A PROCESS TRANSFORMED
A. Introduction
B. Traditional Purchasing Process
C. Purchasing Process
D. MasterCard Corporate Purchasing Card Program Functionality and Features
E. MasterCard Corporate Purchasing Card - Who Benefits?
   1. Purchasing Department Benefits
   2. Internal Business Unit/Employee Benefits
   3. Suppliers
F. Purchasing Card Industry Research Analysis
   1. Cost by Payment Method
   2. Channel Savings
   3. Process Costs per Order Incurred by Cardholder

IMPLEMENTATION
A. Overview
B. Phase I - Program Construction
   1. Assess Present Practice
   2. Set Goals
   3. Build Internal Support
   4. Create an Implementation Team
   5. Establish Program Parameters
   6. Enrolling Suppliers
   7. Establish Policies and Procedures
   8. Training
C. Phase II - Rollout
   1. Managing and Measuring Your Program
   2. Monitoring for Policy Compliance

ADVANCED PURCHASING CARD
A. Program Expansion
   1. Identify Barriers
   2. Determine new card use opportunities
B. E-Commerce
C. International/ Multinational
D. MasterCard Corporate Multi Card
E. Smart Card

APPENDICES
A. Glossary of Terms
B. 1. Sample Supplier Letter 1
   2. Sample Supplier Letter 2
   3. Mailing List Guidelines
   4. Fax Order Cover Sheet
C. 1. Sample Cardholder Guide
   2. Purchasing Card Application
   3. Acknowledgment of Responsibilities
D. Sample Implementation Schedule
E. Frequently Asked Questions
The MasterCard Corporate Purchasing Card® is the better way to manage corporate purchasing. Using this tool, companies can save time and money by streamlining a labor- and time-intensive purchasing process. Paperwork can be reduced or eliminated, and management can exert front- and back-end controls through the card’s authorization system and comprehensive information reporting. Many corporations are turning to the Corporate Purchasing Card, a MasterCard Corporate Payment Solutions® card program designed to fundamentally change the way your company handles its purchasing process.
The MasterCard Corporate Purchasing Card Implementation Guide was developed to provide your organization with best practice guidance and assistance for the purpose of implementing and maintaining a quality purchasing card program.

Your organization can utilize this guide to:

- Understand the features and benefits of the MasterCard Corporate Purchasing Card;
- Work with management to identify business issues that are important to your organization and then make key decisions about your purchasing card program;
- Establish and guide the activities of the project task force responsible for planning and development, launching and ongoing management of your company’s purchasing card program.

---

A. Introduction

In 1998, the market for indirect materials (maintenance, repairs, and operational materials known as MROs) was estimated at $500 billion. Recent data shows purchasing card volumes at over $80 billion for 1999 with annual growth at 33% for the past two years, signifying the huge growth opportunity still available for the purchasing card. Also, the market for purchasing cards has been increasing to include recurring payments, payments to service providers, capital equipment purchases and inventory items; providing even more opportunities to utilize the Corporate Purchasing Card to save money for your organization.

The growth of online commerce will also spur purchasing card usage. Business-to-business buying via the Internet is estimated to achieve worldwide volumes in excess of $1 trillion by 2003. MasterCard and its members are working with many e-procurement solution providers and online exchanges to ensure that the Corporate Purchasing Card is integrated with these new marketplaces.
B. Traditional Purchasing Process

The traditional purchasing process is typically a laborious procedure involving paperwork and verbal communication that begins with the need to purchase, and ends with a payment being made to the supplier. The steps in between are time-consuming for the business unit making the purchases — purchasing and accounts payable. The protracted process means those ordering goods wait a long time to receive them and suppliers wait to get paid.

(See page 5 for process description flow chart.)

This process is still in effect today. The advent of computers may have reduced the need for multi-part forms, but with only minor exceptions, each party to the process is printing a hard copy at their local printer and still matching paper.

The traditional purchasing process often breaks down at the three-way-match step. P.O. numbers are incorrect, or purchase orders have not been written for a specific delivery. Receiving documents and/or invoices are misplaced or a myriad of other situations occur that result in a mismatch. Mismatches are resolved with manual intervention by buyers, accounting staff, original requestor and receiving staff. The end result is that an “artificial” match is created, (i.e. duplicate receiving documents, duplicate invoices, “after the fact” purchase orders) in order to make the process work. This “forced match” defeats the entire objective of the “three-way-match” step.
The following chart illustrates the process of the traditional purchase process flow:

- **Step 1**: An employee decides to purchase a good or service.
- **Step 2**: An employee creates a requisition.
- **Step 3**: The appropriate individual must approve the requisition.
- **Step 4**: The approved requisition is forwarded to the purchasing department where a buyer orders the goods and services. The purchasing department issues an official purchase order to the supplier, possibly via an ERP system.
- Two copies of the purchase order are held in the purchasing department for filing — both numerically by PO number and alphabetically by supplier name.
- One copy of the purchase order is sent to the accounts payables department.
- One copy is sent to the receiving department.
- The original is sent to the supplier.
- An additional copy is sent to the requestor along with a copy of the requisition to confirm that the order was placed.
- **Step 5**: The receiving department receives the goods and matches their PO copy with the packing slip and files the matched papers. The receiving department issues a two-part receiving document, (receiver), matching one copy with the PO and supplier packing slip and then sending a second copy to accounts payable.
- **Step 6**: The accounts payable department receives an invoice from the supplier.
- **Step 7**: The accounts payable department matches the PO, invoice and receiver before a payment check to the supplier is issued. (This step is known as the “three-way match”.) If a match does not occur, then manual intervention from either the employee, the purchasing department or the receiving department takes place.
- **Step 8**: The accounts payable department makes the payment to the supplier when a match is completed.
- **Step 9**: The accounts payable department adds the transaction to the general ledger, possibly via an ERP system.
C. Purchasing Process

In contrast to the traditional purchasing process that often involves several internal departments and many pieces of paper, a purchase made with the MasterCard Corporate Purchasing Card utilizes external resources as described below:

The Corporate Purchasing Card purchasing process is as follows:

Step 1: The employee is given a MasterCard Corporate Purchasing Card with pre-assigned authorization limits determined by the organization. The authorization limits are in line with the employee’s job responsibilities and authority. This allows the employee to purchase goods/services at the time they are needed, rather than relying on the purchasing department to order the goods/services.

Step 2: The employee can make purchases directly with suppliers/service providers within pre-assigned authorization limits.

Step 3: The supplier/service provider delivers goods/services and receives payment through the MasterCard network within a few days instead of relying on the buyer’s Accounts Payable department.

Step 4: The employee receives a card activity statement, which they review for accuracy. The accounting/finance area receives and pays one consolidated invoice for all cards rather than paying multiple supplier invoices.

Step 5: Electronic Data Management System adds the transaction into their financial system to record the expense on the General Ledger.

The result is a streamlined purchasing and accounting process.
The MasterCard Corporate Purchasing Card is able to streamline the purchasing process by utilizing the ubiquitous nature of credit cards today. The enhanced functionality of the Corporate Purchasing Card provides additional data and authorization controls to enable purchasing managers to manage their suppliers and internal constituents more effectively.

The following features highlight the benefits of the MasterCard Corporate Purchasing Card:

### Feature

<table>
<thead>
<tr>
<th>Unsurpassed Supplier/Merchant Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Over 19 million merchants worldwide accept a MasterCard card for payment</td>
</tr>
<tr>
<td>• Over 200,000 merchant locations can capture and transmit Level II and Level III data (see Incremental Data Capture below).</td>
</tr>
<tr>
<td>• MasterCard is accepted in over 200 countries.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides a large network of suppliers available to meet corporate needs as well as enhanced relationships with existing suppliers.</td>
</tr>
<tr>
<td>• Provides an easy-to-implement program.</td>
</tr>
</tbody>
</table>

### Enhanced Authorization controls

<table>
<thead>
<tr>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Criteria set by corporation.</td>
</tr>
<tr>
<td>• Limits can be set at departmental and/or employee level</td>
</tr>
<tr>
<td>- Dollar limit per transaction and/or per month</td>
</tr>
<tr>
<td>- Transaction frequency limit per day and/or month</td>
</tr>
<tr>
<td>- Limits by supplier type</td>
</tr>
<tr>
<td>• Authorization/decline is done at point of sale based on corporation defined limits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides total flexibility to assign purchasing power – Managers can empower employees while maintaining control.</td>
</tr>
<tr>
<td>• Provides efficient way to control purchasing activity.</td>
</tr>
<tr>
<td>• Reduces time and costs for authorizing purchases.</td>
</tr>
</tbody>
</table>

### Incremental Data Capture

<table>
<thead>
<tr>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Captured at point of sale</td>
</tr>
<tr>
<td>• Transmitted via MasterCard network to issuer provided reporting system</td>
</tr>
<tr>
<td>• Key data elements:</td>
</tr>
<tr>
<td>- Level I:</td>
</tr>
<tr>
<td>- Name of merchant</td>
</tr>
<tr>
<td>- Address of merchant (city and state)</td>
</tr>
<tr>
<td>- Amount of transaction in US dollars</td>
</tr>
<tr>
<td>- Date transaction was authorized</td>
</tr>
<tr>
<td>- Date transaction was posted to issuer’s system</td>
</tr>
<tr>
<td>- Exchange rate, if applicable</td>
</tr>
<tr>
<td>- Level II:</td>
</tr>
<tr>
<td>- Level I data</td>
</tr>
<tr>
<td>- Sales tax amount</td>
</tr>
<tr>
<td>- Customer Code:</td>
</tr>
<tr>
<td>• Uniquely identifies each transaction</td>
</tr>
<tr>
<td>• Provided by employee to supplier/merchant at point of sale</td>
</tr>
<tr>
<td>• Up to 16 characters alpha/numeric</td>
</tr>
<tr>
<td>- Level III:</td>
</tr>
<tr>
<td>- Level II data</td>
</tr>
<tr>
<td>- Line item detail:</td>
</tr>
<tr>
<td>• Item description(s)</td>
</tr>
<tr>
<td>• Item quantity(ies)</td>
</tr>
<tr>
<td>• Cost per unit</td>
</tr>
<tr>
<td>• Total transaction amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Streamlines administrative procedures</td>
</tr>
<tr>
<td>• Facilitates allocation to separate cost centers, project numbers, etc. from one purchasing statement</td>
</tr>
<tr>
<td>• Provides efficient monitoring of purchasing activity</td>
</tr>
<tr>
<td>• Reduces time and costs for monitoring purchasing activity</td>
</tr>
</tbody>
</table>

### Electronic Data Feed and Reporting

<table>
<thead>
<tr>
<th>Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Data available from MasterCard within 48 hours of card transaction activity by cardholder.</td>
</tr>
<tr>
<td>• Coordinate with your Issuing Bank for Electronic Reporting</td>
</tr>
<tr>
<td>- User-defined report formats</td>
</tr>
<tr>
<td>- User-defined reporting frequency (daily, weekly, monthly, quarterly)</td>
</tr>
<tr>
<td>- Transmits all data captured at POS including Level III</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provides flexibility in receiving reports</td>
</tr>
<tr>
<td>- Detail</td>
</tr>
<tr>
<td>- Frequency</td>
</tr>
<tr>
<td>- Location</td>
</tr>
<tr>
<td>- Management level</td>
</tr>
<tr>
<td>• Reduces/replaces paper storage</td>
</tr>
<tr>
<td>• Increases employee productivity</td>
</tr>
<tr>
<td>• Increases timeliness of management and financial reporting</td>
</tr>
<tr>
<td>• Streamlines administration procedures</td>
</tr>
<tr>
<td>• Provides efficient reconciliation of purchasing activity</td>
</tr>
</tbody>
</table>
It is important to note that incremental data capture is captured at the supplier’s point-of-sale terminal and transmitted through the MasterCard network. The sophistication of the supplier’s point-of-sale device will determine what data is captured and transmitted.

To capture Level II information, the supplier does not generally require hardware upgrades. Level III capability generally requires sophisticated hardware and software at the merchant location to handle bar code information or inventory/order entry systems interacting with the card authorization terminal. This will usually require a significant investment by the supplier and, therefore, this functional capability will most likely be limited to larger national suppliers.

**MasterCoverage® Liability Protection Insurance**

Experience indicates that employee misuse of company credit card privileges is rare. However, to protect against these losses if they occur, MasterCard established the MasterCoverage® Liability Protection Program.

The MasterCoverage® Liability Protection Program is provided at no cost to financial institutions and companies covered by the program for cards issued in the U.S.* For corporations that have four or fewer cards, the liability protection is up to $5,000 per cardholder, for corporations with five or more cards, excluding the Corporate Multi Card, the Public Sector Multi Card and the Government Integrated Card, the liability protection is up to $15,000 per cardholder. For Corporate Multi Cards, Public Sector Multi Cards and Government Integrated Cards, the liability protection is up to $30,000 per cardholder.

