



MEETING MINUTES

State of Louisiana ERP Project

Blueprint Workshop / PS-007/ FHWA Billing

10/14/2008 @ 08:30 to 4:30 through 10/15/2008

Location: Claiborne Building Room 142, DOTD East Wing, Conf. Room

Attendees:

| No. | Name | Invited? | Attended 10/14? | Attended 10/15? | Comments |
|-----|-------------------|----------|-----------------|-----------------|--|
| 1. | Jack Bales | Y | Y | Y | Jack.Bales@fhwa.dot.gov |
| 2. | Eric Burges | Y | Y | N | EricBurges@dotd.la.gov |
| 3. | Pat Cane | Y | N | N | Pat.Cane@la.gov |
| 4. | Charlie Davis | Y | Y | Y | Charles.Davis2@la.gov |
| 5. | John Davis | Y | N | Y | John.Davis@la.gov |
| 6. | Sal Faldetta | Y | N | Y | SalFaldetta@dotd.la.gov |
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| 8. | Carl Highsmith | Y | N | N | Carl.Highsmith@fhwa.dot.gov |
| 9. | Beverly Hodges | Y | Y | N | Beverly.hodges@la.gov |
| 10. | John Hodnett | Y | N | N | John.hodnett@la.gov |
| 11. | Larry Hofstad | Y | Y | Y | Larry.Hofstad@la.gov |
| 12. | Christine Lee | Y | Y | Y | Christine.lee@la.gov |
| 13. | Richard Lozano | Y | Y | N | Richard.Lozano@la.gov |
| 14. | Monica Mealie | Y | N | N | MonicaMealie@dotd.la.gov |
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| 19. | Drew Thigpen | Y | N | N | Drew.Thigpen@LA.GOV |
| 20. | Margaret Thompson | Y | Y | Y | MargaretThompson@dotd.la.gov |
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| 23. | David Boyd | Y | N | N | David.Boyd@LA.GOV |
| 24. | Dom Cali | Y | Y | Y | DomCali@dotd.la.gov |
| 25. | Lori Humm | Y | Y | Y | lhumm@dyemanagement.com |
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| | | | | | |
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| 31. | Sylvia Vaught | Y | N | N | Sylvia.Vaught@LA.GOV |
| 32. | Deon Felder | Y | Y | N | Deon.Felder@dotd.la.gov |
| 33. | Kathy Devall | Y | Y | Y | Kdevall@dotd.la.gov |
| 34. | Eileen Scherich | Y | Y | Y | Eileen.Scherich@la.gov |
| 35. | Gerry Hanson | Y | Y | Y | Gerry.hanson@la.gov |
| 36. | Anand Thangamani | Y | Y | N | Anand.Thangamani@la.gov |

| | <i>Agenda Item and Notes</i> | <i>Owner(s)</i> | <i>Action Items & Assignments</i> | <i>Comments / Follow-up</i> |
|----|--|-----------------|---------------------------------------|-----------------------------|
| 1. | Logistics, Ground Rules, & Introduction | Larry Hofstad | • None | |
| 2. | Project Timeline | Larry Hofstad | • None | |
| 3. | Workshop Objectives | Larry Hofstad | • None | |
| | <ul style="list-style-type: none"> • Review and discuss the current or As-Is business processes, which helps to drive out the <i>Business requirements</i>, as well as the <i>integration points</i> 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: <ul style="list-style-type: none"> – 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

4. Business Process Review

Larry Hofstad
Christine Lee

- See action items & assignments below.

Hard copies provided - SAP
Glossary.

