

Pay Your Vendors by Single-Use Credit Cards and Improve Your Cash Flow Management (Session ID#11775)

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Agenda



- Objectives
- Procurement Cards in Oracle Applications
- What is Single-Use Credit Card for Vendor Payments
- Process Overview
- Banking Solutions
- Vendor Campaign & Signup
- Oracle Integration
- Accounting Flow
- Oracle Process Flow
- Lessons Learnt & Conclusion



Introduction – About Me



- ❑ Shyam Kapoor
- ❑ Partner – Prisio Technologies LLC
- ❑ Based out of Princeton, NJ
- ❑ 20+ years with Oracle eBusiness Suite of Applications
- ❑ Managed wide variety of mission-critical projects, Implementation and Upgrade, for Pharmaceutical, Chemical, Logistics, Financial services, Publishing and various fortune 500 companies.
- ❑ Worked on ERP Strategy, Package Selection Advisory, Program/Project management, Solution Architecture, Process redesign primarily in financial applications area
- ❑ <http://www.prisiotechologies.com/>



Introduction – About You



- Anyone using P-Cards in Oracle Applications?
- Anyone outsourced payments (Checks, ACH, Wire) to Banks?
- Anyone used Single-Use Credit Card for Personal/Business purpose?
- Anyone considering implementing single-use credit cards?
- Audience Roles – Controllers? Integrators? Analyst?

Procurement Cards in Oracle Applications

- ❑ Procurement card, or P-card, is corporate credit card that is issued to employees (or a supplier).
- ❑ Enables employee to purchase items directly from a supplier.
- ❑ Credit card issuer sends transaction files back to Oracle Payables, which automatically generates accounting distributions and creates invoices to pay the issuer.
- ❑ P-card purchases approvals can be done either through standard requisition approval in iProcurement and/or after importing transactions in Payables through employee verifications and manager approval in Payables.



Procurement Cards in Oracle Applications



Card Type	Purpose	Approvals & Features
P-Cards – Supplier Type	Issued to supplier for constant recurring purchases e.g. Office Supplies	May require requisition approval through iProcurement and need to create PO (if corporate policy of having a PO for each spend above a dollar limit)
P-Cards – Employee Type	Issued to individual employees often for purchases in field e.g. conference purchases	May still require requisition approval and/or/both procurement card transaction approval in AP
Corporate Cards – Employee Business Expenses	Issued to individual employees only for travel related business expenses	Approvals managed through iExpenses. May have a spend limit and limited T&E related spend only



Challenges

- ❑ P-Cards purchases are limited to expense purchases only (not allowed for inventory and project purchases)
- ❑ Requires implementation of iProcurement with requisition approvals
- ❑ May require procurement card transactions approval
Process in payables
- ❑ PCI Compliance requirements
- ❑ Security and Card issuer liability limitations
- ❑ May require constant credit card program management and employee support

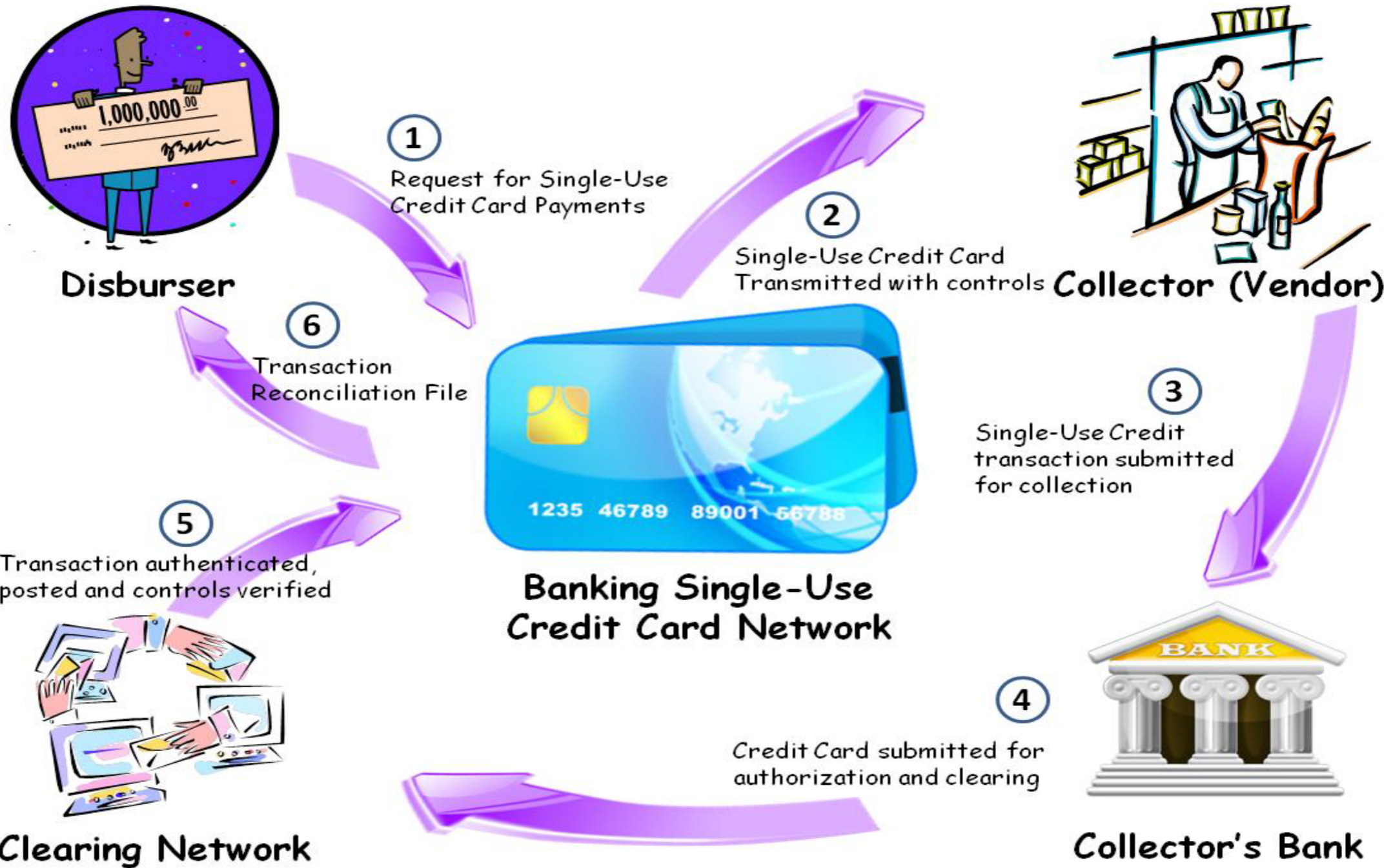
What is Single-Use Credit Card?



