

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 21, 1993

To: Board of Directors (Finance and Insurance Committee--Information)
From: General Manager
Subject: Report on Accounts Payable Productivity Improvements

Report

In order to process an increasing volume of invoices in a timely manner, the Finance Division implemented changes to the accounts payable process that have resulted in a significant streamlining of the payment cycle. The average days to pay for the period January 1992 through February 1993 dropped to 30 days, down six days from the 1991 average. In March of 1993, the average days to pay was 25 days, an additional reduction of five days. Prior to 1992, utility invoices were paid, on the average, in 30 days; in 1992 this was reduced to 27 days. The number of outstanding invoices greater than 60 days also dropped from 707 at the beginning of 1992, to 90 at the beginning of 1993.

The major changes in improving productivity result from:

- o Revising invoice tracing procedures
- o Streamlining transaction processing activities
- o Monitoring exception conditions (i.e. non-matching documents)
- o Returning invoices to vendors that did not reference a purchase authority
- o Documenting existing procedures to aid in training new staff

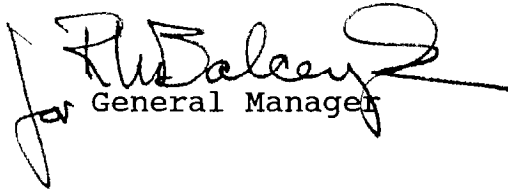
The outlook for further improvements to the payable process is promising. The planned purchase of an integrated procurement/payable software package in the next fiscal year should continue to improve our average days to pay, as well as reduce processing costs. A major objective of the Finance Division in the next five years is to seek continued improvement in the procurement/payable cycle to minimize costs and ensure that the District maintains excellent relationships with its suppliers and consultants.

Board Committee Assignment

This letter is referred to the Finance and Insurance Committee for information because of its jurisdiction to study and advise in matters concerning accounting activities, pursuant to Administrative Code Section 2441(k).

Recommendation

For information only.


for General Manager

DBT:jg

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