

## Background and Introduction to the *Roadmap*

### Background

In August of 2002, Washington State initiated a "Priorities of Government" budget approach that identified ten results citizens can expect from state government as the basis for budget decision-making. In 2004, a new result was added to address the critical issue of administrative efficiency:

*“Strengthen government’s ability to achieve its results efficiently and effectively”*

Recognizing the opportunity to build on the promise of Civil Service Reform to continue improvements to state financial and administrative policies, processes, and systems, the Priorities of Government team directed:

*“The Office of Financial Management, in partnership with Financial and Administrative Systems *Roadmap* agencies, should develop a proposal to address both short-term and long-term implementation plans and funding needs for a new statewide financial system that, along with the new Human Resources Management System, improves statewide core financial and administrative processes. The proposal should include the ability for agencies, OFM, and the Legislature to receive both accounting and financial data necessary to meet their business requirements.”*

### Introduction to the *Roadmap* Project

Many of Washington State’s existing core financial and administrative business processes do not meet the modern and progressive business needs of state agencies. The *Roadmap* for Washington State Financial and Administrative Policies, Processes, and Systems creates a comprehensive plan to meet demands for better information, improved management systems and streamlined business processes and policies. Phase I, (the evaluation and planning process), will focus on identifying common business problems, opportunities and benefits; identify and validate a solutions framework; validate strategic direction; assess technical architecture; develop funding options; and develop implementation plans. Phase II is the implementation of the *Roadmap* and will begin no sooner than July 2006.

The first task of Phase I of the *Roadmap* project was to identify common business problems and opportunities to support a clear and concise business case for the *Roadmap*. This document is a compilation of the common business problems and opportunities facing Washington State agencies, based on input from *Roadmap* Advisory Group members and validated during the *Roadmap* prioritization survey. Thirty-nine state agencies participated in the survey, plus OFM’s Small Agency Client Service answered for an additional 38 small agencies.

## Organization of Document

The Common Business Problem and Opportunities Statement document is organized by the six end-to-end business cycles (A through F) included in the *Roadmap* scope, with two to three business problems described for each business cycle. Each item in the following summary is linked to the full text description of the business cycle or business problem statement:

	Page
<b>A. <u><a href="#">Procure-to-pay cycle</a></u></b>	3
<u><a href="#">A1: Optimize purchasing power (strategic sourcing)</a></u>	3
<u><a href="#">A2: Put cash in bank, not on shelf (consumable inventory)</a></u>	3
<u><a href="#">A3: Streamline procure-to-pay</a></u>	4
<b>B. <u><a href="#">Reporting/General ledger</a></u></b>	7
<u><a href="#">B1: Organize data to support all perspectives (chart of accounts)</a></u>	7
<u><a href="#">B2: Improve access to information (reporting tools)</a></u>	8
<b>C. <u><a href="#">Cost accounting cycle</a></u></b>	11
<u><a href="#">C1: Enable data driven decisions (cost accounting)</a></u>	12
<u><a href="#">C2: Protect federal &amp; local funding</a></u>	14
<b>D. <u><a href="#">Invoice-to-cash cycle</a></u></b>	15
<u><a href="#">D1: Make it easy for customers to pay</a></u>	15
<u><a href="#">D2: Increase investment revenues</a></u>	16
<u><a href="#">D3: Streamline invoice-to-cash</a></u>	16
<b>E. <u><a href="#">Budgeting cycle</a></u></b>	19
<u><a href="#">E1: Streamline and integrate the budget cycle</a></u>	19
<u><a href="#">E2: Empower managers with tools to aid decision-making (measuring performance results)</a></u>	20
<u><a href="#">E3: Provide flexibility for innovative budgeting</a></u>	22
<b>F. <u><a href="#">Capital asset management cycle</a></u></b>	23
<u><a href="#">F1: Maximize return on capital assets</a></u>	23
<u><a href="#">F2: Improve accountability for assets</a></u>	25

Two over-arching business problems are apparent across all six business cycles:

- State policies, processes, and tools have not kept pace with emerging “back office” business problems.
- Agencies lack the tools and information needed to manage entire business cycles effectively and efficiently from end-to-end.

## Agency Urgent Business Needs

The *Roadmap* prioritization survey asked agencies to indicate the reasons any business problems “absolutely must be addressed within the next 1 to 2 years”. At least one agency reported an urgent need in all fifteen-business problem statements. The “Enable Data Driven Decisions (cost accounting)” business problem had ten Agency Urgent Business Needs. The Agency Urgent Business Needs described in the survey are listed after each business problem statement.

**A. Procure to Pay – Supply Chain Management** (Requisition, bids, contracts, receiving, consumable inventory, accounts payable (except for major client service programs), warrants/EFT, vendor management)

## **A1. Optimize Purchasing Power**

Less than 15% of the amount the state spends on operating goods and services is managed under aggregated or central contract. Key data on these purchases is spread across many disparate and inconsistent agency procurement systems and paper files. Other states reported savings ranging from \$15 to \$100 million in the first year with the following strategies for achieving the best value for taxpayers:

1. Renegotiate existing contracts
2. Contract in a smarter way (e.g. Offer mandatory contracts with guaranteed volumes)
3. Put new contracts in place
4. Reduce the costs of the acquisition process
5. Consolidate supplier base
6. Adopt enterprise data standards so supplier, commodity, and contract data can be consolidated to support more effective negotiations with suppliers

This business problem / opportunity has emerged from the Governor's Priorities of Government process as part of the ***Strategic Sourcing Initiative***: a combination of planning, policy and contracting strategies focused on achieving initial cost reductions during the 2005-2007 biennium. A comprehensive, state-level effort involving standardization of key data, process improvements, and more effective policy enforcement would be needed to sustain the benefits of the ***Strategic Sourcing Initiative*** and realize the full savings potential.

### ***Agency Urgent Business Needs***

**Department of Licensing (DOL)** The department is currently on a path to make some heavy IT acquisitions that should benefit from centralized procurement efforts.

**Washington State Lottery** The Lottery purchasing workload is increasing due to efforts to be prudent in spending, increased promotional item options, competition for scarce dollars, and the implementation of a sustainability program, which all involve more research prior to each purchase. For example, the sustainability program requires purchasers to gather and analyze more information about the content, source, manufacturing, and disposal of a potential purchase. The same is true for evaluating different point of sale options to ensure the agency receives the best value for each purchase. More contracts for basic goods and services would alleviate workload and free up time for needed research and analysis.

## **A2. Put Cash in the Bank, Not on the Shelf**

Washington State agencies report over \$60 million of consumable inventory in warehouses operated by various agencies. With improved management policies, processes and tools, it is not uncommon to see significant reductions in consumable inventories. A supply chain management pilot at General Administration resulted in inventory reductions of over 40 percent, converting more than \$1 million of consumable inventory to cash in the bank. This business problem / opportunity has emerged from the Governor's Priorities of Government process as part of the ***Strategic Sourcing Initiative***: a combination of planning, policy and contracting

strategies focused on achieving initial cost reductions during the 2005-2007 biennium. A comprehensive, state-level effort involving systems, methods, and processes would be needed to sustain the benefits of the *Strategic Sourcing Initiative* and realize the full savings potential.

