



DEPARTMENT OF ADMINISTRATIVE SERVICES BETTER - FASTER - CHEAPER ACCOUNTS PAYABLE PROCESSING



Summary

Using Lean principles, the Department of Administrative Services and the Department of Safety redesigned the accounts payable process creating a model adopted by agencies statewide.

Accomplishments

- Decreased AP processing costs
- Reduced cycle time for vendor payments
- Increased visibility and portability of state payments in process and after disbursement
- Reduced handoffs, storage, and risks of paper-based processing

Team

DAS Office of
Commissioner
DOS Division of
Administration
DAS Bureau of Accounts
DAS Financial Data
Management
Lawson Software
MHC Software

Contact

Mark Fairbank
Program Manager
Department of Administrative
Services
271-6510
Mark.Fairbank@nh.gov

The Service

Agencies statewide process about **500,000 Accounts Payable (AP) invoices per year to pay vendors for goods and services.**

The Problem

In 2009 the State replaced the Integrated Financial System (IFS) accounting system with a modern Enterprise Resource Planning (ERP) system (NH FIRST) **but did not upgrade the AP process.**

- IFS relied on a completely paper-based process for validation, workflow, approvals, and pre-audit prior to disbursement
- NH FIRST was implemented initially **preserving the paper-based process**
- The IFS process enabled senior managers to approve in batches.
- The approval function in NH First became an on-line action requiring managers to examine individual invoices to apply individual approvals.
- Processing, internal reviews, agency approvals, and final approval by DAS Bureau of Accounts all relied on paper handling while the transaction could be moved electronically.
- Backlogs grew as transactions could not be acted upon downstream until paper handoffs occurred.

The Goal

Apply Lean to streamline the AP process: eliminate steps, reduce the administrative burden, risks and costs associated with paper handling, eliminate the bottlenecks, increase efficiency, while preserving mandated financial and quality controls.

The Lean Process

In 2010, the Department of Safety (DOS) invited the Department of Administrative Services (DAS) to collaborate on analysis of the AP process to identify potential relief. DAS engaged a program manager to work with DOS using Lean process improvement techniques to examine internal process,

identify immediate opportunities for change as well as longer term potential.

A current state map identified **40 to 60 steps** in the AP process. The Lean redesigned process is **reduced to 25 to 30 steps.**

In 2011 after the DOS internal improvements were applied, DAS partnered with DOS to pilot the implementation of digital imaging for AP using the NH FIRST System.

The AP imaging project was launched at DOS and immediately generated savings of time and materials in the AP process.

The project developed a replicable model for other agencies preparing for the elimination of paper-based AP processing and has been **adopted by agencies statewide.**

The Results

500,000 transactions per year previously required at least two sets of documents for each – one at agency and one at DAS Bureau of Accounts – now only the original is kept at the agency and all downstream activities rely on digital images.

Bottlenecks were eliminated because processors and approvers no longer rely on receiving hardcopies before acting on items in queue.

AP workers no longer need to find physical files to research vendor inquiries.

Vendors benefit from faster payment according to terms.

Estimated annualized environmental benefits of paperless process:

- Reduced demand for 9 tons of paper & 23,000 gallons of gas
- Avoid generating 2230 lbs. of greenhouse gas and 177,377 gallons of wastewater.

As of June 2012 this Lean project in combination with NH FIRST has eliminated more than 95% of the duplicate paperwork associated with accounts payable processing.