

Maximizing Pcards for Procurement & Accounts Payable

GFOASC Conference

Presented by Larry Andress
October 9, 2018

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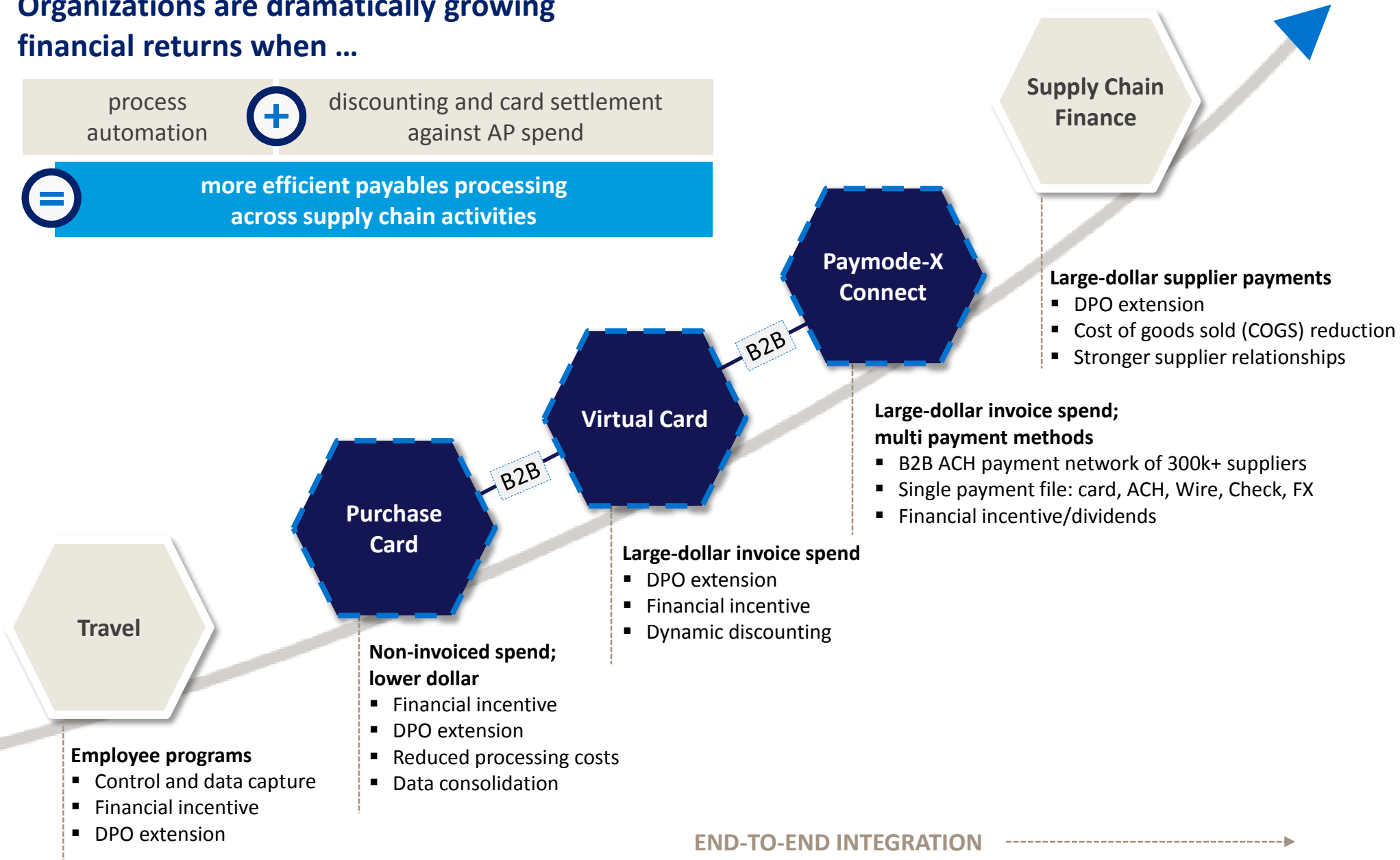
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Payment trends and considerations

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Payment continuum

Organizations are dramatically growing financial returns when ...



- ❖ Develop a well-defined payment strategy with multiple payment options.
- ❖ Evaluate the different payment type characteristics and perform a cost/benefit analysis when determining what method is chosen for which payment types.
- ❖ Focus on streamlining Procure-to-Pay process through various electronic automation tools.
- ❖ AP and Procurement must be strategically aligned with business needs.
- ❖ Recognize the efficiencies of electronic payments:
Card integration is more efficient than check payment because process steps, such as invoice receipt and processing, manual reconciliation, and check printing and mailing can be eliminated.

