# 3. Funds Management

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| **Team:** | Finance - Funds Management |
| **PDD Name:** | FM Master Data |
| **PDD Number:** | FIN-FM-PDD010-FM Master Data |
| **Business Process Owner:** | Afranie Adomako |
| **Functional Lead:** | Lucie Hidalgo |
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## Executive Summary

This PDD will cover the process design and key decisions made during the following FM Blueprint Workshops:

1. FI-FM-001 FM Master Data
2. FI-FM-Validation Session
3. Addition meetings and discussions throughout the Blueprint Phase

Specifically…

- **Funds Management Master Data** elements are maintained to allow budgeting, purchasing, and other financial transactions, budget control, and reporting by organization. FM master data includes Fund, Fund Center, Funded Program, Functional Area, and Commitment Items. The combination of FM master data used in budgeting or actual transactions is called an FM Account Assignment.
- The **Fund** is a fiscal and accounting entity having a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. A Fund will be nine digits long.
    - Agency operating funds will have multiple funds to capture Means of Financing. A higher level, general fund will be used to record all revenues and cash receipts which are not restricted for a specific purpose (general fund, IAT, etc.) The fund will incorporate the agency number (business area) in the first three digits with trailing zeros. Revenue accounts will be used in conjunction with this fund to account for the unrestricted MOF.
    - Restricted revenues and receipts will be set up as lower level revenues funds. Digits 6-8 will be used to specify the specific MOF, with a general MOF revenue account.
    - Non-Agency operating funds will incorporate the fund number in the first three digits with trailing zeros for the remainder of the fund number.
    - Capital Outlay funds will incorporate the agency (business area), appropriation year, type of financing (LOC, bonds, other) and a unique financing source number for each financing type. For bonds, the financing source number will be the bond year and series. For LOC, LOC year and the number of LOC for that year will be used.
- The **Fund Center** will represent organizational areas of financial and budgetary responsibility in SAP. They are generally hierarchical in nature, creating a standard hierarchy that represents the

organization's main reporting structure. Alternative hierarchies may be created to show various views of the organization's financial situation. Fund Centers will be created to represent each organizational element. They will have a one-to-one relationship with Cost Centers in the CO module, sharing the same numbering scheme. Per the CO Cost Center design:

- o DOTD Cost Centers / Fund Centers: will incorporate the agency number, appropriated program, program activity (sub-program), district or section, and administrative unit.
- o Non-DOTD Cost Centers / Fund Centers: will incorporate the agency number, appropriated program, program activity (sub-program), Division, Section and unit (zero filled at this time)

- **Funded programs** are programs within Funds Management (FM) with an operational purpose and defined time frame, unlike Fund Centers. They can range from simple activities to complex projects and may cross fiscal years, funding sources, and organizational units. Funded Programs enable you to record budget, enact budgetary control, and monitor the performance of temporary, discrete activities.

  The State will use funded programs to budget and budget control for Capital Projects (at the phase level), Grantee and Grantor Grants (at the program level) and CO Internal orders. Funded programs will have a one-to-one relationship with the corresponding CO object (WBS elements or internal orders). A high-level funded program at the agency level will be used to segregate work order costs (Plant Maintenance) from other operational costs. No budgeting or budget control will be performed for work orders as the budget is consumed from the Fund Center or capital project that requested the work order.

- **Functional Areas** are used to record costs (and budget if necessary) related to cross functional activities or functions aimed at accomplishing a major service or program. They may also be used as a cost collector across an organization. The functional area will be used to collect costs related to disasters and parishes.

- **Commitment Items** represent the categories or classifications of fund equity, revenues, expenses, and encumbrances at the lowest level of detail necessary for internal and external reporting. They are the equivalent of GL accounts in FI and cost elements in CO. They cut across organizational units, funds, and/or functional areas. Commitment Items will be created with a one-to-one relationship to GL Accounts and Cost Elements.

- The **FM Account Assignment Derivation tool** automatically integrates posting data from all other modules with FM for updates to the FM ledgers. It automatically converts master data used in FI, CO, MM, and PM Actuals to equivalent FM master data and can be used to infer FM master data to such postings. The tool will be used to derive the Fund Center, Funded Program, and Commitment Items. Fund and Functional Area will be manually entered, with some exceptions (e.g., External grant funds can be derived from the grant number).

All FM master data will be created and maintained by the OSRAP Master Data Specialist in charge of master data maintenance. This includes Fund, Fund Center, Commitment Item, Functional Area, and Funded Program (non-capital, non-grant). The only exceptions are Funded Programs linked to WBS elements for Capital Projects or Grantee grants, which will be created by the agency users responsible for setting up the projects or grants. Requests for new or changes to FM master data will come from the various agencies and departments. Non-SAP forms will need to be defined for users to request changes to or create new FM master data.

## To-Be Process Description

***FM AREA***

An FM area is an organization unit that defines boundaries for budget control and FM reporting. Consistent with best practice, the State will use one FM area, called STLA. All FM activities will be contained within it. STLA will be used for CO Controlling Area and for the Chart of Accounts as well.

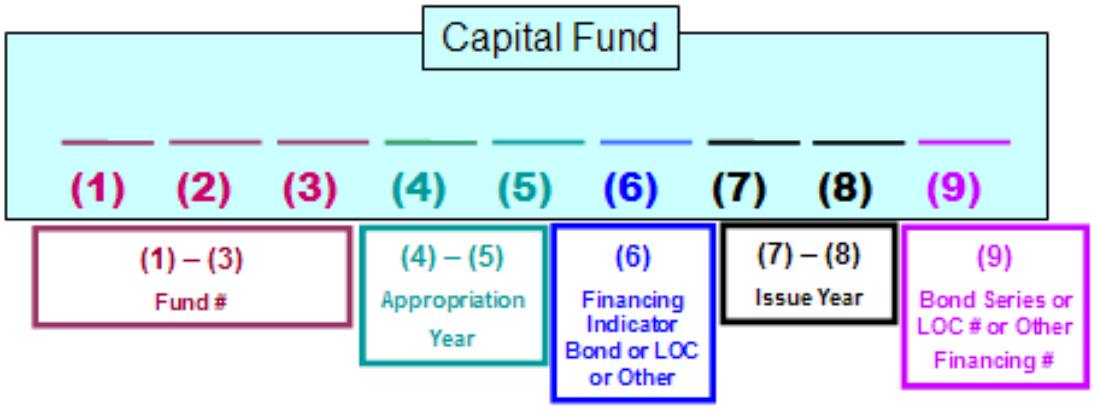
***Fund***

The FM Fund master record will be used to capture the Fund information. At the time of this writing, funds will be a nine-digit number for reasons outlined below in the discussion of the funds versions.

Fund Structure will continue to be reviewed during Realization and maybe revised based on demonstrated requirements.

*Note: Refer to FIN-FM/CO- History of Fund, Cost Center/Fund Center, and Functional Area Naming Convention for the development and business reasons of the Fund numbering convention.*

***Capital Funds***

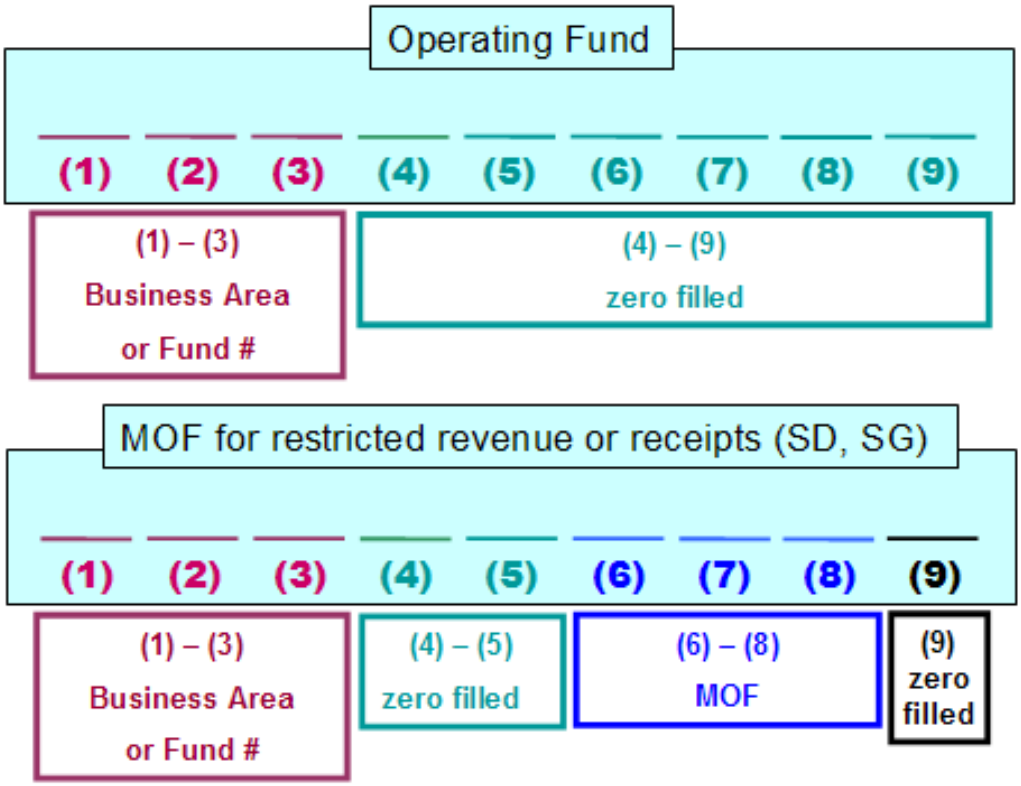



- **Fund digits 1-3** will represent the actual capital outlay fund number. Since the fund number is now leading the master data numbering convention, current capital outlay fund numbers that start with zero (e.g. 075, 055) will need to be renumbered.
- **Fund digits 4-5** will contain the budget appropriation year for all financing types (lines of credit (LOC), bonds and other). In the case of LOC and Other financing sources, the appropriation year will typically correspond to the year in which the funding type is received. In the case of bonds, the appropriation year may differ from the bond year, which is built into digits 7-8.
- **Fund digit 6** will be used to record the type of capital outlay financing as follows:
  - Line of Credit
  - Bonds
  - Other (e.g. Self-Generating, IAT, etc for some Facilities Capital Projects)
- **Fund digits 7-8** will be used as follows:
  - Line of Credit: Fiscal Year that the line of credit is received (not appropriated). For example, "08" for 2008.
    *Note: Different LOC will be captured by assigning a sequential number in digit 9 allowing up to nine LOC for a given year and capital outlay funds (e.g. 1 for the first LOC in a given fiscal year, 2 for the second LOC, etc)*
  - Bonds: Year of the Bond Issue. For example, a bond issued in the fiscal year 1998 would be use 98, 2008 would use 08, etc). Note that the appropriation year and bond year may differ. The bond series will be captured in digit 9.

- Other Funding Sources: To be consistent with LOC, this will be the year that the funding source is received. For the most part, this will equal the appropriation year. The specific type of other funding sources will be given a number between1-9 (e.g. 1 = General Fund, 2 = IAT, etc) in digit 9.

- **Fund digit 9** will be used as follows:
  - Line of Credit: As noted above, different LOC will be represented by assigning a sequential number in digit 9 allowing up to nine LOC for a given year and capital outlay funds (e.g. 1 for the first LOC in a given fiscal year, 2 for the second LOC, etc)
  - Bonds: The bond series will be captured here. Note that bond series A will become a 1 in the bond number, B=2, C=3, etc as the fund number will strictly be numerical in nature as per best business practice.
  - Other Funding Sources: The specific type of other funding sources will be given a number between 1-9 (e.g. 1 = General Fund, 2 = IAT, etc) in digit 9.

***CAFR / Operating Funds:***




- **Fund digits 1-3** will capture the agency business area or if it is not an agency operating fund, it will capture the CAFR fund number (i.e. Capital Outlay Fund, General Fund). There was talk of building logic into the new fund numbers, for example, that all agency funds would be in the 500-999 range, capital funds in the 200-299 range, etc. However, during the business area design, it was decided that the business areas would be numbered the same as the legacy agency number. Since the legacy agency number are within a range, that is, they run from 000-999 and are mixed with other funds, the use of logical numbering for funds is now limited. Any fund numbers that start with an alpha in legacy system will be renumbered.

- **Fund digits 4-5** will be zero filled. This is where capital funds record the appropriation year. Since operating funds are annual funds that do not require tracking by appropriation year, the fields are zero filled to be consistent with the Capital Fund numbering convention.
- For non-agency operating funds and for all agencies, **digits 6-9** will be zero filled. Agencies will use this higher-level fund when recording revenues or MOF that are not restricted (e.g. general, self-generated, IAT) and thus, represented by revenue accounts instead of lower level funds as outlined below.
- In the case of MOF revenues and cash receipts are restricted for a specific purpose; the MOF will be built into the fund using **digits 6-8**. For example, Statutory Dedication Funds will be numbered 100-699, Self-Generated Restricted 700-799, Other Restricted 800-899. The same MOF number will be used by different agencies to promote consistency and ease of reporting on a total Statutory Dedication MOF. Fund digit 9 is not required but will be zero filled to be consistent with Capital Outlay fund number length. It may be used for future growth if necessary.

***Note:*** *At the time of this writing, there is an action to determine whether there is a 'legal' requirement to track capital outlay budget by appropriation year as has been done in the past. If deemed not necessary by the Commissioner, the appropriation year will be removed from the fund number and all funds will be two digits shorter. In SAP, Capital funds will be treated as 'overall' funds (instead of annual funds like operating funds), meaning that budget entered in any given budget fiscal year can be used in the future without the need to carryover the budget. 'Annual' operating funds cannot use unused budget from a given budget year.*

The following additional decisions were made during blueprinting:

- Separate 'trust" funds will be set up for Payroll and if necessary, Travel. The use of a payroll trust fund to record payroll related withholdings liabilities (until paid) is a Public Sector best business practice.
- Component Unit Funds (e.g., the 43 Legacy College and University Funds) will be eliminated and will be represented by Business Area(s) and Cost Center / Fund Centers. The only exception will be Board of Supervisors funds, which will continue to be set up as separate funds since the State budgets and funds the operations
- Federal MOFs (such as for grants) will be set up not as a lower level agency fund, but as separate and unique funds to be used by all agencies (with their related Cost Center / Fund Center).
- Two external Grant Funds will be created per the GM Blueprinting by source of funds: Federal and Other.
- Only Active Funds and MOF will be set up in SAP
- Funds will be setup and maintained by the OSRAP Master Data Specialist

For reporting purposes, each Fund will be assigned to a Fund Type and perhaps a Fund Application, if required. Fund Type and Fund Application are two fields in the fund master record that can be used as grouping criteria.

The Fund Type will be used as the grouping criteria and will be set up as follows (as required):

- 100 - Governmental – General
- 105 - Governmental – Special Revenue
- 110 - Governmental – Debt Service
- 115 – Governmental – Capital
- 120 – Governmental – Permanent
- 125 – Governmental – Grants
- 200 – Proprietary Funds – Enterprise
- 205 – Proprietary Funds – Internal Service

- 300 – Fiduciary Funds – Expendable Trust
- 305 – Fiduciary Funds – Non-Expendable Trust
- 310 – Fiduciary Funds – Pension
- 320 – Fiduciary Funds – Agency

The Fund Application is a freely definable field in the Fund Master record that can be used for sorting/reporting. No use has been determined for this field at this time.

Fund Groups will be created for aggregate reporting, such as for CAFR reporting purposes to capture legacy Fund Group, Fund Type, Fund Category and Fund Class characteristics. All centralized fund groups will begin with the letter "Z." Since most end-users operate under one fund, only the Fund group display transaction will be made available to most agency users. All central, controlling agencies will have access to all Fund group transactions (create, change, and display). This will prevent the creation of large number of unnecessary fund groups.

***Fund Master Data Maintenance Process***

The follow description refers to the Visio flow Fund Maintenance, found in section 3 below.

The maintenance of Funds (creation, change, deletion) will be a central function housed in OSRAP, based on standard functionality around master data creation. The request for a new fund or changes to an existing fund will typically come from Treasury. A standard master data request form will be filled out (this form will be developed during realization) and sent via email to the OSRAP Master Data Specialist. He/she will ensure that the naming convention used for the new fund is consistent with the design decisions stated here. Once the OSRAP Master Data Specialist creates or updates the fund, he/she will determine whether an update is required to the FM Account Assignment Derivation rules (FMDERIVE). If so, he/she will coordinate with the OIS Configurer who will make the necessary update in the system and transport it to all clients from DEV. Any rule changes requiring configuration and transport will require that OSRAP submit a change request to OIS. OIS will follow the existing procedures for change requests which provides for necessary approvals, testing, transport process, audit trails, online help updates, etc. *If* a change is necessary to the FM Derivation values only (FMDERIVER), the OSRAP Master Data Specialist will make these changes directly (as this is not configuration based). Once this is done, OSRAP Master Data Specialist will update any necessary fund groupings for the new fund, if necessary. A notice will then be sent via email indicating that the new fund or fund changes have been made, both to Treasury and OPB. The appropriate controlling agency(ies) can email all relevant parties. Changes to fund groupings, as required, can also be made by these agencies.

***Fund Center***

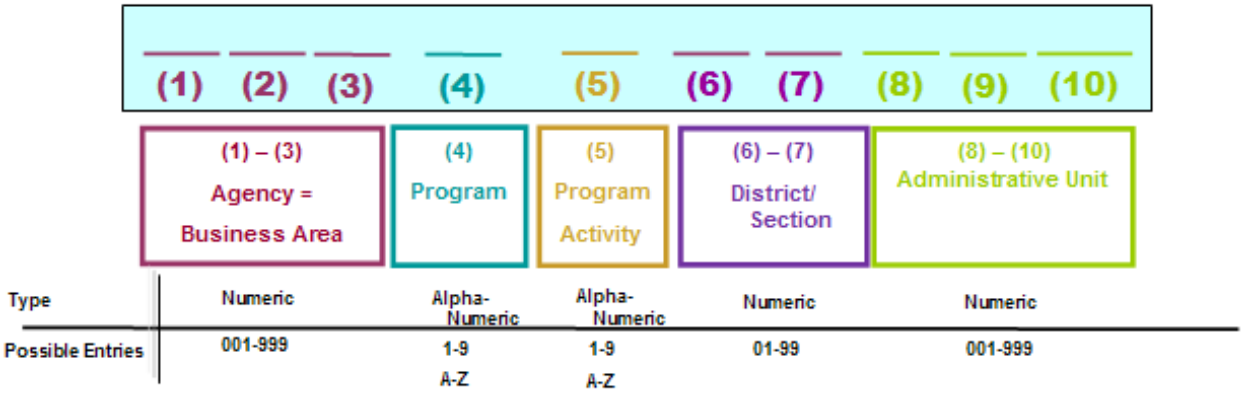
The Fund Center number will have a one-to-one relationship with the corresponding CO Cost Center to facilitate derivation of the correct "appropriation unit" for budget consumption when the Cost Center is referenced in posting. In other words, there will be a Fund Center created for every Cost Center, with the same number. Fund Center will include the Business Area number within the Fund Center number to allow 'agency' (and Division view via groupings) view in Financial Accounting as well as for budget to actual reporting.

The Fund Center is only entered directly on budgetary transactions. In all actual postings, Fund Center is derived. Cost center is a commonly entered field in many SAP revenue and expense postings. Revenue will generally be posted to a higher-level Cost Center (and thus Fund Center), since MOF cannot be attributed to specific programs and activities. Use of Fund Center / Cost Center replaces the current use of organizations. The Cost Center will not be required for entry if an alternate cost object, such as a project, is entered. When an alternate cost object is used, the Fund Center is derived from the master data of that object.

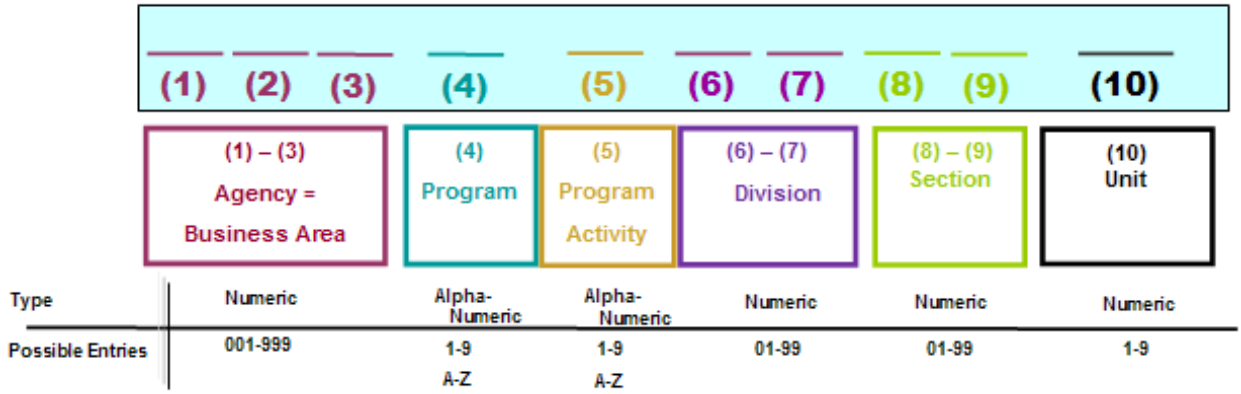
The CO team will be responsible for identifying all of the Cost Centers required in SAP. Once this list is prepared, the FM team will create the corresponding Fund Centers.

At the time of this writing, the following Fund Center numbering scheme will be used (aligned with and driven by the Cost Center numbering scheme):

***DOTD Agencies***




***Non-DOTD (AFS) Agencies:***




***NOTE:*** *For a full discussion on the development of the Cost Center numbering logic (and thus Fund Center numbering scheme), refer to PDD FIN-FM/CO-History of Fund, Cost Center/Fund Center and Functional Area Naming Convention.*

In addition, higher-level Fund Centers will be created in FM to support the DOTD budgeting process. While actual expense and encumbrance postings will flow into FM to the Fund Center budgeting will not occur to the same lower level Fund Centers for DOTD. In the case of DOTD, budgeting occurs only to the first seven (7) digits of the Fund Center, thus higher-level Fund Centers (with the eight to tenth digit zero filled) will be created and used for budgeting purposes. The eighth to ninth digit for DOTD Cost Centers represents the administrative unit, which at this time is not budgeted for. In the case of AFS agency Fund Centers, the tenth digit is currently not used (thus, zero filled) so no higher-level Fund Centers are required as budgeting is also carried out to the ninth digit.

Fund Center groups will be available to all SAP users to group Fund Centers together as required for reporting and analysis purposes.

***Fund Center Master Data Maintenance Process***

The follow description refers to the Visio flow Cost Center / Fund Center Maintenance, found in section 3 below. These flows were created by the CO team.

***Creating a New Cost Center / Fund Center:***

Note: Refer to Tab 1 of Visio 08-FIN-FM-PDD010 – Cost Center / Fund Center Maintenance in Section 3 below.

The To-Be Process for creating a Cost Center starts with a request from an agency or department that needs to create a new organizational unit as a Cost Center in LaGov. The requesting agency will complete a "Master Data Request Form" and sends it to a designated e-mail to a "Cost Center Creation Mailbox," which will be accessed by OSRAP's Master Data Specialist. He/she will review the form and decide if the request to create a new Cost Center is valid and if all information necessary is provided on the form.

If the request is valid and necessary detail is provided on the form, the OSRAP Master Data Specialist will create a new Cost Center. In addition, it will also create a corresponding Fund Center in Funds Management (FM).

***IMPORTANT NOTE:*** *In addition to creating the new Fund Center to match the Cost Center, the OSRAP Master Data Specialist will review whether a higher-level Fund Center for budgeting purposes will be required to be set up (e.g. in the case of DOTD) to support budgeting a higher level.*

The Office of Information System (OIS) will update the FM Derivation rules, **if necessary (not likely),** linking the Cost Center to Fund Center for deriving Fund Center when a Cost Center is entered on a transaction.

Once the Cost Center and the Fund Center master data objects are created, the requesting agency will create budget for the Fund Center in FM. After entering budget for the Fund Center, the requesting agency can begin posting expenses to the new Cost Center created.

***Delimiting or Changing an Existing Cost Center:***

Note: Refer to Tab 2 of Visio_08-FIN-FM-PDD010 – Cost Center / Fund Center Maintenance in Section 3 below.

Before Go-live, the ERP Team will use conversion program to create the initial set of Cost Centers / Fund Centers.

A department or agency requesting changes to an existing Cost Center will complete a "Cost Center Master Data Change Request Form", which has all detail needed for the task. The completed form is sent via e-mail to a 'Cost Center Maintenance Mailbox", which is received by the OSRAP Master Data Specialist.

The OSRAP Master Data Specialist will review the request, and if additional information is needed to complete the task, will return the request with comments or questions. Upon obtaining all the information needed to complete the task, he/she will determine the validity of the request. If the request is deemed valid, the request will be completed.

If the request is to change certain elements of the Cost Center master data object, the OSRAP Master Data Specialist will complete the changes via SAP transaction code: KS02 – Change Cost Center.

If the request is to delimit the existing Cost Center, the Master Data Specialist will work with the appropriate department or agency to close any open items before proceeding to delimit the Cost Center via SAP transaction code: KS04 – Delete Cost Center. The Agency Finance staffs are mainly responsible for closing out any open items against the Cost Center.

After making the changes to the Cost Center, the Master Data Specialist will proceed to perform corresponding changes to Fund Center notifying requesting department/agency and OPB of the changes made to the Cost Center.

***IMPORTANT NOTE:*** *In addition to changing or delimiting the Fund Center to match the Cost Center, the OSRAP Master Data Specialist will review whether the higher-level Fund Center for budgeting purposes will be changed or delimited as well (e.g. in the case of DOTD). The higher-level Fund Center, as noted above, is used to support budgeting at a higher level.*

As a next step, the OIS Configurer will, **if necessary (not likely),** update FM Derivation tables to make appropriate changes necessary to keep the linkage between Cost Center and Fund Center correct.

After changes to the Cost Center and the Fund Center master data are complete, agencies will review if there are any budget impacts. Agencies will make any budget adjustments required in the system and will follow the Budget Approval process to get the budget changes approved.

At the end of this process, 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 any further expense postings.

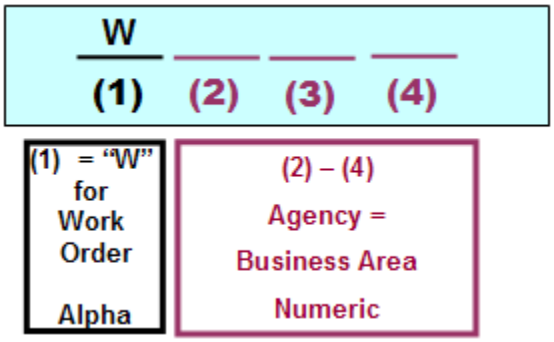
***Funded Program***

In SAP Funds Management, funded programs are used to budget for discrete, time-limited expenditures outside of regular ongoing operating expenditures, which are budgeted to Fund Centers. Funded Program has been designed to capture profit and loss information (revenue and expenses) only. The funded program must be derived in FM from other cost objects; it is not available on the coding block for direct posting.

