

Appendix C

Financials Business Area



King County, State of Washington

Quantifiable Business Case

Focus Group 1



Focus Group: General Ledger/Project Accounting

Date: February 2, 2004

Time: 1:00 PM to 4:30 PM

Location: King Street/3E

Agenda



- I. Introduction**
- II. Business Processes Review**
- III. Performance Measures Review**
- IV. Critical Success Factors**
- V. Next Steps**

I. Introduction



A. Project Definition

The purpose of this project is to provide King County with a quantifiable business case which justifies replacing or improving the county's current budget, financials, human resources and payroll operations model and the array of distributed systems and the business practices that support them.

B. Business Function Definitions

1. General Ledger

The General Ledger serves as a summarization and classification of financial transactions from all sources. These transactions, called journals, may represent actual, budget and encumbrance amounts. A chart of accounts is used to define the operating structure for the organization. Journal transactions are summarized to create the General Ledger. Financial statements may be produced from detail transactions or the summarized ledger.

2. Project Accounting

Project Accounting accumulates and reports detail cost information for county projects and Grants. The term project refers to a variety of activities:

- Multi-year, construction projects (capital projects)
- On-going program related activities (operating projects)

Projects may have multiple funding sources. The organizations work break down structure for project activities is reflected as project attributes. Project Accounting is used to track and manage actual project cost against management estimate and budgeted amounts. Closed capital projects may be capitalized to Fixed Assets.

C. Focus Group Approach

II. Business Process Review



A. Definitions and Terminology

- **Business Function** – Refers to a high level grouping of business processes designed to meet a specific business objective. The financial functional areas covered by this project are:
 - General Ledger
 - Project Accounting
 - Grant Accounting
 - Purchasing
 - Accounts Payable and Warrants Reconciliation
 - Accounts Receivable and Collections
 - Inventory
 - Order Entry
 - Fixed Assets
 - Cash Management
 - Debt Management
 - Labor Distribution
 - Financial Reporting
- **Business Process** – A discrete set of activities within a functional area. For example, business processes related to the General Ledger function include Set up and Maintain Chart of Accounts, Process Manual Transactions, etc.
- **Operations Model** – The operations model for both business and technical includes the following:
 - Integrated business process model and work flow addressing how all functions work together.
 - Roles, Responsibilities, and Authority for each identified business area/function and for integrated business operations.

- Organizational structure (including span of control, staffing models, staffing levels).

B. Confirmation of Current Business Processes

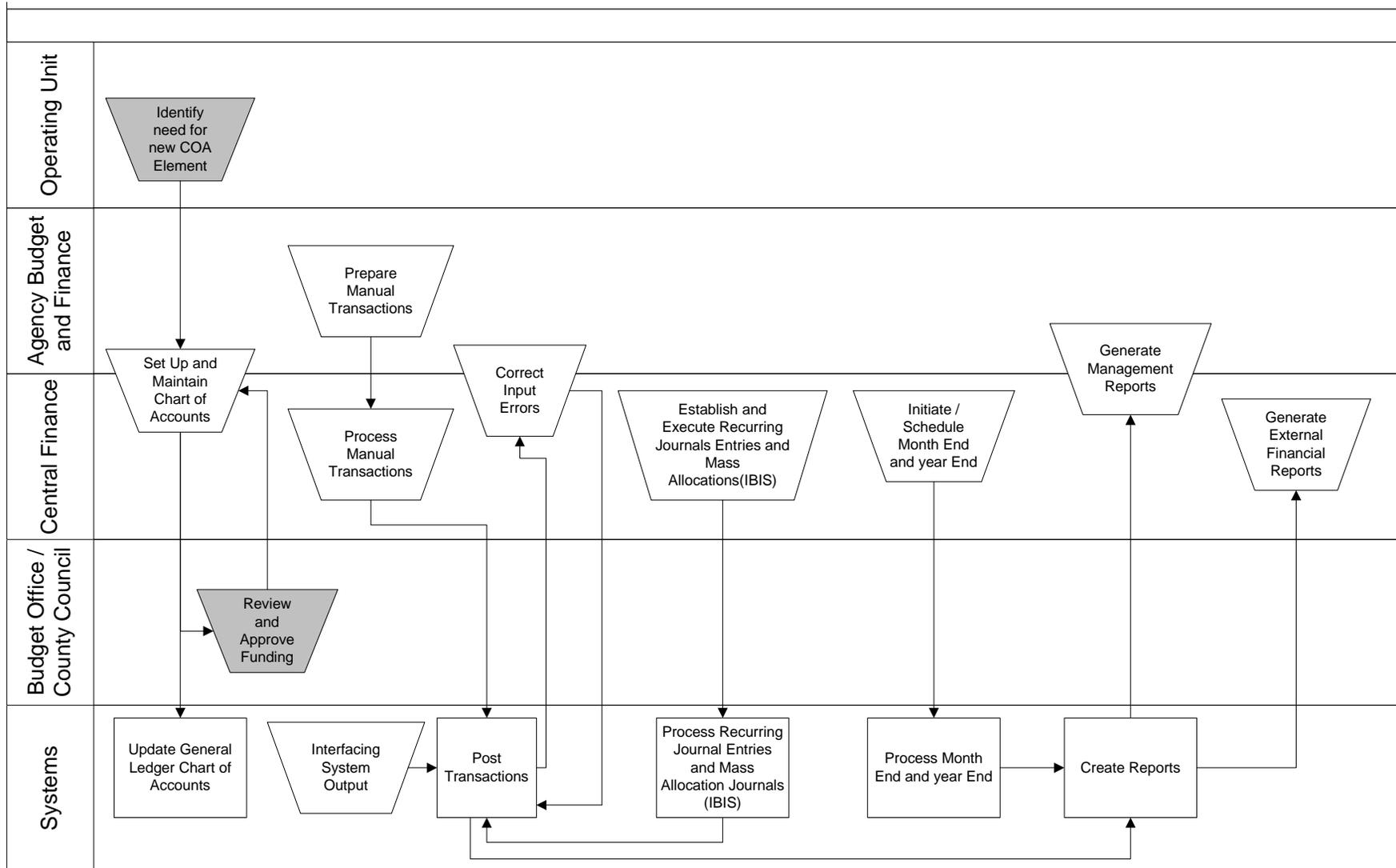
1. General Ledger Function

Function Goal:

The objective of the General Ledger function is to:

- Summarize and classify transactions,
- Provide internal control and auditable information,
- Record double sided entries
- Produce a trail balance,
- Establish the basis for financial statements,
- Provide a resource for financial information, supported by details,
- Support budget control objectives.

General Ledger High Level Flow



General Ledger Current Business Function Flow

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
<p>Set up and Maintain Chart of Accounts</p>	<ul style="list-style-type: none"> • Report of Current valid codes • Request for new value 	<ul style="list-style-type: none"> • Updated valid GL structure 	<ul style="list-style-type: none"> • Paper input forms keyed by data entry (ARMS) • Online update (IBIS) in some cases based on paper forms. 	<ul style="list-style-type: none"> • Operating Units identify the need for Chart of Account changes or new values. • The county council approves requests for new grants (outside line of business) or funds (agencies have more discretion within their funds). • Finance generates the update to the GL • For organizational changes, budget office may need to be involved 	<ul style="list-style-type: none"> • 1 to 4 days depending on the request/ • A new project takes approximately one day for both ARMS and IBIS • A new expenditure account number takes up to 4 days 	<ul style="list-style-type: none"> • New cost center information also needs to be communicated to payroll • Cross walk between ARMS / IBIS must be maintained • Continuity with subsidiary systems (communicate changes in COA) • Organizational changes need to be synchronized between payroll/HR • Ability to enter specific code items at agency level is desirable (except for items controlled at the county-wide level) • The Roads CIP budget is adopted at the Fund level, and there is a work program attachment that gets adopted at

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>the same time. Therefore we can move grant funding around. We can use our grant contingency project, the reallocation process, and the CIP reconciliation as methods of moving funds around. Roads does not use the grant alert process.</p>
<p>Prepare Manual Transactions</p>	<ul style="list-style-type: none"> • Manual transaction forms (ARMS) • Supporting documentation 	<ul style="list-style-type: none"> • Manual transaction ready for processing 	<ul style="list-style-type: none"> • Paper forms (ARMS) • Online form (IBIS)) in some cases based on paper forms. 	<ul style="list-style-type: none"> • Operating units prepare manual entries 	<ul style="list-style-type: none"> • Forms don't take much time. • If agreement required, process takes at least a week (for both signatures) 	<ul style="list-style-type: none"> • ARMS and IBIS interfund transactions require signature by both side of transaction on transaction form. If an agreement between agencies exists both signatures may not be required. • "Parallel" transactions (on same form, routed from one to the next) are performed to accommodate transactions

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>between an agency on IBIS and an agency on ARMS</p> <ul style="list-style-type: none"> • Transactions that are increasing budget must go through budget office • Controls vary on transfers • Original documents sometimes in finance and sometimes at agency • Have original documents scanned online (desired) • Many documents are walked through the process, there is interest in automated workflow
Process Manual transactions	<ul style="list-style-type: none"> • Operating unit prepared manual transactions 	<ul style="list-style-type: none"> • Updated GL records (Note in ARMS invalid values or combinations of values cause records to not post requiring another step) 	<ul style="list-style-type: none"> • Data entry, and file transfer to GL (ARMS) • Online review and post (IBIS) 	<ul style="list-style-type: none"> • The Department of Finance approves the journal entry. Some agencies key their own. • If the journal entry is not approved, the Department of Finance sends it back to the Agency's Budget and Finance sec- 	<ul style="list-style-type: none"> • 1 to 2 days to post to both IBIS (online) and ARMS (batch) 	<ul style="list-style-type: none"> • Occasionally make adjustment on behalf for agency

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				tion for revision (ARMS) or contacts agency staff to review/revise entry (IBIS).		
Correct Input Errors (ARMS only – rejected transactions) (IBIS edits at time of entry)	<ul style="list-style-type: none"> Daily error report list 	<ul style="list-style-type: none"> Updated GL records 	<ul style="list-style-type: none"> Online update or paper correction forms keyed by data entry 	<ul style="list-style-type: none"> Finance reviews error to determine cause and if necessary contacts originating agency to resolve 	<ul style="list-style-type: none"> From time error identified can take 2 days. Minimum time required is one day because ARMS posting is an overnight process (need to wait for nightly report to run) 	<ul style="list-style-type: none"> Process can take longer if Finance cannot reach originating party.
Establish and Execute Recurring Journals (IBIS only)	<ul style="list-style-type: none"> Appropriate coding values, amounts, and frequency. Set up trigger to run in system 	<ul style="list-style-type: none"> Recurring journal entry for processing and updated GL records after processing 	<ul style="list-style-type: none"> Online form 	<ul style="list-style-type: none"> Finance works with agency to create recurring journal entry including frequency, finance updates amounts and executes journal entry processing 	<ul style="list-style-type: none"> 1 day to create (same as manual entries) 	<ul style="list-style-type: none"> ARMS can have recurring journals, but they require custom development by the programmer Can be fixed or variable dollar amount. Not using automated scheduling
Establish and Execute Monthly Mass Allocation (IBIS)	<ul style="list-style-type: none"> Defined sources and targets and fixed rate or ratio (with defined numerator and divisor) 	<ul style="list-style-type: none"> Mass allocation to be executed monthly resulting in updated GL records 	<ul style="list-style-type: none"> Online processing 	<ul style="list-style-type: none"> Finance works with agency to create mass allocation and executes monthly allocation processing (at beginning of the fiscal year or when new allocation needed) 	<ul style="list-style-type: none"> Takes day to batch allocate and post in ARMS. Requires closing 1 day early Flow time for allocations (1 day, about 3 hours to run the 3 mass allocations) 	<ul style="list-style-type: none"> Some allocations require special intervention – for example, allocating retro pay to projects.. This process can take months depending on size, number of

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>projects, and number of years involved. These happen every year when there is a union settlement (generally by bargaining unit)</p> <ul style="list-style-type: none"> • There are typically 3 done each month. Allocations are dependent on other transactions having posted in system • Current process can't distinguish from regular payroll entry or correction entry.
<p>Generate Management Reports</p>	<ul style="list-style-type: none"> • Report Requests • Report Schedules • Special report programs created for various reasons to combine finance and payroll information • Eagle server (ARMS) used for queries/reports and supports web reporting • IBIS has similar data repository for reporting 	<ul style="list-style-type: none"> • Financial Reports • FEMA reports per event (combo or payroll and financial system reporting) 	<ul style="list-style-type: none"> • Intranet Reports • Standard System Generate Reports • Custom reports (IBIS using Business Objects) or Eagle server (ARMS data) reports in Access • Some distributed through Infopak 	<ul style="list-style-type: none"> • The Agency Budget and Finance Section reviews information requests from outside agencies, the budget office, and the project manager. May satisfy request with report • If the request is a production report, the Department of Finance provides the report. • If the request is 	<ul style="list-style-type: none"> • If a report already exists, may need to tweak selection criteria, can take programmer or computer operator intervention. Depending on priority could take a couple days to a few months for lower priority reports • To provide a report from time of request (from either IBIS or ARMS) can only 	<ul style="list-style-type: none"> • Agencies want to create and generate their own report • IBIS web reports are limited (in format, sort, some can not be downloaded to Excel, might need access to Business Objects to run) • Project managers re-key IBIS web reports

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				<p>not a production report the Agency Budget and Finance Section defines, creates, and distributes the report</p> <ul style="list-style-type: none"> Agencies balance Business Objects or Eagle reports back to source system (can take a few hours) 	<p>take a few hours</p> <ul style="list-style-type: none"> Depending on complexity of task and what is on report can take hours, days or months to generate 	<p>into Excel</p> <ul style="list-style-type: none"> Reporting is a big problem IBIS does have canned reports, sometimes they get out of date and need to go through Finance (FSG reports) to get Inconsistencies in report results depending on parameters given. Reconcile Business Object reports back to Oracle reports/GL. Need to balance reports back to source system
<p>Generate External Financial Reports</p>	<ul style="list-style-type: none"> ARMS and IBIS Reports 	<ul style="list-style-type: none"> External Financial Reports 	<ul style="list-style-type: none"> Manual keying of reports into Excel Spread-sheets and manually key summarized level into ARMS (once a year) 	<ul style="list-style-type: none"> Finance 	<ul style="list-style-type: none"> Generating reports 2 to 3 weeks. Monthly grant reports (2 days to several weeks) BARS reporting takes a about a week, done once or twice a year depending on agency) Section 15 / transportation reporting can take weeks. 	<ul style="list-style-type: none"> IBIS data is keyed into ARMS for at a summary level for external financial reporting. BARS reporting requires use of crosswalk to determine BARS codes

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Process Month End	<ul style="list-style-type: none"> Month end Schedules Defined month end jobs 	<ul style="list-style-type: none"> Closed Period 	<ul style="list-style-type: none"> Scheduled jobs (ARMS) Manual online period update (IBIS) 	<ul style="list-style-type: none"> Finance 	<ul style="list-style-type: none"> 3 days to close out month (ARMS) IBIS sometimes closes 3 weeks into following month due to issues with Peoplesoft payroll processing (13 day lag) Just the GL stays open. Mass allocations must wait for payroll. In contrast, MSA only has a 5-day lag. 	
Process Year End	<ul style="list-style-type: none"> Year-end Schedules Defined yearend jobs (ARMS) 	<ul style="list-style-type: none"> Closed Period 	<ul style="list-style-type: none"> Scheduled Jobs (ARMS) Manual online period update (IBIS) 	<ul style="list-style-type: none"> Finance 	<ul style="list-style-type: none"> ARMS has 13th(AP) and 14th (GAAP and auditor adjustments) month. Preliminary 13th month used to generate grant bills before AP cut-off. IBIS keeps Dec. open ARMS year-end takes to mid-March with financial statements following. IBIS takes until about Feb. 6th 	<ul style="list-style-type: none"> ARMS has carryover processes that can delay the completeness of new year records Very difficult having 2 systems (felt mostly by finance and budget offices) Difficult to view county-wide activity, results. Severe limitations on getting county-wide information. Artificial delay - Must wait for processes to be completed by other system

2. Project Accounting Function

Function Goal:

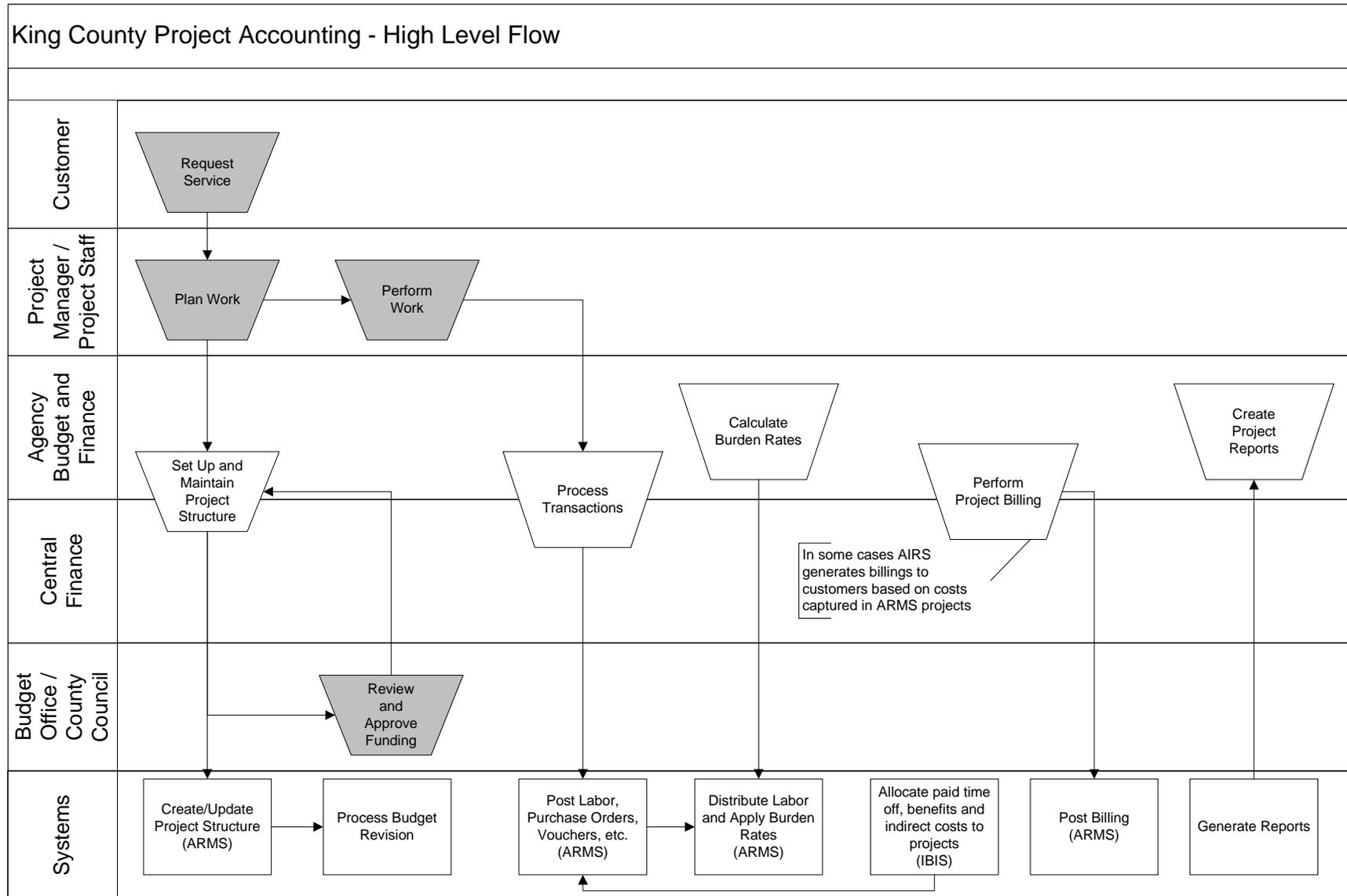
The objective of the project accounting function is to collect cost, revenue, and labor information on:

Capital projects:

- Operating projects/billable projects

Capital projects have a specified duration, one or more funding sources and special reporting requirements. Cost information may be used to determine the value of the constructed asset. Operating projects are used to keep track of expenditures and revenues by service or program type. Billable projects collect costs for billing to internal and external organizations. Grants can be projects. Work crew is used to group projects by planning unit or line of business.

