

OBJECTIVE

To assess the extent of compliance with the City's P-Card Policy. More specifically, the audit set out to determine whether:

- Purchasing Cards were properly issued and authorized;
- Transactions were approved and supported;
- Regular reconciliations were done;
- There were adequate controls from issuance to deactivation of Purchasing Cards; and
- Appropriate purchasing practices were being used.

BACKGROUND

The City of Greater Sudbury has a P-Card Program that encompasses these four broad streams:

- Purchasing Card;
- Vehicle Card;
- Corporate Card; and
- Office Supplies Card.

The overall objective of the program is to simplify the purchasing process for low dollar, repetitive and/or non-repetitive transactions. The program is meant to make procuring these low dollar value transactions more efficient and effective, thus allowing procurement staff to concentrate on other areas that have higher risks. Additional benefits of the program include:

- Managing spending more effectively;
- Improving operating efficiencies;
- Driving cost savings;
- Eliminating paperwork; and
- Enhancing employee convenience.

The nature and features of the 3 cards with significant annual transaction values are as follows:

Figure 1 – Nature of Major Cards

	Purchasing Card	Vehicle Card	Corporate Card
Nature of Purchases	All goods and services except gas, travel and accommodation	Assigned to a specific vehicle	Travel and Accommodation
Transaction Limits	\$Maximum of \$9,999 or User's Authority Limit	\$250	Lessor of \$9,999 and User's Authority Limit
Monthly Card Limit	\$10,000 to \$50,000*	\$5,000	Up to \$50,000
Restrictions	Restricted by Merchant Category Codes (MCC) Codes	Accepted by merchants who sell fuel	Used only by the CAO, GMs, Directors, and Approved Managers

**Directors and General Managers have higher monthly limits for emergencies.*

The above-noted types of P-Cards were introduced in September 2002 and were governed by the City's Purchasing By-Law, Purchasing Authority Policy, and Travel and Business Expense Policy. The P-Cards are issued and administered by the Bank of Montreal and the City's P-Card Administrator. Overall responsibility for the P-Card Program falls under the Chief Procurement Officer.

The P-Card Policy was introduced in September 2002 with four revisions in 2006, 2012, 2013, and 2018. The policy is comprehensive and addresses roles and responsibilities, administration, features of each P-Card, authority limits, troubleshooting, etc. Draft changes to the policy are currently in progress.

Figure 2 - Purchasing Card Statistics for July 1, 2023, to June 30, 2024

Item	Transactions	\$ Value	Percentage of Value
Transactions	20,298	\$8,294,913	100%
No. of Active Purchasing Cards	107	NA	NA
Cards Sampled	25	NA	23%
Transactions from Sample cards	1,321	\$608,615	6.5% of Transactions and 7.3% of \$ Value

METHODOLOGY & SCOPE

The current audit examined only Purchasing Cards as these cards have higher annual transaction values than the other three types of P-Cards. The audit included staff interviews, analysis of policies, processes, reports and data as well as tests of controls for the period July 1, 2023, to June 30, 2024.

EXECUTIVE SUMMARY

This audit identified a number of accomplishments over the administration of the P-Card Program. It also identified opportunities to improve P-Card operations and management practices to provide greater regard for effectiveness. No instances of abuse or fraud were identified in our audit.

AUDIT STANDARDS

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan audits; properly supervise staff; obtain sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions; and document audits. For further information regarding this report, please contact Ron Foster at the City of Greater Sudbury at 705-674-4455 extension 4402 or via email at ron.foster@greatersudbury.ca

OBSERVATIONS AND ACTION PLANS

A. Missing Policy Items

The current policy does not address the following:

- Certain prohibited goods and services: alcohol, equipment, and materials. While some employees may be permitted to procure these depending on the nature of their employment, others are unable to do so.
- Disciplinary action for misuse of cards.

Recommendation A1:

When updating the Procurement policy, consider reviewing and including the above items.

Management Response and Action Plan

Prohibited Goods and Services:

Partially Agreed. The current policy states that “under no circumstance should the Procurement Card be used in a manner that would contravene the Purchasing By-Law, this Policy and Procedure or any other relevant policies and procedures”. Currently, the only prohibited commodities are related to Information Technology and Travel and Business Expense Policy. The Purchasing By-law and the P-Card policy will be updated to specifically note controlled commodities or ineligible business expenses.

Disciplinary Action:

Agreed. The revised policy is under way and these suggestions will be taken into consideration.

B. Receipts and Reconciliations in P-Card System Portal

For the July 2023-June 2024 period, 1,321 transactions amounting to \$608,614 were selected for testing. From a sample of 25 employees, there were 282 transactions amounting to almost \$216,000 which occurred without copies of receipts and reconciliations being entered into the P-Card system portal. It is important to note that all of the transactions identified below were for legitimate business expenses. The use of P-Cards is encouraged as a means of efficient and economical procurement. For example, Employee 3's transactions were primarily for animal control and shelter expenses, including professional veterinary services, where credit cards are generally the only accepted payment method the City can accommodate.

