



# Audit of the Acquisition Card Program

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October 3, 2017



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## 1.0 INTRODUCTION

1. Treasury Board encourages the use of acquisition cards for procuring and paying for purchases of goods and services under \$10,000. Each year, the Canada Border Services Agency (CBSA) uses acquisition cards for over 50,000 transactions to acquire over \$20M in goods and services, including \$6.4M in stationary and supplies and \$2.3M in seminars and courses. Purchases using acquisition cards represented approximately 5% of the Agency's non-salary expenditures in fiscal year 2015–2016. In September 2016, there were 673 active acquisition cards in the Agency.<sup>1</sup>
2. A National Acquisition Card Coordinator (NACC) within the Strategic Procurement and Materiel Management Division of Comptrollership Branch has been identified as the primary authority to ensure compliance with the Treasury Board<sup>2</sup> and the CBSA Acquisition Card policies.
3. The Corporate Accounting Division, within the Agency Comptroller Directorate of Comptrollership Branch, is responsible for internal controls over financial reporting. Through the National Financial Transaction Centre (NFTC), the division performs accounts payable verification. This verification, while not specific to acquisition card transactions, provides monitoring to ensure that transactions are properly executed and include the required approvals and supporting documentation.
4. The acquisition card process at the CBSA is still currently a manual, paper-based process. Acquisition card expenditures are manually entered into the Agency's Corporate Administrative System (CAS) and are subsequently reconciled against the credit card statements. Hard copies of all the supporting documentation, including CAS reports and invoices, are sent to the NFTC. A process flowchart is shown in Appendix A.
5. The 2010 CBSA Audit of the Acquisition Card Program found that the acquisition card control framework was still in draft and included recommendations to improve monitoring and the proper exercise of the requirements under section 32 of the *Financial Administration Act* (FAA),<sup>3</sup> in addition to providing up-to-date guidance for card users and ensuring the completeness of cardholder application files.

## 2.0 SIGNIFICANCE OF THE AUDIT

6. This audit is of interest to management so that the Agency can continue to rely on the use of acquisition cards as an efficient and economic payment method for the purchase of low-dollar value goods and services with the assurance that effective risk-based management practices and controls are in place.

<sup>1</sup> Source: National Acquisition Card Coordinator dashboard, quarter 2 indicators for fiscal year 2016–2017.

<sup>2</sup> The former TBS Directive on Acquisition Cards of October 2009 was replaced by the Directive on Payments in April 2017.

<sup>3</sup> The *Financial Administration Act* is the legislation that governs the financial administration of the Government of Canada, the establishment and maintenance of the accounts of Canada and the control of Crown corporations.



7. The audit objective was to assess the effectiveness of the management control framework for the Acquisition Card Program and to determine if it is functioning as intended to ensure that acquisition card transactions are compliant with relevant laws, policies and directives.
8. The audit scope covered an examination of the policies, procedures and controls governing acquisition cards over the period of April 1, 2015 to September 30, 2016. The scope of the audit excluded the acquisition card issuance process because existing controls over this process were deemed sufficient in the audit planning phase.<sup>4</sup> Details on the audit methodology and audit criteria are provided in Appendix B.
9. The audit did not examine the procure-to-pay (P2P) automated process in CAS which was rolled out in 2015–2016 as it has not yet been implemented for acquisition card transactions. For other procurement methods, the Agency has implemented P2P which enables the electronic processing and approvals of procurement transactions and invoices in CAS, including real-time verification and validation of delegated financial signing authority.
10. While this was not an audit of account verification, the audit was informed by the processes and results of account verification, through which the Agency conducts risk-based monitoring of all financial transactions, including those made by acquisition cards.

### 3.0 STATEMENT OF CONFORMANCE

11. The audit conforms to the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program. The audit approach and methodology followed the International Standards for the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors and the Internal Auditing Standards for the Government of Canada, as required by the Treasury Board's Policy on Internal Audit.

### 4.0 AUDIT OPINION

12. Key controls over acquisition cards have been established and are in routine operation. Additional data analysis and enhanced communication and coordination between the National Acquisition Card Coordinator and the National Financial Transaction Centre would enable more effective monitoring and risk assessment. In addition, timelier and more regular reporting to senior management would improve program oversight. Ensuring that the expenditure initiation (section 32) approval for all acquisition card purchases is properly substantiated continues to be a challenge.

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<sup>4</sup> A preliminary risk assessment is performed in the planning phase to inform the audit scope based on the strength of existing controls for the inherent risk areas.



