The Internet Payment Platform

A system offered by U.S. Treasury Financial Management Service to agencies of the U.S. Government

Panel Topics

- IPP Overview

- BEP Expectations and Implementation

- BPD/ARC Expectations and Implementation

- Discussion

The IPP Overview

Lou Vogel

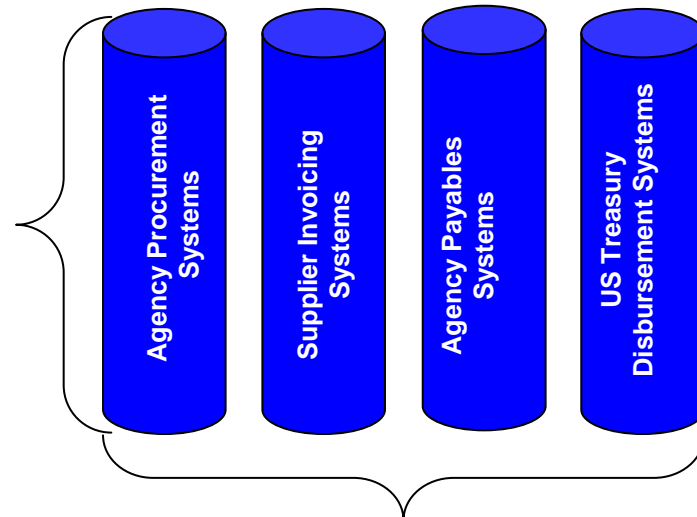- Federal Reserve Bank of Boston

What is the IPP

The IPP

- Is a Web-based payment information service made available to all Federal agencies and their suppliers by the Treasury's Financial Management Service (FMS)

- Is a free service for both government agencies and their suppliers

- Centralizes purchase order, invoice, and payment information in the Order-to-Pay process for agencies and their suppliers

- A modular platform, not "One Size Fits All"

- Is a means to aggregate suppliers across multiple Government agencies – deploy a vendor once to transact with all participating agencies

- Is NOT a replacement for your accounting system or your purchasing system or your payment certification process

Why Have the IPP

The Order-to-Pay is Paper, People, and Time-Intensive

- – Expensive to process paper

- – It can take agencies weeks or months to process a vendor payment

- – Agencies (and FMS) field many inquiries from payees asking for more payment-related information yet with fewer resources

- ▪ Order-to-Pay Cycle is Stove-Piped

Agency Procurement Systems

Supplier Invoicing Systems

Agency Payables Systems

US Treasury Disbursement Systems

Multiple procurement and payment systems do not share related data

IPP Background

- The IPP was a COTS system purchased under the guidance of the Treasury (FMS)

- The IPP is supported by the Federal Reserve Bank of Boston as fiscal agent for FMS

- The IPP has been customized for use in the government space

- The IPP will continuously be refined and extended by the FRBB under the guidance of the FMS with the Rapid Application Development (RAD) methodology adopted by FMS

