

State of Washington Annual Pcard Forum

Cheryl Mielnicki, *Relationship Manager, Public Sector*

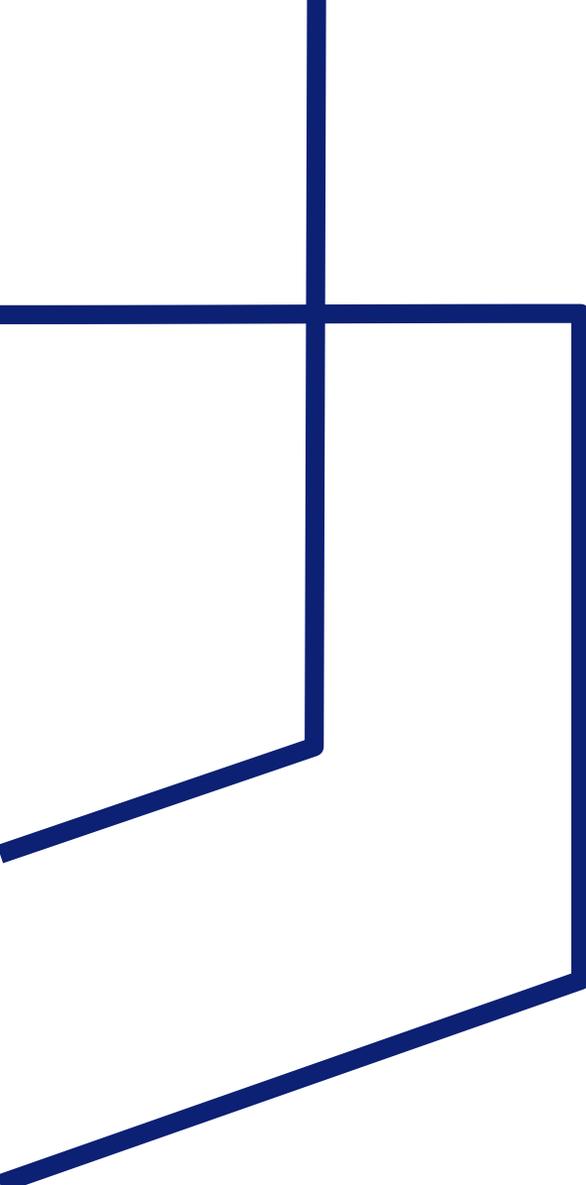
Ryan Schweiger, *VP, Head of Travel and Payables Relationship
Management Public Sector*

Leslie Massey, *APSC, Sales Manager, Public Sector*

October 9, 2018

Conference Agenda

8:00-8:30	Registration
8:30-8:40	Introductions: State of WA Attendees, U.S. Bank Team
8:40-8:55	State Program Review and Contract Updates: Veronica Field, State of WA
8:55-9:05	State of WA Pcard Policies: Jamie Langford, State of WA
9:05-9:30	Performance Review/Rebate/Top 20 for 2017/DIRP: Cheryl Mielnicki, US Bank, Ryan Schweiger, US Bank
9:30-10:00	Program Optimization: Mike Berre, US Bank
10:00-10:15	Break
10:15-10:45	Visa Card Industry Updates, Orson Morgan, Visa
10:45-11:15	Fraud: Ryan Schweiger, US Bank
11:15-12:00	Card Overview/Payment Plus: Leslie Massey, US Bank
12:00-1:15	Access Online Enhancements/Roadmap/Amazon Business: Meg Wood, US Bank, Ryan Schweiger, US Bank
1:15-3:00	Lunch Break
	Power Users Pcard Best Practices Panel: JoAleen Ainsley, City of Tacoma, Kelly Hunsaker, King County, Maya Black, WA DSHS, Kevin White, WA DOT



Program Review

Cheryl Mielnicki, *Relationship Manager, Public Sector*

October 9, 2018

Performance Review

- Calendar year 2017
 - Year over year performance
 - 2017 Rebate
- Top 20 participants

Year Over Year Performance

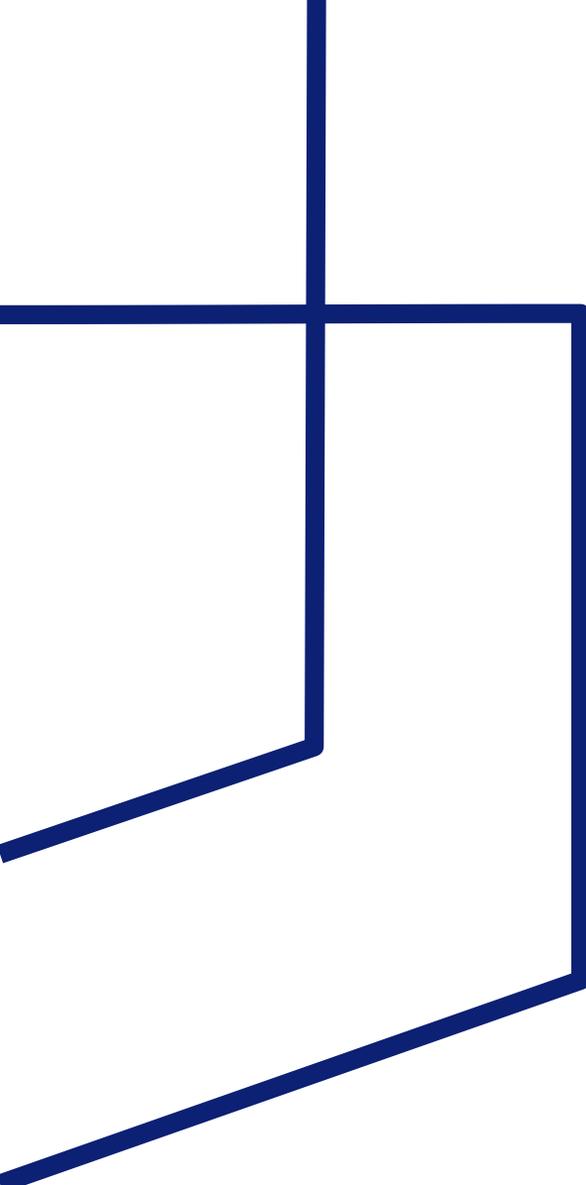
	2016	2017
Total Spend	\$477,410,054	\$520,644,447
# of Transactions	1,410,179	1,480,899
Avg Trans Size	339	352
Avg Spend/Acct	15,704	15,537
Active Accounts	14,593	15,410
Total Accounts	30,401	33,511
File Turn Days	24	25
Write Offs	9,384	9,088
Fraud	116,038	119,281

2017 Rebate

- The Rebate for all agencies totaling \$8.4MM with over 480 participating agencies/poli-subs
- Tracking to exceed that rebate for 2018
- Year over year for the first 7 months shows an increase of over \$9MM in volume
- The Year Over Year Rebate shows an increase of almost 10% over 2016

Top 20 Agencies/Poli-sub for 2017

Agency Duns Name	Annual Rebate Total 2017
King County [Washington]	\$ 1,123,464.28
Washington State Department of Transportation	\$ 891,996.50
Washington Department of Social & Health Services	\$ 668,475.37
Tacoma School District No. 10	\$ 369,378.34
Tacoma (City of)	\$ 333,247.22
Washington Military Department	\$ 219,373.07
Washington State Department of Corrections	\$ 186,702.64
Washington Department of Fish and Wildlife	\$ 182,516.22
Spokane County, WA	\$ 153,693.28
Washington State Parks and Recreation Commission	\$ 149,757.62
Washington State Department of Enterprise Services	\$ 140,611.81
City of Spokane	\$ 103,658.89
Seattle Community Colleges	\$ 101,534.88
Washington State Department of Health	\$ 101,331.16
Olympia School District No. 111	\$ 99,530.27
Renton School District No 403	\$ 97,292.87
Pierce County	\$ 95,872.34
Puyallup School District No. 003	\$ 95,040.30
Bellevue (City of) [WA]	\$ 93,342.11
Auburn (City of)	\$ 91,843.49



