



5.8 Purchase Card: Develop process to pay weekly/daily

Expedite payment of purchase card/ travel card/fleet card expenses to increase rebates to Government.

Currently, the bureaus pay the purchase bank card invoices based on a monthly statement, within 3 days of receipt. This provides rebates back to the government computed on two criteria: Volume of transactions and timeliness of payment. Travel and fleet bank card invoices are not paid with the accepted “pay and chase” method as the purchase card and are paid later after reconciliation.

The volume rebate percentage differs by business line (purchase, travel, and fleet) and uses the Monthly rebate table. The percentages range depending on Annual Charge Volume from 109 basis points (1.09%) to 120 basis points (1.20%) for the purchase table. The Weekly purchase rebate table ranges from 157 basis points (1.57%) to 168 basis points (1.68%). In order to use the weekly rebate table, the entire department (**all** bureaus in one business line) must pay weekly and then issue a modification to the servicing bank’s task order.

By changing to a weekly statement cycle, the minimum percentage goes up by .48%. If the bureaus change to a daily statement cycle the minimum percentage increases by .52%.

Timeliness of Payment criteria is based on file turn days. This means the average length of time a charge is outstanding on a statement. The actual formula is (Average outstanding balance over trailing 12 months/volume for trailing 12 months) x number of days (365). It’s a rolling average over 12 months. For estimating purposes, we can use the following formula:

30 day cycle/2 (half the transactions will be greater than 15 days and half the transactions will be less than 15 days so divide by 2) + pays in 3 days= $(30/2)+3=18$ days. The basis points attributable to 18 days are 27.

7 day cycle (weekly) + pays in 3 days = $(7/2)+3=6.5$ days rounded up to 7 days or 39 basis points.

A daily cycle gets the following: (1 day cycle/2) plus same day payment =0.5 days rounded up to 1 day or 44 basis points.

The rebate is calculated by multiplying the percentage by the spend amount for the period.

Examples

Example 1: Volume Rebate

Current rebate tables used: **30-Day Billing Cycle, 30-Day Pay – Sales Refund** (Monthly).



| Purchase | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$100,000,000 | 109 |
| \$150,000,000 | 115 |
| \$200,000,000 | 116 |
| \$250,000,000 | 117 |
| \$300,000,000 | 118 |
| \$350,000,000 | 119 |
| \$400,000,000 | 120 |

| Travel | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$60,000,000 | 75 |
| \$70,000,000 | 84 |
| \$80,000,000 | 85 |
| \$100,000,000 | 86 |
| \$120,000,000 | 87 |
| \$140,000,000 | 88 |
| \$160,000,000 | 89 |

| Fleet |
|---------------------|
| Rebate Basis Points |
| 60 |

Entire DOC Purchase Card Amount (Spend) for year: \$100,000,000. Rebate calculated at 109 basis points. ($\$100,000,000 \times .0109 = \$1,090,000$) If Spend increased to \$200,000,000, the rebate calculation would use 116 basis points. ($\$200,000,000 \times .0116 = \$2,320,000$) If Spend increased to \$400,000,000 the basis points would jump to 120. ($\$400,000,000 \times .0120 = \$4,800,000$)

If all of DOC paid on a **weekly** cycle, and DOC changed the Task Order with the bank to use the **Weekly Pay – Sales Refund** rebate table the following potential rebates could be earned:

| Purchase | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$100,000,000 | 157 |
| \$150,000,000 | 163 |
| \$200,000,000 | 164 |
| \$250,000,000 | 165 |
| \$300,000,000 | 166 |
| \$350,000,000 | 167 |
| \$400,000,000 | 168 |

| Travel | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$60,000,000 | 123 |
| \$70,000,000 | 132 |
| \$80,000,000 | 133 |
| \$100,000,000 | 134 |
| \$120,000,000 | 135 |
| \$140,000,000 | 136 |
| \$160,000,000 | 137 |

| Fleet |
|---------------------|
| Rebate Basis Points |
| 108 |

Entire DOC Purchase Card Amount (Spend) for year: \$100,000,000. Rebate calculated at 157 basis points. ($\$100,000,000 \times .0157 = \$1,570,000$) If Spend increased to \$200,000,000, the rebate calculation would use 164 basis points. ($\$200,000,000 \times .0164 = \$3,280,000$) If Spend increased to \$400,000,000 the basis points would jump to 168. ($\$400,000,000 \times .0168 = \$6,720,000$)



