



# Validation Session

Finance Team

Accounts Payable

December 8-9, 2008

# LaGov

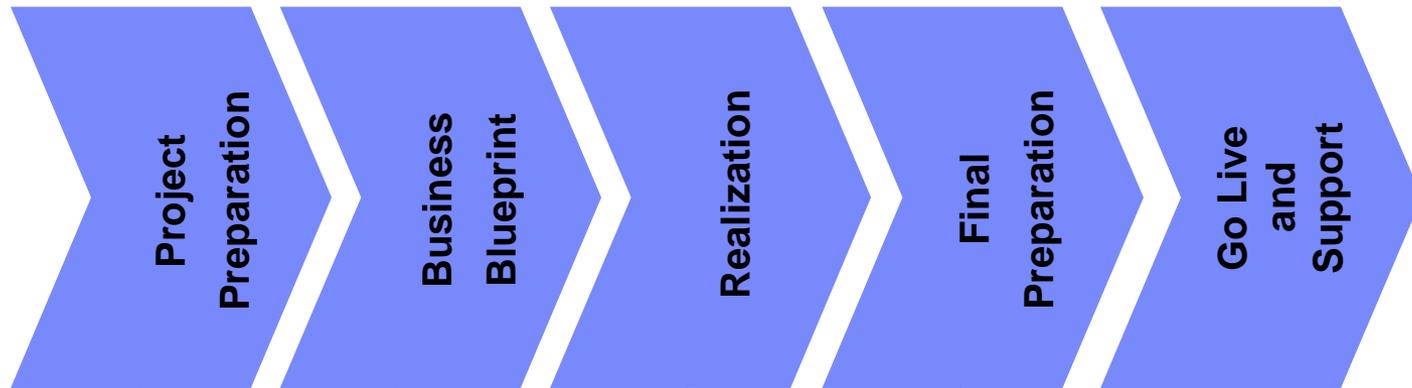
Template Version 1.1

Updated: 10/16/2008



# Project Phases

## ■ Five Key Phases



- Strategy & Approach Defined
- Project Team Training

- Business Process Definition
- Development Requirements

- Development & Unit Testing
- Integration Testing
- End-User Training Materials

- User Acceptance
- Technical Testing
- End-User Training
- Conversion

- Go-Live Support
- Performance Tuning



# Rationale for the Project

The business drivers for the Louisiana ERP Project are summarized in the five key areas listed below

- 1 Consolidation of Administrative Processing and Reporting**
- 2 Address DOTD Systems Risk**
- 3 Improve IT Maintenance and Flexibility**
- 4 Enable New Initiatives**
- 5 Improve Data Warehouse/Business Intelligence**



# Validation Session Agenda

- **Purpose**
- **Work Session Recap**
- **To-Be Processes by Topic**
  - Key Design Elements and Decisions
  - Changes and Challenges
  - Open Issues
  - Benefits/Improvements
- **Supporting Master Data Design**
  - Key Design Elements and Decisions
  - Changes and Challenges
  - Open Issues
  - Benefits/Improvements
- **FRICE-W objects**
- **Conversion Strategy and Interim Solution**
- **Organizational Impacts**
- **Next Steps**
- **Contact Information**
- **Questions**



# Purpose of Validation Sessions

- **Validation Sessions are intended to provide feedback to the workshop participants regarding the TO-BE process design:**
  - Review and discuss TO-BE business process design
    - Confirm adherence to Leading Practices inherent in SAP or reasons for differing
    - Ensure the State's business requirements have been addressed
    - Highlight decisions that define the process, approval steps, and integration points
  - Review and discuss Master Data design
    - Address key integration points
    - Support organizational requirements
    - Consistent and appropriate use of data fields
  - Identify areas of changing process, roles, and responsibilities
  - Resolve open issues or identify strategy for resolution
  - Analyze and document the benefits, improvements, and challenges inherent in the TO-BE process design

***Note: Validation sessions are an affirmation of work session decisions, and assume the SAP functionality knowledge covered in TO-BE session.***



# Workshop Session Recap

Business Process	Work Session Date	Goals	Work Session Code
Master Data Maintenance	08/18/08 09/30/08-10/02/08	Account Code Structure – Vendors	FI-AP-001 LOG-MM-006
Vendor Invoice through Payment	09/17/08 – 09/18/08 09/23/08	Accounts Payable Processing <i>Vendor invoice data entry through payment</i>	FI-AP-002
Vendor Check Management	09/30/08 – 10/01/08	Vendor Check Management	FI-AP-003
1099 Reporting	10/22/08	1099 Processing	FI-AP-004
Non Payable Vendor Invoice Management	10/21/08	Non – Payable Invoicing	FI-AP-005
Procurement Card Expense Allocation	10/30/08 12/04/08	Purchasing Card Processing	FI-AP-006 LOG-MM-025



# Purpose of Today's Validation Session

- Confirm the legacy Purchasing and Accounts Payable systems that will be replaced with SAP Purchasing and Accounts Payable
- Confirm the business design supporting vendor master data maintenance including creating, updating, blocking/unblocking and marking vendor master records for deletion from SAP AP
- Confirm the business requirements for vendor master design including: business partner strategy, field use and account numbering schema
- Confirm the business requirements & process design for vendor invoice data entry and approvals supporting PO related and Non PO related invoices
- Confirm the business requirements & process design for vendor payments



## Purpose of Today's Validation Session (continued)

- Confirm the business requirements & process design for Imprest Account replenishment
- Confirm the business requirements & process design for vendor check management
- Confirm the business requirements & process design for 1099 & 1098 reporting
- Confirm the business requirements & process design for Non payable invoicing through vendor clearing
- Confirm the business requirements & process design for procurement card expense allocation

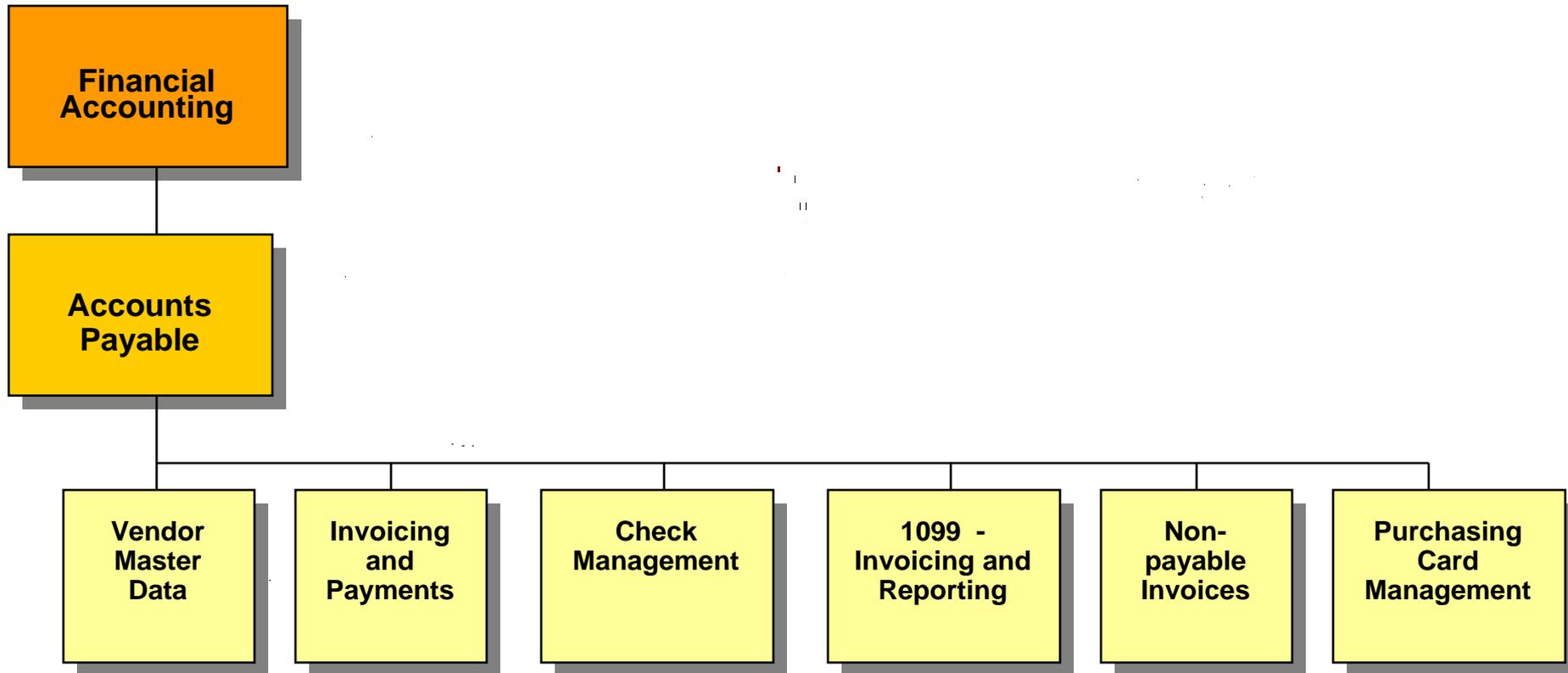


# SAP Accounts Payable

## SCOPE



# Accounts Payable Process Overview



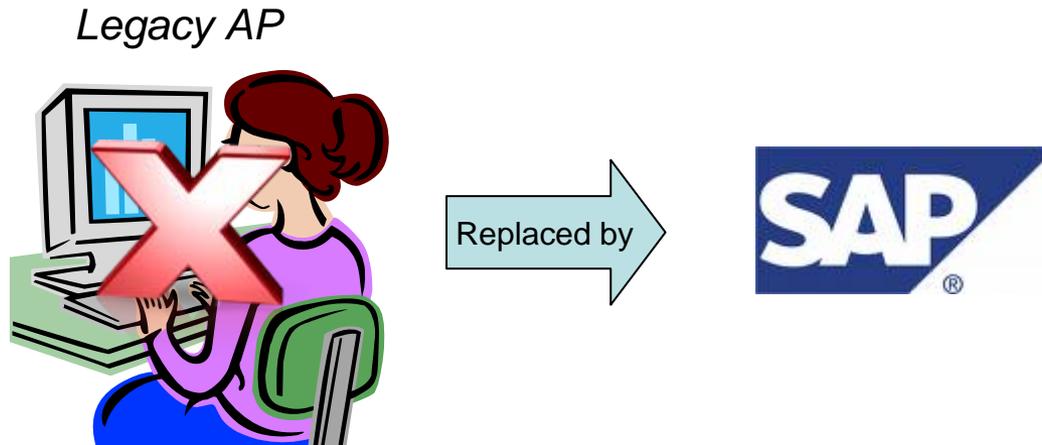


# SAP Accounts Payable – Design Considerations

- Which legacy system will be completely replaced with SAP – AP functionality?
- Are there any Purchasing/Accounts Payable legacy systems that will not be replaced by SAP – AP but could interface into SAP – AP?
- Are there any Purchasing/Accounts Payable legacy systems that will not be replaced by SAP nor interface into SAP – AP?



# SAP Accounts Payable – Key Decisions



- Legacy systems that will be completely replaced are:
  - PCRD (Procurement Card)
  - ADDS (Accounts Payable)
  - FMSP (Financial Management Systems)
  - PMFS (Project Management Financial System)
  - CFMS (Contract Financials Management System)
  - AFS (Advantage Financial System)
  - TMS (Travel Management System)
  - IMS (System used to pay refunds to One-time Payees)



# SAP Accounts Payable – Key Decisions



- Legacy systems that will interface with SAP:
  - None



# SAP Accounts Payable – Key Decisions



- Legacy systems that will not be replaced or interface with SAP:
  - ESTI (DOTD)
  - LASES (Support Enforcement)
  - LAMI (TANF, Food Stamps, FITAP)
  - BRIS (Blind Rehab)
  - TIPS (Child Welfare)
  - DDS (Disability Determination System)
  - CAPS (Child Care)
  - JAS – STEP
  - IMS



# SAP Accounts Payable –Changes & Challenges

- Training personnel on the new financial system
- Data cleansing and standardizing the data across the different legacy systems
- Technical resources availability on legacy side for conversions and interface testing



## SAP Accounts Payable – Open Issues

- Will the ESTI system to be decommissioned at an unknown future date?
- How will the specialized systems at DSS update SAP FI-GL for expense information?
- How will the payments from the specialized systems at DSS effect their cash balance or 'cash edit' check for payments that come from SAP?