Figure 3 – Transactions without Receipts in Systems Portal

Employee	Total \$ Amount for Period	# of Transactions Without Receipts	\$ Value of Transactions Without Receipts
1	\$12,945.99	4	\$131.31
2	\$14,792.19	2	\$620.98
3*	\$243,447.39	276	\$215,128.92
Total	\$271,185.57	282	\$215,881.21

** Further review indicated that Employee 3 was not reconciling their card using the P-Card system portal and instead was following the procedures prior to full digitization of the reconciliation and approval processes. Previous procedures allowed the card transactions to be automatically charged to their default account code in the P-Card system portal and Cardholders provided their approvers with a paper card statement with receipts*

attached for approval and records retention. Employee 3 and their approver (Division head) started using the P-Card system portal for reconciliation, approval, and records retention in April 2024. Purchasing has followed-up with Employee 3 and has confirmed that P-Card transactions were legitimate and records, including receipt and approvals, have been retained.

Recommendation B1:

Purchasing should follow up with Employee 1 and 2 to ensure compliance with the procedures going forward.

Management Response and Action Plan

Agreed. Purchasing will review Employee 1 and 2 to ensure compliance with policies and ensure that records and approvals have been retained. Purchasing has implemented monthly compliance reviews to ensure that P-Card users were reconciling their transactions, and their approvers were approving them via the P-Card system portal. In addition to the compliance reviews, the Purchasing Section provides frequent reminders through various communication channels and contacts Cardholders who have not fulfilled their reconciliation duties and provides guidance, education, and training. Compliance to current reconciliation and approval procedures is no longer an issue.

C. No Evidence of Approval within the P-Card System Portal

From the same sample of 25 employees, 4 employees were identified with 323 transactions amounting to over \$240,000 that were not approved using the electronic portal for the P-Card as follows:

Figure 4 – Transactions without Approval in System Portal

Employee	Total \$ Amount for Period	# of Unapproved Transactions	\$ Value of Unapproved Transactions
1	\$12,945.99	12	\$8,902.21
2	\$14,792.19	2	\$620.98
3*	\$243,447.39	284	\$217,306.90
4	\$20,540.83	25	\$13,302.68
Total	\$271,185.57	323	\$240,132.77

*Refer to Recommendation B1.

Recommendation C1:

Purchasing should review the above observation to ensure compliance with procedures going forward.

Management Response and Action Plan

Agreed. As indicated in Recommendation B1, some employees were not following the current reconciliation and approval procedures during the period subject to audit. This issue has been resolved.

D. Significant Accomplishments

- A Purchasing Card Policy exists as part of the overall P-Card program and is followed.
- Roles and responsibilities are documented and understood.
- There is adequate segregation of duties from the issue of P-Cards to the payment of transactions.
- Transactions incurred are in conformity with the approved Merchant Category Codes (MCC).
- Reports are produced and acted upon to support, monitor, and approve transactions.

Table 1 – Summary of Significant Risks

Risk	Total No. of Risks	Risks (Before Controls)			Residual Risks (After Controls)		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputation (R)	0	0	0	0	0	0	0
Operational (O)	15	15	0	0	0	3	12
Financial (F)	15	15	0	0	0	3	12
Legal (L)	0	0	0	0	0	0	0
TOTAL	30	30	0	0	0	6	24

Table 2 – Significant Risks

Type of Risk	Description of Risk	Risk Before Controls	Residual Risk*
01/F1	Monthly statements may not contain all required backup documents.	15	10
02/F2	Transactions may be split into multiple transactions in order to buy items that exceed a threshold for P-Card purchases in accordance with the Purchasing By-Law or Cardholder's purchasing authority.	15	6
04/F4	Purchasing cards may be used for personal purchases and reimbursements may not be submitted by Cardholders.	15	6
05/F5	Purchasing Card transactions may not be adequately restricted using MCC codes.	15	6
06/F6	The Purchasing Card may be used for travel, accommodation, meal and fuel expenses.	15	6
07/F7	Purchasing Card limits are not established in accordance with the Purchasing Authority Policy.	15	6
08/F8	Actual purchases may exceed monthly limits (\$10,000 for Level 1 users and \$50,000 for all other levels).	15	6
09/F9	Actual purchases including taxes, shipping and handling may exceed the \$1,999 limit for Level 1 users and \$9,999 for all other users.	15	6
010/F10	Training in policies, procedures and guidelines to enable individuals to perform their assigned responsibilities may not be provided.	15	6
011/F11	Controls over the issue and timely cancellation of Purchasing Cards may not be effective.	15	6
O12/F12	Sufficient monitoring and control mechanisms may not be in place to ensure compliance with policies.	15	10
O13/F13	Policies may not be updated periodically to clarify roles and responsibilities and to adopt better practices.	15	9
O14/F14	Trend analysis may not be performed on transactions to identify instances of non-compliance.	15	6
O15/F15	Monthly corporate billing may not be paid on time to avoid financing charges.	15	6

