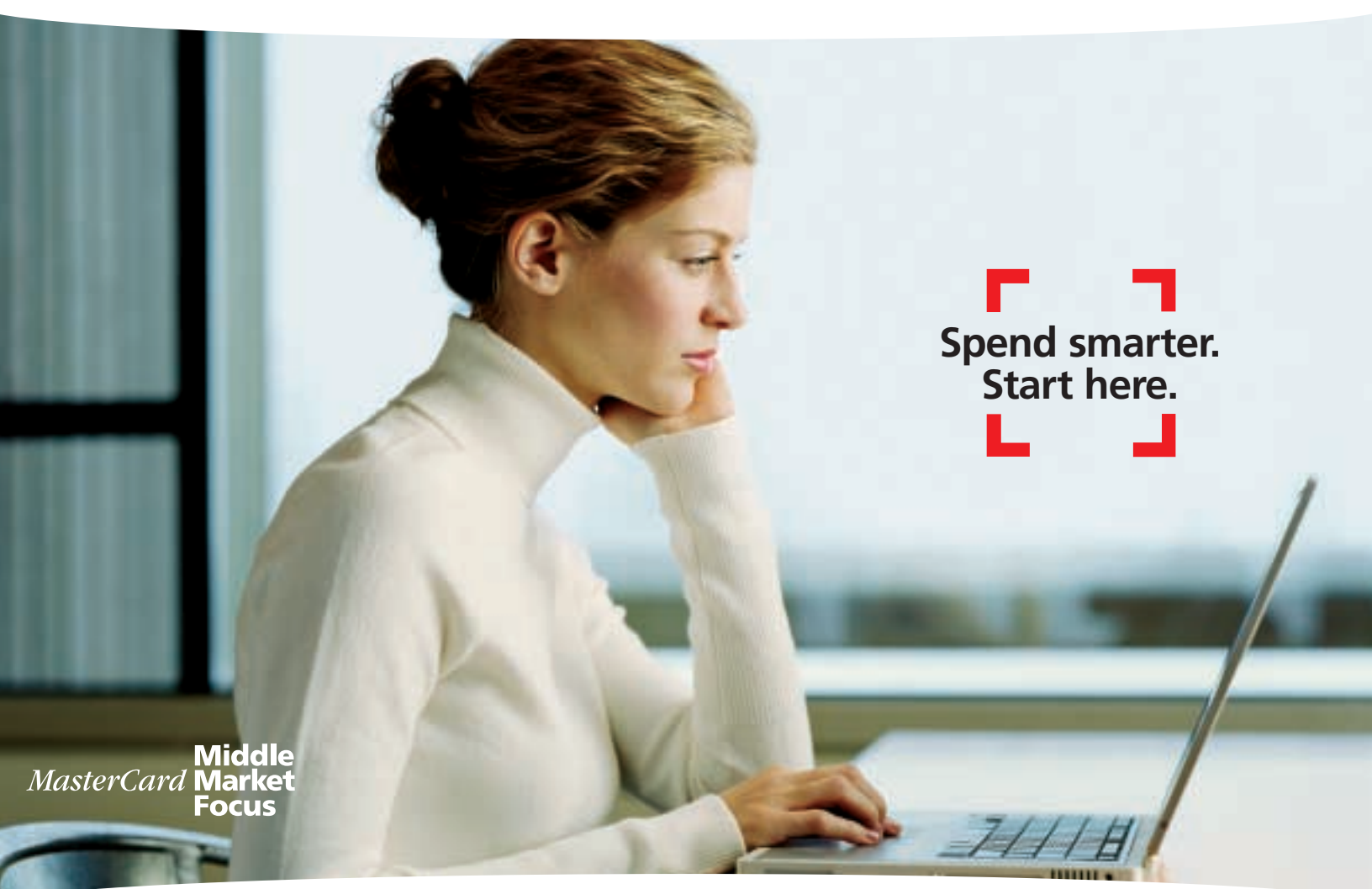




Implementation Guide for Midsized Companies

MasterCard Corporate Multi Card[®]



⌈ ⌋
Spend smarter.
Start here.
⌋ ⌈

MasterCard **Middle
Market
Focus**

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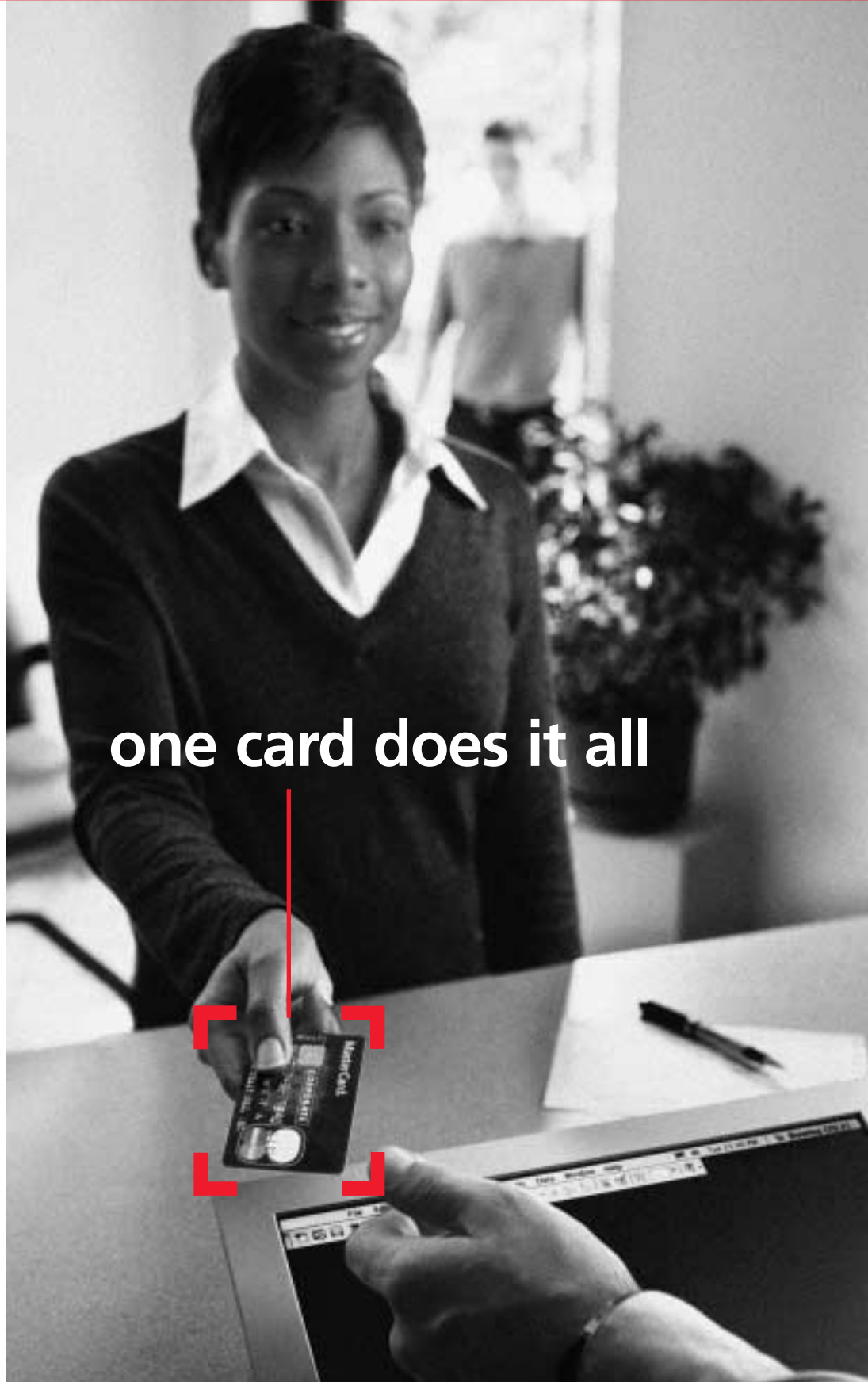
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SECTION
1.0



one card does it all

A. Introduction

Cards have become the payment tool of choice for all types of business expenditures, from travel to indirect materials (maintenance, repairs, and operational materials, or “MROs”) and even fleet vehicle upkeep. And with more and more business-to-business buying via the Internet, a card is a business necessity. The MasterCard Corporate Multi Card is a “one card solution” that employees can use for all of these commercial transactions, while giving your company confidence that spending privileges are appropriately controlled.

Control is a key priority for mid-sized companies. The MasterCard Corporate Multi Card has separate spending controls for each type of transaction, including limits on purchase amount, number of transactions, and types of suppliers. For example, a card authorized for both purchasing and travel can have a \$2,000 limit on purchasing transactions and a \$5,000 limit for travel expenses. If a manager authorizes only purchasing transactions for a cardholder, all travel-related and fleet-related suppliers can be blocked.


All the charge data for each type of purchase is housed in a single database, providing your company the ability to view all information collectively and make decisions on cash management and procurement processes based on a broader spending picture. While the data is all housed together, it can be deployed for multiple purposes, giving you reporting information tailored to your business structure.

The *MasterCard Corporate Multi Card Implementation Guide for Mid-sized Companies* was developed to provide your company with best-practice guidance and implementation assistance to develop and maintain a quality commercial card program.



Your company can use this guide to:



Understand the features and benefits of the MasterCard Corporate Multi Card.



Identify business issues that are important to your company and then make key decisions about your Multi Card™ program.