U.S. Bank's Program Optimization Service

State of Washington – Annual Forum

Mike Berre, *Virtual Payments Consultant, US Bank*

October 9, 2018

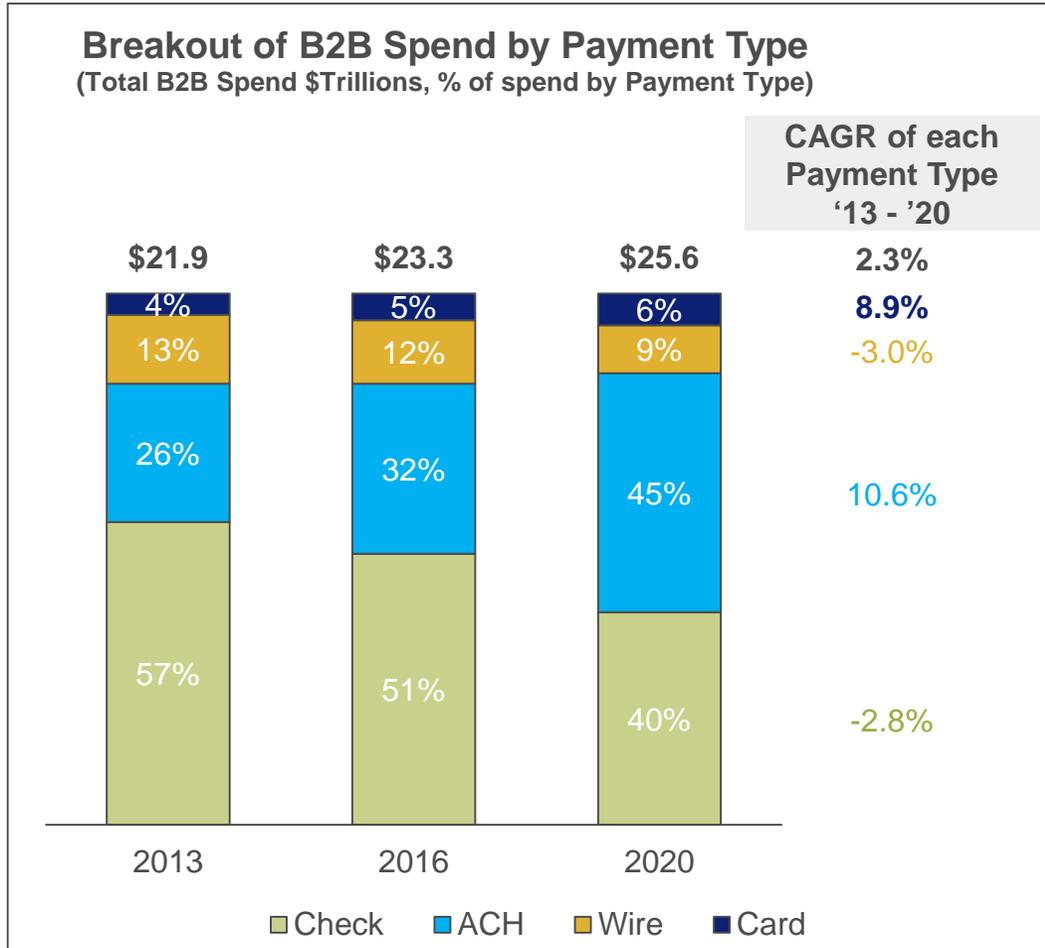
Today's Discussion

- Overview of B2B payment trends
- Virtual card's role in card growth
- Virtual cards explained
- U.S. Bank's program optimization service
- Update on recent program optimization enhancements



B2B Payment Trends

B2B payment trend shows growth for cards

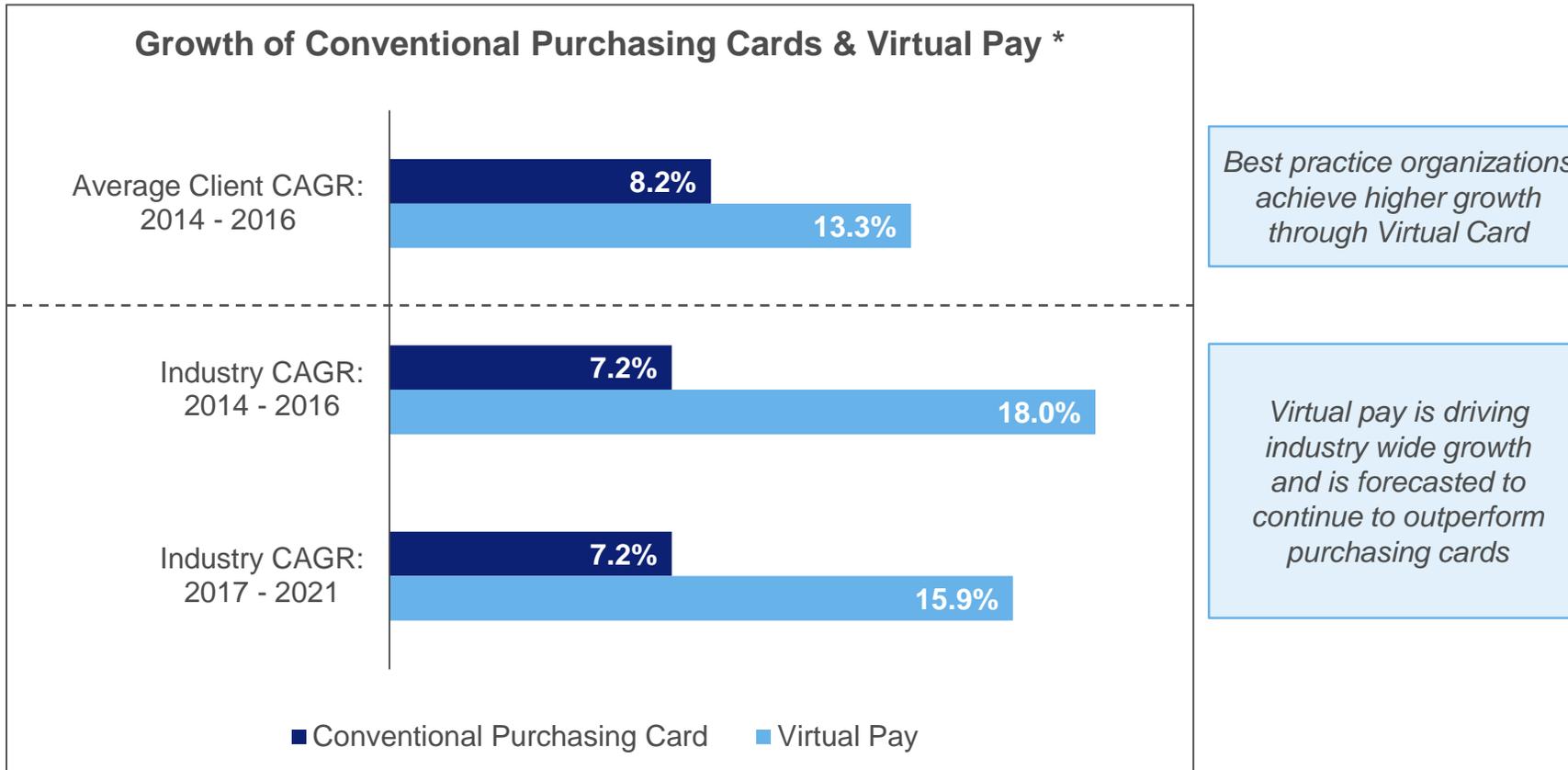


- B2B card spend will continue to see significant growth through 2020 as checks continue to be displaced
- Spend on B2B cards has evolved from using cards for T&E and small dollar office purchases to being a vehicle for invoice payments
- Virtual cards emerged to further enhance the benefits of traditional purchasing and ghost cards

Sources:
B2B Spend by Payment Type: "Packaged Facts" – November 2017, Visa, NACHA, Credit Research Foundation, U.S. Bank analysis
Nilson reports, First Annapolis consulting, U.S. Bank analysis

Virtual cards are driving this growth

Continued card growth is mainly driven by the use of virtual cards, which also leads to higher average client spend



* Source: RPMG: 2017 Purchasing Card Benchmark Survey Results, August 2017



Virtual Cards Explained

What is a virtual card?

- A virtual card is a purchasing card without plastic
- It is a unique single-use 16-digit account number
- It's assigned to one payment and one supplier
- An email is generated and sent to supplier at time of payment
- Your current procurement process is unchanged, only the payment method changes



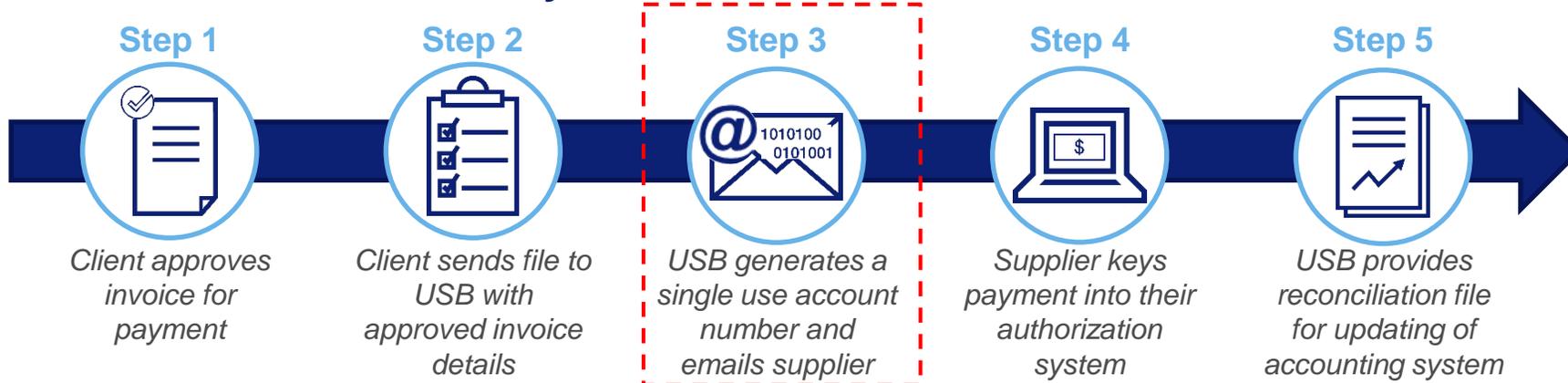
What is a virtual card?

