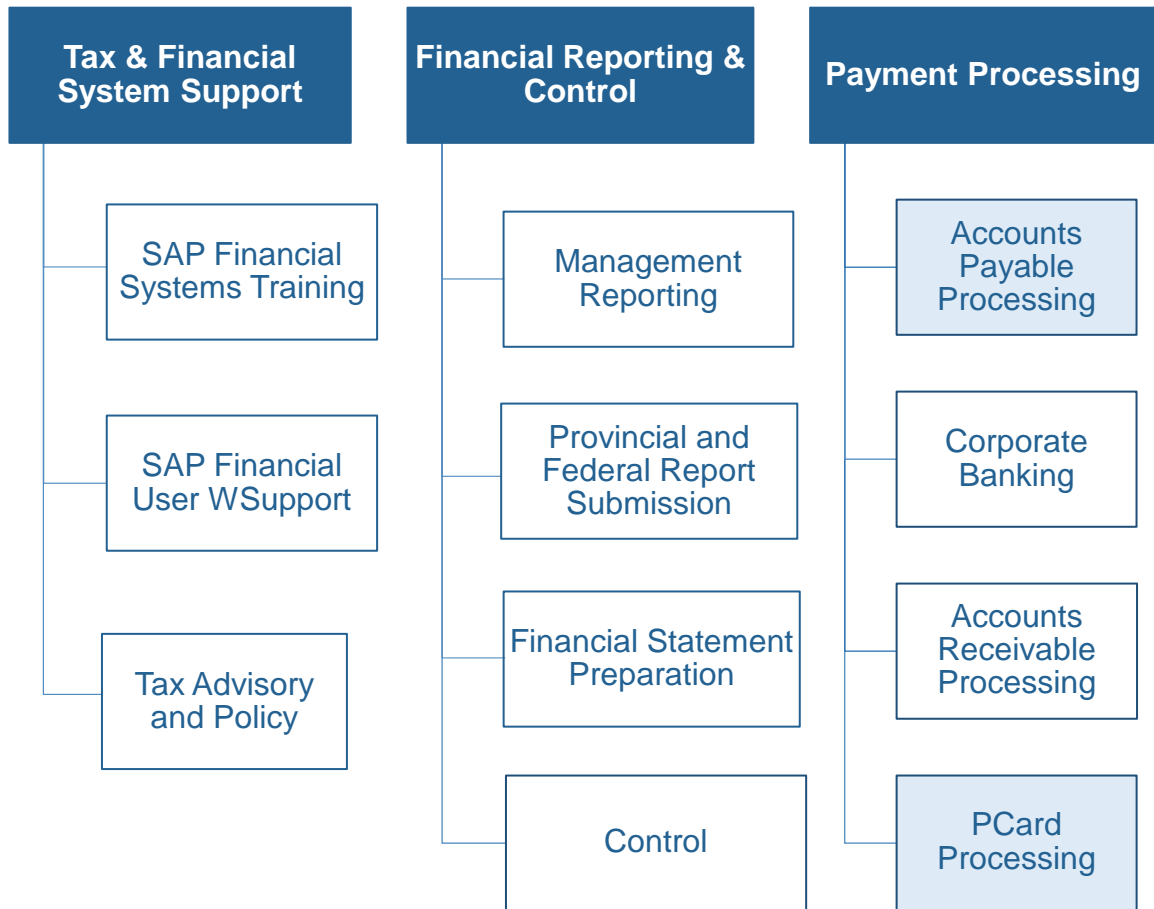




ACCOUNTS PAYABLE

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 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	Chart & Page Ref.
How long does it take to pay an accounts payable invoice?	Percentage of Invoices Paid Within 30 Days - (Customer Service)	Increase Increase in the number of invoices paid within 30 days (Customer Service)	3 Lower percentage of invoice paid within 30 days compared to others. (Customer Service)	1.1 1.2 pg. 4
Have discounts offered for early payment of invoices been obtained?	Percentage of Early Payment Discounts Achieved – (Efficiency)	Stable Percentage of early payment discounts achieved was stable. (Efficiency)	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)	Increase Number of invoices processed per staff member increased (Efficiency)	3 Lower rate for number of invoices processed per staff member compared to others (Efficiency)	1.4 1.5 pg.6
How much does it cost to process an accounts payable invoice?	Accounts Payable Operating Cost per Invoice Processed – (Efficiency)	Stable Cost per invoice processed was relatively stable (Efficiency)	4 Highest cost per invoice processed compared to others (Efficiency)	1.6 1.7 pg.7