Project Accounting High Level Flow



Project Accounting Current Business Function Flow

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Set-Up and Maintain Project Structure	<ul style="list-style-type: none"> Request for Service 	<ul style="list-style-type: none"> Valid project codes: ARMS: task, option, project IBIS: Phase, project, grant, sub-project 	<ul style="list-style-type: none"> ARMS paper documents keyed by data entry IBIS request (hard copy or e-mail) and online system update 	<ul style="list-style-type: none"> The Project Manager or Agency Budget & Finance section determines the project structure. If an existing project exists and has adequate funding no additional activity is required. If the project/work request is not funded, the Project Manager or Agency Budget & Finance section requests funding through the budget office and the county council. The Project Manager or Agency Budget & Finance section prepare requests or forms for project set-up. The Department of Finance sets up the project structure 	<ul style="list-style-type: none"> To set up a project, takes 1 day (overnight) Triggered by email or fax of authorized request. 	<ul style="list-style-type: none"> Want project location, comment field. This information is currently tracked in sub-systems. GIS location information may be desirable. For IBIS, capital projects need to be associated with an appropriation project. This creates a hierarchy maintenance issue. Sometimes the appropriation project number is incorrect. ARMS appropriation is by function, service and program. Agencies need to know project manager
Process Transactions	<ul style="list-style-type: none"> Requisition Purchase Order Vendor Invoice Labor Hours Payroll 	<ul style="list-style-type: none"> GL project expenditure and budget transactions 	<ul style="list-style-type: none"> Various 	<ul style="list-style-type: none"> If only Agency goods or services are needed, Project Staff perform the work of record input (labor, 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> ARMS reflect detailed salary cost (by individual by pay period); IBIS has salary costs summarized by code combination (cost center

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
	<ul style="list-style-type: none"> • Equipment Usage • Materials Usage • Payables Payment • Budget • Manual journal entries 			<p>equipment usage, material usage)</p> <ul style="list-style-type: none"> • If non-county goods or services are required the Project Manager may procure them through the purchasing process or through and agreement with another county agency. • The project manager review labor, equipment usage, and material usage. • The Agency Budget and Finance Section participates in the purchasing process by preparing a request for service, accepting the service, and initiating the payment process. • The Department of Finance processes requests for service and vendor payments. • The Department of Finance updates payroll and ARMS. 		<p>account, phase, project, sub-project</p> <ul style="list-style-type: none"> • Payroll only posted twice a month. Burden added on only once a month.. At same time equipment usage comes in (about twice a month). Would like more timely posting of loaded labor and equipment usage. Agencies are using sub-systems to get more timely labor information. • Distribute labor fully each time payroll run • County has multiple labor processing methods • In IBIS, data is summarized in GL, reporting tool allows combination of summary and detail (can get labor by project)

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Calculate Burden Rates (ARMS)	<ul style="list-style-type: none"> • Historical cost records • Budget cost records • Organization and Project staffing documents 	<ul style="list-style-type: none"> • Burden Rates that are entered into ARMS 	<ul style="list-style-type: none"> • ROADS: Monitor rates - ARMS 285 takes indirect cost recovered and distributes based on ratio (mass allocation) 	<ul style="list-style-type: none"> • Agency manually calculates rates (have cost pools) • Finance enters rates into system (paper input document keyed by data entry) 	<ul style="list-style-type: none"> • ROADS - To calc burden rates takes weeks. Actuals need to wait for year to close. 	<ul style="list-style-type: none"> • Need ability to monitor and adjust rates more than once a year (needs to be flexible, have tools to do this)
Distribute Labor and Apply Burden Rates (ARMS)	<ul style="list-style-type: none"> • Payroll Transactions • Burden Rates • Labor hours • Budgeted hours • SSN file with calculated annualized hourly rate 	<ul style="list-style-type: none"> • ARMS Transactions 	<ul style="list-style-type: none"> • Automated process, runs monthly 	<ul style="list-style-type: none"> • Finance • Special allocations done by Health • ARMS 	<ul style="list-style-type: none"> • Batch process runs overnight 	<ul style="list-style-type: none"> • IBIS receives the salary costs coded to projects from PeopleSoft so it does not have a distribute labor process • Payroll adjustments can cause calculated pay rate to be inflated • In IBIS, mass allocations distributes/allocates benefits. People-soft captures all time to projects.
Allocate paid time off, benefits and indirect costs to projects (IBIS)	<ul style="list-style-type: none"> • Cost Center benefit and paid time off costs 	<ul style="list-style-type: none"> • Project costs 	<ul style="list-style-type: none"> • Automated Process 	<ul style="list-style-type: none"> • Agency works with finance to develop mass allocation rules • Finance executes mass allocation monthly 		
Perform Project Billing	<ul style="list-style-type: none"> • Project Amounts • AR Billing Rules 	<ul style="list-style-type: none"> • Customer Invoices • Automated inter-fund transfers 	<ul style="list-style-type: none"> • Manual and Automated 	<ul style="list-style-type: none"> • For Manual billing to non-county entities, the Agency Budget and Finance Section 		<ul style="list-style-type: none"> • Work authorizations have complicated interfaces. Has confusing monthly

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
	<ul style="list-style-type: none"> • Work Authorization Agreements (ARMS) 	<ul style="list-style-type: none"> • Updated Customer Receivable Record 	<ul style="list-style-type: none"> • Health does grant billing through AIRS • ARMS grant billing manual • IBIS puts through A/R 	<p>prepares the bill and sends it to the customer.</p> <ul style="list-style-type: none"> • For Manual billing to county entities, the agency Budget and Finance Section prepares interfund transfers. • For automated Work Authorization agency prepares paper document for input by Finance; automated payments are processed monthly • For automated invoices through AIRS Accounts Receivable agency defines billing rules (project and account coding, of cost to be billed) and automatically pulls costs from ARMM to generate invoice or an automated interfund transfer. 		<p>and year-end processing.</p> <ul style="list-style-type: none"> • Billing is more complicated when billing between ARMS and IBIS. Setting up work authorizations is also difficult. Need to input data into several different places. Difficult to correct errors. Forms work auth, DPG, AIRS. • IBIS customers only get summary billing from ARMS with hard copy detail bill. Would like 1 point of entry for work authorizations • ITS Telephone billing is problematic due to multiple financial systems (ARMS / IBIS) and large volume of detail transactions.
Create Project Reports	<ul style="list-style-type: none"> • Report Requests • Report Schedules 	<ul style="list-style-type: none"> • Project Reports 	<ul style="list-style-type: none"> • Intranet Reports • Standard System Generate Reports • Custom reports (IBIS using Business Objects) 	<ul style="list-style-type: none"> • The Agency Budget and Finance Section reviews report requests from outside agencies, the budget office, 		

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				<p>and the project manager.</p> <ul style="list-style-type: none">• If the request is a production report, the Department of Finance provides the report.• If the request is not a production report the Agency Budget and Finance Section defines, creates, and distributes the report.		

C. Performance Measures

General Ledger and Project Accounting Key Performance Measure Examples

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
Project Accounting Labor Distribution	Integrate project and labor cost information so that projects can be tracked and managed more effectively.	<p>Improved Capital Improvement Program (CIP) project cost tracking.</p> <p>Improved project billing.</p> <p>Improved identification of project funding.</p>	<ul style="list-style-type: none"> • % decrease of CIP budget. 	<ul style="list-style-type: none"> • Comments from Judith McKinley, Roads: • I do not expect to see the improvement opportunity, benefit, and measurement criteria as described in the key performance measure examples handout materializing for the Road Services Division. ARMS and Eagle Server access does what I believe the new system is expected to do, at a minimum, for the agencies. Current side systems provide planning, scheduling, and project/program tracking at the level we need, and will continue after the financial system is implemented as I understand it. I do not expect a decrease in the CIP budget as a result of the financial system implementation.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
				<ul style="list-style-type: none"> • Since multiple funding sources fund portions of many projects, I question whether the new system will improve the identification of project funding for Roads. The funding is layered. Also, because of flexible budgeting, our expenditure and revenue budgets are inflated.
Project Accounting	Distribute data entry to agencies with on-line edit capabilities.	Eliminate duplicate Data entry More timely posting and error correction.	<ul style="list-style-type: none"> • Decrease in general overhead cost (central data entry costs) 	<ul style="list-style-type: none"> • Comments from Judith McKinley, Roads: • The opportunity I do see is the elimination of duplicate data entry for labor distribution that might occur with the implementation of both PeopleSoft and the new financial system. Roads already batches, inputs, and corrects the data once (labor/equipment) and prepares and adjusts the payroll, so the measurement criteria would be a decrease in general overhead cost from the central agency that charges us for

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
				<p>data entry. If agencies can make corrections electronically, that would create an additional opportunity for efficiency and savings.</p>
Labor Distribution	More timely and frequent posting of labor posting	More timely information for budget and project monitoring.		<ul style="list-style-type: none"> • Comments from Judith McKinley, Roads: • There is also the opportunity to have financial information available in a more timely manner, depending on the policy decisions made at the beginning of the project. Labor constitutes a large portion of the costs posted to projects for many agencies. More frequent input and posting of labor/payroll would increase agency administrative costs, but would also improve the timeliness of information for budget and agreement monitoring. If we are limited by the payroll posting, and select two

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
				separate systems with an interface, there will be no real improvement. <ul style="list-style-type: none"> Another benefit is that we save time and money by not having to deliver documents to other buildings and locations. There will still be quite a lot of printing, but the cost will be shifted to the agencies.
Financial Reporting	Improve Consolidated Annual Financial Report (CAFR) process and dates.	Reduced effort required to produce the Consolidated Annual Financial Report (CAFR). Increased accuracy of reports.	<ul style="list-style-type: none"> % decrease of cost to prepare CAFR. \$ decrease of cost of audit services. 	
All Financial Business Functions	Provide reports and forms on electronic media.	Elimination of forms (ex. Multi-part), faxes, printed reports in favor of automated document tracking, approvals, queries.	<ul style="list-style-type: none"> % savings of printing, fax and forms order costs. 	
General Ledger Budget	Perform real-time budget to actual reporting	Improves appropriation funds checking Supports better managerial decision-making capabilities	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> Comments from Judith McKinley, Roads: There are several benefits to the electronic posting of entries to the modules as they are input by the agencies. We will know what is in the system and what is not. We can make corrections faster

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
				and easier. With the exception of labor accounts, managers can measure performance against budget. Without labor, agencies don't have one of the biggest items to hit their budgets as described above.

III. Critical Success Factors



- Objectives for the Quantifiable Business Case.
- Top three things that have to be addressed for the project to be a success?
- Obstacles and resistance.

IV. What's Next?



- Follow up with individuals to clarify business processes and opportunities.
- Hold a second focus group session to refine/confirm the current business processes, present proposed business processes, and review high payback processes for additional analysis.
- Develop costs of current business processes through a survey of agencies

King County, State of Washington

Quantifiable Business Case

Focus Group 2



Focus Group: General Ledger/Project Accounting

Date: Tuesday, February 24, 2004

Time: 2:00 PM to 5:00 PM

Location: Key Tower Olympic Conference Room

Agenda



- I. Findings From First Session**
- II. Opportunities for Improvement**
- III. Analysis of Opportunities**

I. Findings From First Session



A. Key Findings

1. General Ledger

- Maintaining two financial systems (ARMS and IBIS) results in additional work spent maintaining interfaces, reconciling data, and reporting countywide information.
- ARMS agencies must complete paper documents when creating new chart of accounts values or ARMS transactions (for example, journal entries). Paper documents are then sent to Finance for data entry and processing. There is a minimum one-day turn-around for all ARMS activity; ARMS transactions are posted in overnight batch jobs. IBIS updates may be entered, edited and posted on-line, real time.
- Paper documents are often hand-carried from person to person to expedite processing.
- Document storage procedures vary from agency to agency. There is no consistent document storage policy resulting in time spent searching in multiple locations for original documents.
- Controls vary on interfund transfer transactions. In some cases, signatures from both agencies are required. In other cases, pre-existing agreements override the dual signature requirement. Procedures vary from agency to agency.
- In IBIS, month end closing can be 3 weeks into the following month. Month end is delayed, waiting for payroll to post.
- Management Reporting is problematic. Business Objects reports must be reconciled back to IBIS ledger totals to ensure reported amounts are correct. IBIS web reporting is limited and web reports cannot be downloaded; project managers re-key report information into Excel. IBIS provides many canned reports but some are outdated. Changes to ARMS reports require programmer or computer operator intervention. There are severe limitations on reporting countywide information due to having two separate financial systems.
- External financial reporting is done primarily through the ARMS system. IBIS data is re-keyed into ARMS in summary format to produce financial statements. State BARS reporting is difficult, a crosswalk is used to translate ARMS data into BARS codes.

- ARMS and IBIS have significant year-end processing differences. ARMS uses periods 13 and 14 for year-end adjustments. All year-end adjustments in IBIS are posted to period 12 (IBIS does not have adjustment periods).

2. Project Accounting

- Some project information such as location, comments and project manager is tracked in sub-systems. Agencies would like to maintain this information in the project accounting system.
- In IBIS, project appropriations are tied to a master project. In some cases, projects are linked to the wrong appropriation project causing a hierarchy maintenance issue.
- The county has 3 different methods for distributing labor costs. IBIS distributes actual labor and overhead costs through a mass allocation. ARMS uses burden rates to distribute overhead. Public Health uses a custom process in ARMS for projects and grants... The Public Health labor distribution process is more detailed, so that actuals can be reported against grants to meet federal reporting requirements.
- Labor rates (for labor distribution) are modified at least once per year, agencies would like the ability to monitor and adjust rates more frequently. In ARMS, payroll adjustment with a coding errors, (such as retro pay) cause the calculated pay rate to be inflated. These need to be manually adjusted.
- Actual labor information is only available twice a month (after payroll processes). Agencies would like more timely labor information.
- Work authorizations used for project billing are complicated. It is difficult to correct errors. Year-end and month end processing is complex. It is difficult to perform billing between ARMS and IBIS agencies. Error correction is difficult. ARMS creates summary bills only, many agencies manually attach detail documentation (paper reports) to the summary bill.
- Agencies keep detail record keeping for grants outside of ARMS and IBIS due to the detail that needs to be tracked (includes tracking statistical information, CFDA numbers, etc.). These side systems need to reconcile with books of record. Agencies prepare manual bills for grants. Accounting practices for grants differ by agency. Public Health does not have a single project for each grant the create ARMS projects with several funding sources and grants Public Health is looking at a Contract Management system (Upside) to help with grant management.
- Facilities has projects with several funding sources, they perform work that is grant related, but it is billed to the grantor through Roads. Grant revenue is sometimes posted to the wrong project.

II. Opportunities for Improvement



A. General Ledger and Improvements

- Consolidate data and eliminate redundant processes by moving to a single financial system.
- Provide report data in electronic, downloadable format.
- Distribute some data entry to Agencies (new chart of accounts values and transactions). Provide for on-line editing and posting to eliminate delays caused by the current batch error correction process.
- Automate approval process (electronic workflow).
- Shorten month end closing time in IBIS caused by payroll lag.
- Store source documents electronically in a format that allows for rapid retrieval and Finance and agency locations (document imaging system).

B. Project Accounting Improvements

- Integrate timesheet and project accounting information for agencies that want more timely labor data (requires daily timesheet entry).
- Distribute labor benefits and equipment usage after each payroll process rather than once per month.
- Improve tools used to determine labor burden rates and increase frequency of burden rate reviews and adjustments.
- Integrate project billing with subsidiary systems to streamline billing preparation and mailing process.
- Improve integration between project billing and work authorization system(s).
- Improve Grant Accounting process. Simplify grant tracking for grants with activity across both financial systems.

III. Analysis of Opportunities



A. Analysis of Proposed Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Single Financial System for King County	<ul style="list-style-type: none"> • Single source for financial information • Eliminate complex interfund / inter-system transactions • Common business processes • Eliminate the support of multiple technologies • Integration of information • Ability to standardize and document procedures • Common nomenclature, common tools 	<ul style="list-style-type: none"> • Time to prepare reports (single access point for information) • Time spent reconciling system balances. • Number of process steps to work with each system • Number of cross systems communications (transactions, interfaces) • Time spent performing cross-walk maintenance 	<ul style="list-style-type: none"> • Learning curve, change management • Business process redesign • Negotiations to determine best practice to be used • Central / de-central issues 	<ul style="list-style-type: none"> • Critical • Select correct tool 	<ul style="list-style-type: none"> • Expect exceptions • Agency specific needs, need to accommodate agency business requirements • Design how to easily get information out of system and how to interpret 	<ul style="list-style-type: none"> • Large organization, not just accounting impacted • Adequate training • Funding • Commitment and governance (leadership) • Cynical, although ready for change • Trusted decision makers • Address pain from before 	<ul style="list-style-type: none"> • Consider future policy requirements • Data retention (digital storage) 	<ul style="list-style-type: none"> • Large scope • Enough resources to do well • Limited amount of subject matter experts, need to train backup resources • Loss of business continuity • Run away project again! • Commitment and objective, informed decision making 	<ul style="list-style-type: none"> • Historical data conversion and maintenance needs to be addressed • A Data retention policy is needed.
Provide electronic access to reports and report data (via web using standard	<ul style="list-style-type: none"> • Eliminate re-keying of data • Reduce central 	<ul style="list-style-type: none"> • Time required to receive reports • Time spent 	<ul style="list-style-type: none"> • Training • Security profiles/maintenance 	<ul style="list-style-type: none"> • Constraint, infrastructure, bandwidth • Remote 	<ul style="list-style-type: none"> • Version control , system change procedures 	<ul style="list-style-type: none"> • System licensing constraint • Easy access and 	<ul style="list-style-type: none"> • Ability to restrict access to some information (ex. Patient 	<ul style="list-style-type: none"> • Users can with wrong tools and training, get bad information 	<ul style="list-style-type: none"> • ARMS has stronger reporting than IBIS (must go

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
tools)	printing costs <ul style="list-style-type: none"> Fewer standard reports (agencies could filter and sort to meet their needs) Consistency in reporting Ease of access, reduced turn-around time User developed reporting /priority versus needing programmer. Drill down capabilities. 	formatting data for reporting <ul style="list-style-type: none"> Cost to produce reports now versus future (take a sampling) 	<ul style="list-style-type: none"> Response time, system usage Access to up to date training Ongoing user support 	access <ul style="list-style-type: none"> Variety of ways to do this, does not require single financial system 	<ul style="list-style-type: none"> Help prevent report queries that tax the system. Historical data conversion and maintenance Data retention 	user friendly access to data	names) <ul style="list-style-type: none"> HIPPA requirements Data retention (digital storage) 	and not know it. QA process for critical reporting	through Business Objects, web reports do not download to Excel easily, static month-end)
Distribute data entry (with on-line edits) Agency direct entry	<ul style="list-style-type: none"> Reduces paperwork. Reduce effort to route paperwork. More timely, accurate data entry 	<ul style="list-style-type: none"> Forms printing and courier/delivery costs Central data entry costs 	<ul style="list-style-type: none"> Training Resources needed to convert staff from clerical to technology tasks 	<ul style="list-style-type: none"> Looking at replacing PERTEC data entry system 	<ul style="list-style-type: none"> Changes to approval processes Internal controls Storage and access of source 	<ul style="list-style-type: none"> Potential labor issues (some contracts have technology clauses) 	<ul style="list-style-type: none"> Where source records are kept 	<ul style="list-style-type: none"> Internal control Security, privacy 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> Eliminates delays caused by overnight edit errors (errors would be reported on-line, real-time) Better audit trail, status, visibility 	<ul style="list-style-type: none"> Elapsed time improvements (take sampling) Elimination of side systems which capture data for forms (ex. Some of PFM) 	<ul style="list-style-type: none"> Internal control 		<ul style="list-style-type: none"> documents Restricted access 				
Automate approval process (workflow)	<ul style="list-style-type: none"> Eliminates delays caused by manual paper routing Better visibility for status Better enforcement of routing Accountability Improved inter-fund transfers 	<ul style="list-style-type: none"> Elapsed time for approval process. Paper and routing/delivery costs, reduce number of copies Time required for notification of acceptance or rejection of a transaction 	<ul style="list-style-type: none"> Training PC Dependence Support issue for developing and maintaining workflow, hierarchies 	<ul style="list-style-type: none"> Requires new technology (not fully implemented in IBIS) 	<ul style="list-style-type: none"> Backup routing Route definition Complex to implement 	<ul style="list-style-type: none"> Resistance 	<ul style="list-style-type: none"> Electronic signature issue 	<ul style="list-style-type: none"> Complex to implement Cultural change Failure of backup systems / business continuity 	
Shorten Month-End Closing (re	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> Talk about in integration

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
duce payroll lag)									session on Friday 2/27
Implement Document Imaging system	<ul style="list-style-type: none"> • Improved, remote, on demand, secured access to source documents • Consistent record retention policy • Space! 	<ul style="list-style-type: none"> • Time spent retrieving documents (sample best candidates for this) • Lost/Misfile d Documents • Space dedicated to filing • Offsite record storage costs 	<ul style="list-style-type: none"> • Training • Job duty changes 	<ul style="list-style-type: none"> • New technology and hardware 	<ul style="list-style-type: none"> • Increased cost to agencies • Data organization requirements, records management, indexing • Image quality • Integrate with financial system (see scan of invoice, contract, etc.) Costly and complex 	<ul style="list-style-type: none"> • Job changes • Confidence 	<ul style="list-style-type: none"> • Cognizant agency approval to do this. • HIPAA 	<ul style="list-style-type: none"> • Inconsistency in data storage • Image quality control • Migration to subsequent technologies • Diverse technologies, legacy implementations 	<ul style="list-style-type: none"> • Cross reference documents with financial transactions, database design.
Integrate project accounting with daily time-sheet entry	<ul style="list-style-type: none"> • More timely labor costs • Elimination of duplicate data entry for labor distribution • If agencies can make corrections electronically, that would cre- 	<ul style="list-style-type: none"> • For agencies, general overhead cost from central finance for data entry. 	<ul style="list-style-type: none"> • Requires daily time-sheet entry 						<ul style="list-style-type: none"> • Issue for integration meeting 2/27

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	ate an additional opportunity for efficiency and savings <ul style="list-style-type: none"> improve the timeliness of information for budget and agreement monitoring 								
IBIS Distribute labor benefits and equipment after each payroll run (ARMS does this)	<ul style="list-style-type: none"> More timely , complete labor and equipment costs 	<ul style="list-style-type: none"> More timely project, grant billing (recovery of cost) 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None identified 	
Improve tools to calc burden rate (Done mostly once a year, some need to do more often)	<ul style="list-style-type: none"> More accurate burden rates 	<ul style="list-style-type: none"> Costs re-captured (might increase) 	<ul style="list-style-type: none"> Training Requires central expertise to administer and tie to cost allocation plan 	<ul style="list-style-type: none"> Requires new technology (ARMS) 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Change management 	<ul style="list-style-type: none"> Grantor requirements 	<ul style="list-style-type: none"> Complex 	
Integrate project billing with subsidiary systems	<ul style="list-style-type: none"> Billing detail could be integrated with customer bills 	<ul style="list-style-type: none"> (AR) Time spent assembling bills Reduced investigation/research time 	<ul style="list-style-type: none"> Training 	<ul style="list-style-type: none"> Requires new technology 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Funding, need to justify 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Complex, multiple systems, lots of rule sets 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Ability to drill down to billing details • Ability to do pro-forma billing 	<ul style="list-style-type: none"> • Younger AR accounts 							
Improve integrations between project accounting and work authorization systems	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Talk about in integration meeting

Grant Management opportunities will be discussed in more detail in a meeting with Randy Inouye (Housing).

King County, State of Washington

Quantifiable Business Case

Focus Group 1



Focus Group: Purchasing and Accounts Payable

Date: February 9, 2004

Time: 1:00 PM to 4:30 PM

Location: King Street/3E

Agenda



- I. Introduction**
- II. Business Processes Review**
- III. Performance Measures Review**
- IV. Critical Success Factors**
- V. Next Steps**

I. Introduction



A. Project Definition

The purpose of this project is to provide King County with a quantifiable business case which justifies replacing or improving the county's current budget, financials, human resources and payroll operations model and the array of distributed systems and the business practices that support them.

B. Business Function Definitions

1. Purchasing

Purchasing is the process through which goods and services are acquired to implement and support the county's programs. The purchasing process presented here includes the receipt of goods and payment for those goods or services.

