

How the SPCC Underutilization Percent is Calculated

As part of the Commonwealth's ongoing efforts to increase efficiency and reduce operating costs, the Department of Accounts (DOA) fully implemented the Small Purchase Charge Card (SPCC) program in 1996. Statistics show that the SPCC program results in an estimated 67% reduction in the number of checks produced to pay for small purchases. Agencies are also able to reduce voucher preparation costs and improve prompt pay performance while the Commonwealth vendors eliminate costly billing and get quicker payment.

To encourage maximum use of the purchasing card to further reduce the costs of processing vendor payments, the Comptroller charges agencies that fell below the State threshold a check fee for any payment under \$5,000 made to a vendor who accepts the State purchasing card. In accordance with accordance with § 4-5.04 of the Appropriation Act, the Comptroller is authorized to charge State agencies a fee of \$5 per check for underutilization.

DOA recognizes that not every small purchase is suitable for payment with the Bank of America VISA purchasing card. Therefore the check fee will only be imposed on agencies and institutions failing to place a minimum of 70 percent of eligible transactions on the purchasing card for the quarter. An eligible transaction is defined as a purchase of less than \$5,000 made from a VISA participating vendor.

The Comptroller's goal is to encourage maximum use of proven cost reduction tools that are currently available but continue to be underutilized. Agencies are encouraged to quickly take action to improve utilization so that the fee will be completely avoided.

DOA will collect the associated fee by DOA journal entry. The fee will be charged as an expenditure to the agency's largest administrative program with an object code of 1546. The agency may move the expenditure via ATV to another fund and/or program but the object code may not be changed.

The SPCC utilization charge is calculated based on transaction count and not on transaction volume. Below is an example of how DOA calculates the utilization.

1 – Take the total transactions on the SPCC under \$5,000 which are debit transactions. This is calculated after each cycle close with Bank of America which is usually on the 15th of each month. A total for the quarter is determined. (i.e. 200)

2 – Take the total transactions made via CARS for the fiscal months which comprised the quarter

Remove all transactions \$5,000 and over

Remove all transactions made to Bank of America

3 – Match the Vendor ID's (Tax Identification number) from CARS against VISA's over 24 million merchants to determine which transactions should have gone on the purchasing card.

4 – Any vendors which match based on Vendor ID, have the total transaction count summed. (i.e. 100)

5 – Add the total transaction count from #1 (200) and #4 (100) = (300)

6 – Take the #1 SPCC Count (200) and divide that by the total transactions (300) to get the SPCC utilization rate for the quarter (67%).

7 – The utilization rate (67%) is what is used to determine whether the agency will get assessed a fee for each CARS transactions eligible to be put on the purchasing card. According to the example used, this agency would be charged for 100 transactions which were eligible to be put on the card by the applicable fee for the quarter listed in this memo.

If you have any questions or need additional information, please feel free to contact the Charge Card Administration Team at cca@doa.virginia.gov or 804-371-7804.