



Report of the Auditor General of the Ville de Montréal to the City Council and to the Urban Agglomeration Council

For the Year Ended December 31, 2015

4.7

Acquisition Card Management



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List of Acronyms

SA	Service de l'approvisionnement	SPVM	Service de Police de la Ville de Montréal
SIM	Service de sécurité incendie de Montréal		

4.7. Acquisition Card Management

1. Background

Acquisition cards (or procurement cards) are credit cards that may be issued to the City's business units¹ for the purposes of acquiring goods and services of low dollar value (preferably less than \$1,000), whether from local suppliers or online.² Acquisition cards are issued by a financial institution—the financial services supplier that obtained the City's banking services contract.

The acquisition card management process falls within the purview of the Service de l'approvisionnement (SA's) Division des pratiques d'affaires; the SA itself serves as the intermediary between the business units and the financial institution, except for the Service de Police de la Ville de Montréal (SPVM), which manages its acquisition cards independently. The SA's responsibilities include the following:

- Coordinating the implementation of acquisition cards in all business units;
- Processing requests to issue, modify or cancel acquisition cards;
- Providing users with support.

At the business unit level, distributing acquisition cards entails creating a “master” account with the financial institution and designating a person in charge of the account. The master account encompasses all accounts pertaining to each of the business unit's acquisition cards. The designated person in charge of the master account must ensure that all activities relating to his or her unit's acquisition cards are overseen properly.

There are two types of acquisition cards:

- Personalized cards, which are issued in the name of an employee within a business unit exclusively for use in the performance of his or her duties;
- Non-personalized cards (or “neutral” cards), which are issued in the name of a business unit (e.g., a City department or borough), an administrative unit within a business unit or a specific activity. This type of card may have multiple occasional users.

The person in charge of the master account designates the personalized cardholders, in addition to the primary holders of the neutral cards, who are tasked with ensuring that the acquisition cards are properly stored and managed.

¹ Boroughs, central departments and certain paramunicipal organizations.

² Source: Administrative framework – “Carte d'approvisionnement – utilisation et contrôle (directive),” June 17, 2014, Service de l'approvisionnement (SA).

The City's Service des finances [finance department] is primarily responsible for making regular payments to the financial institution corresponding to the amounts invoiced in the consolidated statement encompassing the accounts of all acquisition cards used, as well as for charging these amounts to the budgetary accounts in accordance with the accounting key provided by each business unit when a card is issued. The financial institution sends a monthly statement of account to each cardholder, a consolidated statement of account to each person in charge of a master account and an overall statement of account to the Service des finances.

According to information obtained from the SA, as of April 30, 2015, a total of 415 active acquisition cards were in circulation within the City's business units. The breakdown is provided in Table 1:

**Table 1 – Active Acquisition Cards in Circulation
as of April 30, 2015**

Business unit	Number of acquisition cards
Boroughs, central departments and paramunicipal organizations	357
SPVM	58 ^[a]
Total	415

^[a] According to the information obtained, this number pertains exclusively to acquisition cards primarily assigned to the SPVM's administrative officers.³

Source: Division des pratiques d'affaires, SA.

Of the above number, 195 are personalized cards, while 220 are neutral cards. Since 2013, purchases made using acquisition cards have followed the trend shown in Table 2:

**Table 2 – Changes in the Number of Transactions
and the Value of Purchases**

Year	Number of transactions		Value of purchases	
	City	SPVM	City	SPVM
2013	25,001	2,270	\$2,027,213	\$229,795
2014	28,621	2,026	\$2,256,255	\$218,949
2015 ^[a]	12,090	798	\$1,104,853	\$88,395
Total	65,712	5,094	\$5,388,321	\$537,139

^[a] Data for the period January 1–April 30, 2015.

³ We were unable to obtain information on acquisition cards used for the SPVM's specific operations.

2. Purpose and Scope of the Audit

The purpose of this audit was to ensure that acquisition cards are used in accordance with the administrative frameworks in effect and that their use is subject to periodic monitoring and accountability.

Our work focused on the administrative practices in effect governing the use of acquisition cards in circulation for the period extending from July 1, 2014,⁴ to April 30, 2015. Our work was carried out in the SA's Division des pratiques d'affaires in our capacity as the City-designated agent tasked with coordinating this activity. More specifically, our audit involved six other business units, with a view to monitoring compliance with the oversight process governing the use of all acquisition cards in circulation. The six units are as follows:

- Ahuntsic-Cartierville borough;
- Verdun borough;
- Ville-Marie borough;
- Service de sécurité incendie de Montréal (SIM);
- Service de l'Espace pour la vie;
- SPVM.

Our work consisted of conducting interviews with managers and employees, in addition to examining documents and carrying out audit testing as we deemed appropriate with a view to obtaining evidence.

3. Main Findings

Based on the audit work performed, we identified a number of areas in which improvements should be made:

- The administrative framework governing the use and oversight of acquisition cards is not systematically followed as regards compliance with the City's delegation of powers regulation and the assignment of credit limits for acquisition cards;
- Active acquisition cards remain in circulation even though the cardholders are temporarily off work;
- Transactions carried out using this payment method are not always supported by relevant documents or, at times, the supporting documents supplied are not the original source documents;
- We were not always able to find evidence that transactions carried out using acquisition cards were verified and approved by the cardholder's immediate supervisor;

⁴ Subsequent to the effective date of the administrative framework dealing with this topic (June 17, 2014).