- Agencies have limited and outdated inventory reporting and analysis tools.
- Many storage locations lack tools necessary for efficient and modern inventory management.
- The number of storage locations could be reduced, with resulting savings.
- Lack of commodity code and vendor number data standards impede consolidation and sharing of data, processes, and systems.

### *Agency Urgent Business Needs*

**Department of Veteran's Affairs (DVA)** Perpetual inventory management is critical to optimizing available resources in the health care field and 24/7 operations. The DVA manages high dollar pharmaceuticals, medical supplies, durable medical equipment and food.

**Washington State Lottery** The Lottery needs the ability to track inventory more effectively. As business moves to Radio Frequency Identification Device (RFID) for tracking products, the Lottery must become a user or it will be barred from access to new markets. In addition, it risks losing current retailers as they move to RFID. This situation would be potentially devastating to the existence of the Lottery and the revenue it provides to the state.

## **A3.Streamline Procure-to-Pay: A More Economic Government**

Sourcing, procurement, contracting, inventory, and payment processes all involve the same vendors, goods and services, documents, and data; still, most agencies handle each of these functions separately and manually. The lack of integration between purchasing, payables, inventory, and contracts systems and processes results in duplicate data entry, high error rates, time wasted tracking documents, and other inefficiencies for agencies and the state's vendors. In addition processes are often over-regulated and over-controlled. As an example, the 2004 Baseline Assessment showed Washington State agencies lagging significantly behind industry and government productivity in the number of invoices processed per payables staff person. Agencies maintain 49 "shadow" systems and nearly 3,000 desktop tools to supplement the functionality of central systems in this area. Streamlining the procure-to-pay business cycle ranked in the top three business problems for over 40 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

### *Purchasing*

- Procurement business processes vary by agency and in some cases are redundant, overlapping, and expensive.
- Purchasing policies are governed by multiple agencies, resulting in inconsistency and confusion.
- Most purchasers don't have visibility to state or agency contracts or best buys.
- Agencies do not fully leverage the opportunities to reduce procurement effort with purchasing cards.
- Many agencies still use paper field order forms with multiple carbon copies.
- Processes do not support Internet purchases.

- Agencies must use different systems to order from Central Stores and the Printer; this increases the amount of time and resources needed to track and document small purchases.
- Purchase orders are not integrated with payment, contracts, and inventory systems.
- With almost all purchasing done either manually or through agency systems, the state lacks the data necessary to establish and monitor performance improvement targets for procurement.

#### *Consumable Inventory Control*

- A 2003 study by the Enterprise-wide Consumable Inventory Team (ECIT) disclosed the following trends for the aging inventory systems operated by two of the largest agencies:
  - a. Application instability is causing an increasing number of business disruptions each year.
  - b. Inventory data quality is becoming increasingly unreliable to support quality decisions and business processing.
  - c. Maintenance and operations costs are rising faster than inflation rates.
  - d. Applications are increasingly unable to meet current and emerging critical business requirements to ensure the right items are available when needed.
- Inventory processing is not integrated with purchasing and payables processes.

#### *Payables*

- No common process or statewide system for processing payables.
- Payables process is over-controlled; less process around low dollar, high volume invoices is allowed by the state “Rapid Invoice Processing” policy but the process is not supported by central systems and is used by very few agencies.
- A laborious manual process is required to determine accounts payable balances for fiscal month and fiscal year end reporting because most agencies lack tools to help them track commitments to vendors for services received but not yet paid.
- Purchasing cards have been shown to reduce payables processing effort significantly, but they are widely underutilized by most state agencies.
- Many agencies maintain spreadsheets to break out invoiced amounts by program, resulting in duplicate data entry.
- Not all agencies utilize available tools for automation of interagency payments and the tools do not support payments to local funds; these inconsistent practices result in loss of productivity.
- There are opportunities to further streamline and simplify travel policies and to standardize travel expense reimbursement practices among agencies.

#### *Contract management*

- Redundant, inconsistent, and inefficient contracting statutes contribute to duplication and vendor/agency confusion.
- Most agencies do not have tools needed to monitor and administer contracts.

- A lack of tight linkages between purchasing, contracts, and centralized payment systems results in duplicate data entry and inefficient processing.
- Agencies do not have tools to help them meet some state reporting requirements.

#### *Vendor Services*

- Approximately 21% of the staff time dedicated to customer service is focused on answering payables management questions. A self-service query capability on invoice payment status would improve vendor services and free up much of this staff time for other work.
- A self-service payment registration process (with appropriate controls to prevent fraud) could reduce staff effort required to create and maintain vendor records.

#### *Agency Urgent Business Needs*

**Department of Fish and Wildlife (DFW)** The agency's decentralized payment processes are too costly and time consuming. DFW needs to connect payments with the new agency contracts system.

**Department of Health (DOH)** With contracts totaling nearly 50 percent for the agency, DOH requires the ability to track data, and query data, and guarantee data for reporting requirements.

**Office of Superintendent of Public Instruction (OSPI)** OSPI's "off the shelf" consumable inventory system is outdated and is costly to update. Triplicate field order forms are still used because OSPI does not have a database for converting purchase requests to field orders. A lot of duplicate effort is required and important information is not available.

**Washington State Lottery** As a business with financial reporting requirements, the Lottery needs accounts payable detail not available in AFRS. One to two staff-days are required each month to cut & paste prior month and current month data from FASTRACK into Excel to determine payables balances for each fund. Redundant data entry is required to maintain agency-level spreadsheets (e.g. agency VISA card expenditures and motor pool records), leading to more potential errors and inefficient use of staff time.

**Washington State Patrol (WSP)** It has become increasingly difficult to track purchases and inventories and ensure that payment for items are within the guidelines of the state. A streamlined procure to pay system is needed to reduce duplicated effort, with multiple units performing similar tasks.

