

## **Fraud, Misuse and Disputed Items with Purchasing Cards: A Summary**

Often times, there is confusion between what is fraudulent and what is misuse in the purchasing card world. Under both situations, BMO has suggestions to keep each p-card participant's liability to the absolute minimum.

Firstly, under the BMO purchasing card program, there is ZERO liability for cardholders (and the organization) due to fraudulent use from a lost or stolen card. Fraud is best defined by unauthorized activity that conducted outside of your organization. When a card is lost or stolen, it is suggested that the program administrator immediately report this information to BMO's Client Services group to make sure that the card is cancelled immediately. BMO may request additional documentation in writing from the participating p-card program member to help distinguish between authorized and fraudulent charges.

Employee misuse, on the other hand, results from charges that occur from within the organization for what MasterCard terms "waivable" charges. Waivable charges include all transactions charged to the BMO card that did not benefit the organization directly or indirectly. In all our years of purchase card operation, loss due to cardholder misuse has been almost non-existent. Nonetheless, BMO offers MasterCoverage (at no charge) as an additional benefit which provides coverage in the event of card misuse by employees. Under this program, an organization (with 5 or more cards) is covered for any "waivable charges" up to \$100,000 per employee, and up to a maximum limit of \$25,000 per cardholder for organizations that have 2-4 cards.

Please note that MasterCoverage excludes card accounts that do NOT have an individual's name associated with it—what BMO might refer to as a Department Card (and Ghost Cards fall into this category as well)—since if the card were to be misused then we might not be able to determine the source of the fraud. That is why we always suggest that every card be directed to an individual, if at all possible. Under the BMO program, there is no additional cost per card or "spend per card" thresholds. However, please be assured fraud resulting from LOST or STOLEN Department Cards ARE covered under the zero liability policy unless it is determined that the "fraud" may not really be external—and that the "fraud" is really an attempt to disguise employee misuse.

Disputed charges result when an organization has a disagreement (non-receipt, incomplete order, etc.) with the merchant over the goods or services to be received from the merchant or supplier. It is first suggested to contact the merchant directly to try and resolve any issues—but it may become necessary to report a dispute directly to the bank. Please reference your BMO Member Account Agreement, Schedule 1, Page 3 for more information relating to the full process of disputing a charge. It is important to note that all disputed MUST be made within 100 days (of the charge posting date (NOT the statement date) in order to make sure that the dispute procedure can be followed. (MasterCard could amend this, so I would suggest disputing all items as quickly as possible when realized.)

Hopefully this information helps to explain some of protections provided under the BMO MasterCard program. If you have additional questions as a program administrator, please do not hesitate to contact Client Services at 888-267-7834 for more information.