## 5.0 KEY FINDINGS

13. The Agency has established policies and procedures for the Acquisition Card Program that are consistent with federal policies and legislation and support the application of required financial controls. There are opportunities to better document some of the procedures and to enhance monitoring and reporting.
14. Proper substantiation of section 32 certification remains a major weakness that has been previously identified. After following up with cardholders, section 32 was able to be substantiated for 56% of the transactions tested, which is below the target compliance rate of 95% set by the Treasury Board Secretariat (TBS). Compliance with section 34 was found to be 94%, which is aligned with the 95% target. In addition, supporting documentation (invoices, receipts) were on file for 96% of the transactions. For 11% of transactions, acquisition cards were used for services or items contrary to the restricted items list of the Acquisition Card Policy. Although this demonstrates some non-compliance with the policy, the audit found no evidence of any fraud or abuse in the transactions sampled.
15. While regular monitoring is occurring, the program could benefit from a more coordinated approach and documented procedures. The inclusion of additional sources of information for program monitoring and more systematic data analysis would be beneficial for identifying trends and compliance issues to ensure that the program identifies emerging risks and adapts accordingly.
16. There is reporting on the overall results of the account verification process. Reporting to senior management on the extent to which the Acquisition Card Program is effective would be beneficial for determining whether updates are required to program policies, controls, procedures, guidelines, or training.

## 6.0 SUMMARY OF RECOMMENDATIONS

17. The audit makes three recommendations relating to:
  - Identifying and implementing strategies for improving the substantiation of section 32 certification for acquisition card purchases;
  - Developing an integrated monitoring framework and monitoring procedures; and
  - Regular reporting to senior management.



## 7.0 MANAGEMENT RESPONSE

### **The Comptrollership Branch agrees with the audit report and accepts its recommendations.**

In the past three years, the Comptrollership Branch has significantly invested in modernizing its financial system applications (e.g. P2P) resulting in considerable gains in operational effectiveness, introducing paperless financial transactions environment, electronic section 34 approval and eliminating the majority of non-authorized financial transactions. The Acquisition Card (AC) Program's financial operations has unfortunately remained a paper-based process, requiring multi-manual interventions by various stakeholders with ongoing human intervention for monitoring activities to ensure compliance with imperfect results.

The Comptrollership Branch will close the FAA compliance gaps, mitigate the risks and position the CBSA to effectively and efficiently manage the delivery of the AC Program through the following:

- Fully implement the AC Program electronic solution in order to eliminate manual interventions (section 32);
- Review, document and implement a more robust monitoring framework; and
- Further develop and implement a more modernize electronic solution with respect to section 34 and paperless functionalities.

As of July 2017, the Strategic Procurement and Material Management Division (SPMMD) is effectively reporting to the Agency Comptroller Directorate, which is responsible for internal control over financial reporting through the Corporate Accounting Division (CAD). It is expected that there will thus be an enhanced integration of monitoring framework activities. Additionally, SPMMD and CAD have taken steps to recruit more resources and with a different skill set to enhance their strategic role, which will result in an evolution of the current monitoring procedures and reporting requirements, including overall governance.



## 8.0 AUDIT FINDINGS

### 8.1 Consistency with federal policies and legislation

**Audit Criteria:** Policies and procedures for the CBSA Acquisition Card Program are consistent with applicable federal government policies and legislation, and support the consistent application of required financial controls.

18. CBSA policies and procedures were reviewed and assessed against applicable government legislation, directives and policies.<sup>5</sup> The Treasury Board policy framework was updated during the course of the audit; on April 1, 2017, Treasury Board replaced the former Directive on Acquisition Cards with the Directive on Payments, which includes similar requirements.
19. The Chief Financial Officer (CFO) is responsible for ensuring that acquisition cards are used when it is economical and feasible to do so, subject to any limitations or restrictions. The results of the 2016–2017 Management Accountability Framework indicate that the Agency has been successful at ensuring that acquisition cards are used for low-dollar value transactions. The CBSA used acquisition cards for 90% of its low-dollar value transactions, higher than the average percentage of 54.7% for other departments.
20. The Directive on Payments also requires that management practices and internal controls be in place for the use of acquisition cards, including the Standard on Acquisition Card Payments.<sup>6</sup> The CBSA has established an Acquisition Card Policy and appointed a National Acquisition Card Coordinator (NACC) who controls the issuance of acquisition cards and monitors acquisition card usage.
21. In addition, in accordance with the Directive on the Delegation of Spending and Financial Authorities and the *Financial Administration Act*, the Agency has established account verification procedures in Chapter 8 of the CBSA Comptrollership Manual and conducts routine monitoring and quality assurance over account verification, which includes verifying that transactions were approved by a valid delegated financial authority.
22. The audit findings confirm that the Agency has established policies and procedures for the Acquisition Card Program that are consistent with federal policies and legislation and support the application of required financial controls. Later sections of this report highlight opportunities to better document some of the procedures and to enhance monitoring and reporting.

