



# Stay informed with the latest news for higher education

## IN THIS ISSUE

Enhanced transaction transparency supports Drexel's purchasing program 1

Ghost cards are often the next step in enhancing a college or university purchase card program 3

Update on TIPRA withholding requirement 4

Procurement trends in higher education 5

Trade shows & conferences 6

## Enhanced transaction transparency supports Drexel's purchasing program

When you need to oversee \$5 million in monthly spending for a major university, easy access to purchase details is a must. To gain that efficiency, Drexel University and its Director of Procurement Operations, Anna M. Rivera, rely on the reporting available with the Visa Purchase card program in tandem with their issuing bank's software program.

"Our purchase card program allows for more transparency. Everyone involved in a purchase can view transaction information and accompanying notes," she says.

And it's a long list of people looking over each transaction at Drexel. The cardholder and his or her approver, their managers, upper management, internal audit, accounts payable, general accounting, research compliance and administration, the tax office and the purchase card office can and do take a good look into the purchases made on the program's cards.

The program's reporting capability enhances fiscal responsibility, explains Rivera. "We are able to analyze each purchase as to its appropriateness to the university in general and the department in particular, and it allows for critical oversight at the department level all the way up the ladder," she says.

The insight gathered from the reports also helps the university better follow through on its desire to grant opportunities to local and diversity vendors.

*continued on page 2 ...*

## Procurement trends in higher education

### Purchase card spending by higher education<sup>4</sup>

#### Avg. monthly purchase card spending in 2009:

Large Schools:*	3.1 million
Small Schools:**	\$637000

#### Avg. monthly purchase card spending by employee:

Large Schools:	\$332
Small Schools:	\$291

#### Percentage of purchase card transactions under \$2,500:

Large Schools:	55%
Small Schools:	47%

#### Percentage of purchase card transactions between \$2,500 and \$10,000:

Large Schools:	55%
Small Schools:	47%

\* 5,000 or more employees

\*\* Under 5,000 employees

#### Sources:

1. Aberdeen Group Analysis May 2010. Cited in "E-Payables 2010: The Strategic Value of Accounts Payable Automation."
2. "Prepaid Payments in Business and Government; Pay Cards Control Expenses, Limit Risk." The Prepaid Press 2010.
3. Campus Card Systems Are Adding Financial Options." American Banker June 2010.
4. Purchasing Card Benchmark Survey, RPMG Research 2010.

Recent studies by RPMG Research, the Aberdeen Group and American Banker indicate that while colleges and universities recognize the value of purchase cards and are using cards more frequently for more purchases, they lag behind private industry in card-to-employee ratios and travel spend capture. These are important areas of development for colleges and universities that want to maximize control and cost efficiency in their procure-to-pay process.

Just like corporations and government agencies, universities and colleges are quickly moving away from paper checks to purchase cards as the preferred tool in managing purchasing. But while the private sector reports about 10 percent growth in purchase card spending between 2007 and 2009, higher education entities report twice that rate of growth.

This growth – which surveyed colleges and universities indicate will continue at 8.8 percent over the next five years – is notable especially given the economic pressures institutions experienced during this period. The primary factor associated with the higher spending is an increase in transaction activity driven to purchasing cards.

Those colleges and universities surveyed have been successful in moving lower value purchases onto purchasing cards. In the private sector, companies across industries reported paying 44 percent of transactions under \$2,500 by purchase cards; surveyed colleges and universities average 51 percent of such transactions on purchase cards. These institutions are finding that purchase cards deliver a lower average cost-to-purchase compared to other payment methods.<sup>1</sup>

The RPMG study indicates that compared to card programs in the private sector, higher education card programs are less developed, most especially in card-to-employee ratios and travel spend capture. In addition, colleges and universities are behind private industry in implementing best practice procurement policies. Of those colleges and universities surveyed, 64 percent still use a manual paper-based process as their primary method of processing expense reports; only 34 percent use electronic expense reporting technology and only 40 percent mandate card use for purchasing.

Emerging purchase card trends for the higher education sector include prepaid cards with multiple currencies that are useful for students studying abroad<sup>2</sup>; integration of financial aid disbursements into student ID card accounts<sup>3</sup>; and meeting cards for approved event-planning employees. ➤

## Enhanced transaction transparency supports Drexel's purchasing program

### Drexel University card program overview:

Number of cards:

1,036

Average monthly spend:

\$5 million

Year program established:

2000

*continued from page 1 ...*

"We report quarterly on our diversity vendor spend using one of the standard reports," she says. "It allows management to monitor whether we are keeping our eye on the target in regard to opportunities for those vendors."

Drexel's purchase card program was initiated 11 years ago, so the university – and its procurement team – have refined the program to enhance the outcomes even more. Most recently the university migrated to electronic statement submission.

"The cardholder now scans their approved statement and sends it via email instead of hard copy submission. Hard copy submission requires several man hours to move a lot of paper," says Rivera. "To take this one step further, we are now testing SharePoint as a method for collecting purchasing card statements and receipts. The thought was to come up with a solution that allows every department that needs access to the back-up documentation to have an electronic central repository."

