



Purchasing Card Essentials

The Institute of Commercial Payments Guide to
Establishing and Managing a Program

Fourth Edition

Table of Contents

About the Guide	1
Purpose	1
Applicability for CPCP Exam Preparation	1
Audience	1
Disclaimer	1
Terms of Use	1
About Institute of Commercial Payments	3
Acknowledgments	3
Chapter 1: Introduction to Purchasing Cards and Other Commercial Card Products	4
Review: Traditional Procure-to-Pay Process	4
What is a Purchasing Card?	4
Key Players in a Purchasing Card Program	4
How Purchasing Cards Work	6
Purchasing Card Account Types	8
Fees	8
Data Capture Levels	9
Industry Growth and Spend Patterns	9
Other Commercial Card Products	10
How Electronic Payables Work	13
How Electronic Payables Differ from P-Cards	14
Conclusion	14
Chapter 2: The Value Proposition: P-Cards and Electronic Payables	17
Indicators Leading to the P-Card Opportunity	17
Benefits of P-Cards	17
Benefits of Electronic Payables	22
A Word About Suppliers	22
Conclusion	23
Chapter 3: Researching the Opportunities and Business Case	24
Role of Senior Management	24
Establishing a Research Team	25
Considering Different Commercial Card Options	25
Conducting Preliminary Research	26
Reviewing Existing Processes and Related Costs	27
Defining Targeted Transactions	28
Creating a Business Case	32
Preparing a Project Plan	33
Conclusion	33

Chapter 4: Developing a Program Model.....	34
Responsibility for the Model	34
Purpose of a Program Model	34
Finalizing Desired Card Programs	35
Creating Program Goals and Objectives	35
Designing the Control Environment	36
Defining Program Roles.....	38
Understanding Government Regulations.....	42
Determining Information Technology Requirements.....	46
Public vs. Private Sector Organizations.....	48
Conclusion.....	49
Chapter 5: The Request for Proposal Process for Issuer or Provider Selection.....	50
Objectives of the RFP Process.....	50
RFP Project Plan	50
The RFP Team	51
Understanding the Role of the Card Issuer or Provider.....	52
Identifying Potential Issuers	53
Recognizing the Importance of Technology.....	53
RFP Communication Methods	55
The RFP Development.....	55
The RFP Structure	56
Evaluation Criteria	61
RFP Release and Open Period	62
Proposal Evaluation.....	62
The Down Select Process	63
Meetings with Issuers	63
The Negotiation Phase	64
Conclusion.....	65
Chapter 6: Program Implementation.....	66
Developing an Implementation Strategy	66
The Pilot Program	69
The Full Program Rollout.....	77
Conclusion.....	78
Chapter 7: Program Administration, Management and Support.....	79
Managing a P-Card Program	79
P-Card Program Management Roles	80
Role of a Steering Committee	83
Staffing Level for Program Management.....	83
Selecting a Program Management Team	85
Program Management Salaries	86
Managing an Electronic Payables Program	86
Conclusion.....	87
Chapter 8: Policies and Procedures.....	88
Creating Card Policies.....	88
Maintaining the Manuals.....	90
Elements of a Policies and Procedures Manual.....	90
Administration Manual for Program Management Staff	99

Conclusion.....	100
Chapter 9: Controls and Auditing	101
Review of the Control Environment	101
Data Protection.....	102
Systemic Controls	103
Differences in Systemic Controls for Other Commercial Cards	104
About Convenience Checks	104
Reporting	105
Controls Related to the Accounting Process	105
Audit Preparation.....	106
Primary Types of Audits	106
Program Compliance	108
Conclusion.....	108
Chapter 10: Communications and Training	109
The “Who and What” of P-Card Program Communications.....	109
Communications Related to an Electronic Payables Program.....	111
Communication Methods.....	111
The “Who and What” of P-Card Training	115
Training Duration.....	117
Training Methods.....	117
Evaluating the Success of Communications and Training	120
Refresher Training	120
Conclusion.....	121
Chapter 11: Partnering with Suppliers.....	122
Educational Resources.....	122
Acquiring Process	122
Merchant Rules	123
Payment Card Industry Data Security Standard.....	123
Card Acceptance in the United States.....	124
Benefits of Card Acceptance to Suppliers	124
Economics of Card Acceptance	125
Identifying Potential Suppliers	130
Planning for Interaction with Targeted Suppliers	130
New Suppliers and Supplier Contracts.....	132
Methods for Improving Supplier Acceptance of Cards.....	133
Conclusion.....	133
Chapter 12: Program Optimization and Expansion.....	134
Benchmarking.....	134
Evaluating the Program Infrastructure	135
Introduction to Program Optimization and Expansion	136
Important Considerations	137
Approaches to Optimization.....	137
Incorporating Expansion Plans into a Payments Strategy	141
Exploration and Expansion Ideas.....	141
Assessing Optimization and Expansion Methods	146
Obtaining Support	146
Planning for Optimization and Expansion.....	147

Measuring Optimization and Expansion Success	149
Conclusion	149
References	150
Glossary	151
Index	179

Examples

Example 1. Quantifying P-Card Savings Using Industry Averages	18
Example 2. Traditional Ghost Account Usage	31
Example 3. P-Card Program Goals	36
Example 4. Possible Sections for a Card Program RFP	56
Example 5. Pilot Program Survey	76
Example 6. Common Elements of a P-Card P&P Manual	91
Example 7. Supplier Economics of Card Acceptance	128

Figures

Figure 1. The Purchasing Card Process, Participants and Their Roles	6
Figure 2. P-Card Billing Process	7
Figure 3. Today's Common P-Card Spend Categories	10
Figure 4. Traditional Procure-to-Pay Process	15
Figure 5. P-Card Procure-to-Pay Process	16
Figure 6. Program Management Hierarchy	39
Figure 7. P-Card Data Flow from Issuer to End-User	47
Figure 8. Depiction of Program Stages	72
Figure 9. Program Management Toolkit	80
Figure 10. Reconciliation and Approval Process	96
Figure 11. General Distribution of Merchant Discount Fee	127

Instructions

Instruction 1. Determining Process Cost	28
Instruction 2. Setting Up Evaluation Criteria for Proposals Submitted in Response to the RFP	61

Tables

Table 1. Levels of Transaction Data	9
Table 2. Procure-to-Pay Processes: Traditional P-Cards Versus Electronic Payables	14
Table 3. Targets for P-Cards and Electronic Payables	29
Table 4. Transaction Sizes Common to P-Card Payments	30
Table 5. Comparison of Traditional P-Cards and Ghost Accounts	31
Table 6. Support Roles Commonly Associated with P-Card Program Management	40
Table 7. Financial Interface File: A/P System vs. General Ledger	48
Table 8. Major Stages of the RFP Process	51

Table 9. P-Card-Related Metrics	73
Table 10. Factors Impacting the Staffing Level Needed for Program Management	84
Table 11. Card Controls	103
Table 12. Common Reports to Support Control Environment	105
Table 13. Common Approaches to P-Card Communications	111
Table 14. Training Duration Options: Advantages and Disadvantages of Each	117
Table 15. Advantages and Disadvantages of Training Methods	119
Table 16. Sample Supplier Requirements	132
Table 17. Examples of Program Operations to Improve Through Technology or Automation	139
Table 18. Considerations for Card Program Expansion	142