# TABLE OF CONTENTS

1  Introduction ..............................................................................3
2  Corporate Controls Landscape and Trends ...............................4
3  How Commercial Cards Support a Procure-to-Pay Control Strategy ........................................................................6
4  Common Card Controls Concerns ...........................................7
   a  Spend Out-of-Policy ..........................................................7
   b  Card Misuse ......................................................................7
5  How to Implement Controls in Commercial Card Programs .......9
6  Recommended Controls Practices .........................................11
   a  Organization ....................................................................11
   b  Policies .........................................................................15
   c  Procedures .....................................................................23
   d  Technology .....................................................................29
   e  Audit ..............................................................................33
7  Summary ..............................................................................36
8  How Issuers Can Help ..........................................................37
9  Appendix: Illustrative Example of Policies and Procedures Documentation ........................................38
In recent years, there has been an increasing interest by mid- and large-sized companies to understand better how to integrate commercial cards with existing Procure-to-Pay processes to obtain process efficiencies and better visibility into spend. Achieving control within both the Procure-to-Pay process and the card program has also become a top priority as a result of the Sarbanes–Oxley Act (“SOX”).

SOX requires companies to focus on establishing and maintaining a controls-compliant business environment. SOX compliance presents many benefits for companies that want more control over purchasing and spending, such as the opportunity to implement organizational, process and technology improvements to increase operational effectiveness. For many companies, these benefits justify the focus on required reporting and internal audits.

To help companies with Procure-to-Pay compliance, Visa commissioned Deloitte Consulting to develop the Practical Guide to Control and Compliance in Commercial Card Programs. This Guide is a practical resource to facilitate an understanding of how commercial cards can help companies achieve controls in the Procure-to-Pay process. It also highlights commercial card control features and recommended practices to help companies enhance compliance and mitigate control-related risks within the card program itself.

The recommended practices within the Guide are organized according to the Controls Framework, a five-step methodology designed to help companies implement comprehensive management checkpoints within their card programs. The five steps are: Organization, Policies, Procedures, Technology, and Audit. To illustrate the recommended practices, examples and anecdotes from companies that have successfully implemented Procure-to-Pay controls are provided. Utilizing the recommended practices may help companies successfully implement a commercial card program to address controls-related concerns and improve compliance with policies and procedures.

“Organizations have a variety of ways to support the growth of the purchasing card program while maintaining a cost beneficial level of accountability and control over spending.”

RPMG Research Group, 2005 Purchasing Card Benchmark Survey Report

Note: Studies, research and recommended practices are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. The actual savings and benefits of a commercial card program may vary based upon your specific business needs and program requirements. Visa is not responsible for your use of the studies, research, recommended practices or other information, including errors of any kind, or any assumptions or conclusions you might draw from their use.
Commercial card programs have grown steadily since their emergence as a tool for payment process efficiency in the early 1990s. In fact, the commercial card market is expected to grow to $1.2 trillion by 2010.\(^1\)

Simultaneously, companies have been increasingly focused on enhancing controls and audit capabilities. One of the main catalysts of this trend is the Sarbanes-Oxley Act of 2002. SOX is a far-reaching corporate reform act that affects all publicly traded companies. Companies, including those that use commercial cards, are particularly affected by Section 404 of the act, which requires that a company’s annual report include an “internal control report which shall…contain an assessment, as of the most recent fiscal year...of the effectiveness of the internal control structure and procedures of the issuer for financial reporting.”\(^2\)

Additionally, companies are required to hire auditors to certify management’s internal controls with documented evidence and report on their effectiveness.

As a result of SOX, the Procure-to-Pay processes of mid- to large-sized companies have been significantly impacted over the last two years. Roughly 54 percent of companies made material changes to their Procure-to-Pay process due to SOX.\(^3\)

Companies must now ensure that the end-to-end process from order placement through to financial reporting is controlled, complete and compliant. Adherence to these requirements includes designing and implementing an infrastructure that can sustain a compliant environment. Requirements for building and sustaining a compliant environment include:

- Standardizing purchasing and payment processes and controls
- Improving access to audit and compliance data
- Enhancing reporting capabilities and reporting on a periodic basis
- Increasing the ability to detect fraud
- Documenting and testing controls
- Conducting and signing off on controls reviews

According to the Payments Risk Survey conducted by the Association for Financial Professionals, companies that strengthened payment controls as a result of SOX now perform more frequent audits (28%), require additional approvals (26%), or require additional documentation related to payment requests (20%).\(^3\)

---

1. Packaged Facts, Corporate Credit Cards in the U.S., March 2007
3. Association of Financial Professionals (AFP), Payments Risk Survey, March 2006
Though SOX imposes strict compliance requirements on companies, it also provides an opportunity to implement consistent policies and improve systems for the entire Procure-to-Pay process in order to have more control over purchasing and spending. Specific benefits of establishing and enhancing controls within the Procure-to-Pay process include:

- Consistent end-to-end policies and procedures
- Greater visibility of overall spend
- Increased accountability to business-related spend
- Improved management of risk and fraud

Companies are continually looking for ways to develop strategies that will satisfy SOX requirements and address control issues. Implementation of a commercial card program can be one of the effective mechanisms to enhance controls and reduce costs within the Procure-to-Pay process.
Due to the increased regulatory requirements stemming from the Sarbanes–Oxley Act, attention to control has dramatically increased. To increase compliance, companies are developing Procure-to-Pay control strategies that balance visibility, effort required and processing efficiency, from sourcing to reconciliation to payment. Commercial card programs are quickly becoming an integral part of overall best practice control strategies because they help companies meet control and audit requirements throughout the Procure-to-Pay process.

Commercial card programs leverage technology to build efficient controls, monitor adherence and provide the data necessary to mitigate control-related risk. The following chart demonstrates how commercial cards can enhance controls at each stage of the Procure-to-Pay process:

<table>
<thead>
<tr>
<th>Procure-to-Pay Process Step</th>
<th>How Commercial Cards Can Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing</td>
<td>• Improved transparency into spend data to confirm supplier adherence to contract terms</td>
</tr>
<tr>
<td>Order Placement</td>
<td>• Enforcement of corporate policies at point of purchase through spend limit and spend type controls on a card-by-card basis</td>
</tr>
</tbody>
</table>
| Payment and Settlement      | • Elimination of manual entry of invoice data as card statements are received and reviewed electronically  
                            | • Electronic reporting to provide budget owners with spending information |
| Reconciliation              | • Detailed “fingerprints” at each step of the transaction, from purchase to approval to reconciliation  
                            | • Automatic allocation of transactions to general ledger codes and cost centers to reduce time and any coding errors |
| Control and Audit           | • Increased visibility into the overall spend with transaction data near real-time  
                            | • Potential to establish automated triggers to notify Program Administrators of any suspect card use |
| Reporting                   | • Detailed data integrated into General Ledger electronically  
                            | • Transaction level data and reports that allow for more accurate tax and 1099 reporting |

The remaining sections of this Guide highlight how SOX compliance and Procure-to-Pay controls can be enhanced by employing recommended control practices within the commercial card program.
When implementing or expanding commercial card programs, companies may have concerns about the potential for improper use of cards. The top two concerns can be categorized as card misuse and spend out-of-policy. However, companies can mitigate the risk of improper card use if the appropriate controls are in place.

**COMMON CARD CONTROLS CONCERNS**

**a | Spend Out-of-Policy**

Spend out-of-policy, or maverick spend, is defined as the use of commercial cards in a way that does not conform to the spending policies of the company. For example, purchases made outside the list of preferred suppliers or airline tickets purchased on purchasing cards instead of corporate cards can be types of spend out-of-policy. Although it is the most common commercial card risk, the occurrences of spend out-of-policy are minimal. Spend out-of-policy for purchasing cards currently accounts for only a small percentage of annual purchasing card spend. Likewise, spend out-of-policy for corporate cards accounts for a small proportion of annual travel and entertainment spend.

Commercial card programs, if properly controlled, help reduce spend out-of-policy. Establishing transaction limits and monthly limits as well as controls to block unauthorized Merchant Category Codes can significantly reduce the purchases made out-of-policy. Furthermore, enhanced reporting associated with commercial card programs provides increased visibility and transparency through the provision of line item detail for card purchases.

**b | Card Misuse**

Card misuse is a common concern companies cite regarding commercial cards. Misuse occurs when an employee charges a personal expense through a commercial card and misrepresents it as a business expense. A widespread fear among management is that providing commercial cards to employees may make the company vulnerable to misuse.

The fact, however, is that commercial card misuse is far less common than many perceive. Purchasing card misuse accounts for a small percentage of purchasing card spend, and corporate card misuse accounts for an even smaller proportion of travel and entertainment spend.

