

U.S. Navy Bureau of Medicine and Surgery: Leaders in Implementing Wide Area Work Flow

Abhijit Dhumne ■ Stanley G. Wade

In fiscal year 2001, the Department of Defense (DoD) paid \$36 million in interest penalties to its vendors, making a clear case for an improved invoicing process with higher data efficiency. To meet this need, Section 1008 of the 2001 National Defense Authorization Act requires that claims for payment under a contract be submitted in electronic form. A 2002 memo from the under secretary of defense (comptroller) stated the goal of reducing interest penalties in fiscal 2003 by 40 percent from the fiscal 2001 amount.

Based on that directive, the U.S. Navy Bureau of Medicine and Surgery (BUMED) began the deployment of wide area workflow (WAWF) in early fiscal 2003. The BUMED WAWF team is steadily moving toward the implementation of WAWF at most BUMED sites. In nearly two years, the number of BUMED sites using WAWF has increased from only three in October 2002 to 32 in June 2004, and the total number of invoices received per month through WAWF has increased from 60 in October 2002 to 1,436 in June 2004. Out of all the Navy claimancies, BUMED currently has the largest number of invoices received and paid using WAWF.

A Cumbersome, Out-of-date Paper Billing Process

BUMED's paper-based billing process is considerably outdated (Figure 1). The requiring activity or organization contracts with a vendor to perform services or deliver goods, then various documents (e.g., the contract, invoice, receiving report, and certifying report) are generated. In the standard process, the activity requiring the supplies or services is, in many cases, different from the activity contracting. Many BUMED activities recently went through

**In fiscal year 2001,
the DoD paid \$36 million
in interest penalties to its
vendors, making a clear
case for an improved
invoicing process.**

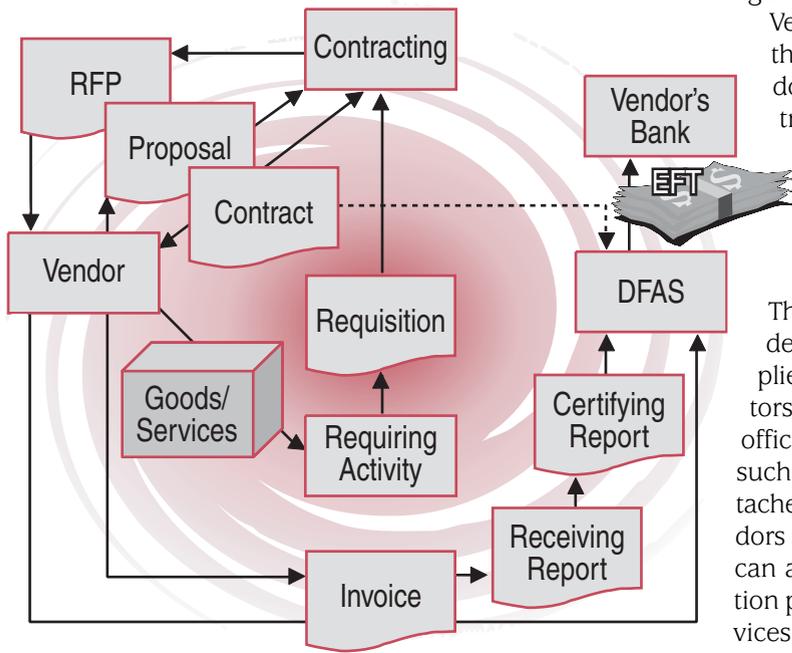
a reorganization of their contracting procedures, resulting in some losing their contracting authorities as part of the consolidation. In such cases, the customer provides the purchase requisition to the contracting officer, who in turn administers the contract. Upon contract award, the vendor provides the goods or services to the customer. Depending on the funding source, the invoices are sent to the requiring activity, the contracting activity, or directly to the Defense Finance and Accounting Service (DFAS)

by mail, e-mail, fax, courier, or in some cases, the vendor will drop the invoices off in person. Sometimes the vendor provides the supporting documents, such as receiving reports, time sheets, travel receipts, or DD250s (material inspection and receiving reports). The government staff are required to coordinate the goods or services receipt internally and to obtain acceptance from the customer. To confirm the quantities, price, and other details, staff must refer to the contract award document.

The next step is to certify the invoices according to the funding document. Each line item on the invoice needs a long line of accounting to specify the funds. The certifier (a.k.a. the voucher examiner) must check the particular accounting system—for instance the standard accounting and reporting system field level (STARS FL)—to make sure there are funds obligated to the contract/delivery order then complete and sign a “cert sheet.” Usually three to five copies of the cert sheets and invoices are distributed within the activity and kept for recording purposes. The originals are mailed to the DFAS office for pay processing. At DFAS, the commercial vendor billing staff manually keys the invoice data into the pay system. If funds are available and the proper accounting data are

Dhumne is the CEO of Universal Consulting Services, Inc., a government consulting services firm based in Fairfax, Va. Wade is the director of business system solutions, Naval Medical Logistics Command/ BUMED M4.

