



*Office of the Auditor General / Bureau du vérificateur général*

**AUDIT OF CORPORATE CREDIT CARDS**

**2012**

**VÉRIFICATION DES CARTES DE CRÉDIT MUNICIPALES**

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## EXECUTIVE SUMMARY

### ***Introduction***

The Audit of Corporate Credit Cards was included in the 2012 Audit Plan of the Office of the Auditor General (OAG), approved by City Council on December 14, 2011.

### ***Background***

The Purchasing Card Policy approved by the City Treasurer in November 2011 states that, “a City of Ottawa purchasing card is the preferred method of payment for the procurement of low dollar value goods and services where it is efficient, economical and feasible to do so. In limited circumstances, the Finance Department may authorize purchasing card use for the payment of goods and services with higher dollar values or employee travel and business expenses”.

### **Card History**

In January 2001 the newly amalgamated City of Ottawa integrated the various card programs from former municipalities into a Purchasing and Corporate Credit Card Program. Purchasing cards were used to pay for goods and services while Corporate Credit cards were less restrictive and could be used to acquire travel and entertainment related expenses, write cheques as well as carrying out cash advances.

In March 2003, pursuant to the findings of the *Audit of the Corporate Card and Purchasing Card Program*, conducted by the former Audit and Consultant Services Branch (ACS) of the City Manager’s Office, the City of Ottawa discontinued its Corporate Credit card program only retaining Purchasing cards.

In October 2003 a follow-up by the then ACS Branch titled: *Credit Card Program: Results of the Three Month Review* was presented to Audit Committee and Council. This report presented the results of the cancellation of credit cards (only purchasing card remained) and the implementation of the new procedures. Overall the report concluded that the transactions processed after the program cancellation date were valid and reasonable to the City; and that the overall compliance rate for monthly reconciliation process was 93.6%.

As part of the 2005 Audit of the Procurement Process, the OAG performed a follow-up of the implementation of all recommendations from the Audit of the Corporate Card and Purchasing Card Program and included the findings in the audit report. The report concluded that the purchasing cards are generally well managed with a well-defined process in place for the procurement and payment of low dollar value goods and services.

## **Type of Cards**

The City of Ottawa has the following types of acquisition cards:

- ***Purchasing Card*** – Restricted to the procurement of low dollar value goods and services. A Purchasing Card is issued to employees who commonly purchase goods and services such as construction materials, program supplies, registrations, subscriptions and office products. In keeping with policies and procedures, these exclude such expenditures as travel and entertainment, cash advances, personal purchases, etc. In 2011 there were 928 Purchasing card numbers held by 900 holders. However, no employee had greater than one card at a time.
- ***Corporate Credit Card*** – A Corporate Credit Card is issued to employees who incur travel and business expenses in addition to goods and services normally purchased using a Purchasing card. In 2011 there were 272 Corporate Credit card numbers held by 269 holders (includes CTA): 9 City of Ottawa staff; 244 Ottawa Police Service staff (3 OPS required their card to be replaced during 2011); 10 elected officials and 3 Ottawa Public Library staff. Corporate Credit cards can be used much like any personal credit card. It is our understanding that only Ottawa Police Services continue to be able to perform cash advances using the Corporate Credit cards. However, no employee had greater than one card at a time.
  - ***Corporate Travel Account (CTA)*** is a subset of Corporate Credit cards – Credit account number (pilot project) used by a limited number of City employees intended for travel related expenditures. Although, there is no physical card, for the purpose of this audit, travel account transactions will be treated as a card transaction. Three Corporate Travel Accounts were found to have been used in 2011.
- ***Vehicle Card*** – For the purchase of fuel at commercial pumps. A Vehicle Card is issued for use with a specific City vehicle or by an organizational unit which is required to purchase fuel out of the City of Ottawa or does not always have access to City fuelling sites. In 2011, 27 vehicle card numbers were used: 13 by OPS and 14 by City staff.

U.S. Bank is the City's acquisition card purveyor. The billing cycle extends from the 15th day of a month to the 14th day of the following month. Our review extends over a 12 month period, January 1, 2011 to December 31, 2011, regardless of which cycle the transaction is charged against.

The City tendered its credit card program in April 2009. US Bank was the successful bidder. A 3 year term with an extension of 3 years was signed and dated by the City on October 30, 2009 and US Bank, November 16, 2009.

In March 2011, U.S. Bank, the City's acquisition card purveyor, replaced its Access Direct® software with Access® Online software. Management had indicated that this new technology was to provide City employees with timelier, better accounting and reconciling capabilities.

Per the City's financial system, the City of Ottawa had acquisition card expenditures for 2010 and 2011 totalling \$15 million and \$16.5 million respectively.

As can be noted in Table 1 below, any Corporate Travel account expenditure is captured within the Corporate Credit card category. It should be noted that the OAG mined the data on March 15, 2012 and that any subsequent credit applied against an account would not have been captured. For 2011, acquisition card transaction expenditures were as follows:

**Table 1: 2011 Total Acquisition Card Expenditures by Card Type and Area**

Acquisition Card Type	2011 Expenditures <sup>(1)</sup>
<b><u>Purchasing Card:</u></b>	
City departments	11,417,825
<i>Elected Officials</i>	5,289
<i>Ottawa Police Service</i>	1,374,590
<i>Ottawa Public Library</i>	1,304,361
<i>Campground and Golf Course</i>	14,824
<b>Sub-total: Purchasing Card</b>	<b>14,116,889</b>
<b><u>Corporate Credit Card:</u></b>	
City departments	77,753
Corporate Travel Account	18,331
<i>Elected Officials</i>	48,248
<i>Ottawa Police Service</i>	2,169,619
<i>Ottawa Public Library</i>	98,929
<i>Campground and Golf Course</i>	22,375
<b>Sub-total: Corporate Credit Card</b>	<b>2,435,255</b>
<b><u>Vehicle Card:</u></b>	
Vehicle Card	13,913
Police Vehicle	55
<b>Sub-total: Vehicle Card</b>	<b>13,968</b>
<b>TOTAL 2011 Acquisition Card Transactions</b>	<b>16,566,112</b>

<sup>(1)</sup> Source: Data mined from U.S. Bank Access® Online on transaction date: January 1 to December 31, 2011

## Audit Objectives and Scope

The audit objectives are to:

1. Confirm the completion of an operational risk assessment for the area to be audited; and,
2. Assess that the City of Ottawa's card programs control frameworks are adequate and functioning as intended.

The audit scope includes all Purchasing Cards, Corporate Credit cards and Corporate Travel accounts used by City departments.

The audit excluded cards used by elected officials and their office staff, Ottawa Police Services, Ottawa Public Library and at arm's length entities (i.e., Pine View Municipal Golf Course, Ottawa Municipal Campground). Also excluded from the scope of this audit are all vehicle/fuel cards for the entire City of Ottawa and Ottawa Police Service as this will be considered as part of a future planned audit of Fleet.

The audit reviewed key control mechanisms and overall management of the card programs. Transactions were sampled and tested to assess whether cards were issued and controlled properly, payments were made promptly and the accounts were reconciled in keeping with the City of Ottawa's policies and procedures.

As detailed in table 2, the audit focused on the following \$11.5 million or 70% of acquisition card transaction expenditures made during 2011.

**Table 2: In-scope 2011 Acquisition Card Expenditures by Card Type and Area**

Acquisition Card Type	Total 2011 Expenditures	In-Scope 2011 City departments Expenditures	% of In-Scope Expenditures
<i>Purchasing Cards</i>	14,116,889	11,417,825	81%
<i>Corporate Credit Cards</i>	2,435,255	96,084	4%
<b>TOTAL 2011 Transaction of Acquisition Cards</b>	<b>\$16,552,144</b>	<b>\$11,513,909</b>	<b>70%</b>

## Summary of Key Findings

1. The credit card program is well administered and well supported by Finance Department. The City has clear processes; heightened supervision and oversight over reconciliations verification; as well as satisfactory compliance against applicable policies and procedures. Policies and procedures are readily available through Ozone, the City's intranet, and are well understood by employees.

2. Finance Department has not fully documented an operational risk assessment for the credit card program as required by the Corporate Risk Management policy and Corporate Enhanced Risk Management (ERM) Framework approved by Senior Management, Executive Committee and City Council in April 2010. As an operational risk assessment has not been completed for the credit card program, risks may not be fully or properly identified and mitigated. Management advised us that while Finance staff have not formalized the considerations and actions the department has taken to consider risk within the credit card process in a document under a banner of “operational risk assessment”, Finance believes these considerations and actions were the components of an operational risk assessment.
3. We conducted testing on both a judgmental and random sample and found that the error rates were low.
4. Based on this testing, in our opinion controls are functioning as intended.  
Specifically,
  - The random sample consisted of 100 reconciliations representing 506 transactions (or 1.3% of in-scope transactions) with a dollar value of \$153,736 (or 1.3% of total dollar value of in-scope transactions). For the sample of transactions we reviewed, we noted a 0.3% error rate (22/7,000) which is not significant. Types of errors found included tax coding, missing or inappropriate receipts and reconciliation which could not be provided. We found that controls appeared to be functioning as intended; and,
  - The judgemental sample consisted of 50 reconciliations representing 605 transactions (or 1.6% of in-scope transactions) with a dollar value of \$105,453 (or 1% of total dollar value of in-scope transactions). For the sample of transactions reviewed, we noted an error rate of 1.4% (115/8,386) which is slightly higher than the random sample but still low. Types of errors found included travel (expenses against cards restricted to non-travel), tax coding, missing or inappropriate receipts.
5. The City runs dance programs at the Michelle Heights Community Centre and purchased costumes for participants to partake in an end of program recital. Management informed us that a bank account under Fierce Dance Factor was set up and managed by the Specialist, Advanced Sport, a City employee as was everyone working on this program. All reimbursements by parents and fund raising related to the City dance program are deposited to this non-City bank account. The City is then reimbursed at year-end one lump sum cheque for costumes and any other expenditure associated with this program. Although the Cash Handling Procedures does not directly address setting up an account receivable for moneys owed to the City, it does specify that: “These Procedures apply to all City of Ottawa staff, volunteers, students, elected officials,

contractors, consultants, boards, agencies, commissions and business partners who accept funds on behalf of the City and whose financial transactions are captured within the City's financial systems.... and All cash received must be duly recorded in the appropriate system and a receipt made available." In our opinion, non-City bank accounts are not in compliance with City policies.

6. We found that 60 City employees used their card to pay for parking instead of submitting a claim for reimbursement (248 transactions totalling more than \$1,500). Purchasing Card Procedures indicates travel as a card restriction; however, it does not differentiate between local and out of town travel. It was noted that on April 22, 2013 a Management Bulletin was issued relating to the policy on mileage and parking to improve monitoring and compliance.
7. The Purchasing Card policy does not specifically deal with employees paying for parking on a City credit card. Management stated that in their opinion local transportation (e.g., parking) was not a disallowed expenditure. As such, in our opinion, the City's policies and guidelines should be updated to specifically reflect this.
8. We found that the credit cards, of 4 of the 22 employees who had a retirement/termination action in 2011, had not been deactivated/closed as at June 13, 2012 even though the employees had left the City (two in February 2011, one in August 2011 and one in November 2011). Although no activity, after the employee left the City's employment, was noted on these cards, these remained open in the US Bank On-line Access system. The Deputy City Treasurer Corporate Finance was provided with the four cardholders' names on June 14 for action.
9. By increasing the use of credit cards in lieu of petty cash or cheques, the City could potentially save in the range of \$150,000 to \$250,000 and could further obtained savings in the form of contract negotiated rebates. These potential savings are calculated based on an average cost for issuing a cheque ranging from \$15.00 to \$25.00, and an estimated increase in transaction volume of 20% (approximately 10,000 more credit card transactions than 2011 levels).
10. In 2011, 248 card users spent over \$237,430 at grocery stores and supermarkets (MCC 5411). Savings could be obtained by having lower level staff perform this additional purchasing; by having Supply Management put to tender larger purchases e.g., grocery stores and supermarkets; by expanding a current agreement for food and groceries; or by approaching individual stores for preferential pricing. A review of 2011 expenditures at Grocery Stores, Supermarkets showed that \$125,899 of the \$237,430 was spent at Loblaws and Loblaws Superstore, yet no preferential pricing, whether it be in the form of rebate, incentive, etc., has been established with these stores. While Supply Management could not provide us with the dollar amount of the potential

saving from tendering groceries, doing so would also improve the controls surrounding the purchase of food and provide more efficient use of staff time.