When properly controlled, commercial card programs provide data management tools that can assist in the detection of card misuse. For example, issuers offer access to spend reports that allow companies to analyze individual cardholder spend and monitor spend activities. The enhanced data coupled with proper controls can create a more compliant environment for overall company spend.
Additionally, surveys show that higher commercial card distribution is not related to higher incidents of card misuse. For example, companies with no card misuse or low levels of card misuse have higher corporate card-to-employee ratios than companies with high levels of card misuse. Although card misuse is a top managerial concern, the risk of its occurrence can be mitigated with proper card program implementation.

In cases of card misuse, companies with Visa commercial card programs can benefit from the Visa Liability Waiver Program. This program is designed to protect Visa clients in the event of card misuse by terminated employees with coverage of up to $100,000 per cardholder (certain guidelines must be followed). For more information regarding the Visa Liability Waiver Program, contact your issuer.
Implementation of a well-controlled commercial card program is a key component of mitigating risk throughout the Procure-to-Pay process. Best practice companies define card program control goals that align with company needs and the overall Procure-to-Pay strategy. Such goals may include:

- Compliance with procurement and payment policies
- Reduction of maverick spend
- Mitigation of fraud, loss and misuse

Best practice companies achieve card program control goals by implementing recommended practices within the five areas of the Controls Framework: Organization, Policies, Procedures, Technology, and Audit.

The Controls Framework is applicable to companies at each phase of the card program lifecycle, from implementation to expansion to ongoing management. The framework provides a step-by-step methodology to build a robust card program with a focus on controls components that are critical to success.

The first step of the Controls Framework is **organization**. This step requires companies to establish card program ownership and sponsorship. An organizational structure needs to be designed for card programs with defined roles and responsibilities for those involved in the card program administration and management. Dedicated program management helps ensure that all aspects of the card program are up-to-date and comply with the company’s control requirements. It is also important to identify the members from senior management who will champion the program and provide it focus and priority in the company. Finally, a set of checks and balances and a segregation of duties must be ensured in all roles and responsibility assignments to minimize the risk of misuse and fraud.
The second step is the development of policies that support various aspects of card program control, including establishing card issuance guidelines, transaction controls, and rules for card usage, documentation and record retention. Best practice policies are those that are clearly define and support a company’s card program goals and control strategy.

The third step is to establish procedures that define execution of the established card program policies. Procedures clearly identify the appropriate “who, what, where, when and how” of card use and will assist in the monitoring and control of the card program.

The fourth step is the exploration of the use of technology to automate procedures. Technology makes procedures more efficient and guards against human error, thereby ensuring that misuse situations are prevented or detected.

The final step of the Controls Framework is audit, which requires companies to periodically review all aspects of their card programs to evaluate compliance with program policies and procedures. Additionally, audits enable companies to review and update card program policies and procedures as necessary.

It is important for companies to consider the components of the Controls Framework in sequence as each new component builds upon the previous one. For example, companies can sometimes experience difficulties when trying to ensure the right type of spend is placed on cards if the proper foundation, such as a training program for employees, has not been laid.

The next section of the Practical Guide details the recommended practices step by step.
There are recommended practices associated with each step of the Controls Framework. Implementation of these practices will enable commercial card programs to support the overall Procure-to-Pay control strategy.

### a | Organization

A critical success factor for the implementation of a well controlled commercial card program is the design of the card program management organization. Designing the card program organization specifically includes:

- Developing a program structure
- Defining roles and responsibilities
- Establishing segregation of duties

#### Program Structure

The first step in forming an organization is to identify a Program Manager who possesses the appropriate organizational skills and meets the following minimal criteria:

- Experience with commercial card programs
- Knowledge of purchase and payment processes
- Strong support from senior leadership
- Appropriate level of formal and informal authority to lead the design of the program with internal stakeholders

The Program Manager leads the card program with the assistance of the Program Administrator who is responsible for the day-to-day card program-related activities. Depending upon the size of the company, these may or may not be full-time roles. The Program Manager typically will report to either the Procurement or Accounts Payable departments, depending on which group owns the program.
Significant support and involvement from senior management is a characteristic common to all successful card program structures. Regardless of the ownership structure, the Program Manager and Program Administrator work closely with other departments within the company, including Finance, Accounts Payable, Procurement, Human Resources and the business units to ensure that card purchases are made in compliance with company policies and procedures.

Following is an illustrative example of a card program organizational structure:

Determining the degree of centralization of card program management and administration is a critical step in the design of the card program organization. The company’s strategy and culture will strongly influence this decision.

A center-led approach ensures consistency of key elements of the program design while allowing card requirements and restrictions to vary slightly based upon business unit procurement needs. This best practice approach reduces cardholder confusion and reinforces compliance with corporate policy.

The following chart illustrates the advantages and challenges associated with varying degrees of card program management centralization:

<table>
<thead>
<tr>
<th>Degree of Card Program Management Centralization</th>
<th>Fully Centralized</th>
<th>Center-led</th>
<th>Fully Decentralized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Commonality/alignment ensured across divisions</td>
<td></td>
<td></td>
<td>Improved field-level communication and flexibility</td>
</tr>
<tr>
<td>• Better leverage of resources</td>
<td></td>
<td></td>
<td>Non-bureaucratic approach</td>
</tr>
<tr>
<td>• Commonality/alignment possible through aligned goals and incentives and training</td>
<td></td>
<td></td>
<td>Improved response time to field needs</td>
</tr>
<tr>
<td>• Better leverage of resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Weakened link to field operations</td>
<td></td>
<td></td>
<td>Little/no cross-divisional leverage</td>
</tr>
<tr>
<td>• Internal communication complexity</td>
<td></td>
<td></td>
<td>May entail duplication of effort</td>
</tr>
<tr>
<td>• Slower response time to field needs</td>
<td></td>
<td></td>
<td>Process and transaction complexity</td>
</tr>
</tbody>
</table>
If the culture of the company is one with significant freedom for business unit management, each business unit may consider deploying its own card program organization. Large or geographically dispersed companies often centralize oversight but administer programs using location-specific representatives. These representatives are typically responsible for location-specific reporting, reconciliation, training delivery, and response to end-user inquiries.

**Roles and Responsibilities**

There are several tasks associated with management of commercial card programs. Once the card program organizational structure has been established, it is critical to designate and clearly communicate detailed descriptions of roles and responsibilities to all individuals involved, particularly those individuals responsible for approving and reconciling transactions.

Well-defined authorization and approval policies may reduce controls-related risks. The roles and responsibilities listed in this section are recommended to achieve an optimal level of control for the card program. Issuers can help companies determine the specific number and type of roles based on the company’s size and culture.

<table>
<thead>
<tr>
<th>Card Program Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **Program Manager**               | • Reports to AP or Procurement Executive  
• Develops and implements policies and procedures  
• Conducts final review and approval of card program reports and internal audits  
• Approves manual authorizations |
| **Program Administrator**         | • Works with employees and issuer for card issuance  
• Conducts initial cardholder training  
• Works with Human Resources to process cardholder information changes and cancellations  
• Answers cardholder questions and escalates issues to Program Manager |
| **Approving Manager**             | • Reviews monthly statements and approves charges for card payment  
• Follows-up on unusual spending patterns or out-of-policy card charges |
| **Cardholder**                    | • Reviews card provisions and signs Cardholder Agreement  
• Takes cardholder training  
• Uses commercial card for business-related purchases and expenses in compliance with company policy  
• Reconciles purchases and card statements on a timely basis |
Segregation of Duties

Segregation of duties refers to the implementation of checks and balances between the various individuals involved in card program management. No matter how clearly roles and responsibilities are documented, they will prove ineffective in mitigating risk unless there is logical segregation of duties.

At a minimum, companies should adhere to the following guidelines for segregation of duties:

- Cardholders should not be their own approving manager or approving executive
- Separate individuals must be identified for card program responsibilities related to request, authorization and execution

The extent to which a company segregates card program duties will vary depending on the size of the company. For example, a small company may require only three individuals to be separately responsible for card request, payment authorization and purchase execution activities across the entire card program. In contrast, a large company may delegate these responsibilities to a team of three in each department participating in the card program.

Many executives believe that all segregation of duties risks can and should be eliminated. As such, companies are now devoting significant time and resources to identifying segregation of duties conflicts. For example, a key objective of a financial services company’s business process review efforts was to ensure a segregated set of duties by business function. The company documented current processes within its procurement and purchasing card departments to identify any high-risk control points and was able to find and adjust procedures which did not allow for the appropriate segregation of duties.

RECOMMENDED PRACTICES:

- Design a card program organization that complements your company’s culture and business structure (e.g. centralized vs. decentralized management)
- Clearly define and communicate card program management roles and responsibilities
- Establish segregation of duties within the card program organization to ensure an appropriate level of checks and balances

5 Deloitte research
Once the card program organization has been established, the next step is to design card program policies that guide proper card use. According to a survey by the Association of Financial Professionals (AFP), 88 percent of company respondents have formal written payments policies in place to identify and control risks. While most companies may already have well documented payment policies, it is important that policies for the card program are outlined to ensure appropriate use of commercial cards.

