



# Enterprise Business Process and Data Modeling for the *Roadmap* for Financial and Administrative Policies, Processes, Systems and Data

State of Washington

Sponsored by:

Department of General Administration

Department of Information Services

Department of Personnel

Office of Financial Management

General Ledger - Cost Accounting  
Value Proposition

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## 1. Document Overview

### 1.1 Related Documents

This document is a consolidated view of the general ledger and cost accounting business process modeling and includes:

- An executive summary that provides a high-level digest of the general ledger and cost accounting modeling including:
  - A definition of scope and business objectives for the processes;
  - Summarization of challenges with the current processes;
  - A summary of the value proposition associated with moving to the “could-be” vision for the processes; and
  - Delineation of the performance measures that might be used to quantify improvements during and after the “could-be” processes have been implemented.
- A portrayal of the current state of each of the general ledger and cost accounting process areas – general ledger, chart of accounts, financial accounting, fund administration, and cost accounting including the following detail for each:
  - Process scope and business objectives;
  - Process challenges;
  - Process flow diagram;
  - Components list; and
  - Agency variations summary.
- Best practice research from the overview perspective and for each process area.
- The recommended (could-be) common model for the integrated general ledger and cost accounting process including process flow diagrams and a narrative of the process.
- A high-level data model for the recommended common process model.
- Policy, process, organization, and system results to support the common model for general ledger-cost accounting business processes (general ledger, chart of accounts, financial reporting, cost accounting, and fund administration).

The business case and value proposition for the general ledger and cost accounting process will be developed in conjunction with the consolidated business case and value proposition deliverable as a part of *Roadmap* Milestone 4 activities.

This document should be used in conjunction with the following documents:

- Enterprise Business Process and Data Modeling for the *Roadmap* Project Charter;
- Enterprise Business Process and Data Modeling for the *Roadmap* Communication Plan; and
- Enterprise Business Process and Data Modeling for the *Roadmap* Modeling Approach.

## Roadmap

EBPDM – General Ledger & Cost Accounting Value Proposition  
Updated: August 16, 2006



### 1.2 Approvals

This document requires review and approval. This document was approved by:

Name	Organization	Date
Kathy Rosmond	Office of Financial Management	

### 1.3 Summary of Changes

This section records the history of changes to this document. Only the most significant changes are described here.

Version	Date	Author	Description of Change
0.01 – 0.08	6/20/06 – 7/20/06	C. Connors	Original drafts
0.09	7/20/06	R. Madsen	Updates from project team review
0.10 - .13	7/31/06	C. Connors	Updated per feedback from SWFS & SWA and Budget review. Added Executive Summary and all appendixes
1.0	7/31/06	R. Madsen	Updates from project team review
1.1	8/16/06	R. Madsen	Updates from OFM Budget review

Where significant changes are made to this document, the version number will be incremented by 1.0. Where changes are made for clarity and reading ease only and no change is made to the meaning or intention of this document, the version number will be increased by 0.1.

### 1.4 Distribution

This document has been distributed to:

Name	Organization	Date of Issue	Version
Kathy Rosmond, Susan Dodson, Derek Basham, John Natteford, Ron Carignan	Roadmap Project Team	7/18/06	V 0.08
SWFS & SWA	Office of Financial Management	7/20/06	V 0.09
Focus Group & AAG	Multiple Agencies	7/31/06	V 1.0

### 1.5 Document Control Information

At the end of this document is a labeled box indicating the end of text as shown below.

<p>Enterprise Business Process and Data Modeling for the <i>Roadmap</i></p> <p>END OF DOCUMENT</p>
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**Roadmap**

EBPDM – General Ledger & Cost Accounting Value Proposition

Updated: August 16, 2006

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Any copies found to be incomplete or obsolete should be destroyed under supervision or returned to the owner.

## 2. Executive Summary

The could-be models, supporting narrative, results, metrics, and potential implementation strategies included in this executive summary and the remainder of this document are intended as a starting point for discussion. As of the date of publication, no decisions have been made; this value proposition presents ideas and not proposals. Additional research and extensive stakeholder involvement will be required to establish the feasibility of each result and then prepare proposals for executive level decisions.

### 2.1 Context, Background, Challenges and Objectives

**Strong executive leadership from the Governor and Cabinet support an enterprise approach to conducting the state's business.** Washington State is embracing business processes that treat agencies collectively as a single corporate entity. The principles of Government Management Accountability and Performance (GMAP), the Priorities of Government (POG) budget process, Enterprise Architecture, Enterprise Risk Management, and the new Human Resources Management System (HRMS) all standardize business practices across agencies where it makes sense and allow for unique approaches where it does not. In this context, the *Roadmap* for Financial and Administrative Policies, Processes, Systems and Data is leading state agencies to work collectively to identify common business needs and opportunities. The first phase of the *Roadmap* is creating a comprehensive plan to meet demands for better information, improved management systems and streamlined business processes and policies.

The Roadmap charter calls for analysis of several functional areas expected to benefit from a collaborative, enterprise approach:

- Expense Reimbursement;
- Grant Management;
- Procure-to-Pay (Contract Management, Vendor Management, Accounts Payable, Procurement and Encumbrance Management);
- Revenue Accounting;
- General Ledger, Chart of Accounts, Funds Administration, and Financial Reporting; and
- Cost Accounting.

The general ledger-cost accounting function provides a significant opportunity for Washington to improve service delivery, achieve economies of scale and focus investment in the most effective programs and services.

Problems with Washington's current general ledger-cost accounting practices cost the state money. Statutes and policies prohibit agencies from adopting industry best practices. Integrated information systems are not available, so valuable information that could be used to support business decisions is often neither captured nor shared. Agencies develop and maintain duplicative computer systems, incurring duplicative costs. Many state data analysis processes are paper or personal computer based, so they are slow, expensive, and have a high risk for inconsistency or error. Absent an enterprise approach to modify these practices, they will persist, impairing both service quality and the state's ability to optimize profits from its investments.

The General Ledger-Cost Accounting Value Proposition identifies ways to meet the following **objectives across the enterprise of state government:**

- Provide flexibility to support current and evolving agency and statewide business needs and industry standards;
- Support reporting of financial data across a multi-year time period for long-term analyses;
- Facilitate planning, resource allocation, budget analysis statistical evaluation, cash control, management control, and operating and strategic decision making;
- Demonstrate the effectiveness of functions and activities within government to support performance results;
- Determine the full cost of government activities, products, and services across agencies according to applicable rules and regulations;
- Help managers allocate resources among competing priorities and distinguish between successful and unsuccessful strategies;
- Monitor revenues and control expenses against agency and enterprise business plans, budget, and legislative intent; and
- Provide information to multiple stakeholder groups regarding the capture and use of revenues and expenses for particular purposes and demonstrate outcomes.

## 2.2 Findings

Areas of GL-Cost Accounting opportunity fall into four distinct categories: capture financial events, maintain fiscal integrity, inform decisions, and present financial results. The multi-agency team gathering and analyzing the data reports significant problems and potential solutions in each area.

### 2.2.1 Findings relating to Capture Financial Events

**The state is missing opportunities to run proprietary funds like businesses, maximizing their social and economic value.** Budgetary and accounting statutory limitations prevent proprietary fund managers from allocating appropriate resources to respond to increases in demand for services, artificially capping sales and fee revenue generation.

**State accountants work harder than necessary to record financial activity.** Structural limitations in the current accounting system require agencies to record certain accounting events multiple times and in multiple places. Accountants then must check their work by comparing the results across systems and agencies. Without this duplicative activity, agencies would not have the information they need to prepare standard and special financial reports.

### 2.2.2 Findings relating to Maintain Fiscal Integrity

**Statutory limitations make it difficult to control spending across agencies.** Legal limitations prevent lead agencies from monitoring fund spending across all agencies receiving targeted monies or respond to variations in the revenue received for targeted programs and services. Individual agencies control “their piece of the pie,” leading to fragmented fiscal management. This promotes reactive, rather than proactive financial control and increasing the risk of unintended over or under spending on targeted programs and services.

### 2.2.3 Findings relating to Inform Decisions

**The state lacks the ability to assess agency performance against the major programs established in the budget.** Individual agencies have defined overhead cost allocation

methods and developed allocation tools and/or systems that meet their business needs and restrictions, but without a central allocation methodology cost factors differ from one agency to another. Current policies, processes, and systems do not provide for statewide allocations, linking of costs to revenue sources, or the financial assessment of program outcomes.

**Incomplete, imprecise or unclear information impedes agency decision makers.** Agency policy-makers and managers cannot measure performance, evaluate competitive contracting proposals, effectively manage business operations, price government services, make life-cycle investment decisions, assign costs to level of service options, or support a “priorities of government” approach to budgeting.

#### **2.2.4 Findings relating to Present Financial Results**

**Agencies report challenges in communicating how taxpayer money is spent.** Agencies have difficulty identifying the revenue sources for their programs and services as well as the full cost of providing the program or service. In addition, agencies account for administrative and other “overhead” type expenses in different ways, making it difficult to measure and monitor overall value and fine tune operations in response to changing conditions.

Statewide revenues are categorized at a summary level as state, federal or private/local, consistent with budgeted expenditure authorities. However, because revenue is accounted for by source (for example cigarette tax - source code 0125) and expenditures are tracked by program, it is difficult to relate expenditures to specific revenue sources, objectives, and outcomes.

**It is difficult to manage across-the-board increases and decreases to the general fund budget** because fund revenues and expenditures are not linked and may be in multiple agencies. Agencies report into the statewide accounting system at different levels of detail, so managers do not have the information they need to more effectively transfer resources in response to changing circumstances.

**The state misses an opportunity to view the entire funding picture.** Decision-makers, citizens, and administrative agencies are not able to “see” how some special purpose monies are being used across the state. Monies from special taxes and levies appropriated to several agencies for particular programs are budgeted, spent, and managed separately. The state misses the opportunity to share good ideas across the programs to get the most “bang for the buck.”

### **2.3 Results, Benefits and Performance Measures**

Best practice research of private sector and other governmental organizations concludes that value is derived from an enterprise approach to general ledger, financial reporting, cost accounting, and fund administration. Public sector entities making these types of changes have realized positive returns on their investment. These benefits include:

- Current financial information on programs and services;
- Readily available financial and performance management reports;
- Reduced investment in redundant and shadow systems;
- Fewer information inconsistencies;
- Identification of high value added activities, programs, and services; and
- Improved, risk based controls over spending across agencies and fiscal periods.

This research influenced the formulation of the following results, which if adopted, will provide greater transparency and accountability to citizens, increase financial flexibility, and responsiveness to changing business conditions, and increase visibility of the cost of government services across agencies. The feasibility study that follows this report will more exactly define and quantify potential benefits. Those listed below, with the results, are approximations based on the best information now available.

### 2.3.1 Capture Financial - Results, Benefits and Performance Measures

The strategic evaluation of how financial events are captured to meet Washington's information objectives. According to industry experts, the first step in successful integrated systems implementations is strategic enhancement of the chart of accounts to meet business and information objectives.

#### Results

- **Enhance the chart of accounts** based on a continuing strategic evaluation of the state's financial information objectives to accommodate both agency and statewide business needs.
- **Define source transaction standards** through legislation and/or policy changes to consolidate, standardize, and streamline Washington State transaction accounting policies.
- **Implement integrated financial systems and data** that integrate financial information, cost accounting and allocation functionality, and financial reporting processes in a real-time environment.

#### Business Value and Benefits

- **More efficient and effective processing** providing greater transparency and accountability to citizens and decision makers.
- **Better accounting and budget decisions** leading to better results through enterprise-wide standardized data and drill-down consolidated information
- **Consistent data and common language** used and understood by all agencies for informed enterprise-wide decisions.
- **Lower costs** through reduced investments in agency shadow systems, enhancements, and staff training.

#### Performance Measures

- Number of agency "shadow systems" used to track financial activity for programs and services.
- Percentage of transactions recorded electronically (vs. manually entered).
- Number of agencies with chart of account values rolling up to the statewide level.
- Detail level of data interfacing to and from agency systems to the statewide general ledger.

### 2.3.2 Maintain Fiscal Integrity - Results, Benefits and Performance Measures

Maintain fiscal integrity focuses on government accountability, fiscal integrity and openness in state government to ensure the proper use of public resources.

## Results

- **Improve methods to adjust the budget for proprietary funds and governmental funds with specific revenue sources** enabling reasonable adjustments that increase or decrease budgeted amounts within legislative intent, across agencies.
- **Reduce the number of funds** by developing more cost effective ways to account for sources and uses of special funding, providing visibility of the funding across agencies and timeframes.
- **Allow fund reserves for future spending** to respond to economic volatility and for cross biennium working capital and disclose impact of eliminating reserves.

## Business Value and Benefits

- **Provide better service to customers** through increased management flexibility and responsiveness to changing business conditions.
- **Provide improved financial flexibility** to address the priorities of government in the budget process.
- **Reduce administrative burden** to manage unanticipated fund fluctuations through timely controls.
- **Improve the ability to match budgetary controls to real risk.**
- **May improve visibility** to cross agency spending.
- **May improve agency ability to deliver program value** by providing for more flexibility in program delivery (if budgeted at a less granular level).
- **Allows for long-term planning** to ensure money is available when money is needed for future maintenance, replacement, or acquisition of resources to support program delivery.

## Performance Measures

- Dollars transferred from the General Fund to cover shortfalls in special funds.
- Number of compliance audit findings.

### 2.3.3 Inform Decisions - Results, Benefits and Performance Measures

This category focuses on allocating and accounting for costs to provide better information for better decisions across the state.

## Results

- **Implement activity based costing** that will:
  - 1) Determine the full cost of government programs and services
  - 2) Promote strategic decision-making
  - 3) Provide visibility into and support for issues regarding the adequacy of funding from various sources
- **Determine feasibility of using a statewide cost allocation plan** that will:
  - 1) Provide for equitable allocation of costs
  - 2) Maximize federal revenues
  - 3) Comply with federal regulations

## Business Value and Benefits

- **Promotes strategic decision-making** through visible cross-agency comparable costs.
- **Provides visibility** to fund source and adequacy issues.
- **Allows agencies to use one cost allocation methodology** for both state and federal purposes
- **May simplify process** of preparing cost allocation plans
- **Allows the state to assist agencies in negotiating cost plans** with cognizant agencies
- **Informed enterprise-wide decisions** through consistent data and common language used and understood by all agencies.

## Performance Measures

- Time required preparing periodic financial management reports.
- Time required preparing responses to ad hoc requests for financial information.

### 2.3.4 Present Financial Results - Results, Benefits and Performance Measures

The results encompass strategies to better communicate Washington's financial status to decision makers and citizens.

## Results

- **Link revenue sources to the outcomes delivered** and mix of cost objectives across agencies.
- **Provide a common set of robust and flexible reporting tools** that:
  - 1) Enhance and ease reporting preparation
  - 2) Link budgeted and actual financial data with projected amounts, performance measures and narrative
  - 3) Integrate budget processes with financial reporting processes for agencies, accommodating biennial and capital appropriations and budgeted and non-budgeted funds across biennial lines
  - 4) Provide necessary additional statewide detail reporting elements

## Business Value and Benefits

- **Accountability, visibility, and transparency of government spending** to management, stakeholders, and citizens.
- **More efficient and accurate** fund administration.
- Allows for analysis of state, federal, and other grant/revenue streams to match to spending by program.
- **Better understand the consequences** of changes to revenue stream on government spending and services
- **Better information for better decisions for better results.**
- **Faster, better business processes** through consistent set of reporting tools used and understood by all agencies.

for fund activity and balances

- 5) Customize report writing by various criteria such as: project, program, time (State fiscal year, federal fiscal year, cross biennium, etc.)
- 6) Ability to tie agency business data to other statewide business data where appropriate and relevant, such as human resources, performance, etc.

## Performance Measures

- Percent of Agency Public Reports consumers (website or hard copy) reporting excellent or very good access to information.
- Percent of statewide and agency financial reporting sourced from the statewide financial system.

## 2.4 Impacts and Concerns

**The scope of an enterprise general ledger-cost accounting process and system is significant.** Costs will be high, new procedures will affect the work routines of numerous state employees, and implementation will take months or years.

**An enterprise approach to general ledger-cost account will require changes to various statutes.** Current state law does not permit several of the reforms recommended by this report. Executive leadership will need to work with legislators to change or remove restrictions now in place.

**Standardization of policy, processes, data, and systems will change governance structures.** Loss of control by individual agencies over policies and information they have historically owned may cause resistance. Those agencies which have already invested in technology solutions with embedded business rules may not experience immediate benefit from the adoption of an enterprise system. A participatory approach with strong focus on effective communication, modeled on the success of HRMS, will be necessary.

**Enterprise-wide full costing of government services may have significant budgetary impact.** Standard and complete allocation of administrative costs to various programs and services may highlight appropriation inadequacies. Executive leadership and legislative action may be required to respond to the disparities

## 2.5 Conclusion and Next Steps

**The potential benefits of an enterprise approach to general ledger-cost accounting are high.** With assets of more than \$50 billion and annual governmental fund revenues of more than \$25 billion, executive and legislative branch leaders and the citizens they serve would benefit from a clear picture of their state's financial position on a daily basis. Only with this timely visibility into the statewide program and service activities will the state's leaders be able to determine how to best allocate scarce resources in response to changing economic, social, and environmental needs.

**Executive leadership is required to proceed with the next steps in pursuing enterprise general ledger-cost accounting.** Approval of all or part of the approach set out in this report by the *Roadmap* Advisory Group and Executive Sponsors will be formally requested before

proceeding. This will confirm sponsorship and governance going forward and provide a strong platform for the communication, cooperation and motivation necessary to reach the state's business objectives.

**A governance structure and business owner should be identified.** The Office of Financial Management has provided much of the leadership, resources and staffing to bring the general ledger-cost accounting initiative to its current juncture. For the resulting policies, procedures and systems to garner strong support from the community of agencies that will ultimately use them, a collaborative structure should be established. OFM should recruit partners with solid credentials in agency general ledger needs, fund administration, cost accounting, and financial reporting to move the effort forward. This new business ownership team should guide substantive business decisions and work to advance change management and communication goals.

**A detailed feasibility study will further quantify expected returns and position the initiative for budgeting and implementation planning.** The study should focus on business practices, return on investment, and change management. These will drive the selection of legal, policy, process re-engineering, and technology solutions. Then budgets, schedules and implementation plans can be developed, reviewed with the right constituents and acted upon.

## 2.6 Focus Group Participants

Representatives from the following agencies participated in the modeling focus groups for the general ledger-cost accounting business processes:

- Community Trade and Economic Development
- Department of Agriculture
- Department of Natural Resources
- Department of Licensing
- Department of Personnel
- Department of Revenue
- Department of Transportation
- Department of Retirement Systems
- Department of Social and Health Services
- Employment Security Department
- General Administration
- Health Care Authority
- Liquor Control Board
- Labor and Industries
- Office of Financial Management
- Office of State Treasurer
- Parks and Recreation Commission
- Washington State Lottery
- Washington State Patrol

A complete listing of participants is included as Appendix F – Agency Focus Group Participants.

### 3. As-Is General Ledger & Cost Accounting Business Models

This section contains as-is documentation (models) for each of the areas that make up the general ledger and cost accounting business function:

1. General Ledger (GL) and Chart of Accounts (COA) management;
2. Financial reporting;
3. Fund administration; and
4. Cost accounting.

Information about the current state (as-is processes) for each of these areas was gathered through separate focus group meetings with agency experts. In these meetings, participants described what they do today and why.