2. Accounts Payable

The accounts payable process includes paying for goods and services and reconciling warrants. There is integration with the procurement process since information on the purchase order can be referenced by the payment transactions. This section deals with payments un-related to purchasing including direct purchase, employee reimbursement, and treasurer disbursements for districts.

The warrant reconciliation process includes the all payment processes including payroll.

3. Focus Group Approach

II. Business Process Review



A. Definitions and Terminology

- **Business Function** – Refers to a high level grouping of business processes designed to meet a specific business objective. The financial functional areas covered by this project are:
 - General Ledger
 - Project Accounting
 - Grant Accounting
 - Purchasing *
 - Accounts Payable and Warrants Reconciliation *
 - Accounts Receivable and Collections
 - Inventory
 - Order Entry
 - Fixed Assets
 - Grant Accounting
 - Cash Management
 - Debt Management
 - Labor Distribution
 - Financial Reporting
- * Included in this focus group.
- **Business Process** – A discrete set of activities within a functional area. For example, business processes related to the General Ledger function include Set up and Maintain Chart of Accounts, Process Manual Transactions, etc.
- **Operations Model** – The operations model for both business and technical includes the following:
 - Integrated business process model and work flow addressing how all functions work together.

- Roles, Responsibilities, and Authority for each identified business area/function and for integrated business operations.
- Organizational structure (including Span of control, Staffing models, Staffing levels).

B. Confirmation of Current Business Processes

1. Purchasing Function

Function Goal:

- Create purchase orders-Create competitive bids
- Receive bids
- Administer bid process

Goal: Procure goods and services for the county. Get the highest value for the county's money, by adhering to RCW and county codes. Pass purchasing information to the payables process (establish encumbrance, obligations).

Purchasing Current Business Function Flow

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Complete Requisition Contract Services has record of contract (like a PO) (Add process steps for contracts)	<ul style="list-style-type: none"> • Identified need for goods or services 	<ul style="list-style-type: none"> • Requisition 	<ul style="list-style-type: none"> • ADPICS prepared manually • IBIS prepared online 	<ul style="list-style-type: none"> • Agency User 	<ul style="list-style-type: none"> • Range 1 to x days depending on dollar amount, specs needed, etc. • Flow time is acceptable. It is department driven. 	<ul style="list-style-type: none"> • Decision to make a requisition may take a long time. Once created, it does not take long to process the requisition. • Roads – has very large contracts. Contracts are issued an internal #. Need to match up to invoices (to know who did it the work/crew and to get project information) before payment by the financial system. Would be nice to have this automated. • IBIS has draw downs. No way for buyer to know what was purchased. To capture, have to go down into AP to see what was bought and the quantity. • Would be nice to have method to scan invoices so that they can be viewed at later date. (All invoices are paper, not electronic.)

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Purchase Item	<ul style="list-style-type: none"> • Requisition 	<ul style="list-style-type: none"> • Bid package • Price Quotes 	<ul style="list-style-type: none"> • Method depends on the value and type of purchase 	<ul style="list-style-type: none"> • Procurement Services Division • Some departments are authorized to purchase without going through PSD 		<ul style="list-style-type: none"> • Methods • Purchase Agreements • Standard PO • Blanket PO • Drawdown • LPO (Limited Purchase Order) • ROC (Record of Contract)
Provide Cost	<ul style="list-style-type: none"> • Bid Package 	<ul style="list-style-type: none"> • Proposals • Price Quotes 		<ul style="list-style-type: none"> • Vendors 		
Create Purchase Order	<ul style="list-style-type: none"> • Approved order • Interfaces to IBIS from MP3, Main-saver, M4 	<ul style="list-style-type: none"> • Purchase Order 	<ul style="list-style-type: none"> • ADPICS prints PO forms • IBIS online with printed copy, sends PO by Fax 	<ul style="list-style-type: none"> • ADPICS or IBIS • Departments can also create Purchase Orders within certain guidelines. 		<ul style="list-style-type: none"> • There are some agency systems that trigger PO's
Encumber Purchase	<ul style="list-style-type: none"> • PO amount and accounting codes 	<ul style="list-style-type: none"> • PO document and encumbered budget 	<ul style="list-style-type: none"> • Key entered manually into ARMS (BUC) 	<ul style="list-style-type: none"> • ARMS Purchasing and data entry • Agency systems 		<ul style="list-style-type: none"> • Encumbrances are not recorded in IBIS. • Encumbering is a common governmental accounting practice to record budget commitments. However, it is not a GAAP requirement and they are not included in YE financial statements. • Need an interface from ADPICS to enter encumbrance into ARMS. The cur-

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						rent schedule of jobs causes 2 day delay between purchasing entering into system and when BUC can pay against it
Provide Goods or Services	<ul style="list-style-type: none"> PO 	<ul style="list-style-type: none"> Shipping documents or proof of service 		<ul style="list-style-type: none"> Vendor 		
Receive Goods or Services	<ul style="list-style-type: none"> Shipping documents or proof of service 	<ul style="list-style-type: none"> Approved shipping documents or proof of service 	<ul style="list-style-type: none"> Review of documents and goods or services received IBIS online entry of receipt transaction For consulting services/contracts, can receive online for hours or \$ depending on how it is set up. For construction contracts handled as manual MR payments. 	<ul style="list-style-type: none"> Agency User 		<ul style="list-style-type: none"> Manual process for construction contracts. There is an opportunity to improve this process (retainage). Roads has an in-house construction contract management system. IBIS has the same for agencies. IBIS does 2-way match for services based on invoice.
Create Invoice		<ul style="list-style-type: none"> Invoice 		<ul style="list-style-type: none"> Vendor 		
Approve Invoice (ARMS)	<ul style="list-style-type: none"> Invoice Progress and materials used for construction projects 	<ul style="list-style-type: none"> Approved invoice Added coding Payment Voucher 	<ul style="list-style-type: none"> Add coding Distribute to multiple charge Agency prepares payment voucher Lines Some agencies key into a system, then print the vouchers 	<ul style="list-style-type: none"> Agency User 		<ul style="list-style-type: none"> Some invoices are sent directly to AP (IBIS only) There is not an invoice for constructions. Contractors are paid based on progress and materials used as determined by the project manager.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<ul style="list-style-type: none"> Central AP has no clue what invoices are out there to be paid (ARMS). Vendors call Central AP. Decentralization of the payment process causes problem. There is no visibility of what's been done and what we will be billed for. This problem could take 0.5 FTE per day to respond. Vendors may not want to do business with the county if they aren't getting paid. In IBIS, invoices are in central AP. At least they know there is an invoice out there. With construction there is no invoice, field inspector agrees on quantities with contractor and match line items on contract for payment.
Process Invoice	<ul style="list-style-type: none"> Payment Request Approved shipping documents or proof of service AP Payment Voucher Direct pay MR 	<ul style="list-style-type: none"> To be paid transactions 	<ul style="list-style-type: none"> IBIS Enter invoice into IBIS 3-Way match for most payments ARMS Accounts payable 	<ul style="list-style-type: none"> ARMS Central AP processes vouchers (prepared by agencies) IBIS Central AP enters invoices 	<ul style="list-style-type: none"> 1 to 5 days if they do not suspend (ARMS) 1-5 days if no errors 	<ul style="list-style-type: none"> IBIS performs an electronic 3-way match when the invoice is entered ARMS requires performing the 3-way match manually

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
	manual Receipt (IBIS and ARMS)		reviews and batches • Data Entry (BUC) keys			<ul style="list-style-type: none"> • Some vouchers are not ready to be processed – no signature, no valid PO/encumbrance, new vendor information inadequate, incorrect totaling of multiple invoices, etc • Direct payments • Agency prepares paper voucher request forms. Form goes to central AP to be batched. Data entry enters vouchers into ARMS. There is no AP interface. If agency could enter document into system with edit checks, could save lots of time. • About 1/3 invoices are IBIS. • Would be nice to have agencies enter or interface from their systems, voucher information directly into system. To expand the current IBIS process would be add much work for central staff.
Create Payment & Relieve Encum-	<ul style="list-style-type: none"> • Approved invoice 	<ul style="list-style-type: none"> • Payment accrual 	<ul style="list-style-type: none"> • Enter voucher into 	<ul style="list-style-type: none"> • Data Entry, AP synchronizes it, 		<ul style="list-style-type: none"> • Payments with the same vendor and

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
brance		<ul style="list-style-type: none"> • Warrant request • Reduced encumbrance balance (ARMS) • Expenditure or other accounting impact recorded • Payment registers 	<p>ARMS (BUC)</p> <ul style="list-style-type: none"> • *Encumbrance reduction is automatic with the payment transactions 	<p>assigns batch #s and verifies information (ARMS)</p> <ul style="list-style-type: none"> • ARMS (BUC) • IBIS 		<p>the same due date are combined – if special handling is needed (such as adding an insert) it must be indicated before payment is made.</p> <ul style="list-style-type: none"> • *Encumbrance reduction occurs if voucher is coded to do so (FPSN coding) • Vouchers suspend for inaccurate coding, batch total errors, encumbrance problems, etc • Incorrect vendor numbers on Pos/contracts can add two days to processing time • Issue: it is very hard to create separate payments. Need to hold everything being processed for that vendor for one day to get through (re-assign due dates). Can't do this for more popular vendors. (ARMS side) • On IBIS side, flag to issue separate check.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Review/certify payment register and sign	<ul style="list-style-type: none"> • Payment registers 	<ul style="list-style-type: none"> • Warrants • Warrant register • Warrant issued file (to Warrant reconciliation) 	<ul style="list-style-type: none"> • System generated 	<ul style="list-style-type: none"> • Account Payable 		<ul style="list-style-type: none"> • IBIS checks are printed with the signature and just need to be certified before distribution. • ARMS warrants are signed as they are burst.
Deposit Warrant	<ul style="list-style-type: none"> • Warrant 	<ul style="list-style-type: none"> • Warrant and warrants redeemed file returned form bank for Warrant reconciliation system 	<ul style="list-style-type: none"> • Deposit at bank 	<ul style="list-style-type: none"> • Vendor 		<ul style="list-style-type: none"> • We can not accept electronic invoices from vendors.

2. Accounts Payable and Warrant Reconciliation Function

Function Goal:

- To accurately pay vendors in a timely manner.
- Ensure proper account coding to successfully post to the GL.
- Ensure AP information reflected in the GL.
- Take advantage of discount opportunities.
- Maximize interest with funds under the county's control.
- Administer employee reimbursements.
- Monitor compliance with payment policies & procedures and state/federal laws and regulations.
- For warrant reconciliation, ensure warrants are reconciled with bank and make appropriate adjustments or corrections.

**Accounts Payable & Warrant Reconciliation Current Business Function Flow
(Payments unrelated to Purchasing/Direct Pay)**

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Create Voucher or Expense Claim Form (Direct pays only) or payment request	<ul style="list-style-type: none"> • Vendor Invoice • Property Tax re-funds • Jury Payments • Witness Fees • Election worker and Pole Payments • County Fair Payments • Worker's Comp • Payroll Agency • Trust & Agency payments (water, sewer, fire, etc.) • P-Card 	<ul style="list-style-type: none"> • Invoice • Backup if required • Electronic interface file • Payment request form • LPO 	<ul style="list-style-type: none"> • Sent to agency (ARMS, IBIS direct pays) • Invoice is sent to agency – everything else is coming to AP from the Agency 	<ul style="list-style-type: none"> • Vendor, • Employee, • Agency Systems • Agency Personnel 		<ul style="list-style-type: none"> • There are payments in this process that do not have an invoice. They will have backup documentation (specific forms filled out).
Approve Invoice / Voucher	<ul style="list-style-type: none"> • Invoice • Backup (if required) • Electronic interface file • Payment request form • Blanket PO's • LPO 	<ul style="list-style-type: none"> • Approved vouchers • Batched payment files from agencies 	<ul style="list-style-type: none"> • Review of invoice amounts and goods or services received. • Creating voucher for authorization 	<ul style="list-style-type: none"> • Agency User 		<ul style="list-style-type: none"> • For agency interfaces, warrants can go out without paperwork. The voucher is the authorization to release payment – there is a step that has to be taken to make the system release the batch • There are manual systems at agencies for tracking invoices before the voucher stage. • Agencies have varying methods

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>of approvals. This affects the timeliness of the payment.</p> <ul style="list-style-type: none"> • Coding asset characteristics holds up payment (mainly for PO purchases of fixed assets that must post to the FA system)
Process voucher	<ul style="list-style-type: none"> • Voucher • Invoice or Other Backup Documentation 	<ul style="list-style-type: none"> • Accounts payable record • GL entries 	<ul style="list-style-type: none"> • Entry into AP system (ARMS or IBIS) • TC32 transaction 	<ul style="list-style-type: none"> • Accounts Payable 		<ul style="list-style-type: none"> • (ARMS/BUC) Fax list to treasury for wire transfers. For wire transfers in ARMS, they are requested of TREASURY by AGENCY (AP has no involvement & consequently no record of) Authorizations are not always included. • Encumbrances are not reduced (not visible to AP). • 1099 process is circumvented. Lack of audit trail. Inability for AP to oversee. • Possible to make wire transfer without recording into accounting system. Error would come out in bank reconciliation process.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<ul style="list-style-type: none"> • Wire transfers for DCH only used in Mental Health. Used to make payments more quickly to Not- for- Profits that do not have a lot of cash flow. Also used for PHP (pre paid health plans) and for roads, when settlement that has a time constraint (real estate, court) • IBIS process eliminates some of the gaps – there is a wire transfer choice in system. We could fax over and forget to put into IBIS.
Create Payment	<ul style="list-style-type: none"> • Accounts payable record 	<ul style="list-style-type: none"> • Warrants • Warrant Register • Warrant Issue file 	<ul style="list-style-type: none"> • ARMS or IBIS 	<ul style="list-style-type: none"> • ARMS AP or IBIS 		<ul style="list-style-type: none"> • Manual warrants (can be more than direct payments). The check is cut, and then the voucher is entered into the system. Can forget to do this. • For every manual check (ARMS), have to enter into BUC system and TRH (Warrant Recon System). • Payments can go to suspense due to improper cod-

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>ing, batching errors, and vendor #problems.</p> <ul style="list-style-type: none"> Some Batch edits can hold up all vendor warrants due to 1 error.
Review/certify payment register and sign	<ul style="list-style-type: none"> Warrants Warrant register 	<ul style="list-style-type: none"> Signed warrants 	<ul style="list-style-type: none"> Review of reports for errors. Warrants are signed and burst for mailing. 	<ul style="list-style-type: none"> Accounts Payable 		<ul style="list-style-type: none"> Problems are rare but can and do occur here – incorrect warrant dates, incorrect warrant numbering, warrants out of balance with input
Deposit Warrant	<ul style="list-style-type: none"> Warrant 	<ul style="list-style-type: none"> Warrant Deposit Slip 		<ul style="list-style-type: none"> Vendor 		
Cash Warrants	<ul style="list-style-type: none"> Warrant Deposit Slip Direct Deposits? 	<ul style="list-style-type: none"> Endorsed Warrants Warrants redeemed file Warrants redeemed summary amounts 		<ul style="list-style-type: none"> Bank 		
Accept Warrants for Payment	<ul style="list-style-type: none"> Endorsed Warrants Warrants redeemed file Warrants redeemed summary amounts 	<ul style="list-style-type: none"> Cash transfer authorization 		<ul style="list-style-type: none"> Treasurer 		<ul style="list-style-type: none"> Warrants may be rejected by the county. (They are rejected only if they are not valid warrants) They also may be held by the bank for interest payment.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<ul style="list-style-type: none"> The amount transferred into the warrant bank account is the net of warrants accepted by the county.
Reconcile Warrants	<ul style="list-style-type: none"> Warrants Issued (AP, Payroll, School Districts) Warrants Cancelled Warrants redeemed 	<ul style="list-style-type: none"> Error reports Reconciling Reports Fraudulent Warrant Notification 	<ul style="list-style-type: none"> One warrant redemption processes handles all of the county warrants except for IBIS warrants. IBIS has its own warrant reconciliation process 	<ul style="list-style-type: none"> Accounts payable 		<ul style="list-style-type: none"> Timing of when we get copies of check to us. Do not have checks electronically, need to look for document. Excludes wire transfers. High quantity of stops, voids, and duplicates
Produce 1099	<ul style="list-style-type: none"> Annual Payments Vendor file Payroll settlement payments W-9 	<ul style="list-style-type: none"> 1099 to vendor File to IRS 		<ul style="list-style-type: none"> Accounts payable 		<ul style="list-style-type: none"> Electronic payments Separate from Interest payments should go on 1099-INT but don't automatically. Unable to ID different types of payments that would go on various 1099's Not all p-card vendors create/provide 1099 information. Departments may select the wrong account causing incorrect 1099 information.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Cancel/Corrections	<ul style="list-style-type: none"> • Agency gives AP information about the check • Bad check (check returned) 	<ul style="list-style-type: none"> • ARMS - TC52 Cancellation transaction to cancel original transaction • (Then issue of correct warrant can happen) 	<ul style="list-style-type: none"> • Create cancellation document that goes into AP (ARMS) • Cancel in ARMS / BUC, TRH • Same on IBIS, but directly flagged on system 	<ul style="list-style-type: none"> • AP and Data Entry 		<ul style="list-style-type: none"> • This is a time consuming process. Prepare TC52, then get original documents, copy everything, batch. Process TC52s through BUC, prepare WAOs to process through TRH, and then BUC & TRH cancels. .Agency may still have expenditure out there while all of this process is occurring. Warrant cancellation re-stores encumbrance if PO still out there, to the correct vendor and TC 52 uses appropriate FPSN coding.

Other Issues:

- Year end annual travel report is difficult to produce.
- 1099 process – Unclaimed property reporting - Annual process out of AP – need to tie information from warrant reconciliation with accounts payable.
- Another payment process gap...Cannot issue duplicate warrants with same number. Very large volume.

Need to discuss these topics:

- P-Card
 - Do follow-up
 - Understand policies and procedures to monitor
 - Need strong management enforcement
 - Understand benefits and risks
 - Understand how to roll out, etc.
- Record of Contract
 - Comments coming
- Year-end
 - Gap is that on ARMS side, a purchase order can exist in one FY and need to be manually recreated for the next year. Payments are delayed while accommodating this problem.
- Other GAPS
 - Unclaimed Property - Ability to tie outstanding warrants to AP or Payroll to determine what should be
- Reported as unclaimed property and the accounting impact.
 - Ability to produce an annual travel report.

C. Performance Measures

Purchasing, AP & Warrant Reconciliation Key Performance Measure Examples

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
<p>Support a single countywide procurement process and ensure accurate application of procurement regulations, policies and procedures, and established standards for contract development, negotiation and utilization.</p>	<p>Purchasing</p>	<p>Establish a countywide, commodity-based purchasing process.</p>	<ul style="list-style-type: none"> • Leverage the county's buying power through consolidated purchases. (Commodity teams develop county-wide purchasing standards - e.g. office supplies, desktop computers, photocopiers). • Reduce number of individual contracts negotiated. • Reduce staff time spent researching purchasing decisions. • Reduce vendor base to leverage higher discounts and streamline order and payment process. • Increase quality of goods and services. 	<ul style="list-style-type: none"> • Expenditures by commodity. • Number of contracts issued. • Expenditures by commodity, active vendor count.
		<p>Create vendor pools for purchase of recurring goods and services.</p>	<ul style="list-style-type: none"> • Reduce time required to select vendors and negotiate contracts. • Reduce repair lead time by having pre-qualified vendors. • Realize improved services and reduced 	<ul style="list-style-type: none"> • Average vendor selection time. • Repair lead time. • % reduction of cost of goods due to leveraged spending. • % decrease in transaction costs as a result of monthly summary billing

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
			costs of commodities and services by reducing the number of vendors and renegotiating contracts.	through one supplier. <ul style="list-style-type: none"> % decrease in warranty management by using standard equipment which simplifies warranty, parts, service, and asset management.
		Update the travel policy.	<ul style="list-style-type: none"> Eliminate meal receipts for travel by using Federal meal per diem rather than actual receipts for travel meals. 	<ul style="list-style-type: none"> Time required preparing and processing expense reports.
		Provide on-line / electronic catalogs.	<ul style="list-style-type: none"> Reduced staff time spent researching purchase decisions (catalogs include with price comparisons, lease vs. purchase analysis, and contracting guidelines). 	
		Automate manual processes related to purchase orders.	<ul style="list-style-type: none"> Reduce flow time for purchases. Reduce staff effort. 	<ul style="list-style-type: none"> % savings of total contracts.
	Accounts Payable	Improve payment processes.	<ul style="list-style-type: none"> Take advantage of vendor discounts on purchase order payments. 	<ul style="list-style-type: none"> % discount on % of purchase order payments.
Improve county materials management by integrating purchasing, inventory and financial functions; providing robust information on county goods	Purchasing	Increase use of technology to support purchasing history and purchase decision.	<ul style="list-style-type: none"> Automate functions and approval process through workflow. Reduce paper usage. 	<ul style="list-style-type: none"> Time from requisition to purchase order. Forms printing costs, paper costs, storage costs.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
and services; and by streamlining processes with contemporary technology			<ul style="list-style-type: none"> • Improve data collection and access to purchasing information. 	
		Automate manual processes related to purchase orders.	<ul style="list-style-type: none"> • Reduce flow time for purchases. • Reduce staff effort. 	<ul style="list-style-type: none"> • % savings of total contracts.
		Establish vendor pools.	<ul style="list-style-type: none"> • Realize improved services and reduced costs of commodities and services by reducing the number of vendors and renegotiating contracts. 	<ul style="list-style-type: none"> • % reduction of cost of goods due to leveraged spending. • % decrease in transaction costs as a result of monthly summary billing through one supplier. • % decrease in warranty management by using standard equipment which simplifies warranty, parts, service, and asset management.
Where practical, replace paper forms and documents with electronic documents that can be filed, transferred, and retrieved efficiently.	Purchasing Accounts Payable Financial Reporting	Provide reports and forms on electronic media.	<ul style="list-style-type: none"> • Elimination of forms (ex. Multi-part), faxes, printed reports in favor of automated document tracking, approvals, queries. 	<ul style="list-style-type: none"> • % savings of printing, fax and forms order costs.

III. Critical Success Factors



- Objectives for the Quantifiable Business Case.
- Top three things that have to be addressed for the project to be a success?
- Obstacles and resistance.