**B. Reporting / General Ledger** (Chart of accounts, risk management, business intelligence, performance reporting, data warehouse, financial reports, CAFR)**B1. Organize Data to Support All Relevant Business Perspectives**

Financial transactions do not capture all the data managers and policy makers need to make decisions and drive results. Business data is organized by agency within legacy systems, in varying formats with inconsistent definitions. Performance measure data is captured separately, making it difficult to align dollars with expected results. Limitations in the state's chart of accounts impede support of multiple business perspectives such as: tactical, operational and strategic; governmental accounting and agency business operations; agency, functional, and enterprise-wide; budgetary and results-oriented, and weekly, monthly, project period and biennial time-views. Many managers lack the training and know-how to plan for effective capture of the right data to support these various business perspectives. Emerging business drivers in Washington State government call out for an expanded and flexible chart of accounts, more data standards, improved integration, and greater expertise to capture the right data to drive the results citizens expect. Organizing data to support all relevant business perspectives ranked in the top three business problems for almost 40 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

- Valuable “enterprise data” is locked away in silos, not easily accessible to statewide and agency decision makers.
- Better alignment is needed between the chart of accounts and critical information needs such as priorities of government and performance management.
- The chart of accounts needs to do a better job of supporting both agency-unique needs and statewide information needs.
- Reconciliations between internal systems and the statewide accounting system are very labor-intensive.
- Legacy accounting systems give priority to meeting governmental accounting needs instead of agency business operations such as equipment revolving fund and product sales.
- Fiscal month data is not available until the middle of the following month, after the second half payroll is booked; this is not timely enough to support some business perspectives.
- Many account code fields are defined inconsistently across agencies, making it difficult to answer questions from an enterprise viewpoint; Compiling information agency-by-agency is labor intensive.
- The chart of accounts does not include standard 1099 tax reporting data elements that would facilitate production of annual statements to the IRS and vendors.
- Agencies do not have tools to help them manage their chart of accounts.
- Cross-agency data is not readily available to agencies required to administer funds.
- The chart of accounts does not include data needed for CAFR financial disclosures such as non-cash activity and liabilities.
- Agencies are required to budget by Activity but the chart of accounts does not support accounting by Activity.
- The large number of independent systems increases error rates and makes it difficult to find common solutions to common business problems. Having statewide policies for “back

office” processes would save agencies the considerable effort of establishing and maintaining agency policies.

### *Agency Urgent Business Needs*

**Department of Financial Institutions (DFI)** Better support for Activity accounting is needed now. DFI is wasting resources reconciling constantly between Activity-based manual processes and the Program data in AFRS.

**Department of Fish and Wildlife (DFW)** Cost accounting by activities and needs to be integrated/or new system to AFRS and/or FASTRACK.

**Department of Licensing (DOL)** Washington state government is going to performance management; therefore all agencies must have accurate data.

**General Administration (GA)** Agency operating managers need better information now. GA has a difficult time operating as a business without accurate and timely management information.

**Liquor Control Board (LCB)** LCB has 35 product pricing scenarios, depending on product (spirit, wine, beer), type of sale (retail, licensee) and who is selling (military, tribal). Each of these sales generates a different type of revenue stream. A stable, system-based method to move from sale of product to distribution of revenue is needed. This is a significant process improvement for the agency and for distribution of revenue to the state.

**Office of Superintendent of Public Instruction (OSPI)** With Activity Inventory and Priorities of Government becoming such critical pieces of the budget process, OSPI has had to resort to a very labor-intensive, cumbersome spreadsheet to derive the Activity information.

**Washington State Lottery** As an agency that runs as a business, the Lottery needs financial reporting capabilities currently not available in AFRS. One example is on-demand financial statements. To prepare monthly financial statements, Lottery staff must download year-to-date data from AFRS into an agency data warehouse (EIS), extract the data to ACCESS, group the data into combinations, and then copy to Excel. Within Excel, the data is put into a pivot table, which feeds the financial statements. AFRS data does not group the information the way it is needed. In addition, AFRS does not have the ability to create monthly financial statements. (e.g., income statement, balance sheet, cash flow statement). The Lottery prepares its own CAFR each year, and this is not supported by AFRS. Records must be maintained on a fiscal year basis; AFRS data is gathered on a biennium basis. Beginning fiscal year account balances are not available until many months after year-end, making balance sheet data inaccurate for a lengthy portion of each fiscal year. Data needed to prepare the year-end CAFR disclosure forms is not readily available; FASTRACK can provide the detail, but the totals must be manually calculated. Reconciliation between internal records and AFRS is extremely cumbersome and labor-intensive (e.g. cash activity in our local bank accounts is reconciled from bank to Lottery records, then to AFRS). There is no statewide system for managing investments in securities (safekeeping) and the interest amortization calculations involved, and for tracking our long-term debt and payments to winners with annuity type prizes. Transaction codes in AFRS are not flexible enough to meet agency-specific needs, or do not allow subsidiary accounts, which are necessary to track cash and revenues. In many cases, input of JV transactions is double or triple due to this problem. This increases the staff time required to process JV's, increases chances for human input error, and makes processing unnecessarily complicated.

**State Auditor's Office (SAO)** Currently SAO is required to budget by activity but the chart of accounts does not support accounting by activity. SAO also has a real need for integrated cost

accounting and time and billing which rolls up to the general ledger. Staff and managers need the ability to drill down below general ledger balances to get to data on cost centers and activities.

## **B2. Improve Access to Meaningful Information**

The ability of Washington State managers to access, develop, and share timely business information has not kept pace with demand. Financial reporting tools are predominantly application-specific and do not support cross application, cross-agency and cross-functional reporting. The need to ensure consistent, accurate use of complex accounting data has forced reliance on fixed-format reports rather than self-service data access. Available report formats are far too limited to meet the broad range of today's information needs and new report formats cannot be delivered quickly. State agencies spend millions each year maintaining data stores, interrelating data from multiple stores, and compiling and reformatting data. In addition, many agencies have invested in numerous, disparate, and often duplicative systems to provide visibility into their business operations such as data processing service centers and liquor sales. Improved enterprise reporting policies, processes, tools, and training are needed to reduce these costs and provide intuitive access to the right data at the right times to support better strategic and operational decisions. Agencies maintain over 40 "shadow" systems and nearly 3,000 desktop tools to supplement the functionality of central systems in the general ledger/reporting area. Improving access to meaningful information was the top-ranking business problem for state agencies in the 2004 *Roadmap* prioritization survey.

- Managers are expected to be responsible for their budgets, but most reports are geared to people with strong financial backgrounds. Agencies are faced with creating custom reports or a reporting system that is user friendly for program staff.
- Managers can't get data back out when they need it.
- Critical information is often weeks old by the time it is available to managers.
- No single face of government; users must learn multiple reporting tools and combine data manually from multiple sources, resulting in a myriad of inconsistent report formats.
- Reporting capabilities have not kept pace with the demand for information.
  - Available report formats are too limited.
  - Ad hoc query tools for accessing major state financial data stores are not available.
  - Systems don't facilitate sharing information electronically with non-system users, by both email and the web.
- It is difficult to combine and reconcile information from multiple sources (e.g. financial, personnel, project data, and travel) so it can be used to support strategic policy decisions.
- It is difficult for agencies to access reports that show more than just the costs of a particular item. For example, financial reports show how much is paid for energy, but actual energy usage is not readily available. Without both sets of data agencies may miss opportunities to reduce costs.
- Agencies have developed a wide variety of duplicative reporting applications, many of which could be eliminated if common reporting tools were available.
- Agencies with enterprise operations require broad visibility into all aspects of their business operations to maximize revenues and meet performance objectives. Examples include

determination of sales per square foot, sales per salesperson, product profitability trends, customer demographics and satisfaction levels, and cost of goods sold.