# SAP Accounts Payable – Benefits & Improvements

- More accountability
- Better consolidated reporting by vendor
- Improved consistency in master data maintenance and values
- Improved audit trail for data management



# SAP Accounts Payable

## Vendor Master Data: Data Maintenance



# Vendor Master Data Maintenance Process Design Considerations

- How will the vendor master maintenance be handled—centralized or decentralized?
- What type of system review process will be utilized for creating or modifying records?
- What procedures will be used for changing records?
- What procedures will be used for blocking, unblocking, and marking vendor records for deletion?



# Vendor Master Data Maintenance Process

## Key Decisions

- A **decentralized** workflow process will be implemented to route end-user requests to create, modify, block/unblock master records as well as mark master records for deletion.
- Development of an **electronic workflow form** that will be routed to the central management group.
- All requests will be routed to a central agency, OSRAP, for review, approval and update of SAP system.
- The system review process for creating new records will be performed by using the **match-code** functionality. The match-code tool enables you to narrow down your search of records and display a list of possible entries for the field.



# Vendor Master Data Maintenance Process

## Key Decisions

- Development of a **maintenance form** with input from MM & GM teams will be utilized to route such request.
- End-users will have limited display access to the master record and related master data reports for protection of security-sensitive information.
- OSRAP data maintenance personnel will have broader access (create, change, block/unblock, mark for deletion) access to all records.
- OSRAP must design desk procedures and service level objectives for vendor data maintenance processing
- OSRAP must design desk procedures that incorporate a review/approval process (within an agency and cross agency) for blocking, unblocking and marking records for deletion



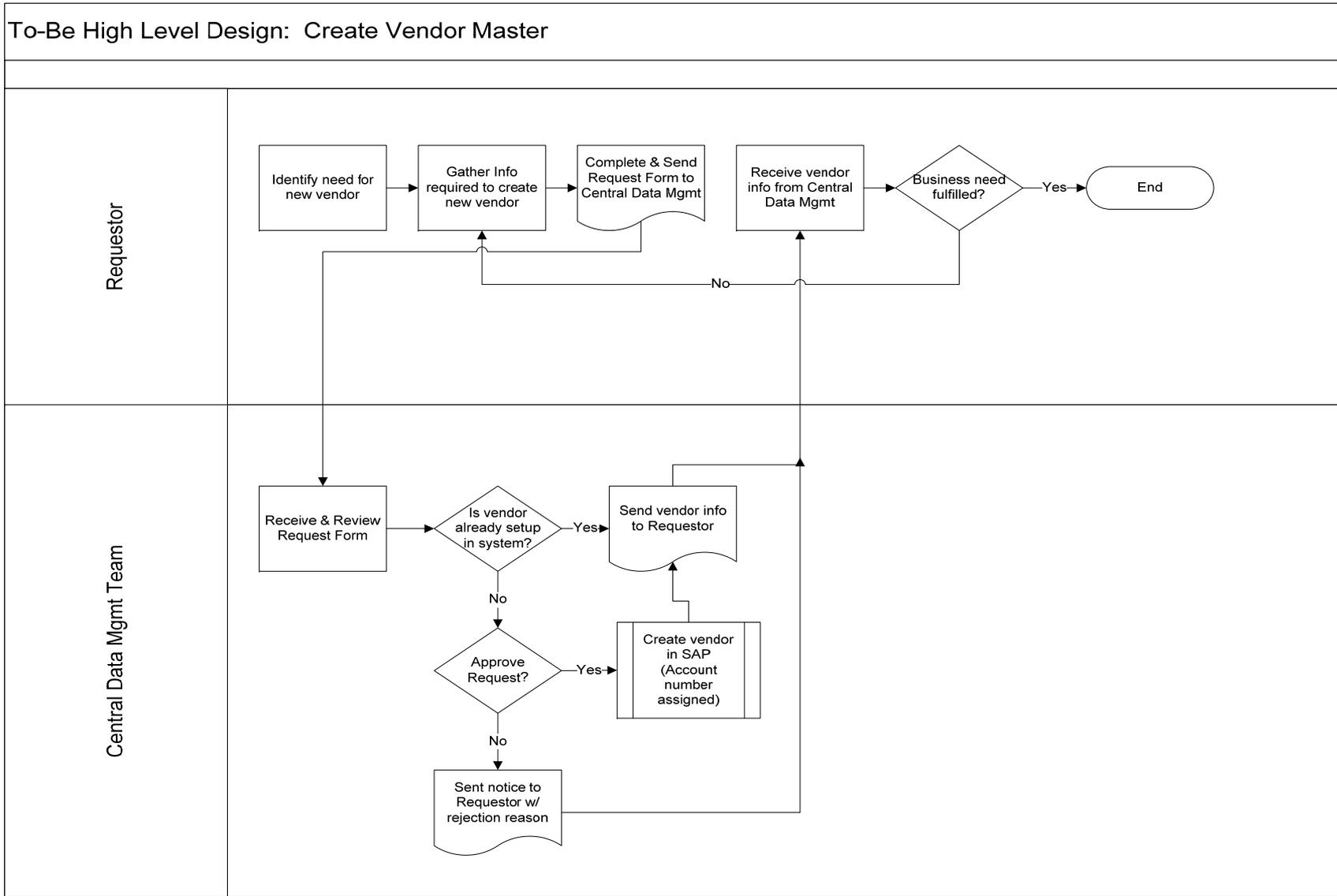
# Vendor Master Data Maintenance Process

## Key Decisions

- **Modification** of master records will be very limited and performed only when there is confirmation of an address change or an addition and/or changes to pertinent contact information. Note: There are fields that typically are not changed which include but is not limited to payment terms and reconciliation account.