IV. What's Next?



- Follow up with individuals to clarify business processes and opportunities.
- Hold a second focus group session to refine/confirm the current business processes, present proposed business processes, and review high payback processes for additional analysis.
- Develop costs of current business processes through a survey of agencies

King County, State of Washington

Quantifiable Business Case

Focus Group 2



Focus Group: Purchasing and Accounts Payable

Date: February 26, 2004

Time: 1:30 PM to 4:30 PM

Location: King Street/3D

Agenda



- I. Findings From First Session**
- II. Opportunities for Improvement**
- III. Analysis of Opportunities**
- IV. Next Steps**

I. Findings From First Session



A. Purchasing

- Purchasing processes and authority vary depending on the type of purchase and the amount.
- Unique purchasing processes create information gaps:
 - **Roads:** Individual purchases are issued an internal tracking number off blanket PO (draw down). They need to match the purchase to the invoices to know who purchased the item (work/crew) and to determine project information before payment by the financial system. This is a manual process. IBIS supports this process.
 - Roads also has a field order process that they use to track purchases of gravel and other materials for road projects. This process is partially automated and is integrated with the financial systems. Expenses on receipt. Another example of an outside process created, similar to an IBIS process.
 - IBIS provides a draw down method for a broad range of commodities under a single purchase order. The process does not provide a method for buyer to know what was purchased. The information is only available by researching accounts payable records to see what was bought and the quantity.
 - Contracts and execution of contracts don't always lead to creation of purchase orders in IBIS. Contract information may not have been set up in IBIS.
- There are some agency systems that trigger purchase orders. These are primarily related to the IBIS procurement process and include maintenance management systems MP3, Mainsaver, and M4.
- Some departments are authorized to purchase without going through PSD. These primarily include specialized commodities such as chemicals for wastewater treatment.
- There are two significantly different purchasing process related to the systems that support the process.
 - The ADPICS system supports the procurement process for non-IBIS agencies. The system is fully centralized. Some agencies have view only rights. Could give them access.

- IBIS allows the agencies to enter requisitions online to start the procurement process. It also provides electronic approval routing and online queries as to status of purchases.
- There are two significantly different accounting processes related to the systems that support the purchasing process.
 - ADPICS is not integrated with the financial system (ARMS). These purchases orders are manually entered into ARMS to record the encumbrance.
 - IBIS is an integrated process. However, encumbrances are not recorded in IBIS. Encumbering is a common governmental accounting practice to record budget commitments. However, it is not a GAAP requirement and they are not included in year-end financial statements.
- There are two significantly different receiving processes related to the systems that support the purchasing process. Both processes use a three-way match (purchase order to receipt of goods to invoice) to initiate the payment process.
 - The ADPICS/ARMS process is manual. ADPICS has the ability to perform a 3-way match but it is not used. It is not integrated with the financial system (ARMS).
 - IBIS is an integrated process. Receipt of goods is entered into IBIS by the receiving agency. When the invoice is entered (centrally), the system performs the 3-way match. IBIS does 2-way match for services based on invoice.

B. Accounts Payable

- There are inconsistent processes for processing invoices. Some vendors are instructed to send invoices to the department purchasing the goods or services (ARMS) while others send the invoice to central accounts payable for processing (IBIS).
- Retention of invoice documents is inconsistent. Departments that use the decentralized invoice process keep the original invoice or a copy and forward the invoice to central AP, who also files a copy.
- Not all purchases have an invoice but have other forms of backup documentation (employee expense form, contractor payments).
 - Contractors are paid based on progress and materials used as determined by the project manager.
 - Some agencies, including Roads have in-house construction contract management systems. These systems produce the payment voucher that must then be keyed into the payment system.

- Central accounts payable has no visibility of invoices are in the agencies awaiting payment (ARMS). Vendors call Central AP for information.
- The ARMS payment process is labor intensive. Agency prepares paper voucher request forms. Form goes to central AP to be batched. Data entry enters vouchers into ARMS. There is no AP interface. If agency could enter document into the system with edit checks, it could save lots of time.
- Some agencies have systems to prepare the payment voucher that are then interfaced for payment. These include:
 - Property Tax refunds
 - Jury Payments
 - Witness Fees
 - Election worker and Pole Payments
 - County Fair Payments
 - Worker’s Comp
 - Payroll Agency payments
 - P-Card
 - Vet payment
 - Guardian Ad Litem (GAL)
- Payments with the same vendor and the same due date are combined – if special handling is needed (such as adding an insert) it must be indicated before payment is made. It is very hard to create separate payments. AP usually needs to hold all other payments for that vendor for one day to get through (re-assign due dates). Cannot do this for vendors with a high volume of payments. (ARMS side). On IBIS provides a flag to issue separate a separate warrant.
- The county does not have the ability to accept electronic invoices for the vendors. (Telephone charges sent to ITS in detail for distribution of charges but the invoice is paid at the summary paper level).
- Invoice approval processes within the agencies can impact the timeliness of the payment.
- The need to code asset characteristics for purchased assets that must be posted to the fixed assets system can delay the payment.
- Wire transfers allow for exact timing of payments. The process is limited to certain types of payments (Heavily used by DCH Mental Health to pay providers. They are also used for pre-paid health care plans, and for payments with a time constraint such

as real estate, court ordered payments). The system processes to not support this payment method well:

- Encumbrances are not liquidated.
- 1099 information is not recorded.
- There is a lack of audit trail.
- Accounts payable does not have adequate oversight. (understatement on ARMS side!)
- There may be timing differences between the cash transfer and recording the event in the financial system. This adds to the cash reconciliation effort.

IBIS process has a method to identify wire transfers but the voucher process and the payment process are still independent.

- Manual and warrant cancellation warrants require significant manual processing and reconciliation.
- P-cards are in the test stage with one agency. Recording the charges to the correct account and project requires significant effort. Also, the 1099 process requires reporting the purchase to the vendor from whom the item was purchased. The P-card information does not always include this level of detail.

C. Warrant Reconciliation

- Warrant reconciliation is processed by the Accounts Payable group although it encompasses warrants for accounts payable, both payroll systems, and school districts
- There are two warrant reconciliation processes. IBIS warrant reconciliation is processed through an IBIS process.
- Unclaimed property reporting requires a tie between warrant information and the original accounts payable information.
- Duplicate warrants must be issued with the original warrant number. However, preprinted forms have unique MICR number. Warrant number does not match MICR number. BUC will not reissue same warrant number. Use side system to reissue. This requires additional work. There is a large volume of duplicate warrants issued. Manual.

II. Opportunities for Improvement



A. Purchasing Improvements

- Consolidate data and eliminate redundant processes by moving to a single financial system.
- Distribute data entry (with on-line edits).
- Automate approval process (workflow).
- Establish a countywide, commodity-based purchasing process.
- Create vendor pools for purchase of recurring goods and services.
- Provide on-line / electronic catalogs.
- Increase the use of P-cards.
- Increase use of technology to support purchasing history and purchase decision
- Provide reports and forms on electronic media.
- Automate manual processes related to purchase orders.

B. Accounts Payable Improvements

- Establish a countywide process for receiving, vouchering, and processing invoices.
 - Use central invoice process similar to IBIS.
 - Use decentralized invoice process similar to ARMS.
- Distribute data entry (with on-line edits).
- Automate approval process (workflow).
- Provide direct deposit (ACH) payment processes to reduce/eliminate wire transfers.
- Resolve accounting and reporting issues related to p-cards purchases.
- Implement document imaging for invoices.

C. Warrant Reconciliation Improvements

- Align the warrant reconciliation functions with the cash management functions.
- Integrate warrant and source data to provide more reporting capabilities.

III. Analysis of Opportunities



A. Analysis of Proposed Purchasing Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Single Financial System, Common business processes	<ul style="list-style-type: none"> • Single source for purchasing information • Common business processes • Only 1 system to support • Re-focus resources • Common skill set, nomenclatures 	<ul style="list-style-type: none"> • Reduction of support costs / effort? • Reduced transaction time • Reduced time in combined reporting 	<ul style="list-style-type: none"> • Training • Change management • Distributed work, requires skill set to handle 	<ul style="list-style-type: none"> • Single financial system • Critical, need a system to meet needs • Role of technology increases 	<ul style="list-style-type: none"> • Level of detail 	<ul style="list-style-type: none"> • Resources and time to implement • Interfacing system changes • Threshold for change • Union impact 	<ul style="list-style-type: none"> • Union Impact • Combining vendors • Must be accountable 	<ul style="list-style-type: none"> • Huge change • Ability of resources to implement • Making wrong decisions or assumptions • Fix may not improve processes 	<ul style="list-style-type: none"> • Encumbrances recorded in ARMS but not in IBIS.
Distribute data entry (with on-line edits)	<ul style="list-style-type: none"> • Reduces paperwork • More timely data entry • Eliminates delays caused by overnight edit errors (errors would be reported on-line, real-time) • Visibility of data (real time) • Data entry steps reduced 	<ul style="list-style-type: none"> • Turn-around time improvements • Accuracy of data 	<ul style="list-style-type: none"> • Longer / broader communication paths • Must re-think operations • Shift work from data entry group 	<ul style="list-style-type: none"> • Need county-wide data entry system (web front end or integrated system) 	<ul style="list-style-type: none"> • Source systems like maintenance mgmt, inventory, have automatic feed. Gateway of integration standards 	<ul style="list-style-type: none"> • Cultural changes • Union • Separation of duties, internal controls 	<ul style="list-style-type: none"> • Approvals (electronic?) 	<ul style="list-style-type: none"> • Need to maintain internal controls 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Elimination of duplicate data entry 								
Automate approval process (workflow)	<ul style="list-style-type: none"> • Eliminates delays caused by manual paper routing • Better visibility and audit trails of approvals • Improves internal controls 	<ul style="list-style-type: none"> • Reduced delivery costs • Improved tracking of process time. 	<ul style="list-style-type: none"> • More computer skills needed • Need approval authorities online 	<ul style="list-style-type: none"> • Need workflow software 	<ul style="list-style-type: none"> • Need to maintain approval hierarchies, must accommodate backup. • Electronic doc must have sufficient information 	<ul style="list-style-type: none"> • Labor unions, change to job descriptions 	<ul style="list-style-type: none"> • State auditors have approved. 	<ul style="list-style-type: none"> • Need flexible approval paths • Complex to develop and maintain 	
Establish a countywide, commodity-based purchasing process	<ul style="list-style-type: none"> • Leverage the county's buying power through consolidated purchases. (Commodity teams develop county-wide purchasing standards - e.g. office supplies, desktop computers, photocopiers. 	<ul style="list-style-type: none"> • Reduction of ARMS, IBIS gaps 		<ul style="list-style-type: none"> • Single system will help implement 		<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • Minimal 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Reduce number of individual contracts negotiated. • Reduce staff time spent re-searching purchasing decisions. • Reduce vendor base to leverage higher discounts and streamline order and payment process. • Increase quality of goods and services. • Consistent pricing 								
Create vendor pools for purchase of recurring goods and services.	<ul style="list-style-type: none"> • Reduce time required to select vendors and negotiate contracts. • Reduce repair lead time by 	<ul style="list-style-type: none"> • Elimination of duplicate processes to maintain vendor information 		<ul style="list-style-type: none"> • Help identify appropriate vendor • Single vendor database 			<ul style="list-style-type: none"> • Mandated legal process needs to be established • Competitive bidding contracts 		<ul style="list-style-type: none"> • Are doing now to the extent that the law allows.

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<p>having pre-qualified vendors.</p> <ul style="list-style-type: none"> Realize improved services and reduced costs of commodities and services by reducing the number of vendors and renegotiating contracts. 								
Provide on-line / electronic catalogs	<ul style="list-style-type: none"> Reduced staff time spent researching purchase decisions (catalogs include with price comparisons, lease vs. purchase analysis, and contracting guidelines). May realize better pricing 	<ul style="list-style-type: none"> Reduced time to purchase/order Purchase savings Discounts realized 	<ul style="list-style-type: none"> Training Additional oversight Process definition 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Avoid increased shipping costs with small orders Need correct project coding 	<ul style="list-style-type: none"> Vendor negotiations Size of catalogs Could limit vendors that could bid 	<ul style="list-style-type: none"> Ensure technology not abused 		

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Accuracy of pricing, product descriptions, etc. • Integration with accounting • Dealing with contracted vendors 								
Increase the use of P-cards.	<ul style="list-style-type: none"> • Reduces procurement process for smaller items. • Provides an approved method for filling emergency needs. • For some, more efficient process versus LPO 	<ul style="list-style-type: none"> • Similar to e-catalog • Improves payment process • Realize discounts 	<ul style="list-style-type: none"> • Shifts purchasing work load 	<ul style="list-style-type: none"> • Need p-Card vendor/software set-up. • Need a central system to support 	<ul style="list-style-type: none"> • Must charge to correct accounting codes • Secondary system managing accounting • Ability to capture vendor 1099 information • Use for areas / purchases where effective 	<ul style="list-style-type: none"> • Complex to design and maintain controls 	<ul style="list-style-type: none"> • n/a 		

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Increase use of technology to support purchasing history and purchase decision	<ul style="list-style-type: none"> • Automate functions and approval process through workflow. • Reduce paper usage. • Improve data collection and access to purchasing information. • Facilitates compliance reporting • Look at purchasing trends, history, community usage, etc. • Track vendor performance • Identify exceptions to purchasing rules (ex. LPO) 	<ul style="list-style-type: none"> • Less time to create reports • More information available to use in decision making process • Increase in discounts offered and utilized 	<ul style="list-style-type: none"> • Training • Transfer/expansion of technical support 	<ul style="list-style-type: none"> • Data repository and access tools, could be part of integrated system solution 	<ul style="list-style-type: none"> • Data conversions • Decide which data to include • Data purge rules • Security 				

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Automate manual processes related to purchase orders	<ul style="list-style-type: none"> Eliminate year end roll over process Keeps PO's available for payment in the new year Improve vendor relationships Saves interest costs 	<ul style="list-style-type: none"> Reduction of duplicate entry 	<ul style="list-style-type: none"> Reduced department and central effort to ID purchase orders 	<ul style="list-style-type: none"> Requires moving off of ARMS, problem not with IBIS 	<ul style="list-style-type: none"> Process change Related budget carry over 	<ul style="list-style-type: none"> Welcomed change 	<ul style="list-style-type: none"> Make payments in 30 days per the law 		<ul style="list-style-type: none"> IBIS would be nice to have multiple flex fields for PO (in case the coding changes for PO)
Provide electronic access to reports and report data	<ul style="list-style-type: none"> Eliminate re-keying of data Reduce central printing costs Fewer standard reports (agencies could filter and sort to meet their needs) Better tracking of purchasing data 	<ul style="list-style-type: none"> Reduced effort to generate reports Reduced programming costs (depends on solution) 	<ul style="list-style-type: none"> Training Consider needs of user at beginning 	<ul style="list-style-type: none"> Infrastructure needs to support demand Ad hoc and standard reports or reporting templates Central reports to validate user generated reports 	<ul style="list-style-type: none"> Consider user needs for reporting Minimize system licenses to do reporting (web enabled) Conversion of existing reports for new platform Version control 			<ul style="list-style-type: none"> With improper tools and training, inaccurate reports for purpose 	

B. Analysis of Proposed Account Payable Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Establish county wide payment processes									
Use central invoice process.	<ul style="list-style-type: none"> • Central data entry, better control that invoices will get into system • Better visibility as to what needs to be paid, coordinate payments • Single point of contact for vendor • Better vendor pay sight management • Better manage software version changes 		<ul style="list-style-type: none"> • Gives staffing flexibility and backup • Requires larger central staff • Limits training needs 	<ul style="list-style-type: none"> • Requires department visibility of payments • Ability for department to correct coding 	<ul style="list-style-type: none"> • Should not implement various pay sights for vendors (control on vendor side) 				<ul style="list-style-type: none"> • Needs to be some input from agencies for coding, invoices prepared centrally.
Use decentralized invoice process	<ul style="list-style-type: none"> • Create voucher requests benefit 		<ul style="list-style-type: none"> • Need authorization • Training 		<ul style="list-style-type: none"> • Do coding corrections, security set up 			<ul style="list-style-type: none"> • Bills not paid, don't know where it's at in agency 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Facilitate coding changes • Each agency can develop relationship with vendor • Agency has tighter controls on vendor payment based on vendor performance • Facilitates non-PO payments • Gathering information close to the source • Visibility to bad invoices by those that might know they are bad 		<ul style="list-style-type: none"> • Does not require large central staff 		<ul style="list-style-type: none"> • Pay lower amount if there is a difference between PO and invoice 				
Provide electronic access to reports and report data	<ul style="list-style-type: none"> • Eliminate re-keying of data 								

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Reduce central printing costs • Fewer standard reports (agencies could filter and sort to meet their needs) 								
Distribute data entry (with on-line edits)	<ul style="list-style-type: none"> • Reduces paperwork • More timely data entry • Eliminates delays caused by overnight edit errors (errors would be reported on-line, real-time) 								
Automate approval process (workflow)	<ul style="list-style-type: none"> • Eliminates delays caused by manual paper routing 								

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> • Could facilitate central versus de-central process • Advantage to support travel and expense claim reimbursement authorizations 								
Provide direct deposit (ACH) for vendor payments.	<ul style="list-style-type: none"> • Reduces reliance on wire transfers. • Improves vendor reporting of payments. • Allows payments to be times to maximize discounts. • ACH cheaper than wire transfer or warrant 				<ul style="list-style-type: none"> • ACH Can't be initiated until contract in place! 			<ul style="list-style-type: none"> • Lose value of warrant • Add a day to process time versus wire transfer • Lose interest on float 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Resolve accounting and reporting issues related to P-cards.	<ul style="list-style-type: none"> • Supports production of 1099. • Provides accurate accounting information. • Provides commodity tracking and usage information. • Strengthens controls for use of cards. 								
Implement Document Imaging system	<ul style="list-style-type: none"> • Improved access to source documents • Consistent record retention policy 								

C. Analysis of Proposed Warrant reconciliation Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Align the warrant reconciliation functions with the cash management functions.									
Integrate warrant and source data to provide more reporting capabilities.	<ul style="list-style-type: none"> • Provide information for un-claimed property reporting. • Provides controls over cancellations and reissues. 								

IV. Next Steps



King County, State of Washington
Quantifiable Business Case
Focus Group 1



Focus Group: Capital Asset Management

Date: February 11, 2004

Time: 1:00 PM to 4:30 PM

Location: Key Tower Olympic Conference Room

Agenda



- I. Introduction**
- II. Review Business Processes**
- III. Performance Measures**
- IV. Project Success Factors**
- V. Next Steps**

I. Introduction



A. Quantifiable Business Case Project

The Quantifiable Business Case project will review King County's current business operations model focusing on the Human Resources, Payroll, Financials and Budget business areas. A business operations model includes organizational structure, business processes, work flow and associated costs. The results of the review will be analyzed with an eye toward determining opportunities to increase business process efficiencies and effectiveness, and a business case will be constructed for an improved business operations model based on cost, benefit and risk.

B. Focus Group Session Approach

Attendees of the focus group session will be subject matter experts selected by the county for their knowledge and experience in the business function or functions to be addressed. Session activities will include validation and refinement of the high-level business process diagrams/charts and performance measures included in this document, as well as discussion of business function and overall project success factors.

C. Business Function Focus

The Human Resources business function to be reviewed during this focus group session is *Capital Asset Management*. The Capital Asset Management function is responsible for an organization's capital assets, to support financial reporting, including depreciation, as well as custodial reporting.. Capital assets include land, buildings, furniture, machinery, vehicles and infrastructure. Other physical property identified as "controllable" is also tracked for custodial reporting.

Fixed asset management can be a part of the materials management process, which also includes procurement, inventories, and maintenance activities.

II. Business Process Review



Terminology

- **Business Function.** Refers to a high level grouping of business processes designed to meet a specific business objective.
- **Business Process.** A discrete set of activities within a business function.

A. Validation and Refinement of Current Business Processes

The following pages contain work flow diagrams for the business function(s) being addressed by this focus group session. Depending upon the complexity of the business function, a single diagram may be presented with each component indicating a business process, or multiple diagrams may be presented with each indicating a business process and each diagram component indicating a sub-process. The diagrams are followed by charts which provide detail about the processes displayed in the diagram or diagrams.

Both the diagrams and charts are at a *high-level of detail*. It is not within the scope of this project to document the county's current business functions/processes at a fine level of detail.

The focus group session will review the diagram(s) and charts to validate and refine the high-level business function/processes to ensure that an accurate model of the current business function(s) is depicted. As well, opportunities for improvement will be developed and documented. Attendees are encouraged to review the diagrams/charts prior to attending the session.

