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 COMMUNICATION
 FAA- February 4/2019 (pm)
 ITEM - 1

DATE: JANUARY 31, 2019
TO: MAYOR AND MEMBERS OF COUNCIL
FROM: MICHAEL CORONEOS, CHIEF FINANCIAL OFFICER AND CITY TREASURER
RE: FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – FEBRUARY 4, 2019
 DRAFT 2019 BUDGET AND 2020-2022 FINANCIAL PLAN

Purpose

This communication is in response to the questions received from a deputation during the January 21, 2019 Finance, Administration and Audit Committee meeting regarding York Region's debt and the City's Purchasing Card (P-Card) Program.

Background

At the January 21, 2019 meeting of the Finance, Administration and Audit Committee, a deputant inquired as to York Region's debt level and requested consultation meeting(s) with York Region.

The deputant also raised concerns with respect to the City's P-Card policy and usage related to business expenses such as food and travel purchases.

Analysis

York Region's Debt

The City is not in a position to comment on York Region's level of debt; this should be tabled at the York Region budget deliberation meetings.

It is important to note that York Region's credit profile does not reflect the City's. For example, the deputant indicated that York Region's 2016 debt outstanding per capita, according to a study conducted by BMA Consulting Inc., was \$3,049.

The below table provides a comparison of that same financial indicator, as reported in the 2018 BMA Study:

	Total Debt Outstanding Per Capita as of December 31, 2017 (as reported in the 2018 BMA Report)
York Region	\$2,911
City of Vaughan	\$179

City's P-Card Program

Implementation of a P-Card program is an industry best practice for organizations to maximize procurement efficiencies, capitalize on cost savings, and maintain a robust controls posture. A corporate purchasing card is a preferred procurement and payment method for most low dollar value purchases of goods and services.

The traditional procure-to-pay process for low value purchases was a manual and time-consuming process with limited reporting and audit capabilities. In June 2015, following a successful pilot program since October 31, 2012, Council approved the corporate-wide roll out of the P-Card Program to take advantage of the associated benefits, including cost savings, administrative/transactional savings, and data for spend analysis. The P-Card program significantly enhanced the governance of low value purchases, and has reduced overall transaction time, while improving transparency, visibility, monitoring and reporting.

The P-Card program incorporates robust preventive and detective control processes. System controls such as single and monthly transaction limits and merchant category blocks for each cardholder are in place. The City's P-cards are only issued to specific employees approved by the Department Head to make purchases that meet certain criteria in an efficient manner, demonstrating sound business practices while maintaining adequate controls. Any employee authorized to use a P-Card is only allowed to purchase low-value goods and services within approved budgets and in accordance with the rules and guidelines detailed in the Corporate Procurement Policy, Purchasing Card Policy and any policies that govern employee expenses. In addition, each cardholder is required to undertake a mandatory comprehensive training prior to card issuance. All purchases charged under P-cards need to be reviewed and approved by the cardholder's Department Head.

A P-Card program audit was conducted to evaluate the adequacy and effectiveness of internal controls, process and procedures in place to mitigate risks associated with administration of the City's P-Card program. The scope of the audit included P-Card activities for the period of June 1, 2015 to April 30, 2017, and the final audit report was presented at the November 6, 2017 Finance, Administration and Audit Committee meeting. The audit did not identify any evidence of inappropriate or irregular transactions for the period under review. It should be noted that the City's purchasing and expense policies and collective agreements outline the specific circumstance 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 policies were noted.

Since its implementation in 2015, the City's P-Card program continues to evolve to further enhance spending analysis capabilities that would enable Procurement Services to analyze spend patterns, volumes and sources with the goal of consolidating purchases and rerouting activities to more appropriate procurement methods. Procurement Services generates monthly P-Card spend reports by department to allow Procurement Services and client groups to review and monitor spend patterns and help facilitate the departments' procurement needs while leveraging the City's purchasing capacity to

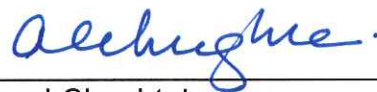
obtain the best value for money. On a quarterly basis, Procurement Services provides a Procurement Activity Report to the Finance, Administrative and Audit Committee, summarizing the procurement awards to Council, including P-Card statistics.

It is the strong opinion of the administration that the P-Card program has been a successful tool incorporated into the City's finance modernization.

Respectfully submitted,



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Chief Financial Officer and City Treasurer



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