Agenda

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

Before we get started ...
Ground Rules

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

Roles

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

Five Key Phases

- Project Preparation
  - Strategy & Approach Defined
  - Project Team Training

- Business Blueprint
  - Business Process Definition
  - Development Requirements

- Realization
  - Development & Unit Testing
  - Integration Testing
  - End-User Training Materials

- Final Preparation
  - User Acceptance
  - Technical Testing
  - End-User Training
  - Conversion

- Go Live and Support
  - Go-Live Support
  - Performance Tuning
Tentative Project Timeline

- Tentative implementation dates are planned as follows:

<table>
<thead>
<tr>
<th>Functionality</th>
<th>Tentative Implementation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Prep</td>
<td>October 2009</td>
</tr>
<tr>
<td>DOTD</td>
<td>February 2010</td>
</tr>
<tr>
<td>Core Modules All Agencies</td>
<td>July 2010</td>
</tr>
<tr>
<td>Additional Modules</td>
<td>January 2011</td>
</tr>
</tbody>
</table>

- Project Start-Up: May – June 2008
- July 2008
- August – Dec 2008
- January 2009

- Phased deployment will be confirmed/updated before completion of Blueprint activities!
Project Organization - Functional Teams

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

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

**Linear Assets Leads**
Mark Suarez – Agile Assets Lead  
Charles Pilson – Consulting Lead

- **General Ledger**
- **Accounts Payable**
- **Cost Accounting**
- **Cash Management**
- **Grants Mgt**
- **Funds Management**
- **Asset Accounting**
- **Budget Prep**
- **Project Systems**
- **Real Estate Management**
- **Grantor**

**Pat Cane**  
**Kurt Demmerly**  
**Mary Ramsrud**
Blueprint Objectives

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

- To define and confirm the preliminary design for the finance and logistics enterprise structures in SAP to include:
  - FM Area
  - CO Area
  - Company Code
  - Business Area
  - Plant
  - Storage Location
- **FM Area** - the organizational unit within an institution, used to represent a closed system for funds management, budgeting, and budget execution. **FM**.
- **Controlling Area** - the organizational unit within an institution, used to represent a closed system for managerial accounting purposes. **CO**.
- **Company Code** - represents the highest level at which common master data, including chart of accounts, vendors, and customers, will be assigned. **FI**.
- **Business Area** - represents lines of business where complete (or even partial) financial statements or cost accounting information is required. **FI**.

- **Plant** - An organizational unit serving to subdivide an enterprise according to production, procurement, maintenance, and materials planning aspects. It is a place where either materials are produced or goods and services provided.
- **Storage Location** - An organizational unit facilitating differentiation between the various stocks of a material within a plant. A storage location is the place where stock is physically kept within a plant.
Funds Management

- Fund Accounting
- Budgetary Controls
- Budget Execution
- Budgetary Basis Reporting
- Commitment Accounting
Financial Accounting

- General Ledger
- Fixed Assets
- Bank Accounting
- Accounts Receivable
- Accounts Payable
Controlling

- Cost Center Accounting (CCA)
- Cost Element Accounting (G/L Accounts P&L)
- Internal Orders (IO)
- Allocations, assessments, and distributions
Core SAP Finance

Main Accounting Ledger

Financial Accounting (GAAP)

Funds & Functions
Grants/Funded Programs

Budgetary
Subledger

Budgetary
Accounting
& Control

FI (SPL)

Costing & Project
Subledgers

Cost
Accounting
& Control

Grant Accounting,
Control & Billing

Grants Subledger

GM

FM
Accounting Methods

- **Financial Accounting**
  - Financial accounting, full financial statements (full accrual, modified accrual), reconciliation of full vs. modified accrual, high level cash

- **Funds Management**
  - Budgetary accounting, budgeted income and expenses, reconciliation to full and modified accrual

- **Controlling**
  - Cost accounting, operational income and expenses (primarily full accrual, with limited modified accrual support)

- **Project Systems**
  - Project accounting, income and expenses for large projects (primarily full accrual, with limited modified accrual support)

- **Grants Management**
  - Grant accounting, grant related posting, including overhead calculations, update the GM ledger based on sponsor requirements.
A Funds Management Area in ECC is the organizational unit within an institution, used to represent a closed system for funds management, budgeting, and budget execution. A Funds Management Area may include one or more company codes and one or more controlling areas.

The Funds Management Area also contains attributes or settings that impact master data and/or transactions within the FM Area.

Field Length: 4
Organizational Elements

Controlling – CO

**CO Area**

- A controlling area in ECC is the organizational unit within an institution, used to represent a closed system for managerial accounting purposes. A controlling area may include one or more company codes, which must use the same operative chart of accounts as the controlling area.
- The Controlling Area also contains attributes or settings that impact master data and/or transactions within the CO Area.
- Field Length: 4
Company Code

- Represents the highest level at which common master data, including chart of accounts, vendors, and customers, will be assigned.
- Company codes are balanced in the general ledger; however, this balancing is done using inter-company clearing transactions (considered cash-type clearing postings, even if the transactions are non-cash items). This means that a true balance sheet cannot be attained if a company code is managing receivables or payables on behalf of another company code. Even the split processor will not split transactions by company code. For many reasons the use of one company code is recommended.
- Field Length: 4
Enterprise Structure

Controlling (CO)

Funds Management (FM)

Financial Accounting (FI)

Controlling Area

FM Area

Company Code
The Chart of Accounts is a collection of general ledger accounts. Each company code is assigned to a chart of accounts, and the controlling area is assigned to the same chart of accounts.