Organizations may consider developing policies for:

- Card issuance
- Transaction controls
- Usage guidelines
- Record retention/documentation

“A larger percentage of [best practice companies] cover the basics: having policies and procedures manuals and providing copies of those manuals to all purchasing cardholders.”

RPMG Research Group, 2005 Purchasing Card Benchmark Survey Report
When designing control policies, companies find that the most effective card programs are supported by policies that complement their culture and organizational structure. For example, a manufacturing company had committed to a strategic initiative to increase efficiency through standardizing and automating corporate processes across the company. As such, card program management chose to implement a centralized commercial card program which included the creation of a firm-wide “playbook” with clear standards, forms, templates, policies and procedures. In contrast, a media company, whose culture was characterized by local entrepreneurship and large degrees of freedom of local management, decided to implement a decentralized card program. This allowed individual business unit managers to customize card program policies to best meet their business needs and goals.

Card program policies should be reviewed and updated periodically to reflect any changes in the company that affect the use of the card. Despite the existence of written policies in the majority of companies surveyed by AFP, only 38 percent of those companies update their policies annually. At a minimum, it is recommended that reviews of the card program policies should be scheduled on an annual basis.

**Card Issuance**

A key element to a card program’s success is definition of a plan for card issuance. According to the RPMG 2005 Purchasing Card Benchmark Survey Report, best practice companies continue to issue cards widely to their employees. These companies distribute, on average, twice as many cards as average companies. The most important aspects of card issuance include the identification of appropriate cardholders, mandatory cardholder training, and completion of a Cardholder Agreement.

As a general guideline, any employee making regular purchases or traveling on behalf of the company may be eligible to receive a purchasing card or corporate card.

Companies typically issue purchasing cards to:

- Administrative assistants
- Plant managers
- Office facility managers
- Technology support services
- Accounts Payable managers
- Project leaders
- Analysts and team members within large departments

Companies typically issue corporate cards to:

- Any employee who incurs travel and entertainment expenses on behalf of the company more than twice annually

---

"Companies that report an above median percentage of transactions paid by purchasing card have a higher P-card-to-employee ratio (12.2%) than that of companies that report a below median percentage of transactions paid by purchasing card (4.9%)."

RPMG Research Group, 2005 Purchasing Card Benchmark Survey Report

---

7 Association of Financial Professionals (AFP), Payments Risk Survey, March 2006
8 RPMG Research Group, 2005 Purchasing Card Benchmark Survey Report
Employees selected to become cardholders should be required to complete mandatory cardholder training prior to receiving the card. The purpose of cardholder training is to clearly communicate cardholder roles and responsibilities. Best practice companies conduct in-person cardholder training to address specific questions on card usage and guidelines. If in-person training is not feasible, other training options include web- or paper-based courses.

Upon the completion of cardholder training, best practice companies require employees to sign a Cardholder Agreement that details the company’s commercial card policy as well as cardholder responsibilities. Dual signatures by the cardholder and Approving Manager are included to reinforce joint responsibility and accountability of card purchases.

The following is an illustrative example of the card issuance process with appropriate control points and segregation of duties:
Transaction Controls

An important step in establishing controls for commercial card programs is the implementation of parameters or transaction controls. There are a variety of transaction controls that are available to help companies manage their card programs effectively:

- Spend amount per transaction
- Spend amount per month
- Restrictions on purchases by Merchant Category Code

Initial spend limits may be established through the review of a company’s payment transactions targeted for card use. This review can include supplier names, gross amount, and spend types to provide details on transaction and/or monthly limits. Spend limits can also be established for cardholders based on the type of goods/services they purchase and their approval limits within the company. This enables the alignment of card purchases with the appropriate level of purchase authority.

Merchant Category Code (MCC) blocking restricts purchases by MCC. Best practice companies optimize the use of MCC blocking both to ensure that appropriate purchases are not declined due to an MCC block and to deter purchases that are outside of spend policies, such as casino and jewelry expenses. In addition to an MCC block list, many companies maintain an MCC “watch list” that contains un-blocked MCCs that the company may consider blocking in the future depending on cardholder activity.

The implementation of MCC blocks eliminates the most obvious forms of card misuse. However, blocking that is too intense or widespread can discourage or prevent card use. For example, one company decided to block MCC code 5441 for Candy, Nut and Confectionary Shops because it did not foresee a need for these purchases by its employees. As a result, administrative assistants were forced to use personal credit cards when purchasing supplies for firm-sponsored celebrations.

Before selecting MCCs to block, companies should also analyze their suppliers to be paid by card since most have multiple MCCs. For example, Things Remembered, a specialist retailer, could be classified under Jewelry, Watch, Clock and Silverware Shops (MCC 5944) as well as Gift Card, Novelty and Souvenir Shops (MCC 5947). It would be reasonable for companies to block the first MCC given that for many companies jewelry is not a valid business expense. However, this establishment also offers business-appropriate client gifts, such as engraved plaques, which can be categorized under the second MCC. As with all card program control features, the MCC block and watch lists should be reviewed and updated periodically to promote card use that complies with card program policies. Additionally, as MCC coding is not 100% accurate, transactions may not be blocked within the appropriate categories.
The following is an illustration of the transaction controls setup process:

“...A significant advantage of the purchasing card over other payment mechanisms is the ability of a variety of electronic controls over spending activity. Those controls include per transaction and monthly spending limit controls, [and] Merchant Category Code (MCC) blocking...”

RPMG Research Group, 2005 Purchasing Card Benchmark Survey Report

Periodic reviews of transaction controls to align with purchasing patterns are important in promoting ease of use while maintaining a desired level of control. Spend limits should not be too stringent, however, as excessive spend limits may increase risk of unauthorized use of cards. An annual review of cardholder purchasing data will allow companies to adjust their purchasing card spend limits to appropriately reflect business needs.

Companies with Visa commercial card programs can benefit from an analysis of purchasing spend through Visa Program Optimization Reviews. During these reviews, issuers utilize analytical tools to analyze a company’s total spend and provide insight into spending patterns. For example, a news media company worked with its issuer to conduct a Visa Program Optimization Review to capture spend information by supplier, commodity type and business unit. The review provided the company with the information required to properly adjust its transaction limits and expand spend into additional MCCs to achieve greater payment process savings.
Usage Guidelines

Detailed guidelines on commercial card usage will reduce the risk of card misuse or spend out-of-policy. One of the most effective ways for companies to control card usage is to specify use and non-use purchase examples that clearly define the purchase types that fall within spend policy. For example, including a list of eligible and non-eligible purchases and suppliers by card type in the training manual is an easy way to guide cardholders on proper card use.

Sample of purchasing card usage guideline topics:

<table>
<thead>
<tr>
<th>Purchasing Card Purchases</th>
<th>Non Purchasing Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training class registration</td>
<td>• Capital assets</td>
</tr>
<tr>
<td>• Memberships and subscriptions</td>
<td>• Purchasing services from businesses that are not Incorporated</td>
</tr>
<tr>
<td>• Books and publications</td>
<td>• Travel and entertainment expenses</td>
</tr>
<tr>
<td>• Non-network-related PC accessories</td>
<td>• Cash advances</td>
</tr>
<tr>
<td>• Mail, copy and small print services</td>
<td>• Personal gifts and purchases</td>
</tr>
<tr>
<td>• Professional services and fees</td>
<td></td>
</tr>
<tr>
<td>• Facilities equipment and services</td>
<td></td>
</tr>
<tr>
<td>• Telecommunication</td>
<td></td>
</tr>
<tr>
<td>• Stationery and office supplies</td>
<td></td>
</tr>
<tr>
<td>• Marketing, promotion items and advertising</td>
<td></td>
</tr>
<tr>
<td>• Hardware and software</td>
<td></td>
</tr>
</tbody>
</table>

Sample of corporate card usage guideline topics:

<table>
<thead>
<tr>
<th>Corporate Card Purchases</th>
<th>Non Corporate Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Airfare</td>
<td>• All purchasing card purchases listed above</td>
</tr>
<tr>
<td>• Car rental</td>
<td>• All non purchasing card purchases listed above (except travel and entertainment expenses)</td>
</tr>
<tr>
<td>• Hotel accommodation</td>
<td></td>
</tr>
<tr>
<td>• Taxis and shuttles</td>
<td></td>
</tr>
<tr>
<td>• Meals and entertainment</td>
<td></td>
</tr>
</tbody>
</table>
Record Retention/Documentation

Record retention and documentation of commercial card transactions is an important step in ensuring that purchases are made in compliance with card program policies. Records and documentation include:

- Cardholder statements
- Purchase receipts (note: the IRS requires receipts for all purchases greater than or equal to $75)
- Cardholder profile and any changes to cardholder status or information
- Proof of all authorizations and approvals
- Written business justification for any exceptions to company policy

Best practice companies approve cardholder purchases only with detailed documentation that demonstrates the entire amount charged to the commercial card with an explanation of the business purpose for the expense. For internal inquiry purposes and to mitigate the risk of fraud and abuse, only original versions of receipts and purchase documentation should be accepted. For electronic purchases via the internet or other means, the original supplier documentation may be supported by additional information, such as:

- Document/packing slips
- Confirmation emails
- Detailed order forms from Internet purchases
- Screen shots of confirmation screens for Internet purchases

All card transaction statements, along with the corresponding receipts and documentation, should be approved by the Approving Manager and audited by the Program Administrator to ensure compliance. Account activity may be suspended for any cardholder who has not submitted the required statements and receipts by the due date.