How do you define “best-in-class”?

**LOWEST ACCOUNTS PAYABLE
PROCESSING COSTS**

**HIGHEST DEGREE OF AUTOMATION IN
THE PROCURE-TO-PAY PROCESS**

**QUICKEST PAYMENT TRANSACTION
TURNAROUND TIME**

Source: “Top Guidelines for Successfully Leveraging Supplier E-Invoicing Networks.”
Gartner Research June 2010)

Payment strategy baseline

1 Establish baseline by performing a supplier analysis

- ✓ Understand your current payment mix
- ✓ Prioritize payment terms

2 Define your preferred payment terms

- ✓ Create a “preferred” supplier status and establish unique terms
- ✓ Mandate card acceptance with preferred suppliers and new suppliers
- ✓ Identify existing suppliers to migrate to preferred status and terms
- ✓ Require card acceptance in RFPs/supplier contracts

3 Define measurable goals

- ✓ Amount of spend to convert to Virtual Payables or card
- ✓ Percentage of suppliers to move to preferred payment terms
- ✓ Milestones and deadlines for goal achievement

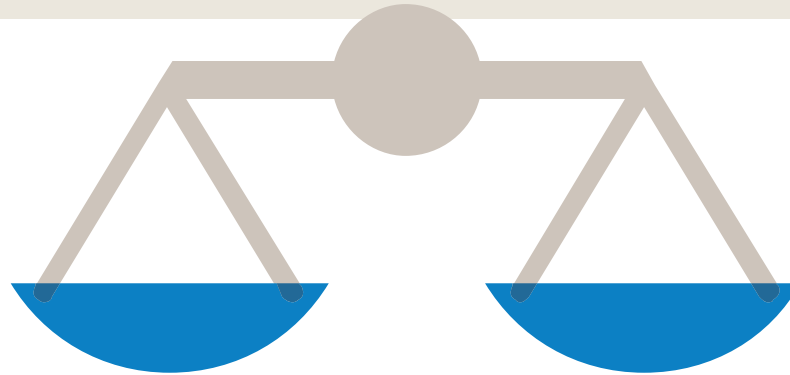


Periodic
internal
**Payment
Strategy
Review**

sessions with
key partners
and senior
management

Comprehensive Payment Strategy

A continuous balance to ensure buyer and supplier parity



Considerations...

- ✓ Strategy
- ✓ Analysis
- ✓ Targeting
- ✓ Communications
- ✓ Enrollment

* Supplier enablement, *not technology*, is the primary reason electronic payment initiatives succeed or fail.

A dark blue hexagon with a dashed blue border, containing the text "Purchase Card" in white.

Purchase
Card

Maximizing Pcards for Procurement

Declining Balance Overview – (optional for Purchasing card and Travel)

Declining balance for business



Declining balance
for business expenses

- Used only for business transactions.
- Detailed reporting on all transactions in Works. Common uses for events, projects, grants, etc.
- Funded with a single amount for a specific business-related purpose and time period.
- Funds are not restored with a payment or on a cycle date.
- Funds decline as purchases are made until the funds are spent (or the time period is passed).

Common uses for declining balance

Projects

A store remodel will cost \$100,000 and may take 3 to 6 months to complete.

Infrequent travellers

An individual will travel once every year for a conference.