*The MasterCoverage Liability Protection Program is provided subject to the terms and conditions set forth in the master policy. For cards issued outside of the United States, there may be an applicable fee. All MasterCard benefits subject to the terms and conditions of the policies and may vary country to country.
The benefits to be derived from implementing your MasterCard Corporate Purchasing Card are not restricted to only the corporate purchasing group. Your external business partners (suppliers) and your internal clients (business units and employees) will realize considerable benefits from your program.

1. Purchasing Department Benefits
   - Substantial reduction in processing costs (resource time), administrative cost savings (postage, stationery, printing costs, check fees, etc.) and system file maintenance and operating costs (supplier file management);
   - Reduced accounts payable inquiries from suppliers on outstanding payments;
   - Strengthened cash management and simplified bank reconciliation practices;
   - Enhanced management control and reporting, with the opportunity to frequently access transactional data in partnership with automated posting to the General Ledger (electronic data platform);
   - Increased operational and management time for other core strategic or operational business activities, and;
   - Improved supplier management via enhanced and readily available MIS tools.

2. Internal Business Unit/Employee Benefits
   - Controlled empowerment and accountability to the business unit/cardholder to procure goods and service as required;
   - Accelerated delivery time in the receipt of goods and service resulting in overall increased productivity, and;
   - Enhanced budget monitoring resulting from greater access to transactional order data.

3. Suppliers
   - Improved cash flow through the routine card settlement process rather than through the laborious “invoicing — accounts receivable — bank deposit” process;
   - Reduced administrative cost of managing an accounts receivable activity for purchases made with the MasterCard Corporate Purchasing Card;
   - Reduced accounts receivables follow-up activity, and;
   - Improved customer relations by dealing directly with the end user at the customer business rather than through organizational intermediaries.
Gunn Partners 1998 research analyzed 22 companies. The size of these companies ranged from $1 billion in revenue to $127 billion, with median size $15 billion. A wide mix of industries participated in the research. The total annual purchases made with a purchasing card ranged from $140K (companies in early stages of implementation) to over $172M.

Illustrated below are charts and analyses prepared by Gunn Partners.

**F. Purchasing Card Industry Research Analysis**

<table>
<thead>
<tr>
<th>Transaction Channel</th>
<th>Cost Per Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Orders</td>
<td>10.71</td>
</tr>
<tr>
<td>Check Requests</td>
<td>13.45</td>
</tr>
<tr>
<td>Travel Expense</td>
<td>12.75</td>
</tr>
<tr>
<td>Purchasing Cards</td>
<td>15.46</td>
</tr>
<tr>
<td>Card Admin/AR</td>
<td>10.42</td>
</tr>
<tr>
<td>Manager</td>
<td>15.60</td>
</tr>
<tr>
<td>Receiving</td>
<td>11.58</td>
</tr>
<tr>
<td>Purchasing</td>
<td>17.63</td>
</tr>
<tr>
<td>Initiators</td>
<td>154.56</td>
</tr>
</tbody>
</table>

**I. Cost by Payment Method:**

As part of the purchasing card research, cost data was collected on four payment methods: purchasing cards, purchase orders (for non-inventory transactions), check requests and travel expense reporting (when used for miscellaneous purchases). The purchasing card compares very favorably to the three other methods or channels, with the largest cost advantage of $47 occurring between the purchasing card ($28.75) and the purchase order ($75.70). The increased cost for the initiator effort required in a purchasing card transaction was more than offset by decreases in purchasing administration.

The cost-of-payment differences were converted to savings for each company by multiplying their transaction volume by the difference in costs for their company (not the averages shown in the chart). The assumption for the savings was that 50% of the transactions, from each of the three, (3), alternate methods could be converted to purchasing cards.
2. Channel Savings:
The largest opportunity is to convert transactions from Purchase Orders to Purchasing Cards, as the average saving was over $29 million per year.

3. Process Costs per Order Incurred by Cardholder:
One of the issues cited with the use of purchasing cards is that tasks may be shifted from the purchasing and accounting functions to the cardholder. As indicated, the average cardholder cost per purchase is $10.56. Seventy-eight percent of that cost is related to the cost of procurement, while the remaining 22% (matching receipts and data entry) are related to the accounting function.

Over the next several years, a dramatic improvement in each segment of cost reduction will take place as more companies implement electronic supplier catalogs; due to more companies using electronic purchasing.
Purchasing cards can greatly improve the efficiency of your organization’s spending volume. However, the savings discussed in Section 01 will only occur if your organization’s purchasing process changes. A purchasing card implementation must be viewed as a reengineering effort for your organization, and given the necessary resources. This section will explore the steps required to create an effective Purchasing Card program.
A. Overview

Purchasing card implementation has four phases:

- Phase I - Program construction phase
- Phase II - Program rollout
- Phase III - Program management
- Phase IV - Program expansion

It is vital to spend adequate time on the program construction before issuing cards to your employees.

You want to ensure your organization has a complete process in place to handle purchasing card transactions. In addition, you need to position your program and explain the benefits of using a purchasing card to employees.

Employee acceptance and endorsement of a purchasing card program is essential to a successful program.

Best practice:

- A key component in the success of a purchasing card program is a well-planned implementation. Overwhelmingly, all participants in the Gunn Partners research study agreed that having a coordinated, cross-functional implementation is important to the overall success of the program.

- The implementation should be well planned, appropriately staffed and have specified tasks and goal-related measures set in advance.

- Given a solid plan and the proper management support, four to nine months should be adequate time for implementation.
Phase 1 is where the implementation process begins. This Phase encompasses the following activities:

1. **Assess Present Practice**
2. **Set Goals**
3. **Build Internal Support**
4. **Create an Implementation Team**
5. **Establish Program Parameters**
6. **Enroll Suppliers**
7. **Establish Policies and Procedures**
8. **Create Communications and Training Material**

**I. Assess present practice**

**Best Practice:**
Identify every step in your current purchasing process, from the initial “need to buy” through the closing of accounts payable entries.

**A. Initiating the Process**

Once you have determined that the reengineering of your purchasing process with the use of purchasing cards could be valuable for your organization, you can begin an implementation process for your purchasing card program.

The first step is to determine who will manage this effort. This individual or group of individuals will be responsible for gaining a complete understanding of the current processes and building a case for moving forward. Under Step 4 of the process, a full implementation will be created. However, a staff will be required to accomplish the first three steps.

**B. Create Analysis, Costing and Mapping of Current Processes**

As previously stated, the cost savings of a purchasing card program will only be realized if your organization changes the way that it buys goods and services. In order to understand what needs to be changed, you must examine the state of purchasing in your organization today. Document what your procurement activities are costing your organization in hard and soft dollars, and match those costs to each activity in the current process. Companies that skip this step will not be able to clearly document cost savings later.

First, identify the steps in your current process. In the introduction, we compared the traditional transaction process to the streamlined process, using a MasterCard Corporate Purchasing Card®.
This illustration of the traditional purchase flow can assist your organization in documenting the current cost of your process.

- **Task**
  1. Identify need to buy
  2. Requisition
  3. Approval
  4. Order Goods and Services
  5. Receive Goods
  6. Receive Invoices
  7. Manual Intervention
  8. Pay Invoice
  9. Input Transaction into financial system

- **Match?**
  - NO
  - YES

- **Flow Diagram**
  - Employee
  - Purchasing department
  - Accounts payable
Phase 1 - Program Construction

The following table tracks the paper trail created to support the traditional process flow. Your process may have already reduced some of the paper, but a full review of the chart will probably uncover some similar actions at your company. These tools can be used with the “Process Flow Tally Sheet” on page 17 to determine the costs of the current process.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Requestor</td>
<td>2</td>
<td>Requisition (Req. - 3 parts)</td>
<td>3 parts to Approver</td>
<td>3 parts to Purchasing</td>
<td>Req. (2 parts w/P.O.)</td>
<td>Req. (1 part)</td>
<td>Req. (3 parts)</td>
</tr>
<tr>
<td>Approver</td>
<td>3</td>
<td>Req. (3 parts) to Requestor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Department</td>
<td>4</td>
<td>Purchase Order (P.O. - 6 parts)</td>
<td>I part to Supplier</td>
<td>I part w/Req. to Requestor</td>
<td>I part to Accounting</td>
<td>I part w/Req. (for Requestor)</td>
<td>Req. (3 parts)</td>
</tr>
<tr>
<td>Receiving Department</td>
<td>4</td>
<td>Receiving Document (Receiver - 2 parts)</td>
<td>I part to Accounting</td>
<td>I part w/P.O.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Department</td>
<td>5</td>
<td>Check (3 parts)</td>
<td>I part to supplier</td>
<td>I part w/P.O., receiver and invoice</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Here are some additional questions that will help you to identify your process:

- How does the purchasing process work?
- How long does it take from requisition to product receipt?
- What do you buy? Number of transactions under US$1000 and $5000 annually?
- What authorization controls are in place?
- When errors or disputes occur, how are they corrected?
- How is the purchasing process audited? Time involved?
- Who are your suppliers? What type of data is currently required from suppliers?
- Days of float
- Data entry, data storage, MIS report generation
- “Hidden” costs of your current purchasing process, including:
  - Time spent resolving purchasing problems (e.g., problem receipts and invoices, and after-the-fact purchase orders)
  - Other costs incurred (e.g., priority freight) due to a time-consuming and complex purchasing process.
  - Time spent filling out and receiving approvals for purchase requisitions.

- How are suppliers paid and what is the average settlement time?

Once the steps are identified, assign a cost to each activity. (Use the “tally sheet” on the next page to check your findings with the data from pages 14 to 16 of this guide. How do your numbers compare?) Typically you’ll arrive at these costs by analyzing such things as:

- Man-hours in Accounts Payable
- Man-hours in Purchasing
- Man-hours in Receiving
- Bank fees for checking
- Postage
- Paper
- Cost of funds

- Adds transaction to the general ledger
### Process Flow Tally Sheet

#### Paper, (copies)

<table>
<thead>
<tr>
<th></th>
<th># of copies</th>
<th>Cost per form:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Requisition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mailing envelope(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage stamps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Photo copies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other forms/paper:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total paper:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Filing:

<table>
<thead>
<tr>
<th></th>
<th>Hours</th>
<th>Rate</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requestor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other departments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total filing:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Matching:

<table>
<thead>
<tr>
<th></th>
<th>Hours</th>
<th>Rate</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requestor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Dept.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other departments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total matching:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Other Costs:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
</tr>
<tr>
<td>Filing cabinets</td>
<td></td>
</tr>
<tr>
<td>Check fees</td>
<td></td>
</tr>
<tr>
<td>Admin. problem solving</td>
<td></td>
</tr>
<tr>
<td>Priority freight</td>
<td></td>
</tr>
<tr>
<td>Fax</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Total other costs:</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL COSTS**
Once steps have been identified and costs quantified, you now need to tie the cost to the process step that generated the cost. This is the mapping process.

If, for example, it takes 13 days from requisition to product receipt, how much of that thirteen days is supplier time versus your internal approval/administrative time? How many days of extra inventory does that require? What is the dollar value of that inventory? What is your company’s cost-of-funds to have that inventory in stock? Do you use priority freight to shorten that time? How much money is spent on priority freight as a result of the internal process? What are the labor costs to count, store and retrieve and deliver that inventory when needed?

The mapping process is laborious, but it is an important investment in your implementation process because it firmly establishes the baseline from which you will measure your progress.

C. Take Stock of Your Current System

Take an “inventory” of your current purchasing process to get a picture of who is using it, for what purchases, and at which suppliers. Based on an analysis of this data, you can select the parameters of the rollout and what types of purchases to target for the program — who will receive cards, what suppliers will participate, what are the dollar amounts and types of transactions.

Cost/Frequency Analysis

First, it is useful to consider what types of purchases your organization makes on indirect materials. Generally, these purchases can be categorized into four quadrants shown above.

The above chart illustrates the following:

- If the unit cost is high, and your order frequency is low, most likely you are using a purchasing contract. It will not be practical to utilize a Purchasing Card for these types of transactions.
- If the unit cost is low, and your order frequency is high, the Purchasing Card would be a perfect way to handle these transactions and streamline the process.

During implementation planning, companies should separate what they buy into this matrix and concentrate their initial purchasing card activity in the lower quadrants. These are the low-dollar/high-frequency transactions that require large administrative effort, resulting in costs relative to the cost of the item.
Supplier Analysis

Another useful way to consider your purchases is by commodity breakout and by supplier type.

- Generally, high-dollar transactions are for distinctive, non-commodity items purchased by your organization. With these suppliers, you generally have an established partnership with negotiated payment terms and payment conducted via blanket contracts or EDI. It may not be practical to use a Purchasing Card for these types of transactions in the early stages of your program.