- With the exception of Ville-Marie borough, no business units that we audited submit accountability reports concerning proper acquisition card use.

4. Audit Results

The use and oversight of acquisition cards are governed by an administrative framework⁵ issued by the Service de l'approvisionnement (SA) and approved by the City's senior management on June 17, 2014. This administrative framework, which applies to all of the City's business units, sets out various rules governing the issuance, use and oversight of acquisition cards, not only as a payment method but also as a means of reducing administrative costs for the acquisition of low-dollar-value goods and services.

In this regard, the City's procurement policy clearly states that the City believes that productivity-related savings may be achieved by reducing the number and the processing cost of low-dollar-value purchases and payments. The policy stipulates that those who make purchases within the City's business units must acquire low-dollar-value goods and services using acquisition cards, unless the goods in question are available at the City's main store or its satellite stores, or if a City-negotiated contract or framework agreement already exists for the required good or service.

In particular, the use of acquisition cards with a view to reducing administrative costs and thereby achieving cost savings is attributable to the costs associated with the processing of purchase orders. According to information obtained from the representatives we interviewed within the SA, the estimated cost to the City is approximately \$200 to process one purchase order. According to the same source, an analysis of the purchase orders created in 2011–2012 shows that the City processes approximately 144,000 purchase orders each year, of which slightly more than 100,000 are valued at less than \$1,000.⁶ Although cost savings may be achieved by using acquisition cards, the flexibility inherent in this payment method requires the implementation of sufficient internal controls to protect public funds.

⁵ Administrative framework entitled *Carte d'approvisionnement – utilisation et contrôle (directive)*, C-RM-APP-D-14-002.

⁶ Source: Division des pratiques d'affaires, SA.

4.1. Rules and Procedures Governing the Distribution of Acquisition Cards

4.1.1. Issuance, Modification and Cancellation of Acquisition Cards

4.1.1.A. Background and Findings

The administrative framework currently in effect sets out the procedure to be followed by business units when applying for acquisition cards or when requesting the modification or cancellation of acquisition cards already in circulation. In addition, it clearly sets out the responsibilities of all actors concerned.

The procedure stipulates that all applications for new acquisition cards and all requests to modify or cancel existing acquisition cards must be formally carried out using the prescribed form. The application or request must be approved by the person in charge of the master account before being forwarded to the SA for processing with the financial institution.

The procedure stipulates that, upon receipt of the acquisition card (whether personalized or neutral), the cardholder must review the rules governing card use and must provide a signed consent indicating his or her intention to follow them.⁷ The original of the prescribed form must be submitted to the SA; the business unit keeps one copy for its records and issues another copy to the cardholder.

Among other things, the rules governing card use stipulate as follows:

- Acquisition cards must be used strictly to pay business expenses incurred in the performance of the primary cardholder's or the occasional user's⁸ duties;
- Acquisition cards should not be used for goods and services covered by a procurement agreement or for goods available in the City's stores.

At this stage in the process, our work consisted of verifying compliance with the procedure with respect to all (100%) of the acquisition cards in circulation within the six business units we audited. Our review indicates that the Verdun borough, the Service de sécurité incendie de Montréal (SIM) and the Service de l'Espace pour la vie do not systematically comply with the procedure implemented by the SA. We noted that 53 forms pertaining to the card rules (out of a total of 185 acquisition cards in circulation within the audited units) were missing (see Table 3). This suggests that the users may not have reviewed the rules governing the

⁷ The prescribed form is entitled *Accusé de réception et engagement de l'employé détenteur d'une carte d'achat de l'institution financière*.

⁸ A person designated from time to time to make purchases using a neutral acquisition card.

use of acquisition cards and that they may not know what kinds of expenses are allowed when using this payment method.

Similarly, for business units that have neutral cards, the primary cardholder is also required, when providing the card to an occasional user, to have him or her read and sign the form pertaining to the rules of card use. In fact, except for the Service de Police de la Ville de Montréal (SPVM) (which only has personalized cards) and Ville-Marie borough (which stated that it has no occasional users of neutral cards in circulation), we found that the business units in our sample do not follow this procedure.

Table 3 – Compliance with the Rules Governing the Use of Acquisition Cards

Business unit	Number of cards in circulation	Number of forms to be filled out	Compliant forms ^[a]	Missing forms	Non-compliance rate %
Ahuntsic-Cartierville borough	9	9	9	0	0 %
Verdun borough	25	25	10	15	60 %
Ville-Marie borough	15	15	15	0	0 %
SIM	57	57	28	29	51 %
Service de l'Espace pour la vie	21	21	12	9	43 %
SPVM	58	58	58	0	0 %
Total	185	185	132	53	29 %

^[a] Compliant forms = signed forms

4.1.1.B. Recommendation

We recommend that the Ahuntsic-Cartierville and Verdun boroughs, together with the Service de sécurité incendie de Montréal and the Service de l'Espace pour la vie, take the necessary steps to ensure that all users of personalized or neutral acquisition cards (including occasional users) have read the rules of use and that they agree to follow them.

