

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 10, Report No. 10, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2015.

10 P-CARD PROGRAM CORPORATE WIDE IMPLEMENTATION

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance and City Treasurer, Director of Purchasing Services, Director of City Financial Services / Deputy Treasurer, dated June 15, 2015, be approved; and**
- 2) That the presentation by the Director of Purchasing Services, and C4, presentation material titled: "*P-Card Corporate-Wide Implementation Purchase Services*", be received.**

Recommendation

The Commissioner of Finance and City Treasurer, Director of Purchasing Services, Director of City Financial Services / Deputy Treasurer and in consultation with the Senior Management Team and Director of Internal Audit recommend:

1. That staff be authorized to implement the Purchasing Card (P-Card) program corporate wide;
2. That the revision to the current Purchasing Card Policy be approved;
3. That the City of Vaughan enter into a contract for Corporate Procurement Card Services through the sharing provisions in the York Purchasing Co-operative (YPC) Contract with U.S. Bank National Association, operating through its Canadian Branch for a period of three (3) years with an option to renew for one additional two (2) year term; and
4. That the Mayor and the City Clerk be authorized to sign necessary agreement documents.

Contribution to Sustainability

Corporate wide P-Card program implementation contributes to corporate sustainability from both a financial and service delivery perspective. Improving the way the City administers low value purchases organizationally can heighten community value through increased business productivity, greater transparency, improved controls and potentially lower transaction costs.

Economic Impact

The U.S. Bank Corporate Procurement Card Services, under the terms of the York Purchasing Co-operative Contract and York Region has no cost associated to it. The City shall receive a rebate of approximately 1% with an annual minimum spend of \$2M.

Communications Plan

A communication strategy will be developed using on-line tools and formal mandatory training and education sessions for all participants.

Purpose

The purpose of this report is to provide an update on the P-Card Pilot Program, including an audit review, and seek approval to proceed with full corporate-wide implementation of the P-Card program.

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Background - Analysis and Options

On June 25, 2013, Council approved the Purchasing Card Policy and the award of the Corporate P-Card Services contract to U.S. Bank Corporate Payment Systems.

The P-Card Pilot Program implementation began in September 2013. During the initial phase 13 staff from five departments participated in the program. Eight training sessions were conducted for all Program participants including cardholders, approvers, reconcilers, Financial Services staff and Internal Audit. During the first four months of the P-Card Program, the total card expenditure was \$27,759.63.

The second phase of the P-Card Pilot Program was launched in February 2014. 27 staff from 16 departments participated. 30 additional training sessions were offered to new participants. From February 2014 to March 2015 the total card spend was \$256,703.49.

A total of \$284,463.13 low value purchases were processed through the P-Card Pilot Program. Illustrated below are the procurement spend categories

Total Card Spend Summary from October 2013 to March, 2015	
Memberships, Trainings and Seminars	\$ 96,688.02
Miscellaneous Goods	\$ 59,205.77
Advertising / Publicity	\$ 41,603.92
Subscriptions and Books	\$ 35,084.69
Meals and Meetings	\$ 32,102.09
Hotels and Accommodations	\$ 11,923.89
Travel Expenses	\$ 7,854.74
Total P-Card Spend:	\$ 284,463.12

During the Pilot phase, some challenges were encountered and necessary adjustments were made to improve the integration and input of P-Card monthly statement data in the City's JD Edwards Financial System and payment processing. These were rectified by restructuring account codes and adjusting the activity report reconciliation timeframe.

The Pilot program limited the number of users and eligible spend categories, as a result, the City was unable to take full benefit of the rebate program. During the 18 months trial period a total of 1,062 procurement transactions were made with 372 different vendors.

Some of the benefits of Corporate Wide P-Card Program Rollout are outlined below:

- **P-Card Program Cost Savings:**

As P-Card Program launches corporate-wide (to approximately 200 participants) the City can take advantage of the rebate offering of approximately 1%, on totals purchased exceeding \$2M. With more P-Card participants, the volume of transactions will increase and this target could be exceeded.