A virtual card is Pcard without the plastic

A Purchasing Card Invoice Payment



A Virtual Card Invoice Payment



The benefits of virtual cards

Virtual cards simplify and streamline the payment process while providing built-in fraud controls

PROCESS EFFICIENCIES



- Manual check payments are eliminated
- Calling merchants to make card payments is eliminated
- Reconciliation data can be imported into your ERP

FRAUD REDUCTION



- Unique number assigned to every payment can't be reused
- Card limit set to payment amount
- Single use account numbers expire
- Elimination of cards kept on file reduces fraud risk

Process efficiencies

Virtual cards reduce the cost, steps and time for a client and merchant to pay an invoice with a check



* Source: 2015 AFP Payments Cost Benchmarking Survey

What it takes to implement virtual cards

Implementing a virtual card program is made up of 3 key steps





U.S. Bank's Program Optimization Service

Recent Program Optimization Enhancements

U.S. Bank is productizing the program to improve the service and deliver best in class insights and analytics



**More
Powerful
Data**

- Significantly increased vendor matching capabilities
- Expanded data to improve benchmarking and scorecards



**Streamlined
Analysis**

- Easier to understand data
- Financial return explained simply
- PowerPoint can be used with internal stakeholders

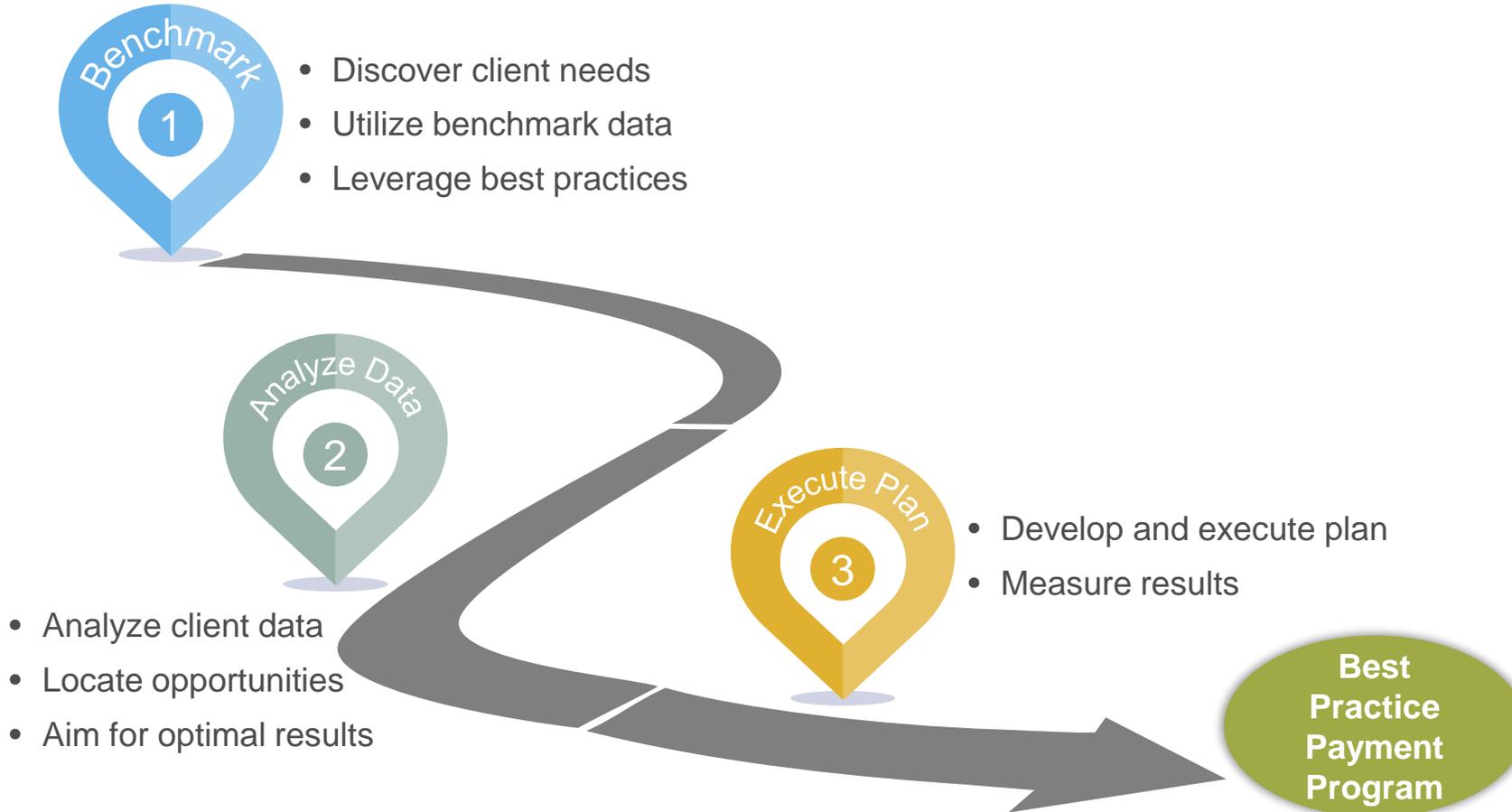


**Results
Measurement**

- Visibility of optimization results for tracking and stakeholder updates
- Ability to see when growth has leveled off and a refresh is needed

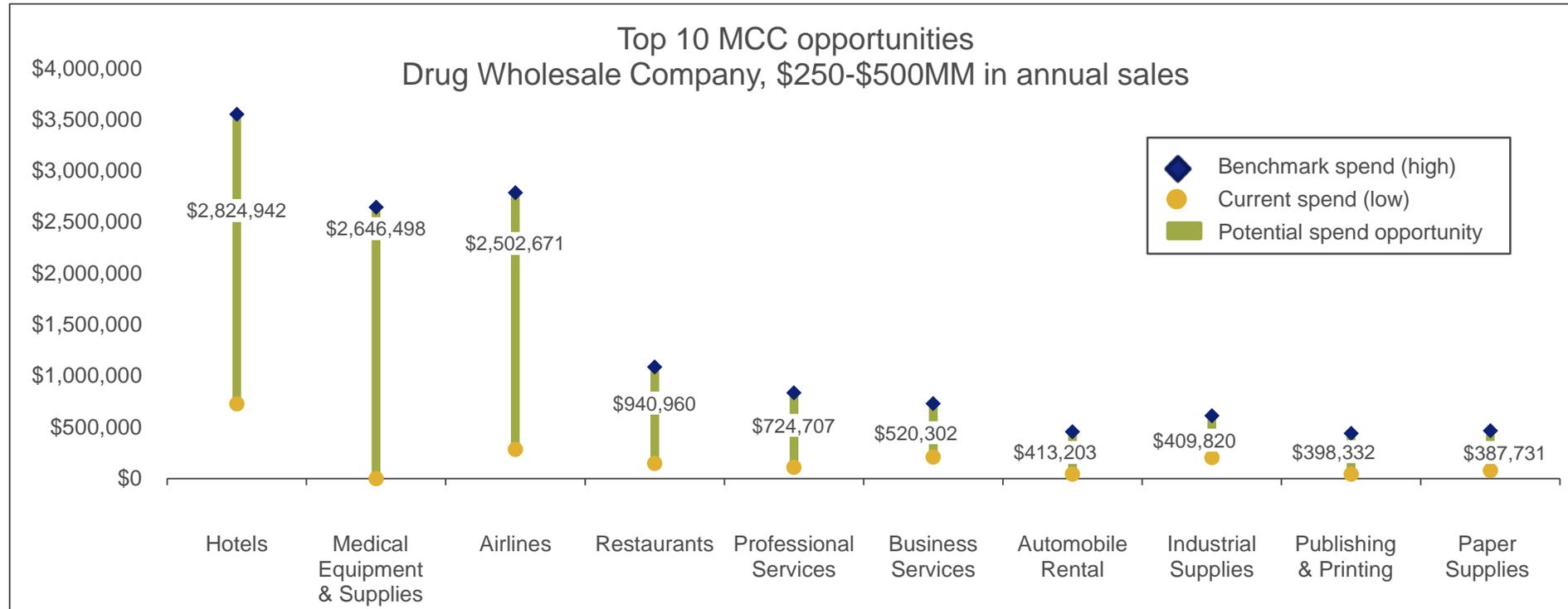
U.S. Bank's Program Optimization Service

We have a team of dedicated product and data experts to help our clients identify, target and achieve best practices



Benchmark

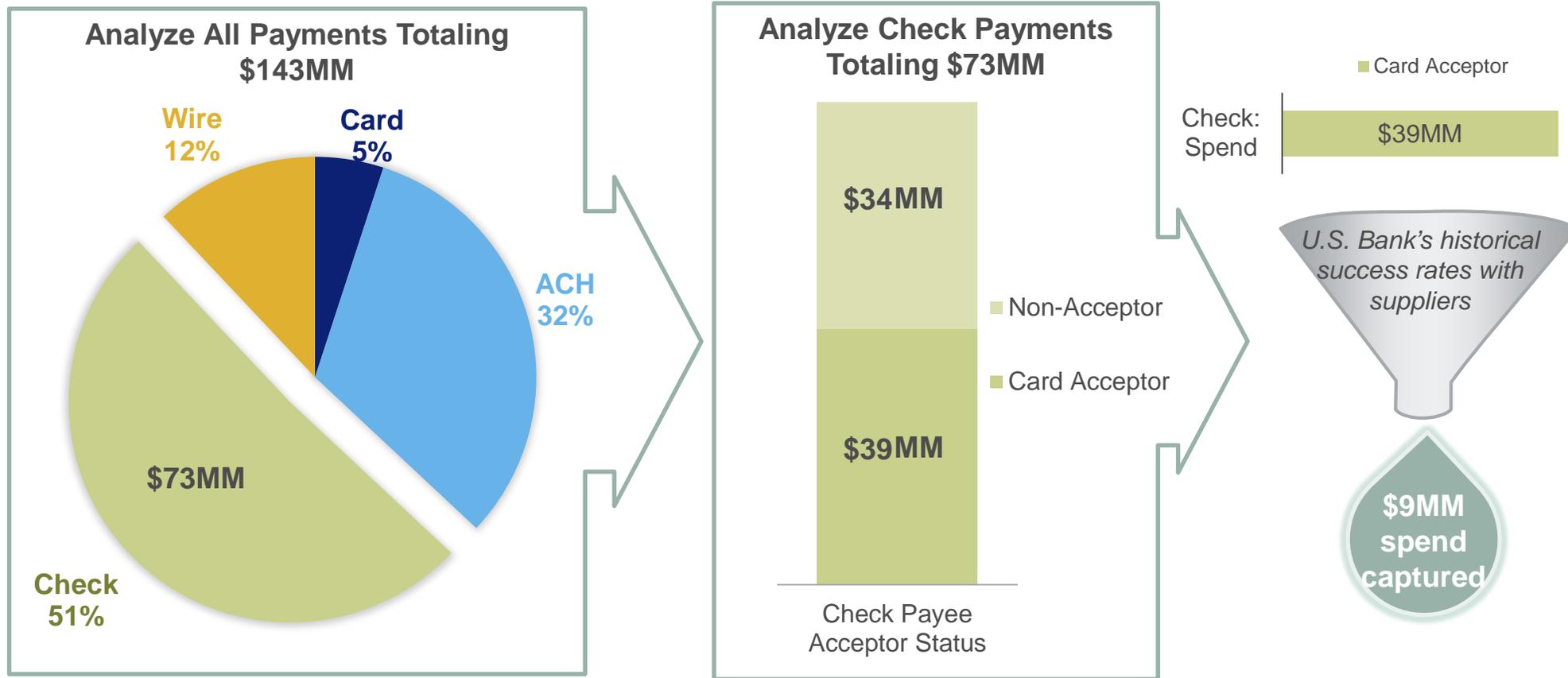
U.S. Bank participates in industry wide benchmarking to identify trends and help clients leverage best practices (example below)



