Commercial Pay Business Line & Electronic Commerce Overviews

Brenda Locke
Director, Contract Pay Operations,
Cheri Bundy
Chief Stock Fund Payments Division,
Dennis Pinder
DFAS Electronic Commerce Office
Our organization has shifted its focus away from geographic locations to customer-focused delivery of business services.
Commercial Pay Business Line

- **Contract Pay Product Line**
  - Pays DCMA Administered Contracts
  - Uses Mechanization Of Contract Administration Services - MOCAS
  - Located in Columbus, Ohio
  - Pays More Complex Contracts
    - High Dollar
    - Multiyear Contracts
    - Multiple Deliverables
  - Makes Financing Payments

- **Vendor Pay Product Line**
  - Pays Contracts Where Buying Activity Retains Administration
  - Uses Multiple Systems
  - Deployed Across Multiple Locations World-Wide
  - Pays Less Complex Contracts
  - Payment Office Based on Preponderance of Funds at Time of Award
Contract Pay Magnitude of Operations

• Contract Pay - FY 04
  • 330,398 Active Contracts
  • 16,134 Active Contractors
  • 1,170,654 invoices processed
  • $114.6 Billion Disbursed

• Contract Pay FY To Date
  • 303,260 Active Contracts
  • 16,130 Active Contractors
  • 958,122 Invoices Processed
  • $107.1 Billion Disbursed
  • As of 7/31/05
Contract Pay at a Glance - FY05 CUM Jun

**Interest $ Per Million**

- CPPL: $54
- Navy: $51
- Army: $54
- Air Force: $44
- USMC: $143
- DLA: $56
- Def Agen: $4

**Prompt Pay Act $ Disbursed**

- CPPL: $99.1
- Navy: $26.5
- Army: $31.7
- Air Force: $33.1
- USMC: $0.8
- DLA: 2.4
- Def Agen: $4.6

**Interest Paid**

- In Millions
  - CPPL: $5.32
  - Navy: $1.36
  - Army: $1.73
  - Air Force: $1.46
  - USMC: $0.11
  - DLA: $0.14
  - Def Agen: $0.02

**Overage Invoice Percentage**

- CPPL: 1.51%
- Navy: 1.43%
- Army: 1.44%
- Air Force: 1.69%
- USMC: 1.42%
- DLA: 1.29%
- Def Agen: 2.05%
Current Payment Process

- Contract
- Electronic Invoice:
  - Commercial
  - DD250
  - Financing
  - Cost Vouchers
- Acceptance (WAWF)

Valid Payment Request → Payment Initiated → Entitlement:
- CLR
- Provision File
- Master Invoice
- Accounts Payable

Entitlement → Disbursement:
- MOCAS System

Disbursement:
- CPN to Accounting Station
- EFT Payment to Contractor

Research / Reconciliation

Obligation

Verify

Prevalidation
Prevalidation Thresholds

- Thresholds
  - Currently at $10K as of July 12, 2004
  - Contracts FY 04 and prior drop to $7,500
  - Winter 2005
  - FY05 and future contract disbursements $0
  - Vendor Pay is currently at $0
- Five Calendar Day Standard

ACCOUNTING

7 Initial Request
8 Response
9 Disbursement

DISBURSING
Electronic Commerce Numbers - Contract Pay

Contract Pay, Receipts by Method

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<td>27.28%</td>
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Electronic Submission Alternatives

- **Wide Area Work Flow**
  - Preferred Method
  - DD250/Billings for Firm Fixed Price Items (FFP)
  - Cost Voucher - Direct/Non-Direct Billing Submissions
  - Mod Billings
  - Service Billings Requiring Gov’t Official Approval
  - Financing
    - Performance Based Payments/Commercial Financing
    - Progress Payments
- **Electronic Data Interchange (EDI) - ANSI X.12 Formats**
  - Billings for FFP Items
  - Cost Vouchers - Direct Submission Authorized Only
- **Web Invoicing System (WInS)**
  - Billings for FFP Items
  - Cost Vouchers - Direct Submission Authorized Only
Contract Pay Areas of Emphasis