SUMMARY OF OVERALL RESULTS

Internal Comparison of Toronto's 2017 vs. 2016 Results	Internal Comparison of Toronto's 2017 vs. 2016 Results	External Comparison to Other Municipalities (MBNC) By Quartile for 2017	External Comparison to Other Municipalities (MBNC) By Quartile for 2017
Service Level Indicators (Resources) N/A	Performance Measures (Results) <div style="display: flex; justify-content: space-between; font-size: 8px;"> 2- Favourable 2- Stable 0 -Unfavourable </div> 100% 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 2 - 3rd quartile 1 - 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 16 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?

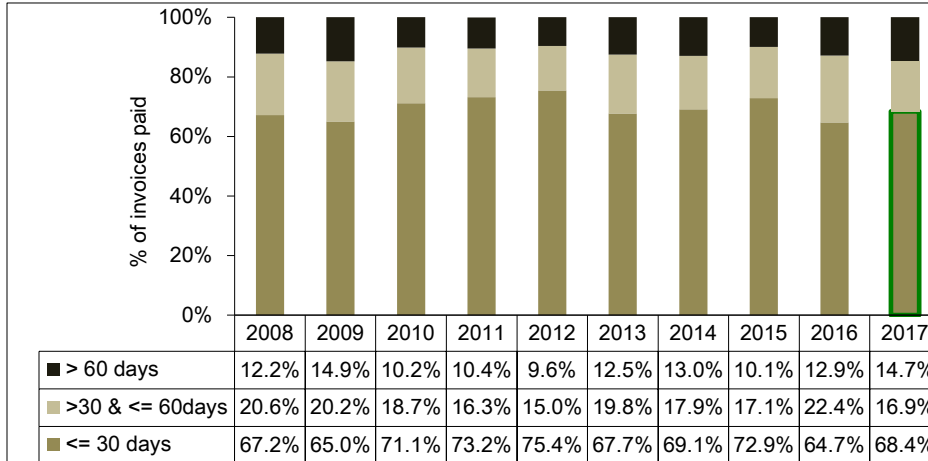


Chart 1.1 summarizes the proportion of A/P invoices paid within 30 days of the invoice date, between 31 and 60 days, and over 60 days.

Results in 2017 increased by 3.7% from the previous year, with 68.4% of invoices paid within

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

30 days. The percentage of invoices paid within 60 days was 85.3%. The payment cycle time for City vendors is expected to increase (improve) in the upcoming years as a result of the implementation of SAP Ariba, and a continuous focus on performance measures.