Spend opportunity defined by determining how much each company would spend if it were to reach the industry segment average within each MCC

Analyze data

Our data analysis looks to isolate opportunities to move away from inefficient processes such as paper checks



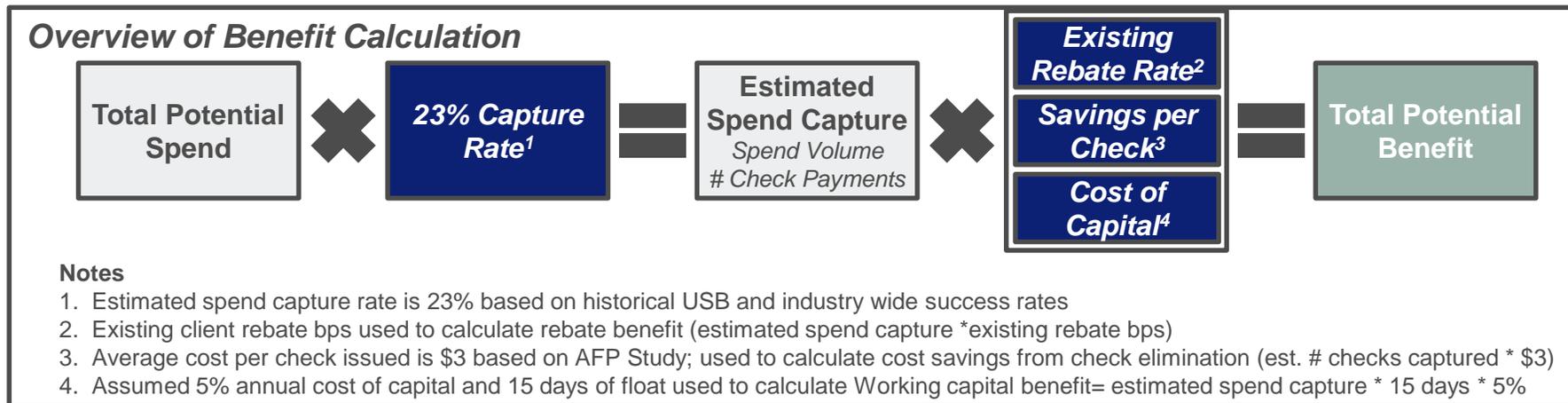
ACH payments going to card acceptors could be targeted in a future phase

Aim for optimal results

Listen > Analyze > Measure > Evaluate

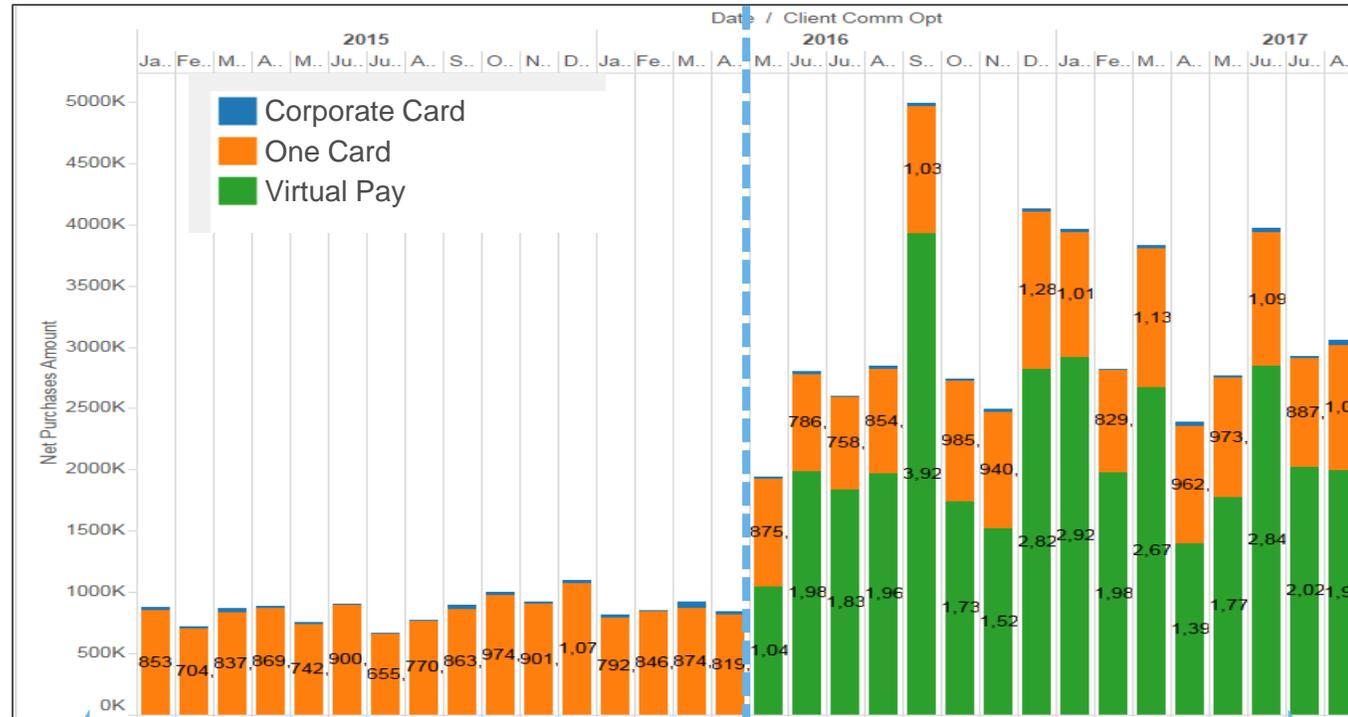
Optimizing your U.S. Bank program could yield benefits up to \$120K

Option	Total Potential Spend	Estimated Spend Capture	Estimated Captured Check Payments	Rebate Benefit	Cost Savings from Check Elimination	Working Capital Benefit	Total Potential Benefit
Virtual Card Program	\$39,000,000	\$8,700,000	803	\$99,692	\$2,409	\$17,844	\$119,945



Measure results

We measure and report optimization results so that clients can track progress and share it with their internal stakeholders



