

Civilian Agency Elective: Misuse and Abuse Payment Analytics (Non-DoD)

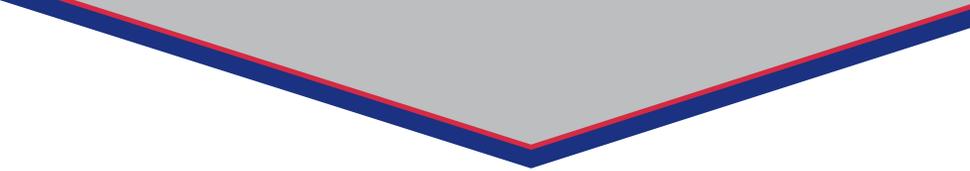
Todd M. Albers, Payables Program Manager
Michelle Erickson, Group Product Manager

All of **us** serving you®



Agenda

- Industry Opportunities and Challenges
- Payment Analytics Overview
- Payment Analytics Demonstration

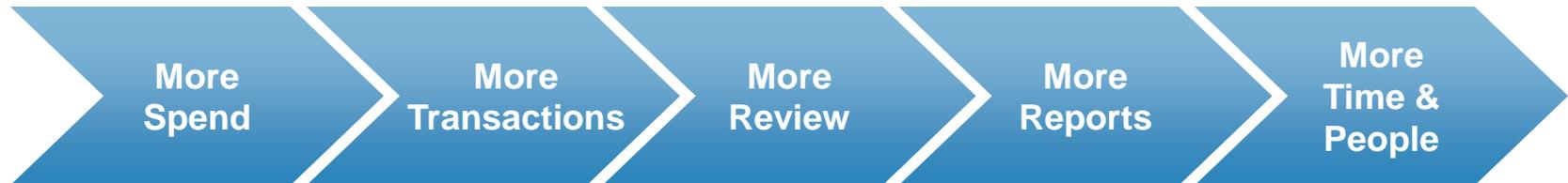


Industry Opportunities and Challenges

Commercial Cards: The Challenge of Expanding Usage

Organizations plan to expand commercial card usage over the next three years

- Reduce check usage by more than half
- Double use of commercial cards



How do you efficiently and cost-effectively monitor transactions for employee misuse and policy compliance?

Cost of Manual Audits

High cost to manually audit transactions

- Labor intensive
- Inefficient
- Error-prone

Program Size	\$100 MM
Average Transaction Size ¹	\$315
Total Transactions per Year	\$317,460
Cost to Audit per Transaction ²	\$2.38
Audit Sample Size	20%
Number of Audits Annually	63,492
Annual Cost of Audit per Year	\$151,111

References:

¹ 2010 Purchasing Card Benchmark Survey Results, Palmer & Gupta

² NAPCP Understanding the Processing Costs and Related Costs

Risk within a Card Program

- **Perception:** Risk of loss is quite high
- **Reality:** Actual dollar loss is much lower

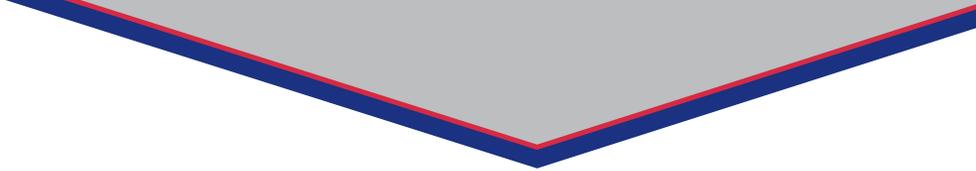
79% of organizations have allowed perceived risk to be a barrier for card growth³

Program Size	\$100 MM
Average Transaction Size ¹	\$315
Total Transactions per Year	\$317,460
Estimated Amount of Fraud and Misuse	
Rate ²	\$80 per \$1 MM in spend
Amount per Year	\$80,000
Estimated Amount of Policy Violation	
Rate ²	\$60 per \$1 MM in spend
Amount per Year	\$60,000
Total Amount per Year	\$140,000