B. Confirmation of Current Business Processes

Capital Asset Management Function Goal:

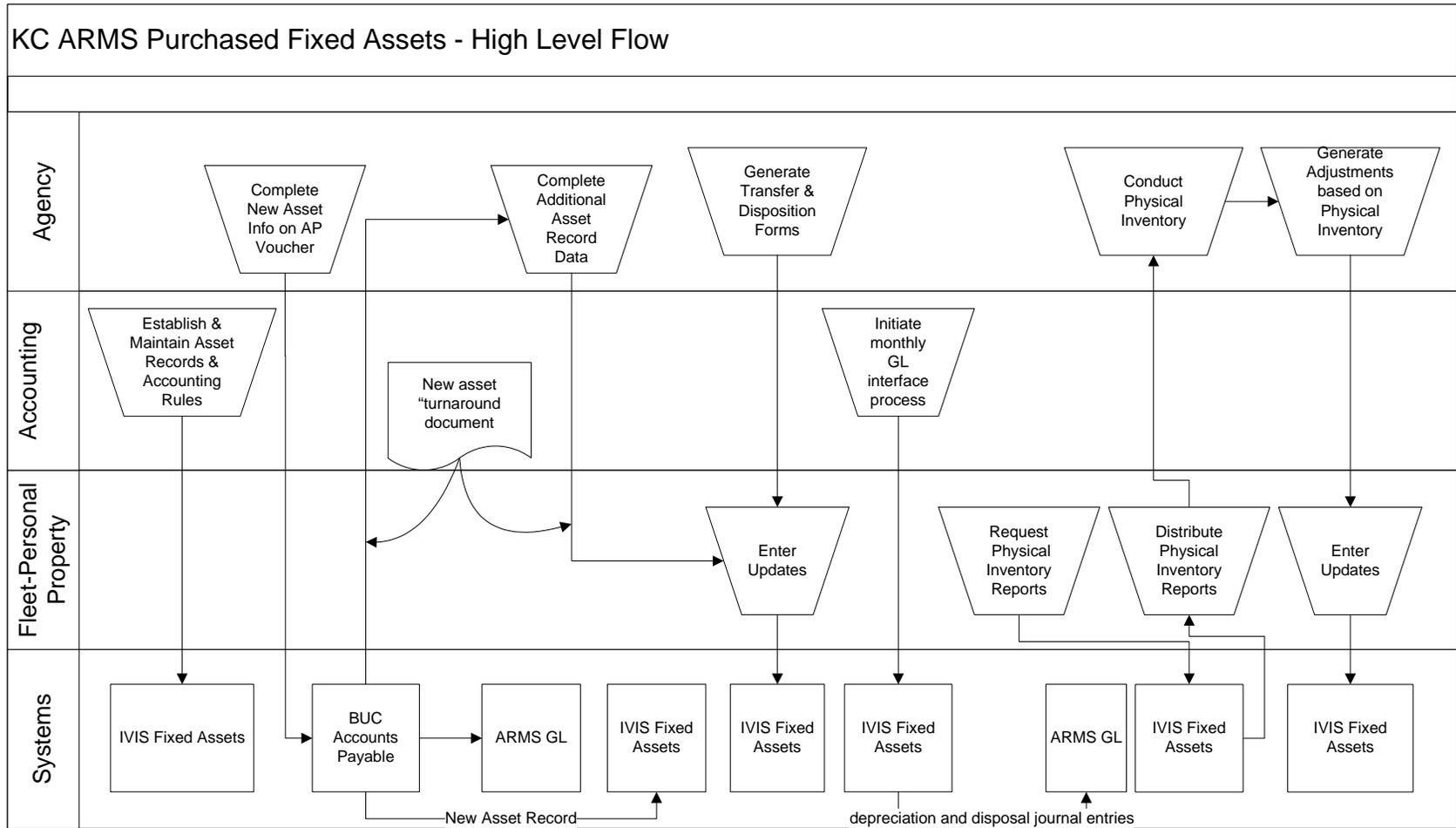
The objectives of the Capital Asset Management Function include:

- Provide 100% accountability for County owned assets
- Report asset costs accurately, in a timely manner

- Reconcile asset balances to financial totals in the General Ledger
- Provide user-friendly access to asset information
- Record non-financial asset information such as serial number, model number, vehicle identification number (VIN), and parcel number.

Business Function: Capital Asset Management

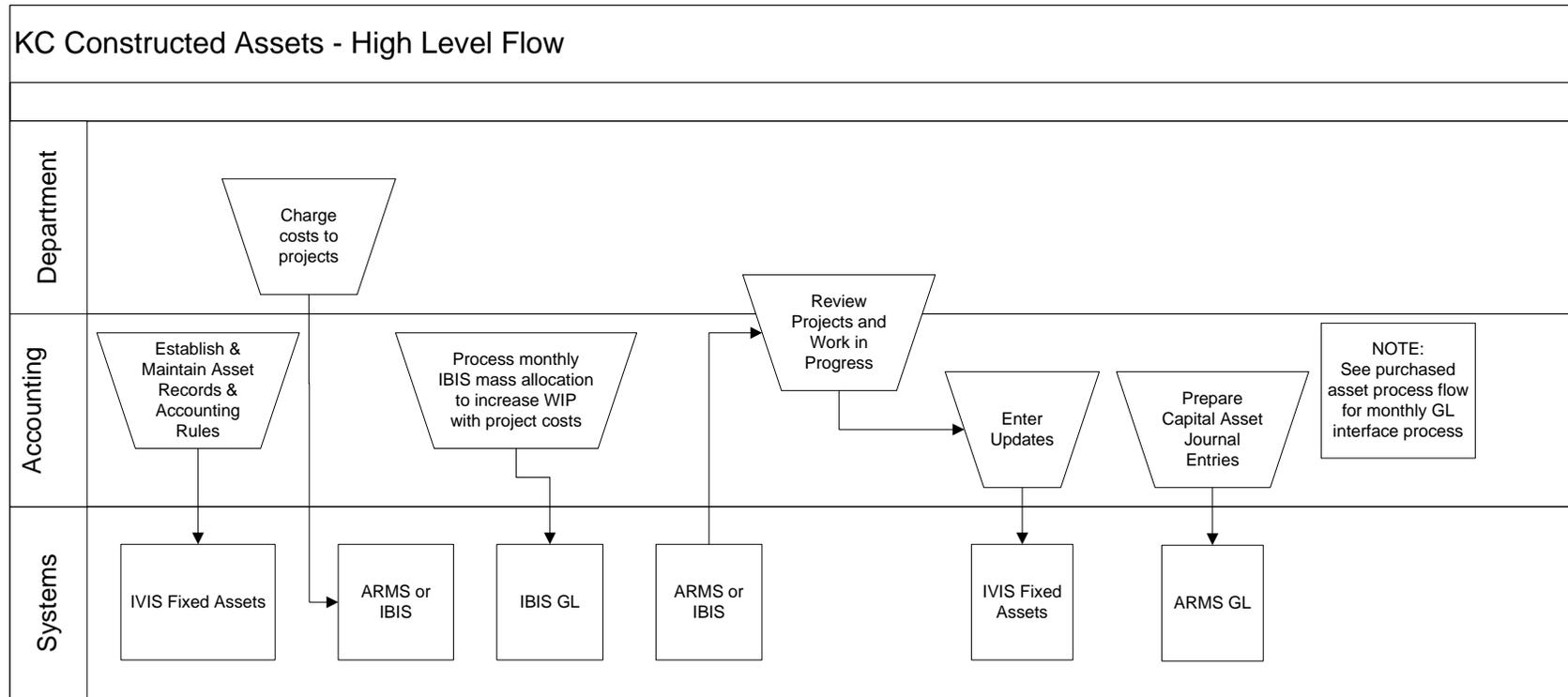
ARMS Purchased Fixed Assets High Level Flow



Business Function: Capital Asset Management

Constructed Assets High Level Flow

DRAFT



Business Function: Capital Asset Management

Capital Asset Management Current Business Function Flow



Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Maintain Asset record structures and accounting rules	<ul style="list-style-type: none"> • Organization Accounting Structure changes • Purchase of new type of asset or request for more detailed asset category • Request for additional data element values • Request other asset structure changes 	<ul style="list-style-type: none"> • Updated Asset system accounting rules • Updated Asset system classification structure • New asset system data element 	Online in IVIS	<ul style="list-style-type: none"> • Central Finance 	1 - 2 days	<ul style="list-style-type: none"> • Challenge to keep in sync with ARMS or IBIS. • On reorganizations, need to remember to go back into IVIS and do mass change. • IVIS uses ARMS index

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Enter new Asset into Asset System	<ul style="list-style-type: none"> • Asset Information • Accounting Information • Purchasing Information 	<ul style="list-style-type: none"> • New or updated asset record 	<p>Automated interface from AP to Fixed Assets (ARMS Purchased)</p> <p>Paper “turnaround” documents entered manually into asset system (ARMS Purchased)</p> <p>Paper new Asset documents entered manually into asset system (IBIS Purchased and all constructed)</p>	<ul style="list-style-type: none"> • Agencies (paper documents AP vouchers) • Central Finance and Fleet Administration (manual entry into asset system) 	Overnight for AP and 2 days for manual entry (1 day lag before AP posts) If records error out in AP then need to fix.	<ul style="list-style-type: none"> • Interface with AP can slow down AP to process payment voucher. (If don't have asset information required on AP, edits on AP side, ARMS only) • IBIS – no IVIS interface, all manual input of new asset information. Wait for forms to enter into system. Need to reconcile on quarterly basis. Common issue. ARMS can capture more purchasing information. • There are no interfaces with agency asset system (such as Faster, M3, Maximo). Asset information is entered twice for these agencies • ARMS captures more asset information than IBIS. AP requires commodity number, tag number

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Enter transfers and dispositions	<ul style="list-style-type: none"> Asset information Disposition information 	<ul style="list-style-type: none"> Asset record status updated to disposed Accounting Transaction to reflect reduction in GL 	Paper Asset disposition documents entered manually into asset system	<ul style="list-style-type: none"> Agencies (paper documents) Central Finance and Fleet Administration (manual entry into asset system) 		<ul style="list-style-type: none"> AP interface from ARMS to IVIS. OK Get error report. No interface between fleet systems (FASTER) and asset management system. Need to enter asset twice. Same for Waste Water and Transit (MP3). Dispositions – Trade-ins not always reflected on AP transactions. Trade-in amount may just be subtracted from new asset amount. It should be treated as a disposition. Not sure how to handle service fees on disposition of assets (ex. Land sales) Sell equipment, post bid amount, other costs associated we deduct from bid amount.
Generate and Process monthly depreciation	<ul style="list-style-type: none"> Accounting rules Schedule 	<ul style="list-style-type: none"> Deprecation transactions for processing by GL 	Automated system process feeding custom interface	<ul style="list-style-type: none"> Central Finance 	Overnight batch process	<ul style="list-style-type: none"> Currently use straight line depreciation but IBVS has several depreciation options

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Conduct Physical Inventory	<ul style="list-style-type: none"> • Asset System Listings • Agency physical asset verification 	<ul style="list-style-type: none"> • Updated Asset Records • Report of lost assets 	<p>Physical observation/verification of asset</p> <p>Paper Asset update documents manually entered into the fixed asset system</p>	<ul style="list-style-type: none"> • Agency conducts physical inventory and prepares asset update documents • Fleet enters updates into asset system 	<p>Give agencies 2 months to do inventory, then 2 months to do updates, 1 month for agencies to resubmit and then 1 month to prepare final.</p> <p>Total = 6 months</p> <p>3 FTEs to handle process (not full time) and agencies resources</p>	<ul style="list-style-type: none"> • Takes forever! Manual process. Lots of outside locations. No tagging instructions or practices. Done in October. • Have had bar codes for 10 years but no readers. • Audit issues • Sometimes can't get information to Council, because not enough time to collect inventory • Would like agencies to do updates • Duplicate record keeping. Inventory report does not have serial numbers and other information.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
<p>Increase Work in Process asset in the amount capital project expenditures</p>	<ul style="list-style-type: none"> • Capital Project Costs • Labor and benefit costs 	<ul style="list-style-type: none"> • Increase in Work in Process Asset in GL 	<p>Monthly Mass allocation (IBIS)</p> <p>Manual process in IBIS, not all projects result in capital asset at end of year move out of capital assets</p> <p>Manual analysis and Journal entries (ARMS)</p>	<ul style="list-style-type: none"> • Finance 		<ul style="list-style-type: none"> • Would be nice to identify as preservation • Difficult to go through projects to determine which are capital projects or not (manual process) We have a lot of projects in CIP funds that do not result in capital asset. Maintenance, lease payments, cancelled projects, etc. • Capitalization threshold – personal property \$1000, real property \$1000, infrastructure based on a schedule. Do track things under \$1000 for custodial purposes (non-capitalized assets) like cameras, etc. • Manual entry of donated, confiscated, converted assets. • Issue how to value some assets. • Non-capitalized assets are also tracked in IVIS (under a separate company)

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Reclassify completed assets	<ul style="list-style-type: none"> Work In Process and capital project records 	<ul style="list-style-type: none"> Reclassified Asset on GL Asset record on Asset system 	Manual Journal Entries Paper new asset form	<ul style="list-style-type: none"> Determination of completed projects done by Finance in cooperation with agency project managers and finance staff Journal entries and updates to fixed asset system done by Finance 		<ul style="list-style-type: none"> (see above notes) Want the ability to record activity as preservation or capitalized. ARMS assumes all should be capitalized. Currently need to manually review asset by asset There are some maintenance items in capital projects
Generate Fixed Asset Reports	<ul style="list-style-type: none"> Report Request 	<ul style="list-style-type: none"> Printed Report 	System generated standard reports	<ul style="list-style-type: none"> Agency request report Finance and Fleet schedule regular periodic reports or executes special request reports requests in system 		<ul style="list-style-type: none"> Would like to have statistics reports (data entry by user, volume, types of data entry – reassigning ownership, etc.) Fixed assets activity reports. Would like downloadable, electronic reports. There are fixed asset report writing tools. Not readily used, not easy to use. Produces batch reports. Have adhoc report writer “View” which is a resource hog, not easy to use. External reporting – CAFR – Roads infrastructure assets are tracked by Roads GASB 42 (impairment of fixed assets) will require reporting asset impairment information with the 2005 CAFR,

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Reconcile Asset Balances to General Ledger	<ul style="list-style-type: none"> • IVIS Fixed Assets Amounts • ARMS/IBIS Fixed Assets Amounts 	<ul style="list-style-type: none"> • Reconciled Balances 	Manual		Done quarterly	<ul style="list-style-type: none"> • Land purchases are not fully interfaces from ARMS to IVIS (mostly purchased through wire transfers) • For equipment, coding errors add research time (IBIS)

C. Performance Measures

Capital Asset Management Key Performance Measure Examples

The improvement opportunities and measurement criteria listed below are for discussion only. These items represent examples of best practices and performance measures used in the private and public sector. This list does not reflect recommendations for King County. A King County version of this spreadsheet will be developed as part of the Quantifiable business case project.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
<ul style="list-style-type: none"> Capital Asset Management 	Update Fixed Assets GL balance each month	Reduces complexity of year end reconciliation	<ul style="list-style-type: none"> Time spent reconciling fixed asset balance 	Doing for personal property. Land purchases reconciliation, don't get wire payment interface (no AP) shows up at year-end. Find out about wires from accounting records. Spend time fixing GL reference in IVIS will cause errors in GL posting
<ul style="list-style-type: none"> Capital Asset Management 	Link Asset management system with Accounts Payable	Reduce change of capital purchases not being recorded	<ul style="list-style-type: none"> Number of purchased asset records manually created 	True for ARMS, but not for IBIS. Looking at Oracle asset module, since integrated with Oracle Financials.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
<ul style="list-style-type: none"> Capital Asset Management 	Set threshold (e.g. \$5,000) for asset capitalization. Allow department control of non-capitalized assets.	Centralized tracking of capital assets. Department control of non-capitalized assets	<ul style="list-style-type: none"> Number of capital asset records 	Grant assets must record at least at \$5000 In personal property, exceptions that we have carried over the years, might want to revisit these. Ex. We track radios, but we don't inventory cell phones. Is this an agency issue? To change threshold levels, would require a code change through Council. If raise threshold, may be difficult to get agencies to track lower level items if requested by Council. Must have system force tracking. Concern about losing visibility to PC costs. Required to capitalize and track weapons (guns) and rolling stock
<ul style="list-style-type: none"> All Financial Business Functions 	Provide reports and forms on electronic media.	Elimination of forms (ex. Multi-part), faxes, printed reports in favor of automated document tracking, approvals, queries.	<ul style="list-style-type: none"> % savings of printing, fax and forms order costs. 	

Critical Success Factors



In an open discussion, focus group attendees will be requested to respond to the questions included below. Attendees are encouraged to determine their perceptions prior to the session.

- What are the top three things that must be addressed for the Quantifiable Business Case project to be a success? What are the obstacles to successfully achieving these goals?
 - Capture grant reporting criteria. (Duplicate entry of grant information)
- What are the top three opportunities for improvement in the Capital Asset Management business function? What are the obstacles to successfully achieving these objectives?
 - Automated integrated of fixed asset and accounts payable
 - Agency updates with appropriate controls
 - Maintenance tracking (personal property) in central fixed asset system, so can use information for planning purposes. Maybe interface with agency maintenance management systems.
 - Are there best practices for general capital asset management business processes? (Ex. GASB34)
 - Asset impairment reporting (GASB42)
 - Lease versus buy decision support information is needed
 - Integration with agency maintenance systems may be desirable (to eliminate duplicate data entry)

What's Next?



- Follow-up with specific individuals to clarify current business processes and opportunities, as necessary.
- Conduct a second focus group session to review updates to the current business processes resulting from feedback from the first focus group session and confirm the issues, gaps and constraints identified, review proposed business process improvements, and discuss identified high-payback business processes.

Develop costs of current business processes through

King County, State of Washington
Quantifiable Business Case
Focus Group 2 - Template



Focus Group: Capital Asset Management

Date: February 26, 2004

Time: 9:00 AM to 12:00 PM

Location: Key Tower Olympic Conference Room

Agenda



- I. Review of Findings from the first Focus Group session**
- II. Present Opportunities for Improvement**
- III. Analyze Opportunities for Improvement**
- IV. Next Steps**

I. Findings from Focus Group 1



- The county's fixed asset system, IVIS, meets most of the county's current needs.
- The county's current asset capitalization threshold is \$1,000. There are some assets (weapons, cell phones, computers, etc) that are capitalized irrespective of the purchase price. Some of the capitalization requirements are written into the King County code. All assets, except Road Services Division (Roads) infrastructure assets, are recorded in the IVIS system. Roads maintains a separate database of infrastructure assets.
- Some non-capitalized assets are maintained in IVIS under a separate company.
- Grant assets are recorded twice in IVIS.
- There is no integration between IVIS and the IBIS system. Assets purchased through IBIS Accounts Payable are manually entered into IBIS from paper forms. IBIS does not capture the information needed to create an asset record.
- Assets purchased through ARMS are sent to IVIS via an interface. ARMS accounts payable requires asset information prior to making payments, this can delay vendor payments. Land purchases are not fully integrated between ARMS and IVIS because they are usually paid via a wire transfer (wire transfers are not recorded in ARMS).
- There are no interfaces between ARMS and agency maintenance and work management systems (Faster, M3, Maximo, etc.). Asset information is manually entered into these systems. Agency systems do not maintain financial information. Assets are in these systems to record maintenance and usage information.
- Service fees and other charges related to asset disposition are not treated consistently. In most cases they are treated as a reduction in the disposition amount. There is no county-wide policy on how to handle these fees.
- When an asset is traded for another asset, trade-in amounts are often not reported correctly. The trade-in amount should be treated as a disposition of the original asset. Instead, the trade-in amount is usually treated as a reduction in the new asset cost.
- The county uses straight line depreciation on all assets. The IVIS system supports several depreciation methods.
- The county uses the Modified Approach under GASB34 for recording infrastructure assets. The Modified Approach allows the county to treat infrastructure as inexhaustible assets, eliminating the need for depreciation. Under the Modified Approach the county must demonstrate that infrastructure assets are maintained at a condition to justify this treatment.
- The county conducts a physical inventory of all assets each year beginning in October. The inventory process takes 6 months to complete. Fixed asset tags include bar codes,

but the inventory process is manual. The process is time consuming and difficult, assets are in many locations.

- In ARMS, all projects in CIP funds are considered to result in a capital asset. There is no method to record projects as preservation or maintenance rather than construction. The county manually reviews each asset record from ARMS Work in Progress (WIP) to be sure it should have been capitalized.
- IVIS creates printed reports. There are two report writers available in IVIS. These reports writers are difficult to learn and not widely used.
- Fleet and Personnel Property would like asset statistical and activity reports such as data entry by user, number of new asset records, or data entry by transaction type.
- Beginning with the 2005 CAFR, the county will be required to report asset impairment and insurance recoveries (GASB 42).

II. Opportunities for Improvement



A. Capital Asset Management Improvements

- Provide Full Integration between Accounts Payable and the Fixed Assets system, including integration when assets are purchased using a wire transfer.
- Distribute fixed asset updates to agencies, with appropriate edit controls, to replace current forms-based process.
- Improve grant asset management capabilities so that grant funded assets have a single record in the fixed assets system.
- Increase capitalization threshold to \$5,000 for all tangible assets. Distribute responsibility for non-capitalized assets to agencies.
- Implement automated physical inventory process using bar-coding technology.
- Implement perpetual fixed assets inventory system, perform asset inventories on a rotating basis.
- Provide information and tools to support lease versus buy decision making.
- Integrate agency asset systems with county-wide fixed asset system for single source of asset data
- Prepare for implementation of Asset Impairment Reporting in 2005.

III. Opportunity Analysis



A. Analysis of Proposed Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
<ul style="list-style-type: none"> Full Integration 	<ul style="list-style-type: none"> Eliminate manual entry of asset information from IBIS system Ensure all purchased assets are recorded in the fixed assets system 								

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
<ul style="list-style-type: none"> Distributed Asset Updates 	<ul style="list-style-type: none"> On-line updates replace paper forms (more timely, more accurate) 								
<ul style="list-style-type: none"> Grant Funded Asset Improvements 	<ul style="list-style-type: none"> Eliminate duplication of asset maintenance for grant-funded assets 								

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
<ul style="list-style-type: none"> Increase Capitalization Threshold for tangible assets 	<ul style="list-style-type: none"> Reduce overhead associated with high volume of capital assets Reduce number of items counted in year end inventory 		<ul style="list-style-type: none"> Agencies would be responsible for managing non-capitalized assets 				<ul style="list-style-type: none"> Federally funded assets may have different capitalization requirements County code requires capitalization of some assets irrespective of cost 		<ul style="list-style-type: none"> Infrastructure assets should have own rules for capitalization. May need capitalization thresholds established based on asset class. In general, Asset Management systems with numerous small tangible assets are more difficult and costly to maintain and operate.

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
<ul style="list-style-type: none"> Automate Physical Inventory Process 	<ul style="list-style-type: none"> Shorten time required to complete physical inventory 								<ul style="list-style-type: none"> Less important if capitalization threshold is increased. Does not address issues with assets at remote locations.

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
<ul style="list-style-type: none"> Integrate Agency Asset Systems 	<ul style="list-style-type: none"> Single source of asset data Provides ability to view all personal property assets for planning purposes 				<ul style="list-style-type: none"> Many different agency systems, may be 				<ul style="list-style-type: none"> Would all personal property assets be in central asset system?
<ul style="list-style-type: none"> Prepare for Asset Impairment and Insurance Recoveries Reporting (GASB 42) 	<ul style="list-style-type: none"> Will be required in 2005 								<ul style="list-style-type: none"> Applies to all capital assets

King County, State of Washington

Quantifiable Business Case

Focus Group 1



Focus Group: Accounts Receivable and Collections

Date: February 4, 2004

Time: 1:00 PM to 4:30 PM

Location: Key Tower Olympic Conference Room

Agenda



- I. Introduction**
- II. Business Processes Review**
- III. Performance Measures Review**
- IV. Critical Success Factors**
- V. Next Steps**

I. Introduction



A. Project Definition

The purpose of this project is to provide King County with a quantifiable business case which justifies replacing or improving the county's current budget, financials, human resources and payroll operations model and the array of distributed systems and the business practices that support them.