- The Purchasing Card works well for low-value, high-frequency purchases where your organization is buying from three or more suppliers. By establishing a purchase card program for these transactions, you can consolidate information about your purchases and begin to negotiate better pricing with preferred suppliers.

Invoice Analysis

To help you define what purchases will be eligible to be included in a MasterCard Corporate Purchasing Card program, it’s useful to look at present invoices and create an invoice analysis chart using the process as outlined below:

- Establish the volume (%) of procurement transactions for several low- to medium-dollar thresholds
- Establish the total budgetary value for each threshold level (%)

In the example below, 95% of transactions have a transaction value of less than $5,000. Therefore, purchases less than $5,000 would appear a good starting point for your program.

### Invoice Analysis Chart

<table>
<thead>
<tr>
<th>$ per invoice</th>
<th># of invoices</th>
<th>% of Total</th>
<th>Cumulative %</th>
<th>Total $ (mm)</th>
<th>% of Total</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-1,000</td>
<td>60,000</td>
<td>80%</td>
<td>80%</td>
<td>$1.35</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>$1,000-5,000</td>
<td>11,750</td>
<td>15%</td>
<td>95%</td>
<td>$4.05</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>$5,000-10,000</td>
<td>3,000</td>
<td>4%</td>
<td>99%</td>
<td>$6.75</td>
<td>25%</td>
<td>45%</td>
</tr>
<tr>
<td>&gt;$10,000</td>
<td>750</td>
<td>1%</td>
<td>100%</td>
<td>$14.85</td>
<td>55%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Other Analysis

Be sure to examine all types of potential spending when you are determining which types of purchases to target for your program.

- Conduct a business analysis of all Purchase Orders/Maintenance Repair Orders and Requisition Purchase Orders.
- Review all business transactions that result in a check payment.
- Review all credit/electronic funds transfer payments that result from a manual order process.
- Identify the current asset capitalization transaction level. This may be a good way to identify your initial limit on Purchasing Card Transactions.
- Review all direct invoice/utility transactions that are manually processed.
- Review the process undertaken for payment of overseas business transactions, particularly bank draft activity.

2. Set Goals

Best practice:
Successful companies have established goals, savings targets and metrics that track program success.

Companies decide to pursue a purchasing card program for a multitude of reasons — to reduce process costs, increase employee satisfaction, or gather information for supplier negotiations. This decision may be a piece of an overall company initiative. Understanding the motivating factors for your company’s decision to begin a purchasing card program will have substantial effects throughout the entire implementation process.

- The first order of business for the newly formed team is to set goals and a timetable for the program. As with any project, it is important to be specific about your objectives. Establish primary goals such as:
  - Cardholder convenience (i.e., number of steps to receive what is needed)
  - Minimizing manual efforts (i.e., eliminate logs, petty cash)
  - Strategic purchasing reengineering (i.e., what new terms and conditions can be negotiated with suppliers — delivery time frames, payment terms, pricing)
  - Information technology reengineering (i.e., online real-time reporting capability)
  - Cost-savings targets (i.e., reducing total purchasing/accounting cycle costs by 75%)

Your goals should be prioritized to ensure that they match the reasons for initiating the program. All of the above mentioned goals are positive, but your company should focus on those goals that most match the objectives of the program.

The correct metrics will replace hands-on hierarchical supervision. Managers and supervisors can take a “management-by-exception” approach to ensure that purchasing activity is consistent with company policy and operational objectives.

The metrics established should be integrated — individual, team and departmental. The reporting of performance, vis-à-vis the metrics, should be automated-system generated, easy to produce and timely. Sample metrics may include:

- Number of transactions
- Number of cardholders
- Average transaction amount
3. Build Internal Support

The information gathered in the evaluation process now needs to be presented in a management summary that quantifies the benefits of a well-run program. Potential metrics to enumerate could be:

- Number of potential transactions to be transferred to purchasing card
- Process savings per transaction (personnel hrs. vs. other)
- Potential direct savings from negotiated rates as a result of strategic sourcing

The numbers should speak for themselves and easily convince senior management to support the program. It is advisable to have senior management set up a steering committee consisting of senior managers who will monitor progress of the implementation, allocate resources to the project when required and reconcile interdepartmental issues. This steering committee should be asked to acknowledge senior management support for the program by general memo to all departments and ongoing involvement in the implementation.

4. Create an Implementation Team

Now that you have decided to move forward with the implementation, you will require more resources to support the program. The typical paper-based purchasing system cuts across many organizational boundaries, from the employee who initiates the purchase to the purchasing, receiving, and accounts payable departments. Each of these departments — and any others that may be involved in your purchasing process — must work together as a team to design and implement a new way of handling purchases. Here are some suggestions on creating a cross-functional team:

A. Select a program manager

The program manager is someone who will assume overall responsibility for the design and implementation of the program. This may or may not be the individual who you have selected to initiate the process. An effective program manager will have good project-management skills and be able to communicate, motivate, and negotiate well. In particular, the program manager will use these skills to:

- Chair the cross-functional implementation team
- Act as the company liaison to the card issuer on all program-related issues, including setting up cardholder accounts
- Communicate the program to cardholders and suppliers
- Report on the progress of the program to senior management
- Coordinate resolution of program questions and policy issues
- Participate in ongoing program reviews
- Oversee card issuance and cancellation
- Resolve billing disputes if the cardholder is unable to do so
- Help plan continual rollout, maintenance, and enhancement of the program

For many organizations, the Program Manager’s role is a full-time position. You will need to quantify how the scope of this role translates to staffing requirements for your company.
B. Appoint implementation team and create implementation schedule

Typically, the implementation team is a cross-functional team consisting of representatives from these functions:

- **Accounting and Finance**
  Because your accounting/finance department will be impacted by the new program, by doing more control and audit, and less paper processing; it must be represented on your phase program team.

- **Purchasing Department**
  Purchasing will play an important role in the new process. Purchasing must be on the team to consider such issues as supplier reporting, supplier-base reduction, preferred suppliers, and supplier-base management techniques that will require specialized reporting. They also will continue to be responsible for the overall terms and conditions of the supplier base.

Supplier management will be discussed later in this document in **Section 02-6, Enrolling Suppliers**.

- **Information Technology**
  The Information Technology Department will help make decisions about how the purchasing card data will interface with existing internal financial reporting systems:
  
  - What medium (Internet to mainframe, Internet to PC's, client-server access, EDI transmissions, paper reports, magnetic tape, CD, disk, etc.)?
  - What format (custom EDI data file, Flat files, preformatted reports, etc.)?
  - How frequently will data be received?
  - How will the data be distributed?
  - What access security measures will be required?
  - What impact does this effort have on other company-wide information technology initiatives (ERP, new hardware installation or other system upgrades)?
  - How will this facilitate any e-Commerce efforts currently underway?

- **Internal Audit**
  Any purchasing process — whether traditional paper-based or your new MasterCard Corporate Purchasing Card program — will be audited. That’s why it’s a good idea to include internal auditors on your program design team. They can make sure that the new system has the proper controls in place to ensure compliance with company policies.

- **Tax Department**
  A Tax Department representative can review the process for handling sales and use tax payments and reporting.

- **Human Resources**
  Because redesigning the purchasing process involves communicating with employees and determining policies and procedures, the human resources department may be represented on the implementation program team. Human Resources may also be responsible for training cardholders.

- **Legal**
  A representative of the company’s Legal Department should be a member of the team, advising on such matters as contract negotiations with the card issuer, legal and regulatory matters, and liability issues.
C. Create detailed implementation schedule

**Best Practice:**
From the beginning of the program, develop an implementation schedule with resources assigned for the completion of individual tasks.

After the team is complete, you should develop an implementation schedule, to which you will add tasks as you develop the program parameters for the purchasing card implementation.

The implementation schedule is the road map for the tasks that need to be completed for a successful purchasing card program. The schedule lays out the timing of sequential and parallel efforts as well as identifying those individuals responsible for the completion of each task.

**Identify committed resources**
In addition to listing and organizing all required tasks, the implementation schedule must identify committed resources to the project. These are people who must be available to attend meetings, and complete assigned tasks on the schedule.

The program manager must ensure that the committed resources are active participants and complete their tasks on time. Typically these resources’ current functional job responsibilities have not been reduced. As a result, there may be priority conflicts that the program manager will need to resolve.

**Modify the generic implementation schedule**
This generic schedule provides a starting point from which the team can develop its own detailed implementation plan. The final detailed implementation plan should, at a minimum, include all of the items mentioned in section B “Phase 1”. It is important that the team develops and agrees on the plan. Hence, committing to the success of the program. The generic implementation schedule is included in Appendix D. An electronic copy is also available.

- **When using the generic implementation schedule,** the team should modify the time line for resource constraints. The program manager will have a constant balancing act between the needs of the project and the ever-changing availability of resources.

- **In addition to resource constraints,** the team may need to modify the time line for unique requirements. Some purchasing card implementations may require customization of standard product offerings because of unique organizational structure, specialized custom reporting requirements, complex software integration with in-house systems, major supplier sign-up programs, etc. Any relevant factor that could impact the time line should be considered. Review progress with the implementation team.

- **The program manager should review progress with the implementation team on a weekly basis via a regularly scheduled weekly meeting where progress on the implementation schedule is reviewed,** and appropriate adjustments made to the time line or available resource base. These meeting should have a preset and predistributed agenda. In addition, ongoing dialogue with individual team members should occur as the need arises.

**Identify issues and report progress to senior management**
Minutes should be taken at each weekly meeting. These minutes should identify issues and report progress to senior management. Recommended solutions to any issues should be included in the minutes. Typically the suggested resolutions will be to change an existing policy, extend the time line or add resources to the project. It is imperative that the minutes be distributed as soon as possible after the meeting to both the team members and senior management.

**Best Practice:**
From the beginning of the program, develop an implementation schedule with resources assigned for the completion of individual tasks.
5. Establish Program Parameters

**Best Practice:**
Set up your initial rollout to allow it to reach wide and deep enough to give meaningful results.

Defining the program parameters is the heart of program design. Here is where you will decide the structure of your program — which employees will receive cards, what purchases will qualify, what other internal controls you should utilize, how payments will be settled with your bank, and how to reconcile your transactions with your General Ledger.

A. Assigning Purchasing Authority
As the process flow illustrates, the process change that must accompany the purchasing card implementation empowers buyers to actually pay for the goods and services that they use, relieving the purchasing department and the accounts payable group from having to perform these tasks. Empowerment of employees can always feel risky for a corporation. Setting up program parameters defines purchase authority based on dollar limits and merchant category codes (MCC) and will help to control this risk. The desire to control perceived risk must be tempered by the need to provide employee purchasing flexibility. If the employee finds the program too restrictive, it will fail. Understanding what types of requisitions and other types of purchases the cardholder typically makes to perform his/her job should provide the guidance in setting appropriate limits. This will require a culture shift from front-end managerial controls to automatic back-end authorization features.

Purchasing authority can be assigned to individual cardholders according to any combination of criteria you choose: dollars per month, dollars per transaction; number of transactions per day or month, even by supplier type. This means that each individual, each department, or each division can have its own custom designed purchasing parameters. This ability to tailor your authorization criteria gives you much control over purchasing expenditures.

When setting spending limits, it’s important to strike a balance between adequate controls and the flexibility employees need. You’ll want to periodically review the spending limits you’ve established to see how well they’re meeting your organization’s needs. The program manager can contact the card issuer to request adjustments to a cardholder’s purchase authorization.

The following details the specifics of each authorization control:

- **Credit limits** — There will be an overall company credit limit established by the card issuer.
- **Cardholder monthly spending limit** — At the cardholder level, you can set monthly spending limits appropriate to the employee’s job responsibilities. Again, your existing system will give you guidance on setting limits under the new system. You’re likely to want to give someone who currently has $10,000 a month in spending authority the same limit on the MasterCard Corporate Purchasing Card.
- **Supervisory or departmental roll-up spending limits** — The MasterCard Corporate Purchasing Card program allows you to have checks and balances. In addition the individual credit limit, a supervisory roll-up spending limit can also be established. Here is an example:

An engineering department with a budget of $10,000 per month has six employees. The budget manager does not know in advance how much of the monthly budget each of the employees will spend within a given month. However, he can comfortably assign each employee a monthly spending limit of $3,000, knowing that once the group’s cumulative monthly spending reaches $10,000, all additional purchases will be declined authorization at the time of purchase.
• Transaction limits — In addition to the dollar limits per month, you can place limits on individual purchasing power based on criteria such as:
  – Dollars per transaction
  – Number of transactions per day
  – Number of transactions per month

In determining your dollar limits per transaction, consider:

• The statistical business data obtained from your invoice analysis; (Described on page 19)

• The asset capitalization threshold value of your organization — Many programs do not initially allow assets to be procured via their purchasing card and, therefore, set dollar limits below this rate

• Supplier categories — You also have the ability to define the types of suppliers where your employees’ MasterCard Corporate Purchasing Card can be used.