Best practice companies require retention of card program documentation for a period of time to ensure a consistent and complete internal controls process. For example, receipts may be stored centrally by the Program Administrator for auditing purposes for up to seven years. Increasingly, companies are choosing to scan and electronically store these receipts to reduce storage costs.
The following is an illustrative example of a record retention process:

- **Program Administrator**
  - Collects statements and receipts from cardholders monthly
  - Stores all receipts and related documentation for up to seven years
  - End

- **Cardholder**
  - Uses card for business-related purchases only
  - Retains all receipts for card purchases
  - Reconciles monthly statements and purchase receipts

- **Approving Manager**
  - Approves reconciled monthly statements and purchase receipts

Note: White boxes highlight specific control points.

Proper documentation and receipt retention of card program transactions may help companies improve compliance with new controls requirements and increase the transparency of card program activities.

**RECOMMENDED PRACTICES:**

- Distribute cards to targeted employees and conduct periodic spend reviews to validate the effectiveness of card issuance
- Determine transaction controls by role:
  - Set spend limits based on purchasing behavior and requirements
  - Add Merchant Category Code blocks for unauthorized spend types
  - Specify purchase categories approved and prohibited for commercial card use in training manual
- Establish record retention policies for all receipts and documentation related to the commercial card program

A sample set of policies and procedures is included in the Appendix section of this Guide. These policies and procedures provide an overview of the types of topics that are typically included in card program documentation.
c | Procedures

Once card program policies are established and well documented, the implementation of procedures is required to support and execute those policies. Specifically, procedures should be established for:

- Account maintenance
- Transaction controls review
- Spend out-of-policy investigation
- Review and reconciliation

Account Maintenance

Ongoing account maintenance is important in supporting the established card policies and controls. Specifically, cardholder profile changes (e.g. change of department and cost center), transfers and cancellations, and employee employment status (e.g. terminations) should be updated in a timely manner.

The following are examples of account maintenance procedural requirements for the cardholder, Approving Manager and Program Administrator.

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>Cardholder Responsibilities</th>
<th>Approving Manager Responsibilities</th>
<th>Program Administrator Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardholder Profile</td>
<td>• Notify HR Administrator of any changes to account (e.g. name, cost center, Approving Manager, address, credit limit)</td>
<td>• Confirm changes with HR</td>
<td>• Notify issuer of changes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sign off on cardholder profile changes</td>
<td>• Document that replacement card has been requested</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Record changes in account profile</td>
</tr>
<tr>
<td>Transfers/ Cancellations</td>
<td>• Submit changes to Approving Manager</td>
<td>• Confirm transfer with HR</td>
<td>• Notify issuer of changes and request a new card if transferring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sign off on changes</td>
<td>• Record changes in account profile</td>
</tr>
<tr>
<td>Termination</td>
<td>• Submit form to relinquish card</td>
<td>• Confirm termination with HR</td>
<td>• Receive card cut in half</td>
</tr>
<tr>
<td></td>
<td>• Send cancelled card cut in half to Program Administrator</td>
<td>• Sign off on termination form</td>
<td>• Submit cancellation request to issuer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Keep records for documentation retention</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Record changes in account profile</td>
</tr>
<tr>
<td>Renewal</td>
<td>• Complete cardholder training</td>
<td>• Sign off on renewal request</td>
<td>• Check for extended inactivity within last 12 months</td>
</tr>
<tr>
<td></td>
<td>• Re-sign Cardholder Agreement</td>
<td>• Re-sign Cardholder Agreement</td>
<td>• Schedule cardholder training</td>
</tr>
</tbody>
</table>
The following is an illustrative example of an account maintenance procedure:

Best practice Program Administrators review cardholder inactivity reports to identify accounts that have been inactive for more than 12 months. Any unused cards should be cancelled if no further business need is identified by the cardholders or Approving Managers. The HR department should also provide the Program Administrator with an employee termination listing on a regular basis to ensure all terminated employees have relinquished their cards. Additionally, some companies integrate the employee data that resides in the human resources module of their Enterprise Resource Planning (ERP) system with their card administration system so that any updates to an employee profile, such as a cost center change, can be made in both systems with one entry.

Companies can further enhance their account maintenance by using card management programs provided by their issuer. These programs automate activities such as updating cardholder profile information and changing card limits.
Transaction Controls Review

The transaction controls of a card program require periodic reviews and updates to ensure that they reflect the needs of the company. Best practice companies analyze cardholder spending behavior with existing spend limits, MCC blocks and exception requests to determine the effectiveness of current transaction controls. It is recommended that this review is conducted on an annual or semi-annual basis.

The following is an illustrative example of a transactions controls review:

Companies should implement transaction controls that balance ease of use and appropriate control. Transaction controls that are too strict may limit the appropriate use of the cards. For example, when transaction limits are too low, employees may be forced to use their personal cards to make payments or split the purchase into two transactions in order to work around the restriction. Likewise, if the MCC of a preferred supplier is blocked, employees may resort to making purchases from non-preferred suppliers. When strict restrictions force employees to use their commercial cards incorrectly, companies are prevented from achieving all of the benefits associated with the card program.
Spend Out-of-Policy Investigation

Well-defined and properly communicated card usage guidelines can significantly reduce the risk of spend out-of-policy. However, guidelines alone may not eliminate the risk. To further mitigate the risk, best practice companies conduct spend out-of-policy investigations.

Spend out-of-policy investigations may be conducted whenever there is suspicion of inappropriate use of a card. However, it is helpful for companies to identify specific triggers that warrant investigation. The following are examples of triggers for a spend out-of-policy investigation:

- Failure to comply with monthly reconciliation procedures after two warnings
- Single transactions above the transaction limit without approvals
- Use of card for cash advances

While the specific steps for investigations will vary by company, the following process flow outlines some of the most important steps to consider:

---

Note: White boxes highlight specific control points.
All cardholders should be encouraged to adhere to company card program policies and procedures. Disciplinary action may be considered for any instances of non-compliance with spend policy. Disciplinary action should be taken on a case-by-case basis and may include cancelling the card, requiring training or terminating employment. With the Visa Liability Waiver Program, companies with Visa commercial cards are covered up to $100,000 per cardholder in the event of card misuse if certain guidelines are met. Contact your Visa issuer for details.

**Review and Reconciliation**

Consistent transaction monitoring by the Program Administrator and the cardholder will increase the ability to identify any fraud or card misuse risks. Program administrators can use the enhanced data available on card transactions, such as airline transaction details, hotel folio data and invoice-level data (e.g. Level III data) in their transaction reviews. For example, enhanced airline data will indicate whether an employee incorrectly purchased a business class ticket when a coach ticket purchase was the guideline.

Cardholders are required to monitor all transactions booked on their commercial card to confirm that the transactions post accurately and are valid. In reviewing their transactions online (if available), cardholders can also ensure the appropriate general ledger and cost center coding has been assigned. Issuers can assist companies in predefining transaction coding to general ledgers and cost centers based on the supplier/supplier MCC and cardholder, respectively.

The following is an illustrative process flow for review and reconciliation:

---

Note: White boxes highlight specific control points.
RECOMMENDED PRACTICES:

- Work closely with Human Resources and cardholders to ensure all card account profiles are accurate and up-to-date
- Review spend data along with exception requests to update or modify transaction control policies
- Develop detailed procedures to conduct misuse investigations that identify whether card misuse or spend out-of-policy exists
- Pre-assign cost centers and general ledger codes to automate cardholder reconciliation

A sample set of policies and procedures is included in the Appendix section of this Guide. These policies and procedures provide an overview of the types of topics that are typically included in card program documentation.
Companies can further enhance compliance by integrating their commercial card programs with their Enterprise Resource Planning (ERP), e-Procurement and Expense Reporting applications.

In 2006, Visa commissioned Deloitte Consulting to conduct a study on the processes, benefits, and costs associated with the integration of commercial cards with ERP, e-Procurement and Expense Reporting applications. The study found that card integration with these applications provides companies with a streamlined payment process, increased controls, and enhanced data management. Deloitte interviewed 20 mid- and large-sized companies from various industries that successfully integrated their commercial card program with systems such as Ariba, SAP, Oracle/PeopleSoft, Concur and Geac.

Participants in the study reported that the integration of commercial card programs with ERP, e-Procurement and Expense Reporting applications provided better controls on their company spend with preferred suppliers and helped enforce compliance with corporate card program policies. In addition, card integration provided timely access to enhanced spend data that enabled supplier negotiations and facilitated decision-making.

