prepared in the procurement office which could be moved out of the procurement office and purchased by the program or operations office having the need, thus eliminating procurement administrative lead time ranging from 10 to 45 days. The analysis showed that, for fiscal year 1995, agencies can move 30% of purchase order awards under \$2,500 out of the procurement offices and into program areas utilizing the purchase card. This means that in fiscal year 1995, among the participating agencies, at least 150,000 purchases could be moved out of procurement offices into program offices. These figures do not include the Department of Defense or non-participating civilian agencies.

For fiscal years 1996 and 1997, the analysis of purchase orders projected a 10% decline in their use each year, therefore increasing up to 50% in three years the number of transactions that will be conducted by program personnel. We see no reason that this conclusion should not be applied Government-wide.

As part of the analysis, the participating agencies reviewed the number of purchases that a purchasing agent made under \$2,500 in one fiscal year. This analysis showed that on average, a purchasing agent performed between 650 and 700 actions per year. With 30% of procurement actions being moved out of the procurement offices in fiscal year 1995, and 10% per year in fiscal years 1996 and 1997, substantial administrative and personnel savings will be achieved.

As stated above, using the purchase card instead of issuing a purchase order the government saves, on average, \$53.77 per transaction. With the 150,000 purchases identified to be made using the purchase card outside the procurement office, an administrative savings of \$8 million could be realized in fiscal year 1995.

The Departments of Commerce and Transportation have been using the purchase card program since its inception, and have come much closer to maximizing its potential than other agencies that started using the program recently. These two agencies may therefore not realize the same growth in the program and savings as some of the newer user agencies.

Full implementation of the purchase card program will shift work out of the purchasing office and thereby allow resources to be redeployed to work on other matters. Contract administration, a function that has traditionally taken a back seat to contract

placement, is an area that needs greater attention. It is in this phase of the contract cycle that the Government is most vulnerable to waste and abuse.

### Successes of the Purchase Card

The positive impact of the Government purchase card on the purchasing system can be demonstrated both with statistics and individual experiences. As we have shown in a previous section of this report, the use of the purchase card can reduce the administrative costs and time involved in making a purchase. It streamlines procurement procedures, cuts down on the use of imprest funds while providing greater accountability, and it expedites payments to vendors.

An employee of the Department of the Treasury offers the following observations on administrative cost savings and streamlining obtained through the use of the card:

"Every one of our Purchase Card transactions has been positive. I can honestly say that from the onset of the purchase card, procurement of goods and services has been hassle free. Prior to the card, we were required to prepare an SF 148 (Requisition for Supplies/Services), submit it to procurement, wait for two months for a purchase order, wait another month for delivery, and the poor vendor had to wait yet another month for payment. Now we receive the goods in a matter of days from the time the order is placed and the vendor is paid in a timely manner. The purchase card is a wonderful resource."

Treasury also pinpoints the advantages of the purchase card over the imprest fund:

"Certification of purchase card statements is less time consuming than the preparation, review and submission of imprest fund replenishment packages. Purchases can be made telephonically rather than in person. Accounting activity is more accurate since the commitment is established at the time of the purchase, whereas imprest fund activity is not charged until the monthly accountability is performed."

The Department of Energy success with the purchase card was evident when the August 17, 1994, report showed that 4,412 purchase card transactions were conducted. Using the interagency council cost figures, that equates to a saving of \$237,233.24 for this one month alone. During fiscal year 1993, Energy processed 36,136 purchase orders. If all could be handled by the purchase card, the potential savings would be \$1,943,032.72. They also authorized use of the card for two management and operating contractors. The contractors operate government-owned facilities

and the title to the equipment and products they purchase vests in the Government. Their Procurement Executive notes that "It is a pleasure to observe the expansion of a program which will decrease administrative expenses and delays."

The Department of Commerce reports that the purchase card program is not only a success in the United States but overseas as well. They had initiated, at the request of the International Trade Administration, U.S. and Foreign Commercial Service (US&FCS), an overseas pilot purchase card program on October 23, 1992. This pilot involved four countries: England, Belgium, Venezuela, and Canada. One cardholder was identified in each of these countries. The pilot revealed that the purchase card is ideally suited for the foreign service. It is cost effective, uses the daily exchange rates without any additional conversion fees and has helped to reduce procurement fees associated with using purchase orders overseas. The overseas program is no longer a pilot but an established permanent program similar to their stateside program. There are now 96 cardholders, including 3 in China, in 45 countries.