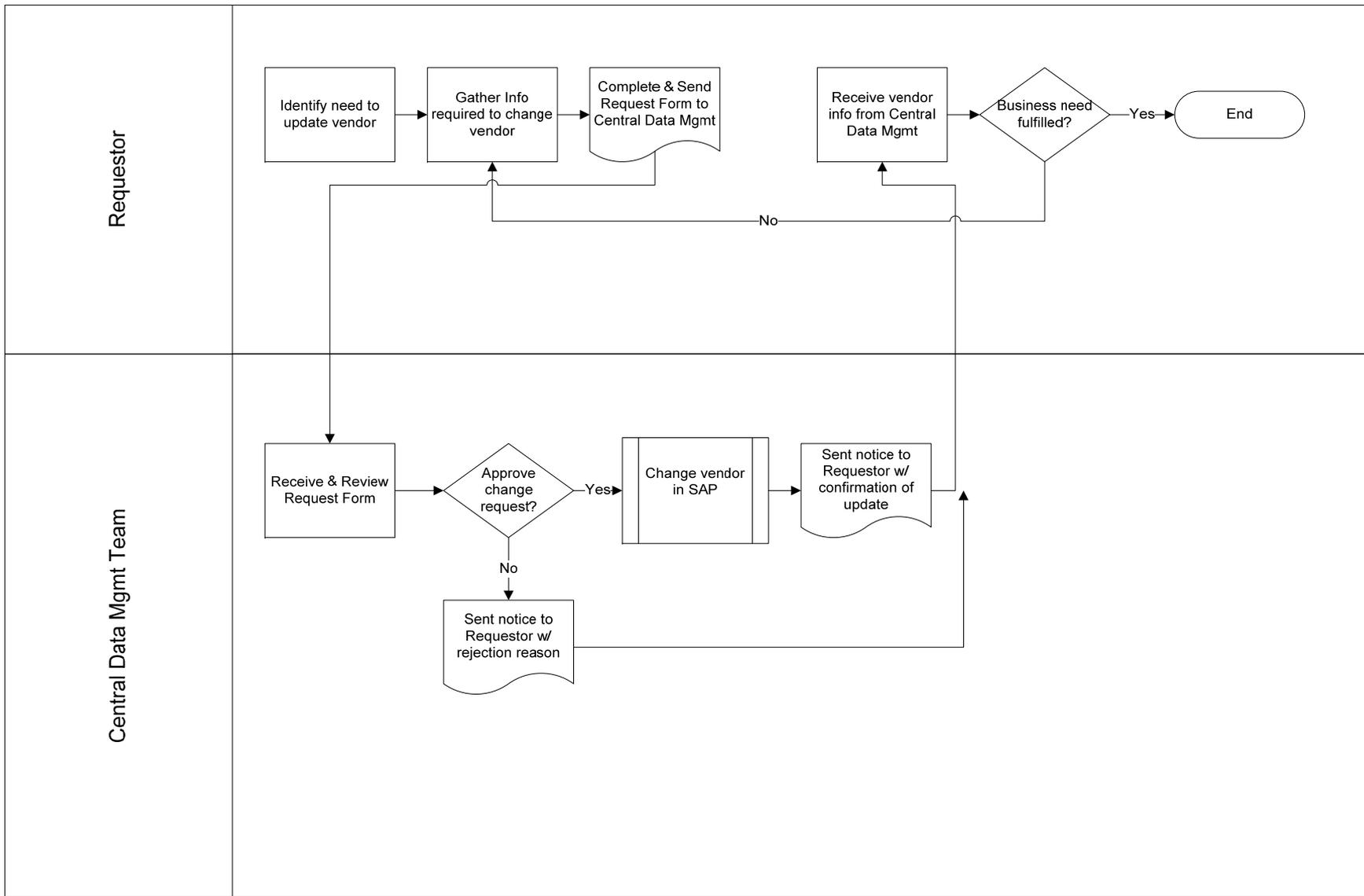


# Vendor Master Data – Create





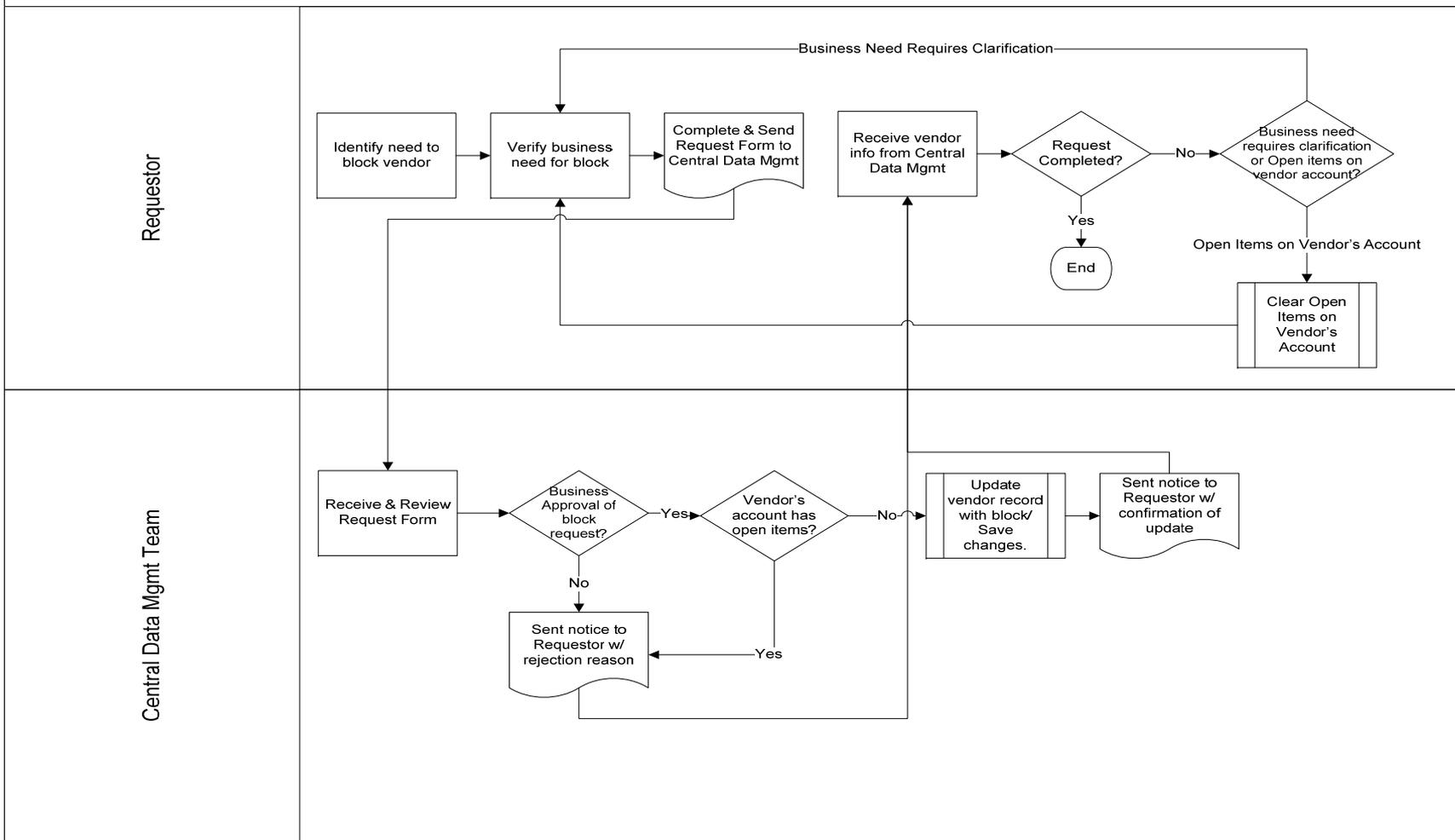
# Vendor Master Data – Change





# Vendor Master Data – Block

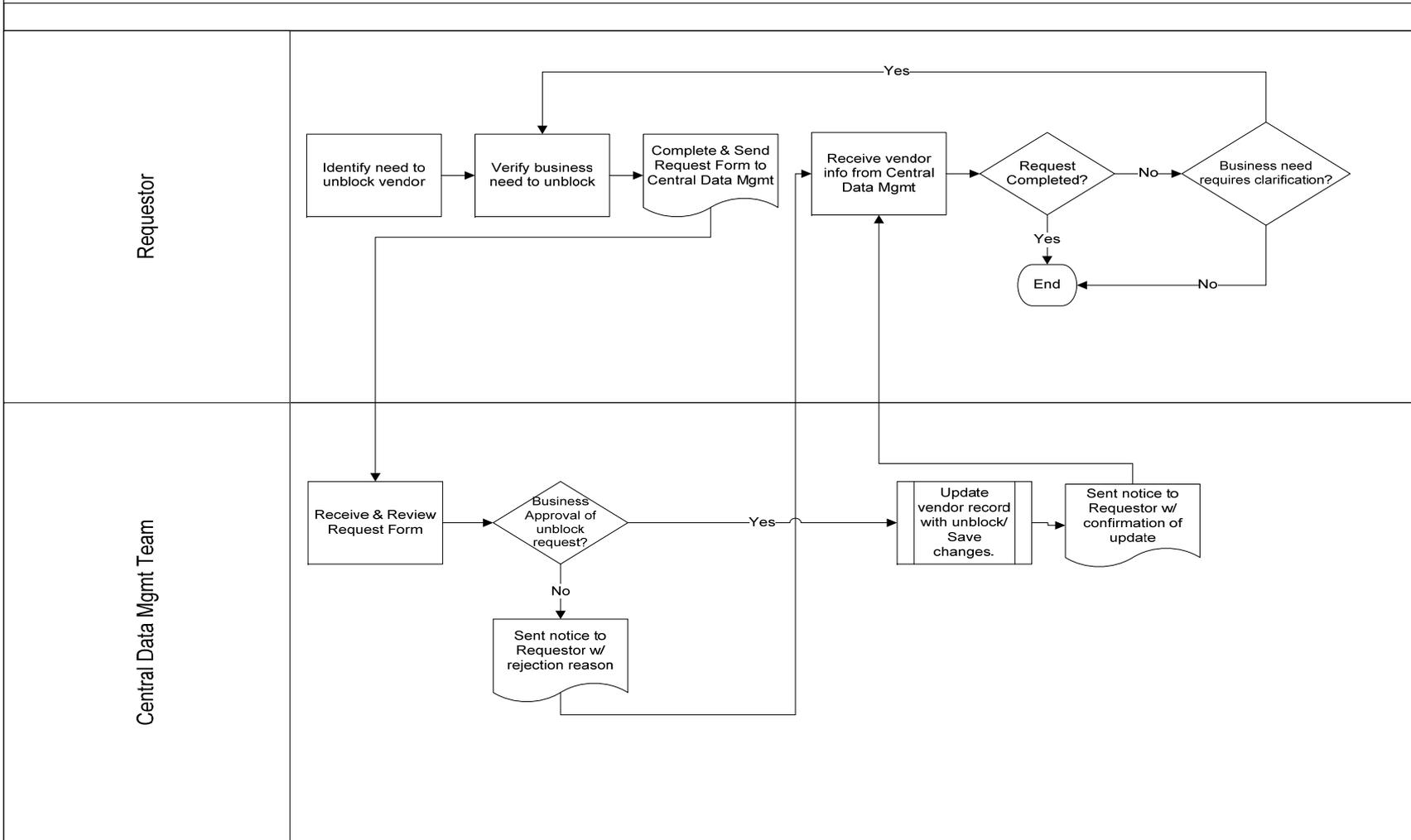
## To-Be High Level Design: Block Vendor Master Record





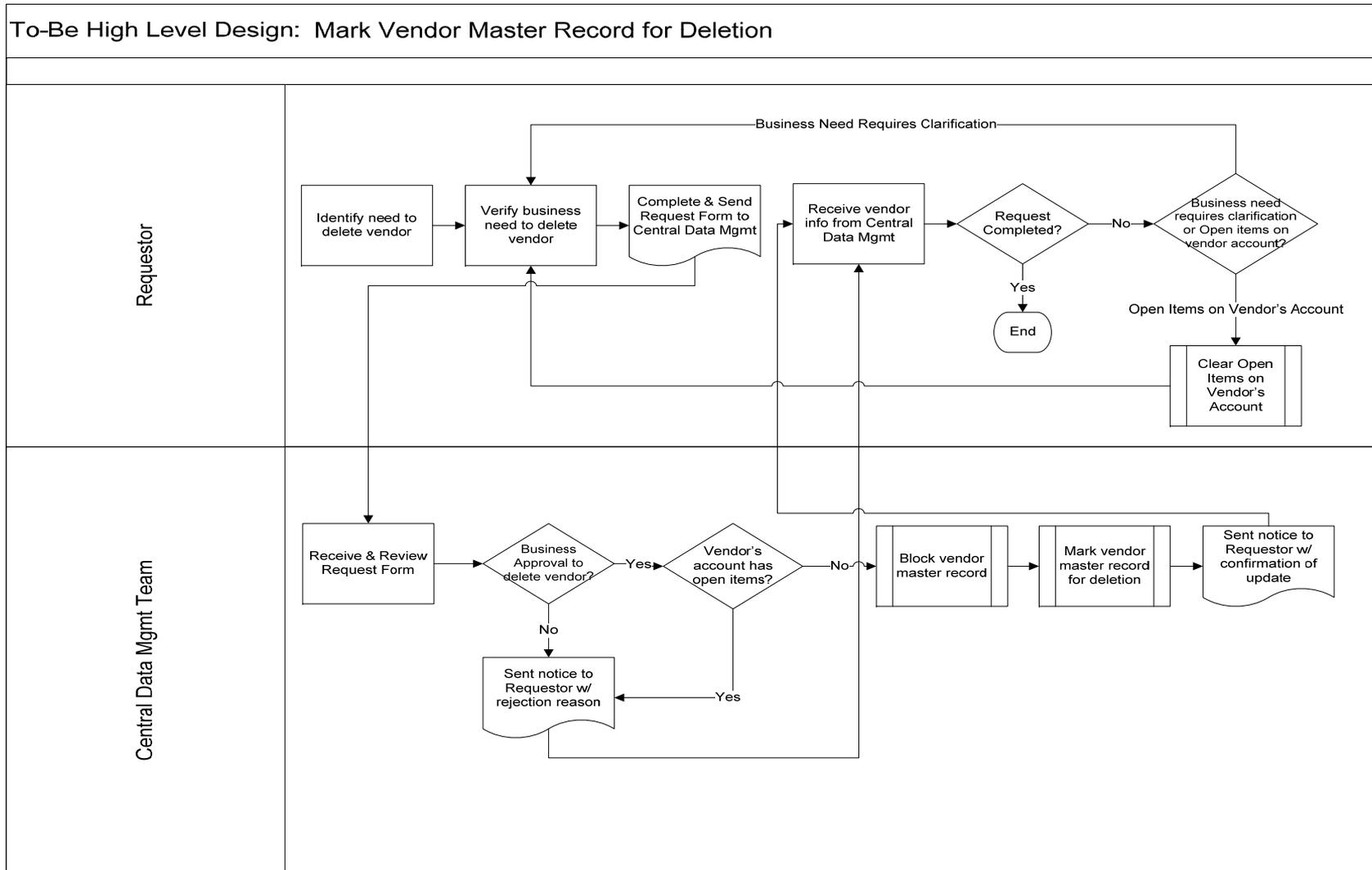
# Vendor Master Data – Unblock

To-Be High Level Design: Unblock Vendor Master Record





# Vendor Master Data – Mark for Deletion





# Vendor Master Data Maintenance Process Changes & Challenges

- Expansion of new role for OSRAP with the addition of DOTD master data processing.
- Training for OSRAP on master data maintenance
- Training for end-users on the request form.
- Establishing a service level for end-users



# Vendor Master Data Maintenance Process

## Open Issues

- Will OSRAP be up for the new role and additional duties warranted by the addition of DOTD?
- What type of HR impact will the added duties and responsibilities have on OSRAP?



# Vendor Master Data Maintenance Process Benefits & Improvements

- Ease of data management and accountability of quality control.
- Ability for the end-users to drive the business need while maintaining data integrity of the system.



