OFFICE OF THE
City Auditor

Corporate Procurement Card Program Follow-up

June 12, 2008

THE CITY OF
Edmonton

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Corporate Procurement Card Program Follow-up

1. Introduction

This is a follow-up review to determine the status of the OCA's four recommendations contained in the review of the City of Edmonton's Corporate Procurement Card (CPC) Program report, May 29, 2006. Our primary objective of that review was to determine whether the City is accomplishing its goals in implementing the program and to provide assurance that the City is adequately controlling the program.

The original report contained action plans to address the recommendations by December 2006. The results of this follow-up determined that management has satisfactorily completed the four recommendations in the original report.

2. Summary of Original Report

In our original report we concluded that the CPC program is meeting its goal of providing an efficient and cost effective method of acquiring and paying for low-value goods and services, but also made four recommendations to further strengthen the program.

We observed that the CPC unit obtains and maintains appropriate authorizations before issuing CPCs, conducts training for cardholders and supervisors, reviews support documentation for each of the cardholder's CPC transactions, and takes prompt action when there are lost or stolen cards. The CPC unit also ensures that the City does not pay interest on the monthly consolidated CPC statements, making the City eligible for cash rebates from the bank when CPC purchases reached a certain dollar threshold. Our review also confirmed that there is a high level of compliance regarding cardholder reconciliation of receipts to cardholder statements, supervisory review and approval of each transaction, and the provision of receipts to support the City's payment of the transaction. Further, we did not detect any fraudulent purchases.

We recommended that the City clarify what constitutes appropriate support documentation for CPC purchases, reinforce that personal purchases are a violation of purchasing policy, and provide up-to-date guidance on items that cannot be purchased using a CPC. We also recommended that the City make improvements with respect to CPC monitoring and control. The City must hold supervisors accountable for approving inappropriate use of the card (personal, prohibited or split purchases) or approving purchases without documentation. Also, Materials Management can play a greater role in educating clients about the proper procurement method when the CPC unit detects split purchases. We also recommended that the City needs to provide clear corporate

guidance for all in-town restaurant and catering expenses as well as gift card purchases.

3.   Results of Follow-up Review

We assessed the status of each recommendation through discussions with the CPC Unit and Materials Management Branch staff and reviewing supporting documentation.

3.1.   Recommendation 1a - Completed

Recommendation *- The OCA recommends that the CPC unit issue non-compliance notices to supervisors who approve transactions that are inappropriate or lacking appropriate documentation.*

The CPC Unit is issuing notices of non-compliance to supervisors who approve transactions that are inappropriate or lacking appropriate documentation. They have also communicated this to all cardholders and approvers. They also updated the CPC Procedure to indicate that they will report any issues of non-compliance to the cardholder and the approver and those non-compliance issues may be for incidents involving the cardholder or the approver.

3.2.   Recommendation 1b - Completed

Recommendation - *The OCA recommends that the CPC unit issue written notices to cardholders who use their CPCs for personal expenses.*

The CPC Unit now issues written notices to cardholders who use their cards for personal items. They have also updated the CPC Procedure to indicate that they will report any issues of non-compliance to the cardholder and the approver.

3.3.   Recommendation 1c - Completed

Recommendation *- The OCA recommends that the CPC unit require that, when cardholders cannot produce appropriate receipts, they provide a written, supervisor-approved record detailing the purchase.*

The CPC Unit now requires cardholders to complete a "Corporate Procurement Card Lost Receipt Declaration Form" if they cannot produce an appropriate receipt for their purchases. The cardholder's supervisor also signs the form to confirm they approved the purchase and it relates to city business.

3.4.   Recommendation 2a - Complete

Recommendation *- The OCA recommends that the Finance Branch update guiding documents for prohibited items and determine the best way to monitor compliance.*

The Materials Management Branch has updated the CPC Procedure to include a link to a listing of restricted items. They have also communicated this list to all Low-value Purchase Order creators.

The CPC Unit has implemented a formal compliance monitoring process that includes: monitoring all cardholder transactions for a verification of purchase, monitoring receipts for split transactions or the purchase of restricted items and sending a listing to Materials Management, issuing non-compliance notices to supervisors approving transactions that are inappropriate or lacking documentation, and issuing written notices to cardholders who use their CPC's for personal items.

3.5.   Recommendation 2b - Completed

Recommendation - *The OCA recommends that the Finance Branch clarify what constitutes an adequate receipt.*

The CPC Unit clarified what constitutes an adequate receipt and communicated it to all cardholders, supervisors, managers and approvers. They are also monitoring compliance and asking cardholders who do not submit proper receipts to resubmit their receipts or complete the "Corporate Procurement Card Lost Receipt Declaration Form". They have also updated their training program to include information on what constitutes a valid receipt.

3.6.   Recommendation 2c - Completed

Recommendation - *The OCA recommends that the Finance Branch provide guidance to employees regarding how to implement adequate controls for inventorying, safeguarding and distributing gift certificates.*

The Finance Branch revised Administrative Directive & Procedure - A1200B - Handling of City Money. The directive has been reviewed and approved by SMT. The Directive and Procedure provides appropriate guidance and controls to address the storage and handling of gift certificates as well as other cash like products.

3.7.   Recommendation 3 - Complete

Recommendation - *The OCA recommends that Materials Management educate departments on appropriate procurement methods when the CPC unit detects instances of purchase-splitting.*

The CPC Unit has updated their processes in dealing with instances when they detect purchase-splitting. On a monthly basis, they report to the Materials Management Branch any instances of suspected purchase splitting. Materials Management will then work with the particular business area to provide alternate solutions in order to support their individual purchasing need and avoid purchasing splitting in the future.

3.8.   Recommendation 4- Complete

Recommendation *- The OCA recommends that the City Manager provide guidance to employees regarding in-town restaurant and catering expenditures, including appropriate use and dollar limits.*

In November 2007 SMT approved Administrative Directive and Procedure A1415G - Employee Business Expenses - Local and Out of Town. The Directive and Procedure provides direct guidance to employees regarding per diem rates, in town restaurants and catering expenses including appropriate use and dollar limits.

4.   Conclusion

The CPC unit and Materials Management have completed the four recommendations that arose from our review of the City of Edmonton's Corporate Procurement Card (CPC) Program report.

We would like to thank the Materials Management staff and the CPC Unit staff for their support, cooperation and feedback.