Wisconsin Department of Transportation

Late Invoice Payments Lean Six Sigma Project Report

Project Summary

State law requires agencies to pay interest on external vendor invoices that are not paid within 30 days of receipt, with certain exceptions.

This process involves staff in the accounts payable area who process invoices for payment and program staff who ensure that goods and/or services were received and that the correct amounts were billed. During fiscal year 2012 the department paid over $46,700 in interest due to the late payment of invoices.

The goals of this project were to reduce the total interest due to late payments, reduce the number of invoices paid late and increase the number of invoices forwarded by program staff for payment within 10 days of receipt.

This project was completed on November 1, 2013.

Improvements

Based on fiscal year 2012 data, the project recommendations are expected to achieve the following improvements:

- Decrease late interest paid by 50 percent
- Decrease the number of invoices paid late by 30 percent
- Almost all invoices are to be forwarded for payment by the program areas within 10 days of receipt to ensure timely payment

MAPSS Core Goal Areas

- Service
- Accountability

Statewide Goal Areas

- Customer satisfaction
- Cost of government

Issue

State law requires that agencies pay interest on external vendor invoices that are not paid within 30 days of receipt unless there is a legitimate reason to delay payment (such as goods not received or invoice amounts are incorrect) and the agency notifies the vendor of the deficiency. Invoices paid from federal funding are exempt from this requirement. In fiscal year 2012, the department paid $46,750 in late interest.

Many staff and stakeholders were not aware of the 30 day requirement or the process for protesting an incorrectly prepared invoice. There was no centralized system of tracking invoices prior to being forwarded to the accounts payable unit for payment.

Lean Six Sigma Process

Using Lean Six Sigma methodology, the team mapped the current process and analyzed each step in terms of the value added for the customers. Interviews were conducted with staff responsible for processing payments and program staff responsible for receiving and authorizing invoices for payments.

The team identified that a barrier to timely processing was a lack of an invoice tracking system by program staff. They also determined that training including cross training of payables staff along with educational sessions for program staff were needed to ensure that staff are aware of current procedures and timelines.

Results

Program staff in the regions implemented an invoice tracking system to ensure they are forwarded for payment within 10 days of receipt. The accounts payable unit will increase training for program staff on the proper procedures for protesting an invoice, the late payment interest law, and the importance of timely transmittal of invoices to the accounts payable unit. The accounts payable unit has implemented cross training to ensure invoices can be paid within the 30 day period. Finally, the accounts payable unit now provides regular reports to the program areas on invoices paid late and the associated interest charged. These improvements are expected to decrease the annual amount of late interest paid by 50 percent, or approximately $23,400.

Next Steps

The project was conducted during FY13 and used FY12 data as a baseline for the improvements. FY14 will be the first full year that all of the changes will be in place. That data should be available by October 1, 2014. Accounting staff and the regional offices will monitor the interest due to late invoice payments annually to ensure that the training is effective, the estimated targets are achieved, and the resulting gains are sustained.