



A
Winning
HAND:

Misuse and Abuse Payment Analytics

Chris Collins
Senior Product Manager, U.S. Bank

Agenda

- Introductions
- Impact of fraud, misuse, and abuse on card programs
- Introduction to U.S. Bank Payment Analytics
- Q&A



Overview

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Defining Fraud and Misuse

- External
 - Unauthorized transactions by an external, unknown third party
 - i.e. counterfeit, internet, card not present, NRI/mail theft
- Internal¹
 - Fraud: Any unauthorized employee charging goods/services to the card
 - Misuse: Any event an employee makes a **personal** transaction with the card and misrepresents it as a **bona fide business** charge
 - Policy violations:
 - Larger quantity of good/service than desired
 - Higher quality of good/service than desired
 - Unauthorized or “non-preferred” vendor
 - Without proper authorization to purchase
 - Business purchase by employee not authorized to use the card

Reference: ¹ 2010 Purchasing Card Benchmark Survey Results, Palmer & Gupta



The Dilemma

- Benefits your company receives with your card program include:
 - Streamlined purchasing processes
 - Increase productivity by automating routine purchasing tasks
 - Tighten controls on purchasing limits
 - Enhance visibility into supplier spend and strategic sourcing
 - Reduce operational costs



The Challenges

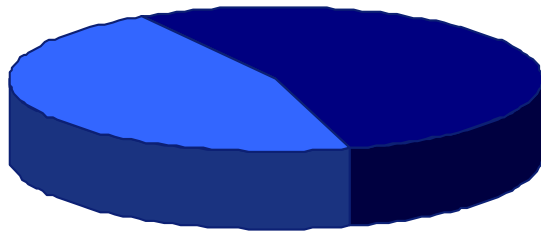


- Hard to detect relationship between transactions over time
- Labor intensive
- Tends to be inefficient and error-prone

The Cost of the Audit

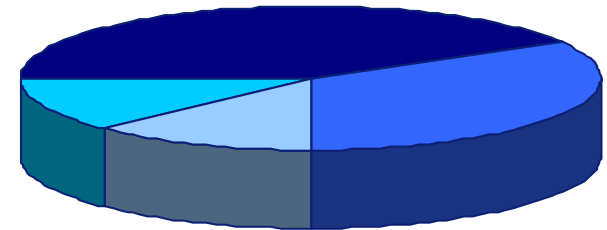
How do you audit your card program transactions?

- 54% Manual
- 46% Mix Manual & Automated
- 0% Automated



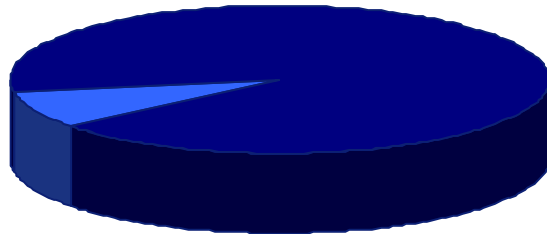
What is the frequency of your audit?

- 41.6% Monthly
- 33% Daily
- 12.5% Weekly
- 12.5% Other



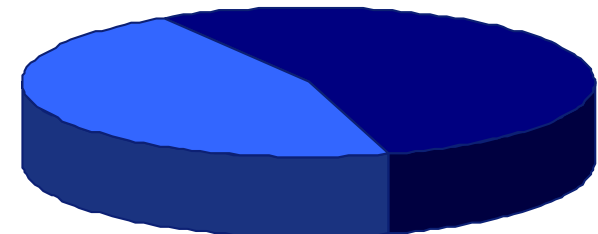
How many FTEs focus on this process?

- 92% 1-3 FTEs
- 8% 4-6 FTEs



Based on the frequency, how much time do your FTEs spend on auditing?

- 54% 1-6 Hours
- 46% 7+ Hours



Estimated Cost of Manual Audit

- The cost is high to manually audit transactions for fraud and misuse
- Labor intensive
- Inefficient and error-prone

Program Size	\$100 MM
Average Transaction Size	\$315
Total Transactions per Year	317,460
Cost to Audit per Transaction	
Cost to Audit per Transaction	\$2.38
Audit Sample Size	20%
Number of Audits Annually	63,492
Annual Cost of Audit per Year	
Annual Cost of Audit per Year	\$151,111



Risk within a Card Program

- Perception is that the risk is higher than the actual loss in terms of dollars in your program