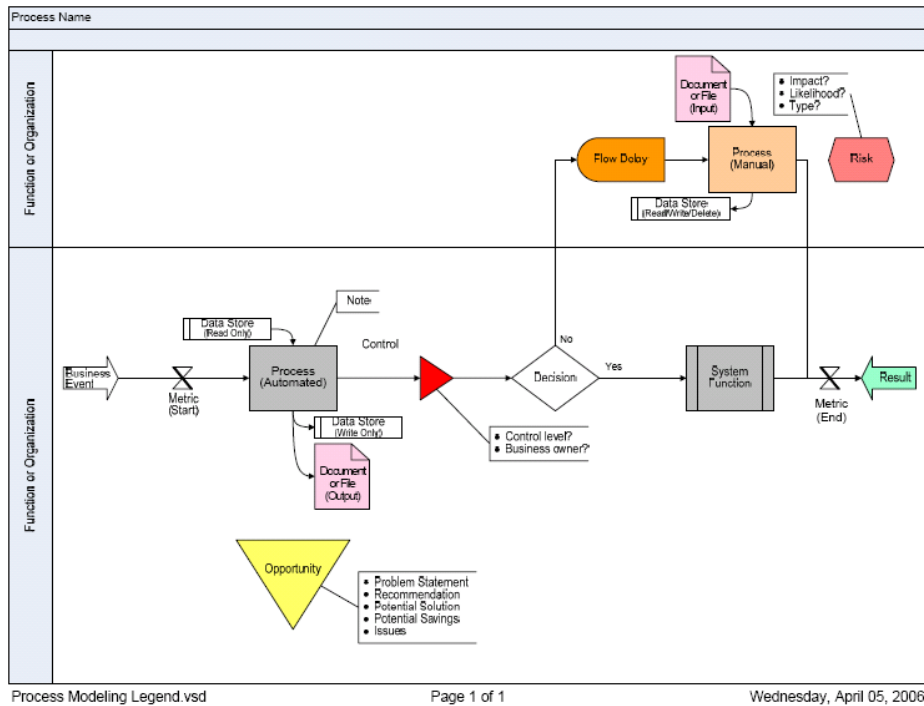
The agency participants who participated in the as-is, could-be and combined focus group meetings are listed in Appendix F – Agency Focus Group Participants.

#### 3.1 Business Process Model Overview

The following documentation illustrates the existing processes, challenges and variations for each of the four areas:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model); and
- Agency variations summary.

The following symbols are used in the business process model flow diagrams:



**Figure 1 - Process Modeling Legend**

## **3.2 GL, Chart of Accounts and Financial Reporting**

This section contains as-is documentation for the general ledger, chart of accounts and financial reporting business function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model); and
- Agency variations summary.

### **3.2.1 Process Scope and Business Objectives – GL, COA, Financial Reporting**

Focus group participants agreed to the following scope definitions for the General Ledger/Chart of Accounts and Financial Reporting:

General ledger accounting is the process of preparing and recording accounting transactions to the appropriate fiscal period and accounts, reconciling subsidiaries with the general ledger and managing the chart of accounts.

Financial reporting is the process of collecting, analyzing and presenting formal and informal financial information to support managerial, compliance and performance reporting for agency and statewide purposes on a periodic and ad-hoc basis for internal and external use.

The business objectives of Washington's General Ledger/Chart of Accounts and Financial Reporting functions are:

1. Capture financial events so that we can:
  - Record financial events consistently, accurately, and timely to ensure accountability and the fair statement of operation and financial results in compliance with professional and other regulatory standards.
  - Provide flexibility to support current and evolving agency and statewide business needs and industry standards.
  - Provide chart of accounts definitions and standards to enable agency and statewide data collection and financial analysis.
  - Support reporting of financial data across a multi-year period for long-term analyses, as changes are made to the chart of accounts.
  - Ensure subsidiary accounts and agency line of business systems are in balance with the general ledger.
  - Support financial data interchange with private and public business partners.
2. Align financial results with strategic and operational goals to
  - Provide a variety of fiscal reporting views to enable agency autonomy and statewide consolidation to meet management and reporting objectives. Views may include timeframes, fund type, agency line of business, level of detail, general ledger account classifications, accounting basis, and so forth.
  - Support governmental, proprietary, and fiduciary operations.

- Facilitate planning, resource allocation, budget analysis, statistical evaluation, cash control, management control, and operating and strategic decision-making at the agency and statewide levels.
3. Communicate financial results to
- Provide visibility and accountability in the use of public resources.
  - Demonstrate the effectiveness of functions and activities within government to support performance results.
  - Present financial results for operational, managerial, compliance and performance measurement purposes.
  - Monitor and assess financial condition and activity at various agency and statewide levels.
  - Inspire investor and stakeholder confidence by demonstrating compliance with the highest professional standards.

### **3.2.2 Business Challenges – GL, COA, Financial Reporting**

The focus group identified the following business challenges:

- It is challenging to communicate to citizens “where the money goes and how the money was spent” (e.g. what public services are supported by which revenue sources). It is especially difficult to allocate indirect and overhead administrative costs between activities and compile budget activity data across agencies;
- Proprietary fund agencies need more robust functionality to calculate cost of goods sold, track resources available for operations, generate detailed profit and loss statements and manage day to day business operations;
- It is difficult to isolate cash disbursement and receipt transactions for cash flow analysis such as sources and uses of cash statements and department of revenue data used by forecast council and others;
- Transaction codes limit agency ability to record events. These events must sometimes be recorded as a series of transactions and reversals that tend to obscure the intent and distort activity reporting;
- Some agencies elect to send summarized data to AFRS rather than detailed operational data to avoid AFRS transaction fees; this contributes to the development and use of internal systems and hinders the ability to compile cross agency data;
- The financial close process is labor intensive, due to interagency reconciliation, early agency close processes, late agency billings, adjustment errors, and reported accruals;
- Historical totals for detailed account code fields such as org index and sub program are lost at biennium roll;
- Nominal and treasury cash activity accounts do not exist in the new year due to the biennial closing process not rolling those amounts forward as if closed in a beginning cash or equity balance;
- Beginning balances of real accounts change in the new year until the system is closed due to the length of the biennium closing processes;

- In non-appropriated funds, it is difficult to earmark revenues or fund balance for special purposes (agency budgetary control for proprietary funds);
- The current system lacks the ability to capture detailed agency-specific line of business data, while simultaneously maintaining a standard structure to report at a consolidated statewide summary level; and
- Agencies need better tools for specialized and customizable reporting capabilities to assess performance against funds and major programs established in the budget, to meet detailed “on-demand” management requests, cross-biennium, projected and multi-basis analysis.

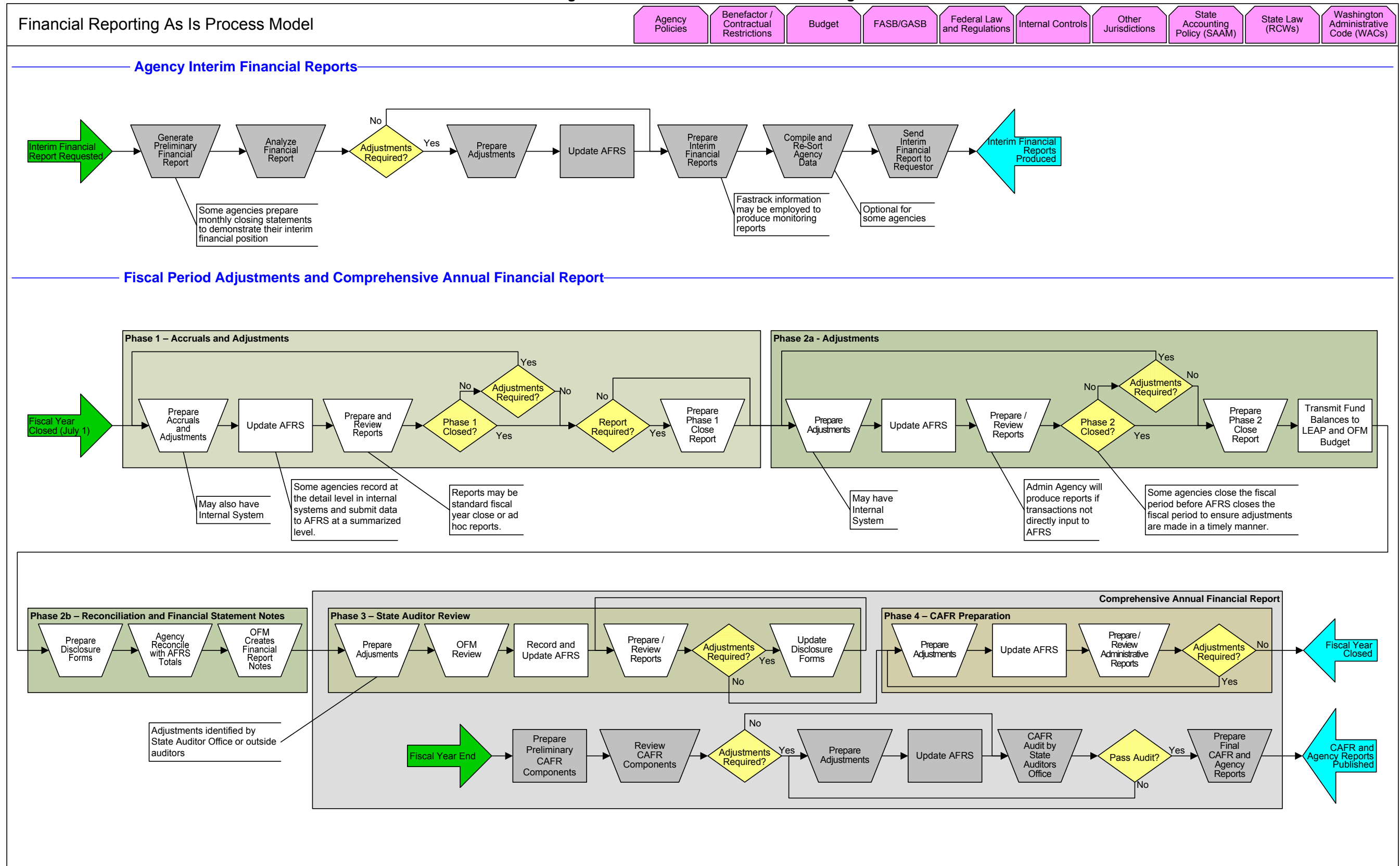
The bottom line is over time agencies have augmented the statewide functionality with unique agency systems and desktop tools to meet their detailed financial and reporting business needs. However the non-integrated structure perpetuates time-consuming reconciliations and labor-intensive financial close process. Although the state produces award-winning CAFRs, it is still challenging to clearly and easily communicate at a statewide level the details of “where money goes and how it was spent.”

### **3.2.3 As-Is Business Process Model - GL, COA, Financial Reporting**

The next page presents the graphical process flow diagram (business process model) for General Ledger, COA, and Financial Reporting.



Figure 3 - As-Is Model – Financial Accounting



### 3.3 Cost Accounting

This section contains as-is documentation for the cost accounting function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model); and
- Agency variations summary.

#### 3.3.1 Process Scope and Business Objectives - Cost Accounting

Focus group participants agreed to the following scope for cost accounting:

Cost accounting identifies activities, products and services for which costs need to be measured; establishes a formal or informal cost methodology and/or plan; and records, accumulates and distributes direct, indirect, and overhead costs to those cost objectives according to the established methodology.

The business objectives of Washington's cost accounting process are to:

1. Demonstrate how monies are spent (compliance) so that we can:
  - Determine the full cost of government activities, products, and services across agencies according to applicable rules and regulations.
  - Comply with legal and grant/contract provisions for the use of money.
  - Establish prices or fees for activities, products and services based on costs, legal constraints and/or other factors as appropriate.
  - Provide flexibility to view and control original and allocated costs by function, activity, and organization.
  - Monitor plan versus actual and adjust as necessary.
  - Support equitable allocation of costs.
2. Compare costs to outcomes (management reporting / effectiveness) so that we can:
  - Align resources to core business activities.
  - Provide flexibility to respond to inquires on current and emerging strategic priorities.
  - Enable decisions that will optimize resources and/or outcomes.
  - Determine whether activities, products, and services are cost effective.
  - Provide data that influences people's behavior and supports good decision-making.
  - Help managers allocate resources among competing priorities and distinguish between successful and unsuccessful strategies.

### **3.3.2 Business Challenges - Cost Accounting**

The focus group identified the following business challenges for the state:<sup>1</sup>

- Enabling legislation for the State Auditor's Office (RCWs 43.09 and 42.40) mandates accurate allocation of costs between local government audits, state government audits and whistleblower investigations. In addition, RCW 43.88.090 (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;
- Incomplete, imprecise or unclear 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;
- Reconciliation between agency fund split, program structure and cost allocation structure is time consuming and difficult;
- 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;
- 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 need the ability to model allocated costs for budgeting, cash flow, and rate setting projections; and
- Enterprise tools are not available to help agencies comply with state allotment instruction requirements to separate administrative costs between indirect costs and overhead costs and assign the indirect portion to activities through cost allocation.

Although legislation continues to mandate accurate allocation of costs and performance tracking against programs to support "priorities of government", cross-agency cost standards and enterprise tools are not available to support those mandates.

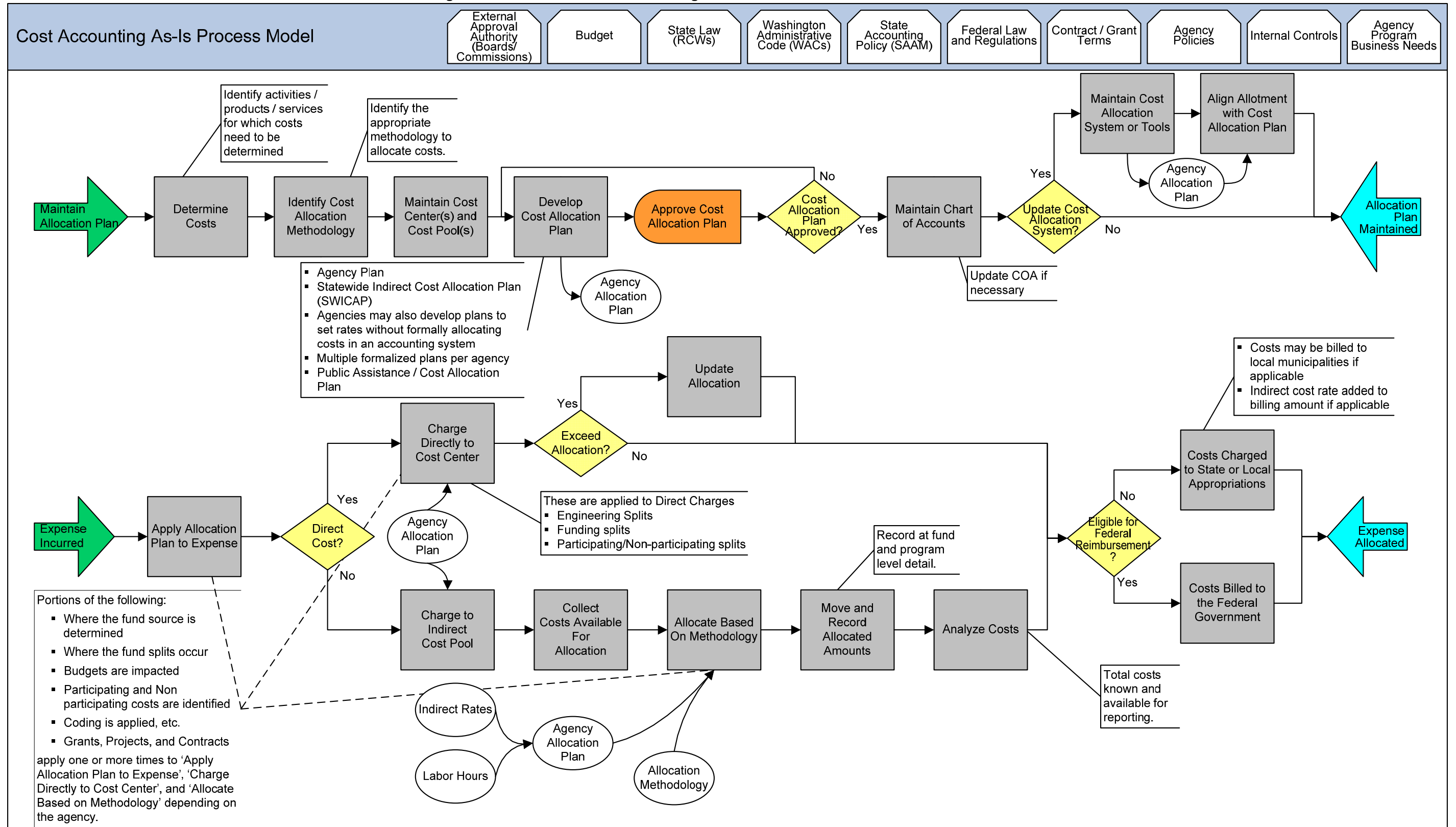
### **3.3.3 As-Is Business Process Model - Cost Accounting**

The next page presents the graphical process flow diagram (business process model) for Cost Accounting:

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<sup>1</sup> Challenges were captured from both the *Roadmap* Focus Group Meetings conducted for the modeling process and the *Roadmap* Common Business Problems and Opportunities Survey conducted in October 2004

Figure 4 - As-Is Model – Cost Accounting



### **3.4 Fund Administration**

This section contains as-is documentation for the Fund Administration function. The components of this section include:

- Process scope and business objectives;
- Process challenges;
- Process flow diagram (graphical model); and
- Agency variations summary.

#### **3.4.1 Process Scope and Business Objectives - Fund Administration**

Focus group participants agreed to the following scope for Fund Administration:

Fund administration is the process of projecting, controlling, monitoring, and reporting resources within established legal and budgetary constraints, funds, accounts, appropriations and allotments.

The business objectives of Washington's Fund Administration process are to:

- Demonstrate compliance and fiscal accountability for cash and other assets, liabilities, reserves, equity, revenues, and expenses<sup>2</sup> by fund and account.
- Monitor revenues and control expenses against agency and enterprise business plans, budgets and legislative intent by fund and account.
- Project revenues and expenses based on current trends and anticipated events.
- Provide information to multiple stakeholder groups regarding the capture and use of revenues and expenses for particular purposes and demonstrate outcomes.
- Engage in business planning for funds, creating reserves as appropriate.

#### **3.4.2 Business Challenges - Fund Administration**

The modeling effort identified a number of challenges:

- Legislative trends to increase dependencies among agencies and other external sources for funding and spending authority make fund accounting difficult;
- There is currently no visibility of agency allotments versus actuals for expenditures and revenues across agencies. Administrative agencies assume that the other agency will receive and spend 100% of their budget but will not be necessarily aware of the rate of spending from the fund versus the fund's cash or book balance;
- It is difficult to isolate cash disbursement and receipt transactions for cash flow analysis such as sources and uses of cash statements and department of revenue data used by forecast council and others;
- It is not possible to view entire fund picture, allotments versus actuals for expenditures and revenues across agencies;

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<sup>2</sup> Expenses include both expenses and expenditures.

