Internal Audit Management

PURCHASE CARD ANALYTICAL REVIEW
FY2019-2020

Executive Summary:
Purchase Cards (PCards) are typically used by organizations to increase processing efficiency for low dollar purchases. During FY2019-20, approximately 2,000 Cardholders incurred $3.5M in charges via their Board issued PCards. PCards are inherently risky as purchasing decisions are made by the individual cardholder with analysis being conducted post-purchase. In response, the Board has implemented a number of controls to reduce the risk associated with PCard usage. To determine the nature of purchases and effectiveness of controls, Internal Audit Management (IAM) downloaded all PCard transactions for every Cardholder at the Board from September 2019 to August 2020.

Key Observations:
- Some Cardholders are using PCards to acquire goods / services from contracted vendors as opposed to using the purchase order process, potentially paying full retail as opposed to negotiated rates.
- Instances where Cardholders are not following the purchasing hierarchy (Distribution Centre, Contracted Vendors, Local Purchase Orders etc.) and other guidelines included in the PCard holder agreement (split and prohibited purchases).

Key Recommendations:
- Utilize PCard provider reports to:
  - Identify PCard holders demonstrating potential non-compliance to provide directed awareness campaigns and remind them of the PCard and Board purchasing procedures.
  - Identify vendor usage (including contracted vendors) and aggregate spend to inform vendor engagement by Purchasing Services.

- Enhance PCard guidance and training for those with supervisory duties, including what to look for when reviewing and approving PCard statements as well as corrective measures.

- For anomalies detected going forward, submit all queries to the Cardholders' Supervisor requesting the rationale for approving the charges and the corrective measures undertaken to address the non-compliance to promote accountability.

IAM is encouraged that PCard use is approximately half of what it was five years ago, however, in addition to enhancements already implemented, some opportunities to better the program remain. From an aggregate perspective, the majority of Cardholders fall within excepted use, however efforts should be made to identify and address specific charges incurred by cardholders and approved by their supervisors.

I. BACKGROUND

Like many other organizations and school boards, TDSB uses Purchase Cards (PCards) to facilitate low dollar purchases made by Schools and central departments. PCards are not meant to circumvent existing procurement policies or system contracts. To measure control effectiveness at the school level, a review of PCard activity and approvals is conducted as part of the school internal audit program with findings and recommendations (if any) being communicated to School Leadership. To compliment the PCard review at the school level and to address the risk of inappropriate usage during school closures due to COVID-19 among all cardholders, Internal Audit Management (IAM) performed an analytical review of all PCard usage during FY2019-20. The total number of Cardholders was 2,052 with a total spend of $3.5M via PCard during the period under review. In comparison, when IAM conducted a PCard review in FY2015, there were approximately 4,000 PCards with an annual spend of $7M.

The issuance of PCards is inherently risky, as the purchasing decision is left to the individual Cardholder and any remedial actions are post purchase. To reduce the risks associated with PCard usage, a number of controls have been implemented at the Board. Controls include the formalization of PCard responsibilities, procedures and guidelines as well as the use of approved application forms; implementation of Merchant Category Code (MCC) exclusions (i.e. transaction will not be approved at certain vendors such as travel related vendors, alcohol vendors etc.); pre-set PCard limits for individual transactions and total monthly usage (please see *Appendix A – Programmed Limits*) as well as aggregate unpaid PCard charges cannot exceed $1.9M (if so, all PCards will be blocked). Additional risk reduction measures include renewal of all PCards every three years and PCards with no activity for 9 months being automatically blocked. The PCard provider also provides various monitoring reports such as aggregate user spend, declined transactions, cash withdrawals and cards with no activity.

With respect to process, individuals requiring a PCard must complete, sign and submit an application, approved by their immediate supervisor, to the Boards PCard Administrator. The applicant and supervisor must acknowledge their responsibilities and limitations of PCard use as part of the application process. Cardholders are required to access the PCard providers' portal to download and review their PCard statements monthly. They must also provide a copy with original receipts to their supervisor for review and approval. In addition, Cardholders are responsible for reporting any suspicious activities directly to the PCard provider.

