2. Controlling

Team:	Finance - Controlling
PDD Name:	Cost Centers
PDD Number:	FIN-CO-PDD010-Cost Centers
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for internal cost accounting and reporting purposes for revenues and expenses. It provides functionality needed for collection and reporting of actual costs incurred and costs allocated between cost objects such as: Cost Centers.

The CO module uses Cost Centers to divide the State of Louisiana into smaller organizational entities. Cost Centers are used to collect actual costs incurred as a result of financial transactions. Typically, organizational units, such as agencies, divisions, and sections are represented as Cost Centers in CO.

By depicting the State in a structure consisting of several Cost Centers, CO allows for the assignment of costs to Cost Centers. This facilitates the recording of expenses where they actually were incurred within the State. Relevant postings made in other SAP modules, such as Finance (FI), are simultaneously recorded in CO for assignment and for further allocation to one or more cost objects.

For the LaGov ERP System, all organizational units will be set up as Cost Centers using a 10-digit code. One or more Cost Centers can be grouped into a "Cost Center Group"; this allows for creating an organizational structure in SAP, which facilitates reporting at different levels for the State.

This document provides a description of the Cost Center numbering scheme and a description of the processes needed to create and maintain Cost Center master data in the LaGov ERP System. To-Be Process flows to create new Cost Centers and to change/delimit existing Cost Centers are included.

To-Be Process Description

#	Process Terminology	Description
1.	Controlling Area	The Controlling Area is the highest organizational unit in the Controlling module. It is used to represent a closed system for cost accounting purposes and may include single or multiple company codes. All internal allocations refer exclusively to objects in the same controlling area.
2.	Cost Center	A Cost Center is a unit distinguished by an area of responsibility or location. Cost Centers collect the ongoing expenses and revenues from operations, projects or products. Expenses and revenues are assigned to Cost Centers via the distribution cycle, supply, and settlement of accounts payable and receivable.
3.	Cost Center Groups	A Cost Center Group is a group of related Cost Centers. The relationship is based on location, business activity, business operation and business type.

#	Process Terminology	Description
		Groups can contain other groups, forming a hierarchy. The groups simplify cost management and reporting, as a single group containing all the required Cost Centers can be selected instead of specifying many individual Cost Centers.
4.	Cost Center Standard Hierarchy	A hierarchical structure that depicts Cost Centers according to the organizational structure of an entity. All Cost Centers must be associated with the standard hierarchy.
5.	Cost Element	A cost element represents the type and value of a planned or actual cost.
6.	GL Accounts	General Ledger Accounts are the structures that record debit and credit values for accounting transactions in the FI module.
7.	FM Derivations	Tool used in Funds Management (FM) to infer ("derive") FM budget objects from other SAP objects, such as Internal Orders.

CO Master Data:

This section describes the key master data objects maintained in the CO module.

Controlling Area

The Controlling Area is the highest organizational unit in the Controlling module. It is used to represent a closed system for cost accounting purposes. A controlling area may include single or multiple company codes. All internal allocations refer exclusively to objects in the same controlling area.

For LaGov, a single controlling area will be created; it will provide the umbrella for the Cost Center Hierarchy.

Cost Centers

A Cost Center is an organizational unit within a controlling area that represents a clearly defined location where costs occur. These organizational divisions can be created on the basis of functional, activity-related, spatial, and/or responsibility-related parameters Cost centers act as accumulators that collect cost information for reporting purposes. Assigning costs to cost centers will let the State determine where costs are incurred within the organization.

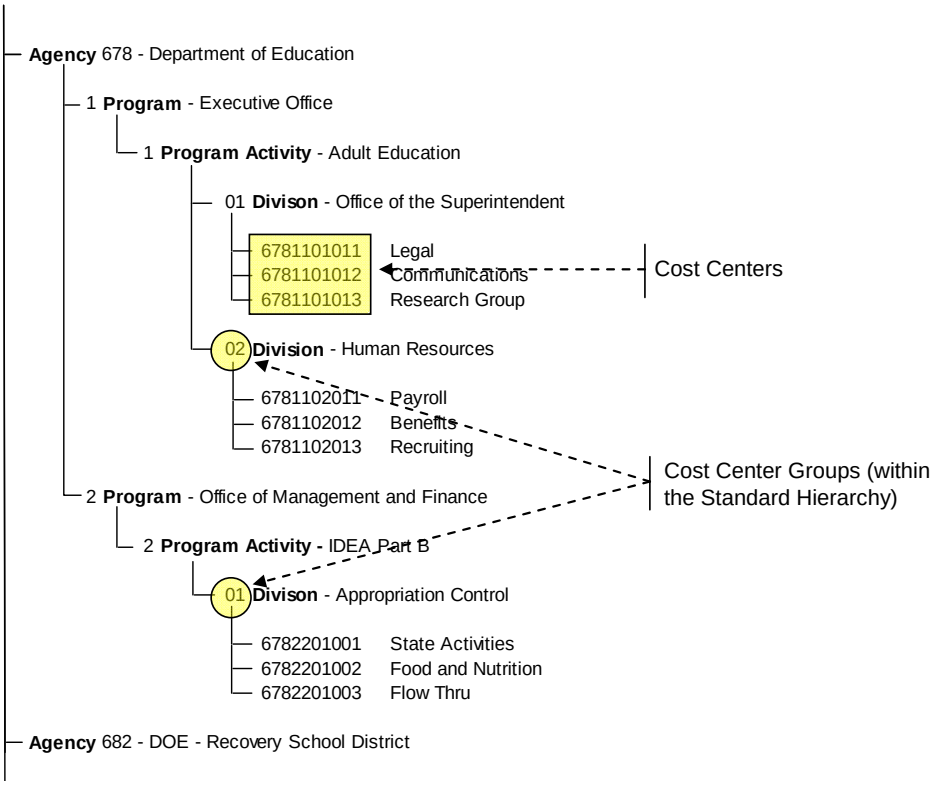
Cost Center Groups and the Standard Hierarchy

Cost Centers can be collected into groups according to various criteria. Groups can be used to build Cost Center hierarchies, which summarize the decision-making, responsibility, and control areas according to the particular requirements of an organization. These groups enable evaluations to be performed for each decision-making, responsibility, or control area. The individual cost centers form the lowest level of the hierarchy.

Within the Controlling Area, there must be at least one group that contains all cost centers and represents the entire organizational structure of the State of Louisiana. This cost center group is known as the **Standard Hierarchy**. Groups of Cost Centers can be assigned to the Standard Hierarchy and will be used to support reporting needs.

In addition to the Standard Hierarchy, an unlimited number of alternate hierarchies may be created for reporting purposes.

Following is a graphical depiction of what a portion of the State of Louisiana's Standard Hierarchy might look like:



Cost & Revenue Elements

Cost and Revenue elements represent the type of expense or revenue in CO.

There are two types of Cost Elements. A “primary cost element” is a cost-relevant item in the chart of accounts, for which a corresponding general ledger (G/L) account exists in Financial Accounting (FI). A primary cost element can be created only if a corresponding G/L account is defined in the chart of accounts and is created as an account in Financial Accounting. The State’s current AFS Object Codes will be represented as General Ledger (G/L) expense accounts in the SAP General Ledger (FI-GL) module and as primary cost elements in CO.

A “secondary cost element” is only created in CO to represent internal cost flows, such as those found in overhead allocations and settlement transactions. Secondary cost elements will be used to collect distributable expenses that need to be allocated to other Cost Centers or primary cost elements.

G/L revenue accounts will be created as Cost Elements in Controlling. In SAP Public Sector implementations, Revenue Elements are treated as negative Cost Elements.

Cost Center Numbering Scheme:

The Cost Center numbering scheme has been changing throughout the Blueprint phase. The first version was presented in the Blueprint session FI-CO-001-Cost Centers and the second version was presented in the Validation session which followed all of the CO Blueprint sessions. A summary of the changes to the Cost Center numbering scheme can be found in document "FIN-FM/CO History of Fund, Cost Center/Fund Center and Functional Area Numbering Convention”.

Cost Center Numbering Scheme - Version “V 3.0”

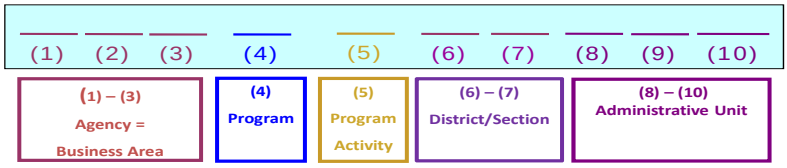
The State proposed a new version (V 3.0) that removed "Parish" from the numbering scheme and brought back "Program" code as well as "Program Activity" (old Sub Program code). Parish was moved to the Functional Area code. Version 3.0 is shown below.

For Department of Transportation and Development (DOTD):

Data Element		Digits	Data Type	Possible Entries
Agency/Business Area	=	Digits 1 – 3	Numeric	001-999
Program Code A-Z (no O)	=	Digit 4	Alpha-numeric	1-9
Program Activity Code A-Z (no O)	=	Digit 5	Alpha-numeric	1-9
District / Section	=	Digits 6 - 7	Numeric	01-99
Administrative Unit	=	Digits 8 – 10	Numeric	001-999

Administrative Unit will contain code for DOTD's Crew ID.

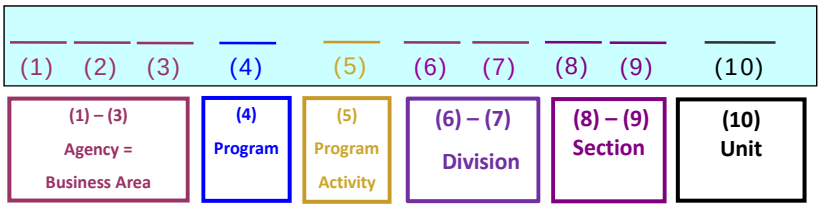
Cost Centers:
Proposed Numbering Scheme – V 3.0
DOTD



For Non-DOTD Agencies:

Data Element		Digits	Data Type	Possible Entries
Agency/Business Area	=	Digits 1 – 3	Numeric	001-999
Program Code A-Z (no O)	=	Digit 4	Alpha-numeric	1-9
Program Activity Code A-Z (no O)	=	Digit 5	Alpha-numeric	1-9
Division	=	Digits 6 – 7	Numeric	01-99
Section	=	Digits 8 – 9	Numeric	01-99
Unit	=	Digit 10	Numeric	1-9

Cost Centers:
Proposed Numbering Scheme – V 3.0
Non-DOTD Agencies



Functional Area: Functional Area will consist of codes for Disaster and Parish and is discussed in the Funds Management PDD at FIN-FM-PDD010 – FM Master Data.

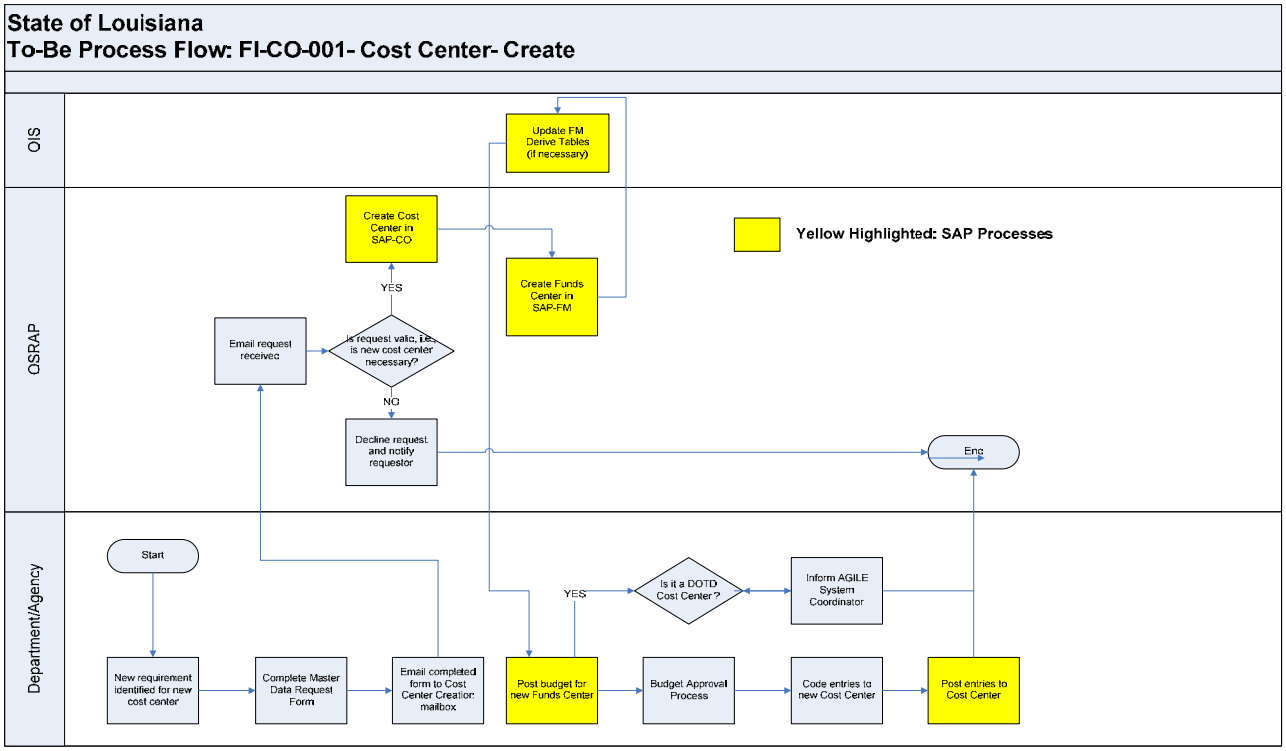
To-Be Process Flows

As part of the conversion process, the ERP Team will load an initial set of Cost Centers into the LaGov SAP system. This section describes the process flow to be used when a new Cost Center needs to be created after Go-Live.

In order to achieve standardization and consistency throughout the State, it was determined that a centralized office should oversee the master data activities. The decision has been made that the Office of Statewide Reporting and Accounting Policy (OSRAP) will be the central office responsible for creating and maintaining Cost Centers for the entire State. In addition to Cost Centers, OSRAP will also be maintaining other key master data objects, such as Funds Centers, Internal Orders, etc.

Process Flow: Create Cost Center

The Business Process Flow Chart showing the steps for creating a new Cost Center in the system is below.



Process Flow Description: Create Cost Center

The process for creating a Cost Center in LaGov starts with a request from an agency or department. The requesting agency will complete a web-based "Master Data Change Request Form" and submit it via email to OSRAP. For purposes of this document the team will be called the "Master Data Maintenance (MDM) Team." The MDM Team will review the form and decide if the request to create a new Cost Center is valid and if all required information is provided.

If the request is valid and the required detail is provided, the MDM Team will create a new Cost Center. In addition, it will also create a corresponding Funds Center in Funds Management (FM).

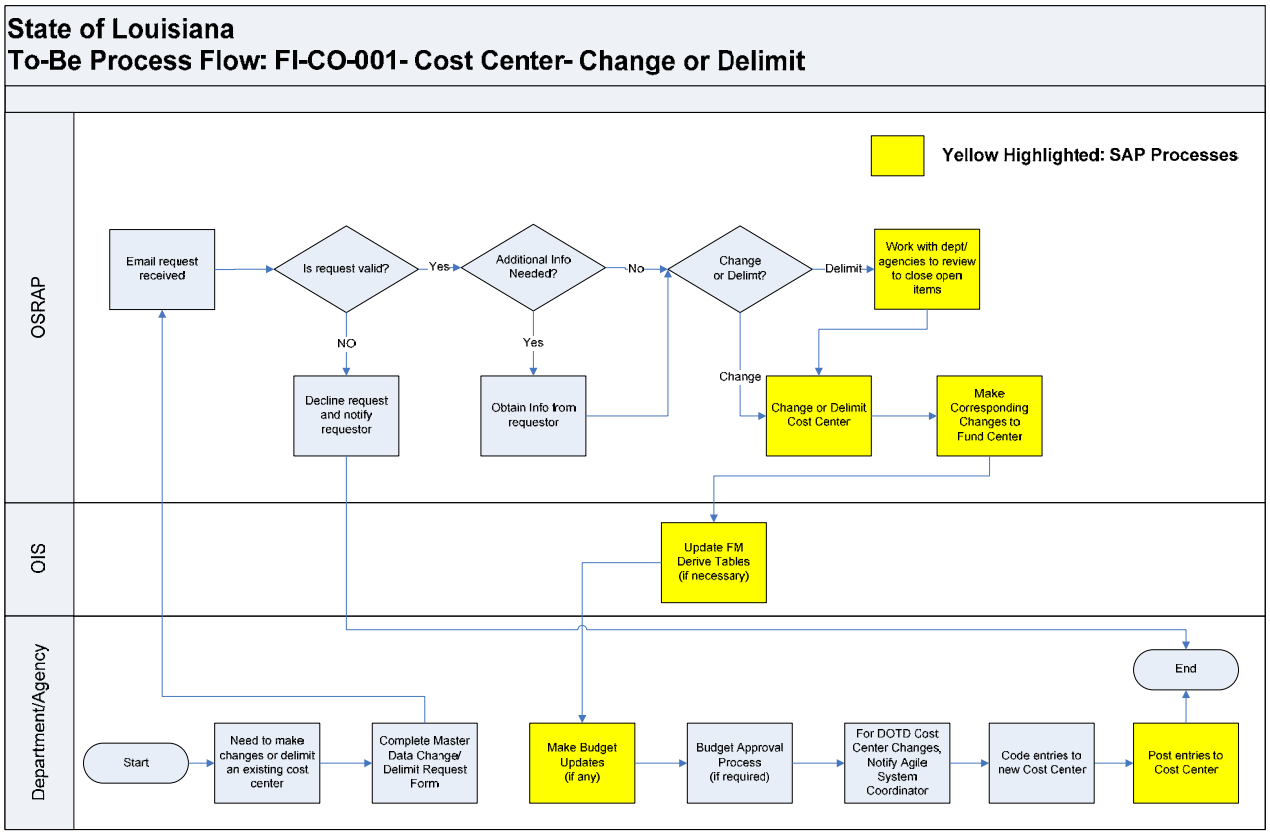
Next, the Office of Information Services (OIS) updates the FM Derivation tables which links the Cost Center to the Funds Center so that Funds Center is derived when a Cost Center is entered on a transaction.