In the MasterCard network, all merchants, (suppliers), are categorized by merchant category code (MCC), which is similar to the Standard Industrial Classification (SIC), the code system established by the United States Department of Commerce. You may elect to include (or exclude) types of suppliers where your MasterCard Corporate Purchasing Card can be used, based on these categories or set different authorization controls for different categories of spending.

For example, you could give authorization to an employee to make purchases only at merchants classified as office supply merchants and exclude or limit use of the card for travel and entertainment merchants such as airlines, car rentals, hotels and restaurants. The types of merchants where cardholders are allowed to make purchases and the sizes of these purchases are entirely in your control.

Be careful to only enhance the complexity of controls where necessary. While it is feasible to allow authorizations to vary by supplier categories administered by you, this may result in inconveniences and confusion for cardholders attempting to use the card for legitimate business expenses. Your company should think through its spending policies to ensure that they are realistic and not overly restrictive for cardholders.

Using these criteria, you can customize spending authority for your employees.

▶ An office manager may be authorized to make purchases of up to $45,000 per month, up to $1500 per transaction and can only make purchases with office supply vendors.

▶ A buyer in the purchasing department may have larger dollar limits and a different range of vendors that will be authorized for purchasing card purchases.

▶ An administrative assistant may be authorized to make five transactions per day, not to exceed $50 per transaction.

If a cardholder tries to make a purchase that violates any of the limits placed on the card — departmental dollar limits per month, cardholder limits per month, number of transactions per day or month, or type of supplier — the transaction will not be processed.

Maintaining authorizations parameters on the cards, increases control, but also adds administrative responsibilities for the card programs. To minimize administrative responsibilities, establish no more that three or four program parameter templates including monetary and MCC type parameter designations.
The chart above demonstrates two scenarios, one in which all authorization parameters are met, and one in which an authorization parameter is violated. In the latter case, the supplier category used to make the purchase did not match the parameters set up for the cardholder. As a result, the transaction was declined at the point of sale.

B. Choosing cardholders for initial rollout
You may want to test your program parameters on an initial rollout to determine if the program parameters should be modified before the cards are distributed throughout the enterprise. While the initial rollout should be of a manageable size, one that is too limited in scope will not truly test the new process. Selecting a cross section of cardholders will help you see how the MasterCard Corporate Purchasing Card program can work in a variety of situations. You can use any criteria you like, for example:

- Employees (those who request the purchase rather than today’s authorized buyers) who generate a large portion of the low-dollar invoices.
- Users who charge all of their purchases to one cost center or account number (e.g., secretaries, librarians)
- Select functional areas (e.g., facilities management or maintenance)
- A selected geographical location (i.e., a plant or a headquarters office)
C. Electronic Data Management

Your issuer will most likely provide you with a reporting tool that allows you to manage and control your purchasing information. You should utilize this tool to achieve the following:

- Receive transactional data electronically from your issuer;
- Distribute transactional data electronically to the cardholder and/or delegate, and;
- Provide an electronic upload of validated and confirmed transactional data directly to your Enterprise Resource Planning (ERP) system.

The following types of functionality should be considered when contemplating your electronic data management needs:

- System compatibility with your ERP system and operating environment, with proven application environments;
- Cardholder access to electronic transactional data;
- Required levels of base system functionality, user friendliness and product support, maintenance, upgrade conditions, etc.;
- Frequency of transaction data acquisition from your issuer (mature programs are now finding the need to have access to data more frequently than monthly to meet financial and exception reporting needs);
- Data distribution capabilities, including data validation and population options such as transaction splitting, cost allocation options, line item text, project costing, taxation accountabilities;
- Management and exception reporting functionality;
- System security protocols and program position security profiles.

D. Internal Controls and Exception Reporting

Many companies are moving from controlling at the point of purchase to developing audit procedures to ensure policy compliance. This has the benefit of empowering employees without losing the ability to monitor compliance.

Your management reporting tools can be configured to identify card usage outside of set parameters and can be viewed by program administrators and line management.

E. Settling Payments with your Issuer

First, you must collaborate with your bank to define a monthly billing cycle period/program-reporting period to suite your business needs.

Next, you should establish a simplistic reconciliation process, whereby data downloads via the issuer or the MasterCard network are reconciled to the direct debit sweep by your issuer.

F. Reconciling to the General Ledger

Traditionally, cardholders use their paper statement to perform data validation and cost allocation. The traditional paper statement process contains the following steps:

- Cardholder validation of card transaction detail on Issuer Cardholder Statement to retained transaction receipts;
- Reconciliation of commercial card transactions to manually prepared cardholder transaction log;
- Population of transaction log with appropriate cost/charge code and other required line item detail, then submission to cost/budget center manager for endorsement, and;
- Cost/budget center manager endorsement, then forwarded to Accounts Payable for journal entry posting to Accounts Payable/General Ledger.

The above process requires extensive paper shuffling and excessive data input activity. With recent improvements in reporting and management tools, you can more efficiently perform these tasks for your organization.

Utilizing an electronic data management tool with your MasterCard Corporate Purchasing Card program for transaction data validation and cost/charge code allocation is a best practice. The process steps for transaction data validation and cost/charge code allocation would be;

- Electronic transaction data distribution to the cardholder (or delegate where cardholder has no system access) or all downloaded transactions since last distribution (may be daily, weekly, monthly);
- Cardholder validates transaction details from retained receipts/invoices;
- Cardholder can allocate appropriate expense/account code to the transaction (or amend the default expense/account code where linked to a Merchant Category Code/Group).
- Specified range of your organizations expense/account codes are loaded into the system for menu access by cardholder or delegate;
- Additional project code, asset purchase details, line item description, taxation information, can be provided to the transaction in fields allocated where required;

Best Practice:
Use the Purchasing Card with an electronic data management tool to reconcile with general ledger.
Cardholder/delegate can split the transaction either by amount or percentage across expense/account codes and/or across cost/budget centers as necessary,

Cardholder/delegate can screen print confirmed transactions, attach supporting documentation and retain for audit and/or management scrutiny,

Cardholder/delegate completes validation and cost allocation process and forwards transactions electronically to the cost/budget center for endorsement. On endorsement, the manager forwards transaction data electronically to your MasterCard Corporate Purchasing Card Program Administrator

Program Administrator, as and when required, uploads all program endorsed cardholder transaction data to the ERP system as designed. The use of such a reporting and management tool provides the following benefits:

Unlimited flexibility in the data validation and cost allocation process design,

Significantly reduces data entry activity, while enabling expanded data population options,

Detailed data audit trail of cardholder/delegate validation and cost allocation activity, and

Greatly enhanced management and exception reporting as and when required.

All information on your Program Parameters should be included in your Cardholder Guide. An example of these guidelines is included in Appendix C1.

6. Enrolling Suppliers

Many successful purchasing card programs define supplier categories, such as office supplies, consulting services, or hardware, which should always be paid via the purchasing cards. The purchasing department then works to ensure that all suppliers with negotiated rates in those categories accept the purchasing card.

When invoices are sent from those supplier categories for payment, the accounts payable department can reject those invoices and demand that the purchaser contacts the supplier to pay with his or her purchasing card.

During employee training you should educate employees as to which supplier categories he or she should pay via the purchasing card versus any other payment method.

Supplier categories may be selected based on any criteria you choose, such as volume of invoices or supplier type. For example, you might select supplier categories that account for the highest volume of purchase transactions (purchase orders or invoices) as opposed to those with significant dollar volume.

The following is a supplier strategy that you may wish to employ in your implementation.

A. Establish selection criteria based on data analysis.

The objective is to maximize transaction reduction opportunities. The common rule is 80/20; low-dollar purchases will often comprise over 80% of the total transaction volume, but these orders represent under 20% of the total dollars spent.

Sample Supplier Analysis

<table>
<thead>
<tr>
<th>Supplier Category</th>
<th>Name</th>
<th>Total Dollars</th>
<th>Number of Invoices/yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies</td>
<td>ABC Stationery</td>
<td>$42,653</td>
<td>565</td>
</tr>
<tr>
<td>Hardware</td>
<td>Joe’s Hardware</td>
<td>$15,000</td>
<td>103</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>Sandy Glaser</td>
<td>$110,456</td>
<td>52</td>
</tr>
</tbody>
</table>
The Sample Supplier Analysis demonstrates that office supplies and hardware are supplier categories for which your organization gets a majority of invoices, but which represent a smaller portion of dollars spent. These are perfect supplier category candidates for your purchasing card program.

**B. Determine Data Level Needs Requirements.**

In the introduction, different types of data, such as Level II and III, available with the purchasing card were outlined. Your organization must determine if that enhanced data is needed to ensure the success of your purchasing card program.

With the purchasing card transaction, along with the merchant address and phone number, you may receive additional information from the merchant such as:

- 1099 indicator
- MWOB data
- Small business status
- Duns number
- Supplier’s TIN

This information can help you with your tax calculations. By purchasing from certain suppliers, such as minority- or women-owned businesses, your organization may be eligible for tax breaks. The 1099 indicator can assist you in reporting taxable transactions to the government.

Level II data provides sales tax data that can assist a company in ensuring that they are paying correct taxes for goods purchased, particularly out of state. This information will assist a company if the state tax authorities ever audit them. Level II data also provides additional information regarding the status of the supplier that is needed to determine whether tax breaks are available as a result of using certain minority or women suppliers. If you want to utilize Level II information to assist with your tax preparations, you must demand that all of your suppliers pass this information. The supplier action plan below will tell you how to instruct your suppliers on this matter.

Level II information can also provide a customer code that uniquely identifies each transaction — assisting in assigning transactions to your General Ledger.

Level III data will provide line-item detail to help your company determine exactly which items were purchased. This can assist your procurement department in negotiating better rates on frequently purchased items. Also, this information can allow your purchasing department to audit whether your employees are purchasing the company-required items — for example, the negotiated $150 cell phone instead of a top of the line model $500 cell phone.

**C. Develop a supplier action plan.**

Once you have compared your data requirements to your suppliers’ capabilities, you must determine what actions should be taken to convert supplier categories defined above to the MasterCard Corporate Purchasing Card to realize the program benefits.

To determine which of your target suppliers currently accept MasterCard cards, and what their current data capture capabilities are, you might want to conduct a survey. In addition to gathering information regarding your suppliers’ capability to process Level II and III purchasing card data, the survey can make your suppliers feel more involved in your program.

If your supplier already accepts cards and provides the level of data you require:

Convert purchases in the supplier category to MasterCard Corporate Purchasing Card. To effectively convert these transactions, take the following actions:

- Establish a supplier list for each supplier category of spending.
- Make cardholders aware of these suppliers.
- Have the buyer pay for these purchases with his/her MasterCard Corporate Purchasing Card.
- Instruct your accounts payable department not to accept invoices from these suppliers or to pay using the MasterCard Corporate Purchasing Card.
- Remind cardholders that suppliers must provide the data you require. For example, if customer code is required, ensure that cardholders are trained on providing this code to the supplier.

If your supplier accepts cards, but does not provide the level of data you require:

- Instruct the supplier to contact their MasterCard card service provider (acquiring bank) for an upgrade. Their MasterCard card terminal or software must be upgraded to either Level II or III data capture as you specify. Be aware that suppliers must have a personal computer or host computer to perform Level III.
- Set a time frame for supplier participation and communicate this to the supplier.
If your supplier does not accept cards yet:

- Instruct them to contact their financial institution for a referral to a MasterCard card service provider. They must request Level II or III capability. Set a time frame for supplier participation and communicate this to the supplier.
- Place your card acceptance and data requirements in your next RFP or contract with the supplier.
- Invite your supplier(s) to a seminar — ask your card issuer for a supplier seminar kit.
- Consider switching suppliers if current suppliers choose not to participate. Select from the list of “Level II or III” suppliers and ask your card issuer for a copy of the MasterCard Corporate Purchasing Card Supplier Directory.

To convince suppliers to accept the purchasing card, you may wish to educate them on the benefits that they will receive by accepting the card for payment.

- Reduce the receivable financing costs: By accepting MasterCard cards, payment will be received within a few days of order fulfillment, rather than the typical 30- to 60-day receivable cycle.
- Reduce invoicing and collection costs: Your suppliers incur significant administrative costs generating and processing invoices. MasterCard card acceptance means reduced invoices, reconciliation and credit checks for new accounts.
- Reduce bad debt expense: Because purchasing authority is verified electronically at the point of purchase, credit risk is transferred from the supplier to the issuer.
- Concentrate your business within that category: Communicate to your supplier that you plan to concentrate business within the category and those suppliers passing the data required by your company are likely to be the preferred vendors and, subsequently, gain additional business.