FIGURE 1. A Typical DoD Procurement Cycle



provided by the activity, the DFAS office transfers the allotted funds to the vendor's bank via electronic funds transfer (EFT) within the pay terms specified in the contract (for example net 30 days). But if there are paperwork errors or the activity has not provided correct or complete data, the vendor doesn't get paid in a timely fashion, and the government acquires interest penalties under the Prompt Pay Act.

The current paper-based invoice certification process has the potential to cause frustration and inefficiency all round. There is no oversight for vendors, resulting in calls to the receipt control department to check the status of invoices and payments. Coordinating a receiving report with the departments/branch clinic is taxing on the voucher examiners. Laborious processes, such as paper tracking, mailing, and photocopying, reduce everyone's overall productivity.

Faster, Simpler, More Accurate Electronic Invoice Handling

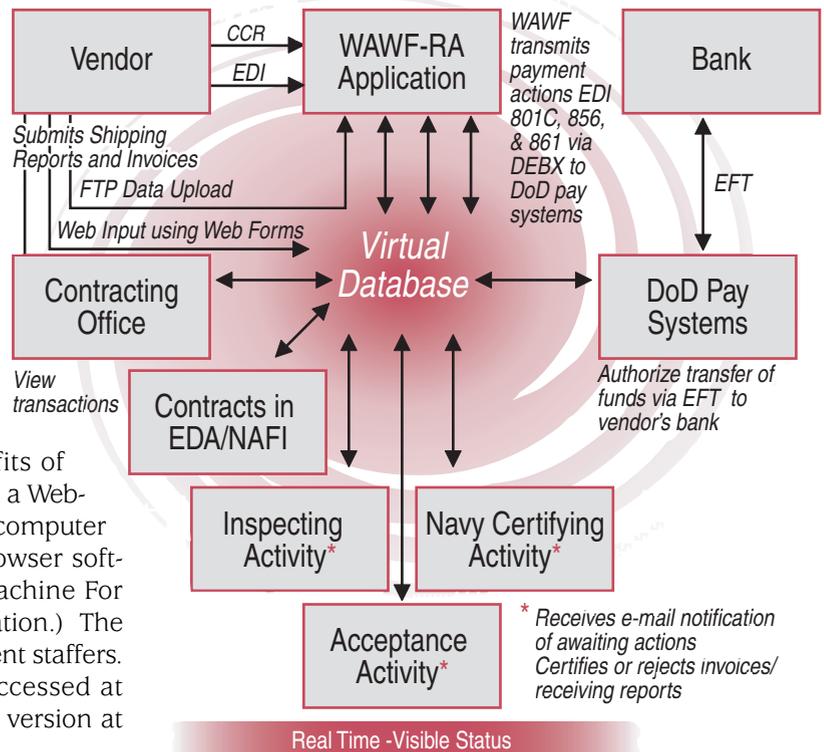
BUMED decided to implement the WAWF system to reduce the prompt pay interest penalties and to realize the all-round benefits of speedy electronic invoice processing. WAWF is a Web-based system that can be accessed from any computer with an Internet connection and specific browser software. (Refer to the link "Setting Up Your Machine For WAWF" at <<https://wawf.eb.mil>> for information.) The use of WAWF is free to vendors and government staffers. The production version of WAWF can be accessed at <<https://wawf.eb.mil/>>, and the training/test version at <<https://wawftraining.eb.mil>>.

Figure 2 shows the WAWF invoice certification process. Vendors submit the invoices either manually into the Web-based system or by mapping electronic document interchange (EDI) to WAWF, or using file transfer protocol (FTP). The system acknowledges the invoice submission and stores it. The workflow then triggers notification e-mails to the acceptors, certifiers, or pay officials, depending on the type of invoice.

The invoice data remain in the database server, and depending on the invoice routing information applied by the vendors, can be viewed by the inspectors, acceptors, certifiers (a.k.a. the local processing officers), and/or pay officials. Supporting documents, such as timesheets or shipping records, can be attached to the invoice in any type of file format. Vendors can create several different types of invoices and can also add comments to the invoices for clarification purposes. Limited by their pay office and the services or supplies they offer, vendors can create commercial invoices, services invoices (services 2-in-1), supply invoices (combo: receiving report and invoice), and/or cost vouchers, etc. Government local processing officers can administer invoices in real time. If an invoice is rejected, the vendor can correct and resubmit it quickly.

