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Arvest Purchasing Card Guide

A Practical Guide to Designing and Implementing a Best-in-Class Program!

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INTRODUCTION

To take advantage of all of the benefits a Purchasing Card program has, it is imperative you implement a program that is geared toward saving the company time and money.

We have gathered best practices from clients across the country and are sharing them with you, our customer. Regardless of the size of the company the consistent message existing purchasing card clients stressed was:

The biggest mistake is to simply issue credit cards, assume the cardholders know the company's expectations and then forget about the program.

This document is offered as a guide and is not designed to be a definative method of implementing Purchasing Cards. Every company/organization is different and this guide should help you to tailor the successful use and management of Purchasing Cards to meet your own specific needs.

If we can be of assistance during the planning and implementation phases of your program, please let us know. From the implementation and training process, to assisting you in identifying card program expansion opportunities, we pledge to provide you with personalize service and support. We can help you build the program around your current business model with the flexibility to meet your evolving goals for the future.

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FAQs for Purchasing Card Pre-Implementation

1. How will this program save the company time and money?	♣ *Assist in reduction of checks issued* ♣ *Improve cash flow, 25 day grace* ♣ *Reduce purchase time* ♣ *Improve AP systems by automating tasks* ♣ *Improve expense reporting*
2. How do I make my payment?	♣ *Auto Draft* ♣ *Online* ♣ *Check via USPO* ♣ *Local Arvest Bank*
3. When is the payment due?	♣ 25 days after the cycle date
4. Is flex-billing available?	♣ Yes, many customers prefer to be billed either weekly or bi-monthly (every two weeks). You choose the statement cutoff day and we will draft your account for the monies owed, two business days later. Other clients prefer to be billed monthly. Let us know your preference and we will work with you. **
5. Can I have generic cards?	♣ Yes. Cards can be issued in generic form such as: Card 1, Card 2 etc.
6. Can I change restrictions and limits on an individual cardholder?	♣ Yes. This will be covered in detail when your company's administrators are trained with the online system.
7. How do I meet the 10 card minimum?	♣ There are many ways to consider meeting the minimum. You may have a card for specific transactions, i.e. utilities, fuel, meals or by department.

** If weekly or bi-monthly billing is chosen the payment must be setup on auto-draft with the BALANCE PAID IN FULL. The payment is due two BUSINESS days after the statement cutoff date. (For instance, if your cycle date is Friday, your checking account will be drafted on the following Tuesday.)

** Auto Pay is required for flex billing, as payments must be posted prior to the cutoff of the next statement or the account will be considered as past due.

** Companies not paying balance in full monthly will NOT qualify for flex-billing.

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❖ Pre-Implementation

We are pleased you have chosen Arvest Bank to be your Purchasing Card provider. Most of what will be discussed in this section may have already been discussed in the initial sales presentation. Keep in mind that even after implementation, these topics can be adjusted and re-evaluated as needed. Establishing a new or expanding an existing program provides an ideal opportunity to review policies, procedures and perform review of current processes. This manual will be useful in streamlining your processes, improve efficiencies and recognize additional benefits of implementing an Arvest Visa Purchasing Card!

Identifying Areas of Opportunity and Streamlining Current Processes

In order to compete in today's changing economy, businesses are searching for ways to streamline processes, improve procedures and cut expenses. Today, the average cost of a check transaction is *$83.09 from issuance to reconciliation.* Once a Purchasing Card program is in place, the cost per transaction is reduced to $22. With this in mind, a successful implementation always starts with determining which expenses can be moved to Purchasing Card. The first and most important steps are:

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1. Review the number of "house accounts" and/or the multiple credit card programs the Company currently has on file. These areas can easily transition to a Purchasing Card. *Remember: "One check, one invoice, one payment and one account to reconcile!"*

2. By performing a Spend Analysis (example below) on at least 6 months of AP transactions you can quickly find those expense items that can be moved to a Purchasing Card.

   - The analysis should indicate which suppliers are generating the largest percentage of the small dollar transactions (checks issued). These are the suppliers that should be moved to a Purchasing Card. Remember, it costs the same to generate a $25 check as it does a $250,000 check. *In other words, move those low-dollar, high volume checks to Purchasing Cards! Saves time AND money!*

Vendor	# Checks	Total $	Average check amount
ABC Hardware	450	$1065.36	$22.36

Identifying Areas of Opportunity and Streamlining Current Processes *continued*

⊕ A Cost Center and Employee Analysis (example below) should also be performed to determine what each department spends and where it is spent. Knowing which areas of the company are responsible for a high percentage of small dollar purchase orders, invoices and check requests, helps in designing the program as far as who you should be issuing cards to, credit limits, restrictions, etc.…

