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Problem Statement

The South Carolina Department of Parks, Recreation & Tourism was created July 1, 1967 by Section 51-1-10. The agency's mission is to improve the economic well-being and quality of life of South Carolinians by promoting state, national and international tourism; developing tourism / entertainment businesses; and conserving our unique community, cultural and physical environments. During the department's tenure it has grown to 45 parks statewide employing, during the peak summer season, over 1500 employees. The State Parks provide a resort atmosphere including services such as lodging, camping, boating, hiking, restaurants, golf and a host of other activities. These vast arrays of activities have consistently increased the complexity of the financial responsibilities of each Park and the Central Finance Office. Park managers must balance the agency mission of conserving our natural resources as well as, managing the financial responsibilities of each park. The Central Office must provide financial over site while understanding the many

responsibilities of the Park Manager. Our ability to assist the Parks staff members with a variety of financial issues effects the confidence level and the working relationship between the State Parks and the Central Finance Office.

In January 2000, the Central Finance Office elected to have all invoices mailed from various vendors directly to the Columbia Office. Prior to this change, the Parks had been receiving all invoices and would approve the invoice for payment before forwarding it to Columbia. However, not all invoices were forwarded to Columbia in a timely manner thus creating numerous problems with vendors. For example: Mallard Cablevision is a service provider for Santee State Park cabins. The Park failed to forward the April 2000 invoice and held the July and August invoices until November 2000. This created a large overdue balance and the provider called the Central Finance Office with a disconnect order. After hours of research and much apologizing we were able to avert the disconnection of service. Any delay in payments costs the state thousands of dollars in research time, late fees, penalties and interest on overdue invoices.

Each State Park has it's own infrastructure such as multiple phones lines, cable, water, power bills as well as other operating expenses. Thus, creating a massive number of invoices to be tracked by the Central Finance Office.

The inability to promptly pay vendors will ultimately hamper the agency's mission. Late payments have caused several service providers to be reluctant to provide goods or services. Therefore, making it difficult for the Parks to fulfill the agency's mission.

In order to handle the invoices effectively the payables unit was reorganized and the duties reassigned by category. The Accounting Technicians have been assigned specific duties for segregated bills as follows:

- Utility bills
- Inventory & Resale items
- Travel & Local Purchase orders (Districts 1 & 2)
- Procurement card & Local Purchase orders
(Districts 3 & 4)

- Central Office Purchase orders - recurring payments
- Central Office Purchase orders - one time payments

The segregation of duties has helped improve the prompt payment of incoming invoices. However, it does make it difficult for the Park staff when researching problem invoices. Generally, a Park Manager will only call the Central Office when researching a problem invoice and waiting until the assigned Accounting Technician is available may not be convenient.

We must remember that Park staff members are well-qualified environmental managers. However, the financial responsibilities are a burden not a pleasure. Therefore, the financial staff must make the problem solving and inquiry process as quick and simple as possible. Park staff members have many daily demands and we must work to prevent the problem and to provide the needed answers quickly and accurately.

It is my responsibility as the Assistant Director of Finance to monitor and handle any overdue vendor

payments, disconnect orders from vendors and any vendor discrepancies or complaints. We have developed a log, which will show typical problem vendors/service providers and identify the Park that obtained the goods or services. This will help in determining a plan to resolve the vendor problems.

The Central Finance Office's goal is to provide excellent financial customer service to our Park staff, central office staff and vendor/service providers.

Cause Analysis

The decision to have invoices mailed directly to the Central Office instead of the Park was necessary because of the number of invoices that never arrived at the Central Office and the number of invoices that were over 30 days old prior to arriving in the Central Office. We also incurred problems with being understaffed a majority of the year and the staff members that were on board were inexperienced in state government finance.

In order to fully determine the cause of the problems a random sample of two hundred payable contingency vouchers were examined. The log (Appendix A) shows the payable contingency vouchers that demonstrated the problems.

Of the two hundred vouchers sampled, 15% had either a past due balance; was over 30 days old before the contingency vouchers was issued; had the incorrect address on the invoice; or the required purchase order information was not prepared or was incorrectly prepared by either the field or central office staff. Annually, 15 % would represent over 3,750 vouchers with incorrect information or past due balances.