- Field Length: 4
Business areas should represent lines of business where complete (or even partial) financial statements or cost accounting information is required.

The business area is the best object for high-level reporting of revenue and costs across related cost centers, orders and projects.

Field Length: 4
Finance Structure

Controlling (CO)
Controlling Area

Funds Management (FM)
FM Area

Financial Accounting (FI)
Company Code
Chart of Accounts
Business Area
Leading Practices

- One FM Area
- One CO Area
- One Company Code
- Business Area balance sheets
- The use of logical numbering
Business Areas

Considerations:

- Security (tighter security vs. maintenance)
- Agency Balance Sheet
- Split Processor Volume
- Grants/Project Ownership
- Plants
- Asset Tracking
- Investments
- Fund Balances/ Cash
- Data Conversion Considerations
- Business Area requirement on GL postings

Business Area at the Department Level vs. Business Area at the Agency Level
Enterprise Structure

**Company Code**
State of LA

**Chart of Accounts**
State of LA

- **Business Area**
  - 355 – DSS Office of Family Support
  - 357 – DSS Office of the Secretary
  - 370 – DSS Office of Community Services
  - 374 - DSS Rehabilitation Services

**Cost Center**

Should we use existing agency numbers or renumber the business areas using logical numbering and groupings?
Materials Management

- Procurement Process Management
- Contract Management
- Inventory Management
- Distribution
- Vendor Management
Plant Maintenance

- Management of equipment and technical objects
- Preventive Maintenance
- Maintenance Management
- Maintenance history
  - Work order history
  - Maintenance cost history
Organizational Elements

Logistics

**Plant**

- An organizational unit serving to subdivide an enterprise according to production, procurement, maintenance, and materials planning aspects. It is a place where either materials are produced or goods and services provided.
- The business area that is responsible for a plant is determined as a function of the division. As a rule, a valuation area corresponds to a plant (e.g., Valuated Inventories are maintained at the Plant level!)
- A plant can be subdivided into storage locations, allowing stocks of materials to be broken down according to predefined criteria (for example, location and material planning aspects).
- A plant can be subdivided into locations and operational areas. Subdivision into locations takes geographical criteria into account, whereas subdivision into operational areas reflects responsibilities for maintenance.
- Field Length: 4
An organizational unit facilitating differentiation between the various stocks of a material within a plant.

A storage location is the place where stock is physically kept within a plant.

A storage location has the following attributes:
- There may be one or more storage locations within a plant.
- A storage location has a description and at least one address.
- It is possible to store material data specific to a storage location.
- Physical inventories are carried out at storage location level.
- Storage locations are always created for a plant.

Field Length: 4
Sample Logistics Structure

Company Code 0001

Plant A001
  - Storage Location A001
  - Storage Location A002
  - Storage Location A003

Plant B002
  - Storage Location B001
  - Storage Location B002
  - Storage Location B003

Plant C003
  - Storage Location C001
  - Storage Location C002
  - Storage Location C003

Department Level
Agency Level

No Maintained* Inventory at Department or Agency Level

* Valuated
Sample Logistics Structure

Company
Code 0001

Inventory* is Maintained at Agency Level

Department Level
Agency Level

Plant A001
Storage Location A001
Storage Location A002
Storage Location A003

Plant B002
Storage Location B001
Storage Location B002
Storage Location B003

Plant C003
Storage Location C001
Storage Location C002
Storage Location C003

* Valuated
**Scenario: Less Plants / More Storage Locations**

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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<tbody>
<tr>
<td>• Single material valuation @ Plant Level (i.e., a given material is valued the same for all Storage Locations assigned to that Plant)</td>
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<tr>
<td>• Different Storage Locations for each physical location (e.g., street address)</td>
<td>• Material MRP attributes are the same for all locations (min/max, safety stock, etc.)</td>
</tr>
<tr>
<td>• Easier configuration set-up and maintenance</td>
<td></td>
</tr>
<tr>
<td>• Less data maintenance (since material master records are maintained at the Plant Level)</td>
<td></td>
</tr>
<tr>
<td>• Simplified design (less complex)</td>
<td></td>
</tr>
</tbody>
</table>
### Scenario: More Plants / Less Storage Locations

**Pros**

- Material MRP attributes are the same for all locations (min/max, safety stock, etc., values can be maintained for each ‘stockroom’ within a Agency independent of another stockroom…”Plant-specific Material Master Data”)
- Greater overall flexibility

**Cons**

- Increased configuration maintenance
- Increased day-to-day maintenance of master records (since master records are tied to the Plant level)
- Materials can be created centrally and ‘extended’ to multiple plants by a central control group
- More complex design, especially from a central controlling perspective

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**Here…**

- Plant = Agency
- Storage Location = Buildings
- 1 of More Storage Locations = Department
“Going In” Logistics Structure Approach

Guiding Principle: If a given organization maintains inventory AND it wants to track the financial costs of that inventory at a given level, then that organizational level = SAP Plant.

Note: Physical inventory taking (conducting an inventory and cycle counting) takes place at the Storage Location level!

* Valuated
Enterprise Readiness Challenges

- New numbers?
- Where do I get my reports?
Next Steps

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