- Some agencies such as the Liquor Control Board face potential business disruptions due to the instability of their aging financial systems.
- Maintaining and reconciling agency-unique systems detracts from the resources agencies can focus on their core missions.
- Too much manual effort is required to produce detail GAAP financial statements.
- Responding to ad hoc requests for information from Legislature, LEAP and other stakeholders is very labor-intensive.
- When key personnel retire, the capacity to understand and interpret data is lost.

### *Agency Urgent Business Needs*

**Department of Financial Institutions (DFI)** Staff time is constantly wasted by the need to pull information from limited systems and reformat it into spreadsheets. Additional resources are wasted getting data reconciled and correcting errors.

**Department of Licensing (DOL)** Government is going to performance based outcome management of operations; therefore all agencies will live or die on the accuracy of its data and its measurements of operational outcomes.

**Department of Veteran's Affairs (DVA)** Eighty percent of DVA's operating budget comes from revenues earned through service delivery. The managers of the state veteran's homes need accurate, timely information that matches revenue and expenditure data to manage their facilities within budget constraints. Currently reports must be manually compiled from data in statewide financial systems and distributed well after events are completed and decisions made.

**Department of Ecology** Ecology is partnering with OFM in January 2005 to pilot an ad-hoc query tool for FASTRACK data. The pilot will last 6 months, at which time a decision will be made whether to pursue the development of a new agency reporting tool.

**Liquor Control Board (LCB)** Retail sales this year will exceed \$650 million, but the agency does not have the ability to make data driven decisions at the store level. Maximizing revenue in the retail arena requires responding to the marketplace to take advantage of demographic trends, product trends, and sales trends. Additionally, in order to maximize revenue we need to know store profitability, which we are unable to do except by a labor extensive manual process that results in reacting to information that is outdated. We need to react to a combination of sales information and expense information to make time sensitive decisions.

**Office of Superintendent of Public Instruction (OSPI)** There is some sense of urgency because although OSPI relies on an internal system at this point, resources to continue with its upkeep are limited.

**Washington State Lottery** The Lottery cannot get timely information (at a minimum weekly), or information at the level of detail necessary to manage operations as a business. The following reporting capabilities are urgently needed:

- On-demand financials and current month financials (as opposed to year-to-date) for month-to-month comparisons.
- Pro forma financial statements for forecasting purposes.

- On-demand access to the detail making up account balances (like a double click on a number or drop-down menu option).
- Ad hoc query capabilities, with ability to sort data by varying fields.
- Budget to actual comparisons on a monthly basis.
- Account payable and receivable subsidiary detail at any given time.
- Profit analysis by game and fund. Short-term and long-term forecasting is not possible, because we do not have access through AFRS to data in the format needed.
- Data compiled in other time frames (e.g. inception-to- date) for business management or public record request purposes. Currently, can only access AFRS/FASTRACK by set time periods, such as biennial, yearly, monthly, or daily.

These reporting limitations cause much inefficiency in data input, extra training time, and make it necessary for agency staff to create and maintain subsidiary records, which then need to be reconciled to AFRS data.

**State Investment Board (SIB)** Pressures due to budget constraints require immediate and precise data for projection and planning purposes, fiscal impacts on proposed legislations; etc.

**C. Cost Accounting** (Labor distribution, cost allocation, projects, grants, cost of government services)**C1.Enable Data-Driven Decisions**

Today's policy makers are faced with increasingly difficult and complex decisions. Yet agencies lack the flexible cost analysis tools to provide timely and reliable high-level cost data and supporting details to inform these decisions. Incomplete, dubious data impedes the ability of state policy-makers and managers to measure performance, evaluate competitive contracting proposals, manage agency business operations effectively, price government services, make life-cycle investment decisions, assign costs to level of service options, and support a "priorities of government" approach to budgeting. Systematic and accurate allocation of full costs to government programs will help managers allocate resources among competing priorities and distinguish between strategies that work and those that don't. For many state agencies, cost accounting is the key to governmental accountability and public trust. Agencies maintain at least 23 "shadow" systems and nearly 1,800 desktop tools to supplement the functionality of central systems in the cost accounting area. Enabling data-driven decisions ranked in the top three business problems for almost 50 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

- Better cost accounting capability is required to support Priorities of Government initiatives and determine the costs of government services.
- Current cost allocation tools are designed to address specific business issues; Agencies need flexible analytic tools to adapt to emerging policy and operating business needs.
- Fiscal notes on the impact of proposed legislation are based on inconsistent cost data from agency to agency and vary widely in format and quality.
- Processes used to collect the workload statistics to support cost analyses are labor-intensive, after the fact, not integrated, and not available when needed to support decisions.
- The current plan for HRMS labor distribution may not provide all the data needed to meet cost accounting requirements for all agencies.
- Agencies need the capability to allocate administrative costs to cost objectives to accurately determine costs and maximize revenues, using allocation methods that are appropriate for the business situation.
- Agencies require the flexible capability to define account code fields for the purpose of collecting agency-specific details that can be used as cost drivers in cost allocation analyses; for instance, an agency may need to track labor hours and payable costs to case numbers, projects, or specific capital assets or facilities.
- The ability to model allocated costs for budgeting, cash flow, and rate setting projections.
- To comply with RCW 43.88.0909(3),(4)&(5), agencies need to assess performance against their major programs as established in the budget. Each agency's budget proposal must be directly linked to the agency's stated mission and program goals and objectives. Current systems do not allow for this linking and assessment.
- Use of agency-unique cost allocation tools rather than an integrated central system requires significant data entry and reconciliation effort.

*Agency Urgent Business Needs*

**Department of Financial Institutions (DFI)** DFI currently does allocations through spreadsheets, which wastes resources creating, reconciling, and correcting errors. This area is needed statewide to implement competitive contracting under civil service reform.

**Department of Licensing (DOL)** The new world of government, like most private ventures, cannot exist for any extended amount of time unless they can manage their resources to effectively support the core business activities.

**Department of Natural Resources (DNR)** Beneficiaries are requesting information based on cost of service. Managers need to make decisions based on cost information.

**Department of Veteran's Affairs (DVA)** Cost accounting issues are the crux of our financial requirements. DVA managers make decisions with significant cost implications on a daily basis that are not routinely supported by existing systems. Significant time and effort are required to approximate the answers to financial questions. This process is imprecise at best and totally inaccurate at worst.

**General Administration (GA)** The tools needed to manage GA's programs as enterprise operations are not available. GA has developed some agency systems to assist in doing this, but the current MRS system is not adequate and it is getting old.

**Liquor Control Board (LCB)** Retail sales this year will exceed \$650 million, but the agency does not have the ability to make data driven decisions at the store level. Maximizing revenue in the retail arena requires responding to the marketplace to take advantage of demographic trends, product trends, and sales trends. Additionally, in order to maximize revenue data on store profitability is needed, and unavailable except by a labor extensive manual process that results in reacting to information that is outdated. A timely, accurate combination of sales information and expense information is needed to make time sensitive decisions.

