

Customer Reporting and Analysis  
FI-AR-003  
10/09/2008



# LaGOV

**Version 1.0**

Updated: 10.01.2008

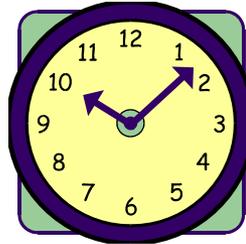


# Agenda

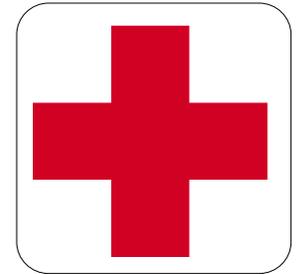
- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
  - Process overview
  - AS-IS process flow
  - Current system alignment
  - Process improvement opportunities
  - SAP terms glossary
  - SAP concepts & functionality
  - Business process flow
  - Leading practices
  - Enterprise readiness challenges
- Next Steps – Action items
- Questions



# Logistics



**Before we get started ...**





# Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise





# Introduction

## ■ Roles

- **Process Analyst and Functional Consultant** – lead and facilitate the discussions and drive design decisions
- **Documenter** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

### ***Round the Room Introductions***

***Name***

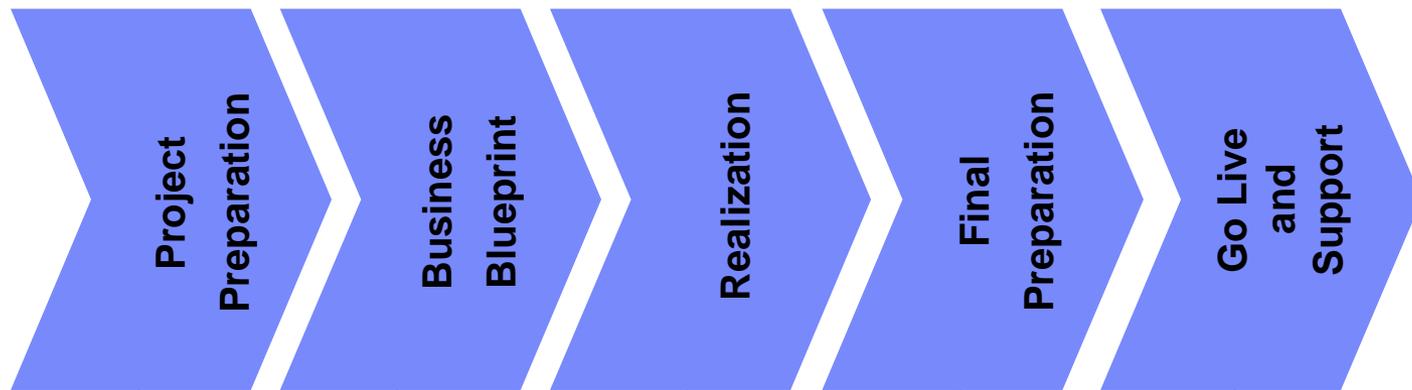