- BEP participated in the pilot that was performed prior to the acquisition of the COTS system and has participated in helping define many of the changes
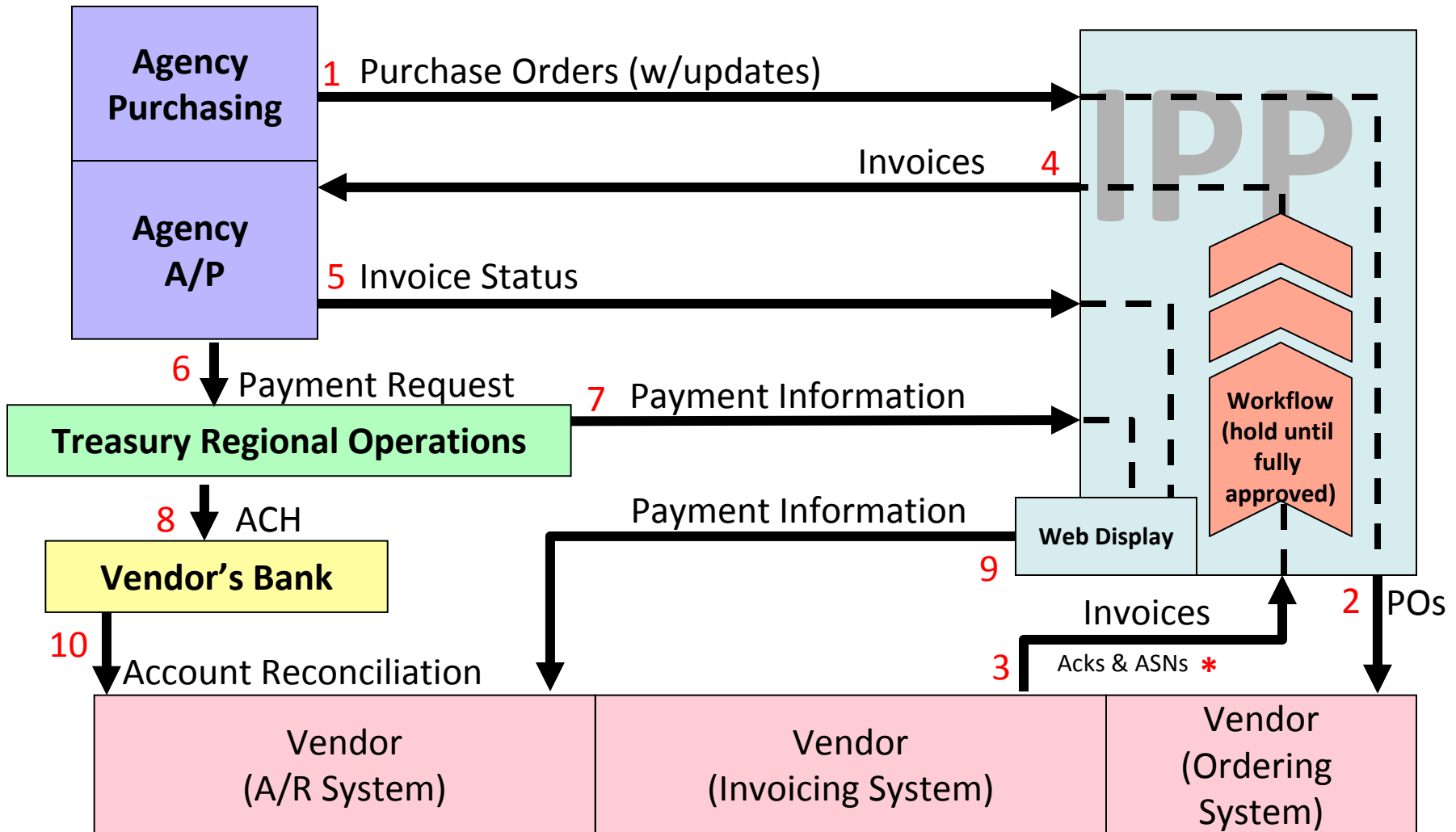
Who Uses the IPP

- Departments/Agencies/Bureaus of the United States Government

- Suppliers to those agencies who use the IPP

IPP Information Flow Overview

Agency Purchasing

1 Purchase Orders (w/updates) →

IPP

Invoices 4 ←

Agency A/P

5 Invoice Status →

Workflow (hold until fully approved)

