

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Treasury Services Division (Financial Services)

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 11, 2012	
SUBJECT/REPORT NO: KPMG - Final Report - Evaluation of the City of Hamilton Accounts Payable Program (FCS11051(a)) (City Wide)	
SUBMITTED BY: Antonio D. Tollis Treasurer Corporate Services Department	PREPARED BY: Bev Neill ext. 6274
SIGNATURE:	

RECOMMENDATION

- (a) That the Evaluation of the City of Hamilton's Accounts Payable Program report and presentation from KPMG be received;
- (b) That staff be directed to implement process related changes which do not require additional Operating or Capital Funding;
- (c) That staff report back to Audit, Finance and Administration Committee with a work plan outlining timeframes and costs associated with the implementation of the recommendations by the end of October 2012.

EXECUTIVE SUMMARY

KPMG has completed a review of the Accounts Payable Program to determine whether existing practices, procedures and processes are efficient and effective and are

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consistent with best practices in the public Accounts Payable field. The scope included client satisfaction, both internal and external as well as a review of the current Accounts Payable resources and organization structure. The detailed report is attached as Appendix 'A' to report FCS11051(a).

The review has determined that there is an opportunity to automate the workflow and approval process using PeopleSoft as the preferred solution. A re-design of current processes would be required in order to implement the workflow functionality of the system and would provide opportunities to improve processing cycle times. A recommendation was also made to expand the use of procurement cards for low dollar amounts as approximately 36% of all invoices are for less than \$100. The use of procurement cards for these purchases would reduce transaction processing costs, while maintain strong controls. This is consistent with best practices and there is opportunity to realize additional "cash back" from the card supplier. It has also been recommended that we develop an IT roadmap for the Accounts Payable process to further increase automation opportunities, such as the electronic receipt of invoices from vendors.

The City's centralized Accounts Payable structure is reported as a strong point and is in keeping with best practices. Centralized Accounts Payable operations have lower average costs per invoice, achieve higher productivity and provide greater controls compared to decentralized operations.

Areas for improvement include the lack of consistency with respect to where vendor invoices are received, technology issues that slow down the approval/payment cycle times and communication with operational departments. There is currently excessive handling of invoice and photocopying of invoices which is leading to the slow approval process. Efficiencies in this area should create cost improvements in the future. Enhanced communication between operating departments and central A/P through implementation of the recommendations will make the system more responsive and efficient.

Alternatives for Consideration – See Page X or Not Applicable

N /A.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial:

Staff will prepare a work plan outlining timeframes and costs associated with the implementation of the recommendations by the end of October 2012.

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Staffing:

None.

Legal:

None.

HISTORICAL BACKGROUND (Chronology of events)

In June 2011, Report FCS11051 was approved with the recommendation to undertake an evaluation of the City of Hamilton's Accounts Payable Program. As the maximum cost was under \$50,000, three bids were solicited and evaluated in October 2011. KPMG was the successful proponent and began the review in November 2011. The objectives were to determine if policies and procedures are efficient and effective and whether existing practices, procedures and processes are consistent with best practices in the public AP field. (e.g. methods of invoice approval, matching of Purchase Orders and invoice audit trails)

During the course of the review, KPMG staff met with Finance & Administrative staff from all operational departments, mailroom staff, IS staff, Councillor's Office staff as well as five Councillors. A number of vendors that provide services or goods to the City were also contacted and interviewed. Quantitative data included:

Dollar value of annual purchases	1,012,199,710
Number of FTE's in AP	12
Number of invoice lines processed	339,466
Total \$ personnel costs	785,188

The following charts contain metrics for process efficiency, cost effectiveness, staff productivity and cycle times.

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Process Efficiency	Number of FTEs performing the process "process accounts payable" per \$1 billion purchases	17.7	26.3	20.1	13.6	43.7	22.5	10.8
Process Efficiency	Percentage of invoice line items received electronically	40.8%	3.0%	18.1%	42.6%	0.0%	6.2%	34.8%
Process Efficiency	Percentage of invoices which are manually keyed into the financial system	59.2%	94.5%	57.0%	21.3%	100.0%	87.0%	33.5%

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Cost Effectiveness	Personnel Cost of the process "process accounts payable" per \$1000 purchases	\$1.11	\$2.62	\$1.38	\$0.81	\$1.99	\$0.99	\$0.45
Cost Effectiveness	Value of purchases (in millions) per "process accounts payable" FTE	\$57.84	\$38.01	\$49.79	\$73.48	\$22.88	\$44.54	\$93.06

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Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Cycle Time	Cycle time in days from receiving of invoice until approved and scheduled for payment	44.3 *	25.5	10.0	7.5	14.3	7.0	4.0
Cycle Time	Cycle time in days from receipt of invoice until payment is transmitted	47.3 **	30.0	25.6	12.0	40.0	30.0	16.2

* Invoice date until approved and scheduled for payment

** 3.0 days from scheduled for payment to cheque issue date

The charts indicate that the City of Hamilton in regards to efficiency trends towards the median on an overall basis, the lower end of the median in cost effectiveness and the top end in staff productivity. In all categories there is opportunity improve in all areas with the implementation of automated workflow, invoice handling/approval procedures and an Intelligent document recognition system (IDR) or Smart Scanning system.

As the current version of the Accounts Payable module includes automated workflow, there would be no additional costs for licensing. Next steps would include mapping the current workflow, changing procedures and implementing an IDR or Smart Scanning Solution that is integrated with the Accounts Payable PeopleSoft module. Staff will prepare a work plan outlining timeframes and costs associated with the implementation of the recommendations by the end of October 2012.

POLICY IMPLICATIONS

N/A.

RELEVANT CONSULTATION

- All Accounts Payable staff
- All F&A Managers and BA's
- All affected FA staff
- Council
- Senior Management Team

ANALYSIS / RATIONALE FOR RECOMMENDATION
(include Performance Measurement/Benchmarking Data, if applicable)

N/A.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative and Respectful Organization

❖ *A culture of excellence.*

Financial Sustainability

❖ *Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner.*

APPENDICES / SCHEDULES

Appendix 'A' – KPMG Review of Accounts Payable Program Report.



cutting through complexity

City of Hamilton

Review of Accounts Payable Program

24 May 2012

ADVISORY

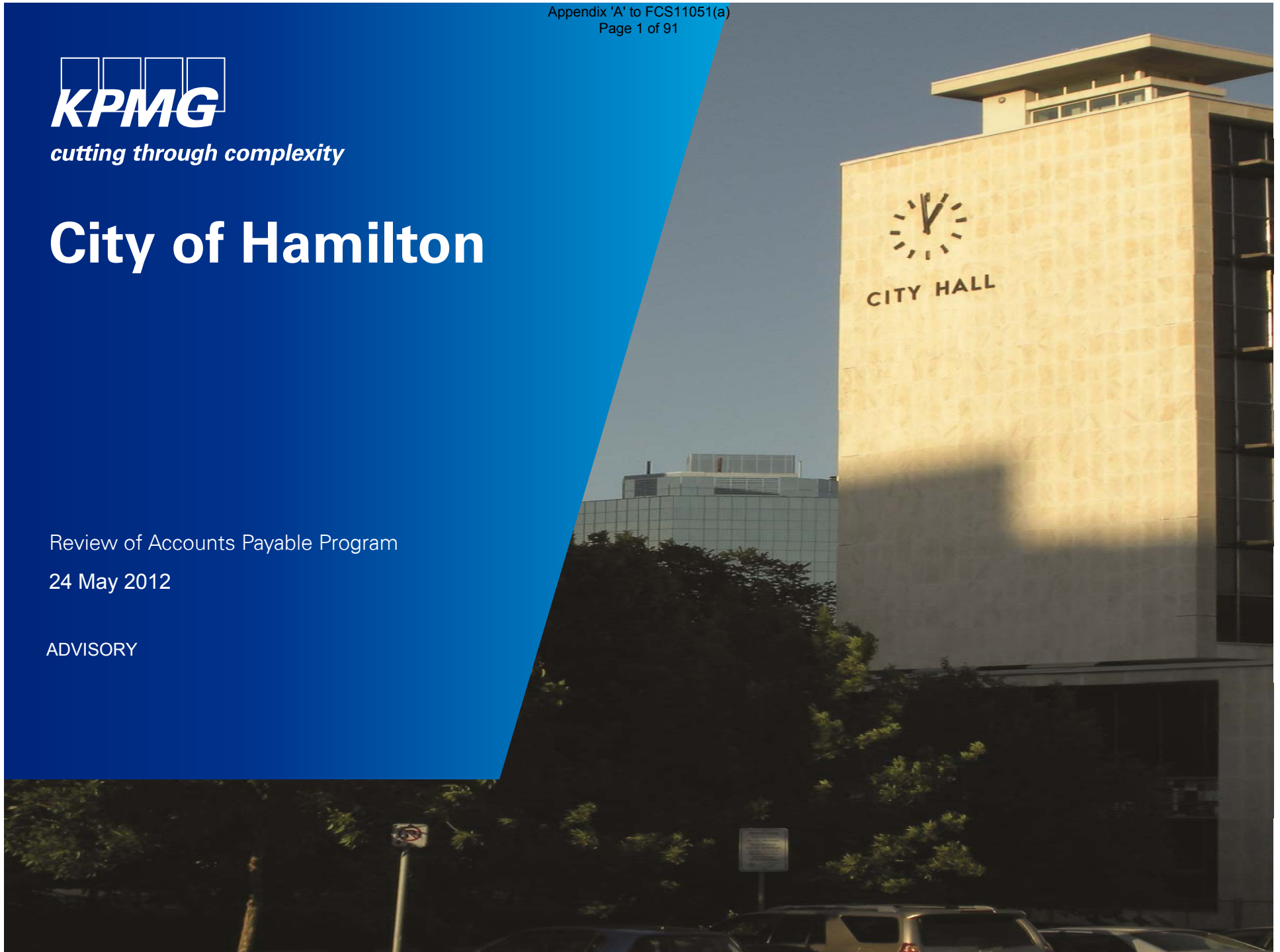




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Executive Summary

Review of Accounts Payable Program



Scope and Limitations of Work Performed

- This report (its entire contents, findings and recommendations) are confidential and are intended for The City of Hamilton's internal use only and may not be distributed, made available or relied on by other parties without KPMG LLP's ("KPMG") written consent, and is subject to the terms and conditions in our contract with The City of Hamilton dated November 22,,2011. KPMG assumes no responsibility or liability for costs, damages, expenses or losses by anyone as a result of unapproved circulation, reproduction or reliance on this report.
- In gathering information during our engagement, we relied solely on the information provided by the individuals being interviewed and, while we undertook steps to validate the information through further discussions with management, we did not independently verify or audit the information.
- KPMG did not perform an audit on the data; therefore, this presentation does not constitute an expression of opinion on the accuracy of the information presented. KPMG did not perform an audit on any of the data received from The City of Hamilton. As such, this report does not constitute an expression of audit opinion on the accuracy or achievability of the information presented.
- It must be recognized that it is not possible to predict future events with complete accuracy, or anticipate all potential future circumstances. As such, actual results achieved for the implementation of any opportunities for improvement discussed in this document will vary from the information presented, and the variations may be material.
- The scope of our engagement was by design limited, and therefore all findings and recommendations should be considered in the context of the project contract, project approach, and our limited review. In this capacity, we were not acting as auditors and accordingly our work did not result in the expression of an opinion on financial or other information. We have relied on information and representations of management for the completeness of the information provided
- The City of Hamilton and its senior management are responsible for any decisions to implement any changes as a result of this review, and for considering the impact of such changes. In performing our procedures, we acted solely as facilitators to assist the City in identifying opportunities for improvement for your organization. Any decisions made about the City's processes, controls, and systems will be made by City of Hamilton, and the ultimate responsibility for these decisions will remain with the City of Hamilton.



Executive Summary

What were we engaged to do?

KPMG was engaged by the City of Hamilton to conduct a review of its Accounts Payable ("AP") process to identify ways to improve and streamline the processes, policies, procedures and staffing needed to help operate the program efficiently and effectively. Some areas were reviewed at a higher level than others, as scoped within the project budget. The objectives of the review were:

Policies, Procedures & Practices – review of the adequacy and effectiveness of current policies and procedures, determine whether they provide sufficient clarity for all client groups and vendors, and determine whether they are consistent with leading practices in the public Accounts Payable field.

Resources – review of current resources and resource needs to determine if the resources being used to achieve the Program's goals and objectives are appropriate to the desired outcomes, whether the Program's services delivered to client groups are providing good customer service for the resources invested and whether the Program's services are delivered in a fiscally responsible manner.

Risk Management - review of the effectiveness of the management of risks to The City associated with the Program and review of the use of the Program's policies and procedures to establish whether they are in place and applied consistently, thereby assisting in compliance with GAAP and best practice.

Client Satisfaction – review of the level of internal client group and external vendor satisfaction with respect to the payment of invoices to determine whether current policies and related procedures are leading to effective and timely outcomes for client groups, both internal and external.

We utilized a project approach based upon an analysis of the City's current state through project interviews and focus groups with AP managers and staff, user departments, councillors and vendors. This was supported by quantitative performance comparison with similar organizations and thorough consideration of leading practices that could be modelled by the City to improve efficiency and effectiveness.

Our recommendations in this report are based upon our review and extensive experience assisting organizations to successfully design and implement business process transformations.

What did we find out?

The review performed during this engagement supported the following recommendations and conclusions:

- There is an opportunity to automate the workflow and approval process using PeopleSoft as the preferred solution. In conjunction with implementing workflow functionality, current processes, responsibilities and communication protocols would have to be re-designed to enhance efficiency and effectiveness.
- There is also a significant opportunity to implement performance and cycle time metrics. This should be done in conjunction with re-defining responsibilities and communication protocols.
- Consider expanding procurement card (PCard) usage and programs to include various product categories and supplier / services spend, while maintaining / implementing a strong control environment.
- Establish joint Accounts Payable (AP) and Finance and Administration (F&A) action teams to review, prioritize and resolve operating issues identified during focus group sessions.
- Develop a long-term IT roadmap for the Accounts Payable process to further increase automation opportunities.

The remainder of the Executive Summary will provide an overview of:

- Leading practices of high performing AP functions;
- Current state review of AP process;
- Areas for improvement; and
- Our recommended course of action for the City of Hamilton with respect to the AP process



Executive Summary (cont'd)

Leading practices of high performing AP functions

Based on KPMG's significant experience with finance functions we have found that the organizations with high performing AP processes take advantage of the following leading practices:

Minimize manual intervention - seamless integration of AP to procurement and inventory management systems, enabling increasing automated creation of supplier purchase order (POs), receipting and payment creation resulting in a paper-free AP and procurement environment.

Minimize non-value adding processes - adopting policies and procedures which balance the costs of controls against the benefits of savings (e.g., automatic receipting for low value orders and key suppliers; using procurement cards (PCards) to consolidate low value transactions; using electronic transmissions or optical character recognition technology to minimize data entry).

Reduce/Eliminate invoice processing – high usage of electronic POs and electronic receiving of invoices wherever possible to enable electronic matching of invoices to POs and receipting records with minimal human intervention - ending with automatic payment generation.

Utilize an Efficient Structure - centralized AP organization with a shared services centre for transaction processing in a multi-location, multi-division organization. In some cases, alternative service delivery to transfer AP processing to an external entity that specializes in that operation.

Current state review of AP process

Things that were reported to be done well:

- Centralized AP processing whereby all invoices are processed for payment in one location (see below for areas to improve outside of the specific processing at one location – e.g. Logging, receiving, etc.)
- Segregation of duties to reduce risk of error or fraud.
- Opportunities to improve the current process are being identified and implemented such as consolidated billing, plastic sleeves to send invoices through inter-office mail, prioritizing AP staff workload etc.

Areas for improvement:

- AP processes are highly manual, and include extensive data input, reconciliation and validation activities, which decreases process efficiency and increases cycle time. Paper invoices have to be physically transferred multiple times during their life cycle (i.e., for receipt, approvals, coding, processing, issue resolution, and payment).
- Lack of consistency with respect to where vendor invoices are received increases risk of delays or loss as well as duplicate invoices (because the original invoice cannot be located).
- Because invoices are not logged centrally this may result in potentially extended invoice processing cycle times if invoices get lost in transit, or are awaiting coding/approval.
- It is difficult for AP to gain visibility into the status of coding/approval, and there is no method to monitor or track the coding/approval status for a given invoice.
- There is an opportunity to expand the usage of PCards to reduce PO and invoices volumes, reduce transaction processing costs and consolidate supplier base.
- Low dollar amount invoices are received from certain vendors that can be consolidated to decrease the workload and processing effort in Account Payable.
- Responsibilities are not always clear and communication protocols are not consistent resulting in misunderstanding and potential conflict situations among Finance staff.
- Technology and interface issues that slow down the process and/or cause re-work require further attention.
- Performance and cycle time metrics should be tracked, analyzed and communicated in regards to accounts payable process.



Executive Summary (cont'd)

Recommendations

- Automate workflow and approval process. As it is a leading practice to deploy the workflow tool associated with the ERP being used by the organization, PeopleSoft workflow should be considered for due diligence.
- In conjunction with workflow automation, current processes, responsibilities and communication protocols would need to be re-designed.
- Implement a system to track and report on performance and cycle time metrics in conjunction with workflow automation and re-defining responsibilities and communication protocols
- Consider expanding P-Card usage and programs to various product categories and supplier / services spend, while maintaining / implementing a strong control environment.
- Establish joint AP and F&A action teams to review, prioritize and resolve operating issues identified during focus group sessions.
- Investigate opportunities for early payment discounts with vendors (after implementing automated workflow and approval, and improving cycle time performance).
- Develop a long-term IT roadmap for Accounts Payable process to further increase automation opportunities.