# SAP Accounts payable

## Vendor Master Data: Data Maintenance



# SAP Vendor Master Data Views

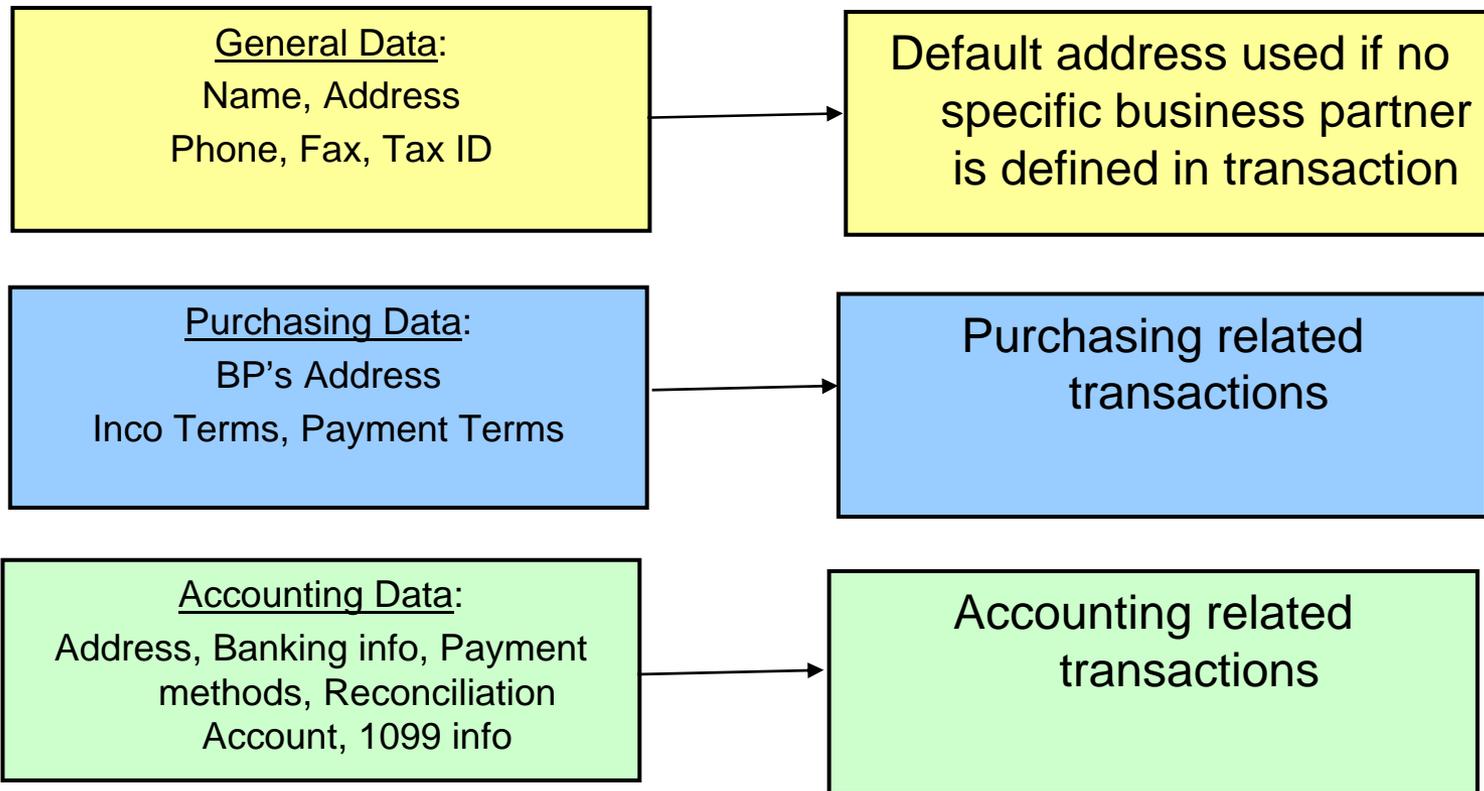
- In SAP the vendor master record contains all data necessary to conduct business with a vendor. For example, address information, payment terms, acceptable payment methods, etc
  
- SAP vendor master record is divided into specific business functions or data views
  - General view → Data that supports all transactions
  - Purchasing view → Data that supports Purchasing related transactions
  - Company Code view → Data that supports Accounting related transactions
  - Grantor view → Data that supports Grants related transactions



# SAP Vendor Master Data Views

## Data View

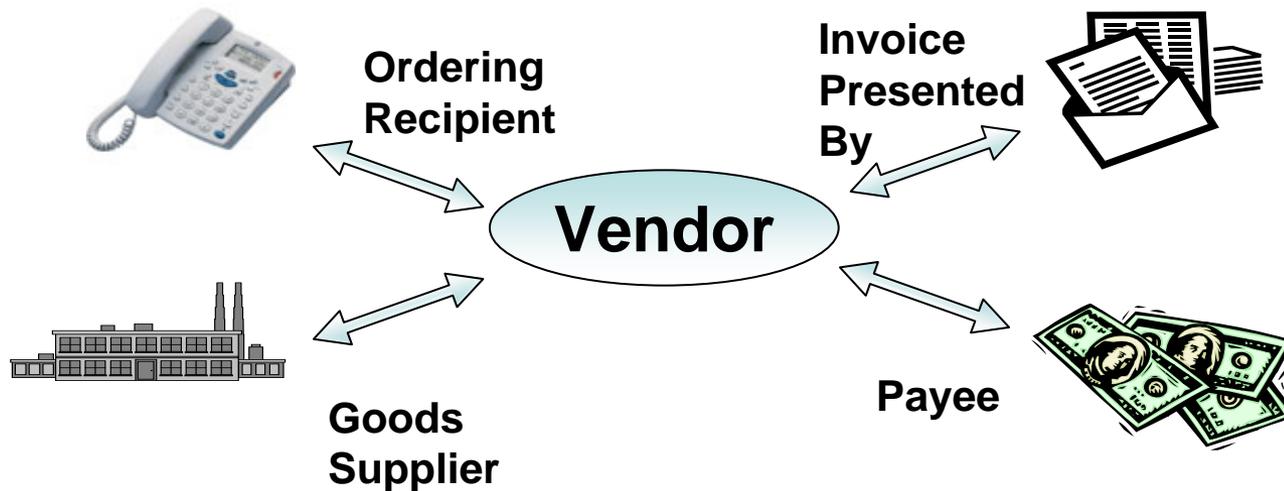
## Used By





# Types of Vendors in SAP : Business Partners

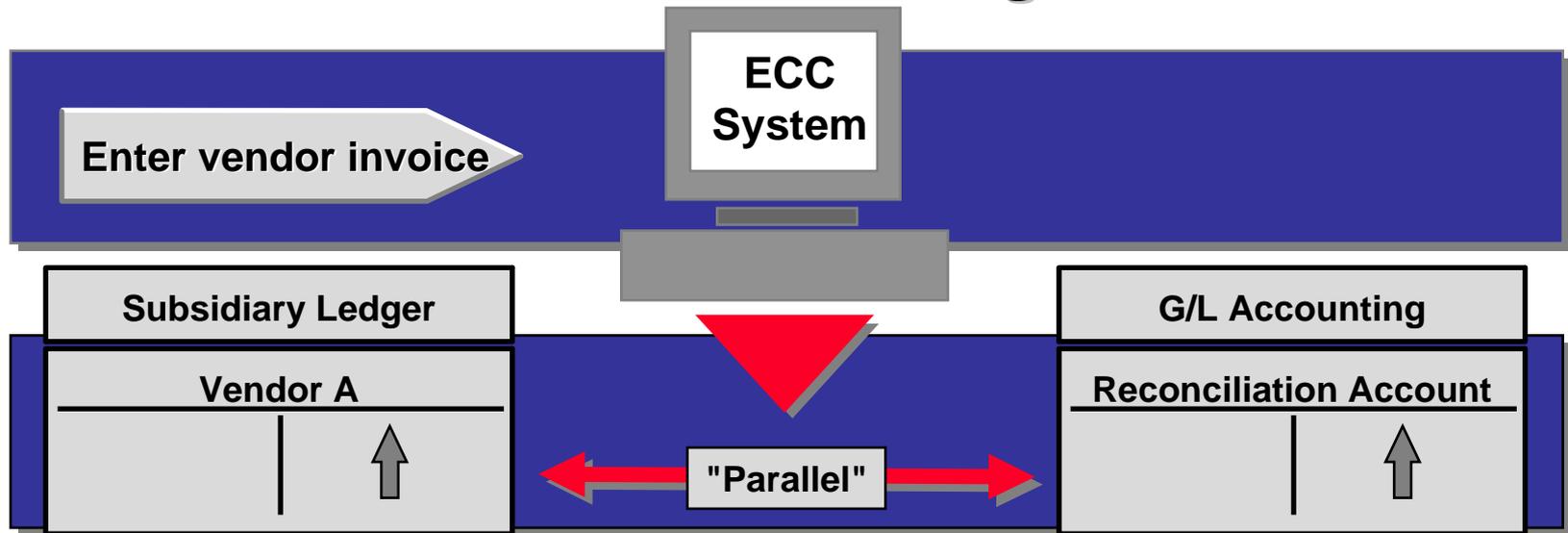
- Business Partners are used to define the different roles that a Vendor can play in the Procurement Process.
- Each partner can have different addresses.



- In the procurement process, there may be different business partners for different roles in the transaction. These partner roles are defined in the vendor master data.



# Vendor Master Record Integration – GL

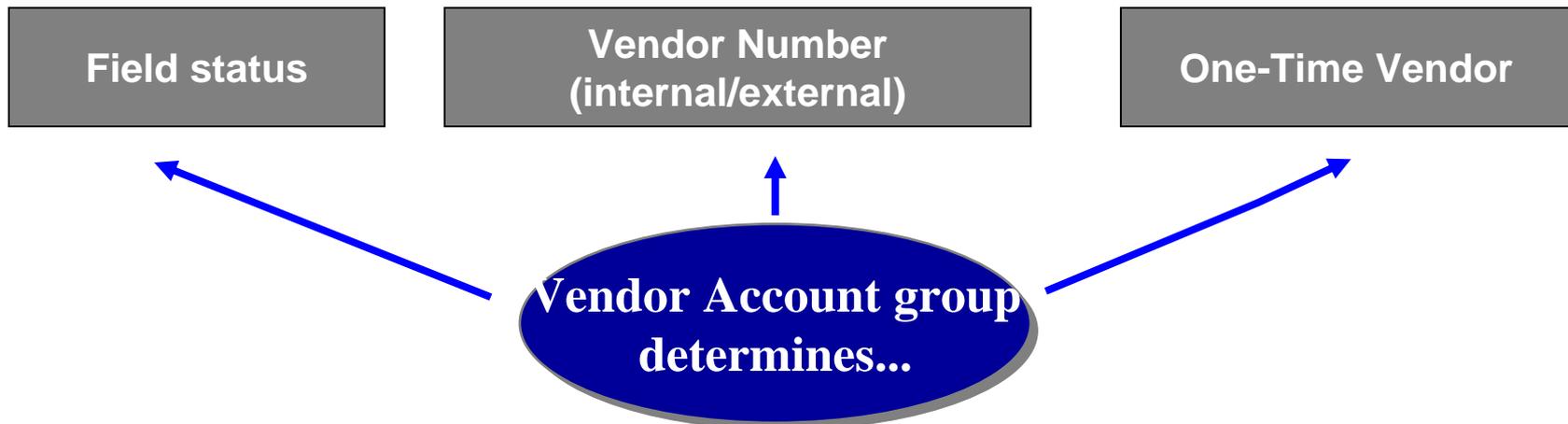


- The reconciliation account is the G/L account used to reflect the summarized vendor liability in the balance sheet
- The reconciliation account and the vendor subsidiary ledger are updated in parallel by the posting of an AP document (invoice, credit memo, payment)
  - Line item details are kept in the subsidiary ledger
  - Summary information is kept in the reconciliation account



# Vendor Account Groups

- Account Group controls Vendor Master Record Maintenance:
  - Which fields are available on the master record (Field Status)
  - Whether the account number is assigned externally (by the user) or internally (by the system)
  - Number interval allowed for the account number of the vendor
  - Whether the vendor is one time vendor





# Vendor Master – General Data

- Name
- Search Terms
- Address
- Communication
- Comments

Vendor: TESTVEN3

**Name**

Title:

Name: Test Three

**Search Terms**

Search term 1/2: TEST

**Street Address**

House no./street: 1201 Access Road

City/State/ZIP Code: Baton Rouge LA 70774

Country: US USA Louisiana

Time zone: CST Jurisdict. code:

**PO Box Address**

PO Box:

Postal Code:

Company Postal Code:

**Communication**

Language: English Other communication...

Telephone:  Extension:

Mobile Phone:

Fax:  Extension:

E-Mail:

Standard Comm. Method:

Data line:

Telebox:

**Comments**



# Vendor Master – Company Code Data

- Account Control
- Tax Information
- Reference Data
- Withholding Tax info

The screenshot displays the SAP Vendor Master - Company Code Data form for Vendor TESTVEN3. The form is organized into several sections:

- Account control:** Fields for Customer, Trading Partner, Authorization, and Corporate Group.
- Tax information:** Fields for Tax Number 1-4, Tax number type, Tax type, Tax base (0), Fiscal address, Soc. Ins. Code, Tax Jur., VAT Reg. No., Rep's Name, Type of Business, Tax office, Type of Industry, and Tax Number. Checkboxes for Equalization tax, Sole Proprietor, Sales/pur.tax, Tax split, and Soc. Insurance are also present.
- Reference data:** Fields for Location no. 1 (0000000), Location no. 2 (00000), Check digit (0), Cred.info no., Last ext.review, Industry, Train station, SCAC, Car.freight grp, ServAgntProcGrp, Transport.zone, Stat.gr.tra.ser, POD-relevant, Actual QM sys., QM system to, and External manuf.
- Person subject to withholding tax:** Fields for Date of birth, Place of birth, Sex, and Profession.