11. The City could benefit directly by collecting loyalty points for specific suppliers or programs. Previous audit work has noted that Ottawa Police were successful in negotiating an agreement to collect loyalty point at a specific vendor. This further supports the City's need to establish a procurement contract for the purchase of food.

## ***Recommendations and Management Responses***

### **Recommendation 1**

**That Finance Department formalize in a document an operational risk assessment for the credit card program as set out in the City's Enhanced Risk Management Framework.**

#### **Management Response**

Management agrees with this recommendation.

The Finance Department will be completing a detailed risk assessment by the end of Q4 2014 as part of a corporate cyclical reporting framework that aligns with the Term of Council. As part of the cycle for the Corporate Risk Profile, departments will be required to complete an assessment of corporate, operational, strategic and project risks. Risks associated with the credit card program will be identified and monitored as part of the corporate risk assessment process.

### **Recommendation 2**

**That Finance Department ensure proper and consistent tax coding across reconciliations and that appropriate training is provided to cardholders requiring it.**

#### **Management Response**

Management agrees with this recommendation.

The Commodity Tax Unit is responsible for the identification, development and delivery of training related to all commodity tax issues, including tax coding, on an annual basis. The 2013 workplan for that Unit includes an assessment of the effectiveness of that training, and prioritization and delivery strategies for future direction. The assessment and communication of strategies will be completed by the end of Q4 2013. Any updates or changes to existing training materials and approaches will be highlighted and incorporated into future annual training.

**Recommendation 3**

**That the City ensure that all recoveries/reimbursements be made as per the Cash Handling Policy directly to the City.**

**Management Response**

Management agrees with this recommendation.

With regard to the reimbursement of expenditures related to dance programs run by the City, the applicable staff member has been given explicit direction with respect to their contravention of the policy and appropriate action has been taken to ensure that this practice does not reoccur. The Recreation Supervisor and the Customer Service Part Time Clerk on site have taken PCI Awareness and Cash Handling Training. In addition, a copy of the Cash Handling Policy has been sent via email by the Program Manager to the staff on site and a printed copy is available at the front desk. In addition, a review of the Cash Handling Policy and Procedures will be provided at the department's Finance Training, which is scheduled for Q1 2014.

**Recommendation 4**

**That the City ensure that the practice of setting-up non-City bank account be discontinued and any non-City account be closed immediately.**

**Management Response**

Management agrees with the recommendation.

Under direction from management, the non-City bank account was closed. A communication was sent to all Parks, Recreation and Cultural Services staff confirming that non-City bank accounts are not to be opened, in accordance with the City's Cash Handling Policy.

**Recommendation 5**

**That the City ensure that only itemized receipts are accepted as support for a transaction.**

**Management Response**

Management agrees with this recommendation.

The Purchasing Card Policy addresses this recommendation by requiring that: *"Documentation supporting a purchasing card transaction must be retained for verification and audit purposes and must specify what was purchased and itemize the cost. All cardholders must complete a mandatory review of transactions and submit monthly statement reconciliations."*

The Purchasing Card Procedures require the Cardholder to attach all receipts and source documents to the monthly statements, which are reviewed for compliance by the FSU.

The Purchasing Card Policy and Procedures will be further communicated and reinforced by management by the end of Q4 2013.

**Recommendation 6**

**That the City review the Purchasing Card policy to clarify if local parking is an allowable purchase.**

**Management Response**

Management agrees with this recommendation.

Local parking is an allowable expense per the Purchasing Card Policy. The Procedures restrict travel expenses, which are defined in the Travel Policy to be travel outside the city. Management will review the policy to ensure the restrictions on the use of the purchasing card for parking expenses are clear. This is expected to be completed by the end of Q4 2013.

**Recommendation 7**

**That the City perform an analysis of grocery requirements (per centre, program, etc.) for all of Community and Social Services and Parks, Recreation and Culture and investigate any opportunity to take advantage of better prices/delivery; and/or undertake a competitive process.**

**Management Response**

Management agrees with this recommendation.

CSS and PRCS management have performed an analysis of grocery requirements (per centre, program, etc.). CSS have proactively added and will continue to add, many of the larger daycare centres and shelters to the complete purchasing contract where it is financially viable. The process would not, however, be viable for the smaller CSS and PRCS programs/centres due to the minimum order requirements, scheduled delivery dates and delivery charges.

**Recommendation 8**

**Until such time as the City establishes a competitive process for the procurement of groceries, that the both Community and Social Services and Parks, Recreation and Culture assign shopping more cost effectively.**

**Management Response**

Management agrees with this recommendation.

CSS will monitor monthly and review on a quarterly basis, the use of complete purchasing and limit purchasing groceries beyond the online ordering system. Childcare staff have adapted best practices used in the Long Term Care Branch in menu planning and online food purchasing to maximize efficiency of online ordering and delivery.

Multiple levels of PRCS staff make purchases – summer camp counsellors, program coordinators, park programmers, facility supervisors, program instructors, etc. PRCS will assign shopping more cost-effectively by implementing a “best practice” within the department’s Finance Training to identify that the Program Co-ordinator level or lower will complete purchases for program supplies/groceries where possible. PRCS will complete a review of the cardholders at each facility in order to implement this best practice by Q1 2014.

### **Recommendation 9**

**That the City establish a policy relating to the collection of all loyalty program points (including store purchases, fuel, etc.).**

#### **Management Response**

Management agrees with this recommendation. A policy will be established by the end of Q1 2014.

### **Recommendation 10**

**That the City develop a corporate policy or guideline governing the awarding of cash or near cash prizes including but not limited to: Criteria for awarding prizes; Accounting of prizes; and, Evidentiary documentation of the disbursement; and that the appropriate FSU ensure its enforcement.**

#### **Management Response**

Management agrees with this recommendation. A corporate policy will be developed by the end of Q1 2014.

### **Recommendation 11**

**That the City not pay individual memberships or professional fees using purchasing cards as per the Purchasing Card Policy.**

#### **Management Response**

Management agrees with this recommendation.

The Purchasing Card Policy and Procedures will be further communicated and reinforced. This is expected to be completed prior to the end of Q4 2013.

### **Recommendation 12**

**That the City regularly review any termination of employment and ensure that cards are deactivated at the time an employee leaves the Corporation.**

#### **Management Response**

Management agrees with this recommendation.

The corporate policy for Termination, Resignation/Retirement Procedures sets out management's responsibilities regarding the return of City property. Human Resources will amend the policy to further indicate that managers are responsible for advising Finance to deactivate a purchasing card upon any termination of employment. As an additional measure, Human Resources will begin providing a monthly report to the Finance Department of all terminations for auditing purposes. Finance will be able to compare the list of terminations against all purchasing cardholders to ensure that all cards are deactivated when an employee leaves the corporation. The amendment of the policy and commencement of the monthly report will be implemented by the end of Q3 2013.

In addition, the Purchasing Card Policy assigns the responsibility to the manager to "ensure cancellation of the card when the cardholder terminates employment". The Purchasing Card Policy and Procedures will be further communicated and reinforced by management. This is expected to be completed prior to the end of Q4 2013.

### **Recommendation 13**

**That the City consider expanding the use of credit card in lieu of cheques or petty cash and take advantage of savings ranging from \$150,000 to \$250,000.**

#### **Management Response**

Management agrees with this recommendation.

The City will continue to explore opportunities to increase the use of the credit card in lieu of cheques or petty cash. A project to review the expanded use of the credit card was developed in 2012 and started in 2013. The project will include an analysis of vendors and payments to identify transactions that, in the future, could be paid by credit card. This project is expected to be completed by the end of Q2 2014. Finance will continue to communicate the benefits of using the credit card, and encourage City staff to consider this method of payment where feasible.

### ***Potential Savings***

By increasing the use of credit cards in lieu of petty cash or cheques, the City could potentially save in the range of \$150,000 to \$250,000 and could further obtain savings in the form of contract negotiated rebates. These potential savings are calculated based on an average cost for issuing a cheque ranging from \$15.00 to \$25.00, and an estimated increase in transaction volume of 20% (approximately 10,000 more credit card transactions than 2011 levels).

In 2011, over \$237,430 was expended at grocery stores without a competitive procurement process being used. While Supply Management could not provide us with the dollar amount of the potential saving from tendering groceries, doing so would also improve the controls surrounding the purchase of food and provide more efficient use of staff time.

Until such time as the City establishes a competitive process for the procurement of groceries, savings can be obtained through better management of shopping routines of City employees – specifically, assigning shopping duties more cost effectively. For Parks, Recreation and Cultural Services, we estimated that the City could save approximately \$10,000 by having staff at the Program Coordinator or lower level carry out the purchasing instead of more senior level employees.

### **Conclusion**

Overall, the credit card program is well administered and well supported by Finance Department.

Our audit found clear processes; heightened supervision and oversight over reconciliations verification; as well as satisfactory compliance against applicable policies and procedures. Both our judgmental and random samples' error rates were not significant.

The City has several comprehensive policies and procedures, which continue to be updated and provide suitable direction to credit cardholders. Policies and procedures are readily available and well understood by Financial Services Unit (FSU). Strong adherence to these was noted. In cases of non-compliance, a procedure is in place and we found evidence that it was used in the majority of instances. In comparison to the 2002 audit of credit cards carried out by the former Audit and Consulting Services Branch, there are now significantly better internal controls and clear oversight roles of credit card expenditures by both departments and Finance Department. In our opinion, the City is now in a position to consider expanding the program and taking advantage of additional offerings resulting in potential savings.

### **Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

## RÉSUMÉ

### ***Introduction***

La vérification des cartes de crédit municipales était prévue dans le Plan de vérification du Bureau du vérificateur général (BVG) de 2012, lequel a été approuvé par le Conseil le 14 décembre 2011.

### ***Contexte***

La Politique sur les cartes d'achat approuvée par la trésorière municipale en novembre 2011 stipule qu'une « carte d'achat de la Ville d'Ottawa est le mode de paiement privilégié pour l'approvisionnement en biens et services de faible valeur lorsqu'il peut être considéré comme un moyen possible, efficace et économique. Dans certaines circonstances, le Service des finances peut autoriser l'utilisation d'une carte d'achat pour le paiement de biens et services de plus grande valeur ou de frais de déplacement et de dépenses d'entreprise des employés. »

### **Historique des cartes**

En janvier 2001, la Ville d'Ottawa nouvellement fusionnée intégrait les divers programmes de cartes des anciennes municipalités pour créer le Programme de cartes d'achat et de cartes de crédit municipales. Les cartes d'achat servaient au paiement des biens et services alors que l'usage réservé aux cartes de crédit municipales était moins restreint; elles pouvaient être utilisées pour régler les frais de déplacement et de représentation, pour tirer des chèques ainsi que pour effectuer des avances de fonds.

En mars 2003, à la lumière des conclusions de la *Vérification du programme de cartes de crédit de la Ville et de cartes d'achat*, menée par l'ancienne direction des Services de vérification et de consultation (SVC) du Bureau du directeur municipal, la Ville d'Ottawa amputait le programme de cartes de crédit municipales, ne conservant que les cartes d'achat.

En octobre 2003, un suivi effectué par les SVC de l'époque intitulé *Programme des cartes de crédit : les résultats de l'examen trimestriel* étaient soumis au Comité de vérification et au Conseil. Ce rapport dévoilait les résultats de l'abolition du programme de cartes de crédit (seules les cartes d'achat demeuraient en vigueur) et la mise en application des nouvelles procédures. Dans l'ensemble, les conclusions du rapport indiquaient que la Ville jugeait valables et raisonnables les transactions effectuées après la date d'abolition du programme et que le taux de conformité général du processus de rapprochement mensuel était de 93,6 %.