Establish and guide the activities of those responsible for implementation and ongoing management of your company's Multi Card program.



B. Streamlining the Purchasing Process

Although cards are commonly used for business travel, typically only the most trusted employees have been given cards to purchase other goods and services on behalf of the company. The reason? Not enough control over how those cards might be used. The solution? A card that has more than a spending limit and a monthly paper statement. Purchasing cards were developed with just those features in mind, and the MasterCard Corporate Multi Card combines the convenience of a traditional payment card with the controls of a purchasing card to give midsized companies the ability to make procurement more efficient.

The traditional purchasing process is typically a laborious procedure involving paperwork and verbal communication that begins with the need to purchase, and ends with a payment being made to the supplier. The steps in between are time-consuming for the people responsible for procurement activities. This involved process means those ordering goods wait a long time to receive them and suppliers wait to get paid. (See page 6 for process description flow chart.)

This process is still in effect today. The use of computers may have reduced the need for multipart forms, but with only minor exceptions, each party to the process is printing a hard copy at their local printer and still matching paper.

The traditional purchasing process often breaks down at the “three-way match” step—purchase order (P.O.)/receiving document/invoice. P.O. numbers are incorrect, or P.O.s have not been written for a specific delivery. Receiving documents and/or invoices are misplaced, or a myriad of other situations occur that result in a mismatch. Mismatches are resolved with manual intervention by buyers, accounting staff, original requesters, and receiving staff. The end result is that an artificial “match” is created (for example, duplicate receiving documents, duplicate invoices, after-the-fact P.O.s) in order to make the process work. This forced “match” defeats the entire objective of the three-way match step.

The following chart illustrates the traditional purchase process flow:

Step 1: An employee decides to purchase a good or service.

Step 2: An employee creates a requisition.

Step 3: The appropriate individual must approve the requisition.

Step 4: The approved requisition is forwarded to the purchasing department where a buyer orders the goods and services. The purchasing department issues an official P.O. to the supplier, possibly via a financial system.

- Two copies of the P.O. are held in the purchasing department for filing—both numerically by P.O. number and alphabetically by supplier name.
- One copy of the P.O. is sent to the accounts payable department.
- One copy is sent to the receiving department.
- The original is sent to the supplier.
- An additional copy is sent to the requester along with a copy of the requisition to confirm that the order was placed.

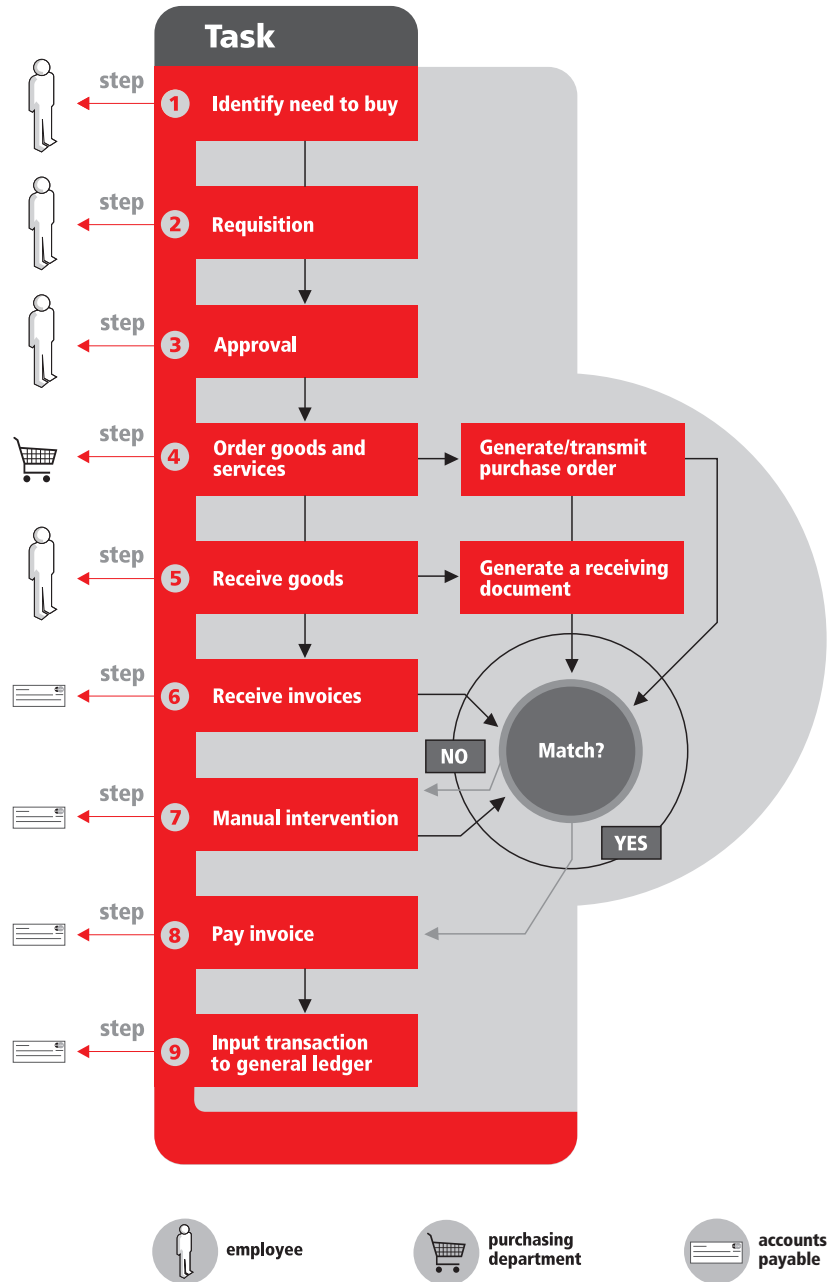
Step 5: The receiving department receives the goods, matches their P.O. copy with the packing slip, and files the matched papers. The receiving department issues a two-part receiving document (receiver), matching one copy with the P.O. and supplier packing slip and then sends a second copy to accounts payable.

Step 6: The accounts payable department receives an invoice from the supplier.

Step 7: The accounts payable department matches the P.O., invoice, and receiver before a payment check to the supplier is issued. (This step is known as the “three-way match.”) If a match does not occur, then manual intervention from either the employee, the purchasing department, or the receiving department takes place.

Step 8: The accounts payable department makes the payment to the supplier when a match is completed.

Step 9: The accounts payable department adds the transaction to the general ledger.



In contrast to the traditional purchasing process that often involves several individuals and many pieces of paper, a purchase made with the MasterCard Corporate Multi Card uses external resources as described below:

The Multi Card™ purchasing process is as follows:

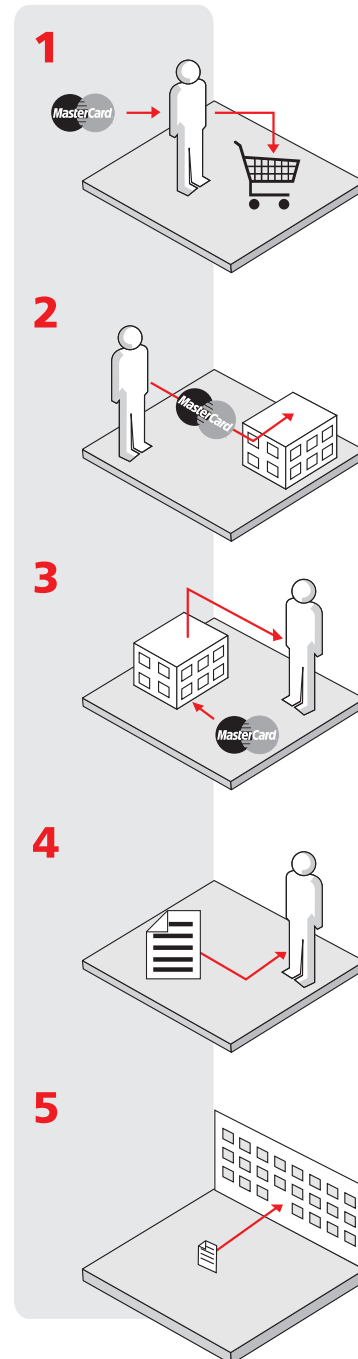
Step 1: The employee is given a MasterCard Corporate Multi Card with pre-assigned authorization limits determined by the company. The authorization limits are in line with the employee's job responsibilities and authority. This allows the employee to purchase goods/services at the time they are needed, rather than relying on the purchasing department to order the goods/services.

Step 2: The employee can make purchases directly with suppliers/service providers within pre-assigned authorization limits.

Step 3: The supplier/service provider delivers goods/services and receives payment through the MasterCard network within a few days instead of relying on the buyer's accounts payable department.

Step 4: The employee receives a card activity statement, which they review for accuracy. The accounting/finance area receives and pays one consolidated invoice for all cards rather than paying multiple supplier invoices.

Step 5: An electronic data management system, such as MasterCard Smart Data™ OnLine, feeds the transaction data into the financial system to record the expense on the general ledger.



The result is a streamlined purchasing and accounting process.

C. MasterCard Corporate Multi Card Program Functionality and Features

The MasterCard Corporate Multi Card streamlines the purchasing process by leveraging the broad acceptance of credit cards today. The enhanced functionality of the MasterCard Corporate Multi Card provides additional data and authorization controls to enable companies to manage their suppliers more effectively.