The Funded Program will have a one-to-one relationship (one funded program will be created for each cost object with the same numbering scheme) as follows:

- GM - Grant Sponsored Programs: Budget and costs posted to grant sponsored programs will flow into FM using Funded Program with the same number. Refer to FIN-GM-PDD010 for the numbering convention of GM Sponsored Program, and hence the related funded programs.
- PS – Capital Project and Capital Project Phases: Budget and costs will be posted to the level that budget is entered for Capital Projects. A Funded Program will be created for each WBS element that represents the Capital Project Phase where budget is entered. Note that budget may be entered to an individual funded program, but may be controlled by a group of funded programs or at a higher level (e.g. overall capital project level, which will also be represented by a funded program). Refer to FIN-PS-PDD010 for the numbering convention of PS WBS Elements for Capital Project and Capital Project Phases, and hence the related funded programs.
- CO Real Internal Orders: CO Real Internal Order will be used to record discrete programs that require cost tracking and budget control. If only discrete cost tracking is required, then a Statistical Internal Order will be established with no related Funded Program for budgeting and budget controlling. Refer to FIN-PS-PDD010 for the numbering convention of CO Real (True) Internal Orders, and hence the related funded programs.

In addition, one high-level funded program will be used for each agency to capture actual expenses related to all of the agencies Plant Maintenance (PM) Work Order costs. Even though PM work orders will not be budgeted or budgeted controlled separately or as a group, it was decided that one-high level funded program for each agency would enable the easy segregation of costs related to work order from non-work order costs. The costs posted to any and all work order for an agency would be updated to this high-level funded program in addition to the agencies Fund Center or Capital project. The following numbering scheme will be utilized:




All PM related Funded Programs will start with "W" for work order to segregate it from the other funded programs for Grants, Capital Project, and Internal Orders. All of the required PM high level funded programs will be created prior to go-live. Additional funded programs or changes to these funded programs will be maintained by OSRAP Master Data Specialist.

Similar to other FM master data, Funded Program Groups can be created to group funded programs as needed by all users.

***Note:*** *When a funded program is not relevant to the posting (both budget and actual), the value 'NOT RELEVANT' will be used (entered in budgeting and defaulted for actual postings). This is in line with SAP's best business practice of not leaving FM master data fields blank.*

***Funded Program Master Data Maintenance Process***

The responsibility for creating and changing the FM Funded Program will depend on the type of funded program.

In the case of GM, the funded program will be maintained by the Departmental Grant Administrator (DGAs) when creating or changing the related GM Sponsored Programs. For more information on the maintenance process, refer to PDD FIN-GM-PDD010.

Similarly, PS related funded programs will be created by Project Budget Analysts when creating or changing the related GM WBS Elements. For more information on the maintenance process, refer to PDD FIN-PS-PDD010.

In the case of CO, the funded programs for real internal orders will be created at the same time of the creation of the order. The OSRAP Master Data Specialist will be responsible for creating the Internal Order and the related funded program. For more information on the maintenance process, refer to PDD FIN-CO-PDD020.

In the rare occasion that a new high-level PM work order funded program must be created or changed (e.g. new agency or changed agency number), the PM Work Order Administrator will fill out the FM Master Data request form and forward it to OSRAP. The OSRAP Master Data Specialist will review the request and if applicable, create or change the necessary high level "W" funded program. He/she will then work with the OIS Configurer if updates to the FM Derivation rules are required. He/she will update any FM Derivation values themselves if required, prior to sending notification back to the Agency PM Work Order Administrator (via email), who will then be able to code work order to the new agency. Note that no budgeting will be performed against these funded programs as the budget for work orders already exists with the Fund Center or Capital Project who requested the work order. Refer to the Visio Funded Program Maintenance below for a visual display of this process.

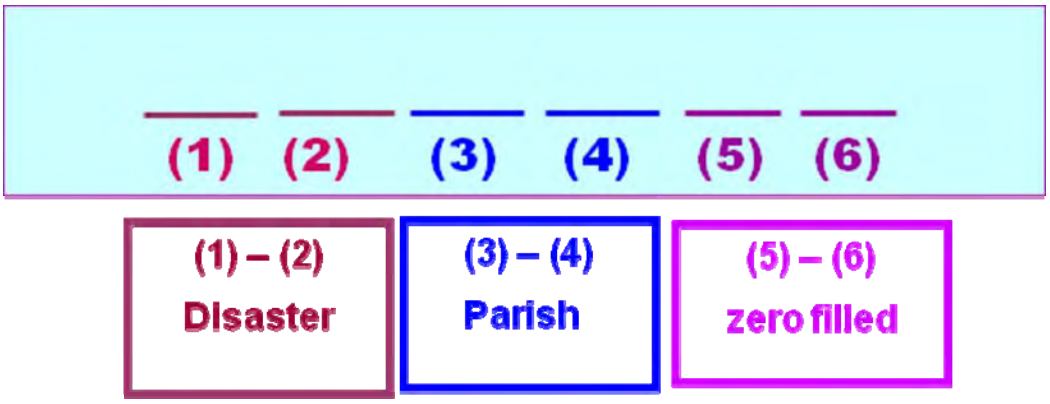
***Functional Area***

The Functional Area master record is a field available in all modules, typically used to record costs (and budget if necessary) for cross-functional activities and programs. The State will use functional areas to

collect Disaster costs (Hurricanes, etc) and Parish cost tracking. Valid combinations of these uses will be set up.

Refer to FIN-FM/CO- History of Fund, Cost Center/Fund Center, and Functional Area Naming Convention for the development history and business reasons of the Functional Area Numbering Convention.

The following Functional Area numbering scheme was proposed and adopted by the State:




With this design, Functional area would **not** be required for entry on all expenditure transactions. Only DOTD and agencies tracking expenditures by Parish would need to manually enter the functional area, in addition to all agencies when tracking disaster costs. All other expense and revenue transactions will post to Functional Area "Not Relevant."

The following should be noted:

- For non-disaster tracking, digits 1-2 would be 99 for no disaster
- To be proactive, OSRAP would copy all the '99' functional areas and assign a number to several potential or unnamed storms at the beginning of the year. This would be blocked from posting until needed, if at all. If needed, the functional areas would be named and released for posting.
- At the time of this writing, further investigation was underway to determine whether DOTD function could be capture in Agile instead of SAP. Update: On 2/2/09 decision was made that DOTD function code would not be a part of the Functional Area Numbering Scheme. DOTD function codes will be captured in Agile instead of SAP.

***Functional Area Master Data Maintenance Process***

Refer to the Visio Functional Area Maintenance below for a visual display of this process.

The need for a new functional area may begin from various users in DOTD or any given agency that tracks by Parish in addition to OSRAP. Regardless, the FM Master Data request form will be filled out by the agency user or OSRAP users. The form will be forwarded to OSRAP. The OSRAP Master Data Specialist will review the request and if applicable, create or change the functional area. He/she will work with the OIS Configurer if updates the FM Derivation rules are required. He/she will update any FM Derivation values themselves if required, prior to sending notification back to the original requester. The functional area is then able to code encumbrances and expenses to it at this time. No budgeting or budget control will be performed against functional areas except for Disasters. Changes to functional area groups, if any, can also be made by any user.

***Commitment Item***

The Commitment Items represent GL accounts (both balance sheet and operating statement) and CO primary and secondary cost elements in FM. There will be a 1:1 relationship with GL Accounts and Cost Elements, meaning for every account, there will be one commitment item with the same number. The only exceptions to this rule are as follows:

- Balance sheet accounts posted during the Capital asset, real estate or inventory acquisition process will be mapped to budget consuming expenditure Commitment Items in FM to control spending. Thus, these commitment items will only exist in FM.
- Some CO Secondary Cost Elements posted during labor charge-backs from Cost Center to a Capital Project will be mapped to a revenue Commitment Item to the Cost Center and to an expenditure Commitment Item in order to record in FM the charge-back transaction as Revenue/Expense (rather than Negative Expense/Expense) where necessary.

*Note: Since budget is entered at the current detailed object code within an object category, there is no need to create higher level commitment items (that exists only in FM) to support the budgeting process. Budget will be entered at lowest level commitment item.*

The Commitment Items will be derived from GL Accounts during transaction entry (no dual entry), and will not be changeable. Commitment Items will use intelligent numbering, as per defined for the GL Account or Secondary Cost Element numbering scheme. The first three digits of expense commitment items will be used for budget control and reporting and will represent the current AFS object categories: Salaries, Operating Services, Supplies, etc. Similar to GL account and CO cost elements, commitment items will be grouped for reporting purposes as required.

The following high-level grouping (as defined in the GL Account Code structure workshop) will be used in FM for commitment items:

1. 1000000 – 1999999 – Assets
2. 2000000 – 2999999 – Liabilities
3. 3000000 – 3999999 – Fund Balance/Net Assets
4. 4000000 – 4999999 – Revenues
5. 5000000 – 5999999 – Expenditures
6. 9000000 – 9999999 – CO Secondary Cost Elements (used for internal CO charge-backs and labor allocations)

Within each of the above categories or groupings, the GL and CO teams will further subdivide the accounts using intelligent number ranges. For example, the expenses will be further broken down similar to the current AFS object categories as follows (to support reporting and budget control):

| Grouping Description | Current AFS Category | Proposed SAP GL Account Range |
|---|---|---|
| Salaries | 21 | 511XXXX |
| Other Compensation | 35 | 512XXXX |
| Related Benefits | 40 | 513XXXX |
| Travel and Training | 45 | 520XXXX |
| Operating Services | 50 | 530XXXX |
| Supplies | 55 | 540XXXX |
| Professional Services | 60 | 550XXXX |
| Other Charges | 65 | 560XXXX |
| Capital Outlay | 70 | 570XXXX |
| Major Repairs | 75 | 580XXXX |
| Debt Service | 80 | 590XXXX |

| Grouping Description | Current AFS Category | Proposed SAP GL Account Range |
|---|---|---|
| IAT * | 85 | 990XXXX |
| Auxiliary Programs * | 90 | Eliminated |
| Un-allotted * | 30 | Eliminated |

** IAT legacy accounts will be replaced by CO Secondary cost elements. Auxiliary programs accounts, used for private enterprise type of operations, may be eliminated and absorbed into the regular GL accounts. Un-allotted accounts (two) were use to transfer budget during times of budget spending constraints. The use of a non-consumable budget type will be used instead of GL accounts created for budget purposes.*

***Commitment Item Master Data Maintenance Process***

The follow description refers to the Visio flow Commitment Item Maintenance, found in section 3 below. The flow was created by the GL team but key FM steps will be highlighted here.

Once the GL account is created by the OSRAP Master Data Specialist, the related commitment item will be created by the same person. Note that in for some balance sheet accounts (Assets, Inventory), an additional expense commitment item (that exists only in FM) would be created for budgeting and budget controlling of these balance sheet expenses. He/she or the person responsible for the FM (and GM) Derivation values will use FMDERIVER/GMDERIVER to make updates, if necessary. They will then work with OIS Configurer to update any FM (and GM) Derivation Rules, again if necessary. Once these and the other non-FM relevant steps have been carried out, OSRAP will notify the requestor and publish the new account in the chart of accounts. The account may be ready for use at this time or may require some budget.

For a detailed description of the entire process, refer to FIN-GL-PDD010 – Chart of Account.

***Grant***

Although Grant is a GM master data object, it is available in FM for budgeting and budget control and forms part of an FM Account Assignment. The grant in FM will automatically be updated in the FM ledger. It will, however, have to be entered manually for Grant relevant postings.

For a detailed description of the numbering scheme and the maintenance process for Grants (and other grant relevant master data), refer to FIN-GM-PDD010 – Account Code Structure.

***FM Account Assignment Derivation (FMDERIVE)***

The FM Account Assignment Derivation tool is a flexible tool used to manage all the FM account assignments (master data) into the FM ledger. A derivation strategy is created, which groups rules and tables, linking the FM master data to the other module's master data. Derivation rules can be binding (the value cannot be overwritten by user at time of data entry) or non-binding (the value can be overwritten by user at time of data entry). Derivation rules are sequential and build on one another. New rules or values can be added at any time. This is the main FM integration tool by which actual and encumbrances postings from other modules are converted from other master data into the related FM master data prior to updating the FM ledger. It is also used to default FM master data values (fund, functional area, commitment item, etc) for postings prior to posting a document. FMDERIVE determines the posting address in FM for actual expenses; it does not have any impact on budgeting transaction.

Consistent with SAP best practice, the FM derivation tool will be managed centrally. This is a key area which, if assigned to many users, can have a detrimental effect on correct FM updates, budget consumption, budget control, and reporting. It is important to note the two main maintenance activities within FM Derive:

- FM Derivation Strategies and Rules (FMDERIVE): The actual FM Derivation rules (create, change) will be maintained centrally by a configuration specialist in OIS. They may consult with the Derivation Specialist in OSRAP (who has functional knowledge); however the actual changes will be made in OIS and transported to all other clients after satisfactory test results. Any rule changes requiring configuration and transport will require that OSRAP submit a change request to OIS. OIS will follow the existing procedures for change requests which provides for necessary approvals, testing, transport process, audit trails, online help updates, etc.
- FM Derivation Rule Values (FMDERIVER): Certain FM Derivation rules are table based which map one value to another (e.g. MM plant and Inventory Valuation Class to a commitment item). The functional Derivation Specialist in OSRAP will perform this task. Any changes to the actuals rules or strategy will be performed by OIS as noted above.

The FM derivation tool will be used to derive the following FM objects:

- *Fund Center:* Will be derived from the Cost Center (one to one relationship). In cases where the CO object is not a Cost Center (e.g. Grant. Capital WBS element, PM Work Order or CO Internal Order), the Cost Center will be derived from the responsible Cost Center stored in the relevant master record.
- *Commitment Item:* Will be derived from the GL Account or CO Cost Element (one-to-one relationship). In the case of asset and inventory purchases or CO Secondary Cost Elements, exception rules to the one-to-one relationship will be defined.
- *Funded Program:* Funded Program is not on the coding block in SAP. Thus, it must always be derived. Funded Program will have a one-to-one relationship with WBS element (for both Capital Project and Grants (both Grantee and Grantor) and CO Internal Orders. A high level, agency specific funded program will also be derived to aggregate all expense posting to PM Work Order as noted above (under the Funded Program discussion).

Functional Area will be entered manually as required. In cases where Fund can be derived, it will be set up to do so; otherwise these will be entered manually. External Grant Funds will be derived from the Grant number so users will not be required to enter the Fund. All other Funds and Functional Areas will not be automatically derived since unique combinations of FI/CO objects cannot be determined to derive these. Thus, they must be specified as part of the entry by the user.

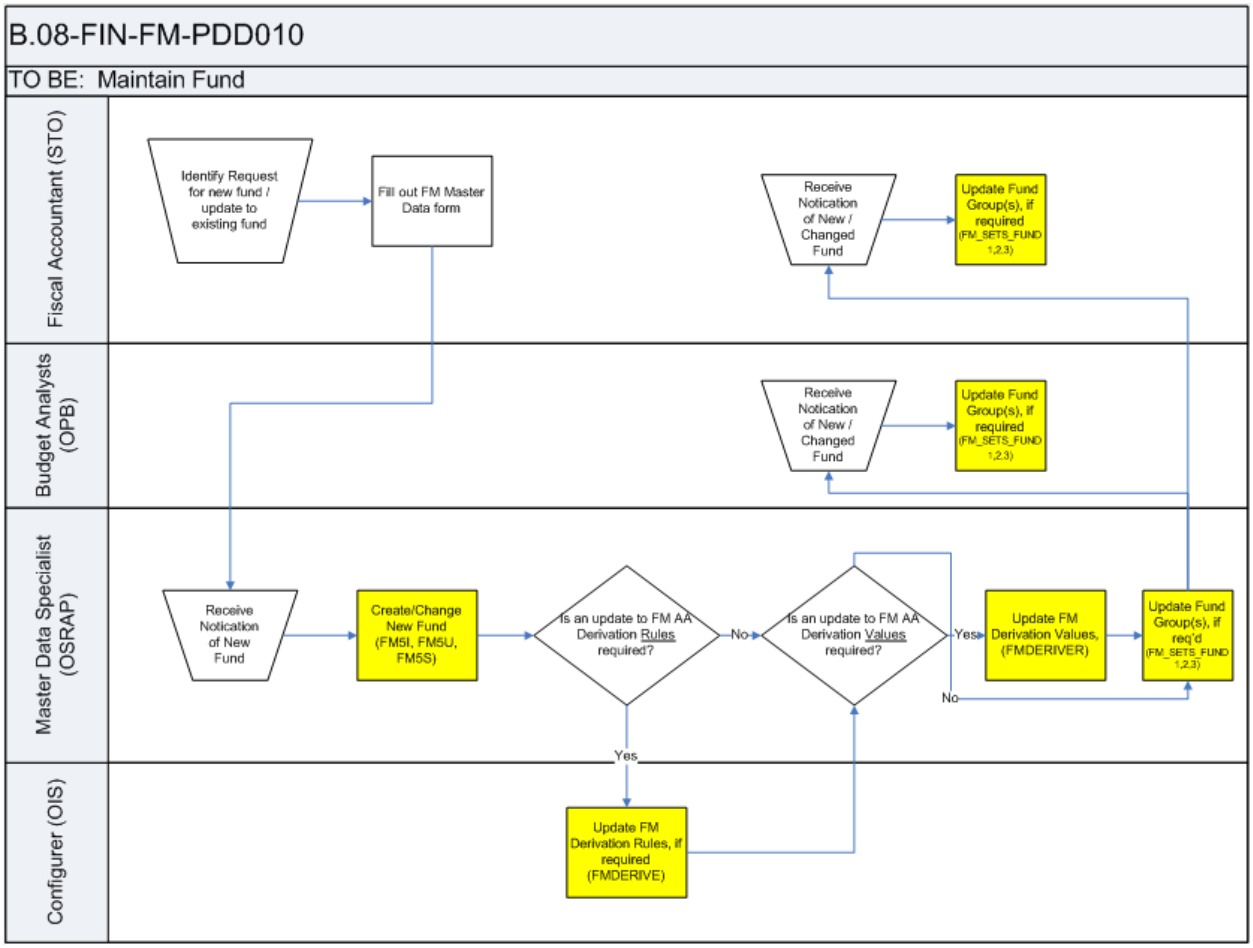
***Process Terminology***

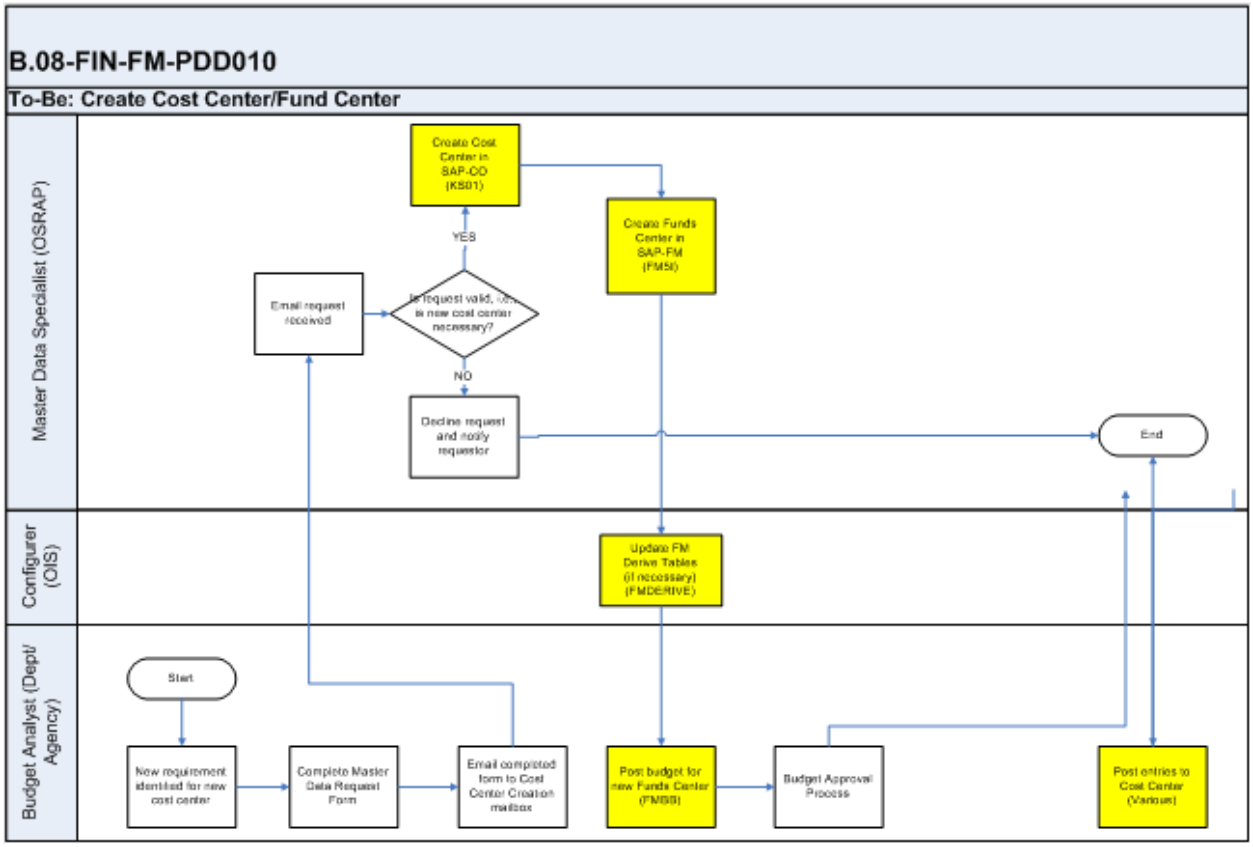
| # | Process Terminology | Description |
|---|---|---|
| 1 | Fund | A fiscal and accounting entity having a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, or changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. |
| 2 | Fund Center | Fund Centers represent organizational areas of financial and budgetary responsibility in SAP. They are generally hierarchical in nature and will have a one-to-one relationship with Cost Centers in the CO module. |
| 3 | Functional Area | Functional Areas represent cross-functional activities or functions aimed at accomplishing a major service or regulatory program. Functions and Activities may cut across organizational units and/or funds. |
| 4 | Funded Program | Funded programs are programs within Funds Management (FM) with a discrete, time limited operational purpose outside of regular ongoing operating expenditures, which are budgeted to Fund Centers. Funded Program has been designed to capture profit and loss information (revenue and expenses) only. The funded program must be derived in FM from other cost objects; it is not available on the coding block for direct posting. They can range from simple activities to complex projects and may cross fiscal years, funding sources, and organizational units. |

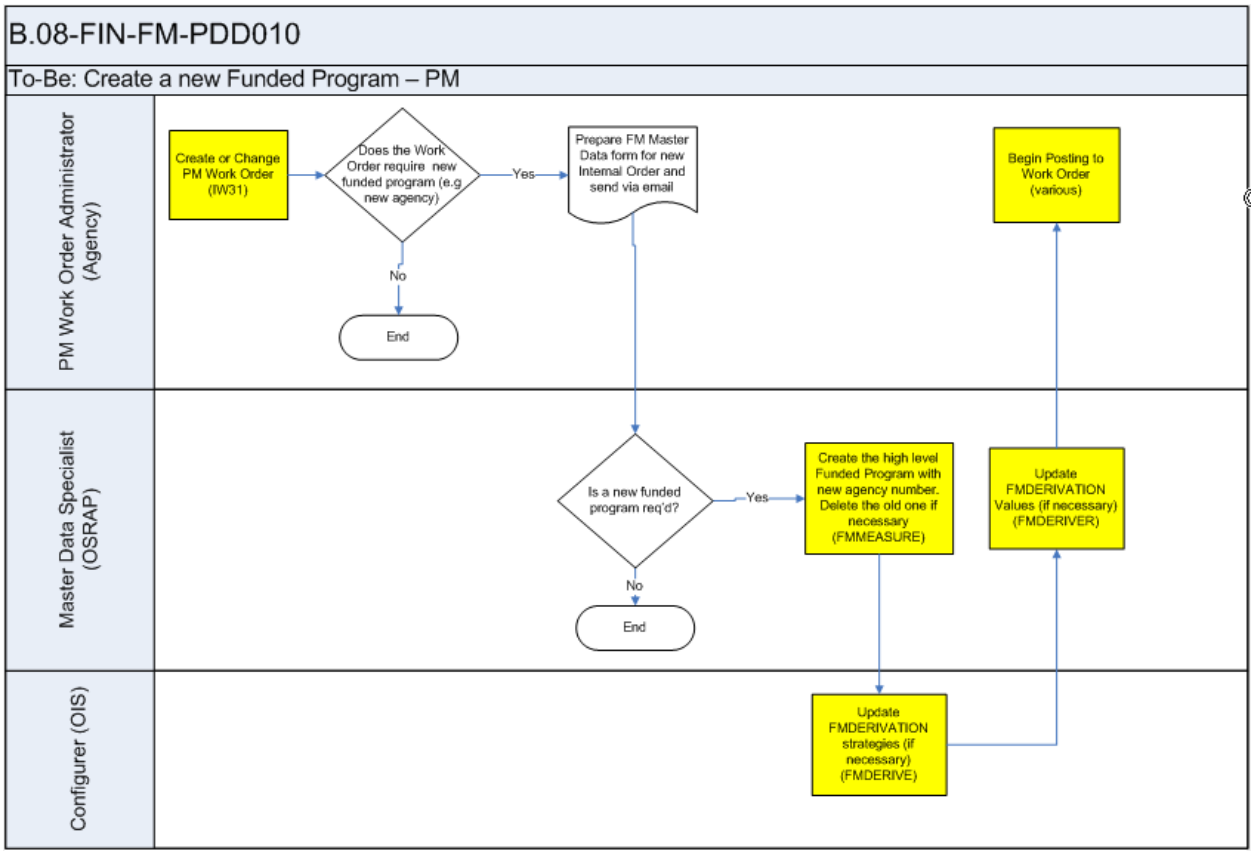
| # | Process Terminology | Description |
|---|---|---|
| 5 | Commitment Item | Commitment Items represent balance sheet, fund equity, revenues and expenses accounts in FM at the lowest level of detail necessary for internal and external reporting. They cut across organizational units, funds, and/or functional areas. |
| 6 | Grant | A grant represents a lower level funding instrument used to document, control and report on the results of an agreement between an external sponsor and an organization. |
| 7 | FM Account Assignment | A combination of FM master data, including Fund, Fund Center, Functional Area, Funded Program, Commitment Item, and Grant. |
| 8 | FM Account Assignment Derivation Rules (FMDERIVE) | A flexible tool used to integrate other modules in ECC (FI, CO, MM, HR) to FM. It links the master data of other source modules to FM master data in order to update the FM ledgers with actual revenues, expenses and encumbrances. It consists of a series of derivation rules in sequential order. |
| 9 | FM Account Assignment Derivation Values (FMDERIVER) | FM mapped target values from source values in FM Account Assignment Derivation rules that may require maintenance when new master data is created or changed. |
| 10 | FM Posting Address | FM Account Assignment to which actual / commitment postings from other modules are recorded in FM. |
| 11 | FM Master Data Request Form | A non-SAP standard form used to request new or change existing FM master data. This form will be emailed to OSRAP to support any FM master data maintenance requirements. |
| 12 | Cost Center | An organizational unit within a controlling area that represents a revenue and cost collector for more permanent activities or areas of responsibility. |
| 13 | WBS Element | Master data structures used to collect and monitor the actual costs of discrete, long-term tasks such as Capital Projects. |
| 14 | 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. |
| 15 | Grant Sponsored Class | GM Structure used to control and monitor transactions based on a sponsor's defined programs, which may be different from an organizations own programs. |
| 16 | Work Order | Master Data in Plant Maintenance (PM) used to capture time and materials associated with specific maintenance activities. |

