ACCOUNTS PAYABLE CHAIN OF ACTIVITIES LEADING PRACTICE WORKSHOP

DECEMBER 12, 2018
Welcome

- Facilities
  - Restroom
  - Cafe

- Public Meeting
  - Noticed as Public Meeting due to ESC member participation
  - Materials available on Florida PALM web site for public
  - Recording meeting for note taking purposes
  - Producing official meeting minutes for publication on Florida PALM web site
Introductions

- Angie Robertson – BPS Track Manager
- Bill Kilmartin – Business Value Architect
- Matt Cole – BPS Track Manager
- Workshop Participants
- Project Team Participants
Agenda

- Context
  - Brainstorming: Rose/Bud/Thorn
  - Design Principles
  - Leading Practices
- Break
- Breakout and Group Discussion
- Next Steps
Florida PALM Timeline

We are here

Application of Lessons Learned and Expanded Agency Engagement (Remaining agencies)

Core functionality (DFS and up to three agencies)

Core functionality (1/2 agency users)

Core functionality (1/2 agency users)

Payroll functionality (all agencies)

Enhanced functionality (all agencies)

Go-live
Two Phases – DDI Phase 1 and DDI Phase 2 with six distinct periods:

- DDI Phase 1, Pilot – Establish statewide solution and foundation for Departmental functionality to replace core FLAIR and CMS functionality for Pilot agencies
- DDI Phase 1, Agency Solution Confirmation – Focus on agency readiness, reviewing the Solution as implemented in Pilot to demonstrate how Agencies will conduct business in the Solution and identify any remaining gaps
- DDI Phase 1, Wave 1 – Extend proven solution to additional Agency users, approx. ½ of end user base
- DDI Phase 1, Wave 2 – Extend proven solution to remaining Agency users
- DDI Phase 1, Wave 3 – Deploy Payroll functionality to all Agencies
- DDI Phase 2 – Deploy additional functionality
Solution Analysis and Design

We are here

**Project Recommended Solution**
Design drafted through activities primarily performed by Project Team members, supported by Division SMEs, and leveraging Prototype 1

**Representative Agencies Workgroup Solution**
Design refined through Workgroup meetings with a small group of agencies, Project Team members, and Division SMEs leveraging Prototype 1

**All Agencies Confirmation**
Design refined through Workshops with and feedback from all agencies

**Project and Executive Steering Committee Review and Approval**
Design finalized through presentation to and feedback from the ESC

**All Agencies Workshops**
Finalized design communicated to all agencies through Business Process Workshops

* During Pilot period only
Definition: Payee

- Persons or entities receiving disbursements, whether in a central or distributed disbursement system.

Examples include:
- Vendors
- Employees
- Recipients
- Beneficiaries
- Fiduciaries
- Bondholders
- Other agencies and governments
- Entities receiving revenue refunds
Definition: Master Data

- Throughout today’s session, we will also use the term “master data”

**Master data** is an organization’s single source of basic business data used across multiple applications and processes.

**Master Data Management** is a technology-enabled discipline in which business and IT work together to ensure the uniformity, accuracy, stewardship, semantic consistency and accountability of the enterprise’s official shared master data assets.

- Once a master data record is created within the Solution, it is available for use by all users and cannot be duplicated.
What is the accounts payable process?

Accounts Payable Chain of Activities Leading Practice Workshop
Focus for this discussion
Agenda

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Brainstorming Activity: Rose, Bud, Thorn

In this activity, we will think about current accounts payable processes in terms of:

- **Roses** (*Green Post-it*): What is currently working well, and you would not want to change? (e.g. functionality, process, other items)
- **Buds** (*Blue Post-it*): What is currently working OK, but could use some improvement or additional work?
- **Thorns** (*Pink Post-it*): What are pain points that make it very difficult to do your job and/or reducing productivity and efficiency?

**Activity Instructions**
1. Individually write down your Roses, Buds and Thorns on the Post-it
2. Each participant shares their Rose, Buds and Thorns
3. Collect and combine the Post-its into corresponding categories (Rose, Bud and Thorn)
4. Discuss the results in the full group
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Design Principles

- Support reporting needs
- Support transaction processing
- Support interface/integration
- Capture at a level of detail that satisfies the mandates of federal and state government
- Support the treasury/cash management functions
Design Principles

- Support reporting needs
  - Payables cycle
  - Transparency reporting
  - Management reporting
  - Month-end
  - Year-end (e.g., CAFR)
  - Grants (e.g., CMIA)
  - Project cost recovery
  - Escheatment
Design Principles