<sup>5</sup> CBSA policies and procedures were reviewed against the former Treasury Board Directive on Acquisition Cards and the newer Directive on Payments released April 1, 2017, the Directive on Delegation of Spending and Financial Authorities which replaced the Directive on Account Verification and the Directive on Delegation on Financial Authorities for Disbursements.

<sup>6</sup> The Standard is Appendix B of the Directive on Payments.



## 8.2 Compliance

**Audit Criteria:** Transactions are compliant with government and Agency policy regarding acceptable use and restrictions.

23. Cardholders are required to use their acquisition cards in accordance with the Acquisition Card Policy, which includes restrictions on transaction amounts, types of goods and services that can be purchased, and a requirement to obtain and document expenditure initiation approval (as per section 32 of the FAA) prior to purchasing. In addition, the Responsibility Centre (RC) Managers must provide the section 34 certification for acquisition card purchases. The TBS has set a 95% target level for compliance with the proper exercise of sections 32 and 34 of the FAA.<sup>7</sup> On a monthly basis, cardholders are expected to reconcile their credit card statements against the expenditures in CAS and prepare and send physical copies of all supporting documentation for the transactions, known as “reconciliation packages”, to the NFTC.<sup>8</sup> It is considered a critical error if a valid section 32 or 34 FAA authority or supporting documents are missing, or if a payment is not compliant with the FAA, Treasury Board or CBSA policies.<sup>9</sup>
24. The audit team reviewed a statistical sample of 266 acquisition card transactions from 78,959 CAS records for the period of April 2015 to September 2016.<sup>10</sup> The reconciliation packages for these transactions were reviewed to verify whether:
- the section 32 and section 34 approvals were on file;
  - employees signing the section 32 and section 34 had the delegated authority;
  - employees were not signing the section 34 approval for their own purchases;
  - the supporting documentation (e.g. invoices, receipts) were on file;
  - the purchase was compliant with the restrictions of the Acquisition Card Policy; and
  - the item purchased matched the General Ledger coding entered in CAS.
25. The table below shows the initial compliance levels, prior to following up with the cardholders for missing documentation. For example, for 14 of the 266 transactions sampled, there was no documentation at all on file at the NFTC. Out of 58 cardholders contacted regarding transactions that were missing section 32 certification, 29% were not aware that they were required to send it to the NFTC.

Compliance before follow-ups conducted	
Fully compliant	34% (90/266)
Valid section 32 on file	37% (99/266)
Valid section 34 on file	86% (229/266)
Supporting invoices/receipts on file	91% (241/266)

<sup>7</sup> Source: 2015–2016 Annual Report on the Quality Assurance of the Account Verification Process.

<sup>8</sup> Source: CAS User Guide, MasterCard Acquisition Card Expenditures.

<sup>9</sup> Source: 2015–2016 Annual Report on the Quality Assurance of the Account Verification Process

<sup>10</sup> The sample size of 266 provides for a confidence interval of 95% with a 6% margin of error.





26. The section 32 certification was on file for only 37% of the 266 transactions. After following up with cardholders, section 32 compliance was increased to 56%, which is below expected compliance rate of 95% set by TBS. Potential root causes were identified, including that the process for acquisition card transactions still relies on manual data entry and submission of paper-based documentation until electronic approvals through P2P is implemented. There is also a lack of awareness that the section 32 needs to be documented and included in the reconciliation packages submitted to NFTC. The establishment of a “fund reservation” or one-year blanket authority is also acceptable but this too must be documented. The Agency does not have a standard method of documenting the section 32 approval, although it is typically by email.

Compliance after follow-ups conducted	
Fully compliant	54% (145/266)
Valid section 32	56% (150/266)
Valid section 34	94% (250/266)
Supporting invoices/receipts	96% (256/266)

27. After follow-ups were conducted, compliance with section 34 was increased from 86% to 94% (250/266 transactions), which almost meets the TBS target of 95% compliance. Three of the 266 transactions (1.1%) were found to have been authorized by the section 34 signatory for that employee’s own purchase.<sup>11</sup> Ten of the 266 transactions (3.8%) were found to have been signed by an employee without the appropriate section 32 authority and for 6 transactions (2.2%) the section 34 signatory did not have the delegated authority. Reasons for the invalid delegation of authority were that the signature cards were no longer valid or were not for the cost centre used, and in two cases the signature card did not exist.

28. The required supporting documentation (e.g. invoices, receipts) was available for 96% of the transactions sampled. An incorrect General Ledger code in CAS was applied for 11 of the 266 transactions (4.1%). For another 27 transactions, insufficient information was available in the purchase description and invoices to determine if the ledger coding was correct. Accuracy in the coding of purchases is important since it is one of the factors used to identify high-risk transactions for monitoring purposes.