Issuers can assist companies in designing the optimal integration process and formatting the card data to be integrated with the selected Procure-to-Pay technology. For more details about card integration with ERP, e-Procurement and Expense Reporting applications, contact your issuer for a copy of the *Practical Guide to Commercial Card Integration with e-Procurement and ERP Applications* and the *Practical Guide to Commercial Card Integration with Expense Reporting Applications*.

“Companies find that using the commercial card as the payment mechanism for e-Procurement automates the payment process, helping ensure proper and timely purchasing, reconciliation, and payment approval.”

Deloitte Consulting Research 2006
Card Integration with e-Procurement and ERP Applications

Card purchases made through an e-Procurement system are well controlled as the approvals and vendor selection are automated. Orders can be placed only with appropriate approvals and preferred suppliers, and payment is made after an automated two- or three-way match.

The following is an illustration of an e-Procurement purchase transaction:

The purchase process within an e-Procurement system can be designed based on company policies and procedures. For each purchase, the employee creates an electronic requisition to purchase items from the preferred supplier. Each requisition requires pre-defined approval(s) through an automated workflow prior to the creation of a Purchase Order (PO). This automated approval process ensures that all approvals are received prior to purchase. Upon approval of the requisition, the system generates a PO number and sends the order electronically to the preferred supplier with the PO number. The supplier receives the PO and processes the order by charging the company’s ghost account on file. The issuer makes a payment to the supplier in the amount of the purchase.

Purchases made through e-Procurement provide enhanced data with line item detail that supports the reconciliation process. Purchase card data can be automatically loaded into a reconciliation tool to compare purchasing data to payment data and confirm that the transaction amounts are within an acceptable dollar threshold. This practice reduces the volume of manual
reconciliation, allowing for higher accuracy and control. Once the transactions are reconciled, the purchase details can be electronically loaded into the ERP system for spend reporting purposes.

**Card Integration with Expense Reporting Systems**

An effective way for companies to track employee compliance with travel-related policies is through the integration of card data with an Expense Reporting system. As mid- and large-sized companies increase their use of corporate cards for business-related travel and entertainment expenses, card data integration with Expense Reporting systems becomes increasingly critical to improving operational efficiency.

The following is an illustration of card integration with an Expense Reporting system:

The integration of card data with Expense Reporting systems reduces processing costs and errors associated with manual data entry since the report is pre-populated with corporate card data. According to Aberdeen, a manually processed expense report costs $30 whereas an automated expense report can cost $10 or less.⁹

The automated creation of an expense report includes built-in control features such as the verification of charges by the employee, indication of personal charges, and modification of general ledger (GL) codes. This automated process ensures accuracy of expense reports and that only business-related expenses are reimbursed to the employee.

⁹ Travel and Entertainment Expense Management, Aberdeen Research Group, August 2006
Once the expense report is completed, the Expense Reporting system enables an automated expense report approval workflow. The employee’s manager can validate the expense submission amounts and reasons for charges against the company’s budget and card program policies. All expense report approvers should be trained with up-to-date information on company travel and entertainment policies and procedures. Once the expense report is approved, the employee is required to provide purchase receipts for proof of purchase for compliance review and auditing purposes.

RECOMMENDED PRACTICES:

- Integrate card payment with an e-Procurement system for purchases with e-Procured suppliers
- Design and implement an Expense Reporting solution that captures the appropriate level of spend data to support supplier negotiations and spend compliance
- Develop robust training programs and educate cardholders and approvers with up-to-date company policies and procedures with e-Procurement and Expense Reporting systems

One interviewed Accounts Payable Administrator noted, “After integrating the card data with our system, we are able to identify unreasonable meal expenses much more easily.”

Controls Framework

<table>
<thead>
<tr>
<th>Organization</th>
<th>Policies</th>
<th>Procedures</th>
<th>Technology</th>
<th>Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card program ownership</td>
<td>Rules and responsibilities</td>
<td>Procedures to support policies</td>
<td>Technology to automate policies</td>
<td>Audit to ensure control compliance</td>
</tr>
</tbody>
</table>

e | Audit

The final step in establishing a controlled card program is the audit process. The audit process enables the company to properly evaluate compliance and identify potential risks that may not have been detected by other control mechanisms.

The audit process should include the following:

- Ongoing card program reviews
- Document retention audits
- Internal periodic audits

Ongoing Card Program Reviews

Frequent card program reviews (e.g. weekly or monthly) should be conducted by the Program Administrator to identify any misuse. Card program data allows companies to identify specific indicators that may highlight anomalies in the card purchases. These indicators may include:

- Split transactions (i.e. two or more transactions which show the following similarities: same date, same supplier, same cardholder, same amounts)
- Unusual increase in the cardholder’s average spend and/or highest spend amount
- Purchase amounts over transaction limits
- Purchase amounts within one percent to three percent below purchase limits
- Purchases with unauthorized suppliers
- Purchases from suppliers with un-blocked MCCs on a “watch list”

Once the spend anomalies are identified, the Program Administrator should contact the cardholders and Approving Manager regarding the questionable activity. The review process and results should be conducted and documented by the Program Administrator and Approving Manager. Copies of any relevant documentation should be retained according to the company’s record retention and documentation policies.
Document Retention Audits

In addition to ongoing reviews of card transactions, the Program Administrator should also conduct periodic audits to ensure compliance with the company’s card program documentation and retention policies. A documentation and retention audit specifically includes:

- Confirmation that all cardholders have completed the mandatory cardholder training
- Verification that all cardholders have a signed, up-to-date Cardholder Agreement on file
- Analysis of all records to ensure that all card program or user profile changes are properly documented
- Review of card statements to ensure that cardholders are retaining purchase receipts with the statements

In the event that the Program Administrator identifies the need for additional documentation, he or she should follow-up with the cardholder and Approving Manager to obtain the missing information.

Internal Periodic Audits

Internal audits can be performed periodically and include a review of card statements for adherence to policies and the existence of supporting documentation (e.g. the purchase receipts). Card statements should be audited for:

- Compliance with review, approval, and documentation/retention policies
- Frequency of exception requests (e.g. transaction limits and MCC blocks)
- Purchases with non-compliant suppliers and spend types

The random sample of cardholders whose transactions can be audited should represent 5–10 percent of active cardholders. Best practice companies often ensure that at least 50 percent of the sample consists of “at-risk” cardholders to target transactions or expenses with a higher probability of misuse and fraud. At-risk cardholders typically meet one or more of the following criteria:

- High-dollar transactions
- High frequency of transactions within the billing cycle
- Previous history of non-compliance (e.g. spend with unauthorized suppliers or blocked MCCs)

In addition to detecting risk of card misuse or spend out-of-policy, the results of periodic audits may help the Program Administrator identify opportunities to improve existing card program policies and procedures.
In the event that a case of non-compliance has been identified by an ongoing program review, document retention audit or internal periodic audit, the Program Administrator is responsible for implementing the appropriate disciplinary action. The level of disciplinary action will vary depending on the severity of non-compliance. Disciplinary action may include, but is not limited to:

- Re-training of the cardholder
- Suspension of the commercial card
- Employment action

**RECOMMENDED PRACTICES:**

- Monitor transactions for misuse by analyzing indicators such as:
  - Split transactions to circumvent controls
  - Transactions of unusual amount or relationship
  - Transactions with unauthorized or first-time suppliers
- Conduct document retention audits to ensure compliance with the company’s documentation policies
- Conduct internal periodic audits on a random sample of five to ten percent of active cardholders
Enhancing controls within the Procure-to-Pay process has become a top priority for companies as a result of the Sarbanes-Oxley Act, which requires companies to establish and maintain a controls-compliant business environment. Commercial card programs can be very effective because they offer a variety of features that can help companies enhance compliance and mitigate control-related risks within the Procure-to-Pay process. Implementing the following recommended practices may help companies establish controls within the commercial card program itself.