If the requesting agency is DOTD, once the Cost Center and Funds Center master data objects are created in the system, DOTD will send a notification to the Agile System Coordinator informing them of the creation of the new objects. DOTD will also proceed to create budget for the new Funds Center in FM following the Budget Approval process.

After the budget has been approved, the requesting agency can begin posting expenses to the new Cost Center. Additional detail on these activities can be found in Process Design Documents: "FIN-FM-PDD010-FM Master Data" and "FIN-FM-PDD020 - Budgeting: Preparation, Load and Amendments".

Process Flow: Change or Delimit Cost Center

The Business Process Flow diagram and description showing the steps for changing or delimiting an existing Cost Center in the system is below:



Process Flow Description: Change or Delimit Cost Center

Before Go-live, the initial set of Cost Centers will be created through the conversion process by the ERP Team. To change or delimit a Cost Center after Go-Live, the process flow diagram and steps noted below will be followed:

A department or agency requesting changes to an existing cost center will complete a web-based Master Data Change Request Form and submit it via e-mail to OSRAP for processing.

OSRAP's MDM team will review the request, and if additional information is needed to complete the task, return the request with comments or questions. Upon obtaining the information needed, the MDM team will determine the validity of the request. If the request is deemed valid, the MDM team will complete the request. If the request is to change certain elements of the Cost Center master data object, OSRAP will complete the changes.

If the request is to delimit the existing Cost Center, the MDM team will work with the appropriate department or agency to close any open items before delimiting the Cost Center. The agency Finance staff is responsible for closing out any open items posted against the Cost Center.

After making the changes to the Cost Center, the MDM team will perform corresponding changes to the Fund Center and will notify the requesting department/agency and OPB of the changes made to the Cost Center.

Next, OIS will update the FM Derivation tables to make appropriate changes necessary to keep the linkage between the Cost Center and the Funds Center correct.

If the requesting agency is DOTD, after requested change(s) have been made, DOTD will notify the Agile System Coordinator of the change(s) made and proceed to determine if there are any budget impacts due to this change. Agencies will then make required budget adjustments (if any) in the system following the Budget Approval process. Additional detail on these activities can be found in Process Design Documents: "FIN-FM-PDD010-FM Master Data" and "FIN-FM-PDD020 - Budgeting: Preparation, Load and Amendments".

Once this process is complete, changes made to the Cost Center are in effect and expense postings can be made. If the Cost Center is delimited, the system will not allow further expense postings outside of the validity dates.

Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	Cost Center creation and maintenance activities will be performed by a centralized group (the MDM team),	Standardization and consistency achieved throughout the System	Change Management – Requesting departments need to send out an electronic form when there is a need to create, edit or delete a Cost Center
2.	OSRAP will maintain key Finance Master Data objects including Cost Centers, Funds Centers, and Internal Orders.	Since Cost Centers are linked to Funds Centers, it is recommended that whoever maintains the Funds Centers also be given responsibility for maintenance of Cost Centers.	The MDM Team, organizationally under OSRAP, will need to work out procedures with agencies and OIS. OIS will be responsible for making Funds Management (FM) Derivation table changes that result from the changes made to Cost Centers and/or Cost Center structures.
3.	OIS will be responsible for updating FM Derivation tables.		
4.	Departments and Agencies requesting a new Cost Center or changes to an existing Cost Center will make new budget entries or changes to existing budget in the system.		New Budget Approval process is being considered.
5.	Cost Center Numbering – 10-digits	Facilitates SAP derivations and provides for a structured approach for numbering organizational units	Change Management -- End users need to familiarize themselves with the numbering scheme; however, search tools in SAP can be used to findCost Centers

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	None Identified		

Identified Development Objects (FRICE-W)

Tailoring the solution to the unique business requirements of the State will require development work to support efficient business processes. Given below is a list of identified development objects needed to support this process:

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

Note: *A web-based form that requests "master data creation" and "master data changes/deletion" needs to be created. This is considered non-SAP development.*

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

Note: *During Realization, additional needs may be discovered resulting in requirements for custom reports.*

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	Agency Organizational Charts	Needed to prepare Data Conversion Input Spreadsheets	Spreadsheets, files, paper	SAP Cost Center Master Data Tables	Provides a systematic approach to prepare input data and load it automatically into the System	SAP Tools will be used to automatically read the Input Spreadsheets	

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	Description	Justification	Comments
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	**Description of Gap**	**Why Gap Exists?**	**Impact / Comments**
1.	None Identified		

Security & Enterprise Role Definitions

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	**Role**	**Description**	**Strategy**	**Special Considerations**
1.	Central Cost Center Master Data Maintenance Team Member			

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	Cost Center numbering	New 10-digit numbering scheme is proposed.	End-users will need to familiarize themselves with the new numbering scheme.
2.	Cost Center master data maintenance	New central group needs to be created for this purpose.	OSRAP staff responsible for master data maintenance needs to be trained in Cost Center and other Finance master data maintenance activities.

Training Impact

- OSRAP staff responsible for master data maintenance will need to be trained on these business processes. The required level of knowledge on the processes described here is rated “high”. In addition, they should have a good understanding of how changes to Cost Centers impact Funds Centers and the budget.

Appendix A

Not Applicable

Team:	Finance - Controlling
PDD Name:	Internal Orders
PDD Number:	FIN-CO-PDD020-Internal Orders
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for all management accounting purposes. The Controlling module is used to assist management in internal cost accounting and reporting functions for revenues and expenses.

In addition to Cost Centers, Internal Orders provide another type of cost collector object that can be used in LaGov for monitoring expenses. In LaGov, Internal Orders will be used to plan, collect, and settle the costs of projects and special activities that are not represented as SAP objects elsewhere in the system. For example, major projects will be represented as "Projects" in SAP's Project Systems module. Small projects on the other hand could be represented as "Internal Orders" in CO.

Expenditure postings are made against the Internal Order via journal postings (in the General Ledger), vendor invoices (in Accounts Payable), purchase orders (in Logistics) and other such transactions. Expenditure postings made against the Internal Order in CO can be broken down by the expenditure code (called cost element in SAP). For example, if the expenditure was for supplies, the appropriate expense code (cost element) for supplies will be specified.

Internal Order types are used to group similar Internal Orders in SAP. The order type defines the general purpose of the order, as well as controls the status and process options available for the order. The order type also defines what information should be captured in the master record. Commitment management will be enabled on the order type to record financial commitments on an Internal Order.

For projects that must ultimately settle or transfer accumulated expenses to other cost objects, SAP provides "Real" Internal Order functionality. "Statistical" Internal Orders are used for reporting purposes only. In LaGov, the Internal Order types will be defined as follows:

- 10 – Real Internal Orders
- 20 – Statistical Internal Orders

Expenditure postings made to Real Internal Orders will be settled to an appropriate cost object, such as a Cost Center, G/L account, etc. using a standard SAP process. This will be done as part of the monthly Periodic processing.

To-Be Process Description

#	Process Terminology	Description
1.	Internal Order	Master Data object used to collect and monitor the actual costs of discrete, short-term tasks. Costs collected in Internal Orders can be allocated to one or more Cost Centers.

#	Process Terminology	Description
2.	Funded Program	Object used in Funds Management (FM) to budget and control spending on Internal Orders. Internal Orders that have a budget and/or need control on spending will be linked to a Funded Program in FM.
3.	FM Derivations	Tool used in Funds Management (FM) and Grants Management (GM) to infer ("derive") FM and GM budget objects from other objects, such as Internal Orders.

Master Data

Internal Order:

Internal Order is a key master data object used extensively in SAP. It provides functionality to represent a small project or mission (not represented as an SAP object elsewhere) as a cost object for charging expenditures.

For every Internal Order, a master data record exists in the CO tables. Internal Orders can be monitored in LaGov throughout their life cycle; from initial creation, through posting of expenses as they occur, to the final settlement of the expenses posted to other cost objects or G/L accounts.

Internal Orders are classified either as "real" or "statistical". Real Internal Orders are those whose collected costs can be settled to another cost object or a G/L account. Statistical Internal Orders cannot be settled. Statistical Internal Orders are used for reporting purposes. Expenditures posted to Statistical Internal Orders involve posting to another real cost object, such as a Cost Center, WBS Element, etc.

Internal Order Type:

Internal Order type functionality is used to group similar Internal Orders into a 'type' for processing purposes. Internal Order type can also be used to assign a different number range for each type.

For LaGov, following is the initial list of Internal Order types:

- Z10 – Real Internal Orders
- Z20 – Statistical Internal Orders

Additional Internal Order types can be created as necessary.

Internal Order Group:

Internal Order groups are used to classify two or more Internal Orders into a group for reporting purposes. Typically, all Internal Orders that meet certain criteria are grouped together to form an Internal Order group.

Internal Order Numbering Scheme:

Each Internal Order type will have a separate number range. Internal Orders will be 8 digits; the first two digits denote the Internal Order type and digits 3-8 will be sequential numbers generated by the system.

Note: Internal Orders are currently used in the HR Payroll SAP system. Accordingly, consideration will need to be given during realization to the existing number range used as well as the range planned by Plant Maintenance. Therefore, the number range could change.

Z10 – Real Internal Orders

Number Range: **10000000 to 10999999**

- **8 digit internal numbering (system generates the number).**
- **The first 2 digits indicate Internal Order Type: True Internal Order**
  - **10: True Internal Order**
- **Last 6 digits sequentially generated by the system when the Orders are created.**

Z20 – Statistical Internal Orders

Number Range: **20000000 to 20999999**

- **8 digit internal numbering (System generates the number).**
- **The first 2 digits indicate Internal Order Type: Statistical Internal Order**
  - **20: Statistical Internal Order**
- **Last 6 digits sequentially generated by the system when the Orders are created.**

To-Be Process Flows

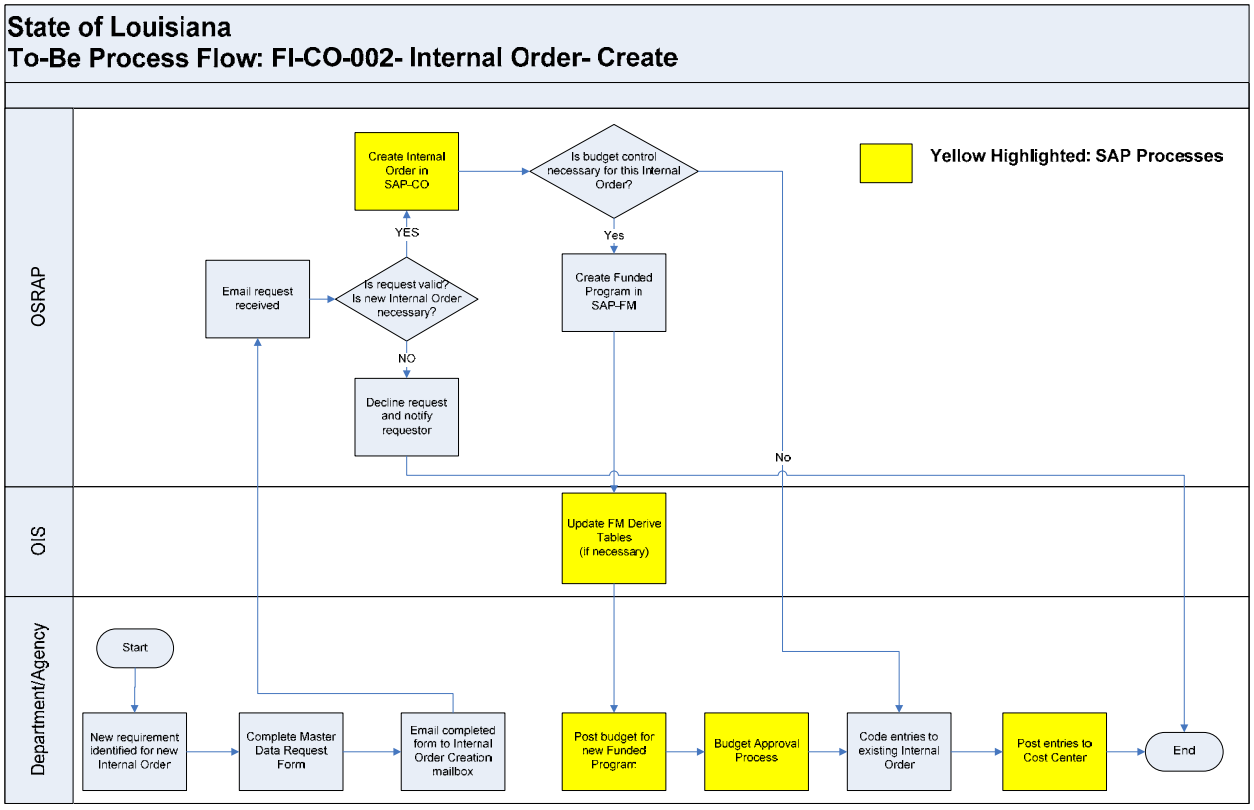
During Realization, the Finance CO Team will work with the agencies and other Finance teams to identify an initial list of Internal Orders that need to be loaded into the system. Once identified, as part of the conversion process that takes place before Go-live, the CO Team will load an initial set of Internal Orders into LaGov. This section describes the process flow to be used when a new Internal Order needs to be created after Go-Live.

In order to achieve standardization and consistency throughout the State, it was recommended that a centralized office should oversee master data activities. The Office of Statewide Reporting and

Accounting Policy (OSRAP) has been chosen as the central office responsible for creating and maintaining Internal Orders for the entire State. In addition to Internal Orders, OSRAP will maintain other key master data objects, such as Cost Centers, Funds Centers, etc.

Process Flow: Create Internal Order

The Business Process Flow Chart below depicts the steps for creating a new Internal Order in the system.



Process Flow Description: Create Internal Order

Before Go-live, the ERP Team will use a conversion process to create an initial set of Internal Orders in LaGov. After Go-live the following steps will be followed to create a new Internal Order in the system:

The To-Be Process for creating an Internal Order starts with a request from an agency or department that needs to create a new Internal Order. The requesting agency will complete a web-based “Master Data Request Form” and submit via email to OSRAP’s Master Data Maintenance (MDM) Team for processing. The MDM Team will review the form and decide if the request is valid and if all required information is provided on the form.

If the request is valid and the form complete, the MDM Team will create a new Internal Order.

If there is a budget associated with the Internal Order, the MDM team will create a corresponding Funded Program in the system; otherwise, the Internal Order is now ready to be used.

Next, if budget control is necessary, the Office of Information Services (OIS) will update the FM Derivation tables to link the Internal Order to the appropriate Funded Program for the purposes of deriving the Funded Program as expenditures are posted against the Internal Order.