Because the card program is used for purchasing goods, services, travel and entertainment, the university benefits in several ways: savings, revenue and job satisfaction.

"We have had higher use of the card across the board which translates into greater savings on the back-office end when you compare the cost of a card transaction to a purchase order. We also realize the corresponding rebate increase," she says.

The purchase card program also supports higher job satisfaction, especially with the university buyers, she says. "The buyers like the ease of doing online transactions, instead of cutting purchase orders; the order is paid for and confirmed all in one step. They also like the fact that they can review a purchase request and then refer it for a temporary purchase threshold increase, such as an individual's need to purchase a computer. This allows the cardholder to control the timing of their order." ↗

## Ghost cards are often the next step in enhancing a college or university purchase card program

“We have recognized real savings in terms of labor by using more ghost cards for major accounts that need to be distributed across numerous cost centers.”

**- Anna M. Rivera**

*Director of Procurement Operations  
Drexel University*

When colleges and universities look for a way to expand an already-successful purchase card program, they often initiate cardless or ghost accounts with frequently-used suppliers.

“Ghost cards are virtual purchasing accounts that do not require a physical card and are associated with a single department, supplier or spend type regardless of the individual making the purchase,” says Darren Muise, Commercial Partnerships, Public Sector, Visa, Inc.

Universities or colleges that use ghost cards do so to typically handle paying recurring charges or bills, office services, event planning expenses and expenses for special needs or projects.

Cardless accounts are also effectively used for large purchases or contract payments, says Muise. “For large purchases, ghost cards allow a school to set up the information required for a normal contract payment and increase the speed and security of paying the vendor by avoiding the invoicing cycle,” he says.

Provided to preferred suppliers, ghost card accounts can add efficiency, security and additional savings to the purchase process, says Muise. “You can maintain traditional card controls with vendors assigned to special projects, and it can be an effective tool for negotiating discounts with major vendors,” he says.

Cost savings and better vendor relations are exactly what Drexel University has found with their ghost card program.

“We have recognized real savings in terms of labor by using more ghost cards for major accounts that need to be distributed across numerous cost centers,” says Anna M. Rivera, Director of Procurement Operations for the university. The university uses ghost cards with their office supply vendor, copier leasing, catering, document storage and shredding and for maintenance, repair and operating supplies.

“Our vendors love ghost cards because they don’t have to chase paper invoice payments or run several hundred individual cards,” she says.

Enhanced security is also a benefit in augmenting a purchase card program with a cardless account initiative, says Muise. “Ghost cards allow purchasing card program managers to track and reconcile activity on an account without putting plastic in the hands of every single buyer in the school, delivering additional controls over the use of purchasing cards.”

*For more information about getting started with a cardless account, contact us at [publicsector@visa.com](mailto:publicsector@visa.com).*

## Update on TIPRA withholding requirement

TIPRA withholding provisions will not be applied until January 2013.

The effective date for public institutions to deduct and withhold a tax of 3 percent from payments they make to any person or company that has provided goods or services (with few exceptions) has been postponed until January 1, 2013.

Enacted as part of the 2005 Tax Increase Prevention and Reconciliation Act, the provision aims to prevent tax debt or tax avoidance by individuals and companies receiving payments from government purchasers. The law requires federal, state, and local governments – including public colleges and universities – with more than \$100 million in annual expenditures to withhold 3 percent of payments made for the purchase of goods and services in excess of \$10,000.

### **Some of the rules that are especially applicable to colleges and universities include:**

- IRS and Treasury have not determined whether to apply the requirement to purchase card transactions. If they decide to do so, compliance will be required at least 18 months following receipt of guidance specifically related to purchase cards.
- Payments to non-resident aliens and foreign corporations are generally excluded from the new withholding.
- Generally, payments made from government grants will be excluded. ↘

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## MARK YOUR CALENDAR

### 2011 Trade shows and conferences



#### July

National Association of College  
and University Business Officers  
*New Business Officers Program*  
July 8 - 9, Tampa, FL  
[www.nacubo.org](http://www.nacubo.org)

Institute for Supply Management  
*Best Practices in Procurement*  
July 20 - 22, Nashville, TN  
[www.ism.ws](http://www.ism.ws)

National Association of College  
and University Business Officers  
*Annual Meeting*  
July 28 - 31, Washington, D.C.  
[www.nacubo.org](http://www.nacubo.org)

#### August

National Association  
of Educational Procurement  
*Professional Academies*  
August 15 - 16, St. Louis, MO  
[www.naepnet.org](http://www.naepnet.org)

American Management Association  
*Managing Supplier Performance*  
August 18 - 19, Atlanta, GA  
[www.amanet.org](http://www.amanet.org)

American Management Association  
*Fundamentals of Purchasing  
for the New Buyer*  
August 24 - 26, Dallas, TX  
[www.amanet.org](http://www.amanet.org)

#### September

American Management Association  
*Managing Supplier Performance*  
September 12 - 13, San Francisco, CA  
[www.amanet.org](http://www.amanet.org)

American Management Association  
*Fundamentals of Purchasing  
for the New Buyer*  
September 14 - 16, Los Angeles, CA  
[www.amanet.org](http://www.amanet.org)