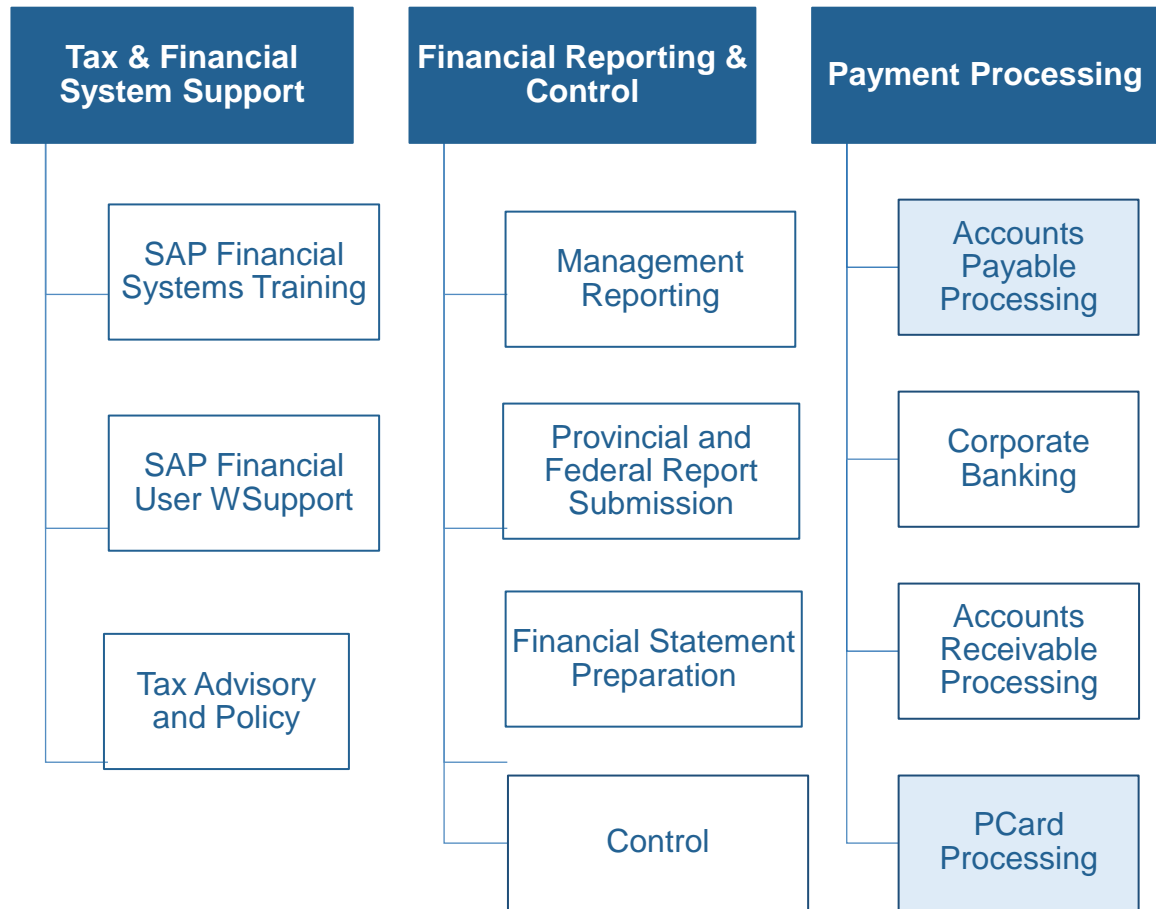




ACCOUNTS PAYABLE

PROGRAM MAP

Accounting Services



Shaded boxes reflect the activities covered in this report

The goal of accounts payable services is to ensure the efficient and effective management of payments to suppliers who do business with the City of Toronto.

Specific objectives include:

- Ensuring invoices are accurate and properly authorized for payment
- Processing of invoices on a timely basis
- Taking advantage of available early payment discounts where appropriate
- Maintaining relationships with suppliers
- Providing customer service to internal divisions and vendors
- Corporate oversight of payable activity across the organization
- Accounts payable compliance