Dans le cadre de la vérification du processus d'acquisition de 2005, le BVG effectuait un suivi de la mise en application de toutes les recommandations émises lors de la vérification du Programme de cartes d'achat et de cartes de crédit municipales et y intégrait les constatations du rapport de vérification. Le rapport de suivi concluait que les cartes d'achat sont en général bien gérées et encadrées par un processus clair d'approvisionnement et de paiement de biens et services de faible valeur.

### **Types de carte**

Voici les types de carte que détient la Ville d'Ottawa :

- ***Carte d'achat*** – Son utilisation est limitée à l'acquisition de biens et services de faible valeur. La carte d'achat est délivrée aux employés qui achètent habituellement des biens et services comme des matériaux de construction, des fournitures de programme ou de bureau et qui paient des droits d'inscription ou des abonnements. Conformément aux politiques et procédures, cette liste exclut les frais de déplacement et de représentation, les avances de fonds, les achats personnels, etc. En 2011, 928 cartes d'achat étaient détenues par 900 titulaires. Précisons qu'aucun employé ne détenait plus d'une carte à la fois.
- ***Carte de crédit municipale*** – Une carte de crédit municipale est délivrée aux employés qui engagent des frais de déplacement ou des dépenses d'entreprise en plus des biens et services normalement payés avec une carte d'achat. En 2011, 272 cartes de crédit municipales étaient détenues par 269 titulaires (en comptant les détenteurs d'un CVM, voir sous-catégorie suivante), soit 9 membres du personnel de la Ville d'Ottawa, 244 membres du Service de police d'Ottawa (dont trois ont dû faire remplacer leur carte en 2011), 10 élus municipaux et 3 membres du personnel de la Bibliothèque publique d'Ottawa. Une carte de crédit municipale s'utilise comme une carte de crédit personnelle. Selon nos informations, seuls les membres du Service de police d'Ottawa (SPO) demeurent en mesure d'effectuer des avances de fonds à l'aide de la carte de crédit municipale. Précisons qu'aucun employé ne détenait plus d'une carte à la fois.
  - ***Compte de voyage municipal (CVM)*** – Une sous-catégorie des cartes de crédit municipales. Le numéro de compte de crédit (projet pilote) est utilisé par un nombre limité d'employés municipaux qui engagent des dépenses liées aux déplacements. Même si aucune carte matérielle n'est associée à ce compte, les transactions seront traitées comme des transactions de carte pour les besoins de cette vérification. Trois comptes de voyage municipaux ont été utilisés en 2011.

- **Carte automobile** – Cette carte sert à l’achat de carburant aux stations-service commerciales. Une carte automobile est associée à l’utilisation d’un véhicule municipal en particulier ou est délivrée à une unité qui est tenue d’acheter de l’essence à l’extérieur d’Ottawa ou qui n’a pas toujours accès aux points de ravitaillement de la Ville. En 2011, 27 cartes automobiles ont été utilisées : 13 par le SPO et 14 par le personnel municipal.

U.S. Bank est le fournisseur de cartes d’achat de la Ville. Le cycle de facturation commence le 15<sup>e</sup> jour du mois et se termine le 14<sup>e</sup> jour du mois suivant. Notre examen porte sur douze mois, soit du 1<sup>er</sup> janvier 2011 au 31 décembre 2011, sans égard au cycle durant lequel la transaction a été facturée.

La Ville a lancé un appel d’offres pour son programme de cartes de crédit en avril 2009. U.S. Bank a été le soumissionnaire retenu. Un contrat de trois ans, assorti d’une prolongation de trois ans, a été signé et daté par la Ville le 30 octobre 2009 et par U.S. Bank le 16 novembre 2009.

En mars 2011, U.S. Bank, le fournisseur de cartes d’achat de la Ville, a remplacé son logiciel Access Direct® par le logiciel Access® Online. La direction a indiqué que cette nouvelle technologie rendrait plus efficace et plus rapide le travail des employés municipaux responsables de la comptabilité et des rapprochements de comptes.

Selon les données du système financier de la Ville d’Ottawa, les dépenses portées aux cartes d’achat municipales en 2010 et 2011 s’élevaient respectivement à 15 millions et 16,5 millions de dollars.

Comme le montre le tableau 1 ci-dessous, toute dépense portée aux comptes de voyage municipaux se retrouve sous la catégorie « Carte de crédit municipale ». Il est à noter que le BVG a extrait les données le 15 mars 2012 et que tout crédit imputé ultérieurement au compte ne figure pas au tableau. En 2011, les dépenses effectuées par carte étaient les suivantes :

**Tableau 1 : Total des transactions effectuées par carte en 2011, par type de carte et secteur d'activité**

Type de carte	2011 Dépenses <sup>(1)</sup>
<b>Carte d'achat :</b>	
Services de la Ville	11 417 825
Élus municipaux	5 289
Service de police d'Ottawa	1 374 590
Bibliothèque publique d'Ottawa	1 304 361
Camping et Club de golf	14 824
<b>Sous-total : Carte d'achat</b>	<b>14 116 889</b>
<b>Carte de crédit municipale :</b>	
Services de la Ville	77 753
Compte de voyage municipal	18 331
Élus municipaux	48 248
Service de police d'Ottawa	2 169 619
Bibliothèque publique d'Ottawa	98 929
Camping et Club de golf	22 375
<b>Sous-total : Carte de crédit municipale</b>	<b>2 435 255</b>
<b>Carte automobile :</b>	
Carte automobile	13 913
Véhicule de police	55
<b>Sous-total : Carte automobile</b>	<b>13 968</b>
<b>TOTAL des transactions effectuées par carte en 2011</b>	<b>16 566 112</b>

<sup>(1)</sup> Source : transactions du 1<sup>er</sup> janvier au 31 décembre 2011 extraites du logiciel Access® Online U.S. Bank

## Objectifs et portée de la vérification

La vérification poursuivait les objectifs suivants :

1. Assurer la réalisation d'une évaluation des risques opérationnels pour le secteur soumis à la vérification;
2. Vérifier si les cadres de gestion des programmes de cartes de la Ville d'Ottawa sont adéquats et s'ils fonctionnent comme prévu.

La vérification porte sur toutes les cartes d'achat, les cartes de crédit municipales et les comptes de voyage municipaux utilisés par les services de la Ville.

La vérification ne porte pas sur les cartes utilisées par les élus et le personnel de leur bureau, les employés du Service de police d'Ottawa, les employés de la Bibliothèque publique d'Ottawa ni par les organismes indépendants (soit le Terrain de golf municipal Pine View et le Terrain de camping municipal d'Ottawa). De même, la vérification exclut toutes les cartes automobile et les cartes d'essence de

l'ensemble du personnel de la Ville d'Ottawa et du Service de police d'Ottawa, car celles-ci feront l'objet de la prochaine vérification du parc automobile.

La vérification a examiné les principaux mécanismes de contrôle et la gestion générale des programmes de cartes. Les transactions ont été échantillonnées et évaluées afin de vérifier si les cartes avaient été délivrées et contrôlées de façon appropriée, si les paiements avaient été effectués dans les plus brefs délais et s'il y avait eu rapprochement des comptes conformément aux politiques et procédures de la Ville d'Ottawa.

Comme le précise le tableau 2, la vérification s'est surtout concentrée sur les dépenses s'élevant à 11,5 millions de dollars, soit 70 % des dépenses portées aux cartes en 2011.

**Tableau 2 : Dépenses effectuées par carte en 2011 faisant l'objet de la vérification, par type de carte et secteur d'activité**

Type de carte	Total des dépenses effectuées en 2011 (\$)	Dépenses effectuées par les services de la Ville en 2011 faisant objet de vérification (\$)	% des dépenses faisant objet de vérification
<i>Carte d'achat</i>	14 116 889	11 417 825	81 %
<i>Carte de crédit municipale</i>	2 435 255	96 084	4 %
<b>TOTAL des transactions effectuées par carte en 2011</b>	<b>16 552 144</b>	<b>11 513 909</b>	<b>70 %</b>

### **Résumé des principales constatations**

1. Le programme de cartes de crédit est bien administré et bien encadré par le Service des finances. La Ville a établi des processus clairs, intensifié la supervision et la surveillance de la vérification des rapprochements de comptes et observe les politiques et procédures applicables. Les employés peuvent aisément consulter les politiques et procédures à partir du site Ozone, le réseau intranet de la Ville, et ils en ont une bonne compréhension.
2. Le Service des finances n'a pas pleinement documenté son évaluation des risques opérationnels associés au programme de cartes de crédit comme l'exigent la politique sur la gestion des risques municipaux et le cadre de gestion améliorée des risques municipaux approuvés par la haute direction, le comité exécutif et le Conseil municipal en avril 2010. Comme l'évaluation des risques opérationnels n'a pas été effectuée pour le programme de cartes de crédit, il est possible que la détection et l'atténuation des risques soient incomplètes et défailtantes. La direction nous a informés que même si le personnel du Service des finances n'a pas consigné les observations et les mesures que le Service a déterminées pour prévenir les risques associés au processus encadrant les cartes de crédit dans un document officiel sous l'appellation « évaluation des risques

opérationnels », le Service des finances est d'avis que ces observations et ces mesures font partie d'une évaluation des risques opérationnels.

3. Nous avons mené des tests sur un échantillon discrétionnaire et sur un échantillon aléatoire et constaté que le taux d'erreur était faible.
4. À la lumière de ces tests, nous sommes d'avis que les contrôles fonctionnent comme prévu.

Plus précisément,

- L'échantillon aléatoire comptait 100 rapprochements de comptes représentant 506 transactions (ou 1,3 % des transactions visées par la vérification), dont la valeur totalisait 153 736 \$ (ou 1,3 % de la valeur totale des transactions visées par la vérification). Cet échantillon affichait un taux d'erreur de 0,3 % (22/7 000), ce qui est négligeable. Le genre d'erreur décelé relevait entre autres du code de taxe, de l'absence de reçus ou reçus adéquat et de l'inaccessibilité d'un rapprochement. Nous avons constaté que les contrôles semblent fonctionner comme prévu;
  - L'échantillon discrétionnaire comptait 50 rapprochements représentant 605 transactions (ou 1,6 % des transactions visées par la vérification), dont la valeur totalisait 105 453 \$ (ou 1 % de la valeur totale des transactions visées par la vérification). Cet échantillon affichait un taux d'erreur de 1,4 % (115/8 386), ce qui est légèrement plus élevé que celui de l'échantillon aléatoire, mais tout de même faible. Le genre d'erreur décelé relevait entre autres des frais de déplacement (dépenses payées avec des cartes réservées à des dépenses non liées aux déplacements), du code de taxe, de l'absence de reçus ou reçus adéquat.
5. La Ville offre des programmes de danse au Centre communautaire Michele Heights et a acheté des costumes pour les élèves participant au récital de fin de programme. La direction nous a informés qu'un compte de banque au nom de Fierce Dance Factor a été créé et géré par le spécialiste, Sport niveau avancé, un employé municipal à l'instar de toutes les autres personnes travaillant sur ce programme. Tous les remboursements effectués par des parents et les fonds recueillis dans le cadre du programme de danse de la Ville sont déposés dans ce compte bancaire n'appartenant pas à la Ville. La Ville est par la suite remboursée à la fin de l'année au moyen d'un chèque couvrant le coût total des costumes et toute autre dépense liée au programme. Bien que les Procédures de traitement de l'argent comptant n'indiquent pas explicitement de créer un compte client pour les sommes dues à la Ville, elles stipulent en revanche que : « Ces procédures s'appliquent à tous les membres du personnel, bénévoles, étudiants, élus, fournisseurs, consultants, conseils, agences, commissions et partenaires commerciaux de la Ville d'Ottawa qui acceptent des fonds au nom de la Ville et dont les transactions financières sont saisies dans les systèmes

financiers de la Ville » et « Tout encaissement doit être dûment enregistré dans le système approprié et un reçu doit être délivré. » Nous sommes d'avis que les comptes bancaires n'appartenant pas à la Ville ne respectent pas les politiques de la Ville.