Business units' responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] We comply with this recommendation when issuing a new acquisition card, whether neutral or personalized.

However, in the case of neutral cards, we will ensure that occasional users familiarize themselves with the rules of use and agree to follow them.

A guideline will be developed and sent out to all holders of neutral cards. (Planned completion: April 2016)

VERDUN BOROUGH

[TRANSLATION] We will formalize the situation concerning the rules of use (this mainly concerns neutral cards) as follows:

- Determine the primary users of neutral cards by the administrative unit;
- Validate whether it is necessary to maintain all the neutral cards, based on their pattern of use;
- Have primary users of neutral cards read and sign a document setting out the card rules;
- Resend the form to all users and file the original signed copy in the prescribed binder;
- Send out a reminder to the managers concerning the rules governing users' signing of the card rules. **(Planned completion: March 2016)**

Develop an internal procedure to ensure that the document containing the card rules has been signed and received. **(Planned completion: April 2016)**

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The SIM proposes the following oversight measures when distributing personalized or neutral acquisition cards:

- Users must read the card rules and must sign the form pertaining to the card rules, confirming that they agree to follow these rules prior to receiving the card;
- Provide a copy of the administrative framework in effect. **(Planned completion: February 2016)**

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] Requests have been sent to the individuals concerned asking them to complete the missing forms pertaining to the card rules.

In addition, a memo, together with a copy of the card rules and the administrative framework, will be sent out to all primary and occasional cardholders for re-reading. **(Planned completion: January 2016)**

4.1.2. Compliance with the Delegation-of-Powers Regulation

4.1.2.A. Background and Findings

In order to achieve greater administrative efficiency, the City's executive committee adopted a regulation⁹ delegating some of its powers to certain City officials. In particular, this regulation sets out the monetary limits of this delegated power as it applies to authorizing expenses.

⁹ Executive committee's internal regulation concerning the delegation of powers to City officials and employees, RCE 02-04 (Règlement intérieur du comité exécutif sur la délégation de pouvoir aux fonctionnaires et employés).

The administrative framework on the use and oversight of acquisition cards currently in effect stipulates as follows (section 4.2):

[TRANSLATION] Compliance with the delegation of powers. In the case of personalized cards, the following principle applies: the card's credit limit may not exceed the cardholder's delegation amount. For non-personalized cards, the rules of use applicable to the primary cardholder also apply to occasional users.

On the same topic, section 5 of the administrative framework stipulates as follows with respect to the business units' roles and responsibilities:

[TRANSLATION] [...] As regards the credit limit, he ensures compliance with the delegation regulation [...].

Our audit work thus focused on verifying compliance with the application of these provisions. For all of the business units we audited, we found instances of non-compliance with this requirement. Out of a total of 185 acquisition cards in circulation within the six business units sampled, 37 cases were found to have authorized credit limits for the acquisition card exceeding the cardholder's delegated powers, in addition to 8 cases in which the cardholder had not been granted any delegated powers (see Table 4).

Table 4 – Compliance with the Delegation-of-Powers Regulation

Business unit	Number of cards in circulation	Credit limit exceeding the delegated powers	Cardholder ¹⁰ without delegated powers	Total	Non-compliance rate %
Ahuntsic-Cartierville borough	9	0	3	3	33 %
Verdun borough	25	1	0	1	4 %
Ville-Marie borough	15	0	1	1	7 %
SIM	57	29	1	30	53 %
Service de l'Espace pour la vie	21	1	1	2	10 %
SPVM	58	6	2	8	14 %
Total	185	37	8	45	24 %

When we began our audit work, the SA's representatives within the Division des pratiques d'affaires informed us that the administrative framework for acquisition cards had been revised, although it had not yet been submitted to the City manager for approval. We obtained a copy of the draft version of the document. Upon reading this version, we noted that all

¹⁰ In the case of neutral cards, the delegation of powers for the designated primary cardholder was taken into consideration.

aspects pertaining to compliance with the City's delegation of powers when issuing acquisition cards had been eliminated. In fact, section 4.2 reads as follows:

[TRANSLATION] "The acquisition card must absolutely be used within the limits prescribed by the person in charge of the master account, in particular the authorized expense amounts that remain at his or her discretion and may pertain to the following:

- The maximum authorized amount per transaction; or*
- The maximum authorized amount per month; or*
- The type of products and services to be acquired."*

That being said, the business units are required to comply with the administrative frameworks in effect and, in this case, the credit limit to be assigned when issuing acquisition cards must be determined in accordance with the City's delegation-of-powers regulation, which in our view seems consistent with the City's practices. However, in the event that the criteria set out in the new proposed framework are approved, we are of the opinion that the persons in charge of the master accounts within the City's business units must closely monitor the way in which the acquisition cards within their purview are managed, with a view to ensuring proper and prudent use thereof.

