Improvement Process Between Accounts Payable and Procurement

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The South Carolina Department of Probation, Parole and Pardon Services created in 1941 is charged with the community supervision of offenders placed on probation by the court and paroled by the State Board of Paroles and Pardons. The South Carolina Department of Probation, Parole and Pardon Services also supervises offenders through a number of community sanctions, and helps ensure that they meet specific conditions of parole. The mission of the South Carolina Department of Probation, Parole and Pardon Services is to prepare offenders under our supervision toward becoming productive members of the community; to provide assistance to the victims of crimes, the courts and the Parole Board; and to protect public trust and safety. Accounts Payable and Procurement play a vital role in ensuring South Carolina taxes are spent in line with the mission of the Agency.

Typically, State agencies have several departments but only focus on a few. Accounts Payable and Procurement are two areas that are usually viewed as less attractive areas to focus on improving. The Accounts Payable process is very important since it processes nearly all payments outside of payroll (**Appendix A** shows how the Accounts Payable process should work). Procurement on the other hand is just as important. The Procurement process involves identifying the goods and services, soliciting and selecting the vendors, receiving and processing shopping carts, creating Purchase Orders, and receiving the items. In other words, the Purchase Order begins the Accounts Payable process. Therefore, it is critical that Accounts Payable and Procurement work efficiently together.

THE PROBLEM

South Carolina Department of Probation, Parole and Pardon Services, like most agencies, has automated its Accounts Payable and Procurement systems through one system—The South Carolina Enterprise Information System (SCEIS). Although Accounts Payable and Procurement have been automated, there still seems to be issues such as:

- Invoices not being paid in a timely fashion
- Purchases are being made without a Purchase Order
- Lack of uniformity in documentation or procedures
- Departmental roles that overlap

The Accounts Payable department at South Carolina Department of Probation, Parole and Pardon Services is centralized and is responsible for paying all agency vendor invoices and payments that are requested. Accounts Payable receives vendor invoices/payment requests externally by mail and email, and internally from Procurement and other areas of the agency. Once the vendor invoices/payment requests are received in Accounts Payable, the clock begins to tick. Vendor invoices/payment requests are due and payable within 30 days of invoice date or receipt date. Therefore, vendor invoices/payment requests should be processed within 10 days of receipt. Most of the vendor invoices received for processing are derived from products and/or services issued through a Purchase Order. The items received through the Purchase Order process must also be received by Procurement before Accounts Payable can process the vendor invoice for payment. Vendor invoices are

sometimes held for more than 30 days mostly due to the lack of a Purchase Order, the items received not being receipted or approval from other areas. Not processing the invoices in a timely manner can cause late payment fees, budget issues, audit issues, and high frustration levels from staff and vendors.

DATA COLLECTION

For the Accounts Payable department, the primary goal is to ensure that all payments of the agency are processed accurately and in a timely manner. Other goals include reduction of errors and budget issues. Accounts Payable also checks for and corrects errors found along the way. Budget relies on the Accounts Payable department to ensure accurate expenditure and encumbrance reporting and to assist with questions. Vendors also rely on Accounts Payable to pay their invoices, reconcile their statements, and answer related questions. Vendor invoices are the source documents for most Accounts Payable transactions.

Currently there is not a concise process in place between Accounts Payable and Procurement to adequately get the information such as Purchase Orders, goods receipted, etc. to process invoices within ten days of receipt. The method used to gather pertinent data were survey questions.

Accounts Payable and Procurement personnel were surveyed. Each area was given a series of questions relating to the following:

- Timeframe for issuance of Purchase Order once requested.
- Number of invoices received by each area.

- Number of purchases processed properly – entering a shopping cart to generate a Purchase Order before the purchase is made.

- Number of purchases processed improperly – purchases made without a Purchase Order.

Within the Accounts Payable department, there are three accountants that handle the daily processing of payments. Two of the three accountants handle vendor invoices that require a Purchase Order or approval from other areas. The third accountant processes internal payment requests only. The Accounts Payable accountants were asked to respond to ten survey questions. Responses were received from two of the three accountants (67% response). The non-respondent accountant is one of the accountants that handles the invoices that require a Purchase Order or approval from other areas. From the received responses all questions were answered. **(Appendix B)**

Within in the Procurement department, six employees were asked to respond to seven questions. The individuals included the Director of Procurement, two managers and three Procurement Specialists. Responses were received from all individuals except from one of the Procurement Specialists (83% response). From the received responses all questions were answered. **(Appendix C)**

DATA ANALYSIS

Key findings and appropriate patterns or trends in the data gathered included the following:

- Invoice not being paid in a timely fashion

Based on the data collected ten to twenty invoices per month are received by Procurement and other areas compared to 30 or more invoices received directly by Accounts Payable monthly. Because of this, these invoices are more than likely not getting to Accounts Payable to process within the 30-day window.

