



## An Overview of the GSA-SmartPay Purchase Card System

### What is GSA-SmartPay?

**GSA-SmartPay®** is the U.S. Federal government's charge card program. For more than two decades, the Federal government has used charge cards to streamline the process of buying and paying for goods and services, travel, and fleet maintenance expenses.

Today, cardholders use the GSA SmartPay program to pay for a wide variety of goods and services. Across all programs in FY2010, these expenditures amounted to over **\$30.2 billion for all card types used, spanning over 98.9 million transactions and over 2.8 million card accounts.**

GSA SmartPay includes the following card types:

- **Purchase Cards** - used to pay for the acquisition of goods and services. Represents about 62.3% of the program dollar volume.
- **Travel Cards** - used to pay for official Government travel expenses. Represents about 31.8% of the program dollar volume.
- **Fleet Cards** - used to pay for fuel and vehicle maintenance and repair. Represents about 5.9% of the program dollar volume.
- **Integrated Cards** - provide the convenience of combining the capabilities of several of the other card types in one product.

In 2008, the program began its third decade of use with a new 10-year GSA SmartPay-2 master contract. Citibank, USBank and JPMorganChase are the prime contract providers, with some specialized fleet card services provided by Voyager or Wright Express. Each Federal agency selects from among the three providers for its specific requirements.

These providers offer various combinations of purchase, travel and fleet card services to Federal agencies and the cards are branded as either Visa™ or MasterCard® under the terms of the GSA SmartPay program. The cards are easily identified by their designs and the leading digits of the account numbers.

Visa cards begin with 4486, 4614, or 4716.

MasterCard cards begin with 5568, 5565, or 5564.



**Purchase Card**



**Travel Card**



**Fleet Card**



**Integrated Card**

### What are GSA SmartPay Purchase Cards and how do they work?

GSA SmartPay **Purchase Cards** are one of the four major card classifications used by the government. They are a special type of charge card; these cards and their associated transaction reporting software typically possess more features, capabilities, and controls than standard consumer credit or charge cards.

Purchase cards are issued to authorized cardholders allowing them to place orders directly and efficiently with merchants. The GSA SmartPay program allows agencies to manage card use via effective controls on

all transactions. Billing can be done centrally to the agency to which the cards are issued. The merchant receives payment a few days after the transaction is submitted and the issuing bank is paid by the agency for the aggregate amount of purchases made in the billing period.

## **GSA SmartPay Purchase Card reporting systems and Level-3 line item detail information:**

Sophisticated online transaction reporting systems are supplied by each of the five Bank providers to the agencies that they support. These systems allow the agency Purchase Card Program Coordinators to electronically view transactions on a daily basis so that they can be audited and prepared for entry into the agency's accounting systems.

A powerful feature of GSA SmartPay Purchase Card transaction reporting systems is their ability to report Level-3 line item detail for a transaction. Much like a detailed invoice, Level-3 line item detail defines "What" is being purchased and combines that information with the payment transaction and delivers it seamlessly and electronically to appropriate agency personnel.

### **What is Level-3 line item detail information and who uses it?**

Level-3 line item detail is designed to support business-to-business and business-to-government credit card use. Level-3 line item detail provides specific purchase information such as Item Description, Quantity, Unit of Measure, Price, and more. This information is used by agency personnel to streamline accounting and business practices and to merge purchase and payment data with electronic procurement systems.

Level-3 information contrasts with the basic data that appears on a Level-1 consumer credit card statement (like the ones you probably receive) - which consists of only the Transaction Date, Dollar Amount, Merchant Name, and City/State. Level-1 information is often inadequate to document business-to-business and business-to-government transactions.

*Ninety percent (of Purchasing Managers) reported that receiving Level-2 / Level-3 data from a supplier is important when making a Purchase Card transaction using electronic purchasing. (Source: Visa USA survey)*

Level-3 line item detail information provides:

- A basis for electronic commerce
- Simplified transaction accounting and reconciliation
- Capability to audit purchases and ensure policy compliance
- Information for supply and commodity management

### **Does it cost more to provide Level-3 line item detail information?**

**No.** In fact it can cost much less than processing a Purchase Card transaction with only Level-1 or Level-2 information.

MasterCard and Visa have created special rates to support Purchase Card programs by reducing the supplier's transaction costs if Level-3 line item detail information is transmitted with the financial settlement.

**By providing Level-3 data, a supplier may substantially reduce their credit card processing fees – sometimes by up to 40%.**

**Large-Ticket rates:** In addition to the cost savings resulting from providing Level-3 for all transactions, both MasterCard and Visa have created a special "large-ticket" interchange rate for the GSA-SmartPay program.