<table>
<thead>
<tr>
<th><strong>Recommended Practices</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td>1. Design a card program organization that complements your company’s culture and business structure (e.g. centralized vs. decentralized management)</td>
</tr>
<tr>
<td>2. Clearly define and communicate card program management roles and responsibilities</td>
</tr>
<tr>
<td>3. Establish segregation of duties within the card program organization to ensure an appropriate level of checks and balances</td>
</tr>
<tr>
<td><strong>Policies</strong></td>
</tr>
<tr>
<td>4. Distribute cards to targeted employees and conduct periodic spend reviews to validate the effectiveness of card issuance</td>
</tr>
<tr>
<td>5. Determine transaction controls by role:</td>
</tr>
<tr>
<td>• Set spend limits based on purchasing behavior and requirements</td>
</tr>
<tr>
<td>• Add Merchant Category Code (MCC) blocks for unauthorized spend types</td>
</tr>
<tr>
<td>6. Specify purchase categories approved and prohibited for commercial card use in the training manual</td>
</tr>
<tr>
<td>7. Establish record retention policies for all receipts and documentation related to the commercial card program</td>
</tr>
<tr>
<td><strong>Procedures</strong></td>
</tr>
<tr>
<td>8. Work closely with Human Resources and cardholders to ensure all card account profiles are accurate and up-to-date</td>
</tr>
<tr>
<td>9. Review spend data along with exception requests to update or modify transaction control policies</td>
</tr>
<tr>
<td>10. Develop detailed procedures to conduct misuse investigations that identify whether card misuse or spend out-of-policy exists</td>
</tr>
<tr>
<td>11. Pre-assign cost centers and general ledger codes to automate cardholder reconciliation</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
</tr>
<tr>
<td>12. Integrate card payment with an e-Procurement system for purchases with e-Procured suppliers</td>
</tr>
<tr>
<td>13. Design and implement an Expense Reporting solution that captures the appropriate level of spend data to support supplier negotiations and spend compliance</td>
</tr>
<tr>
<td>14. Develop robust training programs and educate cardholders and approvers with up-to-date company policies and procedures with e-Procurement and Expense Reporting systems</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
</tr>
<tr>
<td>15. Monitor transactions for misuse by analyzing indicators such as:</td>
</tr>
<tr>
<td>• Split transactions to circumvent controls</td>
</tr>
<tr>
<td>• Transactions of unusual amounts or relationships</td>
</tr>
<tr>
<td>• Transactions with unauthorized or first-time suppliers</td>
</tr>
<tr>
<td>16. Conduct document retention audits to ensure compliance with the organization’s documentation policies</td>
</tr>
<tr>
<td>17. Conduct internal periodic audits on a random sample of 5-10% of active cardholders</td>
</tr>
</tbody>
</table>
8

HOW ISSUERS CAN HELP

Companies can leverage the experience of the issuer to assist and guide them in the enhancement of their Procure-to-Pay controls with commercial cards. Issuers have first-hand experience with the advantages and challenges of increased controls as well as lessons learned from other clients. The role of the issuer is critical to the successful implementation of a controls-compliant commercial card program.

How Issuers Can Help Clients Establish Commercial Card Controls

1. Offer companies access to spend reports which allow them to analyze individual cardholder spend and monitor spend activities

2. Provide detailed information to companies with Visa commercial card programs regarding the Visa Liability Waiver Program

3. Help companies determine the specific number and type of card program administrator roles based on the company’s size and culture

4. Conduct Visa Program Optimization Reviews to provide companies with an analysis of their spend patterns as well as insight into best practices

5. Provide companies with access to card management programs to help them further enhance account maintenance

6. Assist companies in predefining transaction coding to general ledgers and cost centers based on the supplier/supplier MCC and cardholder

7. Support companies in the design of an optimal technology integration process, including assistance with the formatting of card data to be integrated with the selected Procure-to-Pay technology
APPENDIX: ILLUSTRATIVE EXAMPLE OF POLICIES AND PROCEDURES DOCUMENTATION

The following policies and procedures illustrate the topics a company can include in its program documentation. Each company should individually determine the most appropriate policies and procedures.
TABLE OF CONTENTS

1.0 Overview
   1.1 Purpose
   1.2 Program Scope and Objectives
   1.3 Commercial Card Process Overview
   1.4 Commercial Card Benefits

2.0 Program Structure
   2.1 Program Contacts

3.0 Card Issuance and Usage
   3.1 Eligibility
   3.2 Credit Limits
   3.3 Usage
   3.4 Enrollment
   3.5 Training and Cardholder Agreements
   3.6 Exceptions

4.0 Cardholder Maintenance Responsibilities
   4.1 Monthly Reviews and Reconciliation
   4.2 Audits
   4.3 Disputed Items
   4.4 Changing Card Profile or Status
   4.5 Lost or Stolen Cards, Fraud
   4.6 Renewals

5.0 Program Maintenance
   5.1 Enrollment Processing
   5.2 Status Change Processing
   5.3 Exception Process
   5.4 Terminations and Transfers
   5.5 Disputed Items
   5.6 Lost or Stolen Cards, Fraud
   5.7 General Ledger Assignment
   5.8 Renewals

6.0 Supplier Set-Up
   6.1 Identification
   6.2 Sales and Use Tax Consideration

7.0 Reconciliation
   7.1 Card Statement Reviews
   7.2 Record Retention

8.0 Auditing Card Activity
   8.1 Internal Audit Requirements
   8.2 Violations
1.0 OVERVIEW

1.1 Purpose

This document provides an overview of [Company's Name] Visa commercial card program and outlines corporate-wide policies and procedures for all cardholders at [Company Name]. Cooperation and compliance with the stated policies and procedures will help [Company Name] realize cost savings benefits associated with the Card Program and minimize risks for the company. Policies will be reviewed and revised periodically to reflect current business needs.

1.2 Program Scope and Objectives

The Visa commercial card program enables authorized employees to use the commercial card for authorized business-related expenses. Program policies and procedures apply to all [Company Name] employees participating in the card program.

1.3 Commercial Card Process Overview

The following is a high-level view of the commercial card process:

<table>
<thead>
<tr>
<th>Program Administrator</th>
<th>Approving Manager</th>
<th>Employee</th>
<th>Supplier</th>
<th>Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Issues cards</td>
<td>• Approves new cardholders</td>
<td>• Uses card for business purchases</td>
<td>• Authorizes card charges</td>
<td>• Sends card statement and bills the company</td>
</tr>
<tr>
<td>• Handles related questions and reporting</td>
<td>• Approves monthly statements</td>
<td>• Verifies and reconciles charges</td>
<td>• Fulfills orders</td>
<td></td>
</tr>
<tr>
<td>• Maintains issuer relationship</td>
<td></td>
<td></td>
<td>• Receives payment from card acquirer</td>
<td></td>
</tr>
</tbody>
</table>

1.4 Commercial Card Benefits

Convenience

• Empowers cardholders to make purchases directly from suppliers
• Offers a simple and easy-to-use payment method
• Allows for online approvals
• Maps charges to designated general ledger accounts
• Enables automated reporting tools

Efficiency

• Reduces costs by diminishing number of purchase requisitions, purchase orders, petty cash transactions and other time consuming commercial activities
• Diminishes paperwork associated with expense reports, purchase requisitions, purchase orders, invoices, vouchers and paper checks
• Streamlines Accounts Payable operations with fewer paper checks to process
2.0 PROGRAM STRUCTURE

2.1 Program Contacts

For questions related to the Card Program or to submit feedback, please contact:

- Program Administrator
  [Insert Program Administrator contact information]

  Responsible for all commercial card processing requests (new accounts, cancellations, changes to accounts, exception requests approvals, suspicious transaction investigations, feedback, etc.).

For lost or stolen commercial cards and/or 24-hour assistance and support on your Visa Card, immediately contact:

- [Insert issuing bank information]

3.0 CARD ISSUANCE AND USAGE

3.1 Eligibility

A <Company Name> employee is eligible to receive a commercial card with approvals from the Approving Manager.

Recommended cardholders include:
- Administrative assistants
- Plant managers
- Accounts payable managers
- Office facility managers
- Facility and security administration
- Technology support services
- Project leaders
- Analysts and team members within large departments

Multiple purchasing cards can be issued within a cost center. Individual employees may receive multiple purchasing cards for different cost centers within their department. For example, administrative assistants responsible for several cost centers may have multiple purchasing cards. Each individual is allowed to have a maximum of <XX> purchasing cards. Individual employees may receive only one corporate card. All exceptions will be processed by Approving Managers.
Employees are required to attend a commercial card program training course and sign a Cardholder Agreement before obtaining their commercial card.

3.2 Credit Limits

At the time of issuance, individual commercial card credit limits will default to <$XXX> per transaction and <$XXX> per month. Cardholders can request approval from the Approving Manager to increase credit limits in increments. Higher transaction and monthly limits are available upon request.

It is recommended that cardholders use commercial cards for a minimum of one month to understand purchasing patterns before requesting credit limit extensions. Cardholders will need to submit a form to initiate approvals.

3.3 Usage

The Visa card is a company issued credit card to employees who make business-related purchases on behalf of <Company Name>. The card has features similar to a personal credit card, such as:

- Accepted wherever Visa is accepted
- Has a monthly credit limit
- Has an individual transaction limit
- Has a monthly statement of charges

3.3.1 General Commercial Card Guidelines

Commercial cards are company property issued in an employee’s name, with corporate liability. Therefore, they should be used exclusively for qualified business-related purchases. Cards may not be used for personal purchases. The cardholder named on the commercial card is the ONLY person authorized to use the card or account number. This is not a departmental card.