**State Auditor's Office (SAO)** SAO's enabling legislation in RCWs 43.09 and 42.40 mandates accurate allocation of costs between local government audits, state government audits and whistleblower investigations. Also, RCW 43.88.0909(3),(4)&(5) requires agencies to assess performance against their major programs as established in the budget. Current systems do not allow for these allocations, linking and assessment.

**Washington State Investment Board (SIB)** WSIB currently produces cost accounting information using a manual process that incorporates data from multiple sources. Cost allocation capability is also needed to prepare fiscal notes on the impact of proposed legislation.

**Washington State Lottery** The Lottery must operate as a business, yet managers are unable to access the data needed to effectively manage and allocate resources. Integrated detailed cost accounting is lacking. The agency is moving rapidly toward accountability by cost center or business activity and need the tools available to achieve this goal.

**Washington Utilities and Transportation Commission (WUTC)** The current cost allocation system is over 25 years old and does not meet agency needs due to changes in funding complexity and state fiscal policies. Without system improvements, the agency could be out of compliance with statutes.

## C2. Protect Federal and Local Funding

More than 30 percent of Washington State's \$23 billion of annual revenue comes from Federal and local sources. Each agreement comes with unique financial and programmatic reporting requirements. Agencies operate a wide variety of grant and contract management systems to meet these special requirements. An enterprise approach would prevent further investment in duplicative agency systems, reduce audit risk, present a single face to grantor agencies, and protect these vital revenue sources. Protection of Federal and local funding was ranked in the top three business problems by almost 20 percent of agencies participating in the 2004 *Roadmap* prioritization survey.

- System support for managing grants and regulatory reporting is fragmented and redundant.
- No enterprise system is available to help agencies record and manage the full life cycle of grant awards, especially multi-year programs.
- Cost allocation procedures and reimbursement processes are inconsistent.
- Agencies are not able to budget grant disbursements beyond the end of the current biennium on multi-year awards.
- Tracking cash disbursements and receipts, and calculating interest on over and under draws, to comply with the Cash Management Improvement Act is a manual, labor-intensive process.
- Better tools are needed to help agencies make timely revenue draws, submit federal grant reports, and monitor grant budgets on federal fiscal years and other project periods outside the state fiscal year.
- Agencies do not have tools to help them manage grants to sub-recipients and meet increasingly complex oversight and reporting requirements. For example, agencies must currently maintain separate databases to track the federal grant, the sub-recipients and corresponding payable agreements, and produce various reports and grant award letters to each sub-recipient notifying them of the actual amount of their federal funding and financial reporting requirements.

### *Agency Urgent Business Needs*

**Department of Fish and Wildlife (DFW)** DFW needs to be able to cost payroll based on 'composite rate' approach.

**Military Department** Improved grant management capabilities are needed for multiple existing and emerging federal grants.

**Office of Superintendent of Public Instruction (OSPI)** Although OSPI has an internal system that was built by a contractor, it does not interface with other agency systems and the reconciliation process is very labor intensive and time consuming. Resources to continue with upgrades, enhancements and maintenance are limited.

**D. Revenue Cycle – Invoice to Cash** (Invoicing, aging, collections, cash receipts, cash management, cash distribution, revenue distribution, customer management)

### **D1. Make it Easier for Customers to Pay the State**

Washington State invoicing and collections policies and practices vary widely by agency and even by division within larger agencies. Many agencies share the same customers, but each one sends separate invoices and collections efforts are usually not coordinated. Revenue cycles that begin with agency core business functions might successfully be supported in large part by common invoicing, receipting, and collections practices. With an enterprise approach to invoicing and collections, the state could begin looking for opportunities to expand convenient electronic payment options, help customers better understand their invoices and statements, publish billing details on-line for easy customer access, provide consolidated invoices and statements or invoices with a common look and feel, and allow customers to sign up for automated recurring payments. The results: enhanced customer relations and citizen confidence in government. These measures may have the added benefits of speeding up statewide cash flow, reducing write-offs, make it easier to identify and manage habitually delinquent customers, and offset receivables against payables (where appropriate).

- Because there is a lack of central support for accounts receivable and cash receipting activities, each agency develops its own solution; some agencies have multiple practices and systems.
- Customer service improvements are developed agency-by-agency or even division-by-division instead of centrally for use by all agencies. Over the past seven years, 36 agencies submitted 135 Economic Feasibility Study (EFS) requests as the first step in developing capabilities to accept electronic payment for specific services. Each of these requests represents an average agency investment of about \$35,000 with annual support costs of about \$69,000.
- Agencies and often divisions within agencies all maintain separate customer records, which increases administrative workload and impairs the state's ability to present a single face to citizens.
- Customers often receive several invoices from different divisions within the same agency during the same billing cycle.
- Invoices are often sent to specific individuals so they can review supporting details instead of to customer accounts payable offices; this slows down receipt of payment by the state.
- Collections expertise and tools are not shared between agencies.

#### ***Agency Urgent Business Needs***

**Department of Financial Institutions (DFI)** Electronic payment options have been around for years, yet some agencies still do not accept credit cards or other electronic payment methods. There is no excuse for this in this day and age. Agencies wanting to do electronic payment methods must fill out feasibility studies that take an inordinate amount of time and in some cases can only show a small or even negative cash flow. If electronic payment methods were established statewide economies of scale would be achieved.

**Department of Licensing (DOL)** DOL collects over \$1.5 billion per year in revenue that other

state agencies depend on for funding their expenses. The agency's core business activities must become customer centric, which is the new reality for this century. Government must operate as an enterprise and offer the same convenient services citizens receive from private business.

**Department of Natural Resources (DNR)** Emerging business needs are not being met in a timely manner, due to the inflexibility of DNR's aging Revenue Management System. In addition to several weaknesses disclosed during a recent audit, the system is error prone, too slow, not able to accept electronic payments, and costly to maintain. *Note: DNR is currently in the process of moving to a new agency revenue management system.*

**Health Care Authority (HCA)** The legacy HCA accounts receivable/accounts payable (AR/AP) subsystem reliably processes approximately 1,000,000 financial transactions monthly including \$95 million in revenue and \$110 million in expenditures. The system runs in the same environment as the payroll/personnel system that is being replaced by the HRMS project. The annual cost of continuing to operate this system solely for HCA transactions is estimated to be prohibitively expensive. Replacement functionality must be in place by the end of the 2005-07 biennium, when the HRMS project is complete. The HCA has proven in the past that industry standard AR/AP systems will support the agency's business requirements and volume (The MSA/Dunn & Bradstreet package was used without problem until it became obsolete in 2000).