An employee at the Department of State reports:

"Hearing how other agencies grappled with and solved issues that were cropping up during the expansion of their program really helped us develop the persistence and perspective to keep pushing. We were able to take advantage of the information exchange opportunities offered through the Purchase Card Council, and we adopted many of the "best practices" that other agencies had found to be tried and true. The results are clear: State's domestic program, implemented through its Office of Acquisition, has taken off and is currently growing incrementally."

The Department of Interior, in its efforts to make the purchase card a success, hosted four workshops on program changes in the purchase card program for hundreds of current and future cardholders. These workshops were opportunities to answer questions and address concerns. Interior also formed a purchase card working group to coordinate efforts among their bureaus. The team completed a review of the Interior purchase card program. The working group's aim is to achieve a balance between streamlining the process and ensuring that cardholders are fully trained and that effective management controls are in place to minimize the potential for misuse.

The Federal Emergency Management Agency (FEMA) has relied on the purchase card in the recovery process during presidentially declared disasters. FEMA uses the card in the procurement office as well as in program offices. Over 80% of cards issued by FEMA have been issued to non-procurement personnel. Many of the

employees have responsibility for on-site disaster recovery. Several emergency response teams within FEMA have been identified and individuals have been designated as cardholders. Also, individuals within FEMA's Mobile Response Support units, which are located in various regions of the United States, have been designated as cardholders and have successfully utilized the card in several disaster situations.

Perhaps nothing speaks about success as directly as the words of those who have experienced the benefits of using the card. We include some of their stories in Appendix C.

### Purchase Card Barriers and Solutions

This section of the report cites some common purchase card barriers that procurement offices, purchase cardholders and program offices perceive as roadblocks in implementing the purchase card to its fullest potential. The Purchase Card Council, through its many meetings and discussions over the past several months has offered its own solutions to some of these barriers which are indicated below. However, many others will require review and disposition by other appropriate authorities such as OFPP and the Office of Federal Financial Management (OFFA), the General Services Administration (GSA), the Federal Acquisition Regulation (FAR) Secretariat; or legislation may be needed to remove or amend current laws and regulations which affect expansion of the Government-wide purchase card program. The current Acquisition Reform Bill addresses some of these issues.

Several agencies represented on the Purchase Card Council have established their own internal purchase card working groups, workshops, pilot programs, courses and training materials to market the program's value and to address internal barriers unique to their respective organizations. In addition, some of these agencies have interfaced with private industry to learn about their program(s) and how they compare with the current Government program.

The following is a listing compiled from information obtained from the participating agencies on the Purchase Card Council of purchase card barriers, solutions currently available to agencies and recommended solutions for other barriers requiring higher government intervention:

1. **Barrier:** Lack of Federal Acquisition Regulation (FAR) coverage for using the purchase card.

**Solution:** Recommend FAR Secretariat add strong FAR coverage which addresses and encourages the use of the Government-wide purchase card program without additional paperwork such as an

accompanying purchase order. Since much focus is on promoting greater use of the purchase card for small purchases, this is another way to emphasize its use and further market the card as the preferred purchasing method. It also would cut down on paperwork in agencies, especially the Department of Defense which requires a purchase order to accompany each purchase card transaction.

Several Agencies prefer that there not be FAR coverage for use of purchase cards for the following reasons:

They are getting along fine without it and think they are better off not having coverage they do not need. They should be able to establish their internal procedures as just that -- internal procedures -- without needing a regulation.

They wish to retain maximum flexibility on use of the card and are concerned that to add FAR coverage will open the door for impediments now or later. An analogy is FAR coverage of task order contracts. The Government has been using task order contracts without impediment for a long time. Raising the issue of FAR coverage only opens the door to unwanted restrictions.

**Action:** FAR Council

2. **Barrier:** Program office personnel do not want to accept a purchase card.

**Solution:** Make the program attractive to them. Agency procedures should be simple, direct and unencumbered by unnecessary regulations and paperwork. The Purchase Card Council recommends that each agency establish a policy to promote use of the card in program offices for purchases under \$2,500, and give purchasing offices the option to reject certain classes of requisitions. For example, the U.S. Customs Service is currently directing all purchases under \$2,500 be made with purchase cards. Also, FEMA has initiated policy to have all purchases under \$2,500, and at least 50% of purchases under \$25,000, be made with the card.

