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On Time, Every Time: Fix Vendor Payment Delays in Three Practical Steps

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WHAT WILL YOU LEARN FROM THIS QUICK READ?

- How to find and use data to uncover the root causes of chronic late vendor payment.
- How to fix a vendor payment process that isn't working in three steps.
- Helpful prompt payment tips from other local governments.

INTRODUCTION: BENEFITS AND BARRIERS TO PROMPT VENDOR PAYMENTS

Effective public procurement requires local governments to build transparent, strategic partnerships with businesses that deliver high-quality products and services. For these partnerships to succeed, governments must pay vendors fairly and on time. Prompt payment is not just an administrative task—it is foundational to delivering public value.

Benefits of Prompt Vendor Payment

Prioritizing timely payments to vendors yields significant benefits. Governments that pay promptly:

1. Negotiate discounts with vendors, as vendors may offer financial incentives for quick payment timelines
2. Maintain strong bond ratings and lower borrowing costs for critical projects
3. Increase competition for contracts, improving service quality and lowering prices
4. Empower small and local businesses to want to do business with the government
5. Reduce the time and resources spent on resolving payment issues or legal disputes

Common Prompt Payment Challenges

Despite the clear benefits, governments often struggle to pay promptly due to a series of barriers.

Understanding these challenges, and asking the right diagnostic questions, can help governments identify breakdowns in their systems:

1. **Complex Backend Legal Requirements.** Local, state, and federal procurement regulations often overlap or contradict each other. This can make projects, sometimes funded by multiple agencies, difficult to implement. For example, regulatory complexity can lead to procurement process errors. Vendor payments get delayed because finance and administrative staff don't process invoices until documentation errors are rectified. To diagnose this challenge, governments need to determine how frequently staff are required to "fix" procurement paperwork before releasing payments. Then figure out whether payment delays are often associated with specific types of funding.
2. **Imbalances Between Compliance and Efficiency.** Most governments design workflows that require multiple departments to review and approve payment requests. Unfortunately, these reviews are rarely structured to support meaningful interdepartmental coordination. As a result, even minor compliance concerns can trigger long delays while departments work in sequence to resolve them. To assess whether this is a challenge, governments need to determine if the right number of people are included in each workflow. Then ask if the people assigned to review documents are improving compliance outcomes. Moreover, governments need to figure out if their process for resolving invoice compliance concerns is frequently leading to swift resolution and payment.
3. **Clunky Technology.** Legacy systems and aging technology, like outdated enterprise resource planning (ERP) software, can make it hard to coordinate workflows or support vendor self-service systems. These archaic systems make invoice management more difficult. Vendor payments are often lost or delayed as a result. To determine if clunky technology is slowing down payment processes, governments need to assess what proportion of invoices are processed manually. Then learn if digital payment approval systems are more efficient and transparent.
4. **Political Dynamics.** High-profile or expensive public projects often require approval from elected officials. When political considerations or public pressure impact the timely approval of major contracts or transactions, invoices can go unpaid for extended periods of time. To diagnose this as a potential problem, governments need to evaluate whether certain types of payments routinely get held up due to political debate. Next, calculate the percentage of major delayed contracts or transactions as a total percentage of government expenditure.

Why Prompt Payment Matters

Just as prompt payment can yield significant benefits, habitual late payments carry serious negative consequences. At a high level, they erode public trust in government institutions and undermine the potential for effective partnerships between government and business.

At a more granular level, chronic late payments can:

1. Reduce or disrupt government services for residents when vendors stop work or decide not to bid on projects
2. Lead to higher costs from interest payments, financial penalties, and reduced competition
3. Divert funds from other essential public projects
4. Expose your government to legal risks and challenges
5. Invite negative media coverage

No matter how strategic or ambitious a government's goals may be, if the government cannot pay their vendors on time, those goals won't be met. Just as vendors are required to fulfill their contractual obligations, governments must meet their financial commitments. Prompt payment is not just good practice—it is essential to effective public service delivery.