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- **Administrative/Transactional Savings**

The traditional procure to pay administrative process for low value purchases is a manual and time consuming process with limited reporting and audit capability. Additionally it exposes the corporation to risk due to inappropriate spend and lack of controls. The P-Card program will significantly enhance the governance of low value purchases and will reduce overall transaction time, at the same time offering improved visibility and controls. These administrative benefits will not only be seen within the Purchasing and Finance Departments but will have a substantial positive impact throughout the corporation.

According to National Association of P-Card Professionals (NAPCP), savings associated with a mature P-Card program can be as high as \$60 per transaction, but will vary by organization and program. As an example, during the City's Pilot the City issued only 18 cheques as payment for more than 1,000 transactions. In contrast, without the P-Card those 1,000 transactions would necessitate hundreds of cheque payments to multiple vendors. Should the City's program increase to 200 cards there is potential for savings of up to \$200,000. This is an optimistic target and at this stage of the roll-out it is difficult to accurately calculate. However, this reference reflects the additional potential program value, which can be utilized towards continuous improvement and capacity enhancements to sustain future growth in the City and conduct its day-to-day procure to pay activities efficiently.

- **Data for Spend Analysis**

Through automation, spend data will be readily accessible through multiple reports enabling Purchasing to analyze spend patterns, volumes and sources with the goal of consolidating purchases, rerouting activity to more appropriate procurement methods, monitor policy compliance, etc.

Program Controls, Monitoring, and Audit

The P-Card program has incorporated measures to monitor compliance. All P-Card program participants underwent comprehensive training under internal audit's guidance and education sessions and were advised of their responsibilities and obligations.

The following controls are outlined and were consistently applied to ensure compliance:

- Review and complete the P-Card application form
- Select single transaction limit and maximum monthly transaction limit (the maximum single transaction is three thousand dollars (\$3,000), including taxes)
- P-Card application approval by immediate supervisor
- P-Card Program Administrator / Director of Purchasing Services Review
- Mandatory training
- Merchant Category Classification (MCC) Code authorization
- P-Card Program has a built-in use restriction and fraud prevention
- Reconciliation of monthly purchase statements
- Monthly activity report review and approval by immediate supervisor
- Review of transactions/statements by Accounts Payable
- Cardholders and supervisor are informed of program non-compliance
- Transactions were randomly selected by the P-Card Program Administrator for review to ensure compliance with procedures and P-Card Policy.

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Internal audit was involved in the P-Card Pilot program and provided recommendations throughout the Pilot period. Internal Audit is satisfied with the P-Card Program and recommends its full implementation corporate wide.

Going forward, Purchasing Services Staff will collaborate with the Senior Management Team to develop a framework to ensure consistent allocation of cards and merchant category application. In addition, the Senior Management Team will be provided a semi-annual update on program performance including P-Card activity, program outcomes and non-compliance.

York Purchasing Cooperative has a new Corporate Procurement Card Services contract with the U.S. Bank National Association, operating through its Canadian Branch.

- Staff recommends the P-Card contract be awarded to U.S. Bank National Association through York Purchasing Cooperative contract, as permitted under the City's Consolidated Purchasing Policy No. 05.2.06.
- The York Purchasing Cooperative Corporate Procurement Card Services contract is extended to local municipalities in York Region with a term of three (3) year period with an option to renew for an additional two (2) years, under the same terms and conditions.

P-Card Policy Revision

The General Terms of the current P-Card Policy will be replaced with the following:

"All P-Card participants including P-Cardholders, reconcilers and approvers will receive mandatory training. Participants will be required to read, sign and submit the Agreement Form to the Program Administrator which sets out in writing the employees responsibilities and restrictions regarding the use of P-Card".

Relationship to Vaughan Vision 2020 / Strategic Plan

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

It is recommended that the staff be authorized to proceed with full corporate-wide implementation of the P-Card Program and that the City enter into a contract with U.S. Bank to provide this service.