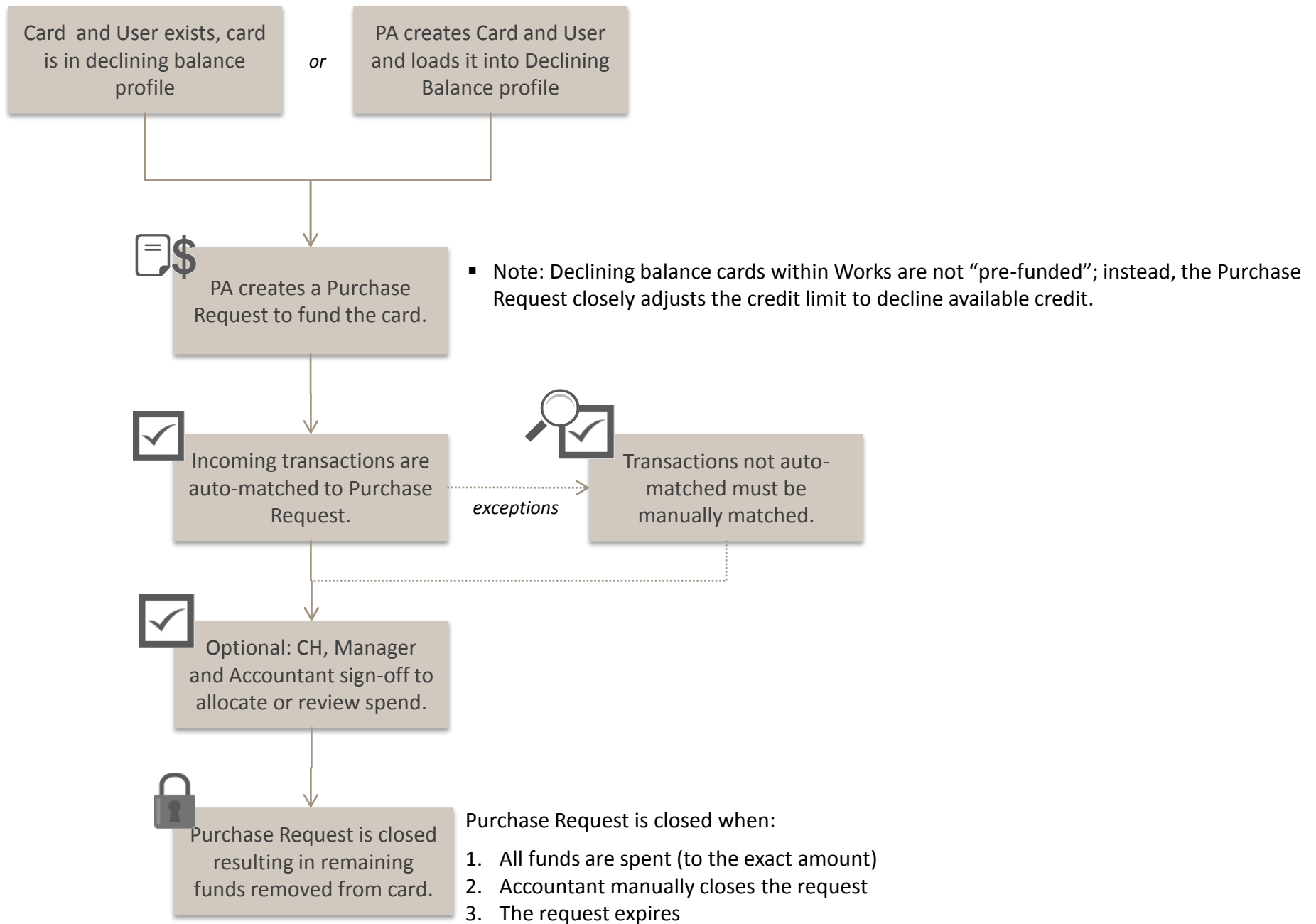
Events

The client conference has a budget of \$50,000 and purchases will be made anytime during a 5-month period.

Grants

A professor has received a \$25,000 grant for a study; the money must be spent by the last day of the year.

Declining Balance overview



Creating a Spend Control Profile for Declining Balance

Create Spend Control Profile

Spend Control Profile

* Profile Name:
 Restrict to group

Settings

* Credit Limit:

Single Transaction Limit:
 Auto-adjust to approved request amounts

Daily Transaction Limit:

Limit # of Auths to:

* Discretionary Funds:

Restore Funds when Signed Off by:

Restoration Timeframe:

MCC Group Settings (Using 5 of 11)

<input checked="" type="checkbox"/>	Use Standard Groups	Permissions	Transaction Limit	Daily Transaction Limit	Cycle Transaction Limit
	Cash	<input type="text" value="Permit"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	General Purchase	<input type="text" value="Permit"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Travel & Entertainment	<input type="text" value="Permit"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Unusual	<input type="text" value="Permit"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Vehicle/Fleet	<input type="text" value="Permit"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Transactions Sign Off Settings

Set higher than any purchase request you may open.

Set to \$0 – no discretionary funds.

Can still have a single transaction limit, but don't adjust based on any one request. Changing this on the spend control profile will impact all cards.