- Process Overview
- Review current As-Is process for FHWA
- Current system alignment
- Process improvement opportunities
- SAP terms glossary
- SAP concepts & functionality
- Leading practices
- Enterprise readiness challenges

5. Action Items

- Research approvals of FHWA project in interface vs. going into FMIS to approve.(PS)
- Charging time to a state project. How does it relate to a federal number? (Deals with As-Is process) (PS)
- Follow up with AR/AP. Cannot bill FHWA until customer has been paid. RASPS billing may have to look at AP/AR. (PS)
- Security of transaction code CJ20N, updating of status. Who has this access? (PS)

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Discussion:

The PS-007 FHWA Billing Workshop session began with the customary introductions of all attendees followed by an overview of LaGov project goals and review of project timelines. The work session then moved to the discussion of "As-Is" processes for FHWA. Listed below are the highlights of these discussions, which include the listing of any key decisions, organizational impacts, integration points, and parking lot items, identified in the course of these discussions.

REVIEW OF AS-IS PROCESS

Discussion:

DOTD "As-Is" FHWA Billing Process Overview – Larry Hofstad led this "As-Is" review discussion with emphasis in DOTD Project Finance: Initial authorization of Non-Construction (**PSA**), Initial authorization of Construction (**PSA**), Modification of Authorization for Construction after letting process (**PAE**), and Modifications of existing project agreements (**MPA**); high level descriptions of how DOTD handles Progress billing, Incidental billing, and indirect cost billing within the Fiscal Management Information System (FMIS) and the Rapid Approval and State Payment System (RASPS).

DOTD – Initial Authorization of FHWA funded Non-Construction projects

Project Finance – Federal Aid Analyst receives e-mail request to fund a project. In accordance with FHWA requirements, Federal Aid Analyst checks the STIP on the DOTD Intranet by Project number. If the STIP Reference cannot be identified, Jan Parish in Planning is contacted for assistance. If the STIP reference exists, Jan will respond with same, if not, a STIP modification is prepared and sent to FHWA for approval. After approval, Jan will supply the STIP Reference to the Federal Aid Analyst.

Federal Aid Analyst enters data into FMIS and signs authorization, then **PSA** and project packet are sent to Federal Aid Manager for second level signature prior to FHWA approval. If Federal Aid Manager disagrees with **PSA**, then no signature is applied, and the **PSA** is returned back to Federal Aid Analyst for correction. If the Federal Aid Manager approves the documents, then he/she signs the Cost Distribution(CD), and processes the electronic signature in FMIS.

No notification is sent from FHWA when FMIS is updated. A report is generated from FMIS each morning to identify Authorized Projects. CDs are sent to Financial Services and Project Finance – State Aid once the transaction number and authorization date are entered into FAST/BOOKS. Financial Services enters CD data into their system called FAID. Project Finance-State Aid enters the vendor information on the CD, encumbers the funds and distributes the CD as needed.

DOTD –Initial Authorization of FHWA funded Construction projects

Creation of a "Wall Chart" of upcoming projects to be bid by Project Finance-Federal Aid Analyst from the Letting list is the trigger for submission of FHWA Project Authorizations. The Analyst looks at the following fields in LETS to determine if the project is ready and what needs to be included in the submission to FHWA:

- Is this a Delegated Project? If yes, Analyst obtains Signed Final Plan Title sheet and Sealed Proposal as documentation. If no, Analyst obtains Final Plans and Proposal for FHWA review.
- Are Environmental Clearance fields valid? Percent complete = 100% and Clearance Date
- Is Right of Way Clear or NA?
- Is Utility Relocation Clear or NA?
- Is Project Delivery Date (PDD) = 100%?
- Is Rail Road Agreement Complete or NA?
- Is Corp of Engineers (COE) permitting process Complete or NA?

If all of the above milestones are met, Analyst will create the **PSA** document for input into FMIS. The estimated cost used for the Initial Authorization is the most current estimate in LETS at the time of the **PSA** creation. DOTD recently implemented CES, a module of Trns.port specifically designed for Construction Estimating. The estimate in LETS is supposed to be the same as CES estimate.

If any of the milestones are not completed prior to the Federal Authorization Date, generally one week prior to First Construction Bid Advertisement date, the PDD needs to be reset and the project re-scheduled for another month.

The rest of the process is the same as above for Non-construction projects.

