Benchmarking: How to Take Your P-Card Program to the Next Level While Maintaining Control

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Draw a Smile Face
P-Card Opportunity

• Typically, 80% of an organization’s payments are less than $2,500 and represent less than 5% of spend
  – 50% of suppliers are used only once per year
  – 80% of suppliers are used only twice per year

• The traditional procure-to-pay (P2P) process generally costs between $50 to $200 per transaction

• Many steps of traditional P2P not merited for many purchases, especially “small-dollar”

Accessible to general public: www.napcp.org/P-CardIntro
P-Card Opportunity

• Average savings per transaction: $69.85
  – Generates approximately $40 billion per year in process cost savings in U.S. and North America

• 71% reduction in procurement cycle time
  – Reduces P2P cycle time by 7 days
  – Reduces cost of single P2P transaction by nearly half

• Average annual cost savings for typical Fortune 500 company
  – 1.2% improvement in bottom line
  – 1.16 increase in the market valuation of the company

P-Card Benefits

• Process savings
• Staff reallocation and/or reduction
• Reduction in procurement cycle time
• Petty cash reduction or elimination
• Spend data availability
• Supplier consolidation
• Employee satisfaction
• Improved cash flow opportunity
• No federal 1099 reporting by end-user organization
• Revenue-sharing (rebate) potential
Effective Program

Program Management Audit

• Are program policies and procedures current?
• Do program participants understand and follow P&P?
• Are there any exceptions to the rules or procedures?
• Can controls be circumvented?
• Is there appropriate separation of duties?

Process Audit

• Tests the controls
• Typically conducted by internal or external auditors
  – cardholders are key to catching external fraud, auditors used to catch internal fraud
• Focus should include mix of program participants, program management team and support roles
• Proper planning is important
Identifying Opportunities

• Calculate the current opportunity as well as the future
  – Increased single transaction limit
  – Increased spend categories

• 407% growth projected if all non-payroll transactions under $100K paid with P-Card

• Compare to other payment methods
  – Paper-based: $90/transaction, 9.9 days
  – ERP: $44.25/transaction, 5.9 days

http://www.napcp.org/?page=RPMG2017NoAmerPCard
Identifying Opportunities

• Does your organization follow best practices by:
  – utilizing an appropriate P2P process for P-Card?
  – encouraging suppliers to charge the card upon order fulfillment and eliminate invoices?
  – assigning appropriate authority to cardholders?

• Map out your processes:
  – cost versus benefit of each step
  – what steps do not add value?
  – are there delays that slow business operations?

https://www.napcp.org/CalculatingProcessCosts
Strategies for Optimization & Expansion

**Optimization**
- Tactics to improve processes for increased efficiencies/savings

**Expansion**
- Increasing card utilization throughout organization
- Making card program bigger part of payment structure
Strategies for Optimization & Expansion

Optimization

• Staffing
  – Over/Under for Effectiveness

• Technology & Automation
  – Manual Process

• Strategic Sourcing
  – Enhanced Relationships

• Revenue Sharing (Rebate)

Expansion

• Card Distribution
  – Mandate by Department
  – Travel mandate

• Category
  – Catalog, eProcurement
  – Mandate by Category

• Global Expansion

• Additional Card Types
  – ePayables
Infrastructure Evaluation

• Documented Policies & Procedures
  – Process for keeping up to date
• Effective Training
  – Mandated training
  – Annual refresher
• Efficient Processes
  – Automated processes
  – Demonstrate success/compliance through audit
• Measurable Program Goals & Objectives
  – Support and Buy-in of Program
• Supplier Acceptance
  – Preferred method of payment
• Strategies for Government Regulations
  – Sales & Use Tax
• Appropriate Staffing
Types of Optimization & Expansion

Simple
• Leveraging card issuer resources
• Modifying MCC settings
• Promote program
  – Cost Analysis

Complex
• Increasing single txn limit
• Adding travel
• Program Mandate
• Add contract language
• Go global
• Collaborate with A/P for ePayables
Pitfalls of Optimization & Expansion

Simple
- Partner with card issuer
- Over/Under control
- Management buy-in
  - Communication
  - Goals/Benchmarking

Complex
- Keep current on policies/procedures
- Simplify processes
  - Policy
  - Technology
- Training
- Infrastructure
Utilizing Benchmarking

Quantifying Card Savings
• Process savings
• Impact on A/P
• Program performance
• Compliance
• Program management

Card Impact on A/P
• FTEs eliminated from A/P
• Percent of payments eliminated from A/P
• Percent of suppliers removed from A/P master file
• Percent of all transactions under $2,500 paid via card
Utilizing Benchmarking

Compliance

- Instances of fraud, including source
- Instances of inappropriate use
- Accidental personal use of P-Card
- Percent of cardholders who miss transaction reconciliation deadlines each period/month

Program Management

- Inactive/unused cards
- Declined transactions
- Adjustments to limits and MCC restrictions
- Disputed transactions
- Card status (suspended cards)
- Cardholder name/address changes
## Utilizing Benchmarking

<table>
<thead>
<tr>
<th>Program Administration</th>
<th>Program Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>New and closed accounts</td>
<td>Spend by cardholder</td>
</tr>
<tr>
<td>Renewing accounts</td>
<td>Inactive/unused cards</td>
</tr>
<tr>
<td>Available limit by card</td>
<td>Card penetration</td>
</tr>
<tr>
<td>Account limits</td>
<td>Spend by supplier</td>
</tr>
<tr>
<td>Declined transactions</td>
<td>Total P-Card spend</td>
</tr>
<tr>
<td>Disputed transactions</td>
<td>Estimated earned revenue share</td>
</tr>
<tr>
<td>Unusual activity</td>
<td></td>
</tr>
<tr>
<td>System access</td>
<td></td>
</tr>
<tr>
<td>Tax paid/not paid</td>
<td></td>
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Questions?

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