SUMMARY OF PERFORMANCE MEASUREMENT RESULTS

Question	Indicator/Measure	Internal Comparison of Toronto's 2016 vs. 2015 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2016	Chart & Page Ref.	
Customer Service Measures					
How long does it take to pay an accounts payable invoice?	Percentage of Invoices Paid Within 30 Days - (Customer Service)	Decrease Decrease in the number of invoices paid within 30 days	4 Lower percentage of invoice paid within 30 days compared to others.	1.1 1.2 pg. 4	
Efficiency Measures					
Have discounts offered for early payment of invoices been obtained?	Percentage of Early Payment Discounts Achieved – (Efficiency)	Decrease Percentage of early payment discounts achieved slightly decreased	N/A	1.3 pg.5	
How many invoices are processed by each accounts payable staff member?	Number of Invoices Paid per Accounts Payable FTE – (Efficiency)	Decrease Number of invoices processed per staff member decreased	3 Lower rate for number of invoices processed per staff member compared to others	1.4 1.5 pg.6	
How much does it cost to process an accounts payable invoice?	Accounts Payable Cost per Invoice Paid – (Efficiency)	Increase Cost per invoice paid increased	4 Highest cost per invoice paid compared to others	1.6 1.7 pg.7	
Overall Results		Service Level Indicators (Resources) N/A	Performance Measures (Results) <div style="display: flex; justify-content: space-between; font-size: 8px;"> 0- Favourable 0- Stable 4 -Unfavourable </div> 0% favourable or stable	Service Level Indicators (Resources) N/A	Performance Measures (Results) <div style="display: flex; justify-content: space-between; font-size: 8px;"> 0 - 1st quartile 0 - 2nd quartile 1 - 3rd quartile 2 - 4th quartile </div> 0% in 1st and 2nd quartile

For an explanation of how to interpret this summary and the supporting charts, please see the Guide to Toronto's Performance Results. These quartile results are based on a maximum sample size of 15 municipalities.

CUSTOMER SERVICE

One objective of the accounts payable (A/P) function is the timely processing of vendor invoices. This must be balanced by ensuring that invoices are accurate and the specified goods or services are received and authorized for payment.

1.1 – HOW LONG DOES IT TAKE TO PAY AN ACCOUNTS PAYABLE INVOICE IN TORONTO?

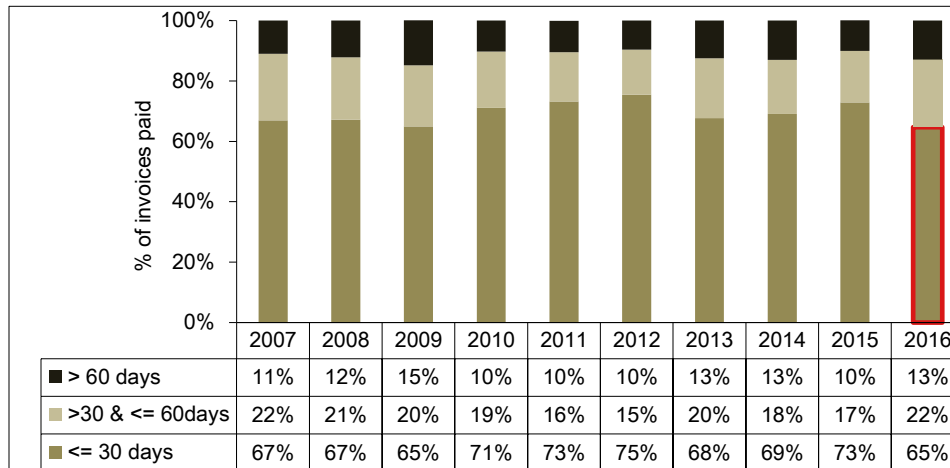


Chart 1.1 summarizes the proportion of A/P invoices paid within 30 days of the invoice date, between 31 and 60 days, and over 60 days.

Chart 1.1 (City of Toronto) Percentage of A/P Invoices Paid Within Specified Time Period

Results in 2016 decreased by 8 percent from the previous year, with 65% of invoices paid within 30 days.

1.2 – HOW LONG DOES IT TAKE TO PAY AN ACCOUNTS PAYABLE INVOICE IN TORONTO COMPARED TO OTHER MUNICIPALITIES?