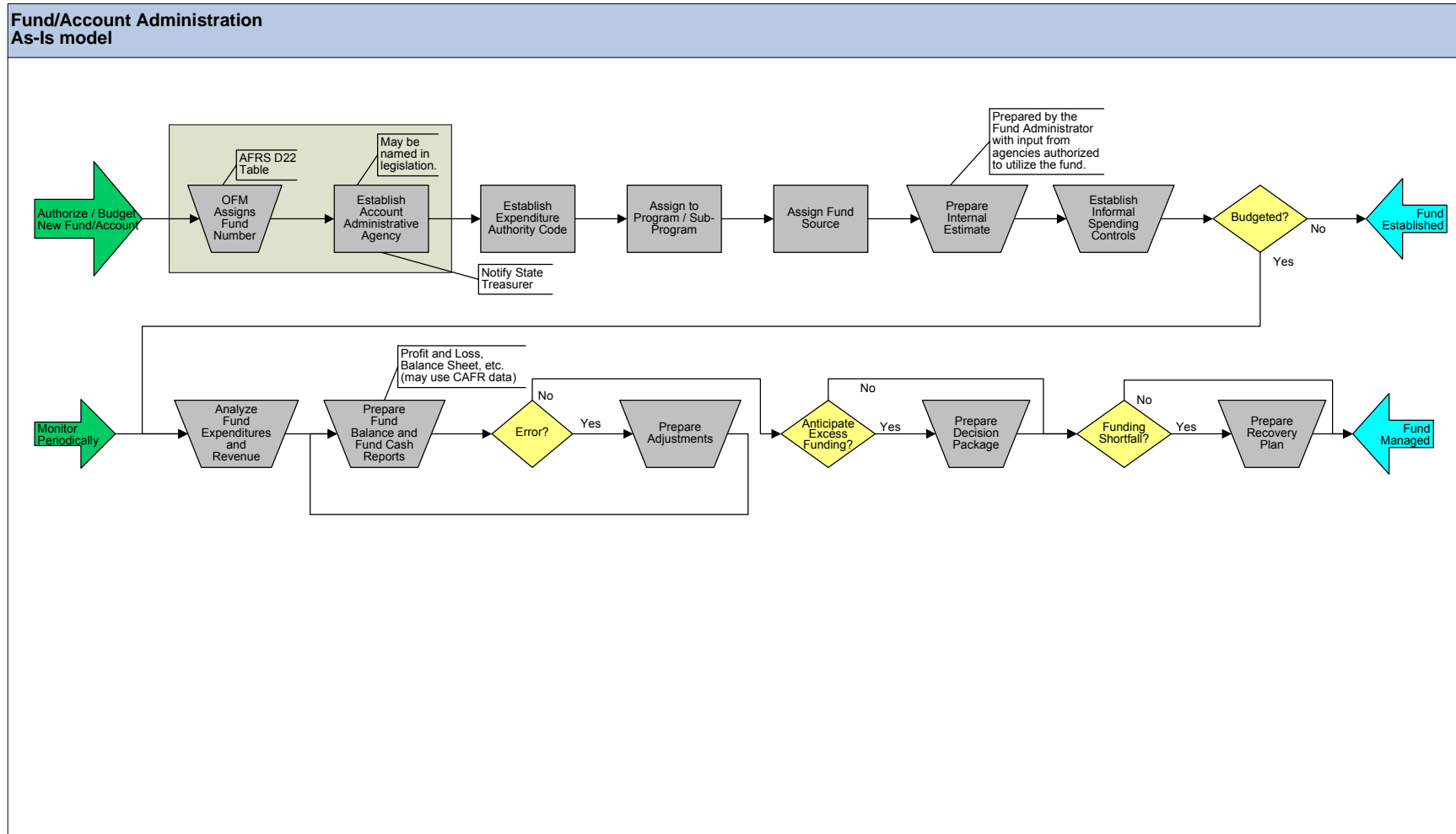
- It is difficult to manage across-the-board increases and decreases to the general fund budget because fund revenues and expenditures are not linked and may be in multiple agencies;
- Agencies track re-appropriations off-line to extend across biennium due to the expenditure authority allotment for single biennium;
- There is no incentive for agencies to save fund balance for future investments. Agencies perceive that they must spend all appropriated dollars (in non-capital program funds). If a fund balance is built up (reserve) it may be removed by legislative action;
- In non-appropriated funds, it is difficult to earmark revenues or fund balance for special purposes (agency budgetary control for proprietary funds);
- Some fund allotments are for small amounts so the level of work to account for the budget at this level of detail may be greater than the value of the control (for example a fund with \$34,000 in a biennium).

The bottom line is until revenues and expenditures are linked to provide an accurate view of real-time fund balances, it is difficult to communicate effects of legislative actions, safeguard reserved funds responsibly and provide transparency to stakeholders and citizens.

### **3.4.3 As-Is Business Process Model - Fund Administration**

The next page presents the graphical process flow diagram (business process model) for Fund Administration:

Figure 5 - As-Is Model – Fund Administration



### **3.5 As-Is Common Process and Agency Variations**

As a part of modeling the as-is and could-be general ledger, financial reporting, and cost accounting processes the Roadmap team circulated a survey to the thirteen agencies participating in modeling focus groups. This narrative summarizes the results of agency responses to the survey.

#### Commonalities

Surveyed agencies reported that they perform general ledger accounting centrally and follow Government Accounting Standards Board guidelines. In most cases, this central accounting organization manages the agency chart of accounts. Generally, agencies prepare managerial accounting reports for program staff monthly using tools other than the current statewide financial systems. Agencies also rely on internal systems to track for example:

- Infrastructure condition and maintenance costs;
- Long term construction commitments and other contingencies; and
- Investment detail and market valuation data.

Most agencies identified reconciliations (for interagency due to and from accounts, to agency line of business systems, and to subsidiary ledgers) as challenges in the current environment. This may be due to the inconsistency and fragmentation of existing accounting policies across agencies and the use of a variety of process and tools to record financial transaction detail. Although AFRS and the SAAM provide a structure for summarized accounting data and policy guidance, the majority of survey respondents have made significant investments in a variety of agency systems and desktop tools to record information according to internal policies and priorities that support their needs for detailed financial information.

Some agencies have eased the statewide-to-agency and agency-to-agency reconciliation issues with automated interfaces to AFRS for some functions (most commonly revenue distribution, accounts payable and general ledger), but all report at least one accounting function without such an interface. This increases the potential for reconciliation issues that are time consuming to resolve.

Agencies report using about 35% of their reported full time equivalent accounting resources to complete fund, account, and bank reconciliations and prepare adjusting (and closing) entries. Agencies with internal systems and desktop tools report engaging in duplicate input most consistently for asset management, purchasing, grants management, and contract management. At fiscal and biennium year-end, agencies also report challenges related to providing accruals and managing two open periods simultaneously.

#### Variations

Surveyed agencies reflected the most variation in cost accounting practices. While several agencies did not provide responses related to this area at all, a number indicated that they do not use cost allocation plans while others have multiple plans. Most are addressing grant requirements as a part of their cost accounting efforts.

Although there is a statewide cost allocation system, the majority of the respondents use agency systems or desktop tools to support the cost allocation process, of which several indicated the need for additional functionality. Additionally, several of the surveyed agencies also reported challenges with preparing cost allocation plans and distributing labor costs to various programs.

### **3.6 Best Practice Research**

This section contains best practice research compiled for the general ledger-cost accounting business function, the combination of general ledger, chart of accounts, financial reporting, cost accounting, and fund administration.

In order to recommend common business processes and data standards that leverage the best thinking of specialists in this functional area, the project team researched best practices, as well as the capabilities of commercially available software. Research included reviewing other state solutions for general ledger-cost accounting process transformation, assimilating industry standards research, and evaluating software tools.

#### Chart of Accounts

Legacy Chart of Account (COA) structures are commonly subject to limitations such as discontinuity between budgeting and accounting causing significant work to reclassify data for financial reporting purposes. There are also challenges related to field and data inconsistencies and interdependencies and the inability to support progressive financial practices such as full cost evaluation, activity based costing and performance measurement.

The effort to redesign the COA is non-trivial and time-consuming. This upfront investment also often encounters resistance to change prior to achieving agreement. However, a COA redesign paired with improved technology offers opportunities to realize benefits including:

- Greater transparency;
- Elimination of agency unique “shadow” systems;
- Data normalization;
- More efficient and effective financial reporting;
- Improvement of accounting, budgeting and decision-making practices; and
- Flexibility to support progressive financial practices.

#### General Ledger and Financial Reporting

The value derived from enterprise general ledgers and financial reporting according to best practice sources is gained from:

- Ensuring that data meets users’ financial information needs, specifically the process must allow for data from different dimensions and levels to be collected, reconciled, and consolidated to enable alternative views of performance to be produced;
- Establishing a universal chart of accounts applicable to all organizational units and a single general ledger.
- Capturing all transactions and balances, from subsidiary ledgers and directly inputting into a single ledger and therefore permits central control over data integrity and speeds up end of period reporting;
- Requiring data entry at the source, holding operational staff accountable for the accuracy and integrity of the data in the general ledger;
- An integrated accounting system lies at the core of best practice financial management information systems, in many cases, eliminating the need for time consuming reconciliations, required when subsidiary ledgers and memorandum accounts are maintained as separate systems;

- Exploiting technology to generate and deliver periodic financial reports; and
- Reengineering processes in conjunction with implementing new technology.

### Cost Accounting

According to best practice sources, the value derived from enterprise cost accounting is gained from:

- Understanding costs and the ability to control the cost of operations;
- Making managerial cost accounting a fundamental part of the financial management system and, to the extent practical, integrating it with other parts of the system;
- Drawing cost information from a common data source; and
- Making output reports reconcilable to each other.

Activity Based Costing provides the following additional advantages:

- Output costs are supported by a schedule of costed activities instead of a conventional expenditure classification analysis;
- Provides the basis of a performance measurement system and a direct link between strategic goals and operational realities;
- Enables cost profiles to be managed;
- Identifies non value-adding activities that can be eliminated without effecting the quality or utility of the service delivered;
- Costs are transparent understandable and actionable; and
- Provides accurate costing data to operational management

Activity based costing adds the most value when it is used as the informational basis of managing and improving the business, from which management can make decisions to improve the effectiveness of the organization. An activity based model also bridges the gap between financial system and the various operational systems of the organization. Properly designed and implemented it can provide better information for decision making and business improvement than either of those systems alone.

### Fund Administration

The value derived from enterprise fund administration according to best practice sources is gained from:

- Combining similar internal funds into a single fund for external financial reporting purposes, whenever possible without sacrificing the goals of fund accounting;
- Flexible reporting and presentation structures allowing for the ability to track and report fund progress across different time periods; and
- Active availability controls to monitor management appropriation, the ability to identify posting limits immediately, high-performance reporting, simultaneous or staggered application accounting methods, highly flexible evaluation of fixed assets and key integration providing up-to-the minute information on funds.

## 4. Could-Be Business Process Model

Using the information gained from the as-is processes and the best practice research, the project team worked with the same groups of agency experts to model the could-be processes for the general ledger-cost accounting business function:

1. General ledger and chart of accounts management;
2. Financial reporting;
3. Fund administration; and
4. Cost accounting.

Based on the previously identified business challenges, the focus groups and project team discussed the critical needs and benefits to change within and across these areas. In these discussions the group restated the general ledger-cost accounting business function as a set of processes that:

1. Capture financial events;
2. Maintain fiscal integrity;
3. Inform decisions; and
4. Present financial results.

The group classified ideas for change under these cross-functional topics for the general ledger-cost accounting area. Generally, the group agreed that the future state process should:

**Capture financial events** - Provide for integrated financial systems and data based on a strategically enhanced chart of accounts and standardized, real-time transaction processing;

**Maintain fiscal integrity** – Allow tolerance based budget changes for proprietary funds and governmental funds with specified revenue sources, establishing long term business plans to ensure reserve availability to meet cross biennium requirements (this would require statutory changes);

**Inform decisions** – Implement a statewide activity based cost model and determine the feasibility of creating a single cost allocation plan for the state based on the activity based model; and

**Present financial results** – Encompass strategies to communicate to decision makers and citizens through the presentation of Washington’s financial status.

The focus group combined these and other ideas for policy, organization, process, and system improvements to create the standard, efficient, and effective “could-be” process model presented in the following section. In recognition of the enormous challenges of implementing the significant change proposed, the models are labeled as a “Vision in Progress”. The following components illustrate the could-be process for the general ledger-cost accounting business function:

- Business process models – diagrams representing the could-be processes for general ledger and cost accounting; and
- Process narrative to support the proposed process.

The process models and narrative present and describe the could-be process in two segments: 1) record financial events; and 2) make periodic updates.

4.1 Could-Be Process Model for General Ledger- Cost Accounting – Record Financial Events

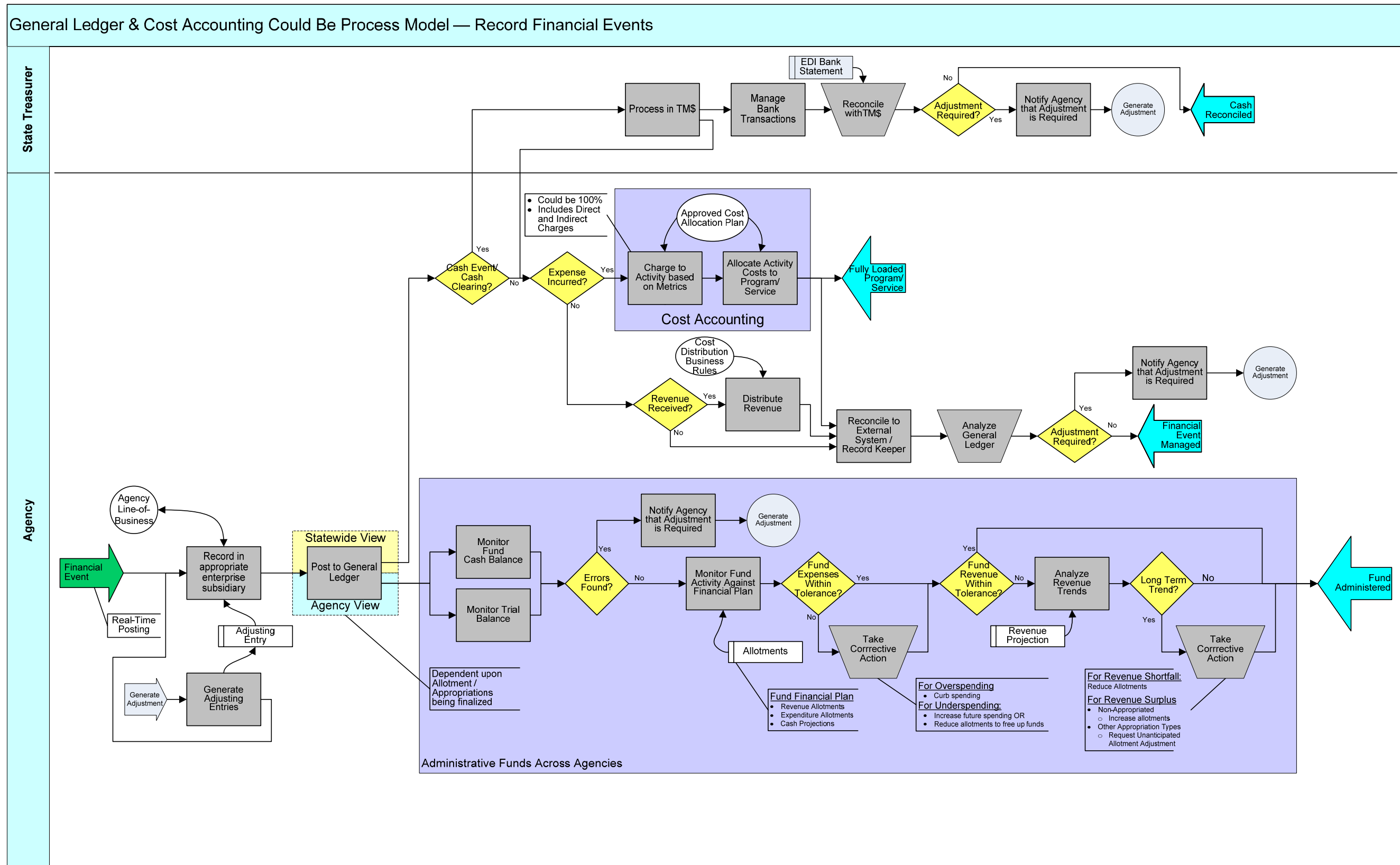


Figure 6 - Could-Be Model – Record Financial Events

4.2 Could-Be Process Model for General Ledger-Cost Accounting – Make Periodic Updates

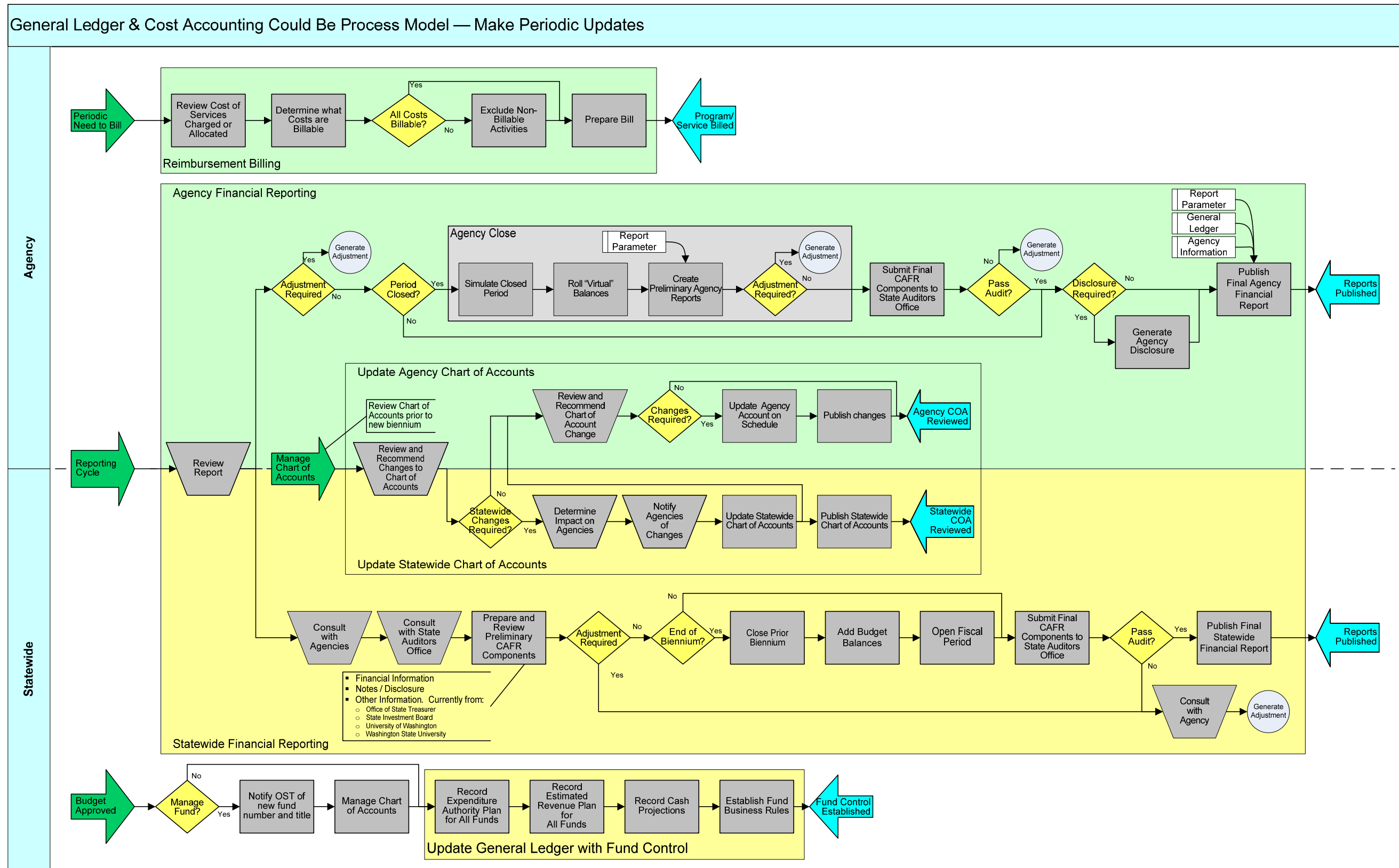


Figure 7 - Could-Be Model – Make Periodic Updates

### 4.3 Could-Be Process Narrative for General Ledger-Cost Accounting – Record Financial Events

The following narrative describes the could-be vision proposed by the focus group of agency experts for recording financial events as modeled in Figure 6 - Could-Be Model – Record Financial Events.