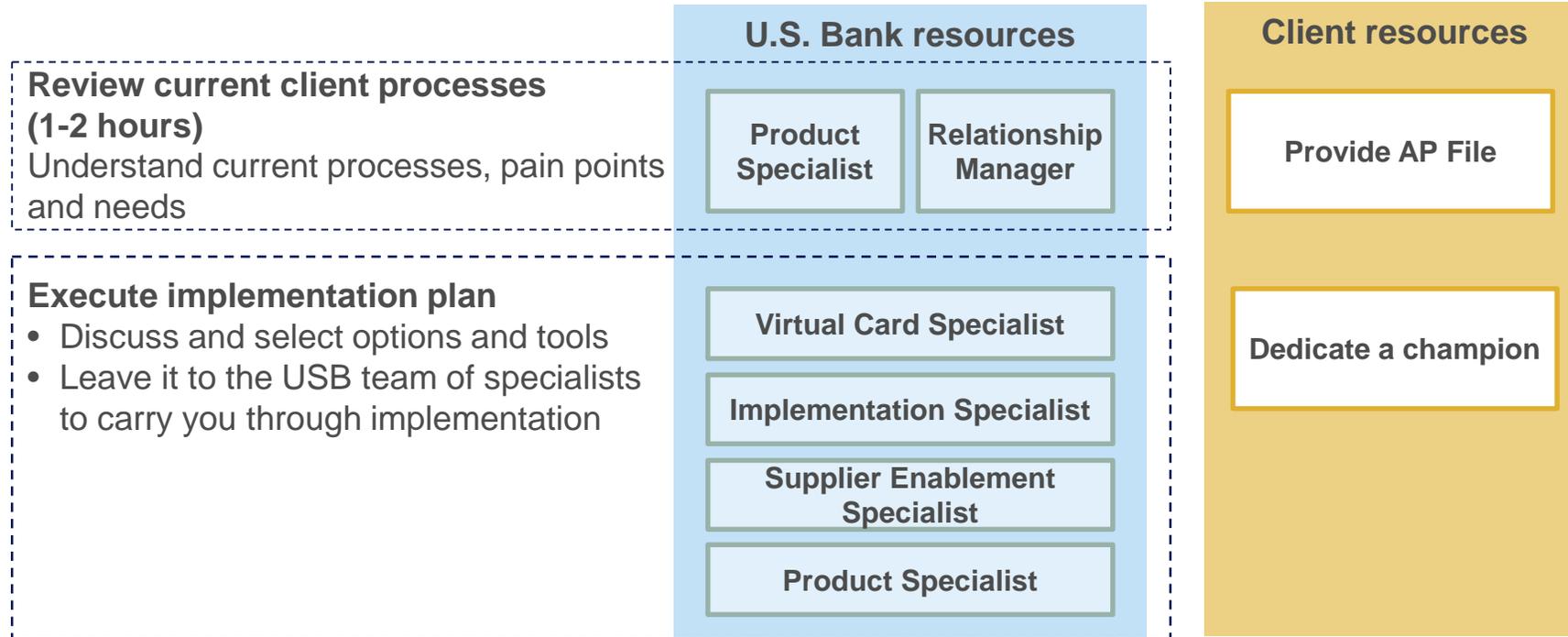
Spend before optimization
\$13,804,987

Spend after optimization
\$50,268,321

This example shows spend increased \$36,463,334 over 16 month period

Let U.S. Bank's team of experts lead the way

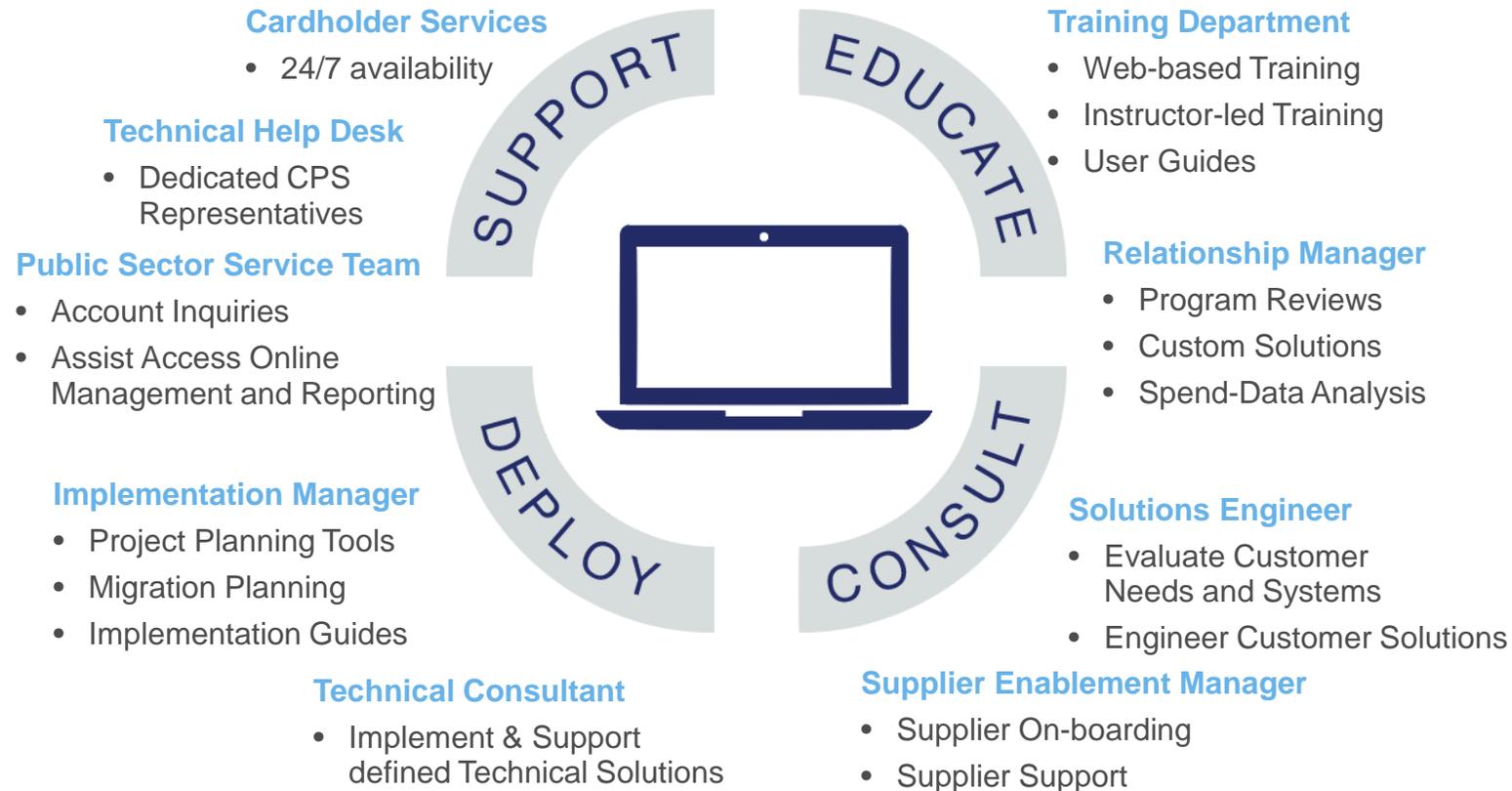
A payment file is all it takes to size the potential opportunities in your current program



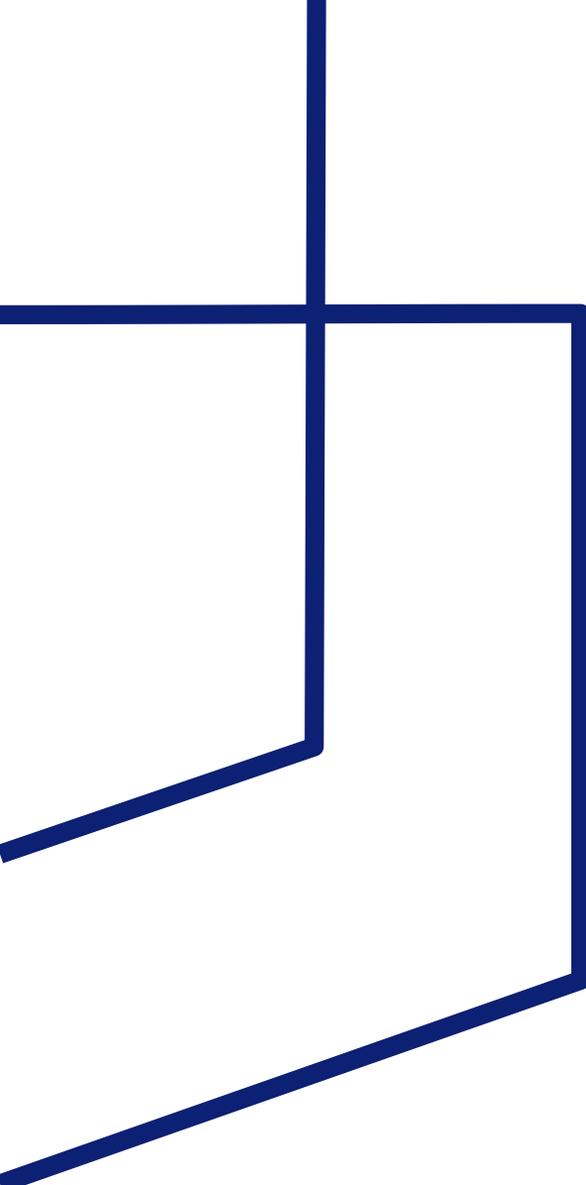
Contact your U.S. Bank commercial card relationship manager or account coordinator to get started

Program Support

Customized support includes comprehensive, ongoing client services through all phases of the product lifecycle



Note: Service capabilities, features, availability and schedules are subject to change at U.S. Bank's discretion



Visa Card Industry Updates

Orson Morgan, VISA

October 9, 2018





Break





Fraud essentials for your card program

What you need to know and actions to help prevent it

Ryan Schweiger, RVP, US Bank

October 9, 2018

Agenda

- Defining card fraud
- Fraud trends
- Defending against fraud
- Fraud case lifecycle
- Fraud prevention best practices

Defining card fraud

What is fraud?

- Unauthorized transactions by an unknown third party
 - Obtaining services, credit, or funds by misrepresenting identity or information

What is not fraud?

- Use by a friend or family member
 - “My 16-year-old son took the card from my wallet and spent \$200 at the mall.”
- Employee abuse
 - “A cardholder in my program used his corporate card to pay his utility bill.”
- Merchant error/disputed transactions
 - “My purchase was \$42, but the merchant billed me for \$420.”
- Inability to pay



Fraud trends

EMV impact on card not present (CNP) fraud



- CNP fraud is the main driver behind accelerating fraud activity in the U.S.
- Data compromises continue at a high rate and drive both card present and card not present fraud.