II. SCOPE, OBJECTIVES & POPULATION UNDER REVIEW

The scope of this engagement covered the fiscal year ended August 31, 2020 and included PCard transactions charged to schools, facilities, and central departments. Transactional data and exception reports were obtained directly from the PCard provider and analyzed.

With access to source data being logistically challenging while the current emergency measures are in place, IAM emailed a sample of cardholders requesting explanations of charges and performed various analytical review procedures on all transactions based on various attributes to assess if controls were working effectively and risks were being minimized. Examples of characteristics reviewed include usage inconsistent with guidelines, transactions inconsistent with Board use, and usage at specific vendors among others.

The population was analyzed both in totality as well as in a pre and post COVID-19 school closure manner. The latter analysis was designed to ascertain whether there were any observable or concerning changes in usage as a consequence of COVID-19.

A total population of 27,583 transactions, totaling $3,544,743 incurred by 2,052 Purchase Card accounts was downloaded and analytically reviewed. Results were grouped as being within Schools, Facility Services, Administrative Sites or uncategorized.

Group	Transaction Value	% of Total Value	# of Transactions	% of Transactions	Pre Closure	Post Closure
Schools	1,741,864	49.1%	14,203	51.5%	1,451,861	290,003
Facility Services	1,532,448	43.2%	11,984	43.4%	1,120,272	412,176
Administrative	258,359	7.3%	1,300	4.7%	211,996	46,363
Uncategorized	12,072	0.3%	96	0.4%	11,801	271
Total	**3,544,743**		**27,583**		**2,795,930**	**748,813**

As expected, there was a sharp decline in PCard usage post-closure with only 21% of total costs being incurred during the emergency measures; total spend and percent of total transactions were consistent across the four user groups both pre & post school closures.

III. FINDINGS, RECOMMEDATIONS & RESPONSES

1. Aggregate PCard Usage Data

Context:
Aggregate PCard usage data can provide insights into PCard user trends allowing the Board to better manage the program. On-demand reports such as Top Users, Top Vendor Spend, and Top Business Categories can provide visibility into Cardholder behaviours and identify opportunities to create awareness as to the prescribed usage of PCards.

Observation:
IAM reviewed the Top Vendor Spend (Appendix B) and Top Business Category Spend (Appendix C) Reports obtained from the PCard Provider and noted the following observations:

Vendor Spend:
The Top Vendor Spend listing is sorted by individual vendor locations (i.e. Vendor Name / store #) not by parent company name, and therefore was not consolidated as such. Nonetheless, the listing highlights the number of transactions and unique number of cardholders using a specific vendor location, providing an opportunity for a more customized and directed awareness campaign. For example, the individual supplier location with the highest spend in the period was Elite Plumbing & Heating with 30 Cardholders incurring $98.5k in charges and third on the list was H2o Bath & Plumbing with 4 Cardholders incurring $58.2k. Elite Plumbing & Heating is a contracted vendor and transactions should be initiated via purchase order. H2o Bath & Plumbing is not a

contracted vendor; however, the Board does have contracted vendors offering the same or similar items (Elite, Noble & Next) which should be brought to the attention of the 4 Cardholders and their Supervisors.

Based on review of purchases by Cardholder, by Vendor, IAM identified what appears to be a preference of some Cardholders to utilize specific vendors as indicated in Appendix B, Top Vendor Spend. All Cardholder spend by vendor is summarized in Appendix E – Concentration of Usage. Of the top 20 individual Cardholder spend at specific vendors, the largest spend was with Loblaws for $56k, relating to gift cards purchased in June, July & August 2020, supporting the nutrition program as access school access to school nutrition funds was limited during school closures (approved by Finance). Administrative staff PCard use accounted for six of the top 20 transactions and related to printing, standards & compliance, marketing and tournament accommodations. Three items related to schools, including e-subscriptions, delivered groceries as well as the gift cards mentioned above. The remainder of the top 20 transactions were related to Facility Services and included plumbing, hardware, parts and paint stores. Based on a review of the transaction detail, it appears that certain Cardholders exhibit a strong preference for specific vendors.   Although decisions to use certain vendors may be driven by geographic location / proximity to worksite, the data provides an opportunity to reach out to specific Cardholders and their Supervisors to understand decision drivers as well as to reiterate Board procedures and guidelines.