4.1.2.B. Recommendation

We recommend that the Ahuntsic-Cartierville, Verdun and Ville-Marie boroughs, together with the Service de sécurité incendie de Montréal, the Service de l'Espace pour la vie and the Service de Police de la Ville de Montréal, take the necessary steps to ensure compliance with the administrative framework in effect or with the administrative framework scheduled for revision as regards credit limits for acquisition cards.

Business units' responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] At the present time (i.e., since September 2015), the credit limit for personalized cards does not exceed the amount authorized under the delegation-of-powers regulation for the cardholder or his or her immediate supervisor.

In order to comply with the current administrative framework, we will take steps to cancel the personalized cards issued to cardholders who have not been delegated any powers. (Planned completion: April 2016)

VERDUN BOROUGH

[TRANSLATION] The audit period extended from July 1, 2014, to April 30, 2015. However, effective December 5, 2014, the borough's delegation of powers was

modified. Since that date, all foremen are delegated powers for the purchase of goods and services up to a maximum of \$15,000.

Auditor general's comments:

The delegation of powers valued at \$15,000 has only been in effect since December 8, 2015.

VILLE-MARIE BOROUGH

[TRANSLATION] A notice of motion was submitted to the borough council on December 8, 2015, with a view to amending the delegation-of-powers regulation. The amended regulation is scheduled to be adopted at the next meeting of the borough council, i.e., on February 10, 2016. (Planned completion: February 2016)

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The SIM produced a report covering all active cards, with the following information:

- *The cardholder's name and job title;*
- *The card's purpose;*
- *The card's credit limit and the cardholder's delegation of powers;*
- *The mention "compliant" or "non compliant" with the delegation rules.*

The SIM will reassign the cards held by secretaries and clerks (non compliant) to the managers in question. This report will be updated by the financial advisory and support team and will be included in the accountability report submitted to SIM's management (March 31 and September 30 of each year). (Planned completion: February 2016)

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] One cardholder was not included in the delegation rules. We included the person's name in the updated document dated January 1, 2016.

The auditor noted that the credit limit for one cardholder exceeded the authorized amount under the delegation of powers. Subsequently, the delegation of powers was increased, thereby ensuring compliance with the framework. (Planned completion: January 2016)

SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

[TRANSLATION] Verify cardholders in relation to the authorized credit limit by proceeding as follows:

- *Implement an expense limit per transaction corresponding to the amount granted under the delegation of powers for those cardholders whose credit limit exceeds the delegated powers. (Planned completion: March 2016)*
- *For cardholders without delegated powers, change the person in charge of the card or issue non-personalized cards in the name of the unit, ensuring that the*

primary cardholder's delegation of powers exceeds the credit limit. **(Planned completion: March 2016)**

- Validate the credit card form to ensure compliance with forms used by the SA. **(Planned completion: March 2016)**
- Issue a twice-yearly accountability report. **(Planned completion: July 2016)**

4.1.3. Oversight of Acquisition Cards in Circulation

4.1.3.A. Background and Findings

Among the roles and responsibilities assigned to business units, the administrative framework dealing with the use and oversight of acquisition cards stipulates that each person in charge of a master account must [TRANSLATION] “ensure that each card is associated with an active person in the City’s employment register”.¹¹ In addition, as regards information security and operational oversight, the administrative framework stipulates that all cases of employment termination or modification of job duties involving holders of acquisition cards (whether personalized or neutral) must be overseen by the person in charge of the master account within the business unit to keep the register of acquisition cards in circulation up to date.

In such situations, the administrative framework sets out various steps to be followed (see Table 5 below):

Table 5 – Oversight of Acquisition Cards in Circulation in the Event of Termination of Employment or Modification of Job Duties¹²

Personalized cards	Neutral cards
Recover the card from the cardholder.	Select a new primary cardholder.
Submit the “modification or cancellation of an acquisition card” form via email to the SA in order to cancel the card number.	Submit the “modification or cancellation of an acquisition card” form via email to the SA in order to record the name of the new primary cardholder.
Destroy the card.	Ensure that the new cardholder reads, fills out and signs the rules of use [...]

In order to evaluate the extent to which the prescribed oversight duties were carried out, we used computerized tools to carry out a comparative analysis of information in various databases for all City-related acquisition cards in circulation during the audit period. First and foremost, the analysis focused on detecting cases in which active acquisition cards were still

¹¹ Section 5.2, administrative framework, *Carte d’approvisionnement – utilisation et contrôle (Directive)*, June 14, 2014.

¹² Source: Administrative framework, *Carte d’approvisionnement – utilisation et contrôle (Directive)*, June 14, 2014.

in circulation even though the cardholders were in “termination of employment” situations (e.g., retirement, resignation, layoff). Based on the results of our analysis, a total of six acquisition cards were in circulation even though the employees in question were no longer employed by the City. For each of these cards, we looked for transactions carried out since the termination-of-employment date. One single transaction involving an insignificant dollar amount was traced to a neutral card even though the employee in question had been retired for seven months.

In addition, we noted that the administrative framework governing the use and oversight of acquisition cards makes no mention of the procedure to be followed when the holder of a personalized or neutral acquisition card is temporarily off work (e.g., on long-term disability or maternity leave). However, based on the computer analyses carried out for all acquisition cards in circulation during the audit period, we noted various transactions that were carried out using acquisition cards whose designated holder was out of work for some time. In fact, we found the names of 23 different individuals for 39 acquisition cards.¹³ It appears that during the off-work period, the acquisition cards assigned to these individuals continued to be used without any modification designating a new cardholder being submitted to the SA.

