

TODAY'S  
VISION  
TOMORROW'S  
REALITY



The 12th Annual GSA SmartPay® Training Conference

# USAF Contract Payments

*Presented by Dave Williams  
USAF Relationship Manager  
Washington, DC  
August 12, 2010*

All of **us** serving you™



# Agenda

- What's Included in Contract Payments?
- USAF Alpha Solution Spend Potential
- USAF Alpha Solution Rebate Potential
- USAF Spend by Bucket (Jan-Mar 10)
- Level 3 Spend by Bucket (Mar 10)
- Determining/Using Bucket Spend Numbers
- USAF Alpha Solution Recommendations
- USAF Bravo Solution Spend Potential
- USAF Bravo Solution Rebate Potential
- Army Contract Payments Program Rationale & Overview
- Army Contract Payments Process Flow



# Agenda (continued)

- U.S. Bank Access® Online Payment Plus overview
- Payment Plus – single-use accounts
- Transaction Approval Process
- EDI 810 Invoice File Processing
- Transaction Level Statement
- Army CP Program project status & schedule
- Next steps for Bravo Solution
- USAF business considerations
- Conclusion



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  - Includes Types:
    - “D”



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    - “C” –



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    - “G” – Basic Ordering Agreements (BOAs)
    - “C” – Contracts of all Types, except Types “D”, “A” “G”, etc.
  - Types “D”, “A”, and “G” are already authorized for payment by GPC, per AFI 64-117, Air Force Government-wide Purchase Card Program
    - Authorized for Cardholders up to \$25K
    - Contracting Officers may use up to warrant limit
  - Type “C” is not currently authorized for payment by GPC



# What's Included In USAF Contract Payments?

- Separate Contract Types into Two Solutions:

## ALPHA SOLUTION

Includes:

IDIQs

BPAAs

BOAs

## BRAVO SOLUTION

Includes:

Type "C" Contracts



# USAF Alpha Solution Spend Potential

- Program Optimization Analysis from Oct 07-mid-Aug 08 –
  - Accounts Payable files from 3 DFAS OPLOCs
    - (Limestone, Columbus and Japan)
- \$690 million!!! - Just with Merchants who accept Visa
  - Spend Volume does NOT include approx. \$3 billion with Merchants who do NOT accept Visa
  - Spend Volume does NOT include mid-Aug to 30 September '08



# USAF Alpha Solution Rebate Potential

- IDIQs, BPAs and BOA - Potential of \$690MM (Merchants accepting Visa)

If <b>25%</b> of these payments were with GPC:	If <b>50%</b> of these payments were with GPC:	If <b>75%</b> of these payments were with GPC:	If <b>100%</b> of these payments were with GPC:
<b>25% of \$690MM</b> <b>= \$172.5MM</b>  <b>= .0123* basis points</b>  <b>= \$2,121,750</b>	<b>50% of \$690MM</b> <b>= \$345MM</b>  <b>= .0123* basis points</b>  <b>= \$4,243,500</b>	<b>75% of \$690MM</b> <b>= \$517.5MM</b>  <b>= .0123* basis points</b>  <b>= \$6,365,250</b>	<b>100% of \$690MM</b> <b>= \$690MM</b>  <b>= .0123* basis points</b>  <b>= \$8,487,000</b>

\* Basic File Turn of 28



# USAF Spend By Bucket (Jan-Mar 10)

2010	Total USAF Spend	Total USAF Trans	Total Spend =/< \$3,000	# Trans =/< \$3,000	Total Spend = \$3,001-25,000	# Trans = \$3,001-25,000
JAN	\$96,000,831.04	158,904	\$62,438,097.03	155,679	\$26,726,251.11	3,115
FEB	\$106,810,824.35	167,230	\$67,129,983.62	163,621	\$30,214,017.18	3,457
MAR	\$138,772,389.29	207,882	\$86,730,707.59	202,940	\$40,451,254.47	4,728

Total Spend = \$25,001-100,000	# Trans = \$25,001-100,000	Total Spend = \$100,001 and over	# Trans = \$100,001 and over
\$4,647,311.30	100	\$2,189,171.60	10
\$6,545,158.05	140	\$2,921,665.50	12
\$9,470,759.73	204	\$2,119,667.50	10



