



MEETING MINUTES

State of Louisiana ERP Project

Blueprint Workshop/Procurement Process for Assets-Overview

Session: LOG-MM-009

10/09/2008 8:30 to 4:30

Location: Capitol Park Welcome Center/ 702 River Road

Attendees:

| No. | Name | Agency | Invited? | Day 1 | Comments |
|-----|---------------------|-----------|----------|-------|----------------|
| 1. | Allatto, Gail | WLF | N | Y | |
| 2. | Altazan, Mary | DOC | Y | Y | |
| 3. | Anderson, Shannon | DPS | Y | Y | |
| 4. | Babin, Patricia | DSS | Y | N | |
| 5. | Bello, Jennifer | DPS | Y | N | |
| 6. | Bloodworth, Dorene | DEQ | Y | Y | |
| 7. | Cutrer, Cathy | DOA/LaGov | Y | Y | |
| 8. | Daigle, Dixie | LDAF | N | Y | |
| 9. | DeFoe, LLewellyn | DOA/LaGov | Y | Y | |
| 10. | Denham, Brad | DOA/LaGov | Y | Y | |
| 11. | Deshmukh, Sudhir | DOA/LaGov | Y | Y | |
| 12. | Desselle, Judy | DHH | N | Y | |
| 13. | Edwards, Robin | DHH | N | Y | |
| 14. | Elliott, Sterrie | DOA/LaGov | Y | N | |
| 15. | Eppes, Ginger | LDAF | Y | N | |
| 16. | Fontenot, Duane | DSS | Y | N | |
| 17. | Galloway, Charlotte | CRT | Y | N | |
| 18. | Gooding, Teresa | DED | Y | N | |
| 19. | Garrison, Charlotte | DOTD | Y | N | |
| 20. | Goudeau, Karen | DSS | N | Y | |
| 21. | Hays, Robert | NELWVH | Y | N | |
| 22. | Hebert, Sharon | DOA/LaGov | Y | Y | |
| 23. | Hernandez, Kathy | Sec State | Y | N | |
| 24. | Hill, Bobby | DOA/LaGov | Y | Y | |
| 25. | Jones, Shanda | Sec State | Y | N | |
| 26. | Kees, Wynette | WLF | Y | N | |
| 27. | Kemp, Bonnie | OSP | N | Y | For Denise Lea |

| | | | | | |
|-----|---------------------|-----------|---|---|--|
| 28. | Kunjappy, Elizabeth | LDR | Y | N | |
| 29. | Ladhur, Jack | DOA/LaGov | Y | Y | |
| 30. | Landry, Melodie | LDOL | Y | N | |
| 31. | LaTour, Adam | DOA/LaGov | Y | Y | |
| 32. | Lea, Denise | OSP | Y | N | |
| 33. | LeBourgeois, Judy | DNR | N | Y | |
| 34. | Lewis, Karen | DNR | Y | N | |
| 35. | Liford, J.D. | OTM | Y | N | |
| 36. | Lipscomb, Kenya | DOA/LaGov | Y | Y | |
| 37. | Lumbard, Pat | PSC | Y | Y | |
| 38. | Marrero, Denise | OFPC | Y | N | |
| 39. | McDonald, Marilyn | WLF | N | Y | |
| 40. | Mertz, Triche | DOTD | N | Y | |
| 41. | Miller, Diane | LDAF | Y | N | |
| 42. | Naquin, Charlotte | WLF | Y | N | |
| 43. | Nedd, Cherrilyn | DOA/LAGOV | Y | Y | |
| 44. | Newsom, Susan | WLF | Y | N | |
| 45. | Nolan, Debbie | NELWNH | Y | N | |
| 46. | Oglesby, John | DOA/LaGov | Y | Y | |
| 47. | Olivier, Herbert | DOA/LaGov | Y | Y | |
| 48. | Parent, Carla | DOTD | Y | Y | |
| 49. | Pierce, Karen | DOA/LaGov | Y | Y | |
| 50. | Politz, Tommy | CRT | N | Y | |
| 51. | Prejean, Jeannie | DOTD | N | Y | |
| 52. | Pulliam, Sonya | DHH | Y | Y | |
| 53. | Richardson, Lonnie | DOI | Y | N | |
| 54. | Roberts, Ginger | DOA/LaGov | N | Y | |
| 55. | Rogers, Belinda | DOA/LaGov | Y | Y | |
| 56. | Schexnayder, Sharon | DOA/LaGov | Y | Y | |
| 57. | Seal, Theresa | DOA/LaGov | Y | Y | |
| 58. | Sewell, Kenyetta | DSCS | Y | N | |
| 59. | Sharp, Suzanne | DOC | Y | N | |
| 60. | Sides, Ryan | DOA/LaGov | Y | Y | |
| 61. | Sloper, Sondra | VA | N | Y | |
| 62. | Smith, Susan | OCR | Y | N | |
| 63. | Speights, Rhoama | DOA/LaGov | Y | Y | |
| 64. | Stafford, Denise | DEQ | N | Y | |
| 65. | Stewart, Chris | LED | Y | N | |
| 66. | Stribling, Martina | OYD | Y | N | |
| 67. | Thomas, Gwen | DNR | Y | N | |