DOTD – First Modification of FHWA Authorization for Construction projects after Bid Opening to adjust for an Overrun/Underrun of initial project authorization

After the bid letting and analysis process is complete and the Chief Engineer has approved award of the project to the low bidder, the Project Finance-Federal Aid Analyst creates the Project Modification (**PAE**) document to add or release funds from the project based on the actual bid amount.

For Non-delegated projects, a Concurrence in Award must be obtained from FHWA prior to award to the contractor.

The review and approval process for FMIS signatures is similar, if not identical, to the process above.

DOTD – Modification of Project Agreement

Project Finance-Federal Aid Analyst receives e-mail requesting additional funds for a project. Analyst researches current status of Change Orders/Contract Amendments to validate the need for additional funds. If no action is justified, the requestor is notified.

If action is required, first option is to move funds within the project by **CD Only** (Funds are shifted by modifying the funds distribution in the CD without changing the total). This is a DOTD internal document, without any change in FMIS.

If additional funds are required, the Analyst creates an **MPA** in FAST, enters the information into FMIS and forwards the documentation to the Federal Aid Manager for approval/signature of hard copy CDs and electronic approval/signature in FMIS. After FHWA approvals in FMIS and FAST/BOOKS are updated, Analyst distributes CDs to Financial Services and State Aid.

In the case of Projects using Advance Construction (AC), the Analyst will convert AC to actual funds in FMIS.

- The use of Advance Construction on projects results in an unrecorded liability in the current DOTD financial system. The only record of AC is the FMIS W10A report and the Federal Aid Manager keeps an Excel spreadsheet of Advance Construction projects (Balances back to the W10A) and is updated at least monthly.
- Financial Services requests a list of Unrecorded Liabilities at Fiscal Year End for the Department's Annual Financial Report for inclusion in the state CAFR.

One other condition can trigger a request for additional funds; a shortage of funding on the operations side of the CD. Indirect and Direct funds are combined on the CD. When excessive Direct charges of payroll use the funds set up for Indirect Cost Recovery, this causes Indirect Cost to go into a suspense category in the RASPS Billing Process. The Suspense List is sent to Project Finance-Federal Aid for additional funds.

DOTD - State Aid – Fund Federal Projects

Project Finance-State Aid receives CD from Federal Aid. State Aid Analyst must determine the source of matching funds. Funds must be available for use. Vendor information is verified prior to encumbrance. Once funding and vendor are identified, funds are encumbered and copy of CD is sent to Financial Services/PMFS unit.

DOTD – Federal Aid Billing –Progress Billing

Progress billing is the reimbursement request to FHWA through RASPS for project costs associated with Capital Outlay construction contracts, engineering services, preconstruction activities supporting construction,

etc. The billing cycle occurs three times per month. The first bill is effective on the 9th, the second on the 19th, and the last at the end of the month.

There was an extensive discussion of the reports used during the billing process. The procedures validate the balances of funds on the projects and whether or not to proceed with RASPS billing. Once it is established that legitimate expenditures have occurred and funds are available, the data file is uploaded to RASPS and FHWA is notified of the pending reimbursement request.

The progress billings should take place within the time frames of the Cash Management Improvement Act (CMIA) clearance patterns to avoid penalties.

The details of the RASPS billing activities are extensively documented in the As-Is Process Flows.

DOTD – Federal Aid Billing – Incidental Billing

The Incidental billing is the reimbursement request to FHWA through RASPS for Direct Charges to the Operating Budget for DOTD payroll costs, supplies, etc., associated with a Federal Aid Project.

The Incidental billing occurs once a month after the final progress billing for the month is complete.

Once again, there was an extensive discussion of the reports used during the billing process. The procedures validate the balances of funds on the projects and whether or not to proceed with RASPS billing. After validation is complete, electronically bill through RASPS, and notify FHWA of pending reimbursement request.

DOTD – Indirect Cost Billing

The Indirect Cost billing is the reimbursement request to FHWA through RASPS for Indirect Costs based on the approved Indirect Cost Rate. All Capital Outlay projects are required to bill for Indirect Cost Recovery, unless specifically exempted by category or individual approval by FHWA.