Project Approach and Acknowledgements

Review of Accounts Payable Program



Project Approach

KPMG was engaged to help identify opportunities to improve and streamline processes, policies, procedures and staffing needed to operate the AP function efficiently and effectively.

Our approach to deliver the above included the following:

Gain Background Understanding:

- Conduct interviews with senior managers
- Review processes, policies and procedures documentation
- Review organization structure, job descriptions and roles & responsibilities
- Understand applications supporting A/P processes

Conduct Information Interviews:

- Schedule and conduct one-on-one interviews to develop 'as is' maps
- Schedule and conduct focus group sessions with Business Administrators (BAs) and Financial Assistants (FAs), User Departments, and Councillors
- Conduct vendor interviews

Identify AP leading practices and assess the City of Hamilton's alignment:

- Identify relevant AP leading practices for similar organizations
- Identify and analyze alignment/gaps between the performance of the City's AP functions and the comparator organizations (i.e., produce a high-level gap analysis)
- Gather information about other Cities, Municipalities

Analysis

- Perform SWOT analysis and review with key stakeholders
- Develop and document findings, observations and recommendations
 - Policies, Procedures and Practices
 - Resources
 - Risk Management
 - Client Satisfaction

Prepare and issue project reporting:

- Develop and review interim report with Treasurer / Steering Committee
- Review draft final reports with Treasurer / Steering Committee
- Present final draft report to GM Corporate Services
- Prepare and deliver final report
- Final report presentation to Audit, Finance and Administration Committee



Acknowledgements

The KPMG team would like to acknowledge the following personnel's participation in our interviews and workshops, and for providing valuable insight into this project:

Name	Department	Name	Department
Tony Tollis, City Treasurer	Finance	Kim Coard	Community Services, BE-Special Support
Rick Male, Director Financial Services	Corporate Services	Maria Veiros	Community Services, Family Support
Bev Neill, Manager	Bus. App. Support, AP & AR, Corporate Services	Taylor Beckett	Community Services, E& IS
Sandy Southon & Colleen Finan	Business Application Specialist	Sonya Baldwin, Nona Restauri, Charlene Elston	Community Services, SD & ECS
Helen Klumpp, Manager	F&A (Public Health Services, Community Services)	Michele Attard, Sladjana Micevski	Community Services, Housing Services
Anna Apkarian, Manager	F&A (Public Works)	Ann Staaiziani	PHS – Healthy Living Division
Janie Hartwell, Manager	F&A (Corporate Services, Planning And Dev.)	Judi Childs	Community Services, Recreation
Kathy Keneyes and all AP staff	Accounts Payable	Barb Farmer	PHS – Family Health
Elaine Gee and her staff	Public Health Services	Steca Minardi	Community Services, CDC
Becky Appleby and her staff	Early Childhood Services and Lodgings	Tamara Schneck	Public Health – Health Protection
Selma McFadyen and her staff	Ontario Works	Joanne Kohut	Public Health – Plan. & Bus. Improvement
Jenny Gibson and her staff	Culture & Housing Services	Andy Schoen, Kevin Adams	Public Works - WD & WWC
Jennifer Bonsall and her staff	Recreation	Diana Cameron, A C Kirkpatrick	E & SI
Earnie Mount, BA	Public Works	Maria Harrison	Planning & Eco. Dev (Tourism)
Karen Leslie and her staff	Operations and Waste Management	Marie Fisher	Planning & Eco. Dev (MLE Parking)
Elizabeth Embleton and her staff	Transit, Fleet and Facilities	Josh Van Kampen	Corporate Service, Information Service
Linda Morradian and her staff	Environmental & Sustainable Infrastructure	Glenn Binkosky, Diane Robinson	IT / Business Services
Louise Baird and her staff	Water and WasteWater	Representative from Councillor Judi Partridge, Terry Whitehead and Brian McHattie office	
David Oak and his staff	Corporate Services	Councillors Sam Merulla, Maria Pearson, Tom Jackson, Scott Duval, Robert Pasuta	
Monique Garwood and her staff	City Manager's Office, Legislative Services		
Ronald Salmon and his staff	(Mail room) Supervisor/ Print Broker		
Gary Schwoob, Laurie Campbell	Community Services, Benefit Eligibility Div.		
Erica Brimely, Jennifer Gilmour, Kim Coard	Community Services, BE-Special Support		



AP Process Overview, Risks Managed and Leading Practices

Review of Accounts Payable Program



Accounts Payable Process – Process Overview

On slides 11 to 17 we provide a general overview of the

- Accounts Payable process
- Risks managed by the AP process, and
- Leading practices with respect to process, structure, people & training, and technology based on KPMG knowledge and experience.

This section concludes with what we heard from a sample of municipalities in South West Ontario.

Inputs

- Need to procure goods / services – normally initiated by the business units
- Orders for goods or services – typically by purchase requisition / purchase order (PO)

Process Objectives

- Low cost administration costs of process
- Highly automated process (straight-through processing). Little or no manual intervention to enter / pay invoices
- Reduce paper – electronic image / workflow for document management, electronic invoice submission
- Reduce the number of PO's and invoices
- Timely payment cycle
- Accuracy of transactions

Outputs

- Paid suppliers
- Resolved vendor queries
- Updated financial records

Cost Control

- No influence over the cost of the goods or services purchased
- A timely AP process can be utilized to take advantage of discounts offered by suppliers for early payment



Accounts Payable Process – Risks Managed by the Process

Existence

- Paying for goods/services that were not received
- Duplicate payments (i.e., paying for goods/services more than once due to fraud or error)

Accuracy

- Paying more than the agreed upon price for goods/services
- Making incorrect payments (e.g., wrong amount; wrong vendor)

Presentation

- Payments are appropriately accounted for

Authorization

- Paying for goods/services that were not approved (may have to pay if goods/services were already received, but unauthorized procurement will be identified and offenders can be dealt with)

Reputation

- Paying vendors on a timely basis



Accounts Payable Process – Leading Practice Overarching Themes

Minimizing manual intervention - seamless integration to procurement and inventory management systems, enabling fully automated creation of supplier purchase order (POs), receipting and payment creation resulting in a paper-free AP and procurement environment

Minimizing non-value adding processes - adopting policies and procedures which balance the costs of controls against the benefits of savings - for example, automatic receipting for low value orders and key suppliers; using procurement cards (PCards - corporate credit cards) to consolidate low value transactions; using electronic transmissions to eliminate data entry

Eliminating invoice processing - Electronic receiving of invoices wherever possible, enabling electronic matching of invoices to POs and receipting records with no human intervention - ending with automatic payment generation



Summary of Accounts Payable Leading Practices – Process

- High usage of POs for both goods and services (>80%)
- High authorization levels (high delegation levels) to reduce number of approvers required to initiate and authorize a purchase
- Electronic requisitioning, routing, approval
- Workflow used for PO approval
- Evaluated receipt settlement (i.e., electronic entry of receipts into the financial system) which helps to eliminate invoice processing activities (by enabling an automatic 3-way match)
- Blanket ordering (i.e., placing standing orders for a large volume of products at set prices using “blanket” POs) which reduces number of individual PO’s
- Control tolerance levels for invoice matching based on materiality. Consideration to processing small differences without escalation for resolution if amounts are immaterial
- Use of PCards for majority of high volume / low value purchases. Leading organizations consider expanding their PCard programs to various product categories and supplier /services spend, while maintaining a strong control environment (i.e. potential for greater stringency on card usage)
- Review vendor master file and purge inactive accounts on a periodic basis
- Enforce the use of approved vendors with negotiated agreements
- Minimize non-value added processes (e.g. supplier statement reconciliations)
- Effective reduction in invoice volumes (PCards, invoice consolidation, etc.)
- Procure to pay process assigned to single process owner, who has accountability for optimizing this process (from creation of Requisition / Purchase Order through to Supplier Payment)
- It is possible for Strategic Sourcing/Purchasing to be separated from this procurement function (i.e., separate the responsibilities for daily ordering from strategically pursuing and negotiating better prices from strategic vendors)
- Segregation of duties between supplier set up, invoice processing and payment processing



Summary of Accounts Payable Leading Practices – Structure

Shared Services

- Centralized AP organization (see subsequent slide for expanded discussion). Shared services centre for transaction processing in a multi-location, multi-division organization
- Consolidate AP processing activities into shared delivery centres. Shared Services offers services to business units from a common centralized point to internal customers who negotiate the level and nature of the service. It involves running service activities like a business and delivering services to internal customers at a cost, with quality and timeliness that is competitive with alternatives, such as outsourcing, depending on the extent of labour arbitrage (i.e., the buying a comparable service elsewhere to exploit the difference in labour pricing). Typical candidates for shared services include AP, and travel and expense (T&E) management.
- Centralized payment and settlement of inter-company transactions.

Alternate Service Delivery

- Transferring ownership of a business process to a supplier, involving the delegation of non-core operations or activities from within a business to an external entity that specializes in that operation. Typical candidates for alternative service deliver model include AP processing.



Centralized vs Decentralized AP Structure

Centralized AP

Pros

- Process consistency and standardization
- More efficient use of resources
- Consistent and greater controls
- Training consistency

Cons

- Perceived decrease in responsiveness to user departments

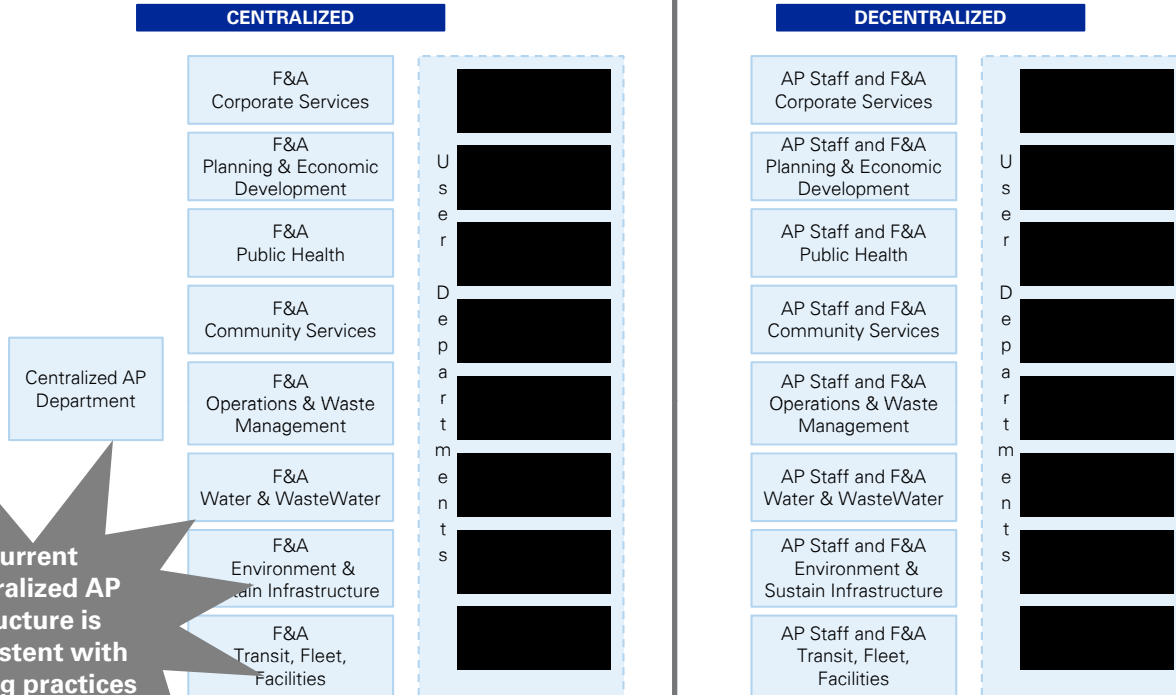
Decentralized AP

Pros

- Perceived greater service level to the business
- Potential for greater knowledge of the business if closer to user departments

Cons

- Resources cannot easily be shared
- Variation in process and controls
- Potential for fraud



- APQC's (American Productivity and Quality Center) research indicates that there is a substantial gap in AP costs between organizations that have taken advantage of centralization and those that have not. APQC recommends a centralized AP structure.
 - Centralized AP operations have lower average cost per invoice compared to decentralized operations
 - Centralized AP operations achieve higher productivity advantage over decentralized operations
- Other leading practices also advocate a centralized AP structure because on balance the benefits are seen to outweigh the disadvantages



Summary of Accounts Payable Leading Practices – People & Training

- Integrated AP and Purchasing through integrated performance goals
- An established and continuous improvement mindset
- A strong customer service culture
- Procure to pay process assigned to single process owner, who has accountability for optimizing this process (from creation of Requisition / Purchase Order through to Supplier Payment)
- Segregation of duties between supplier set up, invoice processing and payment processing



Summary of Accounts Payable Leading Practices – Technology

- Fully integrated purchasing, payables, inventory management and general ledger systems
- Workflow and matching technology (Electronic requisitioning, 3-way Invoice / PO / Receipt matching, routing, approval)
- Automated 3-way electronic matching (invoice / PO / Receipt)
- Suppliers required to use PO to permit 3-way matching
- Automated PO generation and processing based on inventory needs
- EDI (electronic data interchange) linkage to suppliers, paperless PO's
- Electronic Invoice Presentment and Payment (EIPP) leveraging from supplier networks
- Compatibility with emerging web-based purchasing and payment requirements
- Capability to provide remittance advice and invoice status information to suppliers through web portals
- Increasing the capture and use of procurement information to inform procurement decisions and facilitate leveraging of supplier expenditure
- Electronic funds transfer for payment



AP Process in Other Municipal Organizations

What we heard about AP process in other municipal organizations in SWO...

- AP function performed in-house
- AP function is centralized with finance staff in user department.
- ERP solutions are used for AP processes.
- Better performing municipalities use automated workflow and approval together with scanning technology.
- In better performing municipalities once the goods/services are received/completed users process goods receipt against the PO.
- Finance staff in user departments are less involved in AP transaction processing where automated workflow and approval and scanning technology is used.
- P-Card usage for authorized purchases is encouraged to reduce number of invoices and are supported by proper controls.
- Do not appear to be tracking settlement / payment days.
- Do not appear to be monitoring performance metrics on a continuous basis.



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Current State Review Findings and Conclusions

Review of Accounts Payable Program



Findings and Conclusions

This section of the report summarizes input from City of Hamilton staff, our observations, implications, gaps, and opportunities for improvement. Also, information gathered from user departments, councillors, vendors, and about other cities is included in this section.

We consolidated the inputs from the interviews and focus groups with Accounts Payable (AP), Business Administrators (BAs), and Financial Assistants (FAs).

Findings in this section of the report are referenced to the issues identified listed in appendix A (where applicable) and categorized under the following headings:

- **Policies, Procedures and Practices**

- Structure
- Process
- Technology

- **Resources**

- **Risk Management**

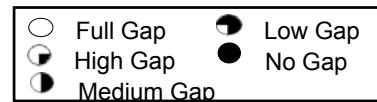
- **Client Satisfaction**

- BA / FA
- User Departments
- Vendors
- Councillors

As a preface to each category, we provide a summary level "theme" observation that characterizes the category.

It is important to note that some observations (gaps) are not mutually exclusive and are often related or dependent to one another. As such, in some cases, we have intentionally repeated certain observations or elements thereof under more than one category.

The level of alignment/gap is depicted by gap illustrated symbols indicated in the adjacent legend. These gap illustrated symbols are used throughout this findings report.





SWOT Analysis

As part of our review, KPMG has identified several key strengths, weaknesses, opportunities and threats within the AP Process

Strengths that can be leveraged moving forward

Weaknesses that should be considered and, where possible, mitigated

Opportunities are events that would have a positive impact

Threats are events that would have a negative impact

- Centralized AP processing (processing component only)
- New manager with previous experience and desire to improve things
- Already implementing changes such as plastic sleeves to replace envelopes, opportunities to reduce invoices
- Experienced AP and F&A staff

- Automated work flow and approval
- Clearly define and agree roles and responsibilities
- Establish and monitor key performance and customer service metrics
- Improve communications between accounts payable and finance staff in user departments for e.g. action teams to resolve problems collaboratively
- Make better use of available functionality
- Coach AP staff to better prioritize workload
- Enable vendor self service capabilities
- Optical Character Recognition (OCR) or Intelligent Document Recognition (IDR) technologies

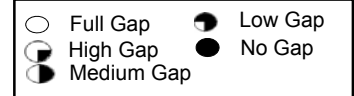
- Lack of automated workflow and approvals is causing significant manual work and inefficiencies
- Insufficient culture of team work between accounts payable and finance staff in user departments
- Lack of clear roles and responsibilities for accounts payable and finance staff in user departments causing misunderstanding and potential conflict situations
- Performance and customer service metrics are not tracked and communicated
- Not optimizing P-Card usage across different product /service categories and vendors.

- Continued increase in transactions as the City grows will put additional strain on processes and staff
- Not leveraging technology to improve process efficiency and effectiveness
- Lack of team work and customer service focus.