References:

^{1, 2} 2010 Purchasing Card Benchmark Survey Results, Palmer & Gupta

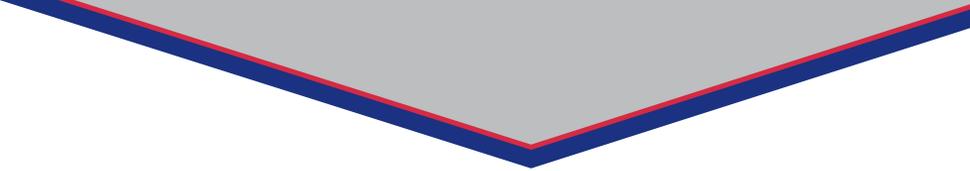
³ 2009 U.S. Bank survey of commercial card clients



How to Mitigate These Issues?

- Reign in your audit costs?
- Reduce your risk exposure?
- Grow your commercial card program?

U.S. Bank Payment Analytics

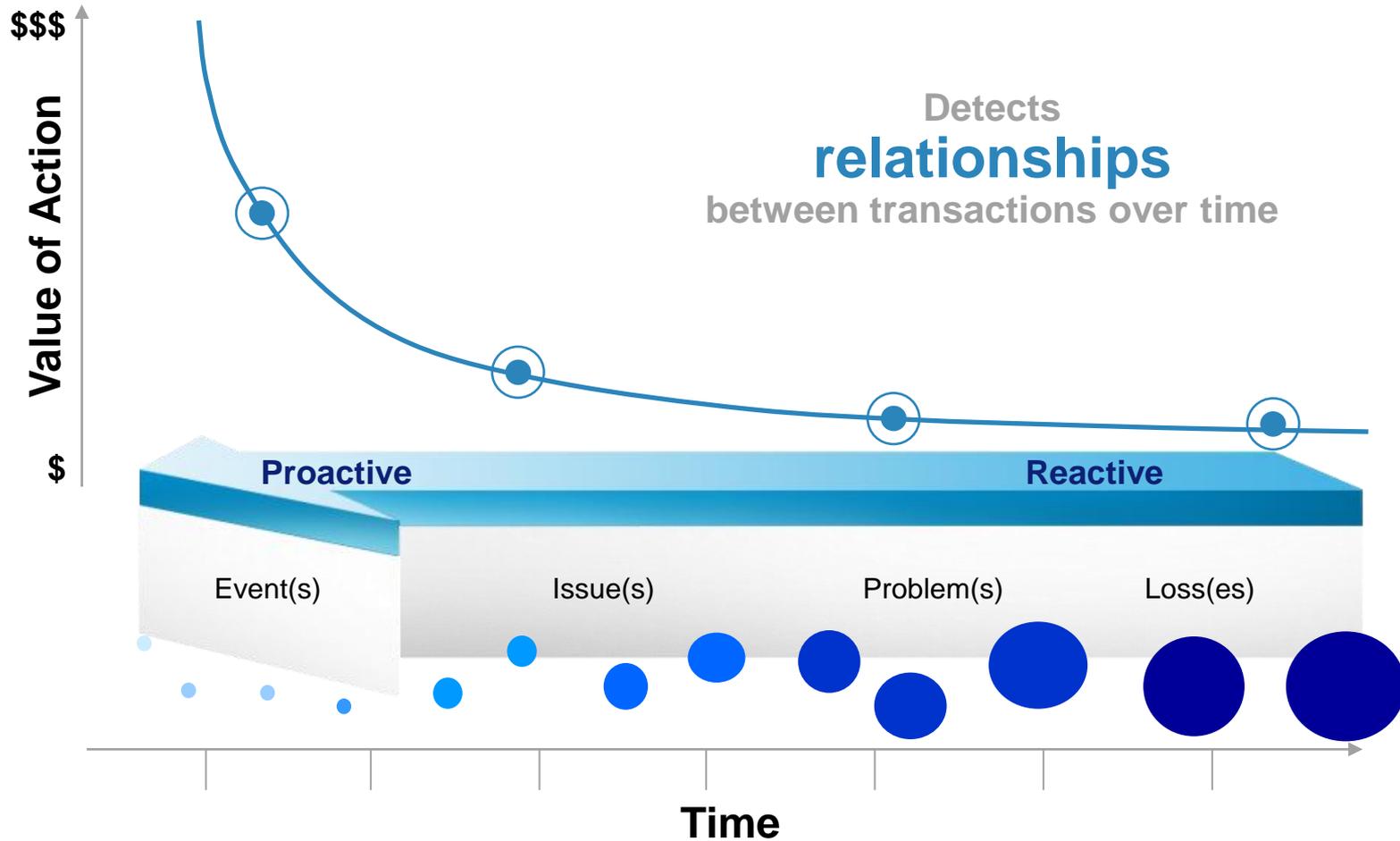


Payment Analytics Overview

What is Payment Analytics?

- Enhances auditing practices by providing 100% commercial card transaction monitoring
 - Rules Management: Compares each transaction to your customized rules to identify out-of-policy spend