The incorrect address appeared on many invoices, mostly the utility billings from cable, water, power and telephone accounts. The finance staff mailed many letters and notices with the payments on these accounts stating the correct billing address. However, numerous vendors did not change the address and as a result many bills are still being mailed directly to the Park. This delay in payment of the invoices creates late payment charges for each account. In many cases the contingency vouchers was issued 30 days past the invoice date because of the delay in arriving in the Central Office.

The past due balances are the most difficult to track. Past due balances on recurring expenditures such as cable; water, power and telephone may have occurred months or maybe years prior. This is one problem it is very difficult if not impossible to determine why the past due balance occurred. Until the contingency voucher can be researched in detail the time the problem occurred cannot be determined. For example: a staff member researched a past due balance from South Carolina Electric and Gas. The invoice had over 50 different meters being charged to

the single account. This staff member logged over three weeks of time to resolve this one invoices past due balance.

Another repeated problem with late payments was the staff improperly preparing the necessary purchase orders. The policy relating to purchase orders only allows for a 2.5% variance between the invoice amount and the purchase order amount. The requisition that creates the purchase orders should include any set up charge for print items, tax and shipping. If the variance exceeds 2.5% a change order has to be requested by the person that initiated the original purchase order. The contingency voucher cannot be issued until the change to the purchase order is complete. This causes delays in payments to vendors.

Unfortunately the financial staff is usually the group that must prompt the initiating staff member that a change order must be issued. The staff members receive a copy of the invoice and/or packing slip. However, they do not understand the procurement process and do not initiate a change order until prompted by the Finance staff.

The Central Finance Office receives calls from vendors stating a disconnect order has been issued or from a park stating something has been disconnected because of non-payment of an invoice. These disconnect notices distracts the staff, Central Office and field, from their daily responsibilities because everything is dropped until the problem is resolved and service is connected or the disconnect order is eliminated. When these problems are resolved through training and communication the Finance Office and the field staff will function more effectively and efficiently.

Implementation Plan

The implementation plan will be a threefold approach to resolve the problems with late payments. First we will have to resolve the current late payments. This is a very time consuming process for the Central Finance Office. Staff member's time is consumed with the day-to-day activities of the Finance Office. It takes several hours to resolve one late payment charge. State regulations prohibit payment by a statement. Therefore, we must obtain copies of the invoices in question as well as the proper procurement purchase orders, and approval from the division that incurred the expense. Therefore, time is the worst enemy when resolving old past due balances.

The most common invoices that have over due/past due balances are the power, water, and telephone invoices. The Finance staff is finding it very difficult to find time to research and resolve these problems and fulfill their daily obligations. Therefore, I hired a retired Accounting Supervisor to help resolve the current past due balances on all power, water and telephone invoices. The goal is to

have all the past due balances for the utility vendors resolved by the close of the fiscal year, June 30, 2001. Once this is complete the Accounting Technician assigned to utility vendors will be responsible for monitoring and clearing the past due amount on each invoice as it arrives in the Finance Office. Prompt attention to the past due amount will eliminate the snowball effect we currently have in the Central Finance Office.

The second element is to address the other smaller vendors with overdue balances and invoices being mailed to the incorrect address. These are as time consuming to research and resolve as the utility vendors, but there are less past due balances reported for these vendors. The notices of the past due amounts are generally reported to us via statements from the vendors. The Payables Manager distributes the statements to the staff based on their major area of responsibility. The staff will review the billing address on all invoices from vendors as well as the field staff to ensure the correct address is referenced on the invoices and statements. The goal is to have all the statements completely cleared by

June 2001. This will also be incorporated into our daily activities.

The goal of resolving the past due amounts has been communicated to the staff and the time concerns have been addressed through several mechanisms. The staff is aware of the importance of the daily activity and not letting it lapse to resolve the past due balances. However, if they have any problems with resolving the past due balances they must inform the Payables Manager or myself. We will then address the past due invoice ourselves or assign it to another staff member.

Finally, the last step is to develop a training plan for the agency. The procurement and payables staff will develop the training plan. It will incorporate the procurement requirements that are commonly overlooked and the process for reviewing, approving and confirming the payments to the vendors. The training plan should incorporate all aspects of the procurement regulations, travel regulations and the processing of payments to vendors. This will also be used as a guide and distributed to new employees to reduce the errors that occur from improper procurement

requirements and receiving and approving the invoiced goods or services. Due to the complexity of this segment the goal date will be October 2001. The completion of the first two elements and the close of the fiscal year will delay this segment of the project for several months.

