Project Systems
Capital Projects Periodic Processing
November 12-13, 2008

LaGOV

Version 1.0

Updated: 10/09/2008
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
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

Round the Room Introductions

Name
Position
Agency
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

Final Preparation
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
- Cash Management
- Funds Management
- Project Systems
- Grantor
- Real Estate Management
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 district-wide training requirements
## Future Work Sessions

<table>
<thead>
<tr>
<th>Title</th>
<th>Business Process</th>
<th>Goals</th>
<th>Work Session Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI-PS-009</td>
<td>Capital Projects Periodic Processing</td>
<td>- Automated settlements to Assets under Construction and final assets&lt;br&gt;- Process for project closeout&lt;br&gt;- Define roles and processes for defining settlement rules and executing periodic processing</td>
<td>11/12/08-11/13/08</td>
</tr>
<tr>
<td>FI-PS-008</td>
<td>Project Management</td>
<td>- Reporting requirements to effectively manage projects&lt;br&gt;- Standard reports versus BI reports&lt;br&gt;- Detail the use of Networks and Activities for scheduling</td>
<td>11/19/08-11/20/08</td>
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</tbody>
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**PS Validation Session: December 10-11**
Work Session Objectives

- Review current As-Is and define future To-Be processes for capitalizing assets and closing out projects
  - Discuss creation of settlement rules
  - Discuss creation of Asset Master Records
  - Settlement process to AuC’s and Fixed Assets
- Identify roles and responsibilities surrounding periodic processing and project close out
- Identify process changes and training needs for State End-Users
As-Is: Wooster Method

- Provides ‘a relatively simple solution to the problem of capitalizing a complex and high dollar system of assets such as the State’s infrastructure’
  - Identifies an infrastructure asset as all expenditures made by an agency during a particular year
- Does not provide costs by specific inventory assets:
  - Impairment reporting and insurance recoveries (GASB42)
  - Retirement or turning over parts of infrastructure to a local government
  - Re-evaluation of estimated life of a project
DOTD As-Is: Project Close-out

- Final Inspection complete, road open to traffic
- Construction Audit updates TOPS with Final Estimate Date when last construction invoice is processed
- Audit Section completes audit
- Final Voucher (Federal Aid Projects) is submitted to FHWA by Project Finance-Federal Aid
- Project is closed
FPC – “As-Is” Process Overview

- OSRAP reviews all Fund 075 expenditures per the 2G06 report to determine which should be capitalized
- Appropriate (> $100,000) projects/expenditures are classified as “Construction-in-progress” until complete
- FPC transmits Notice of Acceptance to OSRAP upon completion
- OSRAP capitalizes appropriate expenditures based upon FPC coding & description
  - Projects under $100,000 are not capitalized.
  - Discrete expenditures such as Superdome, Colleges, not capitalized by the State
  - Local Projects (Non-state Capital Outlay projects) are not capitalized by the State
  - Land purchases (by the State) are not subject to the $100,000 threshold for capitalization
CWPPRA- “As-Is” Process Overview

- CWPPRA projects typically constructed on private property through surface-rights agreement with the owner, costs shared by feds
- At completion, projects are expensed out, not recorded assets of the State
- State is responsible for monitoring & maintenance activities for 20 year project life
Current Systems Alignment

- AFS
- AGPS/CFMS
- SLABS
- PMFS
- Excel
- TOPS
- STARS
- Trns.port SiteManager
Process Improvement Opportunities
(Pain Points)

- Complete integration between the capital projects in the PS module and Assets-under-construction (AuC) and the Final Depreciating Assets (FDA) in AA module.
- Settle project expenditures to the appropriate balance sheet or income statement on a routine basis (typically monthly).
- Automate AuC and final fixed asset settlement.
- Utilize status management to effectively monitor and control project expenses.
SAP Glossary

- **Asset Class** - Main criterion for classifying fixed assets according to legal and management requirements.
- **Asset Master Record (AMR)** – Contains general information and valuation/depreciation rules for a specific item in the Asset Accounting (AA) module. In SAP, it also stores all the values and transaction data for the item.
- **Asset Under Construction** - a fixed asset that is in the process of being completed at the time the balance sheet is being produced – construction in progress
- **Cost element** – Represents General Ledger accounts in the Controlling module.

**Capital Asset** - Tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate, equipment, etc.

- **Settlement** - settlement is the process where the actual costs incurred for a WBS element, network, or activity are allocated, in whole or in part, to one or more receivers (e.g. from WBS to AuC, from AuC to final AMR)
- **Settlement Rule** - distribution rules for interim settlements and final settlement to fixed assets
- **Settlement Profile** - the central control parameter for settlements
Settlement Overview

- Receivers
- Distribution rule
- Settlement parameters

Material withdrawal
Goods receipt

Invoices

Activity allocation, transfers, distribution, overheads, process costs

Confirmation

Settlement rules:
What is Settlement?