D. Communicate with your suppliers

Companies have had success with many methods of communicating their card programs to their suppliers. You’ll want to consider some or all of the following:

- An announcement letter
  An announcement letter sent to your supplier is the most effective means of securing supplier cooperation with your program. This is an opportunity to clearly communicate to your suppliers the reasons why your corporation will be using the MasterCard Purchasing Card, and what benefits they can expect to realize. (Use the opportunity to enclose a survey asking if they currently accept MasterCard cards, and if not, whether they’d be interested in accepting them). You should also include a referral to a MasterCard merchant acquirer that can allow the supplier to provide the level of data you require (your financial institution can identify service providers for you). To encourage a supplier to accept the card for payment, you may wish to state that in the future you will only be buying from merchants who accept the purchasing card for this type of good and will no longer accept invoices for payment for this good category.

Samples of announcement letters may include:

- Supplier Letter 1 (See Appendix B1)
- Supplier Letter 2 (See Appendix B2)

A strong targeted letter campaign can have great impact. Response rates vary widely, depending on the accuracy of mailing lists and the strength of your directive in the letter. You can create your own mailing list utilizing your vendor database. A targeted mailing list is one of the most important elements of a successful direct mail campaign. See attached appendices for samples of:

- Mailing List Guidelines (See Appendix B3)
- Sample Fax-Order Cover Sheet (See Appendix B4)

A fax cover sheet alerts suppliers to the company’s new payment method.

- Supplier seminars
  Invite key suppliers to a seminar to explain your program. Your card issuer can assist you in this effort, and involve a MasterCard merchant acquirer to receive applications from interested suppliers on the spot.

- Information pamphlets
  Information pamphlets may be available through your card issuer. They highlight the benefits to the supplier, and instructs the supplier on how to begin accepting MasterCard cards if they don’t already. The pamphlet will also explain the requirements for any additional data that you, the customer, may require.

- Telephone contact
  You may want to speak to key suppliers directly to explain the new program or have a MasterCard card provider market its services to your suppliers.

Use every opportunity to get your message across.
E. Develop Reporting on Supplier Categories

As the purchasing department’s time is freed from administrative responsibilities, it should have more time to monitor spending to certain suppliers in certain categories to determine how much is being spent with each supplier and what purchase method is being used. This information can assist in:

- Supplier base reduction
- Supplier base management

Your issuer may be able to assist you in developing certain supplier management techniques using the data you receive from your purchasing card program coupled with the data available via your ERP system. Successful supplier management can provide significant hard dollar savings to your companies and can be facilitated by analysis of the data that will be available to you.

7. Establish Policies and Procedures

**Best practice:**

It is important for your employee cardholders to understand that benefits and responsibilities of using a MasterCard Corporate Purchasing Card. Consider asking each cardholder to sign a formal cardholder agreement detailing these responsibilities.

Since the purchasing card implementation will be changing how purchases take place in your organization, the implementation team must ensure that it develops policies for the distribution and maintenance of the cards, card usage criteria, roles of different constituents in the reconciliation of purchases, and dispute of purchases.

- You must determine how you want the cardholder to handle:
  - The receipt of materials and services purchased with the card
  - Maintaining and reconciling records and receipts
  - The resolution of errors, disputes, and credits.
- How are you going to distribute cards to your employee cardholders? You should establish a secure, central place to store the cards you receive from your card issuer; and require employees to sign for them when picking them up.
- You should immediately cancel a departing employee’s MasterCard Corporate Purchasing Card (in accordance with your card issuer’s policy), and notify the employee of the card cancellation in writing. This should be part of your standard operating procedure for any cardholder who leaving the company, whether voluntarily or not. The cancellation notice sent to the employee must instruct the individual to immediately discontinue all use of his or her MasterCard Corporate Purchasing Card, and to return the card to the company.
- If there is a dispute over a transaction, the cardholder is empowered to resolve the dispute. The cardholder should first try to resolve it with the supplier. If this is unsuccessful, the cardholder should contact the program manager.
- Since the card is issued in the employee’s name and is to be used for business expenditures only; it should not be used by anyone other than the cardholder.
- The card should only be used to make purchases within the parameters established by the company, such as dollar limits or supplier category. (You should include instructions on what to do if a transaction is denied at the point of sale.)
- While the cardholder may not be responsible for making payments, the cardholder should be responsible for verifying and reconciling all account activity. The cardholder should surrender and cease use of his/her card on termination of employment, whether for retirement, voluntary separation, resignation, dismissal, or in the event of transfer or relocation. The cardholder may also be asked to surrender the card at any time deemed necessary by the company management.

Best practice:

It is important for your employee cardholders to understand that benefits and responsibilities of using a MasterCard Corporate Purchasing Card. Consider asking each cardholder to sign a formal cardholder agreement detailing these responsibilities.
These guidelines and responsibilities should all be included in a Cardholder Guide, which must be signed by the individual cardholder when he or she receives the card. A sample Cardholder Guide is included in Appendix C1. The Cardholder Guide will be discussed further in the next Section, Training, since the agreement will be the primary means of training the cardholders on their roles and responsibilities.

Other Internal Audiences: The impact of implementing this program stretches beyond the cardholders. Many other employees — purchasing, receiving accounts payable, MIS, and internal audit, for example — will need to understand how the program will work and what their new roles and responsibilities will be. Examples of policies and procedures to consider include:

- How will disputed items be handled in Accounts Payables, (i.e., will A/P withhold the disputed amount from the payment or will they pay in full and wait for the credit to post on the next billing cycle)?
- What markings will the receiving department be looking out for on supplier deliveries made for purchasing card shipments?
- What human resources policies will be employed if an employee misuses the purchasing card?
- What degree of reconciliation and by whom, is required to meet internal auditing requirements?

Sections of the guide must also be developed for each of these constituencies to ensure that roles and responsibilities are easy to understand and to follow.

8. Training

Best Practice: The one common thread shared by all successful programs is a strong commitment to user training.

Training should be comprehensive, explaining the reasons for the company embarking on the effort as well as focusing on specific operational tasks of each group.

A. Prepare internal communication

- Cardholders
  Cardholders are where the new process begins. They will now be communicating directly with the suppliers to request goods and services be delivered to the company in order that cardholder's various job responsibilities can be completed. They need to be educated in the proper communication to use with suppliers.

  The following are suggested strategies in tackling the training challenge:
  - “Kick-off” meeting where questions can be answered
  - Online interactive tutorials
  - Internal and external support lines
  - Newsletters by internal email or paper for implementation and on an ongoing basis

We recommend that you prepare a cardholder guide for your MasterCard Corporate Purchasing Card program as reference for participating employees. The cardholder guide should be given to each cardholder with their card.

While the contents of such a guide will obviously depend on the particulars of your program, it should cover the following subjects: (A sample cardholder guide is provided in Appendix C1 of this guide.)

- Senior management endorsement
  The guide should begin with a letter acknowledging senior management’s commitment to making the program a success.
- Program overview
  To encourage employee participation and support of the program, employees should be given a basic description of how the program is going to work.
- Card control
  This section should include a copy of the cardholder application and agreement; information on card renewal and cancellation; what to do if the card is lost or stolen; and tips on keeping the MasterCard Corporate Purchasing Card secure.
- Cardholder responsibility
  This section should include the results of the policy decisions made in Section 02-7 “Establish policies and procedures”.
- List of contacts
  Include a list of important contacts for the program (i.e., how to contact the program manager or the card issuer’s customer service area).
SECTION 02 IMPLEMENTATION

- Receiving
The receiving function also will have procedural changes. Typical examples of the impact of the purchasing card program are changes in supplier markings that Receiving should look for on delivered packages and how Receiving should respond to such markings. In addition, there may be different procedures for delivery of items received from purchasing card orders as opposed to the traditional process.

- Accounts Payable
Accounts Payable may still be receiving invoices from suppliers who ship both purchasing card orders and traditional “purchase order-invoice” orders. There will also be situations where invoices are inadvertently sent for goods already billed to cardholder purchasing card accounts. Accounts Payable personnel need to be able to recognize these events and take the proper action.

- Purchasing Department
The role of the purchasing department changes significantly. For items purchased via the purchasing card, its focus will be on supplier base management, contract negotiations and contract compliance. Purchasing will need to learn how to use the new reports they have available to them to negotiate with the supplier base.

Program education forums should be held with all these internal constituencies to actively drive acceptance and participation in the program.

B. Conduct external communication
As discussed in Step 6, Enrolling Suppliers, participation by your suppliers is a vital component of the success of your program.

Suppliers also need to be trained in how they will now be expected to deliver goods and services to the company. Key changes from previous routine may include:

- Special markings on the outside of packaging, indicating that this delivery is for a purchasing card transaction.
- Suppression of the issuance of an invoice.
- Inclusion of the MasterCard card receipt with the packing list and goods.
- How to identify and properly charge cardholders when consolidating multiple orders from multiple cardholders.
- What action to take if a card authorization is declined.

Maintaining frequent communication with your major suppliers on the progress of your Purchasing Card implementation can ensure that their staff is educated about your program to procure business goods and services.
In Phase 1, the groundwork was laid for the actual issuance of cards to cardholders. In Phase 2, you are ready to distribute cards, have your employees make actual purchase transactions and monitor all of the systems, processes and procedures. You should be prepared to make minor adjustments as events transpire that were not adequately addressed in Phase 1.

**I. Managing and measuring your program**

While each company's program management will be different, there are several tips that every company should consider:

- **Communication with card issuer**
  It is a good idea to establish formal ongoing communication — such as a weekly conference call — with the card issuer to review the program. This allows you to get answers to any questions that have arisen, solve problems, and make any adjustments to the program.

- **Performance measures**
  Performance measures will help evaluate the success of the program. The implementation team should decide before the rollout what would be measured. Measurement of success could include:
  - Employee feedback
  - Number of cards
  - Number of transactions
  - Number of participating suppliers
  - Dollars transacted
  - Saving (in time and/or money)
  - % of Purchase Orders eliminated
  - % of invoices eliminated
  - Time created for work redirection
  - Internal & external customer satisfaction

- **Evaluation**
  Throughout the implementation period, the implementation team should conduct an Evaluation Review of your MasterCard Corporate Purchasing Card Program, with consideration of the following activities:
  - Assessing the performance of your Purchasing Card Program initial implementation against established performance measurement criteria;
  - Conducting cardholder/line management/business unit feedback forums on an open and informal basis;
  - Communicating with selected suppliers/vendors on transaction activity and cardholder understanding.

The findings and recommendations from the Implementation's team review should be presented to the Program Sponsor/Executive Management Team. With this presentation should be any recommendations for corrective action.

- **Corrective action**
  If you are not meeting your launch targets, we recommend the following ways to keeping your Purchasing Card energized:
  - Re-survey your suppliers for card capabilities. Based on the survey results, prepare a list of suppliers accepting your company's Purchasing Card. Give the report to cardholders and instruct them that they should use preferred suppliers for their card purchases. Provide cardholders with regular updates of the supplier list.
• Work with your issuer to persuade the remaining suppliers to become card capable.

• Reduce the number of MCC blocks to an essential few such as travel and entertainment suppliers and cash.

• Contact the cost center managers generating most of the small-dollar purchase orders and invoices. Ask them to provide the names of the employees who frequently initiate petty cash vouchers and low-value requisitions/check requests. Issue cards to these employees.

• Eliminate the petty cash process.

• Convince the purchasing manager to establish a policy of ceasing to process purchase orders for less than an agreed dollar level for items that are authorized for card purchases.

• Write articles for the company employee publication at least once a quarter with updated information about the card program.

2. Monitoring for Policy Compliance

One of the tasks of the program manager is to monitor the program for compliance with company policy. In concert with the company’s internal audit group, the program manager should be able to review cardholder transaction activity for anomalies. If the company has opted for daily electronic reporting, “out-of-norm” activity can usually be identified within 48 hours of the transaction being made. Typical things to look for include multiple transactions by a cardholder on the same day with the same supplier. This may indicate that the cardholder is attempting to circumvent the single transaction dollar limit by “splitting” the transaction into two smaller ones. Other “red flags” may be supplier names that are not known to the purchasing department and many transactions for the same dollar amount at the same supplier. While all of these activities don’t conclusively prove wrongdoing, they do warrant further inquiry.
Successful purchasing card program managers are always attempting to expand the reach of their program to increase the amount of spending placed on the card. This section will review methods used by other program managers to achieve this goal.

New technology will also enable increased usage of the purchasing cards. A One Card solution allows your company to combine multiple card programs, Travel & Entertainment and Fleet capabilities, with your Purchasing Card. Electronic procurement systems enable payment choices to be predetermined by the procurement team and incorporated into the business rules of the software; removing the payment choice from the purchaser.
After an organization has had several months of post implementation success with the MasterCard Corporate Purchasing Card system, they should begin to explore new opportunities to expand the use of the program.

