P-Cards: What Are Corporate Purchasing Cards and How Do They Work



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In today's age of digitization and cashless transactions, the idea of using plastic instead of paper money is more appealing than ever.

This is where procurement cards, also known as P-cards, come in.

Although P-cards have existed for decades, many remain unfamiliar with this payment tool.

In this blog, we'll explore what P-Cards are, how they work, and their pros and cons.

What Are P-Cards?

P-cards, short for purchasing cards, are essentially credit cards for businesses.

They are designed to enable employees to make purchases using a single credit card instead of going through the traditional procurement process – submitting purchase requisitions, receiving a purchase order, and processing payments.

P-cards are an efficient way of managing small and routine purchases without the need for paperwork and lengthy purchase approval processes.

How Do P-Cards Work?

When your company signs up for a P-card program, you receive a credit card with a preset spending limit.

You'll give the card to designated employees who can make purchases only up to the credit limit.

These cards work in-person and online, just like any other credit or debit card.

Depending on the bank you use, your cards may have the Visa or Mastercard logo.

You can order multiple cards to distribute to multiple employees if desired.

For example, you may wish to distribute cards to all department heads to keep with them at all times or have cards on hand to give employees while traveling for business.

Your procurement cards can be tied to a bank account or a credit card. The issuing bank sends payments to vendors within a few business days and invoices your company monthly.

P-Card transactions can be tracked in several ways:

- By employee or P-Cardholder

- By department
- By merchant category

At the end of the billing cycle, the card provider bills your organization for all purchases made during that period.

Most programs also provide you with reports that help track spending and monitor fraud or misuse.

Your organization also controls where purchases can be made and how much can be spent in a single transaction.

It’s possible to set per-purchase limits as well as monthly spending caps.

Some providers also allow you to set spending restrictions on the types of allowable purchases, such as no travel, entertainment, or alcohol spending.

These are set using merchant category codes, so that card users cannot attempt to bypass restrictions.

Purchase Cards vs. Corporate Cards

With the availability of corporate cards, why would you even consider using procurement cards? Corporate cards, or C-Cards, are issued to senior executives or employees with higher responsibilities within the company.

C-Cards usually have a higher spending limit than P-Cards, but their usage is monitored more strictly. Moreover, C-Cards can be used for small and large purchases and often come with many other features, including reward programs.

Differences Between Purchase Cards and Corporate Cards

PURCHASE CARDS	CORPORATE CARDS
Issued To Employees with Lower Responsibilities	Issued To Senior Executives
Lower Spending Limit	Higher Spending Limit
Used for Small Purchases	Used for Small and Large Purchases
Usage Is Monitored Leniently	Usage Is Monitored More Strictly

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P-Cards are not prepaid cards, and they are not a corporate card. Both P-Cards and corporate cards are a type of commercial card, but it's important to understand the differences for your business.

Benefits of Using P-Cards

- ## Cost Effective to Manage Small Purchases

  When it comes to smaller expenditures like office supplies, going through the formal procurement and payment process could be time-consuming.

  If your processes are not refined enough you can end up spending more in employee labor costs than you would when allowing your office manager to make purchases via the Amazon Business account, for example.

  This cuts down on your overall procurement costs, allowing you to funnel the savings into other areas of your business.

Easy for Employees to Track Expenses

Using a purchase card makes it easier for your staff to purchase what they need while tracking their business expenses, especially while traveling for business. (You can give them a travel card, a restricted type of P-Card, if you want to limit spending capabilities.)

With easier expense tracking comes better employee compliance. And with more accurate records, you can get a clearer picture of your overall spending habits.