- Purchases that are being made without a Purchase Order

The collected data shows that several invoices are received by Accounts Payable and Procurement without a Purchase Order. According to the data collected from Accounts Payable, one to ten invoices per month are received without a Purchase Order. The data showed that five or more invoices per month are received by Procurement without a Purchase Order. The collected data also shows that it takes fifteen or more days to receive the Purchase Order once requested. However, the data does not support why Accounts Payable is not receiving the Purchase Orders. An invoice will be received by Accounts Payable and Accounts Payable is unaware a purchase was made. This also affects Budget. Not enough available budget to process the Purchase Order or payment, could also cause the payment of the invoice to be delayed.

- Lack of uniformity in documentation or procedures

The data collected further supports that the Accounts Payable process is not being followed between Accounts Payable and Procurement to ensure that the invoice, Purchase Order, etc. reaches Accounts Payable ready to be processed once received. If Procurement and other areas are receiving invoices

that should come directly to Accounts Payable, this means that the invoices are not properly documented as to when they are actually received.

- Departmental roles that overlap

The data collected shows there are some overlapping of duties such as Procurement and other areas receiving invoices that should go directly to Accounts Payable.

Potential causes or contributing factors identified to the problem are:

- No procedures in place to identify the processes, roles, etc. between Procurement and Accounts Payable;
- Not being able to identify why purchases are allowed to be made without a Purchase Order; and
- Not being able to identify why it takes fifteen or more days to receive a Purchase Order once requested.

Potential solutions and implementation plans based on analysis of the available data are:

- Accounts Payable should be receiving all invoices for proper documentation.
- No purchases should be made without a purchase order
- All purchases should be received by Procurement to verify receipt. A receipt log should be created to track when the item(s) were received, who received them and how many was received.

IMPLENTATION PLAN

Action steps needed to complete the goal (and who performs them):

- The three Accounts Payable accountants receive all invoices. Vendors should be advised to send all invoices to the attention of Accounts Payable. This can be done by placing the Agency address and the Accounts Payable email address on the Purchase Orders and correspondence to vendors.

- Accounts Payable accountants should document all invoices.

- Accounts Payable accountants should receive Purchase Orders from Procurement prior to purchases being made.

- Receipt of purchases be received through Procurement and receipted in the system immediately.

- Approvals and other documentation to process invoices should be received by the Accounts Payable accountants within three to five days of request. Other Departments in the Agency should be made aware of the urgency of approving their invoices and returning them to Accounts Payable for processing. Issues with the invoice should be brought to the attention of Accounts Payable immediately.

Timeframes and cost

- Tools are in place but are not being used. The tools consist of an Accounts Payable email address specific for vendors to send all invoices.

- Based on current employees with an average of two years' experience, this process should take two weeks or less to implement with no cost.

Potential obstacles and methods to overcome:

- Developing standard operating procedures (SOPs) that will benefit Accounts Payable and Procurement incorporating the steps needed for implementation
- Implementation of the plan if procedures established are not followed.
- Getting across how critical of a role Accounts Payable and Procurement play in the agency when all players involved work together.

Potential resources:

- Resources use to implement this plan would be current staff of Account Payable and Procurement.
- Open encumbrance report generated by South Carolina Enterprise Information System. This report provides pertinent information as to which Purchase Orders are still opened.
- Use of the Accounts Payable email address especially for external vendor invoices.

Communication with key stakeholders:

- Communication through emails and meetings—information will be requested and discussions had as to what information can be placed on the Purchase Orders.

- Getting precise information as to why Procurement is receiving invoices and should they be receiving them.

- Discussions as to why purchases are being made without a Purchase Order.

Integration into standard operating procedures:

Standard operating procedures would be created to include the process between Accounts Payable and Procurement to incorporate the agreed upon implementation plan. This would include the inclusion of the Agency's address as well as the Accounts Payable email address listed on all Purchase Orders and correspondence to vendors.

Evaluation Method

The process will be evaluated by:

- Using tools already in place such as spreadsheets to document when invoices are received by Accounts Payable and the method the invoices are received.

- The Accounts Payable email address, monitoring the number of invoices being received.