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

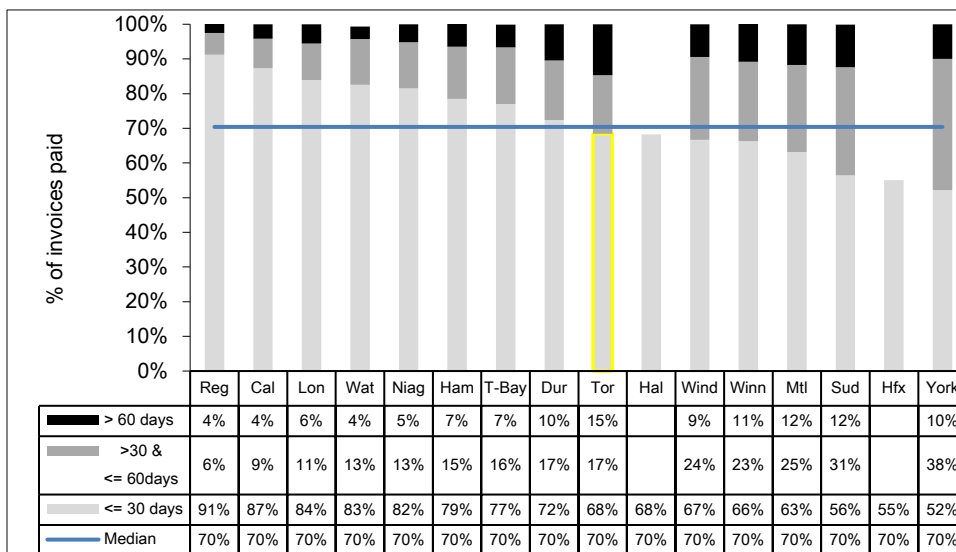


Chart 1.2 compares Toronto's 2017 results to other Canadian municipalities in terms of the time required to pay invoices (cycle time).

Chart 1.2 (MBNC 2017) Percentage of A/P Invoices Paid Within Specified Time Period

Toronto ranks ninth of sixteen (third 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.

One of the factors that influence Toronto's comparative results relate to its organizational form. Toronto has a centralized accounts payable process, while other Municipalities are decentralized. In a centralized model, most of the accounting processes are done by one Division, while the decentralized model these processes are done by several operating Divisions.

EFFICIENCY

Some vendors offer early payment discounts to motivate their customers to pay their invoices sooner. By paying invoices sooner, the City can capture those discounts and save money.

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

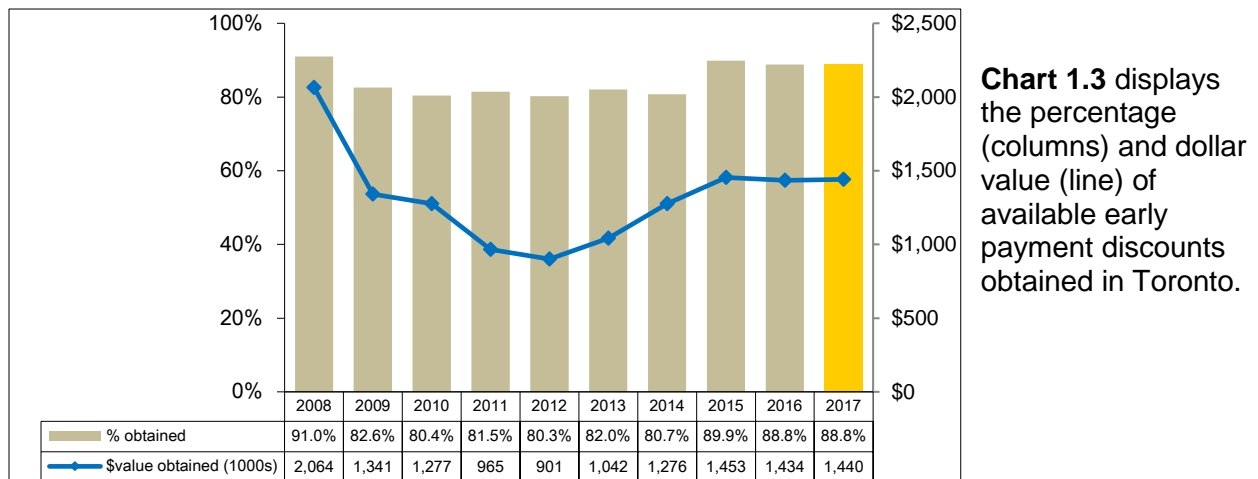


Chart 1.3 (City of Toronto) Percentage and Dollar Value of Available Early payment discounts obtained

In 2017, the result was stable compared to the previous year with 88.8% of available discounts captured. The total value obtained from the early payment discounts was \$1.4 million, an increase of \$6,000 from 2016.

