

# Overview of Commercial Card Products that Can Increase Expense Management and Control

Key Components to a company's Compliance with  
Sarbanes-Oxley

*Provided by American Express*

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## Introduction

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At American Express, we are dedicated to supporting our clients as you implement expense management solutions that help you achieve control, compliance, operational efficiencies, and cost reduction goals. Our core business is helping companies manage their corporate expenses. Specifically, through our Commercial Cards (Corporate Cards and/or Corporate Purchasing Cards), we seek to find innovative ways to make our clients incredibly successful at achieving their expense management objectives.

Sarbanes-Oxley is an important topic for many of us today. Appropriately, establishing controls and achieving compliance is top of mind. In conversations between our leadership team and clients, we are hearing some common themes in the form of questions:

*How can I make my company Sarbanes-Oxley (SOX) compliant?*

*What role does American Express play in supporting my efforts to have a successful SOX program?*

For 40 years, American Express has been a leader in developing Commercial Card programs that respond to our clients' needs. From the first Corporate Card, to a combined Card and Travel infrastructure, to Purchasing and Meeting solutions, we have always focused on listening to clients and enhancing our capabilities to meet mission critical business needs and address current industry issues.

As an example, American Express has earned Cybertrust's Perimeter Certification status, the *de facto* standard for e-business. This distinction indicates that American Express maintains a proactive and comprehensive security program.

The accompanying report highlights the critical components of our Commercial Card program that can effectively support your focus on controls and compliance. Each topic is covered with a general level of detail – along with some questions for you to consider in the context of your program and control needs.

**Please note that American Express strongly encourages each client to work with their organization's accounting and legal experts to build an appropriate Sarbanes-Oxley compliance strategy.** Once you have established your own spending and accounting guidelines for T&E and purchasing expenses, we will partner with you to implement a number of tools and services that will help you track employees' business spending and compliance with company-mandated policies and guidelines.

**The expense management professionals at American Express can not dictate to you what it takes to be SOX compliant – that is an evaluation for your internal compliance team to make.**

Nevertheless, we do want you to take full advantage of the variety of payment, tracking, and reconciliation solutions we offer to support compliance programs.

In this document we will focus on several areas of importance: reporting and reconciliation, spending controls, fraud controls, and program management.

## SAS 70s and Commercial Cards

**American Express Global Commercial Card has worked with a leading auditor to conduct a Type 1 audit on data that runs through our Accounts Receivable (AR) system.** This report is available to our existing clients and their auditors. The SAS 70 report (Type 1) focuses on key data file, report, and reconciliation tool controls that support the Corporate Card and Corporate Purchasing Solutions. The recent SAS 70 report states that American Express has suitably designed control objectives in place around customers' T&E and procurement expense data.

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*American Express is 'The Most Trusted Company for Privacy in the United States'<sup>1</sup>*

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The SAS 70 review focused on key components of our Commercial Card program, such as data files. These files feed the broad menu of Corporate Card and Corporate Purchasing Card reports housed online at our American Express @ Work program management site, as well as other client financial systems, such as expense reporting tools. Among the areas analyzed in the SAS 70 process, our auditor reviewed the following control objectives employed by American Express

- Application systems
- Information security
- Computer operations
- Data back-up processes

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<sup>1</sup> Findings by the non-profit TRUSTe and the Ponemon Institute, 2005

- Data and report file set-up and delivery
- Completeness and accuracy of data
- Client set-up of reconciliation tools

It is important to note that American Express' SAS 70 on internal controls may or may not be relevant to your attempts to establish compliance with Sarbanes-Oxley regulations. Responsibility for evaluating processes and financial controls remains with each individual company impacted by Sarbanes-Oxley.

American Express will share a copy of our SAS 70 report(s) with existing clients upon formal request and the completion of a Non-Disclosure Agreement.

### Key Considerations

*American Express has worked with a leading auditor to conduct a SAS 70 audit on certain Commercial Card controls that impact client financial reporting*

*Clients must manage their own internal compliance to Sarbanes-Oxley*

## Program Reporting and Reconciliation

The most important component of any corporate expense management program is its ability to provide the data necessary to understand and effectively control and manage and report on spending.