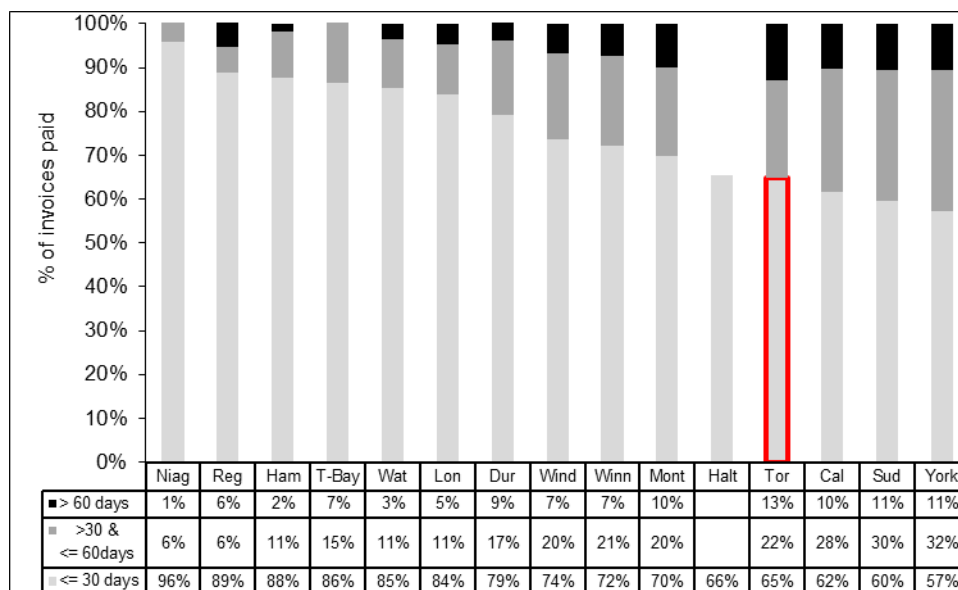


Chart 1.2 compares Toronto's 2016 result to other Ontario municipalities for the time required to pay invoices.

Chart 1.2 (MBNC 2016) Percentage of A/P Invoices Paid Within Specified Time Period

Toronto ranks twelfth of fifteen (fourth quartile) in terms of having the highest percentage of invoices paid within 30 days.

Initiatives implemented in recent years to reduce the payment cycle time include; publication of clear billing requirements for vendors to reduce the incidence of incorrect or incomplete invoicing; an option for vendors to receive payment from the City by direct deposit; allowing vendors to submit their invoices electronically; and a vendor early payment discount program.

EFFICIENCY

Toronto has a centralized accounts payable process, meaning that less of the processes are done in the operating Divisions compared to many other municipalities.

1.3 – HAVE DISCOUNTS OFFERED FOR EARLY PAYMENT OF INVOICES BEEN OBTAINED IN TORONTO?

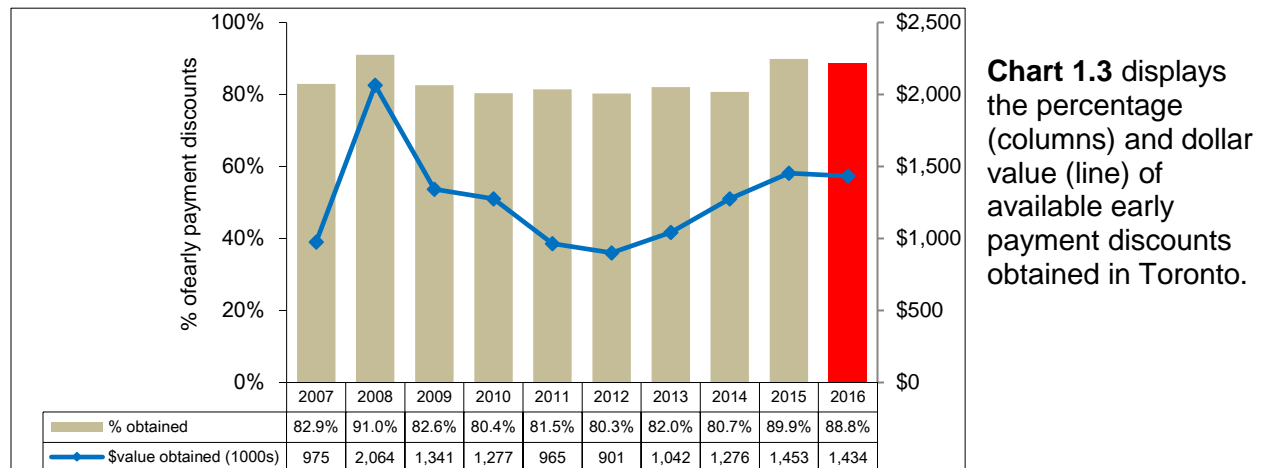


Chart 1.3 displays the percentage (columns) and dollar value (line) of available early payment discounts obtained in Toronto.