 - Case Management: Gives program managers timely information and tools to audit and resolve out-of-policy transactions
 - User Management: Enables program managers to create and maintain user profiles and roles

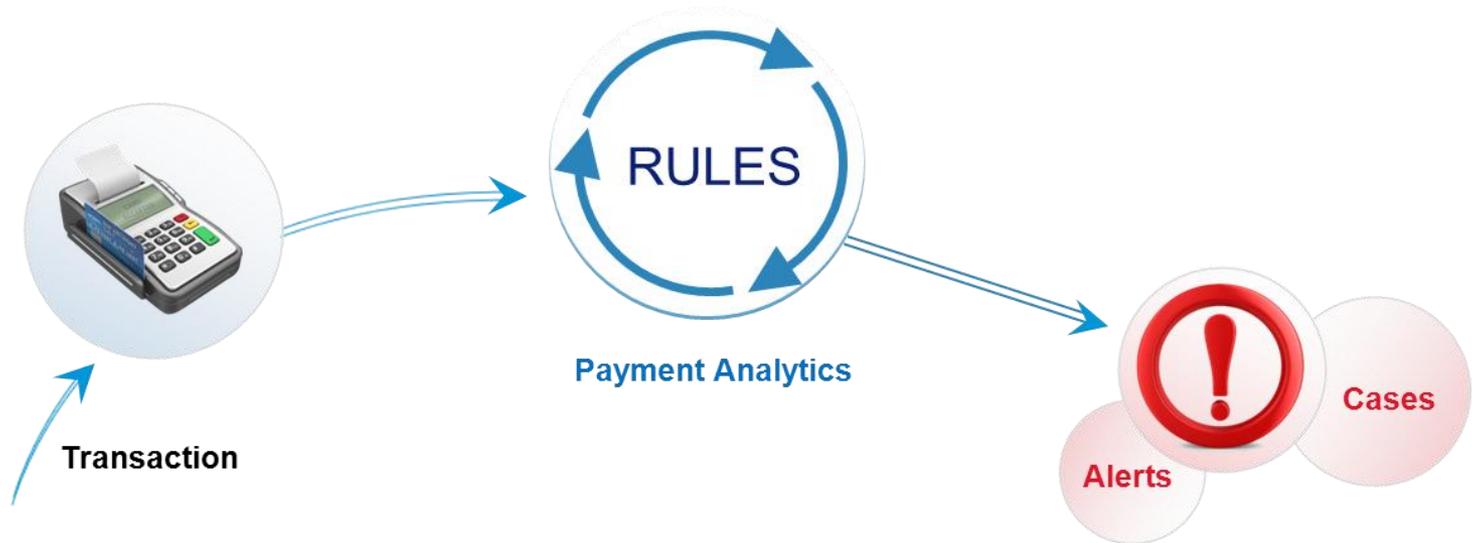
Moving from Reactive to Proactive



The “Brains” behind Payment Analytics

- Defined templates that contain logical arguments (i.e., rules)
 - WHEN THEN statements
- Client assigns parameters to the rules
 - WHEN a transaction meets all the conditions of a rule, THEN create a response
 - Alert: Notifies stakeholders via email when rule violations occur
 - Case: Allows users to track progress towards resolving an issue and violations over time

How Does Payment Analytics Work?