***Position***

***Agency***



# 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



# Project Organization - Functional Teams

## Finance Leads

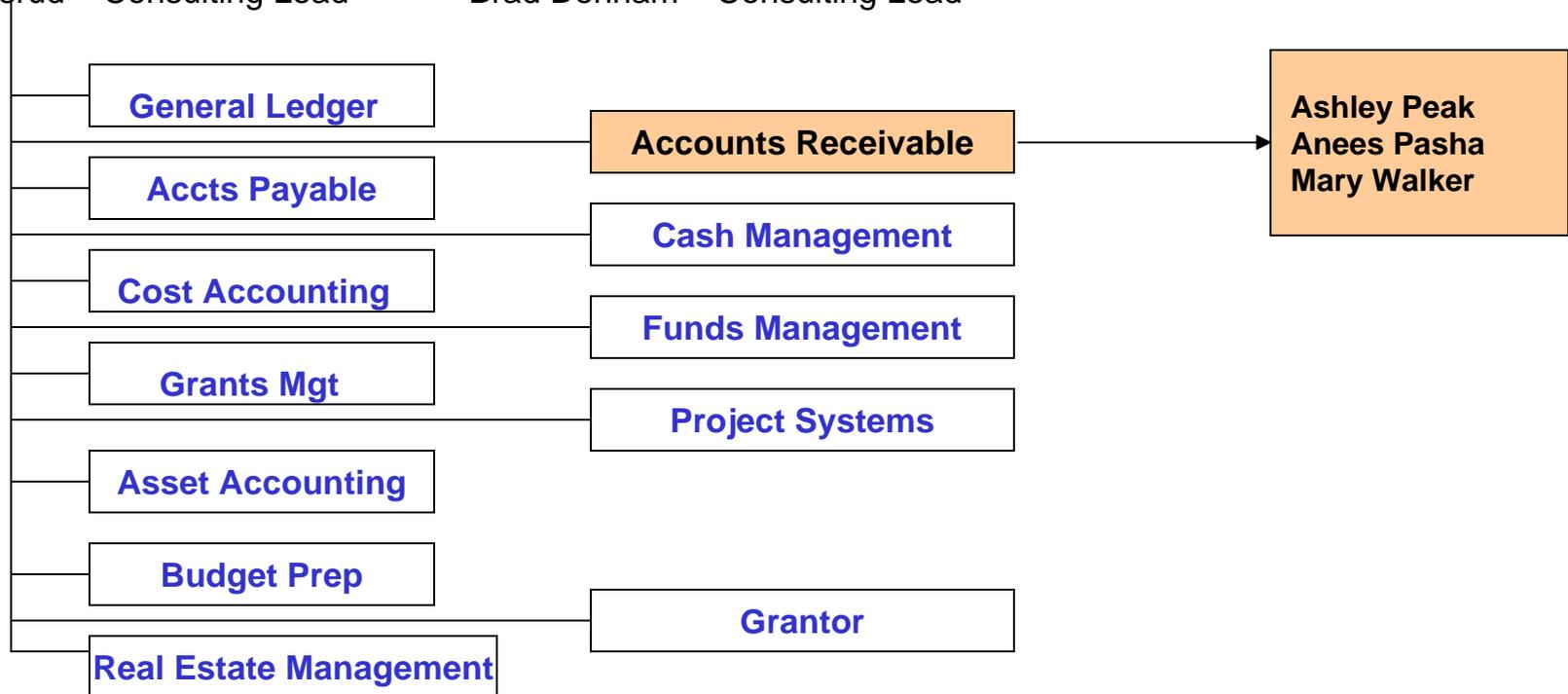
Beverly Hodges – Finance Lead  
Drew Thigpen – Finance Lead  
Mary Ramsrud – Consulting Lead

## Logistics Leads

Belinda Rogers – Logistics Lead  
Jack Ladhur – Logistics Lead  
Brad Denham – Consulting Lead

## Linear Assets Leads

Mark Suarez – Agile Assets Lead  
Charles Pilson – Consulting Lead





# Blueprint Objectives

- Review and discuss the current or As-Is business processes
  - Which helps to drive out the *Business requirements*
  - As well as the *integration points* with other processes
- Define Master Data
  - Address key integration points
  - Support organizational requirements
  - Consistent and appropriate use of data fields
- Define Future or To-Be business processes based on:
  - Best Practices inherent in SAP
  - Intellectual capital from other SAP implementations
  - State business requirements
- Identify development requirements
  - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



