**RECOMMENDATION**

That Report FCS11051 respecting the Evaluation of the City of Hamilton Accounts Payable Program be received.

**EXECUTIVE SUMMARY**

The City of Hamilton’s Accounts Payable Program has not been re-evaluated since amalgamation. It is common practice to review major accounting systems and practices regularly. To that end, staff have prepared a Terms of Reference for the Evaluation of the City of Hamilton’s Accounts Payable Program. The details of the Terms of Reference are outlined on the attached Appendix “A” to report FCS11051.

The cost of the review will be a maximum of $45,000 which will be funded from the 2011 Corporate Services Department Budget. As the cost is under $50,000 staff will be soliciting a minimum of 3 bids and likely 5 bids from leading Accounting firms to undertake the review.
The review is being lead by a committee of affected staff, and chaired by the City Treasurer. All stakeholders will have an opportunity to be involved in the review, including, Council Members, operating department and finance staff as well as major vendors.

It is expected that the bidding process will be complete by the end of July and that the review will be started in early September with a completion date scheduled for year end.

**Alternatives for Consideration – See Page X or Not Applicable**

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

- **Financial:** The cost of the review is being funded through the 2011 Corporate Services Budget.
- **Staffing:** N/A
- **Legal:** N/A

**HISTORICAL BACKGROUND** (Chronology of events)

- N/A

**POLICY IMPLICATIONS**

- N/A

**RELEVANT CONSULTATION**

- N/A

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

- N/A

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
ALTERTNATIVES 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)


Skilled, Innovative & 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

Intergovernmental Relationships

- N/A

Growing Our Economy

- An improved customer service

Social Development

- N/A

Environmental Stewardship

- N/A

Healthy Community

- N/A

APPENDICES / SCHEDULES

Appendix “A” of report FCS11051 – Terms of Reference Evaluation of City of Hamilton Accounts Payable Program
CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
REQUEST FOR QUOTE (CONSULTING SERVICES)
TERMS OF REFERENCE
Evaluation of City of Hamilton Accounts Payable Program

INTRODUCTION:

The consultant will provide expertise in conducting a review of the “Program” of the Treasury Services Division, Corporate Services Department. The consultant will work with a Steering Committee (chaired by the Treasurer) to identify ways to improve and streamline, where appropriate, the processes, policies, procedures and staffing needed to operate the Program efficiently and effectively. The consultant, in conjunction with the Steering Committee, will develop a strategic planning method review process to assist the City of Hamilton in determining the effectiveness of the Program. In addition, the consultant will identify deficiencies and make recommendations for improvement. The Program review outcome should answer the following questions:

- Is the current program enabling the organization to act in a fiscally responsible manner?
- Are there appropriate controls in place to ensure duplicate payments and/or fraudulent activity do not occur?
- Are staffing levels and staff skills appropriate?
- Are results being achieved in an efficient manner?
- Are the internal services provided to client groups being delivered efficiently and effectively?
- Are the appropriate tools / processes being utilized to achieve A/P goals?
- Is technology being appropriately leveraged in service delivery?
- Are the roles of the A/P team and other Finance/Program staff clearly defined, such as
  - who’s responsible for vendor inquiries, follow up
Appendix A to Report FCS11051

Page 2 of 6

- wrong invoice distribution
- Is there a communication network in place between A/P and all other City divisions to provide information updates, process changes, staff changes as they occur?

BACKGROUND:

The City of Hamilton employs a Hybrid system of delivering Finance and Administrative services. There are three Finance and Administration portfolios that report directly to the Treasurer but have a dotted line reporting to the Operating Department Heads. As well there is a Financial Services division which is responsible for the overall delivery of the Accounts Payable services. These are outlined on the attached organization charts. The City uses Peoplesoft as the main Financial and HR System. Although there are a number of sub systems that provide information to Peoplesoft for the payment of invoices. Annual statistics are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO's</td>
<td>5,204</td>
<td></td>
</tr>
<tr>
<td>Invoices Lines Processed</td>
<td>584,078</td>
<td></td>
</tr>
<tr>
<td>Cheques Processed</td>
<td>49,577</td>
<td>$586,314,739.16 CDN</td>
</tr>
<tr>
<td>EFT Transfers</td>
<td>21,486</td>
<td>517,995,033.73 CDN</td>
</tr>
<tr>
<td>Cheques Processed</td>
<td>254</td>
<td>1,331,205.12 USD</td>
</tr>
</tbody>
</table>

*These numbers exclude lines and dollar amounts keyed into the HR System. These items include employee mileage and other expenses, business insurance and tuition

OBJECTIVES:

Policies, Procedures & Practices:

- To determine if policies and procedures are contributing to the achievement of the Program’s goals and objectives.
- To determine whether the policies and procedures are efficient and effective as well as provide sufficient clarity for all client groups and vendors.
- Determine whether existing practices, procedures and processes are consistent with best practices in public AP field, (e.g. methods of invoice approval, matching of PO’s, issuance and use of PO’s, invoice tracking and filing, audit trail).

Resources:
To determine if the resources being used to achieve the Program’s goals and objectives are appropriate to the desired outcomes.

To determine if the Program’s services are delivered for client groups in such a way that they are providing good customer service for the resources invested and in a fiscally responsible manner.

