

Improving the Shared Services Accounts Payable Process



South Carolina Department of Administration

Lead. Collaborate. Innovate

2023 South Carolina
Certified Public
Manager Project

Kendra Hunt, CGFO
CFO, Admin Services
Finance

February 6, 2023

Introduction

The Department of Administration (Admin) is a cabinet agency established July 1, 2015, as part of the 2014 Restructuring Act, combining elements of the former South Carolina Budget and Control Board and the Office of Executive Policy and Programs. As Admin is the central administrative agency for state government, our mission is: to Lead to identify efficiencies. Collaborate to provide services to enhance security and trust. Innovate to increase effectiveness.

A study was conducted in fiscal year 2014 tasking the SC Budget and Control Board with assessing the feasibility of assuming certain administrative functions for state agencies with a budget of less than \$5 million in total appropriations. The study determined that reimbursing a single agency to perform these consolidated administrative services was more cost effective than performing these same functions in each individual agency. This study led to Proviso 117.147 in the 2018-2019 Appropriations Actⁱ establishing the Statewide Administrative Services model. This proviso stated that Admin may provide consolidated administrative services to all agencies to promote cost saving, process integrity and other efficiencies, and to reduce duplication, overlap and redundancies to advance a statewide approach to agency administration. This service would be available to state agencies with a budget of \$20 million or less, and provide centralized functions including Finance, Budget, Procurement, and Human Resources. Agencies may choose all functions or chose select functions as needed. Within the Finance function, services available include Accounts Receivable, General Accounting, Grants, Accounts Payable, Reporting - year end and as required.

Problem Statement

The Accounts Payable (AP) section of Admin Finance has the highest volume of work and the largest staff, consisting of one AP Manager reporting to the Admin Services CFO, two AP Leads, and four AP Analysts. Admin Finance is currently responsible for AP processing for all Admin divisions as well as nineteen (19) additional state agencies that participate in the Shared Services program. This amounted in a workload of nearly 25,000 documents processed by our AP staff in the most recent fiscal year. With this workload, now more than ever, we need a process that is efficient and meets agency expectations for processing time. Our current policy, established in 2015, states that all invoices are to be processed within three (3) business days of receipt at the central finance office. Staff is not meeting this deadline, with some invoices being held for as many as 30+ days prior to posting. This project is hoping to determine what obstacles are preventing timely processing and how to make the AP process more efficient for our AP staff while maintaining adequate customer service to our internal customers, Shared Services agencies, and ensuring our external customers, state vendors, receive their payments in a timely matter in accordance with SC state regulationsⁱⁱ.

Data Collection and Analysis

At the time of this paper nineteen state agencies are in contracts with Admin Finance for Shared Services support. These agencies provide a multitude of services to the citizens of South Carolina with varying business needs and staffing levels.

State Museum Commission	Governor's Mansion and Grounds
Conservation Bank	Governor's Office – ECOS
Workers Compensation Commission	Governor's School for Agriculture
Commission on Higher Education	Governor's School for Arts and Humanities
Confederate Relic Room and Military Museum	Governor's School for Science and Math
Aeronautics Commission	Human Affairs Commission
Children's Advocacy	Office of Resilience
Public Service Commission	Education Television
Revenue and Fiscal Affairs	Veteran's Affairs
	Education Oversight Committee

The Department of Administration is comprised of eleven divisions providing statewide services ranging from State Fleet Management to statewide data processing services and security.

Office of Executive Director	Technology and Information Services
Administrative Services	Program Management
Executive Budget Office	Governmental Affairs and Economic Opportunity
Facilities Management & Property Services	SC Enterprise Information System (SCEIS)
Agency Support Services	Executive Policy and Programs
State Human Resources	

The array of business requirements for these agencies and divisions makes “one size fits all” processing difficult. As I would come to find during my interviews with Admin AP staff, agencies have different internal rules in addition to some having outreach missions that might seem on the surface in contrast with state disbursement regulations that our team is used to. This confusion was a significant concern from the AP staff.

My goals for data collection were to collect not only the quantity of total documents processed by the AP staff over a fiscal year but by agency. From this point I would look at the aging of invoices posted during fiscal year (FY) 2022 (July 1, 2021 through June 30, 2022) and review the invoice date to the clearing date. Would we be able to isolate specific agencies and offices for training? Would we be able to identify obstacles that could be eliminated?