Creating a Purchase Request for Declining Balance

Vehicle/Fleet Permit

[-] Transactions Sign Off Settings

Auto-Sign Off Transactions

- Credits
- Matched to Purchase Requests
- Unmatched to Purchase Requests
- And less than

[-] Automatic Reconciliation Settings

Purchase Request Funds Strategy

- % Funding buffer
- Maximum buffer amount
- Ignore credit line
- All Transactions must be attached to Requests

Funding Expiration

- Auto-expire after days
- Allow override

Transaction Auto-Match Strategy

-
- Customer Reference Identifier(if present)
- Within days of Purchase Request

Save

Prevents funds from ever being considered "discretionary" and restoring.

Optionally expire the request after a certain number of days

Purchase
Card

Works[®]

Pre-approval Request Overview – (optional for Purchasing card and Travel)

Purchase Request Online Form

Works - Create Purchase Request x Ben & Jerry's Ice Cream F x

Secure | https://demo.works.com/works/purchaseRequest/newPurchaseRequest

Apps Works - Login Works - Online Appli Bank of America | Fla eSupport - Visitor Global Reporting and Other bookmarks

Home Expenses Reports

Expenses > Purchase Requests > Create Purchase Request State of OZ (Kavanaugh)

Create Purchase Request

General **Approval & Payment**

Request Name:

Purchaser: Dugan, Phillip S

Vendor:

CRI:

PO Number:

Auto-generated once approved

* Approval Route: Taxation

Payment Type: Select

Changing payment type may reset fields

Goods/Services Description Only Full Item Info Total: 0.00

<input type="checkbox"/>	Description	Amount
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>

0 Selected | 1 item

Remove Add

Allocation Total: 0.00 | 0.000%

<input type="checkbox"/>	Description	All Values Amount	GL01: Agency Code	GL02: GL Code	GL03: School Code	GL04:
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	2000	60400	1234	<input type="text"/>

0 Selected | 1 item

Remove Add Clear GL

Comments

Comments:

Speakers: Muted

Detailed Purchase Request

Works - Purchase Request | Ben & Jerry's Ice Cream | <https://demo.works.com/works/purchaseRequest/100271271773>

Bank of America Merrill Lynch Works®

Home | Expenses | Reports

Expenses > Purchase Requests > Purchase Request Details State of OZ (Kavanaugh)

Purchase Request Details - REQ00001078 - Draft Actions ▾

General	Approval & Payment
<p>Request Name: <input type="text" value="Dessert for Governor's Ball"/></p> <p>Created Date: 10/24/2017</p> <p>Requester: Dugan, Phillip</p> <p>Vendor: <input type="text" value="Ben & Jerry's"/></p> <p>CRI: <input type="text"/></p> <p>PO Number: <input type="text" value="1234cream"/></p> <p><input type="checkbox"/> Auto-generated once approved</p> <p>Request Total: 4,280.00</p>	<p>* Approval Route: <input type="text" value="Finance"/></p> <p>Payment Type: <input type="text" value="Managed Account"/></p> <p><small>⚠ Changing payment type may reset fields</small></p> <p>* Account: <input type="text" value="Phillip S Dugan"/></p> <p>Remittance Advice</p> <p>Format: <input checked="" type="radio"/> Email <input type="radio"/> Fax</p> <p>Advice To: <input type="text"/></p> <p>Template: <input type="text" value="(use default)"/></p>

Goods/Services Description Only Full Item Info Total: 4,280.00

Description	Item ID	Qty	Unit	Amount	Total
<input type="checkbox"/> Chocolate Cherry Garcia	yummy1	100	Gallon	20.00	2,000.00
<input type="checkbox"/> Chubby Hubby	yummy2	120	Gallon	19.00	2,280.00

0 Selected | 2 items

Allocation Total: 4,280.00 | 100.000%

Description	All Values Amount	GL01: AAgency Code	GL02: GL Code	GL03: School Code	GL04:
<input type="checkbox"/> meeting meals	4,280.00	2000	60400	1234	9999

Selected 1 | 1 item



Virtual Payables

Virtual Pcards for Accounts Payable Invoice Settlement

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Strength in numbers – experience - success

Our Virtual Payables leads the industry

#1

Provider of
PURCHASING/VIRTUAL PAYABLES
Programs by volume

Nilson Report ranking, July 2016



1st

to market with Virtual Payables
more than 10 years ago



1st issuer

in market to offer straight-
through processing in a
strategic relationship with Visa



1,200+

active Virtual Payables clients



135,000+

suppliers accepting the Bank of
America Merrill Lynch virtual card

Largest issuer

Targeting more than **\$17** billion
in sales and
2.8 million
transactions
for 2016.