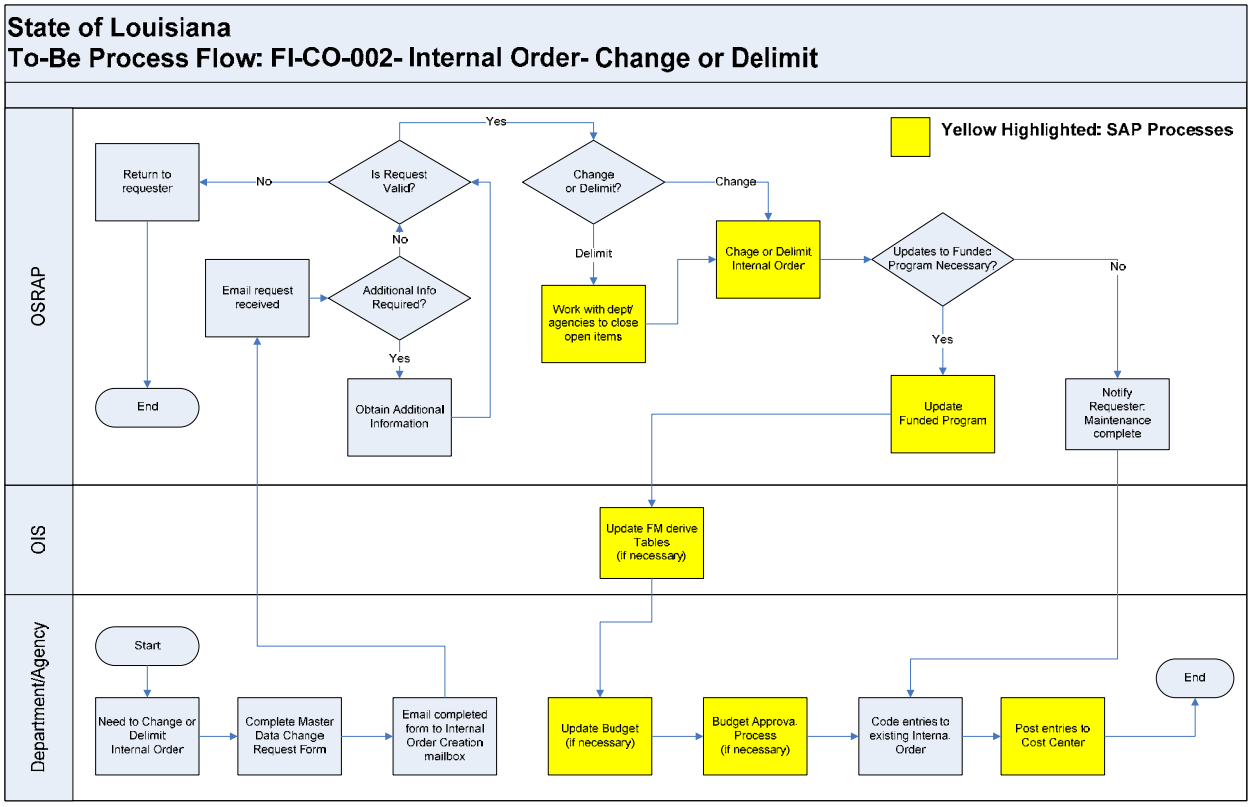
After creation of the Internal Order and the corresponding Funded Program master data objects, the requesting agency will enter the budget for the Funded Program in FM and follow a Budget Approval process to have the budget change approved.

After budget entry or budget changes in the system are complete, the requesting agency can begin posting expenditures to the newly created Internal Order. Expenditures posted to Real Internal Orders (not statistical) must be settled to an appropriate cost object, such as an Internal Order, or G/L account, as part of the Periodic processing activities, described in detail in Process Design Document "FIN-CO-PDD060-CO Periodic Processing".

Additional detail on FM related processes discussed in this document can be found in Process Design Documents: "FIN-FM-PDD010-FM Master Data" and "FIN-FM-PDD020 - Budgeting: Preparation, Load and Amendments".

Process Flow: Change or Delimit Internal Order

The Business Process Flow Chart below depicts the steps for changing or delimiting an existing Internal Order in the system:



Process Flow Description: Change or Delimit Internal Order

A department or agency requesting changes to an existing Internal Order will complete a web-based "Internal Order Master Data Change Request Form". The completed form is sent via e-mail to OSRAP's Master Data Maintenance (MDM) Team for processing. The MDM Team will review the form and decide if the request is valid and if all required information is provided on the form.

If the request is to change certain elements of the Internal Order master data object, the MDM team will complete the changes.

If the request is to delimit the existing Internal Order, the MDM team will work with the appropriate department or agency to close any open items related to the Internal Order before delimiting the Internal Order.

OIS will update the FM derivation tables as necessary.

Next, the requesting agency will carry out budget-related tasks in FM, such as updating the budget for the Funded Program.

Additional detail on FM activities discussed here can be found in Process Design Documents: "FIN-FM-PDD010-FM Master Data" and "FIN-FM-PDD020 - Budgeting: Preparation, Load and Amendments".

Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	Internal Order Types: Z10 - Real Internal Orders Z20 - Statistical Internal Orders Additional may be added as needed.	In the Legacy environment, there are no Internal Orders. Where appropriate, as-Is processes related to legacy objects (such as Reporting Category) need to be replaced with the To-Be processes related to Internal Orders.	The MDM team needs to be trained in Internal Order concepts, processes, and transactions related to Internal Order maintenance.
2.	Internal Order numbering: Z10 - 10000000 - 10999999 Z20 - 20000000 - 20999999	For Internal Orders, a system-generated number will be assigned.	End users need to be trained in Internal Order concepts, processes, and transactions that support creation and maintenance of Internal Order master data.
3.	To-Be Process Flows: For Internal Order creation, changes and delimiting	In the Legacy environment, there are no Internal Orders. New, To-Be processes for creation, edits and deletion are proposed.	The MDM team responsible for master data maintenance needs to understand these process flows and also needs to be trained in SAP transactions that support creation and maintenance of Internal Order master data.
4.	Central Office for Internal Order Master Data Maintenance (part of the To-Be Process): MDM team, under OSRAP, will maintain Internal Orders.	In the Legacy environment, there are no Internal Orders. New, To-Be processes for creation, edits and deletion are proposed.	MDM team responsible for master data maintenance need to understand these process flows and also need to be trained in SAP transactions that support creation and maintenance of Internal Order master data.
5.	OIS will maintain Funds Management (FM) derivation tables		OIS impact
6.	Agencies requesting new Internal Orders or changes to existing Internal Orders need to update the budget for Internal Orders (via Funded programs)		Agency Finance staff responsible for Internal Orders need to be trained in processes for entering and changing budget on Funded programs.

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	OSRAP will create and maintain Internal Order master data. Currently, OSRAP has procedures, OSRAP Policies and Procedures Manual 1.3.1 Chapter 2 – Structure, that govern how Agencies request new data elements or changes to existing data elements in AFS. Similar procedures will be employed to handle Cost Center master data.	Not yet determined	Afranie Adamako

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
2.	In the current environment, Agencies determine what data element (g/l account, organization, reporting category) they need and the request is granted by OSRAP. The same objects can be used for different purposes in AFS. With SAP, OSRAP will need to validate the request to ensure that the appropriate object is being requested. Current procedures can be found in OSRAP Policies and Procedures Manual 1.3.1 Chapter 2 – Structure.		Afranie Adamako

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

Note: *A web-based form for the agency requesting new Internal Orders will need to be created; this is a non-SAP development effort.*

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

Note: *During Realization, additional needs may be discovered resulting in the requirement for custom reports.*

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	List of Internal Orders (SAP Development)	To load initial set of Internal Orders into LaGov	Spread-sheets, files, paper	SAP's Internal Order Master Data Tables	Provides a systematic approach to prepare and load data into the system; saves manual labor time; eliminates data entry errors	SAP Tools will be used to automatically read the Input Spread-sheets	SAP Development

E – Enhancements		Master List of Future State Enhancements: <Supported Process>			
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow		Master List of Future State Workflow Events: <Supported Process>	
No.	Description	Justification	Comments
1.	None Identified		

Gaps

Gaps		Master List of Future Gaps: <Supported Process>	
No.	Description of Gap	Why Gap Exists?	Impact / Comments
1.	None Identified		

Security & Enterprise Role Definitions

Authorizations		Master List of Future State Roles/Authorizations: <Supported Process>		
No.	Role	Description	Strategy	Special Considerations
1.	Central Internal Order Master Data Maintenance Team Member	Responds to user requests to create, change and delete Internal Order master data		

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	Internal Order numbering	No Internal Orders in the As-Is state.	End-users will need to understand the new concept of Internal Orders and the numbering scheme.
2.	Internal Orders master data maintenance	New central master data maintenance group needs to be created and organizational procedures established to implement the proposed To-Be processes for Internal Orders.	MDM team members who are responsible for Internal Order master data maintenance activities.

Training Impact

MDM Team members responsible for maintaining the Internal Orders master data for LaGov will need to be trained on these business processes. The required level of knowledge on the processes described here is rated “high”. In addition, they should have a good understanding of how Internal Orders are related to and impact Funded Programs.

Appendix A

Not Applicable

Team:	Finance - Controlling
PDD Name:	Labor Costing and Time Entry
PDD Number:	FIN-CO-PDD030-Labor Costing and Time Entry
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for internal cost accounting and reporting purposes for revenues and expenses. It provides functionality needed for collection and reporting of actual costs incurred and costs allocated between cost objects such as cost centers.

The Controlling module receives postings from several other SAP modules. These transactions represent the costs or charges to be posted against Cost Objects, such as: Cost Centers, Internal Orders, etc. This document discusses the aspects related to entry and subsequent costing of Labor Time entered in the system. Examples of Labor Time categories include: Repair Hours, Programmer Hours, etc.

This document describes options that were discussed during the Business Blueprint phase for entering and costing Labor Time for the purpose of charging a Cost Object for time spent on a specific activity.

Options discussed for entering Labor Time in LaGov included:

a) Cross Application Time Sheet (CATS), an end-user oriented tool that facilitates Labor Time entry; and

b) PA61 and TMW (Time Manager's Workplace), time keeper/manager oriented tools for time entry.

Currently, DOTD utilizes CATS for entering employee's time. The State has decided to continue the use of CATS for DOTD and will consider CATS for other agencies that use the Plant Maintenance module in LaGov. All other agencies will continue to use transaction PA61 or TMW for time entry.

For costing Labor Time, two options were discussed:

a) Using actual salary and benefit numbers for recording charges against Cost Objects; and

b) Using an average loaded rate for each activity type.

For LaGov, the actual salary and benefit option will be used throughout the State. The average loaded rate (estimated pay rate plus benefits) option will be used for planning Work Order costs in the Plant Maintenance (PM) module.

To-Be Process Description

#	Process Terminology	Description
1.	CATS (Cross Application Time Sheet)	A SAP component that enables standardized, cross-application recording of employee working times.

#	Process Terminology	Description
2.	PA61	A transaction used in SAP's Human Resources (HR) module to enter employee time (labor time) against activities.
3.	TMW – Time Manager's Workplace	SAP tool for time data entry geared towards Time Keepers and Time Managers.
4.	Work Order	A Plant Maintenance (PM) Work Order provides for detailed planning assistance for maintenance tasks to be performed. The Work Order is also the cost receiver for labor entries, goods issues, etc.
5.	Work Center	A group of one or more people (e.g. Technicians) and equipment (e.g. Dump Trucks) used in PM module.
6.	Maintenance Planner	User role that performs review and processes outstanding notifications related to PM Work Orders, such as: plan, schedule, close, etc.
6.	Primary Cost Element	A cost element whose costs originate outside of CO. One to one relationship with general ledger P/L accounts.
7.	Secondary Cost Element	Used to portray internal value flows, such as internal activity allocation or overhead calculations.
8.	Activity type	Describes output quantity of a cost center and is used for calculating operating rates.

CO Master Data

This section describes key master data objects related to this process.

Primary Cost Element:

A "primary cost element" is a cost-relevant item in the chart of accounts, for which a corresponding general ledger (G/L) account exists in Financial Accounting (FI). A primary cost element can be created only if a corresponding G/L account is defined in the chart of accounts and created as an account in Financial Accounting. The State's current list of expense Object Codes used in AFS will be represented as general ledger (G/L) expense accounts in FI's General Ledger (FI-GL) module as well as primary cost elements in CO.

Primary cost elements will be created automatically from General Ledger's Profit and Loss (P&L) accounts using SAP's internal tools. The cost elements will be created with the same number as the general ledger account

Secondary Cost Element

A "secondary cost element" is created in CO to represent internal cost flows, such as those found in overhead allocations and settlement transactions. Secondary cost elements will be used to collect distributable expenses that need to be allocated to other cost centers or primary cost elements.

Secondary cost elements will be created internally in CO (by the CO Team) with a number range starting with a '9'. Depending upon volume of secondary elements, either manual entry or an automated conversion tool, such as Legacy System Migration Workbench (LSMW), will be used.

Activity Type

"Activity types" describe the output quantity of a cost center and are used for calculating operational costs to be charged to Cost Objects. Examples include: maintenance hours, project manager hours, etc.

Activity types will be used in the Plant Maintenance (PM) module to capture hours planned for each Work Order. In conjunction with the PM Team, the CO Team will create Activity type master data in SAP prior to Go-Live. A decision still needs to be made as to who will maintain Activity type Master Data as well as the related pricing (issue noted on the CO Team's Task List). An overview of the Plant Maintenance process as it relates to Controlling is provided below.

Plant Maintenance Work Order Costing Process

SAP's Plant Maintenance (PM) module provides functionality to manage maintenance activities through SAP objects called "Work Centers" and "Work Orders". The State of Louisiana will utilize PM for the maintenance of buildings and vehicles. When someone (a driver or office clerk) observes a problem with a vehicle or building, they will complete a maintenance notification and request service from the maintenance organization. A maintenance planner will screen this notification. Once the notification is approved, the planner will create a Work Order. A determination is then made whether internal or external resources are necessary for the job. The maintenance planner will identify the requirements for the job, which includes labor and parts. Where labor is performed by State employees, the appropriate Activity Type with the average loaded rate will be used to cost the Work Order for planning purposes. Planning will be purely a Plant Maintenance function and will have no impact on actual costs posted in the General Ledger. Actual payroll and benefit costs will be posted to the Work Order during the payroll process.

CO Activity Types will be associated with Work Centers in the PM module. A Work Center represents a group of one or more people (technicians) or equipment (such as dump trucks) used in completing a maintenance job. CO Activity Types will facilitate the posting of planned labor and benefit costs for hours spent in completing a maintenance order. An average blended labor rate will be associated with each Activity Type.

For the actual recording of labor costs, hours related to PM tasks will be input by Time Administrators using SAP Human Resources time entry functions (CATS or PA61). When the recurring payroll cycle occurs, the associated labor and benefit costs are posted to the work order. Additional costs, such as inventory used, will be posted to work orders via transactions in other modules.

When external labor resources are needed for the Work Order, they will be documented in the system via the Purchase Requisition/Purchase Order processes.

Upon completion of the Work Order, it is settled to an appropriate cost receiver object (such as asset or Cost Center) as specified in the Order's settlement rules. Further details on PM Work Orders can be obtained from "LOG-PM-PDD001, Maintenance Process".

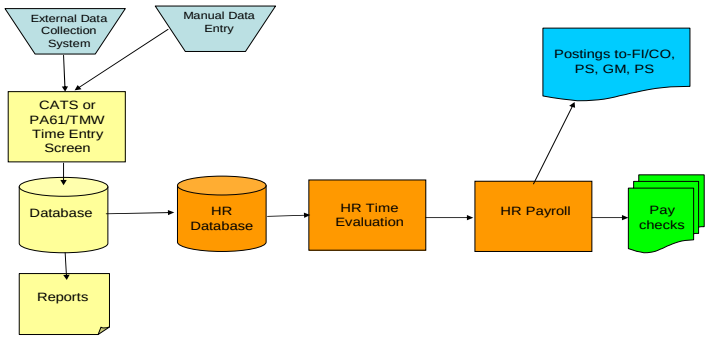
Note:

During the realization phase, the Finance Team will investigate whether it is possible to post actual hours to the PM Work Order and transfer to HR-Payroll (instead of separately entering the time in CATS).

To-Be Process Flow

Labor time will continue to be entered as it is currently; there will be no change in the process flow. The State has decided to continue the usage of CATS for DOTD and a few agencies that create Work Orders. All others will use PA61or TMW screens to enter time into the system (see the diagram below).

Labor Time Entry



Time entered is captured in the HR database tables and goes through HR Time Evaluation where it is approved. Approved time is used in HR for payroll calculation. In addition, based on the Infotypes set up, the FI/CO modules (GL, CO, PS and GM) are updated for expenditure postings using actual salary and benefit numbers. For costing the labor time, the decision was made to use actual salary and benefit numbers as is currently done by all agencies except DOTD. Currently, DOTD is using a payroll additive.

Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	**Labor Time Entry Mechanism**: The State has decided to continue using Cross Application Time Sheet (CATS) for DOTD and a few agencies creating Work Orders; others will use PA61/TMW.	Minimal	Minimal
2.	**Labor Time Costing method:** Use actual salary figures and benefit numbers for costing labor hours in all SAP modules.	Currently, all agencies use this with the exception of DOTD. DOTD is currently evaluating a process change to begin using actual benefits as opposed to Payroll Additives. A percentage of base salary, based on prior years' data, is used to compute benefits.	DOTD impacts from changing current payroll additive method to using actual benefit dollar figures.
3.	**Plant Maintenance (PM) Work Order Labor Time Planning:** The PM module will use Standard (loaded average) Activity Rates for costing labor hours for planning purposes only, not for recording "actual" expenses in the Finance and Controlling modules.	Activity Types need to be created and maintained in LaGov.	Before Go-Live, the FI-CO Team will create Activity Types Master Data. Going forward after Go-Live, State staff will be responsible for master data and pricing maintenance activities. The decision is pending as to who will be responsible for this function after Go-Live.

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	Plant Maintenance will utilize CO Activity Types for Work Orders. Actual salary and benefit numbers are used for costing labor hours (Activity Types) for the purposes of charging the cost receiver. However, for planning purposes only, Work Orders will utilize an average blended rate for each Activity Type.	In the current environment there is no procedure for doing this; hence a new procedure will need to be established for maintaining Activity Types and planning labor rates on a periodic basis in the system.	

