

U.S. Bank Welcomes You to the 11th Annual GSA SmartPay[®] Training Conference

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Air Force Program Optimization

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Agenda

- What is Program Optimization?
- How Does It Work?
- Real World Example – Air Force
- Program Optimization Analysis Findings
- Payment Analysis
- Program Optimization Recommendations
- USAF Actions
- Questions

What is Program Optimization?

- Objective – Identify opportunities to move payments from manual payments to efficient purchase card transactions
 - Seeking Out **Non-GPC Spend** that makes Logical Sense to **use GPC**
- Strategic Initiatives
 - Increasing Efficiency of Purchase Card Program and the Agency
 - Reducing Costs
 - Increasing Refunds
 - Increased Opportunity for Vendor Discounts
 - Improved Data Capture and Management
- <\$3,000 >\$3,000 Contract Payments



How Does It Work?

- Meet with A/OPCs/Financial Managers
- Identify Key Contacts at Agency – Meet and Explain
- Obtain Permission to Obtain Agency Accounts Payable File
- Provide applicable Data Elements
- Collect Accounts Payable (AP) File(s)
- Analyze File(s)
- Present Results
- Explore Opportunities to Move Spend to Card Where Appropriate
- Explore Opportunities for Vendor Discounts



Real World Example

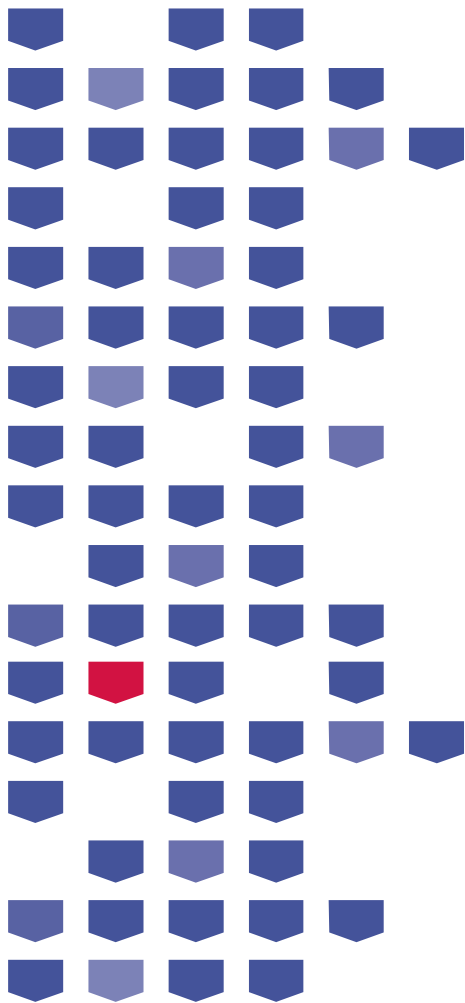
- **United States Air Force**
- Met with USAF – October 2007
- Met with USAF Contracting Senior Management in January 2008
- Received permission to Request Accounts Payable (AP) Files
- Requested USAF AP Files
- Contract Payments Files Delivered – August 2008
- Files Collected, Analyzed and Presented to USAF in January 2009
- Presented at USAF GPC Summit in late January 2009
- Presented at Gunter AFB, AFWAY Committee – early March 2009
- Presented at SAF/AQC with AFWAY and Commodity Council representatives, late May 2009
- Micropurchase Files Received – June 2009



Point of Clarification

- Currently, USAF does not authorize the GPC to be used for actual contract payments
 - USAF is interested in this and is researching this possibility
- GPC can be used for other procurement types, such as:
 - Requirement contract delivery orders
 - BPAs
 - Basic Ordering Agreements
 - Orders against Federal Supply Schedule Contracts





Program Optimization

Analysis Findings



Vendor Matching With Visa

77% of Vendors Accept Cards

- Grouped Payees by the following data elements: Vendor Duns, Vendor Name, Vendor Addr1, Vendor Addr2, Vendor City, Vendor State, and Vendor Zip Code
- Compared the list of 13,387 Unique Payee Combinations to the Visa Merchant Profile Database
- Result provided card-acceptance indicators for each of the Payees that were found in the Visa Merchant Profile Database

• Total Records Matched	10,418
• Level II Records	6,184
• Level III Line Item Records	472