Achieve **100%** automated
reconciliation with Virtual Payables

Robust in-house, end-to-end supplier
enrollment process

Develop a solid Payment Strategy: move from paper to electronic

Average per transaction cost by payment type

	Payment method	Cost per transaction
Paper	Paper checks	\$7.15
Electronic	Wire transfer	\$10.33
	ACH	\$4.78
	Commercial card	\$3.91

- 1. Savings with Card over check: **\$3.24 per transaction**
- 2. Plus earn higher rebates on Pcard and Virtual Payables aggregated spend volume
- 3. Float advantage

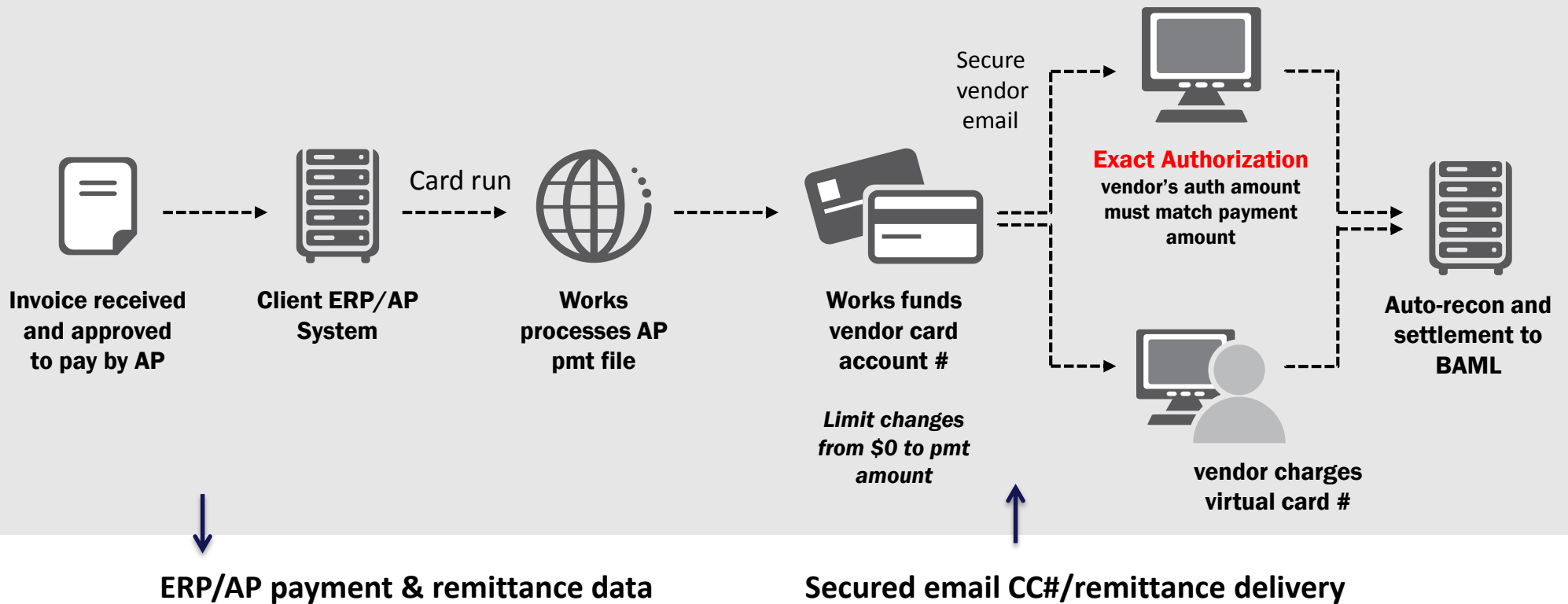
Scott Pezza, William Jan, and Ankita Tyagi, "The E-Payables Solution Selection Report: A Buyer's Guide to Accounts Payable Optimization," Aberdeen Group (October 2013).