29. For 30 of the 266 transactions (11%), acquisition cards were used contrary to the Acquisition Card Policy.<sup>12</sup> For example, acquisition cards are not supposed to be used for services requiring written terms and conditions, for travel-related expenses, or when an interdepartmental settlement or fleet card should have been used. The audit found 26 transactions that were not compliant with these

<sup>11</sup> These four purchases were for the following items: a television for a Director General’s office, a Director General’s newspaper subscription renewal, some uniform elements.

<sup>12</sup> Based on information available from the purchase description, invoices, and General Ledger coding entered in CAS.



restrictions.<sup>13</sup> Acquisition cards are also not to be used to purchase certain items such as radios, bottled water, and software or end user devices. The audit found four transactions for these types of items in the sample reviewed. Although this demonstrates some non-compliance with the policy, the audit found no evidence of any fraud or abuse in the transactions sampled.

- 30. The weakness associated with the substantiation of section 32 compliance has been previously identified; similar error rates were reported in the 2015–2016 Annual Report of the Quality Assurance of the Account verification Process and the findings of the 2010 CBSA Audit of Acquisition Cards.<sup>14</sup> The Agency’s Financial Statements for the year ending March 2016<sup>15</sup> also noted that “the provision of supporting documentation by the CBSA managers in order to demonstrate the FAA section 32 (commitment Control Authority) requires some improvement”. Apart from P2P, which has not yet been implemented for acquisition cards, the audit did not find evidence of a strategy for improving section 32 compliance.
- 31. There is also room for improvement with the level of compliance with section 34, with ensuring that acquisition cards are used in accordance with the restrictions, and that the appropriate General Ledger coding is applied.

**Recommendation 1:**

The Vice-President, Comptrollership Branch should identify and implement strategies for enhancing compliance, specifically as it relates to section 32 substantiation.

MANAGEMENT RESPONSE	COMPLETION DATE
<p>Agreed. The Vice-President of the Comptrollership Branch, with support from the Director, Strategic Procurement and Materiel Management Division (SPMMD) and the Director, Corporate Accounting Division (CAD) will:</p> <ul style="list-style-type: none"> <li>• Revise and update the Acquisition Card Policy to strengthen section 32 requirements.</li> <li>• Increase communication and reiterate section 32 requirements to all staff involved in acquisition card activities.</li> <li>• Enhance the mandatory acquisition card training regarding section 32 requirements.</li> </ul>	October 2018

<sup>13</sup> If an exception was granted, no evidence was on file. According to the NACC, there are some circumstances where exceptions can be made (e.g. for temporary/interim photocopy rentals).

<sup>14</sup> The 2010 Audit of Acquisition Cards found written pre-authorization on file for 53% of 137 files reviewed.

<sup>15</sup> <http://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/fs-ef/2016/dpr-rpp-eng.html>



- Review the status of acquisition card section 32 electronic solution, and finalize and implement associated training in order to begin phasing out the manual process.
- Explore an electronic paperless solution for the Acquisition Card Program that would include section 34 approval and an automated reconciliation functionality.
- Finalize the CBSA acquisition card control framework.

These actions will enhance clarity, understanding and knowledge among CBSA staff, including responsibility managers, OPIs, and acquisition cardholders involved in acquisition card activities. Additionally, these actions will ensure proper oversight and clarification of roles, and decrease errors, increase consistency, and improve adherence to documentation requirements. Lastly, these actions will introduce electronic solutions that will decrease risks associated with compliance requirements and increase internal controls.

### 8.3 Monitoring

#### Audit Criteria:

- Roles, responsibilities and accountabilities for oversight and monitoring for the Acquisition Card Program have been defined, documented and communicated.
- Procedures and mechanisms for oversight and monitoring have been defined and are in routine operation.
- Mechanisms are in place to ensure responsibility centre managers and cardholders receive timely feedback on non-compliance, excessive use, issues, risk of fraud and errors.

32. Financial resources of the Government of Canada are expected to be well managed in the delivery of programs to Canadians and safeguarded through balanced controls that enable flexibility and manage risk.<sup>16</sup> To this end, deputy heads are responsible for ensuring that a risk-based departmental system of internal control over financial management is established, monitored and maintained.
33. The oversight and monitoring roles and responsibilities of the CFO, Corporate Accounting, the NACC, branch and regional acquisition card coordinators, the NFTC, and RC Managers are documented in the CBSA Acquisition Card Policy. The policy and additional information is made available on the CBSA Intranet and the NACC wiki page.