Any legitimate WAWF users with passwords and access to the Internet can observe the documents for their associated activities. Users experience a reduction in laborious, error-prone re-keying of information since some

FIGURE 2. The WAWF Business Process



Vendors Talk About WAWF Invoicing

Tonya Sauls, Naval Hospital Jacksonville, says, "I've thoroughly enjoyed using the WAWF system instead of the paper system. I am able to quickly look up past invoices and keep track of payments with much ease. It has reduced the amount of paperwork I have to do and it is much more confidential. With the paper system, there was always a possibility of someone getting a peek at my charges. The only down side is that WAWF takes a little longer since all of the blanks have to be filled in. However, the pros significantly outweigh the cons."

Nancy P. Walsh, head of the contract services department logistics directorate at the National Naval Medical Center Bethesda, and the WAWF group administrator and acceptor, enjoys the availability of the implementation team, describing implementation

as "seamless and transparent." With the new electronic process, the margin for human error is gone since the system finds the errors. "I love WAWF. It has simplified our lives incredibly and made our invoicing so clean and clear," Walsh says

Initially skeptical of the upcoming WAWF implementation at the Naval Medical Logistics Command (NMLC), **Chris Cullen** quickly changed his opinion once he experienced the WAWF advantages. "WAWF has a direct impact on reducing interest," he says. "Before implementing WAWF, NMLC was always near the top of the list in BUMED for interest payments, but since implementing WAWF, we have steadily dropped on the list. It [WAWF] saves both time and money, and the vendors I deal with love the system because it is easy to use, and they get paid a lot faster."

fields are pre-populated with information drawn from the electronic document access (EDA) contracts database. WAWF completely automates the process of submission, inspection, acceptance, certification, and payment. Chris Cullen of Naval Medical Logistics Command in Fort Detrick, Md., says of WAWF, "I have more time to devote to other areas of my job rather than spending the time certifying invoices manually."

Vendors can view the status of their invoices in the WAWF system. The workflow keeps the vendor abreast of every action taken by the government (inspection, acceptance, certification, etc.), reducing the number of vendor calls to the receipt control staff. The system is up and running 24 hours a day (with occasional pre-announced downtime for updates or maintenance).

After invoices are accepted and certified, they are submitted by EDI to the DFAS One Pay system. If all the provided accounting and invoice data are correct, the invoice is put into "Q" status, and is scheduled for pay based on the contract terms—for instance, net 30 days. At this stage, vendors can view the payment distribution data at the <www.dfas.mil> Web site under the "Commercial Vendor Pay" link.

Proof in the Savings

In addition to improving the productivity of the staff, WAWF provides direct and immediate financial savings to the Navy. The invoices are processed in real time, so prompt pay interest penalties are very unlikely. In fact, in January of fiscal 2004, such payments were only \$9,935.00 as compared with \$48,210.00 in fiscal 2003, saving nearly \$38,279.00.

Other direct savings are realized in the reduction of the service fees paid to DFAS. For fiscal 2005, BUMED will pay \$3.66 per line of account (LOA) for electronic invoicing

using WAWF versus \$19.08 per LOA for paper invoicing. BUMED processes nearly 60,000 paper invoices every year, so if all invoices were submitted in paper and with an average of three CLINs (contract line item numbers) per invoice, the service fee cost to the Navy would be about \$3.43 million. But if all the invoices were processed through WAWF, the paperless alternative, the service fees would drop to \$658,800.00, saving approximately \$2.78 million per year.

A Win-win Solution

With BUMED's implementation of WAWF, the process of accepting and certifying invoices from vendors becomes simpler and more effective, resulting in an increase in the efficiency of government and vendor staffers and a continuing reduction in interest penalties and service fees paid to DFAS.

The efficiency of WAWF lies in its inherent accessibility, simplicity, and accuracy, making it a suitable invoicing answer for most government contracts. The advantages to the vendor and the government are clear. Vendors create and submit the invoices as they would normally, have a continuous connection to the status of the invoice, and are paid more promptly. The efficiency of the government acceptors and certifiers increases and the prompt pay penalties decrease.

Editor's note: The authors welcome comments and questions. Dhumne can be contacted at adhurne@university-inc.net and Wade at sgwade@nmlc.med.navy.mil.

To learn more about WAWF and its implementation, visit <www.nmlc.med.navy.mil/gov_only/acquisitions/bumed_wawf/wawf.htm> or e-mail wawf@nmlc.med.navy.mil.

The processes, documents, systems, and interfaces referred to in this article are pertinent to the BUMED claimancy only.