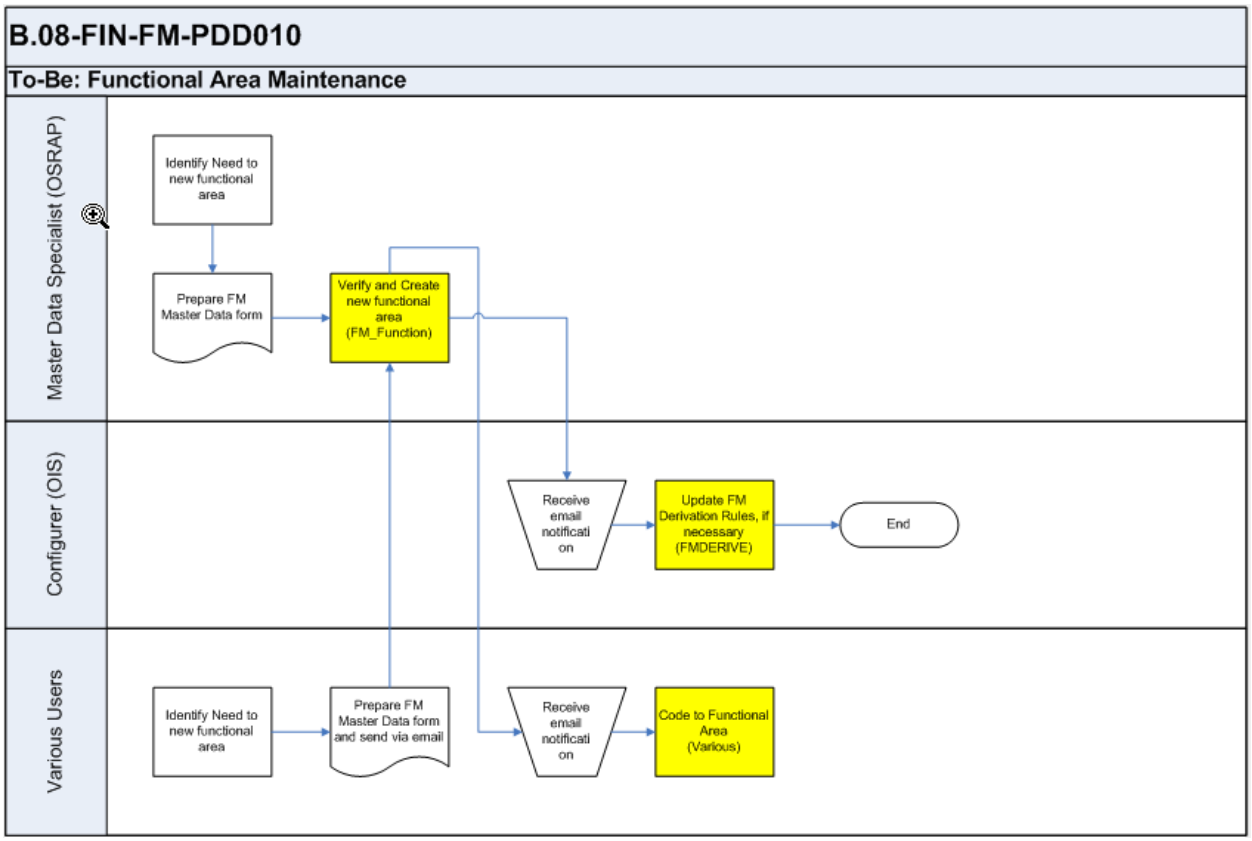
## To-Be Process Flows

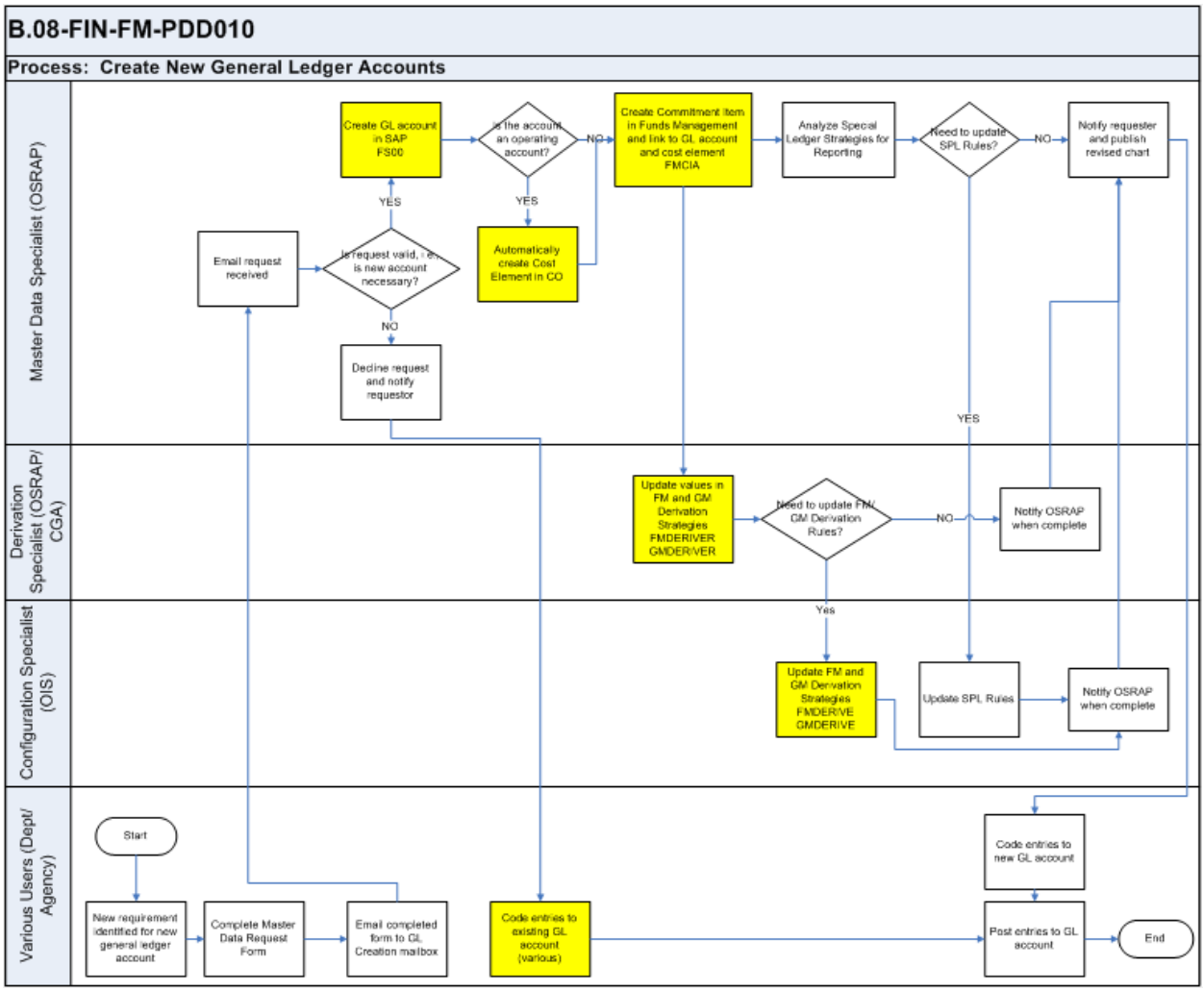
For a narrative description of the processes flows below, refer to Section 2.0 above.




B.08-FIN-FM-PDD010
To-Be: Create Cost Center/Fund Center
Master Data Specialist (OSRAP)
Configurer (OIS)
Budget Analyst (Dept/ Agency)
Create Cost Center in SAP-CO (KS01)
Create Funds Center in SAP-FM (FMS1)
YES
Email request received
Is request valid, and is new cost center necessary?
NO
Decline request and notify requestor
End
Update FM Derive Tables (if necessary) (FMDERIVE)
Start
New requirement identified for new cost center
Complete Master Data Request Form
Email completed form to Cost Center Creation mailbox
Post budget for new Funds Center (FMBS)
Budget Approval Process
Post entries to Cost Center (Various)


B.08-FIN-FM-PDD010
To-Be: Create a new Funded Program – PM
PM Work Order Administrator (Agency)
Master Data Specialist (OSRAP)
Configurer (OIS)
Create or Change PM Work Order (IW31)
Does the Work Order require new funded program (e.g new agency)
Yes
No
End
Prepare FM Master Data form for new Internal Order and send via email
Begin Posting to Work Order (various)
Is a new funded program req'd?
Yes
No
End
Create the high level Funded Program with new agency number. Delete the old one if necessary (FMMEASURE)
Update FMDERIVATION Values (if necessary) (FMDERIVER)
Update FMDERIVATION strategies (if necessary) (FMDERIVE)


B.08-FIN-FM-PDD010
To-Be: Functional Area Maintenance
Master Data Specialist (OSRAP)
Configurer (OIS)
Various Users
Identify Need to new functional area
Prepare FM Master Data form
Verify and Create new functional area (FM_Function)
Receive email notificati on
Update FM Derivation Rules, if necessary (FMDERIVE)
End
Identify Need to new functional area
Prepare FM Master Data form and send via email
Receive email notificati on
Code to Functional Area (Various)




## Key Business Process Decisions

The following key decisions, already detailed above, will be highlighted below.

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 1 | With the exception of funded program related to Capital Projects and Grants Sponsored Programs, all FM master data will be maintained centrally by an OSRAP Master Data Specialist | Centralization of all FM master data maintenance in OSRAP for improved control of use and naming conventions. | No major impact as this is a centralized function |
| 2 | The FM Derivation Rules (FMDERIVE) will be maintained centrally by OIS. FM Derivation rule values will be maintained by a derivation specialist in OSRAP, | New functionality that does not currently exist.<br><br>Improved control of FM Ledger updates will prevent errors. | No major impact as this is a centralized function<br><br>Training will be required for central management. |
| 3 | A new non-SAP FM master data request form will be created to support the master data maintenance process for FM and other modules. | Will formalize the current process of requesting changes to existing master data or new master data. | Training for all agency users that may request new master data on the process and use of the form. |

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 4 | Due to the large number of data tracking in AFS and DOTD, several pieces of legacy master data and fields were mapped to one SAP master data field. | No process impact | Extensive training will be required on the mapping between legacy objects to the new SAP objects. Use and purpose of new SAP master data plus how each is used in conjunction with one another will be required for all users. |

## Statute, Regulation, Policy, and Procedural Impacts

No impact noted for this PDD.

| # | Statue, Regulation, Policy or Procedure | Revision Identified | Business Owner |
|---|---|---|---|
| 1 | All FM master data maintenance (and that of other modules) will be housed in OSRAP, with some technical support from OIS where necessary. For example, Treasury will no longer physically create Funds in the system. | Greater procedural control and responsibility for OSRAP.<br><br>OSRAP Policy & Procedure Manuel – Chapter 2 (Structure) | Afranie Adomako |

## 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. | | | | | | |

*No SAP ABAP or SAPscript forms required for this PDD. However, as noted in Section 2, FM will work with the other modules to create a centralized Master Data Request form that will be used offline to support the master data maintenance process.*

| 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. | Upload Program - Funds | Upload program to create fund master data from excel spreadsheets | No standard SAP upload program exists to upload and create large amounts of master data. | The upload program will be used to upload the large amounts of master data from prepared excel spreadsheets, which would be time consuming to create manually.<br>Furthermore, once the spreadsheets are maintained for the master data, they can be re-used along with the programs, as each SAP client (DEV, QAS, PRD) is developed, allowing for quick uploads.<br>In addition, the programs will be used post go-live to load large amounts of new master data as required. | Easy rating for ABAP development |
| 2. | Upload Program – Fund Center | Upload program to create Fund Center master data from excel spreadsheets | No standard SAP upload program exists to upload and create large amounts of master data. | The upload program will be used to upload the large amounts of master data from prepared excel spreadsheets, which would be time consuming to create manually.<br>Furthermore, once the spreadsheets are maintained for the master data, they can be re-used along with the programs, as each SAP client (DEV, QAS, PRD) is developed, allowing for quick uploads.<br>In addition, the programs will be used post go-live to load large amounts of new master data as required. | Easy rating for ABAP development |
| 3. | Upload Program – Funded Programs | Upload program to create funded program master data from excel spreadsheets | No standard SAP upload program exists to upload and create large amounts of master data. | The upload program will be used to upload the large amounts of master data from prepared excel spreadsheets, which would be time consuming to create manually.<br>Furthermore, once the spreadsheets are maintained for the master data, they can be re-used along with the programs, as each SAP client (DEV, QAS, PRD) is developed, allowing for quick uploads.<br>In addition, the programs will be used post go-live to load large amounts of new master data as required. | Easy rating for ABAP development |
| .4. | Upload Program – Functional Area | Upload program to create functional area master data from excel spreadsheets | No standard SAP upload program exists to upload and create large amounts of master data. | The upload program will be used to upload the large amounts of master data from prepared excel spreadsheets, which would be time consuming to create manually. | Easy rating for ABAP development |

| E – Enhancements | | Master List of Future State Enhancements: <Supported Process> | | | |
|---|---|---|---|---|---|
| No. | Type of Enhancement | Details | Target of Enhancement (Gap) | Justification | Comments |
| | | | | Furthermore, once the spreadsheets are maintained for the master data, they can be re-used along with the programs, as each SAP client (DEV, QAS, PRD) is developed, allowing for quick uploads.<br>In addition, the programs will be used post go-live to load large amounts of new master data as required. | |
| 5 | Upload Program – Commitment Item | Upload program to create commitment item master data from excel spreadsheets | No standard SAP upload program exists to upload and create large amounts of master data. | The upload program will be used to upload the large amounts of master data from prepared excel spreadsheets, which would be time consuming to create manually.<br>Furthermore, once the spreadsheets are maintained for the master data, they can be re-used along with the programs, as each SAP client (DEV, QAS, PRD) is developed, allowing for quick uploads.<br>In addition, the programs will be used post go-live to load large amounts of new master data as required. | Easy rating for ABAP development |

| 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: Fund Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Fiscal Accountant (STO) | Update Fund Groups as necessary | Centralized Management of Fund Groups – limited to Control Agencies | Transaction codes:<br>FM_SETS-FUND1<br>FM_SETS-FUND2<br>FM_SETS-FUND3 |

| Authorizations | Master List of Future State Roles/Authorizations: Fund Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 2 | Budget Analysts (OPB) | Update Fund Groups as necessary | Centralized Management of Fund Groups – limited to Control Agencies | Transaction codes: FM_SETS-FUND1 FM_SETS-FUND2 FM_SETS-FUND3 |
| 3. | Master Data Specialist (OSRAP) | Create, change and display Fund Masters | Centralized Maintenance of Funds for Control | Transaction codes: FM5I, FM5U, FM5S |
| 4. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMDERIVER |
| 5. | Configurer (OIS) | Update FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMDERIVE |
| 6. | Agency Users | To display Fund Master | Decentralization of Fund for reporting and analysis at an agency level | Transaction code: FM5S |

| Authorizations | Master List of Future State Roles/Authorizations: Fund Center Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Master Data Specialist (OSRAP) | Create, change and display Cost Center Masters | Centralized Maintenance for Control | Transaction codes: KS01, KS02, KS03 |
| 2 | Master Data Specialist (OSRAP) | Create, change and display Fund Center Masters | Centralized Maintenance for Control | Transaction codes: FMSA, FMSB, FMSC |
| 3. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMDERIVER |
| 4. | Configurer (OIS) | Update FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMDERIVE |
| 5. | All Users | Update Fund Center Groups as necessary | Decentralization of Fund Center Groups for reporting and analysis at local level | Transaction codes: FM_SETS-FICTR1 FM_SETS- FICTR2 FM_SETS- FICTR3 |
| 6. | Agency Users | To display Fund Centers Master | Decentralization of Fund Center for reporting and analysis at an agency level | Transaction code: FMSC |

| Authorizations | Master List of Future State Roles/Authorizations: Funded Program Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | PM Work Order Administrator (IW31) | Create, change and display Work Order Masters | | Transaction codes: IW31 |
| 2 | Master Data Specialist | Create, change and display Funded | Centralized Maintenance for Control | Transaction codes: FMMEASURE, |

| Authorizations | Master List of Future State Roles/Authorizations: Funded Program Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| | (OSRAP) | Programs | | FMMEASURED |
| 3. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMDERIVER |
| 4. | Configurer (OIS) | Update FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMDERIVE |
| 5. | All Users | Update Funded Program Groups as necessary | Decentralization of Funded Program Groups for reporting and analysis at local level | Transaction codes: FM_SETS-FUNDPRG1 FM_SETS- FUNDPRG2 FM_SETS- FUNDPRG3 |
| 6. | Agency Users | To display Funded Program Master | Decentralization of Funded Program for reporting and analysis at an agency level | Transaction code: FMMEASURED |

| Authorizations | Master List of Future State Roles/Authorizations: Functional Area Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Master Data Specialist (OSRAP) | Create, change and display Functional Area | Centralized Maintenance for Control | Transaction codes: FM_FUNCTION |
| 2 | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMDERIVER |
| 3. | Configurer (OIS) | Update FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMDERIVE |
| 4. | All Users | Update Functional Area Groups as necessary | Decentralization of Functional Area Groups for reporting and analysis at local level | Transaction codes: FM_SETS-FUNCTION1 FM_SETS- FUNCTION2 FM_SETS- FUNCTION3 |
| 5. | Agency Users | To display Functional Areas Master | Decentralization of Functional Area for reporting and analysis at an agency level | Transaction codes: FM_Function (Display only) |

| Authorizations | Master List of Future State Roles/Authorizations: Commitment Item Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Master Data Specialist (OSRAP) | Create, change and display GL Accounts | Centralized Maintenance for Control | Transaction codes: FS00 |
| 2 | Master Data Specialist (OSRAP) | Create, change and display Cost Elements | Centralized Maintenance for Control | Transaction codes: KA01-KA06 inclusive |
| 3. | Master Data Specialist (OSRAP) | Create, change and display Commitment Items | Centralized Maintenance for Control | Transaction codes: FMCIA |

| Authorizations | Master List of Future State Roles/Authorizations: Commitment Item Maintenance | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 4. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMDERIVER |
| 5. | Configurer (OIS) | Update FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMDERIVE |
| 6. | All Users | Update Commitment Item Groups as necessary | Decentralization of Commitment Item Groups for reporting and analysis at local level | Transaction codes: FM_SETS-FIPEX1 FM_SETS- FIPEX2 FM_SETS- FIPEX3 |
| 7. | Agency Users | To display Commitment Items | Decentralization of Commitment Items for reporting and analysis at an agency level | Transaction code: FMCIA (Display Only) |

## Organizational Impacts

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 1. | Creation of FM Master Data | No additional set of master data is required in legacy for budgeting and budget control as there is no separate ledger in legacy. Additional FM master data is required in SAP, in addition to the regular FI and CO master data | All end users to be trained on new and various terminology for same attribute type in the different modules |
| 2. | Maintenance of FM Master Data | OSRAP will be responsible for the creation of all FM Master Data, including the maintenance of FM Derivation rule values. Co-ordination of FM master data when master data from other modules is requested. | Limited since the actual maintenance of FM master data is to be limited to a handful of people in OSRAP |
| 3. | Requesting New FM Master Data | No concept of separate master data for budget and budget control purposes as there is not a separate budget module or ledger in the legacy systems | All end users to be trained on purpose, use and naming conventions of Funds Management elements. |
| 4. | Process of requesting changes or new master data | All agency users that are in a position of requesting master data (budget analysts, accountants, etc) will need to be trained on the process of requesting changes to existing master data or new master data, including the use and email flow of the new Master Data Request form and subsequent requirements (e.g., budget creation) prior to the use of the master data. | Large number of users to be trained for all agencies, including Treasury |
| 5. | Maintenance of FM Master Data Groups | End users will be able to create their own master data groups for all FM master data, except Funds, which will be limited to control agencies only (OSRAP, OPB, Treasury, etc) | Large number of users to be trained for all agencies on the use and purpose of master data groups, including allocations and reporting. |
| 6. | Maintenance of FM Derivation Strategy and Rules | No concept of an integration tool in legacy as budget is not carried out in a separate module or ledger. | Limited training requirements as OIS will be the central agency required to maintain FMDERIVE |

## Training Impacts

Refer to Section 4 (Organization Impact column) and Section 9 (Organization Work Force Impact Column) for training impacts.

## Appendix

Not applicable

| | |
|---|---|
| **Team:** | Finance - Funds Management |
| **PDD Name:** | Budget Availability Control |
| **PDD Number:** | FIN-FM-PDD030-Budget Availability Control |
| **Business Process Owner:** | Barry Dusse / Afranie Adomako |
| **Functional Lead:** | Lucie Hidalgo |
| **Functional Consultant:** | Fernando Figueroa |

## Executive Summary

This PDD will cover the process design and key decisions made during the following FM Blueprint Workshops:

1. FI-FM-003: Budget Availability Control: General
2. FI-FM-004: Budget Availability Control: Work Orders
3. FI-FM-Validation Session
4. Additional meetings and discussions throughout the Blueprint Phase

Budget control and execution will be carried out in SAP ECC, particularly in the FM module using Budget Control System (BCS) functionality. Grantee grants (GM) will be budget controlled both in GM (based on the sponsors requirements and dimensions such as fiscal year) and in FM based on the State's own internal requirements (fiscal year, fund, appropriated program, etc).

SAP's availability control concept allows monitoring and control of budgets by FM account assignment (Fund, Funds Center, Commitment Item, Functional Area, Funded Program, and Grant) and value type. A value type is a degree of budget consumption, i.e., a pre-encumbrance or an encumbrance or an actual expenditure. For the sake of availability control at the State, all value types will be considered for budget consumption. When a budget consuming document is updated or completed, the associated encumbrance or expenditure document is also updated on-line in the Budgetary (9A-Standard Payment Budget) and Budget Control Ledgers (9H-Standard Payment Budget AVC Ledger). Only CONSUMABLE budget types will be updated in the Control Ledger. The non-consumable budget types do not participate in AVC calculations. For more information on budget types, refer to FIN-FM-PDD020 Budget Preparation, Integration, and Amendments.

Budget control levels and rules have been defined by fund groupings and expense types. There will be no major changes to the budget control rules currently set up in the State's legacy systems. For a detailed review of these rules, refer to Section Two below.

The budget control object or address is determined using Availability Control Derivation Strategy. As the strategy and rules are part of system configuration, OIS will be responsible for any maintenance activities in its role as system owner. A change request from OSRAP will be required to change or update the rules. As business owners of the budget control derivation strategy, OSRAP may maintain the rule's table values only.

Once the budget control account assignment is determined, SAP uses Tolerance Profiles to determine the system reaction (e.g. type of message: none, information, warning or error) by types of activities (expenses or transactions). One Tolerance profile, call the Standard Tolerance Profile, will be defined for the entire State, including Capital Outlay and Grantee budget consumption. The tolerance profile will be set up to perform no budget checking (i.e. issue no message) for the following types of expense postings:

- Salary and salary related cost postings from HR.
- Automatic allocations in CO, including settlements and CO overhead assessments.

Error messages (hard stops) will be issued for all other budget controlled expenses if budget is exceeded. Budget amendments will be required to continue processing at this point. No other messages will be issued at any other levels of budget consumption.

Consistent with current legacy design, no budget check will be performed for revenue postings.

## To-Be Process Description

### *Budget Control System*

FM Budget Control System (BCS) will be configured to support the budget control requirements for the State.

Within BCS, funds availability will be managed by the Availability Control Account Assignments Address (i.e. budget control address) established using FM Derivation rules (transaction code FMAVCDERIAO). Once the FM module has determined the FM posting address (using FM Account Assignment Derivation – FMDERIVE to convert the master data used in postings in other modules to FM master data) and budget address (by creating budget documents), it uses the Availability Control (AVC) derivation rules to determine if there is sufficient budget remaining to permit the actual expense / encumbrance posting in the FM ledgers.

As the system owner, OIS will be responsible for any configuration updates to the derivation strategies and rules. The OSRAP derivation specialist, as the business owner of the derivations, will be responsible for the update of derivation rule values (transaction code FMAVCDERIAOR) only. OSRAP will only have display access to the derivation strategy and rules. Any rule changes requiring configuration and transport will require OSRAP to submit a change request to OIS. OIS will follow the existing procedures for change requests which provides for necessary approvals, testing, transport process, audit trails, online help updates, etc.

Budget control in SAP can take place by any combination of FM Dimensions: Fund, Fund Center, Funded Program, Functional Area, and Commitment Item. In addition, the Grant field (from Grantee Management) is also available as a sixth dimension for budgeting and budget controlling. Using the AVC Derivation tool, budget control can be determined. Dimensions can be 'rolled up' (for example by budget controlling on the first few digits of master data such as commitment item) or ignored for budget control (in which case the budget entered for the other dimensions is taken into account without regard for the budget entered for the dimension ignored – e.g. functional area budget will be ignored as no budget control will take place for functional areas). Conditions are assigned to derivation rules to let the system know when to roll-up dimensions or ignore dimensions.

Once the AVC Control Address is determined, the reaction by the system is determined by budget control Tolerance Profiles. Reaction may vary from information, warning, or error message once a percentage of the budget has been consumed. Tolerance Profiles are covered in this section below.

### *Budget Control Decisions*

The following decisions were made during the blueprinting of the various workshops in FM, PS, GM, and Grantor Management. This document summarizes all of the budget control decisions, even those captured in other modules, since budget control for the State is configured in FM.

### *Capital Projects AVC Budget Control:*

For more information, refer to FM-PS-PDD020 Project Budgeting and Control.

- Fund – Budget will be controlled at each individual fund (funding source). Projects with multiple funding sources will be budget controlled at the individual fund level.
- Funds Center – Not Applicable (ignored)

- Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
    - Exception: Art GL expense will be budget controlled separately for Facilities Project
- Functional Area – Not Applicable (ignored)
- Funded Program – Represents capital project phases and sub-phases.
    - DOTD & Facilities Non-State Projects - Budgets will be controlled at the individual project phase level (2nd level)
    - Facilities State Projects (including Statewide projects) - Budgets will be controlled at the individual project phase level (3rd level)
    - OCPR Projects – Budgets will be controlled at the project phase level ( 2nd level)
      Note: For DOTD projects, if the construction phase is broken out into several phases (Phase 6 and higher), the sum of budgets in all construction phases will be grouped together for the purposes of budget control
- Grant – Not applicable (ignored)

***Grantee Grants (GM) AVC Budget Control***

In addition to the GM budget controls outlined in FIN-GM-PDD030 Budgeting and Control, budget control will also occur in FM for all grantee grants, even when budget control is required in GM according to external dimensions. This dual control is required since State requirements by fund and commitment item levels can (internal dimensions) can only take place in FM. In cases, where budget control is not required according to external dimensions, budget control will take place in FM only.

Two budget control checks will be performed in FM as follows:

1. Since grants form part of the budget authority with non-grant money in expenditure appropriated programs, grant expenditures will be combined with non-grant relevant expenses and budget controlled together at the appropriated program level by object category. This check is performed at the time of posting to grants.