Prevalent fraud trends



Cyber attacks

Techniques including the use of malware to gain access to a targeted computer for purposes of obtaining personal information



Merchant compromise

Credit card information is intercepted as it is communicated from merchant to issuer



Data phishing

Fraudsters attempt to obtain personal and credit card information via deceptive emails and websites

Account take-over fraud

An emerging trend

- Data from merchant and personally identifiable information (PII) breaches combined in an attempt to take over an account
- With this information attempts can be made to order new cards to an alternate address for fraudulent use
- In some instances information is used to remove fraud blocks/protection if account is being declined





Defending against fraud

Existing cardholder fraud protection

Near time rules – Card Guard

Real time rules – ADS I/II

Fraud risk score models

Industry leading fraud tools

Up to date cardholder data

Fraud alerts

Travel Tag for authorizations

Mass compromise automation

3D secure authentication



Fraud protection initiatives



One-Time Passcode (pilot)

- Representative sends passcode to mobile number
- Cardholder uses passcode for select actions to be taken on the account



FeatureSpace (proof of concept)

- Intuitive tool that continuously evolves based on account spend patterns



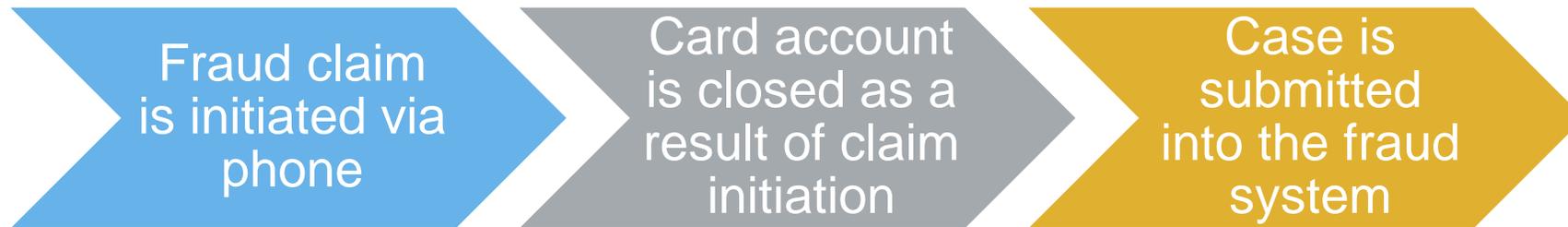
Geolocation (researching)

- Mobile network geolocation identifies the location of a cardholder's mobile phone



Fraud case lifecycle

What happens if fraud is confirmed?

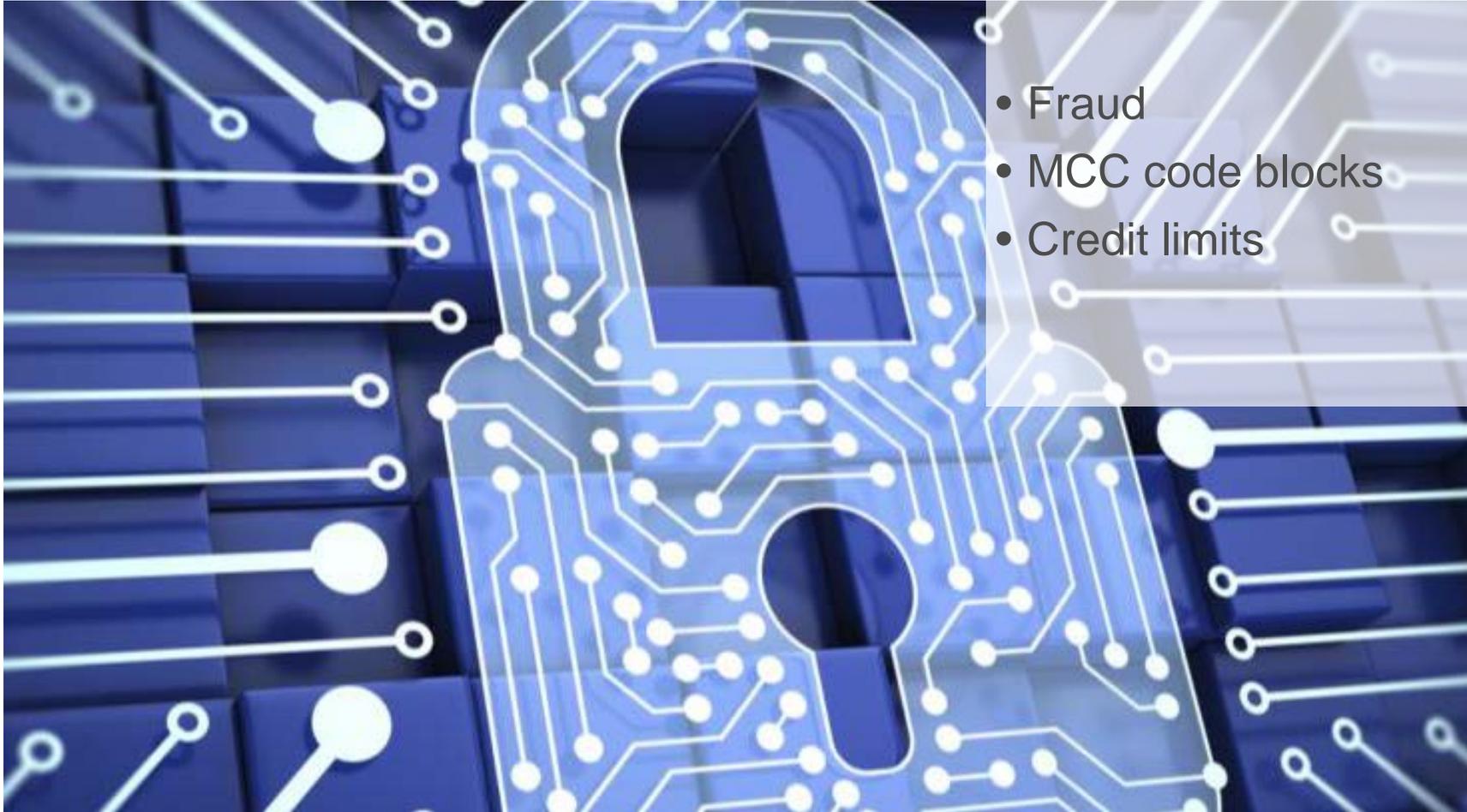


Any follow-up questions are directed to Fraud Solutions team



Fraud prevention best practices

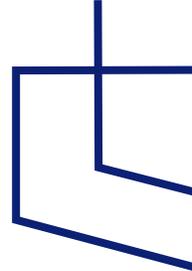
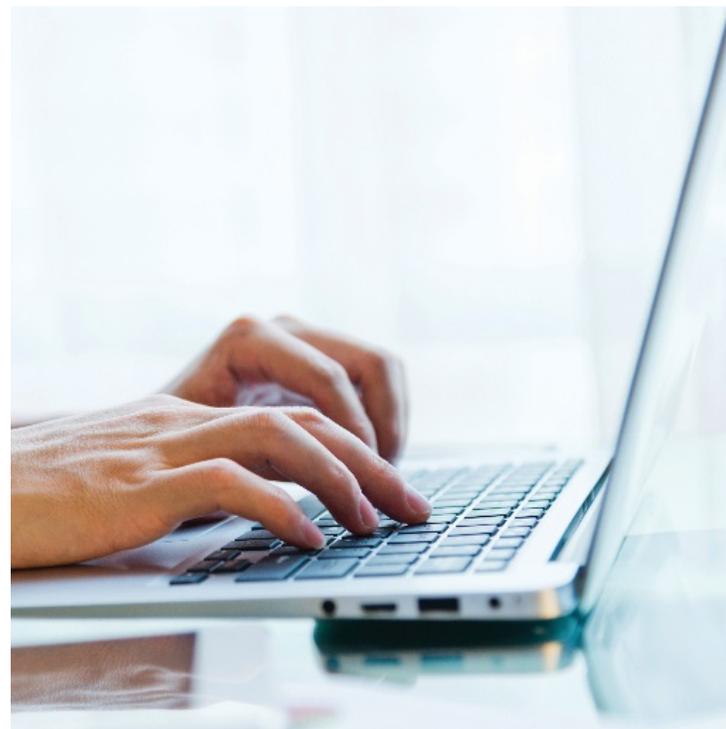
Authorization and decline management





Program administrator best practices

- Keep records current and mind how card data is stored and destroyed
- Manage charging privileges and review spending frequently
- Schedule fraud/transaction reports
- Educate cardholders and communicate policies frequently
- Report unauthorized activity immediately



Cardholder best practices



- Sign cards immediately
- Reconcile charges frequently
- Report questionable charges or lost or stolen cards immediately
- Keep address information current with account information on file
- Protect the account number at all times
- Sign up for fraud alerts



Questions



U.S. Bank Corporate Payment Solutions

Leslie Massey, APSC, *Western Region Sales Manager*

October 9, 2018

Agenda

- How to set up a new card program
- Card programs available under State of WA Contract
- Payment Plus overview
- Questions



New Card Program Set Up

State of WA - New card account set up

Required Documents:

1. NASPO Political Subdivision Addendum
2. RTP Form
3. CIQ

Current documents can be found on the DES site:

<https://des.wa.gov/services/contracting-purchasing/purchasing/purchasing-card-travel-card-and-one-card>

U.S. Bank – A Leader in Corporate Payments

- Introduced first commercial bankcard in 1989
- Largest commercial card provider to the Federal Government
- Purchasing Card
- One Card
- Corporate Card
- Online Portal – Access Online



U.S. Bank Purchasing Card

Flexibility

- Corporate Liability
- Multiple card controls configurable at the cardholder level
- Ghost and virtual account options
- Managed Spend (Declining Balance)
- Card customization options
- Visa Liability Waiver Insurance



U.S. Bank One Card

Combines the benefits of Travel and Purchasing cards into one card

- Corporate Liability
- Travel insurance benefits
- Controls
 - Limits / MCC Blocking / Single Purchase Limits
 - Velocity controls
 - Multiple templates



Emergency Card

Definition:

Purchasing cards used when systems and facilities are unavailable, or dispatching personnel to assist others during emergencies, such as hurricanes, floods, fires, power outages and other crises.