- Settlement is a function in the Controlling module (CO) that transfers actual costs from a WBS element to a receiver via Settlement Rules for accounting and reporting purposes.
- Examples of settlement receivers:
  - Cost Centers
  - WBS elements
  - Assets
- Multiple Step Process: During the construction of the asset, costs from the WBS element will be settled to an Asset Under Construction (AUC). Once the project is complete, settle values from AUC to Final Fixed Asset.
- Asset will be shown in different balance sheet items depending on the phase it is in (AUC vs. Useful Life)
Settlement: Cost Element Overview

- Settlement requires a “carrier pigeon” (cost element) to move costs out to the receiver

- A cost element:
  - Represents a financial posting to a cost object, such as a cost center or a WBS element
  - Explains “what” expense is incurred in the posting
  - Resides in the Controlling (CO) module

- Every line item in a journal entry or actual posting is assigned to a cost object (“where”) using a cost element (“what”)
Settlement of Project Costs

- **Settling Expenses to an AuC or Asset**
  - Costs will be capitalized as an asset and then reflected on balance sheet
  - AuC(s) shell created ‘automatically’ for each funding source, final AMR must be created manually
  - Infrastructure & Real Property – no LVA only Capital Assets
- **Settling Expenses to a Cost Center**
  - Costs that are expensed will be settled to a cost center and then reflected on the P&L
Indicators in the Settlement Profile

- **Default values**
  - Settlement structure
  - Source structure
  - PA settlement structure

- **Permitted receivers**
  - Project
  - Network
  - Cost Center
  - Profitability seg.
  - Sales order
  - Asset

- **Indicators**
  - Percentage/amount settlement
  - Equivalence numbers
  - Do not settle

- **Other parameters**
  - Document type
  - Number of rules

- **Settlement structure**
  - Source cost element
  - Settlement cost element
  - "By cost element" indicator
Settlement Rules: Overview

- **Settlement rules:**
  - Specify the receiving object(s) to which a WBS element’s costs settle
  - Determine the percentage of the WBS element’s total costs that are settled to each receiving object
  - Can be copied from an existing project to a new project at the time of creation if the reference project contains settlement rules
  - Must be properly created and reviewed to ensure that actual settlement is performed successfully

- **NOTE:** Once settlement has posted, the settlement rule(s) cannot be changed. However, new rules can be added for future amounts.
Components of Settlement Rules

- Every settlement rule consists of the following components:
  - Settlement receiver
    - Specifies the object to which costs are transferred
    - Costs can be settled to Cost centers, G/L accounts, WBS elements
  - Distribution method
    - Determines the amount that should be transferred from the sender (WBS element) to the settlement receiver
  - Settlement type
    - Defines the guidelines that must be followed during the settlement process
  - From/To period and fiscal year
    - Establish the duration in which the settlement rule is valid
    - Apply only to WBS elements whose costs settle to various receivers, depending on the posting period
    - For example, one WBS element might need to settle its costs to cost center A during periods 1-6 and to cost center B during periods 7-12
## Settlement Rule

### Maintain Settlement Rule: Overview

<table>
<thead>
<tr>
<th>WBS element</th>
<th>829-32-0006 Fourchon to Leevile Ph1A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual settlement</td>
<td></td>
</tr>
</tbody>
</table>

### Default distribution rules

<table>
<thead>
<tr>
<th>Cat</th>
<th>Settlement Receiver</th>
<th>Receiver Short Text</th>
<th>%</th>
<th>Equivalence no.</th>
<th>Sett... No</th>
<th>St...</th>
<th>From Period</th>
<th>From Fiscal Yr</th>
<th>To P...</th>
<th>To Fis...</th>
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<tbody>
<tr>
<td>CTR</td>
<td>2765022012</td>
<td>Facility Maintenace</td>
<td>30.00</td>
<td>FUL</td>
<td>1</td>
<td>7</td>
<td>2008</td>
<td>8</td>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>FXA</td>
<td>Asset</td>
<td></td>
<td>70.00</td>
<td>FUL</td>
<td>1</td>
<td>7</td>
<td>2008</td>
<td>8</td>
<td>2008</td>
<td></td>
</tr>
</tbody>
</table>
Decision

- For each settlement profile (DOTD, FPC, CPRA), what are the valid receivers?
  - Cost Center
  - WBS Element
  - Fixed Asset
  - Real Estate Object
- Which costs settle to each?
Multi-Level Settlement - Direct Settlement