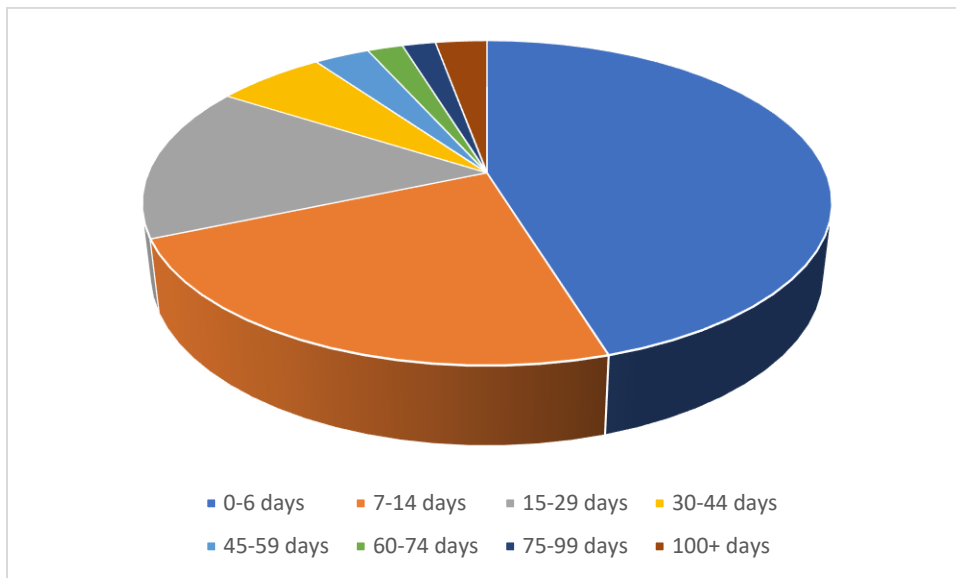
Admin AP staff processed a total of 24,689 documents for payment in FY 2022. The monthly average was 2,057 documents. Already in FY 2023 our monthly average is exceeding 2,400 documents per month.

To determine an accurate AP Aging I ran all posted documents for FY 2022 and eliminated the following: interfaced documents (not included in the AP team count above), outliers which would include apparent mis-keyed dates or abnormally exceeding due dates, and any documents that were ultimately reversed. I defined “timely” as payments posted and cleared within 0-6 days of the due date to allow for weekends and holidays. The system calculates the due date based on the invoice date plus payment terms in the vendor file, ranging from Due

Immediately to Net 30, thus the importance for eliminating potential human errors such as wrong year entered as an invoice date.

With all agencies combined, including Admin, and outliers eliminated we appeared to have posted 45.2% of all invoices in a timely matter. This was followed by 23.4% posted within 7-14 days of the due date, and 15.4% posted within 15-29 days of the due date. The remaining 16% were posted anywhere between 30-100+ days from the due date.

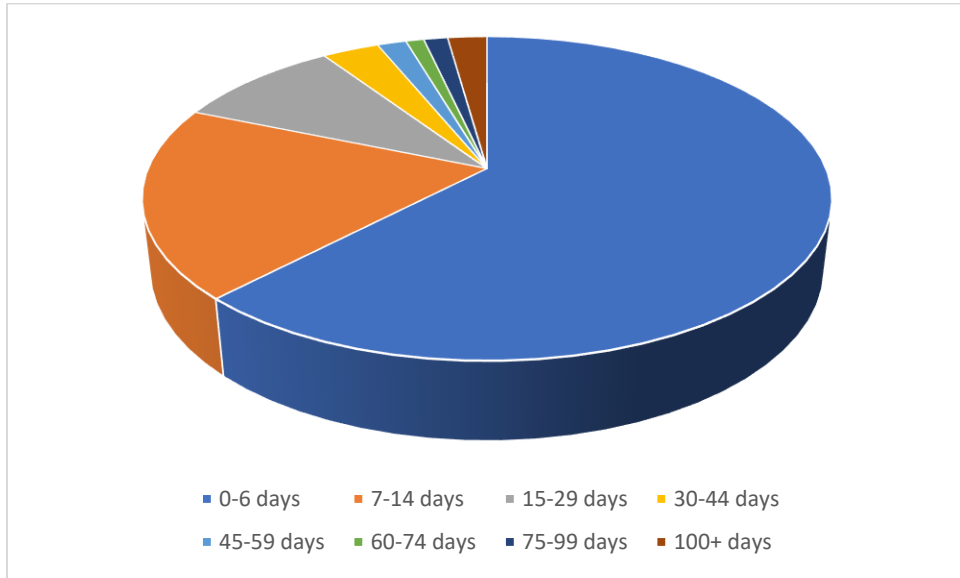
Timeliness of Admin and Shared Services Agencies Invoices Combined



To compare one agency to the full shared services model let's compare Admin to all Shared Services agencies.