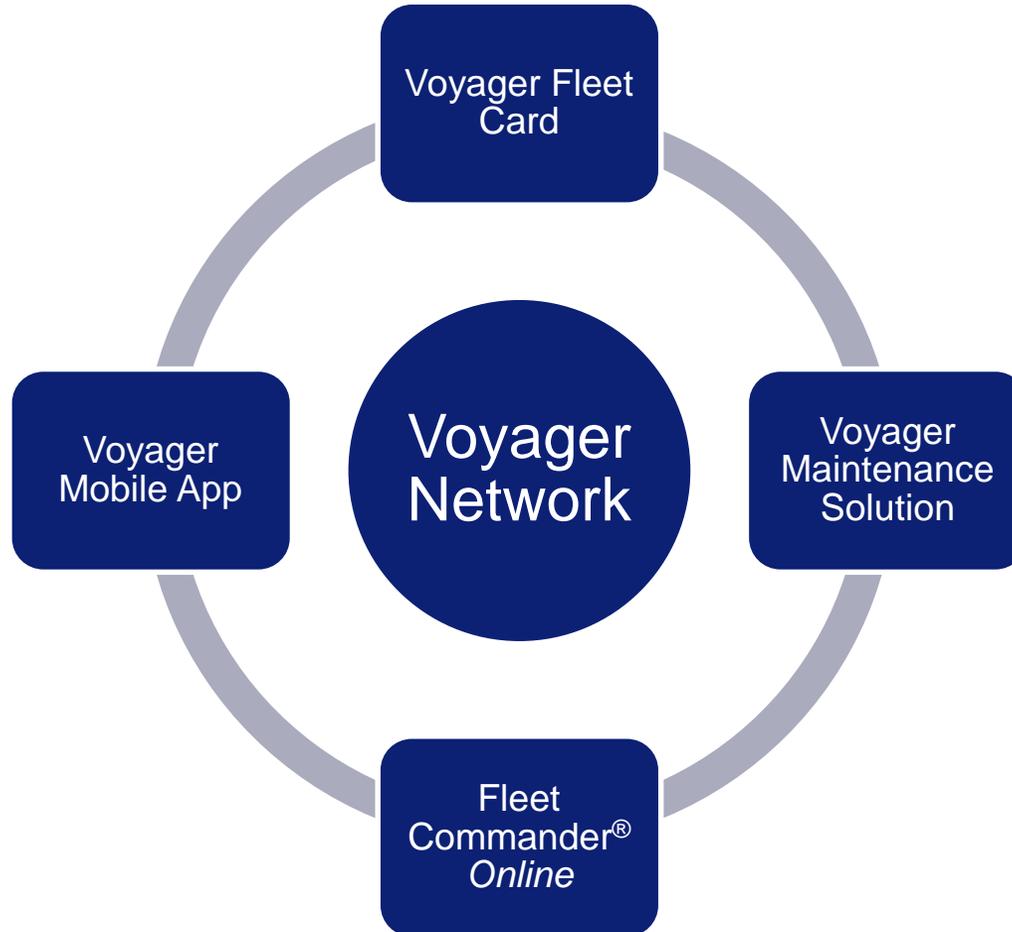
Extended Timeline:

Emergency response cards will remain active without any transactional activity for up to four years, throughout the life of the card.

Emergency Support Cards Support:

- On-demand payments or unexpected expenses at headquarters, satellite offices and field locations
- Remote employee purchasing needs at disaster recovery hot sites
- Emergency response team expenses

Voyager Program Suite



**More vehicles. More locations.
One program.**

Voyager Network

- Gain nationwide acceptance
- Collect robust level III data
- Access a variety of retail and private sites

Voyager Fleet Card

- Obtain a single-card solution for every type of fleet
- Purchase fuel, maintenance and services
- Contact customer service 24/7

Voyager Mobile App

- Pinpoint locations and plan routes
- Share notes about merchants via social media

Voyager Maintenance Solution

- Integrate maintenance expenses and fuel purchases with one solution
- Obtain enhanced visibility, data and controls
- Centralize program and billing

Fleet Commander® Online

- Manage the entire program with one program management and reporting tool
- Establish customized controls and real-time alerts

Access[®] Online Functionality

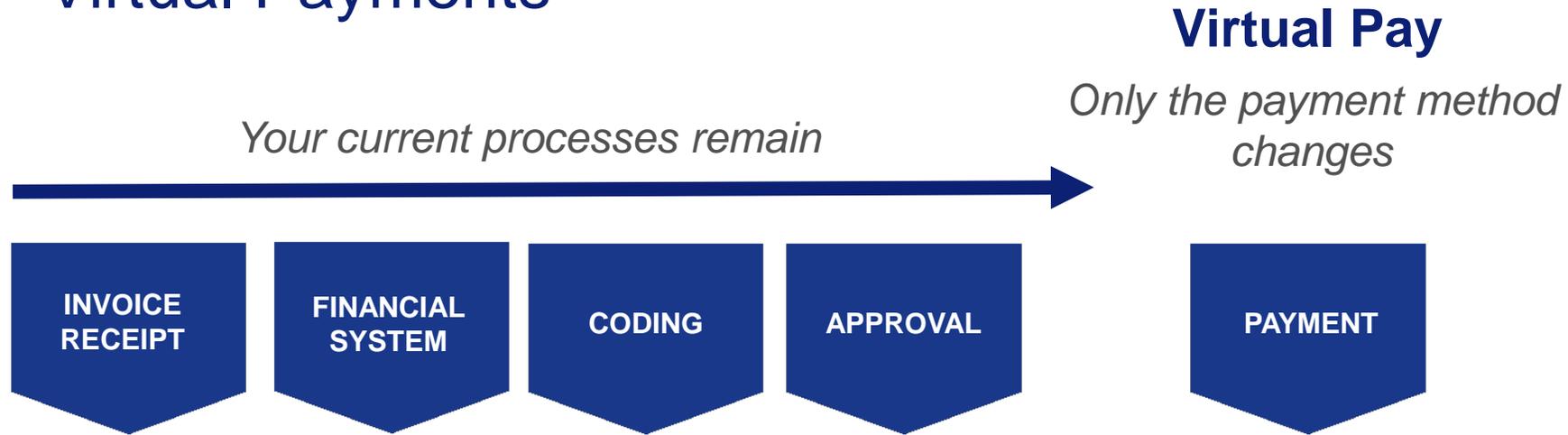
Administrators, managers and cardholders can easily access tools via the Internet, in real time, for completely “paperless” card administration





Virtual Payment

Virtual Payments



BUYER BENEFITS

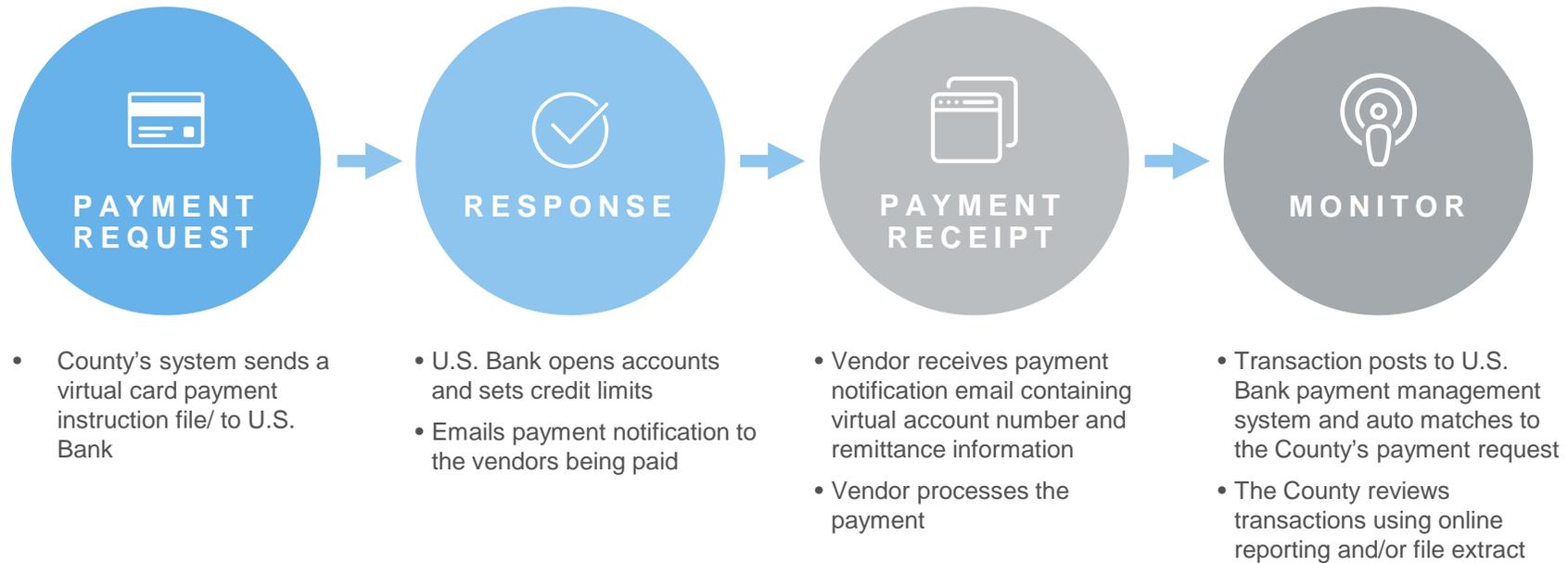
- Fully automated payment and reconciliation
- Eliminates check processing costs & fraud risks
- Potentially increase cash float 15-25 days

SUPPLIER BENEFITS

- Improves cash management by reducing Days Sales Outstanding
- Electronic payment/Reduce paper
- Improved reconciliation
- Strengthens customer relationships

Virtual Payments

HIGH LEVEL PROCESS FLOW



Supplier Enablement



Payment Plus Transaction

To: David.Jones@XYZSupplierCompany.com
CC: John.Smith@ABCBuyerCompany.com
Date: 1/14/2013 12:00 PM
Subject: Payment Authorization 123456 from ABC Buyer Company

Payment Authorization Notification

Supplier Name: XYZ Supplier Company
*Supplier ID: XYZ-55555

A payment for \$1500.00 has been authorized by ABC Buyer Company to be paid using a One Time Card Account.