Cost Center/Employee	TRAVEL	# Ck/ACH issued	Avg Amt	OFFICE SUPPLIES	# Ck/ACH issued	Avg Amt	GRAND TOTAL
HR							
Bob Crawford	$ 8,598.00	95	$ 90.51	$ 2,384.21	156	$ 15.28	$ 10,982.21
IT							$ -
Betty Jones	$ 12,242.09	162	$ 75.57	$ 9,863.88	254	$ 38.83	$ 22,105.97
Mark Scott	$ 623.00	15	$ 41.53	$ -	0	$ -	$ 623.00

3. After your Spend Analysis is completed, Security Bankcard Center can determine who accepts Visa. Send your Account Manager your Vendor File in an Excel spreadsheet, with the following in separate fields:

Merchant Name	Address	City	State	Zip

Within 24 hours, you will receive a file that indicates which vendor accepts Visa. Performing each step above will assist you in determining credit limits for the Company and for each individual card.

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Determine Company/Organization Credit Limit

When trying to determine what your company/organizations overall credit limit should be, consider:

1. *What purchases will be targeted for Purchasing Card use? What types of expenses are going to be migrated to the Purchasing Card?*

   - Establish a low-value Purchasing Card threshold. This value might be:

     a. Any purchase under $5000 should be placed on the purchasing card (or)

     b. $1000 for Office Supplies and $5000 for Equipment.

   - Consider purchases and payments that require an excess amount of time and attention in relation to the value of the item. Low value purchases ideal for the Purchasing Cards include:

     a. Office supplies

     b. Subscriptions & Dues

     c. Tools and vehicle parts/maintenance

     d. Computer software, hardware, monthly service charges, etc…

     e. Cell phone

     f. Utilities

     g. Temporary staffing

     h. Internet purchases

- By using the *Visa Matching Supplier Report* and your Spend Analysis Reports you should be able to quickly determine which expenses should be migrated to a Purchasing Card.

Policy and Procedures

Define Purchasing Card Policy

When establishing (or expanding) your Arvest Purchasing Card Program, you are being provided with an opportunity to review your current expense policy and procedures if you have one. If you do not currently have one in place, as discussed earlier your account manager can supply you with a sample Policy and Procedure Manual that you can modify to your company's/organization's needs (you may want your internal audit team and/or Senior Management team to approve).

1. Goals should be clearly defined and should be included in your Purchasing Card Policy. For instance:
   - Streamline accounts payable process
   - Saves time and money
   - Improve efficiency in expense reporting
   - Eliminate paper "Go Green"
   - Speed up the procurement process

2. Study current expense policy, while documenting current procedures for procurement, approval, and payment of goods and services that are targeted for Purchasing Card use.

3. Policies should be rationalized going forward with regard to traditional payment methods and Purchasing Cards. For example, purchasing authority levels may need to be adjusted with more employees having procurement capability using the card. These policies will drive guidelines for card limits and use privileges. You may also address procedures such as transaction reconciliation and management signoff.

4. Keep in mind that Purchasing Cards should be viewed as a catalyst for re-engineering processes and procedures, rather than just a payment tool.

Mandate Purchasing Card Usage

To better establish efficiencies for all parties involved in procurement and to help eliminate duel processes, a purchasing card mandate for defined spend categories should be implemented by senior management. By doing so, this signals the importance of the purchasing card program and helps ensure full cooperation and support.

By establishing a straightforward card policy employees will be clear on what they are empowered to buy. Your Purchasing Department can focus on strategic suppliers and negotiating contracts, and Accounts Payable can process payments that are meaningful to your company.

Expand Supplier Acceptance

First gather and prioritize a list of your suppliers that accept cards. Educating those suppliers on the benefits of the program to both your organization and to theirs will help promote acceptance.

You may also want to comprise and prioritize a list of target suppliers that don't accept cards. Again, your Relationship Manager can assist in working with said suppliers to show benefits and work with alternative solutions on payment acceptance.

Issuing Cards and Determining Individual Cardholder Limits.

Establish spending limits commensurate with needs:

1. By reviewing the Spend Analysis determine who has purchasing authority now and how much do they currently buy each month. Review this information and cross-reference this with the Visa Matching Supplier Report.

2. What additional types of expenses is the company going to transition to the Purchasing Cards and who will be purchasing them?

3. You may chose to issue Department Cards or other types of cards. If so, refer to page 10 for additional information

Cardholder Restrictions

Are you going to restrict cardholder usage? This can sometimes be a struggle to determine if or how you want to restrict usage. You want to trust your cardholders, but at the same time you want to limit exposure to the company. By utilizing the restriction capabilities of the Purchasing Card, you can empower your cardholders to buy what they need, but control what they buy, how much they buy and even where they buy! You may,

1. Restrict purchases to specific types of expenses - Allowed purchases are ONLY Fuel, Auto Supplies, Hotels and Restaurants.