	Title	Supplier Short Name	Transactions	Amount CAD
1.	P at Secondary School	Loblaws	6 Transactions	56,134.00
2.	Plumber	H2o Bath and Plumbing	85 Transactions	31,209.50
3.	Purchasing Services	Print Three	5 Transactions	22,604. 52
4.	Stds & Compliance	Cot Fire Command	33 Transactions	22,169.08
5.	Carpenter	Wardell Lumber	64 Transactions	19,339.26
6.	Plumber	Noble	58 Transactions	14,718.90
7.	Iron Worker	W.D Wood Sales Company	52 Transactions	14,565.03
8.	Digital Comm & Marketing	Facebook	17 Transactions	14,512.84
9.	Plumber	Elite Plumbing & Heating	50 Transactions	13,982.35
10.	VP Secondary School	Hubnest	13 Transactions	13,955.50
11.	Plumber	H2o Bath and Plumbing	40 Transactions	13,920.09
12.	Plumber	H2o Bath and Plumbing	31 Transactions	12,259.19
13.	Plumber	Noble	100 Transactions	12,034.31
14.	Painter	Sherwin Williams	101 Transactions	11,970.49
15.	Small Motor/Engine Mechanic	Green Tractors	38 Transactions	10,892.04
16.	Pneumatic Control Technician	Pro Kontrol	41 Transactions	10,576.95
17.	Office Administrator	Grocery Gateway	22 Transactions	10,456.67
18.	Board Sports Organizer	Algomas Water Tower I	3 Transactions	10,380.50
19.	Board Sports Organizer	Holiday Inn	5 Transactions	10,357.66
20.	Occ. Health & Safety	Mecp-Hwin Web	294 Transactions	10,148.84

To determine the largest vendor spend, as opposed to spend at individual vendor locations, IAM combined individual store data and determined that largest spend was with Home Depot (2.7k transactions totalling $261k). The Board has a contract with

Rona Inc. which had a total PCard spend of $88k. See Appendix B.2 for a graphical representation.

Of the top 10 vendors in terms of spend; five vendors have existing contracts with the Board.

Vendor Name	# of Transactions	Amount
The Home Depot	2711	261,166
Indigo/Chapters (contract in place)	1155	114,762
Noble (contract in place)	733	104,189
Elite Plumbing (contract in place)	570	102,756
Canadian Tire	1055	101,265
RONA (contract in place)	964	88,161
Pizza Pizza (contract in place)	695	76,012
Pizza Nova	605	67,106
Loblaws	32	61,634
Walmart	826	61,546

Through discussions, IAM was informed that PCards are often used at supply, hardware and parts vendors in response to emergency break / fix situations where corrective actions need to be expeditiously implemented. It was also indicated by some Cardholders that cycle times required to issue purchase orders are not prompt enough to meet the requirements of emergency situations. To address this issue in less urgent situations, the Board has upgraded the purchase order approval functionality in SAP, allowing purchase orders to be approved from the supervisors Board issued smartphone / device, reducing the purchase order issuance cycle time while taking advantage of negotiated rates.

