Building your Pcard Foundation

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Agenda

- DOA
- Program Statistics
- Card Types
- Target areas of spend
- Payment Processing
- Online Reconciliation (OLR)
- Audits
- Responsibilities
- Best Practices
- Q & A

Who are we?

Purchase Card & Travel Card Key Features

Options

- Visa® -branded, company-branded marks
- Monthly billing cycle, 25 day grace period
- Central Bill and Central Payment Options
- Flexible settlement, authorization controls, statement date
- Card limits and spend controls
- Integration with expense reporting systems
- Easy access to merchant data
- **Chip and PIN enabled cards to enhance acceptance**
- Client logo on plastics
- Self-service reporting and administration tools to help you run your card program

Key points

- 36 million acceptance locations worldwide
- **Complimentary insurance/travel assistance/liability waiver**
- Robust reporting capabilities with Works® Reporting
- Detailed reporting required for auditing, cost allocation and general ledger interfacing
- Real-time reporting on approved, declined transactions
- Advanced fraud detection and security monitoring
- **24/7 customer support team**
- **Dedicated Account Specialist and Account Manager**
- **Annual State Conference for all Program Administrators**

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Target areas of spend

Grow spend to maximize float, rebate and rewards

Merchants that typically accept card

National Merchant Categories		Regional Categories	Other
• Accounting/Legal/Consulting Services • Advertising/Marketing Services • Building Materials • Business Services • Catering/Food Service • Electrical Parts and Equipment • Electronics/Computer/IT • Employment Agencies/Temp Services • Facilities • Fleet Service • Fuel/Utilities • Industrial Equipment/Supplies	• Laboratory Services/Supplies • Mailing/Courier/Freight • Office Products • Office, Photographic, and Photocopy Equipment and Services • Packaging • Parking Lots/Services and Commuter Fees • Pharmaceuticals • Printing/Copying Services • Publishing Services and Supplies • Telco/Data Service and Equipment • Tickets	• Advertising • Aviation Services • Building Materials • Catering/Food Service • Facilities - Landscape • Facilities - Pest Control • Facilities - HVAC and Plumbing • Fleet Service (Diesel) • Janitorial • Machine Shops • Uniforms/Apparel/Laundry	• Newsprint • Ink • Rebar • Concrete • Cash Sorting Machines

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Question?????

What is the first thing that comes to mind when you think of the word Foundation?????

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Card Types

- Gold
- Travel
- Pcard
- ATC
- ePayables
- Emergency

Benefits of utilizing the Charge Card

- Cost Savings – RPMG
- Dispute a Transaction
- No lost checks
- Utilization/Benchmarking
- VISA website to search for a vendor/eVA
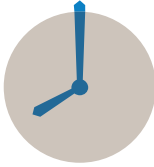- Vendor benefits by being paid earlier

Benchmarking

Utilization

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Purchasing Card drives savings

	Cost per transaction	Cycle time	Process simplification
	$	🕐	⬆
Traditional paper-based PO format	**$90.20** per transaction	**11.4** days	**2.3** manager approvals
Plastic purchasing card	**$20.38** per transaction	**3.4** days	**1.3** manager approvals
SAVINGS	**$69.82** per transaction	**8.0** days	**1** manager approval

Based on the 2014 Purchasing Card Benchmark Survey results by RPMG Research Corporation

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Low cost payment processing

Checks

Cash

$90

Corporate Card

$20

77% decrease

Research has indicated that moving to card payments reduces the average processing cost of a single requisition from $90.20 to $20.38*.
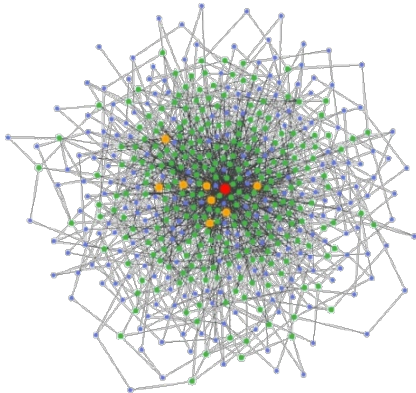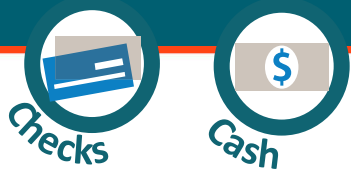
Other benefits:

Automation of the payment process.

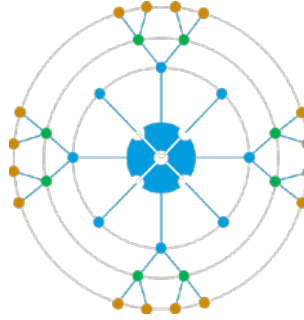Minimizes human intervention in the process, leading to reduced FTE time and cost.