Commercial cards are intended for business purchases. Applicable purchase categories are summarized in the table below:

<table>
<thead>
<tr>
<th>Purchasing Card Purchases</th>
<th>Non Purchasing Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training class registration</td>
<td>• Capital assets</td>
</tr>
<tr>
<td>• Memberships and subscriptions</td>
<td>• Purchasing services from businesses that are not Incorporated</td>
</tr>
<tr>
<td>• Books and publications</td>
<td>• Travel and entertainment expenses</td>
</tr>
<tr>
<td>• Non-network-related PC accessories</td>
<td>• Cash advances</td>
</tr>
<tr>
<td>• Mail, copy and small print services</td>
<td>• Personal gifts and purchases</td>
</tr>
<tr>
<td>• Professional services and fees</td>
<td>• Facilities equipment and services</td>
</tr>
<tr>
<td>• Facilities equipment and services</td>
<td>• Telecommunication</td>
</tr>
<tr>
<td>• Telecommunication</td>
<td>• Stationery and office supplies</td>
</tr>
<tr>
<td>• Stationery and office supplies</td>
<td>• Marketing, promotion items and advertising</td>
</tr>
<tr>
<td>• Marketing, promotion items and advertising</td>
<td>• Hardware and software</td>
</tr>
</tbody>
</table>
### Corporate Card Purchases vs. Non Corporate Card Purchases

<table>
<thead>
<tr>
<th>Corporate Card Purchases</th>
<th>Non Corporate Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Airfare</td>
<td>• All purchasing card purchases listed above</td>
</tr>
<tr>
<td>• Car rental</td>
<td>• All non purchasing card purchases listed above (except travel and entertainment expenses)</td>
</tr>
<tr>
<td>• Hotel accommodation</td>
<td></td>
</tr>
<tr>
<td>• Taxis and shuttles</td>
<td></td>
</tr>
<tr>
<td>• Meals and entertainment</td>
<td></td>
</tr>
</tbody>
</table>

For exceptions to the above guidelines and special arrangements based on a department's business needs, please contact the Program Administrator.

### 3.4 Enrollment

To receive a commercial card, cardholders should follow this process:

1. **Cardholder** completes and submits form to request card. Provides:
   - Name and date
   - Social security #
   - Employee #
   - Cost center
   - Home phone #

2. **Approving Manager** provides approval signature, printed name, employee number

3. **Program Administrator** verifies that request form has appropriate approvals and applies for a card with issuer

4. **Cardholder** completes required card program training course and signs Cardholder Agreement

5. **Cardholder** receives card; follows instructions to activate new commercial card

### 3.5 Training and Cardholder Agreements

New cardholders must complete mandatory card program training prior to receiving the commercial card. The Program Administrator will contact cardholders to schedule training once the card application has been processed by the issuer. Training can be done in person, online or over the phone. Once the cardholder completes the training, he/she must sign and date the Cardholder Agreement.

Cardholders are required to take a refresher training course and re-sign the Cardholder Agreement every <XX> years upon renewal of the card.

### 3.6 Exceptions

If a transaction is blocked at the time of purchase, cardholders should contact the Program Administrator for assistance. Manual authorizations can be approved for temporary credit limit extensions, one-time purchases at non-compliant suppliers, and other business-related needs. Cardholders should submit requests for exceptions in advance whenever possible.

When a cardholder receives notification regarding a “declined” transaction, he/she must write an email to the Program Administrator including:

- Cardholder Name
- Account Number
- Cost Center
- Transaction Amount ($)
- Supplier Name
- Date of Decline
- Reason of Decline (if known)
- Business Justification

If cardholder does not receive a timely response, he/she should contact the Program Manager.
4.0 CARDHOLDER MAINTENANCE RESPONSIBILITIES

4.1 Monthly Reviews and Reconciliation

Cardholders are required to review monthly statements and reconcile all purchases with transaction receipts. Once the statements are reconciled, cardholders must obtain signature approval from their Approving Manager for all purchases.

Cardholders are required to:

• Retain receipts and backup documentation for all transactions of any amount
• Review statements
• Verify monthly charges for accuracy against purchase receipts
• Provide transaction details corresponding to each transaction to provide Approving Manager with additional information for approvals
• Forward reconciled statements to Approving Manager for approval

Approving Managers are required to:

• Monitor commercial card use within cost center to ensure compliance to company policies
• Review monthly commercial card statements in detail
• Identify any questionable or ambiguous charges (e.g. $200 at liquor store) and notify cardholder as appropriate
• Approve all monthly statements in a timely manner

Each cardholder is required to maintain the commercial card statements and all associated receipts for at least one year.

If the cardholder does not perform the reconciliation within <XX> days, he may face temporary card suspension until the reconciliation is completed.

If a cardholder is going on an extended leave of absence across multiple billing cycles, he/she is responsible for notifying the Program Administrator in advance to avoid monthly reconciliation delinquency notifications.

4.2 Audits

Cardholders may be selected for random audits to ensure policy compliance. The Program Administrator will send notifications with detailed instructions to the selected cardholders. In most cases, cardholders will be asked to provide appropriate documentation to support transactions within the audit time period.

4.3 Disputed Items

Cardholders are responsible for resolving any statement discrepancies with the supplier and/or issuer to ensure corrections and/or credits are made on a timely basis. Any disputes should be identified and explained during the monthly reconciliation process. Cardholders are required to complete Dispute Forms as needed and work with the issuer until the matter is resolved.
If a dispute involves the return of a purchased item, cardholders are responsible for arranging all returns directly with the supplier.

If a dispute remains unresolved after two billing cycles, cardholders should report the dispute to the Program Administrator. The Program Administrator will work with the cardholder and issuer to resolve disputes.

4.4 Changing Card Profile or Status

Cardholders are responsible for notifying the Program Administrator of any profile changes to their accounts, including:

- Name
- Cost center
- Address
- Cancellation
- Permanent credit limit increases or decreases

All changes require a completed Change Form submitted by the cardholder. This form should contain the cardholder’s updated information and must be approved by the cost center Approving Manager.

Each cardholder is responsible for relinquishing his/her commercial card upon transfer, resignation, termination or voluntary cancellation of the card. When a card is cancelled, the cardholder must return the commercial card cut in half to the Program Administrator. If a cardholder is terminated, the card must be relinquished to Human Resources.

Extended inactivity for a 12-month period may result in cancellation of a commercial card. Prior to cancellation, cardholders will be contacted by the Program Administrator to assess the business need for a commercial card.

4.5 Lost or Stolen Cards, Fraud

Cardholders are responsible for notifying the issuer and the Program Administrator immediately upon discovery of a lost or stolen card. Cardholders should report card loss or theft immediately to the issuer.

To minimize risk, cardholders should not lend cards or give card information to anyone. Cardholders are responsible for protecting their cards and passwords at all times.

Cardholders are also required to notify the issuer and the Program Administrator of any fraudulent or unapproved purchases not made by the cardholder.

Any misuse or violation of the commercial card usage guidelines will result in investigation and may lead to employment action up to and including termination of employment, depending on the severity of the circumstances.

4.6 Renewals

All commercial cards expire three years after the issue date. Before receiving renewed cards, cardholders are required to complete a refresher training course and re-sign the Cardholder Agreement.
5.0 PROGRAM MAINTENANCE

5.1 Enrollment Processing

Once an employee completes and submits a commercial card application, the following steps are required for enrollment processing:

<table>
<thead>
<tr>
<th>Step</th>
<th>Process Step Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Approving Manager receives request</td>
<td>Approving Manager reviews and approves the application</td>
</tr>
<tr>
<td>2</td>
<td>Program Administrator verifies request</td>
<td>Program Administrator reviews and verifies the request form to ensure the information and authorizations supplied are correct, then applies for a commercial card through issuer</td>
</tr>
<tr>
<td>3</td>
<td>Program Administrator conducts training</td>
<td>Program Administrator notifies cardholder of requirement to complete commercial card training</td>
</tr>
<tr>
<td>4</td>
<td>Program Administrator distributes materials</td>
<td>Program Administrator sends card policies, supplier list and relevant forms to cardholder</td>
</tr>
<tr>
<td>5</td>
<td>Cardholder signs Cardholder Agreement</td>
<td>Cardholder receives the Cardholder Agreement, signs it and returns it to the Program Administrator</td>
</tr>
<tr>
<td>6</td>
<td>Program Administrator updates records</td>
<td>Program Administrator records training date, confirms that signed Cardholder Agreement is on file, and notes that cardholder has received commercial card</td>
</tr>
</tbody>
</table>

5.2 Status Change Processing

Cardholders can initiate account changes for any of the following reasons: cancellation, cost center change, name change, credit limit increase/decrease or address change.

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>Cardholder Responsibilities</th>
<th>Program Administration Responsibilities</th>
</tr>
</thead>
</table>
| Cardholder Profile      | • Notifies HR of any changes to account (e.g. name, cost center, Approving Manager, address, credit limit) | • Notifies issuer of changes  
• Documents request for replacement card  
• Records changes in database |
| Transfers/ Cancellations| • Submits form to relinquish commercial card                     | • Notify issuer of changes and request a new card if transferring  
• Record changes in profile |
| Renewal                 | • Completes cardholder training  
• Re-signs Cardholder Agreement | • Checks for extended inactivity within last 12 months  
• Schedules cardholder training |

Permanent credit limit extensions are treated as card status changes and require approvals from the Approving Manager level or above.
5.3 Exception Processing

If a transaction is blocked at the time of purchase, cardholders should contact the Program Administrator for assistance. Manual authorizations may be required for temporary credit limit extensions, one-time purchases at non-compliant suppliers, and other justified business reasons.