Analysis Findings

OVERALL		% of Overall	
Count of CP	64,887	100%	
Count of CP < \$3,000.01	34,065	37%	
Count of CP >\$3,000	40,822	63%	
Total Sum of CP	\$8,723,619,210.89	100%	
Sum of CP <\$3,000.01	\$20,298,229.53	12%	
Sum of CP >\$3,000	\$8,703,320,981.36	88%	
CARD ACCEPTING MERCHANTS		% Within Card Accepting Merchants	% of Overall
Count of CP	20,497	100%	32%
Count of CP < \$3,000.01	9,209	45%	38%
Count of CP >\$3,000	11,288	55%	28%
Total Sum of CP	\$1,546,911,256.46	100%	18%
Sum of CP <\$3,000.01	\$8,612,877.10	1%	42%
Sum of CP >\$3,000	\$1,538,298,379.36	99%	18%
NON-CARD ACCEPTING MERCHANTS		% Within Non-Card Accepting Merchants	% of Overall
Count of CP	44,390	100%	68%
Count of CP < \$3,000.01	14,855	33%	62%
Count of CP >\$3,000	29,535	67%	72%
Total Sum of CP	\$7,176,707,954.43	100%	82%
Sum of CP <\$3,000.01	\$11,685,352.43	0%	58%
Sum of CP >\$3,000	\$7,165,022,602.00	100%	82%

Contract Instrument Types

Contract Payment Amounts with Matched Vendors

CONTRACT INSTRUMENT TYPE (9 th digit of Contract Number)	CONTRACT INSTRUMENT TYPE DESCRIPTION	Sum of CONTRACT AMOUNT
D	Indefinite Delivery	\$641,996,878.41
F	Actions through or with other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD	\$205,140,03.17
C	Contracts of all types except indefinite delivery contracts, facilities contract, sales contracts, and contracts placed with or through Government departments or agencies or against contracts placed by such departments or agencies outside the DoD	\$155,022,844.77
P	Purchase Order – Automated	\$97,740,339.96
7	<BLANK>	\$70,857,268.90
1	<BLANK>	\$66,187,245.44
9	<BLANK>	\$62,849,916.72
A	Blanket Purchase Orders	\$45,881,625.66
M	Purchase Order – Manual	\$33,132,592.99
8	<BLANK>	\$30,120,004.20
0	<BLANK>	\$27,000,826.50
3	<BLANK>	\$22,807,815.00
2	<BLANK>	\$21,922,577.94
5	<BLANK>	\$20,639,352.75
4	<BLANK>	\$14,174,424.83
6	<BLANK>	\$6,942,159.63
O	Do not Use	\$6,594,898.34
G	Basic Ordering Agreements	\$1,636,042.47
X	Reserved for Departmental Use	\$890,370.56

Contract Instrument Types

Contract Payment Amounts with Matched Vendors, Cont'd

CONTRACT INSTRUMENT TYPE (9 th digit of Contract Number)	CONTRACT INSTRUMENT TYPE DESCRIPTION	Sum of CONTRACT AMOUNT
H	Agreements, including basic agreements and load agreements, but excluding blanket purchase agreements, basic ordering agreements, and leases	\$812,177.20
W	Purchase Order – Manual	\$317,130.67
V	Purchase Order – Automated	\$227,843.78
B	Invitations for Bid	\$39,640.36
Q	Request for Quotation - Manual	\$26,074.00
N	Notice of Intent to Purchase	\$23,617.79



Spend and Contract Payment Count by Top 25 Merchant Category Codes

MCC	MERCHANT_CATEGORY_NAME	Count of CONTRACT PAYMENTS	Sum of CONTRACT PAYMENT AMOUNT
5045	COMPUTERS COMPUTER PERIPHERAL EQUIPMENT SOFTWARE	467	\$130,017,598.32
0763	AGRICULTURAL COOPERATIVES	671	\$64,551,614.69
1520	GENERAL CONTRACTORS-RESIDENTIAL BUILDINGS	179	\$48,823,436.73
8220	COLLEGES UNIV PRO SCHOOLS JUNIOR COLLEGES	500	\$34,251,997.30
8398	CHARITABLE AND SOCIAL SERVICE ORGANIZATIONS	45	\$31,696,159.32
1799	SPECIAL TRADE CONTRACTORS-NOT ELSEWHERE CLASSIFIED	207	\$31,095,370.89
4900	UTILITIES-ELECTRIC GAS WATER SANITARY	53	\$28,799,375.21
9399	GOVERNMENT SERVICES-NOT ELSEWHERE CLASSIFIED	1,560	\$21,854,212.83
7338	QUICK COPY REPRODUCTION AND BLUEPRINTING SERVICES	3	\$20,652,146.37
5047	LABORATORY-MEDICAL-DENTAL-OPHTHALMIC HOS. EQUI-SUP	4,295	\$19,126,099.42
7372	COMPUTER AND DATA PROCESSING SERVICES	214	\$17,704,915.96
5039	CONSTRUCTION MATERIALS NOT ELSEWHERE CLASSIFIED	98	\$14,037,631.42
7399	BUSINESS SERVICES-NOT ELSEWHERE CLASSIFIED	269	\$13,823,255.48
5999	MISCELLANEOUS AND SPECIALTY RETAIL STORES	348	\$13,622,383.46
8999	PROFESSIONAL SERVICES-NOT ELSEWHERE CLASSIFIED	145	\$13,481,131.53
8911	ENGINEERING ARCHITECTURAL AND SURVEYING SERVICES	117	\$12,282,608.78
1771	CONCRETE WORK CONTRACTORS	46	\$10,594,683.51
5065	ELECTRICAL PARTS AND EQUIPMENT	282	\$9,646,243.75
5969	DIRECT MARKETING-OTHER DIRECT MARKETERS-NOT ELSEW.	290	\$9,630,124.44
4812	TELECOMMUNICATION EQUIPMENT INCL TELEPHONE SALES	54	\$9,366,210.80