6 ↓ Payment Request

Treasury Regional Operations

7 Payment Information →

8 ↓ ACH

Payment Information

Web Display 9

Vendor's Bank

2 POs

10 ↓

Account Reconciliation

Invoices

3 Acks & ASNs *

| Vendor (A/R System) | Vendor (Invoicing System) | Vendor (Ordering System) |

* • **ACK is purchase order acknowledgement by Supplier**

• **ASN is an advanced shipping notice**

Workflow Defined – Combined Features

- Multiple levels of Approval
- Multiple levels of delegation
- Manual Reassignment
- 2 Levels of Escalation
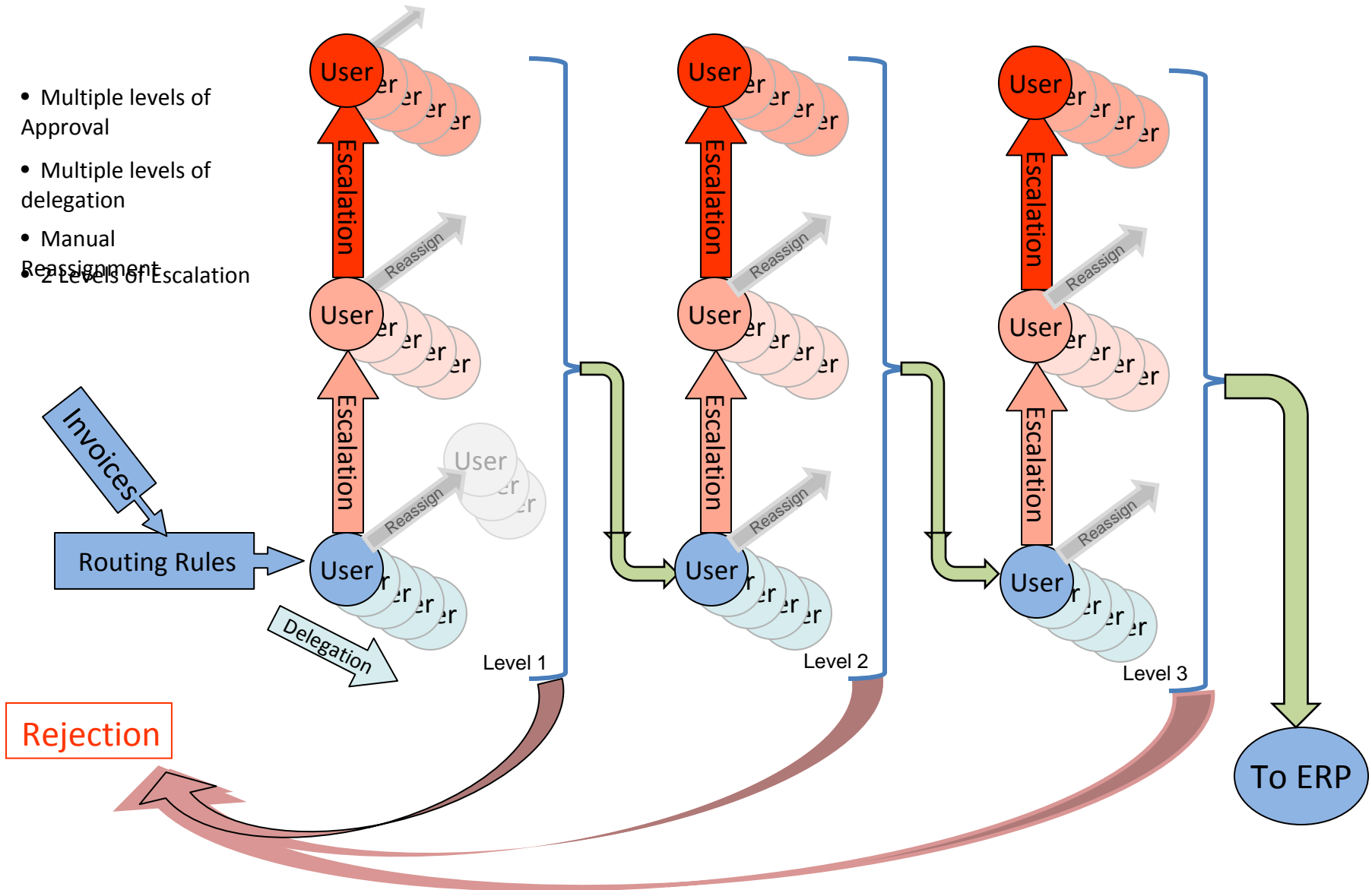
Bob Deans