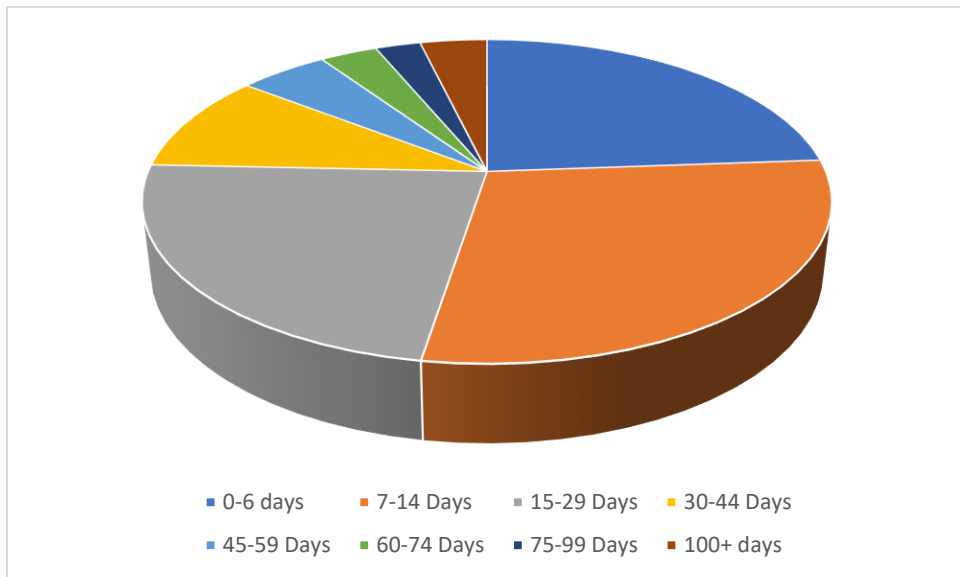
Admin division invoices were posted timely 62.2% of the time. 19.1% were posted within 7-14 days of the due date and 9.4% were posted within 15-29 days of the due date. The remaining 9.4% of the invoices were posted anywhere from 30-100+ days of the due date.

Timeliness of Admin Invoices



If we evaluate only the Shared Services agencies, we get the following breakdown of only 23.8% of invoices posted timely, with 28.7% within 7-14 days of the due date and 23.1% within 15-29 days. 24.3% were posted anywhere from 30-100+ days of the due date.

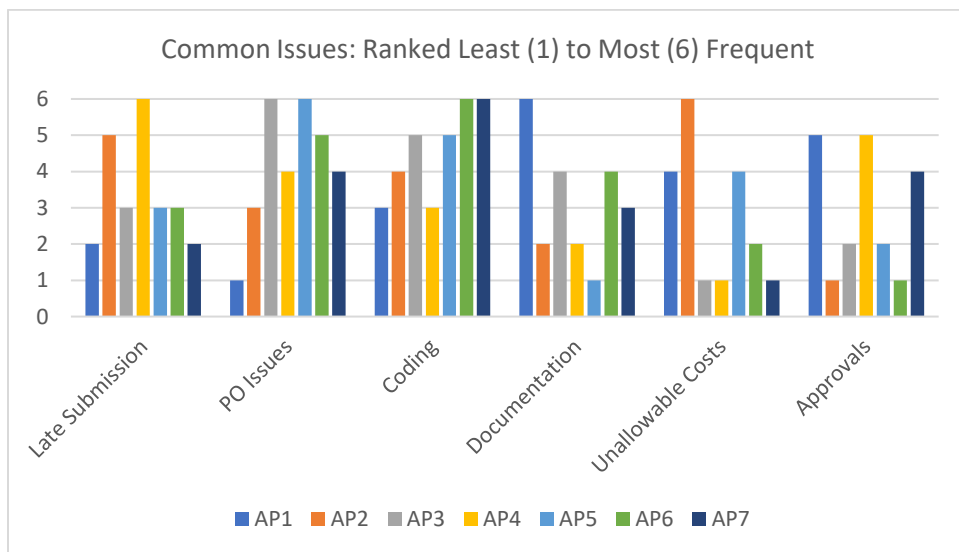
Timeliness of Shared Services Agencies Invoices



Once the data was broken down by each agency, I was able to identify three agencies with a significant number of invoices being posted 100+ days past due. Only two Shared Services agencies were being processed timely at a rate of 50% or more.