| | | | | | |
|-----|---------------------|-----------|---|---|--|
| 68. | Tickles, Michelle | LDOL | Y | N | |
| 69. | Trevidi, Mandar | DOA/LaGov | Y | N | |
| 70. | Wallace, Patti | DOE | Y | N | |
| 71. | Ward, Wanda | LDAF | Y | N | |
| 72. | Watson, Eve | DHH | Y | N | |
| 73. | Wieegard, Christine | DOA/LaGov | Y | Y | |
| 74. | Wright, Mark | DOA/LaGov | Y | Y | |

| <i>Agenda Item and Notes</i> | <i>Owner(s)</i> | <i>Action Items & Assignments</i> | <i>Comments / Follow-up</i> |
|--|---|---------------------------------------|--|
| 1. Logistics, Ground Rules, & Introductions | Belinda Rogers | • None | |
| 2. Workshop Objectives Discuss and validate the current process of requesting assets at the State of Louisiana. Define the asset procurement process in the SAP systems. Present best practices and SAP recommendations regarding the procurement of assets in the SRM application. What is an Asset Master Record? What is an Asset? Confirm key decisions and bring everyone up to date. | Belinda Rogers | • None | |
| 3. Project Overview/Timeline | Belinda Rogers | • None | |
| 4. Business Process Review - SAP Terms Glossary - Process improvement opportunities - SAP concepts & functionality | Adam LaTour, Sudhir Deshmukh, Karen Pierce, John Oglesby, Llewellyn DeFoe | • None | Hard copies were provided of SAP Glossary and PowerPoint slides. |

5.

Action Items

- Fixed assets or leased property. How are they tracked and/or maintained. (items not owned on leased property)
- Follow-up on "1LOT" – 1 price orders, re: creation of multiple asset records
- The property manager role users will be identified at a later stage in the implementation process when other user roles are identified. Multiple property managers can exist at the same plant location, and one property manager can manage assets for multiple plant locations.
- Follow up on the financial implications of allowing the Requisitioner create the asset.
- Can there be an exemption for the requestor to code the asset as 'A'?
- IBM will need to provide clarification on the maintenance of changing the Account Assignment to 'A' and the impact on security.
- An AMR (Asset Master Record) – Decision needs to be made to determine if LVA will begin as an Asset Shell.
- Need to get clarification on the \$5,000 threshold noted to take place in SAP. Discuss with Adam.

6.

Key Decisions

- Asset Master Record (AMR) will be created at the purchase order level (option #2); Option 2 was made as the key decision with the understanding that exceptions for specific cases (ie: purchase of automobiles) needs further consideration

7.

Organizational Impact

- Change process to accommodate requisition including additional asset value and the training issues associated with it
 - LPAA update procedures
-
-

to reflect OSRAP's.

8.

Parking Lot

- Ability for receiver to add accounting information at the time of receipt in the system.
- Need to look into professional service contracts for installation and how it would get added to an asset.
- Question as to OSRAP's point of view – do we include installation dollars when a state employee perform services (does the work) for you; we need to get a clarification from OSRAP.
- More discussion needed about 3rd party financing (LEAF, MIPA)
- DOTD “buy backs” of equipment (trade-in agreement)
- DOTD bridges & equipment
- Financial implication of using type “A” for low value assets.
- Installation that happens from service contract
- Is there a possibility of changing law/reporting requirements so that only capitalized assets need to be tracked?