FEATURE	BENEFIT
SINGLE CARD SOLUTION	
<ul style="list-style-type: none"> ◆ Combines all the features of separate travel, purchasing, and fleet cards into one card. <ul style="list-style-type: none"> • A comprehensive package of benefits to streamline and control company travel spending • Customizable POS controls and electronic access to data to reengineer the purchasing process • Acceptance at fuel and maintenance locations throughout the United States ◆ Delivers highly accurate data from a single card program. 	<ul style="list-style-type: none"> ◆ Employees find it easier to track and account for expenditures by carrying just one card. ◆ Purchasing managers can develop a complete spending picture to negotiate and secure more favorable vendor pricing in some cases.
UNSURPASSED SUPPLIER/MERCHANT ACCEPTANCE	
<ul style="list-style-type: none"> ◆ Over 32 million merchants worldwide accept a MasterCard card for payment. ◆ Over 2 million merchant locations can capture and transmit Level II or Level III data (see Incremental Data Capture on next page). ◆ MasterCard is accepted in 210 countries. 	<ul style="list-style-type: none"> ◆ Provides a large network of suppliers available to meet business needs as well as enhanced relationships with existing suppliers. ◆ Provides an easy-to-implement program.
ENHANCED AUTHORIZATION CONTROLS	
<ul style="list-style-type: none"> ◆ Criteria set by company. ◆ Limits can be set at employee level: <ul style="list-style-type: none"> • Dollar limit per transaction and/or per month • Transaction frequency limits • Limits by supplier type ◆ Authorization/decline is done at point of sale based on company-defined limits. 	<ul style="list-style-type: none"> ◆ Provides flexibility to assign purchasing power—managers can empower employees while maintaining control. ◆ Provides efficient way to control spending activity. ◆ Reduces time and costs for authorizing purchases.

FEATURE

BENEFIT

INCREMENTAL DATA CAPTURE

- ▶ Captured at point of sale.
- ▶ Transmitted via MasterCard network to a reporting system, such as Smart Data™ OnLine.
- ▶ Key data elements:
 - **Level 1**
 - Name of merchant
 - Address of merchant (city and state)
 - Amount of transaction in U.S. dollars
 - Date transaction was authorized
 - Date transaction was posted to issuer's system
 - Exchange rate, if applicable
 - **Purchasing Level II**
 - Level I data
 - Sales tax amount
 - Customer Code
 - Uniquely identifies each transaction
 - Provided by employee to supplier/merchant at point of sale
 - Up to 17 alphanumeric characters
 - Merchant tax ID
 - Business status (incorporation, minority/women owned)
 - Sales outlet zip code
 - **Purchasing Level III**
 - Level II data
 - Line item detail:
 - Item description(s)
 - Item quantity(ies)
 - Cost per unit
 - Total transaction amount
 - **Travel Enhanced Data**
 - Level I data
 - Airline ticket details or
 - Hotel folio information or
 - Car rental details
 - **Fleet Level II**
 - Fuel purchase detail
 - POS prompt information
 - **Fleet Level III**
 - Line item detail on non-fuel purchases

- ▶ Streamlines administrative procedures.
- ▶ Facilitates allocation to separate cost centers, project numbers, etc., from one card statement.
- ▶ Provides efficient monitoring of purchasing activity.
- ▶ Reduces time and costs for monitoring purchasing activity.

ELECTRONIC DATA FEED AND REPORTING

- ▶ Data available from MasterCard within 48 hours of card transaction activity by cardholder.
- ▶ Data delivered via the web using Smart Data OnLine:
 - User-defined report contents
 - User-defined reporting frequency (daily, weekly, monthly, quarterly)
 - Transmits all data captured at POS including travel-enhanced data and purchasing and fleet Level III

- ▶ Provides flexibility in receiving reports:
 - Detail
 - Frequency
 - Location
 - Management level
- ▶ Reduces/replaces paper storage.
- ▶ Increases employee productivity.
- ▶ Increases timeliness of management and financial reporting.
- ▶ Streamlines administration procedures.
- ▶ Provides efficient reconciliation of card activity.

MasterCoverage® Liability Protection Insurance

Experience indicates that employee misuse of company credit card privileges is rare. However, to protect against these losses if they occur, MasterCard sponsors the MasterCoverage Liability Protection Program.

The MasterCoverage Liability Protection Program is provided at no cost to financial institutions and companies covered by the program for cards issued in the United States.* It provides core insurance benefits that protect mid-sized companies (with two or more cards) against employee misuse of the card. Coverage amounts are:

- up to US\$25,000 per cardholder for companies that have two to four cards;
- up to US\$50,000 per cardholder for companies that have five or more cards; and
- up to US\$75,000 per cardholder for companies that have five or more MasterCard Corporate Multi Card cards.

* The MasterCoverage Liability Protection Program is provided subject to the terms and conditions set forth in the master policy issued by the third-party insurer. For cards issued outside of the United States, members may be charged an applicable fee. Program benefits subject to the terms and conditions of the policies and may vary country to country.

SECTION
2.0

implementation



A. Overview

It is vital to spend adequate time on program construction before issuing cards to your employees.

You will want to ensure your company has a complete process in place to handle travel, purchasing, and possibly fleet transactions through a single card program. In addition, you need to position your program to explain the benefits of using a card for these business expenses, especially purchasing, to employees.

Employee enrollment and usage of your Multi Card™ program is essential to a successful program.

Multi Card implementation has two phases:

Phase I: Program Construction

Phase II: Program Rollout

B. Phase I: Program Construction

Phase I is where the implementation process begins. This phase encompasses the following activities:

1. Quantify potential savings
2. Assign a program manager
3. Define program parameters
4. Establish policies and procedures
5. Create communications and cardholder materials

1. Quantify potential savings

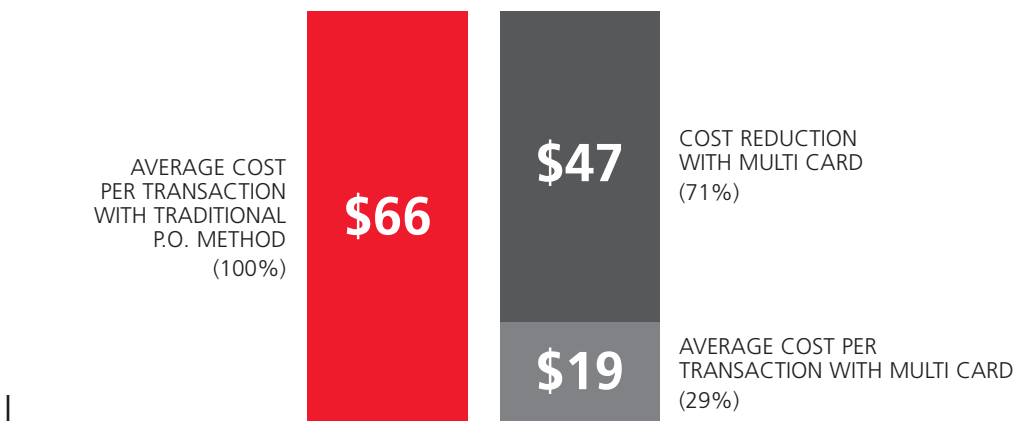
In order to set realistic goals for your MasterCard Corporate Multi Card program and measure its success as you move forward, it is helpful to understand the level of savings possible from changing how you pay for goods and services. The simple Savings Calculator provided on page 14 can give your company an indication of the cost savings you can achieve.

Based on research conducted by the Aberdeen Group in 2003, a card-based expense management automation solution can reduce the average cost to process a paper expense report from the beginning of a business trip through final submission by 63%, or from \$48 to \$18. And, according to RPMG Research Corporation, the savings opportunity on P.O.-based procurement is \$47 (see illustration below). Of course, actual savings are different for each company.



Goals, savings targets, and metrics are useful for tracking program success. The Savings Calculator can help you create a baseline goal for number of converted transactions.

COST REDUCTION PER PROCUREMENT BY MULTI CARD USE



By identifying the annual number of expense reports, check requisitions and P.O.s of various sizes specified in the table below, you can establish a benchmark savings opportunity for your company. (An online version of this tool can be found at www.mastercardbusiness.com/middlemarket) Realistically, some suppliers will never accept cards because their volume of business is too low, and your company volumes will indicate an appropriate value threshold for mandating that the card be used, but the 80/20 rule can generally be applied to this aspect of your business; 80% of the transactions likely represent less than 20% of your total dollars spent on an annual basis, aside from payroll.

SAVINGS CALCULATOR

ITEM	CUMULATIVE PERCENTAGE	QUANTITY	CARD SAVINGS FACTOR	SAVINGS
Annual number of expense reports processed	100%		\$30.00	\$
Annual number of check requests processed	100%		\$32.00	\$
Annual number of P.O.s less than \$500			\$47.00	\$
Annual number of P.O.s between \$500 and \$1000			\$47.00	\$
Annual number of P.O.s between \$1000 and \$1500			\$47.00	\$
Annual number of P.O.s between \$1500 and \$2000			\$47.00	\$
Annual number of P.O.s between \$2000 and \$2500			\$47.00	\$
Annual number of P.O.s between \$2500 and \$5000			\$47.00	\$
Annual number of P.O.s over \$5000	100%		\$47.00	\$
TOTAL				\$

Once you've chosen a practical threshold for card usage for your company, you can establish volume goals in terms of the number of expense reports, check requests, and P.O.s you expect to eliminate in the first few months of the program, and then each year thereafter. These progress goals will be important reality checks on the impact your program is having across the company. They are also useful for reporting your success to management.