- Increase Electronic Commerce Usage
  - Electronic Invoice Submission - DFARS 252.232-7003
  - Promote Electronic File Room (EFR)
  - MyInvoice Transition
- Contract Structure
  - Clear CLIN/ACRN Relationship
  - Special Payment/Billing Instructions
  - Contract Financing Alternatives
- Reduction of Returned and Recycled Invoices
- Customer Outreach
  - Roadshows
  - Post Award Participation
  - DIL/AIA/Open Houses/FGRRB/NACM
  - DCMA
- BRAC
- Enforce CCR Registration Requirements
- Treasury Offset Program
- Canceling Funds
Vendor Pay Product Line
Vendor Pay Product Line

- Payment for Day to Day Goods and Services
- Encompasses Entitlement Determination For
  - Non-DCMA Administered Contracts (Some Exceptions)
  - Transportation Payments
  - Miscellaneous Payments to Businesses and Individuals
- Uses Multiple Systems
- Deployed Across Multiple Locations Worldwide
Vendor Pay Magnitude of Operations

- Vendor Pay Network
  - 20 Vendor Pay Sites
  - 150,000 Contractors / Vendors
  - 11.2 Million Invoices Paid in FY04
  - $86.6 Billion PPA $ Disbursed in FY04

- Vendor Pay Service Breakdown
  - $68.8 Billion PPA Dollars Disbursed (June 05)
  - 9.6 Million Invoices Paid (June 05)
Vendor Pay Product Line - At a Glance

**Interest $ Per Million**
- FY04: $235
- June 05: $272

**FY05 Goal:** $188

**Prompt Pay Act $ Disbursed**
- FY04: $86.6
- June 05: $68.8

**Interest Paid**
- FY04: $20.4
- June 05: $18.6

**Overage Invoice Percentage**
- Sep 04: 2.72%
- June 05: 2.81%

**FY05 Goal:** 2%
Vendor Pay Systems - Columbus

Defense Logistics Agency

Fuels

Commodities

Commissary

Defense Agencies

USMC

* Business System Management designed to replace DSIMS
Vendor Pay Process - 3 Way Match

Legal Agreement for purchase of good or services

Vendor Invoice submitted when good are shipped or services rendered.

Receipt document completed by government official when goods or services are received.

Disbursement voucher created; Funds transfer to bank account
Vendor Pay

Areas of Emphasis

- Increase Electronic Commerce
- Customer Service - Provide Best Value
- Overage NTE 2% (In FY05)
- Reduce Interest
- Increase Discounts Taken
- Eliminate Duplicate and Erroneous Payments
- Streamline and Standardize Processes

Challenges

- Receipt and Acceptance Documents
- Electronic Solutions
- Creating Efficiencies
  - Minimizing Re-work
  - Standardized Processes
- Maximize Resources

Integrity - Service - Innovation
BUSINESS SYSTEM MODERNIZATION

BSM
WHAT IS BSM?

- Automated commercial vendor payments
- Replacing Legacy Systems
  - Standard Automated Management Material System (SAMMS)
  - Defense Integrated Subsistence Management System (DISMS)
- Commercial Off-the-Shelf (COTS)
- Material Management
- Integrated System
- One Stop Shop

Meeting the needs of our Warfighters
BSM Releases

- Release 1
  - Implemented July 2002
- Release 1.1
  - Implemented November 2003
- Release 2.0
  - Implemented July 2004
- Release 2.2
  - Implementation to begin December 2005
BSM Vendor Pay Invoicing Initiative

January 2005
- Manual: 6,748
- Electronic: 20,796

June 2005
- Manual: 3,618
- Electronic: 19,496
EDM Implementation

- Implemented May 19, 2004 for BSM
- Removes hardcopy invoices from individual workstations
- Indexed documents easily located using EDM search
- EDM contract folders maintain history of all incoming documents
- Provides workflow capability to review
  - And input documents in the payment system
- Provides management reports to
  - Track performance
  - Document status / age and production numbers
  - For monitoring the workload
What Can You Do To Help?

- Know Terms and Conditions of Your Contract
  - Bill Accordingly
- Invoice Electronically (WAWF, WInS, EDI)
  - Track Receipt of Invoice
- Receive Payment Electronically
  - Update/Validate your CCR Registration
- Utilize My Invoice

Keys to Success

- On-going communication
- Employee dedication
- Team effort

Can Do! - Will Do!
e-Commerce
"Implementation of E-Government is important in making Government more responsive and cost-effective."

President George W. Bush
July 10, 2002
Why Electronic Commerce?