9.

FRICE-W

- “W” - How do we upgrade and add to the asset record? need to form a group to address this
 - “E” - ability to generate multiple asset shells at PO;
 - “E” - number of asset boxes in SRM
 - “R” – report for LVA or to identify an LVA from the PO or Goods Receipt;
 - “R” – upload report information into asset shell;
 - “E” – Multiply Asset shell creation at P.O. (line item)
 - “R” - some sort of report that will identify at the time of receipt
-
-

10.

- Security for assets.

Integration Points

11. Discussion

Overview

Asset Master Record is defined as a method by which detailed general and financial information about each asset is stored; the type of information stored includes asset class, asset number, general asset detail; asset depreciation rules; asset values.

- Is the person creating the requisition the one who determines if it is an asset?
 - There will be 2 options. It has currently not been decided which option we will be utilizing.

We currently enter low value & capitalized assets (one type of asset) the same way into Protégé however in SAP, it will be done differently. In the new system there will be two kinds of assets.

- Capitalized assets – movable equipment over \$5000;
- LVA (low value assets) from \$1000 and \$5000
 - \$1000 - \$5000 are reportable to LPAA

The different types of Assets are explained in detail on the slide deck.

When the state discusses assets, it usually refers only to movable assets. In SAP an asset includes land, buildings, and infrastructure. For a building to be considered a capitalized asset to report to CAFR, it has to be \$100,000 or 150 square feet.

The state considers an item to be an asset if it is \$1,000 and above, but SAP says an item is an asset if it is \$5,000 and above. (Note: I don't think SAP sets the \$5000 limit. This is a result of GASB 34? → not really from GASB 34 but from OMB Circular A-87 Attachment A section 19.a.(2) – see the link that probably led to SAP's recognition of the \$5,000 capital asset. <http://www.whitehouse.gov/omb/circulars/a087/a087-all.html#atta>);

Movable assets are defined as assets that can be moved such as radios, guns, etc. Fixed assets are assets that would be mounted/bolted to a fixed object, or items such as buildings, roads or bridges.

- For example: bought a satellite dish and thought it was a movable asset, they mounted it to the top of a building. The movable asset became a part of the value of the building.
- If you lease a building you cannot perform building improvements, the improvement (in our example the satellite dish) would have to be categorized as a moveable asset.

Questions and concerns regarding movable assets:

- When an item has to be moved, what happens to that item?
 - If not a movable asset, it probably would go through scrapping or decrease the value of the building.

Questions and concerns regarding buildings and assets:

- What if you don't own the building?
- What if you don't own the building, but the asset is attached to the building?
- Who will be responsible for the tracking, maintaining for the asset.
 - The agency that owns the building will be responsible for tracking and maintenance of the asset (building owned on leased property); if you don't own the building but lease it – OSRAP makes the agency that leases the building is responsible for tracking the property
 - DEQ's understanding is that if you lease the building, you cannot improve the building so the asset will have to be considered a movable asset.
 - If the building is leased, it is not considered an asset.
 - If it meets guidelines of a moveable, it will be a moveable. It may not be a building improvement.
- How are assets that are greater than \$5000 handled that are not recognized as an asset?
 - In SAP, an asset includes buildings, infrastructure, roads, bridges, etc.; if movable item is over \$5000 it has to be reported to CAFR; buildings are \$100,000 or 150 sq ft before it has to be reported on CAFR.

SAP module is designed for capitalized assets, but the state must track assets \$1,000 \$5,000 and some chooses to track assets valued below \$1,000 .

In the TO BE design everyone uses the same system

How to determine if an item is an asset

Reference slide #16 regarding who will determine if an item is an asset. Information on slide #16 provides information for SAP best practice; Decision to be made regarding if the requisitioner will determine if an item is an asset.

There will be additional information that provides an option where the state wants to recognize an asset. Explanation provided by Karen Pierce that as a generic SAP practice the following:

- Assets as being capitalized over \$5000 and the state also recognizes assets over \$1000, Therefore, the state will need to look at the options available.

