

**Management’s Response to the Auditor General’s Review of
City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	<p>The Treasurer, in conjunction with Heads of Divisions participating in the PCard program, develop and implement clear and effective procedures to:</p> <p>a. Reduce the number of monthly transactions with outstanding documents or approvals</p> <p>b. Follow up on transactions with outstanding documents or approvals in a consistent manner</p> <p>c. Recover the City’s GST rebates from PCard purchases</p> <p>d. Ensure cancellation of individual PCards according to policy.</p>	X		<p>The PCard Program unit, developed comprehensive policies and procedures for programs in consultation with divisional staff, Purchasing and Materials Management and Internal Audit prior to its rollout. We will review the policies and update as necessary.</p> <p>The PCard manual will be updated and enforcement procedures for the roles of the Divisional PCard Coordinator and the PCardholder’s immediate supervisor will be communicated, to reinforce their responsibility to review, approve and update all transactions each month, and submit the approved logs to Accounting Services.</p>	<p>Prior to June 30, 2010: The Director of Accounting Services Division will:</p> <ul style="list-style-type: none"> ▪ Generate follow up reports to divisions on outstanding supporting documents and/or approvals on a monthly basis. ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to enable comparison with manual logs at time of approval. ▪ Update appropriate escalation procedures to document follow-up and implementation of disciplinary steps for non-compliance. ▪ Ensure that the GST/HST rebate process includes items that are not yet allocated in the system. ▪ Improve program overview component of PCard training to include review of division responsibilities regarding cancellation of individual PCards according to policy.

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2.	The Treasurer validate employment status of all current cardholders. Further, in consultation with Heads of Divisions participating in the PCard program, the Treasurer develop and implement clear and effective procedures to address the timely cancellation of PCards upon employment termination or extended leave.	X		<p>The existing PCard Policies & Procedures require divisions to immediately notify the PCard Program Unit and the Divisional Coordinator when a PCard is to be cancelled. This is also reinforced in the PCard Program training session and PCard Pocket Guide.</p> <p>Divisions are also required to provide advanced notice when a PCardholder is promoted, transferred, etc. The PCard Program unit uses this information to update card parameters for the new area and/or make preparations for card cancellation.</p>	<p>Prior to June 30, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Initiate a semi-annual review with PCard coordinators to verify active and inactive card users. ▪ Reinforce the procedures for canceling PCards upon transfer, extended leave or termination of an employee.
3.	The Treasurer, in conjunction with Heads of Divisions participating in the PCard program, develop and implement effective review, monitoring, and follow-up procedures, at the divisional and Corporate levels, to ensure compliance with PCard policies and procedures.	X			<p>Corrective action was taken by the Accounting Services Division regarding the instance of inadequate segregation of duties upon notification.</p> <p>Prior to June 30, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to

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					<p>enable comparison with manual logs at time of approval.</p> <ul style="list-style-type: none"> ▪ Provide divisions with monthly reports on outstanding documents and/or approvals. ▪ Enhance current training with more emphasis on roles and responsibilities, compliance and reporting. ▪ Develop a self-assessment tool for all PCardholders, to annually assess their knowledge of PCard policies and Purchasing procedures, and identify the need for, refresher training. ▪ Undertake random spot checks to identify divisions not complying with procedures related to the provision of supporting documents.

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4.	Heads of Divisions participating in the PCard program ensure that a divisional approval list outlining cardholders and their respective approval supervisors is developed and routinely reviewed for appropriateness.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Review with each division the list of PCard holders and approvers within each division. ▪ Verify status of cardholders and approvers semi-annually.
5.	The Treasurer, in consultation with Heads of Divisions participating in the PCard Program, ensure adequate controls are incorporated into the PCard approval process to detect inappropriate authorization and minimize the risk of unauthorized alterations to purchase logs.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to enable comparison with manual logs at time of approval. ▪ Provide for ad hoc (user created) and annual system-generated reports of user activity, for review by supervisors.
6.	The Treasurer, in consultation with Heads of Divisions participating in the PCard Program, ensure that cardholder reconciliation of purchase logs with PCard system records is consistently implemented.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to enable comparison with manual logs at time of approval.

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					<ul style="list-style-type: none"> ▪ Provide monthly reports on outstanding documents and/or approvals. ▪ Update appropriate escalation procedures to ensure follow-up and implementation of disciplinary steps for non-compliance, where appropriate.
7.	<p>The Treasurer, in consultation with Heads of Divisions participating in the PCard program, develop procedures whereby management staff have regular access to information on the total number and types of PCard purchases made for their office/unit</p>	X			<p>Prior to June 30, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Revise PCard procedures to include the provision of ad hoc and annual PCard transaction reports to division heads by PCard coordinators. ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to enable comparison with manual logs at time of approval. ▪ Provide training for PCard divisional coordinators to run system reports.

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8.	The Treasurer ensure that PCard documents, including purchase logs and receipts, are stored in a secure manner to prevent unauthorized access.	X			Prior to November 30, 2009 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Ensure records are filed in a secure area while subject to review. Make arrangements with archives for longer term record retention.
9.	<p>The Treasurer undertake the necessary steps to improve effectiveness of PCard training. Such steps should include, but not be limited to:</p> <p>a. Ensuring the training includes a review of the importance of individual roles and responsibilities in the control framework</p> <p>b. Providing refresher training where needed.</p>	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Improve program overview component of PCard training to include review of division responsibilities regarding cancellation of individual PCards according to policy. ▪ Develop a self-assessment tool for all PCardholders, to annually assess their knowledge of PCard policies and Purchasing procedures, and identify the need for, refresher training.