Accounts Payable Findings – Things that are being done well

Observation and Implication	Leading Practices
<ul style="list-style-type: none">● Centralized AP processing whereby all invoices are processed for payment in one location (note: this refers only to processing at one location. Recommendations are in subsequent sections for areas to improve outside of processing e.g. logging, receiving, etc.).	<ul style="list-style-type: none">● Shared services centre for transaction processing in a multi-location, multi-division organization.
<ul style="list-style-type: none">● Segregation of duties: vendor maintenance, approvals and invoice processing handled by different groups to reduce risk (note: this observation on segregation of duties is based on interviews / focus groups. Controls were not specifically documented or tested, is beyond the scope of this engagement).	<ul style="list-style-type: none">● Segregation of duties and strong robust control environment.
<ul style="list-style-type: none">● Opportunities to improve the current process are being identified and implemented such as consolidated billing, plastic sleeves to send invoices through inter-office mail, prioritizing AP staff workload etc.	<ul style="list-style-type: none">● Continuous process improvement .

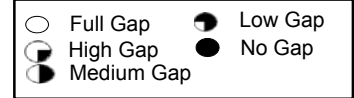


Accounts Payable Findings – Policies, Procedures and Practices

Overall Structure Theme: Although AP function is centralized, processes are highly manual and departments geographically dispersed increasing the risk of delays or loss of vendors invoices as well as extending the cycle time.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
STRUCTURE				
<ul style="list-style-type: none"> Invoices go through multiple departments located in different geographical areas of the city before it is processed for payment which increases cycle time and risk of delays / loss. Invoices may be physically handled minimum of 11 times by several individuals / departments in the organization from the time it is received to scanning for archiving. <p>Central mail-room → mail-sorter in AP → I/O mail-room → FA → user department → FA → BA → I/O mail-room → AP mail-room → AP staff → A/P Scanner</p>	2,1	<ul style="list-style-type: none"> Electronic scan, and document triage system that filters processing of invoices based on urgency, due date, etc. 	○	<ul style="list-style-type: none"> Consider opportunities to explore workflow systems (that include triaging capabilities).

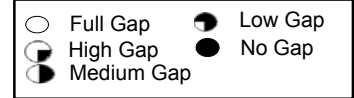
I/O – Inter-office



Accounts Payable Findings – Policies, Procedures and Practices

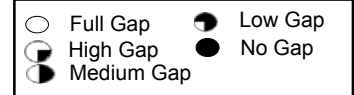
Overall Process Theme: Current state AP processes are highly manual, and include extensive data input, reconciliation and validation activities, which decreases process efficiency and increases cycle time. Also it appears that some policies and procedures are not clear to all the staff.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
PROCESS – RECEIVE INVOICES				
<ul style="list-style-type: none"> There is lack of consistency with respect to where vendor invoices are / should be sent to in the City which increases risk of delays or loss as well as duplicate invoices because the original invoice cannot be located. <ul style="list-style-type: none"> Invoices may be sent to accounts payable, Financial Assistants or city department by vendors In some cases, invoices are sent by the vendor directly to the person who placed the order. These individuals reside at the department level of the organization. This process of invoice receipt may result in invoices remaining within the departments for an extended period of time awaiting approval and coding, without AP having visibility to their existence. Some councilors are concerned about delays (and potential confidentiality issues) when invoices are first received by Accounts Payable and then forwarded 	2	<ul style="list-style-type: none"> Receive invoices in a central location (AP function) so that they can be captured and monitored. 		<ul style="list-style-type: none"> Develop and implement a consistent policy of where to receive invoices. Internal awareness program and external vendor awareness program to send invoices to AP Consider having mailroom personnel requested to send all invoices directly to the AP department regardless of who it is addressed to.



Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – RECEIVE INVOICES (con'td)				
<ul style="list-style-type: none"> ● Generally, invoices are received by AP and sent to the individuals that procure the goods/services (through departmental FAs), where they are coded and approved. Approved invoices are reviewed by FA for proper authorization, counter signed and sent to AP, a shared service processing centre. The invoices are not electronically captured or logged by AP or FAs. This leads to lack of clear visibility to location and status of invoices once invoices have been received by the City. ● Currently there exists a paper-based process, physically getting invoices to remote field locations, with invoices sometimes needing to be routed/rerouted between different locations. ● Because invoices are not logged centrally this may result in potentially extended invoice processing cycle times if invoices get lost in transit, or are awaiting coding/approval. ● In addition, it is difficult for AP to gain visibility into the status of coding/approval, and there is no method to monitor or track the coding/approval status for a given invoice. 	9, 16	<ul style="list-style-type: none"> ● Invoices are electronically scanned and sent for approvals using work-flow management 	○	<ul style="list-style-type: none"> ● Internal awareness program and external vendor awareness program to send invoices to AP (Note: this initiative can only be instituted when there is appropriate scanning hardware and software, as well as electronic workflow and approval). ● Consider requesting mailroom personnel to send all invoices directly to the AP department regardless of who it is addressed to. (Note: this initiative can only be instituted when there is appropriate scanning hardware and software, as well as electronic workflow and approval).



Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – RECEIVE INVOICES (cont'd)				
<ul style="list-style-type: none"> Some invoices are sent to the incorrect department from accounts payable, and re-sent back to accounts payable to be directed to the correct department. This may be caused by: <ul style="list-style-type: none"> Insufficient and/or incorrect information provided Vendor may have copied incomplete and/or incorrect information from PO Vendors sometimes use old PO number Vendors combine invoices for two departments Invoices may be sent to the FA, BA or User Department by AP. If they are sent to the BA this could potentially delay processing if the BA is not onsite to pass them to the FA. If sent to user department directly then FA has no knowledge or visibility to the invoice. 	1, 2, 5	<ul style="list-style-type: none"> Invoices are electronically scanned and sent for approvals using work-flow management 	○	<ul style="list-style-type: none"> Identify number of invoices being sent incorrectly, reasons and put in place action plans to correct them. Improve mail sorter's knowledge of departments to direct invoices correctly the first-time.
<ul style="list-style-type: none"> In some cases, the purchaser is not identifiable from the invoice and FAs have to spend time to identify the correct individual which could increase cycle time for approval. 	6	<ul style="list-style-type: none"> Invoices are automatically routed to the right individual based information in the PO. 	○	<ul style="list-style-type: none"> Vendors should be instructed to clearly state name of the purchaser on the invoice.

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - RECEIVE INVOICES (cont'd)				
<ul style="list-style-type: none"> Duplicate invoices are received and sometimes processed for payment. It is not clear who is primarily responsible for identifying duplicate invoices – user department, Financial Assistant or Accounts Payable <ul style="list-style-type: none"> Vendor may sometimes submit a duplicate invoice if the location / status of the original cannot be determined Vendors may send hard copy and electronic copy of the same invoice OSRs sometimes request invoices from supplier and leads to duplicate invoices in the system Is there a workaround to process duplicate invoices by adjusting the invoice amount? 	3	<ul style="list-style-type: none"> Risk of duplicate invoices being received and processed is minimized by having electronic scanning and matching process. 		<ul style="list-style-type: none"> Clearly define roles and responsibilities for identifying duplicate invoices. Need to identify and track the number of duplicate invoices received and processed, reasons and action plans to reduce their impact. Communication of duplicate invoices within the organization is important to increase learning and help ensure mistakes are not repeated.
<ul style="list-style-type: none"> If vendor sends multiple copies of invoices then only one copy should be sent to the Financial Assistant ; Others should be destroyed to eliminate the risk of both copies being processed for payment. 	4	<ul style="list-style-type: none"> Vendors send invoices. 		<ul style="list-style-type: none"> Investigate opportunities to receive (and process) invoices. Consider actions to help ensure multiple copies are not circulated with in the organization.
<ul style="list-style-type: none"> Some vendors have capability to submit e-invoices but the City is not in a position to receive invoices by this method. 	8	<ul style="list-style-type: none"> Vendors send invoices. 		<ul style="list-style-type: none"> Investigate opportunities to receive (and process) invoices.

Accounts Payable Findings – Policies, Procedures and Practices

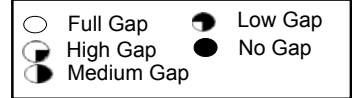
Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – APPROVE / RECEIPT INVOICES				
<ul style="list-style-type: none"> The process to receive, review and approve invoices is largely done manually. For instance, invoices are manually received, stamped, and forwarded to the corresponding individual for review and approval. As such, there is no method to monitor or track the approval status for a given invoice. 	10,11	<ul style="list-style-type: none"> Electronic workflow and approval. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft.
<ul style="list-style-type: none"> Requestor may delay / hold approval of an invoice for a number of reasons including – outstanding issues with / queries from vendor, away from office, vacation, workload, waiting on person's desk, not a high priority – often times Financial Assistant or Accounts Payable not knowing the reason/s (and unable to respond to vendor queries). 	10	<ul style="list-style-type: none"> Electronic workflow enables visibility to invoice location and status. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft.
<ul style="list-style-type: none"> Remote location of yards can result in delays in getting invoices approved as supervisor may not visit the yard every day – pick-up and delivery to remote location happens ~ 2 times / week. Currently some departments scan invoices and e-mail to remote locations which is time consuming for the FA but favourable to reduce cycle times. 	11	<ul style="list-style-type: none"> Electronic workflow allows invoices to be e-mailed to the approver(s). System enabled approvals based on purchasing and approval/signing authorities matrix. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft.

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – APPROVE / RECEIPT INVOICES (cont'd)				
<ul style="list-style-type: none"> Sometimes the approver in the user department does not provide correct and/or complete information, causing unnecessary delays, e.g.: <ul style="list-style-type: none"> Not providing all details correctly on the invoice Attachments required for contract invoices may not have been submitted 	12,13	<ul style="list-style-type: none"> Electronic approvals 		<ul style="list-style-type: none"> Track non-conformances, and identify reasons and implement actions Investigate opportunities to prevent invoices to flow through if all fields / criteria are not met (Note: this initiative can only be instituted if there is electronic workflow and approval).
<ul style="list-style-type: none"> Financial Assistant checking whether an invoice will cause budget over-run is of questionable value because liability has been incurred (PO has been authorized). Financial Assistant / user department only needs to confirm receipt of goods. Financial Assistants are asked to receive invoices even if it will lead to budget over-run. 	14	<ul style="list-style-type: none"> Budget-over runs are known and approved before placing / issuing a PO. 		<ul style="list-style-type: none"> Consider re-examining this activity / practice in terms of where it belongs in the AP process and communicate decision to relevant stakeholders.
<ul style="list-style-type: none"> Manual processes in MS Excel are utilized to manage the tracking of spend against desirable comparator criteria such as: spend versus budgeted/planned, contract, or authorized. These manual processes have been created in order to retrieve contracts and project numbers to ensure that contract payments are in line with authorized contracts or amendments to original contracts. 	14	<ul style="list-style-type: none"> System enabled tracking of spend against a comparator such as spend versus budgeted/planned, contract, or authorized. 		<ul style="list-style-type: none"> Investigate opportunities to utilize procurement/contract management module capabilities within PeopleSoft and their integration with AP modules.

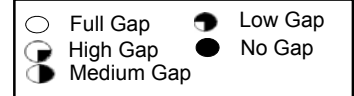
Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – APPROVE / RECEIPT INVOICES (cont'd)				
<ul style="list-style-type: none"> Audit report recommended two signatures on the invoice from operating department. Some FAs are following this policy but are not sure if it is still in effect. 	15	<ul style="list-style-type: none"> Optimized processes to achieve right balance between control and efficiency. 		<ul style="list-style-type: none"> Review policy and communicate to relevant stakeholders.
<ul style="list-style-type: none"> Occasionally invoices are received with purchase value over \$5K but there is no PO to receive them against at that time . Under purchasing policy a purchase is PO exempt; but under a different policy PO is required for e.g. legal, training fees, computer, software maintenance 	22	<ul style="list-style-type: none"> Consistent policies to avoid ambiguity 		<ul style="list-style-type: none"> Recommend reviewing current purchasing policy to identify and resolve any discrepancy. Communicate policy changes.
<ul style="list-style-type: none"> Procedure / format for receipting invoices with no supplier invoice number is not clear. 	23,24	<ul style="list-style-type: none"> Operations receipt from packing / delivery slip and not invoice 		<ul style="list-style-type: none"> There is defined procedure for receipting invoices with no supplier invoice number which should be re-communicated to relevant stakeholders. Investigate opportunities to update system to receipt from packing / delivery slip rather than invoices.



Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS – APPROVE / RECEIPT INVOICES (cont'd)				
<ul style="list-style-type: none"> Invoice details are manually inputted into the financial system by FAs and AP. This is a timely process, which is also prone to error as it is highly manual in nature. In addition, there has been limited technology adoption for imaged documentation in regard to AP invoices. 	26,33	<ul style="list-style-type: none"> Intelligent Document Recognition (IDR) / Optical Character Recognition (OCR) software that facilitates the scan, and capture of invoice data into the financial system. 	○	<ul style="list-style-type: none"> Consider exploring the use of OCR/IDR technologies to facilitate the scan, and capture of invoice data into the financial system. Understand documentation form (paper, electronic) and retention requirements. Develop and Implement document management and retention strategy.

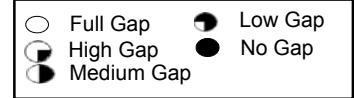


Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - POST / GENERATE PAYMENTS				
<ul style="list-style-type: none"> Within AP department, approved invoices are manually sorted for processing. This is a time consuming process that takes time away from processing of invoices and value added activities. 	-	<ul style="list-style-type: none"> Electronic scan, and document triage system that filters processing of invoices based on urgency, due date, etc. 	○	<ul style="list-style-type: none"> Consider opportunity to explore workflow systems (that include triaging capabilities).
<ul style="list-style-type: none"> Policy is not completely understood on whether vendor payments are made only on original (paper) invoices. 	25	<ul style="list-style-type: none"> Automated 3-way electronic matching (invoice, PO, receipt) 	○	<ul style="list-style-type: none"> Clarify existing policy by communicating to relevant stakeholders. Consider exploring the use of OCR/IDR technologies to facilitate the scan, and capture of invoice data into the financial system to allow 3-way electronic matching.
<ul style="list-style-type: none"> Hand-written information on the stamp fixed by the FA are sometimes difficult to read - receiver #, amount etc and could result in delays and/or mistakes. 	26	<ul style="list-style-type: none"> Automated 3-way electronic matching (invoice, PO, receipt) 	○	<ul style="list-style-type: none"> Determine short-term fixes and implement Consider exploring the use of OCR/IDR technologies to facilitate the scan, and capture of invoice data into the financial system to allow 3-way electronic matching.
<ul style="list-style-type: none"> POs are sometimes shown as outstanding although they have been paid because receiver number has not been entered; They are being processed as direct invoices. 	27	<ul style="list-style-type: none"> Automated 3-way electronic matching (invoice, PO, receipt) 	○	<ul style="list-style-type: none"> Identify non-conformances and bring to attention of AP management for action.

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - POST / GENERATE PAYMENTS (cont'd)				
<ul style="list-style-type: none"> Mistakes are made in keying information and Financial Assistants are asked to adjust for them. E.g.: <ul style="list-style-type: none"> Journal entry to resolve error keying in a/c code, amount rather than correcting it through the system Department id # (6 digits) is entered instead of project id # (10 digits). 	33	<ul style="list-style-type: none"> Manual keying of information is reduced through automation, where ever possible. 		<ul style="list-style-type: none"> Track instances of these types of issues, analyze to determine extent of problem and develop corrective actions.
<ul style="list-style-type: none"> Employee expenses are not always reimbursed in a timely manner to allow them to make payments. 	34	<ul style="list-style-type: none"> Expense reimbursement policy stipulates how long it will take to process claims and actual performance measured and communicated. 		<ul style="list-style-type: none"> Track instances of late payments, analyze to determine extent of problem and develop corrective actions.
<ul style="list-style-type: none"> Request for cheques to be pulled for collection or special delivery can sometimes be processed incorrectly. E.g.: <ul style="list-style-type: none"> Vendor file may be out-of-date and cheques are being pulled when not required Pull sheets are sometimes incorrectly coded / completed by requestee Pull sheet are sometimes ignored; as a result cheque is not available for collection or delivered according to instructions 	35	<ul style="list-style-type: none"> Maximize Electronic Funds Transfer (ETF). Executive approval is required if not in the normal processing cycle. 		<ul style="list-style-type: none"> Update vendor file Re-educate requestee on how to complete pull sheet Coach staff to be more diligent of such requests Investigate electronic workflow with opportunities for automating approval request.



Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - POST / GENERATE PAYMENTS (cont'd)				
<ul style="list-style-type: none"> It was reported that PCards are being used by several departments to facilitate payment. However, a number of them also mentioned that low adoption rate of PCards is because of high level of scrutiny and penalties associated with non-compliance to PCard usage policies Approximately 36% (or over 71,000) of all invoices are for less than \$100. 	-	<ul style="list-style-type: none"> Use of PCards to eliminate all small dollar invoices. Use of PCards for majority of high volume / low value purchases. Leading organizations consider expanding their PCard programs to various product categories and supplier /services spend, while maintaining a strong control environment (i.e. potential for greater stringency on card usage). 		<ul style="list-style-type: none"> Leverage your PCard solution provider for organization-wide education and awareness. Consider the expansion opportunities of the PCard program based upon category and suppliers. Examples can include expanding the PCard program to have deeper penetration of card usage across a wider range of product categories, as well as different service categories. An analysis of current suppliers enrolled in the program should be performed to determine the characteristics of this unique supply base (region, size, vertical, etc.) and then target similar suppliers who are not already participating in the program.