6. Nous avons découvert que 60 employés municipaux ont utilisé leur carte pour payer des frais de stationnement plutôt que de soumettre une demande de remboursement (248 transactions s'élevant à plus de 1 500 \$). Dans les procédures de cartes d'achat, les déplacements figurent parmi les restrictions d'utilisation; toutefois, elles n'évoquent pas de distinction entre les déplacements locaux et à l'extérieur de la ville. Nous avons relevé qu'un Bulletin des gestionnaires a été publié le 22 avril 2013 au sujet de la politique encadrant le kilométrage et le stationnement, dans une volonté de resserrer la surveillance et d'accroître l'observation de cette politique.
7. La Politique sur les cartes d'achat ne traite pas explicitement des employés payant leur stationnement avec une carte de crédit municipale. La direction a déclaré qu'à son avis, les frais de déplacement local (en l'occurrence, le stationnement) ne constituent pas une dépense non admissible. À ce titre, nous sommes d'avis que les politiques et lignes directrices de la Ville devraient être mises à jour pour clarifier cet état de fait.
8. La vérification a révélé que les cartes de crédit de quatre (4) des 22 employés ayant pris leur retraite ou quitté leurs fonctions en 2011 n'avaient pas été désactivées en date du 13 juin 2012, même si les employés n'étaient plus en poste (deux depuis février 2011, un depuis août 2011 et un depuis novembre 2011). Bien qu'aucune activité n'ait été relevée sur les cartes après le départ de ces employés de la Ville, les comptes associés à ces cartes sont demeurés ouverts dans le système d'accès en ligne U.S. Banque. Le 14 juin, les noms des quatre titulaires de cartes ont été communiqués à la trésorière municipale adjointe, Finances municipales, qui a été chargée de prendre les mesures qui s'imposent.
9. En privilégiant l'utilisation de cartes de crédit au lieu de tenir une petite caisse ou d'émettre des chèques, la Ville pourrait économiser de 150 000 \$ à 250 000 \$ et réaliser des économies sous la forme d'escomptes négociés dans le cadre de contrats partenariaux. Ces économies potentielles sont calculées à partir du coût moyen d'émission d'un chèque (entre 15 \$ et 25 \$) et de la hausse estimée à 20 % du volume de transactions (hausse d'environ 10 000 transactions sur carte de crédit par rapport à 2011).
10. En 2011, 248 titulaires de carte ont dépensé plus de 237 430 \$ dans des épiceries et des supermarchés (figurant sur la liste de code de catégories de marchand MCC 5411). La Ville pourrait réaliser des économies si elle laissait des employés de niveau inférieur faire ces achats additionnels, mandatait la Gestion de l'approvisionnement pour lancer un appel d'offres pour les plus gros achats, par

exemple auprès des épiceries et supermarchés, élargissait l'entente actuelle sur les denrées alimentaires ou négociait avec les marchands des prix préférentiels. Un examen des dépenses réalisées en 2011 dans les épiceries et supermarchés a démontré que 125 899 \$ des 237 430 \$ ont été dépensés chez Loblaws et Loblaws Superstore, sans qu'un prix préférentiel ait été fixé dans ces établissements, que ce soit sous la forme d'un escompte, d'un incitatif ou autre. Bien que la Gestion de l'approvisionnement n'ait pas été en mesure de nous fournir le montant des économies qui pourraient être réalisées grâce à l'invitation des épiceries à soumissionner, cette pratique permettrait aussi de mieux contrôler l'achat d'aliments et optimiserait l'emploi du temps du personnel.

11. La Ville pourrait être le bénéficiaire direct des points de fidélisation accumulés auprès des divers fournisseurs ou programmes. La vérification antérieure a relevé que le Service de police d'Ottawa était parvenu à négocier une entente pour recueillir les points de fidélisation auprès d'un fournisseur en particulier, ce qui devrait encourager la Ville à conclure un contrat partenarial pour l'achat de produits alimentaires.

## ***Recommandations et réponses de la direction***

### **Recommandation 1**

**Que le Service des finances consigne dans un document officiel l'évaluation des risques opérationnels liés au programme de cartes de crédit comme l'exige le cadre de gestion améliorée des risques municipaux.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

Le Service des finances réalisera une évaluation détaillée des risques d'ici la fin du quatrième trimestre de 2014 dans son cadre municipal de rapport cyclique qui s'inscrit dans le mandat du Conseil. Dans le cycle de leur profil de risque, les services seront tenus d'évaluer les risques qui menacent l'ensemble de la Ville, les opérations, les stratégies ou les projets. Les risques associés au programme de cartes de crédit seront déterminés et feront l'objet d'une surveillance dans le cadre du processus d'évaluation des risques municipaux.

### **Recommandation 2**

**Que le Service des finances veille à ce que les codes de taxes soient appropriés et uniformes dans les rapprochements de comptes et qu'une formation appropriée soit donnée aux titulaires de cartes qui en ont besoin.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

Chaque année, la Section des taxes à la consommation doit concevoir, préparer et donner une formation sur toutes les questions relevant de la taxe à la consommation, y compris les codes de taxes. Le plan de travail 2013 de cette section prévoit entre autres une évaluation de l'efficacité de cette formation, ainsi que des stratégies de hiérarchisation et de présentation susceptibles d'orienter ses futures décisions. Le dépôt de l'évaluation et la divulgation des stratégies sont prévus d'ici la fin du quatrième trimestre de 2013. Toute mise à jour ou modification apportée au matériel et aux approches de formation sera indiquée et intégrée à la prochaine formation annuelle.

### **Recommandation 3**

**Que la Ville voie à ce que tous les recouvrements ou remboursements soient versés directement à la Ville, conformément avec la Politique en matière de règlement financier.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

En ce qui a trait au remboursement des dépenses reliées aux programmes de danse offerts par la Ville, les membres du personnel en question ont reçu des instructions précises en raison de leur infraction de la politique et des mesures appropriées ont été prises pour veiller à ce que cette situation ne se reproduise pas. Le superviseur des loisirs et le commis au service à la clientèle à temps partiel ont reçu la formation sur les normes du secteur des cartes de paiement et sur le traitement de l'argent comptant. De plus, le gestionnaire de programme a envoyé par courriel une copie de la Politique de traitement de l'argent comptant au personnel et une copie papier est mise à la disposition de tous au comptoir de la réception. En outre, un examen de la Politique et des procédures en matière de règlement financier sera présenté lors de la formation sur les finances offerte au Service, laquelle est prévue pour le premier trimestre de 2014.

### **Recommandation 4**

**Que la Ville voie à l'abolition de la pratique qui consiste à ouvrir un compte bancaire n'appartenant pas à la Ville et assure la fermeture immédiate de tout compte n'appartenant pas à la Ville.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

Sous la supervision de la direction, le compte bancaire n'appartenant pas à la Ville a été fermé. Un communiqué a été envoyé à tous les membres du personnel du Service des parcs, des loisirs et de la culture pour leur confirmer qu'ils ne doivent pas ouvrir de compte bancaire n'appartenant pas à la Ville, comme le veut la Politique de traitement de l'argent comptant d'Ottawa.

**Recommandation 5**

**Que la Ville n'accepte que les reçus détaillés comme preuve de transaction.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation.

La Politique sur les cartes d'achat répond à cette recommandation. De fait, elle prévoit que : « *La documentation accompagnant une transaction effectuée par carte d'achat doit être conservée aux fins de contrôle et de vérification et doit détailler les articles achetés et le coût de chacun. Tous les titulaires de carte doivent se soumettre à l'examen obligatoire des transactions et présenter un rapprochement mensuel des relevés.* »

Les procédures d'utilisation des cartes exigent que les titulaires joignent tous les reçus et les pièces justificatives aux relevés mensuels, lesquels sont soumis à l'examen de l'Unité des services financiers (USF) qui vérifie leur conformité.

La direction resserrera la politique et les procédures sur les cartes d'achat et intensifiera leur diffusion d'ici la fin du quatrième trimestre de 2013.

**Recommandation 6**

**Que la Ville modifie sa politique sur les cartes d'achat afin qu'elle indique clairement si le stationnement local est une dépense admissible.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation.

Le stationnement local est une dépense admissible en vertu de la Politique sur les cartes d'achat. Les procédures limitent les dépenses liées aux déplacements, qui sont définies dans la politique sur les déplacements comme les déplacements effectués à l'extérieur de la ville. La direction modifiera la politique afin de clarifier les restrictions d'utilisation de la carte pour payer un stationnement. Cette modification sera effectuée d'ici la fin du quatrième trimestre de 2013.

**Recommandation 7**

**Que la Ville effectue une analyse des exigences en denrées alimentaires (par centre, programme, etc.) dans tous les Services sociaux et communautaires et le Service des parcs, des loisirs et de la culture, qu'elle saisisse toute possibilité d'obtenir des prix plus avantageux ou un meilleur service de livraison ou qu'elle lance un appel d'offres.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation.

La direction des SSC et du SPLC a procédé à l'analyse des exigences en denrées alimentaires (pour chaque centre, programme, etc.). Les SSC se sont montrés proactifs en ajoutant, et en continuant d'ajouter, plusieurs des plus grands centres de garderie et refuges à la liste exhaustive des contrats d'achat quand il est financièrement viable de le faire. Le processus ne serait toutefois pas viable dans le cas des plus petits programmes ou centres d'activité des SSC et du SPLC en raison des quantités minimales de commandes, des dates de livraison prévues et des coûts de livraison.

### **Recommandation 8**

**D'ici à ce que la Ville lance un concours pour l'approvisionnement en denrées alimentaires, que les Services sociaux et communautaires et le Service des parcs, des loisirs et de la culture procèdent aux achats de façon plus économique.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

Les SSC effectueront un suivi mensuel et un examen trimestriel du réapprovisionnement complet et limiteront les achats de denrées alimentaires effectués en plus de ceux faits dans le système de commande en ligne. Le personnel des services de garde a adapté les pratiques exemplaires de la Direction des soins de longue durée pour planifier son menu et commander les denrées en ligne afin de maximiser l'efficacité des commandes en ligne et des livraisons.

Plusieurs niveaux hiérarchiques du personnel du SPLC font des achats : les conseillers de camps d'été, les coordonnateurs de programme, les responsables de programme de parc, les superviseurs d'installation, les moniteurs, etc. Le SPLC s'acquittera des achats de façon plus économique en mettant en oeuvre les « pratiques exemplaires » apprises lors de la formation sur les finances offerte au Service. Cela permettra de confier au coordonnateur de programme (ou à la personne occupant le poste de niveau inférieur) les achats de fournitures et de denrées nécessaires au programme, dans la mesure du possible. Le SPLC effectuera un examen des titulaires de carte à chaque installation afin d'implanter cette pratique exemplaire d'ici le premier trimestre de 2014.

### **Recommandation 9**

**Que la Ville adopte une politique sur la collecte de tous les points de fidélisation (y compris les achats faits en magasin, le carburant, etc.).**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation. Une politique entrera en vigueur d'ici la fin du premier trimestre de 2014.

**Recommandation 10**

**Que la Ville mette au point, pour encadrer la remise de prix en espèces ou en quasi-espèces, une politique ou une ligne directrice générale qui comportera, entre autres : les critères de remise des prix, la comptabilité des prix et les pièces justificatives des sorties de fonds; et que l'USF compétente assure le respect de cette politique ou ligne directrice.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation. Une politique générale sera élaborée d'ici la fin du premier trimestre de 2014.

**Recommandation 11**

**Que la Ville ne paie pas les adhésions individuelles ou les honoraires au moyen des cartes d'achat, comme le prévoit la Politique sur les cartes d'achat.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation.

La Politique et les procédures sur les cartes d'achat seront renforcées et communiquées d'ici la fin du quatrième trimestre de 2013.

**Recommandation 12**

**Que la Ville effectue un suivi régulier des départs d'employés et veille à ce que les cartes soient désactivées au moment du départ de tout employé de la Ville.**

**Réponse de la direction**

La direction est d'accord avec cette recommandation.