The Corporate Purchasing Card account number could become a seamless part of an online transaction program. These are just a couple of examples of the changing environment for payments that could enhance the utility of your card program.
A. Program Expansion

I. Identify barriers

The first step is to identify barriers. Organizations should review all invoices for goods and services of less than $1000. The following table will give some typical reasons for not using the card and the corrective action to be taken:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier doesn’t accept cards</td>
<td>• Advise the issuer of your card program and ask them to work with the supplier to accept cards.</td>
</tr>
</tbody>
</table>
| Cards being used by central buying organization | • Give cards to the end users in your organization.  
  • Use front-end controls to limit purchases to those consistent with individual job functions. |
| Reconciliation of cardholder transactions takes too long | • Ask for daily electronic reporting from your issuer.  
  • Have cardholders review their transactions on a frequent basis (weekly, daily) throughout the month rather than at the end of the month. |
| Not enough activity                | • Raise the threshold for small dollar purchases.  
  (The United States Government mandates that all purchases made under $2,500 be done with a purchasing card.)  
  • Train personnel in the use of the cards.  
  • Look for new applications such as postage, subscriptions, priority mail, freight, internet purchases, training seminars, books, computer software, computer peripherals, uniforms, hand tools, office furniture and building maintenance service, supplies and catering.  
  • Update and communicate to cardholders the names of suppliers who accept cards for payment. |
| Does not tie in to accounting systems and monthly cut-offs | • Work with your card issuer to integrate the card reporting system with in-house systems and monthly cycle cut-offs. |

2. Determine new card use opportunities

Companies with successful purchasing card programs are continually looking for new types of spending to put on the purchasing card. The following are examples of innovative practices of best-in-class procurement organizations:

- Issue a card account to be used at one supplier (ghost or department account) for a particular type of purchase — for example, office supplies. All employees order through this one supplier.
- Assign a card account to a capital equipment item such as a copy machine or air conditioning unit. The card serves as an asset life-cycle tracking of maintenance, repairs and/or lease payments system for the equipment.
- Purchase service and spares from capital equipment suppliers with a card.
- Use the card with blanket orders as a ‘release-and-pay’ tool.
- Set up card accounts for individual projects to track project costs (research and development projects or trade shows).
- Use cards to reduce or eliminate centrally stored items, like office supplies. You can reduce carrying costs and satellite storage facilities.
- Ask your issuer about “convenience checks” associated with many purchasing card programs, to pay suppliers who traditionally don’t accept cards such as utilities and office leasing companies.
- Establish a dollar minimum, equal to your purchasing card spending limit, for purchase requisitions your purchasing department will accept.
- Charge requesting departments a processing fee for invoices or requisitions that could be on a card.
- Charge services — temporary help, janitorial services, training classes, office supplies, professional services (legal, accounting, consulting, etc.).

“Show Me the Money Saved!”, Stephanie King, CPR Consulting, Inc.
Many companies are looking to electronic purchasing to revolutionize the corporate purchasing function. E-procurement sites, auctions, reverse auctions, vertical exchanges, and horizontal exchanges are all purchasing vehicles available to commercial buyers. The buyer also must determine if they want to integrate these buying hubs with their enterprise resource planning (ERP) systems. Payment and settlement for the goods or services is another issue.

The MasterCard Corporate Purchasing Card provides the payment and financial settlement functions necessary for your company to conduct purchasing online. First, the purchasing card allows settlement and data collection to occur with the new suppliers found in online communities. “Many studies continue to show that new, unplanned, one-time buys account for more than 50% of maintenance, repair, and operating (MRO) supply purchases.” Vendors for these purchases could be sourced online with payment enacted with the purchasing card in order to ease the financial settlement and data collection associated with a new supplier.

Also, the MasterCard Corporate Purchasing Card can be used seamlessly for both your online and offline transactions, which allows you access to all of your information to conduct a cash management and purchasing strategy. Your organization may choose to buy from supplier-centric online catalogues of a select group of suppliers with whom you may have more established relationships with, or through your e-procurement system, such as Commerce One or Clarus. By using a procurement card to complete these transaction, you will receive a data feed of all activities with all suppliers completed both online and off, enabling the purchasing group to better manage its vendor relationships. Also, if you have a previous relationship with suppliers, you can leverage that relationship to ensure the transference of Level II or III data.

The process improvements that result from the extended automation of the procurement cycle to the point of procurement translate into real dollars saved.

Your e-procurement solution can automatically generate a purchasing order to your ERP system and a payment to the merchant. The information will be relayed via the ERP system to accounts payable resulting in seamless reconciliation when your issuer sends you a statement for purchases made. Accounts Payable will not have to receive, reconcile and pay multiple invoices with purchasing card purchases. This automation will lead to best-in-class performance of utilizing e-purchasing with a purchasing card for payment.

---

If your corporation is multinational with employees in many regions, your issuer can assist you in providing a consistent program to your cardholders. Many card issuers have a strong presence in foreign countries while others have formed alliances with local in-country financial institutions to issue purchasing cards in the foreign country. In either case, it is important that you ensure that you are able to meet the requirements of your card program in the foreign country as well as you have been able to meet them in the U.S.

Consider the following for an effective multinational card program:

- Will cardholders be able to receive the in-country customer service that they will require?
- How will your card program support any unique tax-reporting requirements?
- What, if any, cultural differences come into play when using a purchasing card as a payment method?
- Does your company want the foreign cards billed in local currencies of the card holders, in one particular foreign currency, or in U.S. dollars?
- Will reporting be sent to the U.S. for redistribution by the company to its foreign operating units, or will all foreign activity be reported locally and then sent on via company internal systems to the U.S.?
- Will each foreign unit pay the bills for its own cardholders or will bills be paid centrally in the U.S.?

The expansion of your purchasing card program internationally requires careful consideration of all of these questions. This can be challenging. Ask your issuers for details.

In particular, you will want to ensure that your reporting tool can meet your multinational needs. Any reporting tool must be multilingual and have the ability to perform currency conversions on transactions.

**Best Practice:**
If going international, make sure your purchasing card provider has local presence and/or strong alliances in the countries where you plan to have cardholders.
The MasterCard Corporate Multi Card is a “One Card solution” that employees can use for traditional purchasing card transactions, in addition to travel and fleet expenses.

This new card has separate spending controls for each type of transaction, including dollar limits and supplier restrictions. For example, a card authorized for both purchasing and travel can have a $2,000 limit on purchasing card transactions and a $5,000 limit for travel expenses. If a manager authorizes only purchasing transactions for a cardholder, all travel-related and fleet-related suppliers can be blocked.

All the charge data for each type of purchase will be housed in a single database, providing your company the ability to view all information collectively and make cash management decisions based on a broader spending picture. While the data is all housed together, it can be integrated into specialty databases, such as fleet management systems, to ensure that none of the reporting functionality is lost. (See diagram below.)

The fundamental steps for implementing a One Card program are as follows:

**Step 1: Set up account hierarchy.**

**Step 2: Customize cardholder spending profiles utilizing MCC’s.**

**Step 3: Customize billing and liability options by MCC.**

**Step 4: Employees make charges.**

By utilizing the same reporting tools that you currently use for the purchasing card, you can integrate MasterCard Corporate Multi Card transactions into the general ledger using rules based on merchant, cardholder, and MCC. You can eliminate the expense reports associated with Travel & Entertainment (T&E) spending to create additional process savings.

The MCC codes can also be used to divert transactions for central vs. individual bill charges, central vs. individual liability, rewards qualification, and diversion of T&E charges into expense reporting software.

By combining card programs, (purchasing, travel and fleet), the company can save on administrative effort. With fewer cards to manage, a consistent reporting platform across all programs, and one accounting process, all concerned parties will have the same data in the same time frame and be able to make better management decisions.

The ease of use for the cardholder is also a benefit. Now instead of having multiple cards, and potentially using the wrong card for the wrong purpose, the cardholder has one card and one process to follow for all transactions he/she needs to make to fulfill his/her job responsibilities.

The level of sophistication of your various card programs can determine if your organization is ready to migrate to a One Card program. If you think that your organization may be interested in a One Card program, contact your issuer for additional information.

---

6 “What’s New”, Stephanie King, CPR Consulting, Inc. 1998
E. Smart Cards

Smart Cards have the ability to offer multiple applications — both financial and non-financial — through the use of intelligent computer chips that reside on the cards. These chips have over 80 times the capacity of the magnetic strip used on credit cards today. With this additional capacity, new functionality can be added to extend the value of the card to your organization.

A. Financial Applications

Smart cards can enhance data-capturing capability. Organizations that currently do not send Level II or Level III data might be able to pass this information to a smart card with a smart card reader. This information can automatically be uploaded into a reconciliation statement that is transmitted monthly to your Accounts Payable department to reconcile with the statement sent by the bank.

Companies can also load funds onto a smart card for employee use. Examples of stored-value applications include cards that can be used at vending machines, entrance turn-styles, or other specially enabled card readers at merchants such as military base exchanges, colleges and universities, company stores or other “contained environments”. Some stored-value cards can offer the cardholder the ability to read the remaining dollar value on the card without having to make a purchase transaction. Stored-value cards can also be “re-loadable”, meaning that more dollars can be added to the remaining balance on the card by making a payment or “deposit” to the stored value card provider.

There are many examples where a company may wish to provide its employees funds for use on special projects, relocations, reimbursements, etc. The smart card could be an administratively efficient way to provide funds to employees.

B. Non-Financial Applications

Chip cards also provide the opportunity to add unique applications to traditional Purchasing and/or Multi Cards. New corporate benefits could be:

- Corporate campus access: to building, parking, computer, Internet/LAN
- Authentication: employee ID, digital signature
- Carry cost center information when using company services such as photocopying, multimedia, or telephone
- Emergency contact information
- Insurance and health care information
- Airline frequent flyer program information
- Calling Card information

You may want to consider adding Smart Card functionality to your MasterCard Corporate Purchasing Card or MasterCard Corporate Multi Card program if you have access/security requirements, employee incentive programs, comprehensive employee benefits programs or other potential smart card application requirements.

If you believe that your organization could benefit from Smart Card technology for either financial or non-financial applications, discuss the possibilities of developing a solution with your issuer.
Acquirer: A card processing company that maintains a relationship with suppliers/merchants and has an agreement to process the data relating to a card transaction. An acquirer is often referred to as a “merchant bank”.

Authorization: A procedure by which card issuers either approve or decline transaction requests from merchants at the time of sale. Authorization is based on the cardholder account status and available spending.

Data Capture: The collection, formatting, and storage of information in computer memory. Most point-of-interaction devices perform data capture functions.

Decline: A response to an authorization request which means that the card issuer will not authorize a specific transaction.

Issuer: The financial institution (or its agent) that holds contractual agreements with and issues cards to cardholders.

Level I Data Capture: A traditional MasterCard card purchase transaction. It includes the following information: total purchase amount, date, merchant category code (MCC), supplier/retailer name.

Level II Data Capture: Includes information from Level I plus: sales tax amount, customer’s accounting code, merchant tax identification number and applicable minority and women-owned business status, sales outlet zip code.

Level III Data Capture: Includes all information from Levels I and II plus line-item details and other data, including: quantities, product codes, product descriptions, ship-to zip code, freight amount, duty amount, order or ticket number.

Magnetic Stripe: A stripe of magnetically encoded cardholder account information on the bankcard.

Manual Entry: When the card number, expiration date, and transaction information is entered into the terminal or computer instead of swiping the magnetic strip (also known as key entered.).

Merchant: Any business meeting acquirer and MasterCard qualification standards which accepts MasterCard cards as a payment for goods and services. (Suppliers that accept MasterCard cards may also be referred to as merchants.)

Merchant Category Code (MCC): Merchant classification code that identifies the merchant’s type of business (similar to an SIC).

Merchant Type Code: A four-position code used to identify unique business ownership characteristics (socioeconomic data helps corporate and government agency customers to accurately track their spending with small, minority, disadvantaged and/or women-owned business). Suppliers self-certify their unique business characteristics using a numerical indicator from each of the four field positions.

POI Terminal (or POS Terminal): A terminal, at the point-of-interaction (or point-of-sale), which is connected via telecommunication lines to a central computer. Authorization, recording, and transmittal of transactions is performed through the POI terminal.

Purchasing Card: Designed to help companies maintain control of purchases while reducing the administrative cost associated with authorizing, tracking, paying, and reconciling those purchases.

Recurring transaction: A transaction for which the cardholder has granted permission to the merchant to charge on a regular basis. For example — a blanket purchase order for a monthly supply of widgets.

Transaction: Any action between a cardholder and a merchant or member that results in activity on the account, such as a purchase or balance adjustment.
Dear Preferred Supplier:

Did you know that your company could be paid in three days instead of 45? By accepting the MasterCard Corporate Purchasing Card® for purchases that are traditionally invoiced, you will realize improved cash flow, reduced paperwork, and eliminate payment delays.

