

Memorandum

CSC-C 7-2025

Subject: Procure to Pay Process Overview

Date: April 9, 2025

To: Corporate Services Committee

From: Erin Amirault, Associate Director, Finance Operations and Systems

The purpose of this memo is to demonstrate the checks and balances that are in place related to staff's compliance with the Niagara Region's electronic procure-to-pay processes and Procurement By-law.

Niagara Region went live with our current financial enterprise resource planning system (the "ERP") in February 2016. The Procurement By-law (the "by-law") has been the backbone of the design and setup of how electronic transactions automatically route for approval (the "workflow") in the ERP since its inception. The current proposed updates to the by-law have been made with the ERP in mind to ensure the ongoing integrity of all purchase approvals. The system will be updated accordingly to reflect all Council-approved changes when the new by-law is effective.

In general, using a procure-to-pay process means that a requisition must be entered and approved in the ERP before goods are ordered or services received. A purchase goes through four steps:

- 1) Requisition – the initial request to make a purchase of goods and/or services.
- 2) Purchase order (PO) – an official, legally binding document issued by the Region to a supplier indicating the agreed upon specifications of a purchase.
- 3) Supplier invoice – the document from the supplier requesting payment for the purchase.
- 4) Payment – the funds sent to the supplier based on the invoice due date.

Each step has comprehensive checks and balances. The requisition, purchase order, and supplier invoice are automatically routed for the appropriate electronic approvals as set out in the by-law (e.g. manager, director, commissioner, and so on).

For example, currently when staff create a low value requisition for \$500, the transaction routes for approval in the ERP as follows:

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- 1) Budget owner (the manager responsible for approving the indicated portion of the Council-approved operating or capital budget)

In comparison, a single-source requisition to increase an existing contract for \$500,000 requires multiple approvers for a higher level of scrutiny:

- 1) Budget owner
- 2) Department Director
- 3) Department Commissioner
- 4) Director of Procurement Services
- 5) Treasurer

Approvers are required to review the content and supporting documentation to ensure the request complies with the by-law and aligns with related policies and procedures. Each approver looks at the transaction with a different lens. This can be related to their position in the organization, delegated responsibility under the by-law, and knowledge of and connection to the business needs that are driving the purchase. They then electronically approve or deny the transaction in the ERP.

The automatic workflow happens based on the setup of the ERP which is maintained by the ERP Support team in collaboration with the Program Financial Support team. Both teams fall under the Financial Management and Planning Division. The maintenance procedures are in alignment with by-law definitions and authority and dictate what supporting documentation and approvals are required.

Purchases also require a mandatory written justification which is guided by a corporate standard. The justification must reference the by-law section, state why the purchase applies to that section of the by-law, indicate why the supplier was selected over other available suppliers (if applicable), and provide a thorough and clear explanation of why the purchase is needed. Both requisitioners and approvers are trained on the standard.

Transactions also go through an electronic budget-checking process. This is to prevent over-commitment and ensure funds are available in alignment with Council-approved budgets. If there are insufficient funds, users receive an error message, and the transaction cannot proceed.

With respect to processing invoices, the Region follows a “no PO, no pay” practice for additional enforcement of by-law compliance. An invoice must be submitted by the supplier to the Accounts Payable team with the PO number stated on it. Invoices without a valid PO are returned to suppliers with a letter requiring the invoice to be resubmitted with a PO.

All processes are supported by internal controls and accounting best practices, including periodic audits. Various system reports and data extracts are available for staff's use to monitor existing purchases and inform future purchasing needs. Fulsome training and education are in place to support staff's awareness and compliance with both the procure-to-pay process and the by-law including mandatory training for new employees.

More details on procure-to-pay and supporting process and controls can be found in Appendix 1 of this memo.

Respectfully submitted and signed by

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Appendix 1 Procure to Pay Process

This memo was prepared in consultation with Nora Charette, Manager, ERP Business Support and Bart Menage, Director, Procurement Services.