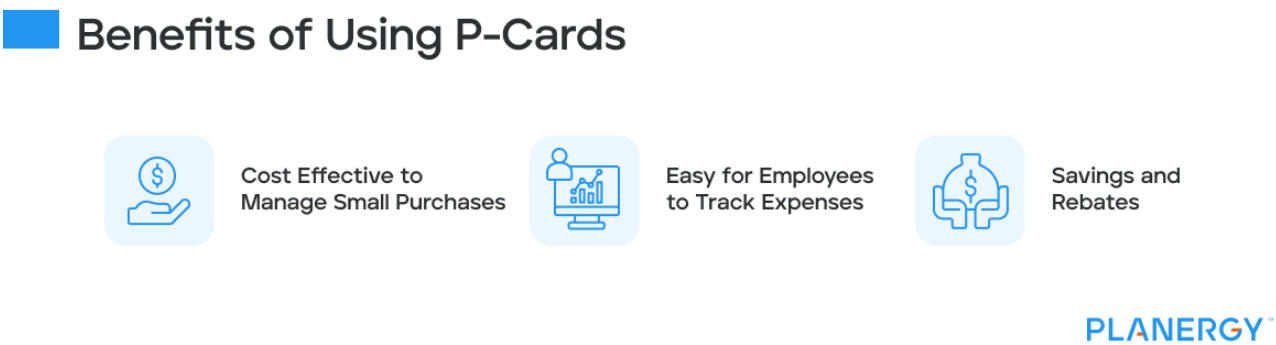
Savings and Rebates

Most P-Card programs offer savings and rebates. The bank you use will determine available offers. These savings and rebates are similar to a personal credit card reward program, where you get a percentage in cash back.

Your company may be able to earn anywhere from 1 to 3% cash back or savings from your purchases.

The exact amount you'll earn depends on factors such as:

- Volume and amount of purchases
- Number of cards issued
- Payment speed
- Average transaction size
- Whether your company purchases certain expensive products



Drawbacks of P-Cards

Vulnerable to Fraud and Misuse

Because P-Cards are not subject to the same level of scrutiny as regular procurement processes, employees may be tempted to use them for personal gain. Therefore, you must have proper P-Card policies and procedures to mitigate such risks.

Work with your program manager to block purchases from certain merchants and set spending limits to prevent fraudulent charges.

Less Flexible than Corporate Cards

Because purchase cards are tied to specific budgets or departments, you can’t use them to make cross-departmental or strategic purchases.

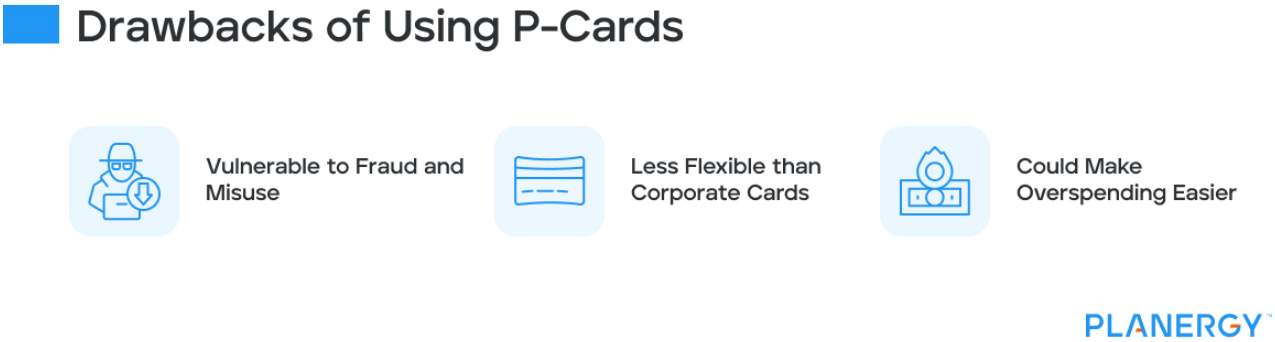
Could Make Overspending Easier

With fewer purchases going through the formal procurement process, it is easy to lose track of spending.

Maverick spend, or rogue spend, where purchases from suppliers who are not your preferred vendor for purchasing specific items may increase. This can result in less on-contract spend and reduce realized cost savings from strategic sourcing initiatives.

You must be able to adhere to your budget requirements and regularly monitor the transactions.

Failure to do so could mean you spend more than you meant to. While you can bounce back from minor overspending relatively easily, major overspending over a long period of time could spell disaster for your company. Monitoring carefully is a must.



Best Practices for Your P-Card Program

1. Establish a Clear Usage Policy

Having a well-defined P-Card policy is the first step on the road to success. This policy should be a clear guide for all employees who are issued a P-Card.