# Accounts Receivable Workshops

Session ID	Date	Business Process	Goals
FI-AR-000	08/11/08	Assessment of Accounts Receivable Functionality	<ul style="list-style-type: none"> <li>- Review and discuss standard SAP Accounts Receivable (AR) functionality</li> <li>- High level overview of standard functionality, provide insight on standard SAP functionality</li> <li>- Identify which agencies are best suited to use SAP AR</li> <li>- Identify the high level business requirements for each agencies</li> </ul>
FI-AR-001	09/24/08	Account Code Structure - Customers	<ul style="list-style-type: none"> <li>- Build business process design for maintaining customers</li> <li>- Determine customer grouping &amp; numbering schema</li> <li>- Determine field level requirements for customers &amp; reporting requirements</li> <li>- Determine use of customer master functionality &amp; integration with Grants Management</li> <li>- Identify legacy systems that will be used for data conversions</li> </ul>
FI-AR-002	08/27/08-08/28/08	Customer Invoicing through Customer Payment	<ul style="list-style-type: none"> <li>- Identify each agencies business requirements for invoice to payment business processes</li> <li>- Develop business design supporting invoice/credit memo data entry (manual and interfaces)</li> <li>- Develop business design supporting applying customer payments and credit memos</li> <li>- Develop business design supporting customer down payment processing</li> <li>- Develop business design supporting open item management, disputed items management</li> <li>- Develop business design supporting invoice and credit memo output form design</li> <li>- Develop business design supporting daily reporting</li> </ul>
FI-AR-003	10/09/08	Customer Reporting and Analysis	<ul style="list-style-type: none"> <li>- Identify each agencies business requirements for period end business processes</li> <li>- Identify each agencies business requirement for customer account management</li> <li>- Identify each agencies business requirement for reporting of allowance for uncollectable debt reporting</li> <li>- Develop business design supporting dunning procedures</li> <li>- Develop business design supporting collection and uncollectable debit write-off procedures</li> <li>- Develop business design supporting generation and transmission of customer correspondence</li> <li>- Develop business design supporting period end reporting requirements</li> </ul>



# Accounts Receivable Related Workshops

Session ID	Date(s)	Business Process	Integration Point with AR
FI-GM-005	10/09/08	Grants Billing/ Collection	Design of Sales and Distribution (SD) billing functionality and how it will be used to support Grant Billing
FI-CO-004	10/01/08 – 10/02/08	Interagency Transfers	Design of interagency billing and payments (clearing)
FI-CM-006	11/05/08 – 11/06/08	Cashiering and Offsite Cash Receipts	Design of point of sale transactions/updating SAP with off site (non SAP collected) cash
FI-AA-005	10/23/08	Retirement of Assets	Design of sales of assets



# Work Session Objectives

- Identify each agencies business requirements for period end business processes
  - Internal agency level reporting
  - External customer reporting
  - External reporting with other government entities
- Identify reporting requirements needed to support customer account management
- Identify each agencies business requirement for general ledger reporting of allowance for uncollectable debt reporting
- Identify business requirements needed to support generation and transmission of customer correspondence from SAP
- Develop business design supporting debt collection procedures including system generated dunning notices and manual procedures
- Develop business design supporting uncollectable debit collection procedures
- Develop business design supporting bad debt write-off procedures
- Develop business design supporting period end reporting



# As Is Review of Receivable & Revenue Recognition

## Receivable Recognition

- Receivables are recorded when cash has not been received and the following criteria has been met:
  - Revenue event is complete
  - Claim to revenue is measurable
- Cash transactions do not create accounts receivables

## Revenue Recognition

- Revenue is typically recognized when in the period earned
  - Goods are delivered
  - Services are performed
- Revenue is also recognized when there an enforceable legal claim