Accounting Services continue to work with vendors to capitalize on early payment discount opportunities resulting in an increased capture rate for discounts.

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

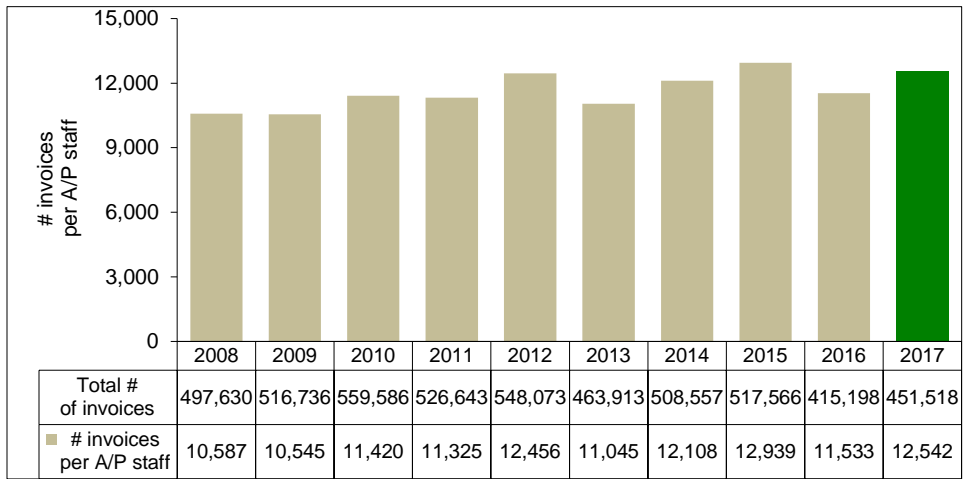


Chart 1.4 provides Toronto's total number and rate of Accounts Payable invoices paid per Accounts Payable staff member, and 2017 results increased by 8.7% in relation to 2016. This increase was the result of implementation of an electronic process for utility invoices.

Chart 1.4 (City of Toronto) Number of Invoices Processed per Accounts Payable Staff Member

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

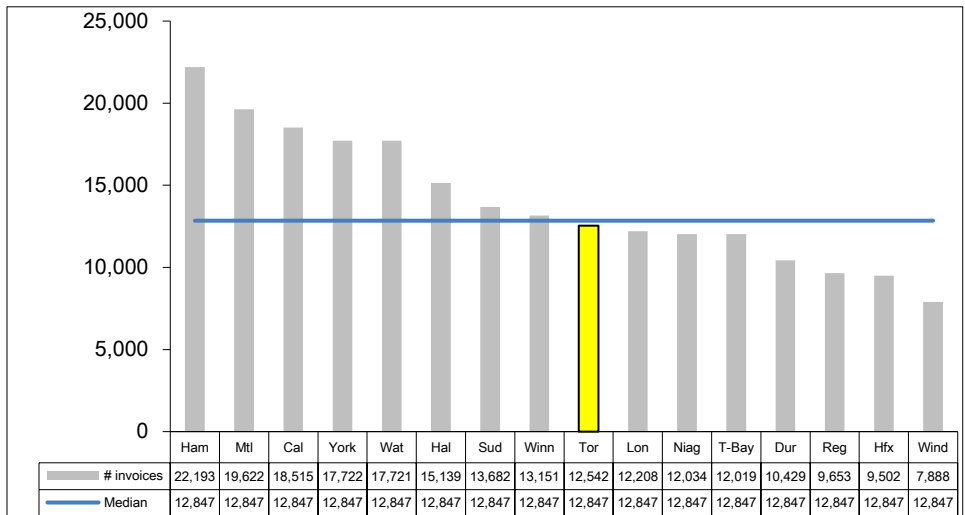


Chart 1.5 compares Toronto's 2017 result to other municipalities for the number of A/P invoices processed per staff member.