Category Spend:
The Top Business Category Spend report highlights business categories, however IAM noted that several categories are similar and has re-grouped the information in Appendix C, to provide an additional perspective:

Home, Industrial Supply & Hardware	$ Value	% of total spend
Home Supply Warehouse (5200)	389,830	11%
Hardware Stores (5251)	329,827	9%
Plumbing And Heating Equipment (5074)	182,871	5%
Industrial Supplies Not Elsewhere Classified (5085)	162,434	5%
Glass, Paint, Wallpaper Stores (5231)	89,938	3%
Construction Material (5039)	71,809	2%
Floor Covering Stores (5713)	65,924	2%
Electrical Parts and Equipment (5065)	57,530	2%
Electrical Contractors (1731)	54,643	2%
Contractors, Special Trade (1799)	39,665	1%
Building Materials, Lumber Stores (5211)	30,305	1%
Automotive Parts (5533)	24,358	1%
Misc. Auto, Aircraft & Farm Equip (5599)	15,392	0%

Metal Service Centers & Offices (5051)	11,636	0%
HVAC, Plumbing Contractors (1711)	10,216	0%
Equipment, Furniture, Tool Rental (7394)	5,625	0%
Horticultural & Landscaping Services (780)	2,726	0%
Roofing, Siding, Sheet Metal Work Contactors (1761)	2,632	0%
	1,547,361	**44%**
Food		
Grocery Stores, Supermarkets (5411)	271,638	8%
Fast-Food Restaurants (5814)	227,687	6%
Eating Places, Restaurants (5812)	83,599	2%
	582,924	**16%**
Book Stores	**174,569**	**5%**
Schools And Educational Services	**85,682**	**2%**

Over 40% of all PCard spend is with Supply & Hardware vendors, predominately incurred by PCard holders within Facility Services. A better understanding of key drivers of this behaviour would benefit PCard administrators managing the program. With respect to food-based vendors, there is a risk that meal limits may be exceeded in the "Eating Places, Restaurants" category when compared to TDSB procedures and the prescribed meal limits in place.

Risk:
Based on the analysis of aggregate data, risks identified include:
- Risk of missed savings resulting from purchases being made outside of existing Board contracts which cannot be recovered from the vendor.
- Risk that some Cardholders and/or their Supervisors are dismissive of PCard guidelines or established procurement contracts, resulting in prohibited use.
- Risk that perceptions of purchasing inefficiencies result in unnecessary PCard use.

Recommendation:
1. Utilize the PCard Provider reports to initiate customized awareness campaigns for specific Cardholders and Supervisors as well as to understand the key drivers of their PCard use.

2. Review uncontracted high use vendors (i.e. Home Depot) and make Cardholders aware of Board negotiated contracts and consider blocking specific vendors.

3. Use the data to remind contracted vendors that only purchase orders are to be honoured for Board purchases (where applicable) as well as leveraging it to assist in determining overall vendor spend when establishing new Vendors of Record and price negotiations.

Management Response:

Many of the Central department purchases identified were pre-approved, as there were special circumstances relating to timing or method of payment.

1. *When an employee requests a purchase card, they are provided with the PR582a Employee Expense Procedure, which outlines the purchase card policies and procedures. Finance Support Officers review purchase card transactions as part of their support to schools. For Central Departments, the department's budget holder and administrator should be reviewing purchase cards as part of the oversight of their budget. The Internal Audit department conducts routine purchase card audits, also act as a preventative and detection control for purchase card misuse. Management has contacted the supervisors of the identified staff to make them aware of the concern and to further understand their PCard usage. Specific to Facility Services, a review of PCard usage (category spend / specific vendors) has been initiated and will include a review of staff shift times, materials, the type of work they are completing (emergency or routine work) in order to better understand if there are any perceived or actual barriers to issuing PO's. The expected outcoming being a further reduction in PCard use as PO's are issued for supplies under contract.*

   Training will take place for supervisors and staff.