**Case for Change**
- Leaner government = less available resources
- Must be able to offer quality service at competitive prices
- Status quo ineffective in meeting these challenges

**Current State**
- Bulk of workload is paper-based, requires manual entry at multiple points
- Missed discounts, late payments with interest
- Lost documents
- Labor intensive processing

**Barriers**
- Not all systems are EC capable
- Lack of standard business processes & data
- Reliant on participation of others

**Future State**
- EC addresses all current state problems
- Reduced bill to services
- Timely/accurate payments to vendors
- DFAS is more competitive, better able to offer high quality service, has potential to expand customer base
Road Map to Success

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<tr>
<td>JUN</td>
<td>JUL</td>
<td>AUG</td>
<td>SEP</td>
<td>OCT</td>
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Ensure infrastructure is in place to support EC

Implement EC initiatives

Develop and execute communications strategy

Manage training initiatives

Measure progress

Infrastructure ➔ Volume ➔ Success!
e-Commerce Tools
Overview of EC Tools and Processes

1. Vendor registers in CCR, remittance data transmitted to EC systems/CEFT

2. Contracts/mods, vouchers are posted to EDA/NAFI
   Contractual data is fed to entitlement systems via EDI, SPSI, or XML

3. Vendor enters invoice and shipment data into WAWF, or transmits invoices via WINS or EDI
   Government performs acceptance of goods and services in WAWF transmitted to entitlement/accounting systems

4. Vendor monitors invoice status and views AOP in VPIS

5. Vendor receives payment via electronic funds transfer (EFT)
EC Tools for Vendor Info and EFT Routing Data

- Central Contractor Registry (CCR)
  - Provide EFT payment information
  - Identify eBusiness POC
- Corporate Electronic Funds Transfer (CEFT)
  - Accepts data feeds from:
    - CCR
    - Employee/service member systems
  - Allows entry of CCR exempt vendors
  - Provides data to payment systems
Electronic Data Interchange (EDI)

- EDI is the computer to computer exchange of routine business information in a standard format
- American National Standards Institute (ANSI) X-12
  - Version 3010
  - Version 3050
  - Version 4010
- Routed to systems via GEX
Common EDI Transaction Sets

- 810C - Invoice - commercial
- 810V - Invoice - public voucher
- 810P - Invoice - progress payment request
- 810D - Invoice - certified (WAWF only)
- 820 - Remittance advice
- 856 - Shipment notice/manifest - acceptance for source inspection
- 857 - Combination invoice and receiving report
- 861 - Receiving advice/acceptance certificate - acceptance for destination acceptance (WAWF only)
- 824 - Application advice
- 864 - Text message
- 850 - Purchase order
- 860 - Purchase order change request (contract modification)

* Transactions in red may be initiated by the vendor.
* Transactions in gray may be sent to the vendor.
Standard Procurement System Integration (SPS-I)

- Transmission of contractual data from SPS
- Interface from PD² into vendor payment systems
- Moving to Adapter technology
  - The PD² Adapter is based on a webMethods commercial product set.
  - Simplifies integration between PD² and external systems.
  - Allows contract interfaces to be run more frequently
  - Pulls data into a single site

**Diagram:**

1. AMS
2. PD² Adapter
3. Translation to/from External System Format
4. External System Document in Legacy/Flat File/EDI Format
Electronic Document Access (EDA)/Navy Air Force Interface (NAFI)

- Shared documents across DoD using Intranet/Internet and web technology.
  - Document on the Web - Available wherever and whenever
- Repository for contractual data and payment vouchers
- Benefits
  - Single source
  - Timely information
  - Electronic search and retrieval
  - Increased visibility of all procurement & payment actions
  - Reduction in data entry
  - Lower postage, handling, retention and document management costs
  - Single solution to support multiple communities
Electronic Data Management (EDM)

- Provides DFAS users with access to payment affecting documents and information
- Involved collective application of:
  - Imaging
  - Electronic foldering
  - Workflow
- Proposed functionality to develop EDM cases for rejected transactions based on reject code
Electronic File Room (EFR)

- EFR is a data repository of official contractual documents.
- EFR allows remote access for viewing Contract Pay and Vendor Pay documents.
- EFR provides the user a read-only view of various documents not otherwise available via EDA or other electronic sources.
  - Contracts
  - Modifications
  - Invoices
  - Vouchers
  - DoD Forms
  - DFAS Forms
  - Other supporting Obligation and Disbursing Documents
- DFAS and non-DFAS organizations (Auditors, ACOs, PCOs, Receiving Activities, Liaisons, etc.) are granted ‘read-only’ access via a web server
Contract Inquiry System for Tracking and Reporting

- Used to produce DD1716s to identify Contract Deficiencies
- Currently in Use for Contract Pay - MOCAS
- Pilot for Vendor Pay - CAPS USMC Workload
- Data File fed to NAFI for DD1716 Workflow

Benefits
- Speed up timeframe to correct contract deficiencies
- Tracks request from initiation through completion
Wide Area Work Flow (WAWF)

- An interactive web-based application that allows vendors to electronically submit invoices and receiving reports, and the Government to inspect, accept, receive and pay electronically.

