

It's time to build a profitable P-Card program.

HERE'S WHY. AND HOW.



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Jonathan manages a large, urban school district with 81,000 students and 12,000 employees. He started the district's P-Card program in 2007 and today, it uses 3,000 P-Cards. Last year, the district earned \$250,000 in P-Card reward revenue.

CONTENTS

INTRODUCTION

1 5 REASONS YOU SHOULD START A P-CARD PROGRAM

2 VITAL FIRST STEPS

3 BEST PRACTICES

4 CONTROLS TO PUT IN PLACE

5 CONCLUSION

INTRODUCTION - WHAT IS A P-CARD?

The procurement card, or P-Card, is a form of organizational credit card that is issued to employees so they can acquire goods and services without having to process the transaction through a traditional purchasing procedure, such as purchase orders or requisitions.

At times, procurement cards have been viewed as a risky addition to the procurement process, due to reports of fraud and abuse by employees. But in reality, those incidents are few and far between. With a properly administered P-Card program, controls and checks virtually eliminate the risk of misuse.

The benefits of P-Cards are far greater than the risks and costs involved in operating the program.

In the next four chapters, we will quickly examine:

- Why you should start a P-Card program
- Important steps to take before you implement a P-Card program
- How to develop a P-Card program model that follows best practices
- Putting controls in place to protect your organization from P-Card misuse

Let's start with why you need a P-Card program.

CHAPTER

1

5 REASONS YOU SHOULD START A P-CARD PROGRAM



TIP

P-CARDS FUND FUTURE INVESTMENTS

Use rebates & savings from your P-Card program to fund other initiatives, such as eProcurement, to accelerate savings & efficiency.

1

CREATE EFFICIENCIES AND AUTOMATE

P-Cards are a great way to manage low-dollar, high-volume purchases. They are particularly helpful for employees who make frequent on-the-spot purchases, such as a maintenance team member who needs parts for repairs.

2

EARN REBATES AND REWARDS

You can generate substantial revenue with P-Cards. Last year, the Fort Worth Independent School District's rebate check was \$250,000.

3

IMPROVE TRANSPARENCY, CONTROLS AND SECURITY

P-Cards give you greater purchasing visibility and accountability. For example, you can view point-of-sale data to capture a higher level of transaction detail for auditing purposes.

4

IDENTIFY AND CREATE COST SAVINGS

Add spending thresholds and controls to users, departments or programs, like travel.

5

ALIGN YOUR PURCHASING PROCESS WITH THE INDUSTRY STANDARD

P-Cards are the way of the future and provide you with more purchasing options, such as internet purchases.

5 REASONS YOU SHOULD START A P-CARD PROGRAM

COMMON P-CARD PROGRAM TYPES

There are different kinds of P-Cards, each carrying a different level of risk. If your organization is particularly risk averse, consider starting with e-payables, where the risk is low, and the gain is high. Implement e-payables first to generate revenue with rebates and cost savings. Use that revenue to hire a P-Card administrator who can expand your program.

For more information, be sure to check out the [webinar recording](#).

CARD TYPE	TYPICAL USER	RISK
E-Payables	“Ghost Cards” - sit in the background with accounts payable	Low
Individual Cards	Maintenance department	Moderate
Organizational Cards	Travel or card check-out	High
Cash Cards	ATM	High

DID YOU KNOW?

An eProcurement solution can help you expand your P-Card program to gain greater efficiencies, more rebates, while adding more control.

CHAPTER

2

VITAL FIRST STEPS FOR YOUR P-CARD PROGRAM

1

WIN THE SUPPORT OF YOUR TOP LEADERSHIP

This is the most important step in the process. If your top leadership doesn't want a program, you're probably never going to have one.

2

RESEARCH SUCCESSFUL P-CARD PROGRAMS

Look for successful P-Card programs to learn what works. Seek out potential pitfalls and look for mitigation options.

3

CONTRACT WITH A P-CARD PROVIDER

Contract with a banking entity to provide card services. You can write your own program or "piggyback," using another organization's contract terms. It's helpful to keep your program separate from your depository program, which could change and force a renegotiation of your P-Card program.

4

PLAN FOR CHANGES IN PROCESSES AND DOCUMENTATION

Prepare to answer questions. Some people may worry that their jobs will be replaced by P-Cards. Others will be fearful of the change. Expect workloads to shift, and document new processes, roles and responsibilities. Establish an internal communication strategy on the program.