*PricewaterhouseCoopers reports that “Sarbanes-Oxley also imposes a new requirement upon company management to assert and report on the effectiveness of a company’s internal controls and procedures for financial reporting on an annual basis.”<sup>2</sup>*

To enable clients to maximize the tracking and appropriate allocation of expenditures, American Express offers reporting and reconciliation tools that are designed to provide accurate, consistent, and timely spend, vendor, and employee information that will enable your company to:

- **Maximize Control:** Monitor compliance through summary and detail reporting and identify areas to tighten control. Examples include the following:
  - Individual Cardmember spending reports
  - Spending with preferred supplier reports
  - Supplier diversity spend detail reports

<sup>2</sup> The Sarbanes-Oxley Act of 2002, PricewaterhouseCoopers white paper, 2002.

- Spending by Tax ID reports, which identify the amount of spending incurred at unincorporated service and non-service related businesses to support preparation and filing of 1099 tax forms
- Sales tax reports, which are accepted in lieu of invoices to validate the sales and use tax compliance obligations.
- **Drive Savings:** Achieve maximum savings by re-directing spend to the suppliers and commodities that best support your purchasing agreements and corporate policies. American Express’ clients leverage our reporting tools to analyze their supplier relationships based on industry and commodities. Many clients also leverage our reporting tools to make decisions on where to suspend or eliminate spend. They may also use this information to maximize discounts and rebates with suppliers.

### American Express @ Work<sup>®</sup> Reporting: A single source for Commercial Card reports and data files

Through American Express @ Work Reporting, you can easily access billed and unbilled Commercial Card management information reports and data files online, 24/7 from our secure, password-protected internet site.

Clients have access to several levels of service, including standard Corporate Card and Corporate Purchasing Card reports that help you manage your program effectively.

In addition, enhanced reporting tools are available for clients that seek full interactive functionality. Ideal for clients with complex, global reporting needs, this solution enables your company to query, filter, and sort your regional and/or globally consolidated Corporate Card or Corporate Purchasing Card information with an intuitive, easy-to-use application.

## Reconciliation Management

Clients can simplify and substantially increase controls associated with expense reporting, allocation, and purchasing reconciliation through easy-to-use web-based technology. Jointly developed with IBM, American Express @ Work<sup>®</sup> Reconciliation Management provides online access to the following tools:

- **Corporate Account Reconciliation:** This solution allows clients to streamline purchasing reconciliation processes and improve accounting code allocation and data mapping into financial systems. It provides end-user reconciliation tools, allowing Cardmembers to review, edit, and add comments to all Corporate Purchasing Card transactions.
- **Expense Reporting:** This solution provides an easy-to-use and easy-to-implement expense reporting solution with robust capabilities to manage corporate travel policies, in conjunction with the ability to complete expense reports off-line. Corporate Card charges automatically upload to our solution allowing Cardmembers to create electronic expense reports for their American Express<sup>®</sup> Corporate Card charges and non-card expenses and route them to managers for approval. This minimizes discrepancies/errors in the reporting of purchases.

The solution is part of an overall American Express strategy to provide real solutions to our clients' control needs.

## Key Considerations

As you evaluate your compliance program, consider the following issues:

*Implement a clear travel and/or spending policy and tools to support and enforce it*

*Leverage reports to track program spending*

*Evaluate automated expense reporting or purchasing reconciliation solutions to streamline the approval and allocation of expenses and meet control objectives*

The answers to all of these questions can be enhanced by leveraging both American Express @ Work Program Management and Expense Reporting solutions. American Express expense management professionals, including Account Management and Implementation Specialists, are able to advise you and enhance the value your program brings to your organization.



## Spending Controls

Establishing appropriate controls is a key element of managing purchasing events and enabling the approval of transactions conforming to your compliance policies. American Express' Commercial Card solution offers flexible control options that can enhance any expense management program. Our clients may choose to control dollar amounts, industries and/or suppliers with which spend is allowed.