# USAF Level 3 Spend By Bucket (Mar 10)

Mar 2010	A < 3000		B 3001-25000		C 25001-100000		D 100001 +	
LEVEL 3	TOTAL_SPEND	TRANS	TOTAL_SPEND	TRANS	TOTAL_SPEND	TRANS	TOTAL_SPEND	TRANS
00014	\$3,667,947.92	8,531	\$2,099,379.83	268	\$544,161.84	11		0
00015	\$2,669,857.03	5,789	\$1,047,254.04	122	\$253,507.68	5		0
00016	\$19,274,074.57	44,304	\$9,804,807.05	1,159	\$734,083.00	15		0
00019	\$14,326,040.33	33,809	\$5,240,570.52	635	\$1,924,087.64	42		0
00020	\$5,034,447.46	10,913	\$1,665,577.25	191	\$805,199.63	20	\$945,428.00	4
00023	\$5,624,690.00	10,544	\$3,215,536.69	361	\$704,666.26	17	\$671,489.50	4
00030	\$1,182,562.39	3,201	\$417,328.88	63	\$248,034.82	5		0
00043	\$2,671,586.14	7,419	\$1,496,502.96	188	\$428,700.00	8		0
00045	\$1,408,014.69	3,123	\$699,905.78	71		0		0
00055	\$1,194,241.93	3,014	\$429,851.44	55	\$298,133.40	7		0
00064	\$11,155,554.46	27,534	\$2,597,346.30	280	\$833,559.75	18	\$502,750.00	2
00075	\$76,210.97	207	\$37,165.63	6		0		0
00080	\$332,239.60	675	\$220,378.21	30		0		0
00087	\$1,569,573.56	4,971	\$860,190.34	125		0		0
00088	\$16,543,666.54	38,906	\$10,619,459.55	1,174	\$2,696,625.71	56		0
<b>Total</b>	<b>\$86,730,707.59</b>	<b>202,940</b>	<b>40,451,254.47</b>	<b>4,728</b>	<b>9,470,759.73</b>	<b>204</b>	<b>2,119,667.50</b>	<b>10</b>



# Determining/Using Bucket Spend Numbers

- U.S. Bank creates and distributes +\$3,000 Transaction Reports monthly
  - Just sort the report by TBR hierarchy
  - Then, extract your Level 3 and 4 transactions
  - Do a sort on the Amount Column (Col. J)
  - Manually determine the transactions/dollars in each spend bucket
- Can be used to track spend growth in the larger spend buckets, based on Alpha Solution



# USAF Alpha Solution Recommendations

- Recommend consideration be given to amending existing IDIQ contracts, BPAs and BOAs to require payment be made via GPC
- Consider requiring payment to be made using GPC for **applicable** future IDIQs, BPAs BOAs where price has already been negotiated
- Recommend consideration be given to amending existing requirements contracts and BPAs to require payment be made via GPC
- Recommend A/OPCs discuss recommendations with Contracting Commanders





# Questions on Alpha Solution?



# USAF Bravo Solution Spend Potential

- Program Optimization Analysis from Oct 07-mid-Aug 08 – “C” Type Contracts
  - Accounts Payable files from 3 DFAS OPLOCs
    - (Limestone, Columbus and Japan)
- \$155 million with merchants who accept Visa
  - Spend Volume does NOT include approx. \$450mm w/merchants who do NOT accept Visa
  - Spend Volume does NOT include mid-Aug-30 September '08



# USAF Bravo Solution Rebate Potential

- Type “C” Contract Payments = \$155MM (Merchants accepting Visa)

If <b>25%</b> of these payments were with GPC:	If <b>50%</b> of these payments were with GPC:	If <b>75%</b> of these payments were with GPC:	If <b>100%</b> of these payments were with GPC:
<b>25% of \$155MM</b> <b>= \$38.75MM</b>  <b>= .0123* basis points</b>  <b>= \$476,625</b>	<b>50% of \$155MM</b> <b>= \$77.5MM</b>  <b>= .0123* basis points</b>  <b>= \$953,250</b>	<b>75% of \$155MM</b> <b>= \$116.25MM</b>  <b>= .0123* basis points</b>  <b>= \$1,429,875</b>	<b>100% of \$155MM</b> <b>= \$155MM</b>  <b>= .0123* basis points</b>  <b>= \$1,906,500</b>