# Vendor Master – Purchase Org Data

- Conditions
- Sales Data
- Control Data

Vendor Edit Goto Extras Environment System Help

Display Vendor: Purchasing data

Alternative data Sub-ranges

Vendor: TESTVEN3 Test Three Baton Rouge  
Purchasing Org. 0010 PCC Purch. Org.

**Conditions**

Order currency USD American Dollar  
Terms of payment NT00  
Incoterms FOB Free on board  
Minimum order value 0.00  
Schema Group, Vendor Standard schema vendor  
Pricing Date Control No Control  
Order optim.rest.

**Sales data**

Acc. with vendor

**Control data**

GR-Based Inv. Verif. ABC indicator  
 AutoEvalGRSetmt Del. ModeOfTrnsprt-Border  
 AutoEvalGRSetmt Ret. Office of entry  
 Acknowledgment Reqd. Sort criterion By VSR sequence number  
 Automatic purchase order PROACT control prof.  
 Subsequent settlement  Revaluation allowed  
 Subseq. sett. index  Grant discount in kind  
 B.vol.comp./ag.nec.  
 Doc. index active  Relevant for agency business  
 Returns vendor  
 Srv.-Based Inv. Ver. Shipping Conditions

**Default data material**

Purchasing group 001 PCC Buyer 1  
Planned deliv. time 0 Day(s)  
Confirmation Control  
Unit of measure grp  
Rounding Profile

**Service data**

Price marking agreed  
Rack-jobbing service agreed  
Order entry by vendor  
Srv level 0.0



# Vendor Master Data – Screen Layout

## Maintain Field Status Group: Payment transactions

Field check

### General Data

Page 1 / 1

Acct group CUST  
Customers  
Company code data

### Payment transactions

	Suppress	Req. Entry	Opt. entry	Display
Terms of payment	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bill of exch. charges terms	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Payment block	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Payment methods	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alternative payer account	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Clearing with vendor	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Bill of exchange limit	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Next payee	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Indicate payment history	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Tolerance group	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
House bank	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Known/negotiated leave	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Lockbox	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Payment advice via EDI	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Payment advice notes	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Single pmnt, grp key, PM supl.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Credit memo terms of payment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Diff. payer in document	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Accts recble pledging ind.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>



# Vendor Master Data Design Design Considerations

- What will be the account group and numbering strategy?
- What fields will be required, optional, displayed or suppressed on the vendor master record?
- How will the business requirement for multiple vendor address (partners) be handled in SAP?
- What type of vendor tolerance groups will be required for each vendor group?



## Vendor Master Data Design Key Decisions

- Vendor Field Status per Account Group:
  - See attached spreadsheet for AP related account groups
  - MM related account group's field status settings have not been confirmed by MM Team (TBD)
  - Key integration fields will be left optional.
  
- There will be one reconciliation account for all vendor master records.
  
- There will be one tolerance group defined for all vendor master records:
  - Grace days used to determine days allowed to extend official due date will be set at "0".
  - Vendor invoice due date will be determined using the Document Date on the invoice.



# Vendor Master Data Design Key Decisions

- Text IDs will be used for Vendor master records to classify maintenance notes:
  - Purchasing notes
  - Accounting notes
  
- Standard SAP Functionality that will not be used:
  - Vendor/Customer integration



# Vendor Master Data Design

## Key Decisions

Area	Account Group	Number Range
Purchasing	<b>V9</b> -Central Purchasing Vendor (1099)	31000-31999
Purchasing	<b>VN</b> -Central Purchasing Vendor (Non 1099)	31000-31999
Purchasing	<b>OA</b> -Purchase Order Address Vendor	41000-41999
Purchasing	<b>PL</b> -Plant Vendor	61000-61999
Human Resource	<b>TP</b> -HR Payroll Third Party Vendors (current vendor group)	300000-390000 <i>(current number range)</i>
Human Resource	<b>GV</b> -HR Payroll Garnishment Vendors (current vendor group)	100000-190000 <i>(current number range)</i>
Human Resource	<b>EV</b> -HR Payroll Employee Vendors	TBD
Accounts Payable	<b>P9</b> -Invoicing Vendor (1099)	51000-51999
Accounts Payable	<b>PI</b> -Invoicing Vendor (Non 1099)	51000-51999
Accounts Payable	<b>OT</b> -One Time Vendor	AAAAA-ZZZZZ



# Vendor Master Data Design Changes & Challenges

- Training
- Data cleansing for conversion



# Vendor Master Data Design

## Open Issues

- Will the proposed account group design support the current HR live implementation?
- What will be the allowed vendor payment differences (variance from amount billed by vendor and amount expected to be billed by vendor)
  - To our advantage (gain)
  - To our disadvantage (loss)
- Will there be a need to enhance custom fields?



# Vendor Master Data Design Benefits & Improvements

- Simple design that is easy to learn
- Accommodates business requirements and keeps a standard platform for Vendor master data
- Gives a good basis for standardized reporting



# SAP Accounts Payable

## Vendor Master Data: Data Conversions



# Vendor Master Data Conversions Design Considerations

- How will legacy data be cleansed prior to data load into SAP? Why is this important?
- Will we use a staging area for data conversion prior to actual load into SAP? Why is this important?
- What part will the agency SME's play in data conversion?
- Which records will be converted? Only vendors with open invoices? Only vendors that we have done business with within the last 2 years?
- How will the current HR employee vendors 'convert' when we go-live?



# Key Decisions

- Vendor master records will be cleansed (as much as possible) in legacy system.
- Vendor master records will be loaded into a staging area where further cleansing and standardization routines will be performed via load program.
- AP/MM Teams and SME's will need to manually review staged data to remove duplicates and make other corrections prior to actual data load into SAP.



# Vendor Master Data Conversions Changes & Challenges

- Cleansing and standardization of the data



# Vendor Master Data Conversions

## Open Issues

- Which vendor records should be converted from each legacy system?
- What will be the conversion strategy for the current HR employee vendors?



# Invoicing and Payments

## Invoicing



# Review of SAP Vendor Invoicing

- In SAP there are 2 types of AP invoices: PO related invoices and Non PO related invoices
- Non PO related invoices are invoices that are entered directly into the FI-AP module
- PO related invoices are invoices that are preceded by a PO (from the LOG-MM module) and post to FI-AP module via standard Logistics integration
- Each type of invoice has its own business requirements

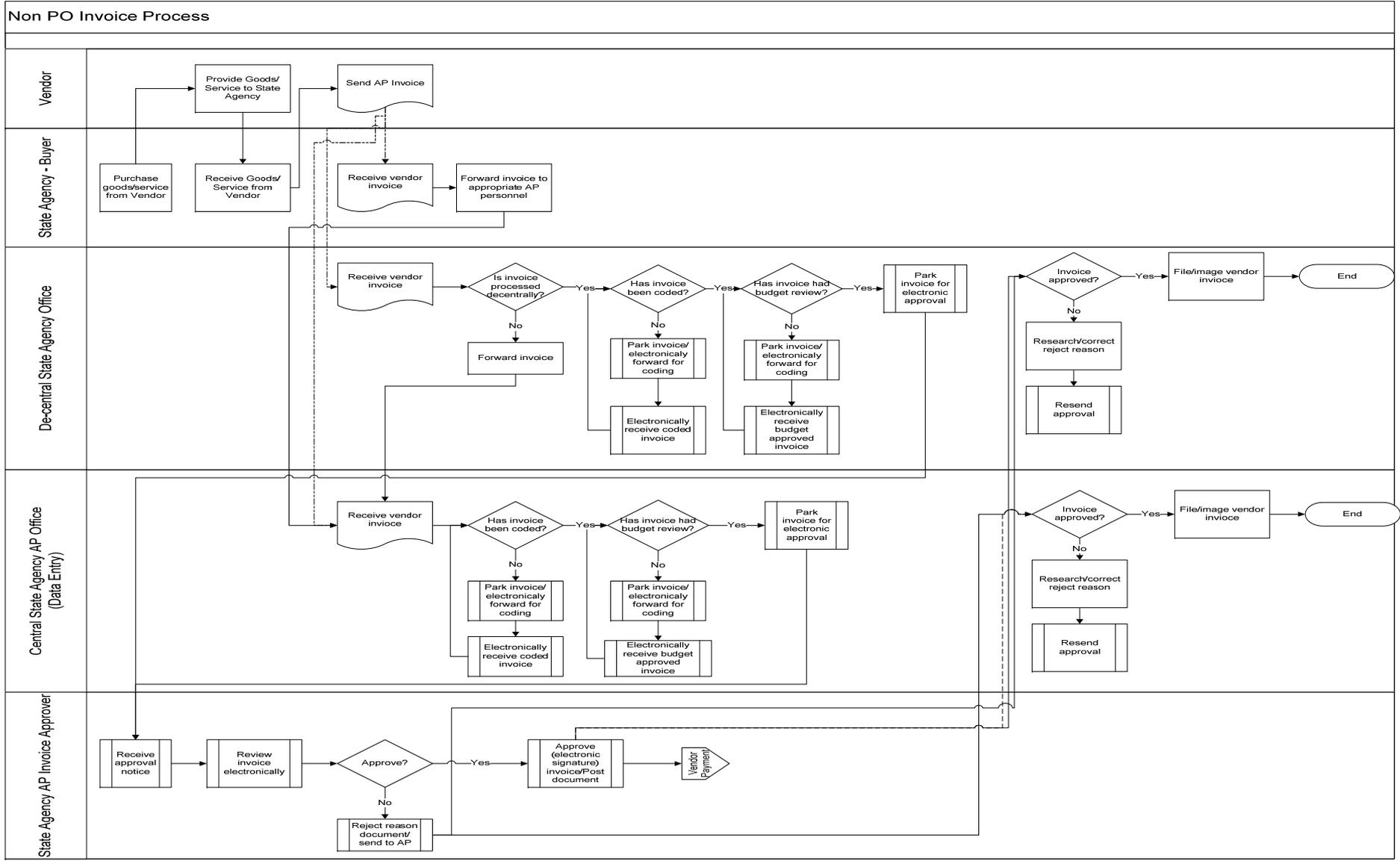


# Non PO Related Invoicing: Design Considerations

- What types of purchases are allowed without a PO?
- Will asset related purchases be done without a PO?
- Will invoice data entry be de-centrally entered or centrally entered at one controlling agency?
- What business approvals or controls should be in place for non PO related invoice data entry?
- What document type and number ranges will be used for non PO related invoice data entry?
- What will be the field status for non PO related invoice data entry?
- What payment terms are required?
- What will be the settings for end user tolerance group?
- What purchases will be entered via recurring entry functionality?
- What SAP functionality will NOT be used?
- What will be the conversion strategy for open invoices and credits?



# Non PO Invoice Process





# SAP Accounts Payable - Invoice Data Entry

Document Edit Goto Extras Settings Environment System Help

Enter Vendor Invoice: Company Code 0010

Tree on Company Code Hold Simulate Park Editing options

Bal. 0.00

Basic data Payment Details Tax Notes

Vendor SGL Ind

Invoice date 08/27/2008 Reference

Posting Date 08/27/2008 Period 2

Document Type Vendor Invoice

Amount USD Calculate tax

Tax amount

Text

Company Code 0010 ISIS-HR Paid Baton Rouge

Lot No.

0 Items (No entry variant selected)

St...	G/L acct	Short Text	D/C	Amount in doc.curr.	Loc.curr.amount	T...	Tax jurisdictn code	W\Assignment n
			Debit		0.00			
			Debit		0.00			
			Debit		0.00			
			Debit		0.00			
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Start Windows Media Pl... FI-AP-002.doc - ... Work\_session\_FI... [adult swim] | Ad... Accounts Payable... Work\_session\_FI... SAP Logon Pad 710 Enter Vendor In... 8:03 PM



# Non PO Related Invoicing: Key Decisions

- The typical purchases that are allowed without a PO are:
  - Utility payments
  - Legal services
  - Some consulting services
  - Subscriptions
  
- All asset purchases will be done using a PO
  
- The current invoicing data entry model will remain in place for each agency using SAP AP. Typically AP invoicing is done by Agency either centralized at an Accounting division or decentralized at a field office.
  
