



INTRODUCTION

From **January 2001** through **January 2003** purchasing card spending in North America doubled from **\$40 billion** to **\$80 billion** and is expected to double to **\$160 billion** by January 2008.¹

The current total market size for transactions under \$10,000 in North America is about **\$456 billion**. Of the total market spending **\$271 billion** is attributable to transactions of amounts between \$2,000 and \$10,000 and \$185 billion is due to transactions under \$2,000. Purchasing card use is generating overall transaction cost savings of over \$23 billion per year.¹

After a national “Request for Proposal” was issued, by PFM, in 2004 to 19 major financial institutions, Harris Bank was selected from among three finalists to provide services to our P-Card program using the MasterCard platform. Some of the criteria used in the selection process were:

- 1) Technology
- 2) Security, Control, Fraud and Misuse Coverage
- 3) Training and Customer Support
- 4) Rebate on dollars spent through the program.

In establishing a P-card program each participant would appoint a Program Administrator who would oversee the entire P-card program, within their public entity, including the administration of new accounts, reporting and payment processes. The program administrator would be responsible for developing procedures, providing training and enforcing compliance to the public entities’ procedures and the terms of the Harris Bank Service Agreement. Once a public entity signs up for the P-card program, Harris Bank will establish a monthly credit limit based on a two-month anticipation spending for such entity. The cumulative purchases of all cards assigned within an entity’s program will never exceed their approved total credit limit.

As an employee is issued a card the Program Administrator has the ability to set:

- A. **Limit** individual credit.
- B. **Limit** maximum transaction size (which could include an e-mail message to the administrator if the amount is greater than the credit limit for further approval or rejection).
- C. **Limit** number of transactions in a period (e.g. day, week, month)
- D. **Limit** transaction dollar volume in a period (e.g. day, week, month)
- E. **Limit** monthly spending which permits a public entity to establish a predefined monthly limit for purchases independent of the individual card limit.

¹ 2003 Purchasing Card Benchmark Survey Results © RPMG Research Corp.

In addition, the Program Administrator has the following additional **fraud/control** measurers available for each card.

- **Cash Advances** – may permit or restrict cash access.
- **Merchant Blocking** – ability to limit or block purchases made by merchant category code (MCC)
- **Specific Supplier Blocking** – ability to limit purchases to specific vendors and locations or block expenditures by specific supplier or location.

Other **types of cards** that may be approved by the administrator to meet their public entities specific needs are:

- A. Supplier Card (non-plastic)
- B. Declining Balance Card
- C. Payroll Cards

Harris Bank offers the MasterCard Corporate Liability Waiver Program (Master Coverage International) that provides coverage in the event of card misuse by employees. Under the program, your organization is covered for any **“waivable charges”** up to **\$100,000** per incident (minimum 5 cards) and unlimited fraud insurance. **There is no fee for this coverage.** Waivable charges include all transactions charged to the purchasing card that did not benefit your organization.

In addition to expediting payment, procurement cards offer other important benefits. They reduce or eliminate paperwork for requisitions, purchase orders and invoices for small-dollar and repetitive transactions. **Benefits include:**

FOR THE CARD HOLDER:

- No purchase order or requisition process
- Faster delivery of services or goods
- Reduction of paperwork
- Ability to receive discounts from “net” payment terms.
- Lower processing cost per transaction
- More information on purchase history
- Reduction of paperwork
- Eliminating the need for petty cash
- Ability to set internal controls (merchant category codes, dollar limits, transaction limits, etc.)

FOR THE SUPPLIERS:

- Receive payment within two to three days of submitting the transaction to the bank. The result is improved cash flow – two days vs. the typical 30 – 60 days.
- Streamline their administrative functions via the elimination of invoices and the consolidation of receivables.
- Meet the requests of their customers, differentiate themselves from their competitors, and build better partnerships with their customers. The result is additional sales revenue.