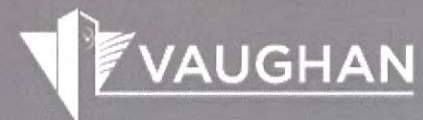
Report prepared by:

Ruby Phan, P-Card Program Administrator
Asad Chughtai, Director of Purchasing Services

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COMMUNICATION	
FAA -	JUNE 15/15
ITEM -	10

P-Card Corporate-Wide Implementation Purchasing Services

**FAA Committee
June 15, 2015**



Agenda

1. Purpose
2. What is P-Card
3. P-Card Background and Pilot Overview
4. P-Card Spend Summary
5. Pilot Project Observations
6. Benefits of Corporate-wide Rollout
7. Success Factors for Rollout
8. Program Controls, Monitoring and Audit
9. Contract Overview
10. Next Steps



Purpose

Recommendations

1. Council authorization to implement P-Card program corporate-wide
2. Council approval of Policy revision
3. Council approval to join York Purchasing Cooperative Contract with US Bank



P-Card

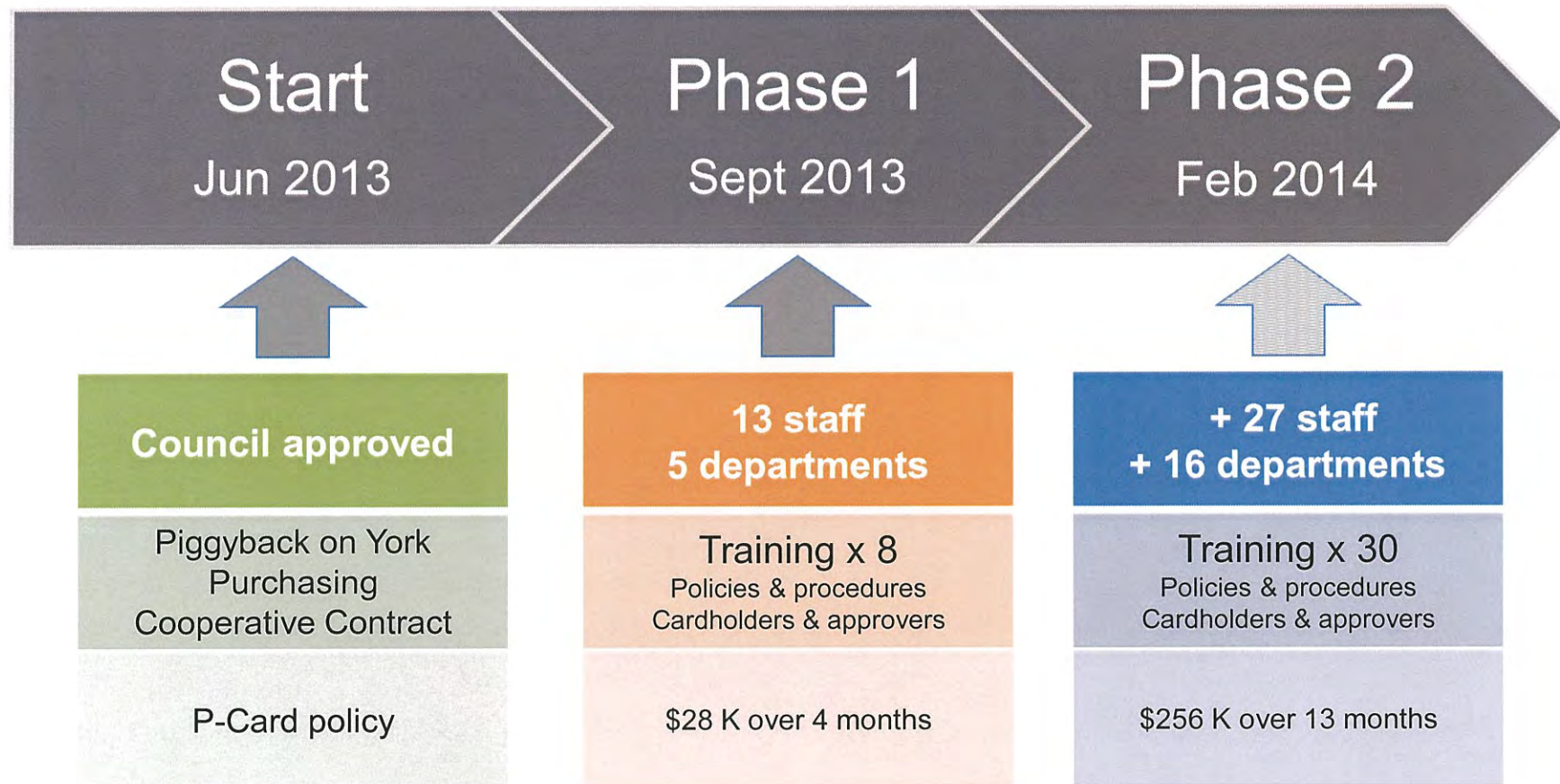
The Purchasing Card (P-Card) is a convenient and efficient method of acquiring low value goods