- Support transaction processing
  - Promote operational efficiencies
  - Enable program-management and financial-management approvals
  - Reduce cycle time and facilitate prompt-payment compliance
  - Provide visibility into the status of transactions
  - Minimize errors
  - Enhance internal controls with appropriate segregation of duties
Support interface/integration

- Enable multiple data exchange methods to allow for agency business systems that perform accounts payable to continue to perform this function
- There are three classic approaches:
  1. Interface data from agency business systems
  2. Input data directly using the Solution
  3. Vendor portal to enable vendor invoice submission
Design Principles

- Capture at a level of detail that satisfies the mandates of federal and state government
  - Federal grantors
  - Criteria for payment in accordance with the State’s policies
  - State requirements for budgetary and cash control
Design Principles

- Support the treasury/cash management functions
  - Cash flow analysis (predictive and descriptive)
  - Fund cash management
  - Investments
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Leading Practices

Maximize working capital to increase interest income

- Schedule the timing of payment to take advantage of vendor payment discounts (e.g., 2% discount if invoice is paid in 10 days)
- Otherwise, schedule the timing of payment to comply with Prompt Payment requirements
- Include discount terms in contracts
- Automate the timing of payments
- Consider who retains benefits (i.e., who “keeps” the savings)
- Balance the use of P-Cards with taking advantage of vendor discounts
Leading Practices

Design internal controls into the system
- Configure system to identify and minimize risk
- Role-based security and permissions based on segregation of duties
- Design reports to promote controls
  - Descriptive (audit trail)
  - Predictive (alerts on specific transactions that may be flagged for additional review)
Leading Practices

Minimize manual data entry and optimize automation
- Automatically generate an invoice upon receipt of goods or services
- Electronic invoice presentment (e.g., EDI, eInvoicing)
- Automate edit/check, matching
- Capture and digitize supporting information in the system to eliminate paper supporting documentation (e.g., invoices)
- Standardize and simplify the workflow
  - Adopt one set of business rules across the State (e.g., Allowable cycle time, Number of approval steps)
  - Minimize handoffs (e.g., separate “approvers” from “watchers”)
- Streamline approvals
Leading Practices

Perform risk-based pre-audits
- Establish criteria for risk
- Conduct periodic and recurring risk assessments
- Target pre-audit activity to higher risk transactions
- Conduct periodic post-audits for transactions not pre-audited
- Invest in quality assurance to build agency capability
Leading Practices

Provide visibility to all participants into all steps in the process
- Use metrics to monitor
- Automate Help Desk for common inquiries (e.g., Vendor payment status)
- Provide transparency information
Leading Practices

Minimize the cost to disburse payment

- Move away from paper warrants and paper remittance advice, and replace with EFT and digital remittance advice
- Consolidate multiple items to the same payee into a single disbursement
- Allow but limit the use of local disbursement accounts
Leading Practices

To the extent possible, maximize encumbrances before disbursing payments

- Limit payments without purchase orders to emergencies or other exceptional circumstances
- Encumbrances assist in effective budget management
- Use both blanket and itemized encumbrances
Leading Practices

Collaborate and coordinate across business owners and stakeholders on end-to-end procure-to-pay policy and procedure coordination, such as:

- Definition of data elements
- Process standardization
- Sharing best-practices for payables management
  - A *community of practice* approach creates a virtual “group” of subject matter experts comprising practitioners from multiple agencies
  - A *center of excellence* approach creates an organizational unit with dedicated staff and budget
  - A *shared services organization* directly performs the accounts payable process on behalf of “clients,” typically smaller agencies, pursuant to a service level agreement
Break

- Let’s take a 15 minute break
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Breakout and Group Discussion

- We will divide up into 4 groups
- Each group will receive a poster board with a subset of the leading practices we reviewed in the prior section
- Based on the group’s discussion, you will have 2 tasks:
  1. Identify which current pain points (e.g., “thorns”), or other value the State will realize by adopting this leading practice
  2. Identify obstacles that might keep the State from fully adopting this leading practice
- Be as specific as possible!
- After 10 minutes, groups will rotate (there will be 4 rotations)
- Then, we will reconvene and report back to the full group
Breakout and Group Discussion

- **Green Post-it** = Identify which current pain points (e.g., “thorns”), or other value the State will realize by adopting this leading practice

- **Pink Post-it** = Identify obstacles that might keep the State from fully adopting this leading practice
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Exit Ticket: Leading Practice Ranking

- Before you leave please complete this ranking form
- On a scale of 1-5, rank each leading practice according to the following dimensions:
  - Degree of value the State would realize if the leading practice were fully adopted (5 = highest value)
  - Degree of effort for the State to fully adopt this leading practice (5 = highest effort)
Solution Analysis and Design

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