2. Assign a program manager

Launching a successful MasterCard Corporate Multi Card program requires commitment from the very top of your company. It also means getting input from various disciplines to coordinate your policies and procedures up front.

A critical step for your company is to designate one individual to take on primary responsibility for managing your MasterCard Corporate Multi Card program. During the program construction phase, the program manager will need to dedicate time to the initial setup to make sure you get the maximum benefit as soon as possible. The types of tasks this individual will be involved with include:

- managing the program;
- consulting other members of the company or subject matter experts as appropriate (for example, accounting, IT, tax, purchasing, human resources);
- acting as the company liaison to the card issuer on all program-related issues, including setting up cardholder accounts;
- getting acquainted with and using your issuer's electronic reporting tool;
- coordinating program rollout and conducting cardholder training;
- serving as the primary point of contact for cardholder questions; and
- providing direction in the supplier enrollment process.

Ongoing, the program manager will need to:

- perform account maintenance tasks such as new account setup, purging closed accounts, and modifying limit profiles;
- resolve billing disputes if the cardholder is unable to do so;
- monitor the effectiveness of the program via reporting tools and report progress to management;
- train and distribute cards to new employees; and
- help plan continual rollout, maintenance, and enhancement of the program.

Although your company may not have the need or the resources to dedicate someone full time to the program manager's role, it is important to commit sufficient time, especially during program launch, to establish a smooth process.

Implementation TIP

Leverage senior management's endorsement, select a responsible program manager, and consult with functional area experts for input on policies and procedures.

3. Define program parameters

Defining the program parameters is the heart of the program design. Here is where you will decide the structure of your program—what purchases will qualify, which employees will receive cards, what other internal controls you should use, how payments will be settled with your bank, and how to reconcile your transactions with your general ledger.

a. Identifying card uses

The primary applications stand on their own merit—business travel and entertainment, low-value procurement, fuel, and routine vehicle maintenance—but some finer distinctions are necessary. Will cash access be allowed for travel incidentals? How should you define “low-value” for purchasing goods and services? Which vehicle maintenance expenses are appropriate?

To answer these questions, consider the features of your new Multi Card™ compared with your current policies and procedures:

- With the broad acceptance of the MasterCard Corporate Multi Card, the need for cash may be quite small. Using personal funds should not be a hardship on employees; however, if you want to provide cash to travelers, restrictions can be placed on amount per transaction, total amount available, and, possibly, number of withdrawals. Cash access may also be appropriate for an office manager to eliminate the need for petty cash accounts.
- Low value can be defined based on obvious volume breaks displayed in the Savings Calculator (see page 14). Other approaches for defining purchasing expenses might be all purchases from non-strategic suppliers, or all non-P.O. transactions. You can also take a supplier approach and specify which vendors or commodities are appropriate for card payments.
- Fleet expenses like fuel and vehicle maintenance can be treated just like any other low-value purchase transaction, or you can be more specific for a defined audience like your fleet drivers. If you are using a gas company card today, the Multi Card will give you much more flexibility in terms of where the card can be used and what it can pay for.

The primary objective is to make the rules simple so that it will be obvious when the card should be used over other payment methods.



Consider mandating that all travel expenses plus purchases below a defined dollar threshold be paid for using the Multi Card.

b. Assigning purchasing authority

As the process flow illustrates (see page 7), the process change that must accompany the MasterCard Corporate Multi Card implementation empowers buyers to actually pay for the goods and services that they use (as they have typically done for travel), relieving the purchasing area and accounts payable from having to perform these tasks. Empowerment of employees can always feel risky for a company. Setting up program parameters defines purchasing authority based on limits and merchant category codes (MCC) and will help to control this risk. The desire to control perceived risk must be tempered by the need to provide employee purchasing flexibility. If employees find the program too restrictive, it will fail. Understanding what types of requisitions and other types of purchases each cardholder typically makes to perform his/her job should provide guidance in setting up appropriate limits. This will require a culture shift from front-end managerial controls to automatic back-end authorization features.

Purchasing authority can be assigned to individual cardholders, according to the combination of criteria your issuer offers: dollars per month, dollars per transaction, number of transactions, even by supplier type. This means that each individual can have their own purchasing parameters based on their job responsibilities (for example, travel and purchasing, broad purchasing only, restrictive purchasing only). This ability to select your authorization criteria gives you much more control over purchasing expenditures.

When setting spending limits, it's important to strike a balance between adequate controls and the flexibility employees need. You'll want to periodically review the spending limits you've established to see how well they're meeting your company's needs. The program manager can contact the card issuer to request adjustments to a cardholder's purchase authorization profile. Your card issuer may offer an automated setup and maintenance solution that makes this task even easier.

The following details the specifics of each authorization control:

- **Credit limits**—There will be an overall company credit limit established by the card issuer.
- **Cardholder monthly spending limit**—At the cardholder level, you can set monthly spending limits appropriate to the employee's job requirements. Again, your existing system will give you guidance on setting limits under the new system. You're likely to want to give someone who currently has \$5,000 per month in spending authority for procurement or travel the same limit on their MasterCard Corporate Multi Card.
- **Transaction limits**—In addition to the dollar limits per month, you can place limits on individual purchasing power, typically with non-travel suppliers, based on criteria such as dollars per transaction or number of transactions.

Implementation TIP

Broad distribution of cards (at least 25% of employee base) is a strong indicator of program success.

In determining your dollar limits per transaction for non-travel expenditures, consider:

- the statistical data used in the Savings Calculator (see page 14); and
- the asset capitalization threshold value of your company—many programs do not initially allow assets to be procured via the card and, therefore, set limits below this rate.

Using these criteria, you can customize spending authority for your employees.

- A sales representative may be authorized to make purchases of up to \$5,000 for travel expenses per month, but can spend no more than \$500 per transaction for non-travel expenses.
- A buyer in the purchasing department may be authorized to make non-travel purchases up to \$10,000 per month with a \$2,500 single purchase limit.
- An administrative assistant may be authorized to make five transactions per day, not to exceed \$100 per non-travel transaction.

If a cardholder tries to make a purchase that violates any of the limits placed on the card—company dollar limit per month, cardholder limit per month, dollar limit per transaction or type of supplier—the transaction will not be processed.

MAXIMIZING CONTROL OVER CARD PURCHASES

Transactions	Authorization Parameters		
MasterCard Corporate Multi Card transactions <ul style="list-style-type: none"> • Cardholder number • Purchase amount • Merchant category 	<ul style="list-style-type: none"> ✓ Dollar limit per transaction ✓ Available spending limit ✓ Number of daily transactions ✓ Supplier category ✓ Program credit limit 	All parameters are met? YES	POS transaction decision APPROVED
	<ul style="list-style-type: none"> ✓ Dollar limit per transaction ✓ Available spending limit ✓ Number of daily transactions ✗ Supplier category ✓ Program credit limit 	All parameters are met? NO	POS transaction decision DECLINED

The chart above demonstrates two scenarios, one in which all authorization parameters are met, and one in which an authorization parameter is violated. In the latter case, the supplier category used to make the purchase did not match the parameters set up for the cardholder. As a result, the transaction was declined at the point of sale.

Your card issuer will advise you on the available combinations of limit and supplier type restrictions offered and help you choose the most appropriate limit profiles for your individual employees.

c. Choosing cardholders for initial rollout

You may want to test your program parameters on an initial rollout to determine if the program parameters should be modified before the cards are distributed throughout the company.

Selecting a few cardholders will help you see how the MasterCard Corporate Multi Card program can work in a variety of situations. You can use any criteria you like, for example:

- employees who travel regularly;
- employees who generate a large portion of the low-dollar invoices (those who request purchases rather than today's authorized buyers);
- users who charge all of their purchases to one cost center or account number;
- select functional areas (for example, facilities management or maintenance); and
- a selected geographical location (for example, a plant or a headquarters office).

d. Electronic data management

If your card issuer provides you with a reporting tool that allows you to manage and control your purchasing information, such as MasterCard Smart Data™ OnLine, you should use this tool to achieve the following:

- Receive transactional data electronically from your issuer, including purchasing, travel, and fleet activity.
- Give cardholders and/or delegates electronic access to transactional data.
- Provide an electronic upload of validated and confirmed transactional data directly to your financial system.

Smart Data OnLine | Hierarchy | Financial | Reports | Company | User | LOG OUT

ROBERT SMITH
1234 PARK AVENUE
NEW YORK, NY 54321
XXXX-XXXX-1234-5678

Billing Cycle: JANUARY STATEMENT
Review Status: CARDHOLDER REVIEWED

Posting Date	Transaction Date	Description	Posted Currency Amount	Original Currency Amount	Additional Information
01/15/2003	01/14/2003	CAMBRIDGE HOTEL LONDON EC4M 4SH	525.24 USD	337.06 GBP	Expense Description: Quarterly Updates Meetings
01/12/2003	01/11/2003	OCEANIC AIRWAYS NEW YORK, NY 10121	3,024.06 USD		Expense Description: Quarterly Updates Meetings
01/11/2003	01/10/2003	BRIDGE RESTAURANT LONDON W1B 1JA	99.52 USD	75.12 GBP	Expense Description: Dinner - CEO & CFO Client

Company	Originating City	Destination City	Service Class	Travel Date	Flight Number	Departure Time
OA	NEW YORK (JFK)	LONDON (LHR)	BUSINESS	01/05/2003	0A344	19:36
OA	LONDON (LHR)	CHICAGO (OHR)	BUSINESS	01/15/2003	0A335	02:54
OA	CHICAGO (OHR)	NEW YORK (JFK)	ECONOMY	01/15/2003	0A1215	09:18

e. Internal controls and exception reporting

Many companies are moving from controlling at the point of purchase to developing audit procedures to ensure policy compliance. This has the benefit of empowering employees without losing the ability to monitor compliance.