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - POST / GENERATE PAYMENTS (cont'd)				
<ul style="list-style-type: none"> There were reported instances of receiving numerous invoices from certain vendors that are at times low dollar in amount and are not yet on consolidated billing (i.e. Horizon). Currently, this has the effect of increasing the workload and processing effort in Accounts Payable to process these invoices. 	-	<ul style="list-style-type: none"> Summary billing and paying from statements (for those suppliers who have many small dollar invoices): <ul style="list-style-type: none"> Once payments are to be made from statements, no invoices from the statement suppliers should be honoured. 		<ul style="list-style-type: none"> Consider working with certain vendors directly to develop consolidated electronic invoices: <ul style="list-style-type: none"> This initiative can potentially lower the overall cost

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - MANAGING QUERIES AND COMMUNICATIONS				
<ul style="list-style-type: none"> Vendors do not always know who to call if there is delay in receiving payment <ul style="list-style-type: none"> Lack of clarity on who is primarily responsible for vendor queries: AP, FA or User Department. Vendors do not receive prompt resolution to payment status. 	37, 38	<ul style="list-style-type: none"> Capability to provide remittance advice and invoice status information to suppliers through web portals / esettlements. 		<ul style="list-style-type: none"> Consider capability to provide remittance advice and invoice status information to suppliers through web portals / esettlements with electronic work-flow and approval
<ul style="list-style-type: none"> Communication protocol from Accounts Payable is not always consistent - sometimes they contact Financial Assistant and other times they contact Business Administrator. 	32	<ul style="list-style-type: none"> Established communication protocols that are followed. 		<ul style="list-style-type: none"> Develop communication protocols and communicate roll-out
<ul style="list-style-type: none"> Lack of adequate two-way communication on issues such as those listed below (exacerbated by Accounts Payable being remote from Financial Assistants). <ul style="list-style-type: none"> Changes in AP or FA staff / responsibility Receipt of duplicate invoices Instances where vendors are not going to be paid for some reason for (e.g. vendor will not be paid on supplier statement Implementing changes such as having vendors send invoices to AP instead of PM, responsibility or personnel changes, reimbursement forms When contact list on S-drive is updated 	39	<ul style="list-style-type: none"> Communication issues are continuously identified and addressed. 		<ul style="list-style-type: none"> Review existing internal communication methods / platforms and determine how they can be improved to address operational issues.

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
PROCESS - MANAGING QUERIES AND COMMUNICATIONS (cont'd)				
<ul style="list-style-type: none"> Locating forms such as travel, employee reimbursement, cell phone on the S-drive is not always easy or intuitive. 	40	<ul style="list-style-type: none"> Employee self-service sites are designed to be user-friendly. 		<ul style="list-style-type: none"> Consider reviewing forms on S-drive and making it more user-friendly to locate. Identify a contact in AP for forms.
<ul style="list-style-type: none"> Transparent coloured sleeves are generally considered to be an improvement on the inter-office envelopes however <ul style="list-style-type: none"> Implementation has not gone smoothly due to poor communication; most user departments were not informed Invoices cannot always be easily inserted into the sleeves 	7	<ul style="list-style-type: none"> Electronic workflow and approval. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft.

Accounts Payable Findings – Policies, Procedures and Practices

Overall Technology Theme: Technology is currently not being fully leveraged to automate AP process, and more specifically the workflow and approval process.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
TECHNOLOGY				
<ul style="list-style-type: none"> Generally, invoices are time stamped and forwarded throughout the organization in hard copy form for review and approval, rather than electronic means. This increases the risk of lost invoices, increased cycle time and lack of visibility into the location of the invoices, and the status of approvals. 	9	<ul style="list-style-type: none"> Upfront electronic scanning of the invoices and extraction of salient financial AP information to facilitate inputting into the financial system of record - (Optical Character Recognition [OCR] / Intelligent Document Recognition [IDR], and indexing of supporting documents. Upfront electronic scanning of the invoices and an electronic document management system to facilitate documentation of financial support (providing potential for electronic audit trail of invoices and approvals). Electronic workflow and approval. 		<ul style="list-style-type: none"> Explore opportunities to use OCR/IDR type technologies to facilitate the input of data into the core financial system (PeopleSoft). Explore opportunities to increase adoption of electronic invoices, and an electronic document management system to mitigate need for storage and ease retrieval. Explore opportunities for electronic workflow and approval
<ul style="list-style-type: none"> Currently, the progress payment process involves use of Excel spreadsheets which are maintained offline. This results in additional manual work for the FA staff, and increases risk of error as it is not integrated into the system. 	-	<ul style="list-style-type: none"> Integrated core financial system that houses "one version of the truth". 		<ul style="list-style-type: none"> Explore opportunities for simplifying the process and additional modules or other applications to assist with progress payments

Accounts Payable Findings – Policies, Procedures and Practices

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
TECHNOLOGY (cont'd)				
<ul style="list-style-type: none"> There is lack of visibility as to location and status of invoices once inside the City because invoices are not scanned upfront and supported by workflow management . 	9	<ul style="list-style-type: none"> Upfront scanning, and electronic workflow and approval. 		<ul style="list-style-type: none"> Explore opportunities to use OCR/IDR type technologies to facilitate the input of data into the core financial system (PeopleSoft) and electronic workflow and approval.
<ul style="list-style-type: none"> Below is a list of specific technical issues that were highlighted - <ul style="list-style-type: none"> After receiving an invoice against the PO, the invoice gets paid but sometimes does not get applied against the PO; Receipt number remains in the system as un-matched and query has to be run to check if a receipt has been matched. SDM purchases receipted in PS system from packing slip but the system sometimes still shows invoices under 'match exception' as it is not seeing the purchase has been receipted. Interface between some specialized system and PS not working leading to accrual problems; (this issue is currently being worked on). There is nothing in the system to prevent from receipting multiple times against a contract Duplicates cannot be identified at receipt level There is no quick way to identify if an invoice has been receipted 	17, 18, 19, 20, 21	<ul style="list-style-type: none"> System and process to identify, log, prioritize and resolve technical issues with internal and/or external resources with regular feedback to originator. 		<ul style="list-style-type: none"> Consider prioritizing and resolving these issues; and where permanent solutions are not feasible implement alternative solutions. Training and role based refresher updates to keep Finance personnel abreast of system capabilities.

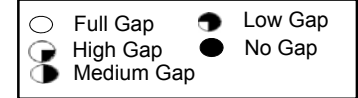
Accounts Payable Findings – Resources

Overall Resources Theme: Currently there is a lack of clear roles and responsibilities, team work and performance metrics resulting in misunderstanding and potential conflicts. Staff are being challenged to provide good customer service because their time and effort is being spent just keeping up with current workload.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
RESOURCES				
<ul style="list-style-type: none"> Roles and responsibilities are not always clear leading to misunderstanding, lack of team-work and potential conflicts. For example: <ul style="list-style-type: none"> Point of contact and primary responsibility for vendor queries Correcting entry errors 	41, 44, 37	<ul style="list-style-type: none"> Clear definition of roles and responsibilities. Shared objectives, performance metrics and goals. Communication of these to facilitate team-work. 		<ul style="list-style-type: none"> Review current roles and responsibilities and provide greater clarity or re-assign activities. Ensure these changes are communicated to all relevant stakeholders.
<ul style="list-style-type: none"> Currently performance metrics are not tracked, analyzed or communicated in regard to the accounts payable process. This has led to potentially incorrect assumptions being made on performance such as cycle times, queries outstanding, etc. Lack of performance metrics has also led to the following : <ul style="list-style-type: none"> When Accounts Payable staff dedicated to certain activities such as P-card processing or dealing with certain vendors are away, it is perceived that the process does not work well Perception of high employee turn-over in Accounts Payable (and FA). Therefore it is not always clear who to contact Lack of team work / effort 	28, 29, 30, 31, 43	<ul style="list-style-type: none"> “SMART” (Specific, Measurable, Actionable, Relevant, and Timely) metrics that can be tracked against peers in regard to staff productivity, cycle time, cost effectiveness, process efficiency. 		<ul style="list-style-type: none"> Develop list of KPIs for accounts payable to be tracked . Shared / Team metrics should be created between AP and FA (as well as purchasing for procure to pay process) in order facilitate team work

Accounts Payable Findings – Resources (cont'd)

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
RESOURCES (cont'd)				
<ul style="list-style-type: none"> Accounts Payable staff are required to balance workload particularly with respect to invoice processing and responding to queries (from vendor and FA). 	42	<ul style="list-style-type: none"> Continuous monitoring of workload, prioritization and tracking. 		<ul style="list-style-type: none"> Ongoing coaching and training on prioritizing workload Monitoring backlog of work (this can be facilitated through appropriate use of technology such as workflow management)
<ul style="list-style-type: none"> Mail sorter's knowledge of the departments (especially when re-organized) may be improved so that invoices can be directed to the correct department first time. <ul style="list-style-type: none"> This is an entry level position but plays a crucial role in ensuring invoices are sent to the correct department. 	5	<ul style="list-style-type: none"> Electronic workflow so that invoices can be quickly re-directed, if necessary 		<ul style="list-style-type: none"> Re-examine onboarding training for this position Ongoing refresher updates particularly when departments are re-organized. Explore other means such as designating a FA representative in each department that the mail sorter can call.



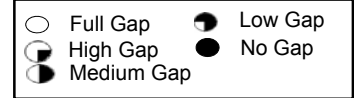
Accounts Payable Findings – Risk Management

Overall Risk Management Theme: Risk is being managed by having appropriate segregation of duties (approval, review of approval, payment processing and cheque printing / EFT are done by different people) and approval levels; however at times duplicate invoices have been processed. Controls related to invoices, PO, receiving documentation may need to be reviewed.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
RISK MANAGEMENT				
<ul style="list-style-type: none"> Generally, it is reported that proper segregation of duties exist between invoice approval (user department), verifying approval (FA), payment processing (AP) and cheque printing /EFT (accounts receivable). 	-	<ul style="list-style-type: none"> Segregation of duties between supplier set up, invoice processing / approval and payment processing, 		<ul style="list-style-type: none"> Evaluate the risk and take appropriate action as required.
<ul style="list-style-type: none"> Vendors invoices are physically moved between departments that are located in geographically different areas increasing the risk of getting lost or delayed. For example, invoices are received in AP department (125 King St), moved to City Hall for sorting and then delivered to City Centre. After necessary approval/s, they are sent back to AP for payment processing through the same channels. Some departments mentioned that they sometimes hand deliver high-priority invoices to AP to ensure it is received safely and on time for processing. 	-	<ul style="list-style-type: none"> Electronic workflow and approval. 		<ul style="list-style-type: none"> Explore opportunities to use OCR/IDR type technologies to facilitate the input of data into the core financial system (PeopleSoft).

Accounts Payable Findings – Risk Management (cont'd)

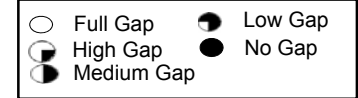
Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
RISK MANAGEMENT				
<ul style="list-style-type: none"> Duplicate invoices are received and sometimes processed for payment. Some examples of duplicate invoices approved for payment were provided. 	3,4	<ul style="list-style-type: none"> Workflow and matching technology (Electronic requisitioning, 3-way Invoice / PO / Receipt matching, routing, approval) 		<ul style="list-style-type: none"> When duplicate invoices are identified it must be communicated to relevant individuals with a view to preventing recurrence. Explore process enhancement supported by appropriate technology to eliminate / mitigate this risk.
<ul style="list-style-type: none"> Sometimes approvers are not fully aware of their approval limit and invoice polling in one of the departments apparently showed approvers had exceeded their limit. 	-	<ul style="list-style-type: none"> Approver matrix with updated limit is used or programmed into the system. 		<ul style="list-style-type: none"> Ensure approvers are always aware of their approval limit.
<ul style="list-style-type: none"> It was mentioned that FAs are sometimes asked to process invoices even though it would result in budget over-runs. 	14	<ul style="list-style-type: none"> Budget-over runs are known and approved before placing / issuing a PO. 		<ul style="list-style-type: none"> Confirm and evaluate policy/procedure, communicate and ensure conformance.



Accounts Payable Findings – Client Satisfaction

Overall Client Satisfaction Theme: Finance and Administration (F&A) staff generally feel Accounts Payable staff could provide better customer service to them and their vendors. Generally, the response to problem resolution has often being delayed and poor.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: (Gap level)	Opportunity for Improvement
CLIENT SATISFACTION – F&A DEPARTMENT				
<ul style="list-style-type: none"> Only some of the F&A staff are satisfied with customer service from AP; Most do not believe they and their respective vendors get 'good' customer service. 	-	<ul style="list-style-type: none"> A strong customer service and team work culture. 		<ul style="list-style-type: none"> Identify and implement internal and external customer service metrics.
<ul style="list-style-type: none"> There are no service level agreements (SLAs) for payment processing, resolution of problem invoices and response time to queries <ul style="list-style-type: none"> Perception of poor response time from Accounts Payable to e-mail and phone queries There is a perception that problem invoices are held in Accounts Payable and no notification given to Financial Assistants or effort made to resolve them until a vendor calls 	28,39, 30	<ul style="list-style-type: none"> Service levels are established, communicated and monitored to identify variances so that action plans can be implemented to address performance gaps. 		<ul style="list-style-type: none"> Establish realistic service levels and monitor and report against them regularly. Automation would assist in tracking the actuals.



Accounts Payable Findings – Client Satisfaction

Overall Client Satisfaction Theme: Delays are caused because of challenges getting invoices to the right individual and right department as well as vendors not submitting details of work performed. AP staff could, in general, be more collaborative and responsive in taking corrective actions.

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
CLIENT SATISFACTION – USER DEPARTMENTS				
<ul style="list-style-type: none"> ● Invoices are delayed getting to the right person and right department <ul style="list-style-type: none"> – Too many hands touching invoices – Too many people involved in the AP process – AP process is complex because of the number of movements and people outside AP department being involved – Invoices sometimes goes to right department but not right location; re-directing adds additional time – Suppliers do not provide complete and correct information as in the PO – Sometimes invoices are not received in the user department because of wrong address or contact information 	-	<ul style="list-style-type: none"> ● Invoices are electronically scanned and sent for approvals using work-flow management 	○	<ul style="list-style-type: none"> ● Investigate opportunities to utilize electronic workflow and approval with PeopleSoft. ● Vendor awareness program to inform them what information is required on invoices. ● Should include phone number / extension number of contact on invoice
<ul style="list-style-type: none"> ● Delays are caused in approving invoices because vendor has not submitted details of work performed (even though it was provided to them) 	-		-	<ul style="list-style-type: none"> ● Vendor awareness program to inform them what supporting documentation is required with invoices.

Accounts Payable Findings – Client Satisfaction (cont'd)

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
CLIENT SATISFACTION – USER DEPARTMENTS				
<ul style="list-style-type: none"> Within some departments there is some confusion among approvers about their approval limits <ul style="list-style-type: none"> Invoices are sent to FA and returned back for further approvals During internal polling of invoices, it was found that invoices were signed off by individuals with lower approval limits 	-	<ul style="list-style-type: none"> Invoices are automatically routed to the right individual based on invoice amount. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft. In the absence of automation, approvers need to be regularly reminded of their approval limits.
<ul style="list-style-type: none"> Some non-value adding activities being performed such as copying the dept ID (which is already on the PO) onto the invoice. 	-	<ul style="list-style-type: none"> Identify and eliminate non-value adding activities as part of continuous process improvement. 		<ul style="list-style-type: none"> Determine the requirement for repeating dept ID on the invoice and communicate the results.
<ul style="list-style-type: none"> Approved invoices are sometimes lost / misplaced during delivery to AP and have to be resubmitted to AP for payment <ul style="list-style-type: none"> Both FA and user retain copies of approved invoices in case they have to resubmit 	-	<ul style="list-style-type: none"> Invoices are electronically scanned and sent for approvals using work-flow management. 		<ul style="list-style-type: none"> Investigate opportunities to utilize electronic workflow and approval with PeopleSoft. This would also eliminate the need to keep multiple copies of invoices by the City.
<ul style="list-style-type: none"> Approved invoices are sometimes sent back from AP to users through interoffice mail rather than use of phone or e-mail to resolve the issue. 	-	<ul style="list-style-type: none"> Queries are resolved using the fastest and most convenient method to avoid delays. These procedures are documented and personnel trained on them. 		<ul style="list-style-type: none"> Re-emphasize and re-train staff to use phone or e-mail to resolve issues where feasible.

Accounts Payable Findings – Client Satisfaction (cont'd)

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
CLIENT SATISFACTION – USER DEPARTMENTS				
<ul style="list-style-type: none"> Internal charges are sometimes not approved by the manager but they show up later as a cost to the department. 	-	<ul style="list-style-type: none"> Avoid any surprise costs being charged or allocated to budget holders. 		<ul style="list-style-type: none"> Investigate internal charging process and close any gaps which lead to surprises.
<ul style="list-style-type: none"> AP does not always process payments as requested. For example: <ul style="list-style-type: none"> Special requests for cheque to be delivered to user department or held for collection does not always work even when cheque requisition is completed. Utility cheques are sent as a total (commercial and residential) and therefore vendor is not aware that invoice has been paid Staff take time to split invoice line items by department dept ID but AP processes them into as a single dept ID; Journal entry required to correct these Invoices for some vendors is combined and approved for payment but FA wants them to be individually approved 	-	<ul style="list-style-type: none"> Policies and procedures are developed to ensure the overall process is streamlined, efficient and effective. Buy-in into the final process design is achieved through training and communication. 		<ul style="list-style-type: none"> Investigate the specific issues raised to identify the reasons and implement corrective action or communicate the rationale for adopting certain procedures.
<ul style="list-style-type: none"> Match exceptions appear not to be communicated promptly and proper follow up procedures from AP/FA appear to be lacking. 		<ul style="list-style-type: none"> It is good practice to track number of incidents to quantify the problem so that it can be prioritized for action. 		<ul style="list-style-type: none"> Communicate the procedure and timing for dealing with match exceptions; track and report on the number of incidents and time to resolve.