Please process the following payment no later than 2/2/13:

Card Account:	Total Amount:	Payment Number:
xxx-xxx-xxxx-2675	\$1500.00	123456

*Payment Notes: Please process this payment no later than 2/2/13.

Payment Processing Instructions:

1. Contact ABC Buyer Company before processing if you have questions regarding remittance details or the total amount specified.
2. To receive the remaining card account information click on or copy and paste the below link into your web browser address field:
https://saa.accessonline.com/xxxxxxxxxxxxxxxxxx=en_us (Note: live link removed for security reasons.)
3. Log in by entering the last four digits of the account number, 2675, and the credential text previously provided to you. Note: Log in is only allowed one time.
4. Select the Card Security Code button to receive an email with the CVC2/CVV2 code if needed to process the payment.
5. Process the full payment amount of \$1500.00 in a single transaction.
6. Include the Payment Number of 123456 in either the Purchase ID or the Customer Reference Indicator (CRI) field, if available, when processing this payment.

***Invoice Information:**

Invoice Number	Amount	Date	Tax
111111	\$1000.00	12/31/12	\$58.90
999999	\$500.00	12/31/12	\$29.45

Questions?
For remittance information, please contact ABC Buyer Company.
For payment processing questions, please contact:
PaymentPlus@access-online.com
855-268-5386

The following is required to retrieve the full 16-digit account number:

- Supplier portal URL
- Last four digits of the card account
- Credential information (as determined by the buyer)

Supplier Enablement Reporting

Supplier Enablement Summary:

	Total Contracted Suppliers	Enrolled Suppliers	% of Targeted Suppliers
Contracted Pool of Suppliers	284	157	55%

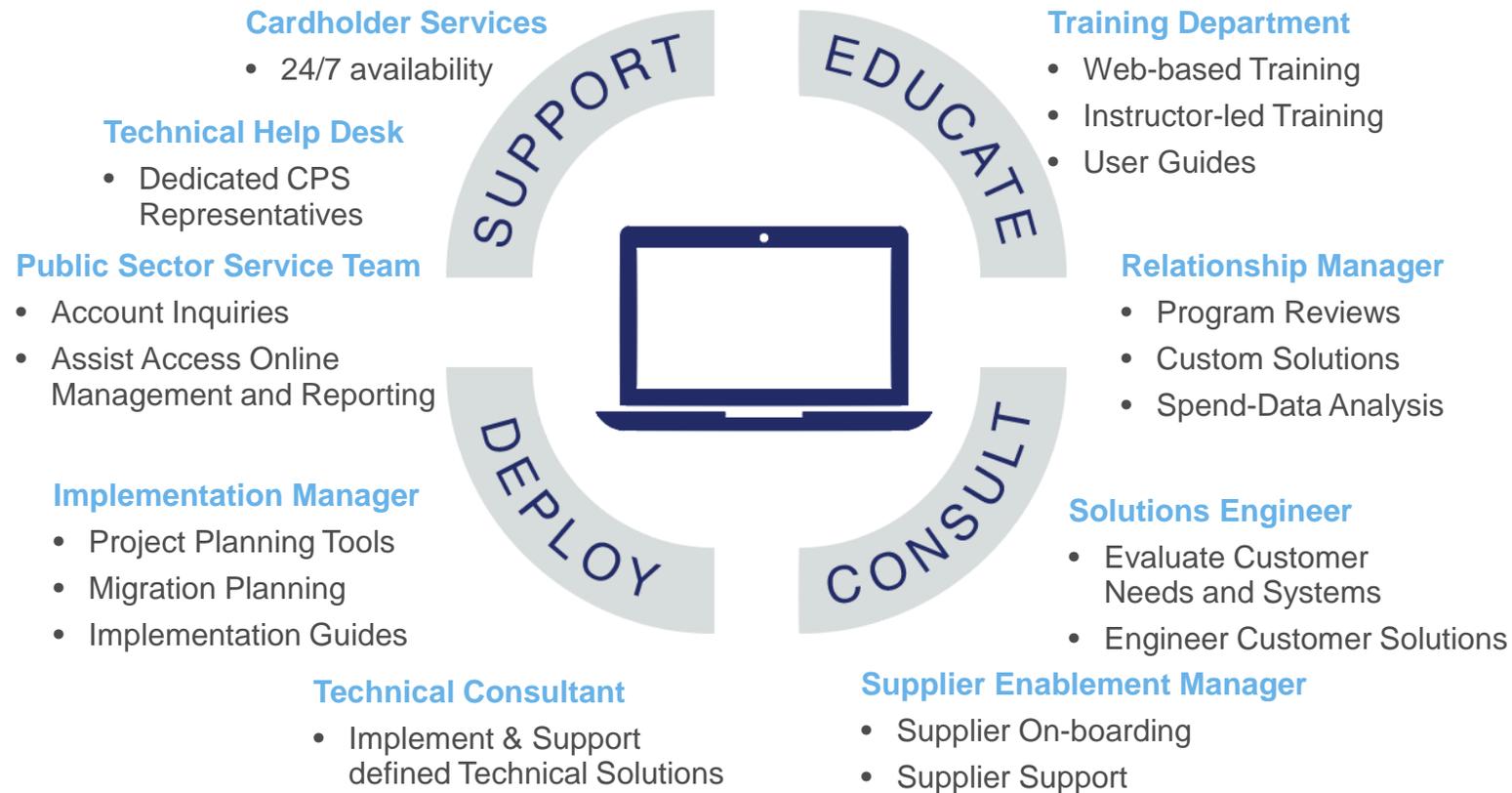
Enablement Status	# Suppliers	% Suppliers	Transaction Count	% Trans Count	\$ Spend	% \$ Spend
Total Targeted Pool	284	100%	-		\$ 130,499,060	
Enabled Suppliers	129	45%	-	-	\$ 36,523,089	28%
Enabled Suppliers - Manual Pymts	28	10%	-	-	\$ 15,792,075	12%
Does Not Qualify / Not Card Accepting	0	0%	-	-	\$ -	0%
Removed / On Hold	1	0%	-	-	\$ 85,770	0%
Recruiting	12	4%	-	-	\$ 4,081,005	3%
Verbal Commitment	0	0%	-	-	\$ -	0%
Drop-Out	0	0%	-	-	\$ -	0%
Buyer Action	114	40%	-	-	\$ 74,017,122	57%

Buyer Action Summary:

Need More Information	15	13%
Declined to Participate	84	74%
No Business with Buyer	0	0%
Question for Buyer	1	1%
Unresponsive	14	12%
Suppliers on Buyer Action	114	

Program Support

Customized support includes comprehensive, ongoing client services through all phases of the product lifecycle



Note: Service capabilities, features, availability and schedules are subject to change at U.S. Bank's discretion

Recent Implementations

King County

- 65 MM projected spend opportunity
- 300 projected suppliers to be onboarded
- Estimated rebate: \$990,000

City of Tacoma

- 10 MM projected spend opportunity
- 70-80 projected suppliers to be onboarded
- Estimated rebate: \$180,000

How to get started?

- AP vendor file to analyze
 - Recommended AP file volume 50MM+
- Share analysis results with the client
- Increase credit line
- Add Payment Plus functionality to Access Online site
- Set timeline to begin campaign



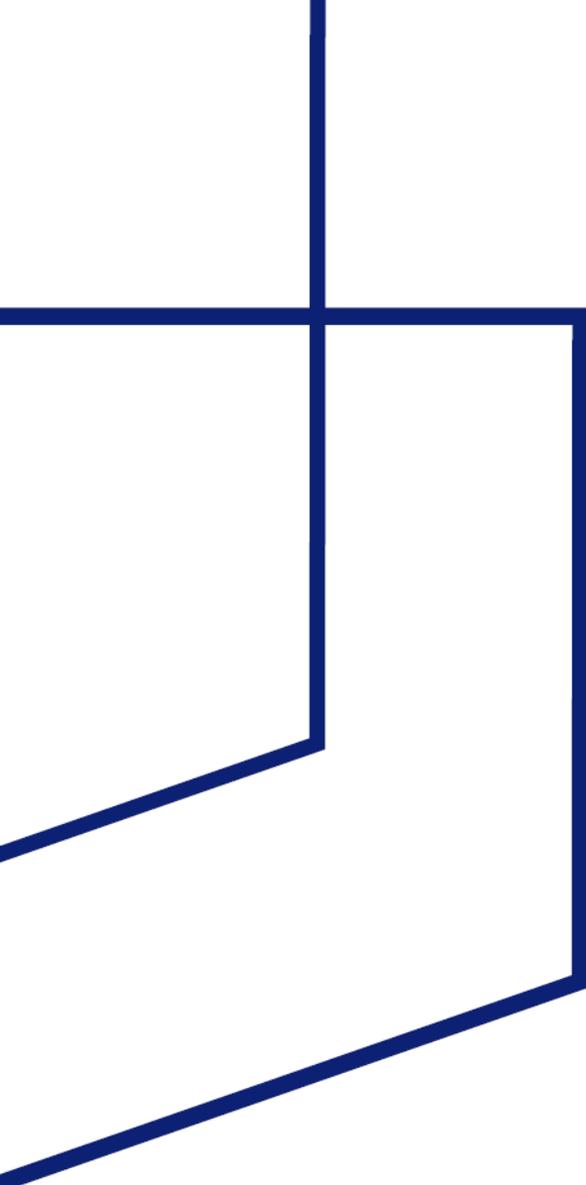
Questions?

leslie.massey@usbank.com

805-591-7255



Break for lunch



Power Users Pcard Best Practices Panel

JoAleen Ainslie, *City of Tacoma*

Kelly Hunsaker, *King County*

Maya Black, *WA DSHS*

Kevin White, *WA DOT*