→ Case Study: Clearing \$10M in Late Payments in Jackson, Mississippi

The Challenge

In September 2023, Jackson's City Council raised concerns about habitually late vendor payments. A few weeks later, a contractor halted work on a high-priority infrastructure project after several months of nonpayment. The city turned to staff from Partners for Public Good (PPG) for help.

The city's department of administration could not quantify Jackson's vendor payment challenge. Per policy, vendor invoices were sent directly to the departments that purchased goods or services through decentralized channels (e.g. email, mail, courier, etc.) rather than a centralized citywide repository. This meant that city leaders and directors had no ability to see if invoices were being processed in a timely manner.

Diagnosing the Problem

PPG's team began helping the city with the tedious process of collecting information on past-due invoices. They reviewed outstanding invoices department by department. In some cases, staff searched former employees' desk drawers and email inboxes. The team leading the project also developed an invoice helpline for vendors to submit information about past-due invoices.

By January 2024, the city learned it had 470 overdue invoices totaling \$10 million—a substantial sum for a city of 150,000 people.

The Root Causes

Through process maps, quantitative analysis, and interviews, the PPG team helped Jackson develop a working hypothesis around what was causing habitual late payments. The city believed it had a series of chronic procurement-related challenges, which were ultimately leading to late payments:

- **Approval Bottlenecks:** All service procurements, regardless of price, required a city council vote that lengthened approval timelines. To get around the issue, departments made emergency purchases or avoided procurement policies altogether. Finance staff then rejected invoice payment requests because they did not have proper documentation verifying a purchase order or contract had been approved.
- **No Standard Process:** Department heads and managers rarely knew the details of the payment process due to a lack of standardized procurement procedures or centralized invoice collection. Staff often acted independently from their line managers.
- **No Procurement Training or Coordination:** Staff in the city didn't have access to formal procurement training and didn't coordinate well with the city's purchasing team.

The Immediate Solution: Pay Existing Debts

The city's data collection process also revealed that the public works department accounted for 75% (or \$7.2 million) of all past-due invoices. In response, the PPG team helped leaders establish a cross-functional task force with staff from public works, legal, finance, budget, procurement, and administration to tackle the problem. This regular forum helped staff work collaboratively to deal with contractual disputes, budgetary shortfalls, process errors, and administrative challenges.

In just three months, the task force effectively paid down more than 95% of the outstanding bills.

The Long-Term Solution: Building Capacity and New Processes

After triaging existing debts and listening to staff, vendor, and resident concerns, the PPG team helped the city align on a series of process, policy, and capacity-building reforms.

- **Process:** The PPG team helped the department of administration rebuild its dormant online vendor self-service system. This was accompanied by a robust training and outreach program that required all 3,000 eligible vendors to sign up for the platform, register for direct deposit, and submit invoices through the portal. This enabled finance staff to see current and past-due invoices in a centralized location, and senior leaders were alerted to overdue bills before vendors made complaints to the city council.
- **Policy:** The PPG team helped the department of administration and the city attorney's office draft Jackson's first personal and professional services procurement policy. The policy set clear procurement standards and allowed the purchasing division to approve most service purchases under \$75,000 without a city council vote. This reduced procurement cycle times for small-dollar purchases by 80% (down by four weeks). It also reduced staff reliance on emergency purchases.
- **Capacity Building:** The city trained all executives, mid-level managers, and individual contributors on the new procurement policies and processes. About 150 staff each completed more than five hours of training. After, staff better understood the city's procurement policies and processes, and departments better coordinated with finance and purchasing staff.

Paying Vendors Promptly: A Three-Step Approach

Step #1: Use Data to Understand Your Late Payment Problem

It's easy to grasp—at least anecdotally—that your government may be struggling to pay vendors on time. Contractors voice their frustrations to project managers; constituents complain to elected officials; accounts payable staff are inundated with emails; and legal teams are left to deal with contractual disputes. But anecdotal evidence only goes so far.