**Labor and Industries (LNI)** Improved functionality is essential to increase rates of collection, improve cash management, improve customer relations, provide more accurate information, and decrease confusion. *Note: LNI is currently developing a "Global Accounts Receivable/Payment Options and Claims Overpayment Account Receivable/Collections system to meet their agency business needs in this area.*

## **D2. Increase Investment Revenues**

The Office of the State Treasurer makes investment decisions based in part on agency cash receipt and disbursement forecasts. With current tools and processes, agency forecasts are notably unreliable. Better forecasting tools are needed to improve the accuracy and timeliness of cash flow projections. This would allow the Treasurer to allocate a greater amount of money to the core portion, as opposed to the liquidity portion, of the treasury portfolio. Historically, the core portion, which is invested in longer maturity securities, has earned a higher yield than the liquidity portion. The state can increase investment revenue for every million dollars in additional funds that could be allocated to the core portion of the portfolio. Additionally, agencies would have better cash flow data to manage their cash draws on federal grants.

### ***Agency Urgent Business Needs***

**Office of the State Treasurer (OST)** It is important to note that OST has the fiduciary responsibility to manage investments and debt issuance, which requires agencies to have and use effective tools to forecast cash receipts and requirements.

## **D3. Streamline Invoice-to-Cash: A More Economic Government**

Washington state agencies operate a number of accounts receivable subsystems that have been built in lieu of a comprehensive central system. These independent systems often lack the functionality to promote efficiencies such as integration with billing and cash receipting systems, ability to accept electronic payments, and automated generation and transmission of invoices to customers. They require more manual processes such as re-keying data and reconciling between

systems. Also, agencies have had to develop their own tools for cash receipting and management of long term receivables. An enterprise approach would eliminate further investments in duplicative systems, reduce training costs, decrease error rates, and allow common solutions to business challenges associated with new technologies and increasingly complex regulations for distribution of tax revenues. Agencies maintain at least 56 “shadow” systems and nearly 6,000 desktop tools to supplement the revenue management functionality of central systems. Streamlining the invoice-to-cash business cycle ranked in the top three business problems for almost 20 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

- For agencies with decentralized billing, the finance office often does not receive the information necessary to record, report, and control agency accounts receivable balances.
- It is becoming increasingly complex to distribute tax revenue to the correct funds and jurisdictions.
- Accepting credit card payments is inefficient for agencies because essential data such as customer ID and invoice number are not interfaced to agency financial systems.
- Payments received from outside sources lack sufficient identification detail, making attribution very labor intensive. Receipts are difficult to tie accurately to an invoice and/or billing statement.
- Only a few agencies have the capability to bar code invoices, to speed up receipting and reduce errors.
- Agencies lack tools to help them bill and receive funds on local contracts, federal pass-thru funds, and interagency agreements. Tools are also needed for international receipts, management of long term loan and annuity agreements, notification of wire transfers, and cross agency revenue reporting for fund administrators.
- Processing of revenue refunds and NSF checks is largely manual and labor intensive.
- For agencies that bill customers for the costs of services, it would be beneficial to be able to generate receivable transactions directly from financial cost data.
- Interagency billing/revenue processing is cumbersome when agencies do not use the correct statewide vendor number, or the invoice does not include all key information.
- We need to explore the option of allowing for deposits and reconciliation of deposits out in the field and not within the centralized accounting department. The inability to match local bank deposits completed within the field and the Treasurer’s Office transmittal into suspense is a staffing nightmare.
- With almost all invoicing and receipting done either manually or through agency systems, the state lacks the data necessary to establish and monitor performance improvement targets for this business cycle.

### ***Agency Urgent Business Needs***

**Department of Financial Institutions (DFI)** A replacement is needed for the statewide Solomon accounts receivable system.

**Department of Natural Resources (DNR)** Emerging business needs are not being met in a timely manner, due to the inflexibility of DNR’s aging Revenue Management System. In

addition to several weaknesses disclosed during a recent audit, the system is error prone, too slow, not able to accept electronic payments, and costly to maintain. *Note: DNR is currently in the process of moving to a new agency revenue management system.*

**Health Care Authority (HCA)** The legacy HCA accounts receivable/accounts payable (AR/AP) subsystem reliably processes approximately 1,000,000 financial transactions monthly including \$95 million in revenue and \$110 million in expenditures. The system runs in the same environment as the payroll/personnel system that is being replaced by the HRMS project. The annual cost of continuing to operate this system solely for HCA transactions is estimated to be prohibitively expensive. Replacement functionality must be in place by the end of the 2005-07 biennium, when the HRMS project is complete. The HCA has proven in the past that industry standard AR/AP systems will support the agency's business requirements and volume (The MSA/Dunn & Bradstreet package was used without problem until it became obsolete in 2000).

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**State Auditor's Office (SAO)** An efficient time and billing system to assist in our invoicing of approx 2,800 local and state government clients is urgently needed. The system should be linked to HRMS or some other time tracking system and have an integrated accounts receivable system with an array of reporting options.

**E. Performance Management and Budgeting Cycle** (Salary projection, decision packages, allotments, performance budgeting, performance measurement, fiscal notes)**E1. Streamline and Integrate the Budget Cycle**

Agency managers develop, implement, and monitor their budgets in separate, non-integrated systems, some of which are outdated or hard to use. The recent financial benchmark study found the agency operating budget cycle to be a key area of opportunity for efficiency improvements. An intuitive, connected tool set to support budget functions would lead to more efficient processes, freeing up significant staff hours for higher-value budget management activities. Agencies maintain at least 23 “shadow” systems and nearly 5,000 desktop tools to supplement the functionality of central systems in the budget area. Streamlining and integrating the budget cycle was the second highest-ranking business problem for state agencies in the 2004 *Roadmap* prioritization survey.

- Central budget systems were not designed to support the entire budget cycle from internal agency development to OFM review to legislative staff analysis to final implementation.
- Transferring budget request data between assorted agency, OFM, and Legislative systems introduces opportunities for errors and omissions that require additional effort throughout the budget process.
- OFM, the legislature, and the agency are not able to share access to each others’ versions of the budget; this makes communication difficult and wastes staff time.
- The various participants in the budget cycle require the capability to develop and analyze restricted-access “what-if” scenarios within a common database.
- A connected toolset is needed, integrating Excel and Word with budget systems. Some agencies have internal systems to facilitate uploading of Excel spreadsheets to budget and allotment systems, but these tools are expensive to maintain and are not widely available.
- Common financial modeling and cost allocation tools are needed to supply information for budget development, allotment development, fiscal note development, and financial analysis.
- Historical data in accounting systems is not readily available for budget planning, fiscal notes, and other financial analysis needs and performance management.
- Capital budgeting, capital project management, and asset management processes are not integrated.
- Labor negotiations and collective bargaining requires better support tools that are more integrated with HR/payroll and budget development.
- Agencies are required to submit a lot of supporting detail with their budget requests, much of which may not be being used by decision makers.
- Budget and allotment systems are not intuitive to use.
  - Cyclical, infrequent use of tools negatively impacts knowledge retention.
  - Extensive training and retraining may be required to use systems effectively.
- Systems could facilitate users through the decision process rather than just serving as vehicles for data input. For example, the “TurboTax” concept guides users through a series of questions and analysis points to help them populate forms with the correct information.