5

INTEGRATE RECONCILIATION INTO YOUR FINANCIAL SYSTEM

This will ensure you have one system of record for procurement, regardless of payment method.



TIP

Conduct a pilot program to reveal gaps and issues. It will provide the foundation for a long-term program. Report successes to leadership to win their support.

CHAPTER

3

BEST PRACTICES FOR P-CARD PROGRAMS

DID YOU KNOW?

If you integrate P-Cards with an eProcurement system, you get even better reporting & analytics visibility with line item detail not available on your P-Card statement.



1. CREATE PROGRAM GOALS AND METRICS

Establish clear goals and think about how you will measure success. Perhaps you are trying to protect employees from using their personal accounts for travel. Gather pre-program data you'll need to show a comparison that highlights the benefits of P-Cards.



2. IDENTIFY TARGETED TRANSACTIONS

Look for areas where you'd like to see improvements. Perhaps you want to eliminate check writing or blanket purchase orders. Design your program to address those areas.



3. DEFINE ROLES AND RESPONSIBILITIES

There will be new work, assignments and tasks. If everyone understands their roles and responsibilities, you will achieve your goals faster. Establish dedicated resources to manage and support the program.



4. DOCUMENT YOUR REQUIREMENTS

There will be system and software requirements, some of which may be unknown at the start. Make sure your P-Card system interfaces with your billing system. Prepare for these challenges, and tap the right members of your team to address them.



5. DESIGN YOUR CONTROL ENVIRONMENT

Put training in place, and hold people accountable for their P-Card use. Be prepared to answer questions publicly about the program and its security. Know how to explain the control program you've designed to address potential risks.

CHAPTER

4

CONTROLS TO PUT IN PLACE FOR YOUR P-CARD PROGRAM



When you hear about fraud related to P-Cards, it's typically due to a lack of controls. P-Card misuse typically occurs as:

- Personal purchases
- Purchases in violation of law, policy or regulations
- Failure to document a purchase
- Lost, stolen or misplaced cards

Design your program carefully to mitigate those risks and set the stage for success. Set up these controls to strengthen your P-Card program:

ROLES AND RESPONSIBILITIES

Typical roles include program administrator, cardholder, authorized reviewer, purchasing/procurement and accounting/accounts payable. It's helpful to hire an accountant as your P-Card program administrator.

SUPPLIER RESTRICTIONS

You can use the IRS' Merchant Category Codes (MCC) to turn off an entire industry (i.e., restaurants, gas stations). You also can use supplier lists to restrict where employees can use the card.

BUDGET CONTROLS

You can set single-purchase, daily and monthly dollar limits. It's helpful to pre-authorize your expense budget and set aside funds to pay the bank at the end of the month.

LIMITED DISTRIBUTION

You can limit distribution by individuals, departments and divisions. Consider each group's needs and the purchasing methods that will work best for them. You can continue to use traditional methods for departments with lower purchasing demands.

CHAPTER

4

CONTROLS TO PUT IN PLACE FOR YOUR P-CARD PROGRAM

TIPS

Write a P-Card **program manual** that documents administrative regulations.

Require **training** for all employees who will receive individual cards. Get signed **cardholder agreements** from employees who have not received training but will use organizational cards for travel or other purchases.

Create an **enforcement plan** for people who misuse the program. For example, if someone is not able to provide receipts for transactions when asked, freeze his or her card use.

Establish **checks and balances**. Put an auditing structure in place and ensure you have several people who can keep an eye on P-Card charges.

DID YOU KNOW?

*With an eProcurement solution, you present users with a central shopping site, containing **your contracts** and **your preferred suppliers** with comparative pricing across catalogs.*

CONCLUSION

P-Cards provide a way for organizations to streamline the procure-to-pay process. They allow organizations to quickly procure goods and services, closely track expenses, and reduce or redirect staff in purchasing and accounts payable departments. Organizations experience savings with a P-Card program by reducing transaction costs, taking advantage of supplier discounts, and maximizing rebates.

P-Cards are one of the easiest solutions to implement, and when paired with online eProcurement shopping, there is an added benefit of directing your organization's dollars to preferred suppliers and favored contracts.

We hope this guide has been useful.

Learn more about eProcurement for your organization.

[LEARN MORE >](#)

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