- Participated in the IPP pilot
- Leader of the IPP team for BEP
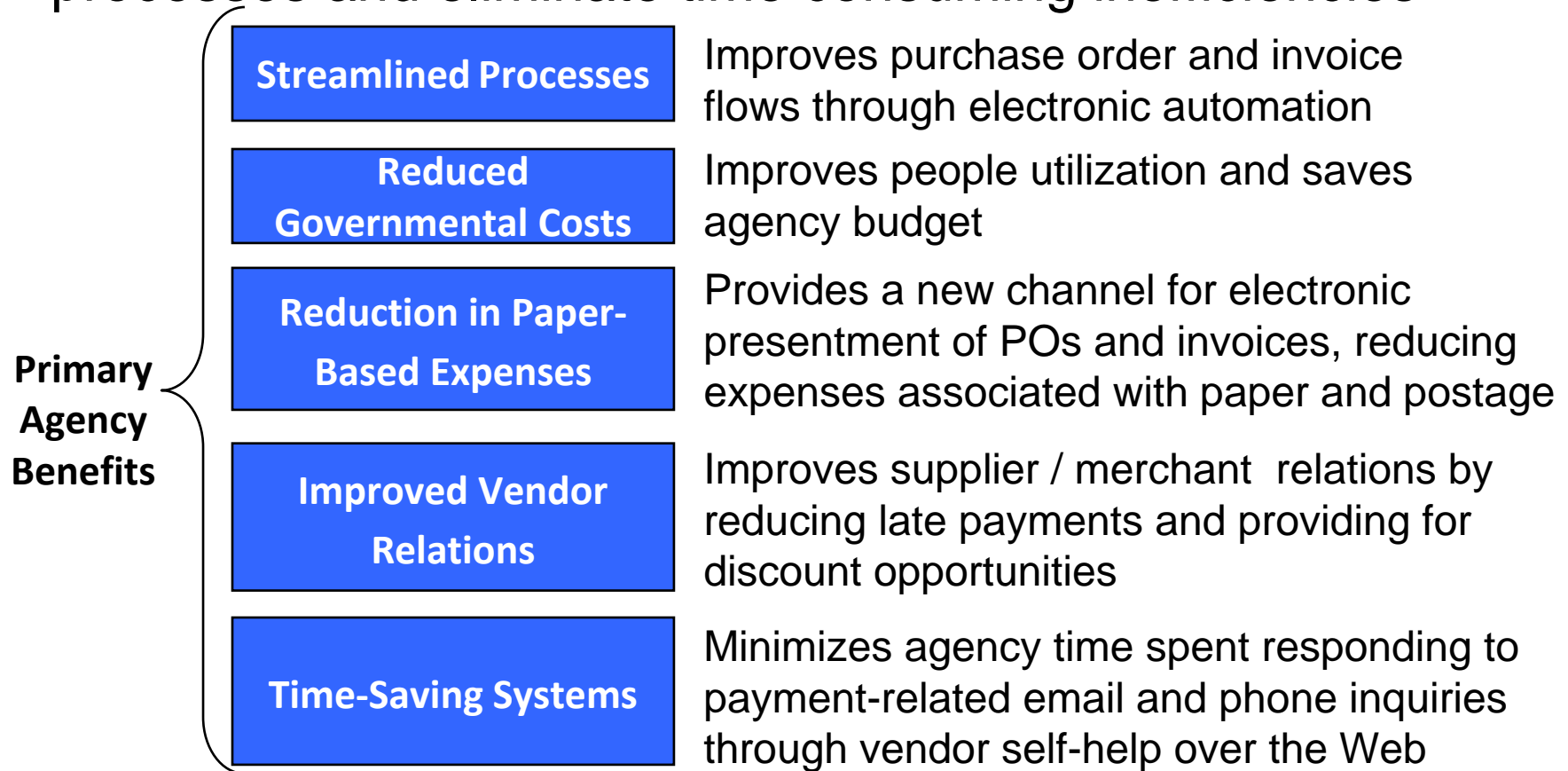
IPP Made Business Sense for BEP

- Ease of use: BEP system had Electronic Data Interchange (EDI) functionality

    - 810 Invoice Record

    - 850 Purchase Order Record

- Minimum amount of programming required: Only 3 reformatting programs

What Is In It For The Agencies

The IPP is an opportunity for agencies to streamline processes and eliminate time consuming inefficiencies

Primary Agency Benefits

Streamlined Processes	Improves purchase order and invoice flows through electronic automation
Reduced Governmental Costs	Improves people utilization and saves agency budget
Reduction in Paper-Based Expenses	Provides a new channel for electronic presentment of POs and invoices, reducing expenses associated with paper and postage
Improved Vendor Relations	Improves supplier / merchant relations by reducing late payments and providing for discount opportunities
Time-Saving Systems	Minimizes agency time spent responding to payment-related email and phone inquiries through vendor self-help over the Web

