



## Alternative Payment Methods to Convenience Checks

**Date: February 25, 2014**

# Training Topics

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- Vendor Payment Methods:
  - USDA Purchase Card
  - Vendor Bank Account Options
  - Debit Card Options
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# Training Objectives

- After completing this training users will be able to identify the following information for alternative payment methods (vs. writing convenience checks):
  - Identify the different types of alternative payment methods: options for vendors with bank accounts or debit cards.
  - Find additional information about the alternative payment options.
  - Understand that most options are not under GSA SmartPay2 Contract (no rebates) and that the agency must provide management and oversight.

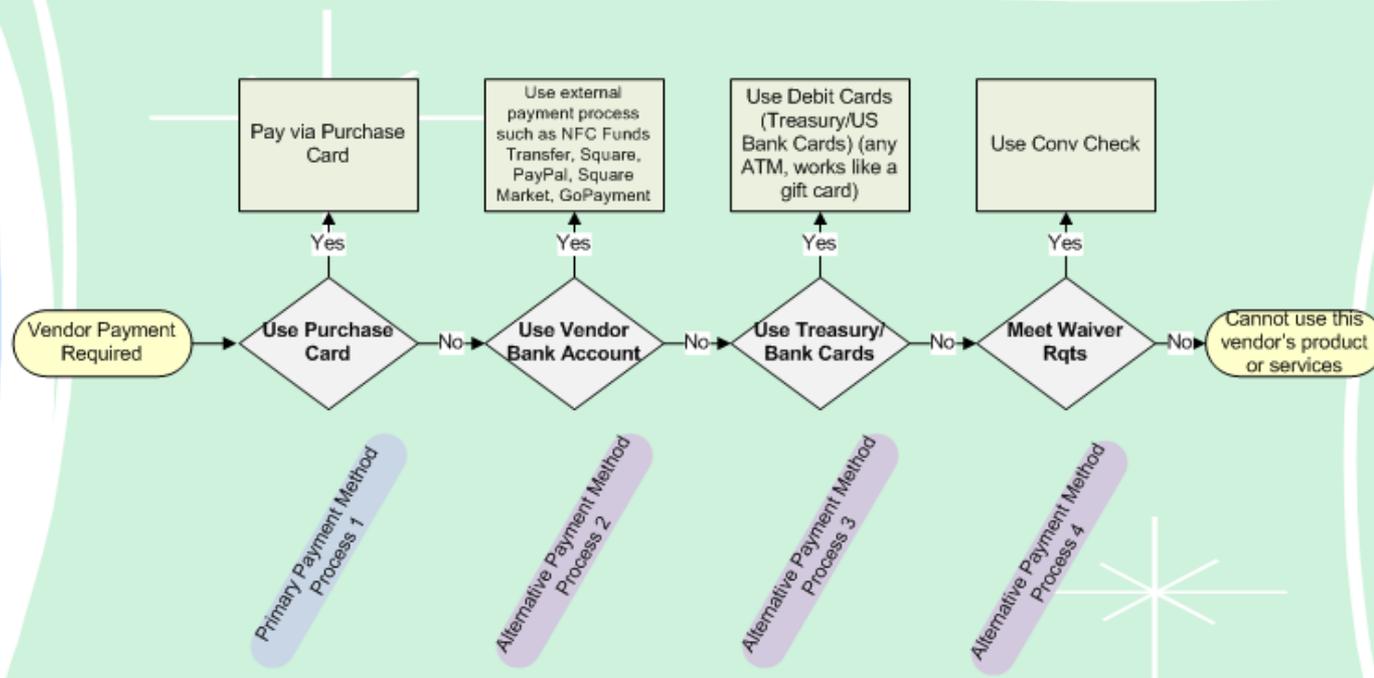


# Training Audience

The *Alternative Payment Methods to Convenience Checks* presentation is for the Agency Program Coordinator (APCs) of the USDA charge card program.



# Vendor Payment Selection Workflow



# List of Vendor Payment Methods

- USDA Purchase Card
- Bank Account Options:
  - Square
  - Square Market
  - PayPal
  - Intuit GoPayment
- Debit Card Options
- Convenience Checks



# USDA Purchase Card (Process 1)

- Payments are made via the purchase card. Use this as the preferred method when lead times are too short for a vendor contract.
- **Cost to Use:** Vendor pays a fee (Visa Interchange Fee).
- **Advantages:**
  - Under GSA SmartPay2
  - Online management and tracking
  - Reporting
  - Established program for USDA
- **Disadvantages:**
  - Not all vendors accept the purchase card
- **Web Site:** [CCSC Web Site](#)
- **Contact:** [CCSC Inbox](#)



# Vendor Bank Account Options (Process 2)

- If the vendor has a bank account, you can use the following payment options:
  - Square<sup>®</sup> (smart phone card reader)
  - Square Market<sup>®</sup> (web-based market)
  - PayPal<sup>™</sup> (smart phone card reader)
  - Intuit GoPayment<sup>®</sup> (smart phone card reader)
- See comparison chart on next slide.