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>					
Type of Data	Use	Source	Destination	Justification	Approach	Comments
Activity Types master data	To load initial set of Activity Types master data into LaGov	Spreadsheets	SAP Master Data Tables	Provides a systematic approach to prepare and load data into the System; saves manual labor time; eliminates data entry errors.	SAP Tools will be used to automatically read the Input Spreadsheets	SAP Development

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	**Description**	**Justification**	**Comments**
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	**Description of Gap**	**Why Gap Exists?**	**Impact / Comments**
1.	None Identified		

Security & Enterprise Role Definitions

Provide a listing of the security roles defined to support the business processes as detailed in the previous Visio process flows. Also describe any unique security challenges presented and identify the preliminary strategy to address them.

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	**Role**	**Description**	**Strategy**	**Special Considerations**
1.	Time Entry Analyst	Enters labor time		
2.	Time Approver	Approves labor time entered		
3.	Master Data Maintenance Analyst	Maintains Activity Types master data and rates.		

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	None Identified		

Training Impact

Minimal impact.

Appendix A

Not Applicable

Team:	Finance – Controlling
PDD Name:	Interagency Transfers
PDD Number:	FIN-CO-PDD040-Interagency Transfers
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for all management accounting purposes. The Controlling module assists management in internal cost accounting and reporting functions for revenues and expenses.

SAP records cost/expense transactions in the Financial Accounting (FI) and Controlling (CO) modules. All costs/expenses from transactions with external parties (supplies, telephone charges, insurance) are recorded in FI and simultaneously posted to CO under primary cost elements. Transactions posted in HR (payroll) are also integrated with the Controlling module.

Various state agencies have service agreements to provide goods and services to each other and bill and pay each other. The servicing agency receives payments from the receiving agency. Examples of services are: IT, Accounting, Legal, and printing and payments, such as: rents and insurance. These transactions which are known as Interagency Transfers (IATs) will be handled in the CO module as opposed to transactions with external entities which are processed in FI. For purposes of this document, IATs are defined as those transactions that record value flows throughout the year as a result of a LaGov state agency performing a service or providing non-inventory goods for another state agency. Interagency inventory transfers will be initiated and handled in Materials Management.

The IAT discussion in this document is limited to transactions between agencies falling within the LaGov SAP Controlling module. Transactions with agencies that are outside the scope of the LaGov project such as universities and hospitals are not included. This document also excludes all overhead cost allocations which are discussed in document "FIN-CO-PDD050-Cost Allocations.doc".

For IAT scenarios, three options were considered during Blueprint:

1. Option 1: Entering IAT's as Controlling transactions
2. Option 2: Entering IAT's as General Ledger transactions
3. Option 3: Handling IAT's as Accounts Payable and Accounts Receivable (AP-AR) transactions

After discussing the three options, it was determined that Option 1 will be used to handle IAT's. In addition to debiting and crediting the agencies (Cost Centers), SAP's integration with the configured Split Processor and other Finance module functionalities provides complete agency-level and fund-level accounting to facilitate interagency and interfund cash transfers.

To-Be Process Description

#	Process Terminology	Description
1.	Split Processor	SAP's internal tool that splits an accounting document that involves

#	Process Terminology	Description
		multiple business areas (agencies) and funds into multiple line items in order to facilitate complete business area and fund accounting.
2.	General Ledger	SAP Financial Accounting module that records financial transactions that are required to create financial statements for an enterprise.
3.	Accounts Payable (AP)	SAP's finance module that manages vendor accounts and vendor transactions
4.	Accounts Receivable (AR)	SAP's finance module that manages customer accounts and customer transactions
5.	Funds Management	SAP's finance module that manages budgets and provides budgetary controls and fund accounting

Interagency Transfers involve one entity providing goods or services to one or more entities. The one providing the goods and services is referred to as the "Sender" and the one receiving the goods or utilizing the services will be referred to as the "Receiver".

Options Considered for IATs:

The three options for processing Interagency Transfers in SAP are described below:

Option 1: Entering IAT's as Controlling (CO) Transactions

This option uses the Controlling module's "Manual Cost Allocation" transaction to record the transfer of costs between Senders and Receivers.

Manual cost allocations take expenses, which were collected temporarily on one cost object, and transfers them to one or more cost objects to more accurately show where the cost occurred. Using the CO manual cost allocation transaction, costs that are temporarily collected in one place, for example Cost Centers or Internal Orders, will be spread across those cost objects that were actually responsible for the cost.

In cost allocations, the agency (Cost Center) providing the service will be referred to as the "Sender" and the one utilizing the service will be referred to as the "Receiver". Expenses accumulated in the sender cost object are allocated to one or more receiver cost objects. The manual cost allocation transactions post a negative cost (credit) for the sender and a cost (debit) for the receiver.

In conjunction with the CO transaction, a posting in Finance (FI) will be recorded via SAP's "Substitution Rule" functionality. The Substitution Rule will be configured in FI-GL and will result in a credit to revenue for the Sender and a debit to expense for the Receiver

The Sender is responsible for entering IAT transactions in SAP. The Receiver is responsible for monitoring to ensure compliance with the agreed upon amounts. Details to support billings can be requested at anytime.

Examples

Attached below are slides (# 33-37 of the Blueprint Session) illustrating how costs are transferred from senders to receivers.

Option 1: CO Allocations

- Cost Center providing the service will be referred to as the "**Sender**" and the one utilizing the service will be referred to as the "**Receiver**". Expenses accumulated in the Sender Cost Center are allocated to one or more Receiver Cost Centers.
- Utilize Controlling (CO) functionality to represent this transaction as a negative cost (credit) for the sender and a cost (debit) for the receiver.
- Generally, senders are responsible for IAT postings in SAP.
- Receivers are responsible for monitoring periodically to ensure compliance with the agreed upon amounts. Any receiver can ask the sender for details to support the billing.

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CO Concept: Example

Cost Centers 1 & 2 are incurring expenses

- CCtr-1 **(2765103072)** and CCtr-2 **(2765103074)** provide services to CCtr-3 **(2745019008)** and CCtr-4 **(2745019012)**
- Through FI Postings, CCtr-1 and CCtr-2 are charged certain expenses:
  -- Repair Expenses – Object Code - 506200
  -- Utility Expenses – Object Code - 515000

FI Posting

GL Account	Description	Fund	Cost Center	Amount
506200	Repair Expenses	1001	2765103072	+$4,000

FI Posting

GL Account	Description	Fund	Cost Center	Amount
515000	Utility Expenses	1001	2765103074	+$3,000

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CO Concept: Example

Simultaneous Postings in CO

- Postings (FI-GL) will also result in a simultaneous posting to CCtr-1 and CCtr-2 -- in CO; Cost Center Reports will show this.
- All Account Code information is automatically carried through. Cost Element codes are same as Object Codes (GL Account Codes) used in original transaction.

CO Posting (Automatically done in the back ground)

Cost Element	Description	Fund	Cost center	Amount
506200	Repair Expenses	1001	2765103072	+$4,000
515000	Utility Expenses	1001	2765103074	+$3,000

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CO Concept: Example

Let us See How Costs are moved from Senders to Receivers

CO Posting – Allocate Repair Expense to Two Receiving Cost Centers

Cost Element	Description	Fund	Cost Center	Amount
906200	Alloc. Repair Exp.	1001	2765103072	-$4,000
906200	Alloc. Repair Exp.	1001	2745019008	+$2,500
906200	Alloc. Repair Exp.	1001	2745019012	+$1,500

CO Posting – Allocate Utility Expense to Two Receiving Cost Centers

Cost Element	Description	Fund	Cost Center	Amount
915000	Alloc. Utility Exp.	1001	2765103074	-$3,000
915000	Alloc. Utility Exp.	1001	2745019008	+$2,000
915000	Alloc. Utility Exp.	1001	2745019012	+$1,000

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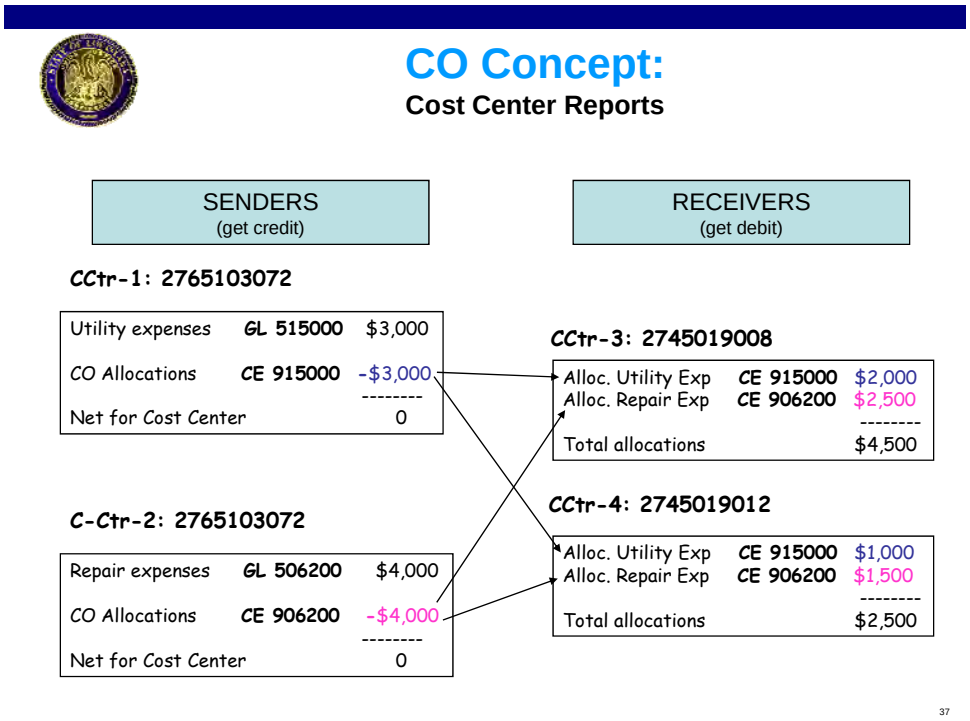


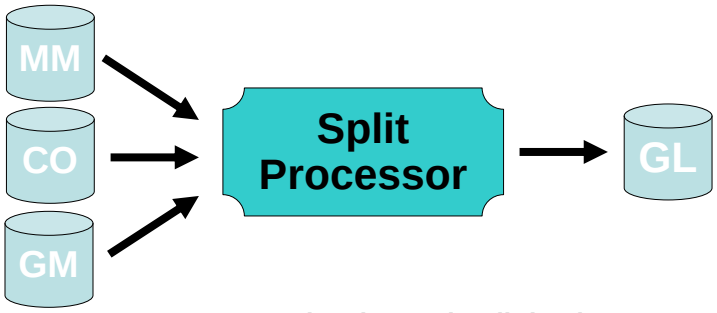
Split Processor

Controlling transactions, like other SAP transactions with financial impact, go through SAP's Split Processor functionality. The Split Processor functionality will provide complete interagency and interfund accounting facilitating cash transfers between agencies and/or funds; thus generating "DUE TO" and "DUE FROM" entries. Later when the actual cash transfer posting happens, a reversal posting for the DUE-TO and DUE-FROM accounts is recorded.

Split Processor, for fund accounting purposes, splits and balances an accounting document by business area (agency), fund, grant, or functional area and adds additional line item(s) to either split or balance an accounting transaction.

For a transaction that involves multiple agencies and/or funds, this enables complete interagency and interfund accounting. The Split Processor configuration is part of FI and begins with the assignment of the splitting method and the fields to be used for splitting. Split Processor functionality is shown below:

Split Processor



Balancing and Splitting by:

- Fund – (Operating fund, Capital fund, etc,)
- Business Area – (Agency)
- Grant – (Grant)
- Functional Area

Based on the rules defined in the configuration for various business transactions, documents will be balanced by business area and fund using one of the two methods: Splitting or Balancing. The splitting method will take the pre-determined split item category within an FI document and generate multiple lines for this item category. The balancing method will generate new lines within the document, balancing the results of the other item category lines using the configured clearing General Ledger account.
Document balancing or splitting by Split Processor thus creates additional line items that post debits and credits for each agency and fund. Cash will be posted as debits and credits to the respective agency in accordance with the pooled cash concept. Further detail on Split Processor is available in General Ledger document "FIN-GL-PDD020 Splitting Rules".

Option 2: Entering IAT's as a Finance General Ledger (FI-GL) Transaction

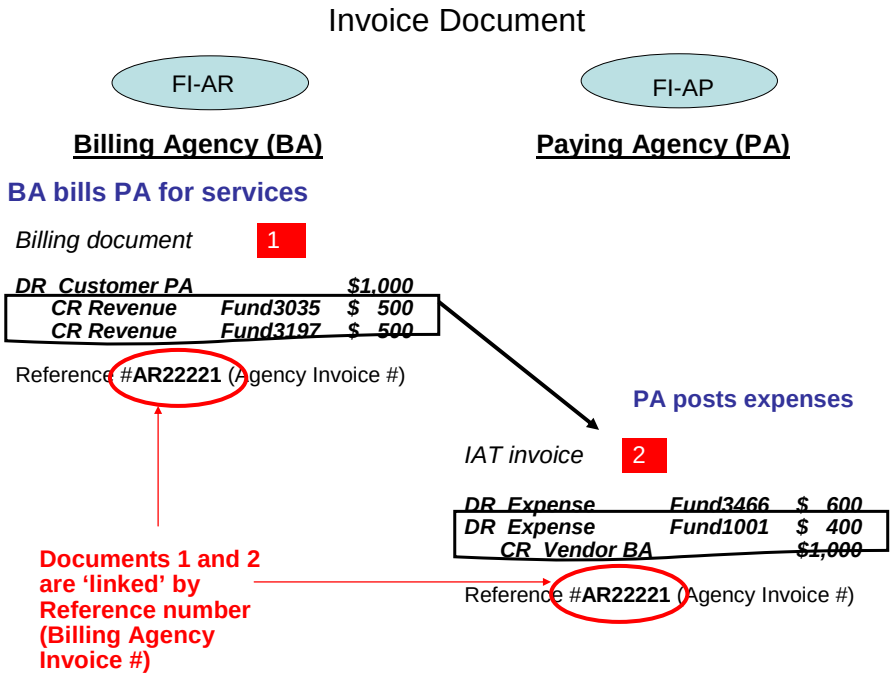
This option involves recording IAT's as a journal entry in the Finance General Ledger module. The agency receiving the goods or services will post an expense and the agency providing the goods or services will record revenue as shown below:

DR	**Exp**	**Acct**	**"Paying Agency Cost Center Code"**	**Fund A**
CR	**Rev**	**Acct**	**"Receiving Agency Cost Center Code"**	**Fund B**

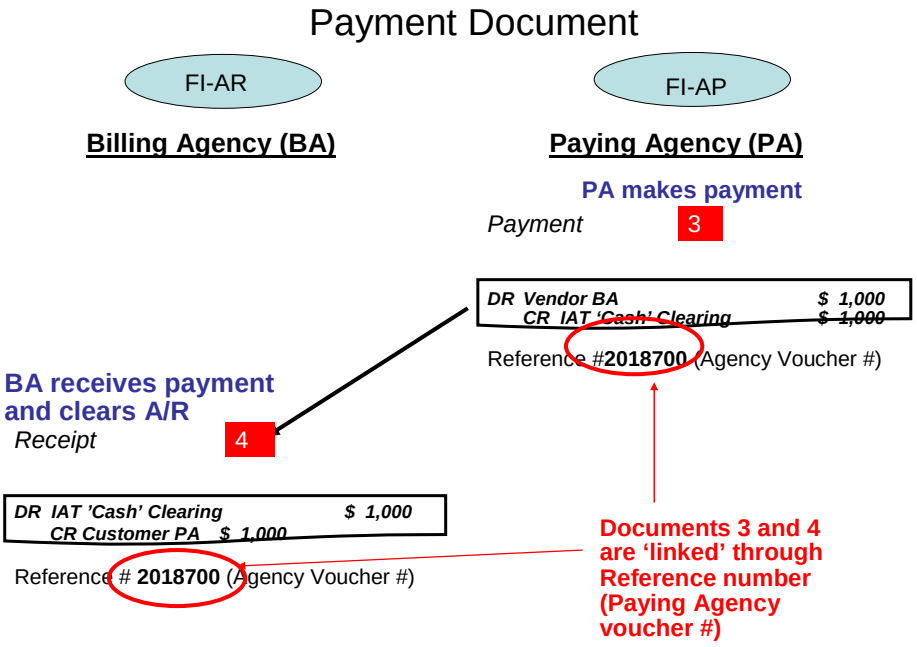
Once an IAT transaction is recorded as a journal entry, the Split Processor functionality discussed previously enables cash transfers between agencies and funds; there is no difference between Option 1 and Option 2 in that regard.