Billing for Indirect Cost is based on the Progress payments from the previous month and re-billing of projects cleared from the suspense list in the previous month.

The Indirect Cost billing occurs once a month after the final progress billing and the Incidental billing for the month are complete.

PROCESS IMPROVEMENT OPPORTUNITIES (PAIN POINTS)

- Master data for federally funded projects will be managed in one central location (PS)
- Current manual entry of multi funded projects in FMIS will be automated through the use of interfaces in SAP, eliminating redundant processing
- Streamline the process for requesting authorization
- SAP Accounting system is updated in real-time during the invoicing and payment processing
- Eliminate the use of offline spreadsheets
- Decrease amount of Federal Aid dollars unbilled. Also better tracking of unbilled costs.
- Electronic reporting to accurately reflect project funding

EXISTING SYSTEMS

- FAST/BOOKS
- TOPS
- LETS
- Site Manager
- PMFS
- FAID
- Excel Spreadsheets
- Current Interface: Outbound to RASPS

DOTD "TO-BE" FHWA BILLING PROCESS OVERVIEW – Christine Lee led the "To-Be" discussion:

High level overview of **FHWA Federal project lifecycle**.

1. FEDERAL PROJECT CREATION

Federal Project will be created at the point funding authorization is required.

FEDERAL AID PROJECT Number Definition

Option 1 *

| <u>SAP State Project Number</u> | <u>SAP Federal Project Number</u> | | <u>FMIS Federal Project Number</u> | |
|---------------------------------|-----------------------------------|------------|------------------------------------|----------------------|
| T.000001 | H.000001.01 | represents | H000001 | (Improvement Type 1) |
| | H.000001.02 | represents | | (Improvement Type 2) |
| | | | H500001 | (Multiple Demo IDs) |

Option 2

| <u>SAP State Project Number</u> | <u>SAP Federal Project Number</u> | <u>FMIS Federal Project Number</u> |
|---------------------------------|-----------------------------------|------------------------------------|
| T.000001 | H.000001.01 | T000001 |

* Option 1 was selected to deal with multiple Demo IDs. FHWA is currently working on a fix for this problem

Scenario: Possible to have two program codes for one Project, example, Program code one is 90 % participating, Program code two is 80%, but both roll up into one federal Project or State project and must have billing capabilities for both types of funds.

2. FEDERAL PROJECT BUDGETING

Due to the complexities of the FHWA project requirements, standard functionality will not be capable of capturing this data. State project will capture actual costs. Federal project will not collect costs; it will hold requirements such as date limits, ceiling, percentages, and final voucher date. Custom Z table in SAP will capture which State projects can be funded by which Federal projects and in what order.

Prioritize which Federal projects to be used

- Oldest funds first
- Demo projects as high priority

FMIS Interface and Statuses

Custom Z table will create the proper linkage between State Project Number and the FMIS Federal Aid Project Number.

The trigger for the FMIS Outbound interface will be the FMIS identified Statuses: Add/Change, Close, Withdraw or Re-open.

Electronic Signatures

Option 1: Capture electronic signatures in SAP

Option 2: Capture electronic signatures in FMIS

- No decision in session, more research required. Identified as an Action Item.

Considerations:

- Eliminates the need to enter into another system
- Development effort:
 - Capture electronic signatures in user fields
 - Secure the transaction down to the specific field within transaction CJ20N
 - Must validate user IDs with approver's FMIS user ID
 - Possible workflow for the approval

Estimate values for FMIS Outbound Interface

Enter estimates in SAP and interface authorizations to FMIS

3. FEDERAL PROJECT ACCOUNTING

1. All costs will post to the State project; the federal project will indicate the date limits, percentages and final voucher date.
2. Custom Z table will capture which funds can be used on which project in which order

Federal project will hold dollar amounts, while state project will control dollars according to each individual phase.

All Postings will require the following:

1. WBS for state project
2. Fund
3. Functional area
4. GL account

Participating verses Non-Participating

Option 1: Create 3rd level WBS element for participating costs and for non participating costs.
Considerations: Training on project coding as costs will have to be posted down to this level.