I met with the AP team to discuss the common problems they have seen over the year. Where do things go wrong? The most common complaints were as follows:

- Agency/Division sending invoice late
- Purchase Order (PO) Issues (e.g., wrong PO number, not enough funds on PO)
- No accounting code provided (e.g., funded program, invalid accounting stream)
- Improper Documentation (e.g., sent a statement rather than an invoice)
- Unallowable Costs (e.g., meals for employees not in travel status)
- Wrong amounts approved (e.g., mileage, GSA hotel rates, meal allowance)



While results from the survey did indicate a slight variance in what staff felt was the most frequent issues, it did demonstrate the more common issues being PO issues or coding concerns and questions.

When any of the above errors occurred, the AP manager would notify the agency or division via email to let them know what is needed. Response time varied greatly. In my review with the AP manager, she may get a response within one business day, or it may be upwards of a month, in some cases as many as three months, with multiple follow-ups on her part. Per the existing policy, after three follow-up emails and no response after at least 30 days the AP manager would notify the program that AP can no longer hold the invoice.

One last review with the AP team and their processes showed that an AP analyst spends, on average, four hours each day scanning invoices from our AP email inbox into OnBase, the scanning system integrated with our accounting enterprise system, SCEIS, to start our workflow. Would we be able to shorten or even eliminate this process to allow for more time spent processing invoices?

Implementation and Evaluation

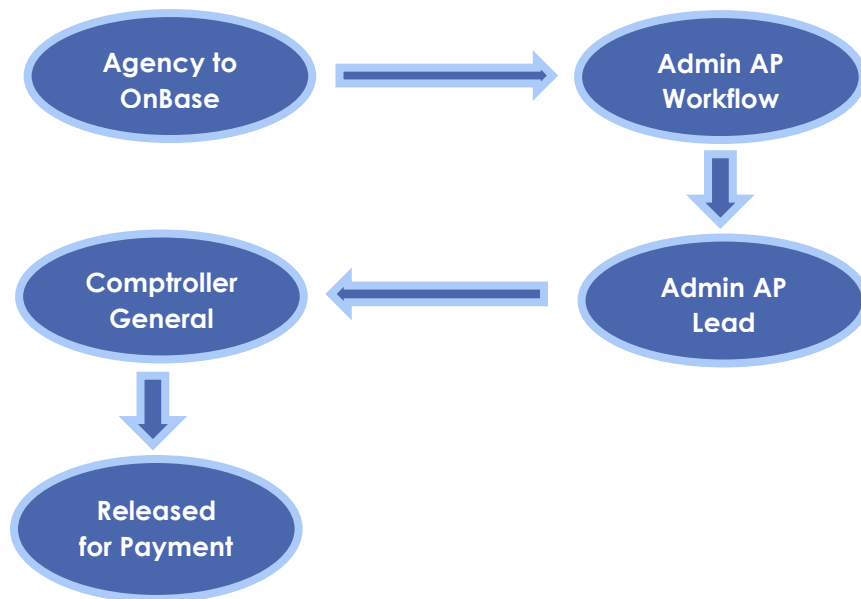
The Admin team is not privy to the account coding or programmatic information needed in order to make coding decisions for the agency, nor would the agencies want Admin to make that decision for them. Many agencies contract with Admin simply because they lack the staff or have had staff turnover and the agency finance expert is no longer with the agency.

In one effort to address delays we assigned the agencies with the highest rate of late invoices and slowest response times to a dedicated analyst. Unfortunately, this ultimately failed to improve the overall processing time for all agencies as a whole as this took the analyst from higher volume processing and did not address the problem(s) at the submitting agency level.

Training opportunities were provided to the agencies with the most significant past due invoices. Training did not provide immediate, visible changes to the invoice payment statuses. It would appear there are unique factors in place at each of these agencies ranging from how they received their invoices, at a program level or satellite office rather than a central location for example, to staffing shortages. Recommendations may be made but overall agency functions and org structure are well outside the scope of the Shared Services model.

To address the time spent by the AP team scanning invoices from email into OnBase, we asked select agencies to begin scanning their own invoices directly into OnBase/our workflow hoping

to expedite the process for payment by at least two business days. With the invoice scanned by the agency or program directly into OnBase, it would then workflow to our AP team inbox in SCEIS for immediate processing. Once processed the invoice would workflow for review and approval by an AP Lead, then workflow to the Comptroller General’s Office for audit before being approved and released for payment. If all appropriate information was provided and coded, the workflow would appear as below:



If upon review by the AP Manager, the scanned invoice required more information she would then notify the agency and “reject” the scan if not resolved after one week. The only push-back we have encountered with this solution is agencies that are not staffed for this task.