    - Fund – Budget control by all Funds (External funds and Internal Agency Fund, where applicable for cost sharing)
    - Funds Center – Budget controlled to the first four characters, representing legacy Agency and Appropriated Expense Program
    - Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
    - Functional Area – Not Applicable (ignored)
    - Funded Program – Not Applicable (ignored)
    - Grant – Not applicable (ignored) since individual grants will be checked in FM instead.

2. To ensure that the Agency does not exceed its cost sharing commitments for each grant, matching (cost sharing) portion, if any, will be controlled by the Internal fund on a total level (not by object category). This check will be performed at the time of CO cost allocations are performed to transfer costs from the external funds to internal (agency) funds for grants with cost sharing.

    - Fund – Budget control by Internal Cost Sharing Fund
    - Funds Center – Not Applicable (ignored) as this is already conducted in step 1 above
    - Commitment Item – Not Applicable (ignored) as this already conducted in step 1 above
    - Functional Area – Not Applicable (ignored)
    - Funded Program – Not Applicable (ignored)
    - Grant – Budget Control by individual Grant to identify which grant costs has exceed its cost sharing total budget

***Grantor Grants (GM) AVC Budget Control***

Grantor Grants are grants which are issued by the State to outside third parties. The FM funded program will be used to represent the grant and grant programs (if necessary). Budget control will take place as follows:

- Fund – Budget control by individual Agency Fund
- Funds Center – Budget controlled to the first four characters, representing legacy Agency and Appropriated Expense Program
- Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
- Functional Area – Not Applicable (ignored)
- Funded Program – Budget controlled to the funded program level as required by each grant (TBD per individual grant)
- Grant – Not Applicable (ignored) as the grant field applies to grantee (GM) grants only

***All Other Funds AVC Budget Control***

Two budget control checks will be simultaneous carried out in FM at the time of posting for all other funds (including grantee and grantor postings):

1. Check to ensure that appropriated expense program expenses are not exceeded regardless of fund. In other words, the total budget for the appropriated program is summed up across all funds.

- Fund – Not applicable (ignored) since we want all fund budgets to be considered
- Funds Center – For Non-DOTD Agencies, budget controlled to the first four characters, representing legacy Agency and Appropriated Expense Program. For DOTD Agencies, budget controlled to the first seven characters, representing legacy Agency, Appropriated Expense Program, Program Activity and District/Section.
- Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
- Functional Area – Not Applicable (ignored)
- Funded Program – Not Applicable (ignored)
    - Exception: Funded Programs for Real CO Internal Orders which are budgeted and controlled separately from the responsible cost center (fund center)
- Grant – Not applicable (ignored)

2. Check to ensure that each fund budget is not exceeded regardless of appropriated program. In other words, the total budget for the fund is summed up across all appropriated programs.

- Fund – Budget will be controlled at the Individual Fund
    - Exceptions: Administrative & Escrow funds will not be subject to budget control)
- Funds Center – Not applicable (ignored) since we want all appropriated program budgets to be considered
- Commitment Item – High level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
- Functional Area – Not Applicable (ignored)
- Funded Program – Not Applicable (ignored)
    - Exception: Funded Programs for Real CO Internal Orders which are budgeted and controlled separately from the responsible cost center (fund center)
- Grant – Not applicable (ignored)

***NOTE:*** *Due to the competing and contradictory nature of these two checks, a second AVC ledger (customer specific) will be established. This is necessary to conduct both checks at the same time, i.e. the time of posting.*

***Plant Maintenance (PM) and Agile Asset Work Order AVC Budget Control***

A separate FM blueprint workshop was held to discuss the integration between FM and PM and Agile Assets, specifically what the posting, budget, and budget control address would be for maintenance work orders from these two systems. For information on the posting and budget addresses, refer to FIN-FM-PDD020 Budget Preparation, Amendments, and Integration. This section covers the budget control decisions that were made regarding PM work order budget control. Note: Agile Assets will also utilize PM work orders for its integration with SAP and hence the decisions for PM work orders and Agile Asset Work orders are the same.

For all work orders types, there will be no major change to the current practice for budgeting or budget control. No separate budgeting or budget control will take place at the individual work order or work order groups. Budget will be consumed and checked, where necessary, at the fund center or the Capital Project (WBS) for which the work order is performed. In terms of types of expenses (captured by the commitment item dimension), the following legacy rules still apply:

- Work Order Expenses Exempt from Budget Control:
    - Salaries and benefits coded to the work order
    - Inventory usage from warehouses in the same program and current two digit object category (first three digits of commitment items in SAP)
        - In the case of DOTD, no budget control if the inventory for the work order is from the same district or section as the work order
    - CO Activity allocations for Equipment usage
- Work Order Expenses Subject to Budget Control:
        - Inventory usage from warehouses in a different appropriated program and current two digit object category or different district or section
        - Direct purchases of inventory, materials or equipment to support work orders

For expenses subject to budget control, this will take place at the time of the expense or commitment posting to the work order. No budget control takes place on settlement of work order costs.

***Preventative, Regular & Agile Work Orders (Both PM and Agile Asset Work Orders)***

- Fund – By individual operating fund
    - Funds Center – Higher level Fund center where the work order is being performed, except for Salaries (salaries will be charged to home cost center as it is currently done). The Fund center will be derived from the Cost Center in work order master.
    - For non-DOTD Agencies (e.g. DPS and OSB), budget controlled to the first four characters, representing legacy Agency and Appropriated Expense Program.
    - For DOTD, budget controlled to the first seven characters, representing legacy Agency, Program, Program Activity , District or Section
- Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
    - Exception: Expenses not subject to budget controlled as outlined above
- Functional Area – Not Applicable (ignored)
- Funded Program – Not Applicable (ignored)
- Exception: Funded Programs for Real CO Internal Orders which are budgeted and controlled separately from the responsible cost center (fund center)
- Grant – Not Applicable (ignored)

***Note: PM Work Order Requirement:*** *In the header of the work order, the fund and cost center who requested the work order must be entered. Functional area will also be entered but currently does not form part of budget control.*

***Capital Project Work Orders (Both PM and Agile Asset Work Orders)***

- Fund – Budget will be by individual Capital Fund
- Funds Center – Not Applicable (ignored)
- Commitment Item – High-level commitment item (first three digits) equivalent to 2-digit AFS Object Category or DOTD ISIS Group, with the exception of Salary and Benefits.
    - Exception: Expenses not subject to budget control as outlined above
- Functional Area – Not Applicable (ignored)
- Funded Program – Funded Program representing the Capital Project or Capital Project Phase for which the work order is being performed
- Grant – Not Applicable (ignored)

***Note: PM Work Order Requirement:*** *In the header of the work order, the Capital fund and WBS Element (project phase) will need to be entered. The Cost Center responsible for the Capital Outlay Project and the Functional area will/may also be entered but won't be applicable for budget control.*

***Note:*** *Native SAP does not conduct an AVC budget check at the time of settlement. Budget checking, where applicable (e.g. non-salary costs) will occur at the time of posting of expenses or commitments to the work order against the controls levels noted above. During settlement, a CO secondary cost element will be used.*

***Note:*** *FMDERIVE rules will be set up to derive the required information (Fund, Cost Center, FA, WBS element, etc) from the work order master for budget checking purposes. Standard State strategies will be used.*

***Commitment Item Budget Control***

Consistent with the current legacy design of budget control at the current AFS two digit object category, budget control will take place on expense categories at a "roll-up" or higher level commitment item. Expenses will be grouped into the same categories as in legacy by using intelligent numbering in the GL account / commitment item. The first three digits of the commitment item will be used to group similar expense accounts. Budget for commitment items with the same first three digits will be consolidated for budget control purposes. This is what is meant above by "high level commitment item first three digits" above in the budget control decisions.

***Note:*** *No budget control will take place on revenue accounts. In addition, no budget control will take place on Salary and Salary related costs (or any other costs originating from HR). The following table outlines how expenses will be further broken down similar to the current AFS object categories to support budget control and reporting:*

| Grouping Description | Current AFS Category | Proposed SAP GL Account Range | Subject to Budget Control? |
|---|---|---|---|
| Salaries | 21 | 511XXXX | **No** |
| Other Compensation | 35 | 512XXXX | **No** |
| Related Benefits | 40 | 513XXXX | **No** |
| Travel and Training | 45 | 520XXXX | **Yes** |
| Operating Services | 50 | 530XXXX | **Yes** |
| Supplies | 55 | 540XXXX | **Yes** |
| Professional Services | 60 | 550XXXX | **Yes** |
| Other Charges | 65 | 560XXXX | **Yes** |
| Capital Outlay | 70 | 570XXXX | **Yes** |
| Major Repairs | 75 | 580XXXX | **Yes** |
| Debt Services | 80 | 590XXXX | **Yes** |

| Grouping Description | Current AFS Category | Proposed SAP GL Account Range | Subject to Budget Control? |
|---|---|---|---|
| IAT * | 85 | 990XXXX | **No** |
| Auxiliary Programs * | 90 | Eliminated | **N/A** |
| **Un-allotted *** | **30** | **Eliminated** | **N/A** |

** IAT legacy accounts will be replaced by CO Secondary cost elements. Auxiliary programs accounts, used for private enterprise type of operations, may be eliminated and absorbed into the regular GL accounts. Un-allotted accounts (two) were used to transfer budget during times of budget spending constraints. The use of a non-consumable budget type will be used instead of GL accounts created for budget purposes.*

***Other Key AVC Budget Control Decisions***

- FM integration with Purchasing – Will consume budget and be subject to budget control for all stages of the purchasing cycle, with the exception of contracts. If the value of follow-on documents is greater than the previous document in the chain (e.g. PO greater than PR), a budget check is triggered at that stage. Budget is returned if no further activity is expected and the purchasing document is updated.
    - Purchase requisitions – Will establish a Pre-encumbrance consuming the budget
    - Purchase orders – Encumbrance established consuming the budget; will reduce the referenced purchase requisition's pre-encumbrance for the lesser of the value of purchase order or purchase requisition
    - Goods receipts – Expenditure established to consume the budget; will reduce the referenced purchase order's encumbrance for the lesser of the value of good receipt or purchase order
    - Invoice receipts – Expenditures established (with Invoice status); will reduce the referenced goods receipt's expenditure for the lesser of the value of invoice receipt or goods receipt. If purchase does not require a good receipt, the PO encumbrance is reduced and the expense is established at this stage instead of at the time of goods receipt.
- Payroll and Payroll Related Costs will consume budget (real FM postings) but AVC will be configured not to hard stop on budget overruns
- Inventory purchases: This balance sheet "expense" will be budget controlled at time of purchase for all types of inventory. Depending on the type of inventory and usage, budget control may also occur at the time of issuance / usage by the requesting organization.
- Fixed Assets: This balance sheet "expense" will be budget controlled at time of purchase
- Real Estate: This balance sheet "expense" will be budget controlled at time of real estate contract activation (via the use of FM earmarked funds). For more information, refer to FIN-FM-PDD040 FM Budget Consumption – Expenses & Encumbrances.
- Capital Leases: This balance sheet "expense" will be budget controlled at time of payment (and thus expense coding), similar to operating leases.
- CO Allocations / Settlements: Standard SAP does not perform budget checks on the results of these transactions. This includes:
    - CO automated Assessments and Distributions. Budget control instead would have occurred at time of posting to the original (sender) Cost Center (Fund Center).
    - Settlements in PS, PM and CO Internal Order settlements. Budget control would have occurred at time of original posting to cost collector.
- Manual CO Postings will be subject to budget checking.
- Internal Services Charges (CO): will be subject to budget control at the requesting organization.

- P-Card Purchases: P-card purchases are not subject to budget control checking until the transactions are saved to SAP on a monthly basis. As such, care should be taken when using P-cards to ensure sufficient budget exists each month to cover purchases made outside of the system. Constant monitoring of available budget using SAP reports will be required. If the budget goes negative, subsequent budget adjustments will be required.
- Other Expense Relevant Interfaces: During blueprinting, it was pointed out that in general, interfaces affecting budget consumption are typically not subject to budget control similar as this may stop the efficient posting of such expenses on a timely basis. Similar to P- Card purchases, budget overruns as a result of interface postings would require subsequent budget adjustments. However, SME's expressed concern regarding the amounts that some interfaces post. As such, a decision was made to review whether interfaces would be subject to budget control on a case-by-case basis. A listing of all interfaces consuming budget will be reviewed by the FM team during realization.
- Statistical commitment items in FM such as GASB34 Contra accounts and non-cash expenses such as depreciation, and amortization will be posted in FM (for reconciliation purposes) but will not consume budget or be subject to budget control
- All other non-payroll related costs will consume budget and be subject to budget control unless otherwise noted above (general rule)

*Note: During blueprinting, it was determined that there are no situations where actual postings occur at a different FM account assignments than where the related budget resides. In other words, the budget that supports the expenses is always at the same or higher roll-up level as the posting address.*

***Tolerance Profiles***

FM Availability control (AVC) allows on-line checking of budget availability prior to saving a transaction. The following responses can be sent to the person inputting the transaction that will consume the budget:

- No message (processing can continue)
- Information message (processing can continue)
- Warning message (processing can continue)
- Error message (processing stops until sufficient budget is transferred to cover the expense or encumbrance)

Messages are issued via the use of Tolerance Profiles.

The State will use the following Standard AVC Tolerance Profile:

- Payroll costs will consume budget – however, no hard stops will occur when budget is overspent. Since the payroll posting is an automatic background process, no message will be issued if the payroll budget is exceeded.
- CO automatic settlements will consume budget – however, no hard stops will occur when budget is overspent. This includes all secondary cost element movements (9 series accounts), including cost assessments and settlements (e.g. work order and capital project settlement)
- All other costs will consume budget:
    - An Error message (hard stop) will prevent the input user from saving a transaction that would bring the consumed budget above 100% of the available budget
    - No email messages to fund center owner
    - No use of absolute tolerances (amounts)
    - No use of warning messages at any point of budget consumption

Standard Tolerance Profiles will be used for all agencies and funds, including Capital Outlay and GM grants.

Using the Tolerance profile derivation strategy, an alternate tolerance profile can be derived for certain postings. At the time of this writing, no alternative Tolerance profile was required. The derivation strategy will be used in production if the need for an alternate tolerance profile arises during realization.

Similar to the AVC derivation rules maintenance, OIS will be responsible for any configuration updates to the tolerance profiles and tolerance profile derivation strategies and rules, if used, as the system owners. The OSRAP derivation specialist, as the business owner, will be responsible for the update of derivation rule values only. OSRAP will only have display access to the tolerance profiles and the related derivation strategy and rules. Any rule changes requiring configuration and transport will require OSRAP to submit a change request to OIS. OIS will follow the existing procedures for change requests which provides for necessary approvals, testing, transport process, audit trails, online help updates, etc.

Fine tuning of the Standard Tolerance or creation of additional, alternate tolerances may take place during realization, if required.

***FM Encumbrances***

FM encumbrances are discussed in detail in FIN-FM-PDD040 FM Budget Consumption: Expenses and Encumbrances. For the sake of this document, FM encumbrances will be used for:

- Purchase Requisitions (pre-encumbrance) and Purchase Order (encumbrances)
- FM Funds Reservations for manual budget reservations at the agency level
- Real Estate Contracts
    - Fund Commitments for vendor contracts (subject to budget control)
    - Forecast of Revenues for customer contracts (not subject to budget control as this is revenue related)
- Grantor Agreements
    - Fund Commitments for Grantor Expense (subject to budget control)
    - Forecast of Revenues for Grantor Collections (not subject to budget control as this is revenue related)

Funds Reservations, Funds Commitments and Forecast of Revenues are all considered FM Earmarked Fund documents.

With the exception of Forecast of Revenues, all pre-encumbrances and encumbrances have the same effect on the FM AVC ledger – they will consume budget and will be subject to budget control.

***Process Terminology***

| # | Process Terminology | Description |
|---|---|---|
| 1 | FM Budget Control System (BCS) | The Budget Control System (BCS) is a solution for budgeting and budget execution, as well as for active monitoring of available funds in FM. BCS includes functions for budgeting, budget amendments, and budget control. |
| 2 | Availability Control Derivation Strategy and Rules | A flexible tool used to determine the budget control address, i.e. the FM Account Assignment where budget control will take place. It consists of a series of derivation rules in sequential order. |
| 3 | Availability Control Derivation Rule Values | FM dimensions mapped target values from other FM source dimension in FM Availability Control Derivation Rules that may require periodic maintenance when new master data is created or changed. |
| 4 | AVC Control Address | The combination of FM master data (FM Account Assignment) where budget control checking takes place. |
| 5 | Fund | A fiscal and accounting entity having a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, or changes therein, which are segregated for the purpose of carrying on specific activities or attaining |

| # | Process Terminology | Description |
|---|---|---|
| | | certain objectives in accordance with specific regulations, restrictions or limitations. |
| 6 | Fund Center | Fund Centers represent organizational areas of financial and budgetary responsibility in SAP. They are generally hierarchical in nature and will have a one to one relationship with Cost Centers in the CO module. |
| 7 | Functional Area | Functional Areas represent cross-functional activities or functions aimed at accomplishing a major service or regulatory program. Functions and Activities may cut across organizational units and/or funds. |
| 8 | Funded Program | Funded programs are programs within Funds Management (FM) with a discrete, time limited operational purpose outside of regular ongoing operating expenditures, which are budgeted to fund centers. Funded Program has been designed to capture profit and loss information (revenue and expenses) only. The funded program must be derived in FM from other cost objects; it is not available on the coding block for direct posting. They can range from simple activities to complex projects and may cross fiscal years, funding sources, and organizational units. |
| 9 | Commitment Item | Commitment Items represent balance sheet, fund equity, revenues and expenses accounts in FM at the lowest level of detail necessary for internal and external reporting. They cut across organizational units, funds, and/or functional areas. |
| 10 | Grant | A grant represents a lower level funding instrument used to document, control and report on the results of an agreement between an external sponsor and an organization. |
| 11 | FM Account Assignment | A combination of FM master data, including Fund, Fund Center, Functional Area, Funded Program, Commitment Item, and Grant. |
| 12 | Tolerance Profile | A tolerance profile pools different tolerance limits for FM availability control. |
| 13 | Tolerance Profile Derivation Rules | A flexible tool used to determine alternate Tolerance Profiles (from the Standard Tolerance profile assigned to the FM area). It consists of a series of derivation rules in sequential order. |
| 14 | Tolerance Profile Derivation Values | FM dimensions mapped target values from other FM source dimension used in FM Tolerance Profile Derivation Rules that may require periodic maintenance. |

## To-Be Process Flows

No process flow required for this PDD.

## Key Business Process Decisions

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 1 | Due to the large number of data tracking in AFS and DOTD, several pieces of legacy master data and fields were mapped to one SAP master data field. | No process impact | Extensive training will be required on the mapping between legacy objects to the new SAP objects. Use and purpose of new SAP master data plus how each is used in conjunction with one another will be required for all users. Also, how each piece of FM master data is used for budget control purposes. |
| 2 | No major changes to the | No process impact | No major impact as budget control works |

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| | level or type of budget control compared to legacy | | similar to current practice. Thus, end users will be familiar with budget exceptions. Some exceptions for training include:<br>• Dual budget checking by appropriated program and fund<br>• Budget checking for Grants (GM versus FM budget checks)<br>• Budget checking for balance sheet "expense' purchases and balance sheet item usage<br>• Use of automated FM earmarked fund documents (e.g. Real Estate and Grantor) to encumber funds and trigger budget checking |
| 3 | No budget control is required on revenues | No change from current practice | None |
| 4 | The FM Availability Control and Tolerance Profile Derivation Rules (FMDERIVE) will be maintained centrally by OIS in its role as system support. FM Derivation rule values will be maintained by a derivation specialist in OSRAP, in their role as business owner | New functionality that does not currently exist.<br><br>Improved control of FM Ledger updates will prevent errors. | No major impact as this is a centralized function<br><br>Training will be required for central management. |
| 5 | Use of one Standard Tolerance Profile across the entire State | Consistent budget control system reaction for all postings. | No major change of system reaction from the current system. |

## 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: FM Funds Management | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Form Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | None identified. | | X | X | | | |

| R – Reports | Master List of Current and Future State Reports: FM Funds Management | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Report Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | None identified. | | X | X | | | |

| I – Interfaces | Master List of Current and Future State Interfaces: FM Funds Management | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Interface Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | None identified. | | X | X | | | |

| C - Conversions | Master List of Future State Data Conversions: FM Funds Management | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Type of Data | Use | Source | Destination | Justification | Approach | Comments |
| 1. | None identified. | | | | | | |

| E – Enhancements | Master List of Future State Enhancements: FM Funds Management | | | | |
|---|---|---|---|---|---|
| No. | Type of Enhancement | Details | Target of Enhancement (Gap) | Justification | Comments |
| 1. | BADI – Easy Mod | Activation of the Grant (GM) field through BADI FMAVC_DERI_AFMA (Enhancements for the derivation of control objects (FM) | FM BCS Functionality for Availability Control – Grant field is not available in standard setting | The Grant Number is needed as an FM ADDRESS in the FM Budget Control Derivation Strategy (FMAVCDERIAO) to allow Grants to be budget controlled in Funds Management as per State requirements | Easy Modification |

| W – Workflow | Master List of Future State Workflow Events: FM Funds Management | | |
|---|---|---|---|
| No. | Description | Justification | Comments |
| 1. | None identified. | | |

## Gaps

| Gaps | Master List of Future Gaps: FM Funds Management | | |
|---|---|---|---|
| No. | Description of Gap | Why Gap Exists? | Impact / Comments |
| 1. | None identified. | | |

## Security & Enterprise Role Definitions

| Authorizations | Master List of Future State Roles/Authorizations: FM Funds Management | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Configurer (OIS) | Update FM Derivation Rules for Availability Control | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMAVCDERIO |
| 2. | Master Data Specialist | Display access only of FM Derivation Rules | Centralized Maintenance of Derivation Strategy and Rules in the hand of one | Transaction codes: FMAVCDERIO |

| Authorizations | Master List of Future State Roles/Authorizations: FM Funds Management | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| | (OSRAP) | for Availability Control | group only (OIS) | (Display only) |
| 3. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only for Availability Control | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMAVCDERIOR |
| 4. | Configurer (OIS) | Maintain Tolerance Profiles | Centralized Maintenance of all Configuration | Transaction codes: SPRO |
| 5. | Configurer (OIS) | Update FM Derivation Rules for Tolerance Profiles | Centralized Maintenance of Derivation Strategy and Rules | Transaction codes: FMAVCDERITPROF |
| 6. | Master Data Specialist (OSRAP) | Display access only of FM Derivation Rules for Tolerance Profiles | Centralized Maintenance of Derivation Strategy and Rules in the hand of one group only (OIS) | Transaction codes: FMAVCDERITPROF (Display only) |
| 7. | Master Data Specialist (OSRAP) | Update FM Derivation Rule Values only for Tolerance Profiles | Centralized Maintenance of Derivation Rule Values | Transaction codes: FMAVCDERITPROFR |

## Organizational Impact:

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 1. | Maintenance of FM Availability Control Derivation Strategy and Rules | No concept of derivation strategies in legacy | Limited training requirements as OIS, as system support, will be the central agency required to maintain the strategy and rules.<br><br>OIS Configurer will need to work with OSRAP (business owner) to ensure all changes made in the system meet the functional requirements |
| 2. | Maintenance of FM Availability Control Derivation Rules Table Values | No concept of derivation strategies in legacy | Limited training requirements as OSRAP, as business owner, will be the central agency required to maintain the rules values<br>OSRAP will need to work with OIS in cases where changes are required to the actual rules themselves |
| 3. | Maintenance of FM Tolerance Profile Derivation Strategy and Rules | No concept of derivation strategies in legacy | Limited training requirements as OIS, as system support, will be the central agency required to maintain the strategy and rules.<br><br>OIS Configurer will need to work with OSRAP (business owner) to ensure all changes made in the system meet the functional requirements |
| 4. | Maintenance of FM Tolerance Profile Derivation Rules Table Values | No concept of derivation strategies in legacy | Limited training requirements as OSRAP, as business owner, will be the central agency required to maintain the rules values<br>OSRAP will need to work with OIS in cases where changes are required to the actual rules themselves |

## Training Impact

***Local (Limited) Training (<10 users)***

- OIS Group:
  - Configuration Maintenance of FM Derivation Strategy and Rules for FM Availability Control and Tolerance Profiles – OIS group only
  - Training on the all the functional budget control requirements in the PDD and how they fit in with the Availability Control and Tolerance Profile derivation strategies and rules
  - Extensive training will be required on the mapping between legacy objects to the new SAP objects. Use and purpose of new SAP master data and how each is used in conjunction with one another will be required for all users. In addition, how each piece of FM master data is used for budget control.
- OSRAP Master Data Specialist: Same as OIS above except…
  - Will not be trained on changing the derivation strategies and rules (display only access)
  - Training on maintenance of FM Derivation Rule table values for FM Availability Control and Tolerance Profile (if necessary)
- All End Users:
  - Extensive training will be required on the mapping between legacy objects to the new SAP objects. Use and purpose of new SAP master data plus how each is used in conjunction with one another will be required for all users. Training on understanding budget and budget control according to the new FM dimensions
  - The fact that no major impact as budget control works similar to current practice. Thus, end users will be familiar with budget exceptions. Training on the exceptions to current practice including:
    - Dual budget checking by appropriated program and fund
    - Budget checking for Grants (GM versus FM budget checks)
    - Budget checking for balance sheet "expense' purchases and balance sheet item usage
    - Use of automated FM earmarked fund documents (e.g. Real Estate and Grantor) to encumber funds and trigger budget checking
  - Training on reading the budget control error messages to determine the amount of budget transfer required to continue

## Appendix

Not applicable.

| | |
|---|---|
| **Team:** | Finance - Funds Management |
| **PDD Name:** | FM Budget Preparation and Integration |
| **PDD Number:** | FIN-FM-PDD020-FM Budget Preparation and Integration |
| **Business Process Owner:** | Barry Dusse |
| **Functional Lead:** | Lucie Hidalgo |
| **Functional Consultant:** | Fernando Figueroa |

## Executive Summary

This document will cover the process design and key decisions made during the following:

1. Blueprint Workshop: FI-FM-002: FM Budget Preparation, Amendments and Integration
2. Blueprint Workshop: FI-FM-Validation Session
3. Additional meetings and discussions with SME's throughout the Blueprint Phase

The following will be covered:

- High level summary of the budget preparation process and its integration with FM and GM in ECC
- Budget Amendment process in ECC (both BA7 and non-BA7)
- FM Budget Document characteristics that will support the creation of budget documents.

The Budget Preparation Process will take place in BI and will be integrated with ECC (FM and GM). The Budget Prep module in BI will be used to prepare the budget beginning with the 2011-12 budget preparation cycles. Once completed, Non-Grant relevant budget will be retracted directly to FM in ECC where budget control occurs. Grant relevant budget will be segregated and upload to GM in ECC to convert the budget to external sponsor dimensions, after which the budget flows to FM according to the State's internal dimensions. The annual budget for 2010-11 will be created outside of SAP, converted to SAP dimensions via the use of mapping tables in SAP and converted / uploaded to ECC when complete. The detailed budget preparation and timeline of the process is covered in the various BPS PDD's.