- Non PO related invoices will use document type KR and an internally assigned 10 digit number range, for example 2000000000-2999999999.
  
- Refer to field status spreadsheet for required, optional or suppressed fields on the Non PO related data entry screen
  
- The current standard payment terms will remain in place for SAP AP



# Non PO Related Invoicing: Key Decisions

- **There was no business requirement to limit invoice data entry by end user security role or tolerance group setting. This configuration task will be defined so that all end users with the security access to invoice related data entry transactions will have the ability to enter any invoice regardless of dollar amount.**
  - Amount posted per Document (total) - \$99999999999
  - Amount posted per open item account (line item) - \$99999999999
  - Cash discount % processed – *left blank so any payment term can be used*
  - Permitted payment differences – *left blank so any difference can be processed*
  
- **Recurring entry functionality will be used. Typical purchases for recurring entry are:**
  - Subscription
  - Lease payments
  
- **The SAP functionality that will NOT be used:**
  - Vendor down payments
  - Use tax calculation and payment remittance
  - Foreign currency translation



# Non PO Related Invoicing: Changes & Challenges

- Resource availability for decentralized operations.
- Training



# Non PO Related Invoicing: Open Issues

- What business approvals or controls should be in place for non PO related invoice data entry?
- What will be the conversion strategy for open invoices and credits?
- How many end users will need access to SAP for de-central 'field office' invoice data entry?
- What will be the business procedure for manual payment blocks on invoices?



# PO Related Invoicing: Design Considerations

- What types of purchases require a PO?
- Will invoice data entry be de-centrally entered or centrally entered at one controlling agency?
- What business approvals or controls should be in place for invoice data entry?
- What document type and number ranges will be used for PO related invoice data entry?
- What will be the field status for PO related invoice data entry?
- What payment terms are required?
- What will be the invoice verification tolerance settings?
- Do we need vendor specific invoice verification tolerance settings?
- What will be the business process supporting invoice verification tolerance errors?
- What SAP functionality will NOT be used?



# PO Related Invoicing: Key Decisions

- The types of purchases that require a PO are:
  - Commodity related purchases
  - Asset related purchases
  - Any purchase that requires a bid
  - Purchases on contract
  
- The current invoicing data entry model will remain in place for each agency using SAP AP. Typically AP invoicing is done by Agency either centralized at an Accounting division or decentralized at a field office.
  
- We will be using standard SAP 3-way invoice verification functionality. Violation of invoice verification tolerance settings will trigger a workflow to the appropriate personnel for resolution.
  
- Each Agency must design their own desk procedures to incorporate invoice data review outside of system driving tolerance checks. For example, cash availability or business approvals.
  
- PO related invoices will use document type RE and an internally assigned 10 digit number range (XXXXXXXXXX-XXXXXXXXXX)
  
- Refer to field status spreadsheet for required, optional or suppressed fields on the PO related data entry screen
  
- The current standard payment terms will remain in place for SAP AP



# PO Related Invoicing: Key Decisions

## Invoice Verification Tolerance Settings

Invoice verification tolerance settings are configuration settings that control if an invoice should be free from payment if the vendor billed amount varies from the expected amount based on the PO and Goods Receipt. Because the PO and Goods Receipt are 'drivers' for the invoice verification process, **the MM team's input is needed in order to define the correct invoice verification tolerance settings.**

- From the FI-AP point of view the tolerance setting for Price variance (tolerance key PP) should be set to 5%
- Use and configuration settings for the other tolerance keys will be confirmed after the MM team have had the chance to conduct their Blueprint Workshops
- There was no business requirement to configure 'special circumstance' invoice verification tolerance settings by vendor. Therefore this functionality will not be used. All vendors will be subject to the same tolerance settings.
- Standard SAP provides 3 business process options when there are invoice verification tolerance errors: Parking or Posting with an automatic Payment block assigned to the invoice
  - Parked documents do not update the general ledger and are suspended in the system
  - Posted documents update the general ledger but will have a special system assigned block indicator that will prevent vendor payment
  - Manually reduce the invoice so that there is no discrepancy
  - **Each Agency must decide which procedure will be used**



# PO Related Invoicing: Key Decisions

- ERS (Evaluated Receipt Settlement) will be used for DOTD gas contracts only.
  - SAP Security will be designed to limit the transaction to the appropriate DOTD business areas)
  
- The SAP functionality that will NOT be used:
  - Invoicing Plans
  - Vendor Down Payments
  - Calculation and remittance of use tax
  - Vendor specific Invoice Verification Tolerance Settings



# PO Related Invoicing: Changes & Challenges

- Resource availability for decentralized operations.
- Training



# PO Related Invoicing: Open Issues

- What will be the conversion strategy for open invoices and credits?
- How many end users will need access to SAP for de-central 'field office' invoice data entry?
- What will be the invoice verification tolerance settings?
- How will the Legislative Auditors Website be reflected in SAP?
- What will be the business procedure used when there are invoice verification discrepancies or accounting/budget availability check errors?



# Invoicing: Benefits & Improvements

- Provides a consolidated enterprise wide view of the open Accounts Payable.
- Standardization of vendor invoicing, payments and vendor open item management.
- Accounting system of record is updated in real-time during the invoicing and payment processing.
- Purchasing personnel and Accounts Payable Departments have equal access to the same information.



# Invoicing and Payments

## Payments



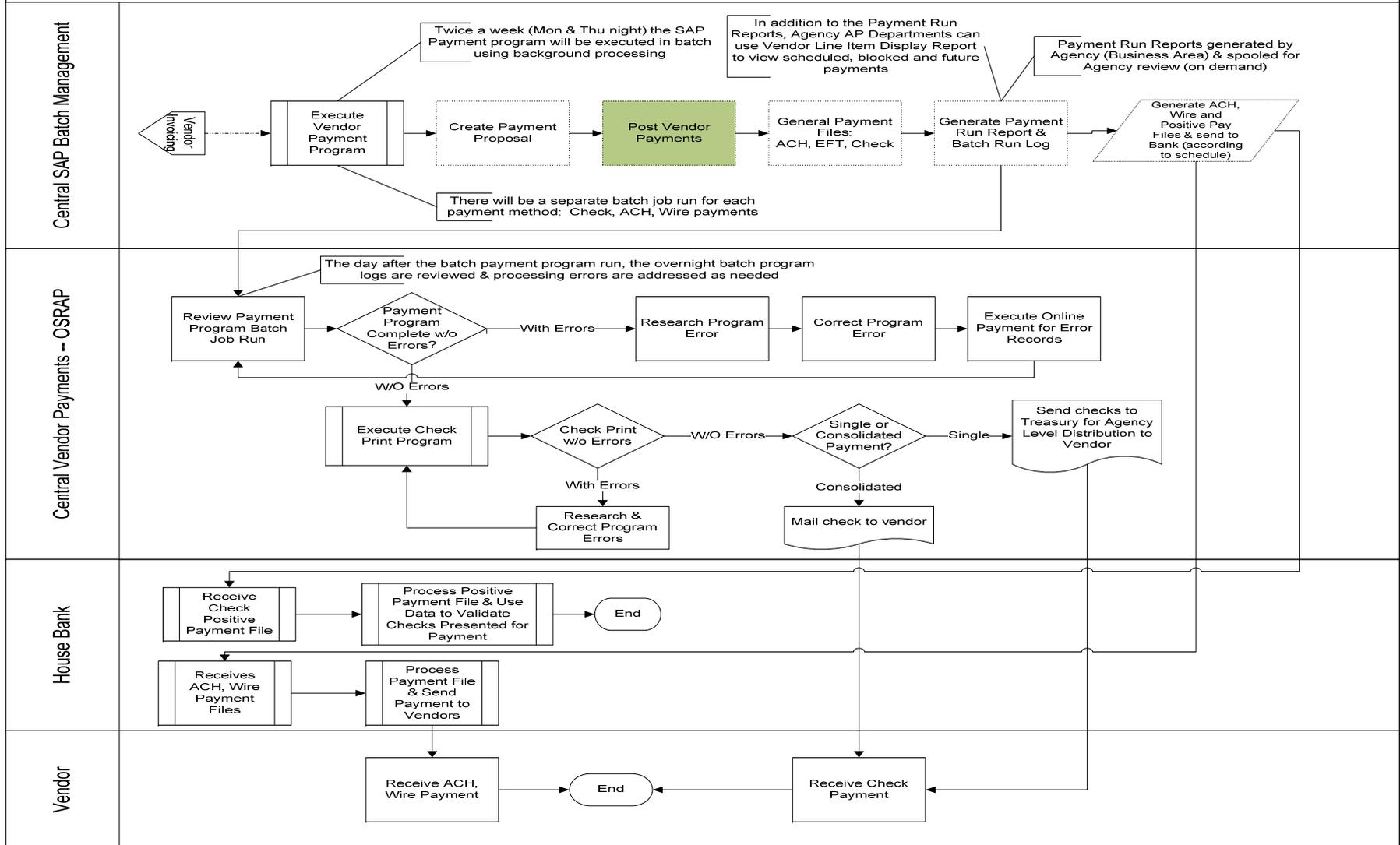
# Payments: Design Considerations

- What payment methods are used to pay vendors?
- What are your typical payment terms?
- Will payments be done centrally or de-centrally?
- Is there a business requirement to provide payment disbursement confirmation?
- What controls (approvals) should be put in place for payment application?



# Vendor Payments in SAP

## Vendor Payments in SAP





# Automatic Payment Program (F-110)

Payment run Edit Goto Environment System Help

Automatic Payment Transactions: Status

Status

Run Date 12/04/2008

Identification 10

Status Parameter Free selection Additional Log Printout/data medium

Status

No parameters entered as yet

Payment run Edit Goto Environment System Help

Automatic Payment Transactions: Parameters

B.ex./pmt request..

Run Date 12/04/2008

Identification 10

Status Parameter Free selection Additional Log Printout/data medium

Posting Date 12/04/2008 Docs entered up to 12/04/2008

Customer items due by

Payments control

Company codes	Pmt meths	Next p/date
0010	CUZ	12/16/2008

Accounts

Vendor 100082 to

Customer to

Foreign currencies

Exchange rate type



# Payments: Key Decisions

- The currently accepted payment methods will be configured in SAP AP:
  - Checks
  - ACH (CTX format)
  - Wire Transfers
- The current payment terms will be configured in SAP AP/MM modules.
- Payments (check and electronic payments) will be processed centrally at OSRAP with the current schedule that is in place currently:
  - Checks cut on Tuesday & Friday
  - ACH remitted everyday
- OSRAP will be responsible for monitoring the payment program execution and producing the payment output (checks or electronic files)
- Each agency is responsible for managing invoices with payment blocks and picking up any checks that require additional information prior to mailing to vendor
- The vendor payment tracking website will be daily updated with SAP payment data
- Positive payment outgoing interface functionality will be used for vendor payments made from SAP
- Cash check incoming interface functionality will be used for vendor payments made from SAP



# Payments: Changes & Challenges

- Training end users to use new system
- Finding a technical solution to update State websites



# Payments: Open Issues

- How will the 'cash edit' check be accomplished in SAP PRIOR to vendor payment?
- How are we going to update the vendor payment tracking website?
- How are we going to update the OSRAP website for outstanding checks?
- Who will be responsible for periodically executing the automatic payment block clearing transaction by Agency?
- AP Team still needs file layouts (from Bank) for positive payment and cashed check interfaces



# Payments: Open Issues

- DOTD needs to have the flexibility of cutting some checks on demand, outside of the OSRAP regulated schedule
- Will enhancement configuration be needed to identify single or consolidated checks during invoicing?
- How will the program enhancement automatically put a payment block on invoices were the payment document/check have been reversed?
- How will non-compliant vendors be blocked (maintained) from payments in SAP? Maintained by OSRAP using the standard Vendor change (mass) transaction to add/remove block indicator?



# Payments: Benefits & Improvements

- Vendor payment information shared across all State Agencies.
- Accounting system of record is updated in real-time during the payment processing.