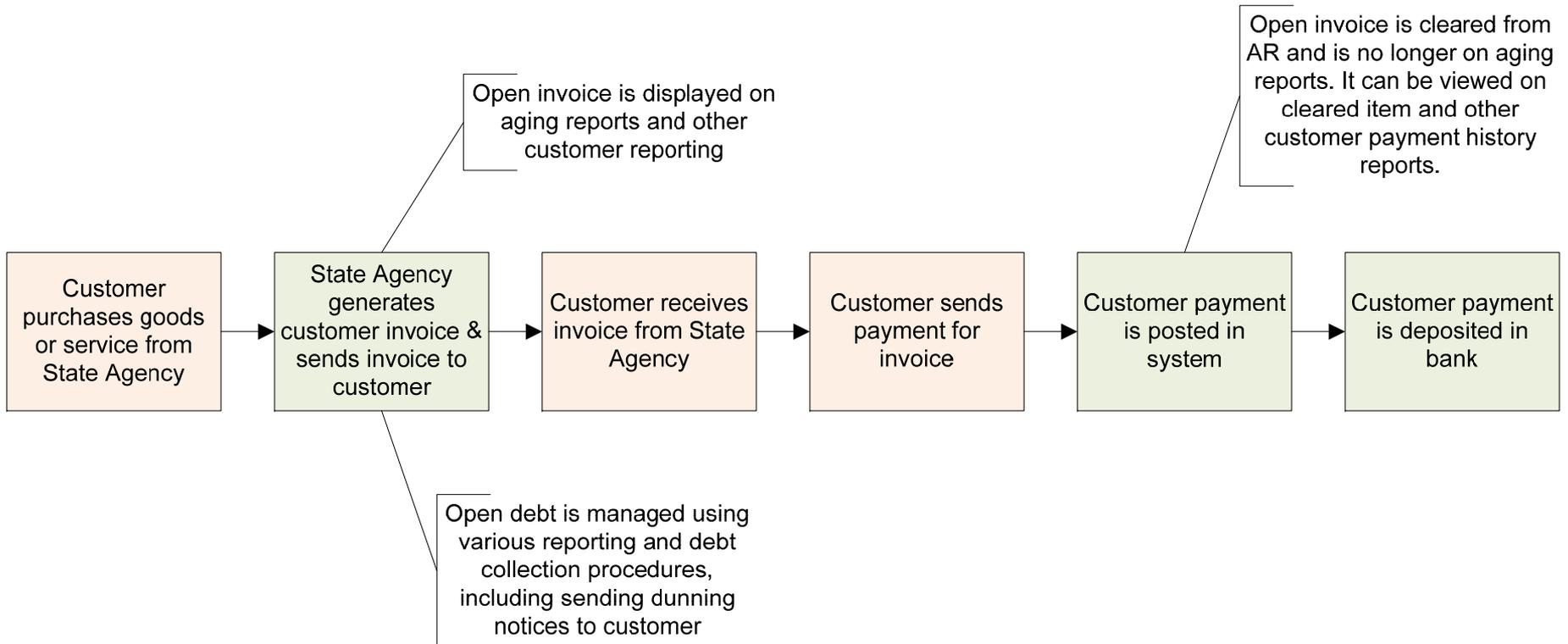


## As Is Review of Receivable & Revenue Recognition

- Based on this State Treasurer policy revenue can be recognized at:
  - During invoice data entry
  - During customer payment application
- What is the current practice at your agency?



# High Level Process Overview: Managing Open Receivables





# Process Improvement Opportunities (Pain Points)

- Provides a consolidated enterprise wide view of the open Accounts Receivable
- Standardization of customer dunning, bad debt allowances and write-off procedures
- Accounting system of record is updated in real-time with dunning, payment and write-off customer history
- Opportunity to automate bad debt allowance calculation and journal entry
- Billing Agency, Accounts Receivable/Cash Application Department and Attorney General Office have equal access to the same information; cuts down on sending AR reports between groups



# Leading Practices

- Be proactive in debt collection
  - Use customer account reporting (aging, payment history, etc) to determine billing and or payment problems
  - Correct invoicing errors at the source
  - Provide customer account information to customer
- Establish standard procedures across agencies:
  - Dunning procedures
  - Bad debt allowance
  - Write-off procedures



# SAP Glossary

## Accounts Receivable Invoicing

- Open Item – invoice or credit memo entered in the system awaiting payment or clearing
- Dunning procedure – the process of periodically communicating with customers to insure the collection of accounts receivable.
- Dunning area – organizational units in AR used to define separate dunning routines or used for reporting
- Dunning level – configured dunning phase within a dunning procedure
- Transfer of Doubtful Accounts – functionality that allows an automatic general ledger reclassification of open AR based on customized reserve methods (transfer posting deadlines, open amount is greater than zero, etc).

- Allowance for bad debt – the account procedure that is used for period end reporting to restate the open receivables and book bad debt expense based on a set calculation method (bad debt as a percentage of sales or as a percentage of receivables)
- Write-off – accounting procedure used to clear an open receivable and account for the clearing to a write-off account (bad debt expense, revenue account, etc)
- Cleared Item – Invoice or Credit Memo entered in the system that has been cleared. An item can be cleared in many ways: through a payment, reversal or matching an invoice against a credit memo



# Review of As-Is Process Managing Open Receivables

- What are your current period end business procedures?
  - Customer account clearing
  - Internal reporting (Aging, Payment History, etc)
  - External reporting
  
- What accounting systems support period end business procedures?
  
- Do you use any form of customer correspondence to request payment?
  - Generated manually or automatically from your AR system?
  