B. Business Function Definitions – Accounts Receivable and Collections

The Accounts Receivable and Collections business function manages amounts owed to an organization including:

- Setting up and maintaining customer information
- Creating and Sending invoices,
- Receiving payments
- Managing collection activities.
- Sending a summary of Account Receivable activity on to the General Ledger
- Product Management Reports
- Provide customer billing information.

C. Focus Group Approach

II. Business Process Review



A. Definitions and Terminology

- **Business Function** – Refers to a high level grouping of business processes designed to meet a specific business objective. The financial functional areas covered by this project are:
 - General Ledger
 - Project Accounting
 - Grant Accounting
 - Purchasing
 - Accounts Payable and Warrants Reconciliation
 - Accounts Receivable and Collections
 - Inventory
 - Order Entry
 - Fixed Assets
 - Grant Accounting
 - Cash Management
 - Debt Management
 - Labor Distribution
 - Financial Reporting
- **Business Process** – A discrete set of activities within a functional area. For example, business processes related to the General Ledger function include Set up and Maintain Chart of Accounts, Process Manual Transactions, etc.
- **Operations Model** – The operations model for both business and technical includes the following:
 - Integrated business process model and work flow addressing how all functions work together.

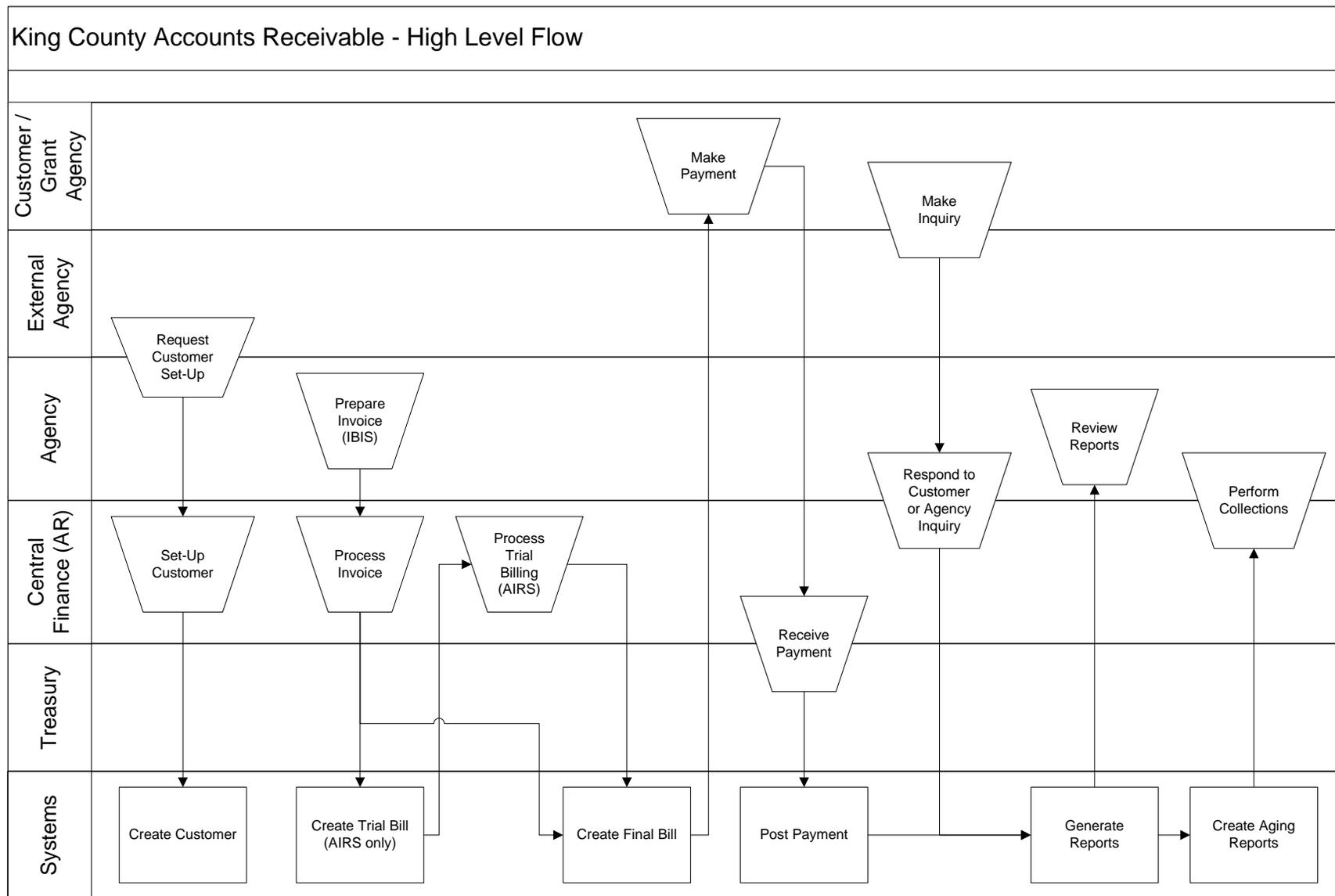
- Roles, Responsibilities, and Authority for each identified business area/function and for integrated business operations.
- Organizational structure (including Span of control, Staffing models, Staffing levels).
- Understand/capture unique (non-vanilla) processes, legal requirements, legislative requirements (organization structure), etc.

B. Confirmation of Current Business Processes

Accounts Receivable and Collections Function Goal:

- Establish the basis for billing,
- capture AR data, produce accurate invoices
- Receive payments in an accurate and timely manner
- record, report, and monitor revenue (accounting transactions – aging), report
- Manage customer accounts
- Perform Collections
- Be accountable and fiscally responsible to public
- Ensure adequate internal control

Accounts Receivable and Collections High Level Flow



Accounts Receivable and Collections Current Business Function Flow

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Request Customer Set-up	<ul style="list-style-type: none"> Customer Information 	<ul style="list-style-type: none"> Customer set up request 	<ul style="list-style-type: none"> E-mail or other notification (fill out form, collect customer information) 	<ul style="list-style-type: none"> Agencies 	<ul style="list-style-type: none"> Varies 	<ul style="list-style-type: none"> For internal customers it is difficult to get the account coding block from agency finance group. This delays billing. For Roads, AIRS cannot bill projects until customer is set up.
Set-up Customer	<ul style="list-style-type: none"> Customer set up request with customer information 	<ul style="list-style-type: none"> Customer record in system 	<ul style="list-style-type: none"> Paper Forms keyed into system or electronic files processed through custom interface (AIRS) Online entry into system (IBIS) Solid waste sends electronic file through interface to AIRS ITS uses DPG and TBS (telephone billing) to bill external customers, INET, label customers interface to DPG via Excel...all go to AIRS, ARMS internal funds District courts DIS-CIS (does not interface to AIRS, manual booking to ARMS, so no visi- 	<ul style="list-style-type: none"> In IBIS, Departments submit Billing Request Certification Form. For Capacity Charge billing (IBIS) sewer agencies initiate customer setup process by submitting a sewer use certification form. Departments review the form, determine the appropriate fee and submit customer set-up request to AR. In AIRS, agencies send request for new customer to AR. In AIRS: AR prepares setup forms for input and 	<ul style="list-style-type: none"> Just a few minutes to fill out form or do online. Batch process is overnight. For agencies with multiple systems, multiple forms and entry tasks, can take 3 to 4 days. 	<ul style="list-style-type: none"> Activities include setting up customer master record and creating the billing schedule There is a lack of interfaces between the county's central AR/Billing systems and agency systems. There are many manual processes to get financial transactions into ARMS There is redundant data entry and forms entry for various systems. Data fields on various forms have different meanings. Introduces opportunity for human errors.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
			<p>bility to receiv-ables throughout year, customers paying fines/fees, go through Alliance1 (collection agency) and Signal (billing agency)</p> <ul style="list-style-type: none"> • Superior courts interfaces to AIRS, other manual reporting • Public Health also has internal system that interfaces with AIRS for billing 	<p>sends forms to Data Entry.</p>		<ul style="list-style-type: none"> • Would be nice to have single point for entry for customer set up (at county wide level) • Each system and process may need to identify customers differently • Customers may send one check for multiple county agencies without supporting documents or billing stubs. • There is a mix between agencies keeping own systems and doing their own billing and those do billing in AIRS • Some agencies also use IBIS for billing. • The lack of data / systems integration causes timing problems with billing. AIRS cannot bill data collected before customer set up. AIRS needs project # from ARMS to bill project costs • ITS needs customers set up in ARMS, AIRS before set in internal

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						systems (they have 3) <ul style="list-style-type: none"> • Solid Waste has their own cashiering system, customers are set up through an automated interface to AIRS.
Prepare Invoice (IBIS)	<ul style="list-style-type: none"> • Central AR receives data directly from other agencies (via systems interface) or agencies make request (manual entry) • Some invoice information automatically setup based on contract terms • Waste water will prepare and mail own. Central AR does rest. 	<ul style="list-style-type: none"> • Customer Invoice 	<ul style="list-style-type: none"> • Manual entered off form and some through interfaces 	<ul style="list-style-type: none"> • Order Entry keys Pass Sales and Warranty Claims then sends the file to AR from processing. (talk to Transit AR) • For Sewer, the Department sets-up contracts (with payment schedule). • AR inputs and reviews bills. • AR creates invoices. • The mailroom processes and mails invoices. • For Grants, Departments prepare the invoice and send a copy to AR. 	<ul style="list-style-type: none"> • 5 minutes 	<ul style="list-style-type: none"> • Sometimes not all the information that the customer wants is on invoice. The IBIS system will not create invoices with past due amounts. This is a system limitation. Agencies need to send past dues. IBIS does not produce customer statements right now. Invoice printing and mailing is outsourced.
Prepare Invoice (AIRS)	<ul style="list-style-type: none"> • How we create bill part of customer setup – agencies create information that is either interfaced or keyed into AIRS, except 	<ul style="list-style-type: none"> • Invoice 	<ul style="list-style-type: none"> • Three types: • Manual bills • Recurring bills • Bills from ARMS 	<ul style="list-style-type: none"> • Coordinated centrally, agencies provide detail and assembly. • 95% of billings outsourced to 		<ul style="list-style-type: none"> • Invoice can go to agency for backup detail to be included with mailing • The county has no ability to generate

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
	<p>for manual bills (only recording receipt in AIRS)</p> <ul style="list-style-type: none"> • Most of AIRS bills are recurring. Largest dollar amounts from ARMS (work auth or project) 			FISERV. Pick up 4 times a month.		<p>electronic invoices and payments. Seattle King County Housing Authority interested in electronic bill, so they can route it internally.</p> <ul style="list-style-type: none"> • Agencies keep copies of invoices for research • Assembling bill is a manual, time consuming process (for telephone billing (TBS) there are hundreds of customers and multiple invoices per customer, 3FTEs) • No capability to regenerate an invoice. System does not retain information. Paper invoices kept for 7 years. • ARMS billing 13th and 14th month in Jan. and Feb. Would like a separate billing. Billing system and accounting system need to have same accounting periods. • System cannot report enough information required by customers be-

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						<p>fore they will pay bill.</p> <ul style="list-style-type: none"> • AIRS is interfaced with ARMS for project billing
Process Trial Billing (AIRS)	<ul style="list-style-type: none"> • Customer information • Billing rules • In some cases ARMS cost data 	<ul style="list-style-type: none"> • Trial billing 	<ul style="list-style-type: none"> • Automated process with manual review of results 	<ul style="list-style-type: none"> • In AIRS: • AR creates and reviews the billing schedule and re-requests a trial billing run. • ITS runs the trial billing. • Agencies review trial billing. • AR makes adjustments and requests final billing run. • For automated invoices, Departments send information in "to be billed file" and work authorizations to AR. • For manual invoices, Departments prepare and approve invoices which are then sent to AR. 		<ul style="list-style-type: none"> • The trial billing is an opportunity to balance and make corrections. AIRS adjustments via batch to whole invoice. Manually determine adjustment. • In IBIS, invoice adjustments can be done before and after by line item or complete invoice.
Process Invoice	<ul style="list-style-type: none"> • Customer Information • Billing information 	<ul style="list-style-type: none"> • Customer Invoice 		<ul style="list-style-type: none"> • AR processes invoices received from Departments. • For Grants, Departments work with project managers to get 		

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				eligible costs. True for some, not all. Some agencies get report from ARMS <ul style="list-style-type: none"> For Grants, Departments send payment request to the Grant Agency. 		
Make Payment	<ul style="list-style-type: none"> Customer Invoice 	<ul style="list-style-type: none"> Payment 	<ul style="list-style-type: none"> Manual 	<ul style="list-style-type: none"> Customer 		
Receive Payment	<ul style="list-style-type: none"> Customer Payments Payment stub (sometimes) (from customer invoice) Pay by phone payments, banks can send payment with account #s without invoice. Phone banking, web banking. 	<ul style="list-style-type: none"> Updated customer account 	<ul style="list-style-type: none"> Manual and automated 	<ul style="list-style-type: none"> The mailroom receives the payments. Miscellaneous payments are sent to Cash Management (IBIS), sent to AR for AIRS Other payments are scanned. IBIS AR Clerks Send rejected scanned payments to cash management (IBIS only) and process the lockbox payments. AR Cash Management (IBIS) processes miscellaneous payments (matches payment to invoice). Cash management also prepares the bank deposit (for all in County) Cashiers receive deposit slips and 		<ul style="list-style-type: none"> IBIS, if payment stub or remittance advice is missing, must reprint invoice(s). This complicates and delays the payment posting process, Bank payments do not provide adequate information RCW requires all cash must be deposited within 24 hours of receipt. In most cases, can't do electronic receipts, or credit card payments If there is a vendor that King County is paying, should not pay out of AP if they own us money. System can't tell us when this situation occurs. AP and AR not integrated.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				<p>checks to be picked up by armored car service.</p> <ul style="list-style-type: none"> • For most Grants, Departments receive payment confirmations. Treasury receives and processes the payments (IBIS), AR receives and processes for AIRS. Coding attached to invoice number • In AIRS, AR creates payment batches. Data Entry keys payments into AIRS. AR reviews the data entry results and makes corrections • Some departments receive cash (AIRS) they make the deposit and prepare a cash transmittal voucher. 		<ul style="list-style-type: none"> • For Capacity Charge Billing, If payment made early for discount, a manual process is required to delete future invoices. • AIRS can only accept one payment per invoice. IBIS payments are processed by the remittance processing system and can be any combination of payments and bills. • Payments for warranty claims may combine several hundred invoices, • For AIRS, the cash desk is located in Accounts Receivable. For IBIS the cash desk is located in Treasury. • Unidentified payments are difficult to research
Respond to customer or agency inquiry	<ul style="list-style-type: none"> • Customer request and customer or payment information 	<ul style="list-style-type: none"> • Response to customer inquiry 	<ul style="list-style-type: none"> • Manual 	<ul style="list-style-type: none"> • Finance • For Capacity Charge Billing, the Department handles customer inquiries. • Departments may need to request back-up documen- 		<ul style="list-style-type: none"> • Could be address change, ownership changes, exemptions, discounts, errors, or disputed amounts • Need to walk customer through billing information.

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				tation from AR. <ul style="list-style-type: none"> • For Capacity Charge Billing, Sewer Agencies assist in resolving account changes. • Agency re-searches and provides documentation • IBIS has integration between customer information and billing information. • Sometimes request for information must be referred to management, supervisor or analyst • IBIS online record customer notes 		No single source for information. Customer may need to make multiple calls within county to get desired information. <ul style="list-style-type: none"> • Roads may need to refer customers to the work crew. • There is no consistency in bill retention. It may be difficult to locate the original bill.
Generate Reports	<ul style="list-style-type: none"> • Report Request • Report schedules 	<ul style="list-style-type: none"> • Reports 	<ul style="list-style-type: none"> • Automated • Special report requests need an analyst or programmer to develop report. • IBIS has standard Oracle reports and also use Business Objects to generate custom reports 	<ul style="list-style-type: none"> • AR processes update requests as requested by Department. • In AIRS, AR makes updates for simple changes on-line. Complex updates are prepared, batched and sent to data entry for keying. 		<ul style="list-style-type: none"> • No electronic AIRS reports • Integrated detail in ARMS, so available. Needs to continue and improved. • Invoices need to be reformatted to provide better information (need more formatting options)
Review Reports	<ul style="list-style-type: none"> • AR Report 	<ul style="list-style-type: none"> • Management planning 	<ul style="list-style-type: none"> • Manual 	<ul style="list-style-type: none"> • Department receive AR reports for revenue 		

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
		<ul style="list-style-type: none"> • Adjustments to AR accounts • Reconciliations / error reports 		<ul style="list-style-type: none"> tracking and projections. • Departments perform post audit and initiate adjustments. 		
Perform Collections	<ul style="list-style-type: none"> • AR Activity Reports 	<ul style="list-style-type: none"> • Delinquent account collection activities 	<ul style="list-style-type: none"> • Manual review of information • Agencies attempt to collect • Manual or Automated transfer of selected accounts to Collection agency • Collection agency reports back status (paper reports) 	<ul style="list-style-type: none"> • In IBIS: • AR runs and analyzes aging reports. • AR Follows up on delinquent accounts and reports to billing agency. • Departments receive delinquency reports and take appropriate action. • In AIRS: • AR creates a download of accounts to be referred to a collection agency. • Collections submits accounts to collection agencies and handles customer case-work. • Collections receives payment notification for the Collection Agency. Payments are sent to AR for input into AIRS. 		<ul style="list-style-type: none"> • NSF's go back to agency • Need better notifications on Bankruptcies – agencies cannot circulate information in a timely manner. Lots of legal requirements around these processes. Fair Debt Practices Act The county cannot bill for services performed before bankruptcy. • The county may require past due accounts to process payment bond • Some agencies may attempt to collect delinquent amounts before referring an account to a collection agency • Delinquent accounts receive a t 30 day notice from King County Central Collections. If no response, the account is referred

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
				<ul style="list-style-type: none"> • Departments determine write-offs. AR processes write-offs. • Non AIRS or IBIS: • Sent through interface, Excel, or manual process (ex. DDES) 		<ul style="list-style-type: none"> to a collection agency by central. They do this for AIRS accounts, selected IBIS accounts and non-AIRS. • Capacity Charge bills do not normally go to a collection agency, Wastewater can issue property liens to enforce collections. • For Capacity Charge Billing, IBIS does not register on property title, so don't know when property changes ownership. The obligation stays with the property not the owner, so delinquent amounts would be the responsibility of the new owner. • The county is not using Dunning Letter capabilities in IBIS yet. • The collection agency does not use county's customer account numbers • Accounts are not written off when sent to a collection

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
						agency, Write offs are done when required by statute. <ul style="list-style-type: none">• There are some collection items that are not in AIRS or IBIS (for example, NSF checks). They are sent through a manual process.

C. Performance Measures

The improvement opportunities and measurement criteria listed below are for discussion only. These items represent examples of best practices and performance measures used in the private and public sector. This list does not reflect recommendations for King County. A King County version of this information will be developed as part of the Quantifiable business case project.

Accounts Receivable and Collections Key Performance Measure Examples

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
Billing	Transmit selected invoices using EDI	Reduces billing costs and time for customer to receive bill	<ul style="list-style-type: none"> Number of EDI invoices sent 	<ul style="list-style-type: none"> Would have to be at agency level because each agency has different billing information to send
Billing	Use Automated Bank Account Deductions for recurring bills	Reduces billing and collection costs	<ul style="list-style-type: none"> Number of automated account deductions processed 	<ul style="list-style-type: none"> Would be nice for Capacity Charge billing.
Billing	Issue electronic invoices through the internet (via email or website)	Reduces cost of printing and mailing invoices	<ul style="list-style-type: none"> Number of printed invoices 	<ul style="list-style-type: none"> Allow customers to look up account on internet would also be nice (could reduce inquiry calls from customers)
Billing	Replace multiple low dollar invoices single, summarized monthly invoice	Reduces invoice processing costs Simplifies customer payment process	<ul style="list-style-type: none"> Number of small dollar invoices issued 	<ul style="list-style-type: none"> This doesn't apply for most agencies, but may be appropriate for Warranty Claims.
Billing	Bill recurring (fixed amount) invoices early (2 weeks before due date)	Increases likelihood of on time payment	<ul style="list-style-type: none"> Days sales outstanding 	<ul style="list-style-type: none"> This is already done; where possible AIRS sent out between about 3 weeks early.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
Accounts Receivable	Enter cash receipts at agency rather than centrally	Shortens revenue recognition time frame and reduces paperwork (for billed receivables, recognize at date of invoice)		<ul style="list-style-type: none"> Needs to be considered on case by case basis
Accounts Receivable	Integrate point of sale cash registers with the financial system	More timely general ledger updates, more accurate posting		<ul style="list-style-type: none"> Needs to be considered on case by case basis
Accounts Receivable	Use lockbox process for mailed payments			<ul style="list-style-type: none"> The county uses an internal lockbox.
Collections	Automatic Fax/email of overdue invoices	Reduce collection department time spent pulling and faxing invoices		<ul style="list-style-type: none"> Large number of collections to individuals, so this may be difficult, there are confidentiality issues.
All Financial Business Functions	Provide reports and forms on electronic media.	Elimination of forms (ex. Multi-part), faxes, printed reports in favor of automated document tracking, approvals, queries.	<ul style="list-style-type: none"> % savings of printing, fax and forms order costs. 	

III. Critical Success Factors

- Objectives for the Quantifiable Business Case.
- Top three things that have to be addressed for the project to be a success?
 - Flexibility of both reporting and billing, flexibility for system to accommodate special needs. A more flexible Accounts Receivable system may reduce the need for “side” processes.
 - Electronic business processes (take payments, transmit invoices, etc.) Have processes and systems that are capable of providing these services.
 - Ability to meet individual agency billing system needs with seamless interfaces to AR system and the county’s financial system. Billing requirements may need to be housed with agency but transmit needed information to central billing system. Decentralized customer and billing information and centralized payment.
 - Ability to track customer correspondence and communications, history
 - Elimination of manual forms, key data entry. Provide single point of entry into master Accounts Receivable system.
 - Ability to decentralize customer maintenance and bill creation but allow for central management of Accounts Receivable.
- Obstacles and resistance.
 - Labor impacts of job changes need to be bargained with bargaining units.