Build an Unpaid Invoice Dataset

To understand the scale of the problem you need comprehensive data. The first step to a more efficient and effective payment process is gathering quantitative and qualitative invoice data on how much money is owed and to whom.

Consider your data sources and data collection methods. There are two approaches to gathering quantitative data: manual collection or data extraction.

- **Manual data collection** is organizing information from departments and vendors into either a spreadsheet or another comparable tool. Manual data collection is a good option when your government lacks a centralized invoice system, or vendor invoice submissions aren't standardized.
- **Data extraction** is exporting readily available data from an ERP system, or financial database, and converting it into an interpretable format.

Table A: Late or Unpaid Invoice Data Spreadsheet Example

DEPT.	DEPT. CONTACT	VENDOR	INVOICE #	INVOICE AMT.	PO/ CONTRACT #	DATE INVOICE ISSUED	DATE INVOICE REC.	TODAY'S DATE	DAYS UNPAID
Police	John Doe	Hello Enterprises	654321	\$4,567	PO45678	11/8/24	12/1/24	5/8/25	158
Fire	Malik Summers	Goodbye Company	JHGTB113	\$56,734	20243422	3/1/25	3/2/25	5/8/25	67
Parks	Caris Chan	Awesome Inc.	AH6543	\$145,000	20254321	1/5/25	1/6/25	5/8/25	122
Admin	Sammy Weinman	Oranges Co.	123527	\$450	PO34567	4/3/25	4/4/25	5/8/25	34

Decide how to analyze invoice data. Once you have collected invoice data, you will need to carefully consider how to analyze potential trends and identify process pain points. If you're using Excel, filters can help you conduct analysis.

While there are dozens of different ways to organize, analyze, and interpret data, there are a few core metrics to analyze.

Table B summarizes recommended metrics and their corresponding insights.

Table B: Interpreting Unpaid Invoice Data

METRIC	WHY IS THIS METRIC IMPORTANT?
Total number and dollar value of all late/unpaid invoices	Shows the scale of the problem. How much does my government currently owe? How many invoices are being paid late?
Compare late/unpaid vs invoices paid on time over set time periods	Adds historical context and reveals if payment issues are new or ongoing.
Separate late/unpaid invoices by department or division	Reveals whether the prompt payment challenge is government-wide or isolated within specific units of the government.
Average/median length of time of late/unpaid invoices vs paid invoices	Measures overall payment efficiency and highlights specific delays. Are specific invoices taking a long time to pay, or is the government slow in paying invoices more generally?
Number and dollar value of late/unpaid invoices at specific intervals throughout the year	Reveals cyclical and seasonal trends (holidays, budget seasons, peak purchasing windows, etc.).
Late/unpaid invoices by purchase category	Determines if specific types of goods or services have unique payment challenges. Perhaps the policies or documentation requirements for specific types of goods or services are causing payment challenges?
Late/unpaid invoices by dollar threshold	Reveals if invoice size affects processing speed. Procurement policies governing specific dollar thresholds might be causing unique payment challenges.

Visualize Quantitative Data

In addition to building a quantitative dataset, it is helpful to present your data in a report for key stakeholders (e.g. mayor's office, city manager, chief financial officer, etc.) to regularly review. Depending on your context, this report can be a static report or a real-time data dashboard. PowerPoint is a great tool for creating low-cost static reports. Tableau and Power BI are good tools for building real-time data dashboards that connect to your government's financial system.

Graphic A is an example of a static data dashboard using PowerPoint.