When supplying Level-3 data with transactions greater than \$7200 (typical), the transaction rate can be calculated differently - a fixed transaction fee, plus a much smaller percentage. **And** the supplier still obtains their funds in about 48 hours.

## GSA SmartPay Purchase Card Use:

GSA SmartPay Purchase Cards may be used to purchase or make payments against a wide variety of goods and services.

Generally, any purchase of \$3000 or less is called a "micro-purchase." Subject to any special policies within their agency or organization, the cardholder can use the Purchase Card to pay for almost any kind of acquisition - ranging from tangible goods like office supplies to services such as consulting or construction. These purchases may be made in the open market.

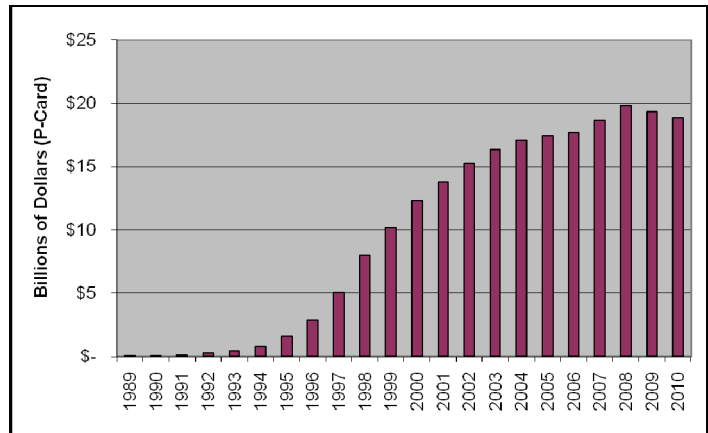
In addition, the Purchase Card may be used as a payment method for established contracts. When used in this manner, the amount per transaction can be quite large. As an example, in some agencies the Purchase Card is the payment mechanism for major contracts and purchase agreements between agencies and key suppliers.

However, the greater the value of the Purchase Card transaction, the more important it is that Level-3 line item detail information be supplied. Level-3 line item detail information helps the agency accurately manage its transactions with the least amount of costly manual intervention.

## How big is the GSA SmartPay Purchase Card program?

In fiscal year 2010, **256,978 Federal Purchase Card cardholders** spent **\$18.815 Billion dollars** via more than **22 million transactions** for goods and services – an **average transaction of \$852.00**.\*

FISCAL YEAR	CARDHOLDERS	TRANSACTIONS	PURCHASES
1989	10,489	2,326	\$ 460,612
1990	18,926	270,983	\$ 56,312,535
1991	30,336	639,389	\$ 140,735,006
1992	44,532	1,058,890	\$ 275,573,665
1993	74,591	1,512,275	\$ 472,103,391
1994	82,804	2,471,308	\$ 808,473,245
1995	130,353	4,248,496	\$ 1,591,773,703
1996	209,295	7,327,878	\$ 2,914,368,604
1997	264,505	11,593,616	\$ 5,045,264,294
1998	340,078	16,447,721	\$ 7,960,818,860
1999	517,015	20,631,198	\$ 10,186,089,274
2000	670,374	23,457,456	\$ 12,288,744,026
2001	414,787	24,443,850	\$ 13,787,668,676
2002	392,576	25,752,314	\$ 15,247,501,991
2003	326,850	26,494,400	\$ 16,370,886,269
2004	310,861	26,523,928	\$ 17,082,562,875
2005	301,216	25,931,575	\$ 17,432,502,460
2006	299,564	25,342,724	\$ 17,758,226,924
2007	283,861	24,725,855	\$ 18,692,783,102
2008	276,021	25,484,163	\$ 19,848,941,465
2009	269,913	21,822,567	\$ 19,317,418,974
2010	256,978	22,085,921	\$ 18,815,430,171



\*These figures apply only to the Purchase Cards – Fleet and Travel card volumes are not included here.



### Why should suppliers accept GSA SmartPay?

- ✓ Preferred Government payment method
- ✓ Facilitates electronic commerce
- ✓ No Government forms to process
- ✓ Electronic payment within 72 hours
- ✓ Reduced billing and collection costs
- ✓ Saves money, especially if Level-3 line item detail information is provided

### Contact the Purchase Card payment specialists at 3Delta Systems.

- Learn more about Purchase Cards and how they are used in both government and business applications.
- Learn more about the benefits of accepting Purchase Cards as a method of payment.
- Learn how easy and fast it is to become enabled to accept Purchase Cards.
- Learn how to provide Level-3 line item detail.
- Learn how to reduce transaction-processing costs up to 40 percent, or more.
- Learn how to maximize use of Purchase Cards to increase sales opportunities.



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