**Action:** Senior Procurement Executives

3. **Barrier:** Approving Official review of monthly cardholder statements where the cardholder is a warranted contracting officers.

**Solution:** This is not required in the contract. Agencies may address this issue in their own internal procedures.

**Action:** Senior Procurement Executives

4. **Barrier:** Disputes process is too cumbersome.

**Solution:** Include disputes process in agency procedures and in cardholder and approving official training sessions; review disputes procedure to make sure it is simple and uncomplicated. Industry practices mirror personal use of a credit card. If possible, simplify to be in line with industry practices. Have GSA and purchase card contractor review the disputes procedures in the contract and streamline, if possible.

**Action:** Senior Procurement Executives

5. **Barrier:** Vendors are reluctant to accept the purchase card; vendors increase quote when purchase card is used.

**Solution:** Increase vendor awareness of the Purchase Card Program by publishing articles about the program and the advantages of the purchase card. Treasury's Director for the Small Disadvantaged Business Program identified several organizations such as the National Small Business United, the National Federation of Independent Business and the US Chamber of Commerce as good sources to publish articles. Treasury published articles in most of these organizations' newsletters. In accordance with VISA procedures, vendors cannot increase prices after they are told that the purchase will be charged to the credit card. Include in agency regulations and training awareness of this practice. Notify VISA if any vendor charges additional monies for using the purchase card.

**Action:** GSA Contracting Officer/Purchase card contractor/VISA.

6. **Barrier:** Vendors charging sales tax; not refunding sales tax.

**Solution:** Publicize purchase card; include language that Government is tax exempt; approach VISA to send out mailing to its customers about the Government's tax exempt status; educate cardholders about Government tax exempt status; during training provide cardholders with tips on how to avoid sales tax. Include in procedures a limit up to which cardholders can pay the tax (generally up to \$10.00). Look for vendors that will honor the Government's tax exempt status.

**Action:** Agency Purchase Card Coordinators/GSA Contracting Officer.

7. **Barrier:** Single purchase dollar limitation of \$2,500; office

monthly dollar limitation of \$10,000.

**Solution:** Single purchase limitations are within agency discretion up to the small purchase dollar limit. Office limits are set by agency/bureau and may be raised or lowered depending on the need.

Although some agencies believe that the single purchase dollar limit of program personnel (who are not warranted contracting officers) should be kept at \$2,500 or below, the mindset of restricting nonprocurement cardholders to this limit is slowly changing. This is evidenced by the DOC which currently allows their Heads of Contracting Offices (HCOs) to raise a nonprocurement cardholder's single purchase dollar limit above \$2,500 at their discretion. Also, this past March, DOC established a pilot purchase card program for four selected offices (nonprocurement), the purpose of which is to increase their purchasing authority up to \$25,000 when the identified cardholders have received the proper training. These offices were specifically identified by DOC's Deputy Secretary to receive an increase in their purchasing authority. The success of this pilot program will determine whether it will be expanded to other offices throughout DOC.

Treasury and the Office of Personnel Management have similar programs. Treasury has increased authority to \$10,000 in selected cases.

Interior has increased the single purchase dollar limits for services for emergency crews. It is an invaluable tool in emergency situations resulting from hurricanes, severe flooding, fire fighting and search and rescue operations where the use of purchase orders or cash advances are not practical. They have also increased authority for special situations such as supporting the Convention for International Trade of Endangered Species to be held in Fort Lauderdale, Florida in November 1994.

FEMA has increased single purchase authority to \$5,000 for program personnel in several cases. In addition, increased authority has been granted on a-case-by-case basis and is currently being considered by FEMA for wider dissemination. FEMA allows monthly limits to be suggested by program offices based on their particular needs and budgets.

Transportation has a pilot program in the personnel offices of its Operating Administrations which increased their delegation of procurement authority to \$25,000. The delegation is for supplies and services relating to training requirements.

**Action:** Senior Procurement Executives

8. **Barrier:** Purchase cards can only be used by the individual whose name is on the card.

**Solution:** VISA regulations prohibit issuing purchase cards to other than individuals. Recommend that the GSA contracting officer discuss this issue with VISA.

**Action:** GSA Contracting Officer

9. **Barrier:** Non-procurement personnel are reluctant to use the purchase card because of all the regulations they must comply with.