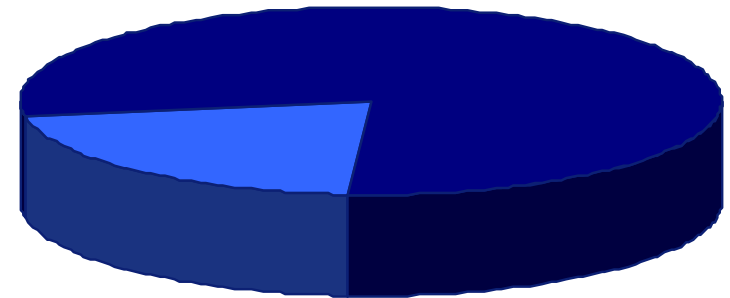
Program Size	\$100 MM
Average Transaction Size	\$315.00
Total Transactions per Year	317,460
Estimated Amount of Fraud and Misuse	
Rate	\$80 per \$1 MM in Spend
Amount per Year	\$80,000.00
Estimated Amount of Policy Violation	
Rate	\$60 per \$1 MM in Spend
Amount per Year	\$60,000.00
Total Amount per Year	\$140,000.00



Impact on Your Card Program

- Resulting in a potential barrier for growth to your card program

Has your organization allowed (real or perceived) fraud, misuse, and policy violations to be barrier for growth?



■ 79% Yes

■ 21% No



How to Mitigate These Issues?

- How do you reign in your audit costs?
- Reduce your risk exposure?
- While at the same time grow your program?

U.S. Bank Payment Analytics



Payment Analytics

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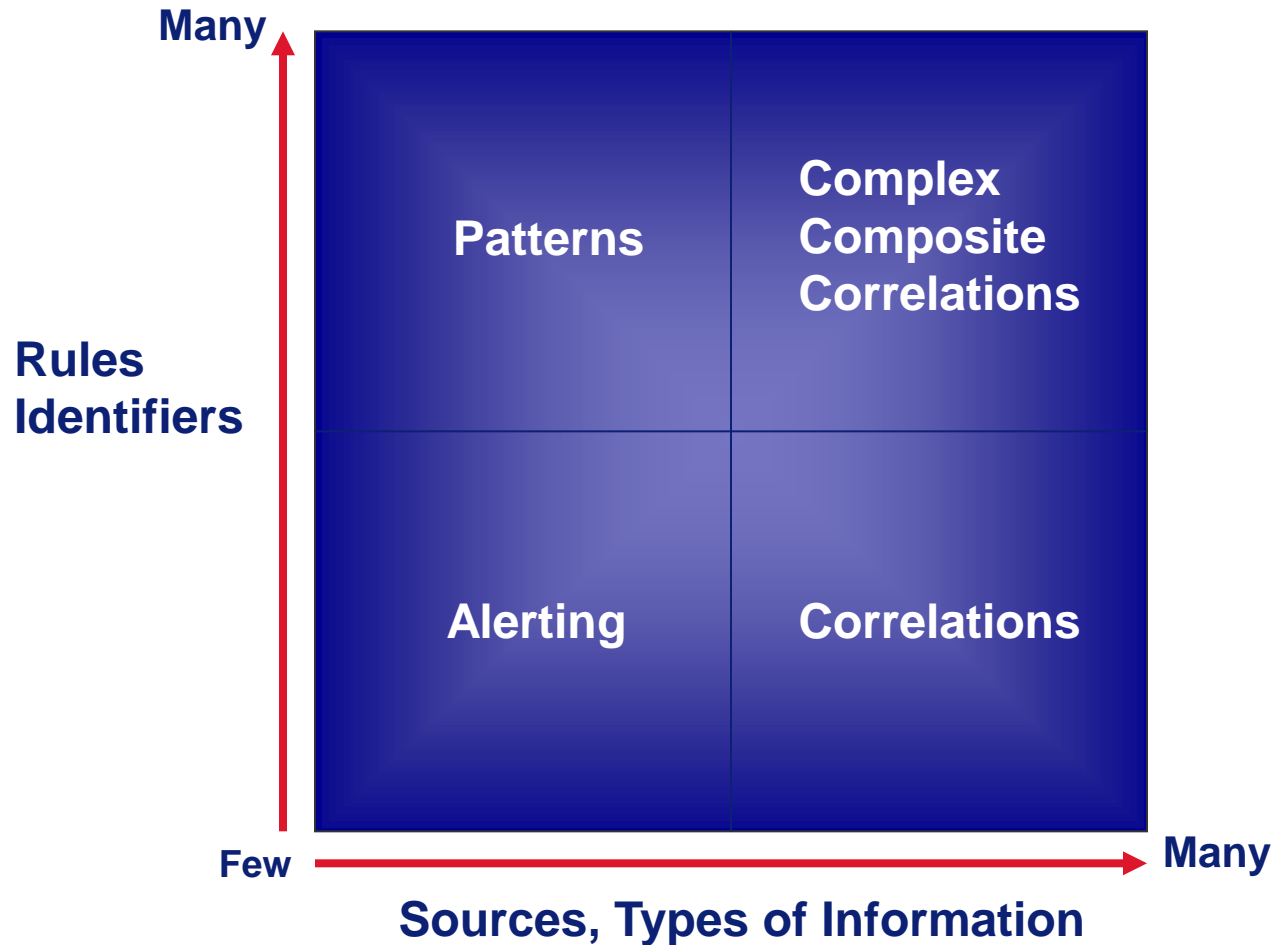