If all of DOC paid on a **daily** cycle, and DOC changed the Task Order with the bank to use the **Daily Pay – Sales Refund** rebate table the following potential rebates could be earned:

| Purchase | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$100,000,000 | 161 |
| \$150,000,000 | 167 |
| \$200,000,000 | 168 |
| \$250,000,000 | 169 |
| \$300,000,000 | 170 |
| \$350,000,000 | 171 |
| \$400,000,000 | 172 |

| Travel | |
|----------------------|---------------------|
| Annual Charge Volume | Rebate Basis Points |
| \$60,000,000 | 127 |
| \$70,000,000 | 136 |
| \$80,000,000 | 137 |
| \$100,000,000 | 138 |
| \$120,000,000 | 139 |
| \$140,000,000 | 140 |
| \$160,000,000 | 141 |

| Fleet |
|---------------------|
| Rebate Basis Points |
| 112 |

Entire DOC Purchase Card Amount (Spend) for year: \$100,000,000. Rebate calculated at 161 basis points. (\$100,000,000 x .0161 = \$1,610,000) If Spend increased to \$200,000,000, the rebate calculation would use 168 basis points. (\$200,000,000 x .0168 = \$3,360,000) If Spend increased to \$400,000,000 the basis points would jump to 172. (\$400,000,000 x .0172 = \$6,880,000)

Example 2: Timeliness Rebate

If a bureau has \$1,000,000 in spend for a quarter on the purchase card (ignoring travel and fleet for the moment), and is currently on a 30 day statement cycle and pays the invoice within 3 days of receipt of the invoice, the bureau would receive X in rebate. How much is the X?

File Turn = 30 day cycle / 2 + pays in 3 days = 18 days

\$1,000,000 x (18 days = .0027) = \$2,700

If the bureau changes to a **weekly** statement cycle and still pays within 3 days of receipt of the invoice, how does X change?

File Turn = 7 day cycle / 2 + pays in 3 days = 6.5 days = round to 7 days

\$1,000,000 x (7 days = .0039) = \$3,900

If the bureau pays on a **daily** statement cycle, how does X change?

File Turn = 1 day cycle / 2 + pays same day = 0.5 days = round to 1 day

\$1,000,000 x .0044 = \$4,400



Productivity Refund - Purchase Card

| File Turn | Productivity Refund (bp) | File Turn | Productivity Refund (bp) | File Turn | Productivity Refund (bp) | File Turn | Productivity Refund (bp) | File Turn | Productivity Refund (bp) |
|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| 45 | 0 | 35 | 10 | 25 | 20 | 15 | 30 | 4 | 41 |
| 44 | 1 | 34 | 11 | 24 | 21 | 14 | 31 | 3 | 42 |
| 43 | 2 | 33 | 12 | 23 | 22 | 13 | 32 | 2 | 43 |
| 42 | 3 | 32 | 13 | 22 | 23 | 12 | 33 | 1 | 44 |
| 41 | 4 | 31 | 14 | 21 | 24 | 11 | 34 | | |
| 40 | 5 | 30 | 15 | 20 | 25 | 10 | 35 | | |
| 39 | 6 | 29 | 16 | 19 | 26 | 9 | 36 | | |
| 38 | 7 | 28 | 17 | 18 | 27 | 8 | 38 | | |
| 37 | 8 | 27 | 18 | 17 | 28 | 7 | 39 | | |
| 36 | 9 | 26 | 19 | 16 | 29 | 6 | 40 | | |

Sources

- Source:** AP BPR Recommendation 4.3.10 Purchase Card Bill
Document ID: Accounts Payable Standardization and Optimization Business Process Re-Engineering Analysis (Accounts Payable BPR Analysis 2007 v3.0.doc)
Publication Date: August 28, 2007
- Source:** AP BPR Phase II Recommendation 2.11.1.1 Purchase Card
Document ID: Department of Commerce AP BPR Phase II Results Documentation (AP_BPR_Results_Final_v1.5.doc)
Publication Date: April 30, 2008
- Source:** AP BPR 4.11.2.1 Purchase Card: Develop process to pay weekly/daily
Document ID: AP BPR Implementation Status as of 09-13-10.xls
Publication Date: September 13, 2010
- Source:** Email from Valerie L. Mawdsley, Vice President, JPMorgan, Relationship Manager, Federal Card Solutions
Document ID: DOC Rebate tables for Jennifer 11-2010.xlsx
Publication Date: October 31, 2010