- Agencies have very few tools to help them develop and compile their budget requests, and most agencies do not have the time or money to develop tools to aide them with increasingly complex budgeting requirements.

### *Agency Urgent Business Needs*

**Department of Financial Institutions (DFI)** Too much time is being wasted reconciling between systems and answering questions about differences between systems. Gathering historical data is a manual process.

**Department of Health (DOH)** Current systems are cumbersome and use too much staff time.

**Health Care Authority (HCA)** The Health Care Authority is tasked with responding to insurance benefit changes resulting from civil service reform and collective bargaining. Currently, we do not have a flexible model for collective bargaining to estimate changes to current benefits other than cost shifting. HCA is also disconnected from the compensation modeling that is being done by OFM and the labor relations office. Current budgeting applications do not lend themselves to this type of analysis.

**Office of Superintendent of Public Instruction (OSPI)** OSPI has many internal systems that work for us, but resources are limited to continue enhancements, upgrades and maintenance. If these systems are not maintained, OSPI will have great difficulty putting together a budget both for the legislature and internally.

**Social and Health Services (DSHS)** The current process of POG zero-based decision-making based on Activity inventories is way too cumbersome and time consuming since the state still also has an incremental budgeting process and tools. The two worlds do not mesh and the result is thousands of staff hours spent simply re-formatting the same information in many different ways.

**State Auditor's Office (SAO)** While there has been advancement in budget system development, there is still a lot of work to be done. There is too much duplication of work. OFM systems should have the ability to 'talk' to each other without having to re-enter data for each application.

**State Investments Board (SIB)** The ability to efficiently link cost accounting data to budget development is urgently needed.

**Washington State Lottery** The Lottery maintains its own agency budget systems, but would like to free up resources for higher return projects.

## **E2. Empower Managers with Tools to Aid Decision Making**

Current budget management tools focus too much on the dollars and not enough on the results that the dollars are intended to return. With better-integrated budget, expenditure and performance measure information, managers can make better resource decisions and increase the results they deliver for the citizens of this state. Two other elements are critical to success in this area. First, managers need much more timely data about their operations and budget deployment impacts than they receive today. Second, they need tools that enable them to find the story in the mass of data. Too much time is spent today in manually creating analyses and charts. Tools should help managers quickly identify the trends, projections, and items of business interest that

our rich data can provide. Over half of the agencies responding to the *Roadmap* prioritization survey ranked this business problem in their top six out of fifteen.

- Reports currently tell us whether we have enough money, but not whether we're doing a good job with that money.
- Budget tools don't yet help agencies adequately identify the cost of service, track performance predictors and measure performance gaps in the context of their budgets.
- Performance measurement tracking is not well integrated with agency management processes.
- Agencies don't have a way to integrate performance measures with strategic business information and the cost of service from financial data and non-financial measures (e.g. customer wait time).
- Managers need to understand and act on the story behind financial numbers. Our systems should make it fast and easy to get to that story, without extensive manual intervention.
- Tools often focus on the historical financial view, at the expense of analytical capabilities for forecasting and projections.
- Managers need the capability to analyze "what-if" scenarios to answer critical questions like "How much money and how many people do we need to provide various levels of service?"
- Reporting capabilities have not kept pace with demand for information:
  - Available report formats are too limited; building new reports takes too long to meet management and decision needs.
  - Ad hoc data queries are not a sufficient remedy for accessing information not available on standard reports.
  - Systems don't facilitate sharing of electronic data outputs with non-system users. Managers need to be able to easily share information by email and the web.
  - Statewide reporting does not support graphic report formats; producing visual graphics with non-integrated desktop tools such as Excel requires duplicate data entry and extensive formatting effort.
  - Some audiences such as Federal grantor agencies require reports from the official accounting system instead of spreadsheets.
- Activity inventory is an important first step to find out what the taxpayers are buying within each results group, but intra-agency and cross-agency results are still difficult to compile.
- Sustainability plans within state government will provide a key set of performance goals for each agency. Individual agencies will need the capability to track the flow and quality of materials, energy, air and water within its operations.

### *Agency Urgent Business Needs*

**Department of Fish and Wildlife (DFW)** Improved functionality is urgently needed to increase employee/program accountability consistent with current performance measures and quarterly follow-through meetings with program leaders.

**Social and Health Services (DSHS)** The current process of POG zero-based decision-making based on Activity inventories is way too cumbersome and time consuming since the state still also has an incremental budgeting process and tools. The two worlds do not mesh and the result

is thousands of staff hours spent simply re-formatting the same information in many different ways. The connection between Activities, the money spent on them, and the results do not exist in a form or format that is easily accessible and useful for agency management.

**Health Care Authority (HCA)** All agencies may have some common types of budgeting tasks they do, but the inputs, results and constraints or preferences vary widely. It is very difficult to conceive of a 'one size fits all' budgeting product other than the current BDS system, for 'book-keeping.' Due to the wide variety of need, actual analysis is still best done ad hoc through products such as Excel. The real issue is consistently defining and applying performance measurement to budgeting decisions, particularly those things that are not directly dollar related. The POG process intended to go in this direction, but has not truly done so because decisions are not yet based on assessment of activity performance or effectiveness. This problem can't be solved by a system until there is an agreed upon governing approach, even if the means used to determine activity effectiveness are not exactly the same across all activities. In other words, don't design a new system until it is clear (and makes sense) what the system is going to do.

**State Auditor's Office (SAO)** If OFM is going to ask agencies for Activity level information, agencies need systems that will provide information by Activity. Current methods of providing required information are extremely time consuming and steal time from other duties and needs.

**Washington State Lottery** In the Lottery's increasingly competitive gaming market the need for decision-making tools is increasing exponentially. Current systems cannot generate pro-forma financial statements that are imperative to forecasting Lottery profit. (e.g. No ability to associate sales forecasts with projected expenses, which should be adjustable as needed throughout the year.) The Lottery needs the ability to perform 'what-if scenarios' to facilitate good decisions and increase profit and return on investment. Likewise, the abilities to perform analyses on alternative courses of action and evaluate actual performance compared to plan are needed. Too much time is spent manually compiling data instead of analyzing the data to make the best decisions.

### **E3. Provide Flexibility to Support Innovative Budgeting**

Changes in the economics, demographics, and policy direction provide continual opportunities to rethink and improve the way budgets are built and managed. Policy-maker expectations for rapid deployment of emerging strategic initiatives such as Priorities of Government, civil service reform, and collective bargaining create a severe challenge for Washington State's rigid legacy systems. Innovation in budgeting methods drives a need for responsive and agile new tools.