### Corporate Card Controls

Clients may set spending limits at the time of Corporate Card issuance, including the following options:

- Overall spending limits, which cap total spending or Card use at a specific dollar amount
- Retail limits, which cap spending at retail establishments
- Cash access limits for Cardmembers enrolled in the Corporate Express Cash program
- Immediate suspension of charge privileges upon delinquency

### Corporate Purchasing Solution Controls

#### Spending Limits

Clients can set spending limits based on the dollar amount charged. The following options are available:

- **Spending per Transaction:** This limit allows you to designate the maximum dollar amount allowed for each purchase or

transaction. At the point-of-sale, we verify that the purchase amount falls within the approved transaction limit. If the amount requested for authorization exceeds the limit, the authorization is declined. With this control, clients can prevent employees from exceeding spending limits based on policy.

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*84% of executives polled by PricewaterhouseCoopers acknowledged that Sarbanes-Oxley has changed control and compliance practices in their company.<sup>3</sup>*

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- **Spending per Month:** This limit allows you to designate the total amount an employee can spend during the monthly billing cycle. A running total is maintained that increases with each authorized charge until the Cardmember reaches the assigned monthly limit. If the limit is reached before the end of the billing cycle, new attempts for authorization are declined. As with the spending per transaction limit, clients can reduce potential abuse of the Commercial Card program by controlling monthly spending.
- **Temporary Limits:** This feature allows you to temporarily override a Cardmember's normal limits, for a period of up to 30 days. After the designated time, the temporary limits automatically revert to the normal, permanent limits. Temporary limits enable clients to have flexibility in making short-term changes to the spending policy when required by business needs.

#### Industry Restrictions

American Express offers clients the option to block spending by industry category on any or all Corporate Purchasing Cards issued. Industries which may be restricted include those that have been identified by our clients as potentially out of policy.

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<sup>3</sup> PricewaterhouseCoopers Management Barometer, 2002

### Customized Supplier Controls

To provide clients with additional control and flexibility, American Express offers several types of blocking features on the Corporate Purchasing Card product. These features include blocking by Merchant Commodity Code (MCC) and merchant number. In addition, we offer the ability to set dollar thresholds on all blocking lists. This enables spend at any merchant under the set dollar amount, but requires spend only at preferred MCC codes or merchants above the set dollar amount.

### Merchant Category Codes

Merchant Category Codes (MCC) represent groups of merchants who are classified by their particular business type. American Express offers MCC blocking of 281 standard individual and 28 proprietary predefined groups of codes. The 281 individual MCC Codes are ISO 18245 for Financial Institutions standard.

With this enhanced feature, clients have the control of linking their Corporate Purchasing Cardmembers to a list of MCC code(s), thus enabling them to spend only with merchants in those specified categories. You can also link Cardmembers to a list of MCC codes and enable them to spend at any establishment other than the merchants in the codes listed.

There are 28 proprietary MCC Group Codes offered as a shorthand to blocking a large category of spend. These groups of logical similar merchants will operate with the same include and exclude options as the above individual codes.

### Preferred Supplier Lists

Preferred Supplier Lists enable clients to link Cards to lists of specific merchants, by merchant number. This control allows the flexibility to enable Cardmember spend at specific merchant locations only, or to link Cardmembers to a list of merchants that

allows them to spend anywhere, with the exception of the merchants listed.

### Preferred List Thresholds

Preferred List Threshold is available on both MCC and PSL blocking functionalities. This capability provides the flexibility to allow spend anywhere under a set dollar amount. Any spend that occurs over the dollar threshold must occur at a preferred supplier or a merchant that is classified with an approved merchant commodity code.

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*By leveraging customized supplier controls, clients can push their employees to preferred suppliers, enabling them to achieve contractual goals, such as year end rebates.*

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## Key Considerations

Here are several key considerations:

*Establish spending controls for all Cardmembers*

*Partner with the Commercial Card provider to effectively manage controls*

The key to enhanced control is American Express' unique operating network. We have many direct relationships with merchants and a Global Data Warehouse that enables us to capture enhanced merchant data and provide controls for clients' programs.