Accounts Payable Findings – Client Satisfaction (cont'd)

Observation and Implication	Ref No.	Leading Practices	Alignment Assessment: Gap level	Opportunity for Improvement
CLIENT SATISFACTION – USER DEPARTMENTS				
<ul style="list-style-type: none"> Sometimes when submitting cheque requisitions, users are asked for vendor number but are not provided with details of how / where to get them. 	-	<ul style="list-style-type: none"> Commonly used procedures are available online for users. 		<ul style="list-style-type: none"> Research and communicate this procedure to all users.
<ul style="list-style-type: none"> Only some users have access to PeopleSoft to see if invoices were processed; others have to refer to their FAs. Most users did not seem to mind vendors calling them directly (or FAs) about payment. <ul style="list-style-type: none"> eDRMS is seen as a useful look up tool Vendors (Canpar, Bell Canada) are constantly following up on invoices that are not due. 	-	<ul style="list-style-type: none"> Access to information is provided which would enable staff to function efficiently and effectively. 		<ul style="list-style-type: none"> Investigate whether additional users can be allowed access to this information, any associated costs and evaluate the cost / benefit.
<ul style="list-style-type: none"> The City has a general policy of not paying any late fees; however some late payment charges are hidden and may be paid without knowledge. For e.g. Telus mobile charges. Not aware of vendors offering early payment discounts. 	-	<ul style="list-style-type: none"> - 	-	<ul style="list-style-type: none"> Investigate if this statement is valid and take corrective action.
<ul style="list-style-type: none"> There are some inconsistencies in activities / functions of FAs across departments. For example, FAs in only some departments perform computer inventory updates . 	-	<ul style="list-style-type: none"> It is generally common to have consistent roles and responsibilities for all FA staff. 		<ul style="list-style-type: none"> Investigate and take corrective action or communicate the reason for differing duties.
<ul style="list-style-type: none"> Purchasing policy changes are made ostensibly without context and /or not clearly communicated to affected parties. As a result users are not always clear on the procedure to follow. 	-	<ul style="list-style-type: none"> Changes to policies and procedures are clearly communicated, and conformance to revised / new procedures is monitored. 		<ul style="list-style-type: none"> Analyze how changes are communicated and explore alternatives to improve understanding and adoption



Accounts Payable Findings – Client Satisfaction (Vendors)

Overall Client Satisfaction Theme: Most vendors expressed satisfaction even though payment terms were being exceeded and rated the City's performance as on par with other vendors. It was felt that issues were generally resolved promptly either by Finance or user department staff.

- A Vendor that has longer-term contracts with the City mentioned blanket POs are raised for amounts less than annual purchases. New blanket POs are then raised but always only to cover outstanding amounts. As a result, final invoice approval is delayed leading to late payment.
 - Consider increasing the value of blanket PO where it appears current limits are not sufficient.
- A vendor mentioned that when contracts were initially set up there were late payments. But after these were resolved, the City has been prompt in paying invoices. The City appears to be strict to the penny and rounding errors have to be adjusted before invoices get paid.
 - Capture lessons learned and share information internally to resolve and avoid repeat problems.
- Some vendors deliver an invoice with the goods, and on a weekly basis consolidate the invoices for different accounts and send it for payment. This system appears to work well.
 - Investigate opportunities with other vendors to have a similar arrangement.
- During 2011 there appears to have been significant number of requests to send duplicate invoices by the City.
- Some vendors have electronic invoice capability but said they have not been asked to send invoices electronically.

Approximately 57% of all vendor invoices are paid within 30 days



cutting through complexity

Process Efficiency, Productivity and Cycle time



Process Efficiency, Productivity and Cycle time Comparisons

On the following 3 slides process efficiency, productivity and cycle time of AP process at the City of Hamilton is compared to Sector Peers (Government & Military) and Private Sector. The purpose was to confirm whether what we heard and observed (qualitatively review) is consistent with a quantitative selection.

For the sample, we found that the City's performance trends toward median or slightly better with respect to process efficiency, cost effectiveness and staff productivity. However on cycle time metric the City's performance trends toward the bottom. These metrics should be considered together as higher staff productivity may be achieved at the expense of longer cycle time.

In order to model the actions of cycle time top performers, the City should consider the selection and use of appropriate technology such as automated workflow and approvals that could increase staff productivity and reduce cycle times. In addition cycle times should be tracked, monitored and communicated. These should also have a positive impact on efficiency and cost effectiveness as staff will have time for more value-adding activities.

Note: This analysis was based on data provided to KPMG by City of Hamilton staff and is included in the Appendix. We did not verify the accuracy of the data provided. For comparators we used APQC (American Productivity and Quality Center) data.



Process Efficiency and Cost Effectiveness

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Process Efficiency	Number of FTEs performing the process "process accounts payable" per \$1 billion purchases	17.7	26.3	20.1	13.6	43.7	22.5	10.8
Process Efficiency	Percentage of discounts available that are taken	-	87.0%	89.6%	93.3%	66.9%	92.0%	99.2%
Process Efficiency	Percentage of invoice line items received electronically	40.8%	3.0%	18.1%	42.6%	0.0%	6.2%	34.8%
Process Efficiency	Percentage of invoices which are manually keyed into the financial system	59.2%	94.5%	57.0%	21.3%	100.0%	87.0%	33.5%

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Cost Effectiveness	Personnel Cost of the process "process accounts payable" per 1000 purchases	\$1.11	\$2.62	\$1.38	\$0.81	\$1.99	\$0.99	\$0.45
Cost Effectiveness	Value of purchases (in millions) per "process accounts payable" FTE	\$57.84	\$38.01	\$49.79	\$73.48	\$22.88	\$44.54	\$93.06

COMMENTARY:

"PROCESS EFFICIENCY": In comparison with APQC leading practice comparators the performance of the City in regards to process efficiency currently trends towards the median on an overall basis.

- Number of FTEs to perform this function includes estimated 5.9 FAs who reside in the user department and who distribute, input and obtain & check authorisation of invoices. As previously discussed in this report, there are opportunities to reduce or eliminate some of these activities through deployment of suitable technology which will move the performance closer to the top end.
- It was mentioned by various user groups (and AP) that most vendors do not allow early payment discount. One group mentioned that some of their vendors provide early payment discount and this is always utilized.
- Percentage of invoices which are manually keyed into the financial system is higher than median possibly indicating a high number of direct orders. Generally it is leading practice to have high a percentage of POs so that invoices can be matched electronically to the original PO reducing errors and work effort.

"COST EFFECTIVENESS": In comparison with APQC leading practice comparators the performance of the City in regards to cost effectiveness currently trends towards the lower end of the median on an overall basis.

- Cost effectiveness metric is adversely affected by an additional layer of staff distributing, coordinating / reviewing approvals, and responding to vendor queries.

Key Considerations:

- To model the actions of top performers, consider the appropriate selection and use of technology to facilitate the distribution and approval of invoices to further increase process efficiency in invoice processing. In addition, clarifying roles and responsibilities between AP and F&A will help to resolve some of the operating issues so that additional time can be devoted to value adding activities.



Staff Productivity

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)		
			Bottom Performer	Median	Top Performer
Staff Productivity	Number of invoice line items processed per "process accounts payable" per accounts payable FTE	18,968	7,249	10,649	22,297
Staff Productivity	Number of invoices processed per "process accounts payable" per accounts payable FTE	8,488	2,769	4,107	8,807

COMMENTARY:

"STAFF PRODUCTIVITY": In comparison with APQC leading practice comparators the performance of the City in regards to process efficiency currently trends towards the top end of the median on an overall basis.

- Number of line items received electronically is over 40% which contributes to favourable staff productivity.
- Currently, there is no metric tracking from a staff productivity perspective to manage performance of FTE's within the AP department. Experience has shown that organizations that measure, track and report on performance metrics in regards to staff productivity tend to have resources who are more productive than those who do not measure, track and report performance metrics.
- There are many ways to improve the staff productivity metrics. One way in which to improve staff productivity could be by deploying electronic work-flow and approval to create efficiencies. Furthermore the staff productivity metrics above could likely be improved with the added use of technology such as leveraging Optical Character Recognition (OCR) or Intelligent Document Recognition (IDR) technologies that could lessen the current need for resource intensive processes that involve data input, and redeploy resources to more value added tasks. In addition, performance metrics in regards to individual and team processing and staff productivity metrics should be tracked and reported.
- Key Considerations: To model the actions of top performers, consider the appropriate selection and use of technology to facilitate the distribution and approval of invoices to further increase staff productivity. Also consider measuring, tracking and communicating performance metrics to encourage higher levels of performance.



Cycle Time

Metric Category	Metric Name	Your Organization	Sector Peers (Government & Military)			Leading Practice (inc. Private Sector)		
			Bottom Performer	Median	Top Performer	Bottom Performer	Median	Top Performer
Cycle Time	Cycle time in days from receiving of invoice until approved and scheduled for payment	44.3 *	25.5	10.0	7.5	14.3	7.0	4.0
Cycle Time	Cycle time in days from receipt of invoice until payment is transmitted	47.3 **	30.0	25.6	12.0	40.0	30.0	16.2

* Invoice date until approved and scheduled for payment

** 3.0 days from scheduled for payment to cheque issue date

COMMENTARY:

- **“CYCLE TIME”:** In comparison with APQC leading practice comparators the performance of the City in regards to Cycle Time currently trends towards the lower end on an overall basis.
 - Both Cycle time metrics ‘from receipt of invoice until approved and scheduled payment ’ and ‘from receipt of an invoice until payment is transmitted’ is at the lower end of the performance continuum.
 - Generally, invoices are received by AP and sent to a FA in the user department for distributing to individuals that procured the goods/services. The individual codes and approves the invoice prior to sending it back to the FA to review the approvals and inputting into system. This results in invoices that may be out in the department for numerous days/weeks at a time, with no visibility to whether or not invoices have been approved, which may negatively effect cycle times. Because invoices are not logged centrally this may result in extended invoice processing cycle times if invoices get lost in transit, or are awaiting coding/approval.
 - The City policy is to pay suppliers 30 days from invoice date. The requirements of the payment policy are not currently written to allow for payment earlier than 30 days. Organizations within the private sector may sometimes expedite their invoice processing times in order to take advantage of early payment discounts. Organizations in this regard may have incentive to process invoices on a strategic level (i.e. Triaging invoice processing to take advantage of invoices that provide early payment discounts).
 - As previously discussed, during our interviews it was clear that the resources within the AP function spend a majority of their time focused on data input, validation, exception management and review type activities, due to how the processes have been designed throughout the company within the context and environment of the technology that is currently used. Manual processes are typically longer in cycle time when compared to processes that leverage the use of technology enablers to facilitate invoice processing. Cycle times could likely be improved if the proper level of technology and type of technology was utilized (such as leveraging Optical Character Recognition (OCR) or Intelligent Document Recognition (IDR) technologies, electronic/automated workflow and approvals.
 - **Key Considerations:** To model the actions of top performers, consider the selection and use of appropriate technology such as automated workflow and approvals that could increase staff productivity and cycle times. In addition cycle times should be tracked and monitored to identify where the delays are happening and the reasons for the delays.



Summary of Key Recommendations



Key Recommendations

There are opportunities for improving current processes, practices and procedures by addressing operating issues which have been highlighted in the previous section under 'Current State Review of AP Process'. Key recommendations are listed below.

1. There is an opportunity to automate workflow and approval process by using PeopleSoft workflow options. PeopleSoft provides two workflow facilities: Voucher Approval (using Approval Framework) and Virtual Approver. Both can be used to configure workflow, however, Voucher Approval involves more configurations than the other. In both cases, a complete understanding of the business process, rules and routing are required. Due diligence in selecting any IT system should be conducted in advance. Implementation of automated workflow and approval should enable the City to –
 - Eliminate or reduce the need for paper invoices to be circulated through the organization to get the necessary approvals;
 - Eliminate or reduce the risk of invoices getting misplaced or lost;
 - Facilitate cycle time reduction so invoices can be processed expeditiously;
 - Reduce errors caused by hand-written information and manual data inputs;
 - Enable prompt payment of supplier invoices;
 - Improve access to information about the invoice such as which department the invoice is in and its status, and
 - Free up the time previously spent on processing invoices in a paper environment to be redirected toward more value-adding work.

We understand that the City of Hamilton is currently reviewing its options to replace OpenText eDOCS / BPM with OpenText ECM suite. OpenText proposal may include workflow solutions that could also be considered.

2. In conjunction with automated workflow, current processes, responsibilities and communication protocols would need to be re-designed to help maximize the efficiency and effectiveness. This will give the City an opportunity to –
 - Clarify roles and responsibilities of finance staff to reduce misunderstanding and potential conflicts internally within the finance department;

Who should be receiving invoices from suppliers? Who is responsible for ensuring the invoices are sent to the right department and right individual for approval – first time? Who is responsible for journal entries to correct input errors? Who is primarily responsible for vendor queries regarding invoice status / payment? How and when should AP communicate if approved invoice is not going to be processed for payment? Who is primarily responsible for ensuring duplicate invoices are not authorized and/or processed? and establish cycle time for major activities.



Key Recommendations (cont'd)

- Make clear the roles and responsibilities of user departments, and
 - Inform and communicate to vendors information required for prompt payment of invoices.
3. Implement a system to track and report on performance and cycle time metrics. This done in conjunction with re-defining responsibilities and communication protocols will help to –
 - Identify and implement key performance metrics
 - Set and track realistic cycle time for 'receiving an invoice to approval', 'approval to scheduled for payment' and 'scheduled for payment to issue payment';
 - Encourage team work and communication, and
 - Improve overall client satisfaction.
 4. Continue to look for opportunities to reduce invoices volume through P-Cards, invoice consolidation etc.
 5. Consider expanding P-Card programs to various product categories and supplier / services spend, while maintaining / implementing a strong control environment.
 - Develop a business case for expanding P-Card usage; reduction in number of invoices to be processed, potential time and cost savings, potential to negotiate better terms with suppliers through consolidation
 - Ensure there are strict controls, and monitor compliance to P-Card policies and procedures
 6. Establish joint AP and F&A action teams to review, prioritize and resolve operating issues identified during focus group sessions.
 7. Investigate opportunities for early payment discounts with vendors (after implementing automated workflow and approval, and improve cycle time performance).
 8. Develop a long-term roadmap to further increase automation opportunities by investing in other technologies such as Intelligent Document Recognition (IDR) / Optical Character Recognition (OCR) software (to reduce keying invoice information).