Replace checks with no-cost (cash incentive) process

Payment method	Check	Virtual Payables
Record of payment	Check run file	Card run file
Payment action	Print on check per supplier ID	Dynamically fund one card number per vendor/supplier ID
Remittance advice	Check stub with invoice line-item detail	Supplier email notification with invoice line-item detail
Vendor cash received	Check deposited; funds clear in 5-7 days	Card transaction authorized; cash transferred in 1-2 business days
Client paid cash	Cash withdrawn upon check clearing	Bank statement paid in 20-45 days after transaction posts – your option
Confirmation of payment	Positive pay file	Works® exports file with posted card transaction details, if needed

How Virtual Payables works for Payer

1. Bank of America enrolls your card accepting vendors
2. Your invoices are processed as today but settled via supplier assigned card number:



- Auto send advice reminder for payment requests with a variance XX days after approval date
- Auto repeat XXX days after approval date
- Manually resend remittance with comments
- Stop payments

Vendor's View: Payment Instructions and Remittance



From: Sample Company Name
Sent: Fri 02/17/2011 6:27PM
To: Vendor Remittance Contact
CC:
Subject: Sample Remittance Advice (0001006071-Vendor Ref)
To receive payment for the below referenced invoice(s), please charge the total amount of \$72,389.07 as a single transaction within 72 hours in order to reduce the possibility of payment complications.

Card Account Information:
Name on Account: Grade A Supplies
Account Number: 9999999999999999
Exp Date: 11/2014
Payment Details:

Payer: Sample Company Name
Payment Amount: \$ 72,389.07
Payment ID: 12347
Vendor ID: 17312ZZ
Vendor Name: Grade A Supplies

Invoice Number	Invoice Date	Amount
-----	-----	-----
Invoice 58952861090	7/12/11	23,304.16
Invoice 32439871427	7/19/11	25,889.00
Invoice 12342189347	6/23/11	23,195.91
	Total:	\$72,389.07

If you have any questions or need assistance processing this payment, please contact Sample Company name:
Email: sample.company@sc.com
Phone: 555-123-4567
Internal record identifier: REQ00001002
Thank You,
AP Manager
Sample Company Name
555-123-4567
sample.company@sc.com



The Business Case via AP vendor payment file analysis

Bank
Merrill

Virtual Payables Value EXAMPLE



Description	Targeted
Total number of vendors that Virtual Payables will target for enrollment	169
Spend targeted for Virtual Payables enrollment	\$ 33,297,823
Estimated <u>annual</u> spend (dollar value of items) converted to Virtual Payables	\$ 14,187,808
Cycle days	30
Grace days	14
Average days float on Virtual Payables (net 10, cycle/grace)	39
Additional days float	22
APR on additional working capital	1.50%
Daily benefit of funds	0.00411%
Value of float on annual spend	\$12,827
Basis points earned**	185
Virtual Payables incentive**	\$262,474



Paymode-X Connect

Secure Electronic Payment For Non-Card Acceptors

Bank of America
Merrill Lynch



Migrating check payments to **Paymode-X[®] Connect** (ACH) payments

- Accepted by more than 365,000 suppliers; ready for immediate migration to electronic payment
- Displaces check costs associated with these payments
- Cash payout incentive on eligible spend through the network
- Reduces opportunity for fraud
- Supports unlimited remittance detail to be passed to suppliers in custom AR file
- All bank data maintained in Paymode-X by your vendors
- All bank data completely validated by us before activation
- Portal