What Exactly is Payment Analytics?

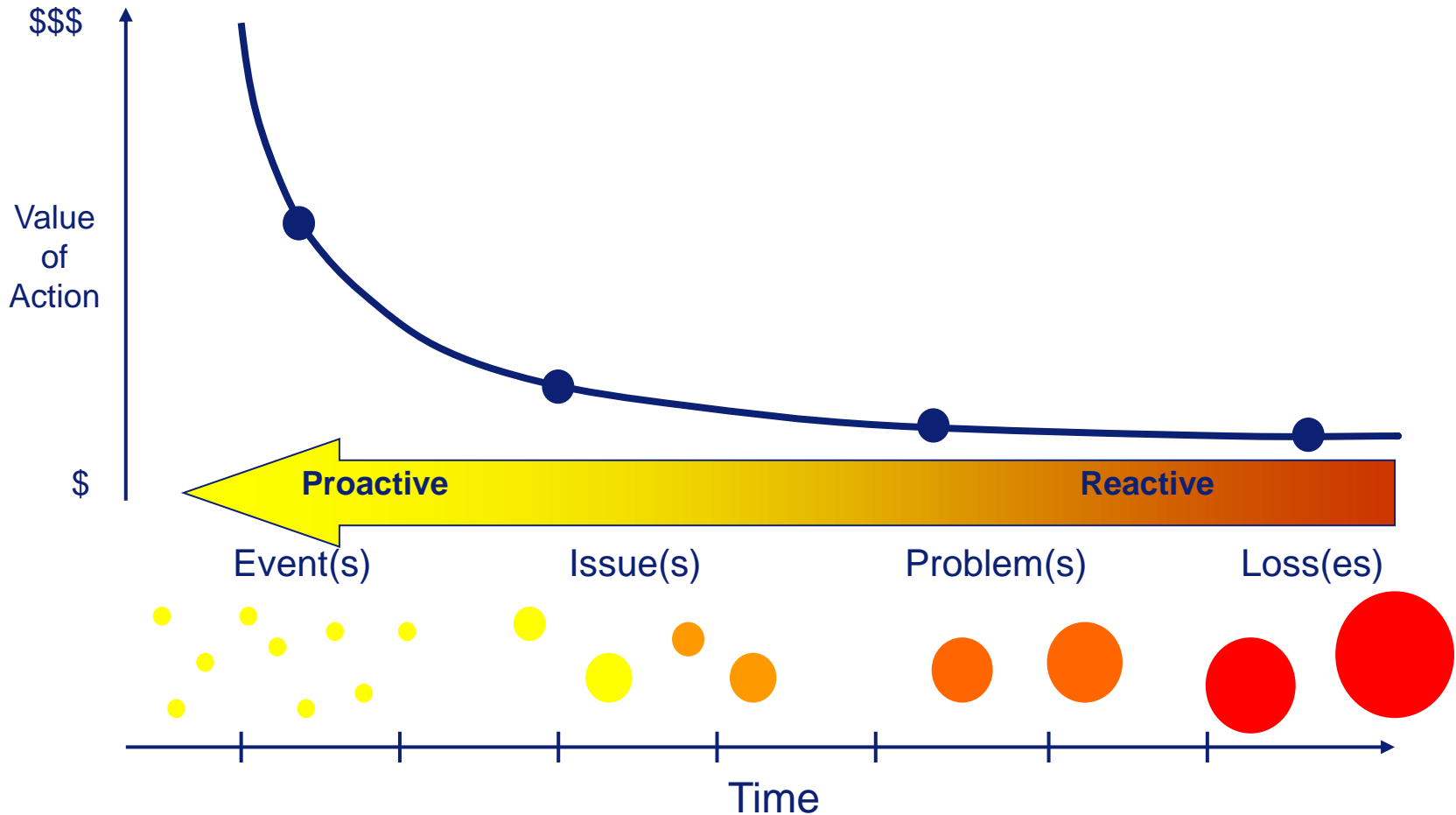
- Robust business tool
- Allows organizations to proactively monitor 100% of their card transactions and correlate complex and seemingly unrelated events
- Notifies stakeholders when rule violations occur
- Monitors violations over time through case management capabilities