Spend and Contract Payment Count by Top 25 Merchant Category Codes, Cont'd

MCC	MERCHANT_CATEGORY_NAME	Count of CONTRACT PAYMENTS	Sum of CONTRACT PAYMENT AMOUNT
5732	ELECTRONIC SALES	158	\$9,004,385.58
3177	AIRTRANS AIRWAYS	108	\$8,495,598.64
6300	INSURANCE SALES UNDERWRITING AND PREMIUMS	22	\$8,493,506.22
7379	COMPUTER MAIN.-REPAIR-SERVICES NOT ELSEWHERE CLASS	47	\$8,189,124.18
5085	INDUSTRIAL SUPPLIES NOT ELSEWHERE CLASSIFIED	400	\$7,753,668.53



Top 20 Site IDs

Contract Payment Amounts with Matched Vendors

SITE_ID	BASE	MAJCOM	Sum of CONTRACT PAYMENT AMOUNT
36	SCOTT AFB	AMC	\$241,783,248.81
71	WRIGHT-PATTERSON AFB	AFMC	\$111,755,721.28
52	11th Wing	AFDW	\$81,026,847.36
46	NORTHCOM	NORTHCOM	\$60,100,637.23
38	OFFUTT AFB	ACC	\$54,864,112.62
27	ROBINS AFB	AFMC	\$49,955,949.20
12	PATRICK AFB	AFSPC	\$46,121,896.99
9	KADENA AB	PACAF	\$45,838,828.31
25	LACKLAND AFB	AETC	\$44,901,863.76
18	MACDILL AFB	AMC	\$41,194,551.73
34	SHAW AFB	ACC	\$40,478,467.39
7	ANDERSEN AFB	PACAF	\$36,538,372.25
70	TINKER AFB	AFMC	\$36,342,342.21
15	HURLBURT AFB	AFSOC	\$36,095,803.18
69	Hill AFB	AFMC	\$31,884,257.10
74	Edwards AFB	AFMC	\$28,807,119.32
57	USAF Academy	USAFA	\$28,338,012.98
21	Randolph AFB	AETC	\$24,905,148.17
CQ	ANGRC	ANG	\$22,790,255.19

Top 10 Site IDs where Contract Instrument Type = Indefinite Delivery

SITE_ID	BASE	MAJCOM	Count of CONTRACT PAYMENTS	Sum of CONTRACT PAYMENT AMOUNT
36	SCOTT AFB	AMC	217	\$182,711,206.50
71	WRIGHT-PATTERSON AFB	AFMC	113	\$75,574,160.14
46	NORTHCOM	NORTHCOM	44	\$48,323,133.57
38	OFFUTT AFB	ACC	12	\$39,195,254.85
15	HURLBURT FIELD	AFSOC	27	\$27,762,674.89
27	ROBINS AFB	AFMC	31	\$23,084,641.44
12	PATRICK AFB	AFSPC	45	\$19,771,055.37
09	KADENA AB	PACAF	24	\$13,776,513.95
70	TINKER AFB	AFMC	69	\$10,621,656.41
52	11th Wing	AFDW	30	\$8,335,777.24



