



STAFF REPORT ACTION REQUIRED

City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program

Date:	October 27, 2009
To:	Audit Committee
From:	Auditor General's Office
Wards:	All
Reference Number:	

SUMMARY

The City of Toronto began phasing in its Purchasing Card (PCard) program in 2005 to provide a more efficient and cost-effective means of procuring small dollar goods and services. Since its inception the yearly PCard purchase dollars have been steadily increasing from \$2 million in 2006 to an estimated \$8.5 million in 2009.

The primary goal of this review was to assess the adequacy of internal controls in the PCard program. Our review identified a number of gaps in its control framework, opportunities to improve efficiency, as well as the need for increasing compliance with PCard and related City policies.

A total of 20 recommendations are provided in the report. A management response to each of the recommendations is attached to this report.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Treasurer, in conjunction with Heads of Divisions participating in the PCard program, develop and implement clear and effective procedures to:
 - a. Reduce the number of monthly transactions with outstanding documents or approvals
 - b. Follow up on transactions with outstanding documents or approvals in a consistent manner
 - c. Recover the City's GST rebates from PCard purchases

- d. Ensure cancellation of individual PCards according to policy.
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.
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.
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.
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.
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.
7. 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.
8. The Treasurer ensure that PCard documents, including purchase logs and receipts, are stored in a secure manner to prevent unauthorized access.
9. The Treasurer undertake the necessary steps to improve effectiveness of PCard training. Such steps should include, but not be limited to:
 - a. Ensuring the training includes a review of the importance of individual roles and responsibilities in the control framework
 - b. Providing refresher training where needed.
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.

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.
12. The Treasurer develop and implement measures to improve compliance with Corporate policies and procedures pertaining to business expenses.
13. The Treasurer develop standards or guidelines for providing food and/or beverages at staff meetings and functions.
14. 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:
 - a. Ensuring cardholders receive adequate training in purchasing policies and procedures.
 - b. Monitoring PCard purchases to identify non- compliance with purchasing policies.
15. The Treasurer ensure that PCard purchases are regularly monitored and analysed to identify opportunities for blanket contract.
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.
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.
18. 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:
 - a. Analyzing divisional purchasing patterns to identify potential areas for expansion
 - b. Developing and implementing measures to increase the use of PCards by divisions
 - c. Setting performance goals for the City based on the number of participating divisions and yearly PCard purchase volume.

19. The Treasurer ensure adequate contract review and management practices for the PCard program including:
 - a. A thorough review of the contractual terms and rebate rates and volume tiers
 - b. Retaining a copy of the final contract.

20. 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:
 - a. Establishment of a City-wide User Group
 - b. Regular reviews and updates of policies and procedures.

FINANCIAL IMPACT

The implementation of recommendations in this report will improve financial controls over PCard purchases, reduce administrative costs, as well as maximize tax and volume rebates. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

City Council in 2003 adopted the Auditor General's report entitled "Procurement Processes Review – City of Toronto" <http://www.toronto.ca/audit/reports.htm>. Included in the report were a series of recommendations relating to the use of purchasing cards.

This report provides the results of the Auditor General's current review of the PCard program. This review was conducted as part of the Auditor General's 2009 Audit Work Plan.

COMMENTS

The Auditor General's report entitled "City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program" is attached as Appendix 1. Management's response to each of the 20 recommendations contained in this report is attached as Appendix 2.

CONTACT

Alan Ash, Director, Auditor General's Office
Tel: 416-392-8476, Fax: 416-392-3754, E-mail: aash@toronto.ca

Jane Ying, Audit Manager, Auditor General's Office
Tel: 416-392-8480, Fax: 416-392-3754, E-mail: jying@toronto.ca

SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program

Appendix 2: Management's Response to the Auditor General's Review of City Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program