IV. What's Next?

- Accounts Receivable and Collections Key Performance Measure Examples
- Follow up with individuals to clarify business processes and opportunities.
- Hold a second focus group session to refine/confirm the current business processes, present proposed business processes, and review high payback processes for additional analysis.
- Develop costs of current business processes through a survey of agencies.

King County, State of Washington

Quantifiable Business Case

Focus Group 2



Focus Group: Accounts Receivable and Billing

Date: March 2, 2004

Time: 9:00 AM to 12:00 PM

Location: Key Tower, Vashon Conference Room

Agenda



- I. Findings From First Session**
- II. Opportunities for Improvement**
- III. Analysis of Opportunities**
- IV. Next Steps**

I. Findings from Focus Group 1



- The county's maintains two separate centralized Accounts Receivable Systems. IBIS is part of the Oracle Financials application, AIRS is the mainframe billing system integrated with ARMS. Agencies maintain a variety of side systems for managing billing information.
- There is no consistent accounts receivable and billing business processes (although, within each billing process there are consistent practices). Some agencies bill using their own systems, others use AIRS or IBIS.
- For interdepartmental billing, customer set up can be delayed waiting for account coding information from account being billed. Information is generally received via email or a phone call. AIRS cannot bill project costs collected before the customer set up, this is a big problem for Roads.
- Customer and billing information resides in the central A/R systems and is often duplicated in agency systems. Manual processes are used to move financial information to ARMS.
- There is redundant data entry for customer and billing information. Agencies use different forms and terminology. Some terms have different meanings depending on the agency increasing the likelihood of data collection or input errors.
- Customers may send a single check for payment of multiple bills from separate agencies. These are difficult to process.
- Solid Waste has their own cashiering system; customers are set up through an automated interface to AIRS.
- IBIS invoice printing and mailing is outsourced.
- IBIS does not have the ability to print past due amounts on invoices and does not generate statements showing past due amounts. This is problematic, especially for Capacity Charge Billing.
- AIRS invoices may be sent back to agencies to be matched to supporting billing detail reports. Assembling these bills is a manual, time-consuming process. For example, telephone billing has hundreds of customers with multiple invoices. Invoice preparation requires three full time equivalents (FTEs).
- The county does not have the ability to generate electronic invoices or to receive electronic payments directly into the receivable system. Some customers (Seattle King County Housing Authority) have requested electronic bills.
- AIRS does not have the ability to reprint invoices, the required information is not retained. Agencies keep paper copies of invoices for seven years.

- ARMS bills 13th and 14th period amounts in January and February. IBIS does not have 13th and 14th periods. This complicates year end interdepartmental billing when the General Ledger and Accounts Receivable systems do not have the same accounting calendar.
- AIRS does not contain all the information customers would like to see on their bills.
- AIRS is interfaced with ARMS for project billing.
- AIRS has a trial billing process which provides an opportunity to balance and make corrections. AIRS adjustments are done through a batch process, the entire invoice must be adjusted. Adjustment amounts must be manually calculated.
- IBIS invoice adjustments can be done on-line by line item or for the entire invoice.
- The county is required to deposit all payments within 24 hours of receipt (required by RCW).
- In IBIS, if the payment stub or remittance advice is missing the county must reprint the invoice to process the payment. This delays the posting process.
- Payments from payment services (for example, pay by phone or on-line bill payment services) must be processed manually. The paying agent (usually a bank) does not send remittance advices.
- Accounts Payable and Accounts Receivable information is not integrated. In some cases, the county would like to hold a vendor payment when an outstanding receivable exists for the same individual or organization.
- The county does not accept credit card payments for any amounts owed. An RCW prohibits the county from paying credit card processing fees, in order to accept credit card payments the customer would need to pay all processing fees.
- For Capacity Charge billing all customer invoices are created when the account is set up. Any changes to the customer billing information require all bills to be deleted and recreated. When Capacity Charge customers pay off their entire bill early, all future dated invoices must be deleted.
- AIRS can only accept one payment per invoice. IBIS payments are processed by the remittance processing system and can be any combination of payments and bills.
- A single warranty claim payment may cover hundreds of individual invoices.
- Each Accounts Receivable system has a separate cash desk. For AIRS, the cash desk is located in Accounts Receivable. For IBIS the cash desk is located in Treasury.
- There is no single source for Accounts Receivable and Billing information. Customers may need to make multiple calls within county to get desired information on county issued invoices. Roads may need to refer customers to the work crew when billed amounts are disputed.
- There is no consistency in bill retention; it may be difficult to locate the original bill.
- All AIRS reports are paper; agencies would like information in an electronic format.

- Billing detail is available through ARMS in electronic format.
- Current invoice formats do not meet agency needs. Agencies would like more formatting options to provide better information to customers.
- Returned Checks (NSF, account closed, etc.) are sent to the agency for collection. These are generally handled as a separate collection item.
- Agencies need more timely notification of Bankruptcy proceedings. Accounts where the customer is in bankruptcy require special handling. There are legal constraints on actions the county can take against these accounts. Bankruptcy information needs to be coordinated amount county agencies.
- The county refers delinquent accounts to an outside collection agency after 30 days. Some agencies attempt to make collections before the account is referred. Capacity Charge bills do not normally go to a collection agency, Wastewater can issue property liens to enforce collections.
- The county does not use the Dunning letter capabilities in the IBIS system.
- Accounts are not written off when sent to a collection agency; Write offs are done when required by statute.
- There are some collection items that are not in AIRS or IBIS (for example, NSF checks). They are sent through a manual process.
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II. Opportunities for Improvement



- Move to a single countywide Accounts Receivable application to simplify and standardize business process and provide more visibility to and control of total amounts owed to King County.
- Create a single point of entry for customer set up information at the countywide level. Agency customer needs are different and in many cases using a shared customer record is not appropriate due to confidentiality, policy, and legal issues. There should be a mechanism for linking customer records when they represent the same individual or organization.
- Provide a more flexible central Accounts Receivable and Billing System to eliminate the need to some agency side systems. Provide additional options for invoice preparation and presentation including the ability to print past due amounts on invoices. Provide the ability to reprint invoices on demand.
- Provide the ability to integrate agency side systems with a central Accounts Receivable and Billing System to eliminate current duplicate data entry effort. Provide facilities to drill down from invoice amounts to detail transactions that make up the amount billed.
- Distribute data entry to agencies. Eliminate manual forms preparation and keyed data entry processes. Support decentralized customer and billing management and centralized payment processing and collections.
- Provide improved tracking of customer correspondence and communications history.
- Enhance remittance-processing capabilities to allow more flexibility for payment posting (e.g. support for one check paying multiple invoices, processing payments received without payment stubs, etc.). Provide electronic access to payments processed through remittance processing equipment.
- Support electronic bill presentation and payment options.
- Allow project costs to be collected prior to complete customer set-up. Provide the ability to bill past project costs collection before customer set up is complete.
- Implement a single accounting calendar for all county systems and agencies.
- Provide the ability to integrate Accounts Payable and Accounts Receivable information to identify vendors with delinquent amounts owed to the county.
- Consider accepting credit cards for some county payments. The customer would pay credit card processing fees.
- Provide a mechanism for timelier, coordinated notification of bankruptcy proceedings.

III. Opportunity Analysis



A. Analysis of Proposed Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Single Accounts Receivable System	<ul style="list-style-type: none"> • Single source for A/R information • Consistency of processes • Improved management of customer accounts – visibility to accounts • Simplifying revenue recognition for multiple sources • County-wide A/R view 	<ul style="list-style-type: none"> • Reduction of manual process to recognize, charge, distribute revenue (multiple sources) 	<ul style="list-style-type: none"> • Courts has stand alone processes, systems (outsourced collections) 	<ul style="list-style-type: none"> • Single system 	<ul style="list-style-type: none"> • Integration with G/L • Integration with billing • Aging standards vary by agency 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Unique requirements for Courts (legal mandates) • Various rules for agencies 	<ul style="list-style-type: none"> • Complex requirements for different types of bills 	
Single customer database with ability to link records belonging to the same individual or organization.	<ul style="list-style-type: none"> • Ability to identify total amounts by customer (multiple linking paths) • Flag delinquent accounts. Understand bankruptcy situations 	<ul style="list-style-type: none"> • Fewer bankrupt accounts billed improperly 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Requires a new database and software to maintain, user front end 	<ul style="list-style-type: none"> • Security levels / controls 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Confidentiality issues 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • It would be difficult to have a single customer record across multiple agencies due to confidentiality issues, contract language, and the variety of billing the

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> Coordinate payment plans (courts can do this) Simplified payment research 								county performs.
More flexibility in billing options and invoice formatting. Also includes creating bills on demand.	<ul style="list-style-type: none"> Invoices more descriptive Customers have better information Less need to attach supporting documentation to billings 	<ul style="list-style-type: none"> Fewer customer inquiries Reduced time to prepare bill Faster payments 	<ul style="list-style-type: none"> More data entry, unless flows through from system 	<ul style="list-style-type: none"> Would require system and integration 	<ul style="list-style-type: none"> Departments need IT support and equipment to use 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None Identified 	<ul style="list-style-type: none"> Possible to Implement a solution that is more complex to manage 	<ul style="list-style-type: none"> Can't provide purchase order numbers!
Integrate central accounts receivable application with agency systems.	<ul style="list-style-type: none"> More centralized cash management Can identify incoming checks Eliminate duplicate data entry 	<ul style="list-style-type: none"> Reduce unapplied cash balance 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> Requires interfaces 	<ul style="list-style-type: none"> Recognize one customer may have multiple billing sites 	<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none"> None Identified 	<ul style="list-style-type: none"> None identified 	
Distributed on-line data entry with edits and controls.	<ul style="list-style-type: none"> Eliminate batched forms Visibility to errors, cor- 	<ul style="list-style-type: none"> Reduced paper flow 	<ul style="list-style-type: none"> Redistribution of work 	<ul style="list-style-type: none"> Online data entry system with edit capabilities 	<ul style="list-style-type: none"> Need work flow, approval, audit control, security 	<ul style="list-style-type: none"> Resources needed to do this 	<ul style="list-style-type: none"> Union (job description issues) 	<ul style="list-style-type: none"> None identified 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	rection				considerations <ul style="list-style-type: none"> • Reduce input from paper / mass entry, get electronic downloads from agencies • Need way to do rapid data entry 				
Improved customer correspondence and communications history tracking	<ul style="list-style-type: none"> • Improved customer tracking • Audit trail • Ability to give more accurate, consistent information to customers • Improved compliance with fair billing practices • Visibility to correspondence • Meet public disclosure requirements 	<ul style="list-style-type: none"> • Eliminate side systems to track • Less re-search time • Reduction in phone calls (shopping for answers) 	<ul style="list-style-type: none"> • Training 	<ul style="list-style-type: none"> • Requires new technology and data stores 	<ul style="list-style-type: none"> • IBIS does have some of this functionality • Policies needed to implement process 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Confidentiality 	<ul style="list-style-type: none"> • None identified 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Enhanced remittance processing capabilities including on-line access to payments processed.	<ul style="list-style-type: none"> • Less time to research • Less manual payment posting • 1 check for multiple customers – need to individually invoice (need capability to post) Eliminate need to generate invoices for scanning 	<ul style="list-style-type: none"> • Less time to re-search, perform manual processes • Reduced manual payment entry and processing 	<ul style="list-style-type: none"> • There is an RFP to address some of these issues (scanners for all systems) 	<ul style="list-style-type: none"> • Requires new /improved technology 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None Identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Mis-applying payments 	<ul style="list-style-type: none"> • The Treasurer will be issuing a RFP for new remittance processing equipment in 2004. Checks processed through this equipment will be scanned and can be queried by check number, account number, payment amount. Remittance processing equipment can create payment files for agency billing systems.
Support electronic bill presentation and payment options	<ul style="list-style-type: none"> • Cities can access bill information online. • Agencies could also view inter- 	<ul style="list-style-type: none"> • Reduction of supporting documentation and mailings • Reduction 	<ul style="list-style-type: none"> • None Identified 	<ul style="list-style-type: none"> • Web, IVR, online bill and payment system 	<ul style="list-style-type: none"> • Need to strip confidential information • Determine how long to retain in- 	<ul style="list-style-type: none"> • None Identified 	<ul style="list-style-type: none"> • Privacy, can't retain credit card information in system (use 3rd party) 	<ul style="list-style-type: none"> • Credit card fraud 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	fund transfer information <ul style="list-style-type: none"> • Customers could view payment / account status information as well. • Easier to provide information to customers (fax, mail, email) 	in customer service calls <ul style="list-style-type: none"> • Revenue collected more quickly • Fewer NSF checks 			formation <ul style="list-style-type: none"> • Coordination with cash management • Not all customers could take advantage of this technology • Information must be presented in a usable format 		<ul style="list-style-type: none"> • Security 		
Project Billing enhancements (allow accumulation of costs prior to customer setup). *Address Problem when project set up before receivable master file set up.	<ul style="list-style-type: none"> • Eliminate manual billings • Ensure project charged correctly • More timely posting of information • More timely collection of revenue (currently controls are manual) 	<ul style="list-style-type: none"> • Reduction in manual billings • Reduction in reconciliation effort 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Requires new technology (ARMS and AIRS side) • IBIS – implement project billing 	<ul style="list-style-type: none"> • Department interfaces / information received when needed 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • A more timely bill does not always translate a more timely payment. 	
Single, county-wide accounting calendar	<ul style="list-style-type: none"> • Cleaner cut-off for cross agency bill- 	<ul style="list-style-type: none"> • Reduction of manual billing and reconcilia- 	<ul style="list-style-type: none"> • Training / communications 	<ul style="list-style-type: none"> • New technology Not necessarily needed 	<ul style="list-style-type: none"> • Interfacing systems that drive calendar 	<ul style="list-style-type: none"> • None Identified 	<ul style="list-style-type: none"> • Agreement on payroll accrual handling 	<ul style="list-style-type: none"> • None Identified 	

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<ul style="list-style-type: none"> Reduction of manual billing and reconciliation processes Monthly activity can appear on one bill 	<ul style="list-style-type: none"> Process changes 			<ul style="list-style-type: none"> (ex. payroll) 				
Integrate Accounts Receivable Customers and Accounts Payable Vendors.	<ul style="list-style-type: none"> Potential to not pay vendor if they had receivable outstanding Not paying those that owe us money Prevent refunding of over-payments if they owe us money Visibility 	<ul style="list-style-type: none"> Reallocation of AP, AR staff time devoted to issuing warrant, receiving payment 	<ul style="list-style-type: none"> Requires coordination of AR and AP 	<ul style="list-style-type: none"> Need to record in both systems 	<ul style="list-style-type: none"> Amount of time to manage Complex issues Initial increase of work to set process Flexibility as to automation 	<ul style="list-style-type: none"> Cultural change Customer education 	<ul style="list-style-type: none"> Contract language needs to allow for this 	<ul style="list-style-type: none"> Highly political 	
Bankruptcy notification improvements	<ul style="list-style-type: none"> All billing agencies informed of bankruptcy status, thus avoid repercussions of billing in- 	<ul style="list-style-type: none"> Less effort in manual tracking bankruptcy information (agencies track separately now) 	<ul style="list-style-type: none"> Training Identification of group responsible for this data. 	<ul style="list-style-type: none"> Database, notification, update and access method (Flag adds) Method to track who 	<ul style="list-style-type: none"> Integrate with billing system to access bankruptcy information posted to database 	<ul style="list-style-type: none"> Training Determine custodian of this responsibility 	<ul style="list-style-type: none"> None Identified 	<ul style="list-style-type: none"> None Identified 	<ul style="list-style-type: none"> Currently there are hundreds of bankruptcies per year. Can be high indi-

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
	<p>correctly per status</p> <ul style="list-style-type: none"> • Can notify entire county at once. • Easier identification as to where payment goes. • Track different types of bankruptcies 	<ul style="list-style-type: none"> • Easier access to information as to who to pay. 		<p>has filed with courts to receive payments</p>	<ul style="list-style-type: none"> • How to associate bankruptcy notice information with customer • How to handle dates • Integrate with District Courts • Bankruptcy courts have databases which can provide information 				<p>vidual dollar amounts involved</p>

King County, State of Washington

Quantifiable Business Case

Focus Group 1



Focus Group: Cash Management and Treasury

Date: February 6, 2004

Time: 8:30 AM to 12:30 PM

Location: King Street/3D

Agenda



- I. Introduction**
- II. Business Processes Review**
- III. Performance Measures Review**
- IV. Critical Success Factors**
- V. Next Steps**

I. Introduction



A. Project Definition

The purpose of this project is to provide King County with a quantifiable business case which justifies replacing or improving the county's current budget, financials, human resources and payroll operations model and the array of distributed systems and the business practices that support them.

B. Business Function Definitions – Cash Management and Treasury

Cash Management and Treasury Scope: (Look at Business continuity project – backup plans, disaster plan for scope) Basically collect, receive, deposit, invest, spend cash.

C. Focus Group Approach

II. Business Process Review



A. Definitions and Terminology

- **Business Function** – Refers to a high level grouping of business processes designed to meet a specific business objective. The financial functional areas covered by this project are:
 - General Ledger
 - Project Accounting
 - Grant Accounting
 - Purchasing
 - Accounts Payable and Warrants Reconciliation
 - Accounts Receivable and Collections
 - Inventory
 - Order Entry
 - Fixed Assets
 - Cash Management
 - Debt Management
 - Labor Distribution
 - Financial Reporting
- **Business Process** – A discrete set of activities within a functional area. For example, business processes related to the General Ledger function include Set up and Maintain Chart of Accounts, Process Manual Transactions, etc.
- **Operations Model** – The operations model for both business and technical includes the following:
 - Integrated business process model and work flow addressing how all functions work together.
 - Roles, Responsibilities, and Authority for each identified business area/function and for integrated business operations.

- Organizational structure (including Span of control, Staffing models, Staffing levels).

B. Confirmation of Current Business Processes

Cash Management and Treasury Function Goal: Effectively, efficiently, collect taxes and fees, and then distribute it. Receive cash and make investments as quickly as possible. Hold investments as long as possible. Report and classify cash, debt and investment activity.

• General Issues

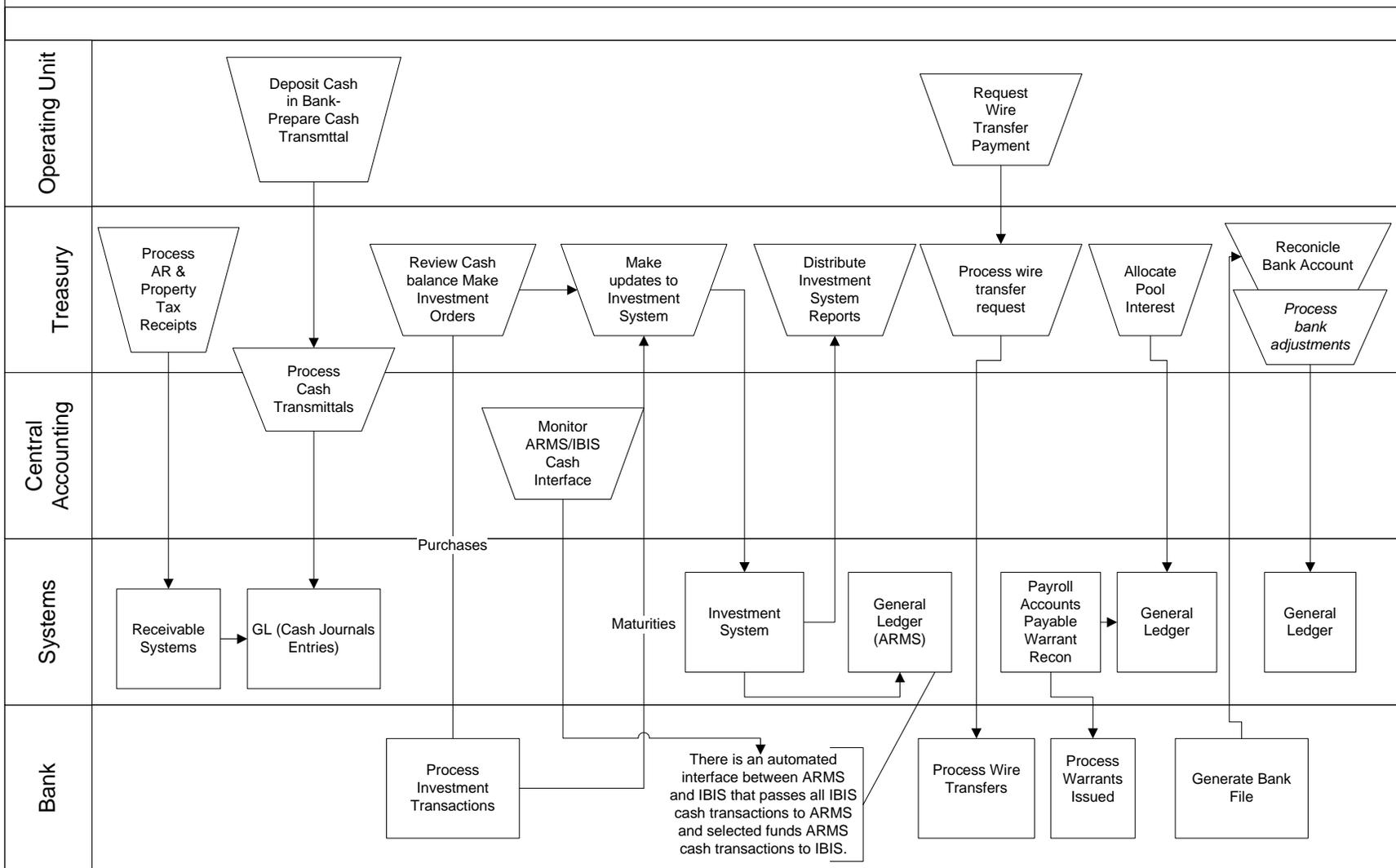
- Links between property tax and ARMS systems are complex. Process change would be difficult.
- For remittance processing not all statements have magnetic coding so they cannot be scanned. Need flexibility in remittance processing system to support a variety of payment types.
- District Courts use a state run system which uses BARS coding. Research is needed to map these payments for King County ARMS codes.
- Long Term Debt: Would like to see improvements in investment system such as the amount to report on the CAFR. The county's investment system reports on cost basis and while the CAFR uses market value.
- District Courts – biggest issues ARMS code versus BARS code. We receive on state system , so all codes in BARS, have to convert to ARMS.
- Need more timely notification for bankruptcies.
- Electronic disbursements don't go through AP system requiring manual processes.
- Two separate accounting systems create problems for bank reconciliations; there is much work to keep systems in balance, lots of monitoring. A big chunk of bank reconciliations ignores cash out of balance in IBIS. Need to write journal entries in systems to keep in parallel.
- Districts need access to information such as on-line cash balances.
- The Property Tax Billing System (PBS) brings in greatest revenue to county and local jurisdictions (2.5 billion annually). The interface between ARMS (property tax interface) and the PBS is critical. It is difficult to prevent errors in this interface; system reports to help identify problems are needed. It is difficult to correct problems. Reports with a combination of PBS and ARMS information are needed.
- For the PBS system and related ARMS interface there is a lack of institutional knowledge. This will get worse the employees with this knowledge are nearing

retirement. There are just a few people with functional knowledge of the application and no single ITS analyst that understands the entire system. No one has in-depth knowledge of how they fit together.