All Periodic Budget Amendments, (both BA7 and non-BA7) will be performed in FM or GM directly as real-time budget updates are required due to the hard stops in SAP when budget is exceeded. FM and GM budget adjustments include entering new budget (e.g., mid-year grants), supplementing the existing budgets, transferring budget between account assignments and returning budget. GM budget adjustments will programmatically flow into FM, where the entire budget will reside. One budget document replaces the current AP, EB, and RB documents in AFS. Budget amendments, after the required legislative approval process is completed if necessary, will be entered by the various agencies and will be subject to the approval process (OSRAP, OPB, and STO) for BA7 or non-BA7. SAP will utilize workflow for the approval process. FM Status Management functionality will be used to control the type of budget transactions that can be carried out in FM throughout the fiscal year, including the budget preparation phase, budget execution year, and year end closing. As required, such to determine the Existing Operating Budget (EOB) for the beginning of the annual budget cycle, the current budget (original, retracted budget from budget prep plus the periodic budget amendments in ECC) will be extracted to BI Budget Prep. For BI reporting, all postings (including budget amendments) will be extracted overnight on a daily basis.

## To-Be Process Description

### *Pre 2011-12 Budget Preparation and Budget Load*

The BI Budget Prep Module is scheduled to go live September, 2010. ECC is scheduled for a go-live of July 1, 2010 (all agencies except DOTD) and Oct 1, 2010 (DOTD). The annual budgets for 2008-09 and 2009-10 will be used in the legacy system and not loaded into SAP as the go live date for FM is July 1, 2010 (the end of the FY2010). The annual budget for FY 2010-11 will be created outside of SAP based on the legacy account assignments (coding block) and loaded to SAP. As part of the budget load to FM, the legacy objects will first be converted to FM budget account assignments using internal SAP mapping tables prior to uploading the budget tables in FM.

### *2011-12 (and onwards) Budget Preparation and Retraction to ECC*

This process will be owned and coordinated by OPB. For a detailed description of the budget preparation process and timelines, refer to the following:

- BI.08-FIN-BP-PDD010 – Operating Budget Processes
- BI.08-FIN-BP-PDD020 – Capital Outlay Budget Processes (FPC)
- BI.08-FIN-BP-PDD025 – Capital Outlay Budget Processes (DOTD)

Beginning with FY 2011-012, the annual budgets will be created directly in BI Budget Prep module. The budget preparation will need to take into account the following changes to facilitate budget control and actual versus budget reporting:

1. Changes to budgeting to facilitate budget control for balance sheet purchases (e.g. inventory and asset budget control)
2. Use of non-consumable budget types and centralized FM account assignments for Capital Outlay Budgets where the project has not been started
3. Use of appropriate combinations of FM document types, budget processes and budget types depending on the type of budgets being entered

Currently, the annual budget is loaded only after the Governor signs the budget, usually within 20 days after delivering of the bill from the legislature (usually after July 1). In SAP, budget will be retracted to FM (and GM for GM relevant budget) sometime prior to the end of current fiscal year for the following year before the budget is signed by the Governor. This change in practice is necessary to support 1) agencies' requirements to create POs (dated July 1) for the following year against next years' budget, with budget control in place. 2) Uninterrupted operations between the period of July 1st and the date that that budget is loaded after being signed by the Governor.

At the time of this writing, the following course of action was being pursued by OPB: the current year budget submission to the Legislature and Governor would include a clause that would authorize the approval of a certain percentage or portion of the current year's budget to be loaded in the following fiscal year at the same time as the current year retraction of budget to FM. The partial following year budget would be calculated in BI Budget Prep and would apply to all or key current budget addresses for operating and capital outlay funds, with the exception of Grantee budgets (see rational below). The partial budget would be locked for usage until the State decided to open up purchasing activities for the following year. At this time, this proposal is not approved by the Legislature as are the method of deriving a partial budget, the percentage, and the date which the following year budget would be open for use. This change has been captured as an open action item and a potential policy change below.

It was decided that Grantee budget would not be loaded partially since the loading of GM budgets is a manual process and since the majority of costs relate to Salary and Salary related costs are not subject to budget control. Instead the Grantee budgets will be loaded once the Governor has signed the budget.

Once the budget is signed by the Governor, the budget will be retracted. The budget will be loaded in two ways, as follows:

- Non-Grantee relevant budget will be retracted to FM. The grant value, "NOT RELEVANT" will be used, as a value is required in the grant field. The retraction will exclude GM budgets.
- A file from Budget Prep will be created for GM relevant budget. This will include budgets related to cost sharing funds in addition to external, federal, and private grant funds. The grant-relevant budgets will be prepared based on the State's internal dimensions. These dimensions will be preserved (and flow to FM) and the budgets will need to be simultaneously updated to the external grant dimensions. An SAP enhancement will be needed to run the extraction, or flat file, through the GM budgeting workbench in order to load the budget in GM and convert the budgets to external dimensions (captured as a GM enhancement). FM will automatically be updated once the budgets are saved in GM, providing the overall budgets in FM. Refer to the GM PDD's for more information.

The non-Grant relevant budgets retracted to ECC FM will flow into Version "0" in the case of partial or full budgets. The final budget data loaded in ECC FM will correspond to the final budget version for operating, capital, and grants.

The grant-relevant budgets will then be loaded in SAP to both GM and FM budget version '0'. When the grant-relevant budget is released (saved) in Grants Management to GM version '0', the grant budget will also be updated in FM budget Version "0".

Upon retraction of the final, approved budget, including the budget that will flow in from GM, a copy will be made using transaction code FMCYFREEZE. This version will be called "ORG" – Final, Approved Original Budget. The initial partial load, if any, will not be frozen at the time of retraction.

Any partial, if any, and full budget will be retracted in FM BCS with the following budget document header field values:

- Budget Category: 9F – Payment
- Budget Version: "0" ('ORG will be created afterwards once both GM and FM budgets are in FM) -
- Budget process: ENTR - Enter
- Document type: OPER (operating) or CAPL (Capital Outlay)
- Budget type: OREC (Original, recurring budget) or ONRC (original, one-time budget)
- Fiscal year: the budget's fiscal year
- Budget Period: 1 – The original budget will be loaded to period 1. Note: budget control will occur at the fiscal year level, not at the fiscal period level.

*NOTE: When the budget is extracted back to BI Budget Prep, a distinction will need to be made on whether the budget adjustments were recurring or non-recurring (one-time) in nature. If recurring, the budget adjustment will be mapped to budget type MREC; if non-recurring, the budget type will be mapped to MNRC. Separating budget adjustments according to MREC and MNRC will help build the following year's budget.*

The final, approved budget (grantee-relevant) will be loaded to GM BCS with the following budget document header field values:

- Budget version: "0" – Operative Budget
- Budget process: ENTR - Enter
- Document type: SE (Sponsor Original Budget) or BE (State Original Budget) [(1)]
- Grant: Number of the Grant
- Document Date: Date of Load

[(1)] *If the budget relates to the State's contribution share/matching, document type BE will be used. If the budget relates to Sponsor funding, document type SE will be used.*

*NOTE: Refer below to the FM budget document header characteristics for GM budget in the section titled: FM Budget Documents (FMBB.)*

***Other Budgeting Notes:***

- Budget amendments will be performed in ECC FM (or GM) since real-time updates will be required. See process below.
- Grant budgets will be created according to State internal dimensions and converted to external dimensions upon retraction to GM.
- The characteristics (budget process, budget type, etc.) will be retained in BI Budget Prep for all budget amendment documents that are extracted. Similarly, the budget amendments made in ECC will retain their original characteristics if retracted back to ECC, if necessary.
- The use of Budget Release functionality was discussed in the workshops. Ultimately, it was decided that the full budget amount would be available for spending once it is signed by the Governor and loaded into SAP.
- Revenue Increasing Budget (RIB) was presented as a tool that could supplement the budget as revenues are received. It was decided that since the overall budget cannot be increased without legislative approval (i.e. the BA7 process); RIB would not be used in this fashion.

RIB was presented as a possible solution to increasing the budget up to the budget authority levels as the revenues and cash were received for MOF such as Self Generated and IAT. In this way, the budget would be spent only as the cash was received and in essence, try to simulate cash control in FM. A presentation of the functionality was conducted to the SME's during the FI-FM-003: FM Budget Availability and Control session. While the SME's thought the functionality potentially useful, in the end, they expressed the following concerns which led them to feel the functionality would not be useful to simulate cash control in FM:

- Many cases where Self Generated, IAT and Federal money are required to be spent before the money is collected (use other money such as General Fund money to cover the payments)
- The difficulty in deciding which expense codes to increase the budget to at the beginning of the year for each Means of Financing;
- The difficulty determining expense budgets attributable to specific MOF at the beginning of the year when updating the RIB rules
- A concern over the number of subsequent budget transfers required to spread the RIB budget if it is assigned to a default expense budget address;
- OPB raised the concern that expense budgets must contain the full budget authority and all budget adjustments for EOB (Existing Operating Budgets) to start the budget process. Since it was decided that all budget adjustments would be done in ECC, to arrive at the current operating budget, the full expense authority must be present in ECC to be extracted to Budget Preparation (BI-IP).

In the end, it was mentioned that these concerns would be evaluated and considered when designing a possible solution for cash control in SAP, of which RIB was just one potential solution. No key decision was made with respect to the use of RIB for cash control. The solution for effecting cash control in the system will be reviewed in January 2009 to determine the best solution for the State.

***FM Budget Address***

Budget in BI Budget Prep and ECC FM will be posted to a combination of FM Master Data or FM account assignment. In FM Budget Control System (BCS), an FM account assignment is a combination of FM "dimensions": Fund, Grant, Funds Center, Funded Program, Functional Area, and Commitment Item. FM BCS distinguishes between three types of account assignments <u>addresses</u>:

- Posting Account Assignment Address – where expenses/encumbrances are allowed; expenses/encumbrances are POSTED at this level
- Budget Account Assignment Address – where budget posting is allowed; budget is MANAGED at this level

- Control Account Assignment Address – where availability control is executed (i.e. budgets are checked for availability); budget is CONTROLLED at this level

At the State, ALL FM account assignments (all possible combinations of the 6 FM "dimensions") will be available for budget and expense/encumbrance postings. This approach will substantially minimize budget structure maintenance as well as provide the greatest flexibility to enter budget at any level in the future. However, funds availability will be managed by control account assignments that will be inferred during postings based on the AVC derivation strategy (Refer to FIN-FM-PDD030 – FM Budget Availability and Control.

The State will enter budget at the following level of the FM account assignments (both BI Budget Prep and FM):

- **Fund** – budget will be posted at the individual fund level.
- **Funds Center** – In the case of DOTD agencies, budget will be posted to a higher level fund center than where the actual expenses / encumbrances will be posted to. In the case of AFS agencies, no higher level fund centers will be required as the budget is entered to the same level as actual expenses. As outlined in FIN-FM-PDD010 – FM Master Data, there will be a one-to-one relationship between FM Fund Centers and CO Cost Centers (share the same number range). Actual expense and encumbrance postings to a cost center will update the fund center with the very same number (as part of the posting address in FM). However, for DOTD, since budget is not entered down to the last few digits of the cost centers (e.g. crews/authorizations), the following higher level fund centers will exist in FM to enter budget:
    - DOTD Agencies: Fund Center will match the first seven digits of the corresponding cost center representing the Agency (3), Program (1), Sub-Program (1) and District or Section (2). The last three digits of the Fund Centers will be zero filled.
- **Commitment Item** – budget will be posted at the lowest level commitment item (one to one relationship with the general ledger or CO cost element, with exception of assets, inventory, and real estate balance sheet accounts).

  *Note: While agencies will post the budget to the individual object codes in the legacy system, some may pick one account or the first account with the current legacy object category (grouping of like accounts) to facilitate budget control instead of actually spreading the budget to each detailed account (effectively budgeting at the object category level). Other agencies will perform a more detailed budget by individual object codes. This practice may continue in the future.*
- **Functional Area** – For budgeting (and budget control purposes), functional area is largely not relevant. The value "NOT RELEVANT" will be used in such cases. The exception is budgeting (but no budget control) for Disasters such as hurricanes. In this case, budget may be entered for functional areas representing disasters for monitoring actual disaster costs against forecasted costs.
- **Grant** – budget will be posted by individual grant. Grant budgets will be entered in Grants Management and transferred to FM -BCS; for Non-Grant Relevant budgets, a default NOT RELEVANT grant value will be used.
- **Funded Program** – For budget purposes, the funded program will represent Capital Project WBS elements, Grantee Programs, Grantor Programs, and Real Internal Orders.
    - For Capital Projects, budget will be entered in Funded Programs as follows:
        - DOTD and Facilities Non-State Projects – Budgets will be entered at the funded programs representing individual project phases (2nd level of project structure)
        - Facilities State Projects – Budgets will be entered at the funded programs representing individual project phases (3rd level of project structure)

- OCPR Projects – Budgets will be entered at the funded programs representing individual project phases (2nd level of project structure)

- For Grantee Grants, budget will be entered at the Funded Program level representing the individual grant programs (same number)
- For Grantor Grants, FM Funded Programs will represent grant programs (same numbers). Budget will be entered at the appropriate level depending on the individual grant.
- Budgets for Real CO Internal Orders will be entered on the Funded Program with the same number.
- For all other budgets, a default NOT RELEVANT Funded Program will be used.

***Note:*** *Funded Programs will not be used to budget for work orders (Agile or ECC PM work orders). The budget will reside at the Fund Center or Capital Project Phase where the work is being performed.*

***Budget Amendments***

Periodic budget amendments will be carried out in ECC FM, not BI Budget Prep. This is to facilitate the real-time update of budgets, particularly in light of the fact that budget errors for non-salary expenses may occur and prevent postings from taking place. Budget transfers in real-time prevent delays in processing when budget errors occur. **Important Note:** Grant relevant budget amendments must be performed in GM, not FM.

Agencies will be responsible for entering all of their own budget adjustments. This includes both BA7 and non-BA7 processes.

***BA7 Amendment Process:***

The current rules associated with preparing and processing a BA7 remains unchanged. The BA7 process will continue to be followed when:

1. A budget transfer that crosses funds, agencies, program or three digit commitment objects (current legacy object category)
2. An increase to the overall budget (budget authority), i.e. SAP Budget Supplement
3. A decrease to the overall budget (budget authority), i.e. SAP Budget Return
4. New grant and related budgets

The current offline BA7 approval process remains unchanged. The entire offline approval process is represent by the first box in the to-be BA7 process flow, Periodic Budget Amendments (BA7s), also included in Section 3 below.

Once the BA7 offline approval is complete, the Agency budget analysts will use the FM Budgeting Workbench (transaction code FMBB) to create the budget document. The following information will be entered for each budget document:

- The BA7 Type (drop down field)
- Business Justification for the budget amendment in the Document long text
- Legislative number or executive order
- OPB Log # and Agency Log #

There could be up to four levels of approval, which will take place in the following order:

- Departmental Budget Analyst
- OSRAP Accountant
- OPB Budget Analysts
- STO Fiscal Accountant

While it was pointed out that four levels of approval seemed excessive and perhaps add little value, particular since OSRAP and Treasury are typically not involved in the approval of budget documents, the respective controlling agencies requested they still be part of the approval process in SAP. STO did not

want to be excluded and requested to be last in the approval process; OSRAP had a take away action item to determine whether they should continue in the approval process. Ultimately, OSRAP requested to continue with the approval process. Maintaining the current level of approval eliminates the possibility of improving the efficiency of the budget amendment approval process.

Approval will take using SAP workflow. Workflow will send a message to both SAP Mail and Outlook. Approvers will receive a daily reminder notice if the budget documents have not been acted on. Approvals will be sequential; if an approver rejects the budget document, the subsequent approvers will not receive a workflow notice. Approvers will include a reason for the rejection and the rejected budget document will be routed to the originator (Agency Budget Analyst). The originator will review the workflow and if necessary correct the budget document, enter a reason for resubmission and re-submit for approval. The entire approval process will take place again.

The originator will also receive a workflow notice via email when a budget document has been approved by all levels and posted in the system. In this case, no further action is required and the budget has been updated.

There will be a daily overnight extract to BI that will capture all the budget amendments for each day (in addition to all expense/actual postings and updates to master data). Thus, budget amendments will be reflected in the BI reports by the following day. In addition, BI Budget Prep will extract, as required, all budget documents. Only at this point will mid-year budget amendments be reflected in the BI Budget Prep module.

For specific workflow requirements, refer to Section 6 below.

Notes:

- For BA7 transfers that cross agencies, two budget documents will be created instead of one. One agency will create the budget return, while the other agency will create the budget supplement. Both will reference the BA7 type and legislative number or executive order as a link. The budget documents will be subject to the normal approval process. OPB will ensure that both sides have been performed to ensure overall budget remains unchanged.
- New, mid-year grants within the current budget authority will result in a non-relevant budget return in FM plus an Enter process in GM.
- New, mid-year grants exceeding the current budget authority will be treated as Supplemental budget and will use the budget type MNRC (mid-year non-recurring budget)
- In the case of supplements and returns, an enhancement will be made to ensure that revenues = expenses (captured in Section 6 below)

***Non-BA7 Amendment Process:***

A non-BA7 budget amendment is one that does not meet any of the criteria listed above for a BA7 budget amendment. For example, a budget transfer within the same agency program and three digit commitment item (current AFS object category).

The current offline approval process remains unchanged. The entire offline approval process is represented by the first box in the To Be Non-BA7 process flow, Periodic Budget Amendments (Non-BA7s), also included in Section 3 below.

Once the Non-BA7 offline approval is complete, the Agency budget analysts will use the FM Budgeting Workbench (transaction code FMBB) to create the budget document. The following information will be entered for each budget document:

- Business Justification for the budget amendment in the Document long text

Approval will take using SAP workflow. The levels of approval will depend on the type of budget amendment being performed.

- If the budget document involves a transfer within the same agency program and current object category, no additional OPB approval will take place. Departmental approval will be required.
    - Exception: OPB approval will be required when transferring budget to non-consumable type UNAL (un-allotted).
- The document will be routed to both Departmental Budget Analysts and OPB Budget Analyst for approval via workflow when Departmental review is required and the budget document crosses an agency program or an object category (three digit commitment item).

The workflow process and updates to BI and BI Budget Prep are the same as BA7 budget amendments. Refer to the details above.

***NOTE:*** *Currently, in some cases, agencies keep a manual log of all budget transfers. This log will no longer be required. SAP assigns the next available budget document number, regardless of which agency is posting the transaction. The number range is shared. A listing of all budget amendments, including budget transfers, by agency can be run from the system, as needed.*

***FM Budget Documents (FMBB)***

The FM Budgeting Workbench and GM Budgeting Workbench will be used to create non-grantee and grantee budget documents respectively. This section covers the design decisions relating to the FM Budgeting Workbench (transaction code FMBB). For information on the GM Budgeting Workbench, refer the appropriate GM PDD. Budget entry documents are recorded in BCS with a set of required fields (usually entered on the budget document header), each of which allows segregation for reporting and control. The required fields in the SAP Budget Control system are:

- Budget Version allows us to keep two or more sets of data for the same budget object in parallel. The following budget versions will be used in FM:
    - ORG – Final Budget approved by the Legislature and Governor. Frozen once annual budget (including Grantee budget) is loaded
    - 0 (Zero) – Active or Operative Budget

  *Additional Budget versions can be created during realization if necessary. Version "0" is used for FM budget control. All other versions are used for reporting actual versus budget at a specific point in time or for budget comparisons (view changes). These versions will also exist in the BI Budget Prep Module.*

- Budget Process characterizes the basic process that is used to post a budget entry document. The following SAP standard delivered budget processes will be used:
    - ENTER (ENTR) - Original budget created as part of normal budget cycle or for new, approved grantee grants that fall within the existing budget authority.
    - TRANSFER (SEND/RECV) – Used to transfer budget from one budget address to another. Users must specify both a Sender and Receiver budget address. Overall budget amount or budget authority does not change. Used often to move budget when budget errors occur.
    - RETURN (RETN) – Used to Return budget not used / required. Reduces overall budget amount or budget authority. It will also be used in cross agency BA7 transfers. The sending agency would use RETN to return the budget while the receiving agency will use the SUPL process to increase the budget.
    - SUPPLEMENT (SUPL) – Used to record increases to the overall, original budget (increase budget authority). Includes mid-year budget increases such as new, approved Grantee grants that exceed the existing budget authority. It will also be used in cross agency BA7 transfers as noted in the RETN process above.

  ***Note:*** *COSD – Carry Forward Sender; CORV – Carry Forward Receiver - will not be required for the State since no budget (residual or commitment budget) will be carried forward from one year to the next.*

***Note:*** *RBBS –Revenue Increasing Budget Source, RBBT – Revenue Increasing Budget Target – will not be used at this time unless RIB is used to approximate budget with cash (for control). The finance team will select the best solution for the State during late Blueprinting / Early Realization phase.*

- Budget Document Type classifies the budget document and is assigned to its unique budget document number range. We will use the following budget document types:
  - OPER : Operational Budget (includes DOTD, Grantor)
    - 1000000000-1999999999 (Non-Year Dependent)
  - CAPL: Capital Outlay Budget
    - 2000000000-2999999999 (Non-Year Dependent)
  - GRNT: Grants (Grantee – GM Budget updated in FM from GM)
    - 3000000000-3999999999 (Non-Year Dependent)

- Budget Type further subdivides the Budget Process and will be used to further sub-divide the budget process for reporting purposes. Budget types can be defined as consumable or non-consumable. Budget coded with a consumable budget type is available for spending. Non-consumable budget types are used to segregate budget that cannot be spent temporarily. It must be transferred to a consumable budget type (using the transfer process in FMBB) when the budget is required for use. Budget authority is made up of both consumable and non-consumable budget. The State will use the following budget types:
  - Consumable Budget Types:
    - OREC – Used for original, recurring budget as part of the annual budgeting cycle.
    - ONRC - Used for original, one-time budget as part of the annual budgeting cycle.
    - MNRC – Used for mid-year BA7 (supplements and returns) and non-BA7 budget adjustments (transfers) that are non-recurring or one-time in nature. New grantee budget will use MNRC as only one budget type can be assigned during configuration.
    - MREC – Used for mid-year BA7 (supplements and returns that are recurring in nature (i.e. will become OREC in next annual budget cycle).
    - Mid-year budget amendments will use MNRC or MREC so that when the budget is extracted to BI Budget Prep, budget adjustments will be classified according to whether they are recurring or non-recurring. Recurring budget adjustments will be included in the new years budget (as OREC) while non-recurring FM ECC budget adjustments will be ignored.
  - Non-Consumable Budget Types:
    - ONCB – Used for recording non-consumable budget as part of the annual budgeting cycle. ORGN will typically be transferred to a consumable budget type in ECC when ready to be assigned. For Example: Capital Outlay budget until specific budget is set-up and ready in ECC.
    - UNAL – Used by agencies to restrict budget authority (un-allotted budget) in time of budget spending restrictions. Involves transferring budget from a consumable budget type (and vice versa) based on BA7 and OPB directives.
    - RESV – Used to manually reserve budget. Involves transferring budget from a consumable budget type to this non-consumable budget type and vice versa when ready to use the budget

The following tables outline the valid combinations of budget processes, budget types, and budget document types. **Note:** The two document types are shown, but only one would be used with a budget process and budget type at a time.

***Non-GM Relevant Budgets:***

Includes all FM Budget documents created directly in FM.

| BUSINESS PROCESS | DOCUMENT TYPE | PROCESS-BDGT TYPE: RECEIVER | PROCESS-BDGT TYPE: SENDER | AUTHORITY GROUP |
|---|---|---|---|---|
| Retract Annual Budget from BI-IP | OPER / CAPL | ENTR-OREC<br>ENTR-ONRC<br>ENTR-ONCB | N/A<br>N/A<br>N/A | OPB |
| Mid-Year Budget **Supplements** | OPER / CAPL | SUPL-MNRC<br>SUPL-MREC | N/A<br>N/A | ALL (With Budget Authority) |
| Mid-Year Budget **Transfers (Consumable)** | OPER / CAPL | RECV-MNRC | SEND-MNRC | ALL (With Budget Authority) |
| Mid-Year Budget **Transfers (Non-Consumable to Consumable and Vice Versa)** | OPER / CAPL | RECV-ONCB<br>RECV-RESV<br>RECV-MNRC<br>RECV-MNRC | SEND-MNRC<br>SEND-MNRC<br>SEND-ONCB<br>SEND-RESV | ALL (With Budget Authority |
| Budget **Returns/Reductions (current year** | OPER / CAPL | RETN-MREC<br>RETN-MNRC | N/A | ALL (With Budget Authority) |

***GM Relevant Budgets (Integration with FM):***

GM budget flows to FM. The following table shows how the GM Budget Process and the GM Document Type combinations flow into the FM Budget Processes and Types. All GM budget will be mapped to the FM document type GRNT.

| BUSINESS PROCESS | DOCUMENT TYPE | PROCESS-BDGT TYPE: RECEIVER | PROCESS-BDGT TYPE: SENDER | AUTHORITY GROUP |
|---|---|---|---|---|
| GM Annual Budget to FM (Created in BI-IP | GRNT | ENTR-ORGR | N/A | OPB |
| New Mid-Year Grants (within budget authority) | GRNT | ENTR-ORGR | N/A | OPB |
| New Mid-Year Grants (outside budget authority) | GRNT | SUPL-MNRC | N/A | OPB |
| Mid-Year Budget **Supplements** | GRNT | SUPL-MNRC | N/A<br>N/A | ALL (With Budget Authority) |
| Mid-Year Budget **Transfers** | GRNT | RECV-MNRC | SEND-MNRC | ALL (With Budget Authority) |
| Mid-Year Budget **Transfers (Non-Cons. to Cons. and Vice Versa)** | N/A | N/A | N/A | N/A |
| Budget **Returns (curr. Yr)** | GRNT | RETN-MNRC | N/A | ALL (With Budget Authority) |

***Other Notes Relating to the FM Budgeting Workbench:***

- Both revenues and expense budget amounts will be entered as positive numbers
- Budget Period Control will be used to control the periods that are open for budget. In general, two budget periods may be open for budgeting at month end (current plus the next month). After month end close, only the current period will be open for budgeting. All budget documents will thus be recorded in the period that they are entered.
- Pre-Posting budget documents will not be used for approval process. Workflow will be used instead since more than one level of approval was required.
- The following budget workbench line item layout (in order of the columns) was decided as the standard State Layout: Fund / Fund Center / Funded Program / Functional Area / Amount / Text. The Grant field will be in the header and default to NOT RELEVANT as Grant budget documents should be performed in GM.
- A budget check will be established (using an enhancement to a standard SAP BADI) to ensure that total revenue budget equals the total expense budget for budget supplements, returns and enter processes. This will ensure balance budgets.

***FM Budget Status Management***

1) The FM Budgeting cycle can be split up into different statuses or phases. In each of these phases, control over what combinations of SAP Budget Processes and Budget Types that can or cannot be entered is defined. For example, the Enter/ORGR combination can only be entered at the budget preparation phase but not at year end.

2) The status is assigned to a combination of FM Area, Fiscal Year & Budget Version combinations. Update of status will be carried out by OPB on the application side of SAP in line with best practice of centralizing the control of budget activities.

3) The use of status is mandatory in FM. This can range from one status (all combinations allowed) to many statuses. The number of budget statuses will depend on the level of budget centralization, number of users and degree of control desired.

4) The following decisions were made regarding FM Budget Status Management for the State:

- Separate budget cycle phases will be created and shared by all funds (Operating, Capital, and Grants). Each phase will permit certain budgeting transactions.
- Phases will be updated by OPB
- Authorization groups will be created to further limit access to budget transactions within a phase. For example, an authorization can be created that will allow only OPB access to budget transactions with any phase.