Chart 1.3 (City of Toronto) Percentage and \$ Value of Available Early payment discounts obtained

Results in 2016 slightly decreased with 88.8% of available discounts captured.

1.4 – HOW MANY INVOICES ARE PROCESSED BY EACH TORONTO ACCOUNTS PAYABLE STAFF MEMBER?

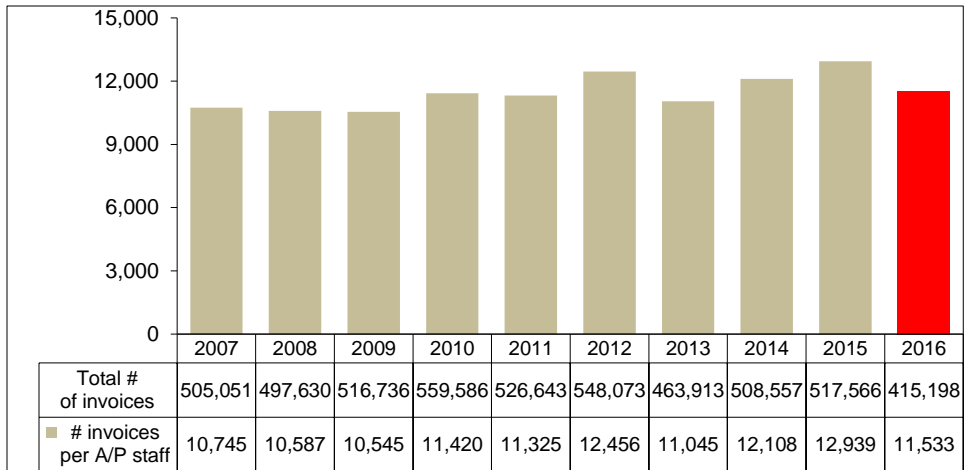


Chart 1.4 provides Toronto's total number and rate of A/P invoices paid per A/P staff member, and 2016 results decreased by 10.9 percent in relation to 2015.

Chart 1.4 (City of Toronto) Number of Invoices Processed per A/P Staff Member

There was a decrease in the number of invoices processed in comparison to 2015. In 2015, City Clerks and Public Health submitted invoices for payment through interface. Invoices processed directly by AP staff remained the same between these two years..

It should be noted that Toronto's operating cost (as seen in Charts 1.6 and 1.7) does not include the significant net cost savings of the early payment discounts captured through payable efforts, as shown in Chart 1.3.

1.5 – HOW MANY INVOICES ARE PROCESSED BY EACH ACCOUNTS PAYABLE STAFF MEMBER COMPARED TO OTHER MUNICIPALITIES?

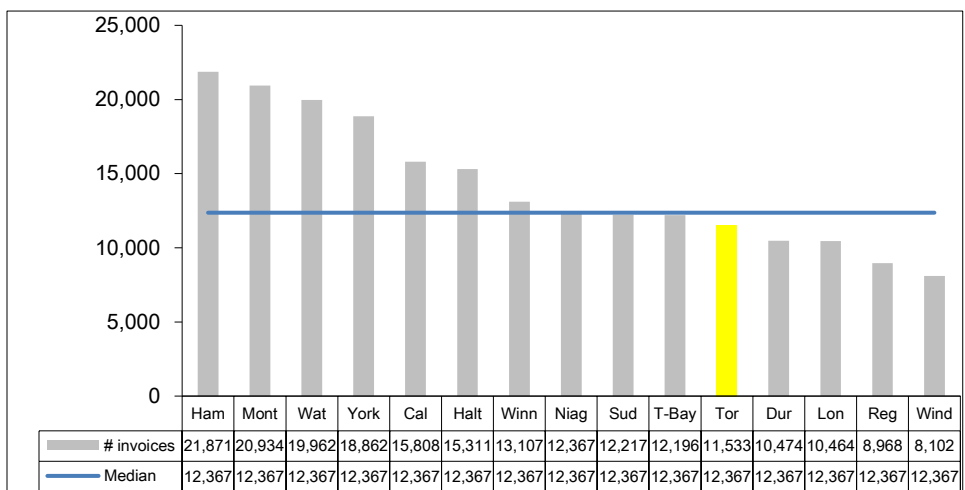


Chart 1.5 compares Toronto's 2016 result to other municipalities for the number of A/P invoices processed per staff member.