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*Did you know? American Express Corporate Card account statements can be used as proof of payment for any charge, provided that the amount and date of the charge as well as the name of the payee are indicated.*

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## Fraud Controls

American Express maintains a proactive and comprehensive security program to guard against fraud. The Company earned Cybertrust's Perimeter Certification status, which is the *de facto* standard for e-business and recognition of an organization's diligence in the area of fraud protection.

In addition to protecting our Cardmembers and reducing losses associated with fraudulent activity, American Express utilizes a variety of sophisticated fraud management procedures and controls to monitor accounts and transactions for irregular activity, as described below:

- **Customer Password:** The Customer Password feature provides a secure and convenient means of identifying Cardmembers when they contact American Express for service. This password helps prevent unauthorized account access and activity, while ensuring a more secure and efficient means of authenticating the Cardmember.
- **Corporate Express Cash PIN Issuance:** To ensure security of ATM cash access, American Express issues Confidential Personal Identification Numbers (PINs) to Cardmembers enrolled in the Corporate Express Cash program. A PIN should never be shared.
- **Billing Address Zip Code:** Cardmember billing address zip code verification is being used to fight fraud at selected vendor locations. American Express Cardmembers may be asked to input their 5 digit billing zip code when using the self-swipe, point of sale terminals at gas stations in high fraud locations.

- **Card Identification Digits (CID) Verification:** American Express leverages Card Identification Digits (CID), imprinted on the face of the Card, for validation and risk prevention. At participating merchant locations, the CID is keyed along with swiped transactions. For interactive transactions, participating merchants will request the CID from the face of the Card, to ensure the Card is in the possession of the person making the order.
- **Card Activation Procedures:** Card Activation is a method of ensuring each Cardmember, upon receipt of their Card, contacts American Express to verify their identity before the Card can be activated for use. American Express requires all U.S. Corporate Cards and Corporate Purchasing Cards to be issued inactive.
- **Fraud Technologies and the Account Security Group:** This group identifies characteristic fraud patterns, determines accounts at risk for specific types of fraud, and contacts the customer to verify information and charges.
- **Authorizations:** American Express applies technology and human intervention to discriminate high-risk transactions.

In addition, individual Cardmembers can take advantage of services that can help alert them to suspicious transactions:

- **Review account activity regularly online:** Cardmembers can enroll in our free online service to view recent transactions to ensure they recognize all charges.
- **Set up Account Alerts:** Cardmembers can set up account alerts in our online tool. Alerts can provide information about any irregular account activity and can be delivered via email, mobile phone, pager, or PDA. Additionally, Cardmembers can receive updates about balances and bill payments.

## What can you do to Manage Fraud?

Clients can take the following actions to reduce the risk of Commercial Card fraud:

- Establish clear company policy for Cardmember use, and ensure such policy is communicated to all employees receiving a Card.
- Safeguard blank Card applications. Never pre-authorize Card applications, or distribute to the general employee population.
- Always sign the completed Card application, signifying approval for American Express to issue a Card to the employee. For bulk Card issuance automation, ensure that all employee names are carefully reviewed and authorized.
- Control spending limits by Cardmember. American Express provides the ability to place automatic spending limits on Cardholders by month, by cash access, and by industry (i.e., airlines, restaurants, car rentals and lodging). Purchase attempts that do not comply with your limits could protect you from irregular activity.
- Reconcile account statements to ensure spending is within your company's policy (e.g., no retail spending if restricted by company).
- Perform monthly audits to ensure only authorized employees possess an American Express Commercial Card.
- Collect the Commercial Card upon termination of the employee, and notify American Express immediately to have the Card invalidated.
- Communicate the following information to the Cardmember:
  - Sign the Card once received.

- Always know where your Cards are and keep them in a safe place.
- The Card is not transferable; do not permit any other individual to use the Card.
- Do not provide your account number over the phone unless you know the company with which you are transacting business.
- Record and maintain Card numbers, expiration dates and American Express phone numbers. Safeguard this information.

