

Review Summary

Internal Audit completed a review on the P-Card Program at Calgary Board of Education (CBE) from March 26, 2012 to May 9, 2012. This audit was undertaken at the request of the CBE Administration.

This review was conducted in accordance with the “Standards for the Practice of Internal Auditing” published by the Institute of Internal Auditors (IIA). Internal Audit also used the Committee of Sponsoring Organizations (COSO) Internal Controls – Integrated Framework methodology. The COSO framework defines internal control as a “process, effected by an entity’s Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives” in the following categories:

- (a) Reliability of financial reporting
- (b) Effectiveness and efficiency of operations and
- (c) Compliance with applicable laws and regulations.

The P-Card provides CBE employees with an efficient and convenient method of purchasing goods and/or services that reduces the need to use other methods of procurement for small dollar requirements. Employees are encouraged to use the CBE P-Card for employee travel, business expenses and other small dollar value purchases. Using a P-Card, instead of other forms of payment, saves time for the end user, Purchasing and Accounts Payable, the Vendor, and greatly reduces processing costs at the CBE. CBE has a Guideline in place, to regulate, direct and control action and conduct for employees making use of the P-Card.

The CBE provides users with the P-Card User Guideline (the “Guidelines”) document. The Guidelines cover procedures for submitting P-Card Logs and a section on Policy relating to acceptable usage. This document is provided to Users when the application for the P-Card is completed. P-Card users are asked to review, complete and sign the Responsibility form acknowledging their understanding of the document and the content therein.

The purpose of the review was to determine whether internal controls in place are adequate surrounding the P-Card program, to identify possible opportunities for improvement, and to execute manual substantive tests focused on the top 10 identified high-risk controls.

The main procedures conducted during the P-Card Process Review included:

- Performing detailed walk-throughs and developing process flowcharts
- Identifying internal controls and compiling a risk and control matrix with gap analysis
- Evaluating test results and recommending improvements.

Overall, five general areas of review were established through discussion with the Manager, Service Delivery to guide Internal Audit’s testing under the following processes:

- Corporate Governance
- Card Management
- Merchant and Transaction Management
- Disputes and Resolution
- Review and Analysis.

The scope of the CBE P-Card review included the following procedures:

Assessing the effectiveness of the implementation of the P-Card Guideline including:

- Determining and selecting key risk areas within the Guidelines, including the identification and prioritization of the top ten high-risk controls,
- Discussing processes followed with staff / control owners and identifying the key controls relied on to mitigate the risks selected,

- Assessing and concluding on the design effectiveness of the controls,
- Developing procedures to test operating effectiveness of controls (substantively testing a judgmental sample of Logs in the period),
- Testing operating effectiveness for 10 identified key controls. ,
- Concluding on operating effectiveness for the 10 identified key controls,
- Providing an internal control evaluation.

In completing the engagement the following were excluded from the scope of the review:

- Open/ Blanket PO against P-Card purchase
- Facilities Management Purchase Card process.

The audit included an evaluation of transactions from January 1st, 2011 to December 31st, 2011. We developed an understanding of the P-Card processes and identified the significant risks and key controls to be reviewed through our inquiries with key personnel and a detailed documentation review. Internal audit then assessed the design effectiveness of all key controls identified. Based on the significant risks and key controls identified by Internal Audit, the top 10 key controls were tested to see if they were operating effectively. During our fieldwork, we performed detailed testing procedures to assess whether the identified controls were effectively operating as intended.

Based on the results of our testing, we have categorized, for the purpose described above, the overall internal controls associated with the P-Card Program as:

Adequate Requires Improvement Inadequate Significant Weakness

The internal control elements are not adequate, but not to the extent that they constitute a significant weakness. Significant exceptions exist in the design of the P-Card Program and with regards to compliance with established Guidelines. Deviations from prudent and ethical business practices may not be detected until after exposure to adverse consequences has been realized.



Shawn D. Hendry, CIA, CISA, CGEIT, CRMA
Partner
Sunera Canada ULC

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSE

Recommendations to provide guidance to P-Cardholders on non-compliance, the consequences of non-compliance and the responsibilities and accountabilities of the P-Cardholder and P-Cardholder's supervisor are accepted. These have been included in the new P-Card Guidelines issued August 2014.

Recommendations to provide P-Cardholders with education on the P-Card Program in general and specifically the dispute and Missing Receipt processes have been incorporated into new

training sessions for P-Cardholders and information sessions (e.g. Area Lunch and Learns and Service Unit presentations).

A recommendation to investigate automated workflow in the BMO system continues to be pursued as the service provider updates the system. To date automated workflow is not available.

A recommendation to review segregation of duties was considered. In the current environment of limited funding for core system services, augmenting staff is not practical.

The following recommendations have been accepted and implemented:

- Monthly reconciliation of transactions uploaded to Oracle e-Business Suite, the BMO invoice and bank charges.
- Automating the monthly upload process.
- Securing the delivery of P-Cards and separating the delivery of these with PINs.
- Semi-annual reconciliation of P-Cardholders with list of P-Cards issued.
- Creation of a record of authorized signatures.