- Do exercise any small balance write-off review/procedures during period end?
  
- Confirm the following As-Is assumptions:
  - Current AR system used for debt management
  - Current AR system used for dunning

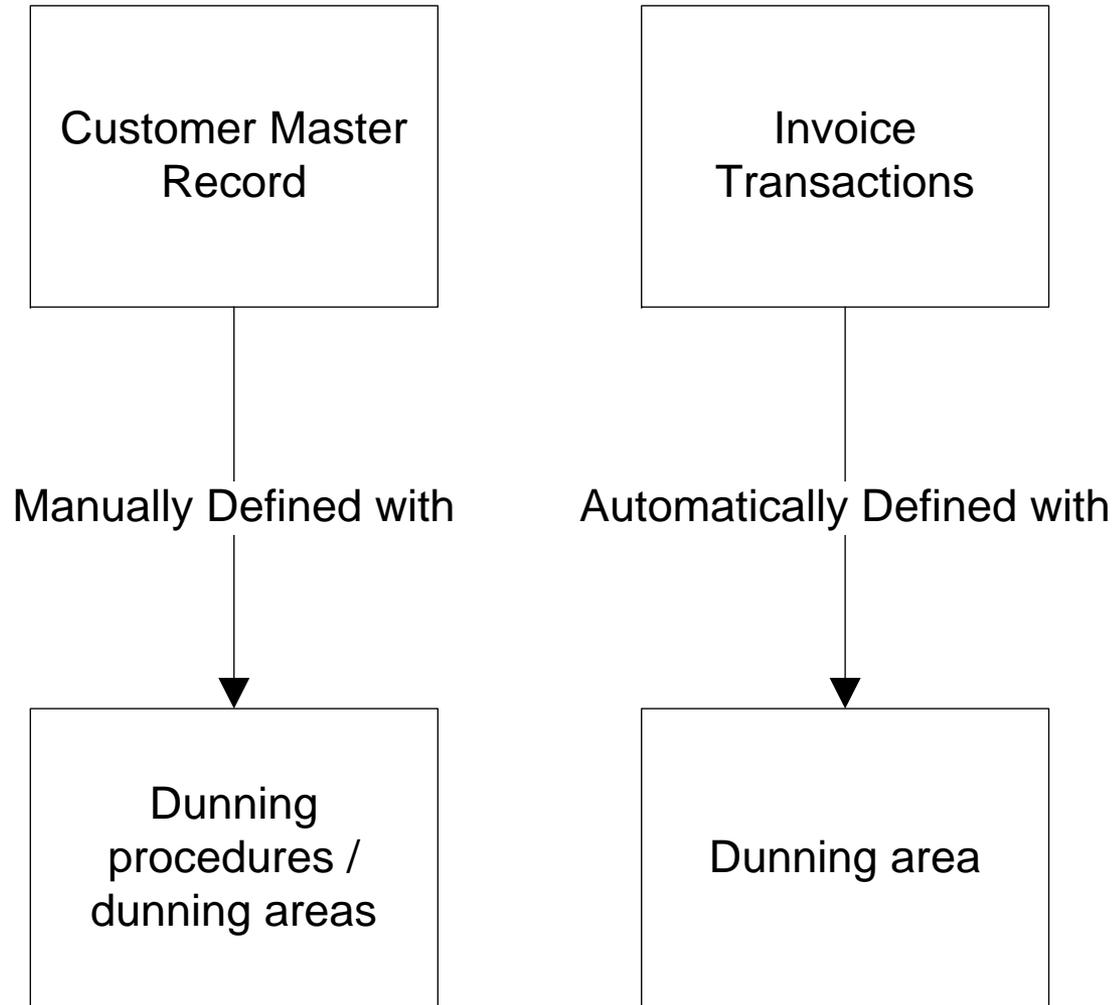


# SAP Dunning Functionality

- Dunning notices are sent as reminders of outstanding debts
- The system duns the open items from business partner accounts in which the overdue items create a debit balance.
- The dunning program uses configurable dunning procedures that:
  - selects the overdue open items
  - determines the dunning level of the account in question
  - creates a dunning notice
  - saves the dunning data determined for the items and accounts affected (dunning history)
- Dunning procedures can be configured to calculate and post interest
- Dunning program can be configured to dun both customers and vendors with a debit balance
  - If a customer is also a vendor, the system can be configured to offset the account balances against one another