<sup>16</sup> Source: TBS Policy of Financial Management <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=32495>; objective 3.1



34. Acquisition card usage is primarily monitored by the respective RC Managers who must approve and confirm the purchases. Regional acquisition card coordinators and Corporate Accounting ensure that cardholders reconcile their purchases in CAS. The NACC monitors acquisition card transactions based on reports from the credit card company and follows up if corrective action is required.<sup>17</sup> The NFTC conducts risk-based monitoring of all financial transactions, regardless of payment method, to ensure that they are properly executed and include the required approvals and supporting documentation.

#### *Monitoring by the NACC*

35. Before activating an acquisition card, the NACC must ensure that cardholders and RC Managers sign forms acknowledging their roles and responsibilities. The NACC monitors that cardholders take the mandatory acquisition card training, but does not monitor that RC Managers complete the training.<sup>18</sup> Only 3 of 215 RC Managers from the acquisition transactions sampled had completed the mandatory acquisition card training in the Employee Self-Service portal. Although RC Managers are also required to take the Delegation of Authority training, they do not seem to be aware of the requirement to complete the acquisition card training. The training would reinforce the requirement for acquisition card transactions to be supported by documented expenditure initiation approval and provide RC Managers with information on acquisition card restrictions and limitations.

36. The National Acquisition Card Coordinator (NACC) monitors acquisition card usage through reports that are run on a regular basis.<sup>19</sup> There are no procedures on how the NACC assesses and uses these reports to monitor the program, and monitoring results are not summarized and reported on. As such, the process relies considerably on the judgement and experience of the coordinator. In addition, the information available on the credit card statements is insufficient to effectively determine if restricted items were purchased, or if the acquisition cards were used where an existing standing offer would have been the appropriate means of procurement. The monitoring could be informed through additional sources of information, such as CAS and/or copies of the purchase orders and invoices. Monitoring could also be informed through greater use of trend analysis.

37. When the NACC identifies potential non-compliance with an acquisition card transaction, clarifications are sought from the cardholder and/or RC Manager. These inquiries are documented in a communications log maintained by the NACC. The communications log sheet, obtained in February 2017, contained 302 entries covering the past two years, which showed that the NACC

<sup>17</sup> Source: CBSA Acquisition Card Policy, section 13 and section 14.3

<sup>18</sup> As per section 7.1 of the CBSA Acquisition Card Policy, both cardholders and RC Managers must successfully complete the acquisition card training.

<sup>19</sup> Reports available through the credit card company include monthly reports on purchases made through restricted vendors, declined authorizations, spikes in spending, bi-weekly reports that highlight potential contract-splitting, and quarterly reports on card usage and limits.



followed up with cardholders in a timely manner.<sup>20</sup> The most common reasons for communications in the log were regarding potential purchases of restricted items (32%), whether there was an appropriate card limit (23%), and to ensure if the proper procurement method was utilized (18%).

38. Corrective actions for continued non-compliance are documented in the CBSA Acquisition Card Policy and communicated to cardholders and RC managers in the event of the first time non-compliance.<sup>21</sup> The NACC maintains a watch list of cardholders who have been non-compliant with Agency policy and monitors these cardholder transactions for a six month period.

#### *Monitoring by Corporate Accounting and the NFTC*

39. Cardholders are supposed to reconcile their credit card statements against expenditures entered in CAS on a monthly basis.<sup>22</sup> The Corporate Accounting Division monitors the reconciliations and sends reminders for accounts that have not been reconciled for over 60 days. If the reconciliation continues to be overdue for more than 90 days, Corporate Accounting sends a request to the NACC to temporarily suspend the acquisition card until the account is reconciled. Transactions from the audit sample with CAS posting dates of more than 90 days were verified to confirm the reconciliation monitoring. The audit found that Corporate Accounting had sent reminders to cardholders for the four transactions that had not been reconciled within the required timeframe, and further requested that two of these cardholders have their cards temporarily suspended after the reconciliations were not completed.
40. The NFTC account verification process is in place to determine if transactions were properly executed and substantiated (i.e. all the supporting documentation including the necessary approvals of the delegated authority and invoices, are on file). The process includes a verification of all high-risk<sup>23</sup> transactions as well as a monthly sample of 5% of medium- and low-risk transactions. Most acquisition card transactions are considered low-risk given the low dollar amount. However 26% of the Agency's 5,430 high-risk transactions in fiscal year 2015–2016 were acquisition card transactions because acquisition cards were used to pay for hospitality, memberships, seminars and conferences.

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<sup>20</sup> Timeliness is defined as 90 days, which is the timeframe the Agency has for notifying the credit card company in the case of erroneous purchases. Only four communications in the log occurred outside the 90 days and these were communications regarding decreasing credit limits.