# Vendor Bank Account Options Comparison

Option	Square	Square Market	PayPal	Intuit GoPayment
Type	Card Reader	For Online Purchases	Card Reader	Card Reader
Set Up Time:	1–2 Days	1–2 Days	1–2 Days	1–2 Days
Set Up Cost:	Free	Free	Free	Free
Cost to Use by Vendor:	2.75% per transaction	2.75% per transaction	2.75% per transaction	2.75% per transaction
Advantages:	<ul style="list-style-type: none"> <li>• Under GSA SmartPay2</li> <li>• Free (mostly) reader</li> <li>• Uses Smart Phone or Tablets</li> <li>• Available in big box stores</li> </ul>	<ul style="list-style-type: none"> <li>• Under GSA SmartPay2</li> <li>• Website payments</li> </ul>	<ul style="list-style-type: none"> <li>• Under GSA SmartPay2</li> <li>• Reader is (mostly) free</li> <li>• Uses Smart Phone or Tablets</li> <li>• Available in big box stores</li> <li>• Website payments</li> </ul>	<ul style="list-style-type: none"> <li>• Under GSA SmartPay2</li> <li>• Free reader</li> <li>• Free App</li> <li>• Uses Smart Phone or Tablets</li> <li>• Available in big box stores</li> </ul>
Disadvantages:	<ul style="list-style-type: none"> <li>• Vendor pays the fee</li> <li>• Must use Chrome or latest version of Internet Explorer</li> </ul>	Vendor pays the fee	Vendor pays the fee	Vendor pays the fee
Web Site:	<a href="http://www.squareup.com">http://www.squareup.com</a>	<a href="http://www.squareup.com/register/sell-online">http://www.squareup.com/register/sell-online</a>	<a href="http://www.paypal.com/us/webapps/merchant/sell-in-person">www.paypal.com/us/webapps/merchant/sell-in-person</a>	<a href="http://www.intuit-gopayment.com">www.intuit-gopayment.com</a>

# Debit Card Options (Process 3)

- There are two debit card options:
  - Treasury Contracted Card
  - US Bank Debit Card



# Debit Card: Treasury Contracted Card (Process 3)

- **A Treasury contracted card, aka US Debit Card, has two types:**

- Cardholder Funds
- Agency Funds

## The US Debit Card is created by:

1. USDA transfers funds to J.P. Morgan (Treasury financial agent) via ACH to fund the U.S. Debit cards.
2. USDA sets up the card using the J.P. Morgan online system.
3. USDA distributes the U.S. Debit Card to the vendor at the time products are received or services are rendered.
4. Vendor must activate the card and establish a PIN before using the card.

- **Cost to Use:**

- Fees to vendor can be avoided under certain circumstances (non-JP Morgan Bank ATMs charge a fee).



# Debit Card: Treasury Contracted Card (Process 3), cont'd.

## ■ Advantages:

- Cardholder Funds: Cardholder controls the funds; cardholder (vendor) controls the funds once the card is issued.
- Agency Funds: Agency controls the funds, spending is tracked, the card is reloadable, the agency can remove funds from the card and return to the agency, and can be dispersed as bulk loads or a one time issuance.
- Vendor is paid using a Treasury sponsored debit card program.
- Online system available to manage and track.

## ■ Disadvantages:

- Cardholder Funds: Cannot track how vendor spends the money on the card, card is not reloadable, and the funds cannot be removed by the agency.
- Agency Funds: Subject to fees for blank cards and other charges.
- Not under GSA SmartPay2 Contract (no rebates), agency must provide management and oversight.

■ **Web Site:** [fms.treas.gov/debitcard/index.html](https://fms.treas.gov/debitcard/index.html)

■ **Contact:** Jerimiah Bennett, [jerimiah.bennett@fms.treas.gov](mailto:jerimiah.bennett@fms.treas.gov), Program Manager, 202-874-7209



# Debit Card: US Bank Debit Card (Process 3)

- Vendor is paid using a US Bank sponsored debit card program. Use this method for vendors who do not accept the purchase card and do not have a bank account. USDA distributes the US Bank Debit Card to the vendor at the time products are received or services are rendered.
- **Advantages:**
  - Part of the SmartPay2 contract
- **Disadvantages:**
  - Unavoidable fees to vendor associated with card usage
  - Not associated with US Bank's Access Online and agency must provide management and oversight
- **Web Site:** [www.usbank.com](http://www.usbank.com)
- **Contact:** [CCSC Inbox](#)



# Convenience Checks (Process 4)

- Use this method for vendors who do not accept the purchase card and will only accept a check for products or services, do not have a bank account, payment is required immediately, and the mailing of a check is not acceptable. This vendor payment *must* qualify for one of the DCIA waivers (Federal Law), and the requirements of the OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Cards*, Chapter 12, “Convenience Checks,” and the Departmental Regulation (DR) 5013-6: *Use of the Purchase Card and Related Alternative Payment Methods* (November 2012) requirements. CCSC will be performing 100% audit of each convenience check transaction.
- **Cost to Use:** 1.7% fee per check charged to USDA, but vendor is not charged a fee.
- **Advantages:**
  - Managed under the SmartPay2 contract
  - Expedient
- **Disadvantages:**
  - Least desirable form of federal payment, restricted by Congress, the President (OMB), and the Treasury.
  - Cannot use if a DCIA waiver does not apply (not compliant with federal law)
  - Low probability of IRS W-9 data collected and entered into Access Online correctly
  - Cardholder data entry failures cause the USDA 1099 MISC processing for that vendor to fail
  - High risk of waste, fraud, and abuse
- **Site:** N/A
- **Contact:** Contact LAPC to request convenience checks.



# Alternatives Considered but not Recommended

- The following alternatives were considered cost prohibitive by CCSC:
  - Declining Balance Card
  - Cardless Account
  - Stored Value Card
- CCSC is still researching the following NFC options:
  - NFC Funds Transfer
  - NFC Check



# Training Summary

- **After completing this training users can now successfully:**
  - Identify the different types of alternative payment methods: options for vendors with bank accounts or debit cards.
  - Find additional information about the alternative payment options.
  - Understand that most options are not under GSA SmartPay2 Contract (no rebates) and that the agency must provide management and oversight.



# Questions





Additional information on the **Charge Card Service Center** can be accessed at the [CCSC Web site](#).