Your management reporting tools can be configured to identify card usage outside of set parameters and can be viewed by the program manager and line management.

f. Settling payments with your issuer

First, your issuer will define a billing cycle period and payment terms for your program. You should then establish a simple reconciliation process, whereby data downloads via the issuer or the MasterCard network are reconciled to the direct debit sweep by your issuer.

g. Reconciling with the general ledger

Traditionally, cardholders use their paper statement to perform data validation and cost allocation for activity billed to and paid for by the company. The traditional paper statement process contains the following steps:

1. Cardholder validation of card transaction detail on Issuer Cardholder Statement to retained transaction receipts.
2. Reconciliation of purchasing transactions to manually prepared cardholder transaction log.
3. Population of transaction log with appropriate cost/charge code and other required line-item detail, then submission to cost/budget center manager for endorsement.
4. Cost/budget center manager endorsement, then forwarding to accounts payable for journal entry posting to accounts payable system/general ledger.

Similarly, a paper expense report might be used by travelers to provide the necessary information about each business trip to meet IRS requirements and request reimbursement from the company to make payment on an individually billed account. The paper statement would be reviewed separately to validate card transactions against paper receipts.

The above processes require extensive paper shuffling, excessive data input activity, and two payment steps for travel expenses. With recent improvements in reporting and management tools, you can more efficiently perform these tasks for your company.



Implementation TIP

Use the Multi Card™ with an electronic data management tool to reconcile with the general ledger and avoid manual data entry.

Using an electronic data management tool with your MasterCard Corporate Multi Card program for transaction data validation and cost/charge code allocation is a best practice. The process steps would be:

- Electronic transaction data distribution to the cardholder (or delegate where cardholder has no system access).
- Cardholder validates transaction details from retained receipts/invoices.
- Cardholder can allocate appropriate expense/account code to the transaction (or amend the default expense/account code where linked to an MCC). Specified ranges of your company's expense/account codes are loaded into the system for menu access by cardholder or delegate.
- Additional project code, asset purchase details, line item description, taxation information (for example, sales tax paid, business purpose of trip, individuals entertained) can be appended to the transaction in fields allocated where required.
- Cardholder/delegate can split the transaction either by amount or percentage across expense/account codes and/or across cost/budget centers as necessary.
- Cardholder/delegate can screen print confirmed transactions, attach supporting documentation, and retain for audit and/or management scrutiny.
- Cardholder/delegate completes validation and cost allocation process and forwards transactions electronically to the cost/budget center for endorsement. Upon endorsement, the manager forwards transaction data electronically to your MasterCard Corporate Multi Card program manager.
- Program manager, as and when required, uploads all program-endorsed cardholder transaction data to the accounts payable system/general ledger as designed.

The use of such a reporting and management tool provides the following benefits:

- Significant flexibility in data validation and cost allocation process design.
- Substantial reduction in data entry activity, while enabling expanded data population options.
- Detailed data audit trail of cardholder/delegate validation and cost allocation activity.
- Greatly enhanced management and exception reporting whenever required.

All information on your program parameters should be included in your Cardholder Guide. An example of these guidelines is included in Appendix B(1).

4. Establish policies and procedures

Since the Multi Card™ implementation will be changing how purchases take place in your company, the program manager must ensure policies are developed for distribution and maintenance of the cards, card usage criteria, roles of different constituents in the reconciliation of purchases, and dispute of purchases.

- You must determine how you want the cardholder to handle:
 - the receipt of materials and services purchased with the card;
 - maintenance and reconciliation of records and receipts; and
 - the resolution of errors, disputes, and credits.
- How are you going to distribute cards to your employee cardholders? You should establish a secure, central place to store the cards you receive from your card issuer and require employees to sign for them when picking them up.
- You should immediately cancel a departing employee's Multi Card (in accordance with your card issuer's policy) and notify the employee of the card cancellation in writing. This should be part of your standard operating procedure for any cardholder who is leaving the company, whether voluntarily or not. The cancellation notice sent to the employee must instruct the individual to immediately discontinue all use of his or her Multi Card and to return the card to the company.
- If there is a dispute over a transaction, the cardholder is empowered to resolve the dispute. The cardholder should first try to resolve it with the supplier. If this is unsuccessful, the cardholder should contact the program manager.
- Since the card is issued in the employee's name and is to be used for business expenditures only, it should not be used by anyone other than the cardholder.
- The card should only be used to make purchases within the parameters established by the company, such as dollar limits or supplier category. (You should include instructions on what to do if a transaction is denied at the point of sale.)
- Although the cardholder is not responsible for making payments, the cardholder should be responsible for verifying and reconciling all account activity. The cardholder should surrender and cease use of his/her card on termination of employment, whether for retirement, for dismissal, or in the event of transfer or relocation. The cardholder may also be asked to surrender the card at any time deemed necessary by the company management.

These guidelines and responsibilities should be referenced in a cardholder agreement, which must be signed by the individual cardholder when he or she receives the card. A sample cardholder agreement is included in Appendix B(3). A more comprehensive Cardholder Guide will be discussed in the next section, since the guide will be the primary means of training the cardholders on their roles and responsibilities.



It is important for your employee cardholders to understand the benefits and responsibilities of using a MasterCard Corporate Multi Card. Consider asking each cardholder to sign a formal cardholder agreement detailing these responsibilities.

Other internal audiences:

The impact of implementing this program stretches beyond the cardholders. Many other areas—purchasing, receiving, accounts payable, MIS, and internal audit, for example—will need to understand how the program will work and what their new roles and responsibilities will be. Examples of policies and procedures to consider include:

- What markings will the receiving department be looking out for on supplier deliveries made for Multi Card shipments?
- What human resources policies will be employed if an employee misuses the Multi Card?
- What degree of reconciliation, and by whom, is required to meet internal auditing requirements?

Sections of the guide should also be developed for each of these constituencies to ensure that roles and responsibilities are easy to understand and follow.

5. Create communications and cardholder materials

Training should be comprehensive, explaining the reasons for the company embarking on the effort as well as focusing on specific operational tasks of each participant.

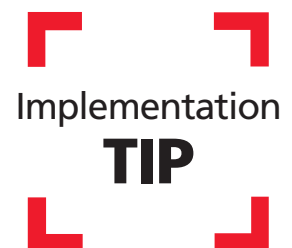
a. Prepare internal communications**Cardholders**

The new process begins with cardholders. Now they'll communicate directly with suppliers to order goods and services to be delivered to the company, which will save time and boost productivity. But they need to be educated to communicate directly with suppliers. Here's how:

- Kickoff meeting where questions can be answered.
- Newsletters by internal e-mail or paper for implementation and on an ongoing basis.
- Internal web page reference information.
- Program manager hotline for cardholder issues and questions.

Participating employees may find it useful to have a Multi Card Cardholder Guide for reference. This guide should be given to each cardholder with their card. The contents of this will depend on the particulars of your program, but should cover the following subjects (A sample cardholder guide is provided in Appendix B(1) of this guide):

- **Management endorsement**—The guide should begin with a letter acknowledging management's commitment to making the program a success.
- **Program overview**—To encourage employee participation and support of the program, employees should be given a basic description of how the program is going to work.



The one common thread shared by all successful programs is a strong commitment to cardholder training.

- **Card control**—This section should include a copy of the cardholder application and agreement, information on card renewal and cancellation, what to do if the card is lost or stolen, and tips on keeping the Multi Card™ secure.
- **Cardholder responsibility**—This section should include the results of the policy decisions made in Section 2.0B(4) “Establish policies and procedures.”
- **List of contacts**—Include a list of important contacts for the program (for example, how to contact the program manager or the card issuer’s customer service area).

Receiving

The receiving area also will have procedural changes. Typical examples of the impact of a Multi Card program are changes in supplier markings that receiving should look for on delivered packages and how receiving should respond to such markings. In addition, there may be different procedures for delivery of items received from Multi Card orders as opposed to the traditional process.

Accounts payable

Accounts payable may still be receiving invoices from suppliers that ship both Multi Card orders and traditional “P.O./invoice” orders. There will also be situations where invoices are inadvertently sent for goods already billed to cardholder Multi Card accounts. Accounts payable personnel need to be able to recognize these events and take the proper action.

Purchasing

The role of the purchasing function changes significantly. For items purchased via the Multi Card, its focus will be on supplier-base management, contract negotiations, and contract compliance. Purchasing will need to learn how to use the new reports they have available to them to potentially negotiate with the supplier base.

Travel management

If your company uses a consistent travel agency or other preferred travel providers, the manager responsible for travel may also have access to new reports that will help them negotiate with these specialized vendors. If a ghost account is still used to purchase airline tickets, the electronic data management system can be used to create a data reconciliation file for the travel agency. Alternatively, ghost accounts can be reserved for incidental travel and non-employees by charging airline travel directly to individual cardholder accounts; cardholders can reconcile these transactions along with the rest of the travel and purchasing activity.

b. Conduct external communication

Suppliers need to be trained in how they will be expected to deliver goods and services to the company. Key changes from the previous routine may include:

- special markings on the outside of packaging, indicating that this delivery is for a Multi Card transaction;
- suppression of the issuance of an invoice;
- inclusion of the Multi Card receipt with the packing list and goods;
- how to identify and properly charge cardholders when consolidating multiple orders from multiple cardholders; and
- what action to take if a card authorization is declined.