Graphic A: Late or Unpaid Invoices Data Dashboard Example

Summary Data - Outstanding Invoices June '25

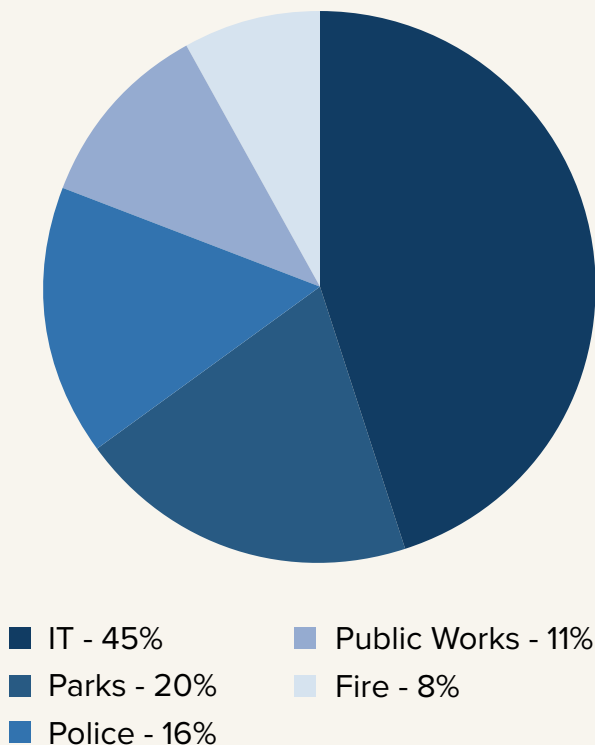
	FEB '25	MARCH '25	APR '25	MAY '25	JUNE '25	
# of outstanding invoices	385	255	188	98	48	↓
\$ value of outstanding invoices	\$11.56M	\$4.29M	\$3.11M	\$1.01M	\$250K	↓

Outstanding invoices by number of days*

31 - 45 days	46 - 90 days	91 - 180 days	6mo - 1y	>1 year
0	10	16	9	21
↓	↓	↓	↓	↓

Summary Data - Outstanding Invoices June '25

% of Outstanding Invoices (\$ Value) by Department



Top 3 Departments with the Highest Value of Outstanding Invoices (June 25)

DEPARTMENT	TOTAL AMOUNT
IT	\$105,000
Parks & Rec	\$48,000
Police	\$37,000

Collect Qualitative Data

To complement your quantitative analysis, it can help to collect qualitative information from staff and vendors about the specific reasons for payment delays. Conduct one-on-one interviews and [focus group discussions](#). Focus on creating space for staff and vendors to talk openly without fear of retribution and try not to ask leading questions.

You may also want to consider creating procurement and payment process maps. This will help you pinpoint steps, inputs, outputs, decision points, or stakeholders that might be contributing to payment delays. For example, you might find that:

1. It takes an average of ten days to approve vendor payments because there are six people in the existing workflow.
2. It takes an average of five days to transmit payments because only one finance department staffer has the skills to process an electronic funds transfer (EFT) payment file.

The qualitative data you collect will provide helpful color to your quantitative data and determine if there is a difference between the official process and how stakeholders interpret the process.

Present Summary Findings to Government Leadership

After collecting information and mapping out your processes, distill your findings into a slide deck, internal memo, or oral presentation for key stakeholders and decision-makers.

Tell a story. Focus on the problem and its sources using quantitative and qualitative data. Is late payment caused by vendor misunderstandings, slow contract change orders, lost checks, excessive approval procedures, or a mix of all these factors? Keep your report specific and concise but grounded in fact.

Propose solutions. Avoid presenting challenges without a clear path forward. Summarize necessary policy, process, and capacity-building measures. Outline the required human and financial resources and describe your potential change management and communication strategies. Consider highlighting potential implementation timelines and associated risks, too.

Step #2: Triage Critical Late Payments

While it might be tempting to immediately jump into solutions, governments should first pause to prioritize immediate challenges. If your government has a backlog of unpaid invoices, use your dataset to identify acute pain points. For example, do most unpaid bills sit in a particular department?

If yes, then one approach could be to build a task force that involves key stakeholders from that department, along with leaders from legal, finance, budget, purchasing, and administration. Require staff to meet frequently to address contractual disputes, budget shortfalls, or process errors.