The following diagram illustrates the phases/rough timeline that will be established, as well the budget combinations which will be permitted in each phase. Actual dates for each phase will be fixed each budget year and updated accordingly in the application side of SAP by OPB.

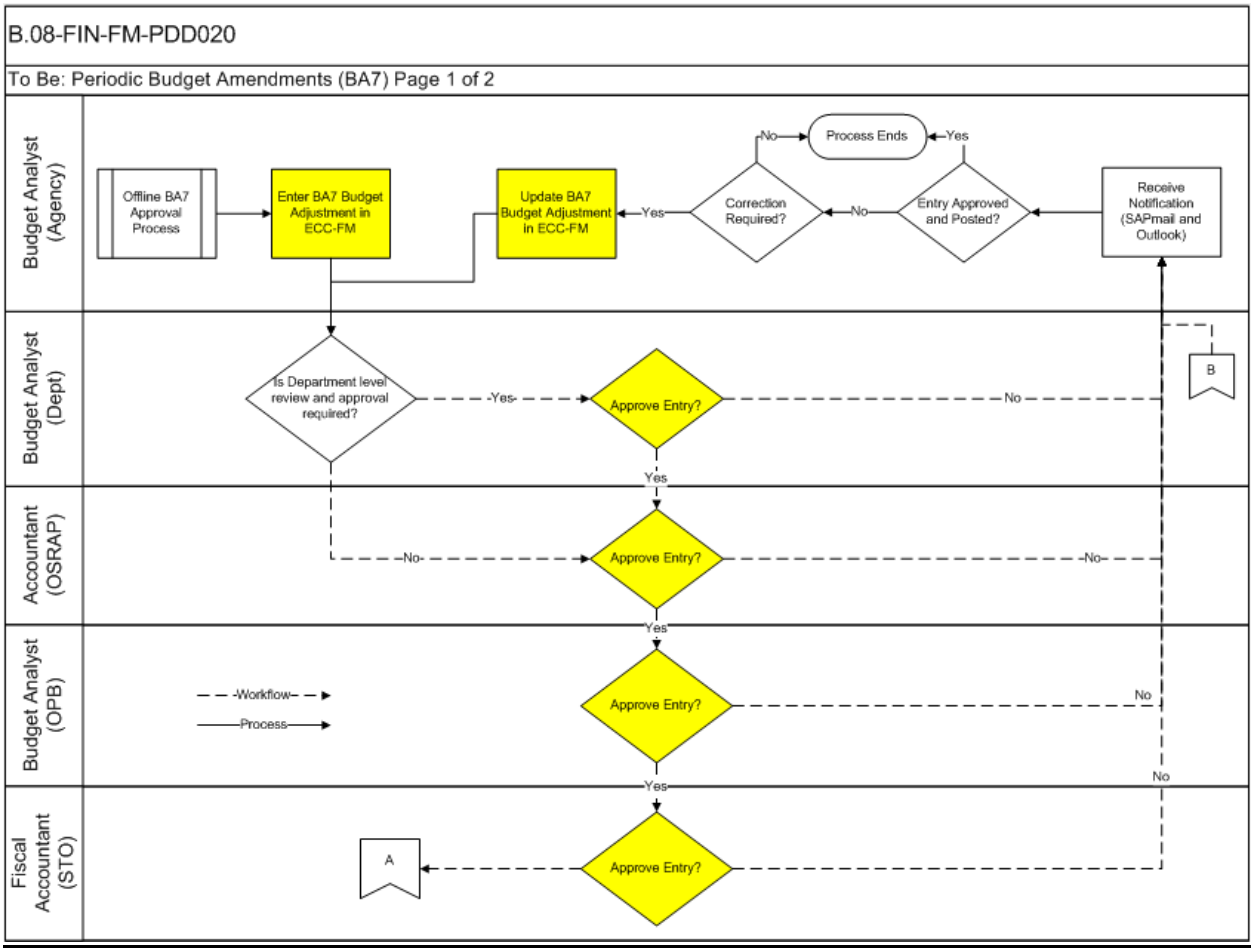
| BUSINESS PROCESS | PROCESS-BDGT TYPE: RECEIVER | PROCESS-BDGT TYPE: SENDER | P1 Preparation | P2 Execution (up to period 13) | P3 Closing (period 14 – OPB only) | P4 Closed |
|---|---|---|---|---|---|---|
| Retract Annual Budget from BI-IP | ENTR-OREC<br>ENTR-ONRC<br>ENTR-ONCB | N/A<br>N/A<br>N/A | ✓ | ✓<br>(Grant Funds) | ✗ | ✗ |
| Mid-Year Budget **Supplements** | SUPL-MNRC<br>SUPL-MREC | N/A<br>N/A | ✗ | ✓ | ✓ | ✗ |
| Mid-Year Budget **Transfers (Consumable)** | RECV-MNRC | SEND-MNRC | ✗ | ✓ | ✓ | ✗ |
| Mid-Year Budget **Transfers (Non-Consumable to Consumable and Vice Versa)** | RECV-ONCB<br>RECV-RESV<br>RECV-MNRC<br>RECV-MNRC | SEND-MNRC<br>SEND-MNRC<br>SEND-ONCB<br>SEND-RESV | ✗ | ✓ | ✓ | ✗ |
| Budget **Returns/Reductions (current year** | RETN-MREC<br>RETN-MNRC | N/A | ✗ | ✓ | ✓ | ✗ |

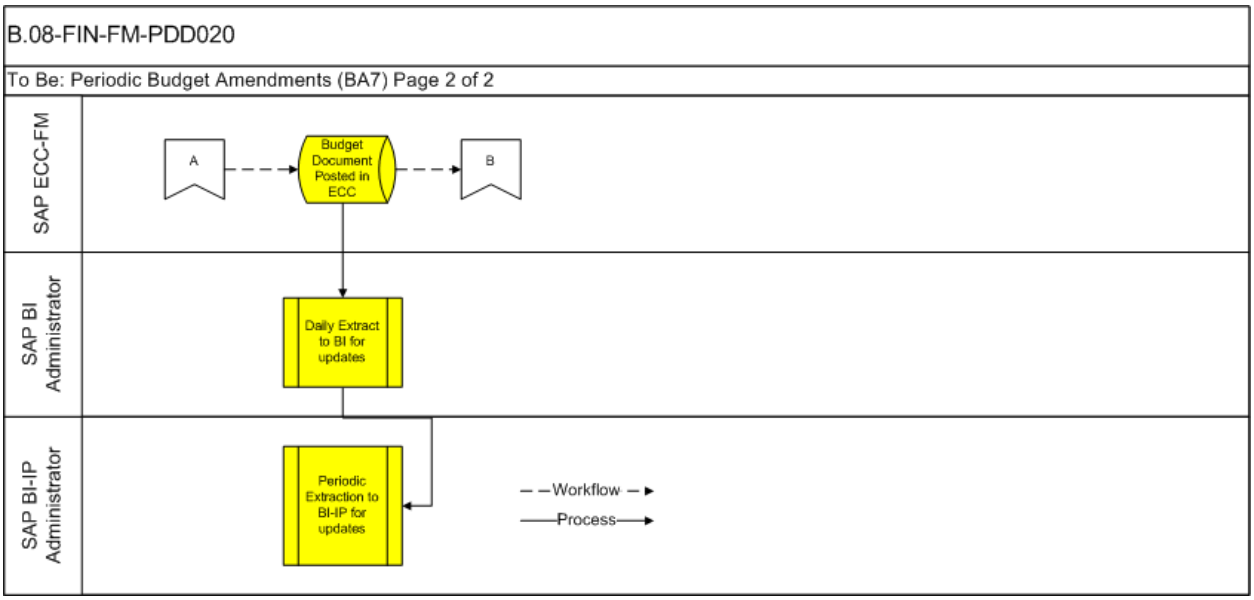
### *Process Terminology*

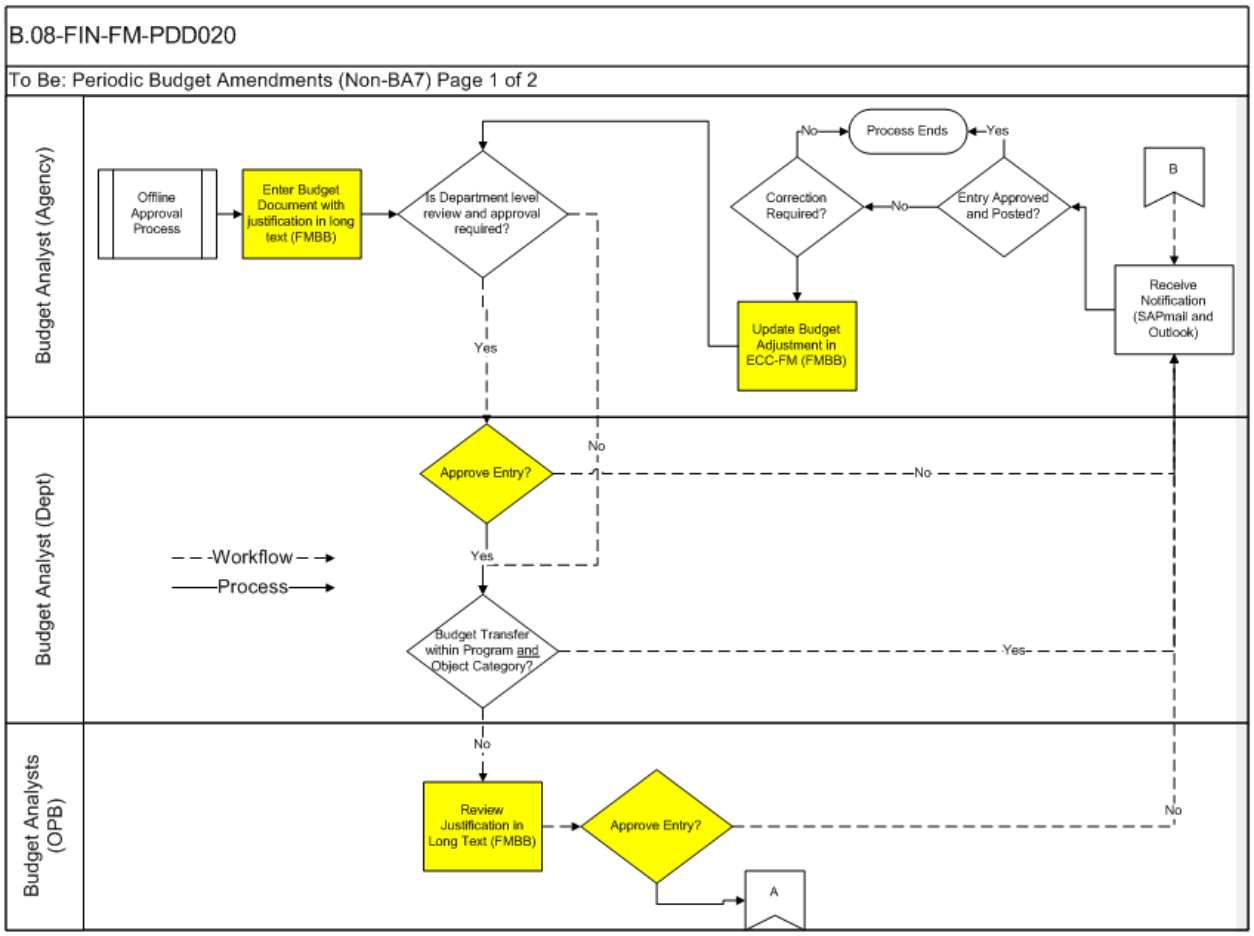
| # | Process Terminology | Description |
|---|---|---|
| 1 | BI Budget Prep Module | Business Warehouse based SAP solution for preparation of budget. |
| 2 | BI Budget Retraction | The process of sending budget data from the BI Budget Prep module to the SAP ECC system (FM module). |
| 3 | BI Budget Extraction | The process of receiving and updating data (master data and budget data) from the SAP ECC system to the BI Budget Prep module. |
| 4 | SAP ECC System | The transactional system of SAP (older version was SAP R/3), which includes Finance, HR and Procurement modules. |
| 5 | FM Budgeting Workbench (FMBB) | The transaction in FM used to enter periodic budget adjustments for non-grant (GM) relevant budget. Includes budget adjustments for Entering, Supplementing, Returning and Transferring budget. |
| 6 | FM Budget Category | A classification of budget used for public sector enterprises. In the US, all entities |

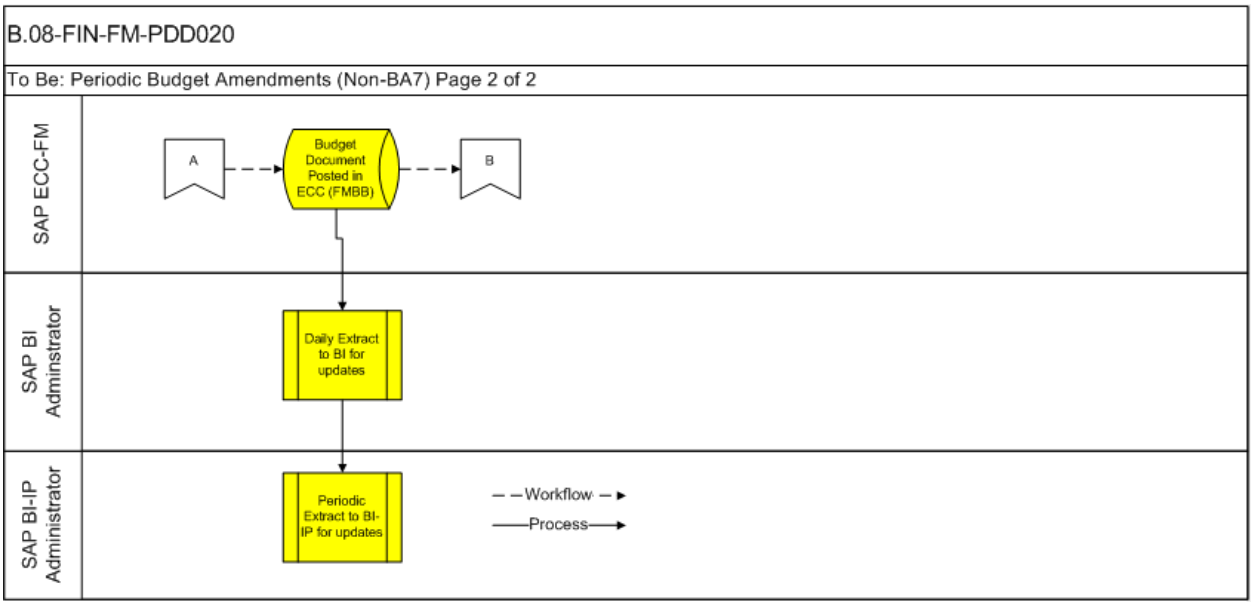
| # | Process Terminology | Description |
|---|---|---|
| | | (including the State of Louisiana) use 9F – Payment budget. |
| 7 | FM Budget Version | A picture at a point in time of the budget. Budget versions can be created by freezing a copy of the current or operating version (version '0') for future reporting and comparison purposes. |
| 8 | FM Budget Process | The standard delivered budget activities which classifies budget according to the type of budgeting being performed. Includes Entering, Supplementing, Returning and Transferring budget processes. |
| 9 | FM Budget Document Type | A classification of budget documents which groups like budget documents together and is associated with a unique document type. |
| 10 | FM Budget Type | Budget Types are used to sub-divide the budget process (enter, return, transfer or supplement) for more detailed budgeting and budget reporting. Budget types can be defined as consumable or non-consumable and are required when creating budget documents. |
| 11 | FM Non-Consumable Budget Type | An FM Budget Type which is assigned to budget in creating budget documents when one wishes to block the budget for consumption. Non-consumable budget cannot be consumed until it is transferred to a consumable budget type. |
| 12 | FM Consumable Budget Type | An FM Budget Type which is assigned to budget in creating budget documents when one wishes to allow the budget for consumption, i.e. the budget is available for spending. |
| 13 | FM Budget Period(s) | The period(s) that is (are) open to perform budget amendments in FM. FM Budget periods are opened and closed as part of the month-end process. |
| 14 | Revenue Increasing Budget (RIB) | SAP functionality that increases the budget authority and availability automatically (both revenues and expenses) based on pre-configured rules when additional revenues are posted. |
| 15 | FM Budget Address | FM Account Assignment to which budget postings are entered and recorded in FM. It is where the budget resides. |
| 16 | FM Budget Status Management | A tool used to break up the fiscal year into phases which contains the types of budgeting processes that can take place. |

## To-Be Process Flows




B.08-FIN-FM-PDD020
To Be: Periodic Budget Amendments (Non-BA7) Page 1 of 2
Budget Analyst (Agency)
Budget Analyst (Dept)
Budget Analysts (OPB)
Offline Approval Process
Enter Budget Document with justification in long text (FMBB)
Is Department level review and approval required?
Yes
No
Process Ends
Yes
No
Correction Required?
No
Entry Approved and Posted?
B
Update Budget Adjustment in ECC-FM (FMBB)
Receive Notification (SAPmail and Outlook)
Approve Entry?
No
No
Yes
Workflow
Process
Budget Transfer within Program and Object Category?
Yes
No
Review Justification in Long Text (FMBB)
Approve Entry?
No
A


B.08-FIN-FM-PDD020
To Be: Periodic Budget Amendments (Non-BA7) Page 2 of 2
SAP ECC-FM
SAP BI Adminstrator
SAP BI-IP Administrator
A
Budget Document Posted in ECC (FMBB)
B
Daily Extract to BI for updates
Periodic Extract to BI-IP for updates
Workflow
Process

## Key Business Process Decisions

The following key decisions, already detailed above, will be highlighted below.

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 1 | The FY 2010-11 budget prepared outside of SAP will be the first budget loaded into FM ECC. This will be directly loaded into FM (and GM for Grantee relevant budget). Budget will be prepared using legacy objects. | No major impact | No major impact |
| 2 | The FY 2011-12 budgets will be the first budget prepared in BI Budget Prep and retracted to FM (and GM via a separate extract file). | Captured in BI Budget Prep PDD's | Captured in BI Budget Prep PDD's |
| 3 | Upon loading or retracting the annual budgets to FM (and GM), the original budget will be frozen using FM Budget version 'ORG' (zero) | No major impact | No major impact as this is a centralized function |
| 4 | The State will not use Budget Structures and will have a one to one relationship between posting and budget addresses. This means no limitations will be based on where the budget can be entered, allowing the greatest flexibility between agencies and for the future. Higher level fund centers will be used for DOTD, while Non-DOTD agencies will use the same fund centers for budgeting that are used for posting actuals and commitments upon Budget Prep Retraction and FM amendments. | No major impact | No major impact |
| 5 | Periodic, budget amendments (both BA7 and non-BA7) will take place in SAP ECC, not BI Budget Prep. The offline approval process for BA7 and non-BA7 does not change. | Budget amendments in the system currently entered in BRASS by OPB. Spread by the agencies using AP, RB, and EB documents. Slight change to current process. AP, EB, and RB documents replaced by one document in ECC. Budget prep will not be updated until the next extraction of data. | Budget analysts will need to be trained on the FM Budgeting workbench to conduct the various budget amendments |
| 6 | Periodic, budget amendments will be subject to approval. Approval routing will be handled using workflow. Current levels of approvals will be maintained. | Process will include sequential, workflow approval by various controlling agencies.<br><br>The ability to speed up approval process is diminished by maintaining the current levels of approval. | Training of control agency users (approximately 30 users) on use of workflow and approval process |

## Statute, Regulation, Policy, and Procedural Impacts

| # | Statue, Regulation, Policy or Procedure | Revision Identified | Business Owner |
|---|---|---|---|
| 1 | Budget currently cannot be loaded and consumed until it is signed by the Governor -usually within 20 days after delivering of the bill from the legislature. This results in the need for seed money and granting of exceptions for carrying out operations at the beginning of the year.<br>Furthermore: agencies begin next year purchasing activities as soon as January of the current year even though next years' budget has not been approved. This is accomplished and possible because of stand alone purchasing systems that do | Due to the integrated nature of procurement processes (PR, PO) with the financial systems (FM), budgets will need to be loaded prior to the final budget load in order to support next year purchasing activities (in the current year) and regular operating activities between July 1st and the time the budget is uploaded after approval from the Governor.<br>The amount, timing of budget entry and method of entering the next fiscal years' | Barry Dusse |

| # | Statue, Regulation, Policy or Procedure | Revision Identified | Business Owner |
|---|---|---|---|
| | not encumber funds in the financial system or by entering $1 purchase order against the current year budget. | budget will need to be determined and revised in the new system | |
| 2 | Currently, due to system limitations, OPB approval is required for budget transfers within the same program and object category. | No OPB budget approval will be required for inter-program, inter-object category transfers are carried out. Department approval may still be required | Paul Fernandez |
| 3 | Control Agencies Policy & Procedures | OSRAP Policy & Procedure Manuel – Chapter 3 (Budget) | OSRAP |

## Identified Development Objects (FRICE-W)

| F – Forms | Master List of Current and Future State Forms: FM – Budget Prep | | | | | | |
|---|---|---|---|---|---|---|---|
| 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: FM – Budget Prep | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Report Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | Budget Amendments with long text. | Copy of standard program to include long text entry from budget document. | | X | OPB requires a report for all BA7's with budget justification which is captured in long text. | Paul Fernandez | |

| I – Interfaces | Master List of Current and Future State Interfaces: FM – Budget Prep | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Interface Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | None identified. | | | | | | |

| C - Conversions | Master List of Future State Data Conversions: FM – Budget Prep | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Type of Data | Use | Source | Destination | Justification | Approach | Comments |
| 1. | Budget - AFS | At conversion | Budget legacy data in AFS | Loaded to via transaction code FMBB | Budget data must be converted prior to go live | As part of the process, legacy objects will need to be mapped using function modules that | Refer to Enhancement #2 |

| C - Conversions | | Master List of Future State Data Conversions: FM – Budget Prep | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Type of Data | Use | Source | Destination | Justification | Approach | Comments |
| | | | | | | map it to SAP objects in Z tables prior to loading data through transaction code FMBB | |
| 2. | Budget - DOTD | At conversion | Budget legacy data in DOTD | Loaded to via transaction code FMBB | Budget data must be converted prior to go live | As part of the process, legacy objects will need to be mapped using function modules that map it to SAP objects in Z tables prior to loading data through transaction code FMBB | Refer to Enhancement #2 |

| E – Enhancements | | Master List of Future State Enhancements: FM – Budget Prep | | | |
|---|---|---|---|---|---|
| No. | Type of Enhancement | Details | Target of Enhancement (Gap) | Justification | Comments |
| 1. | Minor Mod – BADI | Custom budget checks for FMBB (FM Budgeting workbench) via the use of standard delivered BADI. The purpose of this specification is to implement FM BADI FMKU_BUDGET_EVNT. | FM Budgeting Workbench (FMBB) | This BADI permits the use of additional budget validations during budget entry that are essential controls to the State, validations that cannot be performed using standard SAP configuration. | Approximately 5-6 custom checks with associated logic required, including the fact that revenues must equal expenses for budget creation, supplements and returns |
| 2. | Major BADI Enhancement | There is a need to implement the Business Application Programming Interface (BAPI) for uploading the Budgets into the ECC system. Specifically, BAPI BudgetEntryDocFM.Create (function module BAPI_0050_CREATE ) will be used for this purpose. | FM Budget Tables | Need a custom upload program to upload the budget into FM from excel spreadsheets. The volume of data is too great to enter manually | This specification has two parts to it: Budget Conversion and Post-Go Live Budget Upload. Most of the logic applies to both. |
| 3. | Minor | Creation of additional budget | FMBB | Required to | Up to five |

| E – Enhancements | | Master List of Future State Enhancements: FM – Budget Prep | | | |
|---|---|---|---|---|---|
| No. | Type of Enhancement | Details | Target of Enhancement (Gap) | Justification | Comments |
| | enhancement to transaction code | document header fields (including drop down fields) in transaction FMBB | Transaction Code and budget tables | support the data that needs to be captured for BA7 and non-BA7 budget amendments | additional fields, including drop down fields |

| W – Workflow | | Master List of Future State Workflow Events: FM – Budget Prep | |
|---|---|---|---|
| No. | Description | Justification | Comments |
| 1. | FMBB (FM Budgeting workbench) workflow requirements:<br>• BA7 Budget Documents: Up to 4 levels of workflow<br>• Sequential flow<br>• No time limits<br>• Email (SAP and Outlook) notification for both rejection and approval of documents<br>• Reminder notices if not approved within certain time period | Workflow will be required to support the electronic approval of budget amendment documents (both BA7 and non-BA7). The approval process is currently performed in the system. | |

## Gaps

| Gaps | | Master List of Future Gaps: FM – Budget Prep | |
|---|---|---|---|
| No. | Description of Gap | Why Gap Exists? | Impact / Comments |
| 1. | Cash control is not standard functionality in SAP. FM is concerned with budget control only. | No cash ledger in SAP. | This is an open issue heading into realization. The FICO team to review the best solution which may or may not include FM. RIB will be looked at, as will other options such as an enhancement to the AP program.<br><br>The current system was extensively customized to achieve cash control.<br><br>This issue is currently being documented in White Paper. |

## Security & Enterprise Role Definitions

| Authorizations | | Master List of Future State Roles/Authorizations: BA7 Budget Amendments | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Agency Budget | Access to create, | | Access to FMBB, FMEDD, |

| Authorizations | Master List of Future State Roles/Authorizations: BA7 Budget Amendments | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| | Analyst | change and display FM Budget documents | | FMEDDW |
| 2 | Departmental Budget Analyst | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |
| 3. | OPB Budget Analysts | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |
| 4. | OSRAP Accountant | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |
| 5. | STO Fiscal Accountant | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |

| Authorizations | Master List of Future State Roles/Authorizations: Non-BA7 Budget Amendments | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | Agency Budget Analyst | Access to create, change and display FM Budget documents | | Access to FMBB, FMEDD, FMEDDW |
| 2 | Departmental Budget Analyst | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |
| 3. | OPB Budget Analysts | Approve or reject budget document | Workflow | Access to FMBB, FMEDD, FMEDDW |

## Organizational Impacts

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 1. | Entering Budget Amendments | Currently, OPB enter AP documents in the budget prep system. Agencies will spread the budget using RB and EB documents in the transaction system.<br><br>In SAP, agencies Enter one budget document in the transactional system for all types of budget amendments | Process is simplified with one system and one document. Education on one budget document for both revenues and expenses. No more use of AP, RB and EB documents |
| 2. | Entering Budget Amendments | The correct usage of the budgeting characteristics, including budget document type, budget type and budget process. These characteristics don't exist in legacy. | Training and detailed BPP's will be required on the various types of budget amendments with the correct use of FM Budget document characteristics. |
| 3. | Entering Budget Amendments | Independent fields in the legacy system have been combined into one field in SAP. For example, program, sub-program and org (division/section) are all part of the fund center in SAP. | Need to be trained on new master data and what legacy coding objects have been mapped to the FM master data used for budgeting. |
| 4. | Workflow for budget document approval | In SAP, approval will be handled via workflow and email (SAP mail and Outlook).<br>In the legacy system (AFS), budget | Training required on workflow usage and method of approving and rejecting budget documents |

| | | | |
|---|---|---|---|
| | | document approval is handled by review a status table and approving it directly. | |

## Training Impacts

Identify potential training impacts that result from the defined business process. The content includes the potential number of people to be trained, their organizational alignment, and the level of process knowledge required.