Maintaining frequent communication with your primary suppliers on the progress of your Multi Card implementation can ensure that their staff is educated about your program to procure business goods and services.

C. Phase II: Program Rollout

In Phase I, you lay the groundwork for the issuance of cards to cardholders. In Phase II, you are ready to distribute cards, have your employees make actual purchase transactions, and monitor all of the systems, processes, and procedures. You should be prepared to make minor adjustments as events transpire that were not adequately addressed in Phase I.

1. Managing and measuring your program

While each company's program management will be different, there are several tips that every company should consider:

Communication with card issuer

It is a good idea to establish formal ongoing communication—such as a monthly or quarterly conference call—with the card issuer to review the program. This allows you to get answers to any questions that have arisen, solve problems, and make any adjustments to the program.

Performance measures

Performance measures will help evaluate the success of the program. The program manager should decide before rollout what will be measured. Measurement of success could include:

- employee feedback;
- number of cards;
- number of transactions;
- dollars transacted;
- savings generated;
- percentage of P.O.s eliminated;
- percentage of invoices eliminated; and
- internal and external customer satisfaction.

Evaluation

Throughout the implementation period, the program manager should conduct an evaluation review of your MasterCard Corporate Multi Card program, with consideration of the following activities:

- Assessing the performance of your Multi Card™ program against established performance measurement criteria.
- Conducting cardholder/line management/business unit feedback forums on an open and informal basis.
- Communicating with selected suppliers on transaction activity and cardholder understanding.

The findings and recommendations from the program manager's review should be presented to the program sponsor/management team. With this presentation should be any recommendations for corrective action.

Corrective action

If you are not meeting your launch targets, we recommend the following ways to keep your Multi Card program energized:

- Survey your suppliers for card capabilities. Based on the results, prepare a list of suppliers accepting your company's Multi Card. Give the report to cardholders and instruct them that they should use preferred suppliers for their card purchases. Provide cardholders with regular updates of the supplier list.
- Work with your issuer to persuade the remaining suppliers to become card capable.
- Review the MCC blocks and try to use only those that are essential (such as travel suppliers and cash for non-travelers).
- Contact the cost center managers generating most of the small-dollar P.O.s and invoices. Ask them to provide the names of employees who frequently initiate petty cash vouchers and low-value requisitions/check requests. Issue cards to these employees.
- Consider eliminating travel advance and petty cash processes.
- Convince the purchasing area to establish a policy of ceasing to process P.O.s for less than an agreed-to dollar level for items that are authorized for card purchases.
- Write articles for the company employee publication/website periodically with updated information about the card program.

2. Monitoring for policy compliance

One of the tasks of the program manager is to monitor the program for compliance with company policy. In concert with the company's internal audit group, the program manager should be able to review cardholder transaction activity for anomalies. If the company has opted for daily electronic reporting, "out-of-the-norm" activity can usually be identified within 48 hours of the transaction being made. Typical things to look for include multiple transactions by a cardholder on the same day with the same supplier. This may indicate that the cardholder is attempting to circumvent the single transaction dollar limit by splitting the transaction into two smaller ones. Other red flags may be supplier names that are not known to the purchasing department and many transactions for the same dollar amount at the same supplier. While these activities don't conclusively prove wrongdoing, they do warrant further inquiry.

Other aspects of policy compliance might include recording travel details, logging sales tax paid, retaining purchase receipts as proof of sales tax paid, including card activity in 1099 reporting for unincorporated businesses that provide services, directing business to disadvantaged suppliers such as minority and women-owned businesses, etc. Your issuer can provide guidance on meeting some of these more specialized reporting requirements.

3. Identifying program expansion opportunities

There are several ways you can optimize and grow your program. Here's a look at a few recommendations.

a. Identify barriers

The first step is to identify barriers. Companies should review all invoices for goods and services of less than \$1,000. The following table will give some typical reasons for not using the card and the corrective action to be taken:

REASON	CORRECTIVE ACTION
Supplier doesn't accept cards	<ul style="list-style-type: none">• Advise your card issuer and ask them to work with the supplier to accept cards.
Cards being used by central buying department	<ul style="list-style-type: none">• Give cards to the end users in your company.• Use front-end controls to limit purchases to those consistent with individual job functions.
Reconciliation of cardholder transactions takes too long	<ul style="list-style-type: none">• Ask for daily electronic reporting from your issuer.• Have cardholders review their transactions on a frequent basis (weekly, daily) throughout the month rather than at the end of the month.
Not enough activity	<ul style="list-style-type: none">• Raise the threshold for small dollar purchases.• Train personnel in the use of the cards.• Look for new applications such as postage, subscriptions, priority mail, freight, Internet purchases, training seminars, books, computer software, computer peripherals, uniforms, hand tools, office furniture, building maintenance services and supplies, and catering.• Update and communicate to cardholders the names of suppliers that accept cards for payment.
Does not tie in to accounting systems and monthly cutoffs	<ul style="list-style-type: none">• Work with your card issuer to integrate the card reporting system with in-house systems and monthly cycle cutoffs.

b. Determine new card use opportunities

Companies with successful card programs are continually looking for new types of spending to put on the Multi Card™. The following are examples of innovative practices of best-in-class procurement companies:

- Issue a card account to be used at one supplier (ghost or department account) for a particular type of purchase—for example, office supplies. All employees order through this one supplier.
- Assign a card account to a capital equipment item such as a copy machine or air conditioning unit. The card serves as an asset life-cycle tracking system of maintenance, repairs, and/or lease payments for the equipment.
- Purchase service and spare parts from capital equipment suppliers with a card.
- Use the card with blanket orders as a “release-and-pay” tool.
- Set up card accounts for individual projects to track project costs (research and development projects or trade shows).
- Use cards to reduce or eliminate centrally stored items, like office supplies. You can reduce carrying costs and satellite storage facilities.
- Ask your issuer about convenience checks associated with many card programs, to pay suppliers that traditionally don’t accept cards, such as utilities and office leasing companies.
- Establish a dollar minimum, equal to your single purchase limit, for purchase requisitions your purchasing department will accept.
- Charge requesting departments a processing fee for invoices or requisitions that could be on the card.
- Charge services—temporary help, janitorial services, training classes, coffee supplies, professional services (legal, accounting, consulting, etc.).
- Use individual or supplier cards in conjunction with an e-procurement system.

SECTION
3.0



appendices

APPENDIX A**Glossary****Acquirer**

A card processing company that maintains a relationship with suppliers/merchants and has an agreement to process the data relating to a card transaction. An acquirer is often referred to as a “merchant bank.”

Authorization

A procedure by which card issuers either approve or decline transaction requests from merchants at the time of sale. Authorization is based on the cardholder account status and available spending.

Data capture

The collection, formatting, and storage of information in computer memory. Most point-of-interaction devices perform data capture functions.

Decline

A response to an authorization request which means that the card issuer will not authorize a specific transaction.

Enhanced data capture

For travel merchants such as airlines, hotels, and car rental agencies, includes information from Level I plus travel-specific details such as ticket number, passenger name, trip legs, hotel folio information (for example, number of nights stayed, daily rate, room charges), and rental specifics (for example, pickup and drop-off dates, vehicle size, fuel purchased).

Issuer

The financial institution (or its agent) that holds contractual agreements with and issues cards to cardholders.

Level I data capture

A traditional MasterCard card purchase transaction. It includes the following information: total purchase amount, date, MCC, supplier/retailer name.

Level II data capture

Includes information from Level I plus: sales tax amount, customer’s accounting code, merchant tax identification number, applicable minority and women-owned business status, and sales outlet zip code.

Level III data capture

Includes all information from Levels I and II plus line-item details and other data, including: quantities, product codes, product descriptions, ship-to zip code, freight amount, duty amount, and order or ticket number.

Magnetic stripe

A stripe of magnetically encoded cardholder account information on the bank card.

Manual entry

When the card number, expiration date, and transaction information are entered into the terminal or computer instead of swiping the magnetic strip (also known as key entered).

Merchant

Any business that meets acquirer and MasterCard qualification standards and that accepts MasterCard cards as a payment for goods and services. (Suppliers that accept MasterCard cards may also be referred to as merchants.)

Merchant Category Code (MCC)

Merchant classification code that identifies the merchant's type of business (similar to a SIC).

Merchant type code

A four-position code used to identify unique business ownership characteristics (socioeconomic data helps corporate and government agency customers to accurately track their spending with small, minority, disadvantaged, and/or women-owned businesses). Suppliers self-certify their unique business characteristics using a numerical indicator from each of the four field positions.

Multi Card™

A single card with customized spending controls which can be used for various combinations of business travel, purchasing, and fleet expenses.

POI terminal (or POS terminal)

A terminal, at the point of interaction (or point of sale), which is connected via telecommunication lines to a central computer. Authorization, recording, and transmittal of transactions is performed through the POI terminal.

Purchasing card

Designed to help companies maintain control of purchases while reducing the administrative cost associated with authorizing, tracking, paying, and reconciling those purchases.

Recurring transaction

A transaction for which the cardholder has granted permission to the merchant to charge on a regular basis (for example, a blanket purchase order for a monthly supply of widgets).