2. *The purchase card program provides an efficient method of processing and controlling the large volume of low value purchases which school boards make. The Board benefits from cost savings, improved financial control, and ease of use for staff. The purchase card is the mechanism for acquiring low dollar purchases. If an employee has been making recurring purchases from specific uncontracted vendor(s), these transactions would be flagged and they would be informed to utilize the proper procurement process, unless there were some special circumstances pre-approved by their supervisor, Purchasing or Finance department. Training will take place for supervisors and staff.*

3. *Contracted Vendors are reminded that goods and services are to be provided upon receipt of a written purchase order, however, it may be difficult for contracted vendors to identify if a PCard user is a Board employee; the onus is on the employee to follow the board purchasing procedures. Purchasing Services will obtain access to PCard Provider reports to leverage this information when engaging vendors in discussions and / or price negotiations. Facility Services will also identify frequently purchased items and standardize products where possible and work with Purchasing Services to add the items to existing contracts, if not already included.*

   In 2020, TDSB has engaged the services of an external consultant to review vendor payments and purchase card processes, to determine if the pricing charged through the PCard from vendors of record (e.g. Elite Plumbing) is the same as our contracted price. Through this review, the department will be better positioned to make decisions on future PCard usage.

2. Cardholder Compliance with PCard Responsibilities

Context:
During the PCard application process, Cardholders acknowledge certain responsibilities including to:
- not bypass existing tendered contracts.
- not bypass the Distribution Centre (DC) when the goods are available.
- not bypass Board Purchasing Policies and Procedures.
- not split purchases into two (2) or more transactions to bypass the transaction limit.
- not purchase furniture and equipment, including microcomputers and peripherals.

In addition to Cardholder responsibilities, the Cardholders' Supervisor is to review and approve purchases made. If an unallowable purchase is made, the Cardholder Supervisor is to initiate corrective measures.

Observation:
Existing Contracts:
Where Board contracts exist, Cardholders are to initiate the purchase in SAP to take advantage of negotiated rates. IAM worked with Purchasing Services and identified 60 vendors who were used by Cardholders when a purchase order should have been initiated via SAP. The total PCard spend with these vendors was more than $500k, and if for example, a price discount of 10% was negotiated in the contract, it could have resulted in $50k of potential savings to the Board. There may be even greater savings given the amount spent at non-approved vendors where the same / similar items are available with contracted vendors.

Split Purchases:
PCard guidance prohibits circumventing transaction limits by splitting transactions into smaller components. A given purchase can be split in various ways, from splitting by a certain fraction (i.e. half, third), to initiating two transactions, one at the transaction limit and another for the remaining balance. IAM analyzed cardholder data to determine if multiple transactions occurred at the same vendor on the same day for greater than $250 as most PCards have a $500 transaction limit. IAM noted over 275 transactions valued over $130k with this attribute. The review highlighted:

- 134 transactions of exactly $500 in the Facilities Department.
- 38 transactions of exactly $1000 in Schools.
- 33 transactions of exactly $500 in Schools.

Administrative departments had limited transactions of this kind that met the attribute criteria.

Based on transactional detail, IAM contacted 135 Cardholders with identical charges on the same day to inquire as to the nature of the purchase and to ensure that a duplicate charge was not incurred. Of the 135 Cardholders, IAM received responses from 129 Cardholders.
- 13 respondents indicated that they believed they were charged twice in error and worked with Accounts Payable and the PCard Provider to initiate corrective measures, including in one case, cancelling the PCard.

- 83 respondents provided explanations that supported legitimate use including obtaining separate receipts for different work orders to ensure accurate cost allocation and utilizing vendor pay systems that charge items such as certificates and applications separately.
- 33 respondents indicated that purchases were split to avoid the transaction limits with explanations ranging from emergency fixes to indications of convenience when compared to the purchase order process. Although these transactions were split, it should be noted that the monthly transaction limit remained inforce. It should also be noted that there is a process to increase a Cardholders transaction and/or monthly limit, which is disclosed as part of the PCard documentation available online to all employees.

Distribution Centre:

Although stationery, office and other supplies are available through the internal Distribution Centre (DC) and tendered contracts, IAM noted:

- 30 transactions at Grand & Toy, totaling $3k by 13 Cardholders.
- 78 transactions with Staples Office Supply, totaling $4.5k by 37 Cardholders.
  - The Board has made attempts to block this vendor; however, some transactions were incurred, likely due to the use of unique vendor name for each store (e.g. Staples Store #256).
- 27 transactions at other Office suppliers totaling $4.8k by 11 Cardholders.