- Training on the use of FM Budgeting Workbench (FMBB): Approximately 100 budget analyst to train for all agencies (3-5 budget analysts per agency).
- Training on the use of workflow for approval: Approximately 40-50 users. 10 or so at three controlling agencies (2-3 per agency) and remainder at Department (approx. 2 per department)

## Appendix

Not applicable

| | |
|---|---|
| **Team:** | Finance - Funds Management |
| **PDD Name:** | FM Budget Consumption: Expenses and Encumbrances |
| **PDD Number:** | FIN-FM-PDD040-FM Budget Consumption: Expenses and Encumbrances |
| **Business Process Owner:** | Afranie Adomako |
| **Functional Lead:** | Lucie Hidalgo |
| **Functional Consultant:** | Fernando Figueroa |

## Executive Summary

This document will cover the process design and key decisions made during the following:

1. Blueprint Workshop: FI-FM-005: FM Budget Consumption: Expenses and Encumbrances
2. Blueprint Workshop: FI-FM-Validation Session
3. Additional meetings and discussions with SME's throughout the Blueprint Phase

Funds Management (FM) is a receiver of actual expenditures, meaning that no expenditures are directly entered in FM but instead flow in from all other modules, such as Finance (FI), Controlling (CO), and Materials Management (MM) and Human Resources (HR). The FM Account Assignment Derivation tool will be utilized to integrate the postings from other modules into FM, particularly revenues, expenses (and encumbrances) by mapping the master data of those modules to the FM master data. No summarization will occur so that the actual expenses exist in FM at the individual lowest level FM objects, such as Fund, Fund Center, Commitment Items, Functional Areas, Funded Programs and Grants (as applicable based on the various postings).

FM budget encumbrances come in a few different forms, but ultimately, have the same effect. Encumbrances reduce the amount of available budget before the actual expense, if any, is incurred. If encumbrances are not used, the reversal of encumbrance will release the budget originally tied up, making it available for additional spending to that particular combination of FM account assignments. Some encumbrances can also be referred to by follow-on documents, automatically reducing the encumbrances and updating the status of the expenditure. Encumbrances may originate in other modules such as MM or may be created within FM. Encumbrance documents internal to FM are collectively referred to as Earmarked Funds as funds are set aside for a specific purpose.

The following summary outlines the key decisions around encumbrances:

***Material Management (Purchasing) Related FM Encumbrances:***

MM encumbrances will be created in FM for purchasing activities at the Purchase Requisition and Purchase Order stages.

- Contracts will not encumber funds.
- Purchase Requisitions will create an FM Pre-Encumbrance in FM (consume budget).
- Purchase Order will create an FM Encumbrance in FM (consume budget) and reduce Pre-Encumbrances.
- Goods Receipts will be performed in the system (in most cases) and create an expense budget consumption and reduce the related Encumbrance. In cases where no Good Receipt is required, the Encumbrance will be replaced by an expense when the invoice is entered for the purchase order.

***FM Earmarked Funds:***

FM Funds Reservation documents will be created to reserve funds for *specific* purposes.

***FM Non-Consumable Budget Types***

The use of non-consumable budget types will be available to all agencies both during the budget preparation phase and for budget adjustments in ECC. Non-consumable budget types reduce, not consume, the available spending authority until funds are required. In essence, this is not an encumbrance but more of a spending restriction. Budget entered using non-consumable budget types can be transferred to consumable budget types when funds are required. This transfer increases the available budget for spending. At the time of this writing, two non-consumable budget types will be available for different purposes.

## To-Be Process Description

***Summary of Business Process Improvements, their Impact, and Benefits***

***FM Update for Actual Expenditures***

Funds Management (FM) is a receiver of actual expenditures, meaning that no expenditures are directly entered in FM but instead flow in from all other modules, such as Finance (FI), Controlling (CO), and Materials Management (MM) and Human Resources (HR). FM is primarily concerned with revenues and expenses (not balance sheet postings), for the purposes of actual vs. budget reporting, budget consumption and budget control.

Actual expenditures and revenues are posted to non-FM master data such as Cost Centers, WBS Elements, and Internal Orders and are converted to the FM master data objects via the use of the FM Account Assignment Derivation Tool (FMDERIVE). Once converted, revenue and expense postings are updated in the FM ledgers. This tool is the key component for mapping and updating postings from all other modules into the various FM ledgers, i.e. it is the key integration tool for FM with other modules. Using this tool, all actual expenses will flow into FM at the same level as the postings made in the other modules.

FMDERIVE helps drive what is known as the Posting Address in FM. The FM posting address is the combination of FM account assignments such as Fund, Fund Center, Commitment Items, Functional Areas, Funded Programs and Grants (as applicable based on the various postings) where updates should occur in FM for actual postings from other modules. The FM account assignment will differ depending on types and source of postings. Nonetheless, an FM posting address will always contain all six FM account assignments. In some cases, where the account assignment is not relevant to a posting, the value “NOT RELEVANT” will be defaulted by the FM Account Assignment Derivation tool. For example, when posting directly to a cost center for non-grant relevant postings, the fund, fund center and commitment item will be updated, while the value NOT RELEVANT may be defaulted for the Funded Program, Functional Area and Grant fields. For more information on the use of the FM master data fields, refer to FIN-FM-PDD00010.

Per the various workshops, no summarization of posting data will occur in FM. This means that actual expenses will be updated in FM (i.e. Posting Address) at the individual lowest level FM master data objects after being mapped from the objects of the other modules by FMDERIVE. Thus, actual expenses will exist in FM at the same level as the other modules. This update takes place automatically once a document is saved in the source module. Actual expenses can always be summarized or rolled up for reporting purposes if required.

For PM work order postings, the posting address was defined as follows (from session FM004):

1. <u>Preventative, Regular & Agile Work Orders</u>

- FUND – The fund from the posting will be used.
- FUND CENTER – When posting to a work order, a cost center will not be entered, however, the related FM fund center will be derived from the work order master record. The cost center (fund center) in the work order will be cost center where the work order is being performed. Salaries will be charged to home cost center. Equipment and Materials costs will be charged to cost center in work order header.
- COMMITMENT ITEM – The commitment item will be derived from the GL expense account used to record the work order expense.
- FUNCTIONAL AREA – Will be transferred from the actual posting. The functional area used in the posting should match the functional area in the work order master.
- FUNDED PROGRAM – One high level, roll-up funded program by agency will be derived in FM for all work orders to summarize actual costs for all work orders and segregate these costs from regular operating fund center costs. The individual work order number will also be recorded in FM.
- GRANT – Will default to "Not Relevant" value.

2. Capital Project Work Orders

- FUND – The Capital Fund for the Capital Project from the posting will be used.
- FUND CENTER – When posting to a work order, a cost center will not be entered however, the related FM fund center will be derived from the work order master record. The cost center (fund center) in the work order will be the one responsible for the Capital Project
- COMMITMENT ITEM – The commitment item will be derived from the GL expense account used to record the work order expense
- FUNCTIONAL AREA – Will be transferred from the actual posting. The functional area used in the posting should match the functional area in the work order master.
- FUNDED PROGRAM – Will be derived from the WBS element (Capital Project phase) from the Work Order master record. The individual work order number will also be recorded in FM
- GRANT – Will default to "Not Relevant" value

***Material Management (Purchasing) Encumbrances:***

***Non-Contracted Purchases***

1. Purchase Requisitions (PR) will create a pre-encumbrance (FM value type 50) against the FM account assignment specified in the PR. A budget check will occur at the time of the pre-encumbrance to ensure that sufficient budget exists prior to the approval of the PR. An error will occur and the PR and related pre-encumbrance will not be saved if there is a lack of budget to support it. The encumbrance and budget check will take place prior to the requisition approval so that approvers need only to approve PR's with sufficient budget.
2. Purchase Order: When the requisition is referenced in the follow-on Purchase Order (PO), an encumbrance (FM value type 51) will be established for the value of the purchase order. The original pre-encumbrance (FM value type 50) will be reduced by the value of the PO. If the value of the PO equals the value of the PR, the pre-encumbrance balance will net to zero. If the value is less, an encumbrance and pre-encumbrance will exist for the total value of the original PR. If the value of the PO is greater than the value of the PR (due to MM tolerances), a new budget check will take place in FM to ensure there is sufficient budget to cover the incremental budget of the PO. Similar to the PR, the budget check will occur prior to any approval process to ensure approvers look at POs with sufficient budget.
3. MM Goods Receipt (GR): Goods receipts will be entered in the SAP system where required (in most cases). At the time of the goods receipt, the encumbrance from the PO is reduced (FM value type 51) and an actual expense (FM value type 54) replaces it for the value of the goods receipt. The GR

value may differ from the value of the PO or multiple GR's may be performed for one PO. If greater than PO value, a new budget check will occur prior to the GR update. The PO must be updated, if the goods receipt tolerance is exceeded, encumbering additional budget and resulting in another budget check.

4. MM Invoice Receipt (IR): If a GR has already been performed, a subsequent invoice entry against the PO will maintain the same expense status in FM (both an increase and decrease to value type 54) but will update the FM ledger from GR to IR status. A new budget check will occur if the value of the invoice is greater than the value of the goods receipt. If a good receipt was not required for the PO, the encumbrance is replaced by the expense at this time.

*Note: If the subsequent MM document values are less than the previous documents, the related expense, encumbrance and/or pre-encumbrance open balance will continue to consume budget in FM unless the document is updated (manually or by selecting the appropriate box in the document such as final invoice). Once these changes are saved, budget is returned for other uses.*

***Contracted Purchases***

Unlike in the legacy systems, in SAP, MM contracts will not consume or encumber budget. MM contracts provide vendor details and provide ceiling amounts and time limits for spending. MM contracts will be referenced in MM PR's and provide a control in MM to ensure that contract value is not exceeded.

The FM update process is the same with respect for contract purchases (Refer to Non-contracted purchases above), with the possible following exceptions:

- A purchase requisition may be initially created to support the creation of a contract. This initial PR would encumber funds in the standard SAP system. Once the contract is created, the PR will need to be closed to return the funds since a new PR will be released against the contract once it is finalized and in place.

In cases, such as capital outlay where the full amount of a contract is desired or required to be encumbered up front, a PR will be released against the contract for the full amount of the contract. This is the equivalent of encumbering the full contract value in the legacy systems.

***Other Notes:***

The stage of the encumbrance (PR, PO) can be reported in separate columns, along with the actual expenses, based on the different FM value types and transaction codes (in the case of GR versus IR).

*Note: Asset and Inventory purchases will also encumber budget even though these are balance sheet purchases.*

For more information on the purchasing process, refer to the various MM PDD's.

***FM Earmarked Funds:***

FM Earmarked Funds is the collective term for FM documents, which commit the budget for specific or non-specific purposes. FM Earmarked documents include Funds Pre-Commitments, Fund Commitment, Funds Reservations, Funds Block and Forecast of Revenues documents. The automatic or manual use of these documents depends on requirements and use of certain functionality in SAP. The potential use of each type and the State's requirements were discussed during the workshops. In the end, only FM Funds Reservations were deemed to be made available to the all agencies if they wished to use the functionality.

FM Funds Reservation documents will be set up in SAP for optional use by all agencies to reserve appropriated funds (budget) outside of the purchasing cycle for *specific* purposes. FM reservations can be used by agencies or OPB as a way to reserve funds for future use, such as a future purchases. The funds reservation is assigned a separate FM value type 81, making it easy to segregate reservations for reporting. Funds reservations can be referenced in future documents, such as Purchase Requisitions, PO's and financial journal entries, including journal entries and AP invoices. This permits the automatic

reduction of the funds reservation, to be replaced by the new encumbrance or expense. Funds reservations can also be reduced or eliminated manually in cases where a follow-on document does not exist or the reservation was inadvertently not referenced in the related follow-on documents. Funds reservations will consume budget and be subject to budget checks at the time of creation. In order to create a reservation, sufficient budget must exist in the FM account assignment(s) specified in the line item(s) of the document.

FM Reservations can be created in the following dimensions of FM:

- Fund
- Fund Center
- Commitment Item
- Functional Area
- Grant
- Funded Program

Funds reservations will be segregated according to two types. Separate document types, with different number ranges, will be set up as follows:

- Z1 Documents – Agency Fund Reservations:
    - This Fund Reservation type will be made available to all agencies that wish to use it to manage their budget.
- Z2 Documents: OPB Funds Reservations:
    - This Fund Reservation type will be made available only to OPB for funds reservations they wish to create for any agency.

Authorization will be set up so agencies will be able to create, change, and display only Z1 Fund reservations. OPB will have access to both document types, as will OSRAP, in order to liquidate any unused funds reservations prior to year-end.

The following will apply to both reservation types:

- Funds reservations will be used to reserve current year budget only. Any unused reservations and the related budget commitment will not be carried-forward to the New Year. Agencies and OPB will need to close out all unused funds reservations are part of the year-end process to release the budget. OSRAP will run a transaction at year-end to close out any remaining open reservations prior to closing the year. The reservation will need to be recreated in the New Year, if necessary.
- Changes (amount, account assignment, additional line items, deletion of line items, etc) to a funds reservation document can be carried out directly against the document instead of creating a separate and subsequent 'value adjustment' document since the need for audit trail is lessened as agencies are only reserving their own budgets.
- Agencies can decide whether to create separate funds reservations documents or have one fund reservation document with multiple line item reservations when reserving budget for different purposes. When referencing reservations in follow-on documents, in the former case, the unique funds reservation document can be referenced. In the latter case, the fund reservation document plus the line item will be referenced.
    - When referencing the reservations, users will have the ability to:
    - Increase the amount of previous funds reservation (will be subject to budget control)
    - Change the FM account assignment (the funds reservation of the old account assignment will be reduced and the budget of the new account assignment will be consumed).

In addition to the manual Funds Reservation documents, automatic FM earmarked funds will be created for transaction in Real Estate and Grantor Agreements.

***Real Estate / FM Integration:***

In the case of Real Estate Management (RE), the process starts with the creation of a real estate contract for one time real estate purchases (e.g. building) or leases (State as Lessee and Lessor). The contract will be assigned to an account assignment and the contract will generate cash flows. At the time of saving a contract, the system will perform a budget check against the account assignment in the contract to ensure that enough budget exists to meet the cash flow obligations **for the entire year (sum of all cash flows).** If insufficient budget exists, the contract can still be created but it will not create the earmarked fund documents or process the contract for workflow approval (to both activate the contract and open it for postings). If sufficient budget exists, the appropriate earmarked fund document is created for the year and the workflow approval process can begin. A new tab in the RE contract will display the FM earmarked fund document and the approval status. The cash flows will be used to generate the following earmarked fund documents in FM:

- For Vendor contracts, a Funds Commitment is automatically created in FM (subject to budget control)
- For Customer contracts (e.g., State as Lessor), a Forecast of revenue is automatically created in FM (not subject to budget control)

The system provides a technical link between the cash flow records in the RE contract and the generated FM earmarked funds documents. Any changes to the cash flows will trigger a change to the related FM earmarked fund document. If you change the RE contract, the related earmarked funds document is changed accordingly, if the budget availability check is successful. This applies to both changes to the contract account assignment or changes to conditions (amounts, dates, etc). Budget relevant changes will trigger workflow for approval. It is not possible to delete a RE contract if an earmarked fund document exists for it.

Once the contract is activated and approved for posting, the system will post the contract revenues and expenses as they become due (based on the cash flows). The system uses the assignment of earmarked fund documents to cash flows to enable automatic reduction of these earmarked funds during the periodic posting process. Upon successive postings, the earmarked funds document commitment is converted to expenses or revenues status.

Note: In the case of multi-year real estate contracts, only the current year funds will be encumbered and budget checked.

For more information on this process, refer to FIN-RE-PDD020 Transactions and FIN-RE-PDD040 Leasing.

***Grantor / FM Integration:***

Grantor Programs are created in CRM to represent Grantor grants and lower level grantor grant programs, as required. When a Grantor Program is created in CRM, a replication tool is available to automatically create a corresponding funded program in FM.

Grantor Management provides for optional integration with FI-FM (funds management) for budgeting FM accounts elements and implementing active availability control. This use of this functionality is not required, but necessary for grantor program budgetary control. The FM functionality is available through the Budget Control System (BCS) and Budget Encumbrance (Earmarked Funds).

Saving a Grantor Application/Agreement item in CRM and using the budget encumbrance function triggers the creation of earmarked funds documents in FI-FM. The decision was made to create a Funds Commitment document and perform a budget check at the time that the Grantor Agreement is saved. No Funds Pre-commitment will be created at the time of Grantor Application. When the Grantor Agreement is finally approved and saved it automatically triggers another interface from CRM to FI-FM where an earmarked funds document or funds commitment is recorded.

If insufficient budget exist to support the Grantor program, the creation of the earmarked funds document will be blocked. When an earmarked funds document has been successfully created in FI-FM, this

information is transferred to CRM. The earmarked funds document number is displayed in the transaction history section of the Grantor Agreement. After billing has taken place the earmarked funds are consumed statistically. After transfer of the open items to FI-GL, the statistical consumption of the earmarked funds is changed to actual consumption.

For more information on Grantor processes, refer to FIN-GTR-PDD040 Grantor Budgeting.

***FM Non-Consumable Budget Types***

As discussed in FIN-FM-PDD0020, budget types can be defined as consumable or non-consumable. The total of the consumable and non-consumable budget make up the total budget authority. Non-consumable budget types reduce (not consume) the available spending authority until funds are required. In essence, this is not an encumbrance but more of a temporary spending restriction or another way of setting aside budget until it is needed. Budget entered using non-consumable budget types can be transferred to consumable budget types when funds are required. This transfer increases the available budget for spending.

The non-consumable budget types below will be used for the purposes indicated:

- **ONCB**: One-Time Non-Consumable Budget: Will be used for creating temporary non-consumable budget as part of the annual budget build in budget prep. This will be transferred to a consumable budget type when ready for use. ONCB will be used as follows:
    - Capital Budget as part of the annual budget prep for new projects, which have not been started or set-up. The budget will be placed in a holding account assignment in the non-consumable budget type (to prevent spending) until the project and project phase is created. It will then be transferred from the non-consumable budget type to the consumable budget type in the capital project account assignment.
    - Any other situation where budget is desired to be set aside until it is ready for use
- **UNAL**: Un-allotted Budget: Will be used for the occasional BA7 budget reductions during budget freezes equivalent to the process of “un-allotting” the budget in AFS. On the directive of the BA7 and OPB, agencies will transfer the specified consumable budgets to this budget type (and vice versa if the budget is later returned) to prevent spending of this original budget authority.
- **RESV**: Reservation of Budget: Can be used by agencies in lieu of funds reservations documents to manually set-aside spending authority until it is needed. This involves transferring budget from a consumable budget type to this non-consumable budget type and vice versa when the budget is ready to be used. Unlike Funds Reservations, setting budget aside this way reduces budget authority temporarily and this set-aside cannot be referenced in follow on documents such as Per’s and POs.

At the end of the year, any unused non-consumable budget will be transferred to a consumable budget type. While the remaining available budget in the custom BI results report would show both and a breakdown between the two and there is no advantage to transferring the budget back to consumable status since the budget cannot be carried forward to the new year, standard budget availability reports in ECC (and the related availability control ledgers) will exclude non-consumable budgets. To tie the two types of reports together, the transfer needs to take place. The non-consumable budget transfer will occur at the very end of the fiscal year close (after all final budget adjustments) and will not be spent.

***Key Improvements / Benefits:***

Unlike the various purchasing legacy systems, which acted as stand-alone systems (e.g. CFMS, AGPS) and interfaced to the financial system (AFS) only when users were ready to send the purchasing data over, purchasing activities in MM are integrated with the FI system in SAP. There will be no choice in deciding when to pre-encumber / encumber the budget in SAP. This real time integration removes the choice at the user level and consistently applies the budget consumption across the state. This, however, also means that POs for the next fiscal year cannot be entered without first loading the budget in that

year. At the time of this writing, this was an open item with OPB pursuing a possible solution of loading a partial budget (based on the current year's budget) prior the start of the new fiscal year.

The new purchasing process standardizes the commitment of budget across all agencies, including the timing and type of commitments by purchasing document, regardless of agency (AFS agency versus DOTD agency). It is consistent regardless of whether it is a contracted or non-contracted service. The decision of when to encumber funds is no longer at the transaction level determined in some cases by the user.

Unlike in AFS and similar to commitment vouchers in the DOTD system, the State will now have the ability to set aside or reserve funds for specific requirements in the future. This may be accomplished using Funds Reservations or by temporarily reducing budget appropriations by using non-consumable budget types.

Using FM value types, SAP provides the ability to easily track and report on the different types and stages of encumbrances and expenses, allowing for a detailed breakdown of these costs.

***Process Terminology***

| # | Process Terminology | Description |
|---|---|---|
| **1** | Pre-encumbrance | Consumption of budget resulting from the issue of an internal purchase requisition or FM funds reservation. |
| **2** | Encumbrance | Consumption of budget resulting from the issue of a purchase order |
| **3** | FM Account Assignment Derivations (FMDERIVE) | A flexible tool used to integrate other modules in ECC (FI, CO, MM, HR) to FM. It links the master data of other source modules to FM master data in order to update the FM ledgers with actual revenues, expenses and encumbrances. |
| **4** | FM Earmarked Document | A collective term used to describe various internal FM documents that pre-encumber or encumber budget in FM. |
| **5** | FM Account Assignment | A combination of FM master data, including Fund, Fund Center, Functional Area, Funded Program, Commitment Item, and Grant. |
| **6** | FM Posting Address | FM Account Assignment to which actual / commitment postings from other modules are recorded in FM. |
| **7** | FM Fund Reservation | An internal FM document used to manually reserve (consume) budget for a specific purpose in future. Fund reservations can be referenced in follow-on documents such as purchase requisitions, purchase orders, FI journal entries and AP invoices. |
| **8** | Budget Type | Budget Types are used to sub-divide the budget process (enter, return, transfer or supplement) for more detailed budgeting and budget reporting. Budget types can be defined as consumable or non-consumable and are required when creating budget documents. |

## To-Be Process Flows

No process flow required.

## Key Business Process Decisions

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 1 | The Posting Address in FM Revenues, expenditures and encumbrances will be updated at the lowest, individual FM master data objects in line with where the posting occurred in the respective source modules. No summarization will occur in FM. | None – automatic update in FM | None |

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 2 | No encumbrances required at the time of contract creation. | PR will need to be created against the contract to simulate a pre-encumbrance for contract value | Training on process, particularly for Capital Projects |
| 3 | Pre-encumbrance will occur at PR stage, Encumbrance will occur at PO stage | None | None |
| 4 | PR and PO budget consumption will occur prior to approval | None | None |
| 5 | Two methods can be utilized where necessary to reserve budget for future spending:<br>• FM Funds Reservations<br>• Non-consumable budget types | None | Train end-users of the difference between the two methods and how to use them. Up to 1000 end-users for training |
| 6 | Budget encumbrances from Funds reservations (and MM documents) will not be carried forward to the new fiscal year to supplement the new years budget | Carry-forward documents only for PR and POs without the associated budget | None |

## Statute, Regulation, Policy, and Procedural Impacts

| # | Statue, Regulation, Policy or Procedure | Revision Identified | Business Owner |
|---|---|---|---|
| 1 | Control Agencies Policy & Procedures Manuel | OSRAP Policy & Procedure Manuel – Chapter 6 (Encumbrances) | OSRAP |

## Identified Development Objects (FRICE-W)

| F – Forms | Master List of Current and Future State Forms: FM Budget Cons: Expenses and Encumbrances | | | | | | |
|---|---|---|---|---|---|---|---|
| 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: FM Budget Cons: Expenses and Encumbrances | | | | | | |
|---|---|---|---|---|---|---|---|
| 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: FM Budget Cons: Expenses and Encumbrances | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Interface Name | Purpose | As-Is | To-Be | Justification | Contact Person | Comments |
| 1. | None identified. | | | | | | |

| C - Conversions | Master List of Future State Data Conversions: FM Budget Cons: Expenses and Encumbrances | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Type of Data | Use | Source | Destination | Justification | Approach | Comments |

| C - Conversions | Master List of Future State Data Conversions: FM Budget Cons: Expenses and Encumbrances | | | | | | |
|---|---|---|---|---|---|---|---|
| No. | Type of Data | Use | Source | Destination | Justification | Approach | Comments |
| 1. | None identified. | | | | | | |

| E – Enhancements | Master List of Future State Enhancements: FM Budget Cons: Expenses and Encumbrances | | | | |
|---|---|---|---|---|---|
| No. | Type of Enhancement | Details | Target of Enhancement (Gap) | Justification | Comments |
| 1. | Minor Mod – User Exits | Modification of three user exits | FM Actual and Encumbrance Tables | CO transactions do not update Funds Management with the original Controlling objects (cost centers, internal orders, PM work orders or WBS-elements) Update required to allow reconciliation between CO (and FM. | |
| 2. | Minor BADI Enhancement | Modification of MM BADI ME_COMMITMENT_STO_CH | FM Commitment Tables | In native SAP, stock transport requests (STR) and Stock Transport Orders (STO) do not create commitments in the requesting departments | |

| W – Workflow | Master List of Future State Workflow Events: FM Budget Cons: Expenses and Encumbrances | | |
|---|---|---|---|
| No. | Description | Justification | Comments |
| 1. | None identified. | | |

## Gaps

| Gaps | Master List of Future Gaps: FM Budget Cons: Expenses and Encumbrances | | |
|---|---|---|---|
| No. | Description of Gap | Why Gap Exists? | Impact / Comments |
| 1. | None identified. | | |

## Security & Enterprise Role Definitions

| Authorizations | Master List of Future State Roles/Authorizations: FM Budget Cons: Expenses and Encumbrances |
|---|---|

| No. | Role | Description | Strategy | Special Considerations |
|---|---|---|---|---|
| 1. | Agency Budget Analyst | Access to create, change and display Fund Reservation Documents (FMX1, FMX2, FMX3) | Assign FM Reservation Document type Z1 only to security role | Security will need to be driven down to the document type level<br>FMX1, FMX2, FMX3 |
| 2. | OPB Budget Analysts | Access to create, change and display Fund Reservation Documents (FMX1, FMX2, FMX3) | Assign '*' value for Funds Reservation Document Types | Access to all document types<br><br>FMX1, FMX2, FMX3 |
| 3. | OSRAP Accountant | Access to change and display Fund Reservation Documents (FMX2, FMX3) to allow display and closure of open reservations at year end | Assign all value for Funds Reservation Document Types | Access to all document types<br><br>FMX2, FMX3 |
| 4. | Agency Budget Analyst | Access to create, change and display FM Budget Documents for transfers between consumable and non-consumable budget types | Access to all budget types | May need to workflow for OPB approval when using budget type UNAL since budget transfers occur with the same program and object categories which ordinarily do not require OPB approval<br><br>FMBB, FMEDD, FMEDDW |
| 5. | OPB Budget Analysts | Access to create, change and display FM Budget Documents for transfers between consumable and non-consumable budget types | Access to all budget types | None<br><br>FMBB, FMEDD, FMEDDW |

## Organizational Impacts

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 1. | Ability to reserve budget for future reference and spending | Only DOTD has a similar ability to do this | Agency Budget analysts will need to be trained on the ability to do so and the two methods available, along with their differences |
| 2. | No encumbrances will occur at the time of contract creation | Currently, contracts can encumber budget at the time of creation | As part of the MM purchasing process, PR can be created against the contract to create the pre-encumbrance and lock up the funds, particularly for Capital Projects |
| 3. | PR/PO will be created against all contracts | Invoicing can occur directly against contracts | As part of the MM purchasing process, Per's/POs will reference the SAP contracts. |
| 4 | Next year fiscal year purchase orders | Stand-alone purchasing systems allow the creation of future year PO's without budget. In the case of DOTD, PO's are created against the current year's budget using $1 as the value. | In order to create next fiscal year POs, some budget must first be loaded prior to the end of the current fiscal year |

## Training Impacts

Identify potential training impacts that result from the defined business process. The content includes the potential number of people to be trained, their organizational alignment, and the level of process knowledge required.