Our company has launched a MasterCard Corporate Purchasing Card program. In order to maintain your preferred vendor status, you must be able to process our MasterCard Corporate Purchasing Card orders. By doing so, you will:

- Receive payment in days instead of weeks
- Reengineer your accounts receivable
- Maintain preferred vendor status
- Simplify and speed the buying process
- Electronically authorize our purchases
- Eliminate invoices for our purchases

What do you have to do?

- If you currently accept MasterCard cards, please call your MasterCard card service provider and arrange for a software upgrade to “Level II.” This will enable you to electronically transmit valuable accounting data — the sales tax amount and our customer code — with MasterCard Corporate Purchasing Card orders.

- If you do not accept MasterCard cards yet, please contact your financial institution to find out how you can.

Because we are so committed to our reengineering efforts, inability to accept our MasterCard Corporate Purchasing Card as of (date) may jeopardize your status as our vendor. Please call (contact name), our purchasing card program administrator, at (phone number) if you require additional information. Thank you for your cooperation.

Sincerely,

Name
Title
Dear Preferred Supplier:

Our company has launched its three-day program in conjunction with our use of the MasterCard Corporate Purchasing Card®.

Under this program, our suppliers will:

• Maintain preferred vendor status
• Receive payment in days instead of weeks
• Reengineer their accounts receivable
• Simplify and speed up the buying process
• Electronically authorize our purchases

Act now to maintain your preferred vendor status with our company. Please fill out and return the attached form. Additionally:

• If you currently accept MasterCard cards, please call your MasterCard card service provider and arrange for a software upgrade to “Level II” to electronically transmit valuable accounting data —the sales tax amount and our customer code— with MasterCard Corporate Purchasing Card orders.

• If you do not accept MasterCard cards yet, please contact your financial institution to find out how you can.

Because we are so committed to our reengineering efforts, inability to accept our MasterCard Corporate Purchasing Card as of (date), may jeopardize your status as a preferred vendor. Please call (contact name), our purchasing card program administrator, at (phone number) if you require additional information. Thank you for your cooperation.

Sincerely,

Name
Title
We need to know:

Do you already accept MasterCard® cards for payment?

☐ Yes: Are you able to transmit the sales tax amount and our customer code with our transactions?  ☐ Yes  ☐ No

If no, please call your MasterCard card service provider to upgrade to “Level II” support.

☐ No: To begin accepting MasterCard cards for payment, please contact your financial institution

Date: ____________________________________________________________________________________

Name: ____________________________________________________________________________________

Title: ____________________________________________________________________________________

Company Name: ____________________________________________________________________________

Address: __________________________________________________________________________________

City, State, Zip: ____________________________________________________________________________

Phone: ____________________________________________________________________________________

Fax: ______________________________________________________________________________________

MCC (Merchant Category Code): ____________________________________________________________________________

Please complete and fax this back to (fax number). Thank you.
A targeted mailing list is one of the most important elements of a successful supplier mail campaign. On a diskette, you should collect the following information and field lengths:

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Suggested Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Company Name</td>
<td>30</td>
</tr>
<tr>
<td>• Contact Address</td>
<td>30</td>
</tr>
<tr>
<td>• City</td>
<td>20</td>
</tr>
<tr>
<td>• State</td>
<td>2</td>
</tr>
<tr>
<td>• Zip Code</td>
<td>10</td>
</tr>
<tr>
<td>• Telephone</td>
<td>14</td>
</tr>
<tr>
<td>• Contact Name</td>
<td>30</td>
</tr>
<tr>
<td>• Your Vendor Number</td>
<td>15</td>
</tr>
<tr>
<td>• # of Transactions/Year</td>
<td>4</td>
</tr>
<tr>
<td>• Sales Volume</td>
<td>9</td>
</tr>
</tbody>
</table>

**Supplier Selection:**
Concentrate your efforts on suppliers with which you have more than 20 transactions a year or that have significant importance to your company.

**Contacts:**
Unless you have a current contact name, address the mailing to the Accounts Receivable Manager or the Controller.

**Signature on Letter(s)/Self-Mailer:**
For greatest impact, have a senior officer such as the Controller, CFO, or President of your company sign your letters and/or self-mailer.
Fax Order

From:
Fax:
Phone:

To:
Fax:
Phone:

Re:

Attention

Attached is an order. Please be advised that we plan to use the MasterCard Corporate Purchasing Card® for payment with our next order. Please route this cover sheet to your Accounts Receivable Department.

Accounts Receivable Manager:
Do you already accept MasterCard cards for payment?

☐ Yes: Are you able to transmit the sales tax amount and our customer code with our transactions? ☐ Yes ☐ No

If no, please call your credit card service provider to upgrade to “Level II” support.

☐ No: To begin accepting our cards for payment, please contact your financial institution.

Please complete and fax this back to (fax number). Thank you.
IMPORTANT: This sample is not recommended by MasterCard and does not purport to meet your legal or regulatory obligations. Obtain advice from a counsel to determine what those obligations are.

Senior management endorsement
The guide should begin with a letter from a senior manager stating management’s commitment to making the program a success.

Program Objectives
The Purchasing Card Program is designed to offer a low-cost and efficient purchasing alternative. The Card is designed to eliminate the purchase order and invoice processing associated with these transactions. It may be utilized for emergency orders, night hours and weekends. You can utilize the Purchasing Card for business supplies and other low-dollar value goods and services.

Cardholder Application
As a cardholder, you will be asked to complete a Cardholder Application form. (Please refer to Appendix C2 for an example). The application form must be signed and approved by your manager and the Purchasing Card Administrator.

Card Issuance
Before receiving your Purchasing Card from the issuing bank, all cardholders must attend a training program. In the training session, you will learn about the Purchasing Card Program guidelines and your responsibility as a Program Manager. The cardholder will sign off on the Participating Employee Acknowledgment of Responsibilities form (please refer to Appendix C3 for an example). Once you have completed all necessary forms and completed your training program, you will receive your card.

Cardholder Security and Activation
The Purchasing Card is intended for use by Company Name employees who have business procurement authority. The Purchasing Card is issued for Company Name and in the name of the authorized employee. The Purchasing Card may only be used by the employee identified on the card. The Purchasing Card is a credit card. Cardholders must take precautions to protect the card and store it in a secure place. Delegation of authority is not permitted. Cards and card numbers must be safeguarded against use by unauthorized individuals either within or outside the company. For security reasons, the Purchasing Cards are issued inactive. Affixed on the Card will be a label with card activation procedures. Only the employee whose name appears on the Card is authorized to activate it.

Employee Transfers or Termination
Upon transfer or termination, the employee must surrender the Purchasing Card to their supervisor (Authorizing Manager). The Authorizing Manager will then notify the Program Manager who, in turns, notifies the financial institution and cancel the card.

Canceling and Reassigning Cards
To cancel the card, the card should be cut in half and forwarded to the Program Manager. The Program Manager will then forward the card to the financial institution.

Card Renewal
To ensure uninterrupted service, a renewal card will be automatically mailed to the cardholder at the address prior to expiration date of his or her current card. Cardholders must destroy expired cards once new Cards have been received.

Lost or Stolen Card
You are responsible for the security of your card and any purchases made on your account. In the event of a lost or stolen card, the cardholder must immediately contact the financial institution’s toll-free number (1-800-XXX-XXXX). The Cardholder’s account will immediately be closed and a replacement card will be delivered within 48 hours to the Cardholder. Failure to promptly notify of a lost or stolen Purchasing Card may result in inappropriate charges on the card. The cardholder must also advise the Program Manager.

Revising Cost Account Information
The specific cost account information can be changed by contacting the Program Administrator.
Card Usage
This card is not to be used for any personal expense items. Depending on program guidelines the MasterCard Corporate Purchasing Card can be used at any merchant that accepts MasterCard cards for payment of purchases. If a supplier does not currently accept MasterCard, please refer the supplier to credit card acceptance sign-up (1-800-440-0095). You can use the MasterCard Corporate Purchasing Card to make in-store purchases as well as phone, fax, or mail orders. You can use the card to purchase:
- tools/hardware
- maintenance/parts
- meeting amenities (not including food)
- company vehicle repair
- safety supplies
- books
- freight services
- subscriptions
- office supplies while on the road
If the Cardholder is “declined” for authorization at the point of sale (POS), it is possible that the transaction or cycle spending limit has been exceeded, the number of transactions per day has been exceeded, or the MCC code of the supplier, indicating type of business, has been restricted.

Transaction and Spending Limits
The Purchasing Card will be assigned a dollar limit per transaction. Any purchase attempted with a total sale price exceeding the limit will be declined by the financial institution name authorization system. Each Cardholder can also limited by the number of transactions per day. This will allow a Cardholder to execute no more than the specified number in any given day. If the Cardholder attempts to make more than that number of purchases in one day, the Cardholder may be declined. In addition, each Cardholder account will have a total spending cycle limit. As purchases are made using the Purchasing Card, transactions are posted against the spending cycle limit as part of the authorization process. Once the sum of all purchases (net of credit adjustments) exceeds the monthly spending limit, any incremental purchases will be declined. The Program Administrator will be responsible for setting and maintaining the transaction and spending limits.

Receipt of Materials and Services
The cardholder is responsible for ensuring receipt of materials and services and will follow-up with the supplier to resolve any delivery problems, discrepancies and damaged goods.

For telephone or catalog orders, make sure that complete shipping instructions are given along with your name and mail stop. Instruct the supplier to mark the outside of the package with the words “Purchasing Card” to expedite internal delivery.

If materials are ordered by phone, ask the supplier to include a sales receipt, (detailing any sales taxes charged) with the goods shipped. Save the credit card receipt and shipping documentation.

Record Keeping
It is a requirement of the program that cardholders keep all receipts for goods and services purchased. To facilitate the reconciliation process, the cardholder is expected to retain all credit card slips, cash register receipts, packing slips, etc. The cardholder and cardholder’s supervisor are left to determine how these documents will be retained. As purchasing card records will be audited from time to time, it is essential to adhere to the record-keeping guidelines.

Reconciliation
Upon receipt of the activity statement, the cardholder will compare the sales receipts to the statement.

The Cardholder is required to reconcile their statement for accuracy and verification of goods and services purchased.
The Cardholder will need to refer to previous activity to reconcile purchases made close to the end of the spending cycle, or to reconcile credits that may have been posted on their statement. Cardholder reconciliation procedures include:

- Match all transactions listed on the statement to the purchases.
- Attach all sales receipts and other documentation to the monthly statement as support for each transaction.
- Identify and highlight all discrepancies on the statement and contact supplier directly.
- Send approved Statement and Reconciliation to Accounts Payable within 5 days of receipt, with all receipts attached.
- Failure to submit an approved statement in a timely manner, within 5 days, will result in suspension or termination of card privileges.

**Duplicate Statement Requests**

To obtain a duplicate of a statement or a copy of the actual record of charge, the cardholder can call their financial institution's customer service center.

**Resolving Errors, Disputes, Returns and Credits**

While reconciling the Activity Statement, the Cardholder may identify purchases that were billed but were not received or ordered. It is the responsibility of the Cardholder to resolve any discrepancies between the Activity Statement and actual activity. The cardholder is responsible to follow up with the supplier or (financial institution) on any erroneous charges, disputed items or returns.

The cardholder will contact the supplier first to resolve any outstanding issues. Most exceptions can be resolved this way.

If the cardholder is unable to reach agreement with the supplier, the next step is to contact the financial institution's customer service center.

The (financial institution) must be notified of any disputed item within 60 days of the statement date containing the disputed item.

If the cardholder is still unable to reach an acceptable solution, call the Program Manager.

Disputed billing can result from a failure to receive goods or services charged, fraud or misuse, altered charges, defective merchandise, incorrect amounts shipped, duplicate charges, credits not processed, etc.

**List of Contacts**

Include a list of important contacts for the program (i.e., how to contact the Program Manager or the card issuer's customer service area).
Purchasing Card Application

Section I. Instructions
1. To add a new account, please complete sections II through V on this User Profile
2. To change information for existing accounts complete characters a-d:
   a. Complete Section II with the type(s) of request
   b. Fill in the individual’s Card Number
   c. Fill in Cardholder’s name as it appears on the Card
   d. Fill in only the fields requiring change(s)
3. Signed copy to be maintained in Cardholder and Authorizing Manager’s personnel files.

Section II. Type of Request (circle one)
   a. New Account   e. Name Change
   b. Address Change f. Credit Line Adjustment
   c. Customer Code Change g. Single Dollar Transaction Limit Adjustment
   d. Department Change h. Other (please specify) _____

Section III. Cardmember Information (Please Print)

__________________________________________________________________________
First Name of Cardholder    Middle Initial    Last    Business Phone
__________________________________________________________________________

___ / ___ / ___   _____ - ___ - _________
Date of Birth   Social Security Number

____________________________________________________________________________
Business Mailing Street Address (no PO Boxes)

City    State    Zip Code

X________________________________________________________
Signature of Approving Manager

Section IV. Authorization Parameters – Budget Unit Manager must complete!
Monthly Cycle Limit $___________ (Total dollar amount allowed per month)
Single Dollar Transaction Limit $___________
Daily Number of Transaction Limit #___________

Section V
I agree to abide by the procedures established in the (Company Name) Purchasing Card
Guidelines. I understand that it is my responsibility to notify (Financial Institution Name)
at (1-800-xxx-xxxx) immediately if my card is lost or stolen.