The table below summarizes PCard usage with other vendors who may carry goods similar to the DC.

Vendor	Total ($)	Transactions	Avg Transaction Value ($)
Canadian Tire	101,265	1055	96
Wal-Mart	61,546	826	75
Shoppers Drug Mart	34,888	447	78
Dollarama	25,923	609	42

Although a direct comparison, without access to detailed receipts, cannot be made, it is likely that some items purchased are also offered by the DC.

F&E, Computers and Peripherals

PCard Guidance indicates that furniture & equipment, including computer peripherals, are not to be purchased using a PCard. IAM reviewed the data for vendors that could supply these items and observed that the financial exposure was limited, however with respect to product quality, compatibility and safety, these risks may still exist.
IAM noted that approximately $15k was spent with Carr McLean Ltd (a supplier of office furniture) and IKEA. IAM also identified over 100 purchases from vendors of computers and peripherals (Best Buy, Canada Computers, The Source, Apple, Tiger Direct etc.) totaling $15k. Although the review did not include examination of original receipts, it is likely that some items purchased would be available through the ITS catalogue or contracted vendors.

Risk:

Based on the analysis, Compliance with PCard Responsibility risks include:
- Risk of missed savings resulting from purchases being made outside of existing Board contracts.

- Risk that Supervisors do not enforce guidelines when reviewing statements or are not reviewing at all.
- There is a risk that fraudulent, erroneous or duplicate charges are not recoverable as they are not identified in a timely manner by the Cardholder and immediate Supervisor.
- Risk that transaction limits are not sufficient for Cardholder needs.
- Risk that current corrective measures do not deter Cardholders from prohibited use.

Recommendation:
1. The Board should determine a tolerable risk level for not utilizing existing contracts and implement mitigation strategies as appropriate. Strategies may range from:
   a. increased awareness training and periodic reviews for non-compliance with follow-up as appropriate; to
   b. increasing transaction limits (with appropriate approvals); to
   c. cancelling PCards for violations; to
   d. blocking vendors for which there is an existing contract (and direct competitors of those vendors).

2. Investigate possibility to create a monthly statement 'push report' to the Cardholder and their Supervisor by the PCard Provider when charges are incurred to encourage timely identification of disputed items, review and approval.

3. Enhance training offered to Cardholder Supervisors, including purchasing hierarchy, acceptable PCard use and escalating corrective measures. Cardholder Supervisors should also be made aware that any PCard queries relating to their staff will be directed to them, requesting them to provide their rationale for approving the charges or corrective measures implemented.

Management Response:

1. TDSB will commit to providing additional training on purchase card administration and usage for both supervisors approving purchases and purchase cardholders. There will also be a review of transaction limits for users with the responsibility to purchase high dollar items, such as Facility Services, Health & Phys, and school administrators. Facility Services will develop an escalation process, including progressive discipline to address procedural noncompliance. TDSB has been blocking uncontracted vendors and cancelling PCards for noncompliance.

2. TDSB has been working with the IT department on the development of SAP reports that could be auto-generated and sent to purchase cardholders and their supervisors.

All cardholders' supervisors have the responsibility to approve the PCards. TDSB will incorporate additional training for the PCard approvers and ensure they read the policies and procedures prior to the issuance of PCards to their staff. Both PCard holder and Supervisor responsibilities are outlined in the PCard Responsibilities document in the PCard section of the Business Services internal

site.

Specific to Facility Services, Management will reiterate the expectations with respect to appropriate and approved methods of purchasing supplies and will review existing policies and procedures regarding PCard use, and where required, will develop supplementary documentation and guidelines for specific job classifications so that the expected work practices are formalized and consistent.

3. Other Observations

Context:
During the course of the analytical review, additional observations made are summarized below and include online purchasing and active card maintenance.

Observation:
Online Purchases
IAM reviewed purchases made with online vendors and noted that a significant portion was initiated by Purchasing Services as required by purchasing policies and procedures. Outside of Purchasing Services, IAM did note some payments to vendors such as PayPal, Adobe, Amazon and Audible as examples.