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Appendices

Review of Accounts Payable Program

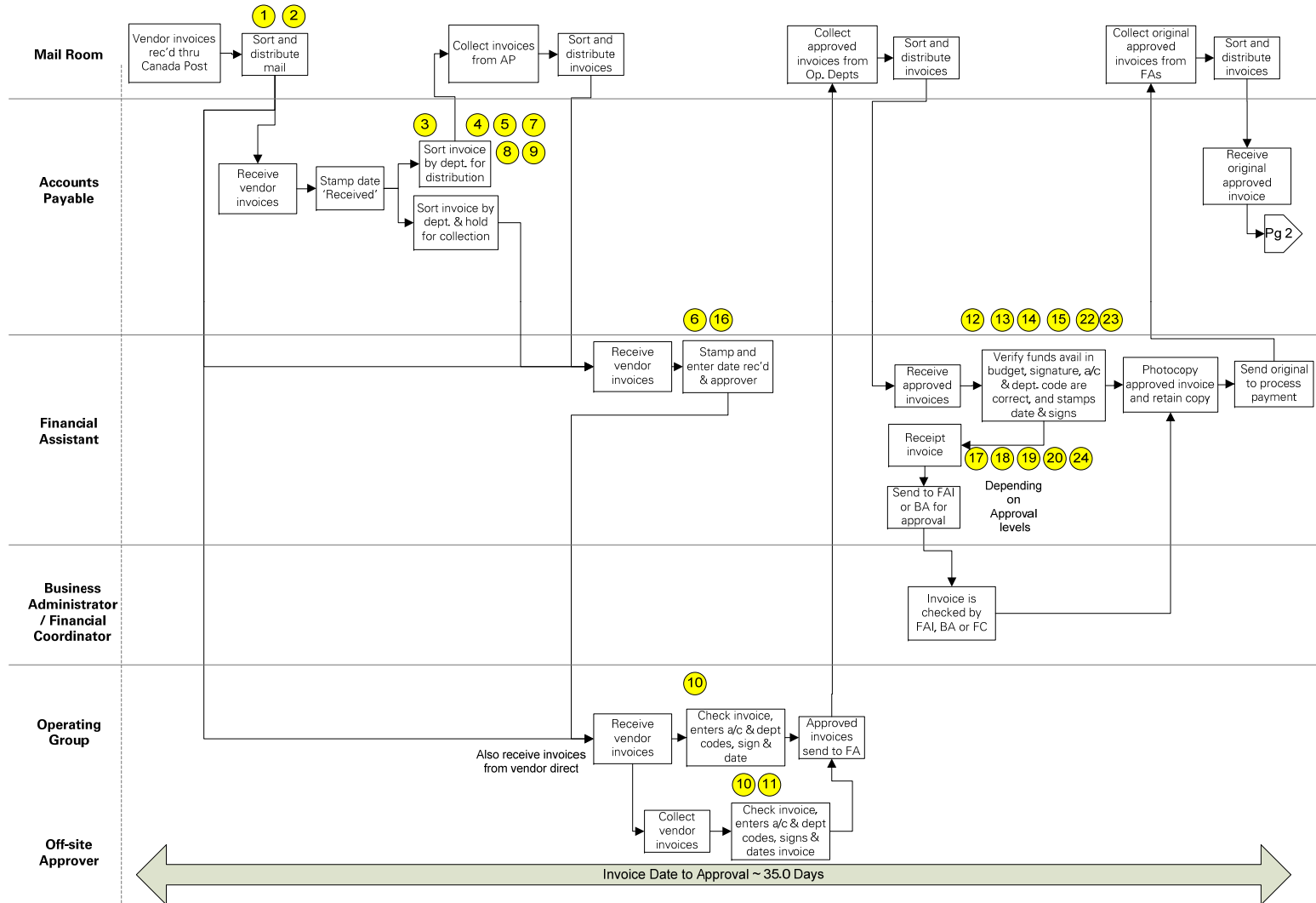


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'As Is' AP Process Flow and Issues Identified

Accounts Payable – Receive Invoice to Approval

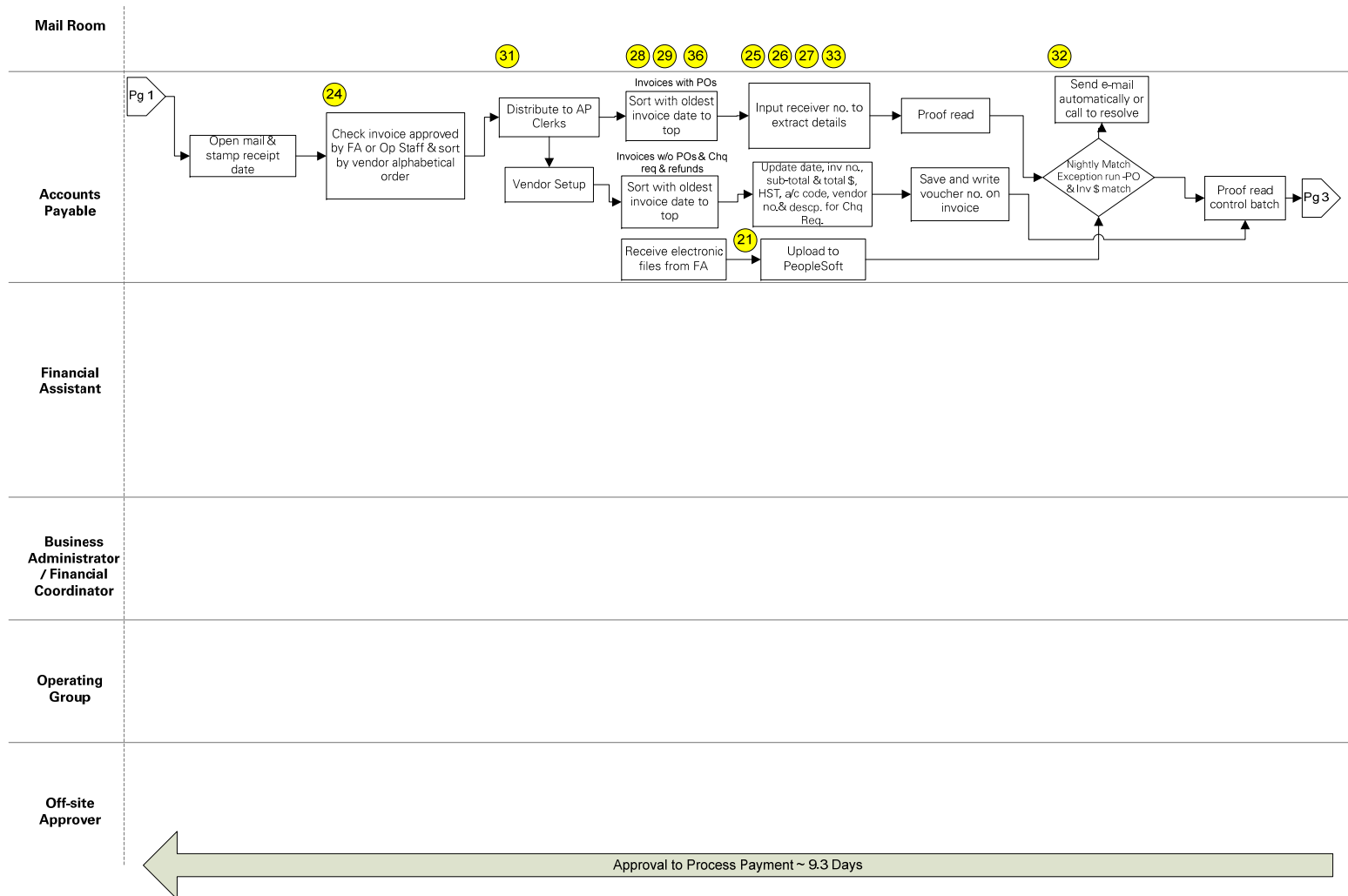
ACCOUNTS PAYABLE PROCESS Receive Invoice to Approval





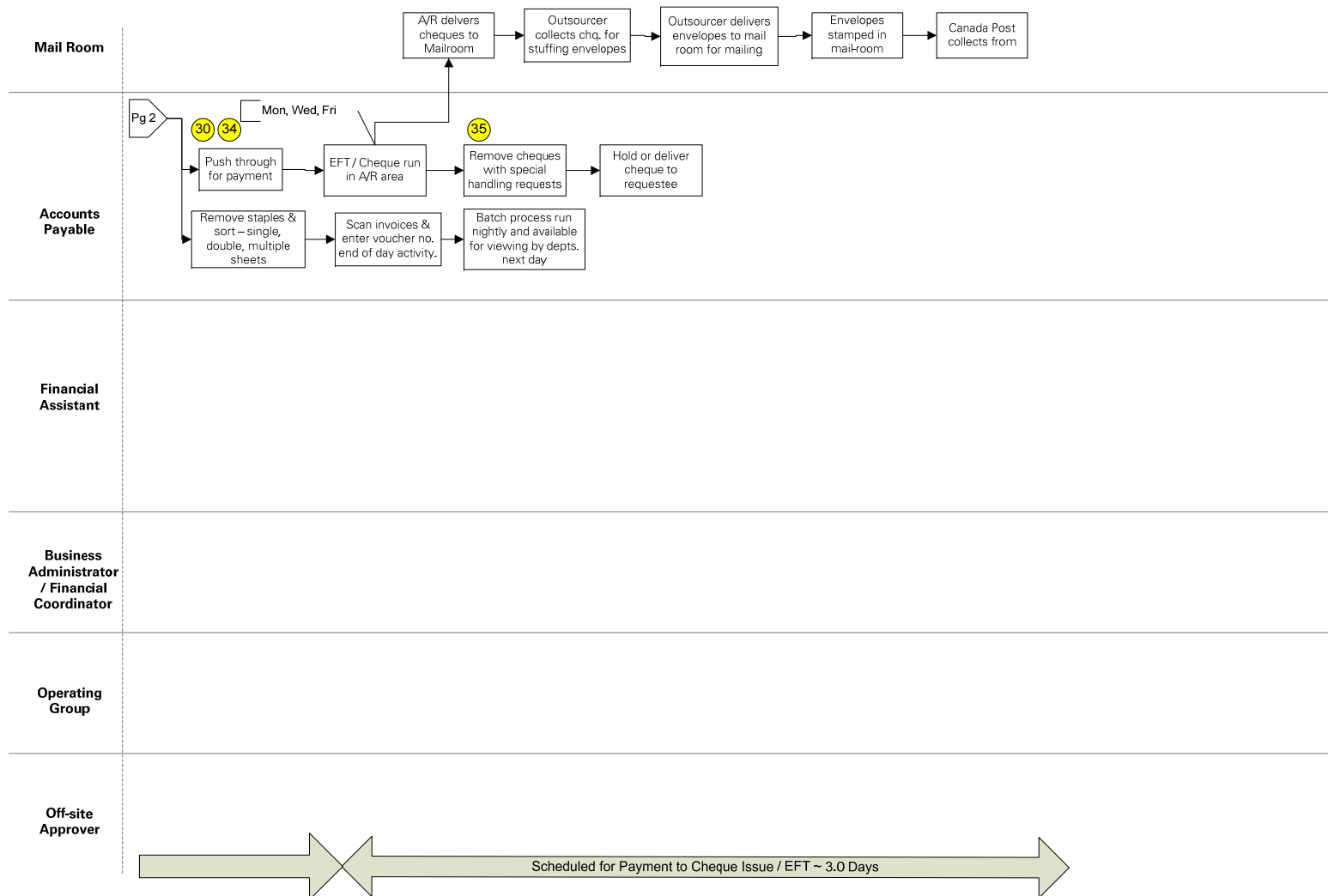
Accounts Payable – Approval to Process Payment

ACCOUNTS PAYABLE PROCESS Approval to Process Payment



Accounts Payable – Process Payment to Mail Cheque / EFT

ACCOUNTS PAYABLE PROCESS Approval to Process Payment





Accounts Payable – Receive / Distribute Invoices

Issues listed below were highlighted by City of Hamilton staff during focus group sessions. KPMG did not independently verify the information.

- 1. Invoice processing time is extended because some are sent to the incorrect department from accounts payable, and re-sent back to accounts payable to be directed to the correct department**
 - a) Insufficient and/or incorrect information provided by the vendor on the invoice
 - b) Vendor may have copied incomplete and/or incorrect information from PO
 - c) Vendors is sometimes using old PO number
 - d) Vendors combine invoices for two departments
- 2. There is lack of consistency with respect to where vendor invoices are / should be sent to in the City**
 - a) Invoices may be sent to accounts payable, Financial Assistants or city department by vendors
 - b) Invoices may be sent to the Financial Assistant, city department or Business Administrator by accounts payable
 - c) Sometimes Accounts Payable address invoices to the Business Administrator rather than Financial Assistant which can result in delays if the Business Administrator is not onsite
 - d) Vendors and Accounts Payable need to be (re)educated on where to send invoices
 - e) Changes to invoice routing is not always properly communicated for example, vendor invoices are now being sent to Accounts Payable instead of the Project Manager
 - f) Some councilors are concerned about delays (and potential confidentiality issues) when invoices are first received by Accounts Payable and then forwarded
- 3. It is not clear who is primarily responsible for identifying duplicate invoices – user department, Financial Assistant or Accounts Payable**
 - a) Vendor may sometimes submit a duplicate invoice if the location / status of the original cannot be determined
 - b) Vendors may send hard-copy and electronic copy of the same invoice
 - c) OSRs sometimes request invoices from supplier and leads to duplicate invoices in the system
 - d) Is there a workaround to process duplicate invoices by adjusting the invoice amount?
- 4. If vendor sends multiple copies of invoices then only one should be sent to the Financial Assistant ; Others destroyed to eliminate the risk of both copies being processed for payment**
- 5. There is an opportunity to improve Accounts Payable / Mail Sorter’s knowledge of where to direct the invoice**
 - a) Accounts Payable / Mail Sorter could be provided with more education when there is change in the way departments are organized



Accounts Payable – Receive / Distribute Invoices

- 6. In some cases, the purchaser is not identifiable from the invoice and Financial Assistants have to spend time to identify the correct individual which could increase time for approval**
- 7. Transparent coloured sleeves are generally considered to be an improvement on the inter-office envelopes however**
 - a) Implementation has not gone smoothly due to poor communication; user departments were not informed
 - b) Invoices cannot always be easily inserted into the sleeves
- 8. Vendors are pushing for e-invoices but the City is not in a position to receive invoices by this method**
- 9. Invoices are not logged when first received by City whether in Accounts Payable, Financial Assistants or city department making it difficult to track them through the organization**



Accounts Payable – Approve / Receive Invoices

10. Requestor may delay / hold approval of an invoice for a number of reasons including – outstanding issues with / queries from vendor, away from office, vacation, workload, waiting on persons desk, not a high priority – without Financial Assistant or Accounts Payable knowing the reason/s
11. Remote location of yards can lead to delays in getting invoices approved as supervisor may not visit the yard every day – pick-up and delivery to remote location happens only 2 times / week
12. Sometimes the requestor has not provided all the details correctly on the invoice and Financial Assistant has to go back to the requestor
13. Attachments required for contract invoices may not have been submitted and have to be followed up by the Financial Assistant
14. Financial Assistant checking whether an invoice will cause budget over-run is of questionable value because liability has been incurred (PO has been authorized). Financial Assistant / user department only needs to confirm receipt of goods
15. Audit report recommended two signatures on the invoice from operating department but some are not sure if this policy is still effect
16. There is lack of visibility as to location and status of invoices once inside the City because invoices are not scanned upfront and supported by workflow management
17. There is nothing in the system to prevent (Financial Assistants) from receiving multiple times against a contract and duplicates cannot be identified at receipt level
18. After receiving an invoice against the PO the invoice gets paid but sometimes does not get applied against the PO; Receipt number remains in the system as un-matched and query has to be run to check if a receipt has been matched
19. There is no quick way to identify if an invoice has been received
20. SDM purchases receipted in PS system from packing note but the system sometimes still shows invoices under 'match exception' as it is not seeing that purchase has been received
21. Interface between some specialised system and PS not working leading to accrual problems; this issue is currently being worked on.
22. Some invoices are received with value over \$5K but there is no PO to receive them against resulting in non-compliance (which is tracked regularly)
 - a) Under purchasing policy a purchase is PO exempt; but under a different policy PO is required for e.g. legal, training fees, computer, software maintenance
23. There is no defined procedure / format to be adopted for receiving if there is no supplier invoice number
24. Operations should be receiving from packing / delivery slip and not invoice



Accounts Payable – Post / Process for Payment

- 25. Policy not clear on whether vendor payments are made only on original invoices**
- 26. Hand-written information on the stamps are sometimes difficult to read - receiver #, amount etc and could result in delays and/or mistakes**
- 27. Some POs are left outstanding although they have been paid because receiver number has not been entered; They are processed as direct invoices**
- 28. There appears to be no service level agreement regarding how quickly Accounts Payable will process invoices for payment and resolve problem invoices**
 - a. Perception of poor response time from Accounts Payable to e-mail and phone queries from Financial Assistants
- 29. There is a perception that problem invoices are held in Accounts Payable and no notification given to Financial Assistants or effort made to resolve them until vendor calls**
- 30. There needs to be improved education and awareness on how long it takes Accounts Payable to process payment**
- 31. When Accounts Payable staff dedicated to certain activities such as P-card processing or deal with certain vendors are away the process apparently does not work well**
- 32. Communication protocol from Accounts Payable is not always consistent - sometimes they contact Financial Assistant and other times they contact Business Administrator**
- 33. Mistakes are made in keying information and Financial Assistants are asked to adjust for them**
 - a. Journal entry to resolve error keying in a/c code, amount rather than correcting it through the system
 - b. Department id # (6 digits) is entered instead of project id # (10 digits)
- 34. Employee expenses are not always reimbursed on time to allow them to make payments**
- 35. Request for cheques to be pulled for collection or special delivery can be sometimes lead to errors**
 - a. Pull sheet are sometimes ignored as a result cheque is not available for collection or delivered according to instructions
 - b. Pull sheets are sometimes incorrectly coded / completed by requestee
 - c. Vendor file may be out-of-date and cheques are being pulled when not required
- 36. POs are set up in a way that does not makes it conducive to processing them upfront**



Accounts Payable – Manage Queries and Communications

- 37. Vendors do not always know who to call if there is delay in receiving payment and may not get prompt resolution**
- 38. Accounts Payable should first attempt to answer vendor queries before passing it to Financial Assistant**
- 39. Lack of adequate two-way communication on issues such (not helped by the fact Accounts Payables is remote from Financial Assistants) –**
 - a) When duplicate invoices are received
 - b) When vendors are not going to be paid for some reason for e.g. vendor will not be paid on supplier statement
 - c) Implementing changes for e.g. responsibility or personnel changes, changes to forms
 - d) When contact list on S-drive is updated
- 40. Locating forms such as travel, employee re-imburement, cell phone on the S-drive is not always easy or intuitive; need to have a contact in Accounts Payable for forms**



Accounts Payable – Staffing and Training

Staffing and Training

- 41. There needs to be clear responsibilities between Accounts Payable and Financial Assistant duties particularly in dealing with vendor queries**
- 42. Accounts Payable staff could benefit from coaching and training on prioritizing their workload particularly in balancing invoice processing and responding to queries (from vendor and Financial Assistants)**
- 43. There is a perception of high turn-over in Accounts Payable and FA groups therefore it is not always clear who to contact**
- 44. There needs to be more encouragement for Accounts Payable and Financial Assistant to work together as a team**



Information Technology

What we heard ...