We have trained three agencies in this process at the time of this paper with three more agencies on the horizon. Within just two months of implementation of this process we have seen timely payments increase from approximately 14% to 31% for agencies that scan directly

into OnBase. While this would be the ideal solution for all supported agencies, we are unable to enforce this workflow process with agencies stating that they do not have the staff available to handle scanning.

In addition to requesting that agencies scan their invoices directly into our workflow we have empowered our staff to advise divisions and agencies that they have one week to respond with the requested information. If a week passes with no response or resolution, we will reject the invoice and they will be required to resubmit with the appropriate information. This reduces the amount of time the AP manager spends on follow-up for items on hold. Time will be focused on processing rather than repeated emails.

Prior to updating our procedure our AP Manager had averaged approximately 105 invoices on hold for more information daily with submission dates as far out at three months prior. The old process would require her to follow-up with the program(s) at least three times prior to advising that AP would no longer hold the invoice. By updating the policy to advise the program of the need for information with a deadline of one week, we have seen the number of invoices on hold drop to less than 45 total on hold at a time, a reduction of more than 55%. This has allowed AP staff to focus less on follow-up tasks and spend more time focusing on processing. The AP manager has reported the new policy results in more prompt responses and relieves her of the burden of continuously searching for emails and follow-ups.

As briefly mentioned in the data collection and analysis section, each of these agencies provides a wide variety of services to the citizens of South Carolina. Many of the missions of these agencies require expenses for services that our team may not normally be familiar with. An important step that we need to take with onboarding new agencies will be to assess the agency mission and historical expenditures to understand the business needs. Having this knowledge for the AP staff would assist and prepare them for timely processing of items such as commissioner reimbursements, meetings and/or events that agencies regularly hold, or expenditures for exhibits.

One last minor effort was to assess our policy on acceptable processing time. As stated earlier in the introduction, our policy to process within three (3) business days of receipt of the invoice was created in 2015 when Admin was responsible for one agency. We have determined that updating the policy to five (5) business days would be appropriate for the volume of work. As a comparison the Comptroller General's Office maintains a policy of processing invoices within ten (10) business days of receipt. If invoices are received in a timely fashion this will allow invoices to be paid within the thirty (30) workdays as provided by Section 11-35-45 of the South Carolina Code of Lawsⁱⁱⁱ. While this will not affect the process, this will allow AP staff to meet their goals as stated on their position descriptions and annual employee performance reviews.

We will continue to monitor the effectiveness of these changes long term. The AP manager will run monthly document processing metrics for our AP staff. This report^{iv} will be used to

determine total documents processed by AP analyst overall and by processing agency, as well as their error rates (rejections in workflow by the AP Lead or Comptroller General's Office). If the process improvements are effective, we should see a gradual increase in the number of documents processed while seeing a reduction in the error rates. We have added the AP Aging report, used earlier in this project to determine the processing time for payments, to our finance checklist. The AP Aging will be run quarterly to evaluate processing times by supported agency. If our changes are effective, we will see a continued increase in timely invoice processing and corresponding reduction in late payments. Lastly, the AP manager and I will meet with the AP team regularly to encourage staff to bring any processing concerns and/or ideas to our attention. While this may not be measurable in a data metric format, we hope that we will see a reduction in concerns over time and an improvement in staff morale.

Summary and Recommendations

The AP team is responsible for ensuring that our programs and agencies are in compliance with the law and state disbursement regulations when it comes to expenditures. We ask the team to determine appropriate general ledger accounts based on interpretation of invoices alone and ensure all appropriate documentation and approvals are included.

The element of human involvement and interaction in the AP process leaves little opportunity for process improvement if the necessary information is not provided from the programmatic level. We need to educate and empower the AP team to make decisions when they can while holding programs accountable for required information when they cannot. By adjusting our own policies and making technical improvements to workflow such as requiring programs to scan directly into OnBase, combined with placing gentle ownership on the agencies and programs we support, we will continue to see a positive improvement to the process and an improvement to the AP team morale without compromising customer service and efficacy.