Payment Analytics Demonstration

Rules Management

You can create a rule in three easy steps:

1. Select the template: choose from a set list of existing templates
 - For example, you select to track transactions at prohibited merchant category codes (MCCs).
2. Set rule parameters: assign values to available parameters
 - For example, if you select to create a rule to track transactions at prohibited MCCs, you can include specific MCCs and select to track only transactions over \$500.

Rules Management (Continued)

3. Save rule statements: specify the rule name, description, severity, active/inactive status, case action (e.g., create a new case with every rule violation), and assign a case owner.

Available Rule Templates

- Unauthorized Merchant Category Code (MCC)
- Merchant Watch List
- Transaction with a Non-Preferred Merchant
- Split Transaction
- Split Purchase
- Transaction Close to Single Purchase Limit

Available Rule Templates (Continued)

- Large Spend Increase over Average Spend
- Excessive Use of Convenience Checks
- Excessive Cash Withdrawals
- Corporate Travel Card Purchase in Cardholder's Postal Code
- Weekend/Holiday Purchase
- Account Opened/Maintained with Limits Exceeding Standards

Case Management

You can manage and track cases with a variety of transaction elements and dispositions:

- Review the triggering information about the case
- View transaction detail, such as transaction date, transaction amount, merchant name, and merchant location
- Change case owners
- Select the case severity
- Pick appropriate classification
- Type comments
- Switch the case status to Open or Closed

Roles

Payment Analytics has different sets of tasks organized into different user roles

- Administrators assign and manage user roles
- A user may be assigned more than one role

Role	Description
Case Manager	View and manage cases
Program Auditor	View cases and rules
Program Manager	View and manage cases, rules and users
User Administrator	View and manage users

Benefits

- Improve Compliance
- Enhance Control
- Reduce Risk
- Increase Efficiency
- Boost Cost Savings
- Broaden Visibility
- Expand Revenue Share Opportunity

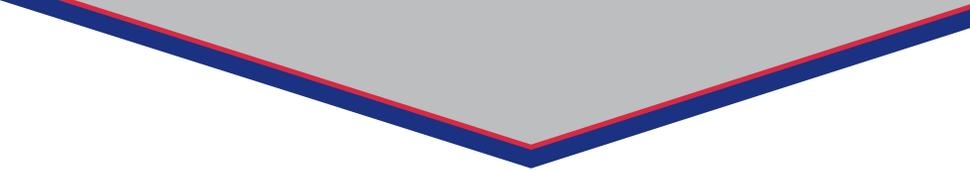
Implementation

- Requires no additional contract
- Is available at no cost

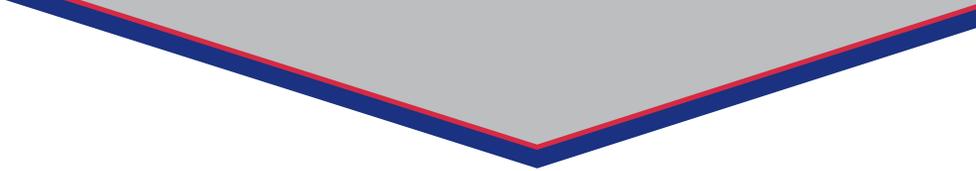
Ready to begin?

Contact your U.S. Bank Account Coordinator to start the implementation process

- U.S. Bank: system setup (30-calendar days)
- Client: user and rule template setup



Questions?



Thank You

Presentations are available now on
www.usbank.com/sp2presentations

Complete a survey on this session at:
www.gsasmartpayconference.org/survey