Chart 1.5 (MBNC 2016) Number of Invoices Processed per A/P Staff Member

Toronto ranks eleventh of fifteen (third quartile) in terms of having the highest number of A/P invoices processed per staff member.

1.6 – HOW MUCH DOES IT COST TO PROCESS AN ACCOUNTS PAYABLE INVOICE IN TORONTO?



Chart 1.6 shows that Toronto's operating costs per invoice paid have increased by 4.5% compared to 2016.

Chart 1.6 (City of Toronto) Accounts Payable Cost per Invoice Paid

1.7 – HOW MUCH DOES IT COST TORONTO TO PROCESS AN ACCOUNTS PAYABLE INVOICE COMPARED TO OTHER MUNICIPALITIES?

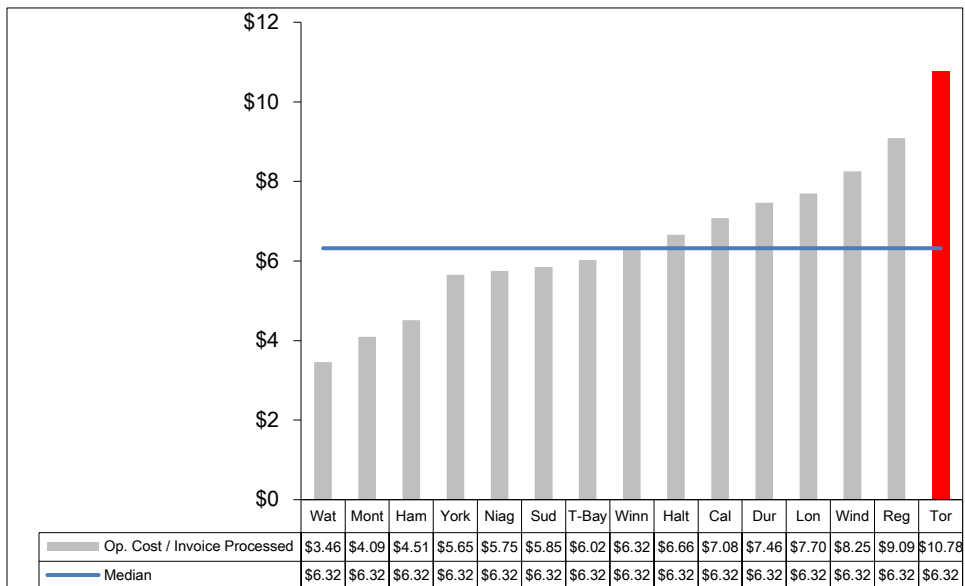


Chart 1.7 shows that compared to other municipalities, Toronto ranks fifteenth of fifteen (fourth quartile) in terms of having the lowest cost per invoice paid member.

Chart 1.7 (MBNC 2016) Accounts Payable Cost per Invoice Paid

Toronto has the highest cost to process an accounts payable invoice however there was a direct and significant net cost savings of \$1,434,363 by the capturing of early payment discounts captured through payable efforts which would reduce the cost of the invoice paid (\$7.33 net cost per invoice), however the current MBNC/OMBI data dictionary does not allow the deduction from the operating costs for AP.

2016 ACHIEVEMENTS AND 2017 PLANNED INITIATIVES

The following initiatives are intended to further improve the efficiency and effectiveness of Accounts Payable Services:

2016 Initiatives Completed/Achievements

- Implemented Corporate Accounts Payable Key Performance Indicators (KPI's) metrics and other relevant reports for client divisions on the accounting intranet web site.
- Accounts Payable continuous automation process has resulted in receiving over 82% of accounts payable documents electronically from City Vendors and Internal customers.
- Encouraged vendors to capitalize on early payment discount opportunities.
- Implemented the automation of the receipt and processing of Capital Transmittal, Payment Requisitions and Schedule "A" vendor invoices.

2017 Initiatives Planned

- Continue to automate the Accounts Payable process to improve efficiency and customer relationships with City vendors and City Divisions.

Factors Influencing Results of Municipalities

The results of each municipality found in the charts included in this report are influenced to varying degrees by factors such as:

- Organizational form - centralized vs. De-centralized invoice approval process, as well as the number of different office locations.
- Credit card purchases - some invoices are system generated (credit cards), which reduces the number of invoices to process.
- Payment policy – the timeline for paying invoices may vary according to different local policies.