# Invoicing and Payments

## Imprest Account Replenishment



# Imprest Account: Design Considerations

## Imprest Accounts

Imprest accounts are Agency managed bank accounts that are used to pay employee travel reimbursements, travel advances, one-time vendors and other payments as outlined in the Division of Administration and State Treasury Manual (section 10.14.1.1)

Agencies have the responsibility of producing checks (outside of the normal OSRAP managed payment process) and balancing the bank account(s)

- Will the Imprest checks be produced from SAP or outside of SAP in a legacy system?
- If produced from SAP, what will be the check numbering schema?
- If produced outside of SAP, how will the General Ledger be updated for expense transactions?
- What business controls are needed to support (secure) this procedure in SAP?



# Imprest Account: Key Decisions

- The AP Team proposes to include the Imprest check production from SAP AP; expensing will be done using the Cash Management (CM) cash journal
- The transaction will be limited by business area, document type and bank account/checks
- Only select people from the Agency will have access to the SAP AP transaction that posts payments outside of the traditional check run (transaction F110)
- Agencies that use this process must design their own desk procedure that will be used to monitor/control/approve payments that are cleared using this transaction
- Agencies using this procedure will have their own bank account/check numbering schema and be responsible for their own check reconciliation or management
- Because this area has a key integration point with the CM team, the final To Be design cannot be determined until the AP team has discussed the integration point requirements of the CM Team



# Manual Payments with Printout (F-58)

Specifications Edit Goto Settings Environment System Help

Payment with Printout: Header Data

Delete Enter payments

Payment method and form specifications		Processing type	
Company Code	0010	<input type="checkbox"/> Calculate print amt	
Payment method	C		
House Bank	BANK1		
Check lot number	1		
Alternative form			
Padding Character			

Output control		<input type="checkbox"/> Print immediately	
Printer for forms	107-25W-OIS-8000-2	<input type="checkbox"/> Recipient's lang.	
Pmnt advice printer		<input type="checkbox"/> Currency in ISO code	
		<input type="checkbox"/> Test printout	
		<input type="checkbox"/> Do not Void any Checks	

Document Edit Goto Settings System Help

Payment with Printout Header Data

Process open items

Document Date	12/04/2008	Type	KZ	Company Code	0010
Posting Date	12/04/2008	Period	6	CurrencyRate	USD
Document Number		Translatn Date			
Reference		Cross-CC no.			
Doc.Header Text		Trading part.BA			
Clearing text					

Bank posting details		Business Area	
Amount		Assignment	
Value date	12/04/2008		
Text			

Payee		Company Code		0010
Vendor		Payee		
Customer				
<input type="checkbox"/> Payment on acct	Pmnt on acct			

Paid items		Additional selections	
<input checked="" type="checkbox"/> Standard OIs		<input checked="" type="radio"/> None	
Special G/L ind		<input type="radio"/> Amount	
		<input type="radio"/> Others	



# Invoicing and Payments

## Vendor Check Management



# Check Management: Design Considerations

- What will be the house bank/bank accounts schema used for SAP vendor payments?
- What will be the check number schema for SAP vendor checks?
- What will be the check output design for SAP vendor checks?
- What will be the business process design (controls, approvals) in the daily check management?
  - Positive payment file processing
  - Stop payments
  - Check Void
  - Cash check files processing
- How will 'stale' checks and return payments (checks and ACH) be handled in SAP?
- What are the reporting requirements for check management? Will they be handled using standard ECC reports or in BI?



# Check Register

Program Edit Goto System Help

**Check Register**

Payroll checks

**General Selections**   **Further Selections**

**General Selections**

Bank Key	<input type="text"/>	to	<input type="text"/>	<input type="button" value="→"/>
Bank Account	<input type="text"/>	to	<input type="text"/>	<input type="button" value="→"/>
Check number	<input type="text"/>	to	<input type="text"/>	<input type="button" value="→"/>
Currency	<input type="text"/>	to	<input type="text"/>	<input type="button" value="→"/>
Amount	<input type="text"/>	to	<input type="text"/>	<input type="button" value="→"/>

**Output Control**

List of outstanding checks

Additional Heading

**Items paid**

W/out line items

Layout

With Line Items

Layout



# Check Management: Key Decisions

- The current bank and bank account(s) (JP Morgan Chase) will be defined in SAP AP House bank/bank account configuration.
- We propose to start a new check numbering schema for checks issued from SAP so that it will be easier to reconcile/identify outstanding checks from Legacy system and outstanding checks from SAP.
- We propose to continue to use the positive payment and cashed check interfaces used for check management.
- The current business policies (desk procedures) in place for voiding checks and issuing stop payments will continue in SAP.
- 'Stale checks' will be voided with a unique void indicator so that it could be easily identified and re-issued if necessary. There is a transaction in SAP that will void the check without reversing the initiating invoice (expense).
- No business requirements for custom reporting was identified during the workshop. Standard SAP ECC reporting will be used for check management.



# Check Management: Changes & Challenges

- Training on new system and procedures for the new system
- Reconciling two sets of outstanding checks after go-live (legacy system checks and SAP)



# Check Management: Benefits & Improvements

- Tightly integrated with Cash Management module for forecasting and reporting processes
- Centralized repository for payment and check information
- Flexible reporting (standard reports and custom development)
- Drill-down reporting capability for vendor account management



# Check Management: Open Issues

- Options to retire QuickBooks, offline system, if SAP can accommodate business requirements for immediate check disbursement.
- What will be the check output design for SAP vendor checks?
- Who (what Agency) will execute and be responsible for the positive payment and cashed check interfaces?



# Invoicing and Payments

## 1099 & 1098 IRS Reporting



# Vendor Invoice Data Entry Requirements: 1099 Invoices

**Document Overview**

Doc. Type : KR ( Vendor Invoice ) Normal document  
Doc. Number Company code 0001 Fiscal year 2008  
Doc. date 10/21/2008 Posting date 10/21/2008 Period 10  
Calculate Tax   
Ref. doc. 1099 INV EXAMPLE  
Doc. currency DEM

Itm	PK	Account	Account short text	Assignment	Tx	Amount
1	31	100000	TEST VENDOR			1,000.00-
2	40	204000	Other expenses	V-15		500.00
3	40	203000	Bad debt expense		VO	500.00

**Correct Vendor item**

Vendor 100000 TEST VENDOR G/L Acc 160000  
Company Code 0001 200 NORTH MAIN STREET  
SAP A.G. ATLANTA

Item 1 / Invoice / 31  
Amount 1,000.00 DEM  
Tax Code   
Wtax base 1,000.00 Wtax exempt 0.00 Wtax code 15  
Bus. Area   
PayT Terms 0001 Days/percent 0.000 / /  
Bline Date 10/21/2008 Fixed   
Disc. base 1,000.00 Disc. amount 0.00  
Invoice ref. / / 0  
Prnt Block   
Assignment   
Text 1099 Invoice Example

SE1 (1) (101) doase1ci INGS 7:10 PM

- Do we have business scenarios that require specific invoice line items be code '1099 reportable' but other line items are not?

- The standard system defaults the 1099 coding to the vendor line item on the invoice



# 1099 – Design Considerations

- What vendor master business requirements are needed to be incorporated in the vendor master design to support 1099 vendor payment reporting?
- What invoicing controls or business process procedures are needed to support 1099 vendor payment reporting?
- How will the 1099 filing data be reviewed, modified and transmitted to the IRS?
- What will be the 1099 data correction procedures after the initial filing has been submitted to the IRS?
- What are the 1099 reporting requirements for each Agency?



# 1099 – Key Decisions

## Vendor Master

- 1099 vendors will have their own account group where the Tax ID and withholding tax code fields are required data entry. Exemption information will be optional data entry.
- The vendor data maintenance process (managed by OSRAP) will include some type of 1099 data screening to be sure that we are entering vendor records in the SAP system correctly
- Limited use of 1099 vendor postcard functionality

## Invoicing Procedures

- A payment is 1099 reportable when it involves (1) 1099 vendor and (2) 1099 reportable accounting object. During the invoicing process, the data entry personnel must determine (using the data defaulted by the PO or manually entered) if the expense line item is 1099 reportable.
- Discrepancies in data entry (use of 1099 reportable object on a non 1099 vendor or using an 1099 vendor with a non 1099 reportable accounting object) will result in a warning for some agencies and a hard stop for others.
- Accounting object coding will drive the 1099 reporting code
- Back up withholding is done for some vendors, this functionality will be configured in SAP



# 1099 – Key Decisions

## 1099 Filing

- A enhanced SAP 1099 data extraction program will be used to transmit the 1099 reportable payments to CONVEY 1099 software
- The current data review, update and transmission process (include forms) will remain in place using the CONVEY software
- OSRAP will remain as the responsible agency for the 1099 filing process
- The current correction procedures and policies will remain in place for end users submitting changes to 1099 filing

## 1099 Reporting

- Custom ECC report will be needed that identifies 1099 coding variances for vendor invoices



# 1099 – Benefits & Improvements

- Transition to SAP will be easier for end users because the SAP process is very similar to the current business practice
- For those Agencies that want to implement a workflow trigger for 1099 discrepancy invoices, the data integrity will be improved on a real-time basis



# 1099 – Changes & Challenges

- Training for those Agencies that decide to implement a workflow for 1099 invoicing discrepancies



# 1099 – Open Issues

- How will one-time vendors be handled if they are 1099 reportable?
- Will each agency still have their own Tax ID number?
- How will Agency type be represented in SAP?
- How will the 1099 reportable accounting objects be identified? Using GL accounts or using some type of substitution rule enhancement?
- How will the 'stand alone' payment systems do their 1099 reporting?
- In the case of back up withholding, what Agency is responsible for remitting payment to the IRS?



# 1098 – Design Considerations

## 1098 Filing

- A 1098 tax form is filed in order to report mortgage interest of \$600 or more received during a calendar year in the course of our trade or business. This interest income can be received from individuals (including sole proprietors) and a business.
- The \$600 threshold applies separately to each mortgage, thus a separate form is filed for each mortgage.
- A mortgage is defined as any obligation secured by real property. Further classification can be found in the IRS website



# 1098 – Open Issues

- **The AR mortgage contracts will be define in the Real Estate (RE), invoiced in Accounts Receivable (AR) and paid in the AR module**
- **The AP team must work with the RE team to confirm how the mortgage payments will be coded so that 1098 reporting can be extracted from SAP**
- **Some of the open issues with 1098 reporting:**
  - How will the 1098 relevant contracts be 'coded' for 1098 reporting?
  - Are there any special customer master design requirements that need to be in place to support 1098 reporting?
  - Will we need a custom extract program to extract to the 1098 reporting data and send to CONVEY?
  - Do we need any custom file formatting or file form configuration in CONVEY to support 1098 reporting?
- **AP Team will work with RE team during Realization phase to confirm the business process design for 1098 reporting**



# Invoicing and Payments

## Non Payable Invoicing



# Non-Payable: Design Considerations

- Who are considered the “Third Parties” and what type of goods and/or services are purchased?
- Do the Non-Payable Vendors need a separate Reconciliation Account?
- Is there a need for a separate Vendor Account Group for the Non-Payable Vendors?