Transaction limits, merchant category classification (MCC) codes set by the P-Card Program Administrator based on cardholder's role

Participants of the P-Card Program have predefined roles and responsibilities for card use



P-Card Background and Pilot Overview



P-Card Spend Summary

(Oct '13 – Mar '15)

Expense	Amount	%
Membership, Training, Seminars	\$96,688	34
Advertising & Publicity	\$41,603	15
Subscriptions & Books	\$35,084	12
Meals and Meetings	\$32,102	11
Hotels and Accommodations	\$11,923	4
Travel Expenses	\$7,854	3
Other	\$59,205	21
Total P-Card Spend	\$284,463	



P-Card Processes

Observations

Transactions

Reviewed, reconciled and approved by departments on monthly basis

Monitoring

Random compliance reviews by the P-Card Program Administrator
All reports reviewed by Accounts Payable

Continuous Improvement

Remediation efforts taken to address challenges faced in pilot
Procedures revised to improve practical efficiency

Internal Audit

Involved throughout the pilot
Satisfied with process and support full rollout of the program



Benefits of Corporate-Wide Rollout

Benefits

Efficient, convenient and easy to use

Adjustable controls, restrictions and enhanced reporting and analytics

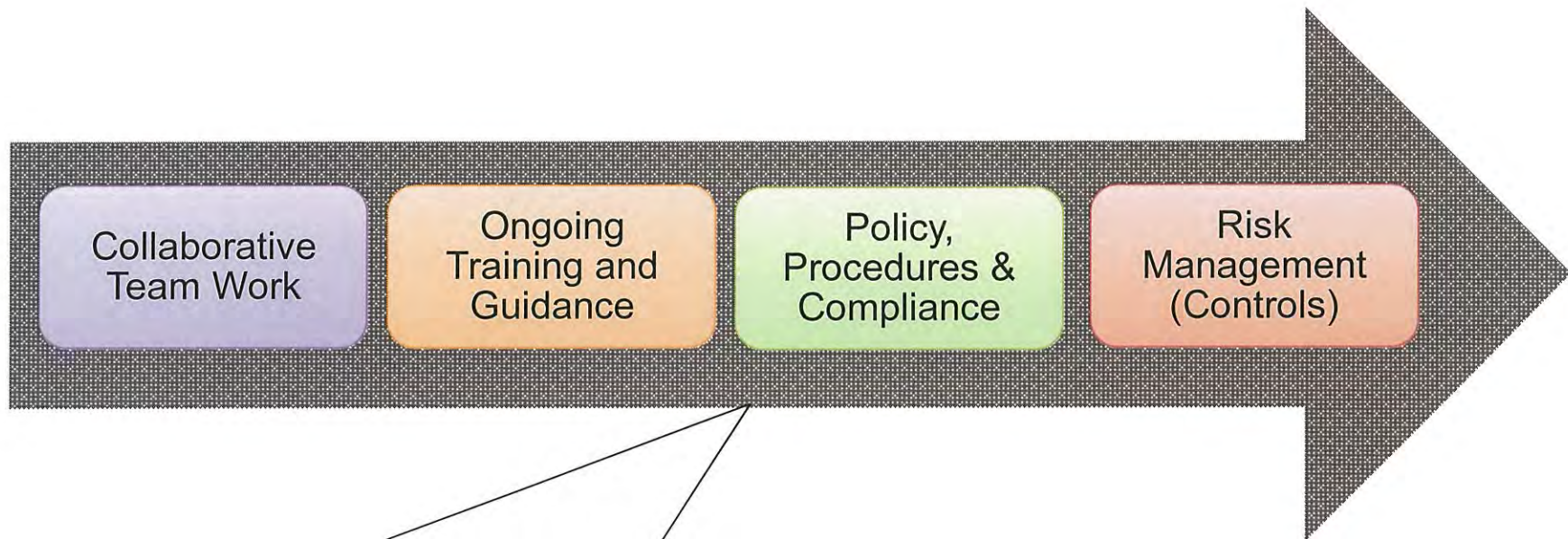
Improved transparency, visibility, monitoring and accountability

