

**Management’s Response to the Auditor General’s Review of
City Accounts Payable - Payment Controls and Monitoring Require Improvement**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	<p>City Council request the Director, Accounting Services to evaluate the feasibility of providing a report to divisions identifying potential discount losses due to a lack of timely resolution of outstanding divisional queries prior to discount expiry dates.</p> <p>In addition, Accounting Services should provide accumulated discount lost reports by division to senior management staff on a periodic basis for follow-up action.</p>	X		<p>Currently, Accounts Payable provides monthly parked document reports to divisions, including discount invoices, for resolution. Accounts Payable also provides weekly discount parked document reports, identifying opportunities that have been missed as well as discounts that can still be captured with prompt resolution by the Division.</p> <p>Due to the complexity of preparation of the Divisional discounts missed report, the report is prepared and circulated to Divisions on a quarterly basis.</p> <p>Periodic reports of discounts earned and discounts missed have been provided to Division Heads since 2011. With each report, Divisions converting less than 90% of discounts available were requested to report back to A/P on an action plan as to how they plan to increase their discount capture rate.</p>	<p>The Director of Accounting Services will evaluate the feasibility of enhancing discount reports to include the amounts of discounts at risk, upon implementation of the FPARS reporting improvements, by Q2 2014.</p> <p>In the interim, the Director of Accounting Services will review and adopt reporting improvements and ensure that reporting of discounts to Divisional staff for operational actions and Division Heads for oversight and escalation purposes is performed on a regular basis.</p> <p>Timeframe: Q1 2013</p>

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2.	City Council request the City Manager to issue instructions to City division heads for timely resolution of outstanding accounts payable queries.	X			The City Manager will issue instructions to City Division Heads advising that "parked invoices" are reviewed and resolved on a timely basis to ensure that early payment discounts are obtained. Timeframe: Q1 2013
3.	City Council request the Chief Corporate Officer to develop a process to ensure outstanding accounts payable queries are promptly resolved in order to obtain vendor discounts.	X			The Chief Corporate Officer will review and adjust invoice approval processes to adopt the City's 3 Way Match process, as well as to ensure that approvals of undisputed invoices will meet the early payment discount terms. Timeframe: Q3 2013
4.	City Council request the Director, Accounting Services to ensure vendor credits are reviewed in timely manner and follow-up action results in actual credit adjustments.	X		In 2010, the Director, Accounting Services implemented processes to ensure that vendor credit balances are reviewed and followed up in a timely manner. The majority of credit balances identified in the report related to items that were dealt with by Divisions through their sub-systems and have been adjusted in 2012 Credit balances were reviewed on a quarterly basis prior to 2012.	The Director, Accounting Services will ensure that Credit balances are reviewed and adjusted on a monthly basis Timeframe: Q1 2013

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5.	City Council request the Director, Accounting Services to ensure that vendor set-up forms are adequately reviewed and missing information is obtained from respective divisions before finalizing in SAP.	X		Accounting Services currently ensures information is validated before being created in SAP. In some cases such as remittance addresses for certain Vendors, they have PO boxes in a post office so a street address is not available. In some cases vendors are exempt from HST so no number is available.	The Director, Accounting Services will identify certain fields as mandatory and ensure that they are completed or marked as not applicable at initiation for all new vendors. Timeframe: Q1 2013
6.	City Council request the Director, Accounting Services to evaluate the feasibility of completing a review of the SAP vendor master database to identify and complete missing vendor information in SAP for active vendors.	X			The Director, Accounting Services will review the feasibility of completing a review of the SAP vendor master database to identify and complete missing vendor information in SAP for active vendors. Timeframe: Q3 2013
7.	City Council request the Director, Accounting Services to evaluate existing vendor accounts and payment monitoring reports with regard to improving reporting efficiency and effectiveness.	X			The Director, Accounting Services will conduct an evaluation to determine if monitoring reports can be run more efficiently than they are currently. This will be completed in Q2 2014 upon completion of the FPARS project, which will offer additional reporting capability. Timeframe: Q2 2014

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8.	City Council request the Director, Purchasing and Materials Management to further enhance divisional purchasing coordination through improved reporting and feedback with City divisions in order to facilitate consolidating purchases.	X			<p>In addition to continuing the Purchasing Working Group to identify consolidating purchasing opportunities from the Monthly Blanket Contract Expenditure Report, Quarterly DPO Report and P-Card Spend Report, the Director, Purchasing and Materials Management will include a link on its intranet site listing existing Corporate Calls in place. PMMD will improve the communication with Divisions by notifying staff via Monday Morning News of any upcoming consolidated purchasing opportunities.</p> <p>Timeframe: Q1 2013</p>

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9.	City Council request the Director, Purchasing and Materials Management, in consultation with the management of City Agencies and Corporations, review and consider the benefits of consolidating purchases with City Agencies and Corporations.	X			<p>The City Manager has initiated a shared service review of the Purchasing and Materials Management function between the City and its Agencies with an expected report to be provided by Q2 2013.</p> <p>The shared service review did not include the City Corporations. PMMD will set up a meeting with the key City Corporations to review and consider the benefits of consolidating purchases.</p> <p>PMMD will continue to meet monthly with TCHC and TTC with respect to consolidating purchasing opportunities. Timeframe: Q2 2013</p>

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10.	City Council request the Director, Accounting Services to ensure purchasing compliance reports are provided to respective divisions on a periodic basis and followed-up with non-compliant divisions.	X		Since July 2009, Accounting Services has provided PO non compliance reports to Financial Leads on a monthly basis to assist Divisions in implementing corrective action.	The Director, Accounting Services will ensure that reporting of PO non-compliance to Divisions will occur on a monthly basis, and documentation of any follow up will include all actions taken. Summary compliance reports will also be run on a quarterly basis and provided to Division Heads. Timeframe: Q2 2013

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11.	<p>City Council request the Director, Purchasing and Materials Management, in consultation with the City Solicitor, to ensure that a conflict of interest declaration is included in the sole source process including all future sole source contracts.</p> <p>Further, that the Director, Purchasing and Materials Management, in consultation with Division Heads and the City Solicitor, as necessary, to evaluate whether to contact existing sole source vendors to provide a conflict of interest declaration.</p>	X		<p>In sole source situations, the facts often determine the vendor required to perform the services, such as in cases where there are proprietary rights involved in the services/goods required. Divisional staff, are required to follow the Conflict of Interest policy and must alert the appropriate manager if there would be a conflict in overseeing a sole sourced vendor. This recommendation and action plan would help supplement the existing requirements that staff must follow.</p>	<p>The Director, Purchasing and Materials Management will consult with the City Solicitor on the most appropriate mechanism to address conflict of interests through the sole source process for future sole source contracts.</p> <p>Timeframe Q2 2013</p> <p>The Director, Purchasing and Materials Management, will evaluate current contracts in consultation with the appropriate Divisions Heads, and seek the advice of the City Solicitor , as necessary, with the goal of addressing conflict of interest for existing sole source contracts where appropriate.</p> <p>Timeframe: Q3 2013</p>

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12.	City Council request the City Manager to evaluate the feasibility of developing a process for periodically comparing staff and vendor address data to identify potential conflicts of interest.	X			The City Manager will review the feasibility of whether Internal Audit can compare staff and vendor address data on a periodic basis to identify potential conflicts of interest, Timeframe: Q2 2013.