Option 3: Handling IAT as Accounts Payable and Accounts Receivable (AP & AR) Transactions

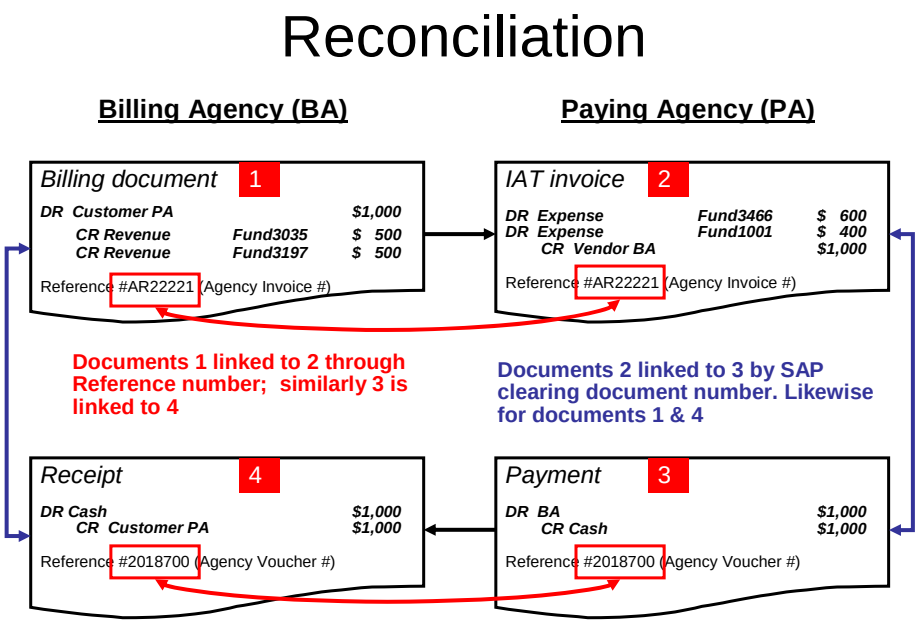
This option involves using the Accounts Payable and Accounts Receivable (AP & AR) modules of SAP to record IAT's and manage cash transfers. All State agencies will need to be set up as both vendors (in AP) and as customers (in AR). The agency providing goods and services is considered a vendor and the agency receiving goods and services is considered a customer. When a vendor agency provides goods and services, it creates an invoice in the system ("Bill") and sends it to the customer agency, as depicted below:



When customers make payments to clear the invoice, a SAP Payment document is created in the system. The Invoice and Payment documents are internally linked in the system (via Reference document #) and can be cleared periodically.



All AP and AR documents are linked making reconciliation easy, as shown below:

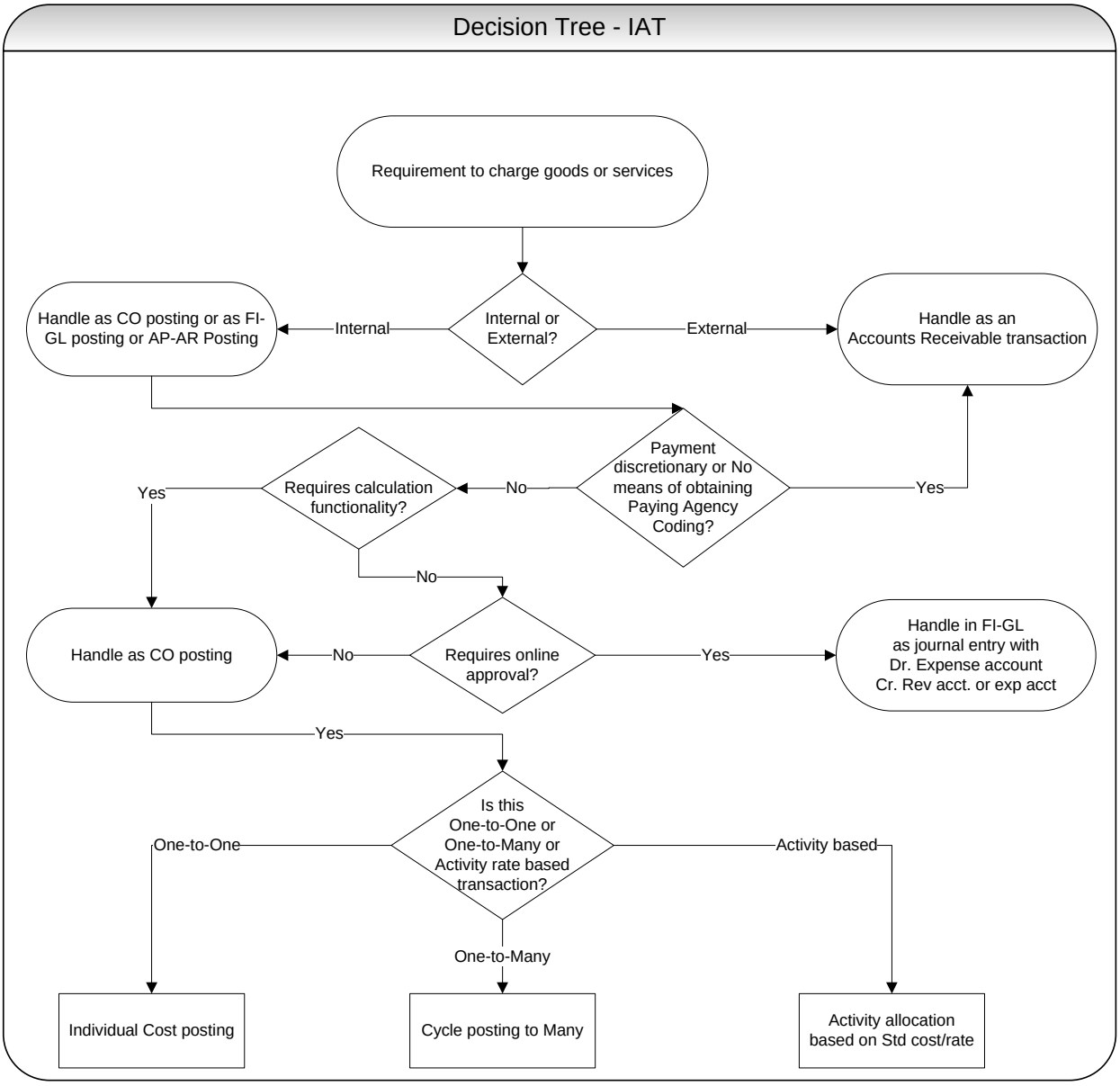


Decision Tree: How to Determine the Best Option for Handling IAT's?

The following key design factors should be considered when selecting the best option for handling IAT's:

- Best Practices and Industry Experience
- Other Module Impacts and On-going Maintenance of Effort
- Organizational Impacts and Change Management
- Transactional Volumes and Operational Efficiency
- Proper Accounting Treatment: "Revenue/Expenses" or as "Cost/Negative Cost":
- Reporting Needs: Mandatory and Management

In addition, the following Decision Tree is used to arrive at the best option:



Following are Key Decision Points that were evaluated when selecting the final solution for handing IATs:

1. **Receiver of Service: External vs. Internal (AP-AR or CO)**
   The first decision driver is to see if the transaction involves an internal state agency (agency using SAP) or an external entity (corporation or external state agency not using SAP). AP & AR are best suited for handling transactions involving external entities as they are true vendors or customers where as Controlling is better suited for handling interagency transactions. In addition, one argument against using the AP-AR option for IAT's is that Agencies will need to be created as vendors and customers (in addition to as Cost Centers) in the system, thereby increasing master data maintenance effort.

   For handling IAT transactions, this driver suggests that Controlling module is better suited.

2. **Payments are Discretionary or there is No Means to Obtain Paying Agency Code? (AP-AR or FI/CO)**
   If the receiver of the invoice has discretion to refuse to pay the invoice, the AP-AR option is more suitable than FI/CO; otherwise the FI/CO solution fits the scenario better.

3. **Approvals: Automated (System) vs. Off-line (FI/GL or FI/CO)**
   FI transactions provide automated approval capability via the SAP Workflow functionality as opposed to the Controlling module that does not. For this reason, if there is an overriding requirement to have an "automated" approval process, then FI/GL is better suited for handling IAT's. Conversely, if the approval requirement can be met through organizational procedures and other manual approval methods, FI/CO transactions can be utilized. Additionally, the cost of developing SAP Workflow-based approvals can be prohibitive; therefore, alternate processes such as non-automated approval procedures may need to be considered.

   Keeping this in mind, for LaGov, there is an argument to accept the limitations the Controlling module has with regard to Workflow-based approvals and select it as the preferred method for handling IAT's.

To-Be Design Option Selected for Entering IATs in LaGov: Option 1 - CO

Using the Decision tree and the Key Decision Points discussed above, the Controlling option will be used for handling IAT's for the State.

Many IAT's involve an actual transfer of cash between agencies. The agency being billed for goods and services actually pays (or "transfers" cash to) the agency performing the service. This requirement will be met using the "Pooled Cash Concept" discussed in the FI General Ledger session, "FI-GL-005-Splitting Rules".

In summary, the Controlling module is chosen for IAT's due to the following:

1. SAP provided the Controlling module functionality to meet the requirements of internal value exchange, such as IAT's, as opposed to FI AP-AR and FI/GL which are better suited for value exchange with external entities.

2. SAP Public Sector Best Practices are consistent with the selection of Controlling, application of Split Processor functionality and implementation of the Pooled Cash concept for recording IAT's and handling cash transfers between agencies and funds.

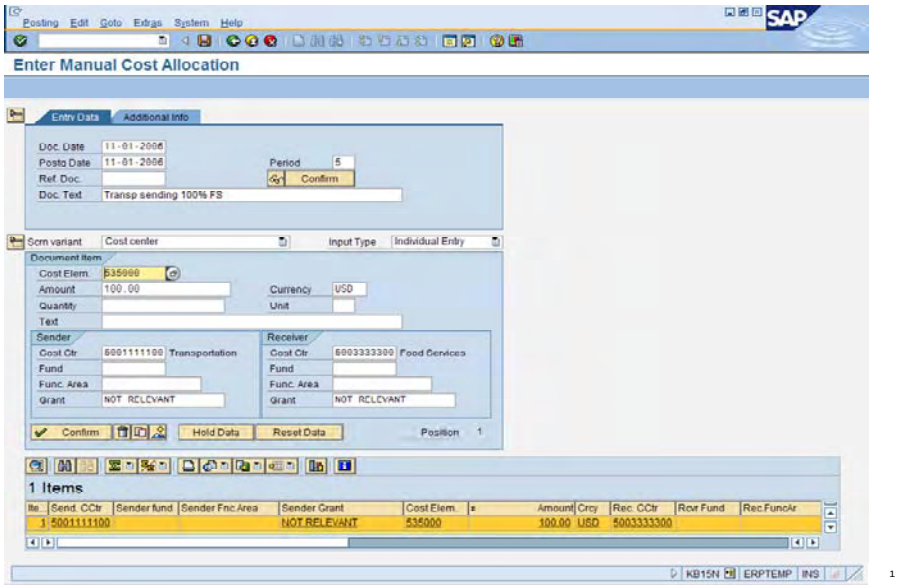
Within Controlling, a SAP transaction called "Manual Cost Allocation" is used to record IAT's. Manual cost allocation can be executed in two different ways:

One-to-One Manual Cost Allocation - Individual

The One-to-One method is a simple transaction that can be used to transfer cost from one sender cost object to another, using SAP Transaction "KB15N" as shown below:

Interagency Transfer Transaction Entry Screen

CO Manual Cost Allocation-One-to-One (individual)



The transaction screen provides the following key fields for IAT data entry:

a) Entry Data

- Document date – Typically used to enter the date the transaction was entered in the system
- Posting date – Accounting date
- Reference Document # -- Any identification for the transaction as a whole
- Document text – Free format text field for any comments

b) Document Item Info

- Cost Element – Object code
- Amount ($) – Dollar amount charged
- Quantity – If required

c) Sender Info

- Cost center
- Fund
- Functional area
- Grant

d) Receiver Info

- Cost center
- Fund
- Functional area
- Grant

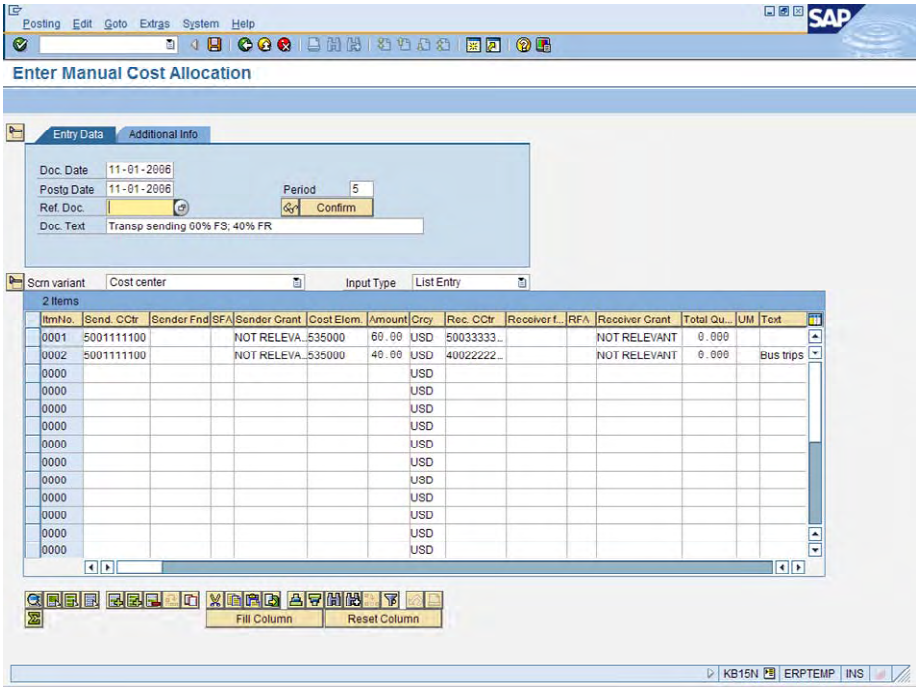
One-to-One Manual Cost Allocation - List

In situations where there are multiple receivers, the list screen can be used to enter IAT transactions. This is the same SAP transaction (“KB15N”) as the individual screen and has the same key fields for data

input except that there is a provision to enter multiple sender and receiver objects: Cost Center, Fund, Functional Area, and Grant.

Interagency Transfer Transaction Entry Screen

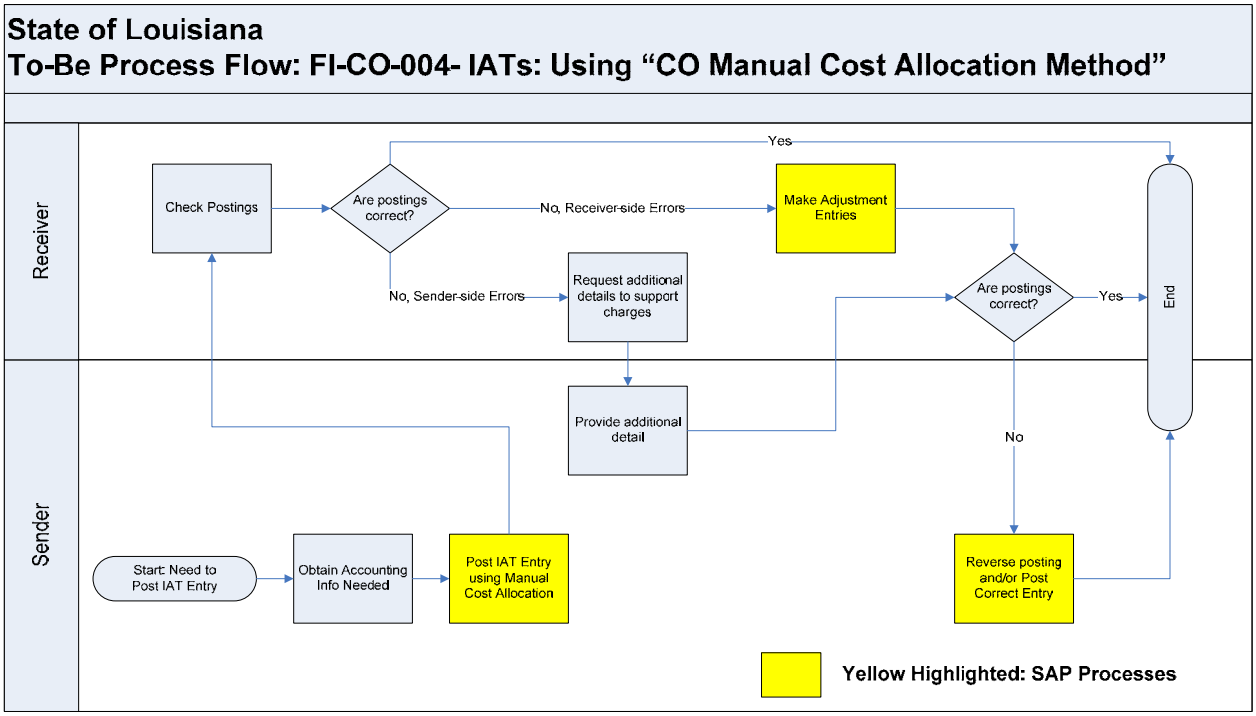
CO Manual Cost Allocation-One-to-One (List)



1

To-Be Process Flows

The process flow diagram depicting the process description steps is below:



To-Be Process Description for IAT Transaction Entry

The SAP Business process for handling IAT's will be very similar to the current process in AFS. Process steps are as described below:

When there is a need to enter an IAT transaction into the system, the sender agency (agency providing goods and/or service) will obtain the necessary accounting information (cost center, fund, functional area, grant, etc.) and input the transaction using "KB15N" in SAP. Depending on the situation, the individual screen or list screen will be used. The receiver agency checks the postings for correctness (amounts, and accounting codes). If corrections are needed on the receiver side, the receiving agency corrects the entries. If additional information is needed to support the entry, the receiver contacts the sender. If the postings are incorrect, the transaction is reversed. If the postings are correct, the process ends.