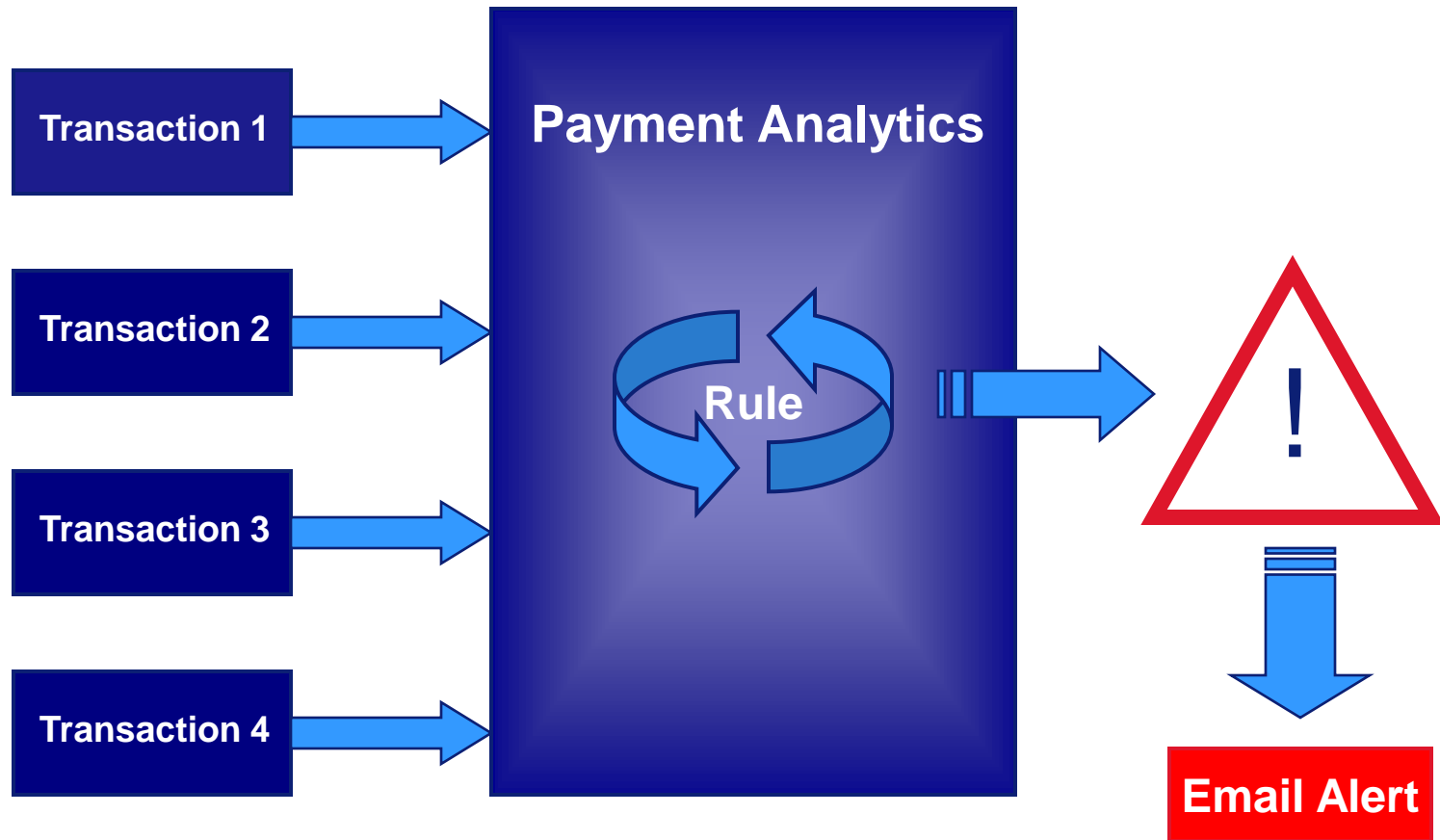
Evolution of Business Intelligence



Moving from Reactive to Proactive



How Does Payment Analytics Work?