In our opinion, even though in light of these results the occurrence of such situations is not widespread, the fact remains that the oversight measures should be tightened.

4.1.3.B. Recommendation

We recommend that the Ahuntsic-Cartierville, Verdun and Ville-Marie boroughs, together with the Service de sécurité incendie de Montréal, the Service de l’Espace pour la vie and the Service de Police de la Ville de Montréal, take the necessary steps to ensure close monitoring of all acquisition cards in circulation whose holders are definitively or temporarily off work.

Business units’ responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] In the case of the definitive departure of a personalized cardholder, we recover, destroy and request cancellation of the card.

In the case of the definitive departure of a neutral cardholder, we request that the cardholder’s name be modified.

We will modify the cardholder’s name if the cardholder is temporarily off work. In this regard, the relevant information will be validated with the “Register of employment”

¹³ An individual may be the designated primary cardholder for more than one neutral acquisition card.

system and with the Division des ressources humaines. **(Planned completion: April 2016)**

VERDUN BOROUGH

[TRANSLATION] Develop an internal procedure (who? when? how?) for cardholders who are definitively or temporarily off work. This will be done by:

- Developing a report via info-RH and a monitoring and oversight procedure;
- Training users on the procedure;
- Implementing the procedure;
- Sending out a reminder to managers and cardholders detailing their responsibilities. **(Planned completion: April 2016)**

VILLE-MARIE BOROUGH

[TRANSLATION] Based on a verification of the available information at the SA's Division des pratiques d'affaires pertaining to the list of cards recorded in the database for the Ville-Marie borough, there are no discrepancies concerning the cards that are actually in circulation. **(Planned completion: December 2015)**

Nevertheless, a reminder will be included in the internal oversight committee's report dated December 31, 2015, which will be submitted to the management committee on January 18, 2016. **(Planned completion: January 2016)**

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The SIM will submit the list of acquisition cardholders to the HR team on a monthly basis. Subsequently, if any staff members definitively or temporarily stop working, HR will be responsible for informing the finance department's advisory support team and the person in charge of the master account at the SIM so that the situation may be formalized, as applicable. **(Planned completion: March 2016)**

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] During the audit of the Service de l'Espace pour la vie, it was noted that one card had been used while the cardholder was off work.

We will mention this fact in a memo to be sent out to cardholders to ensure that this does not happen again. **(Planned completion: January 2016)**

SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

[TRANSLATION] Send out a reminder memo detailing the process to be followed to make sure acquisition cardholders and their immediate supervisors are aware of their responsibilities even if they are absent, have stopped working, have modified job duties or are on extended leave. **(Planned completion: March 2016)**

Temporarily deactivate a card during an extended leave and permanently deactivate it upon termination of employment. **(Planned completion: upon receipt of the credit card form)**

Validate the status of acquisition cardholders in the register of employment. (Planned completion: 10 days following receipt of the accounts closing off the six-month period – July 2016)

4.1.3.C. Recommendation

In order to tighten the oversight mechanisms for acquisition cards in circulation, we recommend that the Service de l'approvisionnement enhance the administrative framework in effect by including a procedure to be followed by business units when the employment of an employee designated as an acquisition cardholder is temporarily interrupted.

Business unit's response:

[TRANSLATION] A new section will be added to the administrative framework detailing the procedure to be followed in the event that employment is temporarily interrupted.

In addition, the SA will change the card's credit limit to \$0.00 during the employee's absence. (Planned completion: May 2016)

4.2. Rules for Using Acquisition Cards

4.2.1. Compliance Concerning Expenses Charged to Acquisition Cards

4.2.1.A. Background and Findings

Acquisition cards enable City staff to acquire certain low-dollar-value goods and services more easily. Nevertheless, the types of expenses permitted using this payment method are subject to certain restrictions, which are set out in the administrative framework dealing with the use and oversight of acquisition cards. In particular, the established rules mention that acquisition cards:

- Must be strictly used to pay for business expenses incurred in the performance of the primary cardholder's or the occasional user's duties;
- Should not be used for goods and services covered by a procurement agreement or for goods available in the City's stores;
- Must not be used in payment for professional services.

In addition, it is mentioned that the administrative framework does not apply to pre-planned expenses (travel, trips, hotels, restaurants, seminars, training, etc.) already covered by another City framework in effect (e.g., managers' official expenses, travel carried out at the

employer's request and related expenses, work-related meeting, hosting and reception expenses and entertainment expenses).

For the six business units selected, our audit work focused on reviewing compliance with the established rules of use. To that end, a sample of 47 acquisition cards out of 185 acquisition cards in circulation within the business units we audited was selected for the purpose of carrying out a detailed review of the expenses appearing in the monthly statement of account issued by the financial institution. In total, 188 monthly account statements were examined (see Table 6).