Key Business Process Decisions

A guiding principle for the project is to adapt to a common system-enabled business process design as provided by the best business practices inherent in the SAP and Agile applications. This section is used to document the key decisions that will impact existing business processes that may or may not affect the ultimate configuration. Information in this section is shared with the key external support groups including the Executive Steering Committee.

#	Decision	Process Impact	Organizational Impact
1.	Interagency Transfer (IAT) transactions will be entered as CO Transactions in LaGov.	Currently IAT's are entered as journal entries in AFS. The proposed To-Be process takes advantage of SAP's Controlling (CO) module.	See Training Impacts.

#	Decision	Process Impact	Organizational Impact
2.	SAP Controlling's "Manual Cost Allocation" transactions – also known as "One-to-One: Individual" and "One-to-One: List" will be used to record IAT's in LaGov.		Positive impact as IAT's can be easily reversed (as opposed to the difficult / cumbersome current practice).
3.	IAT's will continue to be entered by Sending agencies as they are currently done.	Minimal	Minimal

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	None Identified		

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	None Identified						

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	**Description**	**Justification**	**Comments**
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	**Description of Gap**	**Why Gap Exists?**	**Impact / Comments**
1.	None Identified		

Security & Enterprise Role Definitions

Given below is a listing of security roles defined to support the business processes as detailed in the previous Visio process flows. During Realization, additional Security Roles and Authorizations may be developed. NOTE: These are not actual positions, but are just noting that these tasks will be performed by someone.

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	**Role**	**Description**	**Strategy**	**Special Considerations**
1.	IAT Agency Analyst	Records IAT transactions in LaGov		
2.	IAT Manager	Reverses IAT transactions in LaGov		

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	Enter IAT transaction	No change in concept compared to the current situation; only new software transaction, Controlling's Manual Cost Allocation transaction is used.	See Training Impacts

Training Impact

The agency Finance staff responsible for entering IAT's in the system will need to be trained in:

- Executing the manual cost allocation transactions in SAP;
- Running appropriate manual allocation reports;
- Reviewing the results of manual cost allocation transactions and validate them.

Appendix A

Not Applicable

Team:	Finance - Controlling
PDD Name:	Cost Allocations
PDD Number:	FIN-CO-PDD050-Cost Allocations
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for all management accounting purposes. The CO module is used to assist management in their internal cost accounting and reporting functions for revenues and expenses.

After Go-Live, expenditure postings will be made in LaGov against cost objects, such as: Cost Centers and Internal Orders, via journal postings (in General Ledger), vendor invoices (in Accounts Payable), Purchase Orders (in Logistics) and other such transactions. Once posted, Controlling will be used to transfer all or part of the posted expenses from one cost object to one or more cost objects using Controlling's Cost Allocation transactions. This document describes the processes and decisions related to cost allocations.

As a Best Practice, it is recommended that the Cost Allocation process be performed once a month. In addition, it is recommended that SAP's automated cost allocation method called "Distribution" be used for allocating costs in LaGov. A key feature of the Distribution method is that it retains the original object code (Cost Element that carried the expense from the original posting) even after the allocation. This will provide clarity around the types of costs that are being allocated.

Currently, the Statewide Cost Allocation Plan (SWCAP) is handled outside of AFS; hence the State has made a decision to exclude the legacy SWCAP process from the scope of the LaGov ERP project in the initial release. Cost allocations will only be performed for those agencies that are currently using AFS which are: DOL, DSS, and DHH (including OPH).

To-Be Process Description

#	Process Terminology	Description
1.	Cost Allocations	The process of distributing as amounts and quantities from one sender cost object to one or more receiver cost objects.
2.	Distribution	Transaction that allocates primary costs in Controlling; the original cost element is retained in the receiver cost object.
3.	Assessment	A method of allocating amounts and quantities from one sender object to one or more receiver objects. Different from "Distribution" method in that visibility of the original object code (Cost Element that carried the expense from the original posting) is lost after allocation is complete.
4.	Statistical Key Figure	Measurable values such as number of employees or square footage used as a basis in allocating costs.
5.	Tracing Factor	Non-Financial values that establish the basis for allocation in CO.

#	Process Terminology	Description
6.	Primary Cost Element	A cost element whose costs originate outside of CO. One to one relationship with general ledger P/L accounts.
7.	Secondary Cost Element	Used to portray internal value flows, such as internal activity allocation or overhead calculations.

The SAP R/3 system records expense transactions in the Financial Accounting (FI) and Controlling (CO) modules. All expenses that arise from transactions with external parties (purchases of supplies, payment of telephone charges, purchase of insurance) are recorded in FI and simultaneously posted to CO under primary cost elements. Transactions posted in HR (payroll) are also integrated with the Controlling module.

Cost Allocations: Overview

Cost Allocation involves transferring posted expenses (costs) from one sender cost object, such as a Cost Center, to one or more receiver cost objects. Allocable expenses collected in a cost object through postings from other SAP modules (such as FI General Ledger) are transferred to appropriate receiver objects using Statistical Key Figures (discussed below) as a basis for the allocation.

During the cost allocation process sender cost objects are credited and receivers are debited. There are two different types of cost allocation transactions in SAP:

1. ***Transaction-based Methods***, also known as "Manual Cost Allocation" methods, will be used for recording Interagency Transfer (IAT) postings throughout the month. For additional detail on these and IATs, please refer to Process Description Document (PDD) "FIN-CO-PDD040-Interagency Transfers".
2. ***Periodic Methods***, also known as "Automated Cost Allocation" methods or cycles, will be used for performing cost allocations at the end of the month. These are used to transfer allocable costs (such as overhead) among receiver cost objects. The sections below discuss various aspects related to cost allocations using periodic methods.

Periodic Methods - Automated Cost Allocation Methods

Sometimes referred to as "Cycle Postings", CO provides two distinctly different automated cost allocation methods. Those two methods are known as the "Distribution" method and "Assessment" method. While both are used to allocate expenses, they differ in the way the expenses are allocated; hence used for different types of allocation scenarios as discussed below.

Based upon discussions the CO Team had with Agency personnel during Business Blueprint phase, it was determined that the Assessment method will not be used in the LaGov project. The Distribution method will be used for all Cost Allocations for the State. However, both methods are discussed below. During Realization, discovery of additional information could warrant use of the Assessment method (in addition to Distribution) in some situations.

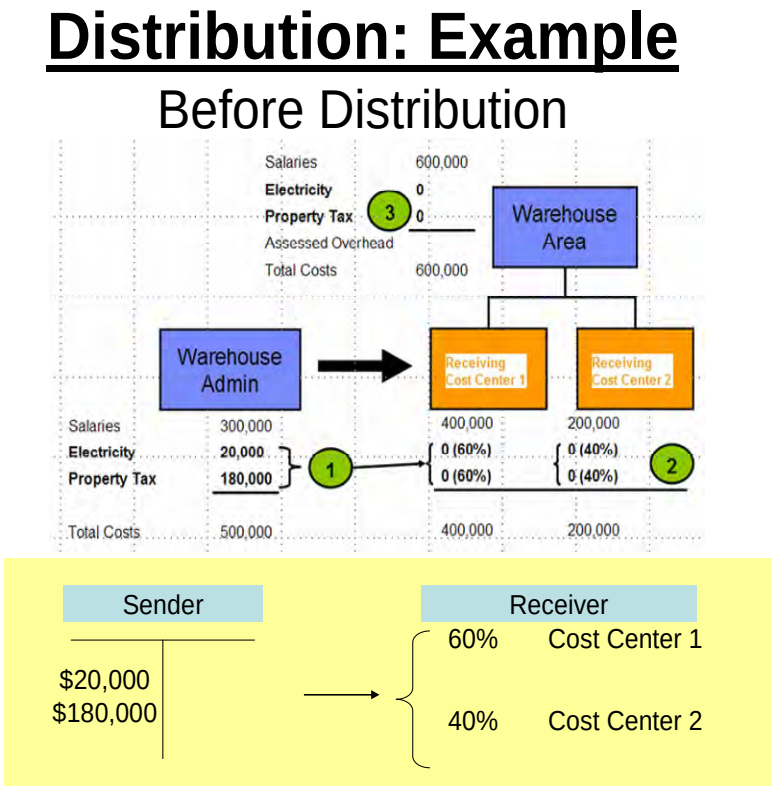
Distribution Method

Distribution is an automated cost allocation method in which the original object code (cost element) that carried the expense is retained even after the allocation is complete. During the Distribution cycle process, costs are moved from one sender cost object to one or more receiver cost objects. In the posting, the sender is credited (negative cost) and the receiver is debited (cost).

Distribution uses Primary Cost Elements, which are the same as General Ledger (G/L) accounts; numbers for these start with a "5".

Example: Allocation by Distribution Method

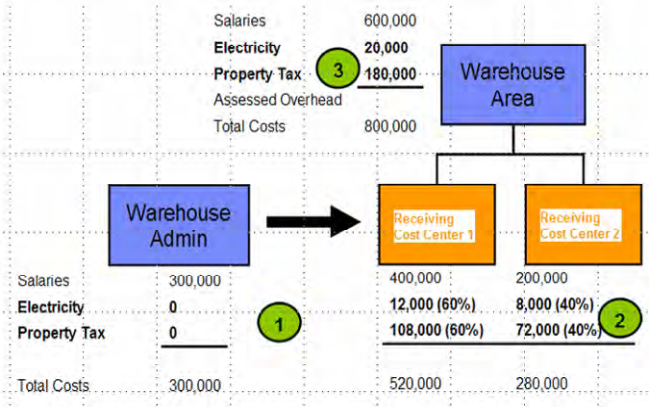
An example is provided to show how the Distribution method works as an allocation tool. In this example, titled "*Distribution: Example – Before Distribution*", expenses posted for Electricity ($20,000) and Property Tax ($180,000) in Warehouse Admin (Cost Center) need to be allocated to two receiving Cost Centers (under Cost Center Group "Warehouse Area"), with 60% going to Cost Center 1 and 40% going to Cost Center 2.

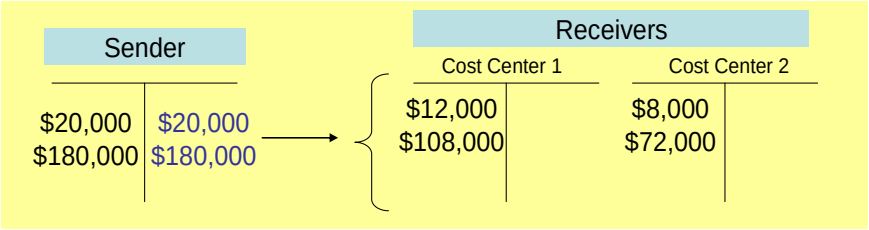


The Graphic below, titled "*Distribution: Example – After Distribution*", indicates how the postings would look after completing the allocation transaction using the Distribution method. Cost Centers 1 and 2 receive debits of $12,000 and $8,000 for Electricity and $108,000 and $72,000 for Property Tax respectively. Note that the allocated expenses keep their original identities, which were Electricity and Property Tax, even after allocation. Also, the roll-up of the individual expenses for Cost Centers 1 and 2 into Cost Center group Warehouse Area can be seen.

Distribution: Example

After Distribution





1

Assessment Method

Assessment is an automated cost allocation method in which the original object code (cost element) that carried the expense is ***not*** retained after the allocation is complete. In situations where several types of expenses (object codes) can be bundled together and the identity of the original cost element is not needed by the receivers after the allocation, the Assessment method is used. In Assessment, all expenses are accumulated and transferred to the receiver on a single cost element (known as a Secondary Cost Element).

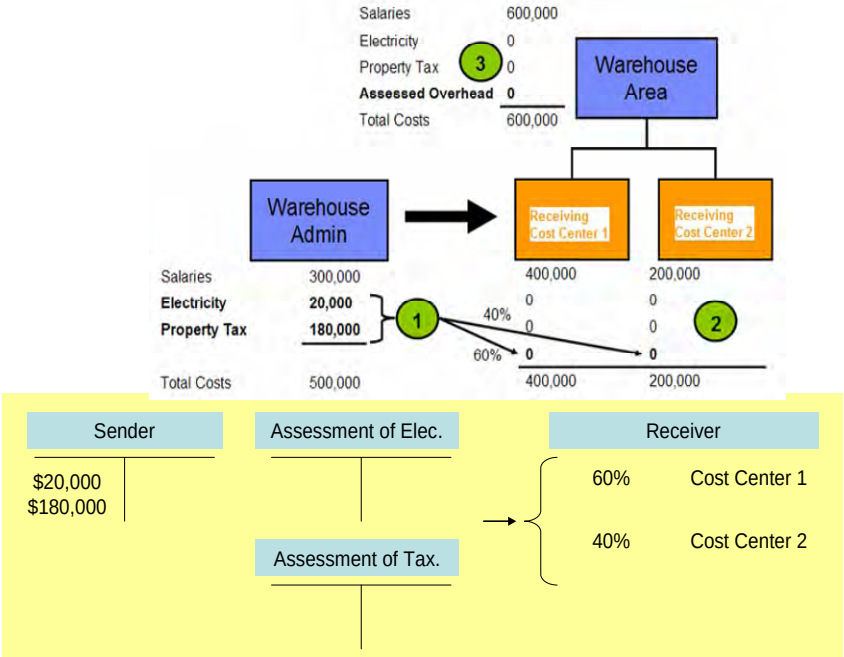
As with the Distribution method, costs are moved from a sender cost object to one or more receiver cost objects; the sender is credited (negative cost) and the receiver(s) debited (cost). However, the Assessment method uses Secondary Cost Elements for carrying expenses. Allocated costs are posted to secondary cost elements that will have a number range that starts "9". This allows them to be readily distinguished from Primary Cost Elements. Secondary Cost Elements are internal to CO and are not defined in FI-GL.

Example: Allocation by Assessment Method

An example is provided to show how the Assessment method works as an allocation tool. In this example, titled "*Assessment: Example – Before Assessment*", expenses posted for Electricity ($20,000) and Property Tax ($180,000) in Warehouse Admin (cost center) need to be allocated to two receiving Cost Centers (under Cost Center Group "Warehouse Area"), with 60% going to Cost Center 1 and 40% going to Cost Center 2.

Assessment: Example

Before Assessment

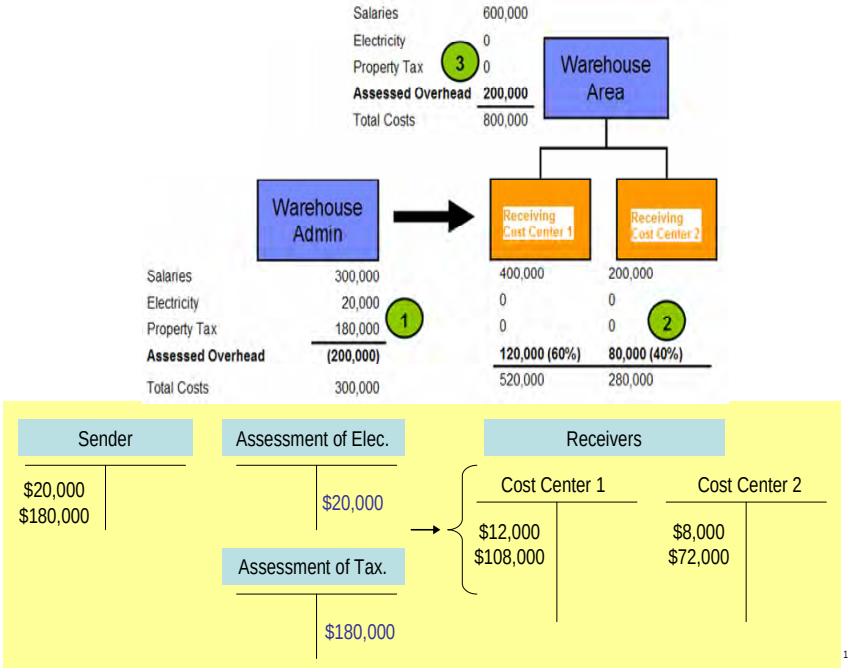


1

The graphic below, titled "*Assessment: Example – After Assessment*", shows how the postings would look after completing the allocation transaction using the Assessment method. During the allocation process, note how Electricity and Property Tax are bundled and transferred to Cost Centers 1 and 2 as "Assessed Overhead", not separately as Electricity and Property Tax. In this example, Cost Centers 1 and 2 now receive debits of $120,000 and $80,000 for "Assessed Overhead", which is a Secondary Cost Element. Also note how the postings for Electricity and Property Tax lost their identity after allocation.

Assessment: Example

After Assessment



Statistical Key Figures

A Statistical Key Figure (SKF) is a master data object used to compute the basis (tracing factor in SAP) for cost allocations in Controlling. Master records are first created to establish the unit of measure needed for cost allocations. Examples of SKFs are: hours, number of employees, area (square footage), etc.