**Solution:** At the time of this report, there is no complete solution to this problem. However, it is anticipated that when the pending procurement reform legislation is signed into law, it will eliminate many of these problems. We believe that as a result of the emphasis cited by the NPR to reduce red tape and remove layers of regulations, and by agencies changing their procedures, there will be some relief. Many mandatory sources for supply and services are aware of the NPR and are looking for ways to improve their policies and procedures. For example, GSA is eliminating mandatory use of supply schedules and converting the contract type from requirements contract to indefinite-delivery indefinite-quantity contracts. They are replacing mandatory multiple award, single award and international federal supply schedules as they expire. In the meantime procurement offices at each agency must be prepared to assist and educate program offices in these areas until changes are realized through congressional legislation.

**Action:** Senior Procurement Executives

10. **Barrier:** Some agencies are not issuing cards to temporary employees.

**Solution:** Several agencies have issued cards to temporary employees tying the expiration of the card to the length of the appointment or project. For example, FEMA has issued purchase cards to temporary employees and has encountered no problems. DOC recently amended its guidelines to include issuing cards to temporary employees, although their contracting offices may impose limitations.

**Action:** Senior Procurement Executives

11. **Barrier:** Requirement to use the Federal Supply Schedules.

**Solution:** See solution to Item 9.

**Action:** GSA

12. **Barrier:** Some GSA Federal Supply Schedule vendors do not accept the purchase card.

**Solution:** Solicitations issued by GSA for schedule contracts for supplies (other than telecommunication and telephone equipment) and services (other than teleprocessing services) include the GSA clause "Acceptance of Government Commercial Credit Card," dated December 1989, as a method of payment. Acceptance of the card is not mandatory. The Purchase Card Council suggests that GSA include mandatory acceptance of the purchase card as an ordering instrument in all of their federal supply schedule contracts.

**Action:** GSA

13. **Barrier:** Some offices still require a requisition, i.e. Budget/Accounting.

**Solution:** This needs to be addressed on an agency-by-agency basis. Treasury and Interior have issued department-wide policy stating that a requisition is not needed when the card is used outside of the procurement office. Transportation has also issued policy which does not require a requisition for credit card purchases.

**Action:** Senior Procurement Executives

14. **Barrier:** Resistance from functional areas. Need proof that purchase cards will save money.

**Solution:** The Purchase Card Council, in its efforts to show that using the purchase card saves time and money, completed a joint cost benefit analysis which compared the cost of using a purchase order to a government purchase card. This analysis takes into account the time it takes procurement and finance to process an action. Cost for each method of procurement was averaged out from data collected from nine civilian federal agencies, (HHS, GSA, Commerce, State, Treasury, Transportation, Interior, FEMA and OPM). The final analysis establishes a cost of \$94.20 for a processing a purchase order and \$40.43 for using a purchase card.

**Action:** Senior Procurement Executives

15. **Barrier:** The Treasury Financial Manual (TFM) requires a cost benefit analysis prior to using the purchase card for transactions over \$2,000.

**Solution:** The Financial Management Service, with assistance from the Purchase Card Council, revised the TFM and the requirement to conduct a cost benefit analysis for purchases over

\$2,000 was eliminated.

**Action:** Completed

16. **Barrier:** There are too many "source constraints" such as having to use the National Industries for the Blind (NIB), the National Industries for the Severely Handicapped (NISH), "UNICOR" (trade name for Federal Prison Industries (FPI), Inc.) and the Government Printing Office (GPO), etc. to make it efficient to expand distributing cards to non-procurement cardholders.

**Solution:** The proposed procurement reform legislation will not eliminate NIB/NISH or FPI as required sources. Cardholder training can make these requirements less confusing. The Committee for the Blind and Severely Handicapped is available to assist in purchase card training at any agency. They also provide a video about their program. In addition, non-procurement personnel need to be made aware of the GSA Customer Supply Centers. The Centers are located across the country and sell many of the mandatory supply items from NIB/NISH and FPI. Once an account is established with a Supply Center, the purchase card can be used to order.

Printing and related services must be obtained with very few exceptions exclusively through the U.S. Government Printing Office (GPO). Printing and related services costing \$1,000 or less may be obtained from other sources only if a waiver is provided by GPO. Cardholders who require these services must follow their own agency's internal policies and procedures.