- Systems lack flexibility to meet rapidly changing needs and perspectives.
- Maximum flexibility is needed to support major innovations like Priorities of Government, where the full ramifications will probably not be known for years.
- Tools are needed to help managers translate agency programmatic data into activity structure data, to support Activity Budgeting requirements.
- By the time legacy systems can be reprogrammed to support one budget innovation, another innovation is often already under consideration.

#### ***Agency Urgent Business Needs***

**Washington State Lottery** Too much time is spent manually compiling data instead of analyzing the data to make the best decisions.

**F. Capital Asset Management Cycle** (Fleet management, facilities mgmt, lease management, physical inventory)**F1. Maximize Return on Investments in Capital Assets**

Washington State capital assets are valued at over \$21 billion, and range from technology, to buildings, to the state highway system. Yet the state lacks comprehensive, accurate, easily accessible data to support strategic decisions on investments in capital assets. Improved planning and management, particularly for facilities and infrastructure, require long-term plans for repair and renewal projects as well as expansion. Complete, factual plans would enhance government credibility, facilitate quality investment decisions, and help ensure funding is available when needed. Asset management tools could help agencies find innovative ways to leverage existing assets, such as turning surplus capacity into readily available resources. An enterprise-wide, strategic focus will integrate asset management with other management and financial information and functions to better support agency missions and protect public safety. Agencies maintain at least 26 “shadow” systems and over 500 desktop tools to supplement the functionality of central systems in this area. Maximizing return on investments in capital assets ranked in the top three business problems for about 12 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

*Operational improvements*

- With the current accounting structure agencies are unable to track the total cost of ownership of assets, including maintenance, energy (for example, fuel consumption for cars) and disposal costs. This information can be used to develop strategies to purchase goods that reduce the total cost of ownership which can save money and improve efficiency.
- Managers cannot easily access repair history and asset condition data needed to optimize decisions on maintenance, replacement, and disposal of existing assets.
- Quantitative data is needed to identify the consequences of deferring maintenance and develop mitigation plans.
- Emerging Homeland Security requirements are taxing existing resources and systems.
- It is difficult to determine life cycle costs for capital improvements and ensure ongoing maintenance and operations costs are identified and budgeted.
- For buildings, full cost of ownership information is needed, to better understand the impact of design and materials decisions made during construction on use of energy and other resources (water), maintenance costs, and the costs associated with materials disposal or emissions.
- The relationship between design decisions (for example, building to LEED standards) and staff productivity cannot currently be tracked.
- Better tracking of energy and water usage, and wastewater produced by facility is needed to help managers develop strategies to reduce costs or target systems for replacement.
- Without integration to procurement and payment processes, it is difficult to “close the loop” on lifecycle management of goods, services, and non-capitalized equipment; information on maintenance, disposal, and closure/retention agreements is not shared between the two business cycles.

*Accounting*

- Asset information cannot easily be connected to the financial productivity of the organization (e.g. lease vs. buy decisions).
- Tools for infrastructure accounting are limited.
- Agencies lack the capability to charge labor hours or purchase and maintenance costs to specific assets or facilities, so those costs can be compiled and analyzed to answer questions such as, “Are the rental fees we are charging high enough to recover the costs of the building?”
- Capital asset management for construction projects needs to be tightly integrated with financial, project management, funding and federal billing information.
- Systems do not support accounting for leased assets, shared “co-location” facilities, and assets purchased under financing agreements (e.g. COPS).

*Capital budget*

- Capital budgeting, capital project management, and asset management processes are not integrated.
- It is difficult to identify funding gaps and budget needs, to feed into multi-year capital plans and project prioritization.
- Current polices do not support flexible, innovative financing strategies for effective asset management.
- Agencies lack tools to help them meet budget, accounting, and reporting requirements for multi-year Public Works Contracts under RCW 39 and implemented by GA.

*Information Systems*

- Tools are needed to provide better data to the legislature for effective decision-making.
- Query capabilities on current and historical asset data lack the flexibility to meet business needs.
- Capital project management systems need to feed web-based communication (e.g. Internet transportation project accountability to the public).
- A comprehensive capital project management system linking GA public works contracts, expenditures, agency project manager notes, and project phase internal allotments would improve accountability.

*Agency Urgent Business Needs*

**Department of Fish and Wildlife (DFW)** DFW has major capital assets (hatcheries, buildings, lands) and associated equipment, which require a comprehensive system to monitor condition, repairs, inventory and construction.

**Department of Natural Resources (DNR)** The statewide asset system is not effective in tracking assets to meet GASB 34 reporting requirements.

**General Administration (GA)** GA has in excess of \$1 billion in capital assets. Most upgrades and construction is managed by large spreadsheets. Better tools are urgently needed to properly manage and plan.

## F2. Improve Accountability for State Assets

Failure to adequately account for and safeguard state assets is a common recurring theme in state agency audit reports. Current state systems and business processes are not conducive to efficient tagging, tracking, and financial reporting of capital assets. Agencies have dealt with this issue by developing pieces and parts of systems and processes, leading to increased expense with highly inconsistent results. An integrated, enterprise-wide approach is needed to protect public investments in state assets from the moment the items are received through the date of their final disposal. Improving accountability for state assets ranked in the top three business problems for about 15 percent of state agencies participating in the 2004 *Roadmap* prioritization survey.

- Tracking assets as they are transferred to new locations is a paper-based, manual process for most agencies.
- It is difficult to add major improvements and modifications to existing equipment, facilities, and infrastructure to comply with accounting standards.
- Adding and updating assets to physical inventory records is usually a manual task that is too easily overlooked.
- Most agencies do not have bar code technology to facilitate physical inventory of assets.
- Depreciation amounts calculated by various systems are inconsistent and have not kept up with increasingly complex accounting requirements.
- Agencies lack tools to help them track assets purchased with grant funds and provide accountability to the grantor agency.
- Since purchasing and payables systems are not integrated with asset management systems, manual processes are required to ensure assets are added to inventory records, and to reconcile asset data with payment systems.
- Much of the work for Comprehensive Annual Financial Report (CAFR) asset disclosures must be done manually.
- It is especially difficult to track and control small and attractive assets (e.g. computers, radios, cell phones, and cameras), software, software licenses, warranty information, and maintenance agreements and renewals.

### *Agency Urgent Business Needs*

**Department of Fish and Wildlife (DFW)** DFW needs a new asset accountability/inventory system with a chain of command approach rather than current EPIC approach.

**Department of Labor (DOL)** DOL needs the capability to track assets better as they are transferred to new locations. Input of inventory data is a manual and time-consuming process. Also the annual inventory process is cumbersome. Input into CAFR annual reports is manual. Integration from the point of purchase through CAFR reporting is needed to avoid duplicative processes (such as data entry).

**Department of Natural Resources (DNR)** The statewide mainframe system needs to be replaced so managers can have accountability over assets, and agencies can meet GASB 34 requirements for building land and infrastructure.