<sup>21</sup> Corrective actions may include additional training, cancelling or suspending the acquisition card, changes to procedures, suspension or removal of delegated authority, recovery of the non-allowed expenditures incurred, and disciplinary action against the person(s) involved.

<sup>22</sup> Source: CAS User Guide for Acquisition Card Expenditures.

<sup>23</sup> The Finance Volume of the CBSA Comptrollership Manual definition of high-risk transactions has not been updated to reflect recent amendments, such as the reclassification of seminars and conferences as no longer being high risk –approved by Corporate Management Committee in October 2016. The definition of high-risk transactions includes all supplier transactions equal to and over \$5,000; travel transactions over \$1,000; and transactions involving sensitive payments such as ex-gratia, claims against the Crown, hospitality, conferences and seminars, tuition advances and reimbursements.



- 41. Results of the account verification monitoring process are reported annually to senior management. For fiscal year 2015–2016, it was reported that the total payments with critical errors, including acquisition card expenditures, was 9.4%, which exceeded the acceptable error rate of 5%.<sup>24</sup> The report also indicated that the sampling of medium- and low-risk transactions had been suspended in fiscal year 2015–16 and recommended the re-introduction of a sampling plan for testing medium- and low-risk transactions in combination with risk-based data analytics. While the sampling was re-instituted in fiscal year 2016–2017, the NFTC sampling practice involves substituting files that are not located from the sample chosen without any follow-up with cardholders. Unauthorized or inappropriate expenditures may go undetected. The sampling approach should be reviewed for 2017–2018 in light of the persistent error rates and weaknesses noted.
- 42. Currently, there is limited sharing of information and results between the areas responsible for monitoring. For example, instances of potential contract-splitting, purchases of restricted items or instances where the wrong payment method was used are monitored by both the NACC and NFTC. Increased communication would enable these issues to be more effectively monitored and may help identify areas where further guidance or training is necessary. The CBSA Acquisition Card Audit of 2010 had included a recommendation that a communication strategy be developed to facilitate the sharing of findings and information between the NACC and the NFTC.<sup>25</sup> While the Agency had initially addressed this recommendation, increased efforts to improve communication were not sustained.
- 43. While regular monitoring is occurring, the program could benefit from a more coordinated approach and documented procedures. The inclusion of additional sources of information for program monitoring and more systematic data analysis would be beneficial for identifying trends and compliance issues to ensure that the program identifies emerging risks and adapts accordingly.

**Recommendation 2:**

The Vice-President, Comptrollership Branch should develop an integrated monitoring framework and monitoring procedures for the Acquisition Card Program that includes the analysis of additional sources of information and the results of the monitoring conducted by all areas.

MANAGEMENT RESPONSE	COMPLETION DATE
The Vice-President of the Comptrollership Branch, with the support of the Director, SPMMD and Director, Corporate Finance Directorate (CAD) will:	April 2018

<sup>24</sup> According to the 2015–2016 Annual Report on the Quality Assurance of the Account Verification Process, TBS sets a target of 95% compliance (or 5% error rate) with the FAA.

<sup>25</sup> Recommendation 5.3



- Enhance and implement current monitoring methodologies for acquisition card usage, including reporting requirements and training.
- Develop and implement a national acquisition card monitoring framework, which includes analysis of additional sources of information and the results of monitoring exercises.
- Implement a more coordinated approach and documented procedures.

These actions will increase internal controls for acquisition card usage monitoring, increase knowledge amongst staff and will ensure proper oversight of acquisition card usage.

## 8.4 Oversight

### Audit Criteria:

- Oversight body(ies) and management receive complete, relevant and timely information to support decision-making and monitoring.

44. Departments are expected to have effective governance and oversight over financial management and financial information that supports decision making and accountability to Canadians.<sup>26</sup>

45. The CFO is responsible for supporting the deputy head by overseeing the implementation and monitoring of the acquisition card policy, bringing to the deputy head's attention any significant difficulties, gaps in performance or compliance issues and developing proposals to address them, and reporting significant performance or compliance issues to the Office of the Comptroller General.<sup>27</sup> The inability of the Agency to meet the TBS 95% target level for compliance with the proper exercise of section 32 of the FAA could be an example of a significant performance issue.

46. At the time of audit, oversight for the Acquisition Card Program consisted primarily of the NACC within the Strategic Procurement and Material Management Division and the Corporate Accounting Division. There was no regular reporting to senior management on the Acquisition Card Program, aside from what is prepared for the Agency's annual financial statements, Management Accountability Framework and the reporting of the results of account verification.