It should outline the acceptable purchases, spending limits, documentation and receipt requirements, and the consequences of P-Card misuse.

Make sure that this policy is understood by all employees and enforced consistently.

- Define the roles and responsibilities of cardholders, including the authorized use of their card and the procurement process that applies to P-Card usage.
- Set spending limits, frequency, and card usage instructions, including: frequency of P-Card use, spending limits, types of expenses that can be charged, and card usage protocols.
- Outline account restrictions, ordering practices, and daily expenditure limits.

2. Foster a Culture of Accountability

Incorporating a culture of accountability within your organization can help prevent financial fraud, waste, and abuse.

Having employees willing to report suspicious activity or expenditure immediately is critical for maintaining a healthy P-Card program.

Ensure that employees understand their responsibilities and have procedures in place to report malfeasance – this can be through an anonymous telephone hotline, email, or other types of reporting mechanism.

3. ## Train Your Employees

   Those with authority to make purchases with a P-Card should undergo P-Card training. While it might be self-explanatory to some, others can make costly mistakes that lead to problems.

   Investing time into P-Card training shows a commitment to compliance and helps prevent unintentional spending.

   Whether you do in-person or online training, include the basics of P-Card usage, reporting requirements, documentation and receipt requirements, and other relevant information in training sessions.

   Also, keep track of those who attend the trainings and who missed them.

4. ## Create a Strong Approval Process

   Having a strict approval process helps avoid fraudulent or wasteful expenditures. Ensure that at least two people (a requestor and approver) are involved in each P-Card transaction.

   The approver should verify that the listed expense is reasonable and adds value to the business before approving the transaction.

   Keep a log of approvals and requests, electronically or physically, depending on the size of your company, to maintain a solid audit trail.

5. ## Analyze and Review Your P-Card Usage Regularly

   Periodically review your P-Card expense usage to determine whether

purchasing adds value to your organization. Identify any outliers, such as excessive spending or transactions outside your P-Card policy's acceptable purchases.

Having an appointed person or team to monitor P-Card spending regularly helps identify any red flags early and avoid any issues.



Implementing best practices for your P-Card program is essential for any business using P–cards.

Not only does it offer a straightforward and effective way to manage your purchasing program, but it also prevents fraud, waste, and abuse.

It's better to set up a clear policy, establish accountability, enforce training, implement a strong approval process, and regularly analyze your P-Card usage to ensure your card program remains healthy.

A little effort now saves time, money, and many headaches down the road.

How to Get Purchase Cards for Your Company

Research Issuing Banks

Not all P-Card programs are created equally, so take some time to compare your options. Look at factors such as interest rates, fees, credit limits, and any available rewards or benefits.

Think about what types of purchases you'll make with the card, and choose the one that fits your business's specific needs.

Be sure to read the fine print carefully and ask the financial institution any questions you may have before deciding on which one to apply for.

Understand Policies and Restrictions

Familiarize yourself with the policies and restrictions that come with the P-Card provider you are choosing. Each issuing company sets specific rules that users must follow when making purchases.

It is essential to understand these guidelines to avoid unnecessary charges and penalties.

Review Eligibility Requirements

Most issuers require that you have a good credit history and a consistent track record of timely payments.

Additionally, you should be an authorized representative of your organization and have the ability to make financial decisions on behalf of your company.

Gather Necessary Documents

Gather your essential documents for the application process. These usually include your tax identification number, proof of your business's legal existence, and a copy of your company's financial statements.

Some issuers may also require additional information, so check with them beforehand.