The vision features a single general ledger with real-time links to statewide subsidiary ledgers, the Office of State Treasurer cash management system (TM\$) and agency line-of-business systems. In the could-be model multiple views of information from the same source transaction are immediately available to fund, program, and fiscal managers.

The model proposes that transactions with expense components be simultaneously processed by cost accounting processes supported by an activity based cost allocation model and statewide cost allocation plan.

**Notes:**

1. Agency line of business systems and TM\$ will interface with the statewide general and associated subsidiary ledgers. Agencies will transmit detailed source transaction information on financial events in a standard format.
2. Corrections or updates to source transactions will be made through the same interfaces.
3. The vision is based on an enhanced interface between TM\$ and the statewide general ledger.

**Financial Event Occurs** – From an external or agency line of business system or a statewide subsidiary ledger, customers, vendors, and agency program and administrative staff complete the following types of activities:

- Order goods and services;
- Input time keeping information;
- Approve service provider requests for payment;
- Make and accept point of sale payments;
- Submit invoices.

The external or agency line of business system or subsidiary ledger records the operational activity as a financial event in a standard, detailed format based on information about the activity, user, customer, or vendor, for example. The financial event transaction is immediately subject to business rules that include approvals required, budgetary authority and availability tests, general ledger account coding, assessments for impact to cash, expenses, revenue, and funds, and so forth. Events that impact multiple agencies are routed for approval across organizational boundaries. Approved, edited transactions post to the general ledger immediately in real-time. The program and administrative staff entering the order or time keeping information, for example, are immediately notified of outstanding approvals or other errors and the transaction is routed to them for update.

General ledger posting information is automatically reconciled to external or agency line of business systems and statewide subsidiary ledgers. Out-of-balance transactions are routed for review and update based on business rules. Agency program and administrative staff analyze the general ledger information from various perspectives and identify required adjustments. Staff makes the required adjustment in either the source system or the statewide subsidiary ledger, as appropriate.

**Financial Event Impacts Cash** – When a financial event impacts cash, the general ledger transaction processing engine immediately routes the approved, edited information to the Office of State Treasurer’s TM\$ for processing against the designated cash balance and through the banking system. Periodically, TM\$ compares bank statement information with TM\$ information and identifies any agency adjustment requirements. TM\$ transmits adjustment requests to the general ledger transaction processing engine

which in turn returns the request to the external or agency line of business system or statewide subsidiary ledger for review and update based on business rules.

TM\$ may also serve as a source transaction external system based on lock box processing, point of sale system or other bank deposits, or bank returned items, for example. In this case, TM\$ creates the transaction from external source data (this may simply be a pass through) for processing by the general ledger.

**Financial Event Impacts Expenses** – When a financial event impacts expense, such as receiving an order or approving a service provider request for payment, general ledger transaction processing includes activity based cost accounting using business rules derived from the approved cost allocation plan. These business rules assign all costs to designated activities and then the activities to program and services using predetermined metrics. The allocation of costs to programs and services may change based on subsequent events; cost allocation is updated immediately and continually.

**Financial Event Impacts Revenue** – When a financial event impacts revenue, such as a point of sale deposit or receipt of self assessed business tax, general ledger transaction processing includes revenue distribution to appropriate funds, sources, and jurisdictions using business rules derived from enabling legislation and other revenue forecasting sources.

**Financial Event Impacts Administered Fund** – When a financial event impacts a fund administered by a particular agency, the event can be viewed by the administering agency from both a cash and book balance perspective. General ledger processing routes transactions and balance information for administrative agency review based on business rules. These rules might include anticipated spending patterns within agency budgets and business plans. Fund administrative agency staff analyzes the general ledger information from various perspectives and identify required adjustments. Administrative agency staff request processing of required adjustments by the originating agency in the source system or the statewide subsidiary ledger. Administrative agency staff record necessary corrective actions in updated business rules for general ledger transaction processing, as appropriate.

#### **4.4 Could-Be Process Narrative for General Ledger-Cost Accounting – Make Periodic Updates**

The following narrative describes the could-be vision proposed by the focus group of agency experts for making periodic updates as modeled in Figure 7 - Could-Be Model – Make Periodic Updates.

The vision features a single chart of accounts that provides for both statewide and agency levels of detail, with the expectation that agencies will record detailed source transactions in the statewide general ledger.

The model proposes that agencies have the ability to “simulate” a period close, prepare agency financial reports, and open the new biennium with both real and nominal account balances independently of the statewide close. In the could-be model, the statewide general ledger captures original and updated budgeted spending information as well as revenue, cash, and other projections.

**Notes:**

1. Agency line of business systems will include information mapped to the statewide and agency chart of accounts.
2. All costs are allocated but not all allocated costs are billable to every reimbursement source.
3. Agencies will “close” fiscal periods based on their assessment of the materiality and other impacts of any potential adjustments.

4. The statewide general ledger will process post-closing adjustments, updating subsequent period real and nominal account balances appropriately.

**Biennium Budget is Approved** – With the enactment of a new biennium budget statewide accounting staff will identify new or eliminated funds, assign a number to new funds, and notify the Office of the State Treasurer of fund updates to be reflected in TM\$. Statewide accounting and agency staff will also determine the impact of the new budget and revenue forecasts on the chart of accounts, recommending changes as appropriate.

Statewide accounting and agency staff will independently open the general ledger for the new biennium, allowing updates to budget and projection account balances and business rules, for example. General ledger baseline expenditure appropriation, expenditure allotment, and revenue projection information will be loaded via interfaces with budgeting systems.

**New Biennium Begins** – Statewide and agency staff will independently open their general and statewide subsidiary ledgers for the new biennium, establishing initial balances for both real and nominal accounts. “Post closing” adjustments to the prior period will automatically update the initial balances with appropriately classified adjustments.

**Reimbursement Bill Required** – General ledger transaction processing business rules will include parameters for preparing bills for various reimbursement sources. These rules may be based on time, dollar thresholds, or the types of expense. For example, the business rules may specify the types of cost for which reimbursement is allowed, any dollar limits, or timeframe limitations. Although all costs will be allocated to programs and services based on activities and associated metrics, all costs for reimbursable programs are not billable.

General ledger transaction processing will identify and exclude non-reimbursable costs from bills by reimbursement source and route the bill and supporting detail to designated agency staff for review and update or approval. Agency staff will make adjustments to source transactions in the originating system.

**Reporting Cycle Ends** – Agency reporting cycles will be designated in general ledger business rules. At the end of a reporting cycle preliminary reports will automatically be processed. Alternatively, agency program and administrative staff will interactively generate and review reports of financial activity and performance on an as needed basis. Program and administrative staff will review the preliminary reports and request adjustments to source transactions in the originating system as needed. Adjustments will be posted immediately, updating the general ledger and regenerating the impacted report. Business rules associated with the report will indicate disclosure requirements as necessary.

If the reporting cycle is associated with the close of a fiscal year or biennium, agency specific general ledger business rules will indicate whether and how real and nominal balances should be handled for various reporting requirements. Agencies submit fiscal year or biennium end CAFR components to the State Auditor’s Office for audit and certification. Once certified, agencies prepare required disclosures and publish the agency CAFR.

**Fiscal Year Ends** – At the end of a fiscal year, general ledger reporting processes will automatically, generate reports of financial activity and performance. Statewide accounting staff will consult with agencies and the State Auditors Office regarding the reported financial results, requesting that agencies make adjustments in originating systems or subsidiaries as appropriate. Statewide accounting staff submits fiscal year or biennium end CAFR components to the State Auditor’s Office for audit and certification. Once certified, statewide accounting staff publishes the Statewide CAFR. Alternatively, statewide accounting staff will interactively request reports throughout the year on an as needed basis.

**Biennium Ends** – At the end of a biennium, statewide accounting staff closes general ledger transaction processing and open the new biennium for processing at the statewide level. General ledger transaction processing capabilities automatically synchronize agency and statewide records.

## Roadmap

EBPDM – Core Financials Value Proposition – **DRAFT**

Updated: August 16, 2006



**Agency Chart of Accounts Change Required** – Agency program and administrative staff will request changes to their chart of accounts. Agency and statewide accounting staff, as appropriate will determine whether the change requested requires statewide changes. If not, agency staff updates the agency chart of accounts, external and agency line of business source system interfaces and associated business rules e.g. cost accounting, fund administration, reimbursement billing, and report generation rules, etc.).

**Statewide Chart of Accounts Change Required** – Agency and statewide accounting staff will request changes to the statewide chart of accounts. Statewide accounting staff will work with agency staff to determine the impact of the proposed change. Using an established governance process, statewide accounting and agency staff will agree to implement certain changes. Statewide accounting staff will notify agencies of the update and timetable for implementation. Agency staff will update the agency chart of accounts, external and agency line of business source system interfaces, and associated business rules, including cost accounting, fund administration, reimbursement billing, and report generation rules, for example to reflect the statewide change.

## 5. Results, Value Proposition & Performance Metrics

This section summarizes the significant results from the general ledger-cost accounting business processes focus groups, describes the business results expected from each change, identifies the value proposition for making these investments, and proposes performance metrics that could be used to drive progress toward achievement of the general ledger-cost accounting business objectives.

### 5.1 Results

The following sections present the law, policy, process, organizational and system results from the general ledger-cost accounting business process focus groups and the business value expected from each change. The results are proposed to support the could-be vision, and are intended as a starting point for discussion rather than definitive solutions. Additional research and extensive stakeholder involvement will be required to establish the feasibility of each result, suggest policy revision language, if necessary, and support an executive level decision to move forward.

The results are organized around four broad categories:

1. **Capture Financial Events** - This category focuses on the strategic evaluation of how financial events are captured to meet Washington’s information objectives. According to industry experts, the first step in successful integrated systems implementations is strategic enhancement of the chart of accounts to meet business and information objectives.
2. **Maintain Fiscal Integrity** - Results in this section focus on government accountability, fiscal integrity and openness in state government to ensure the proper use of public resources.
3. **Inform Decisions** – This category focuses on allocating and accounting for costs to provide better information for better decisions across the state.
4. **Present Financial Results** - The results encompass strategies to better communicate Washington’s financial status to decision makers and citizens.

More details on each result, such as current environment, benefits, impacts and concerns, and strategies to implement can be found in Section 6 - Implementation Strategies.

#### 5.1.1 Capture Financial Events

This section summarizes the policy/process and system results for capture financial events.

Proposed Results	Expected Business Results
<p><b>1A Enhance the Chart of Accounts.</b></p> <p><b>Policy/Process:</b> Starting with the results of the 2005 Chart of Accounts survey, enhance the statewide chart of accounts based on a continuing strategic evaluation of the state’s financial information objectives to accommodate both agency and statewide business needs.</p> <p><b>System:</b> Modifications to Washington’s chart of accounts require statewide and agency system modifications to accommodate</p>	<ul style="list-style-type: none"> <li>• Consistent data and common language used and understood by all agencies for informed enterprise-wide decisions.</li> <li>• More efficient and effective financial reporting providing greater transparency to citizens and decision makers.</li> <li>• Opportunity to standardize data and use of data elements across agencies.</li> <li>• Improved accounting, budgeting and decision-making practices and ability to</li> </ul>

Proposed Results	Expected Business Results
<p>differences in the structure, coding, and handling of data.</p>	<p>support modern financial practices.</p>
<p><b>1B Define source transaction standards.</b></p> <p><b>Policy:</b> – Introduce legislation and/or policy changes to consolidate, standardize, and streamline Washington State transaction accounting policies. This would include the following types of improvements:</p> <ol style="list-style-type: none"> <li>1) Create source transaction standards</li> <li>2) Record transaction from the source of activity, eliminating need to duplicate transactions in multiple systems. For example, allowing a single transaction to trigger a ‘matching’ transaction for another agency or system (i.e. TM\$)</li> <li>3) Allow the recording of transactions not solely defined by transaction codes</li> </ol> <p><b>System:</b> – Any system must allow for real-time transaction processing and interfaces to TM\$.</p>	<ul style="list-style-type: none"> <li>• Consistent data and common language used and understood by all agencies for informed enterprise-wide decisions.</li> <li>• More efficient and effective processing.</li> <li>• Better information for better decisions.</li> </ul>
<p><b>1C Implement integrated financial systems and data.</b></p> <p><b>Policy/Process:</b> Introduce legislation and/or policy changes for comprehensive consolidation and standardization of financial information. This would include the following types of improvements:</p> <ol style="list-style-type: none"> <li>1) Define standard level of detail for information to be consolidated within a statewide general ledger</li> <li>2) For strategic areas, establish statewide linkages of revenue sources (sub-source) across agencies and link to a funds usage (major source, source, and sub-source)</li> </ol> <p><b>System:</b> Implement enterprise information systems that integrate financial information, cost accounting and allocation functionality, and financial reporting processes in a real-time environment. Use a standard level of statewide information detail with agency flexibility for lower level information detail.</p>	<ul style="list-style-type: none"> <li>• Better information for better decisions for better results</li> <li>• Faster, better business processes.</li> <li>• Ability to view consolidated information and drill-down through the information to the details.</li> <li>• Improved accountability to the public.</li> <li>• Reduced investments in agency shadow systems.</li> <li>• Reduced training costs for staff transitioning into a new agency.</li> <li>• Shared costs for upgrades and/or enhancements to the system.</li> </ul>

**5.1.2 Maintain Fiscal Integrity**

This section summarizes policy/process results for maintain fiscal integrity.

Proposed Results	Expected Business Results
<p><b>2A Improve methods to adjust the budget for proprietary funds and governmental funds with specific revenue sources within legislative intent</b></p> <p><u>Policy:</u> Improve methods to adjust the budget for programs that rely on actual revenue, grant funding levels and cash flows, enabling reasonable adjustments that increase or decrease budgeted amounts within legislative intent, across agencies.</p>	<ul style="list-style-type: none"> <li>• Match budgetary controls to real risk.</li> <li>• Increase management flexibility and responsiveness to changing business conditions.</li> <li>• Provide better service to customers.</li> <li>• Provide greater value with grant funds.</li> <li>• Provide timely controls when grant funds are greater or less than anticipated.</li> </ul>
<p><b>2B Reduce the number of funds</b></p> <p><u>Policy:</u> Reduce the number of funds by developing more cost effective ways to account for sources and uses of special funding, providing visibility of the funding across agencies and timeframes.</p>	<ul style="list-style-type: none"> <li>• Provides improved flexibility to address the priorities of government in the budget process.</li> <li>• Reduces administrative burden to manage funds.</li> <li>• May improve visibility to cross agency spending.</li> <li>• May improve agency ability to deliver program value by providing for more flexibility in program delivery (if budgeted at a less granular level).</li> </ul>
<p><b>2C Allow fund reserves for future spending</b></p> <p><u>Policy/Process:</u> Allow fund reserves for future spending to respond to economic volatility and for cross biennium working capital and disclose impact of eliminating reserves.</p>	<ul style="list-style-type: none"> <li>• Operating reserves (or fund balance) are a prudent fiscal management tool and an important credit factor in the analysis of financial flexibility.</li> <li>• Allows for long-term planning to ensure money is available when money is needed.</li> <li>• Lessens tax fluctuation to fund current spending</li> <li>• Allows for “savings” for future maintenance, replacement, or acquisition of resources to support program delivery.</li> </ul>

### 5.1.3 Inform Decisions

This section summarizes policy results for inform decisions.

Proposed Results	Expected Business Results
<p><b>3A Implement activity based costing</b></p> <p><b>Policy:</b> Strategically design and implement a statewide activity based costing model that will:</p> <ol style="list-style-type: none"> <li>1) Determine the full cost of government programs and services</li> <li>2) Promote strategic decision-making</li> <li>3) Provide visibility into and support for issues regarding the adequacy of funding from various sources</li> </ol>	<ul style="list-style-type: none"> <li>• Provides consistent data and common language to inform enterprise-wide decisions.</li> <li>• Promotes strategic decision-making.</li> <li>• Makes costs more comparable across agencies.</li> <li>• Provides visibility to fund source and adequacy issues.</li> <li>• Simplifies cost allocation processes.</li> <li>• Provides visibility to costs of statewide activities.</li> </ul>
<p><b>3B Determine feasibility of using a statewide cost allocation plan</b></p> <p><b>Policy:</b> Determine the feasibility of using the statewide cost model to develop a that will:</p> <ol style="list-style-type: none"> <li>1) Provide for equitable allocation of costs</li> <li>2) Maximize federal revenues</li> <li>3) Comply with federal regulations</li> </ol>	<ul style="list-style-type: none"> <li>• Allows agencies to use one cost allocation methodology for both state and federal purposes</li> <li>• Could simplify process of preparing cost allocation plans</li> <li>• Allows the state to assist agencies in negotiating cost plans with cognizant agencies</li> <li>• Consistent data and common language used and understood by all agencies for informed enterprise-wide decisions.</li> </ul>

### 5.1.4 Present Financial Results

This section summarizes policy/process and system results for present financial results.

Proposed Results	Expected Business Results
<p><b>4A Link revenue sources to the outcomes delivered</b></p> <p><b>Policy/Process:</b> Link the mix of revenue sources (sub-source) to the mix of cost objectives and outcomes delivered across agencies.</p> <p><b>System:</b> Align reporting tools, systems, interfaces, and data architecture to accommodate linking the mix of revenues to the mix of cost objectives and outcomes delivered.</p>	<ul style="list-style-type: none"> <li>• Provides the ability to show the average citizen how tax dollars were spent.</li> <li>• Accountability, visibility and transparency of government spending.</li> <li>• More efficient and accurate fund administration.</li> <li>• Allows for analysis of state, federal, and other grant/revenue streams to match to spending by program.</li> <li>• Better communication to management and state decision makers.</li> <li>• Better understand the consequences of changes to revenue stream on government spending and services</li> </ul>
<p><b>4B Provide a common set of robust and flexible reporting tools</b></p> <p><b>Policy:</b> Establish an enterprise reporting tools</p>	<ul style="list-style-type: none"> <li>• Better information for better decisions for better results.</li> <li>• Consistent set of reporting tools used and</li> </ul>

Proposed Results	Expected Business Results
<p>standard.</p> <p><b>System:</b> Provide a common set of robust and flexible reporting tools that:</p> <ol style="list-style-type: none"> <li>1) Enhance and ease reporting preparation</li> <li>2) Link budgeted and actual financial data with projected amounts, performance measures and narrative</li> <li>3) Integrate budget processes with financial reporting processes for agencies, accommodating biennial and capital appropriations and budgeted and non-budgeted funds across biennial lines</li> <li>4) Provide necessary additional statewide detail reporting elements for fund activity and balances</li> <li>5) Customize report writing by various criteria such as: project, program, time (State fiscal year, federal fiscal year, cross biennium, etc.)</li> <li>6) Ability to tie agency business data to other statewide business data where appropriate and relevant, such as human resources, performance, etc.</li> </ol>	<p>understood by all agencies.</p> <ul style="list-style-type: none"> <li>• Faster, better business processes.</li> <li>• Provides better accountability and visibility to management, stakeholders and citizens.</li> </ul>

## 5.2 Value Proposition

Years of public and private sector experience support the premise that a flexible, comprehensive, strategically enhanced chart of accounts and is the foundation of effective financial management. Foundational law, policy, process, and legacy chart of account changes are needed to meet growing public expectations for accountability and performance measurement.

Transforming general ledger and cost accounting laws, policies and processes will help the State of Washington:

- Provide more consistent data in a common language for enterprise and agency decision making;
- Reduce investment in shadow systems;
- Increase management flexibility and responsiveness to changing business conditions;
- Ensure money is available for future maintenance, replacement, or acquisition of resources to support program delivery;
- Increase visibility of the cost of government services across agencies; and
- More effectively communicate to citizens how tax dollars are spent by matching revenue streams to program results.