Asset Class and Value

- When the asset class is identified as being incorrect at the time the goods are received, the user/property manager can create an asset with the correct information. They can then run a transaction that will transfer the information from the old asset to the new (correct) asset. Then the old asset will need to be retired (deleted).
- If an asset is created with an estimated cost and the PO cost is actually the correct price, the asset value will be updated with the PO cost at the time of goods receipt.
- If a requisition has several line items that pertain to the asset created on the first line, the values of all of the lines will have to be added to the value of the asset.
- At the time of service (installation) of an asset, the asset number will be known.

Low Value Assets

Reference slide #17 which provides 3 areas where some issues were identified;

Low Value Assets (LVA) needs to be handled within the asset module;

- There is some concern and question regarding if an asset is started at the requisition level, would it be a problem that we will have asset shells that will not be used?

Everything begins with minimum information (asset shell)

- Once a capital asset is received in the system, the user has the ability to add additional information to the Asset Shell.
- LVA will not have financial information such as depreciation.
- LVA will become an asset record without financial information associated with the asset; however the asset will be tracked and the point of creation of the asset has not been determined. Options exist for determining the point of creation of an asset. (See comments in other bullets below)
- Capitalized asset can be done at the PO or the requisition level.
- An option available is to perform the LVA after the item has been received.
- Any item \$5,000 and above will have a depreciation contained in the financial information.
- When the item is assigned as an asset by adding an A, it will plug in capitalization and financials.
- An asset can be expensed when acquired rather than depreciated which is how SAP shows an item is a LVA.

Questions regarding LVA include:

- Where will the \$ show up?
 - LVA – captured in the same manner as capital asset, it will just not depreciate.
 - May be issued like a capitalized asset or at time of receipt.
 - When you create an asset you have to give it an account assignment of A – only.
- LVA's – how do we identify them? How do we do it today?
 - Sometimes by chance, receiver tells them it is received;
- Why can't another code be used to capture the LVA's?
 - SAP does not allow the system to create another shell from another letter (A is the only way you can get to an asset master shell engine) and the system will only route the requisition to the property manager because of the commodity code and price.
- How will the item be handled as an asset going forward?
 - In SAP, you will have the ability to put accounting information on the line item to reflect it as an asset

**SME's would like to have an automated way to capture LVA's through a report/PO to create a shell for them.

Asset Shells

Everything starts with an asset shell that pertains to assets.

Take everything that is in Protégé and enter into SAP; you will be able to generate reports; it is now considered a financial record. Some of Protégé does not have financial impact but you still need to track.

- How are we going to handle assets going forward?
 - You have the ability to put accounting information on the purchase order, and change the accounting information to represent an asset; the A on the purchase order will represent a capitalized asset and a LVA will be entered at time of receipt.

Examples:

- Buy 3 computers each over \$1000 and under \$5000 – will the system build 3 shells or one?
 - The system will not build any shells, it is a manual process
- Something under \$5000 but installation and freight makes it over \$5000
 - You will have to have communication within your department that will know the information and add it to the shell
 - An asset shell will need to be created for each item (asset) you need
- If you purchase 3 computers at \$4,000 will the system build a record for each one?
 - This will have to be done manually at the time of receipt, because it is not considered a capitalized asset.
- Number of similar assets – sometimes we have a purchase order that says one lot and in the description it states how many the vendor is to deliver. Can this be used to distinguish how many assets we need to create?
 - Slide #27 provides an example of an Asset Shell screen
 - Options slide #18 – requisition level;
 - If the user starts the account assignment with a K, they are not creating an asset shell; they will have to change to an A and create the asset shell which has minimum information that has to be entered.
 - You will need to enter asset classification and you only have one opportunity. If it is incorrect you will have to delete that shell and start over if a mistake is made because of the financial implications of the asset; the shell needs to be created by someone with the knowledge of what needs to be entered into the shell; the property manager will not receive every requisition. There will be certain criteria that will apply that will route the requisition to the property manager.

Overview of Asset Shells or Asset Master Record (AMR)

When creating an asset shell, you must specify the asset classification (which is tied to financial, and depreciation information). If an incorrect asset classification is selected, the asset will have to be deleted, and a new asset with the correct classification will have to be created. Once the asset is created with one classification indicator, that classification indicator cannot be changed. The requestor may not have the appropriate information to make this decision. The State recommends that we remove that responsibility from the requisitioner and configure the system to build an approval to the property manager level. The property manager will then review the transaction and create the asset shell before approving the requisition for PO creation.