Automation of the expense reporting and reconciliation process.

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*Source: 2014 Purchasing card Benchmark Survey results, RPMG Research Corporation

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Speed up payment processing

Checks

Cash

Corporate Card

26 Steps

8 Steps

70% faster

Research has indicated that moving to card payments reduces the average processing time from 11.4 days to 3.4 days*.

Other benefits:

Reduces paper and manual involvement in the expense, reconciliation and reporting processes.

Less time spent reconciling receipts and expenses.

Greater convenience for cardholders through optimized transaction reporting processes.

*Source: 2014 Purchasing card Benchmark Survey results, RPMG Research Corporation

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Card payments – the value addition available

As compared to paper payments, card payments offer the following benefits:

Increased Days Payable Outstanding

Up to 55 days

Lower processing costs

77% decrease

Faster execution

70% faster

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Online Reconciliation (OLR)

- Streamlined accounting and cost allocation
- Additional level of management responsibility for their transactions
- Additional level of cardholder responsibility for their transactions

Reconciliation

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How to ensure your program is on a solid foundation

- Audits

- Spend growth versus number of incidences

- Cases of remedial actions taken

Responsibilities…

- Cardholder

- Supervisor/Manager

- Program Administrator

- All Roles, CAPP 20355 & 20360

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Best practices: Automate payments Steps 1, 2 and 3

Fully automated Procure-to Pay and Accounts Payable processes	Strong senior management support; stakeholder involvement early in the process. Procurement must be strategically aligned with business needs	Consistent tracking, communication of card-related productivity benefits
Automate	**Support**	**Tracking**

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Best practices: Automate payments Steps 4 and 5

Expand Commercial Card usage to include non-traditional categories, including temporary labor, capital equipment, professional services

Expand

Establish ongoing controls to ensure that employees are using cards in compliance with company policy

Control

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Best practices: Automate payments Best Practice Organizations

How do you define "best-in-class"?

QUICKEST PAYMENT TRANSACTION TURNAROUND TIME

LOWEST ACCOUNTS PAYABLE PROCESSING COSTS

HIGHEST DEGREE OF AUTOMATION IN THE PROCURE-TO-PAY PROCESS

Source: "Top Guidelines for Successfully Leveraging Supplier E-Invoicing Networks." Gartner Research June 2010)

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Best practices: Automate payments
Best Practice Organizations

Best practice organizations:

- Develop a well-defined payment strategy with multiple payment options

- Evaluate the different payment type characteristics and perform a cost/benefit analysis when determining what method is chosen for which payment types

- Focus on streamlining Procure-to-Pay process through various electronic automation tools

- Recognize the efficiencies of electronic payments:
  - Card integration is more efficient than check payment because process steps, such as invoice receipt and processing, manual reconciliation, and check printing and mailing can be eliminated
  - e-Invoicing can be cost effective, with cost reduction of up to 70% to 90% per invoice*

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Best practices: Purchasing Card

- Assess purchasing card program potential by analyzing check payments and reviewing purchase requisition traffic

- Target specific vendors, commodities or services for card payments

- Mandate use of purchasing cards for transactions that are below a specific dollar amount, i.e. $7,500

- Offer easy online access to frequently asked questions

- Maximize spend to generate optimal financial benefit and data capture

- Regularly communicate purchasing card info to cardholders and managers

- Attend purchasing card user conferences

- Distribute cards to a higher % of employees, have higher spending limits, and adopt policies to drive low-value spending to the cards

- Engage in actions to actively promote card program growth

- Employ alternatives to plastic (EAP / Ghost Cards)

- Expand program to additional employees and expense types

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Best practices: Card industry Internal Audit Processes

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Audits should be scheduled, random, and unannounced
- Audit representative samples - within 60-90 days
- Focus resources on areas of weakness or opportunity
- Combine filter development and automation of monthly review process
  - Streamlines review and audit process
  - Documents the review process
  - Ensures timely review of transactions within the span of control
  - Improves the recovery potential

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Best practices: Card industry Internal Audit Processes

1. Internal audit processes

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5. Cardholders

- Improve communication of audit findings to card program participants

- Develop a sampling audit strategy for current cycle transactions

- Audit the first statement cycle following cardholder training or change in process

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Best practices: Card industry Sample Metrics

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Audit high-risk transactions monthly
- Review Cardholders with the highest number of transactions
- Review Cardholders with the highest dollar amount spent
- Review Employees with multiple disputes
- Review Purchases charged to clients
- Increase frequency for those cardholders with exceptions Audit representative samples - within 60-90 days new account
- Vendor activity
  - Number of vendors utilized
  - Transactions per vendor
  - Transactions between a cardholder and same vendor