Law, policy, and process changes are necessary to provide for:

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- A chart of accounts that aligns with the state's strategic financial information objectives and accommodates statewide and agency business needs;
- Source transaction standards to support data and system integration;
- Management flexibility to make operational decisions for proprietary and grant funds under changing conditions;
- Long-term business plans that incorporate savings for future program delivery needs;
- Statewide activity based costing to determine the full cost of government services; and
- Linkage of revenue sources to cost objectives and outcome reporting across agencies.

These critical law, policy, and process changes will support improvement in accounting, budgeting, and decision making practices, a greater understanding of the cost of government services, and increased citizen understanding about the use of their tax dollars.

To be effective, these foundational law, policy, and process changes must be supported by modern accounting systems. An integrated general ledger eliminates the reconciliations required to ensure information quality and integrity when subsidiary ledgers, cost allocation processes, and fund administration tools, for example, are in separate systems. System changes include:

- Implementing enterprise technology that integrates financial information, cost accounting and allocation functionality, and financial reporting processes in a real-time environment;
- Modification of agency systems to accommodate changes in the structure, coding, and handling of data, real-time transaction processing, and revenue, use, objective, and outcome association; and
- Providing a common set of highly functional reporting tools.

Washington can reasonably expect that these accounting system changes will provide consistent control over data integrity, faster end of period reporting, additional reporting views, and more effective budgetary control across agencies.

Together, these law, policy, process, and system changes will provide for greater administrative efficiency and support the most effective use of public funds. Measuring the net benefit of these modifications over the cost of their design and implementation is challenging. Public sector entities making these types of changes have realized positive returns on their investment. These benefits include:

- Current financial information on programs and services;
- Readily available financial and performance management reports;
- Reduced investment in redundant and shadow systems;
- Fewer information inconsistencies;
- Identification of high value added activities, programs, and services; and
- Improved, risk based controls over spending across agencies and fiscal periods.

When enterprise-wide data is standardized and data collection is accomplished at the source, program and fiscal managers have a rich store of information about cash position, fund book balances, performance against budget, and the overall cost of government programs and

services. This data can be analyzed to help inform policy and spending decisions and better serve Washington citizens. The types of questions that can be answered include:

- Which programs would be impacted if the state reduced the fee for driver's license renewal?
- How much of this fiscal years budget allotments for the Motor Vehicle Fund have been spent today? How much has been committed to spending?
- Which program model for food service delivers the most value?
- How much money has the state spent on environmental clean up in Benton County this year? On delivering services to pre-school age children in King County?
- How much capital infrastructure have we added to the state this year?

When the proposed laws, policies, systems, and data are in place and available, program and fiscal managers can more easily:

- Hold operational staff accountable for program financial performance,
- Compare costs and outcomes across programs, agency lines, and time periods, and
- Report on financial results as they occur.

### **5.3 Performance Metrics**

Evaluating metrics for each general ledger-cost accounting core objective helps to target implementation and operational efforts to achieve the overall goals and objectives of implementing the could-be vision. Several overall performance indicators were identified to measure the results of implementing the general ledger-cost accounting vision.

Capture financial events metrics include:

- Number of agency "shadow systems" used to track financial activity for programs and services;
- Percentage of transactions recorded electronically (vs. manually entered);
- Number of agencies with chart of account values rolling up to the statewide level; and
- Detail level of data interfacing to and from agency systems to the statewide general ledger.

Maintain fiscal integrity metrics include:

- Dollars transferred from the General Fund to cover shortfalls in special funds; and
- Number of compliance audit findings.

Inform decisions metrics include:

- Time required to prepare periodic financial management reports; and
- Time required preparing responses to ad hoc requests for financial information.

Present financial results metrics include:

- Percent of Agency Public Reports consumers (website or hard copy) reporting excellent or very good access to information; and

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- Percent of statewide and agency financial reporting sourced from the statewide financial system.

## 6. Implementation Strategies

Implementation strategies presented in this section are designed only to further planning and support the process for executive level decision making around the modelling results. Focus group members recognize that each of the results will involve significant cultural change and implementation challenges for agencies, employees and the state's business partners. The following general implementation strategy is proposed for each result:

1. Perform a thorough analysis.
  - a. Research current laws, policies and best practices.
  - b. Work with subject matter experts and stakeholders to draft legislation and or policy/process revisions as appropriate. Include impacted agencies, employees, the state's business partners, and collective bargaining units, when appropriate. To the extent possible, propose principle-based policies and standard processes across agencies.
  - c. Document stakeholder impacts and concerns.
2. Confirm the feasibility of the result.
  - a. Validate the *Roadmap* focus group result in light of the information collected during step 1.
  - b. If the result appears to be feasible, evaluate various implementation and funding options.
  - c. Recommend a specific approach.
3. Seek approval for the recommended approach from *Roadmap* governance.
4. Clearly communicate the benefits of each approved change to all impacted parties.
5. Obtain formal approvals for legislation, policy revisions and enterprise data standards, as required.
6. Develop transition, implementation and training plans, with appropriate emphasis on change management.
7. Benchmark current processes where possible, and ensure appropriate performance metrics will be measured as part of the new process.
8. Roll out in accordance with implementation plan.

The following sections describe each result in more detail, including specific implementation steps recommended by the focus groups, beyond the general approach outlined above. Again, these steps are dependent upon executive level decisions to move forward with the planning effort.

The implementation strategies are organized around the four broad categories described in Section 6:

1. Capture financial events;
2. Maintain fiscal integrity;
3. Inform decisions; and
4. Present financial results.

## **6.1 Implementation Strategies for Capture Financial Events**

The following results focus on the strategic re-evaluation of how and what financial events are captured to meet Washington's information objectives. According to industry experts, the first step in successful integrated systems implementations is a strategic enhancement of the chart of accounts to meet business and information objectives.

<p><b>1A. Enhance the chart of accounts.</b></p> <p><b>Policy/Process:</b> Starting with the results of the 2005 Chart of Accounts survey, enhance the statewide chart of accounts based on a continuing strategic evaluation of the state's financial information objectives to accommodate both agency and statewide business needs.</p> <p><b>System:</b> Modification to Washington's chart of account, requires statewide and agency system modifications to accommodate changes in the structure, coding, and handling of data.</p>	
<p><b>Current Environment</b></p>	<p>SAAM 80.30.82 describes the chart of accounts as a standard framework for classifying financial information to be used for reporting on the budget and financial activities of the state. For management purposes, agencies may maintain a more detailed level of accounting, which results in multiple agency independent charts mapped into the single enterprise account. The current uniform chart of accounts has been in place since the Agency Financial Reporting System (AFRS) was implemented in 1982. The current structure was reviewed and analyzed by the 2005 chart of accounts survey project in an effort to 'recommend a new statewide chart of accounts that will meet the financial accountability, decision support, and GAAP reporting needs of the State of Washington'.<sup>3</sup> The existing structure is available for review at <a href="#">SAAM 80.30a - Uniform Chart of Account Code Structure. AFRS provides additional fields for agency use as described in Appendix B.</a></p>
<p><b>Issues Identified With Current Environment</b></p>	<ul style="list-style-type: none"> <li>• Current chart of accounts does not support accounting by budget activity.</li> <li>• Some chart of account fields are used by various agencies for different purposes, making consolidation and statewide reporting difficult.</li> <li>• Current COA lacks the ability to support contract, project and grant management activities that would allow agencies to view federal expenditures and revenue at a finer level of detail than is currently mandated and track payments and receipts for contractual agreements.</li> <li>• Current chart of accounts does not support cost allocation.</li> <li>• Some agencies elect to send summarized data to AFRS rather than detailed operational data to avoid AFRS transaction fees; this contributes to the development and use of internal systems and hinders the ability to compile cross agency data.</li> </ul>
<p><b>Benefits</b></p>	<ul style="list-style-type: none"> <li>• Consistent data and common language for informed enterprise-wide decisions.</li> <li>• More efficient and effective financial reporting providing greater transparency to citizens and decision makers.</li> <li>• Opportunity to normalize data and use of data elements across agencies.</li> <li>• Improved accounting, budgeting and decision-making practices and ability to support modern financial practices.</li> </ul>
<p><b>Impacts &amp; Concerns</b></p>	<ul style="list-style-type: none"> <li>• Changes to the chart of accounts would require agencies and other stakeholders to modify their processes, systems and/or tools to meet the changing requirements. This would have a substantial time-consuming and costly impact for agencies.</li> <li>• Risk of losing agency flexibility for defining data elements, which may be necessary for agencies to meet their business and reporting needs.</li> <li>• Although there may be benefits to more enterprise-level data, there is a risk of having so much detail at the statewide level that it becomes</li> </ul>

<sup>3</sup> Chart of Accounts Project, Mission Statement, <http://www.ofm.wa.gov/coa/charter.htm>

<b>1A. Enhance the chart of accounts.</b>	
	<p>unmanageable.</p> <ul style="list-style-type: none"> <li>• Changes to the chart of accounts or data reporting structure could create challenges for historical reporting and analysis.</li> <li>• Training costs and timing may be large and should be factored into the strategy.</li> <li>• To implement this change it is essential to incorporate an affordable restructured rate model, policy and process changes to standardize the level of statewide detail required, and consistency with the budget activity codes.</li> </ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Refine and expand the <a href="#">recommendations from the 2005 Chart of Accounts survey project</a> to incorporate results from <i>Roadmap</i> business process modeling sessions and the <i>Roadmap</i> core financials feasibility study.</li> <li>• If the need for changes to the state’s chart of accounts is apparent, establish a governance structure to oversee effective modification of chart of accounts policy and practice across agencies.</li> <li>• Draft proposed recommendations and gather stakeholder feedback.</li> <li>• Reach a decision through the established governance process.</li> <li>• Review new or modified fields and establish common definitions/uses, building on the analysis already completed.</li> <li>• Analyze amount of training necessary and train resources prior to implementation.</li> <li>• Design and/or define historical data approach via a crosswalk, data migration, or other means.</li> <li>• Incorporate an affordable restructured rate model, policy and process changes to standardize the level of statewide detail required, and consistency with the budget activity codes.</li> <li>• Implement in conjunction with a biennium change</li> </ul>

<b>1B. Define source transaction standards</b>	
<p><b>Policy:</b> – Introduce legislation and/or policy changes for comprehensive consolidation, standardization, and streamlining of Washington State transaction accounting policies. This would include the following types of improvements:</p> <ol style="list-style-type: none"> <li>1) Create source transaction standards</li> <li>2) Record transaction from the source of activity, eliminating necessity to duplicate transactions in multiple systems. For example, allowing a single transaction to trigger a ‘matching’ transaction for another agency or system (i.e. TM\$)</li> <li>3) Allow the recording of transactions not solely defined by transaction codes</li> </ol> <p><b>System:</b> – Any system must allow for real-time transaction processing and interfaces to TM\$</p>	
<b>Current Environment</b>	<ul style="list-style-type: none"> <li>• The state receives payments and transactions from various sources into various agency line-of-business systems, often without any standardized method of identifying the fund or purpose for receipt.</li> <li>• Transactions are recorded within AFRS using transaction codes (three digit number) that have been established to identify to the system what type of entry or entries to record.</li> <li>• The current IAP and IFT process allow for single source entry for expenditures. However, receipts and inter-agency transfers require multiple actions to record the transaction in the appropriate places. For example, receipts require individual actions to record the deposit as a treasury cash activity credit within 24 hours (per RCW 43.88.195) and a separate entry to post the accounting transaction as 71XX “In Process” into AFRS. Often the accounting transaction is not entered by agencies until the full account coding is determined, rather than placing the transaction in a temporary suspense account.</li> </ul>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• The use of agency specific tools, systems and manual processes require significant data entry, reconciliation and correction efforts, such as:                             <ul style="list-style-type: none"> <li>- It is challenging for agencies to reconcile cash and financial transactions</li> <li>- When errors occur between AFRS and TM\$ with agencies (especially for decentralized agencies) it may be difficult and time consuming to resolve problems</li> <li>- Reconciliation of capital asset subsidiary records with the general ledger and other subsidiary records is difficult.</li> <li>- Reconciliation between agency fund split, program structure and cost allocation structure is time consuming and difficult.</li> </ul> </li> <li>• Transaction codes may limit agency ability to record events. These events must sometimes be recorded as a series of transactions and reversals that tend to obscure the intent and distort activity reporting</li> <li>• The financial close process is labor intensive, due to interagency reconciliation, early agency close processes, late agency billings, adjustment errors, and reported accruals.</li> <li>• Reconciling interagency due-to and due-from accounts requires a lot of effort during financial close (agencies billing late, agencies trying to close early, accruals from year to year)</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Consistent data and common language for informed enterprise-wide decisions.</li> <li>• More efficient and effective processing through the elimination of</li> </ul>

<b>1B. Define source transaction standards</b>	
	duplicative entries and transactional reconciliations <ul style="list-style-type: none"> <li>• Real-time transactions provide better information for better decisions</li> </ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Without transaction codes, there is a concern that data entry may be more error prone due standard 4-digit debit and credit transactions.</li> </ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Requires policy change and education to be a successful strategy</li> <li>• Analyze current detailed process steps for source transactions to better understand capabilities and limitations to current systems</li> <li>• Evaluate use of more variable transactions, that could be used to mitigate need to remove transaction codes processing.</li> <li>• Define automated edits necessary for non-transaction code debits and credits to minimize posting errors</li> <li>• Evaluate current policies and modify to allow and approval-based single source transaction entry</li> </ul>

<b>1C. Implement integrated financial systems and data</b>	
<p><b>Policy/Process:</b> Introduce legislation and/or policy changes for comprehensive consolidation and standardization of financial information. This would include the following types of improvements:</p> <ol style="list-style-type: none"> <li>1) Define standard level of detail for information to be consolidated within a statewide general ledger</li> <li>2) Establish statewide linkages of revenue sources (sub-source) across agencies and link to a funds usage (major source, source, and sub-source)</li> </ol> <p><b>System:</b> Implement enterprise information systems that integrate financial information, cost accounting and allocation functionality, and financial reporting processes in a real-time environment at a standard level of detail based upon commonality with agency flexibility for lower level detail.</p>	
<b>Current Environment</b>	<p>Per SAAM 90.10.40 agencies capture, maintain and track detailed financial transactions in either the statewide Agency Financial Reporting System (AFRS) or in unique agency systems and/or tools to meet their business needs. Agencies with unique systems summarize their detailed data and provide it to AFRS. The level of detail provided to AFRS varies from agency to agency, as does the cycles upon when data is provided.</p> <p>Current systems are fragmented, siloed and are not all integrated:</p> <ul style="list-style-type: none"> <li>• AFRS provides functionality to monitor the budget, generate Washington’s Comprehensive Annual Financial Report (CAFR), to develop reports via the FASTRACK report system.</li> <li>• FASTRACK Reporting System provides enterprise support for standardized and ad hoc reporting (Business Operations Management, legal compliance and GAAP reporting) based upon the data stored in history records</li> <li>• TALS – The Allotment Management and Review System</li> <li>• BASS – Budget and Allotment Support System</li> <li>• Other budgetary systems</li> <li>• No enterprise systems are available to manage cost accounting and fund administration</li> </ul>

<b>1C. Implement integrated financial systems and data</b>	
	<ul style="list-style-type: none"> <li>• A few agencies have sufficient resources to invest in silo solutions to supplement state systems (SAAM 80.30.88 requires written approval from the OFM Accounting Division before making significant investments in agency financial or administrative systems)</li> <li>• Agencies make do with available statewide systems, Excel and ACCESS.</li> </ul>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• The level of detail collected and maintained at the statewide level is sufficient to meet GAAP standards for producing the annual CAFR, but does not allow the ability to capture detailed agency-specific line of business data, while simultaneously maintaining a standard structure to report at a consolidated statewide summary level. Therefore requiring agencies to develop unique tools and/or systems to meet their business needs.                         <ul style="list-style-type: none"> <li>- Agencies need more flexibility to record and analyze additional data elements and get more detailed numbers</li> <li>- It is difficult to track costs by grant, project, contract, asset and location</li> <li>- 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.</li> <li>- Agencies require two-way interfaces with AFRS for transaction detail.</li> </ul> </li> <li>• Each of the general ledger-cost accounting processes depends on information from the other processes, but the data is spread across file cabinets, desktop tools and agency and state systems and cannot easily be shared or analyzed from a state-wide perspective.</li> <li>• It is difficult to isolate cash disbursement and receipt transactions for cash flow analysis such as sources and uses of cash statements and department of revenue data used by forecast council and others</li> <li>• Historical totals for detailed account code fields such as org index and sub program are lost at biennium roll</li> <li>• Nominal and treasury cash activity accounts do not exist in the new year due to the biennial closing process not rolling those amounts forward as if closed in a beginning cash or equity balance.</li> <li>• Beginning balances of real accounts change in the new year until the system is closed due to the length of the biennium closing processes.</li> <li>• There are inadequate controls over who can book transactions to a fund so occasionally transactions hit a fund in error.</li> <li>• It is difficult to support adoption of best practices because of the decentralized nature of the state</li> <li>• Some agencies elect to send summarized data to AFRS rather than detailed operational data to avoid AFRS transaction fees</li> </ul>

<b>1C. Implement integrated financial systems and data</b>	
	<ul style="list-style-type: none"> <li>• It is expensive for the state to develop and operate duplicative agency systems</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Better information for better decisions for better results</li> <li>• Faster, better business processes</li> <li>• Ability to view consolidated information and drill-down through the information to the details</li> <li>• Improved accountability</li> <li>• Reduced investments in agency shadow systems</li> <li>• Reduced training costs for staff transitioning into a new agency.</li> <li>• Shared costs for upgrades and/or enhancements to the system.</li> </ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Implementing new general ledger-cost accounting financial systems would affect almost every back office business function in the agencies and central service providers as well as financial reporting (GAAP) and budget preparation and monitoring.</li> <li>• The scope of the proposed change is very large and costly to implement and update agency interfaces and supporting line of business systems/tools.</li> <li>• Requiring use of enterprise systems and data standards would involve a significant cultural shift</li> <li>• Impact on agency mission critical systems and interfaces may be significant</li> <li>• Non-cabinet agencies may be reluctant to embrace the new system and require additional outreach to ensure a joint effort and cooperation</li> <li>• Defining the common statewide standard at the sub-source level may create an unmanageable amount of detail</li> </ul>
<b>Legalities</b>	<ul style="list-style-type: none"> <li>• It would require policy modifications to require use of enterprise systems and data standards as they become available.</li> <li>• Agency unique legalities may exist which are currently supported by agency shadow systems.</li> </ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Additional training and understanding of current tools and emerging capabilities should be pursued.</li> <li>• Analyze system requirements and feasibility with a cross-functional team including resources from IT, Accounting and Budgeting.</li> <li>• Define the common standard structure necessary at the state level for general ledger transactions and chart of accounts</li> <li>• Define security hierarchy</li> <li>• Analyze and design viable solution for access to historical data</li> <li>• Evaluate and redefine funding model that is reasonable to ensure agency participation</li> <li>• Implement solution in a phased approach, beginning with agencies without established robust shadow systems.</li> </ul>

6.2

### 6.3 Implementation Strategies for Maintain Fiscal Integrity

Results in this section focus on government accountability, fiscal integrity and openness in state government to ensure the proper use of public resources.