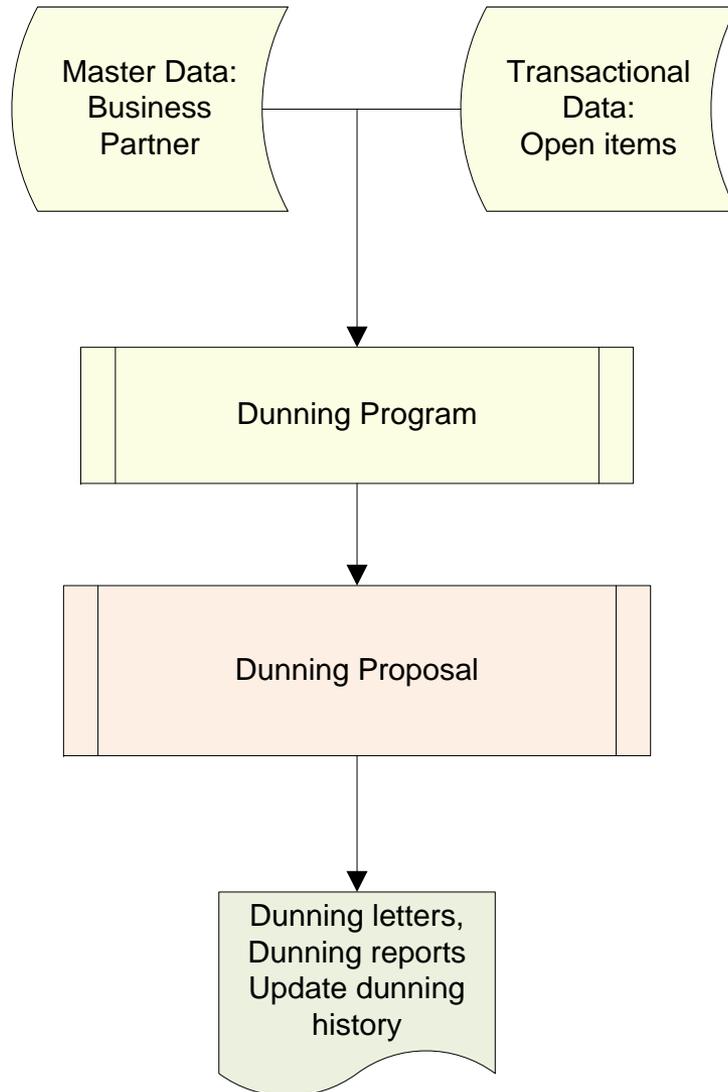


# SAP Dunning Functionality





# SAP Dunning Functionality



1. Create dunning proposal
2. Edit dunning proposal
3. Print dunning notices



# SAP Dunning Functionality

## ■ Dunning Letters

- How should the dunning notice (letter) be formatted?
  - All open items (business areas) on one letter
  - One letter per business area
  - One letter per dunning level

## ■ Dunning Procedures

- Dunning intervals in Days
- Number or dunning levels
- Minimum days in arrears
- Dunning level where interest is calculated
- Dunning level where all open items are printed on
- Payment deadlines
- Minimum amounts
- Dunning blocks