**Risk Management:**

- To determine if the Program’s policies and related procedures are in place, and applied consistently, to assist in complying with GAAP and best practices.

- To determine that the risks associated with the Program are being managed in such a way as to ensure these risks to the City be balanced and to be effectively managed in the process.

**Client Satisfaction:**

- Determine level of internal client group and external vendor satisfaction with respect to the payment of Invoices.

- Determine whether the existing AP policies and related procedures are leading to effective outcomes for client groups. (Departmental Staff and Vendors)

- Determine whether existing processes could be streamlined to reduce the time required to pay invoices.

**SCOPE:**

The scope of a project helps define the methods and steps to reach the defined objectives. The evaluation of the City of Hamilton Accounts Payable Program includes the following:

1. Examine and evaluate the service delivery methods used by the Program, including timelines for the payment cycle (30, 45, 60 days and for construction holdbacks).

2. Determine the optimal model for the provision of the Program services, with consideration of volume of invoices being processed by staff, training requirements, expertise and best use of resources.

3. Examine and evaluate the roles and responsibilities of the Program and the structure of the Program and its policies and procedures to determine its capacity to respond to
the changing and expanding nature of the various departmental businesses making best use of resources.

4. Review the current organizational structure of the Program together with the roles and responsibilities assigned to each position. Evaluate the current organizational structure and compare with similar programs in comparable public sector organizations. Also review the private sector (comparable size corporations) for current and technological Accounts Payable processing.

5. Meet with senior management (DMT’s) at the City of Hamilton to determine level of satisfaction with the Program and related activity and policies.

6. Identify current practices that should be continued, eliminated and/or expanded.

7. Meet with Program staff (either individually or in focus groups) to gauge issues, i.e. what is working, what is not and solicit suggestions for improvement.

8. Complete a stakeholder analysis of the following groups:
   - all client groups
   - selected vendors
   - staff of the Program

   to determine their level of satisfaction in terms of:
   - the service provided by the Program; and
   - the City’s procedures, processes and practices.

9. Make recommendations to improve and streamline, where appropriate, the processes, policies, procedures and staffing needed to operate the Program efficiently and effectively.

DELRIVERABLES AND TIMING:

- Interim Report to the Treasurer **November 4, 2011**.
- 1st Draft Final Report to the Treasurer – one electronic copy for review. Proposed Delivery Date: **November 16, 2011**.
- 2nd Draft Final report to the Treasurer – one electronic copy for review. Proposed Delivery Date: **December 2, 2011**.
- Presentation of Draft Report to GM Corporate Services. Proposed Delivery Date: **Week of December 9, 2011**
- Final Report – provide 6 hard copies of the Final Report and one electronic copy. Proposed Delivery Date: **January 30, 2012**.

• Presentation to Audit, Finance and Administration Committee: **February 2012**

The Final Report shall, at a minimum, address all of the requirements set out in these Terms of Reference which include (but are not limited to):

• Strengths, Weaknesses, Opportunities and Threats ("SWOT") analysis;

• Suggested amendments and or revisions to the Programs’ Policies and related procedures;

• Suggestions for the organizational restructuring of the Program;

• Structure and methods of service delivery;

• Review of relevant job descriptions

All communications with the Treasurer and/or designate are to be submitted using Microsoft applications. Each hard copy version of a report is to be provided on 8 ½ by 11 inch paper, double-sided. Each electronic version of a report is to be submitted using a Microsoft application.

**MANAGEMENT & ADMINISTRATION:**

**City Contact:** City Treasurer or Designate

**Steering Committee:**

This evaluation of the City of Hamilton Accounts Payable Program will be overseen by a Steering Committee comprised of the Treasurer (Chair), his Administrative Co-ordinator, the Director of Financial Services, the Manager Business Application and Support (Includes AP Portfolio) and 1 Management Rep from each of the 3 Operational Finance and Administration Groups. Individual team members have responsibility for providing general information and comments related to the evaluation of the City of Hamilton Accounts Payable Program based on their respective area of knowledge and expertise.

The Steering Committee will meet with the consultant at key points during the project and communicate with the Chair on an ongoing basis.

The Chair will function as the project lead and first point of contact for the consultant.

**PROJECT REPORTS AND INVOICES:**
The consultant will submit written reports and corresponding invoices to the Chair at pre-determined milestones as follows: August 5th, September 23rd, October 20th. Each invoice is not to exceed 33% of the total project costs.

**ISSUE TERMS OF REFERENCE: July 8, 2011**

**SUBMISSION OF QUOTES: August 12, 2011**

**AWARD OF CONTRACT: August 26, 2011**

**PROJECT COST: $45,000. (INCLUDING ALL APPLICABLE TAXES AND EXPENSES)**

**QUOTE EVALUATION CRITERIA**

1) Must have and demonstrate the capability and experience.  Pass / Fail

2) Timing, must be able to demonstrate ability to complete Review within stipulated timelines. Pass / Fail

3) Experience, demonstrate that they have direct experience in performing a review of a similar nature both corporately and individually.  25%

4) Work plan identifying number of meetings, hours for each associate, cost per hour, deliverables  25%

5) Value for money.  50%