- ❑ Single-Use credit card OR substitute credit card number OR one-time use credit card OR virtual credit card number is an alias for a credit card number generated by specialized banking services programs for one-time use only
- ❑ Typically, a single-use credit card has a limit, and a short expiration date from the issue date (typically 30 days)
- ❑ Can only be used with a single merchant for a single transaction for a specific amount
- ❑ This single-use number is indistinguishable from an ordinary credit card number, and the user's actual credit card number is never revealed to the merchant



What is Single-Use Credit Card?



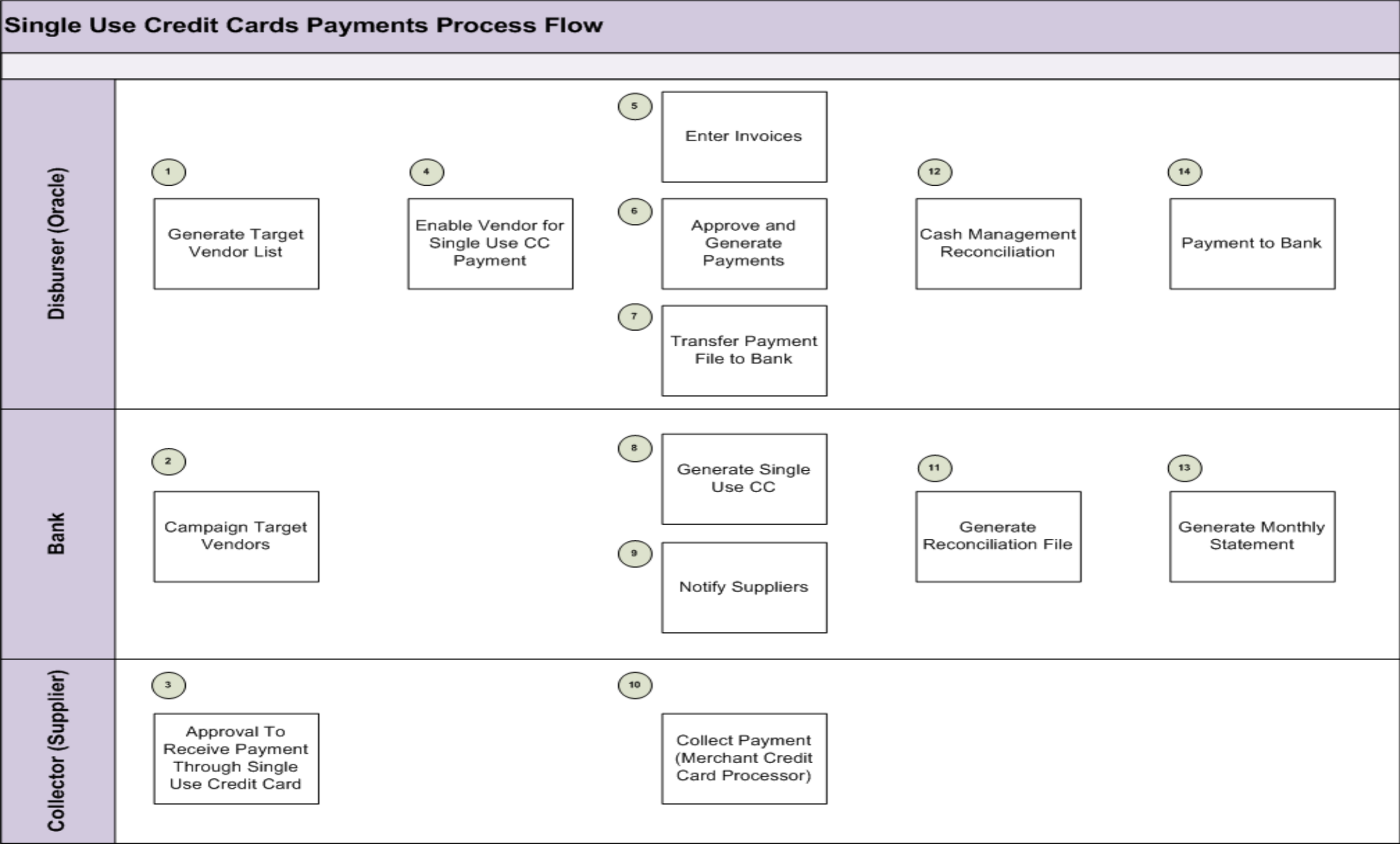
What is Single-Use Credit Card?