\* Basic File Turn of 28





# Questions on Alpha or Bravo Solution?





# Army Contract Payments Program (Type “C”)



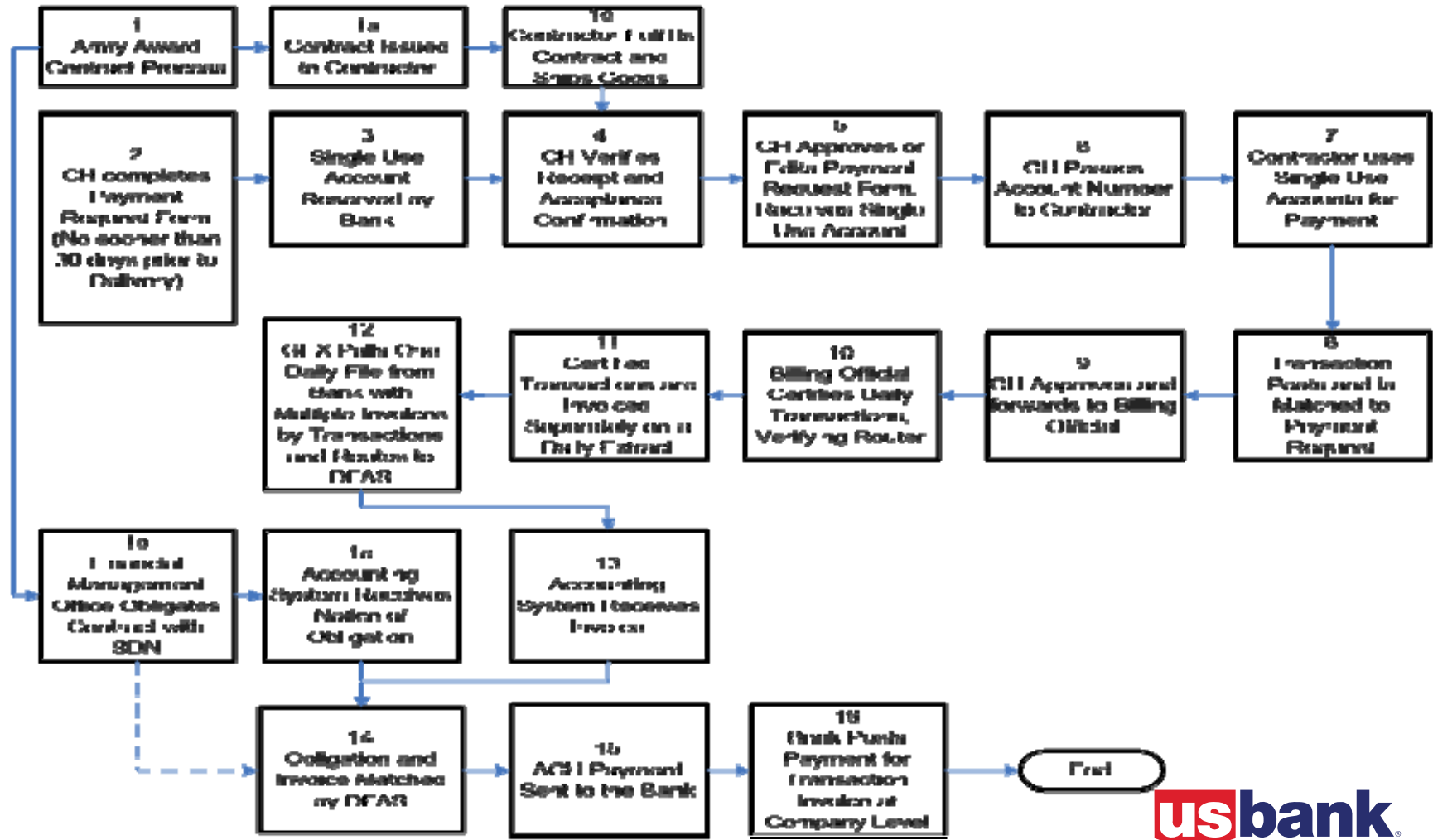
# Army Contract Payments Program

## *Rationale & Overview*

- '08 Army SP2 Task Order Requirement – Contract Payments Program
  - New EDI Process Flow
  - No Double Obligation
  - Daily Certification to Maximize Refunds
  - Confirmation Receipt & Acceptance BEFORE Payment
  - Secure Method of Payment
    - Payment Plus



