Accounts Payable and Financial System Implementation Status

Finance, Audit and Accountability
March 27, 2006
Background

• In 1985, the City implemented AMS Advantage 2 Financial System for General Ledger, Accounts Payable, Purchasing, Fixed Assets, Cost Accounting and Budget Monitoring
• Ran on mainframe system with customized operating system (MVS)
• Primary support and maintenance provided by CIS staff
• City was informed in 2002 the vendor, CGI-AMS, would only support their new release called Advantage 3 in the future
Background

- Options to replace the system
  - Upgrade the current system
  - Purchase a new system
- An analysis of the options showed upgrading the old system had the best benefit
- The Council’s Finance and Audit Committee was briefed regarding a recommendation to upgrade the system.
- On November 10, 2004, the City Council approved a contract for the upgrade of the financial system.
Background

Benefits to upgrading to Advantage 3

- Graphical user interface provides a shorter learning curve for new users compared to the previous system
- Web-based system provides easier transfer of data to and from other web-based applications
- City users are already familiar with terminology
- Migration from the previous system did not require major changes to the current account structure
- Addition of new chart of account fields improves reporting capabilities
- Opportunity to implement tighter controls for budget, encumbrances and payables
Background

• Implementation of the system started October, 2004
• The system went “live” October 1, 2005
• The system included all the financial activities
  – Accounts Payable
  – Accounts Receivable
  – Purchasing
  – Fixed Assets
  – Cost Accounting
  – Budget
  – Security
  – Financial Reporting
Implementation Process

• Assigned Team Leads and supporting staff to each of the financial activities
• Documented current procedures
• Tested procedures in Advantage 3
Implementation Process

• Provided training to users
  – 40 Introduction & Navigation sessions attended by 587 staff
  – 24 Payment Processing sessions attended by 257 staff
  – 31 Purchasing sessions attended by 315 staff
  – 8 Budgeting sessions attended by 125 staff
  – 16 Transfers & Corrections sessions attended by 194 staff
  – 11 Revenue Processing sessions attended by 172 staff
  – 2 Accounts Receivable sessions attended by 19 staff
  – 14 Fixed Asset sessions attended by 142 staff

• Users were instructed to enter sample data to ensure transactions were handled properly

• All components were implemented October 1
Improved Accountability

• Requires a 3-way match between purchase order, receiver and invoice, and verifies price and quantity
• Master Agreements/Contracts are required to be set up and encumbered based on awarded amounts
  – No deviation from authorized contract pricing for increased accountability
• Tracks document modifications by creating historical documents to provide an audit trail
• Document approval through electronic worklist
• Improvements made to ensure proper classification of fixed assets
Vendor Payment/Accounts Payable System

• The upgrade to Advantage 3 included the enhancement of the vendor payment/accounts payable system
• The new system includes enhanced financial controls and accountability the old version did not have
Accounts Payable Implementation Challenges

- Tighter controls caused delays in paying vendors
- Invoices for payments pending on September 30, 2005 were delayed when converted to the new system
- We could not use the accounts payable system for 2.5 days during system conversion
- Vendor-related software errors
- Uneven department-level training
- Initially, there were slow system response times
Steps Taken to Improve the System

• Staff worked overtime to bring outstanding invoices in the centralized Accounts Payable Division current
• One-on-one training was provided to Departments
• Weekly meetings are held with OFS, CIS and CGI-AMS
• Hosted accounts payable forum and discussion to determine department needs (February 27)
• Distributed survey to all users requesting feedback on problems in order to schedule future training
• Conducted advanced training on researching payment problems (March 8 and March 24)
• Revised accounts payable procedures to improve efficiency
• Distributing City-wide e-mail tips on eliminating common procedural problems in Advantage 3
• Installed system patches to resolve several issues
• Improved process for reporting issues to CGI-AMS
• Set up an Accounts Payable help desk
## Current Accounts Payable Status

Timeliness of vendor payments has improved since November:

<table>
<thead>
<tr>
<th>Count Date</th>
<th>Number of Invoices to Enter</th>
<th>Number of Invoices Pending Approval</th>
<th>Number of Invoices Pending Additional Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 30, 2005</td>
<td>3,934</td>
<td>720</td>
<td>637</td>
</tr>
<tr>
<td>December 30, 2005</td>
<td>2,010</td>
<td>1,224</td>
<td>356</td>
</tr>
<tr>
<td>January 27, 2006</td>
<td>344</td>
<td>428</td>
<td>486</td>
</tr>
<tr>
<td>February 24, 2006</td>
<td>535</td>
<td>465</td>
<td>569</td>
</tr>
<tr>
<td>March 21, 2006</td>
<td>429</td>
<td>* 1,165</td>
<td>391</td>
</tr>
<tr>
<td>Target</td>
<td>600</td>
<td>600</td>
<td>0</td>
</tr>
</tbody>
</table>

* Includes 797 invoices received the previous business day.
Current Status

• Generally, we are now paying vendors timely
• We have greatly reduced the number of unpaid invoices and we are getting closer to our target
• Additional improvements are being pursued
Next Steps

• Advanced Training
  – Train users on producing reports
  – Additional training to assist departments in researching problems, such as unpaid invoices
  – Correcting data entry errors

• Improved Communication with Departments
  – Provide useful reports to departments to identify potential problems
  – Improve communication with departments regarding specific errors to aid in problem resolution and to prevent future occurrences
Next Steps

• New-hire Training
  – Review online training material
  – Work with departments to determine need for (and frequency of) hands-on training

• Improve Department Efficiencies
  – Perform onsite review of sample departments to evaluate best practices
  – Review all revised department control procedures
  – Recommend changes to department procedures based on best practices to improve efficiencies
Next Steps

• Identify system issues
  – Encourage staff to contact CGI Help Desk with problems and questions
  – Maintain communication with other cities using Advantage 3 to identify potential future problems based on their experience with the system

• Improve Customer Service
  – Modify remittance advice to assist vendors in properly applying payments
  – Consider adding customer service representatives to receive calls from vendors and research unpaid invoices
Appendix

• Key Prior Actions/Briefings
• Life Cycle of a Purchase
Key Prior Actions/Briefings

- November 24, 2003 – Briefed Finance and Audit Committee on Advantage Financial Upgrade Technical Assessment
- December 8, 2003 – City Council approved contract for the assessment of the requirements needed to upgrade the financial system
- April 2004 – Assessment was completed
- June 23, 2004 – Briefed Finance and Audit Committee on the completion of the first phase of the project and plans to move forward
- November 10, 2004 – City Council approved contract with CGI-AMS to upgrade the financial system
Life Cycle of a Purchase

- Enter requisition to purchase goods
- Approve requisition and create purchase order
- Place an order with vendor
- When goods are received, enter a receiver document in the system
- Vendor invoices should be sent to Accounts Payable Division
- Accounts Payable staff enter and approve invoice document
- System matches the purchase order, receiver and invoice; verifies price and quantity information prior to generating payment document
- Check is prepared from the matched payment document