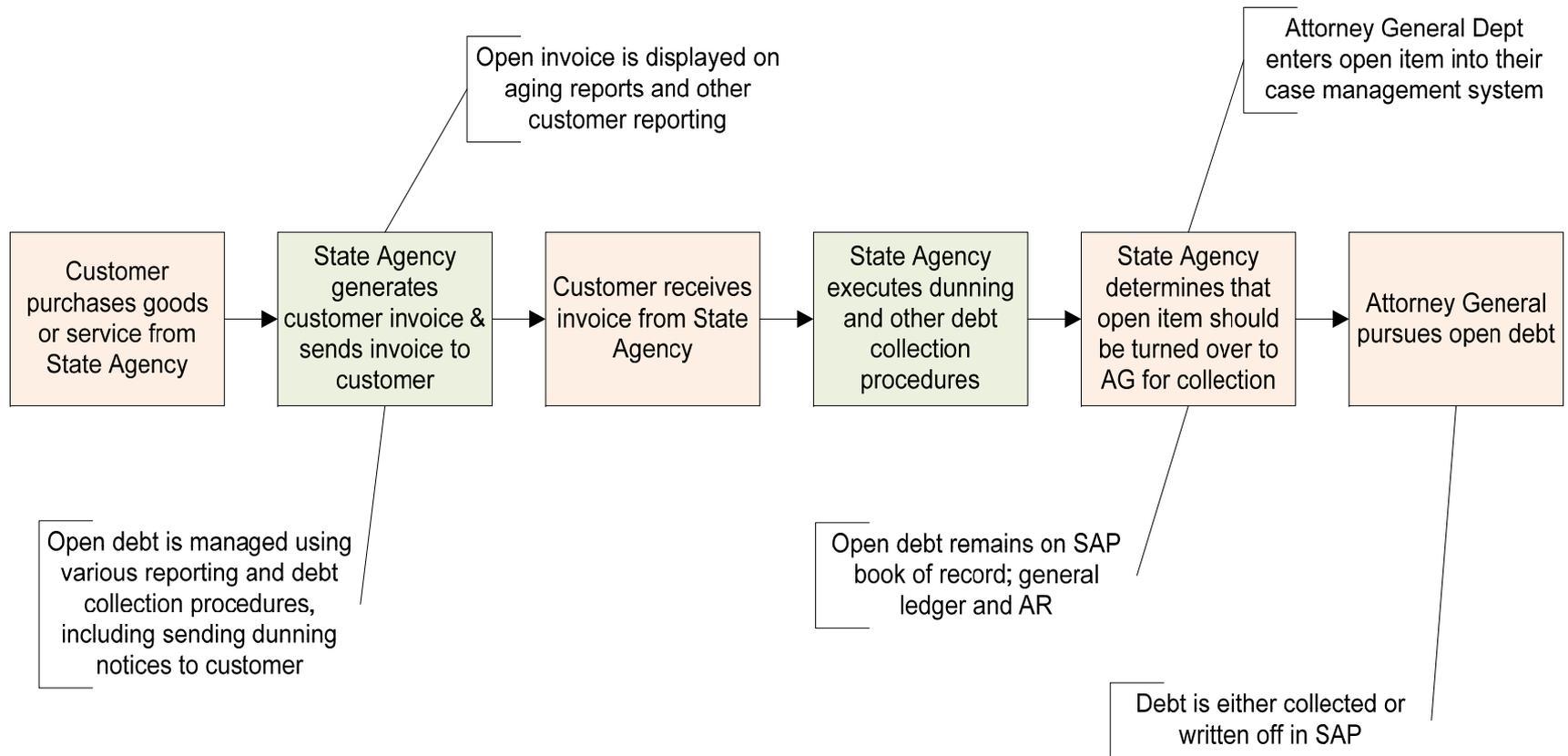


## Review of As-Is Process Uncollectable Debt Procedure

- What is your current procedure for open items that are turned over to the Attorney General for collection?
- What part(s) of the procedure is automated and what part(s) are manual procedures?
- What approvals or controls are required?



# High Level Process Overview: Uncollectable Debt Procedure





# SAP Transfer Posting for Doubtful Accounts

- Functionality that allows open items to be automatically reposted from the traditional AR reconciliation account (defined on their master record) to a special reconciliation account used to classify doubtful accounts
- Functionality allows for the open item to remain outstanding on the customer's account
- Open item can be cleared using the normal payment process if payment is collected
- Open item can also be written off according to normal write-off procedures
- Functionality requires account determination, payment deadline and open amount configuration
- Functionality may also require special coding to handle fund accounting requirements
- Do you currently use this procedure?
- Do you see value in using this functionality in SAP?