<b>2A. Improve methods to adjust budgets for proprietary funds and governmental funds with specific revenue sources within legislative intent</b>	
<b>Policy:</b> Improve methods to adjust the budget for programs that rely on actual revenue, grant funding levels and cash flows, enabling reasonable adjustments that increase or decrease budgeted amounts within legislative intent, across agencies.	
<b>Current Environment</b>	<p>As defined in the <a href="#">2005-07 Operating and Capital Allotment Instructions</a>, agencies must submit an unanticipated receipt request to OFM for approval to use federal or private/local funds received by an appropriated account that have not been appropriated by the Legislature. Agencies must submit:</p> <ul style="list-style-type: none"> <li>- Request Form B20-1 (one original plus four copies) to provide description of the source of funding, the purpose of the grant or contract, and why the expenditure is consistent with legislative and executive intent</li> <li>- A copy of the grant award or other contract documentation available</li> <li>- An allotment amendment to indicate the proposed expenditure plan for the funds</li> </ul> <p>In cases where the grant award crosses biennial lines, any excess funding for the new biennium must be incorporated into the agencies next biennial budget request.</p> <p>For proprietary funds with appropriated spending components (such as for administrative items), agencies are required to submit expenditure allotments for the budgeted portion of the proprietary fund containing sufficient revenue for all agencies spending from the account.</p>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• The process is cumbersome and impedes the ability to put money to work as quickly as possible.</li> <li>• Monitoring allotments vs. expenditures is always a challenge because agencies can make quarterly adjustments to their figures and/or fail to allot what they truly intend to spend.</li> <li>• In the case of simple changes to grant amounts, the overhead for requesting the revenue and spending authority exceeds the control value added by the process.</li> <li>• Potential for overspending when there are revenue shortfalls.</li> <li>• Difficult for fund administrative agency to see other agency spending and revenue deposits.</li> <li>• It is not possible to view entire fund picture, allotments versus actuals for expenditures and revenues across agencies.</li> <li>• Difficult to manage growth in proprietary fund activities when constrained by the imbedded appropriation for administrative activities for example or full time equivalents.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Match budgetary controls to real risk.</li> <li>• Increase management flexibility and responsiveness to changing business conditions.</li> <li>• Provide better service to customers.</li> </ul>

<b>2A. Improve methods to adjust budgets for proprietary funds and governmental funds with specific revenue sources within legislative intent</b>	
	<ul style="list-style-type: none"> <li>• Provide greater value with grant funds by making changes to spending budget to match monies received.</li> <li>• Provide timely controls when grant funds are less than anticipated.</li> </ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Legislature may need to expend political capital to support this type of change.</li> <li>• May reduce the benefits of control.</li> </ul>
<b>Legalities</b>	<ul style="list-style-type: none"> <li>• The state cannot be bankrupt.</li> <li>• Spending limits under initiative 601.</li> <li>• The Budget and Accounting Act.</li> </ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Begin with a tolerance in federal grant appropriations by incorporating tolerances into the Budget and Accounting Act language.</li> <li>• Establish reserve contribution requirements for proprietary funds.</li> <li>• Reward managers for efficient management by returning unspent balances to the program.</li> <li>• Expand tolerance approach to include proprietary funds and transfers.</li> <li>• Report program performance and financial status against budget credibly.</li> </ul>

<b>2B. Reduce the number of funds</b>	
<p><b>Policy:</b> Reduce the number of funds by developing more cost effective ways to account for sources and uses of special funding, providing visibility of the funding across agencies and timeframes.</p>	
<b>Current Environment</b>	<p>As defined in SAAM 80.30.10, in accordance with GAAP, the state defines a fund/account as a fiscal and accounting entity with a self-balancing set of accounts used by agencies to record transactions. Fund/account accounting is designed to demonstrate legal compliance and fiscal accountability by segregating transactions related to certain government functions or activities.</p> <p>For reporting purposes, funds can be categorized into one of eleven "roll-up fund types" or reporting entities. These eleven fund types consist of fifty-four funds (such as motor vehicle fund, liquor fund, and human services trust fund,) approximately six hundred accounts, and can be grouped into three broad categories: governmental funds, proprietary funds, and fiduciary funds.</p> <p>The legislature uses funds/accounts as a way to ensure monies are spent according to intent, approving budgets, appropriating funds and developing treasury accounts at the detailed fund/account level (approximately 600 accounts in 2003-05 biennium).</p>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• There is limited visibility of agency allotments versus actuals for expenditures and revenues across agencies. Administrative agencies assume that the other agency will receive and spend 100% of their budget but will not be necessarily aware of the rate of spending from the fund versus the fund's cash or book balance.</li> <li>• Fund allotments for small amounts are very costly to administer (for example a fund with \$34,000 in a biennium).</li> <li>• The number of funds and the related administrative workload has been increasing steadily over the past few years.</li> </ul>

2B. Reduce the number of funds	
	<ul style="list-style-type: none"> <li>• There are funds on the books that are obsolete.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Provides improved flexibility to address the priorities of government in the budget process.</li> <li>• Reduces administrative burden to manage funds.</li> <li>• May improve visibility to cross agency spending.</li> <li>• May improve agencies ability to deliver program value by providing for more flexibility in program delivery (if budgeted at a less granular level).</li> </ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Most small funds are for special fees and taxes that the legislature want visible.</li> <li>• Hard to convince legislature that this is viable.</li> </ul>
<b>Legalities</b>	<ul style="list-style-type: none"> <li>• Budget and Accounting Act.</li> </ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Create mechanism in Budget and Accounting Act to “retire” funds.</li> <li>• Determine whether this change just transfers the accounting approach from fund to program.</li> <li>• Set minimum threshold for new funds, perhaps at .001% of State revenue.</li> </ul>

2C. Allow fund reserves for future spending	
<p><b>Policy/Process:</b> Allow fund reserves for future spending to respond to economic volatility and for cross biennium working capital and disclose impact of eliminating reserves</p>	
<b>Current Environment</b>	<p>SAAM Policy 85.72.10 - Depending on the nature of the obligation, long-term obligations of the state are accounted for in one of two ways. Long-term obligations related to, and expected to be paid from, proprietary and trust fund type accounts are accounted for in those accounts (fund long-term obligations). All other long-term obligations (general long-term obligations) are accounted for in the General Long-term Obligations Subsidiary Account (Account 999).</p>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• Although the policy allows the ability to reserve funds for long-term obligations, as the balance increases over time, the legislature notices the additional money and re-allocates towards other purposes. This practice depletes the reserve and forces agencies to find money from other sources, when necessary.</li> <li>• There is no incentive for agency to save fund balance for future investments. Agencies perceive that they must spend all appropriated dollars (in non-capital program funds). If a fund balance is built up (reserve) it may be removed by legislative action.</li> <li>• In non-appropriated funds, it is difficult to earmark revenues or fund balance for special purposes (agency budgetary control for proprietary funds).</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Operating reserves (or fund balance) are a prudent fiscal management tool and an important credit factor in the analysis of financial flexibility. The accumulation of reserves in favorable economic times could be a resource to sustain communities in a downturn. During recessions, state budgets can be hurt by declines in economically sensitive revenues (e.g., sales taxes, interest income and bed taxes). Unpredictable events — such as earthquakes and floods — also can drain budgets.</li> <li>• Allows for long-term planning to ensure money is available when money is</li> </ul>

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<b>2C. Allow fund reserves for future spending</b>	
	<p>needed.</p> <ul style="list-style-type: none"><li>• Allows for “savings” for future maintenance, replacement, or acquisition of resources to support program delivery.</li></ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"><li>• Communicating the value of change to the Legislature is a challenge, but critical to minimize success of change.</li><li>• Federal grant limits on fund reserves.</li></ul>
<b>Implementation Strategy</b>	<ul style="list-style-type: none"><li>• Add six-year business plan to communicate long term needs and intentions for funds as a part of the budget package.</li><li>• Create mechanism to show need to return “borrowed” funds in subsequent biennium.</li><li>• Discourage program managers from “saving” for unspecified needs.</li><li>• Change internal service fund rate structure to reflect true cost of service delivery as well as need for long-term capital funds.</li></ul>

## 6.4 Implementation Strategies for Inform Decisions

The following results focus on allocating and accounting for costs to provide better information for better decisions across the state.

<b>3A. Implement activity based costing</b>	
<p><b>Policy:</b> Strategically design and implement a statewide activity based costing model that will:</p> <ol style="list-style-type: none"> <li>1) Determine the full cost of government programs and services</li> <li>2) Promote strategic decision-making</li> <li>3) Provide visibility into and support for issues regarding the adequacy of funding from various sources</li> </ol>	
<b>Current Environment</b>	<ul style="list-style-type: none"> <li>• Each agency has defined overhead cost allocation methods and developed allocation tools and/or systems that meet their business needs and restrictions.</li> <li>• Allotment instructions require agencies to assign administrative costs to budget activities.</li> <li>• Legislative budget and/or statute sometimes define conditions or limitations that restrict the ability to charge full costs to certain fund sources, or require services to be delivered at pre-defined costs to Washington’s citizens, regardless of the actual cost.</li> <li>• Agencies use various methods to allocate employee leave costs (weighted labor rate or actual leave taken during the month, pay period or year) and terminal leave costs</li> </ul>
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• Service costs are incomparable from agency to agency</li> <li>• Better cost accounting capability is required to determine the full costs of government services.</li> <li>• Enterprise tools are not available to help agencies allocate indirect and overhead administrative costs between budget activities.</li> <li>• RCW 43.88.090 (3), (4) &amp; (5) requires agencies to assess performance against their major programs as established in the budget. Current systems do not allow for these allocations, linkages and assessment.</li> <li>• Reconciliation between agency fund split, program structure and cost allocation structure is time consuming and difficult.</li> <li>• Some agencies are moving rapidly toward accountability by cost center or business activity and need better tools to help them achieve this goal.</li> <li>• The state lacks the ability to accurately compare costs from one agency to another.</li> <li>• Use of agency-unique cost allocation tools rather than an integrated central system requires significant system investment cost and/or data entry and reconciliation effort.</li> <li>• Many agencies currently allocate costs through spreadsheets, which wastes resources creating, reconciling, and correcting errors.</li> <li>• Agencies lack the analytical tools and granular information necessary to accurately determine costs, maximize revenues, and inform resource allocation decisions, to support Priorities of Government initiatives, and to adapt to emerging policy and operating business needs using allocation methods that are appropriate for the business situation.                         <ul style="list-style-type: none"> <li>- 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.</li> </ul> </li> </ul>

<b>3A. Implement activity based costing</b>	
	<ul style="list-style-type: none"> <li>- Managers make decisions on a daily basis that have significant cost implications but are not routinely supported by cost data and analyses; this process is imprecise at best and totally inaccurate at worst.</li> <li>- 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.</li> <li>- Agencies lack the flexible cost analysis tools to provide timely and reliable high-level cost data and supporting details to inform resource allocation decisions.</li> <li>- 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.</li> <li>- Agencies need the ability to model allocated costs for budgeting, cash flow, and rate setting projections.</li> <li>- Enabling legislation for the State Auditor’s Office (RCWs 43.09 and 42.40) mandates accurate allocation of costs between local government audits, state government audits and whistleblower investigations. Current systems do not allow for these allocations, linking and assessment.</li> <li>- 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.</li> <li>• Labor distribution policies and practices vary widely across agencies and are not adequately supported by statewide systems.             <ul style="list-style-type: none"> <li>- Processes used to collect workload statistics for cost analyses are labor-intensive, after the fact, not integrated, and not available when needed to support decisions.</li> <li>- The current plan for HRMS labor distribution may not provide all the data needed to meet cost accounting requirements for all agencies.</li> <li>- Treatment of leave costs is a major issue in agency labor distribution processes (Who should pay if the employee is on leave during an entire pay period or month? Who should pay for terminal leave? Is it reasonable to charge a grant for the full costs of an employee’s summer vacation if they only work on the grant for a couple months?)</li> </ul> </li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Provides consistent data and common language to inform enterprise-wide decisions</li> <li>• Promotes strategic decision-making by allowing full costs to be analyzed at a statewide level</li> <li>• Makes costs more comparable across agencies</li> <li>• Provides visibility to fund source and adequacy issues</li> <li>• Simplifies cost allocation processes</li> <li>• Provides visibility to costs of state-wide activities</li> </ul>

<b>3A. Implement activity based costing</b>	
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Determination of full costs will reveal programs and services that are currently over or under-funded</li> <li>• Requiring activity coding in addition to the current programmatic structure might add too much complexity</li> <li>• Current federal rules require IT development costs to be capitalized and depreciated rather than expensed in the current period</li> <li>• It is important to retain the capability to view costs before and after allocations</li> </ul>
<b>Legalities</b>	<ul style="list-style-type: none"> <li>• Legislative budget and/or statute sometimes define conditions or limitations that restrict the ability to charge full costs to certain fund sources, or require services to be delivered at pre-defined costs to Washington’s citizens, regardless of the actual cost.</li> </ul>
<b>Implementation Strategy</b>	<ol style="list-style-type: none"> <li>1. Form a cross-agency team (including legislative staff) to:             <ol style="list-style-type: none"> <li>a. Define a state-wide activity hierarchy that:                 <ul style="list-style-type: none"> <li>▪ Includes only the minimal state-wide activity data required to meet strategic information objectives</li> <li>▪ Allows for flexibility at the agency level within the state-wide hierarchy</li> </ul> </li> <li>b. Propose standard methodologies for allocating the costs of administrative activities to programs and services (including allocation of leave accrual costs instead of actual leave taken)</li> <li>c. Propose a strategy for resolving funding issues for programs and services that are shown to be over or under-funded, once full costs are known</li> <li>d. Research and propose elimination of statutes or rules that currently restrict fully loaded costs of programs (e.g. put caps on administrative costs), where possible</li> </ol> </li> <li>2. Implement activity based accounting at selected pilot agencies, in addition to the current programmatic structure</li> <li>3. Evaluate pilot results:             <ol style="list-style-type: none"> <li>a. Compare current costs with proposed full costs by activity, program, and fund source</li> <li>b. Evaluate the budget impact</li> <li>c. Compare the costs and benefits</li> </ol> </li> <li>4. Make a decision on whether or not to move forward with activity based costing</li> <li>5. If detailed activity based costing turns out to be cost prohibitive, consider the option of doing activity based costing only at the Priorities of Government level.</li> <li>6. If it’s a go:             <ol style="list-style-type: none"> <li>a. Require agencies to bill each other using the standard cost allocation methodology</li> <li>b. Implement at the beginning of a biennium in alignment with activity-based allotments/spending plans.</li> </ol> </li> </ol>

<b>3B. Determine feasibility of using a statewide cost allocation plan</b>	
<p><b>Policy:</b> Determine the feasibility of using the statewide cost model to develop a that will:</p> <ol style="list-style-type: none"> <li>1) Provide for equitable allocation of costs</li> <li>2) Maximize federal revenues</li> <li>3) Comply with federal regulations</li> </ol>	
<p><b>Current Environment</b></p>	<ul style="list-style-type: none"> <li>• Federal rules provide flexibility to agencies to establish cost allocation policies within broad guidelines</li> <li>• Each agency has defined overhead cost allocation methods and developed allocation tools and/or systems that meet their business needs and restrictions and maximize their revenues from external sources</li> <li>• Each agency that receives federal funding prepares a cost allocation plan and negotiates it with their cognizant federal agency</li> <li>• Central service agency costs that are not billed directly to agencies are allocated to agencies as indirect costs by the federally reviewed and approved Statewide Central Services Cost Allocation Plan (SWCAP).</li> <li>• Unless prohibited by federal /state laws or regulations or formal funding limitations (refer to examples in Subsections 50.20.90.b &amp; c), operating agencies are to include the fixed cost allocation from the approved SWCAP in their agency indirect cost/cost allocation pool.</li> <li>• RCW 39.34.130 requires by, the full costs of a state agency incurred in providing services or furnishing materials to or for another agency ...shall be charged to the agency contracting for such services or materials and shall be repaid and credited to the fund or appropriation against which the expenditure originally was charged, except where otherwise prohibited.</li> </ul>
<p><b>Issues Identified With Current Environment</b></p>	<ul style="list-style-type: none"> <li>• Development and negotiation of agency cost allocation plans requires a significant level of effort</li> <li>• Use of agency-unique cost allocation tools rather than an integrated central system requires significant system investment cost and/or data entry and reconciliation effort.</li> <li>• If the state moves to a standard cost allocation model without also standardizing agency cost allocation plans, agencies could end up having to use multiple cost allocation methods for various purposes; this would be very complicated</li> </ul>
<p><b>Benefits</b></p>	<ul style="list-style-type: none"> <li>• Allows agencies to use one cost allocation methodology for both state and federal purposes</li> <li>• Could simplify process of preparing cost allocation plans</li> <li>• Allows the state to assist agencies in negotiating cost plans with cognizant agencies</li> <li>• Consistent data and common language to inform enterprise-wide decisions</li> </ul>
<p><b>Impacts &amp; Concerns</b></p>	<ul style="list-style-type: none"> <li>• A standard cost allocation method may not be acceptable to all federal agencies and may not provide sufficient flexibility to maximize revenues from external funding sources</li> <li>• Current federal rules require IT development costs to be capitalized and depreciated rather than expensed in the current period</li> <li>• Subgrant recipient cost allocation methodologies might be impacted by adoption of state-wide standards</li> <li>• In cases where a federal agency rejects the standard plan, how would an</li> </ul>

<b>3B. Determine feasibility of using a statewide cost allocation plan</b>	
	<p>agency be able to allocate administrative costs to meet both state and federal requirements?</p> <ul style="list-style-type: none"> <li>Transition to a standard state-wide cost allocation plan (CAP) would be complicated because agency CAPs now cover various time periods (e.g. State Fiscal Year, Federal Fiscal Year, master plan that is updated whenever a new funding stream is awarded, etc.)</li> </ul>
<b>Legalities</b>	<ul style="list-style-type: none"> <li>Some grant programs have specific allocation requirements or limitations on administrative costs</li> </ul>
<b>Implementation Strategy</b>	<ol style="list-style-type: none"> <li>If activity based costing (ABC) or some other standard model is adopted as a state standard:               <ol style="list-style-type: none"> <li>For each large grant agency, analyze current and proposed administrative cost allocations by grant program and fund source to determine budget impacts (Current, Proposed, Change)</li> <li>Compare the costs and benefits</li> </ol> </li> <li>If transition to standard CAP is feasible, use the annual SWCAP negotiation to start a dialogue with HHS</li> <li>Have OFM help agencies negotiate their agency CAPs modeled after the statewide SWCAP with their cognizant federal agencies</li> <li>If a state standard is not adopted, form a task force of large grant agencies to determine whether it is feasible to adopt cost allocation plan standards</li> </ol>

### 6.5 Implementation Strategies for Present Financial Results

The following results encompass strategies to communicate to decision makers and citizens through the presentation of Washington’s financial status.