La politique générale visant les Procédures sur la cessation d'emploi, les démissions et la retraite stipule les responsabilités de la direction en ce qui a trait au retour de la propriété de la Ville. Les Ressources humaines modifieront la politique afin de préciser que les gestionnaires sont responsables d'aviser le Service des finances de désactiver une carte d'achat dès qu'il y a cessation d'emploi. À titre de mesure additionnelle, les Ressources humaines soumettront chaque mois au Service des finances un rapport de toutes les cessations d'emploi aux fins de vérification. Le Service des finances sera en mesure de comparer la liste des cessations d'emploi à la liste des titulaires de carte d'achat afin de veiller à ce que toutes les cartes d'un employé soient désactivées lorsqu'il quitte son poste. La modification de cette politique et le dépôt de rapport mensuel seront en vigueur d'ici la fin du troisième trimestre de 2013.

De plus, la Politique sur les cartes d'achat attribue au gestionnaire la responsabilité de « veiller à l'annulation de la carte d'un titulaire qui quitte son emploi ». La direction assurera que la politique et les procédures en matière de cartes d'achat sont intensifiées et communiquées avant la fin du quatrième trimestre de 2013.

### **Recommandation 13**

**Que la Ville privilégie l'utilisation des cartes de crédit au lieu d'émettre des chèques ou de tenir une petite caisse afin de réaliser des économies de l'ordre de 150 000 \$ à 250 000 \$.**

#### **Réponse de la direction**

La direction est d'accord avec cette recommandation.

La Ville continuera d'explorer des moyens d'accroître l'utilisation des cartes de crédit au lieu d'émettre des chèques ou de tenir une petite caisse. Un projet destiné à évaluer l'utilisation accrue des cartes de crédit a été élaboré en 2012 et lancé en 2013. Il prévoit une analyse des fournisseurs et des paiements qui permettra de déterminer les transactions qui, à l'avenir, pourraient être réglées par carte de crédit. Ce projet devrait prendre fin d'ici la fin du deuxième trimestre de 2014. Le Service des finances communiquera les avantages que confère l'utilisation de la carte de crédit et encouragera le personnel municipal à recourir le plus souvent possible à ce mode de paiement.

### ***Économies potentielles***

En privilégiant l'utilisation des cartes de crédit au lieu de tenir une petite caisse ou d'émettre des chèques, la Ville pourrait économiser de 150 000 \$ à 250 000 \$ et réaliser des économies sous la forme d'escomptes négociés dans le cadre de contrats partenariaux. Ces économies potentielles sont calculées à partir du coût moyen d'émission d'un chèque (entre 15 \$ et 25 \$) et de la hausse estimée à 20 % du volume de transactions (hausse d'environ 10 000 transactions par carte de crédit par rapport à 2011).

En 2011, plus de 237 430 \$ ont été dépensés dans les épicerie, en l'absence de tout appel d'offres. Bien que la Gestion de l'approvisionnement n'ait pas été en mesure de nous fournir le montant des économies qui pourraient être réalisées grâce à l'invitation des épicerie à soumissionner, cette pratique permettrait aussi de mieux contrôler l'achat d'aliments et optimiserait l'emploi du temps du personnel.

D'ici à ce que la Ville lance un concours pour l'approvisionnement en denrées alimentaires, des économies pourraient être réalisées grâce à une meilleure gestion des habitudes d'achat des employés municipaux, plus particulièrement grâce à l'affectation plus économique de la tâche des achats. Pour le Service des parcs, des loisirs et de la culture, nous avons estimé que la Ville pourrait économiser environ 10 000 \$ en confiant à un coordonnateur de programme ou à une personne occupant

un poste de niveau inférieur la tâche de faire les achats plutôt que de la confier à des employés de niveau supérieur.

### **Conclusion**

Règle générale, le programme de cartes de crédit est bien administré et bien encadré par le Service des finances.

Notre vérification a révélé que les processus sont clairs, que la Ville a intensifié la supervision et la surveillance de la vérification des rapprochements de comptes qu'elle observe les politiques et procédures applicables. Les tests menés sur un échantillon discrétionnaire et sur un échantillon aléatoire révèlent des taux d'erreur négligeables.

La Ville suit plusieurs politiques et procédures exhaustives, qu'elle met constamment à jour et sur lesquelles elle oriente la gestion des titulaires de cartes de crédit. Les politiques et procédures sont facilement accessibles et bien comprises par l'Unité des services financiers (USF). Par ailleurs, nous avons constaté qu'elles sont bien observées. Une procédure se met en branle en cas de non-respect, et nous avons découvert des preuves indiquant qu'elle est appliquée dans la majorité des cas. Par comparaison avec la vérification du programme de cartes de crédit menée en 2002 par l'ancienne Direction de services de vérification et de consultation, nous avons constaté que les contrôles internes en place sont nettement plus efficaces, que les Services et le Service des finances assument des rôles bien établis de surveillance des dépenses portées aux cartes de crédit. Nous sommes d'avis que la Ville est maintenant en position de songer à l'expansion du programme et de profiter d'offres additionnelles qui se traduiront par des économies potentielles.

### **Remerciements**

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

## 1 INTRODUCTION

The Audit of Corporate Credit Cards was included in the 2012 Audit Plan of the Office of the Auditor General (OAG), approved by City Council on December 14, 2011.

## 2 BACKGROUND

The Purchasing Card Policy approved by the City Treasurer in November 2011 states that, “a City of Ottawa purchasing card is the preferred method of payment for the procurement of low dollar value goods and services where it is efficient, economical and feasible to do so. In limited circumstances, the Finance Department may authorize purchasing card use for the payment of goods and services with higher dollar values or employee travel and business expenses”.

### 2.1 Card History

In January 2001 the newly amalgamated City of Ottawa integrated the various card programs from former municipalities into a Purchasing and Corporate Credit Card Program. Purchasing cards were used to pay for goods and services while Corporate Credit cards were less restrictive and could be used to acquire travel and entertainment related expenses, write cheques as well as carrying out cash advances.

In March 2003, pursuant to the findings of the *Audit of the Corporate Card and Purchasing Card Program*, conducted by the former Audit and Consultant Services Branch (ACS) of the City Manager’s Office, the City of Ottawa discontinued its Corporate Credit card program only retaining Purchasing cards.

In October 2003 a follow-up by the then ACS Branch titled: *Credit Card Program: Results of the Three Month Review* was presented to Audit Committee and Council. This report presented the results of the cancellation of credit cards (only purchasing card remained) and the implementation of the new procedures. Overall the report concluded that the transactions processed after the program cancellation date were valid and reasonable to the City; and that the overall compliance rate for monthly reconciliation process was 93.6%.

As part of the 2005 Audit of the Procurement Process, the OAG performed a follow-up of the implementation of all recommendations from the Audit of the Corporate Card and Purchasing Card Program and included the findings in the audit report. The report concluded that the purchasing cards are generally well managed with a well-defined process in place for the procurement and payment of low dollar value goods and services.

## 2.2 Type of Cards

The City of Ottawa has the following types of acquisition cards:

- **Purchasing Card** – Restricted to the procurement of low dollar value goods and services. A Purchasing Card is issued to employees who commonly purchase goods and services such as construction materials, program supplies, registrations, subscriptions and office products. In keeping with policies and procedures, these exclude such expenditures as travel and entertainment, cash advances, personal purchases, etc. In 2011 there were 928 Purchasing card numbers held by 900 holders. However, no employee had greater than one card at a time.
- **Corporate Credit Card** – A Corporate Credit Card is issued to employees who incur travel and business expenses in addition to goods and services normally purchased using a Purchasing card. In 2011 there were 272 Corporate Credit card numbers held by 269 holders (includes CTA): 9 City of Ottawa staff; 244 Ottawa Police Service staff (3 OPS required their card to be replaced during 2011); 10 elected officials and 3 Ottawa Public Library staff. Corporate Credit cards can be used much like any personal credit card. It is our understanding that only Ottawa Police Services continue to be able to perform cash advances using the Corporate Credit cards. However, no employee had greater than one card at a time.
  - **Corporate Travel Account (CTA)** is a subset of Corporate Credit cards. – Credit account number (pilot project) used by a limited number of City employees intended for travel related expenditures. Although, there is no physical card, for the purpose of this audit, travel account transactions will be treated as a card transaction. Three Corporate Travel Accounts were found to have been used in 2011.
- **Vehicle Card** – For the purchase of fuel at commercial pumps. A Vehicle Card is issued for use with a specific City vehicle or by an organizational unit which is required to purchase fuel out of the City of Ottawa or does not always have access to City fuelling sites. In 2011, 27 vehicle card numbers were used: 13 by OPS and 14 by City staff.

U.S. Bank is the City's acquisition card purveyor. The billing cycle extends from the 15th day of a month to the 14th day of the following month. Our review extends over a 12 month period, January 1, 2011 to December 31, 2011, regardless of which cycle the transaction is charged against.

The City tendered its credit card program in April 2009. US Bank was the successful bidder. A 3 year term with an extension of 3 years was signed and dated by the City on October 30, 2009 and US Bank, November 16, 2009.

In March 2011, U.S. Bank, the City's acquisition card purveyor, replaced its Access Direct® software with Access® Online software. Management had indicated that this new technology was to provide City employees with timelier, better accounting and reconciling capabilities.

Per the City's financial system, the City of Ottawa had acquisition card expenditures for 2010 and 2011 totalling \$15 million and \$16.5 million respectively.

As can be noted in Table 1 below, any Corporate Travel account expenditure is captured within the Corporate Credit card category. It should be noted that the OAG mined the data on March 15, 2012 and that any subsequent credit applied against an account would not have been captured. For 2011, acquisition card transaction expenditures were as follows:

**Table 1: 2011 Total Acquisition Card Expenditures by Card Type and Area**

Acquisition Card Type	2011 Expenditures <sup>(1)</sup>
<b><u>Purchasing Card:</u></b>	
City departments	11,417,825
Elected Officials	5,289
Ottawa Police Service	1,374,590
Ottawa Public Library	1,304,361
Campground and Golf Course	14,824
<b>Sub-total: Purchasing Card</b>	<b>14,116,889</b>
<b><u>Corporate Credit Card:</u></b>	
City departments	77,753
Corporate Travel Account	18,331
Elected Officials	48,248
Ottawa Police Service	2,169,619
Ottawa Public Library	98,929
Campground and Golf Course	22,375
<b>Sub-total: Corporate Credit Card</b>	<b>2,435,255</b>
<b><u>Vehicle Card:</u></b>	
Vehicle Card	13,913
Police Vehicle	55
<b>Sub-total: Vehicle Card</b>	<b>13,968</b>
<b>TOTAL 2011 Acquisition Card Transactions</b>	<b>16,566,112</b>

<sup>(1)</sup> Source: Data mined from U.S. Bank Access® Online on transaction date: January 1 to December 31, 2011

### 3 AUDIT SCOPE AND OBJECTIVES AND CRITERIA

The audit objectives are to:

1. Confirm the completion of an operational risk assessment for the area to be audited; and,
2. Assess that the City of Ottawa's card programs control frameworks are adequate and functioning as intended.

The audit scope includes all Purchasing Cards, Corporate Credit cards and Corporate Travel accounts used by City departments.

The audit excluded cards used by elected officials and their office staff, Ottawa Police Services, Ottawa Public Library and at arm's length entities (i.e., Pine View Municipal Golf Course, Ottawa Municipal Campground). Also excluded from the scope of this audit are all vehicle/fuel cards for the entire City of Ottawa and Ottawa Police Service as this will be considered as part of a future planned audit of Fleet.

The audit reviewed key control mechanisms and overall management of the card programs. Transactions were sampled and tested to assess whether cards were issued and controlled properly, payments were made promptly and the accounts were reconciled in keeping with the City of Ottawa's policies and procedures.

As detailed in table 2, the audit focused on the following \$11.5 million or 70% of acquisition card transaction expenditures made during 2011.