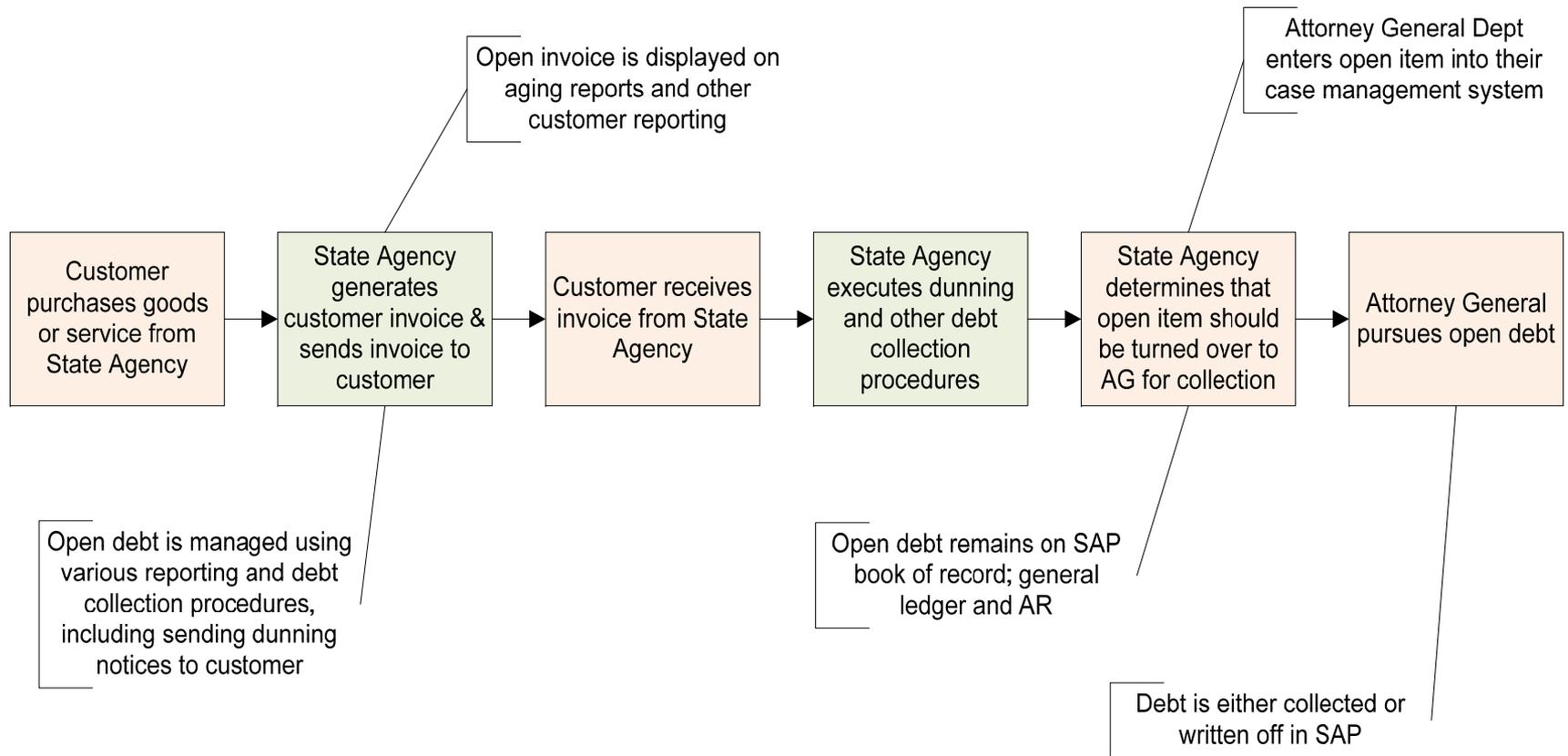


# Review of As-Is Process Bad Debt Write-off Procedure

- What is your current procedure for bad debt write-off?
  - Controls based on dollar amount
  - Controls based on accounting object (fund, grant, project, etc)
  - Approval controls at department, OSRAP or attorney general levels
  
- What part(s) of the procedure is automated and what part(s) are manual procedures?
  
- What are the accounting entries that are made?



# High Level Process Overview: Bad Debt Write-off Procedure





## Next Steps

- Prepare and send out meeting minutes to invitees.
- Draft Design Document is prepared.
- Follow up on action items identified during the workshop.
- Schedule off-line meeting (s) to discuss areas of special concern
- Plan follow on workshops, as required.
- Plan validation workshop.
- Ensure all to-do's are appropriately documented



# Questions?