If an asset is created but never received, the state will have to delete (retire) the asset shell to remove it from the system.

The asset shell contains minimum information. Once capitalized assets are received in the system, additional information will need to be added to create your “full-blown” asset or asset record.

It was explained that an asset shell could be created at the purchasing requisition.

Asset Numbers

Asset number is internally generated (non-intelligent); tag number will be covered in another blueprint;

Questions:

- What happens if the shell is built and you never receive the asset?
 - You will have to manually go in and retire it
- Why is it a hard fast rule that the classification code cannot be changed at the requisition stage?

- There are things behind the scenes that drive that value. Asset classification is the key of the asset and those things cannot be changed. You can create another shell if one is wrong, but you will have the other shell out there that something will have to be done with;
- On the requisition line you have accounting, one field is “account type” and you change the “K” to an “A” you will get another box that says what is the asset number for this; each field you fill in and the selection you make, causes something behind the scenes to give you options to select; once you have selected the create asset button and save, it is too late to change anything on that shell; this section will have a number and a description on the create asset part;
- There will probably be about 30 high level and 30 low level descriptions to choose from
- If you enter a “K” at the beginning how does it trigger to route the information to the property manager?
 - Maybe the state will make the decision to send everything over \$5000 and a certain commodity code to the property manager;
- Made a mistake, and realize it right away; you know the mistake now; what happens if you don’t find out about it until later?
 - You can do a transaction in asset accounting which will create a new record and you would retire the old one to fix the problem
 - Will have to create a transfer and it will automatically tell you of the need to go in and retire the old record.
 - It is a disadvantage to put “A” at the requisition stage because you do not know the price of the item until it is bid out; IBM recommends that you change it at the PO level if the price is different
- Do you want to give the ability to requisitioners to code something to an asset?
- Will it only route to the property manager if it is over \$5000?
 - This is a decision that needs to be determined
 - Option 1 is to have the approval routed on the requisition as the last approval and the master shell will have to be created at this level.
- Where will the actual cost of the item be placed on the AMR?
 - At the time of receipt; you can perform a transaction and add installation costs at a later date as an appreciation (need to validate and discuss further).

Per OSRAP, you are supposed to include freight and installation for the total cost of the asset; communication will have to occur within the agency to make this process possible.

- Is the fact that you have a professional service contract for installation going to make a difference in the way the asset is handled?
 - It shouldn’t, but the original Purchase Order for the professional service should have a classification of ‘K’;
- Requisition with 6 lines that will form one AMR – how is that accomplished?
 - Karen Pierce to provide additional information.

Option 1 Overview

Option 1 approvals are done on the line item level and low dollar items on that requisition (even though it goes with the item, i.e. freight, installation) will not build an approval to the property manager. The approval is based on the asset line item. Based on the SAP presentation, the approver will have the ability to view the line items for freight and installation however the line items will be grayed out.

- Will it help you if at the time of a professional service you can go into the system and state that the service will go to an asset?
 - The receiver could change it to an “A”.
- Is there any place between the receiver and the ordering that the user can indicate the services will be valued to an asset?
 - Once you get to the invoice, you have original posting cleared but this process is not recommended.
- If you add a commodity code for installation, no matter the cost, to generate an approval will that work?
 - It probably will not capture the professional service contracts for installation.

Some of the concerns voiced could just be a training issue. Keep in mind SAP is not going to think for you.

OPTION 1 for capitalized asset (Reference Slide 21) – Requestor starts requisition and he doesn’t know if it is an asset. It could go through approvals with the final approval being the property manager and he can determine if the item is an asset. The Property Manager can change the code from ‘K’ to ‘A’. When the code is changed, a

dialog box will be displayed to create an Asset Master Record which will be a shell and have minimum information.

- This has to be done correctly the first time because if it is incorrect, you will have to start over. It was asked why only “one shot”. This is because of the financial information that is tied to the asset.
- The system can be built to where the property manager will only see those items over a certain dollar amount.
- What happens if you were to build an item as an asset shell but never get it?
 - The asset shell will have to be deleted/retired.
- The classification code for an asset cannot be changed because it is driven by financial postings/layouts.
- When a requestor starts the requisition, it has a ‘K’ which is a cost center number. Once the property manager changes it to an ‘A’, the cost center number goes away and an asset box appears.
- If the item is entered incorrectly, you would have to create a transfer. It will get rid of the old record and create a new one. The system will track the history.
- If the item ends up being more than the original price when does the Asset Master Record get updated?
 - At the goods receipt.