Table 6 – Sample of Acquisition Cards Examined by Business Unit

Business unit	Number of acquisition cards in circulation	Number of acquisition cards examined	Number of monthly account statements examined
Ahuntsic-Cartierville borough	9	4	16
Verdun borough	25	8	32
Ville-Marie borough	15	6	24
SIM	57	11	44
Service de l'Espace pour la vie	21	7	28
SPVM	58	11	44
Total	185	47	188

Our review underscored the fact that, as a general rule, the expenses incurred using acquisition cards pertain to the audited unit's business operations and, all in all, seem reasonable. Nevertheless, as regards compliance with the established rules, we noted a number of transactions in violation of the administrative framework in effect. In particular, we detected various transactions carried out within the three boroughs we audited that pertained to goods covered by a procurement agreement.

In addition, we identified various transactions in violation of the administrative framework in effect concerning the restriction stating that acquisition cards may not be used to pay for pre-planned expenses already covered by another City administrative framework in effect. A total of 103 transactions pertained to meal-related expenses (e.g., food delivery) or expenses incurred in restaurants, while 28 transactions concerned travel expenses (hotels and airline tickets) and another 10 transactions had to do with seminar and training expenses (see Table 7).

Table 7 – Type and Number of Transactions in Violation of the Administrative Framework by Audited Business Unit (for the period extending from July 1, 2014, to April 30, 2015)

Business unit	Meals and restaurant expenses	Hotels and travel	Seminars and training
Ahuntsic-Cartierville borough	2	1	1
Verdun borough	2	0	1
Ville-Marie borough	3	0	0
SIM	72	2	2
Service de l'Espace pour la vie	0	11	2
SPVM	24	14	4
Total transactions	103	28	10

In this regard, while examining the revised but not yet approved version of the administrative framework pertaining to acquisition cards, we noted that restrictions on the scope of application had been eased in relation to the administrative framework currently in effect, eliminating the restrictions concerning pre-planned expenses already covered by another City administrative framework in effect. According to the information obtained from managers in charge of this activity at the SA, this guideline reflected a desire to foster increased use of acquisition cards, given the potential administrative savings associated with this payment method.

We are aware that it may be necessary to use an acquisition card for an emergency purchase under certain circumstances. However, regardless of the City's future guidelines, the fact remains that the business units must comply with the regulations in effect.

4.2.1.B. Recommendation

We recommend that the Ahuntsic-Cartierville, Verdun and Ville-Marie boroughs, together with the Service de sécurité incendie de Montréal, the Service de l'Espace pour la vie and the Service de Police de la Ville de Montréal, take the necessary steps to ensure that expenses incurred using acquisition cards are in compliance with the administrative framework in effect.

Business units' responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] We will inform the individuals in charge and the cardholders to ensure that all purchases comply with the current framework.

In addition, supporting documents will be verified on a monthly basis to ensure compliance with the administrative framework. (Planned completion: April 2016)

VERDUN BOROUGH

[TRANSLATION] A reminder was sent out to all managers on April 29, 2015, concerning use of procurement cards. **(Planned completion: March 2016)**

Resend the guideline to all personnel.

Include this item in the internal verification procedure (manager's signature on the statements) as well as in the internal procedure. **(Planned completion: April 2016)**

VILLE-MARIE BOROUGH

[TRANSLATION] A memo was sent out to all acquisition card users on December 14, 2015, reminding them that they are not authorized to use the cards to pay for meal or restaurant expenses (whether on site or delivered) and that they must refer to the administrative framework C-OG-SFIN-D-14-001, which **stipulates that the expense must be paid by the employee concerned and must subsequently be reimbursed in accordance with standard procedures.** **(Planned completion: December 2015)**

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] As an oversight mechanism, the SIM will ensure that acquisition cardholders fill out the travel expense form attached to the reimbursement request. This form must be signed by the employee's immediate supervisor.

This measure will result in acceptable oversight mechanisms prior to the issuance of the new City administrative framework detailing the rules of use for acquisition cards.

A reminder detailing the various administrative frameworks will be sent out by SIM management to all cardholders and to the SIM's management committee. **(Planned completion: February 2016)**

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] We will mention in the memo to be sent out to all cardholders that charging expenses covered by other administrative frameworks (e.g., conferences and travel) is prohibited. **(Planned completion: January 2016)**

SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

[TRANSLATION] A management memo will be sent out indicating the SPVM's position on non-compliant transactions. **(Planned completion: March 2016)**

Escalation will occur in the event of non-compliance. **(Planned completion: as needed and when submitting accountability reports)**

Send the "acquisition card sampling" report to the person in charge of the master account. **(Planned completion: monthly)**

Adapt our procedures once the administrative framework is updated. (Planned completion: when update is issued)

4.2.2. Verification of Invoiced / Posted Expenses

4.2.2.1. Verification of Invoiced Expenses

4.2.2.1.A. Background and Findings

The person in charge of the master account in each business unit must put in place the necessary oversight mechanisms to facilitate the proper use of the acquisition cards under her or his authority.