The “Brains” Behind Payment Analytics

- Rule templates and rules
 - Rule templates contain the logical arguments for a rule
 - WHEN THEN statements
 - Rules are parameter values assigned by the customer
 - Rules are the business logic that processes events (i.e. transactions)
 - When an event meets all the conditions of the rule, that rule executes a response (i.e. notification, case created)



Available Rule Templates

- Newly posted transactions – prohibited MCC
- Split transaction / split purchase
- Large spend increase over average spend
- Extensive use of convenience checks
- Excessive cash withdrawals
- Transaction close to single purchase limit
- Transaction with a non-preferred supplier
- Travel card purchase within cardholder zip / postal code
- Account opened / maintained with credit limit, single purchase limit, and cash limit exceeding standard limit
- Weekend / holiday purchase



Rule Template Examples

- Split transaction / split purchase
 - Split purchase is defined as one purchase made at two separate locations of the same merchant.
 - The rule is designed to capture situations where the cardholder is attempting to circumvent the single purchase limit by having the merchant submit multiple transactions.
 - The template generates an alert notification when it appears that a split purchase has occurred on an account.



Rule Template Examples

- Convenience checks / cash withdrawals
 - Looks at number of convenience checks / cash advances posted within a specified timeframe as well as the total convenience check spend / total cash advances if desired
 - This template sends an alert notification when it appears there is extensive use of convenience checks or extensive cash advances



Rule Template Examples

- Account opened/maintained with credit limit, single purchase limit, and cash limit exceeding standard limit
 - Rule template is designed to look at credit limit amounts, single purchase limit settings, and cash limit parameters
 - These templates generate an alert notification when a cardholder account is opened and/or maintained with credit limit, standard purchase limit or cash limit that is outside of a set standard limit




Benefits

- Moves organizations from reactive to proactive by monitoring 100% of your card program transactions
- Improves compliance with controls and policies
- Reduces the costs associated with improved compliance with controls and policies
- Translates into reduced risk of misuse and abuse, allowing you to focus your attention on growing your program



Client User Interface: Login

Payment Analytics



Welcome to Payment Analytics!


Enter information below to login and begin. Please note, when entering your information the password field is case sensitive.

[Contact Us](#)

User ID:

Password:

[Forgot Your Password?](#)
[Forgot Login Information?](#)

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Client User Interface: Rule Management

Payment Analytics [Log Out](#)

usbank Rule Management

List of Rules

{ Message Area }

Case Management	<u>Rule Name</u>	<u>Rule Status</u>	<u>Rule Severity</u>	<u>Case Owner</u>	<u>Template Name</u>
	Split Transaction	Active	High	D.Olson	SRS1.2 Split Transaction
	Large Spend Increase	Inactive	Medium	B. Shah	SRS1.4 Large Spend Increase over Average Spend
	Extens. Use Convenience Checks	Active	High	N.Tilinin	SRS1.5 Extensive Use of Convenience Checks
	Close to Single Purchase Lmt	Inactive	Low	D. Olson	SRS1.6 Transaction Close to Single Purchase Limit
	Non-Preferred Supplier	Active	Low	B.Shah	SRS1.7 Transaction with Non-Preferred Supplier
	Travel Card Purchase CH ZIP	Active	High	N. Tilinin	SRS1.8 Travel Card Purchase in Cardholder's Zip /Postal Code
	Excessive Cash Withdrawals	Active	High	D. Olson	SRS1.10 Excessive Cash Withdrawals
	Credit Lmt Exceed Standard	Active	High	B. Shah	SRS1.11 Account Opened/Maintained with Credit Limit Exceeding Standard Limit
	Single Purchase Exceed Lmt	Active	Medium	N. Tilinin	SRS1.14 Account Opened/maintained with Single Purchase Limit Exceeding Standard Limit
	Cash Withdrawals Exceed Lmt	Active	Medium	D. Olson	SRS1.12 Account Opened/maintained Exceeding Cash Withdrawals limits

Records 1 - 25 of 200 Page: [first](#) | << | 1 | 2 | 3 | 4 | 5 | >> | [last](#) Page 1 out of 8

[Rule Management](#)

New Manage

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Client User Interface: Rule Management

Payment Analytics
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Rule Management
Edit / Delete Rule

[Case Management](#)
[Rule Management](#)

New
Manage

[User Management](#)

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Template Name: **SRS1.5 Extensive Use of Convenience Checks**
 Template Description: **Extensive use of convenience checks by cardholder**

Rule Parameters

Available Hierarchy Position(s)

1234-1234
 1234-4444
 1235-1234-55555-66666
 3434-3433-23456
 5656-7878-98076-34567-0098

***Rule Hierarchy Position(s)**

1234-3234
 2223-4444
 1200-1234-55555-66666

Hold down the <Shift> or <Ctrl> key to select multiple items.