- PeopleSoft was implemented about 10 years ago and there are no plans to change ERP;
 - PeopleSoft is not vanilla nor customized; HR is heavily customized; FI minimal customization.
 - Both payroll/HR & FI upgraded last year to v9.1; used external consultant for HR upgrade only because it is customized.
- A Strategy and Governance Coordinating Committee for PeopleSoft meets every 6 weeks and has been meeting regularly; Rick Male, Bev Neil, Sandy Southon from Finance attend this meeting .
 - This Committee has discussed workflow but there are no definite plans at this time; Business Application Specialist will be attending PeopleSoft conference next week to gather information on workflow to see how it can be deployed.
 - The City has licensed PeopleSoft workflow and is currently used for purchase requisition, general ledger journal entries and automated emails to users for match exceptions and notification when a requisition has been turned into a PO. Automated workflow has not been implemented for AP.
- There is no roadmap for FI /AP; Finance has to develop list of business short-comings and then IT can put together a plan to address these short-comings.
 - A 5-year blueprint was developed for HR about 1 year ago; currently delivering on phase 1 of 5 phases. HR gets more attention.
- Operational support provided by IT services desk; functional and training support by Business Application Specialist and Technical support by System Analysts
 - 3 System Analysts (HR) and 2 System Analysts (FI); 2 Database services on PeopleSoft.
- eDRMS does not have OCI /IDR capability and have not considered any other OCI /IDR technologies at this time
- There are 3 pieces to eDRMS –
 - Repository (Open Text) – eDOCS coming to end of its life at end of the month; has not worked well; OpenText has proposed a new ECM Suite – not confirmed; looking at demo next week; does not have scanning but scanning can be purchased separately. If ECM is not suitable we will look at other options.
 - Kofax used for scanning – no changes are planned; does have OCR so that user does not have to key in data but licensed version is not 'trained' to recognize where data is located on the sheet being scanned.
 - Viewing software (BPOMS from California) – puts a virtual stamp on the invoice and staff can mark-up or enter free form text.
- BPM (business process module) was purchased from Open Text in 2008; developed integration between eDOCS and workflow but did not work well; not fast and scanned image was not clear. Talked about PeopleSoft workflow at that time but a person in AP said that it would be a lot of work and it was not pursued.
 - eDRMS is used in AP and City Clerks; other two areas which were initially in scope (Building Services and Municipal Law Enforcement) were dropped because of the problems.
- Does not see any significant constraints with implementing PeopleSoft workflow.



Process Flow by Department

Review of Accounts Payable Program



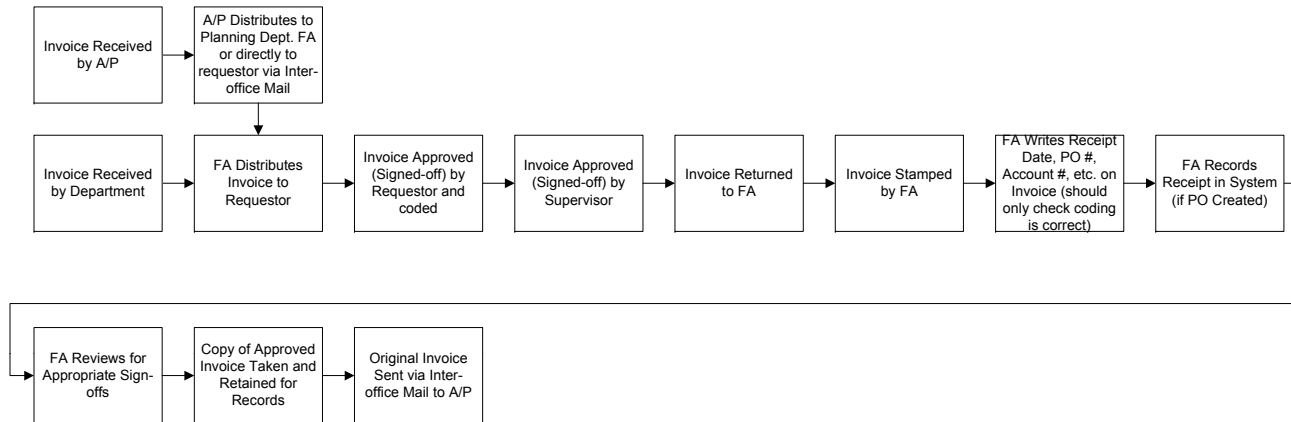
Departmental Flows

- **Corporate Services**
- **Planning & Economic Development**
- **Community Services**
 - Capital Focused
 - Operating Focused
- **Public Health**
- **Public Works**
 - Operations and Waste Management
 - Water and Wastewater
 - Environment & Sustainable Infrastructure
 - Fleet, Facilities and Transit