**Table 2: In-scope 2011 Acquisition Card Expenditures by Card Type and Area**

Acquisition Card Type	Total 2011 Expenditures	In-Scope 2011 City departments Expenditures	% of In-Scope Expenditures
<i>Purchasing Cards</i>	14,116,889	11,417,825	81%
<i>Corporate Credit Cards</i>	2,435,255	96,084	4%
<b>TOTAL 2011 Transaction of Acquisition Cards</b>	<b>\$16,552,144</b>	<b>\$11,513,909</b>	<b>70%</b>

#### 3.1 Audit Objective 1

***Confirm the completion of an operational risk assessment for the area(s) to be audited.***

**Criteria:**

- Determine if an operational risk assessment has been completed and how it has been/is being used.

### **3.2 Audit Objective 2**

***Assess if the City of Ottawa acquisition card programs' control frameworks are adequate and functioning as intended.***

**Criteria:**

- Determine if policies, procedures and or guidelines are in place; are adequate; and, are being used as intended;
- Determine if internal controls reasonably prevent card misuse and abuse;
- Determine if the card purveyor's online billing reports are being reconciled by both departments and the card program coordinator(s) in a timely fashion and are supported by adequate receipts; and,
- Determine if internal controls over the deactivation of cards and accounts are adequate.

## **4 APPROACH**

Information was obtained through data mining, data analysis; testing of a random sample of 100 statements and judgemental sample of 50 statements; documentation reviews; and, interviews.

For analytical purposes, we reviewed transactions for the period January 1 to December 31, 2011 regardless of billing cycle.

## **5 DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS**

### ***5.1 Confirm the completion of an operational risk assessment for the area(s) to be audited.***

#### **5.1.1 Determine if an operation risk assessment has been completed and how it has been/is being used.**

As part of the corporate initiative, Finance Department advised us that they completed an operational risk assessment. This was coordinated by the Manager, Policy and Planning, Policy and Planning Branch for Finance. Management informed us that each branch within Finance looked into their operations and identified areas. Management further informed us that "when the Finance Department conducted its risk assessment review in 2010/11 the following item(s) was identified related to Management of card programs:

- i. Manage records such as account holder authorities and card reconciliations. Receive and file supporting documents. Process monthly settlements. Record costs monthly in SAP.

- ii. Possible risks were identified as: duplicate payments; payments that should have been placed against PO's; personal purchases; split transactions; inaccurate financial data in SAP.
  - iii. Mitigation plans included: central program administration; compliance monitoring.
  - iv. The calculated risk score based on assessments of likelihood and impact ratings was "6", not HIGH.
  - v. (Note: this information was gathered in the spreadsheet templates completed for the Finance Department's risk assessment review).
- With the resultant low score, the risk related to card programs was not included in the Finance Department summary of risk areas for the Corporate exercise, as the focus was on high -> medium risk items.
  - As a result, this item is not part of the Corporate summary for the Finance Department risks."
  - "In April 2010, Senior Management, Executive Committee and City Council approved the Corporate Risk Management policy and Corporate Enhanced Risk Management (ERM) Framework. This Framework provides a proactive, systematic and consistent approach to understand, manage and communicate risks from an organization-wide perspective."<sup>1</sup> Furthermore, the City's Enhanced Risk Management Policy states that "Departmental Managers own, and are therefore accountable for the effective management of risk within their department. They are responsible for the application of risk-aware thinking in day-to-day activities." As an operational risk assessment has not been completed for the credit card program, risks may not be fully or properly identified and mitigated.

Management has indicated that in the summer of 2011, a pointed risk assessment of the credit card program was undertaken by the Financial Process, Compliance & Systems Unit. The conclusion was that the reconciliation verification process now involved five levels of review:

1. Cardholder
2. Supervisor
3. FSU
4. Compliance group
5. Pcard administrator

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<sup>1</sup> Enhanced Risk Management, Ozone

We agree with management's representation that they have undertaken a pointed risk assessment of the reconciliation verification process. However, a comprehensive risk assessment needs to be formally documented and communicated in order to satisfy the requirements of the City's Enhanced Risk Management Policy. According to this Policy: "Staff are responsible to report incidents, assess exposures, reduce, control and monitor risk in corporate programs and operations. Stakeholders shall ensure that risks are brought within the City's risk appetite.

Specific directions to accomplish the ERM Policy objectives include:

- Identify, assess, analyze, evaluate, categorize and prioritize risks;
- Accept or mitigate risks;
- Monitor, report and document risk activity;
- Communicate risks mitigation strategies to Council, Committee, senior management and internally;
- Choose compensation policies and performance metrics to promote and track the pursuit of a risk-aware corporate strategy."

Management has also indicated that a business decision was made to better use resources by shifting the verification of compliance against policy to the FSUs. To do so, Financial Process, Compliance & Systems Unit clarified roles and created a checklist of items FSUs were to verify. Financial Process, Compliance & Systems Unit had originally planned to perform a sample review to ensure the FSUs were performing the verification as intended. However, they informed us that due to limited resources, the exercise was moved to 2013. Section 5.2.2 provides some examples of non-compliance not identified by an FSU review. However, our testing found the FSU review process to be effective.

Results of the monitoring to be performed by Financial Process, Compliance & Systems Unit in 2013 will be reviewed as part of our follow-up.

Finance Department has not fully documented an operational risk assessment for the credit card program as required by the Corporate Risk Management policy and Corporate Enhanced Risk Management (ERM) Framework approved by Senior Management, Executive Committee and City Council in April 2010. As an operational risk assessment has not been completed for the credit card program, risks may not be fully or properly identified and mitigated. Management advised us that while Finance staff have not formalized the considerations and actions the department has taken to consider risk within the credit card process in a document under a banner of "operational risk assessment", Finance believes these considerations and actions were the components of an operational risk assessment.

## **Recommendation 1**

**That Finance Department formalize in a document an operational risk assessment for the credit card program as set out in the City's Enhanced Risk Management Framework.**

### **Management Response**

Management agrees with this recommendation.

The Finance Department will be completing a detailed risk assessment by the end of Q4 2014 as part of a corporate cyclical reporting framework that aligns with the Term of Council. As part of the cycle for the Corporate Risk Profile, departments will be required to complete an assessment of corporate, operational, strategic and project risks. Risks associated with the credit card program will be identified and monitored as part of the corporate risk assessment process.

## ***5.2 Assess if the City of Ottawa acquisition card programs' control frameworks are adequate and functioning as intended.***

### **5.2.1 Determine if policies, procedures and or guidelines are in place; are adequate; and, are being used as intended.**

The City's Purchasing Card Policy (November 24, 2011) and Purchasing Card Procedures (reviewed January 20, 2012) are posted on Ozone and provide guidance to cardholders. These define the responsibilities of the cardholder, manager or designate and various positions within Finance Department. In addition, the City has approved policy for Travel, Hospitality, Gifts and Entertainment, as well as a new Employee Code of Conduct.

In the majority of cases, these are well understood and complied with by cardholders. Section 5.2.2 provides some example where a policy was not followed.

### **5.2.2 Determine if internal controls reasonably prevent card misuse and abuse.**

#### **Testing:**

We conducted two separate testing of reconciliations:

#### ***1. Random Sample:***

The first was a random sample of 100 reconciliations representing 509 transactions totalling \$153,736. All, but part of one reconciliation, were provided and reviewed.

The first sample was selected randomly. In total, 100 reconciliations representing 506 transactions (or 1.3% of in-scope transactions) with a dollar value of \$153,736 (or 1.3% of total dollar value of in-scope transactions).

**Table 3: Random Sample Results of Credit Card Processing Errors  
100 Reconciliations - 2011 Transactions**

Card Restrictions/Types of Errors	Instances	# of Transactions
Cash Advance (is the only Corporate Card restriction)	0	506
Individual memberships or professional fees	0	494
Travel	0	494
Restaurant and Catering	1	494
Gifts, Commemorative items, Flowers	2	494
Alcoholic beverages (except for City business, e.g., Theatres, LTC)	0	494
Cell phones/pagers	0	494
Telecommunication Billing	0	494
Tax Coding	14	506
Personal purchased	0	506
Missing Employee Signature	1	506
Missing Supervisory Signature	1	506
Missing FSU review	1	506
Missing Receipt or Inappropriate Receipt	2	506
<b>Total non Compliance</b>	<b>22</b>	<b>7,000</b>

In addition to compliance with policies, FSUs also review for unusual transactions. For the sample of transactions we reviewed, we noted a 0.3% error rate (22/7,000) which is low. In our opinion, controls are functioning as intended.

## **2. Judgemental Sample:**

The second sample was judgemental. We selected reconciliations with transactions which we considered higher risk as they could possibly not be in accordance to restrictions outlined in the Purchasing Card Procedures (e.g., travel, entertainment, restaurants, gifts, personal expenses, etc.). Results of judgemental samples cannot be generalized to the entire population.

We tested 50 reconciliations representing 605 transactions (or 1.6% of in-scope transactions) with a dollar value of \$105,453 (or 1% of total dollar value of in-scope transactions). All reconciliations were provided and reviewed.

Similar to the random sample, our review of the judgmental samples found a few instances where the cardholder had misplaced a receipt. Missing receipts were usually indicated on the reconciliation and the expenditure approved by the supervisor when he reviews and sign-offs on the reconciliation. We also found instances where purchases were supported by non acceptable receipts (not itemized receipts of the goods purchased). Greater attention is required by both department and FSUs to ensure only acceptable receipts support purchases.

**Table 4: Judgemental Sample Results of Credit Card Processing Errors  
50 Reconciliations - 2011 Transactions**

Card Restrictions/Types of Errors	Instances	# of Transactions
Cash Advance (is the only Corporate Card restriction)	0	605
Individual memberships or professional fees	1	593
Travel	14	593
Restaurant and Catering	1	593
Gifts, Commemorative items, Flowers	3	593
Alcoholic beverages (except for City business, e.g., Theatres, LTC)	0	593
Cell phones/pagers	0	593
Telecommunication Billing	0	593
Tax Coding	67	605
Personal purchased	0	605
Missing Employee Signature	0	605
Missing Supervisory Signature	0	605
Missing FSU review	0	605
Missing Receipt or Inappropriate Receipt	29	605
<b>Total non Compliance</b>	<b>115</b>	<b>8,386</b>

Additionally, we reviewed for potentially unusual transactions. Explanation and support was obtained from FSUs and authorizing supervisors. For the sample of transactions reviewed, we noted an error rate of 1.4% (115/8,386) which is slightly higher than the random sample. Results of the latter testing cannot be extrapolated to the population as it was judgmentally selected.

### ***Tax Coding:***

In both the random and judgmental samples, we found that tax coding was at times inconsistent. We particularly noted variances for coding items for similar expenses across one branch (e.g., same type of program for a similar client-base but in a different part of the City was differently coded). It is a cardholder's responsibility to ensure proper tax coding for all purchases. The FSU reviews the statements for compliance.

In order for the City to obtain the correct amount of rebates it is eligible for (referred to as municipal rebates), it is necessary for the coding of taxes on reconciliations to be accurate.

### **Recommendation 2**

**That Finance Department ensure proper and consistent tax coding across reconciliations and that appropriate training is provided to cardholders requiring it.**

### **Management Response**

Management agrees with this recommendation.

The Commodity Tax Unit is responsible for the identification, development and delivery of training related to all commodity tax issues, including tax coding, on an annual basis. The 2013 workplan for that Unit includes an assessment of the effectiveness of that training, and prioritization and delivery strategies for future direction. The assessment and communication of strategies will be completed by the end of Q4 2013. Any updates or changes to existing training materials and approaches will be highlighted and incorporated into future annual training.

### ***Monthly Statement Reconciliation:***

There are usually three reviews of the expenditures:

1. Where there is a balance on the card, the cardholder must reconcile his/her statement on a monthly basis, provide acceptable supporting documents<sup>2</sup> and sign-off that the statement is correct and purchases were for City business. For outside employees, receipts are sent to the FSU that prepares the reconciliation and returns it to the supervisor for their review and signature as well as the employees.
2. The cardholder's supervisor is responsible for reviewing the expenditures and approving them. In doing so, they are confirming that the expenditures were made in accordance with all applicable City policies and procedures.
3. Pre-2011, the Compliance Section conducted periodic audits to ensure compliance. This responsibility now rests with the FSU (refer to section 5.1.1). In, addition, the cardholder's FSU is responsible for reviewing the tax and cost centre coding and ensuring that all supporting documents are attached with the reconciliation prior to sending it to the Purchasing Card Administrator. The FSUs also verify that purchases are made in compliance with applicable policies and procedures. We found that tax coding was the main area of error. Our testing found that documentation to support and explain a transaction was not always included with the reconciliation; and that at times an FSU could not provide clarification on a transaction referring us to the department. However, in the majority of cases, requested additional clarification and support was provided.