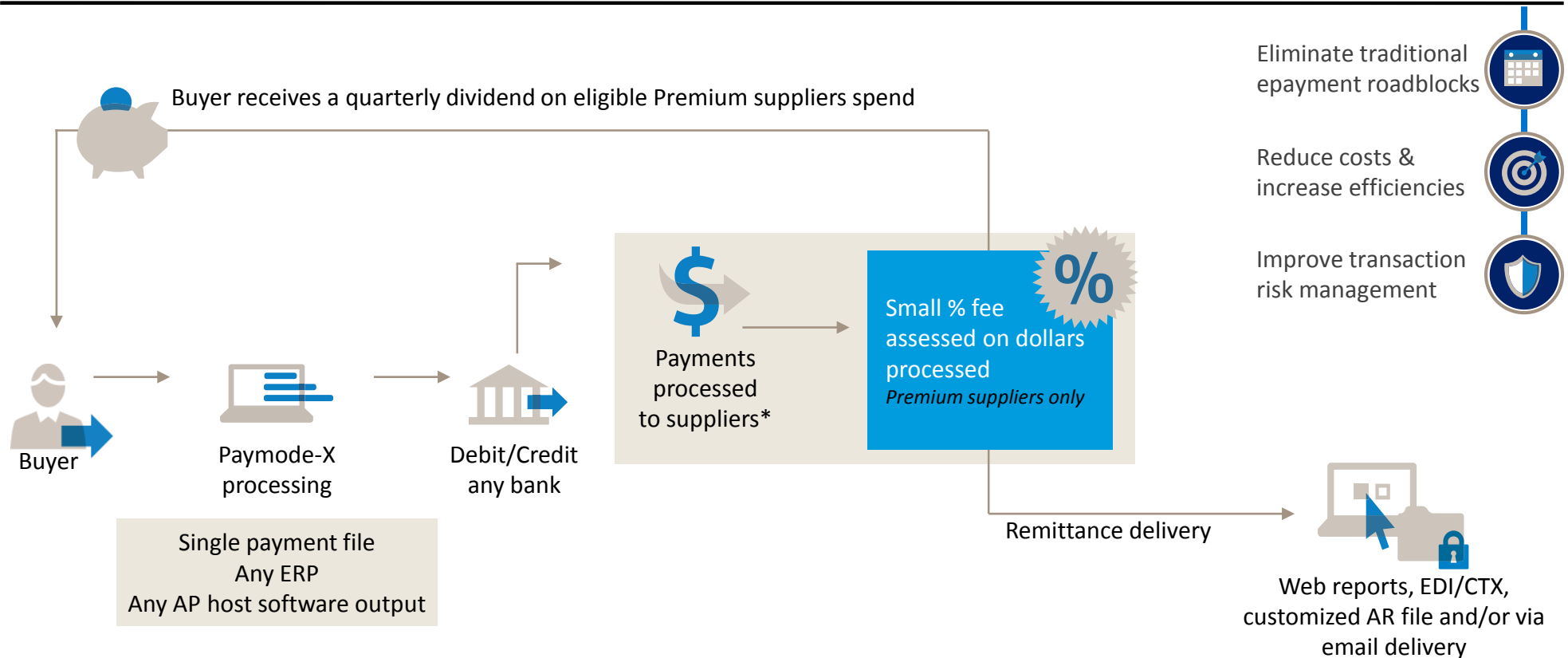
We leverage our resources, expertise and incumbency to deliver in a way that we believe no other bank can match.



Replace **up to 75%** of non-payroll AP check volume, per typical enrollment volume

Simplifying ACH payments to your suppliers

Paymode-X Connect



buyer payment initiation

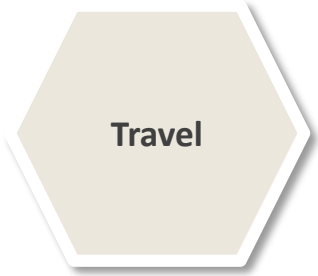
payment and data
processing by
Paymode-x

supplier receives
payment with
remittance details

buyer receives quarterly
dividend on eligible spend

*This workflow illustrates Premium membership – the prioritized membership during supplier enrollment campaign

Basic membership is available – suppliers do not pay a fee to accept the payment, but have access to fewer tools and service benefits. For example, remittance information for Basic members is available through web reports only.