Before Go-Live, the CO Team will create SKF master data needed in the system. SKF's can have a fixed value; no change from past period to current period, such as area in square feet. SKFs can also be variable to capture the change from one period to another such as number of calls made.

SKF values are used to compute the basis for distributing the expense from senders to receivers. Before a cost allocation run, values are posted as quantity postings in SAP by the end-user department or agency. During the cost allocation run, actual dollars are posted to receivers based on SKF values previously posted against the cost centers.

In addition to SKF values, Cost Allocations can be processed based on other criteria such as: fixed percentages, fixed amounts, activity types, etc., if needed. However, the CO Team has not identified situations that currently employ these criteria.

To-Be Process Steps: LaGov Cost Allocations

LaGov will use the Controlling module's Distribution functionality for performing cost allocations. Before Go-Live, the CO team will work with individual agencies, OSRAP and OIS to set up and test distribution cycle structures.

After Go-live, the To-Be process for Cost Allocations will involve the following steps:

1. OIS will create, maintain and distribute a master period-close calendar which will contain period-end tasks for all modules. CO period-end tasks will be imbedded in proper sequence in the master calendar.

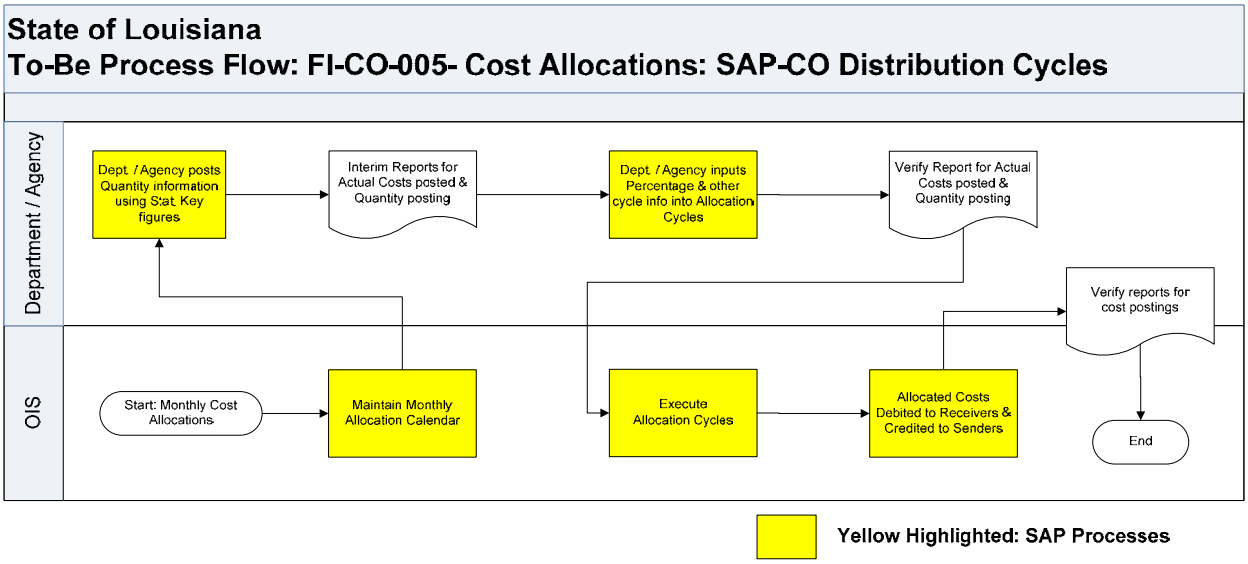
2. Department/Agency Cost Accounting staff will continue to post values for Statistical Key Figures that are being used for the Distribution cycles; and then check the interim reports for actual costs as well as SKF values posted in the system. An automated interface that uploads SKF values into SAP is proposed (included as an Interface in Section 6.0).

3. OIS will execute the Distribution cycles as per the schedule.

4. Department/Agency Cost Accounting staff will review allocation reports and validate the postings.

To-Be Process Flows

The To-Be Process Flow diagram below depicts the steps discussed above.



Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	SWCAP is not included in the scope of the current LaGov project.	SWCAP will continue to be outsourced and results will be manually entered by Agencies.	
2.	Only agencies currently using the AFS system for cost allocations are in the scope of the ERP project. These include DOL, DSS, DHH, and OHP.	Due to the time and effort required only these Agencies will be included at this time. Additional agencies will be considered for inclusion after go-live. Until then, manually entering summarized results from the external cost allocation process into CO needs to be explored to complete the LaGov cost accounting numbers.	
3.	OIS will continue to coordinate the month-end cost allocations.	None, same as current process.	

#	Decision	Process Impact	Organizational Impact
4.	Agencies will continue to input SKF values needed for the allocation runs.	None, same as current process.	
5.	Cost Allocations will continue to be performed on a monthly basis.	None, same as current process.	
6.	Utilize distribution method for Cost Allocations	None.	

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	In AFS there is a one month delay for allocating administrative costs to another agency within a Department. In SAP, since Intra-Departmental allocations can occur within the same allocation cycle, this will no longer be necessary	The process will no longer involve a one month delay	Individual Agencies

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	Allocation Stat Upload	To upload agency statistics used for cost allocations	X	X	Minimize manual data entry effort as well as data entry errors		SAP development

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	None Identified						

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	Description	Justification	Comments
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	Description of Gap	Why Gap Exists?	Impact / Comments
1.	None Identified		

Security & Enterprise Role Definitions

A list of the security roles defined to support the business processes as detailed in the previous Visio process flows. This will revisited during Realization phase for any modifications.

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	Role	Description	Strategy	Special Considerations
1.	OIS Allocations Analyst	Role is responsible for performing cost allocations activities assigned to OIS		
2.	OSRAP Allocations Analyst	Role is responsible for performing cost allocations activities assigned to OSRAP		
3.	Agency Allocations Analyst	Role is responsible for performing cost allocations activities assigned to agency finance staff		
4.	State-level Allocations Analyst	Role is responsible for performing cost allocations activities at State level		
5.	OIS Allocations Supervisor	Role is responsible for reversing cost allocations activities assigned to OIS		
6.	OSRAP Allocations	Role is responsible for reversing cost		

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	**Role**	**Description**	**Strategy**	**Special Considerations**
	Supervisor	allocations activities assigned to OSRAP		
7.	Agency Allocations Analyst	Role is responsible for reversing cost allocations activities assigned to agency finance staff		
8.	State-level Allocations Supervisor	Role is responsible for reversing cost allocations activities at State level		

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	OIS	None	Work with ERP team, OSRAP and agency finance staff to set up Distribution cycles initially
2.	OSRAP	Unknown	Work with ERP team, OIS and agency finance staff to set up Distribution cycles initially
3.	Agencies slated to use LaGov cost allocations	None	Work with ERP team, OIS and OSRAP to set up Distribution cycles initially

Training Impact

OIS, OSRAP and Agencies using LaGov Cost Allocation will need to be trained in the Cost Allocations (Distribution cycles) process in general as well as in the specific steps that they will be performing on a monthly basis.

Appendix A

Not Applicable

Team:	Finance - Controlling
PDD Name:	CO Periodic Processing
PDD Number:	FIN-CO-PDD060-CO Periodic Processing
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for internal cost accounting and reporting purposes for revenues and expenses. It provides functionality needed for collection and reporting of actual costs incurred and costs allocated between cost objects such as Cost Centers.

This document describes, at a high level, tasks that need to be carried out in the Controlling module at month-end and year-end. Examples of period-end tasks in CO are: Cost Allocations, Settlements, Adjustments, and CO posting period open/close.

Cost Allocations transfer expenses accumulated in one Cost Center to one or more cost objects, such as: Cost Center, Grant, Internal Order, etc. Settlements refer to period-end transactions that are used to transfer expenses accumulated in a real Internal Order to other cost objects. Adjustments refer to transactions that are posted to rectify incorrect entries.

During Realization, the ERP Finance Team will facilitate a discussion of this topic to develop a list of period-end activities. CO period-end activities will be integrated into the period-end activity sequence that will include period-end activities associated with the rest of the SAP modules, including General Ledger, Funds Management and Materials Management.

To-Be Process Description

#	Process Terminology	Description
1.	Periodic Processing	Activities that need to be carried out at the end of a posting period.
2.	Cost Allocations	The process of distributing amounts and quantities, from one sender cost object to one or more receiver objects.
3.	Settlements	The process in which costs that have been accumulated on "real" Internal Orders are moved (settled) to another cost object.
4.	Repostings	The method used to make adjusting entries in Controlling.

Throughout the posting period, the LaGov system records expense transactions in the Financial Accounting (FI) and Controlling (CO) modules. All expenses that arise from transactions with external parties (supplies, telephone charges, insurance) are recorded in FI and simultaneously posted to CO under primary cost elements. Transactions posted in Human Resources, such as payroll, are also integrated with the Controlling module.

An integrated and comprehensive Period Processing calendar for LaGov will be developed during the Realization phase of the project. CO periodic processing activities will be aligned with this schedule. CO

postings that cross fund, business area, functional area, or grant are relevant to Financial Accounting (FI) and are affected by the FI period control as well; therefore, the FI and CO period open and close will be coordinated carefully.

As part of the period-end processing, the following tasks will be performed in CO: Cost Allocations, Settlements, Adjustments and CO Period Open and Close as discussed below:

Cost Allocations

Allocable costs, such as administrative costs, incurred in each period are transferred from one cost object to one or more costs objects using an automated cost allocation method known as Distribution. This is described in detail in "FIN-CO-PDD050-Cost Allocations".

Settlements

CO Internal orders are generally used to plan and collect the costs (and revenues if necessary) of internal jobs and tasks. Internal orders are usually used for short-term projects or programs but can be used for long term projects as well. Expenditure postings are made against an Internal Order via General Ledger (GL) journal postings, Accounts Payable (AP) documents, and other processes from external activities

Real Internal Orders (as opposed to Statistical Internal Orders) are only temporary collectors of costs and are used for management and control purposes. Costs collected in real Internal Orders need to be periodically transferred to a permanent cost collector. This transfer process is known as Settlement. Examples of permanent collectors include Cost Centers, General Ledger accounts, and Fixed Assets.

Statistical Orders do not need to be settled, as the original transactions are simultaneously posted to a permanent cost object.

Adjustments

Adjusting entries will be processed in Controlling using "Periodic Reposting" transactions. Periodic Repostings enable users to adjust postings made to Cost Centers, Internal Orders, or WBS Elements

CO Period Open and Close

In SAP, "Posting Period" functionality is used to control postings throughout the fiscal year as defined in the "Posting Period Variant". For LaGov, a Posting Period Variant that contains 12 regular posting periods (one for each calendar month) and 4 special periods will be used. Special periods are used for postings which are not assigned to time periods but rather to the process of year-end closing. In total 16 periods can be used.

The 12 postings periods will be used to record financial (and controlling) transactions as they occur during the appropriate posting periods; and the 4 special periods will be used to record period-end related transactions. To prevent documents from being posted to an incorrect posting period in CO (and also in FI), deadlines will be established for the previous period to be closed and the current period to be opened.

During normal processing, only the current posting period is open for posting. Where multiple periods are required to be open at once (for instance in prior period closing) SAP will allow this. As part of the Period-End activities, CO posting periods are closed and opened to enable appropriate posting control. Posting access to these periods should be limited to key Finance/Costing staff.

Section 3.0 below depicts the To-Be Process Flow diagram for CO period-end activities.

As shown, the first step is preparation of the period-end calendar by OIS which is distributed to OSRAP as well as all agency finance accounting teams. OIS will maintain, execute and coordinate period-end activities across the State. OSRAP, being a key stakeholder and owner of reporting and analysis functions, will guide OIS in performing period-end activities to ensure the correct sequence and manner is followed. Individual Departments and Agencies will perform period-end activities which impact ONLY their agency (within the overall framework acceptable to OIS and OSRAP). OSRAP will own the period-end activities that impact the State as a whole as well as those that impact multiple agencies.

Based on the processes discussed above, the following tasks will be performed by OIS:

1. Maintain and distribute (to OSRAP and agencies) a Periodic Processing Calendar, which includes FI, CO, AP, AR, MM, and HR period-end activities.
2. Create and maintain Periodic Cost Allocation Jobs – Work with OSRAP to set up Cost Allocation cycle postings that impact multiple agencies and/or the entire State; and work with departments/agencies to set up Cost Allocation jobs with limited impact.
3. Execute Periodic Cost Allocation Jobs.

Based on the processes discussed above, the following tasks will be performed by OSRAP:

1. Receive the Periodic Processing Calendar and own and be responsible for Periodic Processing.
2. Provide input to OIS in setting up “non-agency specific” cost allocation jobs, meaning those allocation jobs that impact multiple agencies and/or the State as a whole.
3. Perform non-agency specific Periodic Settlements (such as Internal Orders).
4. Post non-agency specific Periodic Adjustment entries.

Based on the processes discussed above, the following tasks will be performed by Department/agency finance/cost accounting staff:

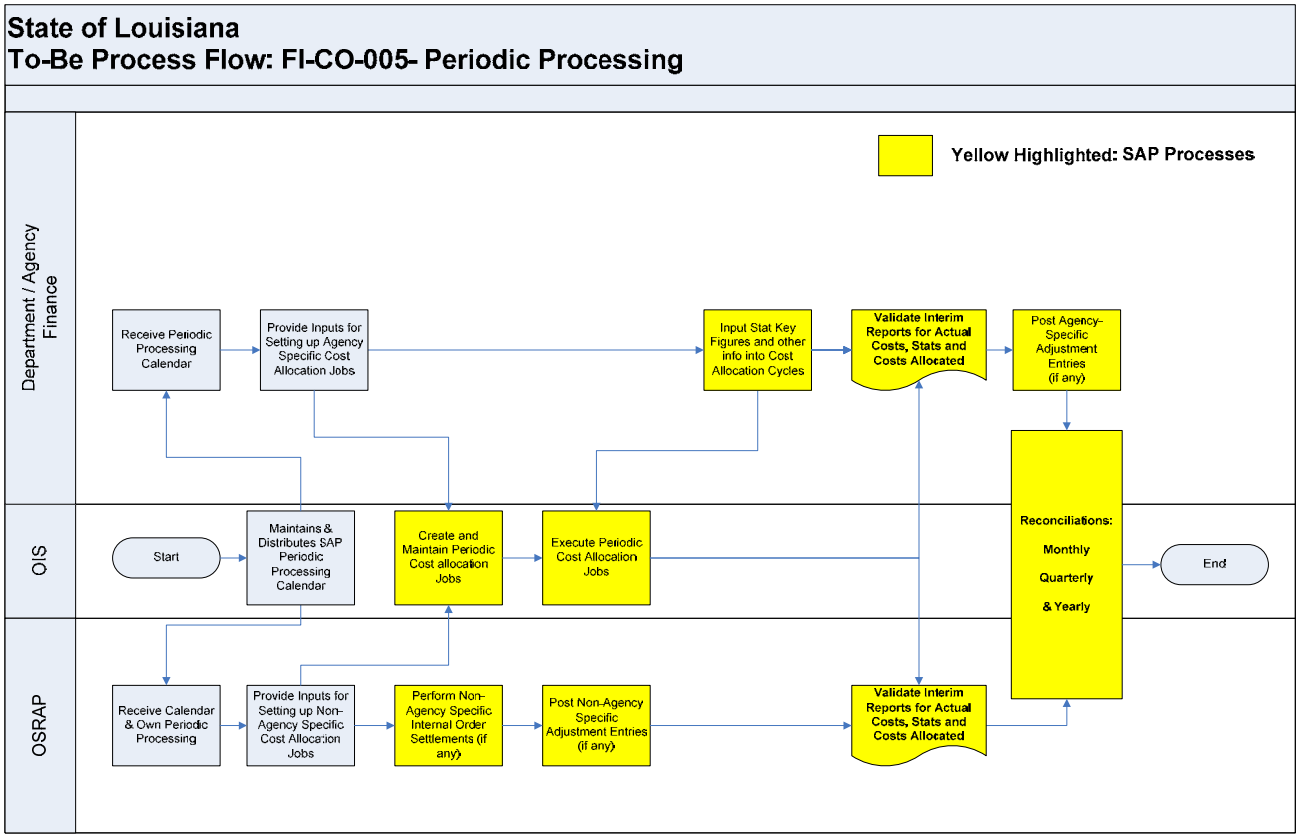
1. Receive the Periodic Processing Calendar from OIS and provide input as necessary.
2. Provide input to OIS in setting up “agency specific” cost allocation jobs, meaning those allocation jobs that primarily impact their agency or department; not the State as a whole.
3. Perform agency specific Periodic Settlements (such as Internal Orders).
4. Post agency specific Periodic Adjustment entries.
5. Validate interim reports obtained for actual costs, stats entered (Statistical Key Figures) and costs allocated for the postings that involve their agency or department. Work with OIS, OSRAP and/or other Department and agency finance/cost accounting staff as required in resolving material issues.

