

TODAY'S
VISION
TOMORROW'S
REALITY



The 12th Annual GSA SmartPay® Training Conference

Contract Payment Options for the Defense Agencies

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All of **us** serving you™



Agenda

- Goal
- Types of Contract Payments
- Spend by Bucket Analysis
- Advantages of using purchase card as method of payment
 - Administrative
 - Financial
- Contract Payment Options
- Cycle-based - Standard GPC EDI Contract Payments
- Cycle-based - Payment Plus EDI Contract Payments
- Advantages of Payment Plus Over Standard GPC
- Financial Benefits Explained
- Integration with Wide Area Workflow
- Summary



Goal

- Provide Contract Payment options so you can make informed decisions about which options are best for your agency



Types of Contract Payments

- \$3,000 - \$25,000
 - Indefinite Delivery/Indefinite Quantity (ID/IQs)
 - Blanket Purchase Orders (BPAs)
 - Basic Ordering Agreements (BOAs)
- Payments Over \$25,000
 - No limit on payment amount
 - Paid one time or in regular installments to contractor



Spend by Bucket Analysis

- Top to Bottom Approach
- Dollar Ranges/# of Transactions
 - \$0 ≤ \$3000 Micro-Purchases
 - \$3001 to \$25K Potential BPA/Orders off Schedules/IDIQ Contracts
 - \$25K to \$100K Contract Payments
 - \$100K and above Contract Payments
- Level 3 - Agent/Level 4 and 5 Analysis
- Identify Trends
- Leverage Data Agency Business Processes
- Consolidated GPC Contract Data
 - Negotiate Discounts
 - Reporting



Administrative Advantages

- Can confirm receipt and acceptance before payment
- No double obligation issue
- Electronic Payment (EDI)
- Vendor paid faster (2-3 days)
- Improved/consolidated data management
- Potential vendor discounts
- Unlimited payment amount
- Less paper



Financial Advantages

- Improved administrative costs (\$70 per Payment)
- Increased rebate (\$11,000 per \$1MM added payment)
- Lower DFAS costs (\$5.78/payment v. \$28.82/payment)
- Decreased delinquency and interest penalties



Contract Payment Options

- 1. Manual Pay w/ Card
 - Slow, paper-based reconciliation and payment
- 2. Cycle-based – EDI-enabled – Standard GPC
 - Fast, standard security, electronic Payment, consolidated reporting, minimal training
- 3. Cycle-based – EDI-enabled - Payment Plus
 - Fast, enhanced security, single-use accounts, electronic payment, specialized reporting, moderate training
- 4. Daily Pay - EDI Enabled - Payment Plus
 - Army model, very fast, separate relationship, enhanced security, single-use accounts, significant additional training, maximizes rebates
- 5. Daily Pay - based on a daily file sent to DLA
 - Non-EDI, fastest