Bank rebate

Transactional savings



Success Factors for Rollout



“Well administered program by all stakeholders. Clear processes, appropriate oversight and controls. Compliance with policies and procedures. Ready for rollout.” Internal Audit



Program Controls, Monitoring & Audit



Contract Overview

Contract

- York Region is lead
- Effective April 2015

Term

- 3 years
- Option for additional 2 years

Rebates

- \$200.00 avg. transaction
- Min. \$2M/year
- 14 day payment window



Next Steps

1

Rollout strategy

1. Communication and training
2. Develop eligibility criteria for program enrolment
3. Spending targets

2

Issue new cards starting in Sept

1. Ensure consistent allocation of cards and MCC application

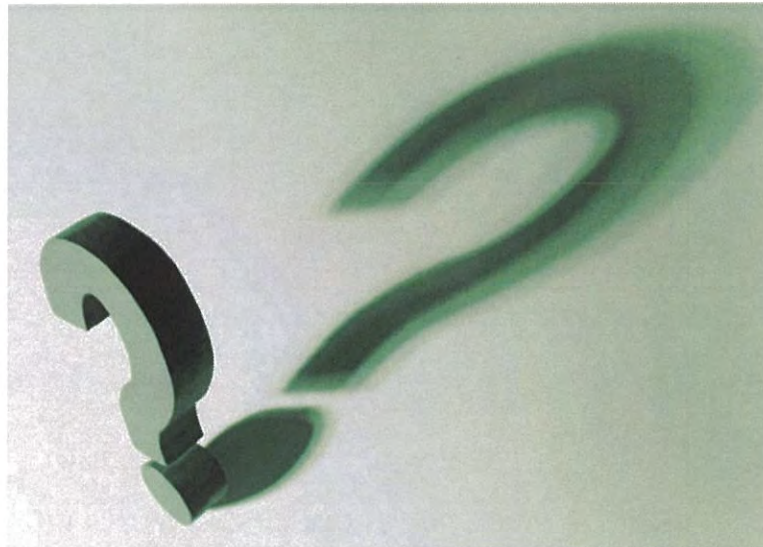
3

Program performance monitoring

1. Monthly monitoring by departments
2. Semi-annual program performance and compliance reporting to SMT
3. Annual activity reporting to Council



Questions



FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – JUNE 15, 2015

P-CARD PROGRAM CORPORATE WIDE IMPLEMENTATION

Recommendation

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Report prepared by:

Ruby Phan, P-Card Program Administrator
Asad Chughtai, Director of Purchasing Services

Respectfully submitted,

John Henry
Commissioner of Finance and City Treasurer

Asad Chughtai
Director of Purchasing Services

Dean Ferraro
Director of City Financial Services/Deputy Treasurer,

Paul Wallis
Director of Internal Audit