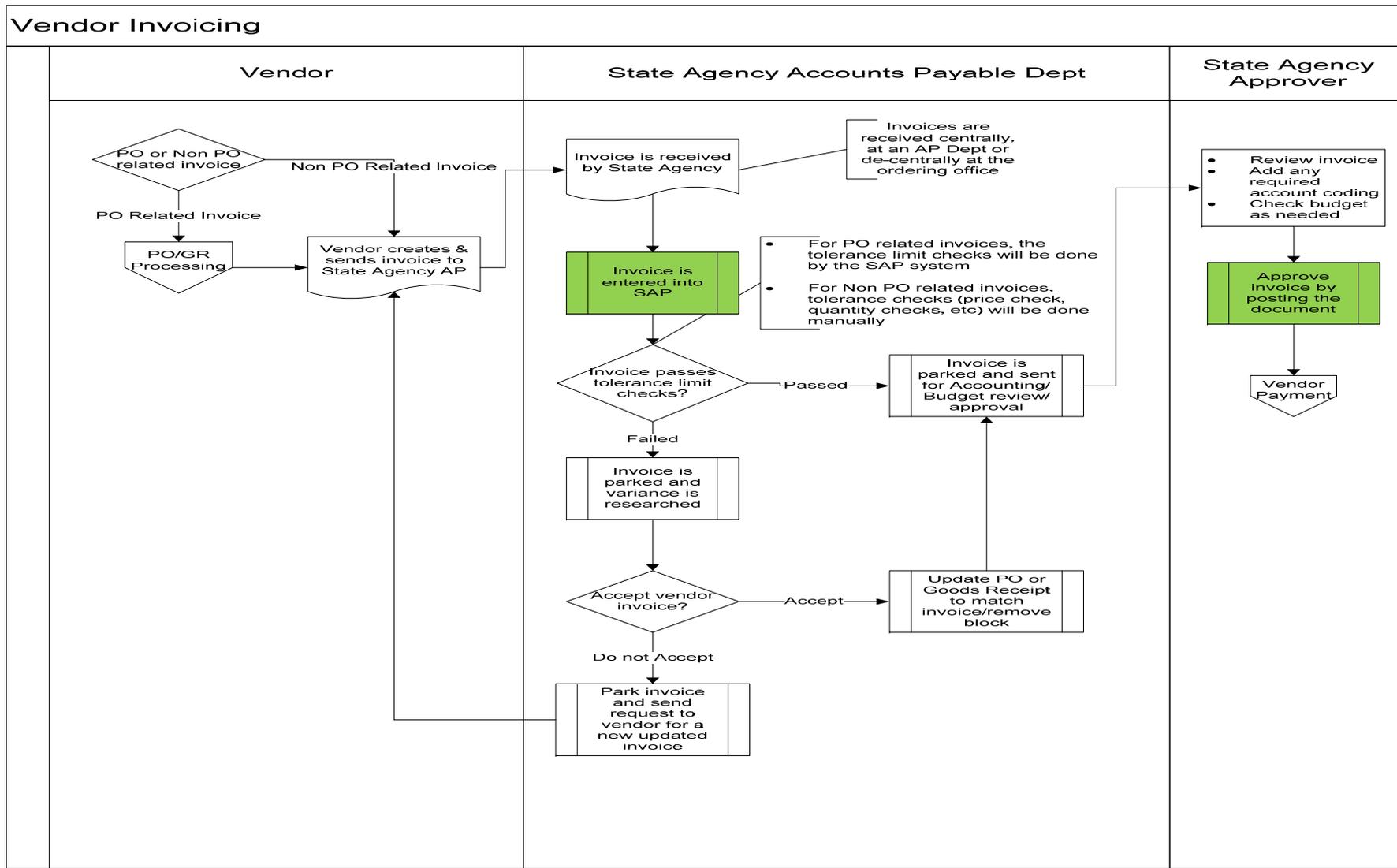


# Non-Payable: Key Decisions

- Office of Facility Planning and Control and Department of Transportation and Development currently use the Non-Payable business function.
- DOTD's "ESTI" system will remain.
- Invoices will be "parked" initially with manual Workflow.
- Invoice Verification settings must match Contract amount.
- Accounts Payable will be centrally maintained

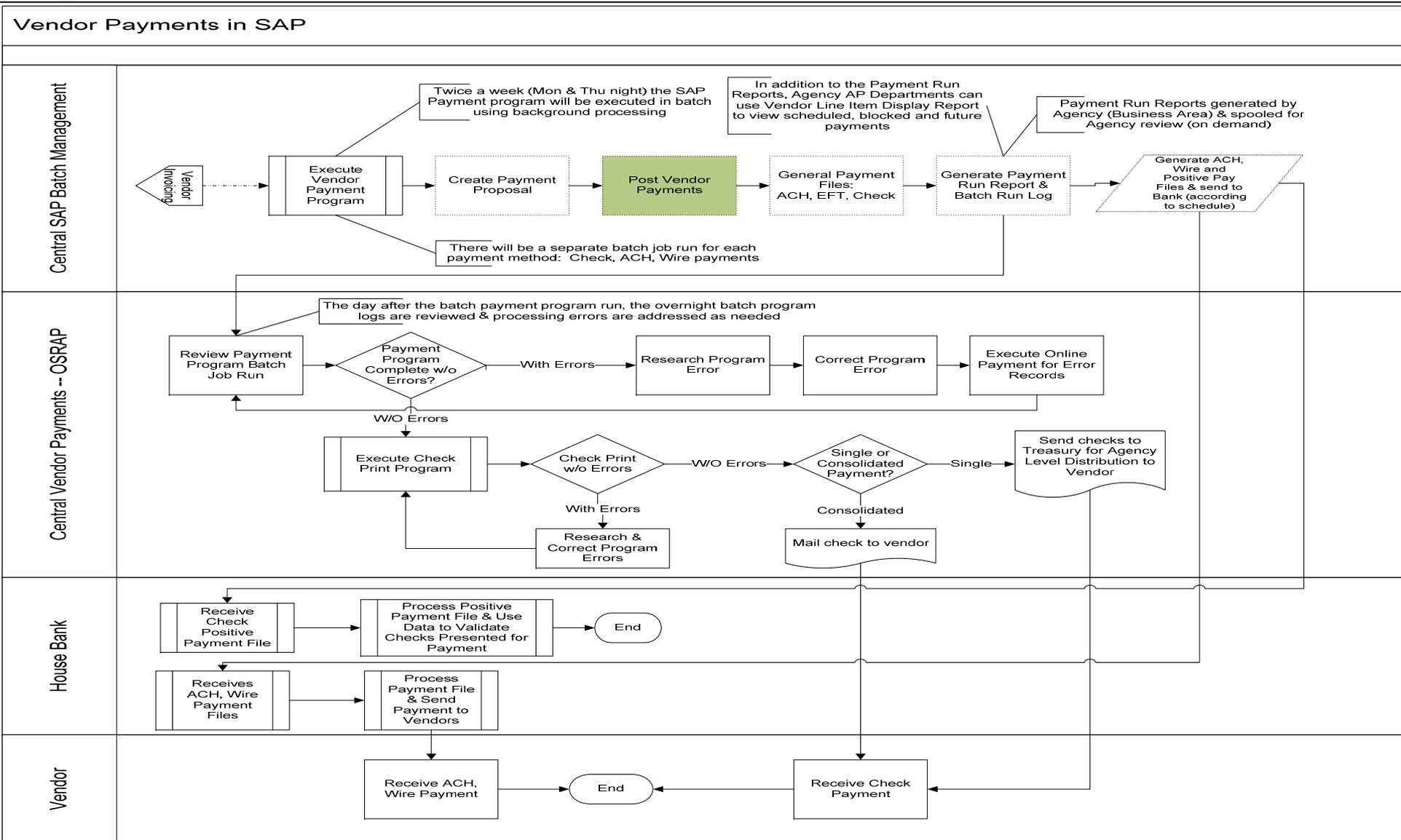


# Non-Payable: Vendor Invoice





# Non-Payable: Vendor Payment Processing





# Non-Payable: Changes and Challenges

- Training and hardware impact for possibility of Manual Pay transactions at agency-level.
- Training for Project Managers at OFPC on invoicing.



# Non-Payable: Benefits & Improvements

- Provides a consolidated enterprise wide view of the open Accounts Payable
- Standardization of vendor invoicing, payments and vendor open item management
- Accounting system of record is updated in real-time during the invoicing and payment processing
- Purchasing personnel and Accounts Payable Departments have equal access to the same information



## Accounts Payable

# Purchasing Card Processing



# Purchasing Card Functionality in SAP

- Standard SAP Purchasing card functionality is built with the SRM (Supplier Relationship Management) solution
- BI solution supports SRM purchase card transactions
- Other options to support purchase card business process:
  - Custom development using a direct feed (interface) from card issue bank to SAP GL
  - Approving done in stand alone software provided by bank / interface to SAP G/L
  - Third party bolt-on software (XiBuy)



# Purchase Card options

- Custom development using a direct feed (interface) from card issue bank to SAP GL
- Approving done in stand alone software provided by bank / interface to SAP G/L



# What should be the To-Be Solution for SAP?

- Currently, MM team conducting blueprint sessions for P-Card processing and AP team will incorporate their requirements, key decisions as part of design considerations for State-wide Purchasing Card solutions.
- We will keep SMEs informed of any design decisions that will be determined later.



# Purchasing Card Reporting

- Most purchase card providers support detail reporting from an online system secured at their website
  - Authorization reports
  - Transaction activity reports
  - Dispute reports
  - Unusual spending reports
- G/L reporting will come from SAP (BI or ABAP reporting)
- Do you have other reporting needs to support Purchasing Card auditing?



# Accounts Payable

# Reporting



# Reporting: Design Considerations

- What standard reports will be used for open and cleared invoices?
- What Standard BI cubes will be used for AP reporting?
- Are there any other specific reporting requirements for vendor account management?



# Reporting: Key Decisions

- Standard Vendor line item and payment history reports will be available in SAP
- Business Intelligence (BI) and/or ECC6 custom reporting functionality (ABAP code, Queries) will provide custom reports based on specific business needs.
- SAP reports will be communicated by :
  - Printing and mailing, faxing, etc
  - Viewing online
  - Downloading and saving to external file



# Reporting: Open items

- Are there any other specific reporting requirements for vendor account management?



# Technical Objects

## FRICE-W Objects



# FRICE-W Objects

- Forms:
  - Electronic vendor registration form
  - Vendor check and invoice remittance advice
  
- Reports:
  - Minority vendor query
  - Vendor by commodity code query
  - Vendor payment report
  - BI check register and payment document data by Agency
  - Purchases made to One-Time Vendors
  
- Interfaces:
  - LEAD Small Disadvantage Business (SBD) vendor file interface (LED agency)
  - Positive payment file
  - Cashed check file
  - ACH payment file
  - 1099 reporting data extract to CONVEY system



# FRICE-W Objects (continued)

- Conversion of legacy vendor master records from legacy systems:
  - AFS
  - LaPAC
  - AGPS
  - ADDS
  - FMSP
  - PMFS
  - CFMS
  - AFS
  
- Conversion of legacy open invoices, credits and partial payments
  - AFS
  - LaPAC
  - AGPS
  - ADDS
  - FMSP
  - PMFS
  - CFMS
  - AFS



# FRICE-W Objects (continued)

- Enhancements:
  - Custom field to identify a 1099 withholding tax code on One-Time Vendor
  - Custom field to identify a minority vendor
  - Custom field to identify commodity on vendor master
  - Custom field that specifies Treasury non-compliance on the vendor master record
  - Validation check that confirms all vendors with ACH or EFT payment methods have bank master details defined in the master record
  - Cash edit check
  - Vendor non-compliance list check
  - Custom field and user exit
  - User exit validation
  - Custom field on vendor invoice and credits (logistical and AP invoice)
  - Extract program for 1099 data
  - Warning validation 1099 expense coding
  - Custom field One-Time vendor indicating tax code



# FRICE-W Objects (continued)

- Workflow
  - Electronic notification to review/approve a vendor master record
  - Parked documents due to logistical invoice simulation error
  - Parked documents due to asset accounting simulation error
  - Parked document, general approval (parked as complete status)



# Legacy Conversion Strategy

- Legacy Data Element:
  - Strategy will be discussed during Realization Phase.



# Overall Organizational Impact

- Training and establishing desk procedures including service levels for data maintenance process.



## Next Steps - General

- Current Blueprinting Phase (Nov '08 – Jan '09):
  - PDDs for Accounting Payable Master Data, Invoicing & Payments, Check Management, 1099, Non Payable Invoices and P-Card Reporting
  
- Realization Phase (February 2009+):
  - System Configuration
  - Unit and Confirmation Testing
  - Document Business Process Procedures (BPP's)
  - Define and Develop FRICE objects
  - Integration Testing
  - User Acceptance Testing



## Next Steps – Process Specific

- Discussion with agencies regarding systems to be replaced, master data conversion, etc.,



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# Questions?