- The Open Encumbrance report generated from South Carolina Enterprise Information System,

Summary and Recommendation

A process improvement analysis was conducted between Accounts Payable and Procurement. From 88% of the respondents, the outcome has proven that there is no

adequate process in place with Procurement for Accounts Payable to receive the necessary information needed to adequately process invoices. The outcome has also shown that the Procurement staff is receiving far more invoices than they should. The Accounts Payable staff is holding thirty or more invoices more than thirty days due to lack of information from Procurement and other areas in the agency.

The recommendations are:

- All invoices received through mail (external and internal) are sent directly to Accounts Payable.
- Advising vendors to send all invoices to the Accounts Payable department by placing the address of the agency and the Accounts Payable email address on all Purchase Orders and correspondence sent to vendors.
- All purchases requiring a Purchase Order be made using a Purchase Order prior to the purchase being made.

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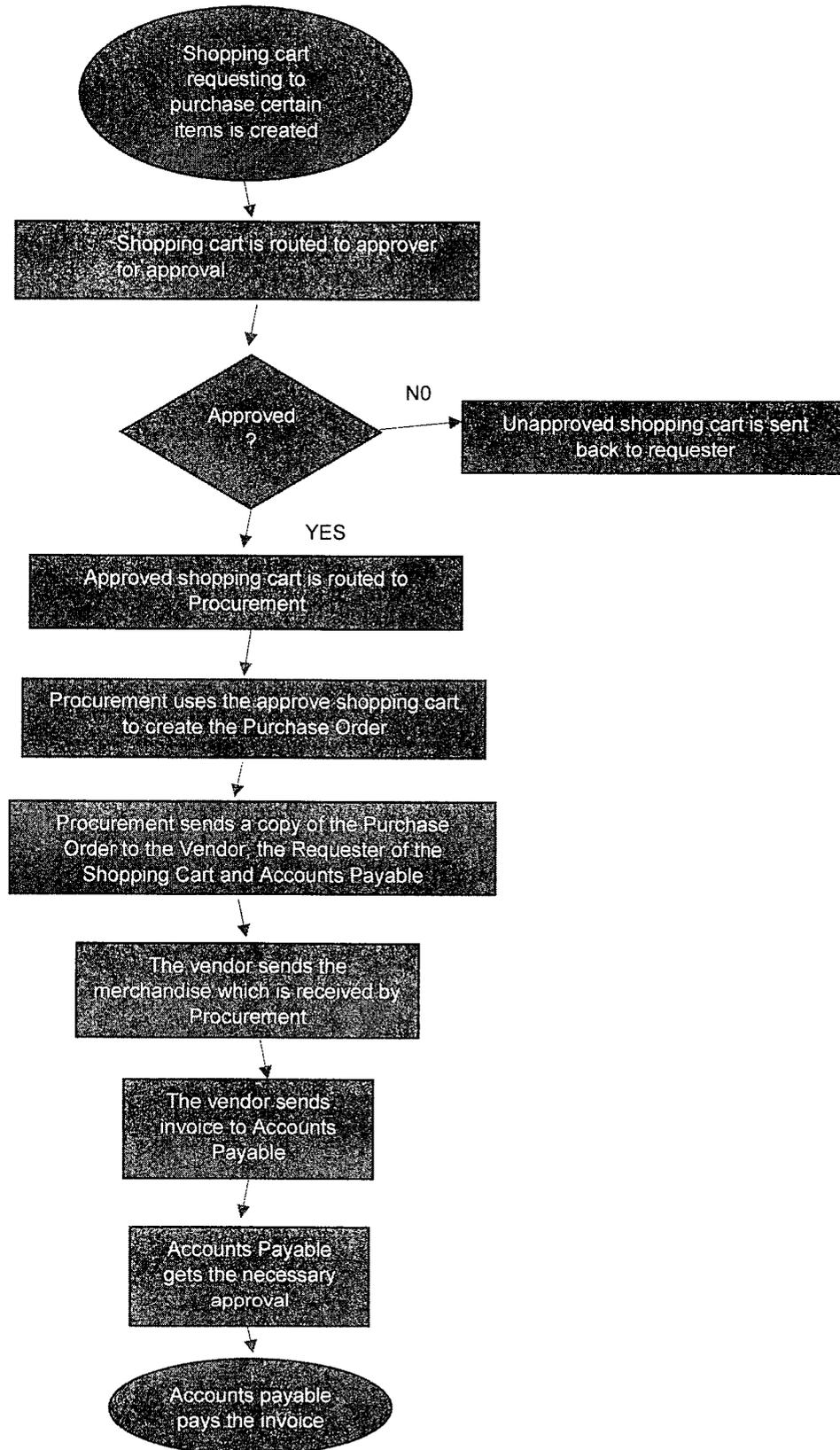
The Accounts Payable Process:

Q1 How many invoices/payment requests do you receive per month?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
1 - 10		0	0.00%
10 - 20		0	0.00%
20 - 30		0	0.00%
30 or more		2	100.00%
TOTAL		2	

Q2 How many invoices/payment requests do you receive per month electronically through your PPP email address?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		1	50.00%
1 - 10		1	50.00%
10 - 20		0	0.00%
20 - 30		0	0.00%
30 or more		0	0.00%
TOTAL		2	

Q3 How many invoices/payment requests do you receive per month electronically from vendors using the accounts payable email address?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		1	50.00%
1 - 10		0	0.00%
10 - 20		0	0.00%
20 - 30		0	0.00%
30 or more		1	50.00%
TOTAL		2	

Q4 How many invoices/payment requests do you receive per month through regular mail?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		0	0.00%
1 - 10		0	0.00%
10 - 20		0	0.00%
20 - 30		0	0.00%
30 or more		2	100.00%
TOTAL		2	

Q5 How many invoices/payment requests do you receive per month from procurement?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		1	50.00%
1 - 10		1	50.00%
10 - 20		0	0.00%
20 - 30		0	0.00%
30 or more		0	0.00%
TOTAL		2	

Q6 How many invoices/payment requests do you receive per month internally?
Answered: 2
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		0	0.00%
1 - 10		1	50.00%
10 - 20		1	50.00%
20 - 30		0	0.00%
30 or more		0	0.00%
TOTAL		2	

Q7 How many invoices received per month does not have a purchase order?
Answered: 2

Skipped: 0

ANSWER CHOICES	RESPONSES	
None	1	50.00%
1 - 10	1	50.00%
10 - 20	0	0.00%
20 - 30	0	0.00%
30 or more	0	0.00%
TOTAL	2	

Q8 How many days does it take to receive the purchase order once it has been requested from Procurement?
Answered: 2
Skipped: 0

ANSWER CHOICES	RESPONSES	
0	1	50.00%
1 - 5	0	0.00%
5 - 10	0	0.00%
10 - 15	0	0.00%
15 or more	1	50.00%
TOTAL	2	

Q9 How many invoices per month requires action from Procurement before it can be processed for payment?
Answered: 2
Skipped: 0

ANSWER CHOICES	RESPONSES	
None	1	50.00%
1 - 10	0	0.00%
10 - 20	0	0.00%
20 - 30	0	0.00%
30 or more	1	50.00%
TOTAL	2	

Q10 How many invoices per month requires action from other areas before it can be processed for payment?
Answered: 2
Skipped: 0

ANSWER CHOICES	RESPONSES	
None	0	0.00%
1 - 10	0	0.00%
10 - 20	0	0.00%
20 - 30	0	0.00%
30 or more	2	100.00%
TOTAL	2	

Q1 How many invoices do you receive per month?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–	
None	0	0.00%
1	1	20.00%
2	1	20.00%
3	1	20.00%
4	0	0.00%
5 or more	2	40.00%
TOTAL	5	

Q2 How many invoices do you receive per month electronically through your PPP email address?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–	
None	0	0.00%
1	1	20.00%
2	2	40.00%
3	0	0.00%
4	0	0.00%
5 or more	2	40.00%
TOTAL	5	

Q3 How many invoices do you receive per month through regular mail?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–	
None	4	80.00%
1	0	0.00%
2	0	0.00%
3	0	0.00%
4	0	0.00%
5 or more	1	20.00%
TOTAL	5	

Q4 How many invoices do you receive per month internally?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–	
None	3	60.00%
1	1	20.00%
2	0	0.00%
3	0	0.00%
4	0	0.00%
5 or more	1	20.00%
TOTAL	5	

Q5 How many invoices received per month does not have a purchase order?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		2	40.00%
1		1	20.00%
2		0	0.00%
3		0	0.00%
4		1	20.00%
5 or more		1	20.00%
TOTAL		5	

Q6 How many requests per month do you receive from Accounts Payable for invoices without a purchase order?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
None		3	60.00%
1		1	20.00%
2		0	0.00%
3		0	0.00%
4		0	0.00%
5 or more		1	20.00%
TOTAL		5	

Q7 What is the turnaround time for requested purchase orders?
Answered: 5
Skipped: 0

ANSWER CHOICES–	RESPONSES–		
0 days		0	0.00%
1 - 5 days		4	80.00%
5 - 10 days		1	20.00%
10 - 15 days		0	0.00%
15 or more days		0	0.00%
TOTAL		5	