New Account

Enter account number and click Add button.

Rule Account(s)

9999999*****1111
 8888888*****1212
 8281818*****1313

***Number of Calendar Days:** (1-99)
 Identify the time range (between 1 and 99 days) over which this rule applies.

***Number of Convenience Checks:**
 Minimum total Convenience Checks spend in the time period necessary to trigger an alert.

***Operator:** AND
 Select AND if both conditions, "Number of Convenience Checks" and "Total Convenience Checks Spend" should be met before alerting.
 Select OR if a single condition is sufficient to cause an alert.

***Total Convenience Checks Spend:**
 Minimum number of Convenience Checks in the time period necessary to trigger an alert.

This list of conditional parameters will vary depending on a template as specified in Payment Analytics Template Specification (SRS).

Email Language Preference

English

New Recipient Email Address

Enter email and select language preference before clicking Add button.

***Rule Email Recipient(s)**

v.volf@delta.com, English
 b.trank@delta.com, Canadian French
 v.victory@airwest.com, English

Save Rule Statement

***Rule Name:**

***Rule Description:**

Rule Severity: High

Rule Status: Active

Case Action: New Case

***Case Owner:**

The button Delete is to be hidden when creating a new rule

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Client User Interface: Case Management

Payment Analytics
Log Out

Case Management

Manage Cases

View My Cases | [View All Cases](#)

Case ID	Rule Name	Case Owner	Case Status	Date Opened	Last Updated	Hierarchy Position	Account #	Account Name
12234567891	Split Transaction	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	J.Smith
12234567892	Large Spend Increase	N.Tilinin	Open	01/20/2011	01/21/2011	1234567890123456	1234567****3800	J.Smith
12234567893	Extens. Use Convenience Ch	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	D.Shlachter
12234567894	Close to Single Purchase Lmt	N.Tilinin	Open	01/20/2011	01/21/2011	1234567890123456	1234567****3456	J.Smith
12234567895	Non-Preferred Supplier	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	J.Smith
12234567896	Travel Card Purchase CH ZIP	N.Tilinin	Open	01/20/2011	01/21/2011	1234567890123456	1234567****3456	J.Smith
12234567897	Excessive Cash Withdrawals	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	J.Smith
12234567898	Credit Lmt Exceed Standard	N.Tilinin	Open	01/20/2011	01/21/2011	1234567890123456	1234567****3456	J.Smith
12234567897	Single Purchase Exceed Lmt	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	J.Smith
12234567891	Cash Withdrawals Exceed Lmt	N.Tilinin	Open	01/20/2011		1234567890123456	1234567****3456	J.Smith

Records 1 - 25 of 200 Page: << < 4 > >> Page 4 out of 8

Case ID: 1234567893 **Date Opened:** 01/20/2011 **Rule Name:** Extensive Use of Convenience Checks

Account Name: D.Shlachter **Last Updated:** **Hierarchy Position:** 1234567890123456 **Account#:** 1234567****3456

Notification: <Details corresponding to this case alert notification to be displayed here.>

Case Owner:

Case Status:

Case Severity:

Classification:

Disposition:

Comment:

Comments' History:

Nadia Tilinin, 01/25/2011, 3:57 PM CT:
Deleted Comment's Histroty scroll text box from edit case section and created read only Comments' History section below Save button.

Nadia Tilinin, 01/25/2011, 1:00 PM CT:
Kyle Brickner suggested to delete comments history list from editable area and create a read only section below Save button.

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Market Release

- Piloting the rules engine / rule templates / notification currently with several clients
- 4th quarter 2011 general availability which includes:
 - Customer user interface for rules management
 - Access to the rules templates / rules management
 - Customer user interface for case management
 - Create / monitor cases rules violations
 - Customer user interface for user management (for payment analytics)
 - Add / manage user access into rules and case management components



Questions?



Thank You

Presentations will be available on
www.usbank.com/sp2presentations
after the conference

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