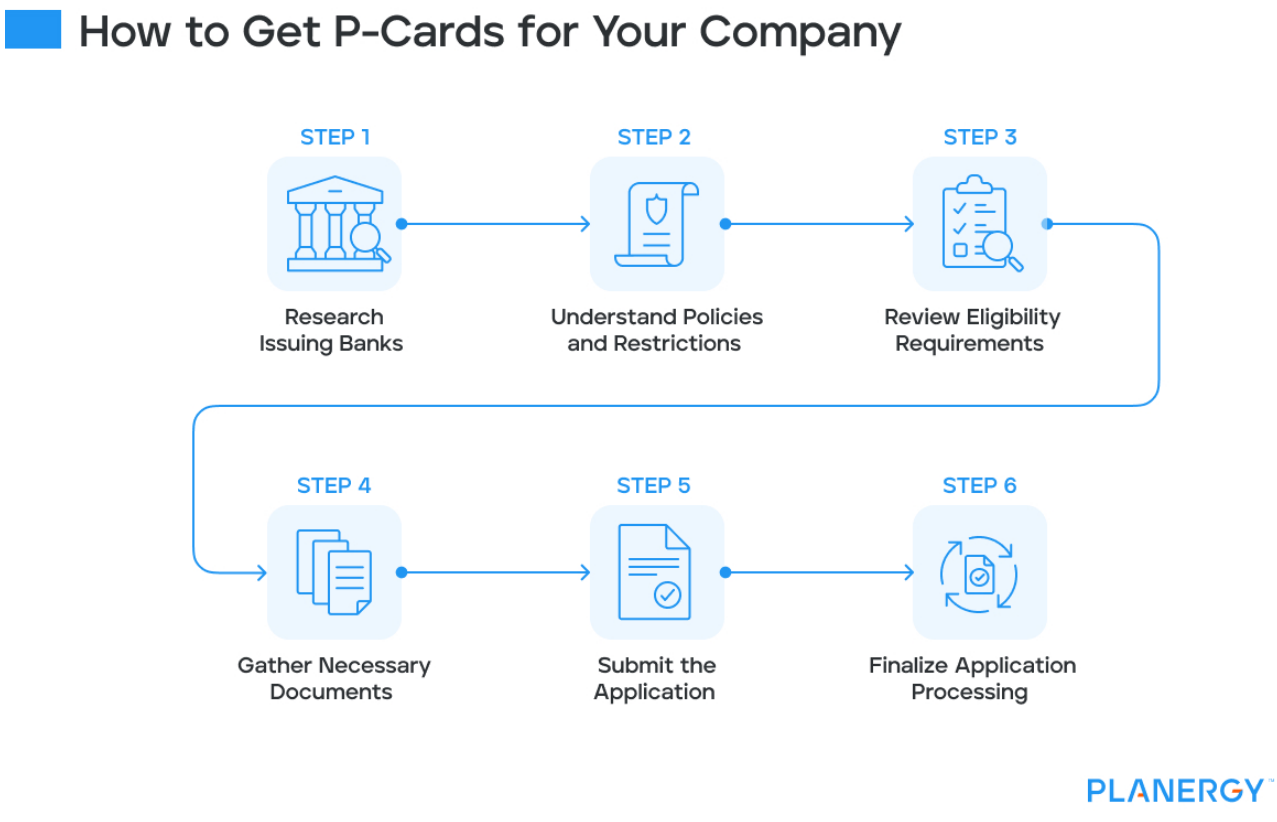
Submit the Application

Submit your P-Card application. You can typically do this online by filling out an application form and submitting the necessary supporting documents. Depending on the issuer, you may also be required to undergo a credit check.

Finalize Application Processing

After submitting your application, following up with the issuer is essential to ensure your application is being processed.

Typically, it takes between 7 to 14 days for the issuer to review your application and send a response. If your application is approved, you will receive your P-Card information and instructions on how to use it.



P-Card FAQs

What Is a P-Card Used for?

It is used for small corporate purchases or business travel. It gives employees access to company money for buying items their company requires.

What Is the Difference Between a Corporate and P-Card?

Corporate cards are issued to people higher in the company that have more to do with overall purchasing and spending. They usually have higher spending limits and fewer purchasing restrictions.

What Does P-Card Stand for?

P-Card stands for purchase card, purchasing card, or procurement card. It’s a type of commercial card.

What Is the Credit Limit for a P-Card?

Your credit limit depends on various factors, such as your total business revenue, the types of purchases, and issuing bank policies. Your P-Card administrator will inform you of your credit limit and any actions you can take to increase the limit later.

With an effective purchasing card program, your organization can realize cost savings and increased efficiency. P-Cards streamline the payments process and reduce manual labor costs associated with generating and submitting purchase orders.

In addition, they increase accuracy while ensuring that payment is made quickly.

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