Key Features

- Electronic payment method
- No changes to corporate policies and/or approval process
- Minimal changes to current vendor management, invoicing and payment processes
- Increased Float in accounts payable to improve your cash flow
- Earn credit card rebates
- No PCI compliance required
- Flexibility to add approved vendors
- Controls on each individual payment to specific vendor, specific amount and specific timeframe for expiry
- Powerful security and fraud prevention of the commercial card industry
- Full Payment reconciliation

Process Overview



Banking Solutions



- ❑ Most major bank today offers products and solutions for single-use credit card in commercial space.
- ❑ Some of the key banking solutions are:
 - American Express vPayment
 - Citi Virtual Card Accounts
 - JP Morgan Chase Single-Use Accounts (SUA)
- ❑ Functionality and features of the above solutions are quite similar but may require different level of effort in integration with Oracle



Vendor Campaign & Signup



- ❑ Key task but challenging
- ❑ Identify target vendors with Banking Partners help
 - Certain types of vendors, e.g. real state, banks etc., usually do not accept credit cards
 - Certain types of vendors may easily accept credit cards e.g. telecom service providers, monthly coffee/car service providers
 - Vendors may not agree to accept credit cards for high dollar payments
 - Specific vendors may have accepted or rejected prior campaigns to accept credit cards
- ❑ Banking partner may help in communicating, on your behalf, to target vendors to accept credit cards
- ❑ May have to offer favorable payment terms to accept credit card payments. E.g. reducing Net 60 to Net 30 if paid via credit cards.
- ❑ Once the vendor agrees to be paid by credit card, vendor can be setup to:
 - Either signup for banking credit card collector services
 - Or receive single-use credit card numbers through secure email or postal mail



Oracle Integration



- ❑ Bank & Bank Account Setup
- ❑ Vendor Payment Segregation Method
 - 11i – Paygroup or Payment Priority
 - R12 –Payment Method
- ❑ Vendor Details File to Bank
- ❑ Payment File to Bank
- ❑ Payment Reconciliation File from Bank
- ❑ Secure Transmission of Files

Accounting Flow



Transaction	Accounting
Vendor Invoice	Dr Expense OR Accrued Liability Cr AP Trade Liability
Vendor Payments (via Single-use Credit Cards)	Dr. AP Trade Liability Cr. AP Accrual – Single-use Credit Card
Payment Reconciliation (through Cash Management)	Dr. AP Accrual – Single-use CC Pay Cr. AP Liability – Single-use Credit Card
Bank Statement (Invoice) for payment	Dr. AP Liability – Single-use Credit Card Cr. AP Trade Liability

- Balance in 'AP Accrual – Single-use Credit Card' will specify payments made from Oracle but not yet collected by vendors yet (Unclaimed Payments)
- Balance in 'AP Liability – Single-use Credit Card' will specify monies owed to the bank for vendor payments via single-use credit cards. This should reconcile with bank's statements.

Oracle Process Flow



- Vendor Management – No changes except segregation by paygroup, payment priority and/or payment method
- Invoicing – No changes
- Payments – No changes if already outsourced payments to bank
- Payment Voids – No changes
- Reconciliation – No changes if Cash Management is already used

Lessons Learnt



- ❑ Agreeing vendors to accept payment through single-use credit cards was the most challenging tasks.
- ❑ If you have already outsourced payments (e.g. Check Printing, ACH/Wire Payments etc) this could be a good add-on and can help on cash flow
- ❑ Secure connectivity has to be done again, even if you already have secure connection with your bank, as banking platforms are different for single-use credit card payments
- ❑ Setup and development time was minimum however establishing connectivity and multiple rounds of testing took longer
- ❑ Monitor Credit Limit after the account is setup with your banking partner. Thumb rule is minimum should be the two months spend on targeted vendors.



Questions?
Comments?



THANK YOU

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