### ***Reimbursement of Expenditures:***

As part of our judgemental testing of 50 reconciliations, we determined that a few personal expenditures had been charged to a credit card during 2011. In three cases, the employee reimbursed the City by cheque and provided comments explaining the error as part of the reconciliation. In one case the employee realized their mistake right away and cancelled the transaction that same day.

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<sup>2</sup> Purchasing Card Procedure (revised January 2012) definition is that: "acceptable receipt itemize the purchased good or service, unit price, total cost, vendor and tax information. A credit card slip that indicates only the value of the purchase is not an acceptable receipt."

The City runs dance programs at the Michelle Heights Community Centre and purchased costumes for participants to partake in an end of program recital. At registration, parents of participants are informed that there will be additional costs for costumes if their child partakes in the recital. In 2011, the City spent \$3,276 at Weissman Designs for Dance and \$262 at Lululemon for costumes. Management informed us that a bank account under Fierce Dance Factor was set up and managed by the Specialist, Advanced Sport, a City employee as was everyone working on this program. All reimbursements by parents and fund raising related to the City dance program are deposited to this non-City bank account. The City is then reimbursed at year-end one lump sum cheque for costumes and any other expenditure associated with this program. In December 2012, a full year after the costume expenses were incurred, the City was reimbursed \$4,079 for 2011 expenditures. As the instructor keeps track of expenditures for the recital and as this was a lump sum cheque, we could not verify that these monies were for the costumes; that each costume had been reimbursed; or what other costs were incurred. Management informed us that this is a long-standing practice.

Although the Cash Handling Procedures does not directly address setting up an account receivable for moneys owed to the City, it does specify that: "These Procedures apply to all City of Ottawa staff, volunteers, students, elected officials, contractors, consultants, boards, agencies, commissions and business partners who accept funds on behalf of the City and whose financial transactions are captured within the City's financial systems... and All cash received must be duly recorded in the appropriate system and a receipt made available." In our opinion, non-City bank accounts are not in compliance with City policies.

As these are goods purchased by the City and intended for cost recovery, a better practice would be to have parents write a cheque directly to the City to be deposited as part of the daily cash register deposit. Any non-City bank account should therefore be closed immediately and monies put through the City's cash register.

The risks associated with a non-City bank account are that a dance instructor could leave the City with the money and/or that the City does not recover all monies owed.

### **Recommendation 3**

**That the City ensure that all recoveries/reimbursements be made as per the Cash Handling Policy directly to the City.**

#### **Management Response**

Management agrees with this recommendation.

With regard to the reimbursement of expenditures related to dance programs run by the City, the applicable staff member has been given explicit direction with respect to their contravention of the policy and appropriate action has been taken to ensure that this practice does not reoccur. The Recreation Supervisor and the Customer Service Part Time Clerk on site have taken PCI Awareness and Cash Handling Training. In addition, a copy of the Cash Handling Policy has been sent via email by the Program Manager to the staff on site and a printed copy is available at the front desk. In addition, a review of the Cash Handling Policy and Procedures will be provided at the department's Finance Training, which is scheduled for Q1 2014.

#### **Recommendation 4**

**That the City ensure that the practice of setting-up non-City bank account be discontinued and any non-City account be closed immediately.**

#### **Management Response**

Management agrees with the recommendation.

Under direction from management, the non-City bank account was closed. A communication was sent to all Parks, Recreation and Cultural Services staff confirming that non-City bank accounts are not to be opened, in accordance with the City's Cash Handling Policy.

#### ***Acceptable receipts:***

As stated earlier, the Purchasing Card Procedures states that only an itemized receipt is acceptable and that the credit card slip that indicates only the value of the purchase is not an acceptable receipt.

The majority of transactions (97%) reviewed were supported by an acceptable receipt.

Special attention is still required by cardholders, authorizing supervisors and the FSU to ensure that only itemized receipts are accepted. In addition, in cases where an acceptable receipt is requested by the FSU, and is not received by the FSU prior to submitting the reconciliation to the Purchasing Card Administrator, a follow-up should be made in order to ensure the receipt is provided and subsequently filed with the relevant reconciliation statement. We did note that FSUs were actively emailing cardholders and requesting that support be provided. However, in certain cases the receipt was not included with the reconciliation. It is not possible to determine if the receipt was not provided by the cardholder or if it was filed incorrectly or got detached from the reconciliation.

In other cases, neither the authorizing supervisor nor the FSU noticed that the receipt provided was the credit card slip and not an acceptable receipt. In one of these cases, an employee had several charges against the card from a vendor; sometimes within seconds of each other, sometimes more than once each day.

When we requested the documentation, the authorizing supervisor had to request these from the vendor for our review. As the merchant had changed systems, although the City had an account, they were only able to provide for 3 of the 14 receipts. A fourth receipt provided was for a different amount than charged.

The risk of not obtaining itemized receipts is that there is a potential for additional items to be added that the employee may not have noticed or that would not have been allowed by the supervisor.

Management informed us that they no longer use this vendor. They further advised us that both portfolios have arranged directly with another vendor for preferential pricing based on quantity.

### **Recommendation 5**

**That the City ensure that only itemized receipts are accepted as support for a transaction.**

#### **Management Response**

Management agrees with this recommendation.

The Purchasing Card Policy addresses this recommendation by requiring that: *“Documentation supporting a purchasing card transaction must be retained for verification and audit purposes and must specify what was purchased and itemize the cost. All cardholders must complete a mandatory review of transactions and submit monthly statement reconciliations.”*

The Purchasing Card Procedures require the Cardholder to attach all receipts and source documents to the monthly statements, which are reviewed for compliance by the FSU.

The Purchasing Card Policy and Procedures will be further communicated and reinforced by management by the end of Q4 2013.

#### ***Parking:***

We found that 60 City employees used their card to pay for parking instead of submitting a claim for reimbursement (248 transactions totalling more than \$1,500). Purchasing Card Procedures indicates travel as a card restriction; however, it does not differentiate between local and out of town travel. It was noted that on April 22, 2013 a Management Bulletin was issued relating to the policy on mileage and parking to improve monitoring and compliance.

The Purchasing Card policy does not specifically deal with employees paying for parking on a City credit card. Management stated that in their opinion local transportation (e.g., parking) was not a disallowed expenditure. As such, in our opinion, the City’s policies and guidelines should be updated to specifically reflect this.

## **Recommendation 6**

**That the City review the Purchasing Card policy to clarify if local parking is an allowable purchase.**

### **Management Response**

Management agrees with this recommendation.

Local parking is an allowable expense per the Purchasing Card Policy. The Procedures restrict travel expenses, which are defined in the Travel Policy to be travel outside the city. Management will review the policy to ensure the restrictions on the use of the purchasing card for parking expenses are clear. This is expected to be completed by the end of Q4 2013.

### ***Grocery and Food Purchases:***

“A merchant category code (MCC) is a four-digit number assigned to a business by MasterCard or VISA when the business first starts accepting one of these cards as a form of payment. The MCC is used to classify the business by the type of goods or services it provides.”<sup>3</sup> MCC code 5411 corresponds to Grocery Stores, Supermarkets.

In 2011, 248 card users spent over \$237,400 at grocery stores and supermarkets (MCC 5411). The majority of these expenditures were made by Community and Social Services and Parks, Recreation and Culture (PRC). Our testing confirmed that additional groceries are being purchased at other merchants that are not qualified as grocery stores and supermarkets (e.g., Wal-Mart, Giant Tiger). Other food, such as pizza, is also provided for programs (see Restaurants). Our review showed that 13 cardholders (5%) spent greater than \$5,000 and accounted for approximately 45% (\$108,000 of \$237,400) of the 2011 expenditures at Grocery Stores, Supermarkets.

A substantial amount of purchases made by Parks, Recreation and Culture cardholders is for groceries as well as supplies for programs.

An analysis of all purchases made by PRC cardholders revealed that employees at all levels of the department are procuring goods. For the 233 PRC employees with 2011 transactions, total dollar value of purchases ranged from \$7.01 to \$53,029. We allocated ½ hour per purchase, and found that staff can spend up to 6% of their workable hours (year) purchasing.

With this allocation of ½ hour per purchase, we calculated that the City could have save approximately \$10,000 or more (in PRC only) by having had staff at the Program Coordinator level or lower carry out the purchasing in lieu of more senior level employees.

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<sup>3</sup> Wikipedia

The Local Transportation Policy indicates that employees are required to consider the most effective mode of travel, including eliminating or reducing the requirement for travel. Specific to grocery purchases, we also note that employees can shop more than once during a week and sometimes more than one time during a day. Our testing showed that it is not abnormal for a City employee to shop at greater than one grocery store on a particular day.

The potential risks associated with employees purchasing groceries directly on a regular basis include:

- There is no way to verify that all purchased groceries were for the program;
- Additional mileage cost incurred by employees reimbursable by the City;
- Productivity and staff efficiency– Reducing repetitive journeys to stores and refocusing staff activities may increase operational performance;
- The risk that higher level employees are spending an important amount of time shopping in lieu of providing recreation programming. Reviewing the department's shopping practices and assigning shopping to lower level employees could potentially result in savings and greater efficiency of staff time. Shopping through a web portal and having the groceries delivery would create even more savings.
- Employees may frequent specific stores, or purchase specific goods, to incur air miles. Although the City does not restrict an employee from taking advantage of loyalty programs (points) for travel, during testing, we found several examples of employees at all levels of the organization collecting these. In one case an employee visited three different grocery stores in one day; the last store visited was for a good that can be purchased anywhere and where the employee received bonus air miles. The City could benefit directly by collecting loyalty points. Previous audit work has noted that Ottawa Police were successful in negotiating an agreement to collect loyalty point at a specific vendor. This further supports the City's need to establish a procurement contract for the purchase of food.

A review of 2011 expenditures at Grocery Stores, Supermarkets (MCC 5411) showed that \$125,899 of the \$237,430 was spent at Loblaws and Loblaws Superstore yet no preferential pricing, whether it be in the form of rebate, incentive, etc., has been established with these stores.

**Table 5: 2011 City expenditures Greater than \$10,000  
Grocery Stores, Supermarkets**

	Transaction Merchant Name	Transaction Amount
1	YIG MCDANIELS 894	\$29,342
2	LOBLAWS #1014	\$20,313
3	RCSS SOUTH KANATA 2813	\$16,576
4	RCSS #1009	\$14,800
5	LOBLAWS #188	\$12,858
6	LOBLAW #1050	\$11,931
7	LOBLAWS #170	\$10,272
	<b>Sub-total</b>	<b>\$116,093</b>
	OTHERS GROCERY STORES, SUPERMARKETS	\$121,337
	<b>2011 Total Expenditures</b>	<b>\$237,430</b>

Supply Management informed us that they have not explored the possibility of approaching a specific grocery store to get discounts, whether it be an end-of-year rebate per threshold of expense or a specific percentage of the grocery per visit. They also advised us that there would need to be a request from the department for them to undertake this.

It should be noted that the City presently has a formal agreement in place with Complete Purchasing Services Inc., for all Long Term Care Units as well as Children’s Services Unit. Delivery is part of the service provided by the wholesaler. The agreement is for food products, housekeeping and laundry supplies and dietary and menu planning services. Purchases of a range of pre-determined acceptable products can be done through CPS’s web portal and then directly to CPS’s designated program suppliers (including manufacturers). Opportunities to yet expand on this formal agreement could be investigated. The formal agreement used by Long Term Care Units and Children’s Services Unit provides for 0.5% incentive, which could be \$50,000 over the five year.

In 2011, over \$237,430 was expended at grocery stores without a competitive procurement process being used. While Supply Management could not provide us with the dollar amount of the potential saving from tendering groceries, doing so would also improve the controls surrounding the purchase of food and provide more efficient use of staff time.