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Best practices: Card industry Sample Metrics

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Review Reconciliation process
  - o # and $ of Transactions between a cardholder and same vendor
  - o Review items not submitted or duplicate expense reports for same transaction
  - o Accountable property transactions logged
  - o Transactions from approved suppliers
  - o Transactions reconciled using default funding
  - o Split purchase occurrences to avoid dollar thresholds

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Best practices: Card industry Client Controls

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Create guidelines for card issuance and handling
- Determine who should be eligible to apply for a card
- Determine approval levels required
- Segregate duties of ordering and receiving of cards
- Create internal procedures
- Requirements for obtaining a card
- Administrative / Management

Best practices: Card industry Client Controls

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Usage / Purchasing
- Accounts Payable/Accounting
- Reconciliation
- Audit
- Create policies or business rules
  - o Business versus Personal Use
  - o Cash access
  - o Card sharing
  - o Ghost cards
  - o Roles and responsibilities
  - o Training
  - o Audit exceptions

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Best practices: Card industry Program Administrators

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Ensure cardholder statement reconciliation is performed in a timely manner

- eMonitor declined authorizations for signs of merchant and/or employee abuse

- Manage credit limits based on individual cardholder spending needs

- Consider MCC (Merchant Category Codes) restrictions and $ thresholds to prevent internal and fraud abuse

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Best practices: Card industry Program Administrators

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Complete internal audits of transaction monitoring at MCC and cardholder levels

- Provide BAML after hours contacts or cell phone telephone numbers and emails for prompt contact to detect and prevent fraud

- Partner with fraud team future or current authorization needs to ensure control with least amount of cardholder impact

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Best practices: Card industry Cardholders

1. Internal audit processes

2. Sample metrics

3. Client controls

4. Program administrators

5. Cardholders

- Report non-received cards to Bank of America immediately

- Examine cards received for evidence of tampering during transit

- Do not provide your individual account number to a merchant to keep on file unless approved by company

- Contact Fraud team prior to international trips and provide alternate contact phone number as needed

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Card acceptance matters

As card spending continues to increase

Travel card spending is expected to increase by[1]

2017 → **17.7%**

Future growth of Virtual Payables[2]

2017 → **69%**

BofAML Card is accepted at nearly

40 million
locations globally

more than double that of American Express

Non-acceptance can erode a card program, significantly impacting:

- Overall corporate card rebate
- Data capture and process efficiency for travel/expense reporting
- Critical business goals when not prepared with alternative payment method
- Travel trust in tools provided for corporate travel
- Traveler embarrassment in front of clients/colleagues

[1]2013 Corporate Travel Card Benchmark Survey, Palmer & Gupta.
[2]RPMG Purchasing Card Benchmarking Survey Results, 2014

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Client collaboration

✓ Offer accurate contact information for your cardholders – including email address and phone number(s)

✓ Determine the best centralized replacement process for your company's needs

✓ Identify established pre-authorized debits to update with new account numbers

#1 **FRAUD PREVENTION** CARD SOLUTIONS

Source: Javelin Strategy & Research, 2015

1 out of **3** companies were a target of cyber attack over the past 18 months

companies surveyed in 2015 AFP® Risk Survey

Managing fraud risk website

Lock out fraud

Bank of America Merrill Lynch   Learn more ▶

Bank experts and industry leaders share trends, tools and tactics for all business segments through video vignettes, case studies, podcasts, and featured white papers.

Learn more: managing fraud risk website

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Data compromises are constantly in the news
Industry call to action

White House Cybersecurity Event to Draw Top Tech, Wall Street Execs[1]

Obama convenes top executives, including Bank of America, to help improve information sharing as breaches get more sophisticated.

Our response...

- ✓ Identify potentially compromised cards
- ✓ Prioritize and replace compromised cards as needed to reduce payment fraud risk
- ✓ Work closely with impacted clients to streamline the replacement process
- ✓ Remain up-to-date with industry trends and best practices as the fraud landscape evolves

In October 2015, the liability for fraudulent transactions shifted to the merchant. This shift encourages the industry to upgrade terminals, accept chip cards and enhances payment processing.