Transaction

Any action between a cardholder and a merchant or member that results in activity on the account, such as a purchase or balance adjustment.

1. Sample cardholder guide

IMPORTANT

This sample is not recommended by MasterCard and does not purport to meet your legal or regulatory obligations. Obtain advice from counsel to determine what those obligations are.

Please refer to Appendix B(2) for an example.

Please refer to Appendix B(3) for an example.

Senior management endorsement

The guide should begin with a letter from the owner/senior executive stating management’s commitment to make the program a success.

Program objectives

The Multi Card™ is a single payment tool for business travel, business supplies, and other low-dollar value goods and services. The card is designed to eliminate the P.O. and invoice processing associated with procurement transactions and streamline travel expense reporting. It may be used for emergency orders, night hours, and weekends.

Cardholder application

As a cardholder, you will be asked to complete a Multi Card Application. The application form must be signed and approved by your manager and the Multi Card program manager.

Card issuance

Before receiving your Multi Card from the issuing bank, all cardholders must attend a training program. In the training session, you will learn about the Multi Card Program guidelines and your responsibility as a cardholder. You will be required to sign off on the Participating Employee Acknowledgment of Responsibilities form. Once you have completed all necessary forms and completed your training program, you will receive your card.

Cardholder security and activation

The Multi Card is intended for use by [your company name] employees who have business procurement authority. The Multi Card is issued for [your company name] and in the name of the authorized employee. The Multi Card may only be used by the employee identified on the card. The Multi Card is a credit card. Cardholders must take precautions to protect the card and store it in a secure place. Delegation of authority is not permitted. Cards and card numbers must be safeguarded against use by unauthorized individuals either within or outside the company. For security reasons, the Multi Cards are issued inactive. Affixed on the card will be a label with card activation procedures. Only the employee whose name appears on the card is authorized to activate it.

Employee transfers or termination

Upon transfer or termination, the employee must surrender the Multi Card to his/her supervisor (authorizing manager). The authorizing manager will then notify the program manager who, in turn, notifies [financial institution] and cancels the card.

Canceling and reassigning cards

To cancel the card, the card should be cut in half and forwarded to the program manager. The program manager will then forward the card to [financial institution].

Card renewal

To ensure uninterrupted service, a renewal card will be automatically mailed to the cardholder at the address on the account prior to the expiration date of his or her current card. Cardholders must destroy expired cards once new cards have been received.

Lost or stolen card

You are responsible for the security of your card and any purchases made on your account. In the event of a lost or stolen card, the cardholder must immediately contact the financial institution's toll-free number [1-800-XXX-XXXX]. The cardholder's account will immediately be closed and a replacement card will be delivered within 48 hours to the cardholder. Failure to promptly notify [financial institution] of a lost or stolen Multi Card may result in inappropriate charges on the card. The cardholder must also advise the program manager.

Revising cost account information

The specific cost account information can be changed by contacting the program manager.

Card usage

This card is not to be used for any personal expense items. Depending on program guidelines, the MasterCard Corporate Multi Card can be used at any merchant that accepts MasterCard cards for payment of purchases. If a supplier does not currently accept MasterCard, please refer the supplier to credit card acceptance sign-up at www.mastercardmerchant.com. You can use the MasterCard Corporate Multi Card to make in-store purchases as well as phone, fax, or mail orders. You can use the card to purchase:

- travel expenses if authorized;
- tools/hardware;
- maintenance/parts;
- meeting amenities;
- company vehicle repair;
- safety supplies;
- books;
- freight services;
- subscriptions; and
- office supplies while on the road.

If the cardholder is declined for authorization at the point of sale (POS), it is possible that the transaction or cycle spending limit has been exceeded, the number of transactions has been exceeded, or the MCC of the supplier, indicating type of business, has been restricted.

Transaction and spending limits

The Multi Card will be assigned a dollar limit per transaction for non-travel expenses. Any purchase attempted with a total sale price exceeding the limit will be declined.

by the [financial institution] authorization system. Each cardholder can also be limited by the number of transactions per day. This will allow a cardholder to execute no more than the specified number in any given day. If the cardholder attempts to make more than that number of purchases in one day, the cardholder may be declined. In addition, each cardholder account will have a total cycle spending limit. As purchases are made using the Multi Card, transactions are posted against the cycle spending limit as part of the authorization process. Once the sum of all purchases (net of credit adjustments) exceeds the monthly spending limit, any incremental purchases will be declined. The program manager will be responsible for setting and maintaining the transaction and spending limits.

Receipt of materials and services

The cardholder is responsible for ensuring receipt of materials and services and will follow up with the supplier to resolve any delivery problems, discrepancies, and damaged goods.

For telephone or catalog orders, make sure that complete shipping instructions are given along with your name and mail stop. Instruct the supplier to mark the outside of the package with the words "Multi or Purchasing Card" to expedite internal delivery.

If materials are ordered by phone, ask the supplier to include a sales receipt (detailing any sales taxes charged) with the goods shipped. Save the credit card receipt and shipping documentation.

Record keeping

It is a requirement of the program that cardholders keep all receipts for goods and services purchased. To facilitate the reconciliation process, the cardholder is expected to retain all credit card slips, cash register receipts, packing slips, etc. Per company policy, business travel expenses must be clearly marked as to the business purpose of the trip and any meal or entertainment expenses must indicate the individuals present.

As Multi Card records will be audited from time to time, it is essential to adhere to the record-keeping guidelines.

Reconciliation

Upon receipt of the activity statement, the cardholder will compare the sales receipts to the statement.

The cardholder is required to reconcile their statement for accuracy and verification of goods and services purchased.

The cardholder will need to refer to previous activity to reconcile purchases made close to the end of the spending cycle, or to reconcile credits that may have been posted on their statement. Cardholder reconciliation procedures include:

- match all transactions listed on the statement to the purchases;

- attach all sales receipts and other documentation to the monthly statement as support for each transaction, including business travel notations;
- identify and highlight all discrepancies on the statement and contact supplier directly;
- send approved statement and reconciliation to accounts payable within five days of receipt, with all receipts attached; and
- failure to submit an approved statement in a timely manner, within five days, will result in suspension or termination of card privileges.

Duplicate statement requests

To obtain a duplicate of a statement or a copy of the actual record of charge, the cardholder can call the [financial institution] customer service center.

Resolving errors, disputes, returns, and credits

While reconciling the activity statement, the cardholder may identify purchases that were billed but were not received or ordered. It is the responsibility of the cardholder to resolve any discrepancies between the activity statement and actual activity.

The cardholder is responsible to follow up with the supplier or [financial institution] on any erroneous charges, disputed items, or returns.

The cardholder will contact the supplier first to resolve any outstanding issues. Most exceptions can be resolved this way.

If the cardholder is unable to reach agreement with the supplier, the next step is to contact the [financial institution] customer service center.

[Financial institution] may ask the cardholder to complete a dispute form and fax or mail the completed form to [financial institution]. Please note on the form the date and name of the customer service representative that you spoke to.

[Financial institution] must be notified of any disputed item within 60 days of the statement date containing the disputed item.

If the cardholder is still unable to reach an acceptable solution, call the program manager.

Disputed billing can result from a failure to receive goods or services charged, fraud or misuse, altered charges, defective merchandise, incorrect amounts shipped, duplicate charges, credits not processed, etc.

List of contacts

[Include a list of important contacts for the program.]

For example—
how to contact
the program
manager or
the card issuer's
customer service
area.

3. Sample cardholder agreement

Participating Employee Acknowledgment of Responsibilities

By participating in the [your company name] Multi Card™ program as a cardholder, you assume responsibilities pertaining to the operation of the Multi Card program. Please see the Multi Card Program Guidelines for a complete list of responsibilities, which include but are not limited to the following:

- The MasterCard Corporate Multi Card is to be used for authorized business expenditures only. The Multi Card may only be used within the policies and procedures outlined for the Multi Card program.
- The Multi Card will be issued in the name of the employee. By accepting the card, the employee assumes responsibility for the card and will be accountable for all charges made with the card. The card is not transferable and may not be used by anyone other than the cardholder.
- The Multi Card must be maintained with the highest level of security. If the card is lost or stolen, or if the cardholder suspects the card or account number has been compromised, the cardholder agrees to immediately notify [financial institution] and the Multi Card program manager. Oral notification is to be followed up by written confirmation.
- On a monthly basis, the cardholder will receive a statement listing all activity associated with the card. This activity will include purchases and credits made during the reporting period. While the cardholder will not be responsible for making payments, the cardholder will be responsible for the verification and reconciliation of all account activity and providing required notation on all business travel expenses.
- Cardholder's accounts will be subject to periodic internal control reviews and audits. By accepting the card, the cardholder agrees to comply with these reviews and audits. The cardholder will be asked to produce the card to validate its existence and produce statements and receipts to verify appropriate use.
- Policies and procedures related to the Multi Card program may be updated or changed at any time. [Company name] will promptly notify all cardholders of these changes. The cardholder agrees to and will be responsible for the execution of any program changes.
- The cardholder agrees to surrender and cease use of their card upon termination of employment, whether for retirement, voluntary separation, resignation, or dismissal. In addition, the cardholder may be required to surrender and cease use of the card in the event of transfer or relocation. The cardholder may also be asked to and agrees to surrender the card at any time deemed necessary by management.
- No subsequent invoice should be received from the vendor related to any Multi Card purchases.
- Misuse, including, but not limited to, personal use or unauthorized use and/or fraudulent use of the card will result in disciplinary action, up to and including termination and/or civil or criminal penalties.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document. I certify that as a participating cardholder of the [company name] Multi Card program, I understand and assume the responsibilities listed above.