**Action:** Senior Procurement Executives

17. **Barrier:** Many agencies impose more restrictions than are in the contract.

**Solution:** The GSA contract identifies three limitations on the use of the purchase card. These are cash advances, rental or lease of land or buildings and telecommunications (telephone) services. Telephone equipment may be purchased, unless restricted by an agency. Agencies must comply with the rules of the contract, however, additional limitations hamper the full potential use of the card. Agencies should review their procedures and remove unnecessary limitations.

**Action:** Senior Procurement Executives

18. **Barrier:** Many offices are restricting non-procurement cardholders from buying controlled property with the purchase card.

**Solution:** This barrier is similar to the one identified in

Item 17. The Purchase Card Council emphasizes that overly restrictive purchase card limitations should be reviewed and deleted from an agency's internal procedures. As an example, DOC recently reviewed its purchase card guidance and deleted several agency imposed limitations. When cardholders purchase accountable property such as televisions, video cameras, personal computers, etc., they are required to complete applicable agency forms and forward them to the property Office. We recommend close coordination with property management offices in the decision of what restrictions can be eliminated and how the accountable property is reported.

**Action:** Senior Procurement Executives

19. **Barrier:** FEMA attempted to use the purchase card to pay utility bills. The card was not accepted because the purchase showed up as a cash advance. According to the GSA purchase card contract, cash advances are not permitted.

**Solution:** Recommended that FEMA discuss this issue with the GSA Contracting Officer to determine if anything can be done to facilitate use of the card to pay utility bills.

**Action:** FEMA/GSA contracting officer.

20. **Barrier:** Some offices require financial disclosure statements from cardholders.

**Solution:** Currently, individual agencies are obtaining legal opinions from their Office of General Counsel. This should be addressed by GAO on a Government-wide basis.

**Action:** GAO

21. **Barrier:** The purchase card is used only in procurement offices, not program/operating offices.

**Solution:** Savings associated with the use of the purchase card result from elimination of paperwork and handling, such as the elimination of having to prepare a requisition and go through the approval process. Departmental or agency policy should mandate, whenever possible, use of the card outside of procurement offices to realize the maximum savings associated with its use.

**Action:** Departmental management

22. **Barrier:** Lack of management support for the program.

**Solution:** Issue policy at the highest level of the Department/Agency in support of the program. Give it the proper

management attention and oversight.

**Action:** Departmental/Agency administrative management

23. **Barrier:** Inability to collect small/minority/women-owned business statistics.

**Solution:** VISA is working on establishing a database that would capture the business size and socio-economic status of businesses. The database is scheduled for completion in calendar year 1995. We suggest that the GSA contracting officer stay in close contact with VISA to bring this project to conclusion.

**Action:** GSA contracting officer/VISA

24. **Barrier:** Difficulty in getting user friendly electronic reports from the purchase card contractor.

**Solution:** Have the GSA contracting officer work with the contractor to resolve this issue. Make user friendly electronically transmitted reports a higher priority in the next contract.

**Action:** GSA

25. **Barrier:** Account reconciliation can be a problem in many finance offices.

**Solution:** 1) Review agency procedures to assure that cardholders give vendors time to make credit adjustments before filing paperwork which will compound the problem.

2) The Director, Modernization of Administrative Processes (MAP), U.S. Department of Agriculture (USDA) is implementing a Business Process Redesign (BPR) initiative focused on the use of credit cards for making small purchases. The purchase card account reconciliation process will be a major part of the BPR review. As part of the review, USDA will document the current process and benchmark best-in-business processes in the federal and private sector. A set of alternatives will be developed. USDA will select appropriate actions to improve the process for purchasing via the credit card. Results of the BPR review will be shared with other interested federal agencies, and OFFA/OMB for possible Government-wide use.

3) Interior had requested an opinion from GAO for a decision on the availability of fast pay procedures for credit card purchases in order to simplify the reconciliation process. GAO in turn posed the question to Treasury's Financial Management Service. Interior's request resulted in the decision to include in the Treasury Financial Manual revised regulations allowing payment of

the consolidated invoice on time even if all cardholder statements have not been received. This should eliminate discrepancies compounded by late payment of the invoice.

4) Transportation has issued policy concerning the use of default object class codes which make the credit card reconciliation process easier. They allow cardholders to default to one object class code when paying the VISA invoice.