Chart 1.5 (MBNC 2017) Number of Invoices Processed per A/P Staff Member

Toronto ranks ninth of sixteen (third quartile) in terms of having the highest number of Accounts Payable 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 was relatively stable with a slight increase by 1.1% compared to 2016.

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

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

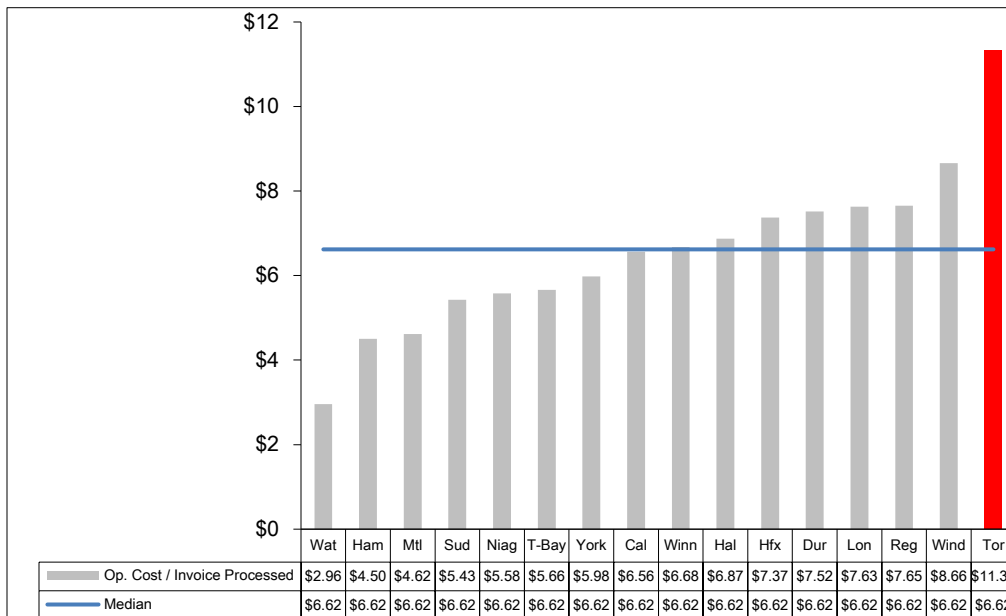


Chart 1.7 shows, Toronto ranks sixteenth of sixteenth (fourth quartile) in terms of having the lowest cost per invoice paid member.

Toronto has the highest cost to process an accounts payable invoice.

Chart 1.7 (MBNC 2017) Accounts Payable Operating Cost per Invoice Processed

In 2017, there was a direct and significant net cost savings of \$1,440,283 by the capturing of early payment discounts captured through payable efforts which would reduce the cost of the invoice paid to \$8.12 net cost per invoice. Toronto's operating costs (reflected in Charts 1.6 and 1.7) do not include the significant cost savings of the early payment discounts captured through payable efforts, as shown in Chart 1.3

2017 ACHIEVEMENTS AND 2018 PLANNED INITIATIVES

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

2017 Initiatives Completed/Achievements

- Provided financial reporting, control and advisory services that add value and ensure compliance with accounting standards, relevant legislation and Council policies.
- Supported the sustainment, improvement and protection of the integrity of the City's financial and payroll system (SAP), including testing, training, user support, and system upgrades.
- 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.

2018 Initiatives Planned

- Continue to automate the Accounts Payable process to improve efficiency and customer relationships with City vendors and City Divisions.
- Continue implementation of the Supply Chain Management Transformation Project, also known as SAP Ariba, to capitalize on business process efficiencies. This project is intended to reduce processing time from current business practices.

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.
- Processes & Systems - Differences in system generated vs. manually generated invoices (e.g. phone lines, utilities), differences in records management (e.g. document imaging vs. not imaging), and the nature of the payment approval process (e.g. electronic vs. manual).
- Credit card purchases - some invoices are system generated (credit cards), which reduces the number of invoices to process.
- Payment policy and practices – the timeline for paying invoices may vary according to different local policies.