47. The Agency's Financial Statements for the year ended March 31, 2016 noted that tests were performed on acquisition cards to ensure compliance with policies and that ongoing monitoring of acquisition cards was maintained as part of CBSA continuous account verification quality assurance

<sup>26</sup> As per the TBS Policy on Financial Management

<sup>27</sup> CBSA Acquisition Card Policy, section 13.3.



strategy.<sup>28</sup> However, the monitoring strategy for account verification is not designed in a way to specifically measure the compliance of acquisition card transactions. Additionally, given that the monitoring of medium- and low-risk transactions was suspended in for 2015–2016, it would have been appropriate to disclose the changes to the account verification strategy in the management attestation.<sup>29</sup>

48. Although there is reporting on the overall results of the account verification process, reporting to senior management on the extent to which the Acquisition Card Program is effective would be beneficial for determining whether updates are required to program policies, controls, procedures, guidelines, or training.

**Recommendation 3:**

The Vice-President, Comptrollership Branch should institute regular reporting to senior management on the effectiveness of the Acquisition Card Program.

MANAGEMENT RESPONSE	COMPLETION DATE
<p>The Vice-President of the Comptrollership Branch, with the support of the Director, SPMMD and the Director, CAD will:</p> <ul style="list-style-type: none"> <li>• Implement formalized reporting requirements to senior management.</li> <li>• Incorporate scheduled reviews of the effectiveness of the reports being provided to Senior Management regarding the acquisition card program activities.</li> </ul> <p>These actions will increase added-value strategic monitoring and allow a means to determine if updates are required to the Acquisition Card Program.</p>	<p>August 2018</p>

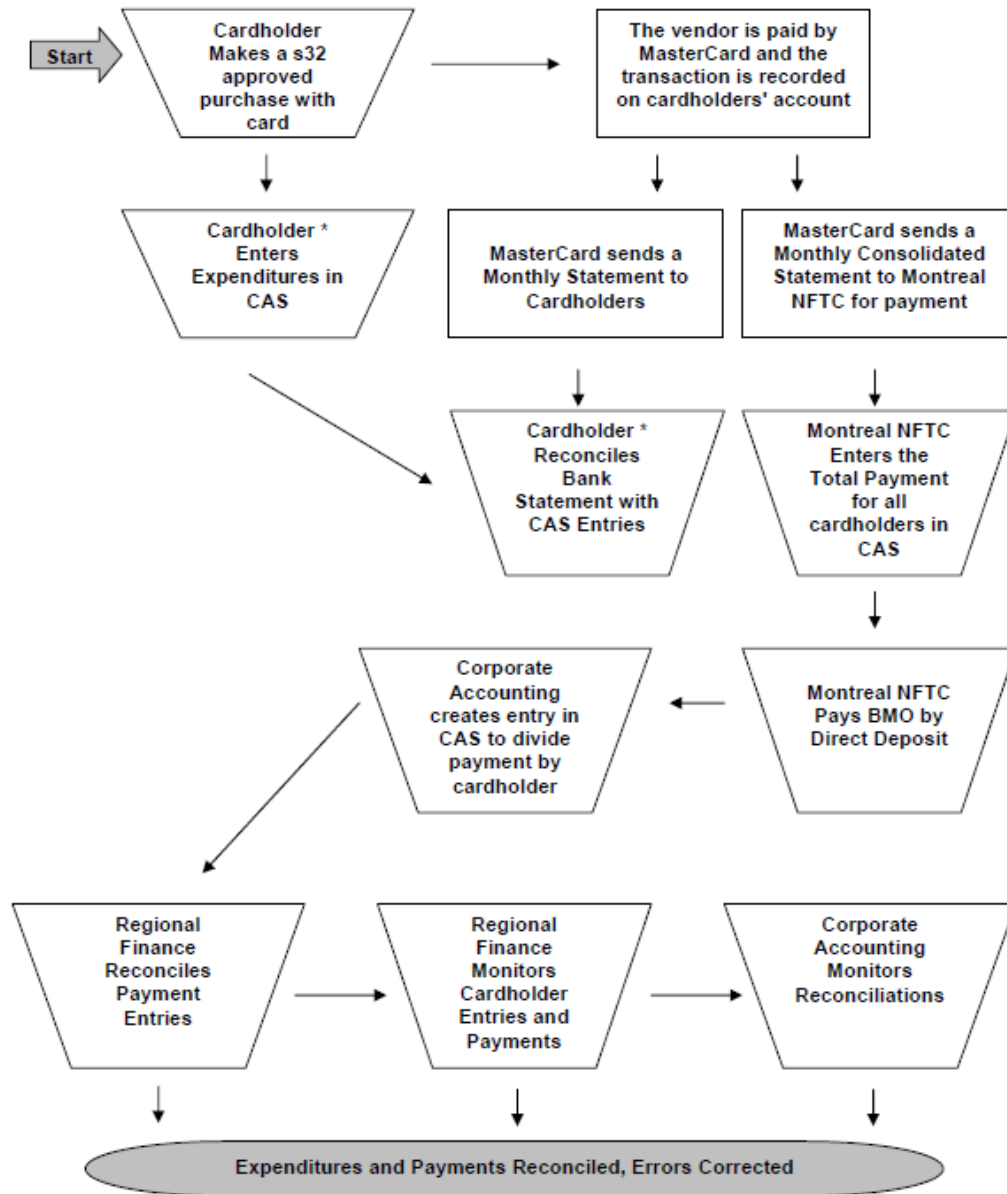
<sup>28</sup> Source: [Canada Border Services Agency Financial Statements For the Year Ended March 31, 2016](#)