Among these mechanisms, it is essential that a verification process be implemented within each business unit with a view to detecting any irregularities. More specifically, the invoiced expenses appearing in the monthly statement of account for each of the acquisition cards in circulation must be reconciled with the appropriate supporting documents. At this stage, special attention must be paid to the appropriateness of the supporting documents submitted for the expenses in question. These supporting documents must be original source documents (not photocopies) containing sufficient detail to verify that the expenses incurred are legitimate and to ensure that the City does not reimburse the same expense twice in the event that the original invoice is submitted for a different expense report. Ultimately, a manager holding a higher rank than that of the acquisition cardholder must examine and approve the statements of expenses incurred using this payment method within his or her unit.

Based on the same sample and the same period shown in Table 6 (see previous section), we reviewed the measures used to verify and approve the invoiced expenses implemented by each of the business units we audited.

For all of the business units we audited, we noted that a process aimed at reconciling the invoiced expenses appearing in monthly statements with the supporting documents was indeed in place. This task is entrusted to someone other¹⁴ than the cardholder, which ensures an appropriate division of roles and responsibilities.

As regards the appropriateness of supporting documents, Ville-Marie borough was compliant with this aspect of the process, but a number of irregularities were detected for the other business units we audited. Based on our review, 28 transactions were identified (see Table 8)

¹⁴ Generally, an administrative support clerk.

for which no invoice had been supplied, together with six others for which photocopies (instead of original invoices) had been submitted in support of the expenses.

Table 8 – Appropriateness of Supporting Documents

Business unit	Supporting documents missing	Original invoices missing (photocopies used)
Ahuntsic-Cartierville borough	2	0
Verdun borough	0	5
Ville-Marie borough	0	0
SIM	17	0
Service de l'Espace pour la vie	5	0
SPVM	4	1
Total	28	6

Finally, as part of the expense verification process, it is important for the immediate supervisor (i.e., holding a higher rank than that of the primary cardholder) to review the appropriateness of the expenses in the monthly account statement and to approve them. For the acquisition cards in our sample (see Table 6), we ensured that the monthly statements (or other supporting documents, as applicable) displayed evidence of proper approval. The results of this review are shown in Table 9.

Table 9 – Approval of Acquisition Card Expenses Invoiced in Monthly Statements

Business unit	Number of monthly statements examined	Number of statements with proper approval	Number of self-approved statements	Number of statements with no evidence of approval
Ahuntsic-Cartierville borough	16	5	11	0
Verdun borough	32	14	15	3
Ville-Marie borough	24	24	0	0
SIM	44	4	8	32
Service de l'Espace pour la vie	28	16	12	0
SPVM	44	44	0	0
Total	188	107	46	35

As regards Ville-Marie borough and the SPVM, our review showed evidence of proper approval for the account statements in our sample. However, as regards the other business units we audited, the approval process does not appear to be as formalized. At times, we noted that certain cardholders self-approved the expenses they incurred using an acquisition card. In other cases, we found no evidence of approval.

4.2.2.1.B. Recommendation

We recommend that the Ahuntsic-Cartierville and Verdun boroughs, together with the Service de sécurité incendie de Montréal, the Service de l'Espace pour la vie and the Service de Police de la Ville de Montréal, take steps to obtain original source documents for each transaction carried out using an acquisition card in support of the expenses incurred to verify the appropriateness of the transactions and reduce the risk of reimbursing the same expense twice.

Business units' responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] Each account statement is verified monthly to ensure that each purchase has original supporting documents. (Completed)

VERDUN BOROUGH

[TRANSLATION] Remind all managers and procurement card users of the need to submit original supporting documents.

- *Develop a reconciliation form (statements + original invoices).*
- *Train the managers in question and communicate this process to them.*
- *Implement the process. (Planned completion: March 2016)*

Include this item in the internal procedure. (Planned completion: April 2016)

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The SIM's management will send out a memo to all acquisition cardholders reminding them of the rules in effect and of the requirement to submit original source documents (supporting documents). Any problem cases will be submitted to the immediate supervisor in question.

The accountability report submitted to the SIM's management by the financial advisory and support team will include information pertaining to any missing supporting documents. (Planned completion: February 2016)

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] We will mention in the memo to be sent out to all cardholders that all transactions must be supported by original documents. (Planned completion: January 2016)

SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

[TRANSLATION] Send a memo from SPVM's management concerning original documents. (Planned completion: March 2016)

Continue to verify that original supporting documents are attached to the monthly statements and continue to send an email to cardholders if any documents are missing. **(Planned completion: monthly)**

Issue an accountability report every six months. **(Planned completion: 20 days following receipt of the accounts closing the six-month period – July 2016)**

4.2.2.1.C. Recommendation

We recommend that Ahuntsic-Cartierville and Verdun boroughs, together with the Service de sécurité incendie de Montréal and the Service de l'Espace pour la vie, take the necessary steps to ensure that the monthly statements of transactions carried out using acquisition cards are reviewed and formally approved by the immediate supervisor with a view to verifying the appropriateness of the expenses.