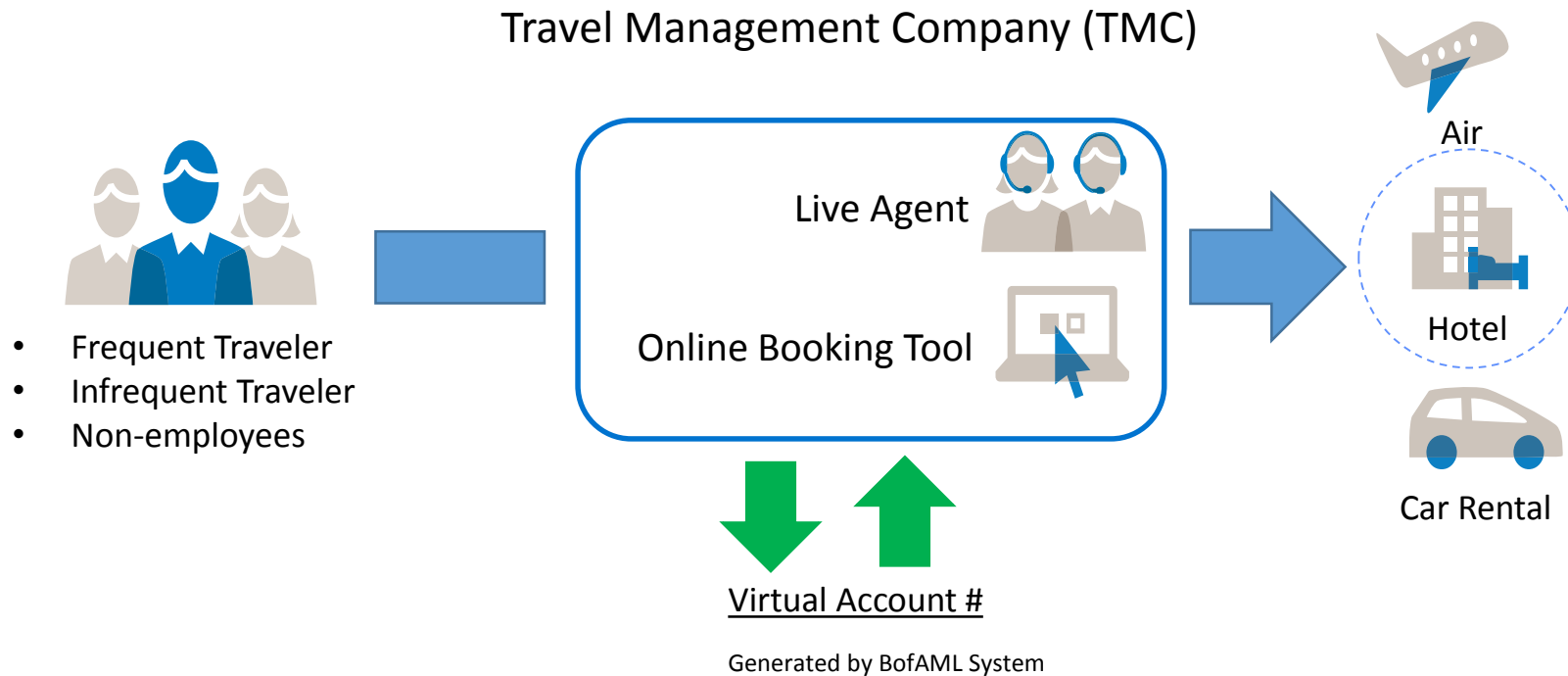
Virtual Travel

Virtual cards for travel bookings



How does Virtual Travel work?

Virtual Travel creates unique virtual account numbers, which are instantly generated on demand and are not repeated.



more travel free up
booking **time & effort**
information gain greater
centralize control

Features



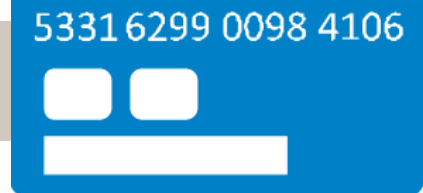
- Single use virtual card payments
- Enhanced data capture of overall travel spend
- Process automation & integration with client's existing travel booking process.
- Global acceptance everywhere cards are accepted
- Traveler assistance to ensure a good experience (confirmation sent to hotel & mobile app)

Benefits



- Streamlined traveler experience
- 100% automated matching
- A reconciliation solution for infrequent travelers
- Full control around program usage and increased security
- Virtual account numbers; more secure than plastic cards
- Minimize exposure to fraud or misuse

Centrally bill travel expense with efficient reconciliation



BofAML: A recognized leader in the industry

#1

PROVIDER OF
PURCHASING/VIRTUAL PAYABLES
PROGRAMS BY VOLUME Nilson Report July 2016

OUTSTANDING CUSTOMER SERVICE

7 YEARS IN A ROW
J.D. Power, 2016

BEST CARD SOLUTION

for WORLEY PARSONS and TREASURY WINE ESTATES
Treasury Today Adam Smith Awards 2014

TOP FOUR ISSUER
COMMERCIAL PREPAID PROGRAMS
Nilson Report ranking, 2016

100+ countries

\$45 billion processed annually in volume

\$100 million investment

43 million acceptance locations globally

#1 in fraud prevention, ten years in a row – Javelin 2015

A HISTORY OF INNOVATION

1958

First bank-issued credit card (BankAmericard)

2005

Virtual Payables launched

2012

Offered Chip & PIN cards to all N. America cardholders

2014

B2B solutions surpassed 370,000 suppliers

2016

Account activity alerts

1994

Purchasing Card

1998

Prepaid card

2006

Expanded EMEA coverage – to date, issuing in 29 countries

2013

- Online PIN Check
- Paymode-X Dividends

2015

Virtual Payables expanded to EMEA and Australia