Multi-level settlement

Direct settlement

Settlement receiver

PM CO PP

Settlement receiver

PM CO PP
Generating the Settlement Rule for a WBS

- Customer projects Settlement rules and results analysis keys for billing elements
- Do not settle
- Cost projects Settlement rule in responsible/requesting cost center
- Settlement rule inherited from higher-level WBS element
Settlement: Summary vs. Line Item

### Summary Settlement

<table>
<thead>
<tr>
<th>Asset 1</th>
<th>70%</th>
<th>Asset 2</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>700</td>
<td></td>
<td>2.800</td>
<td></td>
</tr>
<tr>
<td>2.800</td>
<td></td>
<td>3.000</td>
<td></td>
</tr>
<tr>
<td>3.000</td>
<td></td>
<td>6.500</td>
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</tbody>
</table>

### Line Item Settlement

<table>
<thead>
<tr>
<th>Asset 3</th>
<th>70%</th>
<th>Asset 4</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>700</td>
<td></td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>2.000</td>
<td></td>
<td>2.000</td>
<td></td>
</tr>
<tr>
<td>3.000</td>
<td></td>
<td>3.000</td>
<td></td>
</tr>
<tr>
<td>3.500</td>
<td></td>
<td>2.300</td>
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</table>

<table>
<thead>
<tr>
<th>Asset 3</th>
<th>60%</th>
<th>Asset 4</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td></td>
<td>1.200</td>
<td></td>
</tr>
<tr>
<td>4.000</td>
<td></td>
<td>2.000</td>
<td></td>
</tr>
<tr>
<td>3.500</td>
<td></td>
<td>7.700</td>
<td></td>
</tr>
</tbody>
</table>

### Investment Measure XY

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Cost element</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>400</td>
<td>1000</td>
</tr>
<tr>
<td>2</td>
<td>400</td>
<td>4000</td>
</tr>
<tr>
<td>3</td>
<td>415</td>
<td>3000</td>
</tr>
<tr>
<td>4</td>
<td>615</td>
<td>2000</td>
</tr>
</tbody>
</table>
Periodic and Preliminary Settlement

WBS- Element

1. Cst.elem.1 2,500
2. Cst.elem.2 8,000
3. Cst.elem.3 2,500
4. Cst.elem.4 3,500
5. Cst.elem.5 8,500
6. Cst.elem.6 9,700
7. Cst.elem.7 6,700

Settlement to controlling

CO-receivers, e.g. cost-centers, internal orders, WBS-elements, ...

Remaining items are assigned to AuC
Settlement Methods

- Settlement occurs in the system through the following methods:
  - Automated: A batch run takes place to settle costs, generally monthly
  - Manual: Users with the appropriate role can also perform one of the Actual Settlement (CJ88 or CJ8G) transactions if costs need to be transferred immediately
The system status determines which business transactions and activities are permitted for a WBS element.

- Examples of system status options are: Created (CRTD), Released (REL), Technically Completed (TECO), and Closed (CLSD)

When a WBS element contains at least one valid settlement rule, the ‘System Status’ field also displays ‘SETC’ next to the status.

The status of a WBS element can be changed to ‘Closed’ at any time to prevent any further postings to the WBS element.

- However, settlement cannot occur on a WBS element with a ‘Closed’ status
- Must make sure that all amounts are settled before changing a WBS element’s status
TECO

- TECO system status change will restrict new commitments from being posted to the project.
- This status allows the manager to restrict postings to the project while allowing late invoices and time entry to occur.
- For capital projects, TECO will indicate that the project is ready for final capitalization (as opposed to asset under construction).
## Decision

### STATUSES

<table>
<thead>
<tr>
<th>DOTD</th>
<th>FPC</th>
<th>CPRA</th>
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<tbody>
<tr>
<td>Created</td>
<td>Created</td>
<td>Created</td>
</tr>
<tr>
<td>Released</td>
<td>Released</td>
<td>Released</td>
</tr>
<tr>
<td>Hold</td>
<td>Hold</td>
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<tr>
<td>FHWA Statuses</td>
<td>De-Authorized</td>
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</tr>
<tr>
<td>Technically Complete</td>
<td>Technically Complete</td>
<td>Technically Complete</td>
</tr>
<tr>
<td>Closed</td>
<td>Closed</td>
<td>Closed</td>
</tr>
</tbody>
</table>

FHWA Status: Add, Change, Close, Re-Open

**Are additional statuses required?**
Asset Acquisition: Build

Asset Need Identified

WBS Element

Asset Create Subnumber Program
<TCode: AS11_FIMM>

Asset Class Ind:
Investment Measure Indicator

Create AMR (AuC)
or
Use Existing AMR (AuC)

