



# Distributed Card Program Best Practices

It's no wonder that commercial purchase card programs are one of the fastest-growing payment methods used by companies today. From eliminating paper and automating processes to significant time and cost savings, purchase cards can provide significant advantages to your business and to your bottom line.

This Best Practices guide has been designed with you and your business in mind, providing guidance on how to effectively set goals, communicate, educate and monitor your distributed card program. Designed to offer practical advice and guidance, the guide is divided into the following focused sections:

- Distributed Card Program Setup
- Executive Sponsorship
- Maximizing Card Spend While Reducing Risk
- Gaining Efficiency

## Before You Begin

Evaluating and improving upon your existing payables environment to reduce and/or eliminate both manual and paper-based processes is a critical first step in establishing your distributed card program. Once you have improved upon existing opportunities, implementing your card program becomes easier and much more efficient.

### Key takeaways



Purchase cards can eliminate paper and automate processes to significantly cut time and cost.



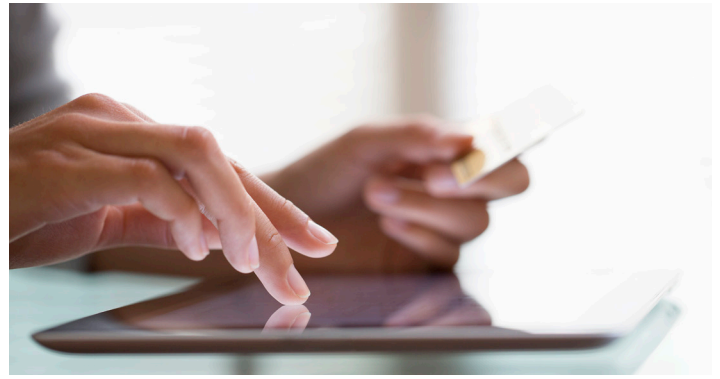
Limiting employee personal credit card use allows you to capture additional spend on your card program.



Commercial card programs can help protect your employees from the impacts of fraudulent transactions.

## Distributed Card Program Setup

- I. Identify the distributed card types needed (e.g., travel & entertainment/procurement, central travel accounts, declining balance).
- II. Create a defined commercial card program policy, procedures and audit protocols.
  - a. Define acceptable use and internal policies for employee fraud or misuse – sign off on terms of card usage.
  - b. Develop a cardholder guide and training.
    - i. Establish online training material for distribution to new cardholders.
    - ii. Promote use of loyalty/reward programs with travel partners to mitigate impact of lost points for personal use card.
    - iii. Define the process for cardholders to pay back non-business expenses (e.g., meals over policy, accidental use).
  - c. Define qualifying criteria for employees to be issued a corporate card.
  - d. Mandate the use of corporate cards for employee travel and corporate meeting events.
    - i. Set program thresholds for annual maximums for non-commercial card spend.
  - e. Determine an appropriate threshold for requiring a receipt for an expense transaction.
  - f. Define and document internal responsibilities relative to program management (e.g., program administrator, cardholder, procurement, travel management, accounts payable, technology, audit, tax).
    - i. Identify at least two program administrators within your organization who will have access to manage the commercial card program.
- III. Define and implement new employee onboarding process.
- IV. Develop hierarchies within the card program to easily report, track and monitor spend across the organization.



- V. Identify data integration requirements for ERP, travel agency or expense management tools.
  - a. Secure technical resources for data integration efforts.
- VI. Leverage a corporate liability program instead of an individual bill program.

### Examples – Setup

- Most organizations provide commercial cards to sales teams and departments within the organization (for office supplies/expenses, lunches, etc.). Limiting how much an employee can expense on their personal credit card before they are issued a commercial credit card by your organization allows you to continue to capture additional spend on your card program. According to benchmarks, KeyBank has seen that average personal limit thresholds are around \$1,500 – \$2,000 of annual card spend.
- When setting the threshold limit for card transactions that will require your employees to submit a receipt for the purchase, it is important to take into account your company's policies and expense management culture. The IRS provides documentation requirement thresholds in the IRS Publication 463. Quoted in the publication, "exception documentary evidence isn't needed if any of the following conditions apply...your expense, other than lodging is less than \$75..."
- Setting thresholds at \$50 or \$75 reduces the burden placed on employees to maintain receipts, minimizes issues in approving small dollar transactions in which a receipt is not available, and reduces the amount of time needed to approve expenses.



## Executive Sponsorship

- I. Prioritize implementation and resources required (i.e., technology and procurement).
  - a. This step is critical if you are integrating your program into an expense management platform.
- II. Ensure executive alignment across the organization as the card program is rolled out to each impacted department (e.g., sales, procurement, finance).
- III. Ongoing communication of standards for non-conformers who meet defined spend thresholds.
- IV. Provide scheduled reports to management for data tracking, trend identification and analysis.
- V. Holding mandatory training for program participants – an essential component in your program.