# Army Contract Payment Process Flow



# Payment Plus Overview

- **What is Payment Plus?**
  - Payment Plus offers a secure way to pay for products and services you normally pay by check or automated clearinghouse (ACH) methods.
- **Benefits**
  - Reduced Costs
  - Reduced Risk
    - Single-use Accounts
      - These accounts are electronically generated and used only once with the designated supplier for the specified payment amount and time period. Each supplier using a single-use account uses a different account for each payment transaction
      - Generated after Payment Request form is completed
  - Increased efficiency and value without radical process change



# Payment Plus – Single-use Accounts

## *Secure Means of Payment*

- VISA Web Service Application in Access Online
- Payment Request Form
  - Merchant name/amount/date
  - Contract information
    - Standard document number
    - Line(s) of accounting
- 16-digit account number available upon request
  - Single-use account



# Transaction Approval Process

## *Strict Internal Controls*

- Two Step Contract Payments Approval/Certification Process
  - Cardholders individually approve transactions
  - Certifying Official individually certifies transactions
- Certifying Officials Limited Modification Ability
  - Line of accounting
  - Comments on the Payment Request Form
- Certifying Officials CANNOT generate Payment Request



# EDI 810 Invoice File Processing

## *No Double Obligation*


- Each Contract Payments Transaction is Invoice
  - Contract Standard Document Number
  - Contract Line of Accounting
- Daily Electronic Transmissions to GEX/DFAS
- Post to Financial System
  - Match to Prerecorded Obligation



# Transaction Level Statement

## *Paper Invoice – Single Transaction*

### Example: Access Online Transaction Level Statement

		ACCOUNT NUMBER: 4444 5555 5555 9999				
P.O. BOX 6347		POST DATE: 11-20-2008				
FARGO ND 58125-6347		TRANSACTION AMOUNT: \$1000.00				
NEW ACTIVITY						
JOHN DOE						
XXXX XXXX XXXX 9999						
Post Date	Tran Date	Reference Number	Merchant Name	City	State/ Province	Trans Amount
11-20	11-18	24187593847098237512998	FRED LEE ELITE SEATS	MPLS	MN	\$1000.00
Allocations:	<u>&lt;Col. Title&gt;</u>	<u>&lt;Col. Title&gt;</u>	<u>&lt;Col. Title&gt;</u>			
	\$700.00	70%	21ABC2009			
	\$200.00	20%	22ABC2009			
	\$100.00	10%	23ABC2009			

# Army Contract Payments Program

## *Project Status & Schedule*

- Pilot Started September, 2009
  - Ft. Drum, NY
  - Fixed Price/Single Delivery/Service Contracts
  - \$20mm in Payments (through June)
- DFAS upgrades need to be completed before going full pilot



# Next Steps for Bravo Solution

- U.S. Bank briefed USAF GPC leadership on Army Contract Payments - March, 2010
- USAF was to brief Commercial Pay Council in June
  - Commercial Pay Council dissolved prior to June
- SAF/AQC and SAF/FMB to collaborate and solicit Senior Leadership Support for Contract Payments
- IAPS will require programming changes



# USAF Business Considerations

## *Type “C” Contract Payments – Bravo Solution*

- USAF will use Confirm & Pay process
- USAF will use new relationship (Level 2 – 00058)
- U.S. Bank recommends that a new Parent AVC, with minimum of IFS (for contract or document number) and Appropriation segments being required (USAF may request other FA2 segments be required), be created and assigned to the Contract Payment Account. Need to consider other possible IAPS-GAFS issues.



# Conclusion

- Alpha Solution is available to the USAF now
  - Lots of Rebate potential
- Bravo Solution Coming – stay tuned!
- Looking forward to partnering with the USAF in a new Chapter of the GPC Program





# Questions?



# Thank You

Presentations will be available on  
[www.usbank.com/sp2presentations](http://www.usbank.com/sp2presentations)  
after the conference

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