References

ⁱ [2018-2019 General Provisos 117.147](#)

117.147. (GP: Statewide Administrative Services) The Department of Administration may provide consolidated administrative services to all agencies to promote cost savings, process integrity and other efficiencies, and to reduce duplication, overlap and redundancies, or any combination thereof and to provide for consistency in transactions and processes and to advance a statewide approach to agency administration. Consolidated administrative services may include, but are not limited to: 1) financial and accounting support, such as accounts payable and receivable processing, procurement processing, journal entry processing and financial reporting assistance; 2) human resources administrative support, such as transaction processing and reporting, payroll processing, and human resources training; and 3) budget support, such as budget transaction processing and budget reporting assistance.

Agencies that receive twenty million dollars or less in total appropriations in the current fiscal year shall consult with the Department of Administration to determine whether the use of consolidated administrative services offered by the department would be beneficial to the agency. The Legislative Branch, the Judicial Branch, public institutions of higher learning and technical colleges shall be exempt from the requirements of this provision.

ii [Disbursement Regulations](#)

Section 11-3-185 of the Code of Laws of South Carolina 1976 states: "The expenditure of money appropriated by the General Assembly is by warrant requisitions directed to the Comptroller General. Upon receipt of the requisition, accompanied by invoices or other satisfactory evidence of the propriety of the payment, and itemized according to standard budget classifications, the Comptroller General shall issue a warrant on the State Treasurer to the payee designated in the requisition. Requisitions for warrants may not be processed for any amounts less than one dollar. Upon approval and designation by the State Fiscal Accountability and Authority, state institutions may requisition funds in favor of their own treasurer, itemized only to the extent of the purpose of the appropriation as expressed in the Act or joint resolution appropriating the funds, and may deposit these funds in the name of the institution in the bank or banking institutions designated by the State Treasurer, and disburse these funds by check in order to meet the purposes of the appropriation. Strict account must be kept of all these expenditures according to standard budget classifications. Money may be drawn only when actually owing and due. The Comptroller General shall establish rules and regulations for the uniform reimbursement, remittance and transfers of funds to the General Fund of the State as required by law."

iii [Code of Laws Title 11-35](#)

SECTION 11-35-45. Payment for goods and services received by State.

(A) All vouchers for payment of purchases of services, supplies, or information technology must

be delivered to the Comptroller General's office within thirty work days from acceptance of the goods or services and proper invoice. After the thirtieth work day, following acceptance or the postmark on the invoice, the Comptroller General shall levy an amount not to exceed fifteen percent each year from the funds available to the agency, this amount to be applied to the unpaid balance to be remitted to the vendor unless the vendor waives imposition of the interest penalty.

(B) All agencies and institutions of the State are required to comply with the provisions of this section. Only the lump sum institutions of higher education are responsible for the payment of all goods or services within thirty work days after the acceptance of the goods or services and proper invoice, whichever is received later, and shall pay an amount not to exceed fifteen percent per annum on any unpaid balance which exceeds the thirty work-day period, if the vendor specifies on the statement or the invoice submitted to such institutions that a late penalty is applicable if not paid within thirty work days after the acceptance of goods or services.

(C) The Comptroller General shall issue written instructions to the agencies to carry out the intent of this section. All offices, institutions, and agencies of state government shall fully cooperate with the Comptroller General in the implementation of this section.

(D) The thirty-day period shall not begin until the agency, whether or not the agency processes vouchers through the Comptroller General, certifies its satisfaction with the received goods or services and proper invoice.

iv Monthly AP Metrics Report example

Total Documents by Agency

Clerk	D500	D050	D200	H960	H030	L080	P400	R080	L460	A850	E260	L360	D300	R040	H950	H670	H640	H650	IDT's	Total Document	Average per day	Error Rate	Rejections
AP 1	203	2	0	6	13	32	3	17	2	2	11	1	6	0	25	25	24	35	27	434	23	0.92%	4
AP 2	145	2	1	0	23	31	3	10	2	4	26	5	11	0	20	33	48	44	24	432	26	1.62%	7
AP 3	33	8	1	4	4	18	0	4	2	2	0	4	12	0	5	7	4	3	33	144	8		
AP 4	82	9	2	0	3	7	2	2	2	1	6	5	2	28	8	13	7	2	10	191	10	1.05%	2
AP 5	110	4	0	1	23	69	1	36	18	7	6	5	6		20	29	23	32	14	404	21	1.24%	5
AP 6	107	10	3	8	11	29	1	7	3	1	17	5	49	0	2	49	17	17	22	358	22	0.00%	
AP 7	213	2	0	2	11	11	0	5	1	1	22	1	8	21	28	50	10	18	26	430	24	0.47%	2
Total																				2393		0.84%	