**Action:** Senior Procurement Executives/USDA

26. **Barrier:** Having too many different types of credit cards.

**Solution:** Under the current system the Government uses at least three different credit cards: gasoline credit card, travel credit card and the purchase card. All three cards are managed by GSA. We suggest that GSA review these three programs and if possible, combine into one.

**Action:** GSA

### Unfinished Business

In this final section of the report, we offer the following list of actions and suggestions which are beyond the scope of the Purchase Card Council members. We firmly believe that these actions will further promote the use of the Government Purchase Card, and therefore cut administrative expenses and achieve other NPR goals and objectives.

1. The Federal Acquisition Regulation does not provide guidance regarding use of Government Purchase Card. The FAR Council should include the Government Purchase Card in its rewrite of the FAR, under acknowledged simplified purchase procedures.

2. The Treasury Financial Manual prescribes payment regulations and includes guidance regarding the use of the Purchase Card. If the credit card will be considered both a payment tool and a procurement instrument, coverage should be contained in the FAR and the TFM (see FAR, above). Otherwise, it should be deleted from the FAR if it's considered a payment tool; or, deleted from the TFM if it's only considered a procurement instrument. FMS' position is that the purchase card is a payment mechanism first and a procurement mechanism second. An official there states: "The card is an alternative to paying a vendor via cash, check, debit card, third party draft, or other payment instrument. The card is a cash management disbursement tool which we regulate under authority of the Cash Management Improvement Act of 1990, and the Cash Management Improvement Act Amendments of 1992. Specifically, Treasury, FMS has issued regulations at 31 CFR 206 which require that all agencies

disburse funds via the mechanism which Treasury, FMS, deems most cost-effective. This includes use of the purchase card."

3. Standardized education of program office personnel would strengthen the accountability of Government Purchase Card use and compliance with purchasing regulations. We recommend that Federal Acquisition Institute (FAI) develop competency based training criteria and that they be applied Government-wide, with best practices of the decentralized training programs adopted.

4. It is fair to challenge the status quo. GSA has played a pivotal role in promoting use of the card and in establishing a sound contractual relationship with the contractor. Nevertheless, it is incumbent upon us to ask questions and seek answers for the future. Is the current system of having one centralized contract to serve the entire Government the optimum system? Could agencies obtain better business arrangements or enhanced service by competing contracts on a decentralized basis? Should an agency other than GSA negotiate the contract? Financial Management Service has the expertise to negotiate contracts with financial institutions taking into consideration the cost of funds and overall costs to the federal government. They are the leader in dealing with financial institutions. Could they negotiate a contract that is more favorable to the Government? Could one card be used for purchasing, travel, gasoline, cash, etc.?

5. The GSA contract stipulates that cards be issued to individuals. Government offices frequently are organized in such a way that several individuals within the office may have a legitimate need to make purchases for the office and accountability may be strong enough to support several users of one card. Would it not decrease administrative costs if several authorized users were permitted in controlled circumstances to utilize a single office card? We recommend that this be analyzed and that the contract specifications be changed to permit this if indeed it is found to be more useful and result in further net savings.

While we recommend that the above be looked at, we must also note that not all pledge agencies favor this approach. In addition, FMS opposes use of a generic card. They cite two reasons: 1) VISA and MasterCard bylaws prohibit the issuance of a card which does not contain the name of a person. The Government should not expect the associations to change their bylaws for our program because this rule is meant to keep fraud at a minimum which in turn keeps the interchange fees charged to merchants at a lower level; and, 2) the Government loses accountability, and therefore is subject to more fraud, when a specific person's name does not appear on the card.

6. Federal Supply Schedules and GSA Supply Catalogs continue to be a mandatory source for Government purchases. We recommend making them non-mandatory for purchases under \$2,500 to promote purchase card use.

### Next Steps

1. Turn over responsibility for full, meaningful implementation to the Federal Procurement Council.

2. Purchase Card Council members could become a resource to the Federal Procurement Council.

3. Over the last ten months the Purchase Card Council members have gained expert knowledge about the purchase card program, and how to make it work. They are a very knowledgeable and a capable resource and should be called upon individually or as a group to address, in whatever detail is necessary, the findings and recommendations contained in this report. For example, they could prepare the first draft of the proposed FAR language or they could participate with the Administrator, OFPP in high level meetings with GSA, SBA, NIB/NISH, etc., where their input would be valuable.