Service Provider	$
Adobe	1,396
Amazon Prime Membership	418
Amazon.ca	5,058
Audible	851
Mailchimp	2,204
PayPal	17,278
Total	**27,205**

Cardholder Maintenance
Upon reviewing the unused PCard report for FY2019-20, IAM noted 394 PCard accounts were unused, with some Cardholders no longer being employed with the Board. Although the unused cards are to be inactivated after nine months of non-use, they still have an "open" status (see Appendix D). IAM also noted that active cards are assigned to employees who are, as of the date of the report, on leave, retired or otherwise no longer with the Board.

Cardholder Usage
IAM also reviewed the number of transactions initiated by cardholders and noted that 1,306 cardholders used their PCards 10 times or less throughout the year. Given the various other mechanisms available to source goods / services at the Board, consideration should be given to understanding why these cardholders require a PCard.

Times PCard used in the year	# of Cardholders
1	252
2	234
3	204
4	152
5	111
6	107
7	75
8	67
9	54
10	50
10 Times or less	1,306

Risk:

Based on the above observations, risks identified include:

- Risk of poor-quality or substandard products and services being purchased by schools from unknown online vendors contrary to purchasing policies and procedures.
- Risk that Board PCards are being used for personal expenditures (i.e. Amazon, Audible & PayPal)
- Risk that active cards may still be with those who are no longer working at the Board.
- Risk that PCards are being issued to staff who do not require it to fulfill their roles.

Recommendation:

1. To minimize online purchases, the Board should incorporate this aspect into PCard training and into the PCard responsibilities document. The Board should investigate if it can also block all ".ca" or ".com" vendors with the exception of Purchasing Services and other specific groups as required.
2. PCard return and cancellation should be integrated into the leave of absence and end-of-employment process.
3. Annual purging / cancellation of PCards that are used infrequently or not at all.

Management Response:

1. PR582a Employee Expense Procedure provides the policies around online purchases. TDSB will work with our purchase card provider to determine if online sites can be blocked. At this time the blocking of vendors can only be done on the MCC code level.

2. At this time, the Board does not have a financial employee departure checklist. The onus is on the supervisor or budget holder, or the cardholder to inform the Finance department when the cardholder is leaving the Board. For schools, there is a Principal retiring and transfer document which does outline the cancellation of the purchase card when they leave the Board. Finance Support Officers also follow up on Principal change notifications from Employee Services. TDSB will work on a protocol with Employee services to ensure they follow up with employees on any PCards in their possession before their departure.

> 3. *In 2016, TDSB & BMO did conduct a thorough analysis of purchase card usage and reduced the number of cards in the system. TDSB will conduct this review every 3 years to cancel cards that are no longer needed. Our PCard provider will close a PCard if there has been no activity for 9 months. Also, the main purpose of the PCard is to allow staff the opportunity to acquire goods when needed for emergency purchases. Therefore, management expects that most of the PCard are being held by staff for emergency use only and will not be used frequently.*

IV. CONCLUSION

It is encouraging that PCard use is approximately half of what it was five years ago, however, there remain some opportunities to better the program in addition to the enhancements already implemented. Use of specific vendors should be addressed with Cardholders to understand what drives the behaviours as not utilizing contracted prices may result in lost savings and additional costs. Blocking specific vendors also remains an option. Awareness training for both the Cardholder and Supervisors is strongly encouraged. From an aggregate perspective, most Cardholders fall within excepted use, however efforts should be made to identify and address specific cardholder behaviours and implement corrective measures as appropriate.

IAM would like to thank Finance, Purchasing and Facility Services for their assistance in reviewing the findings as well as their input into the report.

APPENDICES
- Appendix A – Programmed Limit
- Appendix B – Top 50 Vendors Report
- Appendix B.1 – Concentration of Usage
- Appendix B.2 – Total Spend by Vendor
- Appendix C – BMO Vendor Categories
- Appendix D – 2019-2020 Unused PCards