- Funds Reservations and Use of consumable / non-consumable budget types in FMBB: Approximately 100 budget analyst to train for all agencies (3-5 budget analysts per agency).

## Appendix

Not applicable.

| | |
|---|---|
| **Team:** | Finance - Funds Management |
| **PDD Name:** | FM Period End Processing and Reporting |
| **PDD Number:** | FIN-FM-PDD050-FM Period End Processing and Reporting |
| **Business Process Owner:** | Afranie Adomako |
| **Functional Lead:** | Lucie Hidalgo |
| **Functional Consultant:** | Fernando Figueroa |

## Executive Summary

This PDD will cover the process design and key decisions made during the following FM Blueprint Workshops:

1. FI-FM-006: FM Period-End Processing
2. FI-FM-007: FM Budgetary Basis Reporting
3. FI-FM-Validation Session
4. Addition meetings and discussions throughout the Blueprint Phase

This document describes the State's Funds Management year-end closing activities. These activities should be carried out in an integrated closing schedule with all other SAP closing activities: Materials Management, Controlling, Project Systems and Financial Accounting and form a subset of the closing activities as outlined in FIN-GL-PDD040 Period Management & Closing Operations. In addition, FM reporting is covered in this PDD.

***Month-End:***

As the business owner, OSRAP will be responsible to ensure all month end steps are run. OSRAP will execute all non-programmatic steps. Programmatic steps will be executed by OIS. These steps will also be carried out year end. The FM month end process will include the following activities:

- **Opening new FM Budgeting and Update periods (OSRAP):** in order to allow budget, commitment, and actual postings in the next period (or fiscal year); the new period must be opened in Funds Management. This process will take place on Day 0 of the month end close. At this point, two periods will be open.
- **Transfer Encumbrances from FM to FI (OIS)**: according to governmental accounting rules, fund balance reserves for PO encumbrance balances need to be established/adjusted on a periodic basis. This will be accomplished in SAP by transferring the open PO encumbrances recorded in Funds Management to Financial Accounting (Fund Balance PO Reserve account), through an automated journal entry.
- **Close prior FM Budgeting and Update Period (OSRAP):** The FM period (or year) is closed as part of the month-end schedule. This must be performed in conjunction with the FI, CO and MM closing. Both of the periods will be closed on Day 8 of the month end closing schedule. At this point, only the current month is open in FM for budgeting and posting updates.

***Year-End:***

Unless noted below, OSRAP will be responsible for all year end steps. OIS will assist with the execution of programmatic jobs. The FM year-end process will include the following activities (to be carried out in sequence):

- **MM Clean-up (Agencies/Purchasing):** Agencies will work with State Purchasing to close out all requisitions and purchase orders which will not be carried forward to the new fiscal year.
- **FM Fiscal Year Change (OSRAP**): Similar to month-end step above. The new FM year will be opened for budget and posting update.
- **Transfer Encumbrances from FM to FI (OIS):** Refer to Month-End section above.
- **FM Commitments Carry-forward (OIS):** Because FM is fiscal year driven, any subsequent processing (ex: processing of a goods receipt or invoice against a PO) of an open document requires that there be an FM document to be referenced in the new year in which the subsequent document is processed. This can be done by carrying forward FM encumbrance documents from one year to the next using the year-end commitment carry-forward functionality. The State will carry-forward open encumbrances relating to open purchase requisitions, purchase orders, and FM commitments relating to Grantor agreements. The associated budget will not be carried forward; the new year's budget will be consumed. Agencies may apply for budget to cover carry-forwards via the BA7 process, if necessary.
- **Close out any remaining Commitments (OIS):** Any remaining open commitments in FM will be closed centrally by OIS. This includes Purchase Requisitions, PO's, FM Earmarked Fund documents and GL parked documents.
- **Final Budget Adjustments (Agencies/OPB):** Agencies (and OPB if necessary) will make any necessary budget transfers in order to comply with statutory reporting (e.g. no budget negatives or overruns)
- **Budgetary Fund Balance Carry-forward (OIS):** This step closes out all FM ledger revenues and expenses to Fund Balance and Net Asset Accounts in the Fund Balance section of the balance sheet. The process will enable full reconciliation between budgetary fund balances and modified accrual fund balances and full accrual net asset balances and allows the new fiscal year to begin with no revenue and expense balances.
- **Close Prior FM Fiscal Year (OSRAP):** Similar to month-end step above. The FM year is closed as part of the year-end schedule, in conjunction with FI and CO at the end of period 14. No further process will be possible in the prior year at this point

*Note: It was decided that no residual budget carry-forward will be carried out for any unused budget at the end of the year. Agencies must apply for additional budget via the BA7 approval process in the new year. No budget lapsing will occur at year end.*

The centralization of period end processing (OSRAP/OIS) ensures control, efficiency, and oversight.

***Reporting:***

The State's reporting needs will be met through a combination of FM standard reports and custom report(s) created in BI. The use of key standard ECC reports ensures real time reporting, particularly important for determining the current available budget when budget errors are encountered. During Blueprinting, a custom BI report was designed to provide a standardized report for actual vs. budget analysis (month and year-to-date). This report will be used for general analysis by all agencies and can be used for grants and capital outlay (projects) as well. The standardized report incorporates the data of several key static legacy reports. It will provide flexibility in selection criteria, filtering, sorting, and form. Additional FM custom reports, if necessary, may be identified during realization.

## To-Be Process Description

***Month-End Processing:***

The only FM related steps required to be carried out at month-end include:

- Transfer FM Encumbrances (PO commitments) from FM to G/L (reserve for fund balance).
- Close the current FM period and open next period for budget and expenses / commitments.
  - In line with best practice of control and centralization of period-end processing, OSRAP will control both month-end steps.

These steps will be discussed in further detail below.

***FM Period Management***

Two period controls will be managed by OSRAP: the FM Budget Period and the FM Update Period.

The FM Budget period controls the period that budget documents can be posted to in FM. The FM Update period controls the update of the FM ledgers for actual postings from other modules. In both cases, if a period is closed, no documents can be posted in that period. Both the FM Budget Period and Update periods will be opened for the following month on Day 0 (last day of the current month – end of day) and closed together when all the last of the other SAP periods (FI,CO and MM) are closed. The FM update period must be kept open until the end of the period-end closing to accept all postings in the FM ledger. The FM Budget period should be kept open in order to make any necessary budget adjustments resulting from the postings (for example, in the case of budget errors). As per the GL period-end processing workshop, the periods all scheduled to be closed on Day 8 of the month end calendar.

Note: At period-end, you may have two months open for both types of periods, the prior period that you are closing, and the new period. Once the prior period is closed, only the current period will be open until the next period end.

Note: While the two FM periods will typically be opened and closed together, there are times when this is not the case. For example, when loading budget into the next fiscal year, you will need to have the budget period one (1) open to load or retract the budget but the update period will be closed since you do not want users to consume the budget until it is loaded. Similarly, once the budget is loaded, you may close the budgeting period for the next year (to prevent any further budgeting activities) but open up period one (1) for following year purchase order activity.

***Transfer FM Encumbrances from FM to FI***

OIS, as system owner, will run the job. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

Reserves for encumbrance balances need to be established/adjusted on a periodic basis. Consistent with best practices, this program will be scheduled to run each month-end. Unlike Purchase Orders, it was decided that Purchase Requisition pre-encumbrances would not be transferred to Financial Accounting each month as they do not constitute an external legal contract with an outside party.

Standard SAP program RFFMTOBL, Copy FM Commitment to General Ledger (transaction FMBTB), will be used to post the following GL entries:

- If the current open PO commitment balance is greater than the current fund balance reserve:
  - DR - Unreserved Fund Balance
  - CR - Reserve for Encumbrances – POs
- If the current open PO commitment balance is less than the current fund balance reserve:
  - DR - Reserve for Encumbrances – POs
  - CR - Unreserved Fund Balance

The program looks at the current balance and makes the necessary adjusting entry to match the open purchase order values. This adjustment will be made by fund and business area. However, this SAP standard program only establishes/adjusts the reserve for each FUND individually. This means that the program aggregates all outstanding encumbrances across Business Areas within each Fund. SAP allows (through the implementation of BADi BADI_FM_FM2AC - Integration functions for transfer FM to FI) the

user to adjust the level of detail retained, e.g. Fund and Business Area during the calculation of the outstanding encumbrances and the adjustment of the corresponding reserve.

***Year-End Processing***

Year-end processing would include all the month-end steps plus the following FM related additional steps:

- Manually Close out of Commitments not to be carried forward (at agency level)
- Carry-forward PR/PO commitments without associated budgets
- Automatically close out remaining commitments (centrally)
- Final budget adjustments
- Close out revenues and expenditures to fund balance

Once all the steps are performed (in the order above), the FM periods would be closed. The BA7 process will take place in the new year if agencies wish to petition for carry-forward budget relating to open commitments such as purchase orders. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

The year end steps will be discussed in further detail below.

***FM Fiscal year Change***

This process will be owned by OSRAP. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

Similar to the month end processing, OSRAP will open the new fiscal year and period and keep the old year/last period open until the year end processing is complete. By allowing more than one fiscal period open at a time, it is possible to create transactions in the new year while the old year is still open for final entries. The old fiscal year will not be closed until much later, sometime in August at the end of period 14 (date will be firmed up as part of consolidated year-end process in GL).

In order for agencies to create next year's POs prior to the beginning of the new fiscal year, the new FM fiscal year will be opened sometime prior to the current year-end to allow the budget to be retracted from BPS to ECC (original budget). The amount and timing are still to be determined. Agencies will create next years' Purchase Orders with full budget checking in place. No other transactions will be permitted in the New Year until July 1st. This is accomplished by not opening the FM ledger (via the FM Update Period settings) for any updates, except for POs.

***Close of PR's / PO's / Funds Reservations***

All agencies are responsible for this step. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

On-line reporting is available for agencies to monitor open requisitions and purchase orders. Agencies will analyze open purchasing documents, and working with State Purchasing, liquidate them at year-end if they are not to be carried forward to the New Year. Open Purchase Orders that are complete (no GR or IR expected) will be liquidated. This step must occur prior to OIS running the commitment carry forward program.

Agencies are also responsible to review any open FM Funds Reservations documents they might have created for the fiscal year and eliminate them since they will not be carried forward. OSRAP will review all reservations and ensure these are closed out according to the closing schedule.

Fund Commitments relating to Grantor will not be closed. Instead, they will be carried-forward to the new fiscal year with open PR and POs (refer to the next step). These commitments must be carried forward to further process them against invoices in the new fiscal year. The associated budget will not be carried forward, but must be applied for in the new year through the BA7 process.

Note: Closing out these documents will reduce the encumbered budget in the current year.

***FM Commitment Carry-Forward (Without Budget))***

This step will be executed by OIS. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

After the agencies perform their commitment clean-up activities, OSRAP will carry-forward all remaining commitments using standard SAP program RFFMCCF1 – Carry-Forward Documents (transaction code FMJ2). All remaining purchase requisitions and purchase orders will be carried forward to the New Year without their associated budget. This means that they will consume the New Year's budget. Agencies may apply for a BA7 supplement for the commitments. Note: Multi-year contracts will be set up in MM and will control the contractual start and end dates as well as the contractual amount ceiling. Contracts do not encumber funds in FM and do not need to be carried forward for use in future years.

The carry-forward program will be executed after a "grace" period in which goods receipts and invoice receipts are to be recorded by locations in the fiscal year being closed. Once a commitment is carried forward, follow-on action can only take place in the period the commitment has been carried forward to (i.e. the new fiscal year). For this reason, the carry-forward activity is generally held off until most prior year activity is complete, particularly the recording of good receipts to the prior year. Where necessary, SAP program RFFMCCFR, Undo Carry-Forward Documents (transaction code FMJ3), can be executed if it is found that a carried forward purchasing document was actually received prior to the end of the fiscal year or an expenditure liquidating a carried forward commitment should otherwise be effected in the prior fiscal year (i.e., where there is a significant impact to financial statements). This will allow agencies to post the goods receipt or invoice receipt in the prior year.

***Close Out Remaining Commitments***

This step will be executed by OIS. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

After the PR and PO rollover is complete, OIS will run transaction FMCC for all agencies to ensure all commitments have been closed or rolled forward. OIS will ensure that no open Per's or POs exist in the year being closed. Additionally, they will close out any remaining Funds Reservation documents or parked FI documents which have committed budget. Closing all remaining commitments releases budget so that unused or available budget at year-end is clearly identified in reports. This is also important since the BA7 approval process ensures that the BA7 request amount may not exceed the prior year's remaining budget.

***Final Budget Adjustments***

This process will be owned by the agencies and if necessary, OPB. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

Final required budget adjustments are carried out to adjust negatives, as necessary, to meet statutory reporting requirements. All budget adjustments are made in ECC using the FM Budgeting Workbench (FMBB). Agencies will enter their final budget adjustments in period 13. OPB may enter budget adjustments, if any, in period 13 or 14.

***Budgetary Fund Balance Carry-Forward***

This step will be executed by OIS. OSRAP will be responsible for the overall schedule, management, and coordination of all closing activities.

Carry-forward item categories will be used in FM to "close" revenue and expenditure commitment item balances to Budgetary Fund Balances. The Carry-forward item categories will be synched with P&L statement account type. These are used in FI to "close" revenue and expense balances to Fund Balances and Net Assets. This alignment will enable full reconciliation between budgetary, modified accrual, and full accrual. Actual fund balance carry-forwards will also include the carry-forward of statistical commitment items (these don't consume budget) that are used in Funds Management to

reconcile Budgetary Fund Balances to modified accrual fund balances and full accrual net asset balances. All commitment items that represent reconciling items will be carried forward to separate Fund Balance Commitment Items in order to make the modified versus full accrual reconciliation process more efficient.

Standard SAP program SAPFMVTR, Fund Balance Carry-forward (transaction code FMVT), will be used for this process.

***Closing the Fiscal Year***

When all year-end activities have been performed, OSRAP will close out the FM periods (along with FI/CO/MM periods). This includes both the FM Budget Periods and the FM Update Periods.

***BA7 REQUEST PROCESS***

As part of the year-end process, agencies who wish to can apply for supplemental budget to cover the costs of open commitments carried over from the prior year. This process will take place in July of the New Year.

***Other Period End Notes:***

1. **Residual (remaining) budget carry-forwards:** It was decided that any remaining budget would not be carried forward to the New Year, as this is not permitted per State statutes. This applies to all agencies and funds. The BA7 process must be used in the New Year instead to supplement the New Year's budget if necessary.
2. **Budget Lapsing remaining budget:** This would involve transferring consumable budget to a non-consumable budget type at year-end. It was decided that since the period-end process is closely controlled and disallows budget or posting activities using period management, the lapsing of any remaining budget is not necessary. As part of the year-end process, any budget sitting in the non-consumable budget types RESV should be transferred to a consumable budget type to get a total view of the available budget. Budget in non-consumable budget types ONCB and UALL should not be moved. For a discussion on FM Budget types, refer to FIN-FM-PDD020.

***FM Reporting:***

Reporting will be supported by a combination of Standard ECC Reports and custom BI Report(s). BI will be the primary reporting tool for the State, particularly for custom reports and reports that have the potential to strain the resources in ECC (transaction system). Key reports will be created in BI prior to go live. Over the long term, other frequently used FM reports will be created in BI. Using BI reporting transfers the processing load from the transactional database (ECC) to the reporting database (BI) and provides enhanced reporting capabilities including filtering, sorting, analysis, calculations, exporting, summarization and presentation. Users will be trained to customize reports/queries in BI. BI will be refreshed overnight. Delta loads will be extracted from ECC for transactional data and full loads for master data. In some case, for example to check available budget, real time reporting will be required. Real time reports will be run out of the ECC system.

FM and BI budgetary reports will be made available to all agencies' authorized SAP users, who will be trained to run their own reports. These reports will provide the end-users with real-time (or in the case of BI, near real-time), multi-dimensional reports, with drill down capabilities. Currently, many reports are static, having to run several different reports to view the same data when timing (e.g. monthly versus YTD) or sorting requirements differ. Legacy reports are not always real-time and are not run by the individual users. This will change with SAP.

1. **SAP Standard Reports**

   Funds Management - Budget Control System (FM - BCS) contains pre-defined reports in the following areas:

   - Master Data Indexes (for all FM master data)

- Budget Document and Budget Line Item Reports - these reports can be executed with various selections (ex: FM account assignment, Budget process/type), and return a list of every document item and all relevant fields in excel-based type format for easy sorting and subtotaling.
  - Example: "Budget Journal" – tcode FMEDDW - Display Budget Entry Documents - this report provides a list of all the budget documents sorted by document type, budget process, budget type, etc.
- Actual Line Item Reports (Expenditures/Encumbrances)
  - Example: – tcode FMRP_RFFMEP1AX – Display Commitment/Actuals – All Postings - this report provides a list of all the expenditure and encumbrance line items posted to the selected FM account assignment (Fund, Fund Center, Commitment Item), within the selected time horizon.
- FM Earmarked Funds – Reports available to display the current FM Funds Reservation documents, including change history by agency and FM account assignments.
- FM Available Budget Reports – These key reports allow users to view the available budget report based on the budget control address. They allow users to confirm budget errors and determine where budget is available in real time in order transfer budget to fix the budget errors.

Additional standard ECC reports are available. The reports will be reviewed to determine the key reports for State use and training. Standard reports will take precedence over custom reports. Additional analysis will be done on current reports, with a goal of mapping the requirements to a standard report, or BI report if no standard ECC reports meets the requirement.

**2. Custom Report(s):**

In addition to these predefined reports, SAP ECC provides a Report Painter Tool which can be used to customize FM reports. Customized ECC (FM) reports will only be used after if standard reports or BI cannot meet the reporting need, if a custom real-time report is required.

During the workshop, several budgetary legacy reports were reviewed, including 2G00, 2G02, 2G05, 2G14, 2G15, 2G40, and AFS#15. These are the standard reports available, in addition to business object reports created at the agency level. After eliminating some reports, it was decided that standard analytical Budget and Budget/Actual reports for the State will be developed in BI to support all agencies. Budget/Actual comparisons will allow analysis at the level of each FM account assignment, and selections/presentation by periods and percentage of year expired will also be available. These reports will be presented in a hierarchical format, allowing the user easy "navigation" between FM "dimensions" (Fund, Fund Center, Commitment Item, Grant, etc.). The standard BI report can be run to support Grantee and Capital Projects in addition to reporting on regular operating results.

A mock up of the custom BI analytical report was discussed and the following summary outlines the decisions made:

- Three levels with drill down capabilities.
- First level: Summarized results report: Month and YTD Actuals versus Budget with variance and percentage spent. Drill down to Level 2 for Budget or Actual breakdown detail.
  - Rows: FM account assignment including Fund, Fund Center, Funded Program, Functional Area, Grant, Expense Category (equivalent to legacy AFS object category), and Commitment Item.
  - Columns(in order):
    - Budget (both consumable and non-consumable)
    - Current Month Expenses/Encumbrances
    - YTD Expenses

    - YTD Encumbrances
    - Subtotal: Total YTD Expenses
    - Available Budget (calculation)
    - Percentage of Budget Spent (calculation)

- Second Level: Breakdown of Total Consumption or Total Budgets. The total of these reports will tie into the first level report. Drill down to Level 3 report possible – either Consumption Documents or Budget Documents Lists.

  Actual Breakdown Report (no budget data):

  - Rows: Same as first level. Refer to above.
  - Columns (in order)
    - Purchase Requisitions
    - Purchase Orders
    - Fund Reservations
    - Subtotal: Total Encumbrances
    - FI Expenses
    - CO Expenses
    - Subtotal: Total Expenses
    - Total: Grant Total

  Budget Breakdown Report (no actual data)

  - Rows: Same as first level. Refer to above.
  - Columns (in order)
    - Original Consumable Budget (from BI Budget Prep)
    - Transfers In/Out
    - Supplements
    - Returns
    - Subtotal: Total Consumable Budget
    - Non-Consumable Budget
    - Total Budget (calculation)

- Third Level: A listing of documents (both encumbrances/expenses and budget) that support the numbers in the previous levels for the FM Account Assignments selected.

  Expense/Encumbrance Breakdown: Line Items (no budget documents)

  - Rows:
    - Posting Date
    - Fiscal Year
    - Fiscal Period
    - Source Document Number
    - Predecessor Document Number (e.g. PR number for purchase orders)
    - Transaction Type (to indicate source module)
  - Columns: Same as Level 2 Actual Breakdown Report

  Budget Breakdown: Line Items (no expense/encumbrance documents)

  - Rows:
    - Document Date
    - Fiscal Year
    - Fiscal Period
    - Budget Document Number
    - FM Budget Process (Enter, Supplement, Transfer, Return)
    - Budget Type

- FM Budget Document Reversal Number (if original budget document has been reversed)
  - Columns: Same as Level 2 Budget Breakdown Report

Additional budget relevant reporting may be identified during realization.

***Process Terminology***

| # | Process Terminology | Description |
|---|---|---|
| 1 | FM Budget Period | The period(s) that is (are) open to perform budget amendments in FM. FM Budget periods are opened and closed as part of the month-end process. |
| 2 | FM Update Period | The period(s) that is (are) open to perform updates in FM for expenses and commitments in FM. FM update periods are opened and closed as part of the month-end process. |
| 3 | Transferring Open Commitments to GL | The period-end step that involves adjusting the reserve for PO commitments for each fund to the value of open purchase orders. The offsetting account is Undesignated/Unreserved Fund Balance. |
| 4 | Commitment Carry-forwards | The period-end step that involves rollover of open purchase requisitions and purchase orders from one year. No associated budget will be carried-forward with the commitment carryover. |
| 5 | FM Funds Reservations | An internal FM document used to manually reserve (consume) budget for a specific purpose in future. Fund reservations can be referenced in follow-on documents such as purchase requisitions, purchase orders, FI journal entries, and AP invoices. |
| 6 | BI Reports | Business Warehouse based SAP solution for reporting. BI reporting eliminates the resource strain on the core ECC system. |

## To-Be Process Flows

Not applicable.

## Key Business Process Decisions

| # | Decision | Process Impact | Organizational Impact |
|---|---|---|---|
| 1 | OSRAP and OIS will be responsible for all period end FM Steps | Ensures control, efficiency, and oversight of period end steps | Training to be provided to key OSRAP / OIS users in charge of closing the periods. Few users involved. |
| 2 | No budgets to be carried forward (for open commitments and residual budgets) | Per's and POs carried forward and not closed out by agencies will consume the new years budget | No major impact |
| 3 | Per's will be carried forward in addition to POs | PR will not have to be recreated in the new year, particularly when used as source for future contract | No major impact |
| 4 | Creation of one, custom BI report for all agencies and all funds | Standardization of report for actual vs. budget analysis across the entire state Eliminates multiple, static reports which illustrate same information but in different forms, sorts and filter | Training for all users on use of custom report |
| 5 | Use of key standard ECC reports for real time reporting | Real time reports provide a quick turnaround for issues such as budget errors to determine available budgets | Training for all users on use of key standard ECC reports |

## Statute, Regulation, Policy, and Procedural Impacts

| # | Statue, Regulation, Policy or Procedure | Revision Identified | Business Owner |
|---|---|---|---|
| 1 | System policies, procedures and letters as published by OSRAP and other Control Agencies | OSRAP Policy & Procedure Manuel – Chapter 16 (Year End Closes) | OSRAP, STO, OIS |

## 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. | | X | X | | | |

| 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. | Revenue/Expense vs. Budget Report | Standard report to be used by all agencies to monitor actual results versus budget for all funds. The report will have three levels of detail: summary, detail breakdown and document level. | X | X | Standardized SAP report to replace many State agency reports | Lucie Hidalgo | This is a BI report, not ABAP report |

| 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. | | X | X | | | |

| 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. | Minor change to BADI | BADi BADI_FM_FM2AC will be modified to transfer open commitment by business area, in addition to fund | No business area split is carried out in standard SAP | Business area balance sheets for agency | |

| 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: Period End Processing | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | OSRAP Accountant | Executes month and year end closing steps | Central control of period end steps | Tcodes: FMIR/FMMI, FMBTB, FMJ2, FMJ3, FMMC, FMVT, FMX1, FMX2, FMX3<br>Authorization / Access to all business areas |
| 2. | OPB Budget Analyst | Ability to make budget adjustments as required | Overall control of budget | Authorization / Access to all business areas<br>FMBB |
| 3. | Agency Budget Analysts | Make budget amendments and reserves budget using Funds Reservations | Decentralization of budget entry with approval by controlling agencies (via workflow)<br>Reserve funds as necessary for future purposes | Authorization / Access to own business area only<br>FMX1-FMX3, FMBB |
| 4. | Agency Requisitioners / Purchasing Support | Create and change Per's and POs | Agencies and purchasing are responsible for own commitments | ME51-ME53N<br>ME21-ME23N |

| Authorizations | Master List of Future State Roles/Authorizations: Reporting | | | |
|---|---|---|---|---|
| No. | Role | Description | Strategy | Special Considerations |
| 1. | All Roles | Run Standard and the BI custom report | Ability for all users to reports as needed in both ECC and BI | |

## Organizational Impact

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 1. | Period End Processing: Close out open commitments not carried forward | Purchasing support at agency level to close out old PR/PO. Agency budget analysts to close out all Funds Reservations | Training to said groups on performing this functions |

| No. | Activity/Task | Key Change from As-Is State | Organizational Work Force Impact |
|---|---|---|---|
| 2. | Period End Processing: Month and Year end FM Close out Steps | OSRAP in charge of executing or monitoring several month end steps which may have been carried out by OIS. Includes open/closing FM periods, transferring open commitment balances to GL | Centralized function so training involves only 2-3 people |
| 3. | Reporting: Run Standard ECC Reports | Run reports as needed | Training for all users on key standard ECC reports |
| 4. | Reporting: Custom BI Report | All users to run own queries as need. One standard, dynamic report to replace many static reports | Training for all users on custom BI report, including all dynamic functionality: drilldown, multi-dimensional, filter, sorts, etc |

## Training Impact:

1. Period End Processing: A relatively small number of users (2-3) will require training on the execution of the FM period end steps as this is a centralized function. The larger community of financial and logistics users will need to understand the process of closing / changing existing purchase requisitions, purchase orders and funds reservations.
2. Reporting: Training of use of real-time, multi-dimensional reporting in contrast to static reporting, where necessary. Training on navigation/functionalities on FM BI report(s), which is to be used by all agencies. Business object reports currently processed today will be replaced by standard SAP reports and BI reports. Users will need to be trained on available reports and execution of the key reports. Many users to be trained.

## Appendix

Not applicable.