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Communication
COUNCIL: <u>Nov 21/17</u>
FAA Rpt. No. <u>10</u> Item <u>3</u>

DATE: November 20, 2017

TO: Honourable Mayor Bevilacqua and Members of Council

FROM: Kevin Shapiro, Director of Internal Audit

RE: **REPORT #10, ITEM 3, OF THE NOVEMBER 6, 2017 FINANCE, ADMINISTRATION AND AUDIT COMMITTEE**

Purpose

To address the questions and concerns from a deputation received with respect to this item.

Background

During the discussion of the Purchasing Card (P-Card) audit, a deputant raised concerns with respect to the adequacy of the City's P-Card policy, procedure and approval framework. The deputant also raised concerns with expenses related to conferences, training and development, amusement park purchases, weekend purchases, the physical location of purchases, fuel expenditures, meals and three Apple iTunes purchases.

Questions and concerns related to conferences, training and development, amusement parks and weekend purchases were addressed by the Deputy City Manager, Community Services and myself during the discussion of this item on November 6th.

The purpose of this communication is to provide additional information for the Finance, Administration and Audit Committee (FA&A) as requested by members of the Committee in response to the rest of the deputant's concerns:

- As part of the City's procurement modernization initiative, a review of the City's purchasing policy framework was conducted. Report 3, Item 1 of the March 6, 2017 FA&A meeting included a report and presentation from the Chief Financial Officer and City Treasurer and Director of Environmental Services outlining recommendations to improve the City's purchasing policy framework. These recommendations were approved by Council on March 21, 2017.
- The merchant city details provided by the City's P-Card provider is the payment processing location of the merchant and therefore, is not necessarily the physical location of where the transaction occurred. As the City procures goods and services from vendors with payment processing locations throughout the world, it is not unusual to find merchant city locations from outside the city, province or country. As part of the audit, several of these transactions were sampled for further review and no exceptions to policy were noted.
- Staff may refuel City vehicles at any of the City's fueling stations. Since it is not always operationally feasible to return to a City facility when a vehicle is running low on fuel, staff may also refuel City vehicles at public gas stations and pay for these purchases using City issued fuel cards. In general, fuel purchases are not supposed to be made using a City issued P-Card. However, if a vehicle is low on fuel and an employee is not near a fueling station that accepts the City's fuel card, it is permissible for the employee to pay for the fuel using the P-Card. A review of the City's fueling program and use of fuel cards was not included in the scope of the P-Card audit.

- The City's purchasing and expense policies and collective agreements outline the specific circumstances for when business meals are allowed. Some examples include business hospitality, working lunches and in-house training and development. As part of the audit, several of these transactions were sampled for further review and no exceptions to policy were noted.
- For the period reviewed, there were three purchases made from the Apple iTunes store for a combined total of \$4.38. It was determined that the transactions occurred over three consecutive months for a temporary increase in iCloud storage for a City issued device. No exceptions to policy were noted.

Respectfully submitted,



Kevin Shapiro CIA CFE CRMA
Director, Internal Audit