Employee Signature ____________________________________________ Date ________________

Approving Manager Signature ____________________________________________ Date ________________
Participating Employee Acknowledgment of Responsibilities

By participating in the *Company Name* Purchasing Card Program as a Cardholder, you assume responsibilities pertaining to the operation of the Purchasing Card Program. Please see the Purchasing Card Program Guidelines for complete list of responsibilities, which include but are not limited to the following:

- The *Company Name* Purchasing Card is to be used for authorized business expenditures only. The Purchasing Card may only be used within the policies and procedures outlined for the Purchasing Card program.

- The Purchasing Card will be issued in the name of the employee. By accepting the Card, the employee assumes responsibility for the card and will be accountable for all charges made with the Card. The Card is not transferable and may not be used by anyone other than the Cardholder.

- The Purchasing Card must be maintained with the highest level of security. If the Card is lost or stolen, or if the Cardholder suspects the card or account number has been compromised, the Cardholder agrees to immediately notify the Financial Institution Name and their Authorizing Manager. Oral notification is to be followed up by written confirmation.

- On a monthly basis, the Cardholder will receive a statement listing all activity associated with the Card. This activity will include purchases and credits made during the reporting period. While the Cardholder will not be responsible for making payments, the Cardholder will be responsible for the verification and reconciliation of all Account activity.

- Cardholder’s Accounts will be subject to periodic internal control reviews and audits. By accepting the Card, the Cardholder agrees to comply with these reviews and audits. The Cardholder will be asked to produce the Card to validate its existence and produce statements and receipts to verify appropriate use.

- Policies and procedures related to the Purchasing Card Program may be updated or changed at any time. *Company Name* will promptly notify all Cardholders of these changes. The Cardholder agrees to and will be responsible for the execution of any program changes.

- The Cardholder agrees to surrender and cease use of their Card upon termination of employment whether for retirement, voluntary separation, resignation or dismissal. In addition, the Cardholder must surrender and cease use of the Card in the event of transfer or relocation. The Cardholder may also be asked to and agrees to surrender the Card at any time deemed necessary by management.

- No subsequent invoice should be received from the vendor related to any Purchasing Card purchases.

- Misuse, including, but not limited to, personal use or unauthorized use and/or fraudulent use of the Card will result in disciplinary action, up to and including termination and/or civil or criminal penalties.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document. I certify that as a participating Cardholder of the *Company Name* Purchasing Card Program, I understand and assume the responsibilities listed above.

______________________________  _________________________________
Employee Signature  Title

______________________________  _________________________________
Name (Print)  Date

______________________________  _________________________________
Authorizing Manager  Title

______________________________
Name (Print)  ___/____/_____
<table>
<thead>
<tr>
<th>RESPONSIBILITY/ACTIVITY</th>
<th>MONTH 1</th>
<th>MONTH 2</th>
<th>MONTH 3</th>
<th>MONTH 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Final product overview meeting is held with corporation senior management and functional departments.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>2. Estimate roles and responsibilities of all players from issuer and corporation are identified.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>3. A weekly conference call is scheduled to discuss progress and issues.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>4. A project manager from both issuer and corporation should be assigned.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>5. Corporate purchasing volumes are requested by issuer (number of cards, dollar volume, number of transactions).</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>6. Camera-ready artwork is provided by corporation to issuer (name and/or logo of corporation on card should be encouraged).</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>7. List of suppliers to be included in mailing expressing intent of using Purchasing Card should be compiled.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>8. Settlement option and process is discussed (number of days and method).</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>9. Management reporting option is discussed, (paper, fax, EDI, Smart Data, ASCII, Internet, Client server).</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>10. Pricing is reviewed and finalized.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>12. Issuer receives camera-ready artwork, completes card design, and forwards immediately to processor.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>13. Issuer receives corporate purchasing volumes (is initial approved line of credit sufficient)?</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>14. List of suppliers is reviewed and mailing is initiated by corporation.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>15. Supplier days are scheduled in a centralized locations.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>16. Issuer sends set-up forms, cardholder instructions and supplemental information to corporation.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>17. Corporation reviews sample cardholder instructions and customizes, if necessary. Corporation distributes set-up forms to various user areas participating in program.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>18. Settlement process is reviewed and finalized.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>19. Management reporting options is finalized.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>20. Customer Code scheme is discussed.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>22. Corporation completes all forms and returns to issuer.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>23. Project managers review all set-up forms for accuracy.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>24. Issuer sets-up accounts on system. Cards are ordered.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>25. Cardholder instructions are finalized by corporation.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>26. Supplier status is reviewed for critical mass.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>27. Electronic reporting transmission status is reviewed.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>28. Customer code scheme is finalized.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>29. Issuer or corporation receive new cards from processor.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>30. Cardholder instruction, list of approved suppliers, supplemental information and new cards are distributed to cardholders.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>31. Final testing of electronic transmission between issuing bank and company is approved.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>32. Card is tested by project managers.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>33. Electronic transmission is reviewed.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>34. Settlement is reviewed.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>35. MasterCard Purchasing Card Program begins!</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>36. After week 12, monthly conference calls are scheduled to discuss progress, issues and expansion.</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
The following are typical customer questions and answers:

**Question:** How can we ensure that employees don't buy unauthorized items?

**Answer:** The front-end controls that the organization places on each cardholder will restrict the buying ability of the cardholder, permitting only those purchases that are consistent with the cardholder's job function. By understanding the cardholder's buying requirements and profiling those requirements into the front-end controls, the opportunity to make unauthorized purchases is greatly reduced. In addition, the reporting details that are provided enable the organization to monitor the activity with statistical spot audits. Experience indicates that employee misuse of company card privileges is rare. However, to protect against these losses if they occur, MasterCard International established the MasterCoverage® Liability Protection Program.

**Question:** Why do we need a purchasing card when we have EDI and blanket orders with our top suppliers?

**Answer:** Not all MRO purchases will warrant the development of an EDI solution or a blanket order. In the Implementation section of this document, we highlight how purchasing cards may be more applicable for low-dollar purchases while EDI is more appropriate for high-dollar purchases. Determining the optimum mix of payment solutions for different types of goods is an exercise that each company must undergo.

Furthermore, while blanket orders and EDI systems have eliminated some ordering tasks from the purchasing function, the back-end accounting functions are still burdened with the non-value-added activities of invoice posting and check writing. The purchasing card can enhance the EDI and blanket order programs by providing a payment system that allows for audit accountability and relief from some accounting functions.

**Question:** Where will our cost savings come from?

**Answer:** Cost savings vary from organization to organization. Typically cost savings are realized in the reduction of steps required to complete a purchase transaction—from the recognition of the need to buy to the reconciliation of the cancelled payment check with the bank statement. These are indirect savings produced from processing cost reduction. Also, as a result of the consolidation of purchasing activities, you will be able to conduct negotiations with preferred suppliers for lower rates resulting in direct savings. The extent to which a company is willing to reengineer this purchasing/accounting process will determine the amount of savings that will be realized.
**Question:** Will our suppliers raise prices to cover the cost of card fees?

**Answer:** Many of your suppliers are already accepting MasterCard cards from other customers. The fees paid to the acquirer (institution servicing the supplier’s MasterCard card transactions) are typically on a decreasing fee schedule as volumes increase. By converting non-card customers to card payments, these fees will decrease on existing card business. In addition, the supplier will realize a lower cost of business in dealing with the invoice/check payment customers. The supplier will be paid by the acquirer within a few days. The supplier’s internal cost of invoice generation, check/invoice reconciliation, receivables posting, and check deposit fees will be reduced or eliminated. These internal cost savings should more than offset the acquirer fees. To ensure that your supplier accepts your MasterCard Corporate Purchasing Card, include the requirement in your request for proposals.

**Question:** How will we be able to capture sales tax information?

**Answer:** For those suppliers that have been enabled to do so, (Level II and Level III merchants) sales tax information will be collected directly at the supplier’s point-of-sale terminal and then transmitted to MasterCard. MasterCard will, in turn, report the information to the organization as part of the transaction detail. For those suppliers that are unable to collect and transmit this information, MasterCard will be able to compute the sales tax via sales tax tables which are cross-referenced to the ship-to zip code and the point-of-purchase zip code. The calculated sales tax transactions will be identified as “calculated”, and the applied sales tax rate will also be transmitted. The organization’s efforts with its supplier base to upgrade merchants to Level II will increase the incidence of direct capture and transmission of sales tax.

**Question:** How can we control which suppliers our employees choose for their purchases?

**Answer:** The front-end authorization controls allow the organization to limit the access to suppliers by supplier type (i.e. hardware, office supply, etc.). Some issuers are even offering the ability to limit purchases by specific supplier. In addition, most reporting programs/applications, such as MasterCard Smart Data for Windows® and MasterCard Smart Data OnLine™, allow an organization to enter a “preferred supplier” list and generate an exception report which lists transaction detail on all purchases made at “non-preferred” suppliers. The organization will then be able to take appropriate corrective action.
**Question:** How do we ensure that the items on the card invoice were received before we make payment?

**Answer:** The MasterCard Corporate Purchasing Card program is able to report the transaction information independent of the invoice process. The reporting system is able to report transaction activity at the cardholder detail level and up to six additional managerial levels, on a daily basis. Typically this information is available within 48 hours of the supplier charging the cardholder's card. With daily review of cardholder transactions, scrutiny can be given to the purchasing activity before payment is made.

**Question:** How can we handle disputed items?

**Answer:** The first recourse is to have the cardholder resolve the dispute directly with the supplier. If that does not bring resolution, the organization can contact the card issuer, (financial institution servicing the organization's card transactions) and request a “charge back” to the supplier. The credit will be issued while the dispute is being resolved via the MasterCard network.

**Question:** How can we deal with suppliers that don't and won't accept MasterCard cards for payment?

**Answer:** Your organization may be currently dealing with these suppliers in a variety of ways:

- Issuing petty cash to those employees who, by the nature of their job function, need to deal with these types of suppliers
- Establishing an invoice/check payment relationship
- Reimbursing employees who used personal funds and then submitted an expense reimbursement form.

All of these approaches are expensive and time-consuming. Organizations should encourage their suppliers to accept MasterCard cards for payment as a condition of doing business with the organization. In addition, employees should be discouraged from dealing with suppliers that do not accept MasterCard cards. If all other approaches fail, many card issuers offer the ability to use “convenience checks” for those suppliers who don't accept cards but are still valuable business partners to the client corporation.
**Question:** By asking the cardholder to reconcile his/her activity aren’t you asking us to violate the checks and balances that are standard business practices (i.e., we can’t have the fox guarding the hen house)?

**Answer:** The front-end controls on the MasterCard Corporate Purchasing Card program allow the organization to limit the buying ability of the cardholder to the type of purchases that are consistent with the cardholder’s job function. This greatly reduces the organization’s exposure to abuse. In addition, the reporting system allows up to six managerial hierarchical levels above the cardholder to review purchasing card activity. Typically, within 48 hours of the transaction taking place, this activity can be reviewed. By using statistical audit techniques and adopting a “management by exception” approach, you reduce exposure to abuse to a very manageable business risk. This should be compared with the current methodology utilized to prevent abuse in terms of effectiveness and cost. Experience indicates that employee misuse of company card privileges is rare. However, to protect against these losses if they occur, MasterCard International established the MasterCoverage® Liability Protection Program.

**Question:** We have spent a lot of energy reducing our supplier base. Aren’t you now proposing that the base be expanded?

**Answer:** The organization will still be able to maintain a portfolio of “preferred suppliers”. This portfolio should be communicated to all cardholders. The program provides for exception reports that will detail the policy violations. These reports will provide information allowing the organization to take appropriate corrective action. However, legitimate business needs do arise where another supplier offers the best solution. In those cases, it is better to allow the employee to address the need without the encumbrance of strict policy enforcement. Most companies that have reduced their supplier base report examples such as reducing the base from 20,000 to 5,000. In actuality, they have reduced their base from 20,000 to 3,000, but have added 2,000 new suppliers, many of which will be used only once. The MasterCard Corporate Purchasing Card program allows organizations to take full advantage of the total supplier reduction effort by capturing information on one-time suppliers without having to load those supplier profiles into the organization’s supplier data base.
Learn how MasterCard Corporate Payment Solutions® can work for you. Contact us at 888.321.9119 or visit us on the web at www.mastercard.com/corporations