Evaluation Method

To evaluate the training, data will be reviewed and collected throughout the payables process. The payables staff will carefully review all incoming invoices and statements for the correct address and past due balances.

The procurement staff when issuing purchase orders will confirm the process for payment with the initiating staff to ensure proper procedures are followed for approving and processing the invoices and ensuring it is sent to the Central Finance Office in a timely manner. The Finance staff will report to the Procurement Office any late payment charges that resulted from the procurement regulations not being followed by staff. Any repeat offenders will be reported to the Chief of Staff and their Division Directors. This will help eliminate repeat abusers of the procurement regulations.

Secondly, the front line payable staff will review the invoices for accuracy. Once the disbursement voucher has been issued the Payables Manager will review for any past due balances and

ensure all balances are processed. This will ensure all past due balances are being addressed.

Statements will be reviewed and distributed by the Payables Manager. This will enable the manager to monitor the status of each statement and ensure each is researched in a timely manner.

I am responsible for approving and signing the payables vouchers and will also review the vouchers for past due amounts and late charges to ensure they are properly researched and processed.

The accounts payable staff and the procurement staff will review and maintain the training manual and updating it at least semiannually. All changes in the procurement regulations and changes required by the Comptroller General will have to be incorporated into the manual to ensure it remains a useful tool throughout the agency.

To ensure the implementation plan is working to resolve the problem a random sample will be taken quarterly, as the original sample. If the percentage continues a steady decline this will confirm progress is being made and the issue being resolved.

Invoice Date	Voucher Date	Voucher Number	Vendor Name	Correct Address	Past Dues Appear	Purchase Order Reissued
07/04/00	07/31/00	834	GTE South	No	Yes	No
07/06/00	08/02/00	1097	SCE&G	No	Yes	No
07/10/00	08/09/00	1442	South Carolina Net Inc	Yes	Yes	No
06/30/00	08/11/00	1621	Container Company of Carol	No	Yes	Yes (1)
07/07/00	08/11/00	1677	Duke Power	Yes	No	Yes (1)
08/01/00	08/11/00	1687	West Carolina Rural Tele	No	Yes	No
08/02/00	08/11/00	1696	Santee Cooper	Yes	Yes	No
08/05/00	08/18/00	2086	BellSouth	Yes	Yes	No
07/19/00	08/28/00	2830	Blue Ridge Electric Coop Inc	No	Yes	No
08/13/00	09/07/00	3401	Sprint	Yes	Yes	No
09/01/00	10/02/00	5102	Edisto Electric Coop	No	No	No
09/13/00	10/10/00	5651	Jamestown Advanced Products Corp	Yes	No	No
10/03/00	10/10/00	5851	Duke Power	Yes	Yes	No
10/01/00	10/16/00	6051	Waste Management of SC	Yes	Yes	Yes (1)
08/31/00	10/18/00	6301	The Sun News	Yes	No	Yes (1)
07/08/00	10/20/00	6351	Danka	No	No	Yes (1)
09/15/00	10/26/00	6901	DG&F Digital Graphics & PR	Yes	N/A	Yes (1)
10/05/00	11/02/00	7351	Danka	Yes	N/A	Yes (2)
10/15/00	11/02/00	7401	Pee Dee Electric Coop	No	Yes	No
11/01/00	11/03/00	7601	Chester Telephone Co	Yes	Yes	No
10/22/00	11/14/00	8201	Verizon	Yes	Yes	No
10/25/00	11/14/00	8351	Bellsouth	Yes	Yes	No
11/01/00	11/20/00	8701	Waste Management of Carol	No	Yes	No
09/30/00	11/26/00	9150	Container Company of Carolina	No	Yes	No
08/29/00	11/30/00	9301	The Acorn Group DBA: Acorn Naturalist	Yes	No	Yes (1)
09/11/00	12/04/00	9601	Wentworth Printing	Yes	No	Yes (1)
11/14/00	12/06/00	9830	Arch Paging Inc	Yes	Yes	No
11/28/00	12/08/00	10000	South Carolina Net Inc	Yes	Yes	No
11/27/00	12/18/00	10551	Best Home Center of Chapin	Yes	No	Yes (1)
11/30/00	12/20/00	10801	Waste Management of Carol	No	Yes	No

30 of 200 vouchers with problems equals
15.00%