

Strategic Alignment of Key Partners in E-Government Initiatives: The Internet Payment Platform Pilot¹

Jane Fedorowicz, Ulric J. Gelinaz, Jr., Janis L. Gogan and Christine B. Williams
Bentley College, Waltham, Massachusetts 02452-4705 USA

Abstract. Challenges and risks associated with large-scale information technology implementations increase when multiple partners are involved, as in many e-government initiatives. Some risk can be addressed by careful alignment of internal and external business and information technology strategies. This study examines the technical, political, economic and operational process motivations of government agencies collaborating in the pilot implementation of the Internet Payment Platform.

The Internet Payment Platform. The Internet Payment Platform (IPP) is a web-based system for business transactions between Federal agencies and their suppliers. (See Figure 1.) Financial Management Service (FMS) of the U.S. Treasury collaborated with the Federal Reserve Bank of Boston (the Fed), Xign, Inc. (a software vendor) and Biometrics Associates, Inc. to develop the IPP system. To pilot-test the technology, FMS recruited three government agencies: Bureau of Engraving and Printing (BEP), an arm of the U.S. Treasury responsible for producing currency and postage stamps, the Denali Commission, a small federal-state commission that provides critical Alaskan utilities, infrastructure, and economic support, and the U.S. Department of Labor (DOL), which is responsible for administering federal labor laws. This case study of the IPP initiative, conducted from spring 2003 through February 2004, included 22 interviews with key participants at stakeholder agencies.

Figure 1: Overview of the Internet Payment Platform Transaction Process

- Purchase orders (POs) are sent from a government agency purchasing system to a server that converts the PO into a format for posting to the IPP server.
- The translated PO is posted to the IPP server and central database.
- Agency suppliers log on to the IPP, read their POs and respond to them by providing the good/service.
- Once the good/service has been delivered, suppliers log on to the IPP and “flip” the PO into an invoice.
- Once invoices are posted to the IPP and payment is due the buying agency sends a payment instruction file to the IPP. At the same time, a certifying officer (CO) at the agency logs on to the IPP to approve the payment. A disbursing officer (DO) at the FMS Regional Finance Center (RFC) logs on to the IPP to approve the payment. Finally, an auditor at the RFC may log on to the IPP to approve the payment.
- An Automated Clearing House (ACH) file is sent from the IPP to the Federal Reserve Bank where an ACH settlement is executed.
- The Fed ACH system then debits the U.S. Treasury account at the Fed, credits the accounts of the supplier’s bank and the supplier at the Fed, and notifies the supplier’s bank of these credits.
- The supplier’s bank then credits the supplier’s account.

Political, Technical, Operational Process and Economic Motivations within FMS

FMS/Political: FMS saw IPP as an attempt to comply with the Prompt Payment Act, Government Paperwork Elimination Act, and align with the President’s Management Agenda. IPP was to use low risk technologies, have limited participation by for-profit entities and avoid a standard-setting agenda.

FMS/Technical: The FMS team specified that “the goal of the (IPP) pilot is ...accumulating all data involved in the entire life cycle of a transaction in a centralized database” with “all the documentation for the agency and the vendor... at their fingertips ... available in a database that’s easily accessible.”

FMS/Operational Process: The IPP pilot was expected to improve operations: “streamline settlement processing, integrate into A/R, A/P and Treasury financial systems, reduce the complexity of enrolling contractors, increase the speed and effectiveness of dispute resolution, strengthen relationships for all

¹ This research was conducted under the Bentley College Invision Project, with J. Fedorowicz, Principal Investigator

parties in a settlement process, increase accountability and control, shorten cycle times.”

FMS/Economic: Expectations were that agencies would: “save the government \$10-\$30 per transaction, gain supplier prompt-pay discounts, lower the number of aged invoices, improve cash management, reduce inventory costs, optimize purchases.”

Agency Partners’ Motivations

Boston Fed: The Fed was motivated primarily by political and technical considerations. They cited the Prompt Payment Act and the electronic funds transfer provisions of the Debt Collection Improvement Act. The Fed was also interested in moving toward a more efficient and effective payment process.

Denali Commission: This agency emphasized the political motivation of participating in the President’s Management Agenda, becoming a transparent organization to the public they serve, and an anticipated positive impact on vendor relationships. Operational benefits included speed and efficiency for vendors, and internally, the potential for reducing data-entry errors as a result of keying in transaction information just once for both a purchase order and an invoice. One participant cited the prospect of replacing obsolete hardware (paid for by Denali, not FMS) as a technical motivation.

Department of Labor: Political motivations included the President’s Management Agenda, projection of a leading-edge image, and the prospect of establishing a relationship with Treasury, and by virtue of being one of the first players, gaining influence over any future standards the huge agency might set. Technical motivations focused on the opportunity to test peripheral IPP features: biometric-based identification and workflow software. Perceived operational process benefits were streamlining of business functionality and reducing the time it takes to pay vendors. More broadly, they were motivated by the desire to change to more of an analytical review process and decision support, giving accountants a financial consultant role. The centralized database was expected to provide a useful audit trail for improved operational control by maintaining data and process integrity. Economic motivations included cost savings by capturing early-payment discounts and avoiding late-payment penalties under the Prompt Payment Act.

Bureau of Engraving and Printing: Political motivations focused on improving government operations, the importance of the relationship with Treasury, and complying with the Prompt Payment Act. An unexpected operational process motivation derived from measures after the fall 2001 anthrax attacks, which both slowed down the transit time and caused paper to crumble or ink to dissolve, problems web-based electronic transactions would eliminate. Additional political motivations addressed supplier relations: complaints written to members of Congress, pressures from vendors who stop doing business with government agencies because of tight cash flows, and incentives that favor small businesses and those who provide essential supplies, as well as minority business set-asides. Technical goals emphasized the ability to integrate into legacy systems without changing the core accounting system. Expected operational and economic benefits included capturing early-payment discounts and avoiding late-payment penalties, saving manpower and time, and the reduction of data entry errors

Discussion of Motivational Factors

This IPP study finds strategic alignment on several motivations participating stakeholders expressed:

- shared goal of legislative compliance cited specifically by FMS, the Fed and BEP.
- shared desire to meet the Administration objectives laid out by the President’s Management Agenda cited specifically by FMS, Denali, DOL and BEP.
- shared desire for stronger partner relationships, specifically noted by the Fed, BEP, DOL and Denali.
- shared perception of internal operational process benefits within FMS, Denali, and DOL.
- shared perception of economic benefits (lower costs and discounts) for FMS, DOL and BEP.

Analysis of the four motivational categories also reveals many reasons to participate that were specific to individual agencies. While unique motives could lead to mutually exclusive IT or operational process requirements, the differences appear to be compatible across the partners so that all find value in the proposed collective system.