

# Purchasing Cards Offer Protection Against the Storm

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None of us will soon forget the images of the extraordinary hurricanes we've seen in recent years. During the 2004 and 2005 hurricane seasons, Hurricane Katrina, the largest natural disaster in this nation's history, decimated coastal Mississippi and Louisiana, and a series of back-to-back hurricanes devastated Florida and the Gulf Coast. Reconstruction is just part of the challenge facing state and local government agencies. In the midst of the hurricanes, state and local agencies need to pay for critical goods and services to aid the response and recovery effort.

During emergencies, time is of the essence. Relying on normal procurement processes such as vendor set-up, purchase orders, invoices and payment by check, becomes ineffective.

In recent years, purchasing cards have been used extensively by state and local governments as a principal payment tool for purchasing goods and services for disaster recovery. Here's why:

- Emergency cards can be issued on demand, and credit limits quickly raised as appropriate and needed, providing immediate access to funds needed for emergency purchases.
- Emergency purchases can be made securely on the spot, with no need to invoice vendors.
- Cards are widely accepted and can be used to do business with an expanded vendor base, including out-of-state suppliers.

- Trusted payments brands validate the card user to the vendor and assure payment, often within 24-72 hours versus 60-90 days for invoices.
- Payment by card can be used to negotiate early payment discounts for large-dollar expenditures, reducing reconstruction costs.
- Detailed transaction reporting provides better control over emergency spending and simplifies audits for post-emergency spend analysis, providing useful insight for future disaster recovery planning efforts.
- Card program online reporting tools streamline the preparation of federal and state disaster recovery grant applications and insurance claims.

After Hurricane Katrina hit, the Department of Environmental Quality, which helped direct search, rescue, recovery, and clean-up work, immediately raised card limits and eliminated bid solicitation requirements for emergency purchases. The department raised the single purchase limit to \$3,000 and the monthly spending limit to \$10,000 for primary users, and single purchase limit to \$5,000 and the spending limit to \$25,000 for procurement personnel. The purchasing card program administrator was able to lift certain merchant category code (MCC) blocks to accommodate the range of items and services that needed to be purchased. All of this was accomplished very

quickly simply by phoning the commercial banker that issued the cards.

According to Dorene Bloodworth, procurement director for the DEQ, "Without purchasing cards, we would have had to resort to purchasing only from vendors that would be willing to be invoiced," she said. "During a disaster, when normal channels of business are disrupted, no one wants to wait for an invoice and then another 60 to 90 days for payment. Many of your vendors are dealing with their own disaster recovery, so they appreciate being paid by card and getting good funds in the bank quickly. Also, p-cards enabled us to make out-of-state purchases easily over the Internet. That was critical because a lot of the supplies we needed immediately like respirator cartridges and protective clothing could only be supplied quickly by companies located outside of Louisiana."

Purchasing cards form part of a simplified procurement process with consolidated oversight capabilities that saves state and local agencies time and money by greatly reducing the need for requisitions, approvals, purchase orders, invoices, and checks.

Without purchasing cards, organizations may find themselves in a crisis during a disaster. Organizations that incorporate purchasing cards into disaster recovery planning have the power to make critical emergency purchases quickly and efficiently even under the most extreme conditions. ■