- The Assessor’s Office is planning to replace the property tax system (the first step will be a Quantifiable Business Case in the next 6 months). Need information readily accessible to answer questions. In interface, need look up system to see past payments, exemptions, ownership changes, etc. then can resolve issues with tax payers easily. Assessor system/property tax (PBS) side drives property tax then sent to ARMS.
- Cash – most cash transactions are done batch through ARMS, would be nice to be able to enter transactions directly into system.
- There are many manual systems in the cash receipting processes that could be improved.
- Would like to see a more centralized way to handle NSF and closed accounts.
- ARMS – no online entry/edit and process...all batch. No edits until processed in system, so can’t fix errors until we see report. The current data entry process built on many rules (3 inch note book). Takes a year to learn how to do customized data entry form. It is difficult to find people that want to do this work Preference is to enter transaction where it originates with central processing.
- Cashier systems could be more automated.
- Improvements could be made without going to a new system, could create an online entry.
- Some cash deposited in IBIS, eventually goes to ARMS (ARMS is official record of all cash activity). There are many systems updating cash accounts.
- Would be nice to interface with state systems. Money sits in trust accounts until end of month since difficult to transfer.
- Research on NSF check, need to research paper or film copy, new systems save to disk, so easier to find (minutes versus hours).
- There is a huge need for imaging and document management for many finance functions.
- Unless sent to records management, don’t have fire, climate, security controlled (access is somewhat controlled). 2-6years retention.
- Key, filing, binding, moving in and out of vault (a few times a year to records center) research (can lose).

Cash Management and Treasury High Level Flow

Attachment 4: KC Cash Management/Treasury Example - High Level Flow



Cash Management and Treasury Current Business Function Flow

Process	Inputs	Outputs	Method	Performed by	Flow Time	Gaps/Comments
Process Cash Receipts	<ul style="list-style-type: none"> Cash, checks, electronic receipts Customer Information 	<ul style="list-style-type: none"> Updated General ledger and Accounts Receivable 	<ul style="list-style-type: none"> Manual paper forms processed by cashier and entered into ARMS Online update to IBIS Automated Manual completion of paper payment forms keyed by data entry into AIRS Automated interface from remittance processing machines to property tax, AIRS and IBIS (lockbox) Other systems like Records and Public Health interface 	<ul style="list-style-type: none"> Agencies deposit and prepare miscellaneous cash receipts Accounts receivable and property tax handled by Finance 		<ul style="list-style-type: none"> Community Services receives payments (deposit in drop box at bank) so there is a delay. Manually tracked at service centers. Take media and check and route to agency (interoffice mail) About 390 bank accounts total (not all deposit accounts, 27 warrant accounts) All agencies reconcile their own accounts. Inter-fund loan reporting system, former metro funds don't link well to our system. Biggest fund did not show up on report to exec. Finance committee.
Manage Investments	<ul style="list-style-type: none"> Cash Balance Market Information 	<ul style="list-style-type: none"> Investment sales and purchases 	<ul style="list-style-type: none"> Manual Automated, have investment system (Sunguard Treasury Resource system) interfaced to ARMS (buys and sells done by telephone, key into investment sys- 	<ul style="list-style-type: none"> Treasury 		<ul style="list-style-type: none"> In a few cases Special Districts manage their own investments and provide instructions to Treasury to execute. These are declining in use, most are managed through the investment

			tem, then interface to ARMS)			pool. <ul style="list-style-type: none"> • Need to be able to pick up fair market value into ARMS at end of year. The investment system calculates gains and losses and passes that information to ARMS
Allocate Pool interest	<ul style="list-style-type: none"> • Investment rate earned for period • Fund average daily cash balances 	<ul style="list-style-type: none"> • Fund interest earning posted to GL 	<ul style="list-style-type: none"> • Automated, interfaced from investment system 	<ul style="list-style-type: none"> • Treasury 		<ul style="list-style-type: none"> • Average daily cash transaction information is a daily download from ARMS. The investment system calculates average cash for districts. • If member of pool has negative cash balance for month, they get charged fee, but system can't deal with it and calculates negative fee. These must be manually adjusted.
Monitor ARMS IBIS cash Interface	<ul style="list-style-type: none"> • ARMS and IBIS Reports 	<ul style="list-style-type: none"> • Adjusting entries or updates to interface tables as needed 	<ul style="list-style-type: none"> • Manual 	<ul style="list-style-type: none"> • Finance-Accounting 	<ul style="list-style-type: none"> • Reconciled daily, make take a few hours to resolve (2 staff) 	<ul style="list-style-type: none"> • Would rather not do this
Process EFT payments	<ul style="list-style-type: none"> • Agency request for EFT transfer 	<ul style="list-style-type: none"> • EFT to payee • Manual paper document to update General Ledger 	<ul style="list-style-type: none"> • Manual 	<ul style="list-style-type: none"> • Requested by agency • EFT transfer instructions to bank done by Treasury • General Ledger transaction can be completed by agency or Treasury 		<ul style="list-style-type: none"> • Daily distribution for Tax system and mental health are electronic interfaces. • Encumbrances and 1099 not going through AP, just to GL (AP does not have ability to record

						<p>electronic payments)</p> <ul style="list-style-type: none"> • Also disbursements that we don't initiate, outside body initiates. For example, payroll tax payments are initiated by the IRS.
Reconcile Bank Account	<ul style="list-style-type: none"> • Bank File • ARMS reports 	<ul style="list-style-type: none"> • Manual General ledger transactions to post adjustments as needed 	<ul style="list-style-type: none"> • Manual 	<ul style="list-style-type: none"> • Treasury 		<ul style="list-style-type: none"> • Agencies are responsible for reconciling their own accounts. • Treasury performs one huge reconciliation of ARMS cash balance to bank account (daily) • IBIS – need spreadsheets to assist with reconciliation. Spreadsheets used to match (ex. ARMS and agency batches) • No oversight of reconciliations between accounts and agencies (probably on a monthly basis) Need to monitor these activities. • Cashiers maintain manual books, so 3 part reconciliation between ARMS, bank and manual books.

						<ul style="list-style-type: none"> • If everything coming in electronic, then system could reconcile.
Investment System Reporting		<ul style="list-style-type: none"> • Monthly pool statement • Annual report to districts and county funds in pool 	<ul style="list-style-type: none"> • Investment system – all printed reports 			<ul style="list-style-type: none"> • Executive Finance Committee Reports do not have complete information. Loans between Metro and King County funds are not always shown.
General Ledger Cash Reporting	<ul style="list-style-type: none"> • ARMS GL 	<ul style="list-style-type: none"> • Various 	<ul style="list-style-type: none"> • Out of GL in ARMS 			

C. Performance Measures

Cash Management and Treasury Key Performance Measure Examples

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
	Use Concentration Accounts			<ul style="list-style-type: none"> • With concentration accounts banks automatically clear out excess funds in agency accounts and forwards the funds to a single account. Investments are made from this single account. • Cheryl's account is main bank account
	Consolidate Bank Accounts			<ul style="list-style-type: none"> • The county is working on this • We also have 2 AP and 2 payroll accounts because we have 2 systems! What are bank fees? Compare to other counties of similar sizes. Ours about \$270,000 banking services account. In 2003 we started charging agencies for their bank accounts.

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
	Use controlled disbursements to take advantage of bank float			<ul style="list-style-type: none"> • Controlled disbursements is a technique for maximizing bank float by the use of bank accounts at remote locations that will take longer to clear. This can be an expensive best practice and is becoming less effective as the Federal Reserve strives to make check clearing more efficient. • The county's current payment business processes maximize float by only paying bills when they are due.
	Increase use of EFT transfers			<ul style="list-style-type: none"> • The county is currently developing a mechanism to do EFTs through the system
	Use Lockbox processing			<ul style="list-style-type: none"> • The county uses internal lockbox.
	Implement on-line access to bank account information			<ul style="list-style-type: none"> • Payroll and AP warrant. Other checks. • Courts will be able to look at bank statements online and automatic reconciliations comes with it.
	Implement positive pay system			

Business Function	Improvement Opportunity	Benefit	Measurement Criteria	Comments
	Use Petty Cash rather than manual checks			<ul style="list-style-type: none"> Treasury uses Quickbooks to track manual warrants.
	Use Zero Balance Accounts			<ul style="list-style-type: none"> The county uses zero balance accounts on the disbursement and receivable side
All Financial Business Functions	Provide reports and forms on electronic media.	Elimination of forms (ex. Multi-part), faxes, printed reports in favor of automated document tracking, approvals, queries.	% savings of printing, fax and forms order costs.	<ul style="list-style-type: none"> YES! This is needed.

III. Critical Success Factors



- Objectives for the Quantifiable Business Case.
- Top three things that have to be addressed for the project to be a success?
 - Combine 2 systems to eliminate reconciliations and gaps
 - Document management (digital imaging and storage/organization)
 - Simply interfaces between systems, in particular between property management and ARMS
 - Centrally oversee (efficiently), agency bank reconciliation
 - Automate manual processes, replace batch processes with real-time, provide better reporting capabilities
 - Provide adequate training and documentation on systems and processes
- Obstacles and resistance.
 - Digital image copy accepted as valid (like paper copy) (Just allowed by Feds)
 - Need to keep up with Fed electronic processes/regulations
 - People may be resistant to change
 - Lack of documentation of current processes and systems, when design new system may overlook needed processes
 - Technology issues between judicial and executive branch. State district courts computer systems will not make changes just for county (ex. BARS vs ARMS codes).

IV. What's Next?



- Follow up with individuals to clarify business processes and opportunities.
- Hold a second focus group session to refine/confirm the current business processes, present proposed business processes, and review high payback processes for additional analysis.
- Develop costs of current business processes through a survey of agencies.

King County, State of Washington

Quantifiable Business Case

Focus Group 2



Focus Group: Cash Management and Treasury

Date: March 4, 2004

Time: 9:00 AM to 12:00 PM

Location: Key Tower, Vashon North

Agenda



- I. Findings From First Session**
- II. Opportunities for Improvement**
- III. Analysis of Opportunities**
- IV. Next Steps**

I. Findings From First Session



- The ARMS system is the county's official record of all cash activity. Some cash is deposited in IBIS, but it is eventually posted to ARMS. There are many systems updating cash accounts. Treasury reconciles ARMS cash balances daily.
- Having two separate accounting systems creates problems for bank reconciliation; there is much effort and monitoring required to keep systems. A large portion of the bank reconciliation process ignores cash out of balance in IBIS. Treasury writes journal entries in both systems to keep them in balance. The interface between ARMS and IBIS must be monitored.
- The county has approximately 390 bank accounts (these are not all deposit accounts). The county has 27 warrant accounts. Agencies are responsible for reconciling their own accounts but there is no efficient oversight for this process.
- The Property Tax Billing System (PBS) brings in greatest revenue to county and local jurisdictions (2.5 billion annually). The interface between ARMS (property tax interface) and the PBS is critical. It is difficult to prevent errors in this interface; system reports to help identify problems are needed. It is difficult to correct problems. Reports with a combination of PBS and ARMS information are needed.
- For the Property Tax Billing System (PBS) and related ARMS interface there is a lack of institutional knowledge. This will get worse the employees with this knowledge are nearing retirement. There are just a few people with functional knowledge of the application and no single ITS analyst that understands the entire system. No one has in-depth knowledge of how they fit together. The Assessor's Office is planning to replace the property tax system (the first step will be a Quantifiable Business Case in the next 6 months).
- The county has automated remittance processing equipment, which is used for all deposits and for posting payments to some receivable systems. Not all county-issued invoices have magnetic coding on the remittance advice; these cannot be scanned.
- District Courts use a State run system, which uses BARS coding rather than county account codes. Research is needed to map these payments for King County ARMS codes. All Courts payments are received through the State system. The State system cannot be modified to meet the county's accounting requirements.
- For Long Term Debt, the county's investment system reports on cost basis and while the CAFR uses market value. Investment reports need to be improved to show market value. There is a need to pick up fair market value in ARMS at end of year.
- The investment system calculates gains and losses and passes that information to ARMS
- The investment system calculated average daily cash balances by district based on a download of cash transactions from ARMS. The average daily cash balance is used to allo-

cate interest income. The allocation process does not handle negative balances corrected, these must be manually adjusted.

- Agencies need more timely notification of Bankruptcy proceedings. Accounts where the customer is in bankruptcy require special handling. There are legal constraints on actions the county can take against these accounts. Bankruptcy information needs to be coordinated among county agencies.
- Districts need access to information such as on-line cash balances.
- Most cash transactions are done in batch through ARMS. Errors cannot be corrected until the next day. The data entry rules are complex; it takes a year to train someone new. It is difficult to find people that want to do this type of work. Agencies would prefer to enter transaction where it originates with centralized processing.
- There is a need for imaging and document management for many finance functions NSF research is difficult and paper-based. Unless files are sent to records management, they are most likely not fire, climate, security controlled (access is somewhat controlled). Paper documents are retained for two to six years.
- Treasure manages most county investments through the investment pool. In a few cases Special Districts manage their own investments and provide instructions to Treasury to execute. These are declining in use.
- Executive Finance Committee Reports do not have complete information. Loans between Metro and King County funds are not always shown. Former metro funds don't link well to the Inter-fund loan reporting system.
- Accounts Payable does not have the ability to record electronic payments. These are posted directly to the General Ledger.
- Cashiers maintain manual books; a three-part reconciliation between ARMS, the bank and manual books is required for cash receipts.
- The Debt Management System (DBC) was replaced about three years ago.

II. Opportunities for Improvement



- Consolidate data and eliminate redundant processes by moving to a single financial system.
- Implemented document management system (digital imaging and storage/organization)
- Simply interfaces between systems, in particular between property management and ARMS.
- Automate manual processes; replace batch processes with real-time entry and edits. Support distributed data entry with centralized processing.
- Develop standard agency bank account reconciliation procedures. Develop efficient method for central oversight of agency reconciliation.
- Automate remittance processing through the use of more invoices that can be scanned.
- Improve the reporting process especially for BARS, Interfund Loans, and reporting of investments at fair market value.
- Provide on-line access to banking information including cash balances and warrants cashed.
- Increase usage of electronic payment methods for customers such as EFT, debit cards, and credit cards.
- Provide a mechanism for timelier, coordinated notification of bankruptcy proceedings.
-
- Focus group participants did not identify any debt management issues or improvement opportunities.

III. Opportunity Analysis



A. Analysis of Proposed Changes

Improvement Opportunity	Benefit	Performance Measures	Organizational Impact	Role of technology	Implementation Considerations	Organizational Obstacles & Constraints	Legal & Policy Constraints	Risks	Comments
Single Financial System	<ul style="list-style-type: none"> • Single source for financial information • Eliminated ARMS/IBIS interface monitoring • Improve the bank reconciliation process • Improve balancing of cash 	<ul style="list-style-type: none"> • Time to prepare county-wide reports • Decreased reconciliation time 	<ul style="list-style-type: none"> • Training • Possible consolidations in warrant / cash reconciliation 	<ul style="list-style-type: none"> • Requires new system 	<ul style="list-style-type: none"> • Rebuild reconciliation process • Rebuild interfaces • Transition to one accounting calendar 			<ul style="list-style-type: none"> • Lack of institutional knowledge and documentation increases project risk (specific to property tax system) 	
Implement Document Imaging System	<ul style="list-style-type: none"> • Improved Access to source documents • Consistent record retention policy • Remote on-demand access to documents • More secure record keeping 	<ul style="list-style-type: none"> • Retrieval time savings (sample best candidates for this) 	<ul style="list-style-type: none"> • Training • Job duty changes 	<ul style="list-style-type: none"> • New technology and hardware 	<ul style="list-style-type: none"> • Increased cost to agencies • Data organization requirements, records management, indexing • Image quality • Integrate with financial system (see scan of invoice, contract, etc.) Costly and complex 	<ul style="list-style-type: none"> • Job changes • Confidence • Expensive 	<ul style="list-style-type: none"> • Cognizant agency approval to do this. 	<ul style="list-style-type: none"> • Inconsistency in data storage • Image quality control (if keep physical documents for 30 days, then can recapture) • Migration to subsequent technologies • Diverse technologies, 	<ul style="list-style-type: none"> • There will be an RFP for Apr. 1st to capture images of checks • HIPAA confidentiality issues do not apply to cash management.

								<p>legacy implementations</p> <ul style="list-style-type: none"> • Might impair ability to research fraud (sometimes fingerprints are taken from checks) 	
<p>Simplify interfaces between systems, in particular between property tax and ARMS</p>	<ul style="list-style-type: none"> • Reduce time spent researching problems • Balancing 	<ul style="list-style-type: none"> • Time to research 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Would require new or modified interfaces 	<ul style="list-style-type: none"> • Coordinate with assessor. • Assessor is looking for a new property tax system. • Must be well tested to avoid problems 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Current interfaces not well understood • High volume process, problems would have a huge impact 	
<p>Automate manual processes; replace batch processes with real-time entry and edits. Support distributed data entry with centralized processing</p>	<ul style="list-style-type: none"> • Reduces paperwork and related effort to route paperwork. • More timely and accurate data entry • Eliminates delays caused by overnight edit errors (errors would be 	<ul style="list-style-type: none"> • Forms printing and courier/delivery costs • Central data entry cost reduction • Elapsed time improvements (take sampling) • Elimination of side systems, 	<ul style="list-style-type: none"> • Training • Resources needed to convert staff from clerical to technology tasks • Internal control 	<ul style="list-style-type: none"> • Requires technology to facilitate 	<ul style="list-style-type: none"> • Changes to approval processes • Internal controls • Storage and access of source documents 	<ul style="list-style-type: none"> • Potential labor issues (some contracts have technology clauses) 	<ul style="list-style-type: none"> • Where source records are kept 	<ul style="list-style-type: none"> • Internal control • Security, privacy 	

	<p>reported on-line, real-time)</p> <ul style="list-style-type: none"> • Better audit trail, status, visibility 	<p>which capture data for forms (ex. Some of PFM)</p>							
<p>Develop standard agency bank account reconciliation procedures with oversight to this process</p>	<ul style="list-style-type: none"> • Consistent Reconciliation processes • Ensures compliance with county's reconciliation policies 	<ul style="list-style-type: none"> • More timely resolution of adjustments 	<ul style="list-style-type: none"> • Training and documentation 	<ul style="list-style-type: none"> • Not required to do this 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Dealing with various separately elected officials and agencies. It can be difficult to get them to follow procedures. 	<ul style="list-style-type: none"> • None Identified 	
<p>Centralized and automated remittance processing</p>	<ul style="list-style-type: none"> • Reduce number of payments that are manually processed • More payments scanned into database 	<ul style="list-style-type: none"> • Increase in number of payments processed through remittance equipment • Savings • Reduce need for armored car delivery • More scanned payments 	<ul style="list-style-type: none"> • Reallocation of work 	<ul style="list-style-type: none"> • Requires new or enhance remittance processing equipment. 	<ul style="list-style-type: none"> • Integration with separate receivable /billing systems • Reformat remittance advise 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None Identified 	<ul style="list-style-type: none"> • Will be acquiring new remittance processing equipment in 2004 • There is an excess capacity except at tax payment time • Scanning is an option
<p>Increase usage of electronic payment methods for customers such as EFT,</p>	<ul style="list-style-type: none"> • Improves float • Reduces NSF checks • More timely 	<ul style="list-style-type: none"> • See benefits 	<ul style="list-style-type: none"> • Training on technology 	<ul style="list-style-type: none"> • New technology needed 	<ul style="list-style-type: none"> • Do we use a 3rd party payment processor, instead of all agencies getting 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Customers required to pay processing fee (RCW) 	<ul style="list-style-type: none"> • Fraud risks, 3rd party and credit card companies absorb some of 	

<p>debit cards, and credit cards.</p>	<p>customer payments (Courts said this has been their experience)</p> <ul style="list-style-type: none"> • Reduce time spent processing checks • Might generate more revenue (More likely to take class, license pet, etc. if they can pay by credit card) 				<p>their own 3rd party payment processor?</p> <ul style="list-style-type: none"> • Absorb or charge convenience fee to handle credit card fee. • Don't want to take on security issue of handling credit card information. 			<p>this</p>	
<p>Provide a mechanism for timelier, coordinated notification of bankruptcy proceedings. Chapter 7 (personal) 11 (corporate), 13 most of the work with chapter 11.</p>	<ul style="list-style-type: none"> • All billing agencies informed of bankruptcy status, thus avoid repercussions of billing incorrectly per status • Ability to notify entire county at once. • Easier identification as to where payment goes. • Track different 	<ul style="list-style-type: none"> • Less effort in manual tracking bankruptcy information (agencies track separately now) • Easier access to information as to who to pay. 	<ul style="list-style-type: none"> • Training • Ownership of information and process 	<ul style="list-style-type: none"> • Database, notification, update and access method (Flag adds) • Method to track who has filed with courts to receive payments • Maybe an extension of the court system 	<ul style="list-style-type: none"> • Integrate with billing system to access bankruptcy information posted to database • How to associate bankruptcy notice information with customer • How to handle court ordered dates (when you can and 	<ul style="list-style-type: none"> • Training • Determine custodian of this responsibility • 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • None identified 	<ul style="list-style-type: none"> • Currently hundreds per year. • Can be high individual dollar amounts involved • There is an automated system from some court reporting agency that keeps list and notifies of bankruptcy.

	types of bankruptcies				can't bill) • Integrate with District Courts • Bankruptcy courts have databases which can provide information				
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