2. Restrict to specific Merchants - No purchases other than at ABC Hardware.

3. Single purchase limits – No purchase over $500.

Restrictions are placed on transactions based on the Merchant Code that is tied to every vendor that accepts Visa. If the Merchant Code was not set up correctly by the Vendor's credit card processor, then acceptable transactions can and will be declined.

However, getting too "restrictive" can impede your cardholder's ability to use the card effectively, thus negating potential benefits of the program. In addition, calls made to the Program Administrator will escalate due to increased declined transactions.

"The Arvest Purchasing Card gives your company Controlled Empowerment."

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Identify Ghost Card Opportunities

A ghost account or virtual card is typically used to purchase from a supplier and can be effective when several employees order from the same company and a physical piece of plastic is NOT needed. The company will receive a list of the cards and in a separate mailer with the CCV codes (security code).

1. Travel card to make reservations for sales team
2. Office Supplies
3. Auto parts or Equipment

Restrictions can be placed on Ghost or Virtual cards that can tie the specific card to one specific Vendor, thereby further reducing the chance for unauthorized use.

Identify Other Card Opportunities

1. **Department Cards** and **Project Cards** may have actual plastics, but various employees are authorized to use them with the proper controls in place.
2. **Declining Balance Cards** can be used for employee relocation cost. Cards are issued with a specific credit limit. Charges are made and billed in a normal cycle; however, the credit limit is never restored. Cards may be set up with an expiration date, as well.

   - Per Diem cards for people that don't typically travel and need their own cards.
   - Great for teachers who have a specific amount to spend each term can use this card to easily purchase and manage their fund.
   - Special events like trade shows, project management, etc…

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Best Practices for Pre-Implementation

- *Consolidate "house accounts" and other credit card accounts*
- *Complete Spend Analysis on all company transactions and by cost center or department*
- *Review high-volume, low- dollar transactions and establish a purchasing card transaction threshold*
- *Review Visa Matching Supplier Report for opportunities*
- *Define and establish a Purchasing Policy*
- *Establish limits based on analysis*
- *Review need for additional types of cards*

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Program Reporting Decisions

Expense Reconciliation

One of the many advantages of implementing a Purchasing Card program is to help your company/organization streamline its processes, in particular expense reconciliation by those with purchasing authority. Take in consideration all steps that are taken from the point of purchase to Accounting reconciling and paying for that purchase.

Review:

1. The company's monthly expense reconciliation process for existing credit card program, house accounts, etc…?

2. What is the current process for an existing credit card program and/or for those employees that have monthly reimbursable expenses?

3. Are employees using their own credit cards for work related expenses?

4. Are employees using a company credit card and completing any type of documentation report for the transactions?

5. Do the employees code their transactions with cost center information, department codes, and general ledger codes? Or do they write it on the receipt and give it to a co-worker or to Accounting?

The Arvest Purchasing Card Program gives your company the ability to save time and money by utilizing online expense reporting. Via our online reporting system, CentreSuite, cardholders can access their own account and other cardholder accounts (if required) and document and code their monthly credit card transactions, scan in their receipts and attach them to the online expense report. Once the document is complete and reconciled, it is submitted "online" to their supervisors or other employee(s) for approval. This report even allows for out-of-pocket expenses to be documented for reimbursement.

When setting up your cardholders for online expense report:

1. Determine if your cardholder will be completing the expense report or if you will designate one or more individuals to complete monthly expense reports for certain cardholders and who will be approving the cardholder's report.

2. Remember, CARDHOLDERS can NOT approve their own expense reports!

3. It is always a good idea to include Accounts Payable in this process.

Frequently asked questions…

1. Can expense reports be completed weekly? **Yes!**

2. How many levels of approvers can there be? **As many as the company requires.**

3. How often can an out-of-pocket expense be submitted? **As often as needed.**

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Setup Example of Cardholder Spreadsheet with Approver Information			
Cardholder	**Expense Report completed by:**	**Interim Approver**	**Final Approver**
Sam Jones/Tech Support	Brandon Lee (Dept Mgr.)	Mary Brooks	Jim Walker
Bob Crawford/ Sales Dept	Bob Crawford	Betty Williams	Lauren Justice
Building Maintenance	Betty Smith (Dept Mgr.)	None	Lauren Justice
Lauren Justice/Acct Mgr	Lauren Justice	None	Jackson Jones

Allocation of Expenses

In conjunction with online expense reports, your accounting codes can be tied to specific transactions, to types of expenses or to specific employees.