Depreciation Posting Retirement

Update AMR  
<CB8G – Individual Processing>

Update AMR (AuC)

 Settlement rules WBS – AuC
<CB20 – Project Builder>

Update AMR

Depreciation Posting

Transfer

Update AMR (AuC)
or
Attach Existing AMR

PS: Periodic Settlement *
<CB8G – Collective Processing>

PS: ‘Final’ Settlement *
<CB88 – Individual Processing>

Update AMR (AuC)

Settlement rules AuC – ‘final’ AMR
<CB20 – Project Builder>

Settlement rules

<CB88 – Individual Processing>

Create AMR or Attach Existing AMR

AGILE Asset

SAP: RE Object

SA: PM EMR

Retirement

<CB88 – Individual Processing>

<CB20 – Project Builder>

Settlement rules

<CB88 – Individual Processing>

Update AMR

Settlement rules

<CB88 – Individual Processing>

AGILE Asset

SAP: RE Object

SA: PM EMR

Retirement

<CB88 – Individual Processing>

Settlement rules

<CB88 – Individual Processing>

AGILE Asset

SAP: RE Object

SA: PM EMR

Retirement

<CB88 – Individual Processing>

Settlement rules

<CB88 – Individual Processing>

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AGILE Asset

SAP: RE Object

SA: PM EMR

Retirement
Scenarios

- Build New Project
- Build – Add value to an existing asset (project completed)
- Build – Add value to an existing asset (project partially completed and in use, balance still under construction)
- Build – Determined during construction that item does not meet asset criteria
Linkage to Assets

- **How do linear assets need to be linked to SAP-PS?**
  - How will costs be allocated to WBS for settlement to AuC(s)?
    - Are labor costs captured along with the asset?
  - How will settlement of AuC to final AMR be determined
    - If project is complete, all WBS elements will be set to TECO status
    - If project partially complete and ready for use, while balance of project is ongoing, perform line item settlement to transfer costs specific to the portion complete from the WBS element to the final asset

- **What happens if, during construction, it is determined that item does not meet ‘asset’ criteria (e.g. costs)?**
Asset Threshold

- Infrastructure: based on $3M per agency per year
  - DOTD will surpass threshold
  - Other Agencies (e.g. WLF) may not
    - Hold $ till year end and then do final settlement to AMR or cost center depending on threshold matching?
Value accumulation

Must include all $ applicable to final asset:

- **Construction-Infrastructure** - any costs associated with construction or maintenance of infrastructure, including levee system improvements, parking lots added to existing buildings, ferry landing improvements, oxidation pond improvements, water wells, sewer/wastewater improvements, drainage canals, exterior lighting systems, traffic signal installations, radio/TV towers.

- **Construction-Capitalized Buildings** - any costs associated with the construction of new buildings expected to cost at least $100,000, including contractor’s fees, planning fees, legal fees, architectural fees, *Division of Administration oversight fees*, ORM fees.

- **Acquisitions-Capitalized Buildings** - expenditures for purchasing structures used to house persons and/or property owned by a governmental unit that are taggable and capitalized ($5,000 or greater). Includes the purchase or contract price, taxes, legal fees, architectural fees, *and other purchase-related costs*.

- **Acquisitions-Land** - expenditures for the purchase of land, right-of-ways, etc. Included would be taxes, survey fees, legal fees, *and other purchase related costs*. 
Asset Linkage: AuC to final AMR

Final AMR record: contains the sending AMR (AuC)
AMR – Asset Value Display (Sample)

Sample detail if transactions available for AMR
Roles and Responsibilities

- Which roles are involved?
  - Who creates settlement rules?
  - Who creates and updates the asset shells?
    - AuC
    - Final AMR
Enterprise Readiness Challenges

- **Training**
  - Extensive training will be required on project settlement and the project close-out procedure
  - Extensive training will be required for Asset Creation and Update:
    - Subnumbering by funding source
    - At AuC and final AMR stages
  - Project Managers (or equivalent) will be responsible for updating project statuses, managing which actions can be performed against the project at any given time

- **Evolving roles and responsibilities for project management, cleanup, and closeout**
Best Practices

- Electronically settle Capital projects so data can be accurately captured and then reported on and analyzed
- Use of settlement profiles based on project scenarios (i.e. Capital project, expense project)
- Run standard cost element and line item reports (i.e. CJEN) to validate that settlement is accurate
- Run test settlement frequently
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
Project Contacts

- Larry Hofstad
  - (225) 219-6796
  - Larry.Hofstad@la.gov

- John Hodnett
  - (225) 219-6799
  - John.Hodnett@la.gov
Questions?