Users from both vendor/agency see and use the same, full history of the transaction

BEP's Specific Goals

- Provide better customer service
- Increase potential for taking discounts
- Reduce late payment – prompt pay
- Eliminate: paper; paper handling; storage
- Eliminate data entry
- Eliminate phone calls
- Operate with fewer people

What Is In It For The Supplier

Primary Supplier Benefits

Standards	A common interface to multiple agencies
Self-Service Information	Self-service capability to inquire about POs, Invoices, and payments with no transaction fees
Automation	Increased opportunity for automated interfaces
No Fees	Free service from the Treasury
Absorbed PAID	Provides Payment Notification Service
Faster Payments	Reduce invoice approval time cycle
Web Access	Access IPP from any location

BEP – IPP Pilot Summary

July 1, 2003 → June 30, 2004

30 Vendors

- 445 Purchase orders for $27 Million

- 820 Invoices for $23.7 Million

- 1,585 Payments for $44 Million
  (Includes payments made to other suppliers posted through IPP)

Potential Cost Savings

Manual Cost per payment $82.41

IPP Cost per payment $44.69

Savings $37.72   46%

Without dispute resolution included

Savings $13.82   24%

- IPP helps the supplier

- Digital retrieval – no more lost invoices

- Stronger negotiating position with suppliers

BEP – Subject Matter Expert and Leader to Production

July 2004 – April 2007

- BEP performed as the subject matter expert in the development of specifications for IPP.

May 2007 – October 2007

- BEP performed user acceptance testing of the new IPP system.

November 2007

- BEP sends first purchase orders

January 2008

- BEP receives first invoices

February 2008

- Makes first payments

IPP Current Statistics for BEP

	2008	2009*
Payments made (20% of payments)	410	1,140
Payments (in millions) (40% of total goods & services)	$48	$130

*Projected

IPP Implementation Issues

- Beta test site

- Communications with TWAI, etc.

- Vendor sign up (They call it enrollment/recruitment)

- Changes in Procurement and AP routines

IPP Implementation

- Vendor contacts are "volatile" data

- Stop issuance of paper invoice

- Intercept paper invoices

- Stop issuance of paper purchase orders

IPP Implementation Lessons Learned

- Communication with vendor is #1
  - Vendor reluctance – new technology
  - Some vendors think they are already doing it (EDI)

- PO's go to sales office

- Invoices come from accounting office

BPD/ARC Expectations

Dana Strecker

- IPP Project Manager for BPD/ARC

BPD/ARC Expectations

- Use workflow to standardize processes
- Expense reductions will be gradual and will depend on the pace at which vendors can be recruited

Vendor selection

Vendor recruitment may be difficult and slow at first

Vendor recruitment strategy

- Vendors already registered in IPP

- Smaller companies

- COTRs who handle change well

- Vendors who struggle to submit valid invoices

- Most complex routing

Invest before realizing savings

- Agency requirements
  - Implementation and ongoing administrative processes
  - IT and subject matter experts
  - Communication and security software/hardware
  - Documenting business processes (joint effort)

BPD/ARC Implementation Strategy

Phase I - Intra-governmental pilot

- BEP is disbursing agency
- ARC is collector
- Opportunity to experience functionality that our vendors will use
- Opportunity to provide feedback on possible use for intra-governmental transactions

BPD/ARC Implementation Strategy

Phase II – Pilot agencies

- Three customers who are representative of increasingly complex processes
- Recruit a few pilot vendors
- Work with vendors, COTRs and ARC personnel to identify and document best practices and lessons learned
- Recruit more vendors for pilot agencies
- Self-service for remaining vendors

BPD/ARC Implementation Strategy

Phase III – All customers

- Schedule remaining customers
- Recruit a few pilot vendors
- Provide training to COTRs and ARC personnel
- Continue to refine best practices and benefit from lessons learned
- Recruit more vendors
- Self-service for remaining vendors

Thank You

Who has the first question for us?

For more information visit www.ipp.gov

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