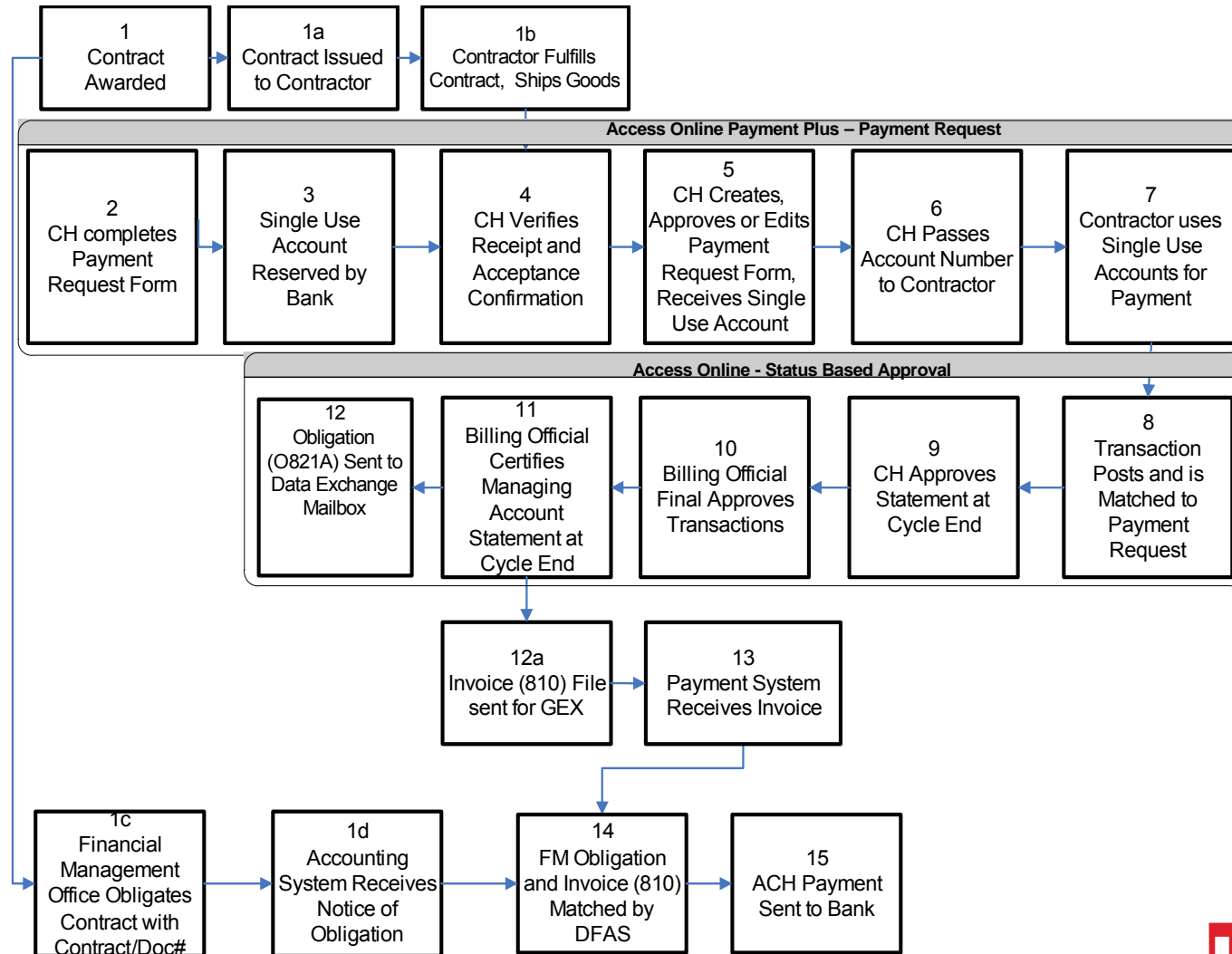


Cycle-based - EDI - Standard GPC Process

- Contract signed
- Goods delivered
- Order form created by cardholder in U.S. Bank Access® Online
 - Document # from accounting system added to line of accounting
- Account number processed by merchant
- Cardholder matches order with transaction data in Access Online
- Cardholder approves statement at end of cycle in Access Online
- Billing Official reviews and certifies cardholder statements in Access Online
- Obligation file sent to Data Exchange Mailbox in Access Online
- Invoice file sent to payment system
- DFAS matches obligation and invoice
 - document #, account #, amount and line of accounting
- ACH payment sent to U.S. Bank



Cycle-based – EDI – Payment Plus Flow



Cycle-based - EDI - Payment Plus Process

- Contract signed
- Goods delivered
- *Payment request form for **single-use account** created by Cardholder in Access Online
 - Document # from accounting system added to line of accounting
- Account number processed by merchant
- Requisition matches with transaction data in Access Online
- Cardholder approves statement at end of cycle in Access Online
- Billing Official reviews and certifies cardholder statements in Access Online
- Obligation file sent to Data Exchange Mailbox in Access Online
- Invoice file sent to payment system
- DFAS matches obligation and invoice
 - Document #, account #, amount and line of accounting
- ACH payment Sent to U.S. Bank



Advantages of Payment Plus vs. Standard GPC

- Single-use account number
 - Only active for one payment
- Enhanced Security
 - Designated vendor
 - Designated amount
 - Designated timeframe
- No Plastic



Financial Benefits Example – Cycle Based

- Assume additional \$1 million in spend
- Assume 100 payments
- File turn: 36
- Basis points: 111.00

- Additional refund: $\$1,000,000 \times .01110 =$ **\$11,100**
- DFAS savings for EDI: $100 \times \$23.04 =$ **\$2,304.00**
- Administrative savings = $100 \times \$70 =$ **\$7000**

Total savings = \$11,100 + \$2,304 + \$7000 = \$20,404



Financial Benefits Example – Daily

- Assume additional \$1 million in spend
- Assume 100 payments
- File turn: 15
- Basis points: 142.50

- Additional refund: $\$1,000,000 \times .01425 =$ **\$14,250**
- DFAS savings for EDI: $100 \times \$23.04 =$ **\$2,304.00**
- Administrative savings = $100 \times \$70 =$ **\$7000**

Total savings = \$14,250 + \$2,304 + \$7000 = \$23,554



Integration with Wide Area Workflow (WAWF)

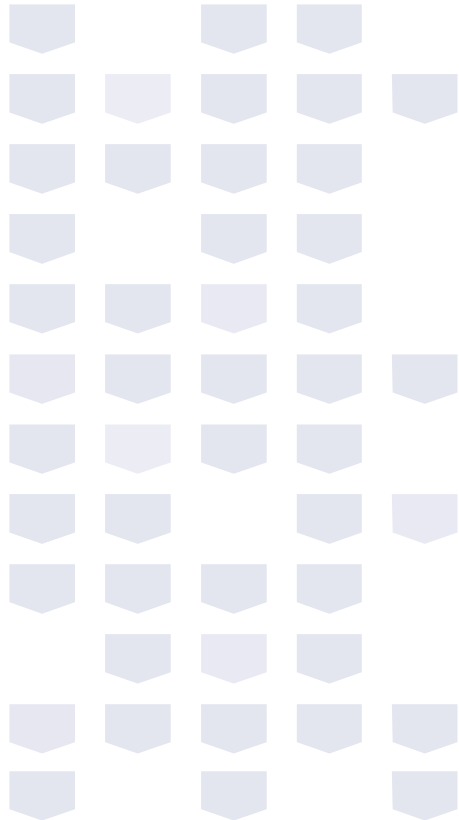
- WAWF often used to pay contracts
- Method of payment chosen by Contracting Officer
- Swivel Chair Effect inhibits choice of purchase for payment
 - Data Entry in Multiple Systems, WAWF and Access Online
- Creation of interface will create a single point for data entry
 - Eliminates swivel chair effect
 - Enhances security
 - Contract Payments earn a refund when previously earning none
 - Consolidated reporting in Access Online
- Ready to identify interface requirements now



Summary

- Adding/EDI Enabling Contract Payments will significantly improve an agency's Contract Payment process by adding security, increasing refunds, enhancing data management and improving efficiency
- Integration with Wide Area Workflow is the next logical step in seamless payment and data management. It will save time and effort by eliminating duplicate data entry and will improve data management and increase refunds.





Questions?





Thank You

Presentations will be available on
www.usbank.com/sp2presentations
after the conference

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