## Key Considerations

Here are several key considerations:

*Implement controls to track for fraud on your Commercial Card program*

*Communicate the company's spending policies to employees*

*Identify whom to call if you suspect fraudulent activity*

*Establish a Card issuance policy that ensures only approved employees receive Cards*

Your American Express team will assist your organization in designing an expense solution that helps minimize fraud, including establishing policy and designing an optimized control environment.

## Program Management

American Express has many sophisticated models, procedures, and control features in place to help clients maximize compliance to their organization's policies and control objectives. Nevertheless, the final line of defense rests with you as a client. Proactively managing your program is the key to achieving your expense management objectives.

You can efficiently manage your Commercial Card account through our unique online tool, American Express @ Work<sup>®</sup> Program Management. This secure, password-protected program management tool provides authorized users a combination of robust functionality, real-time account information and online convenience, which can enhance control.

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*"Our [program] administrators absolutely love American Express @ Work. They wouldn't be able to be as effective in what they do if this was done in a manual environment."*  
(A.T. Kearney, 2005)

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- **Improve Productivity:** Complete transactions quickly and easily. Instantly cancel Cards for departed or unauthorized employees. That means getting program management tasks done quickly and right the first time.
- **Maximize Control 24/7:** Around the clock access allows you to decide when and where to initiate requests, and the status tracking feature enables you to check the status of requests so you can be confident that they are being processed. That means a higher

standard of accuracy, fewer out-of-policy issues, and the power to better manage adherence to company guidelines.

- **Reduce Costs:** Centralized data access on our secure platform can help you to quickly take action to reduce costs. In addition, you will be able to streamline internal dunning processes. This means fewer accounts past due and improved pay performance, which in turn can reduce late fees. Instant Card cancellations help minimize exposure to losses from terminated employees.

### How you can Proactively Manage your Program

Your selected Program Administrators, expertly trained by American Express, can perform 98% of Corporate Card and Corporate Purchasing Card maintenance tasks online, including the following:

- **Apply for, Cancel, and Suspend Cards:** Card cancellation is effective immediately, and there is a bulk Card cancellation feature.
- **View Charges:** Program Administrators may view Cardmember charges for all accounts, including centrally-billed accounts (such as the Business Travel Account). They can also obtain full balance and aging information.
- **Make Account Changes:** Clients can view organizational hierarchies and perform account transfers, adjust cash limits (if enrolled in Corporate Express Cash), and adjust monthly spending limits. Additional capabilities include adjusting spending limits permanently, updating personal information for Cardmembers, and changing accounting information.

## Key Considerations

As you evaluate your options, there are several issues to consider:

*Implement policies to govern the Commercial Card program*

*Leverage online program management tools to facilitate oversight of the program*

*Update individual Cardmember accounts immediately via an online tool*

*View and track Cardmember charges via an online system*

*Establish rules surrounding who can access the system*

*Partner with American Express to support compliance through a Commercial Card program*

Solutions and support for these points of consideration are available through tools such as American Express @ Work, as well as consultation with an expense management professional from American Express.

## Recommended Next steps

This report is intended to share some of the key program components that can assist you in designing and implementing a Commercial Card program that meets with your control and compliance objectives.

Given the strong focus on compliance for many organizations impacted by recent legislation, American Express recommends several next steps:

- Open dialogue with your internal control and compliance teams to understand what is expected from you as a manager of Commercial Card programs.
- Identify key linkages within your organization that can help you define policies that govern controls and compliance.
- Share your key control and compliance objectives with your American Express account representative.
- Partner with your American Express account representative to design and build a Commercial Card program that includes control and compliance elements that will support your overall objectives.
- Increase your awareness of program spending by leveraging American Express' tools for establishing limits, allocating expenses, monitoring purchasing events, and controlling business critical aspects of your Commercial Card program.

Throughout 2006 and beyond, American Express Global Corporate Services will be seeking your input on controls and compliance as we

look for ways to enhance our capabilities and deliver value to your organization.

We look forward to hearing from you. If you have specific control or compliance questions or concerns, please contact your American Express representative.

**American Express.**

**Real Business. Real Solutions.<sup>SM</sup>**