

# Is your company credit card policy up to snuff?



Company credit cards are a useful tool to help reduce the financial burden on employees who travel frequently for work or regularly incur other charges on behalf of the company.

These cards can be great tools as long as they are managed properly. If you're planning to start issuing company credit cards to your employees, it's important to draft a thorough policy. The goal of your policy should be to help employees understand their responsibility as cardholders and your expectations in terms of reconciliation and communication of any card-related issues.

## Why You Should Have a Company Credit Card Policy

Company cards are helpful for employees and for the company. They empower employees to make necessary business purchases on behalf of the company, without saddling them with a bunch of charges that they need to wait for reimbursement on. They can streamline the booking and planning process for business trips by allowing employees to select and pay for their own flights, rooms, and rental cars.

While the classic approach of reimbursing business expenses charged to the employee's personal credit cards works for many businesses, company credit cards will likely be needed for some members of your staff such as upper management or frequent fliers. Company cards also make business travel more equitable and inclusive. Not all employees will be able to take on large business expenses and wait for reimbursement. Staff members

with limited credit histories may not have credit cards, and putting multiple hotel and rental car deposit holds on a debit card can heavily restrict an employee's available balances. Be courteous to frequent business travelers by having a company card program in place in case it is needed.

However, strict oversight and clear policies are necessary to prevent misuse of company credit cards. While it's good to trust your employees, accountability is also necessary when it comes to the use of company funds. Employees need to understand the responsibility that comes with having a corporate credit card and what is expected of them in terms of reconciliation. Without a clear policy, miscommunications can occur on acceptable usage, expense and receipt procedures, and how to handle issues that may arise.

## **Who Should Receive a Company Credit Card**

Only employees that frequently incur business expenses or need to purchase supplies should be issued a card. Employees that take frequent business trips as part of their roles will likely require a card. Each business should set their eligibility guidelines based on which employees or job roles they believe would require frequent credit card use. Avoid issuing cards to employees that only occasionally incur business-related expenses, as cards are more likely to be lost if they are rarely used.

Alternatively, you can also allow shared cards for specific departments. This works best if the card is meant for incidental expenses such as ordering supplies or paying for necessary subscription services rather than for travel expenses. Travel expenses such as flights and hotels can be paid for on a department card, but the employee would be forced to use their own card for hotel deposits, rental car deposits, and meal expenses while traveling which can be burdensome. If you choose to do this for a department, the department manager should be assigned responsibility for oversight of card usage and providing a monthly reconciliation of charges.

## **What to Include In the Corporate Credit Card Policy**

You'll want to tailor your policy to your business' expense procedures and approval structures. However, there are some common elements that should be included in all policies. Some key components of a thorough company credit card policy are:

### **Expense Reconciliation Procedures**

Detailed reconciliation of charges made of all company cards is your best defense against card misuse. Be sure to provide concrete expectations on expense reporting. Often expense reports are submitted monthly to coincide with the monthly credit card statements provided by the card issuer. Give employees a deadline such as the end of every month or 5-10 business days from the statement date on the monthly credit card statement.

You can also dictate what form of documentation you would like submitted. Some business owners request original receipts, while most have moved towards electronic receipt submission. You may prefer to have expenses reconciled in an expense management software program such as Expensify. Generally a photo or scanned copy of a receipt should suffice. Many receipts for both online and in-store purchases are sent by email now anyway, so often the original receipt will be a digital one.

### **Unauthorized Use**

Intentional misuse of a business credit card for personal expenses should result in disciplinary action as well as recovery of the funds. It's important to be clear that use of the card is intended only for business purposes, and to clarify any limitations on card usage. You should also have clear policies in place on spending limits for common expenses such as travel meals or hotels.

However, it's important to remember that accidents do happen. An employee may accidentally grab the wrong

card and place a personal charge on their company card, or forget to remove the company card from a personal uber, food delivery, or Amazon account after making a legitimate business purchase.

These issues will likely arise, and you should have a procedure in place to handle them. Have employees sign a disclaimer that the company may recover funds from an employees' salary to recoup the cost of any personal expenses erroneously placed on the corporate card. Let them know how you would like them to report accidental misuse. Consider whether you want it reported promptly or simply noted on their next expense reconciliation. It's possible employees may not even realize their mistake until they sit down to review their monthly card charges. This is another reason why it's important to require proper expense reporting.

### **Reporting Lost or Stolen Credit Cards**

It's a good idea to instruct employee cardholders of their responsibility to promptly report if their assigned card has been lost or stolen. You can also direct them to the proper procedure for reporting a lost card such as who to contact within the organization. If employees have access to online banking for their card they may also be instructed to lock the card themselves online in order to prevent fraudulent charges.

### **Spending Limits and Authorization Procedures**

It's best to set a monthly spending limit on the card and make employees aware of their card limits. The limit may vary for regular staff members, management, and executives.

There may be times where an employee needs to go over their set limit, such as when making a large purchase or booking an unusually large amount of travel during a busy month. Let employees know who to speak to if an exception needs to be made in order to receive a credit limit increase or early balance payoff.

### **Sample Company Credit Card Policy Template**

(Company Name) will issue company credit cards to employees who have a legitimate business need for the card such as regular business travel, purchasing goods or services for company use, or incurring other expenses on a frequent basis.

The company credit card may not be used for personal expenses, cash advances,, or by anyone other than the employee listed on the card. Misuse of the card will result in revocation of company credit card privileges.

If the card is used for an employee's personal expenses, the employer reserves the right to recover funds from the employee cardholder to reimburse the unauthorized charge. Employees should report the error immediately if they incorrectly charge personal expenses to their corporate card and make note of it in their monthly reconciliation.

Each card will have a set monthly spending limit with a maximum of (\$X,XXX). Increases to the spending limit may be made on a case-by-case basis. Requests for spending increases or one-time exceptions should be directed to (Insert Company Representative Name Here).

A monthly reconciliation of expenses charged to the card must be submitted with receipts to the (Department or Company Representative) within (X) business days of the monthly credit card statement date. Failure to provide this reconciliation may result in loss of company credit card privileges or other disciplinary action.

Lost or stolen cards must be reported immediately to (Insert Company Representative Name Here). Company cards must be turned over, along with a final reconciliation of charges, upon termination of employment.

**Additional resource:** Updating your handbooks and company policies? Check our guide to [employee handbooks](#).