OSRAP (Office of Statewide Report and Accounting) has a chart of accounts that has an object code that states you must include all freight, installation, etc. to an item. **This statement is implying that all charges are included in the value of the asset. Need to clarify and confirm.** LPAA supports this. Yes, that is what the OSRAP policy is.

Option 2 Overview

OPTION 2 – Asset shell is created at the P.O. level. Before the P.O. goes to the vendor it is captured as an asset.

OPTION 2 – Same steps and process occurs, however they happen on the purchase order

The account assignment will remain at a “K” until a purchase order is approved by the property manager and an asset shell is created right before it goes to the vendor.

Questions

- Can you set up an Ad Hoc approver where the property manager approves?
 - Yes you could
- The Director of State Purchasing (Denise Lea) has a concern about the asset being created at the Purchase Order level regarding a potential delay of releasing the purchase order if OSP cut the order.
- Will state purchasing still be processing purchase orders for items they bid out for other agencies and how will it go back to the agency for the asset shell to be created?
 - You have to identify a capitalized asset at either the requisition stage or the purchase order stage.

Overview of what the property manager will be doing for the asset shell

At the requisition stage:

- E-mail to approve
- Validate the accounting on a line and will click to create an asset shell;
- Property manager can change the A to a K on the requisition if it is not a capitalized asset.
- What do you do with a financed (LEAF) order?
 - More discussion needed about how LEAF will be handled; thinking about using one of the fields on the AMR to enter the information.

Reference the presentation to review the advantages and disadvantages to both options

Type of Leases

There are two kinds of leases:

- Capitol lease – specific types of leases – high dollar and very few of them, the cost of the lease is being reduced every month.
- Operating leases – expenditure every month, you maintain them and they are put on the system if you have to tag and track them, they are not amortized for depreciation (LVA)

If you are buying a piece of equipment with a buyback agreement, you own the equipment and it will be listed as a capital asset; it should be noted on the AMR that it is a buyback so reports can be generated.

Question

- Can DOTD set up approver at requisition level, plant level, wherever if they know it will be an “A”?

- When the implementation phase comes out, we will be able to see if the off set of maintaining the approver for one agency at one level against the ease of doing it.
- The functionality is available to create an AMR at anytime but not have it attached to the requisition, so as soon as you create a requisition and know it will be an LVA, you can create an AMR but not have it attached to the requisition.

Ability to build on our current functionality that we have today.

- Perform the report in the Goods Receipt stage and you will have most of the information you will need for the record.
- Take the report and download to EXCEL with the areas you want to populate checked and they will transfer over to the report.

Account Assignment

Additional information received about Buyback. If it is a buyback it is not optional.

Questions

- People are looking for a simple way to create assets and the question was raised if it can be created by the requisitioner if he knows it will be an asset;
 - Do not know the financial implications of allowing the Requisitioner create the asset; need to explore this option in detail further. There might be a way to expense it out totally the first year so it would not show up on CAFR reports
- How are fixed assets on lease?
 - All assets will have an asset shell.
- If you own the item and if there is a buy back from the Vendor, how would you handle?
 - If buying it, put on P.O. as a capitalized asset if over \$5,000, go through financial life cycle, sell item back, then retire asset.
- Can the DOTD end user add an 'A' at the time of record or anytime? Can this be done at plant level?
 - The user, agency, department levels will need to be maintained.
 - IBM will need to review the requirement
 - The challenge lies in the maintenance. We do not want to take/break security down. Maintenance would be a nightmare by doing this.

The following topics need to be revisited to make the Key Decisions regarding when an asset is created:

- Determine if an LVA will become an asset shell without financial (data) implication.
- Need to make a decision regarding if the LVA asset shell will not be created until an asset is received. –
- Is asset determined at the point of creation: Requisition or PO level Capital
- Decision to be made regarding LVA – after item is received
- Under \$5K – simplified asset record
- >\$5K need financial information
- How will new purchases be handled going forward? Ability to enter accounting information on several documents for example Requisition and P.O.
- Change accounting information to represent asset being purchased.
- Operating lease is a monthly cost that would need to be added as an asset in the system for tracking purposes.