

AUDIT AT A GLANCE

Audit of Interface Invoice Payments - Improving Contract Management and Payment Processes

WHY THIS AUDIT MATTERS

To save invoice processing costs, the City processes a significant number of invoices (over 30% of total City payments) through interface bill payment process. This process allows vendors to submit multiple invoices through a consolidated electronic file.

The audit identified continuous improvement opportunities, to better-leverage data for effective contract management, strategic procurement and interface bill payments.

BY THE NUMBERS

- The City processed and paid \$5.3 billion in 2018
- \$1.6 billion of invoices paid using interface billing
- \$223,800 lost in early payment discounts on two vendors during 2015 to 2018
- \$84,400 lost in volume rebates on four vendors during 2015 to 2018
- The City needs to recover \$115,000 in duplicate and incorrect payments
- \$56 million relating to five vendors were not allocated to respective contracts
- \$890,000 in payments for four contracts were posted to expired contracts

BACKGROUND

The City pays vendors through its SAP system. There are two ways to process payments:

1. **3-way Match Payment Process:** Normal process to pay individual invoices.
2. **Interface Bill Payment Process:** The vendors submit multiple invoices through a consolidated electronic file. The process allows for bulk processing of invoices.

The audit reviewed the effectiveness of the interface billing process. It identified opportunities to leverage data to improve strategic procurement, contract management and payment processes.

WHAT WE FOUND

A. Procurement

The goods and services the City is buying do not always match the goods and services listed in the contract. For example, in a contract for safety shoes, 87 per cent of the shoes purchased were not the shoe styles listed in the contract. Buying the goods and services outside of the contracted list of goods could result in increased costs, and present risk to competitive and transparent procurement. We recommended tracking and analyzing usage prior to procuring goods.

B. Setting Up Interface Billing Processes and Contracts

The City is missing out on some discounts and volume rebates due to inadequate set-up of various records relating to vendors and their available discounts in the SAP system. The City lost over \$300,000 in early payment discounts and volume rebates on selected vendors. The City has an opportunity to improve controls so that it properly captures these discounts.

C. Using Data to Centrally Monitor Contracts, Support Strategic Procurement and Invoice Payment Functions

The City can improve its contract management, strategic procurement and payment processes related to interface billing by developing data needs upfront during the procurement process and electronically capturing usage information across divisions, analyzing usage against the items bid on. This information can then be leveraged to support strategic procurement, contract management and payment verification.

HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the 20 recommendations will help the City improve interface bill payments, contract management and procurement processes. The recommendations also apply to payments made through non-interface process and provide support for the new Purchase-to-Pay (P2P) process the City is currently implementing.