Top 10 Site IDs where Contract Instrument Type = Blanket Purchase Order

SITE_ID	BASE	MAJCOM	Count of CONTRACT PAYMENTS	Sum of CONTRACT PAYMENT AMOUNT
71	WRIGHT-PATTERSON AFB	AFMC	132	\$13,275,926.13
25	LACKLAND AFB	AETC	4,163	\$10,724,364.39
CQ	ANGRC	ANG	22	\$5,795,352.59
18	MACDILL AFB	AMC	49	\$3,995,596.31
36	SCOTT AFB	AMC	24	\$2,293,523.98
96	ANDREWS AFB	AFDW	316	\$1,602,231.01
64	EGLIN AFB	AFMC	33	\$1,457,465.74
09	KADENA AB	PACAF	146	\$1,011,696.84
68	HANSCOM AFB	AFMC	7	\$991,494.00
RB	DOBBINS ARB	AFRC	20	\$600,357.50

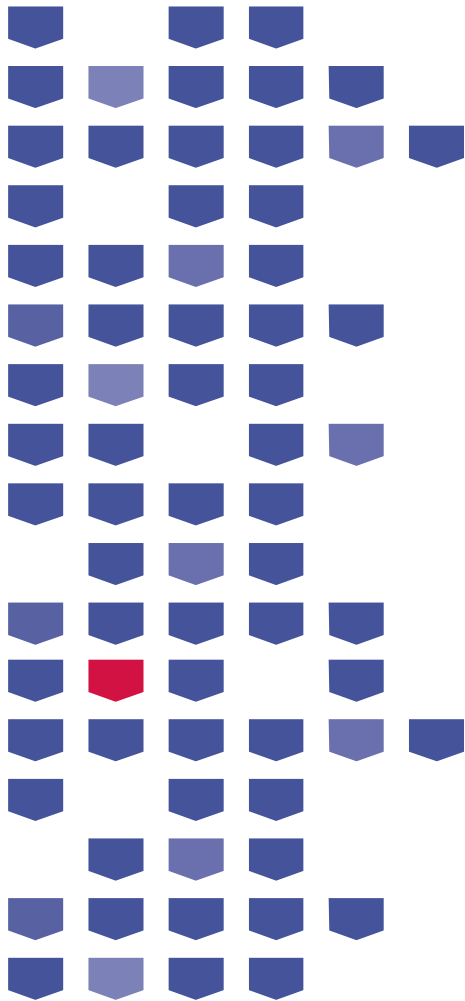


Going Hungry!

- DFAS payment fees eating the USAF's lunch!
- USAF Paying exorbitant amounts to DFAS for making manual payments.
 - Manual Payments cost the USAF **\$28.82*** per payment
 - Electronic payments cost the USAF only **\$5.78***
 - Difference of **\$23.04*** per payment!

* - FY09 Numbers





Program Optimization

Payment Analysis



Payment Analysis (1 of 5)

- 10.5 Months of Contracts Data – October 2007 to August 2008
- Total Contract Payment Amount – \$8,724 billion
- Manual Contract Payment Count – 64,887 (20,497 with Visa Accepting Merchants)
- Manual Contract Payments over \$3K – 40,822 (\$8,703 billion)
 - 11,288 manual payments (\$1,547 billion) w/Visa Accepting Merchants
- Manual Payments under \$3K – 24,065 (\$20,298 million)
 - 9,209 manual payments (\$8,612 million) w/Visa Accepting Merchants



Payment Analysis (2 of 5)

- **20,497 Manual Payments to Visa Accepting Merchants**
 - If 50% (Conservative Figure) of these Payments were Electronic:
 - 50% of 20,497 = 10,248 manual payments
 - 10,248 X \$23.04 (DFAS savings per payment) =
 - **\$236,114** DFAS Savings over ten-month period



Payment Analysis (3 of 5)

- **Potential Refund for USAF**
- 20,497 Manual Payments = \$1,547 billion
 - If 50% (Conservative Figure) of these Payments were with GPC:
 - 50% of \$1,547 billion = \$773.5 million
 - At File Turn of 28 – USAF Refund would be: **\$9,514,050**



Payment Analysis (4 of 5)

- **Administrative Savings**

- Saving over 10,000 payments that Air Force Finance would not have to administer -
 - Saving over 10,000 ID/IQ delivery orders/BPAs that would not have to be produced in Contracting -
-
- Total DFAS Savings and USAF GPC Refund =
\$9,750,164



Payment Analysis (5 of 5)

- Total Potential Savings to USAF (50% of manual payments) –
 - DFAS Savings - \$236,114
 - Earned Refund of \$9,514,050
 - FM and Contracting Administrative Savings



Top 10 Site IDs where Contract Instrument Type = Indefinite Delivery – Savings on 50% of Contract Payments