1. *What is the structure of you account codes?* General Ledger, Cost Center, Department, etc.
2. *What other fields would you like to include:* Job #, Project #, Contract, Billable, etc… This is completely flexible and can be built to your specifications.
   + *Are there any special characters that need to separate your codes?* Dashes (-) or decimal (.)
   + *How will codes be assigned?*
   + *Do you want to default any codes*?
     a. Cost Center or Department – default by Cardholder
     b. Specific types of transactions – default to General Ledger or Account Code

These are just some of the questions that you will answer. There are additional items that you may want to consider. This can be discussed with your Account Manager.

Uploading to Accounting Software

In most cases (with the exception of *Intuit)* once an expense report is completed and approved all information can be uploaded to your accounting software and can be formatted to meet the requirements of your specific software. The transaction information can be integrated into your system; thereby eliminating manual entries. It will be necessary to set up a meeting with your IT staff and your software provider.

Combined, this could possibly reduce your company's monthly reconciliation in ½. Not only does it save you time but it will also save you money by reducing the number of checks being issued to suppliers.

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Establish a Sales Tax Strategy

Having a sales tax strategy that matches the culture and manages risk will help maximize your purchasing card program. Every organization handles this issue differently and chooses one or more methods to address the sales tax issues confronting all businesses and all purchases. Be sure to engage your Tax Department in this discussion.

Options range from:

1. Filing paper receipts to filing electronically
2. Using the reporting functionality of CentreSuite to identify out-of-state transactions and self assess use tax
3. Combination of both

Visa has a Sales Tax Guide available upon request.

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Pre-Implementation

Best Practices for Program Reporting Decisions

- Utilize online expense routing
- Define who will complete online reports
- Define levels of approvers
- Keep AP in the loop
- Include Accounting Codes in the process to reduce manual entries and reduce errors
- Determine default codes
- Obtain format for file integration
- Establish a Sales Tax Strategy

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Implementation Plan

The best approach is to meet with the various members of your company/organization. This will enable Arvest/Security Bankcard to discuss any current program that may be in use, set-up of program, card limits, and restrictions.

This Planning meeting also allows us to determine how to proceed in the most effective way and provide a more accurate timeline. Items to be discussed and determined:

☐ Expectations of programs

☐ Review current account structure

☐ Establish hierarchy needs for reporting purposes, if necessary

☐ Discuss the capabilities of each Program Administrator
- Full capabilities
- View only
- Access to all accounts and departments or access to specific areas only

☐ Examine current billing date

☐ Obtain sample reports from current system (if one is in place) regarding tracking allocation of expenses, integration of transaction reports, etc…Review Standard Reports:
- Fleet Report
- Merchant Grouping Report
- Multiple Transaction Exception Report
- Program Change Audit Report
- High-Dollar Transaction Report
- Expense Report History and Audit Review

☐ Discuss current issues, if any, with existing program

☐ Discuss "wish list" with your current provider

☐ Discuss reporting capabilities, Online Expense Reports functionality, (including out-of pocket expenses) Allocation of Expenses and Data Mapper tool.

☐ Review Alerts available for Organization Administrator, Organization Mgr and Cardholders
- Balance Alert
- Single Purchase Alert

☐ Complete Agreements and Cardholder Information

☐ Determine the training needs for cardholders and for Program Administrators
- Instructor led in-person/on-site training led
- Webinars
- Ongoing training needs

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Annual Review

Annual Review begins with re-evaluating every item discussed previously. Some organizations will need to review these items more often but at a minimum, an annual review is needed to make sure that not only the company's needs are maintained but also the individual cardholder's as well.

1. **Company Credit Limit Review**

   - Annual Purchasing Card spend for the previous year.

   - How often if any did your company have to ask for a temporary increase to the company limit?

   - Anticipated spend for upcoming year. This could be considered during annual budget discussions.

   - What payables or other ticket items would you like to be able to use a Purchasing Card for?

2. **Individual Cardholder Credit Limit Review**

   - Has the cardholder's job duties changed? If so, has the need for spending/credit limit changed?

   - Has the individual cardholder's restrictions changed? If so, how and does that effect credit limit?

   - Review a Transaction Report by cardholder

     a. Review purchases by cardholder monthly and/or annually

     b. Review card list for inactivity

     c. Determine cards that are not used and close them

3. Not only is an Annual Review a good time to evaluate limits and restrictions, it also gives you an opportunity to develop a "wish list" for what you would like to see from your Purchasing Card Relationship Manager. You can discuss these throughout the year but an Annual Review is a great time to "brain storm" what you would like to see happen with your Purchasing Card Program. An open line of communication is essential in your program growth.

Conclusion

As your Company and the Purchasing Card industry grows and changes, following the fundamental best practices that are outlined in this guide should keep your program on the right path.

Please keep in mind that together with Arvest and Security Bankcard, we will be with you to overcome the challenges and opportunities that come with your company/organization's growth by utilizing your Purchasing Card Program to maximize its effectiveness.