

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:

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

* 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