

July 29, 2011

City Purchasing Card (PCard) Program

The Purchasing Card (PCard) is a special MasterCard credit card issued by the National Bank of Canada that is used by authorized staff for the purchase of small ticket items such as office supplies, work supplies, mechanical repairs and/or parts, hardware supplies, supplies for recreation programs, and professional membership dues.

All expenditures must comply with corporate policies, and any travel and entertainment expenditures are subject to additional approvals. Management controls are in place to review and approve all PCard expenditures. In addition, the Auditor General's Office has access to all the PCard accounts and will continue to perform periodic checks to verify that the PCard program is being used correctly.

Facts:

- The City of Toronto began phasing in the PCard program in 2005 to provide a more efficient and cost effective method of procuring and paying for low value goods and services. The program was one of several improvements recommended by the Auditor General's Office following a review of the City's procurement processes in 2003.
 - The PCard program benefits the City and its suppliers by consolidating paperwork, reducing the need for petty cash, and expediting the delivery and payment of low value goods and services. PCard purchases account for less than 1% of the City's overall purchases. Industry surveys show a savings of \$70 per transaction for PCard purchases versus standard purchases.
 - The Auditor General's review of the PCard program in 2009 acknowledges that PCards are an efficient and economical procurement tool, advocates the expansion of the program and makes recommendations to help improve program controls and efficiencies.
 - The City's PCard program incorporates strong financial controls, authorization parameters and industry best practices:
 - Each card has built in controls and restrictions which are enforced at the point-of-sale terminal when the purchases are made including: predetermined spending limits on a per transaction basis as well as monthly dollar limits, and commodity restrictions/blocks to prevent inappropriate purchases. PCard limits are set corporately and are tailored to staff's requirements by the authorizing Division Head.
 - To obtain access to a PCard, approved staff must complete a cardholder application approved by their Division Head, attend a training session and sign an agreement to follow all financial and purchasing policies.
 - Supervisors and managers are responsible for reviewing and approving PCard purchases on a monthly basis.
 - Cardholders are required to record their monthly purchases on a log (attaching all receipts and packing slips) and reconcile the charges on their card. The employee's monthly log and receipts are reviewed and approved at three levels:
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- reviewed and approved by the employee's immediate supervisor
 - reviewed for accuracy and completeness by the division's designated financial approvers
 - reviewed for accuracy, completeness, and validity by the divisional PCard coordinator
- All reconciliations are forwarded to Accounting Services each month, where items are spot-checked and potential issues are investigated.
- On a semi-annual basis, reports are generated outlining all credit card charges and cardholders by Division. These reports are reviewed by each Division and Accounting Services for trends/patterns.
- In October 2009, the staff report Purchasing Card (PCard) Program – Improving Controls Before Expanding the Program (Resource 1) was issued to Audit Committee. It identified 20 recommendations by the Auditor General to improve PCard Program. The City has fully implemented 15 of the 20 recommendations and the remaining will be implemented within 2011. The status is as follows:
 - training has been addressed and the online assessment and training tool will be live in the summer
 - the City's review and update of the expense claim policy will be completed in the summer
 - a review for blanket contract opportunities will be performed after a software upgrade in September 2011
 - strategies to promote and continuously improve PCard will be implemented in October 2011

Resources:

1. City Purchasing Card (PCard) Program - Improving Controls Before Expanding the Program - Audit Committee, October 27, 2009
http://www.toronto.ca/audit/2009/staff_report_oct27.pdf
2. City Purchasing Card (PCard) Program - Improving Controls Before Expanding the Program, Appendix 1
http://www.toronto.ca/audit/reports2009_sub18.htm (refer to pg 31)
3. Procurement Process Review, 2003
http://www.toronto.ca/audit/reports2003_sub1.htm
4. Semi-annual Treasurer's Report on Activities of the Accounting Services and the Purchasing and Materials Management Divisions – December 31, 2009
<http://www.toronto.ca/legdocs/mmis/2010/gm/bgrd/backgroundfile-29489.pdf> (pg6)

Media contact:

Cindy Bromley - Manager, Finance & Administration Communications, 416-392-4993,

cbromley@toronto.ca

Mike St. Amant - Director, Accounting Services, 416-397-4438, mstaman@toronto.ca