<sup>29</sup> Changes included suspending the random sampling of medium- and low-risk transactions in fiscal year 2015–2016 and changes to the definition of high-risk transactions.





# APPENDIX A – ACQUISITION CARD PROCESS FLOWCHART<sup>30</sup>



<sup>30</sup> Source: [CAS User Guide – MasterCard Acquisition Card Expenditures](#)



## APPENDIX B – ABOUT THE AUDIT

### AUDIT OBJECTIVES AND SCOPE

The objective was to assess the effectiveness of the management control framework in place to ensure that the Acquisition Card Program is functioning as intended and to ensure that acquisition card transactions are processed in compliance with relevant laws, policies and directives.

The audit scope included an assessment of:

- Oversight and monitoring of the Acquisition Card Program;
- The sufficiency of controls and compliance of transactions with relevant laws, policies and directives.

The scope excluded P2P which was rolled out in 2015–2016 as it had not yet been implemented for acquisition card transactions. The audit was limited to policies, procedures, and controls governing acquisition cards in the period from April 1, 2015 to September 30, 2016. Transactions from this period were statistically sampled.

### RISK ASSESSMENT

A preliminary risk assessment was conducted to identify potential areas of risk and audit priorities. This assessment was based on interviews with various senior management and staff involved in program management, and review of documentation related to the Acquisition Card Program.

The following key residual risk areas were identified:

#### Monitoring and Oversight:

- Monitoring and oversight of card use is not coordinated and may not therefore provide management with the ability to track, analyze, and receive reports of card usage on a holistic basis.

#### Controls:

- Financial controls (expenditure initiation and account verification) associated with the use of acquisition cards may not be sufficient or effective.

#### Compliance:

- Acquisition cards may be used in ways that contravene government and Agency laws, policies and directives, such as making purchases that are not compliant with relevant authorities including the Treasury Board or Agency policies.

### APPROACH AND METHODOLOGY



The audit was conducted in accordance with the Internal Auditing Standards for the Government of Canada and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

The following techniques were used during the examination phase of the audit, which took place from March to June 2017:

- Reviews of applicable policies, directives and procedures governing acquisition cards.
- Interviews with personnel responsible for the acquisition card program.
- A representative, random sample of acquisition card transactions made between April 1, 2015 and September 30, 2016 were reviewed for compliance with Agency policy, applicable legislation and directives.

### AUDIT CRITERIA

The audit criteria are aligned with the relevant Treasury Board and CBSA policies and frameworks related to acquisition cards.

LINE OF ENQUIRY	AUDIT CRITERIA
1.0 Monitoring and Oversight	1.1 Roles, responsibilities and accountabilities for oversight and monitoring for the Acquisition Card Program have been defined, documented and communicated.
	1.2 Procedures and mechanisms for oversight and monitoring have been defined and are in routine operation.
	1.3 Oversight body(ies) and management receive complete, relevant and timely information to support decision-making and monitoring.
	1.4 Mechanisms are in place to ensure responsibility centre managers and cardholders receive timely feedback on non-compliance, excessive use, issues, risk of fraud and errors.
2.0 Controls	2.1 Policies and procedures for the CBSA Acquisition Card Program are consistent with applicable federal government policies and legislation, and support the consistent application of required financial controls.
3.0 Compliance	3.1 Transactions are compliant with government and agency policy regarding acceptable use and restrictions.



## APPENDIX C – LIST OF ACRONYMS

CAD	Corporate Accounting Division
CAS	Corporate Administrative System
CBSA	Canada Border Services Agency
CFO	Chief Financial Officer
FAA	<i>Financial Administration Act</i>
NACC	National Acquisition Card Coordinator
NFTC	National Financial Transaction Centre
P2P	Procure to pay
RC	Responsibility Centre
SPMMD	Strategic Procurement and Material Management Division
TBS	Treasury Board of Canada Secretariat