Ways companies are combating card fraud

- Chip & PIN adoption
- Detailed reporting – improved, timely visibility
- Dynamic password authentication – secure access
- Virtual card programs – dynamic card numbers for online use
- Misuse insurance

Causes of fraud-related losses

- Online fraud
- Card server breaches
- Magnetic stripe "skimming"
- Lack of controls

[1]Wall Street Journal : White House Cybersecurity Event to Draw Top Tech, Wall Street Execs (Feb. 11, 2015)

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Chip and PIN cards

Convenience

Enhanced security

Global acceptance

convenience

- Utilize more automatic dispensing machines (unmanned terminals)
- Cuts down on declines often experienced when using mag stripe cards

enhanced security

- Transaction information is encoded uniquely every time
- Cardholders verify the transaction by entering their PIN instead of signing to verify the transaction

global acceptance

- Chip & PIN cards have both magnetic stripes and chips providing cardholders greater access to points of sale and improved acceptance around the globe

dual factor authentication

something you have
CARD

+

something you know
PIN

=

more secure
payment solution

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Global Card Access

Access card program tools quickly and conveniently

Global Card Access

Website is key to a long-term strategy to deliver corporate card tools in a single, online location with robust security features.

Online PIN Check

Program administrators and cardholders can view their PIN in two simple steps.

Alerts

Receive alerts through text/SMS, email or phone call to help protect your card from fraudulent activity.

Online tools in a single location

www.bofaml.com/globalcardaccess

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Alerts

Tools to monitor card activity and help detect fraudulent activity
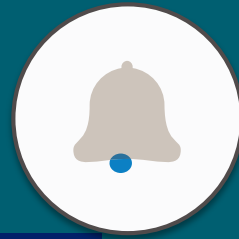
ALERT OPTIONS

Select from a variety of alerts
Choose from a menu of alert options in English, French, or Spanish

Designate contacts
Define up to 25 contacts to be notified about alerts you establish – up to three contacts per alert

Customize when alerts are generated
Decide how and when alerts are triggered through configurable thresholds and specific notification time windows

Get access to information virtually anytime, anywhere
Receive alerts via text, email or voice
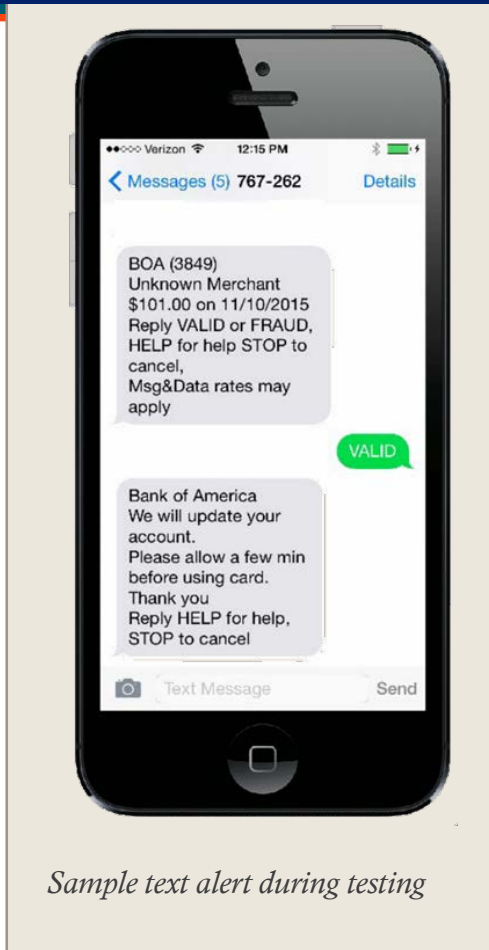
Sample text alert during testing

ALERT TYPES

SUSPICIOUS ACTIVITY
Proactive notification of activity outside your normal purchasing pattern

TRANSACTION ACTIVITY
- Cash withdrawals
- Transactions declined
- Transactions exceeding specified dollar amounts
- Transactions made via the phone or mail

ACCOUNT ACTIVITY
- New card requested
- Personal information updated
- Payment due
- Payment received

TWO-WAY ALERTS

- BAL
- AVAIL
- BILL
- TRANS
- STOP
- HELP
- MENU

Alerts currently available for card programs in U.S. and Canada. EMEA and APAC will follow shortly.

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Electronic statements deliver benefits

Access card information with the click of your mouse

Eliminate paper statements

- Receive statements online before paper statements are mailed
  — More time to review transactions and complete any necessary expense reports; paper delivery can take 7-10 days

- Cardholders receive automatic email notifications when statements are available online
  — A paperless alternative to immediately notify recipients

- Access statements for up to 13 months, according to your schedule
  — No need to contact the bank for previous statements

Download statements online 24/7 – no more hard copies to locate

Maintain your procedures for record-keeping, tax documents and more

Online statements are saved as PDFs – which you can access, save, and print as needed

Share among stakeholders without creating paper copies

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