Manual authorizations may also be required to authorize purchases at a supplier with a blocked MCC code. Individual exceptions should be based on the overall usage guidelines below:

<table>
<thead>
<tr>
<th>Purchasing Card Purchases</th>
<th>Non Purchasing Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training class registration</td>
<td>• Capital assets</td>
</tr>
<tr>
<td>• Memberships and subscriptions</td>
<td>• Purchasing services from businesses that are not Incorporated</td>
</tr>
<tr>
<td>• Books and publications</td>
<td>• Travel and entertainment expenses</td>
</tr>
<tr>
<td>• Non-network-related PC accessories</td>
<td>• Cash advances</td>
</tr>
<tr>
<td>• Mail, copy and small print services</td>
<td>• Personal gifts and purchases</td>
</tr>
<tr>
<td>• Professional services and fees</td>
<td></td>
</tr>
<tr>
<td>• Facilities equipment and services</td>
<td></td>
</tr>
<tr>
<td>• Telecommunication</td>
<td></td>
</tr>
<tr>
<td>• Stationery and office supplies</td>
<td></td>
</tr>
<tr>
<td>• Marketing, promotion items and advertising</td>
<td></td>
</tr>
<tr>
<td>• Hardware and software</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Card Purchases</th>
<th>Non Corporate Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Airfare</td>
<td>• All purchasing card purchases listed above</td>
</tr>
<tr>
<td>• Car rental</td>
<td>• All non purchasing card purchases listed above (except travel and entertainment expenses)</td>
</tr>
<tr>
<td>• Hotel accommodation</td>
<td></td>
</tr>
<tr>
<td>• Taxis and shuttles</td>
<td></td>
</tr>
<tr>
<td>• Meals and entertainment</td>
<td></td>
</tr>
</tbody>
</table>

Upon determination that a manual authorization is required, the Program Administrator obtains the following information from the cardholder:

• Cardholder name
• Account number
• Cost center
• Transaction amount ($)
• Supplier name
• Date of decline
• Reason of decline (if known)
• Business justification

With approval from the Program Manager, the Program Administrator works with the issuer to increase the transaction limit or to obtain a manual authorization code. For temporary credit limit increases, the Program Administrator selects the effective start and end dates. At the end of the effective credit limit increase period, the issuer will automatically return the card limit to the previously established limit. The Program Administrator also maintains a log to track temporary credit limit changes.
5.4 Terminations and Transfers

Cardholders are responsible for submitting a form to relinquish their commercial card upon transfer, resignation, termination or voluntary cancellation of the card. When a card is canceled, the Program Administrator receives the commercial card cut in half and stores the associated documentation. The Program Administrator then submits a cancellation request to the issuer. All changes are recorded in the user information database.

If a cardholder is terminated immediately, the Program Administrator submits the form on behalf of the cardholder. The card and associated documentation are obtained from the Approving Manager.

On a regular basis, the Program Administrator cross checks HR termination records and issuer reports with the user information database to confirm all appropriate cancellations have been processed.

The Program Administrator also runs regular reports to identify accounts that have been inactive for more than 12 months. The Program Administrator will contact the identified cardholders to confirm the business need for a commercial card. If no business need is identified, the unused commercial card is canceled.

5.5 Disputed Items

The Program Administrator maintains a record of any disputed items that remain unresolved after two billing cycles. For any reported disputes, the Program Administrator works with cardholders and the issuer to reach resolution.

5.6 Lost or Stolen Cards, Fraud

If a card is lost or stolen, the Program Administrator works with the cardholder and the issuer to issue a new card. As part of program reviews, the Program Administrator obtains card reports on fraudulent charges for designated billing cycles for management review. Additionally, it is important to notify the issuer of a lost or stolen card, following up promptly with a written notice.

5.7 General Ledger Assignment

Commercial card charges are mapped to the GL account associated with the Merchant Category Code (MCC). The Program Administrator regularly requests updated MCC lists from the issuer. Any new MCC codes are reviewed and appropriately mapped to a corresponding GL account number as applicable.

5.8 Renewals

Visa Commercial card expiration dates are automatically set to three (3) years after the issue date. The Program Administrator periodically runs card expiration reports to ensure the receipt of renewal cards.

Prior to issuance, the Program Administrator checks for extended inactivity within the last 12 months. Cardholders with inactive commercial cards are contacted to validate the business need for card issuance. The Program Administrator schedules training with all active cardholders at the time of renewal.
6.0  SUPPLIER SET-UP

6.1 Identification

The Program Manager and Administrator are responsible for identifying additional suppliers to be paid by card. A periodic analysis of accounts payable spend helps to pinpoint additional opportunities.

As part of supplier relationship management, <Company Name> will negotiate supplier acceptance of commercial card as a payment mechanism as appropriate. It is important that all discounts currently offered by suppliers are incorporated with the implementation of the commercial card process.

New suppliers for commercial card use will be periodically added to the recommended supplier list.

6.2 Sales and Use Tax Consideration

The Program Administrator will work with <Company’s Name> tax department to determine reporting and purchase record requirements.

7.0  RECONCILIATION

7.1 Card Statement Reviews

The Program Administrator will access a billing summary for all cardholder activities through the issuer to reconcile against charges on a monthly basis.

Documentation supporting monthly charges is required for payment to the issuer.

<table>
<thead>
<tr>
<th>Step</th>
<th>Owner</th>
<th>Process Step Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issuer</td>
<td>Provides monthly statement to cardholder</td>
</tr>
<tr>
<td>2</td>
<td>Cardholder</td>
<td>Receives monthly statement from the issuer and reviews the statement for accuracy against receipts</td>
</tr>
<tr>
<td>3</td>
<td>Cardholder</td>
<td>Disputes inappropriate charges with supplier or issuer</td>
</tr>
<tr>
<td>4</td>
<td>Approving Manager</td>
<td>Receives, reviews and approves reconciliation</td>
</tr>
<tr>
<td>5</td>
<td>Program Administrator</td>
<td>Receives monthly summary statement from the issuer</td>
</tr>
<tr>
<td>6</td>
<td>Program Administrator</td>
<td>Reviews reconciliation and summary statement for accuracy and prepares the invoice for payment by A/P</td>
</tr>
<tr>
<td>7</td>
<td>Accounts Payable</td>
<td>Pays invoices/sends bills</td>
</tr>
</tbody>
</table>
7.2 Record Retention

Statements and receipts will be collected by the Program Administrator <state period>. Program Administrator will send email reminders for documentation submission. All files will be maintained with the Card Program Administration office for <XX> years, and then moved to off-site storage to be held for a total of seven (7) years.

8.0 AUDITING CARD ACTIVITY

8.1 Internal Audit Requirements

Cardholders are randomly audited for policy compliance. If a cardholder is selected for a random audit, the Program Administrator will notify the cardholder with detailed instructions.

Cardholder selection criteria may include:

- High transactions (e.g. frequent one-time transactions above $<XXX>)
- High frequency (e.g. average of <X–X> transactions a month or more)
- Numerous ambiguous transactions with no supporting comments from reconciliation (e.g. gift certificates, consumer products, questionable vendors)
- More than <XX> different cards under the cardholder’s name
- Non-compliance with card usage guidelines

An audit is a review of expenditure for adherence to policies and for the existence of support documentation. Cardholders will be audited for:

- Compliance with manager review and timely approval of monthly statements
- One-time expenditures over designated credit limit, which requires business justification and appropriate approvals
- Non-compliant suppliers
- Possible misuse (e.g. personnel awards, cash advance)
- Record maintenance (e.g. statements, receipts)

In addition to individual audits, the Program Manager and Administrator will review purchase decline reports to analyze the frequency and root causes of declined transactions. Policies and procedures will be reviewed periodically to incorporate business needs of high volume declines, as appropriate.
8.2 Violations

Triggers for misuse investigations:

- Failure to comply with monthly reconciliation procedures
- Single transactions above credit limit without approvals
- Illegal or fraudulent use of commercial card
- Use of card for personal expenses

Degrees of violation:

- **High**—illegal or fraudulent use of commercial card, and failure to comply with audit request procedures
- **Medium**—travel and entertainment charges, personal charges, cash advances or transactions beyond assigned credit limit
- **Low**—improper use of Merchant Category Codes (MCC), failure to reconcile monthly statements, or improper documentation retention

Steps for misuse investigations (dependent on the degree of violation):

1) Suspension of commercial card during investigation
2) Cardholder and Approving Manager are notified of suspected misuse and temporary suspension
3) Program Administrator requests appropriate receipts and reviews documentation from cardholder with bank statements
4) Program Administrator reviews expenses and conducts meeting with cardholder and Approving Manager to understand purchase requirements
5) Pending findings, notification report is sent to Human Resources
6) Cardholder receives appropriate disciplinary action