- A PKI-enabled application that allows government users to digitally sign electronic documents over the web.
- Eliminates paper from the invoicing and receipt/acceptance processes of the DoD contracting life cycle.
- Electronically transmits data to the entitlement systems for payment.
- Uses e-mail notification to notify workflow users of document status.
- Provides GLOBAL visibility to all users.
WAWF Release Highlights

- **WAWF v. 3.0.7 - March 11, 2005**
  - Logistics Systems (DSS) Interface
  - Reject Phase 2 (824 transaction)
  - Ability to Create Documents from a Template

- **WAWF v. 3.0.8 - July 16, 2005**
  - Pre-population from EDA
  - Miscellaneous Payments
  - FTP/EDI Combo Split
Web Invoicing System (WInS)

- Web-based application that allows vendors to send invoices electronically
- Allows vendors to submit invoices via:
  - On-line data entry
  - File Transfer Protocol (FTP)
- Invoices are translated into EDI 810 transaction to the appropriate payment system
- Certification through SEPS and ECS
- Migration underway for DCMA administered transactions

https://ecweb.dfas.mil/
EC Tools for Miscellaneous Payments

- Purchase card
  - Ensure use when proper and within thresholds
- PowerTrack
  - Exploring expansion beyond transportation payments
  - Successfully tested utility, telecom, and university payments
- WAWF
  - Capability for USMC invoices proposed for v3.0.8
- Defense Travel System
  - Use existing infrastructure in new ways
  - Could support employee / service member reimbursables
myInvoice

- Interactively provides information on invoices submitted & paid
- Consolidates contract data obtained from DFAS sites into one central repository which contains all open contracts, plus any payments made within the last 90 days
- Contractors may:
  - Research the status of a recently filed invoice, and determine when payment will be issued or if something is lacking for payment processing;
  - Obtain information associated with a check you have received to include contract number, invoices covered, interest or freight included in the payment, or tax or discount withheld; or
  - Obtain the same background information for an electronic funds transfer payment;
  - Receive e-mail notification of payment
EC Tools for Payment

• Electronic Funds Transfer (EFT)
  • Electronic payment method mandated by Public Law
  • Funds are routed electronically to vendors bank
  • E-Commerce success story!!!
e-Commerce Implementation
EC Implementation Tools

• Vendor Outreach Tool (VOT)
  • Capability to Run Reports Identifying Vendors AND Buying Activities to Target for Implementation

• Vendor Mass Emailing Tool
  • Once Targeted, Can Automatically Send Email Notification to Vendors Identified to Invite to Training or Provide Information

• Implementation CDs
  • Bin Folder Contains Backup Information in PowerPoint Can Be Used for Numerous Briefings
  • Can Be Used for Various Training Options

• Limestone WAWF Video

• Tri-fold Pamphlets
  • WInS, WAWF-RA, VPIS, and Complying with the Electronic Invoicing Mandate
For More Information...

- WAWF vendor training on-line registration form
  http://www.dfas.mil/commpay/vptraining.htm
- WAWF training web-site
  http://www.wawftraining.com
- WAWF production web-site
  https://wawf.eb.mil
- EDA web-site
  http://eda.ogden.disa.mil/
- DFAS e-Commerce web page
  http://www.dfas.mil/ecedil/
- WInS web-site
  https://ecweb.dfas.mil
- My Invoice
  https://myinvoice.csd.disa.mil
Electronic Commerce Office Contacts

• Dennis Pinder, Financial Systems Specialist
  Dennis.Pinder@DFAS.mil
  614-693-8542

• Donald Bowen, Financial Systems Specialist
  Donald.Bowen@DFAS.mil
  614-693-0302

• Michelle Woldt, Chief, EC Division
  Michelle.Woldt@DFAS.mil
  614-693-7674
Questions?