The tasks listed above are presented here to facilitate discussion among stakeholders of this process. These are based on Best Practices as well as discussions the CO Team had with SME’s during the Business Blueprint phase. However, it should be noted that this is a work in progress; during the Realization phase, the LaGov ERP Finance Team will facilitate a discussion of this topic to develop it in much greater detail. A project-wide periodic processing activity sequence with agreed upon responsibilities by all stakeholders will be developed.

These tasks are inter-dependent; hence they cannot be performed in a strictly linear fashion. However, a typical process flow between these tasks is presented in the Visio diagram included below in section 3.0.

To-Be Process Flows

CO Periodic Processing activities will be integrated with period-end activities across other SAP modules. However, the To-Be Process flow diagram provided below shows period-end activities that will be performed in CO.



During Realization, the CO Team will work with other ERP Teams, Agency Finance Staff, OIS and OSRAP in developing an integrated Period-End activity list.

Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	To allocate overhead costs to receiving Agencies, CO's automated cost allocation method called "Distribution" will be used.	Standardization and consistency achieved throughout the system, and original cost element retained after allocation.	Agencies need to work with OSRAP and OIS in setting up and maintaining distribution cycles.
2.	OIS will be the central point of contact for coordinating the Periodic Processing activities in conjunction with OSRAP.	Standardization and consistency achieved throughout the system. Establishing central points of contact (OIS and OSRAP) for periodic processing will help to bring about an efficient period close.	Minimal impact as OIS is currently performing this function. However, need to have agencies work with OIS and OSRAP in maintaining Period-End activities.
3.	To make adjustment entries or rectify incorrect postings	Allows for discreet and efficient way of handling errors and necessary adjustments.	

#	Decision	Process Impact	Organizational Impact
	during period-end, "Periodic Reposting" transaction will be used.		

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	Internal Order Settlements – In the current environment, there is no concept of settling (or transferring) costs from a temporary cost bucket to a final bucket. Where “real” Internal Orders are utilized in SAP, costs will need to be settled to permanent objects on a periodic basis. Accordingly, procedures will need to be established for this. Individual Agencies, OIS, & OSRAP are all potentially affected by this.		Individual Agencies/OIS/OSRAP

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	Form Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	Report Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	Interface Name	Purpose	As-Is	To-Be	Justification	Contact Person	Comments
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	None Identified						

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	Description	Justification	Comments
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	Description of Gap	Why Gap Exists?	Impact / Comments
1.	None Identified		

Security & Enterprise Role Definitions

A list of the security roles defined to support the business processes as detailed in the previous Visio process flows. This will be modified as more information is available during Realization.

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	Role	Description	Strategy	Special Considerations
1.	CO Periodic Processing Analyst	Performs all Controlling Period-End activities and will open/close CO periods at period-end.		
2.	CO Periodic Processing Manager	Performs all Controlling Period-End activities and has the authority to open CO periods that were closed.		

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	OIS – Central coordination for Periodic Processing activities	Change is not significant as OIS is currently in this role from a high-level process perspective.	OIS staff responsible for this process will need to be trained, see training impacts (section 9.0)
2.	OSRAP – Key stakeholder and owner of LaGov State-wide processing and	During Realization it will be determined how significant of a role OSRAP will perform.	OSRAP staff responsible for this process will need to be trained, see training impacts (section 9.0)

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
	reporting functions		
3.	Department/Agency Finance/Cost Accounting Staff – owner of Agency specific periodic processing	Change is not significant as Agencies perform this role today.	Department/Agency Finance/Cost Accounting Staff responsible for this process will need to be trained, see training impacts (section 9.0)

Training Impact

Once the Periodic Processing flow and sequence of activities (for month-end as well as year-end) is finalized and agreed to by all process stakeholders, training will need to be provided to OSRAP, OIS and Department/Agency staff performing these tasks on the following:

1. Overall process flow and their role in the process;
2. List of activities each staff is expected to perform and the sequence in which they should be performed;
3. How to execute the individual transactions that are a part of the period-end activities; and
4. Inter-dependency between the transactions.

Appendix A

Not Applicable

Team:	Finance - Controlling
PDD Name:	Management Reporting
PDD Number:	FIN-CO-PDD070-Management Reporting
Business Process Owner:	Afranie Adomako
Functional Lead:	Linn McNary
Functional Consultant:	Abdulla Meer

Executive Summary

SAP's Controlling (CO) application component records and administers financial data for internal cost accounting and management reporting purposes for revenues and expenses. It provides functionality needed for collecting and reporting of actual costs incurred and costs allocated between Cost Objects such as: Cost Centers, Internal Orders, Projects, etc.

Management Reporting differs from Financial Reporting in several ways. Financial reporting, available mainly from SAP's Financial Accounting (FI) modules, such as: General Ledger, Accounts Payable, Accounts Receivable, Asset Accounting, etc., provides information predominantly on financial transactions that occurred between the State and other external entities, such as vendors, customers, etc. FI Reports are typically generated to meet reporting requirements set forth by organizations external to the State.

Management Reporting, in contrast, deals with reports available from SAP's Cost Accounting module, known as Controlling (CO). While FI provides information on how much money is spent on ***what*** type of expense (Object Code), CO provides information on ***where*** the costs should be charged (Org unit, Grant, Project, etc.). CO provides an internal view of financial transactions necessary for charging the appropriate Cost Object.

Relevant postings made in other SAP modules, such as Finance (FI), are simultaneously recorded in CO and charged to the appropriate Cost Object. Some examples are invoice receipts and vendor payments.

Postings that impact only cost accounting are posted directly in CO. These include: Interagency Transfers (IAT), Cost Allocations and CO adjustment entries. Management reporting refers to the functionality that provides reports predominantly from CO transaction tables.

SAP's application modules, such as FI, CO, etc., are a part of SAP's Enterprise Resource Planning (ERP) Central Component (known as ECC), where all financial transactions are recorded. Therefore, standard "out-of-the-box" reports available from SAP ECC will be considered first in meeting the State's reporting requirements.

The LaGov environment will also provide another reporting capability called Business Intelligence (BI) that can be used to address the State's reporting needs. BI is a data warehouse environment that provides a set of tools to extract transactional data from SAP ECC on a regular basis and load in a separate database outside of SAP ECC. Certain types of cost accounting or management accounting reports not easily available from SAP ECC's Controlling module may easily be produced from the BI reporting environment. The approach for management reporting will take advantage of both SAP ECC and BI reporting capabilities. This document describes how cost accounting or management reporting requirements will be addressed using the tools available in the LaGov environment.

To-Be Process Description

#	Process Terminology	Description
1.	ERP - Enterprise Resource Planning	ERP refers to a class of software systems that maintain in a single database the data needed for a variety of business functions such as Manufacturing, Supply Chain Management, Financials, Projects, Human Resources and Customer Relationship Management. SAP is an ERP system.
2.	ECC – ERP Central Component	ECC refers to SAP's core application components, such as Finance, Controlling, Human Resources, etc.
3.	Business Intelligence (BI)	Online analytical data processing and presentation tool used for reporting. BI extracts transactional data from the SAP ECC system, transforms, loads and organizes it for efficient and flexible reporting. BI is a data warehouse environment that resides outside of ECC.
4.	Data Mart	A subset of an organizational data store usually oriented to a specific purpose or major data subject.
5.	Info Cube or Cube	An SAP BI system that consists of a quantity of relational tables created according to the star schema: a large fact table in the center, with several dimension tables surrounding it. It provides a self-contained dataset which can be used for analysis and reporting.
6.	OLTP	**Online transaction processing** or **OLTP** refers to a class of systems that facilitate and manage transaction-oriented applications, typically for data entry and retrieval transaction processing. SAP ECC is an example of an OLTP system.
7.	OLAP	**On-line Analytical Processing** or **OLAP** refers to a class of systems that enable analysis of large sets of data by providing quick, consistent, interactive access to various views of the data. This is as opposed to an OLTP or on-line TRANSACTION processing such as SAP ERP. SAP BI is an example of OLAP system.
8.	ETL	Extract, Transform, and Load refers to moving data from one system, and converting, and loading it to a target system.

Before addressing reporting requirements for the State, it is helpful to analyze them in terms of the following "Key Reporting Characteristics":

- Module: What is the primary module the report should come from?
  - Financial accounting reports are generated from FI modules, such as General Ledger, Accounts Payable, Accounts Receivable, Asset Accounting, etc... However, management accounting reports will be generated from SAP's Cost Accounting module, CO.
- Complexity: How complex is the data that is needed to make up the report?
  - While some reports are simple in that the key data needed comes from one module, others are more complex and contain data from multiple modules. Example: A cost allocation report can be considered simple if it is generated from the CO module. In contrast, a report that compares budgeted dollar amounts and actual expenses incurred in a Cost Center by month can be considered complex as it will require data from both the CO and Funds Management (FM) modules.
- Usage: Mandatory vs. Non-Mandatory Reports
- Organizational Level: State-wide vs. Dept/Agency level
- Criticality: High, Medium & Low
- Data Level: Summary vs. Transactional

- Nature: On-line vs. Analytical
- Available From: SAP ECC vs. Business Intelligence (BI)
- Level of Effort: Standard ("out-of-the box") vs. Custom Reports
- Data Access: Yes or No
- Roles & Authorizations: Execute, Build, Maintain
- Presentation: In SAP-Delivered Standard Format vs. Custom Format.

The following sections describe how the Finance Team plans to address management reporting requirements.

General Information: SAP ECC Reporting

Listed below are some key aspects of SAP ECC Reporting in general:

- Available for authorized users to run; no additional programming needed.
- Report is a result of a query executed against SAP tables.
- Numerous reports – must sort through and understand what is needed to run on a regular basis, as SAP has many standard queries that provide reports.
- Data selection is available through input parameters on the query screen.
- Once executed, the output of a query can be viewed, printed, or downloaded to an Excel file and saved for later use.
- Drill down capabilities take user from display summary report to transaction level, if needed.

SAP ECC Reports: Standard Functions Available

In addition to providing a vast number of standard reports, SAP Reporting delivers multiple standard functions that can be used to customize the standard reports to better meet the State's requirements:

- SAP Reporting Tree: SAP provides standard reports in an organized fashion using folders in a tree structure. As an example, all reports are organized by module; within a module, all master data reports are delivered in a separate folder for each module.
  - Selection Screen & Criteria: Users can filter data by specifying values for which the query should run in multiple ways:
    - Single value, list of values, range of values
    - Series of complex selection criteria
    - Selection options: equal to, less than or greater than, not equal to, include/exclude
- Get Variant: Allows users to store and reuse their data selection and other parameters used for running the reports.
- Dynamic Selections: Allows users to add additional data fields (not provided in the standard selection screen) to the query itself.
- User Settings: Allow users to specify which values certain fields on the selection screens are to contain when reports are executed. Examples are Cost Center (s) and Reporting Period. These are known as "Parameter ID values". User settings are not report-specific, so if a user is running reports for the same data range every time a report is run, Parameter ID values can be set to minimize data entry.
- Standard Report Functions, such as: Print, Sort, Total, Sub-total, Filter, Download to Excel, etc. are available for all reports.
- Report Layouts: Functionality is available for configurers to modify to some extent the SAP-delivered standard report layouts. Newly configured report layouts can be stored and made available to other users.
- Favorites Folders: Available on the SAP menu tree for users to keep their frequently executed reports in an organized fashion.

Standard SAP ECC Controlling Reports

LaGov will take advantage of the many "out-of-the-box" standard reports SAP ECC provides. The CO module is delivered with an information system that offers the following standard reports:

- Master Data Index Reports: provide lists of CO Master Data Elements, such as: Cost Centers, Cost Elements, Internal Orders, etc. Reports are generated based on the criteria specified by the user.
- Cost Center Reports: display summary and details pertaining to postings received by one or more cost centers or cost center groups specified by the user for a given period of time. Cost Center reports can be run during the month, or at month-end to report the actual expenditures for a given department. Most reports are available online, so printing may not be necessary.
- Cost Element Reports: provide summary and detail of all postings at Cost Element or Cost Element group level for one or a group of Cost Centers.
- Internal Order Reports: provide details of transactions posted to the Internal Orders for specified posting periods.
- Line Item Reports: provide lists of all CO postings by line item based on the selection criteria.
- Document Display Reports: provide display of documents selected.
- Statistical Key Figures Reports: used to obtain SKF values used.
- Cost Flow Overview Reports: provide an overview of the allocated costs by period.
- Cost Flow Reports: provide detailed costs passed between business areas (allocation)
- Reconciliation Reports: used to reconcile Controlling with Finance

Each report is accompanied by detailed online information on its use and the data it contains. It includes instructions on how to alter the report data layout by inserting or deleting desired data elements, and on how to save the resulting report data layout using report layout variants.

Business Intelligence Reporting

SAP's Business Intelligence (BI) Reporting provides additional capabilities for obtaining Management (or Cost Accounting) reporting for LaGov. The BI environment includes database and application technology tools that extract master and transactional data from SAP ECC on a regular basis (as specified), and transform and load the data in the BI operational environment. This data is summarized and is organized into a few standard Data Marts. BI's reporting capabilities then access this data to generate specified reports. External reporting tools such as Business Objects, Crystal Reports, etc. also can be used to generate reports from the Data Marts.

Throughout the Realization phase, the CO Team will be working with the BI Team to optimally meet the State's Management Reporting requirements.

Reporting Strategy

The LaGov project reporting strategy needs to be developed and communicated to set the direction for the report development effort in the State. The reporting strategy will address the following:

a) What types of reports/queries will be made available?
b) How will new reporting requirements be met?
c) What criteria will be used to prioritize new reporting requirements?
d) Who will ensure that standards are maintained?
e) What tools are used to deliver the information?
f) What are the Roles and Responsibilities?
g) What reports will be set up for the agencies by the ERP team and what will be the responsibility of the agencies?

Approach to Develop Management Reports

The approach to developing management reports is as follows:

a) Identify reporting characteristics and prioritize reports for the State as well as by agency.
b) Determine if requirement can be met by standard ("out-of-the-box") **"SAP ECC Reports"** available. Select the actual standard report that meets the requirement, and use SAP standard reporting functions (totaling, sub-totaling, etc.), and other reporting capabilities, such as variants, dynamic selections, etc, to satisfy the need.

c) If not: use the standard **"BI Reports"** (Standard Business Content)
d) If not: build **"Custom BI Reports"**
e) If not: develop "**Custom Adhoc Reports"** – using other development tools, such as: ABAP, Report Painter, Smart Forms, Crystal Reports, etc.

To-Be Process Flows

Not applicable.

Key Business Process Decisions

#	Decision	Process Impact	Organizational Impact
1.	None Identified		

Statute, Regulation, Policy, and Procedural Impacts

#	Statue, Regulation, Policy or Procedure	Revision Identified	Business Owner
1.	None Identified		

Identified Development Objects (FRICE-W)

F – Forms	Master List of Current and Future State Forms: <Supported Process>						
No.	**Form Name**	**Purpose**	**As-Is**	**To-Be**	**Justification**	**Contact Person**	**Comments**
1.	None Identified						

R – Reports	Master List of Current and Future State Reports: <Supported Process>						
No.	**Report Name**	**Purpose**	**As-Is**	**To-Be**	**Justification**	**Contact Person**	**Comments**
1.	None Identified						

Note: *Some reporting needs have been identified. As a general strategy, SAP ECC standard reports or SAP BI standard business content reports will be considered as a first step for addressing reporting needs before considering development of custom reports. During the Realization phase, the State and/or Agency reporting requirements for custom reports may be discovered.*

I – Interfaces	Master List of Current and Future State Interfaces: <Supported Process>						
No.	**Interface Name**	**Purpose**	**As-Is**	**To-Be**	**Justification**	**Contact Person**	**Comments**
1.	None Identified						

C - Conversions	Master List of Future State Data Conversions: <Supported Process>						
No.	Type of Data	Use	Source	Destination	Justification	Approach	Comments
1.	None Identified						

E – Enhancements	Master List of Future State Enhancements: <Supported Process>				
No.	Type of Enhancement	Details	Target of Enhancement (Gap)	Justification	Comments
1.	None Identified				

W – Workflow	Master List of Future State Workflow Events: <Supported Process>		
No.	Description	Justification	Comments
1.	None Identified		

Gaps

Gaps	Master List of Future Gaps: <Supported Process>		
No.	Description of Gap	Why Gap Exists?	Impact / Comments
1.	None Identified		

Security & Enterprise Role Definition

Authorizations	Master List of Future State Roles/Authorizations: <Supported Process>			
No.	Role	Description	Strategy	Special Considerations
1.	None Identified			

Organizational Impact

No.	Activity/Task	Key Change from As-Is State	Organizational Work Force Impact
1.	Training Strategy	SAP ECC and SAP BI are new reporting environments.	LaGov-wide approach to address the report development and overall reporting strategy, once finalized, needs to be communicated to the State and Agency users.

Training Impact

Two types of training courses can be considered:

a) **End-users** will need to be trained in basic SAP Reporting. This training should include how to run reports, perform simple report functions, download output to Excel, and run simple Business Intelligence reports, etc.

b) **Super users** should be trained how to modify reports for others by using advanced SAP reporting capabilities, such as: dynamic selections, new report layout development, setting up new Business Intelligence reports, etc.

Appendix A

Not Applicable