_____ EMPLOYEE SIGNATURE	_____ TITLE
_____ NAME (PRINT)	_____ DATE / /
_____ AUTHORIZING MANAGER	_____ TITLE
_____ NAME (PRINT)	_____ DATE / /

1. Sample supplier letter

[Date]

[Name]

[Title]

[Supplier's Company Name]

[Address]

[City/State/Zip]

Dear [Preferred Supplier]:

Did you know that your company could be paid in three days instead of 45?

By accepting the MasterCard Corporate Multi Card® for purchases that are traditionally invoiced, you will realize improved cash flow and reduced paperwork and eliminate payment delays.

Our company has launched a MasterCard Corporate Multi Card program. **In order to maintain your preferred vendor status, you must be able to process our MasterCard Corporate Multi Card orders.** By doing so, you will:

- receive payment in days instead of weeks;
- reengineer your accounts receivable;
- maintain preferred vendor status;
- simplify and speed the buying process;
- electronically authorize our purchases; and
- eliminate invoices for our purchases.

What do you have to do?

- If you currently accept MasterCard cards, please call your MasterCard card service provider and arrange for a software upgrade to "Level II." This will enable you to electronically transmit valuable accounting data—the sales tax amount and our customer code—with MasterCard Corporate Multi Card orders.
- If you do not accept MasterCard cards yet, please contact your financial institution to find out how you can.

Because we are so committed to our reengineering efforts, inability to accept our MasterCard Corporate Multi Card as of [date] may jeopardize your status as our vendor. Please call [contact name], our Multi Card™ program manager, at [phone number] if you require additional information. Thank you for your cooperation.

Sincerely,

[signature]

Name

Title

2. Sample fax order cover sheet

Fax Order

Date: _____

From: _____

Fax: _____

Phone: _____

To: _____

Fax: _____

Phone: _____

Re: MasterCard Corporate Multi Card® for Payment

ATTENTION:

Attached is an order. Please be advised that we plan to use the MasterCard Corporate Multi Card for payment with our next order.

Please route this cover sheet to your accounts receivable department.

Accounts receivable manager:

Do you already accept MasterCard cards for payment?

Yes

Are you able to transmit the sales tax amount and our customer code with our transactions? Yes No

If no, please call your credit card service provider to upgrade to "Level II" support.

No

To begin accepting our cards for payment, please contact your financial institution.

Please complete and fax this back to [fax number]. Thank you.

Frequently Asked Questions

The following are typical customer questions and answers:

How can we ensure that employees don't buy unauthorized items?

The front-end controls that your company places on each cardholder will restrict the buying ability of the cardholder, permitting only those purchases that are consistent with the cardholder's job function. By understanding the cardholder's buying requirements and profiling those requirements into the front-end controls, the opportunity to make unauthorized purchases is greatly reduced. In addition, the reporting details that are provided enable your company to monitor the activity with statistical spot audits. Experience indicates that employee misuse of company card privileges is rare. However, to protect against these losses if they occur, MasterCard International established the MasterCoverage® Liability Protection Program.

Where will our cost savings come from?

Cost savings vary from company to company. Typically cost savings are realized in the reduction of steps required to complete a purchase transaction—from the recognition of the need to buy to the reconciliation of the cancelled payment check with the bank statement. These are indirect savings produced from processing cost reduction. Also, as a result of the consolidation of purchasing activities, you may be able to conduct negotiations with preferred suppliers for lower rates, resulting in direct savings. The extent to which a company is willing to reengineer this purchasing/accounting process will determine the amount of savings that will be realized.

How will cardholders comply with IRS requirements for travel documentation?

Using your issuer's electronic data management tool, cardholders can add comments to individual transactions specifying such information as "business purpose of trip" or "list of individuals entertained" to ensure sufficient documentation is provided. Appropriate expense type codes can also be assigned to individual transactions to segregate employee meals from entertainment expenses for deductibility purposes.

How can we track travel expenditures separate from purchasing?

MCCs can be used to identify different types of providers and generally indicate the type of expense incurred. Reports and queries can be structured to segregate transactions by functional area or expense type to meet the needs of management.

Will our suppliers raise prices to cover the cost of card fees?

Many of your suppliers are already accepting MasterCard cards from other customers. The fees paid to the acquirer (institution servicing the supplier's MasterCard card transactions) are typically on a decreasing fee schedule as volumes increase. By converting non-card customers to card payments, these fees will decrease on existing card business. In addition, the supplier will realize a lower cost of business in dealing with the invoice/check payment customers. The supplier will be paid by the acquirer within a few days. The supplier's internal cost of invoice generation, check/invoice reconciliation, receivables posting, and check deposit fees will be reduced or eliminated. These internal cost savings should more than offset the acquirer fees. To ensure that your supplier accepts your MasterCard Corporate Multi Card, include the requirement in your request for proposal.

How will we be able to capture sales tax information?

For those suppliers that have been enabled to do so (Level II and Level III merchants), sales tax information will be collected directly at the supplier's point-of-sale terminal and then transmitted to MasterCard. MasterCard will, in turn, report the information to your company as part of the transaction detail. For those suppliers that are unable to collect and transmit this information, the MasterCard Smart Data™ OnLine reporting system will be able to compute the sales tax via sales tax tables which are cross-referenced to the ship-to zip code and the point-of-purchase zip code. The calculated sales tax transactions will be identified as "calculated," and the applied sales tax rate will also be transmitted. Your company's efforts with its supplier base to upgrade merchants to Level II will increase the incidence of direct capture and transmission of sales tax.

How can we control which suppliers our employees choose for their purchases?

The front-end authorization controls allow your company to limit the access to suppliers by supplier type (for example, hardware, office supply, etc.). In addition, most reporting programs/applications, such as MasterCard Smart Data OnLine, allow your company to enter a "preferred supplier" list and generate an exception report which lists transaction detail on all purchases made at "non-preferred" suppliers. Your company will then be able to take appropriate corrective action.

How do we ensure that the items on the card invoice were received before we make payment?

The MasterCard Corporate Multi Card program is able to report the transaction information independent of the invoice process. Most reporting programs/applications, such as MasterCard Smart Data Online, are able to report transaction activity at the cardholder detail level and up to six additional managerial levels, on a daily basis. Typically this information is available within 48 hours of the supplier charging the cardholder's card. With daily review of cardholder transactions, scrutiny can be given to the purchasing activity before payment is made.

How can we handle disputed items?

The first recourse is to have the cardholder resolve the dispute directly with the supplier. If that does not bring resolution, your company can contact the card issuer, (financial institution servicing your company's card transactions) and request a "charge back" to the supplier. The credit will be issued while the dispute is being resolved via the MasterCard network.

How can we deal with suppliers that don't and won't accept MasterCard cards for payment?

Your company may be currently dealing with these suppliers in a variety of ways:

- Issuing petty cash to those employees who, by the nature of their job function, need to deal with these types of suppliers.
- Establishing an invoice/check payment relationship.
- Reimbursing employees who used personal funds and then submitted an expense reimbursement form.

All of these approaches are expensive and time-consuming. Your company should encourage your suppliers to accept MasterCard cards for payment as a condition of doing business with your company. In addition, employees should be discouraged from dealing with suppliers that do not accept MasterCard cards. If all other approaches fail, many card issuers offer the ability to use “convenience checks” for those suppliers that don’t accept cards but are still valuable business partners to your company.

By asking the cardholder to reconcile his/her activity, aren’t you asking us to violate the checks and balances that are standard business practices (i.e., we can’t have the fox guarding the hen house)?

The front-end controls on the MasterCard Corporate Multi Card program allow your company to limit the buying ability of the cardholder to the type of purchases that are consistent with the cardholder’s job function. This greatly reduces the organization’s exposure to abuse. In addition, most reporting programs/applications, such as MasterCard Smart Data Online, are able to report up to six additional managerial levels above the cardholder to review Multi Card™ activity. Typically this information is available within 48 hours of the supplier charging the cardholder’s card. By using statistical audit techniques and adopting a “management by exception” approach, you reduce exposure to abuse to a very manageable business risk. This should be compared with the current methodology used to prevent abuse in terms of effectiveness and cost. Experience indicates that employee misuse of company card privileges is rare. However, to protect against these losses if they occur, MasterCard International established the MasterCoverage® Liability Protection Program.

We have spent a lot of energy reducing our supplier base. Aren’t you now proposing that the base be expanded?

Your company will still be able to maintain a portfolio of “preferred suppliers.” This portfolio should be communicated to all cardholders. The program provides for exception reports that will detail the policy violations. These reports will provide information allowing your company to take appropriate corrective action. However, legitimate business needs do arise where another supplier offers the best solution. In those cases, it is better to allow the employee to address the need without the encumbrance of strict policy enforcement. Most companies that have reduced their supplier base report examples, such as reducing the base from 5,000 to 1,000. In actuality, they have reduced their base from 5,000 to 500, but have added 500 new suppliers, many of which will be used only once. The MasterCard Corporate Multi Card program allows your company to take full advantage of the total supplier reduction effort by capturing information on one-time suppliers without having to load those supplier profiles into your company’s supplier database.



**A powerful program
awaits you.**



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