

GENERAL SERVICES ADMINISTRATION
Washington, DC 20405

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GSA Bulletin FMR D-4 2018
Transportation Payment and Audit

TO: Heads of Federal Agencies

SUBJECT: Prepayment Audit Requisite for Package Delivery Services Invoices

1. What is the purpose of this bulletin? This General Services Administration (GSA) bulletin advises agencies on available methods that ensure their compliance with 31 U.S. Code §3726, *Payment for transportation*, when paying transportation invoices attributable to procuring small package delivery services, including those procured using the Department of Defense (DoD) managed package delivery services contract, Next Generation Delivery Services (NGDS). On July 27, 2017, the Office of Management and Budget (OMB) issued Memorandum M-17-29, *Best-in-Class Mandatory Solution for Package Delivery Services*, which mandates, with exceptions, agencies acquire small package delivery services by using the NGDS contract.

2. What is the effective date of this bulletin? This bulletin is effective on the date of signature.

3. When does the bulletin expire? This bulletin remains in effect until canceled or superseded.

4. What is the background? The foundation for this bulletin is established in 31 U.S. Code §3726 *Payment for transportation* and 41 CFR 102-118 *Transportation Payment and Audit*.

As required by 31 U.S. Code §3726, "Each agency that receives a bill from a carrier or freight forwarder for transporting an individual or property for the United States Government shall verify its correctness (to include transportation rates, freight classifications, or proper combinations thereof), using prepayment audit, prior to payment in accordance with the requirements of this section and regulations prescribed by the Administrator of General Services." In addition, 41 CFR 102-118 provides instructions to agencies to ensure compliance with prepayment audit requirements.

5. What agencies does this bulletin apply? This bulletin applies to all agencies, as defined in 31 U.S. Code §101, and wholly owned Government corporations as provided for in 31 U.S. Code §9101(3). All Government-controlled corporations and mixed-ownership Government corporations as defined in 31 U.S. Code §9101(1)

and (2) and all other entities authorized to employ the NGDS contract are encouraged to adopt these guidelines, as applicable, since they are intended to save taxpayer dollars.

6. Why must small package delivery services invoices undergo a prepayment audit?

Executing a prepayment audit on transportation invoices, prior to payment, reduces agencies' improper payments¹ to vendors. Private industry routinely audits small package delivery services invoices and realizes average returns of two to four percent. A review of one agency's paid small package delivery services invoices by the GSA Transportation Audits Division identified overcharges, including Money Back Guarantee refunds, that amounted to six percent of the audited agency's contract spend.

7. What is a Money Back Guarantee refund? Express and ground small package delivery services vendors provide customers a full refund for some service failures. For additional information regarding Money Back Guarantees, visit the Transportation and Logistics Hallway on the Acquisition Gateway (<https://hallways.cap.gsa.gov/login-information>).

8. What does a prepayment audit need to accomplish? A transportation invoice prepayment audit is a review of transportation documentation before payment to determine validity, propriety, and conformity of rates with tariffs, quotations, agreements, contracts, or tenders. Prepayment auditing by your agency will detect and eliminate invoicing errors before payment and reduce improper payments to vendors.

9. How does my agency meet the prepayment audit requirement? Agencies are advised to use a third party payment system (TPPS) such as the one discussed in the NGDS Performance Work Statement (PWS). As per the NGDS PWS, vendors are required to be TPPS capable. Vendors typically pay participation fees to the TPPS hosting bank. Agencies may also refer to 41 CFR 102-118.275 for additional acceptable prepayment audit choices.

10. What does a TPPS prepayment audit review? A TPPS performs an automatic audit on each vendor invoice. Vendor invoices are received electronically and audited for service level, accessorial charges, incorrect rates, late deliveries, and unshipped packages. Approval for payment can be automatic or reviewed manually by agency personnel.

11. Why does GSA's Office of Government-wide Policy (OGP) advise my agency to use a TPPS? GSA-OGP recommends agencies use a TPPS to ensure a prepayment audit of these transportation invoices. A TPPS is:

- Compliant with 41 CFR 102-118 *Transportation Payment and Audit*;

¹ Improper payments are defined in *Improper Payments Information Act of 2002* – Public Law 107-300.

- Provided at no additional cost for agencies (carriers pay fees to participate); and
- A web-based system that ensures agency compliance with OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing*. This OMB memorandum requires agencies to transition to electronic invoicing by the end of fiscal year 2018.

12. How can my agency transition to a TPPS? For information on participating in a TPPS solution or other payment options available to Federal agencies, see section 14.1, Invoicing and Payment - Federal agencies, of the NGDS Shipper's Guide located on the Transportation and Logistics Hallway on the Acquisition Gateway.

13. Can my agency receive an exemption from the requirement to perform a prepayment audit on small package delivery services invoices? While it is not advisable to pay these invoices without proper assurance they are correct, an agency may request an exemption from prepayment audit for bills, modes, or types of transportation. Refer to 41 CFR 102-118.350 through 102-118.365 for instructions.

14. Are agencies that pay small package delivery services invoices with a Government charge card (e.g., GSA SmartPay purchase card) required to perform a prepayment audit? Yes, an audit prior to payment is required. Prepayment audit requirements are not predicated on the method of payment. Unless an exemption has been granted, all small package delivery services invoices are to be audited prior to paying. To request an exemption, refer to question #13.

15. Who do I contact to obtain additional information on the prepayment audit requirement or with additional questions? Contact the Office of Government-wide Policy, Office of Asset and Transportation Management, Transportation Policy by email at GSA-OGP-Transportationpolicy@gsa.gov.

By delegation of the Administrator of General Services.



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