Base	Count of Contract Payments	DFAS Savings (\$)	Sum of Contract Payment Amount (\$)	Refund Amount (\$)
Scott	109 (217)	2,511	91,355,604 (182,711,207)	1,123,674
Wright-Patt	57 (113)	1,313	37,787,080 (75,574,160)	464,781
Northcom	22 (44)	507	24,161,567 (48,323,134)	297,187
Offutt	6 (12)	276	19,597,628 (39,195,255)	241,051
Hurlburt Fld	14 (27)	323	13,881,338 (27,762,675)	170,740
Robins	16 (31)	369	11,542,321 (23,084,641)	141,971
Patrick	23 (45)	530	9,885,528 (19,771,055)	121,592
Kadena	12 (24)	276	6,888,257 (13,776,514)	84,726
Tinker	35 (69)	806	5,310,828 (10,621,656)	65,323
11th Wing	15 (30)	346	4,167,889 (8,335,777)	51,265
Total		7,257		2,762,310



Top 10 Site IDs where Contract Instrument Type – Blanket Purchase Order – Savings on 50% of BPAs

Base	Count of Contract Payments	DFAS Savings (\$)	Sum of Contract Payment Amount (\$)	Refund Amount (\$)
Wright-Patt	66 (132)	1,521	6,637,963 (13,275,926)	81,647
Lackland	2,082 (4,163)	47,969	5,362,182 (10,724,364)	65,955
ANGRC	11 (22)	253	2,897,677 (5,795,353)	35,641
MacDill	25 (49)	576	1,997,798 (3,995,596)	24,573
Scott	12 (24)	276	1,146,762 (2,293,524)	14,105
Andrews	158 (316)	3,640	801,116 (1,602,231)	9,854
Eglin	17 (33)	161	728,733 (1,457,466)	8,963
Kadena	73 (146)	1,682	505,849 (1,011,697)	6,222
Hanscom	4 (7)	92	495,747 (991,494)	6,098
Dobbins	10 (20)	230	300,179 (600,358)	3,692
Total		56,400		256,750



Program Optimization Recommendations (1 of 2)

- Seek quantity discounts with applicable merchants
- Consider requiring payment to be made using GPC for **applicable** future contractual instruments where price has already been negotiated:
 - IDIQ Contracts
 - BPAs
 - Basic Ordering Agreements
- May want to consider requiring vendor to provide Level III data
- Recommend consideration be given to amending existing requirements contracts and BPAs to require payment be made via GPC



Program Optimization Recommendations (2 of 2)

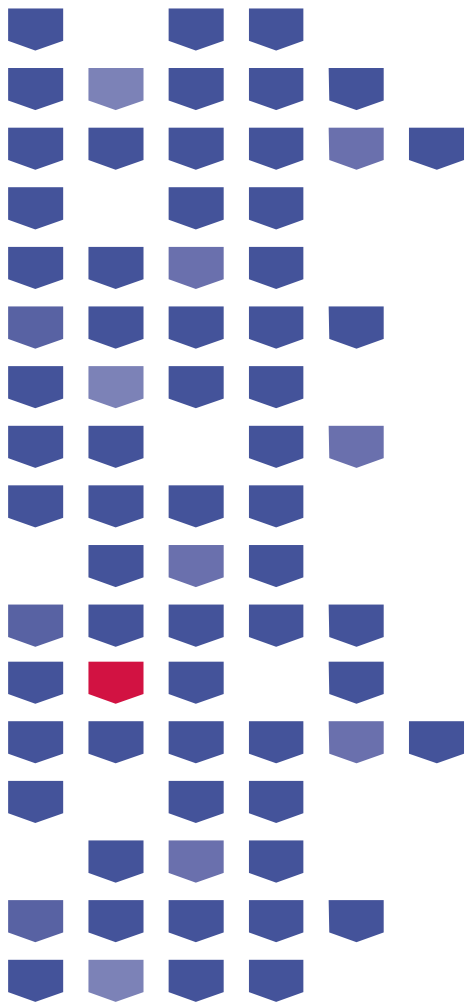
- Be aware that vendor may attempt to require USAF to pay his overhead of between 2% and 3% per transaction for accepting GPC
 - Negotiation points –
 - Merchant will receive payment within 2 or 3 days versus 30 or more (cost of funds)
 - Merchant won't need to submit invoices to USAF and track payment (administrative savings)
 - Lower Visa fees if passing Level III data



Air Force Actions to Date

- Air Force is considering mandating all IT buys under \$25K through AFWAY
- Air Force is working with U.S. Bank to develop a process whereby the GPC can be used for Contract payments





Questions?



Thank You

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Presentations will be available on
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