<b>4A. Link revenue sources to the outcomes delivered</b>	
<p><b>Policy/Process:</b> Link the mix of revenue sources (sub-source) to the mix of cost objectives and outcomes delivered across agencies.</p> <p><b>System:</b> Align reporting tools, systems, interfaces, and data architecture to accommodate linking of the mix of revenues to the mix of cost objectives and outcomes delivered.</p>	
<b>Current Environment</b>	<p>Washington is one of few states without personal or corporate income taxes; therefore there is a heavier dependence upon excise taxes, including general use and sales tax, selective sales taxes, and the gross receipts taxes (business and occupation tax.)<sup>4</sup></p> <p>Revenues are categorized at a summary level as state, federal or private/local, consistent with budgeted expenditure authorities per SAAM 75.80.10. Per SAAM 80.30.67, revenues are also classified as either “program” or “general” revenues, where program revenues offset the expenses of major programs. All other non-program revenues are considered general revenues, including:</p> <ul style="list-style-type: none"> <li>Taxes, even those levied for a specific purpose;</li> <li>Interest earnings not specifically restricted to a specific purpose; and</li> <li>Grants and contributions not specifically restricted to a program</li> </ul> <p>However, because revenue is accounted for by source (for example cigarette tax - source code 0125) and expenditures are tracked by program, it is difficult to</p>

<sup>4</sup> [State & local government revenue sources 2003-2004](#)

<b>4A. Link revenue sources to the outcomes delivered</b>	
	relate expenditures to specific revenue sources, objectives and outcomes. Furthermore, funds/accounts may have multiple revenue sources and/or multiple associated programs making it difficult to clearly communicate how revenues were allocated to expenditures.
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• It is challenging to communicate where money goes and what was achieved to citizens (e.g. what public services are provided by which revenue sources).</li> <li>• It is difficult to manage increases and decreases to the general fund budget because fund revenues and expenditures are not linked and may be in multiple agencies.</li> <li>• Difficult for fund administrative agency to see other agency spending and revenue deposits.</li> <li>• It is difficult to view entire fund picture, allotments versus actuals for expenditures and revenues across agencies.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Provides the ability to communicate to the average citizen of which tax dollars were allocated to what costs</li> <li>• Accountability, visibility and transparency of government spending</li> <li>• More efficient and accurate fund administration.</li> <li>• Allows for analysis of state, federal, and other grant/revenue streams to match to spending by program</li> <li>• Provides the ability to communicate to management and state decision makers better about the consequences of changes to revenue streams (e.g. tax rate structure) on government spending and services</li> </ul>
<b>Impacts &amp; Concerns</b>	The majority of the budget in the general fund is not tied to specific revenue sources by the legislature. This is outside the scope of financial systems.
<b>Implementation Strategy</b>	<ul style="list-style-type: none"> <li>• Expand reporting options for reporting the mix of cost objectives and results delivered for funds.</li> <li>• Agencies need to coordinate internally to provide consistency within revenue sources and their cost activity – (include fiscal, budget and program areas).</li> <li>• Administrative agencies should coordinate across all agencies with activity in an account (fund).</li> </ul>

<b>4B. Provide a common set of robust and flexible reporting tools</b>
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<b>4B. Provide a common set of robust and flexible reporting tools</b>	
<p><b>System:</b> Provide a common set of robust and flexible reporting tools that:</p> <ol style="list-style-type: none"> <li>a. Enhance and ease reporting preparation</li> <li>b. Link budgeted and actual financial data with projected amounts, performance measures and narrative</li> <li>c. Integrate appropriation and allotment processes with financial reporting processes for agencies, accommodating biennial and capital appropriations and budgeted and non-budgeted funds across biennial lines</li> <li>d. Provide necessary additional statewide detail reporting elements for fund activity and balances.</li> <li>e. Customize report writing by various criteria such as: project, program, time (State fiscal year, federal fiscal year, cross biennium, etc.)</li> <li>f. Ability to tie agency business data to other statewide business data wherever appropriate and relevant, such as human resources, performance, etc.</li> </ol>	
<b>Current Environment</b>	<ul style="list-style-type: none"> <li>• AFRS provides support for generating statewide and agency CAFRs</li> <li>• FASTRACK Reporting System provides support for generating ad-hoc reporting, however it is limited to the data contained within AFRS and therefore does not provide the flexibility agencies require to slice, splice and dice data in various ways to meet management and stakeholder requirements.</li> <li>• Agencies have supplemented the enterprise tools with Excel spreadsheets and Access databases to meet their unique business needs.</li> <li>• The legislative budget establishes biennial appropriation levels, with agencies defining the allotments according to program and time. However, the current data structure and reporting functionality is limited to the current biennium, not allowing for cross-biennium monitoring or reporting.</li> </ul>

<b>4B. Provide a common set of robust and flexible reporting tools</b>	
<b>Issues Identified With Current Environment</b>	<ul style="list-style-type: none"> <li>• Agencies need better tools for specialized and customizable reporting capabilities to assess performance against funds and major programs established in the budget, to meet detailed “on-demand” management requests, cross-biennium, projected and multi-basis analysis, including:                             <ul style="list-style-type: none"> <li>- Agencies have limited ability to switch revenue and expenditure views between modified accrual, full accrual and cash bases</li> <li>- Even with improved enterprise reporting tools, it still takes significant effort for some agencies to re-sort and compile data to meet agency internal management needs</li> <li>- Some agencies need to prepare “on-demand” formal financial statements at a lower level of detail and on a more frequent or timely basis than AFRS closes (e.g. for agency lines of business, on a federal fiscal year, calendar year, quarter or four weeks basis)</li> <li>- Agencies need better support for specialized reporting requirements such as infrastructure condition reporting, mark to market, and contingencies</li> <li>- To comply with RCW 43.88.090 (3), (4) &amp; (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.</li> <li>- It is not possible to get a general ledger account transaction listing by fund across agencies.</li> <li>- The current statewide formatting for trial balance, G/L, income statement by fund is not useful for analyzing transactions.</li> <li>- The state biennial budget crosses fiscal years making certain reporting challenging (e.g. quarterly reporting in 2nd year of biennium)</li> <li>- Agencies track re-appropriations off-line to extend across biennium while the expenditure authority is allotted only for biennium.</li> </ul> </li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Better information for better decisions for better results - provides the ability to better communicate to citizens and be able to drill to data for support</li> <li>• Faster, better business processes - improve agency and statewide efficiency of reporting</li> <li>• Provides better accountability and visibility to management, stakeholders and citizens if reports can be provided from various perspectives</li> </ul>
<b>Impacts &amp; Concerns</b>	<ul style="list-style-type: none"> <li>• Flexibility is of utmost concern to agencies; they need flexible tools, allowing them to report on the same data in multiple ways.</li> <li>• Statewide reporting can only go down to a certain level. Agencies have specific cross-competing reporting needs. Agencies with specific needs may not be able to wait for a stateside solution.</li> <li>• Are we ready for the culture change to an enterprise solution? Need support from Governor and legislature (from the top down).</li> <li>• Technical constraints such as security firewall between agencies when sharing data</li> </ul>

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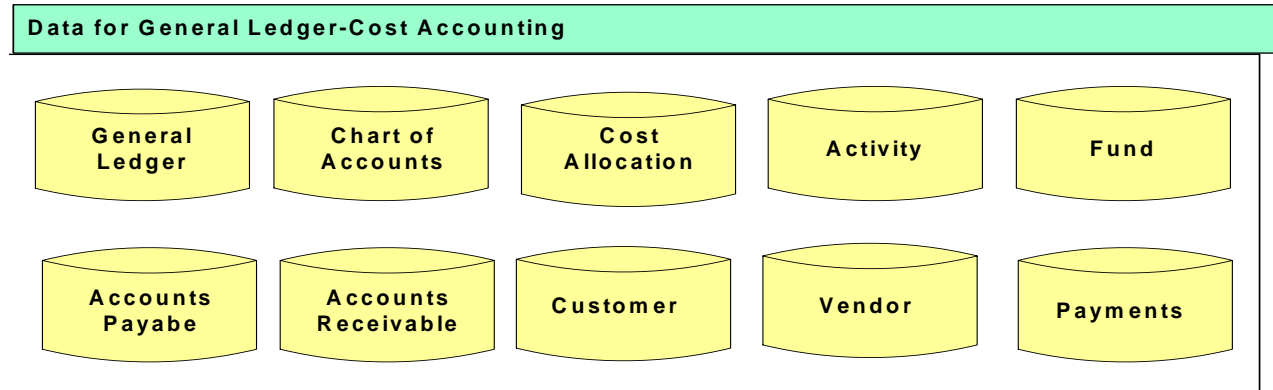
### 4B. Provide a common set of robust and flexible reporting tools

#### Implementation Strategy

- Survey agencies on reporting needs. Analyze requirements against existing and /or future tools. Refine detail requirements.
- DIS needs to work with state agencies to come up with a strategy to remove the technical constraints.
- The state needs to have a governance structure to define and manage the business data standards as well as business rules around these standards.

## 7. Proposed Candidates for Enterprise Data Standards

Implementation of the could-be vision provides opportunities for data standardization. Following is a view of general ledger-cost accounting business process related enterprise data entity candidates:



Definitions for these candidate enterprise entities follow:

<b>General Ledger</b>	Information defining the states accounts and transactions necessary to capture financial events.
<b>Fund</b>	Information on fiscal and accounting entities in which cash and other financial transactions, together with all related revenues and liabilities are recorded and segregated in accordance with regulations, restrictions or limitations.
<b>Chart of Accounts</b>	Data structure of the accounts to be tracked within the general ledger.
<b>Cost Allocation</b>	Information on allocation rules to be processed upon expense incurred.
<b>Activity</b>	Information on cost activity for which expenses may be allocated.
<b>Accounts Payable</b>	Amounts owed to customers for goods and/or services received by the state.
<b>Accounts Receivable</b>	Information about amounts due from vendors for goods, and/or services furnished by the state, including the data necessary to age the receivable for application of penalties.
<b>Customer</b>	Data on customers including address and contact information.
<b>Vendor</b>	Data on vendors including address and contact information.
<b>Payments</b>	Information on items payable to customers stored within an accounts payable subsidiary ledger.

These candidate entities and definitions are intended as a starting point for discussion. Additional research and extensive stakeholder involvement will be required to further define the entities and their attributes and determine where enterprise standards are needed to support business objectives for general ledger-cost accounting processes. Information Services Board (ISB) approval will be required to establish the agreed upon standards.

Some of these entities and their logical attributes might also be shared across other *Roadmap* business processes.

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## Conclusion and Next Steps

**The potential benefits of an enterprise approach to general ledger-cost accounting are high.** With assets of more than \$50 billion and annual governmental fund revenues of more than \$25 billion, executive and legislative branch leaders and the citizens they serve require a clear picture of their state's financial position on a daily basis. Only with this timely visibility into the statewide program and service activities will the state's leaders be able to determine how to best allocate scarce resources in response to changing economic, social, and environmental needs.

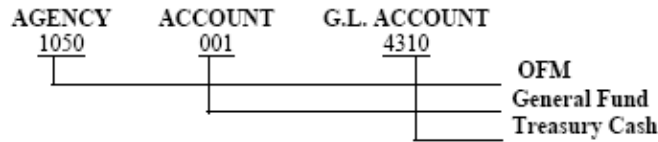
**Executive leadership is required to proceed with the next steps in pursuing enterprise general ledger-cost accounting.** Approval of the approach set out in this report by the *Roadmap* Advisory Group and Executive Sponsors will be formally requested before proceeding. This will confirm sponsorship and governance going forward and provide a strong platform for the communication, cooperation and motivation necessary to reach the state's business objectives.

**A governance structure and business owner should be identified.** The Office of Financial Management has provided much of the leadership, resources and staffing to bring the general ledger-cost accounting initiative to its current juncture. For the resulting policies, procedures and systems to garner strong support from the community of agencies that will ultimately use them, a collaborative structure should be established. OFM should recruit partners with solid credentials in agency general ledger needs, fund administration, cost accounting, and financial reporting to move the effort forward. This new business ownership team should guide substantive business decisions and work to advance change management and communication goals.

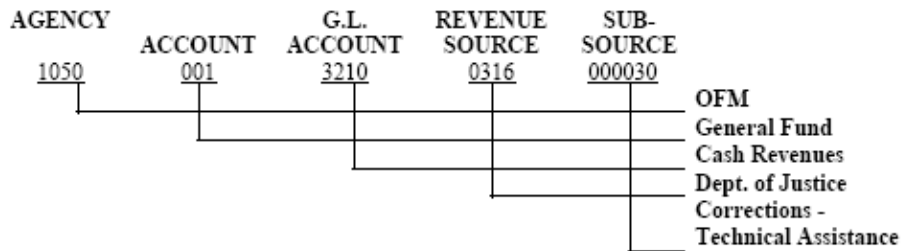
**A detailed feasibility study will further quantify expected returns and position the initiative for budgeting and implementation planning.** The study should focus on business practices, return on investment, and change management. These will drive the selection of legal, policy, process re-engineering, and technology solutions. Then budgets, schedules and implementation plans can be developed, reviewed with the right constituents and acted upon.

## Appendix A – Uniform Statewide Account Code Structure<sup>5</sup>

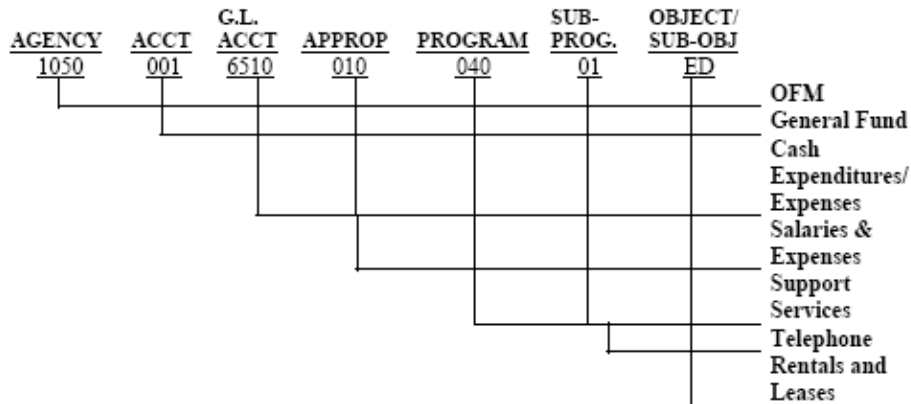
### GENERAL LEDGER ACCOUNTS



### REVENUE ACCOUNTS



### EXPENDITURE/EXPENSE ACCOUNTS



<sup>5</sup> <http://www.ofm.wa.gov/policy/80.30a.pdf>

**Appendix B – Washington Data Classification Structure<sup>6</sup>**

<u>Data Element</u>	<u>Input Codes</u>	<u>Codes Ref. In Tables</u>	<u>Statewide Or Agency</u>	<u>Table ID</u>
<b>AGENCY</b>				
Agency		xxx	Statewide/Agency	D53, 01
Sub-Agency		x	Agency	D01
<b>CODES</b>	<b>TRAN CODE</b>	nnn	Statewide	<b>TC</b>
General Ledger	(Var)	(nnnn)	Statewide	D31
Memorandum			Statewide	D33
Subsidiary (Debit)		xxxxxx	Statewide/Agency	D32
"    (Credit)		xxxxxx	Statewide/Agency	D32
	<b>MASTER INDEX</b>	xxxxxxxx All codes below	Agency	<b>MI</b>
<b>ACCOUNT</b>				
Account Code		xxx or xxx	Statewide	D22
<b>APPROPRIATION</b>	<b>APPR. INDEX</b>	xxx	Agency	<b>AI</b>
Appropriation			Statewide/Agency	D26, 07
Appn. Type			Statewide	D08, 26
Appn. Character			Statewide	D09, 26
<b>PROGRAM</b>	<b>PROG. INDEX</b>	xxxxx	Agency	<b>PI</b>
Function			Statewide	D15, 27
Program			Statewide/Agency	D27, 16
Sub-Program			Agency	D17
Activity			Agency	D18
Sub-Activity			Agency	D19
Task			Agency	D20
<b>ORGANIZATION</b>	<b>ORG. INDEX</b>	xxxx	Agency	<b>OI</b>
Division			Agency	D02

<sup>6</sup> From g:\acctdiv\manuals\afrs\menu&charts\afscodes-chart.doc

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<u>Data Element</u>	<u>Input Codes</u>	<u>Codes Ref. In Tables</u>	<u>Statewide Or Agency</u>	<u>Table ID</u>
Branch		xx	Agency	D03
Section		xx	Agency	D04
Unit		xx	Agency	D05
Cost Center		xx	Agency	D06
<b>PROJECT</b>			Agency	<b>PC</b>
Project Type		x	Statewide	D41
Project	xxxx *	xxxx	Agency	D42
Sub-Project	xx *	xx	Agency	D43
Project Phase	xx *	xx	Agency	D44
<b>OBJECT OF EXPENDITURES</b>				
Object		nn	Statewide	D10
Sub-Object	aa	aa	Statewide	D11
Sub-Sub-Object	xxxx	xxxx	Statewide/Agency	D12
<b>REVENUE SOURCE</b>				
Major Group	nn	nn	Statewide	D34
Major Source	nn	nn	Statewide	D35
Sub-Source	xxxxxx	xxxxxx	Agency	D36
<b>OTHER</b>				
Workclass	xxx	xxx	Agency	D40
County	nnn *	nnn	Statewide	D37
Cities and Towns	nnnn *	nnnn	Statewide	D38
Allocation Code	xxxx	xxxx	Agency	D63
Budget Unit	xxx *	xxx	Agency	D13
Month of Service	yymm	yymm	Agency	-

\* May be Included In Organization Index.

(a = alpha, n = numeric, x = alphanumeric)

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## **Appendix C – Washington 2005 CAFR**

The Comprehensive Annual Financial Report (CAFR) is a thorough and detailed presentation of the state's financial condition. It reports on the state's activities and balances for each fiscal year.

The report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter. The Financial Section begins with the independent auditor's report and contains management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information, combining financial statements, and schedules. This letter of transmittal is designed to complement the MD&A, which presents a narrative introduction, overview, and analysis of the financial statements. The Statistical Section includes selected financial, economic, and demographic data.

The Office of Financial Management (OFM) has received the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence award in Financial Reporting for 18 consecutive years.

[2005 Comprehensive Annual Financial Report](#)

## Appendix D – Best Practice References

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Carruth-O'Leary, “Fundamentals of Fund Accounting, Funds 101” Comptrollers Office, University of Kansas, <[http://www.comptroller.ku.edu/FIN\\_MANAGEMENT/fundamentals.aspx](http://www.comptroller.ku.edu/FIN_MANAGEMENT/fundamentals.aspx)>

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James D. Tarr, MBA “Activity Based Costing in the Information Age”, The ACA Group white paper, 2004, <<http://www.theacagroup.com/index.htm>>

Robert D. Kugel, “Consolidating the Chart of Accounts -- Applying Master Data Management to a long-standing problem”, *VentanaView*, Ventana Research, 2005

“A New Look at the Chart of Accounts”, Accenture, Government Executive Series, November 2003

“Basic Accounting: Current Funds”, Accounting Services Department of the University of Virginia, <<http://www.virginia.edu/finance/genacct/fundacctovr.html>>

“Best Practices in Implementing Managerial Cost Accounting,” Office of Inspector General, April 24, 2000

“BUCS Government Fund Accounting” presentation slides, Frey Software, 2001

“Budgetary Report; Detailed Appropriation Summary by Fund for the Financial Year Ended”, State of Ohio, June 2005

“Building Better Financial Management Support -- Functions, systems and activities for producing financial information”, Australian National Audit Office, July 2002

“Consolidated Fund Statement; Budgetary Basis”, State of Minnesota, Department of Finance, June 2006

“Cost Accounting Best Practices Summary”, compiled by Eclipse Solutions for the Washington State Office of Financial Management, June 2006

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“Financial Accounting and Funds Management” SAP white paper, April 2005

“Fund/Account Administration Best Practices and Recommendations”, compiled by Eclipse Solutions for the Washington State Office of Financial Management, June 2006

“Fund Accounting” Definition posted on <http://www.cpafinder.com/accounting/fund-accounting.html>, 2006

“Fund Accounting vs. Commercial Accounting for Nonprofits” SAGE Software White Paper, 2005

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“GASB White Paper: Why Governmental Accounting and Financial Reporting Is— and Should Be—Different”, Government Accounting Standards Board, 2004

“General Ledger/Chart of Accounts and Financial Reporting Best Practices Summary”, compiled by Eclipse Solutions for the Washington State Office of Financial Management, May 2006

“International Standard Cost Model Manual”, SCM Network, 2005

“Recommended Practice -- Improving the Effectiveness of Fund Accounting”  
GFOA, Adopted March 26, 2004

“State Fund Comparisons”, compiled by Eclipse Solutions for the Washington State Office of Financial Management, June 2006

“Statement #4/Managerial Cost Accounting Concepts and Standards for the Federal Government”, Executive Office of the President, July 31, 1995

**Appendix E – GL-Cost Accounting Business Objective and Metrics**

The following subsections present the objectives for each of the four core objectives and the suggested metrics to create a framework for performance measurement under the “could-be” vision.