Business units' responses:

AHUNTSIC-CARTIERVILLE BOROUGH

[TRANSLATION] Monthly account statements are approved by the immediate supervisor of the personalized or neutral cardholder. **(Completed)**

VERDUN BOROUGH

[TRANSLATION] Develop a reconciliation form (statements + original invoices).
Develop a process for approving monthly statements by managers.
Train the managers in question and communicate this process to them.
Implement the process. **(Planned completion: March 2016)**

Include this item in the internal procedure. **(Planned completion: April 2016)**

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The SIM will require the immediate supervisor of the acquisition cardholder to sign the reimbursement request for expenses charged using the acquisition card issued by the financial institution.

Subsequently, the financial advisory and support team will check the immediate supervisor's signature and, if the reimbursement request pertaining to the acquisition card is not in compliance, the request will be sent back to the manager in question.

This approval rule will be included in the memo sent by the SIM's management to all cardholders and their immediate supervisors. **(Planned completion: February 2016)**

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] We will mention in the memo to be sent out to all cardholders that statements (together with supporting documents) must be reviewed and formally

approved by the immediate supervisor of the acquisition cardholder. (Planned completion: January 2016)

4.3. Accountability

4.3.A. Background and Findings

It should be noted that all individuals in charge of master accounts¹⁵ within the City's various business units are responsible for ensuring proper oversight of all activities pertaining to the acquisition cards in circulation within their unit. Therefore, they must take the necessary steps to ensure that all acquisition cards in circulation are used in accordance with the rules set out in the administrative framework in effect and are ultimately accountable to the managers of their unit.

To that end, the persons in charge of master accounts are able to consult all transactions carried out by their respective administrative units and to obtain various management reports from the financial institution's "INTELLILINK" Web application, including:

- The list of active cards (e.g., including the cardholder's name, credit limit and most recent transaction date);
- The summary of transactions pertaining to the cards (purchase history).

In light of the information we obtained, we note that with the exception of Ville-Marie borough (which issues a quarterly internal oversight report, including a section detailing acquisition card use and offering recommendations), the business units we audited do not verify whether the acquisition cards in circulation within their business unit are used properly, nor do they submit accountability reports in this regard.

4.3.B. Recommendation

We recommend that Ahuntsic-Cartierville and Verdun boroughs, together with the Service de sécurité incendie de Montréal, the Service de l'Espace pour la vie and the Service de Police de la Ville de Montréal, take steps to implement the required accountability mechanisms with a view to informing their management as to proper use of acquisition cards within their business unit.

¹⁵ A master account encompasses all accounts pertaining to each of the acquisition cards in circulation within a business unit.

Business units' responses:**AHUNTSIC-CARTIERVILLE BOROUGH**

[TRANSLATION] An accountability report will be issued every six months to inform each of the departments on proper use of acquisition cards within their business unit. (Planned completion: July 2016)

VERDUN BOROUGH

[TRANSLATION] Develop an accountability report concerning the proper use of acquisition cards within the borough and define the accountability process (how often, how and to whom).

Submit the report and process for approval by members of the management committee.

Implement the process after it has been approved. (Planned completion: May 2016)

SERVICE DE SÉCURITÉ INCENDIE DE MONTRÉAL (SIM)

[TRANSLATION] The financial advisory and support team will submit an accountability oversight report to the SIM's management committee within the same timeframe as the budget updates. This report will be issued on a quarterly basis by the person in charge. It will include:

- The list of cardholders;*
- The cardholder's job title;*
- The name on the account (card user);*
- The card's credit limit;*
- The cardholder's delegation-of-powers status and compliance as regards the credit limit.*

[TRANSLATION] This report will also include follow-up on recommendations for original supporting documents, as well as compliance with the administrative frameworks. It will also include information on the distribution and use of acquisition cards for the SIM. (Planned completion: March 2016)

SERVICE DE L'ESPACE POUR LA VIE

[TRANSLATION] We propose that verifications (validation of statements and supporting documents) be carried out on a quarterly basis. Every three months, 5 out a total of 20 cards will be verified.

A report detailing any anomalies detected (as applicable) will be sent to the appropriate managers. (Planned completion: March 2016)

SERVICE DE POLICE DE LA VILLE DE MONTRÉAL

[TRANSLATION] Issue internal oversight reports every six months dealing with proper use of acquisition cards, including verification of the following information:

- *Cardholders;*
- *Employee status;*
- *Credit limit;*
- *Compliance with the delegation of powers;*
- *Compliance with the rules of use;*
- *Purchase history. (Planned completion: 20 days following receipt of the accounts closing the six-month period – July 2016)*

Accountability reports will be submitted to the SPVM's management. (Planned completion: one week following receipt of the reports – July 2016)

5. Conclusion

In general, we find that the City has put in place an effective mechanism for managing acquisition card use. In addition, although our work did uncover certain irregularities, our overall finding is that a large proportion of the users of this payment method within the business units follow the rules set out in the administrative framework in effect and that they demonstrate common sense in administering these rules.

Nevertheless, insofar as the City wishes to encourage increased use of this payment method (given its operational flexibility and the potential cost savings), we are of the opinion that certain aspects of the administrative framework must be improved or clarified with a view to, among other things, tightening oversight with respect to the monitoring of acquisition card use and avoiding any ambiguities.

In addition, at the business unit level, we believe that improvements must be made with a view to ensuring tighter monitoring of expenses incurred using acquisition cards and to submitting periodic reports on proper acquisition card use.