## Example – Executive Sponsorship *Adoption and Use of Corporate Cards*

Employee adoption and use of their corporate cards is critical to the success of your organization's card program. Even companies that have defined policies for when employees should be using their commercial card face challenges with employees who continue to use their personal cards for purchases rather than their commercial cards.

These challenges are most often found in sales organizations, where employees prefer to use their own personal cards to gain card rewards versus using their commercial card where the organization will receive the rewards/rebate. The sales teams typically generate the most travel-related expenses within the organization and are thus impacted financially when they miss out on personal card rewards.

Encouraging employees to leverage loyalty/rewards programs with travel partners helps to mitigate the impact of lost points when their personal credit cards are not used for business expenses.



## Maximizing Card Spend While Reducing Risk

- I. Leverage the unique capabilities of commercial cards at the cardholder level.
  - a. Merchant category restrictions
  - b. Cash advance restrictions
  - c. Velocity/transaction restrictions
  - d. International transaction restrictions
- II. Manage on an ongoing basis.
  - a. Monitor non-commercial card expensed transactions.
  - b. Gain visibility into all spend and create greater controls across the card program.
    - i. Utilize transaction authorization decline reporting to proactively identify potential violations.
    - ii. Determine Merchant Category Codes (MCCs) that should be opened based on legitimate business needs.
  - c. Create consistent program audits and expense reporting submission/management guidelines.
  - d. Utilize merchant spend reporting to leverage pricing negotiations with vendors.
- III. Automate reporting from HR on employees/cardholders that have left the organization.
- IV. Assign strategic functions within procurement to meet commercial card spend goals and operational/tactical functions along with AP.

## Examples – Maximizing Card Spend While Reducing Risk

One of the advantages of leveraging a commercial card program is the ability to customize cardholder spending at the individual cardholder level. This allows you to tailor acceptable spend categories to capture the maximum amount of spend while also helping to protect your organization from employee misuse and limiting fraudulent activity.

### Merchant Category Restrictions

- Your organization has 10 drivers to whom you wish to issue commercial cards in order for them to make their fuel purchases. If you do not need all the sophisticated reporting features of a fleet card program, a commercial card program can be set up to only allow transactions at gas pumps. In this example, the driver would not be able to make non-fuel purchases with the card in the gas station. The driver would only be able to conduct a card transaction at the gas pump.
- Your organization would like the office manager to book all travel expenses for employees on a distributed purchasing card, but there is a concern that other items will be purchased on the card. Restrictions can be placed on the card so that only travel-related expenses would be approved and all other transactions would be declined.

### International Transaction Restrictions

- Your organization has 50 employees out of 2,000 who have commercial purchase cards and regularly travel internationally. You have the ability to allow those 50 cardholders to transact internationally and the other 1,950 will have international transactions declined. Implementing this feature helps to protect those 1,950 cardholders from fraudulent international transactions. Cardholders can easily move between categories as travel needs change.

## Gaining Efficiencies

- I. Integrate card reconciliation reports with your expense management system (or Key2Purchase) to simplify reconciliation (i.e., Concur).
  - a. Utilize a transaction management system, or directly within Key2Purchase, to automate the reconciliation, receipting and approval process.
  - b. Mobile access allows cardholders to easily upload receipts for purchases as soon as the transactions occur.
  - c. Create an approval workflow structure to ensure your internal approvals are well managed.
- II. Create reporting capabilities from your expense management platform to assist with managing outstanding card transactions yet to be expensed, including defined escalation processes for transactions that are not expensed.
- III. Create role-based card setting profiles for different groups within the company to quickly add new cards with the same restrictions for the specific group of cardholders (e.g., credit line limits, velocity limits, international capabilities, MCC restrictions).
- IV. Create department purchasing cards to ensure all purchasing card spend is being gathered.
  - a. Utilize a card in hand for point-of-sale purchases to eliminate the need for invoicing.
  - b. Use distributed card and/or ghost accounts to move low-dollar, low-value transactions out of your current process.
- V. Create default transaction cost allocation by MCC, account, merchant, etc.

## Expense Report Guidelines

One of the top concerns when implementing a commercial card program is getting employees to continue to submit expense reports. One of the best ways to address this issue is to set clear guidelines and reporting to monitor expenses and ensure the appropriate expense reports are being completed. Establishing guidelines and clear escalation processes encourage compliance with expense reporting needs, while automating expense reports contributes to even greater efficiencies.

### Example – Escalation Process Use Case

- 60 days past due: Cardholder communication sent indicating that cardholder needs to expense outstanding transactions.
- 75 days past due: Cardholder and manager communication is sent.
- 90 days past due: Cardholder, manager and cost center manager communication is sent.
- After 90 days past due: Cardholder's card is blocked from conducting transactions.

A process that works well in most organizations, the approach in this example helps ensure that expense reports are completed in a timely and complete way.

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