

## **Bloomberg Government**

August 3, 2011

<http://bit.ly/pEhYb4>

### **Treasury Internet Push May Speed \$532 Billion to U.S. Vendors**

(Bloomberg) -- A U.S. Treasury Department push for electronic invoicing for federal contractors could speed payments and save the government \$450 million a year, the government says.

Treasury, which purchased about \$6 billion in goods and services last year, is mandating that by 2013 its offices and bureaus must receive invoices from vendors on its Internet Payment Platform, according to a July 13 statement.

Because most U.S. agencies still rely on paper invoices, government-wide adoption of electronic billing could cut payment processing times in half, accelerate cash flow for vendors, and reduce late-payment interest charges. Those innovations would save the government \$450 million a year, according to the Treasury statement. The government paid contractors a total of \$532 billion in fiscal 2010.

"While there is no silver bullet to solve all of our nation's fiscal woes, this action is just one of many silver darts that we can use to better manage scarce taxpayer dollars," Senator Tom Carper, a Delaware Democrat and chairman of the Senate Subcommittee on Federal Financial Management, said in a July 13 statement.

Treasury said its bureaus and offices, whose roles include processing tax returns, seizing terrorist assets, printing U.S. currency and regulating banks, would save \$7 million a year by using the platform, which is maintained for Treasury by the Federal Reserve Bank of Boston.

### **Paper Invoices**

Part of the savings will result from the speed of electronic bill payment, which will help agencies avoid interest on late payments, said **Lisa Miller**, who reviewed agencies' invoicing systems this year for **the American Council for Technology-Industry Advisory Council**, or **ACT-IAC**, based in Fairfax, Virginia. By law, agencies are charged annualized 2.5 percent interest for payments made to vendors after a specified due date, or after 30 days.

**Miller's** company, Dynaxys LLC, builds financial software and hosts a data center for clients including the U.S. Housing and Urban Development Department. To get paid, the company must submit paper invoices to some federal clients, adding time and uncertainty to a process that's online and streamlined for other customers, she said.

"If we haven't gotten a payment by X date, I'm on the phone," said **Miller**, president of Silver Spring, Maryland-based Dynaxys. "It's my staff taking the time to call my client's staff to find out where the payment is in the process."

### **'Maximum Efficiency'**

The Defense, Interior and Agriculture departments already use electronic invoicing. Interior, the Social Security Administration, and Agriculture's Forest Service use the Internet Payment Platform, said Adam Goldberg, director of the Treasury's Office of Financial Transformation and Innovation, formed last year. The Justice Department and the U.S. Census Bureau, which issued a request for industry input on electronic invoicing last month, have expressed interest.

"We are working with the Commerce Department and Treasury Department to evaluate Internet Payment Platform with a proof of concept," Michael Cook, Census spokesman, said in a July 25 e-mail. "The intent of our solicitation is not to

thwart the IPP effort, rather to obtain a software product that can be used in conjunction with IPP to achieve maximum efficiency.”

The Defense Department, which accounted for 69 percent of last year’s federal procurement spending, already requires vendors to submit electronic invoices under a fiscal 2001 mandate.

### ‘More Bang’

The Pentagon’s system, called Wide Area Workflow, cut by half the length of the reimbursement cycle, which starts when a vendor submits an invoice and ends when a payment is sent, **Miller** said. It slashed the cost per invoice 82 percent and reduced the time to payment to less than one month.

Payment times via Wide Area Workflow are a “couple days” faster than those for paper-based agencies, said Bob Deegan, chief financial officer of Array Information Technology, based in Greenbelt, Maryland, which provides computer services. A main benefit has been automating invoice approval and tracking, he said.

“With civilian customers, we have to send an e-mail for what the status of an invoice is,” said Deegan, whose company got 30 percent of its business from the Defense Department last year. Electronic invoicing “gives our folks a little more bang for their time.”

### ‘Simple’

A small group of federal agencies and the Treasury Department are advocating for a swift move to Internet-based electronic invoicing so federal contractors can request and track payments electronically. Photo Illustration: Bloomberg

A small group of federal agencies and the Treasury Department are advocating for a swift move to Internet-based electronic invoicing so federal contractors can request and track payments electronically. Photo Illustration: Bloomberg Using electronic invoicing helped the Defense Department reduce interest penalties 29 percent between fiscal years 2007 and 2010 even as payments increased 26 percent, according to the department’s 2010 financial report.

“Larger companies and the smaller companies were quick to the table on this,” **Miller** said of Defense’s move to online invoicing. For the department, “it’s simple, it’s the same, it’s electronic, it’s routine.”

Defense Finance and Accounting Service spokesman Tom LaRock didn’t respond to telephone requests for comment.

Government has been slow to adopt electronic invoicing because agency executives rarely consider it a priority on their list of planned technology overhauls, said Jim Cunha, senior vice president of Treasury and Financial Services at the Boston Fed.

“What’s very positive about the Treasury mandate is it gives us priority. There’s an awful lot going on in the government these days,” said Cunha, who manages the platform software and relationships with agencies who have signed on.

Treasury and the Defense Department plan to develop a single point of data entry for vendors. The Federal Aviation Administration and the Energy and Labor departments have built or are building their own electronic invoicing systems, Miller said.

“If you look at IBM, they’re dealing with hundreds and hundreds of endpoints at the government,” Cunha said. “Our ultimate goal would be that the suppliers would have one place to go to be able to invoice to the government. That would be the Nirvana moment.”