**Recommendation 7**

**That the City perform an analysis of grocery requirements (per centre, program, etc.) for all of Community and Social Services and Parks, Recreation and Culture and investigate any opportunity to take advantage of better prices/delivery; and/or undertake a competitive process.**

**Management Response**

Management agrees with this recommendation.

CSS and PRCS management have performed an analysis of grocery requirements (per centre, program, etc.). CSS have proactively added and will continue to add, many of the larger daycare centres and shelters to the complete purchasing contract where it is financially viable. The process would not, however, be viable for the smaller CSS and PRCS programs/centres due to the minimum order requirements, scheduled delivery dates and delivery charges.

**Recommendation 8**

**Until such time as the City establishes a competitive process for the procurement of groceries, that the both Community and Social Services and Parks, Recreation and Culture assign shopping more cost effectively.**

**Management Response**

Management agrees with this recommendation.

CSS will monitor monthly and review on a quarterly basis, the use of complete purchasing and limit purchasing groceries beyond the online ordering system. Childcare staff have adapted best practices used in the Long Term Care Branch in menu planning and online food purchasing to maximize efficiency of online ordering and delivery.

Multiple levels of PRCS staff make purchases – summer camp counsellors, program coordinators, park programmers, facility supervisors, program instructors, etc. PRCS will assign shopping more cost-effectively by implementing a “best practice” within the department’s Finance Training to identify that the Program Co-ordinator level or lower will complete purchases for program supplies/groceries where possible. PRCS will complete a review of the cardholders at each facility in order to implement this best practice by Q1 2014.

**Recommendation 9**

**That the City establish a policy relating to the collection of all loyalty program points (including store purchases, fuel, etc.).**

**Management Response**

Management agrees with this recommendation. A policy will be established by the end of Q1 2014.

***Restaurants:***

Most Purchasing Cards are restricted from use at restaurants. However, where there is an operational requirement, a restriction can be lifted. Specific to providing refreshment to employees, the Internal Hospitality Policy, revised July 2011, states:

*“All hospitality expenses must be pre-approved by a Manager or General Manager/Director, unless required under collective agreements. All expenses less than \$500 must be approved by a Manager and expenses greater than \$500 must be approved by a General Manager/Director. However, approval must come from one level of management higher than the affected organizational unit (e.g., Hospitality provided within a section must obtain unit manager approval. Hospitality within a branch must obtain general manager/director approval).*

*Refreshments may be offered to employees required to work through ‘breaks’ (otherwise called coffee breaks) when justified by management. Such hospitality should be restricted to occasions of a formal nature where the dispersal of participants during a break period is not desirable (e.g., training, workshops).*

*Refreshments, meals, or both may be offered to employees who participate in work sessions extended over meal hours or beyond normal working hours.”*

During the audit, we followed up some of these expenditures at restaurant/cafeteria and found that they were consistent with related policies. The appropriateness of expenditures at restaurants for gift certificates is discussed in the following section.

#### **Gift Certificates / Prizes:**

The 2009 Audit of Specific Contracts at the Nepean National Equestrian Park recommended:

*“That the City develop a corporate policy or guideline governing the awarding of prize money including but not limited to: Criteria for awarding prize money; Accounting of prize money; and, Evidentiary documentation of the disbursement; and that the appropriate FSU ensure its enforcement.”*

At that time management disagreed, stating:

*“The distribution of prize money is an anomaly at the City of Ottawa and management does not believe that the development of a corporate policy or guideline is required.”*

Management indicated that they do not believe the references to the 2009 Audit of Specific Contracts at the NNEP is relevant as that audit referred to prize money whereas the items listed in Table 6 are near-cash prizes. The City has not developed a policy relating to cash and near-cash prizes. In our opinion such a policy is required.

As shown in Table 6 below, our testing found award of prizes (e.g., gift certificates, concert tickets) by Ottawa Public Health Department and Parks, Recreation and Cultural Services Department.

**Table 6: Gift Certificates/Concert Ticket Prizes  
(Per samples testing only)**

# of	Single item dollar value	Total Dollar Value	Vendor	Reason
2	\$50	\$100	Royal Oak	Volleyball prize
24	\$50	\$1,200	City of Ottawa gift Certificate	Get Caught Wearing Your Helmet Contest
4		\$262	Capital Tickets	Get Caught Wearing Your Helmet Contest
<b>Total prizes</b>		\$1,562		

There continues to be a need to clearly document the City's position relating to the distribution of prizes; either through a policy or guideline.

### **Recommendation 10**

**That the City develop a corporate policy or guideline governing the awarding of cash or near cash prizes including but not limited to: Criteria for awarding prizes; Accounting of prizes; and, Evidentiary documentation of the disbursement; and that the appropriate FSU ensure its enforcement.**

#### **Management Response**

Management agrees with this recommendation. A corporate policy will be developed by the end of Q1 2014.

### **Membership:**

The Purchasing Card Procedures (Revised January 20, 2012) defines all purchasing card restrictions; it lists individual memberships or professional fees, as restricted. Memberships were paid using a purchasing card on 2 of the 50 judgemental sample reconciliations. In one case the FSU followed the process for non-compliance purchases.

In the other case, the membership (for the supervisor signing off and authorizing expenses on the reconciliation) was incurred on the purchasing card of a subordinate employee. Should this transaction not have been a purchasing card restriction, it would still not have been appropriate for the supervisor to authorize it. There is an expense authorization issue as any expense incurred for someone should be approved by their supervisor.

### **Recommendation 11**

**That the City not pay individual memberships or professional fees using purchasing cards, as per the Purchasing Card Policy.**

#### **Management Response**

Management agrees with this recommendation.

The Purchasing Card Policy and Procedures will be further communicated and reinforced. This is expected to be completed prior to the end of Q4 2013.

***Employee Recognition Program:***

As part of its Employee Recognition Month, the City allocates each Manager \$5.00/per all permanent and temporary full and part-time employees (excluding any vacant positions) and summer students according to the employee headcount, as of May 31. These monies are to be used by managers to demonstrate their appreciation of the contribution that employees make to the City while celebrating the successes of our organization. We found both an over-expenditure issue and a lack of pre-approval forms.

The Employee Recognition Program Guidelines state that funding is credited from the Employee Recognition Program's budget to each manager's home cost centre under cost element 604240 and that expenses should be charged to cost element 502114. For 2011, one area we reviewed had been allocated \$1,255 and spent \$1,554 representing an over-expenditure of \$299.

Management advised us that although the Branch overspent their Employee Recognition Program's budget by \$299, the entire Department's envelop was under-spent by \$163 and therefore felt it was appropriate.

The Employee Recognition Program Guidelines further state that "All claims for payment or reimbursement of expenses must be submitted to the respective FSU using the Hospitality Expense Pre-Approval form (indicate Employee Recognition Month Event), along with a payment without reference form (payments/claims greater than \$75) or a Petty Cash Voucher form (for claim less than or equal to \$75)."

These errors were not identified by either the authorizing supervisor or the FSU reviewing the reconciliation for compliance.

**5.2.3 Determine if the card purveyor's online billing reports are being reconciled by both departments and the card program coordinator(s) in a timely fashion and are supported by adequate receipts.**

Finance Department has established a strong framework to ensure statements are reconciled, authorized by a supervisor, reviewed by an FSU and promptly returned to them.

We found that the risk of significant weakness in internal controls during 2011 to be relatively low. Our testing of 150 reconciliations, which results are provided in Tables 3 and 4, attest to this.

#### **5.2.4 Determine if internal controls over the deactivation of cards and accounts are adequate.**

##### ***Former Employees:***

The Purchasing Card Policy states that it is the manager or designate that is responsible to ensure the cancellation of the cards when the cardholder terminates employment, is absent for an extended period, or no longer qualifies for the card.

Appendix 2 of the Termination - Resignation/Retirement Procedures describes the process for voluntary resignation or retirement for all City employees. Specifically, resigning employees are expected to return all City materials and property, including corporate credit cards. The manager is required to meet with the employee to complete the Manager's Checklist and to retrieve all City property in the possession of the employee.

Our review did not include extended absences.

To ensure that any applicable credit cards had been deactivated, we reviewed staff terminations and resignations in 2011. We found 22 employees with credit cards who had a retirement/termination action in 2011; of these, four cards had not been deactivated/closed as at June 13, 2012 even though the employees had left the City (two in February 2011, one in August 2011 and one in November 2011). Although no activity, after the employee left the City's employment, was noted on these cards, these remained open in the US Bank On-line Access system. The Deputy City Treasurer Corporate Finance was provided with the four cardholders' names on June 14 for action.

##### **Recommendation 12**

**That the City regularly review any termination of employment and ensure that cards are deactivated at the time an employee leaves the Corporation.**

##### **Management Response**

Management agrees with this recommendation.

The corporate policy for Termination, Resignation/Retirement Procedures sets out management's responsibilities regarding the return of City property. Human Resources will amend the policy to further indicate that managers are responsible for advising Finance to deactivate a purchasing card upon any termination of employment. As an additional measure, Human Resources will begin providing a monthly report to the Finance Department of all terminations for auditing purposes. Finance will be able to compare the list of terminations against all purchasing cardholders to ensure that all cards are deactivated when an employee leaves the corporation. The amendment of the policy and commencement of the monthly report will be implemented by the end of Q3 2013.

In addition, the Purchasing Card Policy assigns the responsibility to the manager to “ensure cancellation of the card when the cardholder terminates employment”. The Purchasing Card Policy and Procedures will be further communicated and reinforced by management. This is expected to be completed prior to the end of Q4 2013.

## **6 POTENTIAL SAVINGS**

By increasing the use of credit cards in lieu of petty cash or cheques, the City could potentially save in the range of \$150,000 to \$250,000 and could further obtain savings in the form of contract negotiated rebates. These potential savings are calculated based on an average cost for issuing a cheque ranging from \$15.00 to \$25.00, and an estimated increase in transaction volume of 20% (approximately 10,000 more credit card transactions than 2011 levels).

In 2011, over \$237,430 was expended at grocery stores without a competitive procurement process being used. While Supply Management could not provide us with the dollar amount of the potential saving from tendering groceries, doing so would also improve the controls surrounding the purchase of food and provide more efficient use of staff time.

Until such time as the City establishes a competitive process for the procurement of groceries, savings can be obtained through better management of shopping routines of City employees – specifically, assigning shopping duties more cost effectively. For Parks, Recreation and Cultural Services, we estimated that the City could save approximately \$10,000 by having staff at the Program Coordinator or lower level carry out the purchasing instead of more senior level employees.

### **Recommendation 13**

**That the City consider expanding the use of credit card in lieu of cheques or petty cash and take advantage of savings ranging from \$150,000 to \$250,000.**

#### **Management Response**

Management agrees with this recommendation.

The City will continue to explore opportunities to increase the use of the credit card in lieu of cheques or petty cash. A project to review the expanded use of the credit card was developed in 2012 and started in 2013. The project will include an analysis of vendors and payments to identify transactions that, in the future, could be paid by credit card. This project is expected to be completed by the end of Q2 2014. Finance will continue to communicate the benefits of using the credit card, and encourage City staff to consider this method of payment where feasible.

## **7 CONCLUSION**

Overall, the credit card program is well administered and well supported by Finance Department.

Our audit found clear processes; heightened supervision and oversight over reconciliations verification; as well as satisfactory compliance against applicable policies and procedures. Both our judgmental and random samples' error rates were not significant.

The City has several comprehensive policies and procedures, which continue to be updated and provide suitable direction to credit cardholders. Policies and procedures are readily available and well understood by Financial Services Unit (FSU). Strong adherence to these was noted. In cases of non-compliance, a procedure is in place and we found evidence that it was used in the majority of instances. In comparison to the 2002 audit of credit cards carried out by the former Audit and Consulting Services Branch, there are now significantly better internal controls and clear oversight roles of credit card expenditures by both departments and Finance Department. In our opinion, the City is now in a position to consider expanding the program and taking advantage of additional offerings resulting in potential savings.

## **8 ACKNOWLEDGEMENT**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.