Here are some recommendations for building an effective task force:

1. Secure support from executives and elected officials to create accountability.
2. Appoint a single person to serve as the task force chair and empower them with the ability to coordinate meetings, oversee workplans, and make final decisions.
3. Establish a meeting cadence.
4. Develop a clear methodology for tackling unpaid invoices.
5. Create clear procedures for escalating challenges to leaders and elected officials.
6. Meet regularly until all invoices are addressed.

This whole-of-government approach is a proven method for resolving acute challenges.

Step #3: Rewire the Payment Process to Correct Bottlenecks

After triaging critical late payments, design sustainable solutions to pay vendors on time, every time. Before you begin, make sure your quantitative and qualitative analysis accurately assesses whether your problems are related to policy, process, staffing, training, technology, communication, or a mix of these various factors.

There are hundreds of possible challenges and corresponding solutions.

Table C outlines some challenges and solutions your government may want to consider.

<i>Table C: Potential Challenges and Possible Solutions</i>	
CHALLENGE	SOLUTIONS
Policy requires too many levels of approval	Adjust approval thresholds; reduce unnecessary documentation requirements.
Process is unclear or overly complex	Use electronic payment systems; streamline approval workflows.
Not enough staff to process payments	Hire more people if teams are understaffed; adjust job descriptions as needed.
Untrained staff	Provide procurement training for new and existing employees; create procurement and payment checklists for staff.
Manual and error-prone invoicing	Launch a vendor self-service platform; configure and regularly maintain workflows.
Communication and coordination gaps	Hold periodic working groups to analyze progress; set clear email and meeting cadence for trouble shooting unpaid invoices.

To start building solutions, put together an effective [project management plan](#). Take adequate time to plan your change management approach. You want to build right-sized solutions for your existing challenges. This will require you to define resources, assess risks, build timelines, consult stakeholders, and plan effective training. You might also consider ways to complete quick fixes and secure low-lift wins to build momentum.

You should anticipate some level of resistance from elected officials, senior executives, mid-level managers, individual users, and vendors. Think about the potential resistance and create a plan to [overcome immunity to change](#).

Celebrate wins as you begin to change policies and processes. These celebrations build team resilience and keep key stakeholders interested in your project. This can take the form of team lunches, email updates to officials, or external social media posts for residents and vendors. Regardless of how you communicate progress, do it frequently, using both data and stories.

→ 7 Helpful Tips for Paying Vendors Promptly: Lessons from Innovative Governments

Based on a series of interviews conducted with local governments across the country, here are the seven best practices for paying vendors promptly:

1. **Centralize invoice collection:** Share access to invoices with finance and departmental staff to reduce bottlenecks and improve accountability.
2. **Collect, track, and report payment data regularly:** Monitor important metrics like average number of days to pay and report these metrics to senior management regularly.
3. **Forecast and monitor cash flow:** Carefully forecast payment timelines so that sufficient funds are available to process invoices on time.
4. **Create transparent systems:** Send vendors timely payment status updates to build long-term trust.
5. **Establish reasonable payment approval thresholds:** Create different thresholds for low- and high-value payments to reduce unnecessary layers of approval.
6. **Reduce unnecessary documentation:** Use three-way matching to match purchase orders and contracts, goods received reports, and vendor invoices, but do not add additional documentation if it is unnecessary.
7. **Streamline procurement processes:** Prevent bottlenecks by fixing burdensome requirements, unclear procedures, and unnecessary workarounds that confuse staff and slow down payments.

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The **Procurement Excellence Network** (PEN) is a free, online community for public sector leaders seeking to transform their jurisdiction's procurement practices. It offers virtual trainings, tools, templates, and coaching, while building peer connections for leaders as they launch efforts to make procurement more strategic, fair, and innovative. PEN is an initiative of **Partners for Public Good** (PPG), a 501(c)(3) non-profit organization that helps state and local governments use key operational levers—procurement, workforce, digital infrastructure, and budgeting—to drive public impact.

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