Option 2: Capture participation in the G/L account
Considerations: What objects are currently being used by DOTD? Thinking enterprise: Will these GL accounts be used by others? Will require duplicating all relevant G/L accounts

Option 1 was selected as the more feasible solution

Billing using RASPS Interface

- In SAP, funding availability will be checked at the time of the commitment which will reduce funding errors when billing, reducing the effort required during the reconciliation process
- What triggers each type of billing? Progress billing, incidental billing, indirect cost billing?
 - Does each type of billing run independently or combined? (Is indirect cost included in the progress billing?) In the To-Be, all can be billed together.
 - How is each type indicated?
- How often should the Billing interface run in the future?
 - Current Progress billing cycle currently runs 9th, 19th and End of Month and Incidental billing occurs one time a month.
 - To-Be: Combined Billing on a weekly basis, with capability to run on demand.
- Is there a scenario in which specific line items will not be billed?
 - How to identify line items not to be billed?
 - Consider why it is done today, will it be required with the new SAP system?
 - Maximizing reimbursement
 - Expenses not billed will remain in the WBS element and will be absorbed in the next billing run.
- Accounts receivable document containing each of the line items billed will be created.

RASPS Interface

1. Outbound interface of billings will create A/R document
2. Inbound interface of payment confirmations
3. Once payment is received, then A/R document is cleared
4. Custom tables will be required to capture amount billed to date by project

4. FEDERAL PROJECT MANAGEMENT

User Fields needed for FMIS

Partial list of FMIS Fields:

State Code, State Project Number, Federal Aid Project Number, Action Type, Program Code, Standard Place Code, Project Type, Beginning and Ending Mile Points, Inventory Route Number, Estimated Construction Date, Project Oversight, Disaster Data, Environmental Clearance, Demonstration Project ID, STIP Reference, Prefix, County Code, Urbanized area, Urban/Rural, Functional System

Status Management

Status will key the interface to FMIS and track the approval level

FMIS Statuses: Add/Change, Close, Withdraw, Re-open

KEY DECISIONS

1. One Federal Project in FMIS, Several federal projects in SAP
2. Federal Project naming convention (SAP) H000001.01=Improvement type=H000001 in FMIS.
3. Budget Control at the phase level of the State Project
4. Federal project user status profile will include FMIS action types (FMIS Status will trigger outbound interface)
5. Enter estimates in SAP and interface to FMIS
6. Capture participating / non-participating costs at the 3rd level WBS element
7. Change Orders can be funded by advanced construction or addition of funds through FMIS
8. Frequency of Interfaces: FMIS - Daily with on demand, RASPS - weekly with on demand.

ORGANIZATIONAL IMPACT / ENTERPRISE READINESS Challenges were identified as follows:

1. Project Managers will need to monitor budgets.
2. Project Finance - Federal Aid (Process Changes)

FRICE-W actions were identified as follows:

1. Budget (Funds Management) verses Actual reports –BI Report (Project Systems)
2. Inbound/ Outbound interface to FMIS (Inbound should update status to approved).
3. Enhancement – User field tab for project master data.
4. Inbound/ Outbound interface to RASPS.
5. Custom Z table for state and federal projects.
6. Custom Z Table to capture billed to date.
7. Reporting capabilities on Z tables
8. 500 series report - required by FHWA from the State of Louisiana(Annual report)
9. Conversion of project master data (TOPS), budget (FAST), expenditures (PMFS), encumbrances (PMFS), etc.

INTEGRATION POINTS

1. Real Estate – Purchase of land related to projects
2. Accounts Payable/ Accounts Receivable with RASPS
3. CM for CMIA/Treasury

PARKING LOT

1. In house direct charges- Options for alerts or warnings for percentages allocated for indirect costs. (PS)
2. Look at reconciliation effort to see if we can control budget at a higher level. (PS)
3. What is the definition of a “fund?”

