NIGP

Global Best Practice

ACHIEVING AN OPTIMAL PROCUREMENT CARD (PCARD) PROGRAM

Note: This global best practice assumes that an entity has already established a procurement card (pCard) program. This guidance addresses the additional authority, policies, and tools that are necessary to optimize such a program.

An optimal pCard program can maximize an entity's administrative efficiencies and revenue.

Guidance 1: Consider a pCard program.

An ideal pCard program can realize significant revenue and administrative efficiencies. This is typically accomplished when entities take advantage of rebates and mitigate risk (e.g., through fraud prevention measures). A pCard program will shift between prioritizing revenue and efficiencies over time, depending on:

- An entity's identified SWOT (internal strengths and weaknesses; external opportunities and threats)
- The priorities of executive-level administrators (e.g., city manager, county administrator, executive director, superintendent)
- The attitude and perception that executive-level administrators have about the pCard program
- The supplier community's acceptance of payment for invoices via pCard

An optimal pCard program can move an entity from being a small-dollar purchaser to achieving significant administrative efficiencies and increasing revenue and savings by:

- Paying all invoices for goods and services (e.g., construction materials and utilities) by pCard whenever possible
- Simplifying renewals or contracts
- Controlling maverick spending
- Using a self-sustaining pCard program that pays for its dedicated staff with the extra funds realized

There are several tools for validating rebates/revenue and savings:

■ RPMG Research Corporation benchmark studies: soft overhead savings that cannot be quantified

■ NAPCP, Professional Association for the Commercial Card and Payment Industry, Salary Benchmark Survey

■ Roundtable Recording on Mobile Payment and Digital Wallet (link in Resources folder)

Guidance 2: Implement a pCard program.

Procurement should always be involved in the pCard program to access and capture the data necessary for spend analysis and for identifying maverick and unauthorized spending. Authority and placement for the program by the procurement or finance department will be determined by each entity and depend on considerations such as:

■ The focus of the program (i.e., mission and vision)

  ■ Purchasing tool (procurement) vs. payment tool (finance)

■ The entity's structure

■ The organizational culture

■ The relative strength of the finance and procurement departments

■ The position, role, and authority of procurement

Program Structure

Regardless of the structure of a pCard program, the procurement or finance department is ultimately responsible for its oversight. The decision to build a pCard program structure that is centralized (i.e., either in the procurement or finance department), decentralized (coordinated at the department level), or hybrid (a combination of both) depends on:

■ The size of the entity

■ The physical location of end users

■ The management of current pCard processes

■ The desired degree of control by the program manager/administrator/coordinator

If an entity has many cardholders spread across multiple departments or in different physical locations, for the sake of administrative efficiency, program managers may choose to delegate certain tasks to designated administrators in each department or location. These tasks may include:

■ Card ordering and distribution

■ Training

■ Communicating policies, procedures, and program changes

■ Administering corrective action for minor issues of procedural non-compliance

The program manager retains control of:

- Developing and revising policies, procedures, program forms, and training materials
- Working directly with providers and contract administrators
- Working with the procurement department to issue competitive solicitations for services
- Administering corrective action for major or repetitive issues of procedural non-compliance
- Working directly with designated administrators to ensure program continuity (depending on the structure of the entity performing regular compliance audits)

Guidance 3: Optimize your pCard program.

Many program elements required by an optimal pCard program may already be in place. However, as a pCard program expands and becomes optimized, program elements may need to be modified over time by taking the following steps:

- Change program mission and vision statements to allow for an expanded program.
- Maximize discounts by using a pCard to pay more quickly.
- Maximize rebates by periodically surveying other entities for better pCard rebate terms.
- Evaluate historical spend data to ensure a sufficient number of records for analysis.
- Establish minimum thresholds for pCard purchases:
  - Analyze current corporate credit limits and purchase orders to determine and enforce cardholders' monthly spending limits.
  - Mandate that all purchases less than the determined limit amount be placed on a card.
- Implement program controls (e.g., card transaction limit amounts).
- Define roles and responsibilities as well as levels of delegated purchase authority.
- Create policies that allow for flexibility for current and future optimization.
- Maintain and strengthen executive-level support for the program and best practices.
- Champion change management and ensure adequate personnel and resources—including technology.
- Maintain and strengthen cooperation and communication between procurement and finance departments.
- Communicate processes to promulgate new policies and issue consistent messaging.
- Integrate appropriate, allowed technologies (e.g., mobile wallets and electronic reconciliation processes) into an entity's ERP system. This minimizes change management requirements when and if a card program provider changes.
- Create leveraged/coordinated programs:
  - One-card programs
  - Corporate travel and one-card solutions
  - ePayables
  - Declining balance cards
  - E-cataloguing system for A/P

Mandatory Training for Cardholders

Proper, dynamic training is essential for the full optimization of a pCard program. Begin by providing cardholders with their initial cards and inform them of the changes within the program, the product offerings, and additional card types (e.g., travel). Conduct training at regular intervals to reinforce previous trainings and incorporate new information and programs. Training should be given to cardholders, expense report approvers, program managers and administrators, and compliance auditors specific to their roles in the program. Ensure consistency across training materials as the program changes and allow for a variety of training methods (e.g., visual, written, interactive, on demand).

Risk Mitigation: Audits, Controls, and Monitoring

An entity's internal audit team should be consulted when establishing pCard program audit controls to ensure sound methodology. Program managers should perform monthly compliance checks and provide procedural guidance or corrective action recommendations for recurring non-compliance issues. The outcomes of monthly compliance checks should be regularly reported to the department head overseeing the program. These reports should include methodology, results, and recommendations based on the findings. An entity's internal audit team should also conduct periodic external compliance audits.

Policies

Policies are established when a pCard program is first put into place. For the program to change and expand to be fully optimized, policies must provide the flexibility and ability to:

- Increase purchasing thresholds/card limits.
    - Be flexible and streamlined in authorizing card use based on usage, role, responsibility, function, and level of risk.
- Conduct and implement risk mitigation with controls and monitoring (audits).
- Use different merchant category codes (MCC) to expand potential revenue.
- Consider product offerings that are most appropriate for the entity (e.g., travel, One Card, fleet, and virtual).
- Conduct a regular review of existing cardholders, credit limits, and total monthly spend.
- Identify the type of card users (e.g., individual v. department). Elected officials (see Elected Officials Guide) should not be issued pCards.

Closing

As public procurement has evolved from a transactional to a strategic function, the potential of pCard programs and the revenue and savings they generate has also evolved. This global best practice can assist entities with an existing pCard program that are motivated to enhance their revenue and rebates.

Resources

The City of Oklahoma City. "Procurement Services Purchasing Card Transaction Buyer Review and Audit Procedures." Issued by Finance Department, Procurement Services Division. Last revised September 2020. https://www.okc.gov/home/showpublisheddocument/19843/637372250488070000.

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