**Note that it is not cost-effective to eliminate all residual risks.*

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
Very Minor (1)	<ul style="list-style-type: none"> • Less than 90% of service objectives achieved. 	<ul style="list-style-type: none"> • Minor disruptions of secondary systems or data loss or corruption. 	<ul style="list-style-type: none"> • Minor reportable employee injury. • Increase in number of union grievances. 	<ul style="list-style-type: none"> • Minor instances of actions that are at odds with strategic priorities. 	<ul style="list-style-type: none"> • Small amount of negative media coverage or complaints to City. • Non-lasting damage or no reputational damage • Theft or Fraud under \$1,000. 	<ul style="list-style-type: none"> • Uninsured loss, cost overruns or fines < \$10K • Insured loss < \$100K • Loss of replaceable asset.
Minor (2)	<ul style="list-style-type: none"> • Less than 75% of service objectives achieved. • Unable to perform non-essential service. 	<ul style="list-style-type: none"> • Disruptions of systems or data loss or corruption • Disclosure of non-confidential but embarrassing information. 	<ul style="list-style-type: none"> • Reportable employee injury. • Loss of key staff but able to recruit competent replacements • Significant increase (>10%) in number of union grievances. 	<ul style="list-style-type: none"> • Instances of actions at odds with strategic priorities. 	<ul style="list-style-type: none"> • Complaints elevated to the Director level. • Short-term repairable damage to City's reputation • Public outcry for discipline of employee. • Moderate amount of negative media coverage • Theft or Fraud of \$1,000 to \$10,000. 	<ul style="list-style-type: none"> • Uninsured loss, cost overruns or fines of \$10K to \$100K • Insured loss < \$100K - \$1M • Inefficient processes • City's actions result in reduced economic development.
Moderate (3)	<ul style="list-style-type: none"> • Less than 60% of service objectives achieved. • Unable to perform essential service but alternatives exist. 	<ul style="list-style-type: none"> • Disruptions of significant systems or data loss or corruption • Recoverable loss from important system. 	<ul style="list-style-type: none"> • Multiple employee injuries or long-term disability from one incident. • Inability to retain or attract competent staff. • Increase in stress leave, sick leave or WCB claims. • Work-to-rule union disagreement or short-term strike. 	<ul style="list-style-type: none"> • Numerous actions are at odds with strategic priorities. 	<ul style="list-style-type: none"> • Public/media outcry for removal of management • Long-term damage to City's reputation • Citizen satisfaction survey indicates unacceptable performance. • Complaints elevated to Council level. • Results inconsistent with commitments made to citizens • Theft or Fraud under \$100,000. 	<ul style="list-style-type: none"> • Uninsured loss, cost overruns or fines of >\$100K to \$1M • Insured loss >\$1M to \$10M • Having to delay payments to contractors/suppliers. • City's actions results in lost revenue for significant number of City businesses.

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial	
Major (4)	<ul style="list-style-type: none">• Less than 45% of service objectives achieved.• Unable to perform an essential service where no alternative exists.	<ul style="list-style-type: none">• Unrecoverable loss or corruption of data from important system• External exposure of important information• Unavailability of significant systems	<ul style="list-style-type: none">• Serious injury of one or more employees• Legal judgment against the City in workplace matter.• Turnover of key employees• Sustained strike of staff.	<ul style="list-style-type: none">• Numerous actions are significantly at odds with the strategic priorities.	<ul style="list-style-type: none">• Public/media outcry for change in CAO or Council• Public or senior officials charged or convicted• Legal judgment against the City in a workplace matter• Integrity breach resulting in decreased trust in City Council or Administration.• Theft or Fraud>\$100,000	<ul style="list-style-type: none">• Uninsured loss, cost overruns or fines of >\$1M - \$10M• Insured loss of >\$10M - \$100M• Unable to pay employees and contractors on time.• City's actions impair local economic conditions.	
Extreme (5)	<ul style="list-style-type: none">• Less than 30% of service objectives achieved.• Unable to perform several essential services where no alternatives exist.	<ul style="list-style-type: none">• Unrecoverable loss or corruption of data from critical system• External exposure of confidential information• Unavailability of critical systems	<ul style="list-style-type: none">• Death of an employee• Major legal judgment against the City in workplace matter.• Significant turnover of key employees with ELT• Sustained strike of staff supporting key services	<ul style="list-style-type: none">• Many actions are significantly at odds with the strategic priorities.	<ul style="list-style-type: none">• Public/media outcry for change in CAO or Council• Senior officials criminally charged or convicted• Severe legal judgment against the City in a workplace matter• Major integrity breach resulting in complete loss of trust in City Council or Administration.• Theft/Fraud>\$1,000,000	<ul style="list-style-type: none">• Uninsured loss, cost overruns or fines >\$10M• Insured loss > \$100M• File for bankruptcy• Failure to maintain financial capacity to support current demands.• City's actions significantly impair local economic conditions.	
Likelihood	Unlikely (1)		Possible (2)	Probable (3)		Likely (4)	Very Likely (5)
	Less than 20%		>20% but < 40%	>40% but < 60%		>60% but < 80%	80% or more
	Less frequent than every 10 years		May occur in the next 2 years	Will occur this year or next year at least once		May occur regularly this year	Will occur within months or may reoccur often