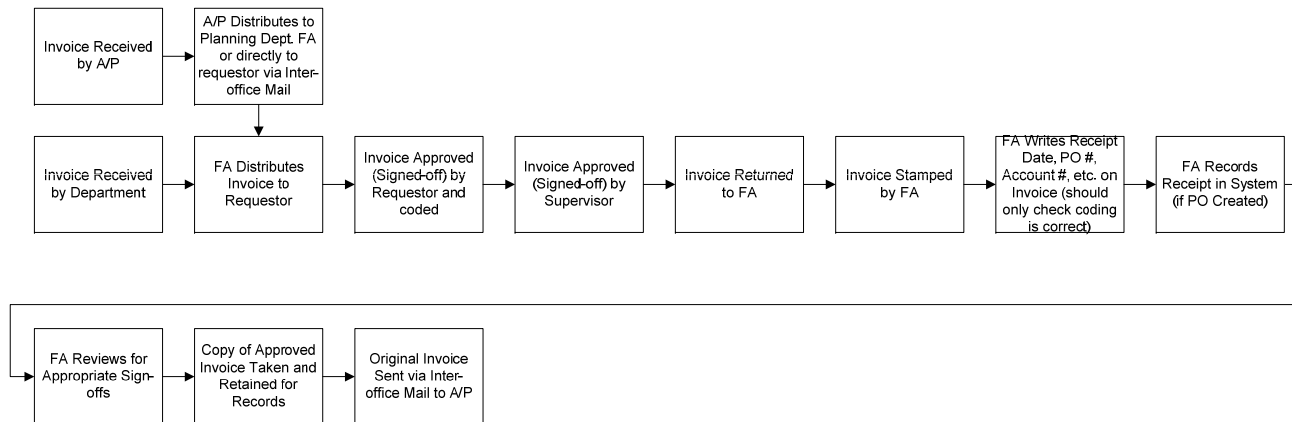


Corporate Services and Planning & Economic Development

CORPORATE SERVICES



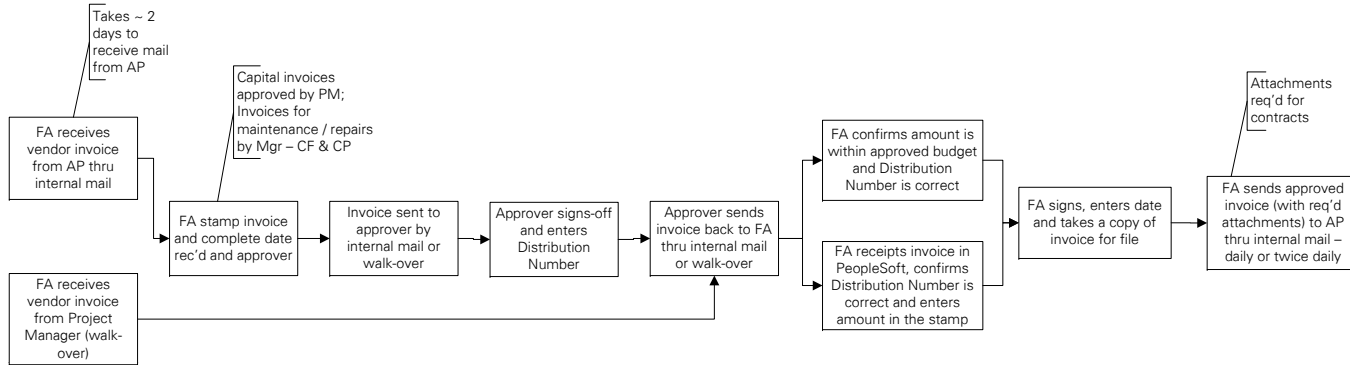
PLANNING AND ECONOMIC DEVELOPMENT



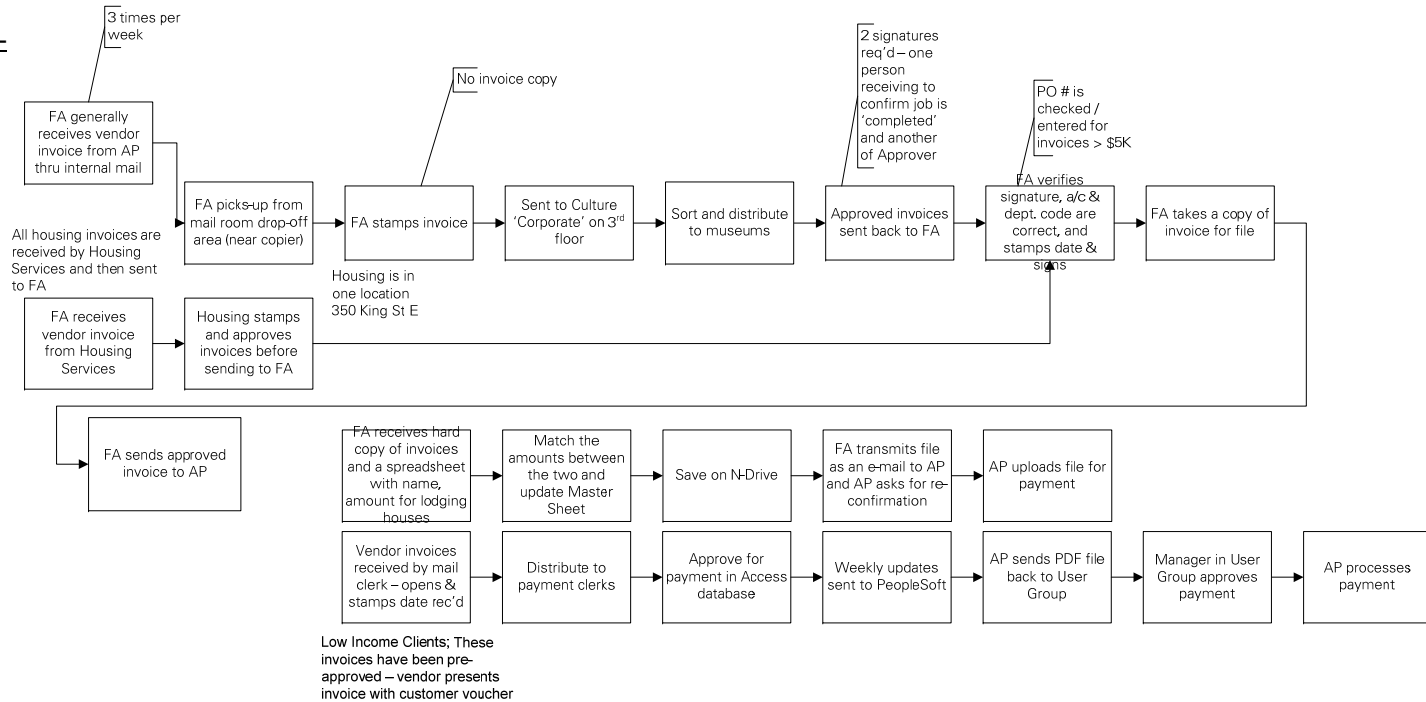


Community Services – Capital & Operating Focused

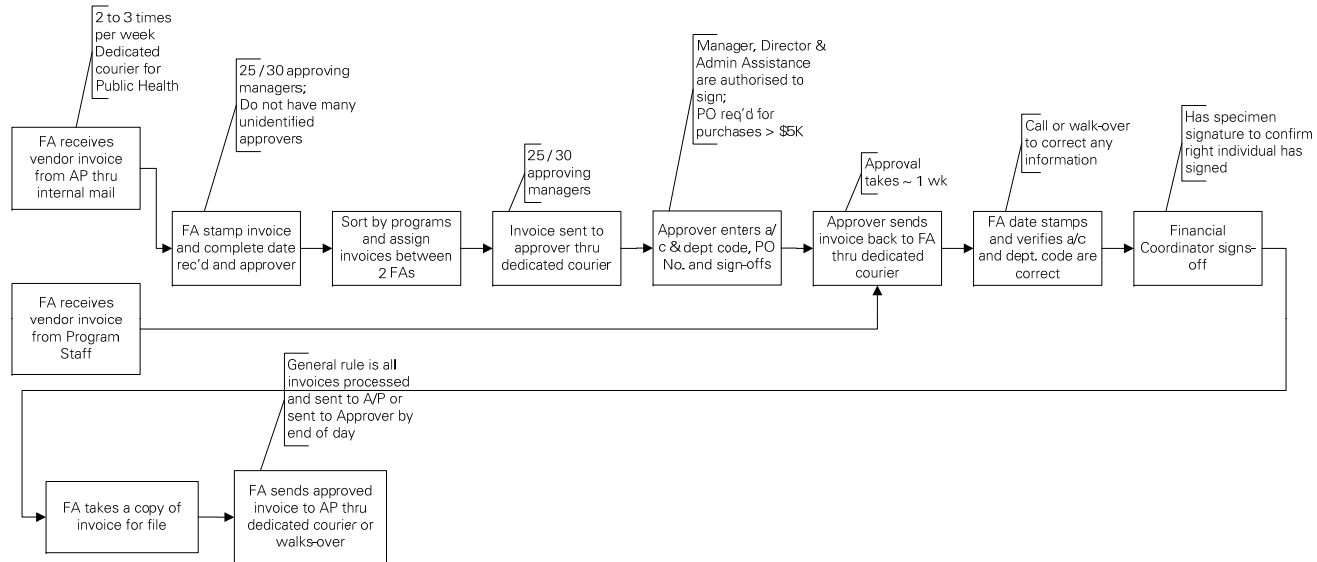
COMMUNITY SERVICES – CAPITAL FOCUSED



COMMUNITY SERVICES – OPERATING FOCUSED



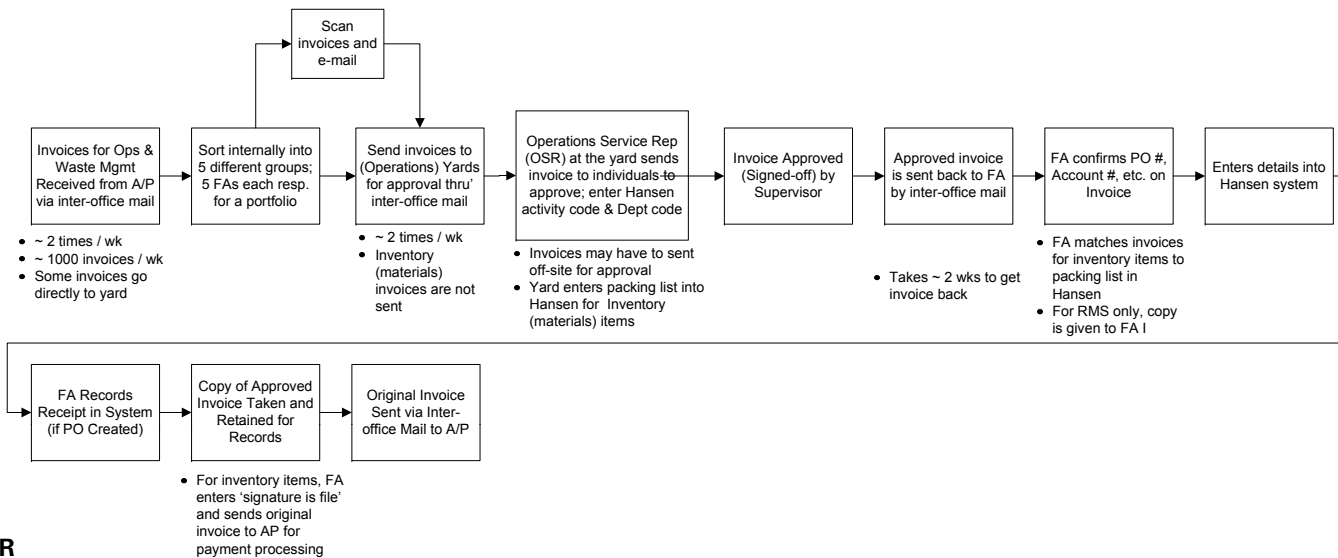
PUBLIC HEALTH



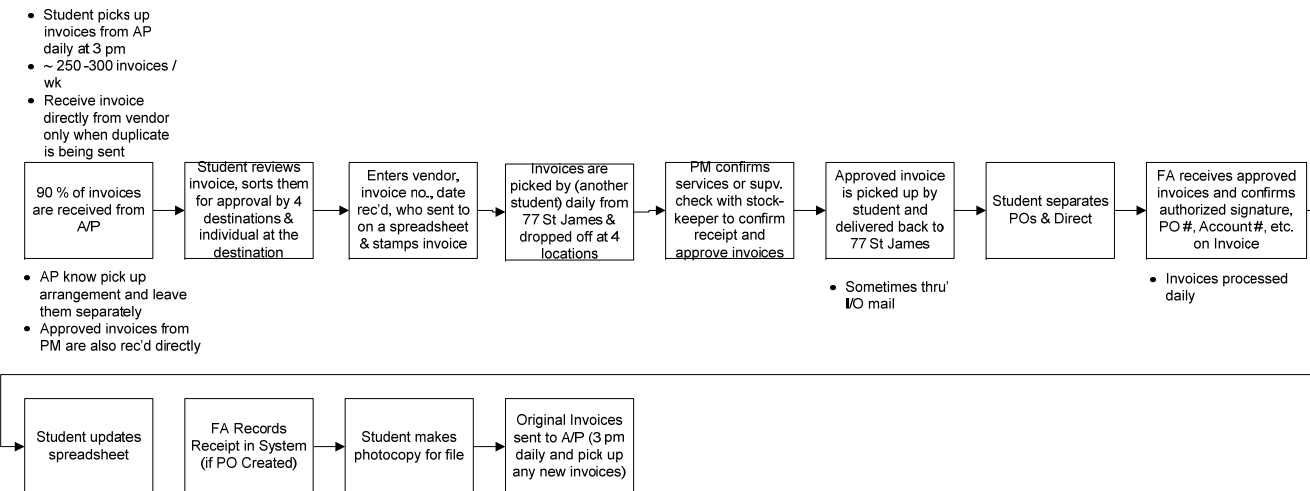


Public Works

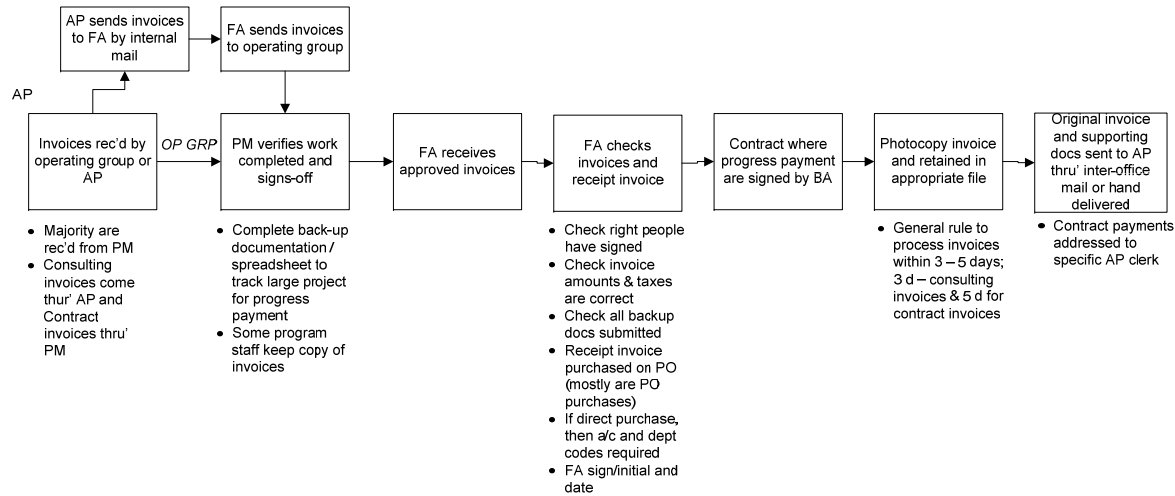
OPERATIONS AND WASTE MANAGEMENT



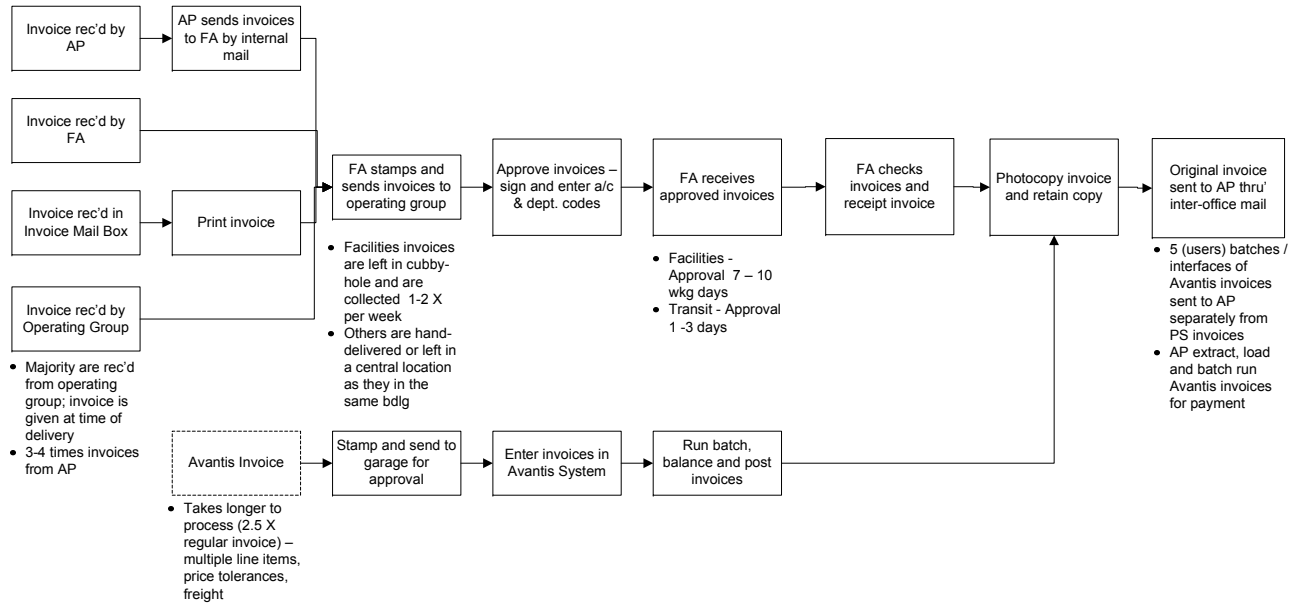
WATER AND WASTEWATER



ENVIRONMENT AND SUSTAINABLE INFRA-STRUCTURE



FLEET, FACILITIES AND TRANSIT





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Quantitative Data

Review of Accounts Payable Program



Operational and Cost Data

- The focus of this engagement was to review the accounts payable processes, systems and structure to identify potential opportunities for improvement by comparing to leading practices. However, we felt it would be beneficial to compare certain current performance metrics (gathered through interviews and group sessions) to those of other organizations.
- Selected metrics within four key areas: Process Efficiency, Cost Effectiveness, Staff Productivity, and Cycle Time were used for comparison purposes.
- The data used for comparison was provided by the City of Hamilton staff and KPMG did not independently check the accuracy or completeness of data.
- Summary of actual data provided to KPMG and used in the calculation is included below.

Description	
Dollar value of annual purchases	1,012,199,710
Number of FTEs in AP Department	12
Number of FTEs in Finance performing AP activities	5.9
Number of invoice processed	151,909
Number of invoice lines processed	339,466
Number of invoice line items received electronically	138,438
Number of invoice line items manually keyed into the system	201,028
Total \$ personnel costs of FTEs in A/P Dept. (including overtime \$)	\$785,188
Total \$ personnel costs of FTEs in Finance performing AP activities (based on \$33.78 per hour including 19% benefits)	\$334,610

Description	
Avg. no. of days from invoice date until approved for payment	35.0
Avg. no. of days from date approved until scheduled for payment	9.3
Avg. no. of days from scheduled for payment until cheque issue date	3.0



Cycle Time by Department Data

	Inv. Date to Receipting	Approval to Process Payment	Inv. Date to Process Payment
Corporate Services	34.6	9.3	43.8
Planning & Economic Dev.	39.1	8.5	47.7
Public Health	24.0	11.6	35.6
Community Services	35.8	9.8	45.6
Operations & Waste Mgmt	39.8	7.7	47.5
Water & WasteWater	38.4	8.9	47.3
Environment & Sust. Inf.	33.9	7.2	41.1
Energy, Fleet, Facilities & Transit	34.6	11.0	45.6
Average	35.0	9.3	44.3

Key steps for 'Invoice Date to Receipting' include –

- Sort & distribute mail (mail-room)
- Sort & distribute mail to department (AP)
- Stamp & send invoice for approval (F&A)
- Approve invoices & send to F&A (User departments)
- Receipt invoice in the system (F&A)
- Photocopy and send to AP (F&A)

Key steps for 'Approval to Process Payment' include –

- Check invoice for approval (AP)
- Process invoice (AP)
- Send for payment (AP)

The table above is based on data supplied by the City to determine cycle time by department.

- Departments that have more dispersed users such as Operations & Waste Management and Water and Waste Water have a higher 'Invoice date to Receipting' cycle time.
- Water and Waste Water has a dedicated courier who collects and delivers invoices from AP. Public Health share this dedicated courier and hence may have a lower Invoice Date to Receipting cycle time



Activity Analysis – Invoice Processing

Community Services & Public Health Services

Invoice Processing Hrs / Month	339
Equivalent FTEs @ 35 hrs/week	2.4

Average FTE Value	\$ 33.78
Personnel Cost	\$ 137,244

Public Works

Invoice Processing Hrs / Month	437
Equivalent FTEs @ 35 hrs/week	3.1

Average FTE Value	\$ 33.78
Personnel Cost	\$ 177,120

Corporate Services & PED

Invoice Processing Hrs / Month	50
Equivalent FTEs @ 35 hrs/week	0.4

Average Cost / hr	\$ 33.78
Personnel Cost	\$ 20,245

Total F &A

Invoice Processing Hrs / Month	826
Equivalent FTEs @ 35 hrs/week	5.9

Average Cost / hr	\$ 33.78
Personnel Cost	\$ 334,610



Vendors Contacted

Review of Accounts Payable Program



Vendors Contacted

- Below is a list of vendors who were interviewed and who were contacted. Not all vendors were available for comment.

Vendor Interviewed	Goods / Services
Winsham	Supply linens for housekeeping
Formost Data Products Inc	Print monthly Ontario Works client cheques and Direct Bank Deposit statements.
Minuteman Press Stoney Creek Ontario	Printing Service
Ricoh Canada	Printer Contract Citywide
Shoppers Home Healthcare	Medical Supplies
RailAmerica Real Estate Collections	Lease of property along/under rail lines eg: pipeline crossing
Cintas Canada	Supplier of Workwear
Hamilton Community News	City Wide-Advertising
Moore Environmental Systems Limited	PO vendor - labour/supplies

Vendor Attempted to Interview	Goods / Services
Sysco	food/groceries and kitchen supplies
Blue Line Transportation	Provide OW/Special Needs clients with transportation
Sheprott Security	Provide security guards for 4 OW sites
Avis	Car rentals – corporate contract
Rankin Construction Inc.	road construction-tender projects
Waterdown Manor c/o 480313 Ontario Inc	RCF billings for services
Good Shepherd Centre	Emergency Shelter support services
Housing Help Centre	Provincial Rent Bank Service Delivery
Safe Haven Homes Inc	RCF billings for services



Client Satisfaction (Councilors)

Review of Accounts Payable Program



Accounts Payable Findings – Client Satisfaction (Councillors)

Overall Client Satisfaction Theme: Councillors said they had not received adverse comments from vendors in their wards and were generally satisfied with the current process. Councillors and their support staff do not use P-Cards and they do not appear to be in favour of P-Card usage by the City staff.

- Councillors had not had any experience of complaints or issues with the payment process but most supported the practice of the City paying vendors more promptly as per stated terms.
 - Only one incident of late payment for an invoice identified by a vendor to a councillor was mentioned.
 - They would like to see payment to vendors accelerated to conform to agreed /stated number of days using low-cost technology.
- Councillors were not in favour of expanding the use of P-Cards ; on the contrary they would like to see number and usage of P-Cards reduced further. This is very different to what we heard from other cities.
 - There appears to be negative sentiments about P-Cards due to previous internal audit findings that highlighted non-conformance to stated procedures.
 - Councillor’s office staff do not use P-Cards; use petty cash for reimbursement.
 - Councillor’s expense claims are processed and paid through payroll.
- Vendor invoices relating to councillor’s expenses in the execution of their duties are received by their respective office (mostly through AP). They are approved, copied and sent to a Financial Coordinator for cheque requisition. Cheques are sent to the office from AP, copied and mailed to vendors. Based on feedback received this process appears to run smoothly and no issues or problems were highlighted.
 - Some councillors are not in favour of AP department receiving and opening their mail because it may contain confidential information from their ward constituents.



PeopleSoft Workflow Details

Review of Accounts Payable Program



Accounts Payable Workflow

PeopleSoft provides 2 workflow facilities: Voucher Approval (using Approval Framework) and Virtual Approver (below). Both can be used to configure workflow, however, one involves more configurations than the other. In both cases, a complete understanding of the business process, rules and routing are required.

The PeopleSoft workflow includes the following functionality:

- Request automatic approval for entered item
- Provide a worklist of items to be approved.
- Send email with Hyperlink to Approver
- Route to next approver based on routing rules
- Provide tools to monitor workflow item
- Provide Time out and route to next Approver ,if Approver did not respond by specified time

Additional information on Workflow Approval

Voucher approval through workflow uses PeopleSoft Virtual Approver or Approval Framework. Both watch for transactions that require approval before they can move on to the next step in a business process—such as purchase requisitions awaiting approval before they can become purchase orders or vouchers awaiting approval before they can be posted or paid. An application engine process routes lists of such transactions to PeopleSoft Component Interfaces, which perform the processing to prepare the transactions for interaction with a user through the worklists. As users select transactions to work on in their worklists, they are presented with transaction data on the appropriate pages. Approving a transaction sends it on to the next step (such as acquiring additional user approvals) or on to a final process (such as posting).

Using workflow in approval processing has these advantages:

- Multilevel parallel and sequential approval rules provide extensive processing flexibility.
- Integration with worklists and email systems automates the approval process and ensures timely actions.
- Common objects across applications decrease the learning curve and time needed for implementation.
- Efficient separation of data entry and approval tasks provides control where and when you need it.
- Adaptability enables you to modify your processes as your business rules and people change.



Accounts Payable Workflow

Basic Components of the Workflow Approval Process

PeopleSoft Payables delivers a model (or example) of how you might set up your own voucher approval workflow using the PeopleSoft Virtual Approver. This model provides a starting point for your project team to understand and modify the approval process workflow to meet your needs.

Voucher Approval Process Flow

To adapt the PeopleSoft Virtual Approver model to fit your organization's business processes, a thorough understanding of PeopleSoft Application Designer and Workflow Administrator is necessary. This includes the ability to carefully analyze the fundamental rules, roles, and routings that your departments use to carry out their day-to-day business routines, such as approving requisitions, purchase orders, and vouchers in the procurement cycle—processes you'll want to automate using the Virtual Approver.

Workflow Approval During Voucher Entry and Update

During transaction entry, the system refers to the approval rules that govern processing for the different types of transactions. Voucher approval rules are stored on several levels of the control hierarchy: the business unit, origin, control group, vendor, and the voucher itself.

When a voucher is saved during initial entry and is not preapproved, its status is set such that it is selected by the Voucher Approval Workflow process to go through approval processing.

If a voucher has been approved but not paid, and changes are made to certain fields, the voucher is returned to a pending status unless it was preapproved and is sent back through the approval processing workflow.

The approval process establishes that the voucher has been approved for payment processing in the system.

The approval process picks up a voucher after it has been edited online or through the Voucher Build Application Engine process (AP_VCHRBLD) and is in a postable status. A voucher that does not require matching can be in one of two postable states:

- Requires Payment
- Approval

The voucher must be manually approved for payment.

If you have the authority to approve vouchers, you can do so using the pages in the Voucher Approval component. A voucher that requires matching must also go through the Matching Application Engine process (AP_MATCH) to qualify as ready for payment. After the voucher has successfully passed the matching requirements, it is approved for payment. If a voucher does not pass matching, you can still pay it if you have selected the Pay Unmatch Voucher option on the User Preferences - Procurement: Payables page for your user ID, or by overriding the match exceptions.



Accounts Payable Workflow

Workflow Approval After Voucher Entry

You should have the Voucher Approval Workflow process scheduled to run regularly. After you have saved a voucher, the Voucher Approval Workflow process determines the current approval status for the voucher by calling the Virtual Approver routine. The status of the voucher is updated based on what Virtual Approver concludes according to the approval rules defined in Workflow Administrator.

The Voucher Approval Workflow process uses PeopleSoft Component Interfaces then determines which users (if any) to notify, through workflow worklists or email forms, of the pending approval. Workflow routing is initiated by calling the Virtual Router routine that performs the needed action. You can access the Voucher Approval page from your worklists, manually inspect the voucher information, and either approve or reject a voucher for payment.

When you enter the Voucher Approval component, the voucher is typically presented in a pending status— payment has not been approved or denied.

Note: The Voucher Approval page displays vouchers whose approval status is *Pending* and whose match status is *Matched*.

In the Voucher Approval Workflow process, both worklists and emails are generated as follows:

If additional approvals are required, based on what the Virtual Approver concludes, the system generates appropriate worklists for the roles that are eligible to approve the voucher.

If a voucher is denied, the system sends an email with voucher details to the role you define on the Payables Options - Vouchering Options.

The person you define as the one to whom all rejection emails should be forwarded receives these voucher details. You can choose not to use email for rejections but to instead create an additional worklist to use for routing. We defined an email for rejections to provide examples of both worklists (approved vouchers are sent to a worklist) and emails (denials are sent by email).

If the voucher passes all approvals, its comprehensive approval status is set to Approved, and you can select it for payment.

Worklists for Voucher Approval

Your worklist displays all items that have been routed to you to work on. In PeopleSoft Payables, use the workflow worklist to navigate to the Voucher Approval pages to inspect and take action on vouchers that must be approved for payment.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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