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10.	The Treasurer undertake the necessary steps to improve efficiency of the PCard process, including steps to explore the feasibility of using the PCard system to generate purchase logs for cardholders, and re-assess what information is necessary for cardholders to provide in the purchase logs.	X			<p>Prior to June 30, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Provide system generated reports on PCard purchases that will be provided to PCard supervisors to enable comparison with manual logs at time of approval. ▪ Explore whether new software will allow for appropriated system-generated log suitable for business needs.
11.	The City Manager ensure that the Expense Claim Policy for Staff of the City of Toronto (March 10, 1998) is reviewed, updated, and made accessible to staff.	X			<p>Corporate policies related to business expenses were posted on the Accounting Services Division’s intranet site November 16, 2009.</p> <p>Prior to June 30, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Review current measures being implemented by other jurisdictions on business expense reporting and provide recommendations for consideration to the Treasurer, CFO and City Manager regarding changes to City policies.

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12.	The Treasurer develop and implement measures to improve compliance with Corporate policies and procedures pertaining to business expenses.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Review current measures being implemented by other jurisdictions on business expense reporting and provide recommendations for consideration to the Treasurer, CFO and City Manager regarding changes to City policies.
13.	The Treasurer develop standards or guidelines for providing food and/or beverages at staff meetings and functions.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Review current measures being implemented by other jurisdictions on business expense reporting and provide recommendations for consideration to the Treasurer, CFO and City Manager regarding changes to City policies.

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14.	<p>The Treasurer undertake the necessary steps to improve cardholder compliance with Corporate purchasing policies and procedures. Such steps should include, but not be limited to:</p> <p>a. Ensuring cardholders receive adequate training in purchasing policies and procedures</p> <p>b. Monitoring PCard purchases to identify non-compliance with purchasing policies.</p>	X			<p>Prior to June 30, 2010 the Director of Accounting Services and Director of Purchasing and Materials Management will:</p> <ul style="list-style-type: none"> ▪ Ensure training on Purchasing Policies and Procedures is a mandatory requirement or pre-requisite prior to enrollment, approval and issuance of a P-Card. ▪ Develop a self-assessment tool for all PCardholders, to annually assess their knowledge of PCard policies and Purchasing procedures, and identify the need for, refresher training. ▪ Provide for ad hoc and annual system-generated reports of user activity, for review by PMMD for non-compliance and also for contracting opportunities.
15.	<p>The Treasurer ensure that PCard purchases are regularly monitored and analysed to identify opportunities for blanket contract.</p>	X			<ul style="list-style-type: none"> ▪ Prior to June 30, 2010 the Director of Accounting Services and the Director of Purchasing and Materials Management will: ▪ Provide for ad hoc and annual system-generated reports of user

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					activity, for review by PMMD for non-compliance and also for contracting opportunities.
16.	The City Manager review the current sundry expense policy and consider integrating the requirement to reduce the sundry expense claim when meals are provided at conferences or business meetings, or when meals are paid for by the City.	X			Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Review current measures being implemented by other jurisdictions on business expense reporting and provide recommendations to the Treasurer, CFO and City Manager regarding changes to City policies.
17.	The Treasurer, in conjunction with Heads of Divisions participating in the PCard program, develop and implement procedures to reduce the number of inactive or low usage cards, and cancel inactive cards where necessary.	X		Although reports have been sent to PCard coordinators showing inactive card users, these were not done on a pre-determined schedule.	Prior to June 30, 2010 the Director of Accounting Services will: <ul style="list-style-type: none"> ▪ Initiate a semi-annual review with PCard coordinators to verify active and inactive card users.

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18.	<p>The Treasurer develop and implement strategies to promote and expand the use of PCards by City divisions. Such strategies should include, but not be limited to:</p> <p>a. Analyzing divisional purchasing patterns to identify potential areas for expansion</p> <p>b. Developing and implementing measures to increase the use of PCards by divisions</p> <p>c. Setting performance goals for the City based on the number of participating divisions and yearly PCard purchase volume.</p>	X			<p>Prior to December 31, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Develop a strategy which will include addressing all internal control issues with PCards, documentation of PCard benefits, identification of opportunities to increase PCard usage, and appropriate targets and milestones for the program.
19.	<p>The Treasurer ensure adequate contract review and management practices for the PCard program including:</p> <p>a. A thorough review of the contractual terms and rebate</p>	X		<p>Although a final copy of the contract was not on hand in Accounting Services, the contract terms and rates have been interpreted by both the City and NBF in the same manner.</p>	<p>The Director of Accounting Services will ensure that for future contracts, a review of the contract is undertaken and a final copy of the contract is retained.</p>

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	<p align="center">rates and volume tiers</p> <p>b. Retaining a copy of the final contract.</p>				
20.	<p>The Treasurer, in conjunction with Heads of Divisions participating in the PCard program, develop a long term strategy for continuous improvement of the PCard program including:</p> <p>a. Establishment of a City-wide User Group</p> <p>b. Regular reviews and updates of polices and procedures.</p>	X			<p>Prior to June 31, 2010 the Director of Accounting Services will:</p> <ul style="list-style-type: none"> ▪ Reestablish Divisional PCard Coordinator team meetings ▪ establish a city-wide user group to review PCard matters ▪ establish a protocol for 3-year reviews of PCard policies and procedures