Capture Financial Events

<b>Business Objective</b>	
<b>Metric</b>	<b>Proposed Source</b>
<p><b><i>Record financial events consistently, accurately and timely to ensure accountability and that the results of operations and financial position are fairly stated in compliance with professional and other regulatory standards.</i></b></p> <ul style="list-style-type: none"> <li>Percentage of transactions recorded as occurred (compare effective date to transaction date)</li> <li>Percent of transactions recorded by non-fiscal staff (as a by-product of program management work)</li> </ul>	<ul style="list-style-type: none"> <li>Accounts payable system</li> <li>Accounts receivable system</li> <li>General ledger records</li> </ul>
<p><b><i>Provide flexibility to support current and evolving agency and statewide business needs and industry standards.</i></b></p> <ul style="list-style-type: none"> <li>Detail level of data interfacing to and from agency systems to the statewide general ledger.</li> <li>Time required to approve interagency transactions;</li> <li>Time required to approve inter-fund transactions</li> </ul>	<ul style="list-style-type: none"> <li>General ledger system</li> <li>Enterprise chart of accounts</li> </ul>
<p><b><i>Provide chart of accounts definitions and standards to enable agency and statewide data collection and financial analysis.</i></b></p> <ul style="list-style-type: none"> <li>Number of agencies with chart of account values rolling up to the statewide level</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise chart of accounts</li> <li>Chart of accounts hierarchical structure</li> </ul>
<p><b><i>Ensure subsidiary accounts and agency line of business systems are in balance with the general ledger.</i></b></p> <ul style="list-style-type: none"> <li>Number of agency and statewide managers maintaining “shadow systems” to track financial activity for programs and services</li> <li>Percentage of transactions recorded as occurred (compare effective date to transaction date)</li> <li>TM\$ to general ledger exception volume</li> </ul>	<ul style="list-style-type: none"> <li>Accounts payable system</li> <li>Accounts receivable system</li> <li>General ledger system</li> <li>TM\$</li> </ul>

Maintain Fiscal Integrity

<b>Business Objective</b>	
<b>Metric</b>	<b>Proposed Source</b>

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<b>Business Objective</b>	
<b>Metric</b>	<b>Proposed Source</b>
<b><i>Demonstrate compliance and fiscal accountability for cash and other assets, liabilities, reserves, equity, revenues, and expenses<sup>7</sup> by fund and account.</i></b>	<ul style="list-style-type: none"><li>• General ledger system</li></ul>
<ul style="list-style-type: none"><li>• Volume of spending driven allotment change requests</li><li>• Number of funds</li></ul>	
<b><i>Monitor revenues and control expenses against agency and enterprise business plans, budgets and legislative intent by fund and account.</i></b>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• BASS</li><li>• TALS</li></ul>
<ul style="list-style-type: none"><li>• Time required to identify agency and statewide reconciliation exceptions</li><li>• Number of compliance audit notations.</li></ul>	
<b><i>Project revenues and expenses based on current trends and anticipated events.</i></b>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• Accounts payable system</li><li>• Accounts receivable system</li></ul>
<ul style="list-style-type: none"><li>• Volume of spending driven allotment change requests</li></ul>	
<b><i>Engage in business planning for funds, creating reserves as appropriate.</i></b>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• TALS</li></ul>
<ul style="list-style-type: none"><li>• Dollars transferred to special funds</li></ul>	

### Inform Decisions

<b>Business Objective</b>	
<b>Metric</b>	<b>Proposed Source</b>
<b><i>Demonstrate how monies are spent (compliance)</i></b>	<ul style="list-style-type: none"><li>• Statewide cost allocation plan</li><li>• General ledger system</li></ul>
<ul style="list-style-type: none"><li>• Number of cost allocation plans in use</li><li>• Number of performance audit recommendations</li></ul>	
<b><i>Compare costs to outcomes (management reporting / effectiveness)</i></b>	<ul style="list-style-type: none"><li>• General ledger system</li></ul>
<ul style="list-style-type: none"><li>• Number of program managers accessing financial information</li><li>• Frequency of program manager report access;</li><li>• Time required to prepare periodic financial management reports</li><li>• Time required to prepare responses to ad hoc requests for financial information</li></ul>	

### Present Financial Results

#### **Business Objective**

<sup>7</sup> Expenses include both expenses and expenditures.

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Metric	Proposed Source
<b><i>Align financial results with strategic and operational goals</i></b> <ul style="list-style-type: none"><li>• Time between fiscal year end and statewide close (balance roll)</li></ul>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• Financial reporting tool</li><li>• Enterprise chart of accounts</li></ul>
<b><i>Communicate financial results</i></b> <ul style="list-style-type: none"><li>• Percent of State Public Reports consumers (web site or hardcopy) reporting excellent or very good access to information</li><li>• Percent of Agency Public Reports consumers (web site or hardcopy) reporting excellent or very good access to information</li><li>• Percent of statewide and agency financial reporting sourced from the statewide financial system</li><li>• Number of years receiving CAFR award.</li></ul>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• Financial reporting tool</li></ul>
<b><i>Provide information to multiple stakeholder groups regarding the capture and use of revenues and expenses for particular purposes and demonstrate outcomes.</i></b> <ul style="list-style-type: none"><li>• Number of program managers accessing financial information</li><li>• Time required to prepare periodic financial management reports</li><li>• Time required to prepare responses to ad hoc requests for financial information</li></ul>	<ul style="list-style-type: none"><li>• General ledger system</li><li>• Financial reporting tool</li></ul>

## Appendix F – Agency Focus Group Participants

A total of eight half-day as-is and could-be focus group sessions were held to model general ledger, chart of accounts, financial reporting, cost accounting and fund administration business processes. All participants were invited to also attend two combined follow-up sessions to create a consolidated general ledger-cost accounting vision for Washington State. The following is a full list of the forty-three participants who attended at least one of the 10 sessions.

Bill Thomas	Community and Technical Colleges Systems
Cindy Trambitas	Community Trade and Economic Development
Steve Bourque	Department of Community Trade and Economic Development
Helen Martz	Department of General Administration
Keith Williams	Department of General Administration
Rich Shimizu	Department of General Administration
Bob Lewis	Department of Labor and Industries
Don Anderson	Department of Natural Resources
Lisa Largent	Department of Natural Resources
Robert Brauer	Department of Natural Resources
Ana Malaier	Department of Retirement Systems
Debbie Ocheltree	Department of Retirement Systems
Binh Vu	Department of Revenue
Judy Bandoek	Department of Revenue
Gwen Herring	Department of Social and Health Services
Rene Newkirk	Department of Social and Health Services
Somkul Asava-Awre	Department of Social and Healthy Services
Bev Runion	Department of Transportation
Dan Lawrence	Department of Transportation
David Hammond	Department of Transportation
Jodie Stanton	Department of Transportation
Lee Rolle	Department of Transportation
Debbie Allen	Health Care Authority
Stephanie Atkins	Health Care Authority
Nancy Lin	Liquor Control Board
Narinder Rohila	Liquor Control Board
Aaron Butcher	Office of Financial Management
Aleta Quimby	Office of Financial Management
Ann Bruner	Office of Financial Management
Muoi Nguy	Office of Financial Management
Pat Sanborn	Office of Financial Management
Rick Castro	Office of Financial Management
Sue Adamich	Office of Financial Management
Suzanne Coit	Office of Financial Management
Wendy Jarrett	Office of Financial Management
Connie Scheller	Office of the State Treasurer
Darrel Jensen	Office of the State Treasurer
Jackie Biss	Office of the State Treasurer
Verna Watson	State Parks and Recreation Commission
Tom Dhamers	Washington State Lottery
Alaine Johnson	Washington State Patrol
Eileen Nashleanas	Washington State Patrol
Terry Gadd	Washington State Patrol

## Appendix G – Detailed Assumptions on Common Processes and Agency Variations

A detailed survey was completed by the participating agency representatives, with focused questions in the following four primary sections:

- Worst Pains and Agency Tools;
- General Ledger and Chart of Accounts (11 questions);
- Financial Reporting and Account (Fund) Administration (17 questions); and
- Cost Accounting (18 questions).

The larger report is available for review on the *Roadmap* website at [http://www.ofm.wa.gov/roadmap/modeling/follow-up\\_sessions/generalledger\\_costaccounting\\_survey\\_rawdata.pdf](http://www.ofm.wa.gov/roadmap/modeling/follow-up_sessions/generalledger_costaccounting_survey_rawdata.pdf). The following tables are highlights from the first section – Worst Pains and Agency Tools – as reported from the agency participants.

<b>Section 1: Worst Pains and Agency Tools</b>																	
<b>1. Worst pains in core financials</b>																	
<b>Area 1.0</b>	<b>Level of Pain 0 (None) to 10 (High)</b>													<b>Raw Point Totals</b>	<b>Average Rating</b>	<b>Median</b>	<b>Mode</b>
	<b>Agency</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>				
Interagency due to/due from reconciliations	4	3	8	6	8	8	5	6	9	3	10	9	2	81	6.4	6	8
Reconciliations to agency systems	2	5	3	5	5	10	6	1	7	4	10	5	5	68	5.3	5	5
Adjusting and closing journal entries	7	3	7	3	5	10	5	3	5	3	NR	8	5	64	5.1	5	3
Subsidiary ledger reconciliations	1	1	6	1	5	10	6	3	5	4	10	6	3	61	4.7	5	1
Keeping up with changing legislative requirements	5	3	7	8	2	5	7	4	6	1	8	1	3	60	5.1	5	5
Preparing cost allocation plans	6	1	3	0	NR	10	8	5	7	NR	8	8	8	64	5.3	6	8
Setting fees for goods/services	6	2	6	2	NR	10	5	6	9	NR	9	0	NA	55	6.1	6	6
Financial report disclosures/footnotes	5	4	3	2	1	10	5	3	6	5	5	5	2	56	4.5	5	5
In-process reconciliations	2	4	6	0	1	6	6	4	9	1	5	8	2	54	4.0	4	6
Annual Appropriations	1	0	2	0	3	10	8	8	NA (Biennial)	3	8	6	4	53	4.3	3	8
Receivable allowances and write-offs	2	4	3	1	4	10	6	4	3	2	5	5	8	57	4.0	4	4

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<b>Section 1: Worst Pains and Agency Tools</b>																	
<b>1. Worst pains in core financials</b>																	
<b>Area 1.0</b>	<b>Level of Pain 0 (None) to 10 (High)</b>													Raw Point Totals	Average Rating	Median	Mode
	0	1	2	3	4	5	6	7	8	9	10	NR	NA				
Keeping up with changing accounting standards	5	3	3	0	3	8	5	3	5	8	4	1	3	51	4.3	4	3
Managing accruals	7	3	4	1	4	5	5	3	6	2	2	6	3	51	3.8	4	3
Fund Administration	8	3	2	1	4	5	3	4	NR	1	5	5	3	44	3.6	4	3
Distributing labor costs	8	5	6	1	NR	10	NR	8	3	NR	0	0	0	41	5.1	6	8
Interim financial close/statements	4	2	5	2	3	0	8	3	NA	2	6	5	5	45	3.5	3	2
Chart of accounts management	6	0	3	0	3	8	2	4	5	1	2	6	0	40	3.1	3	0
Allocating indirect costs	4	0	3	0	NR	10	5	7	3	NR	3	5	5	45	3.9	3	3
Reconciling cost allocation results to expected results	2	0	2	0	NR	10	NR	7	5	NR	9	4	5	44	4.4	4	2
Bank account reconciliations	1	0	5	7	2	1	5	0	9	2	0	6	2	40	2.9	2	0
Managing encumbrances	2	0	1	1	1	10	NR	3	7	NR	4	1	NA	30	3.2	2	1
Petty cash accounting	1	0	2	5	2	4	NR	1	3	NR	2	6	1	27	2.2	2	2
Dealing with legal restrictions on agency costs /fees	4	0	3	8	NR	0	NR	5	5	NR	0	0	5	30	3.1	4	0
Managing securities	0	0	NR	0	4	0	NR	0	NA	3	1	0	NA	8	1.0	-	0
Others, please specify																	
CAFR Preparation		4												4	4.0	4	#N/A
Reconciling agency unique systems to AFRS				8										8	8.0	8	#N/A
Special Compensation Appropriations			7											7	7.0	7	#N/A

<b>Area 1.1</b>	<b>Approximate Number of Full time Equivalents (FTEs) per Fiscal Year</b>													Total Number of FTEs Assigned	
	<b>Agency</b>	1	2	3	4	5	6	7	8	9	10	11	12		13

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Area 1.1	Approximate Number of Full time Equivalents (FTEs) per Fiscal Year													Total Number of FTEs Assigned
	Agency	1	2	3	4	5	6	7	8	9	10	11	12	
Adjusting and closing journal entries	1.0	0.1	1.0	2.0	1.3	5.0	2.0	0.2	2.6	0.2	0.0	15.0	2.3	32.6
Financial report disclosures/footnotes	1.0	0.0	0.2	2.0	0.1	1.0	2.0	0.2	0.6	0.1	0.2	2.0	0.1	9.5
Interim financial close/statements	1.0	0.0	1.0	0.3	1.0	0.0	2.0	0.2	0.3	0.1	1.5	2.0	0.3	9.6
Keeping up with changing accounting standards	<1	0.3	0.0	0.0	1.0	1.0	2.0	0.1	0.5	0.0	0.2	1.0	0.1	6.3
Keeping up with changing legislative requirements	<1	0.0	0.1	12.5	0.1	1.0	2.0	0.1	0.4	0.0	1.0	1.0	0.2	18.4
Bank account reconciliations	<1	0.2	0.1	1.0	0.1	0.3	1.0	0.0	0.8	0.1	0.1	10.0	2.5	16.2
In-process reconciliations	<1	0.1	0.2	0.0	0.2	1.0	1.0	0.1	0.8	0.0	1.0	2.0	1.0	7.4
Subsidiary ledger reconciliations	<1	1.0	0.3	0.5	1.5	2.0	1.0	0.1	0.3	0.1	3.0	3.0	4.0	16.8
Reconciliations to agency systems	<1	0.7	0.1	3.0	2.0	0.3	2.0	0.0	4.0	0.1	3.0	2.0	4.0	21.2
Interagency due to/due from reconciliations	1.0	0.0	2.0	1.0	0.5	0.3	1.0	0.3	0.3	0.0	0.1	3.0	0.2	9.7
Annual Appropriations	<1	0.0	0.2	1.0	0.1	1.0	3.0	0.2	0.0	0.1	8.0	1.0	2.0	16.6
Managing securities	0.0	0.0	0.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	3.3
Petty cash accounting	<1	0.0	0.3	0.8	0.5	0.3	0.0	0.1	0.6	0.0	1.0	5.0	0.3	8.8
Managing accruals	2.0	0.0	0.1	1.0	2.0	1.0	2.0	0.1	0.1	0.0	0.5	5.0	0.3	14.2
Managing encumbrances	<1	0.0	0.0	2.0	1.0	0.1	0.0	0.1	0.1	0.0	3.0	1.0	0.0	7.3
Chart of accounts management	1.0	0.0	0.2	1.0	2.0	0.1	0.5	0.1	0.3	0.0	0.1	2.0	0.0	7.3
Fund Administration	1.0	32.0	0.0	2.0	0.5	0.1	1.0	0.1	1.1	0.0	0.3	2.0	0.1	40.1
Setting fees for goods/services	2.0	0.0	0.2	1.0	0.0	0.1	2.0	0.5	0.1	0.0	0.6	0.0	0.0	6.5
Dealing with legal restrictions on agency costs /fees	1.0	0.0	1.0	6.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	3.0	11.1
Preparing cost allocation plans	1.0	0.0	0.2	0.0	0.0	0.2	2.0	0.2	0.2	0.0	3.0	5.0	0.2	12.0
Distributing labor costs	1.0	0.0	5.0	1.0	0.0	1.0	0.0	0.2	0.3	0.0	0.0	0.0	0.0	8.5
Allocating indirect costs	1.0	0.0	0.2	0.0	0.0	0.1	1.0	0.2	0.2	0.0	0.1	1.0	0.5	4.3

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Area 1.1	Approximate Number of Full time Equivalents (FTEs) per Fiscal Year													Total Number of FTEs Assigned
	Agency	1	2	3	4	5	6	7	8	9	10	11	12	
Reconciling cost allocation results to expected results	<1	0.0	0.1	0.0	0.0	?	0.0	0.1	0.2	0.0	0.6	1.0	0.2	2.2
Receivable allowances and write-offs	<1	5.5	0.0	1.0	0.5	0.1	1.0	0.1	1.3	0.0	1.0	4.0	0.1	14.6
Others, please specify														

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Area 1.2		Other comments and information												
Agency		1	2	3	4	5	6	7	8	9	10	11	12	13
Adjusting and closing journal entries									Only OFM posts closing entries. Posting adjusting and closing entries creates very little pain. Analyzing data and figuring out what needs to be adjusted can be challenging.					
Financial report disclosures/footnotes					External financial reports (public disclosure requests) 0.25				The disclosure forms application makes it easy to disclose the data					
Interim financial close/statements		We have our own system, which requires updating periodically to match AFRS COA			Agency Quarterly Financial Updates				We don't create interim financial statements.					
Keeping up with changing accounting standards					As Needed									

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Area 1.2		Other comments and information												
Agency		1	2	3	4	5	6	7	8	9	10	11	12	13
Keeping up with changing legislative requirements					Legislative mandate beer & wind and spirit law changes (increase in 9FTE and system changes)									
Bank account reconciliations	# of Bank Accounts:	3	1	3	152	0	7	2	0	100+	4	2	1430	11
	# of months backlog:	0	0	3	1.5	0	0	0	0	2	0	0	0	0
In-process reconciliations	# of months backlog:	0	0	0	0	0	0	0	0	NA	0	0	1	0
Subsidiary ledger reconciliations	# of months backlog:	0	0	3	0	0	0	3	0	NA	0	3	0	3
Reconciliations to agency systems	# of months backlog:	0	1	0	0	0	0	0	0	NA	0	4	0	3
Interagency due to/due from reconciliations	# of months backlog:	Done Annually	0	3	To get agency balance at year end, Colleges & GA (Central Stores) are the toughest	0	0	0	0	NA	0	0	0	0
Annual Appropriations		COLA Appns are a pain			It is very easy to obtain expenditure authority schedules that list DRS's biennial appropriations. (We don't have any annual approps.)									
Managing securities														
Petty cash accounting	# of Accounts:	5	1	8	200	5	3	0	1	16	0	23	44	1

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Area 1.2		Other comments and information												
Agency		1	2	3	4	5	6	7	8	9	10	11	12	13
Managing accruals														
Managing encumbrances														
Chart of accounts management														
Fund Administration														
Setting fees for goods/services	Approx # of fee studies prepared:	20	1	1	A lot our fees are set by the legislature	0	3	0	0	Unkn own	0	3	0	0
Dealing with legal restrictions on agency costs /fees														
Preparing cost allocation plans														
Distributing labor costs					Sunday Sales									
Allocating indirect costs	Approx # of cost pools:	20	0	1	0	0	0	0	0	4	0	16	10	3

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Area 1.2	Other comments and information													
Agency	1	2	3	4	5	6	7	8	9	10	11	12	13	
Reconciling cost allocation results to expected results						New								
Receivable allowances and write-offs			Managing all collection activity											
Others, please specify														

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<b>Business Process 2.0</b>	<b>Mark D for Does Not Use; AS/DT for Agency Systems or Desktop Apps; MF for need More Functionality;</b>												
<b>Agencies Reporting</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
General ledger	MF	-	AS/DT	-	AS/DT	AS/DT	-	-	AS/DT	MF	-	-	AS/DT MF
Accounts payable	MF	-	AS/DT	AS/DT	AS/DT	-	AS/DT	-	AS/DT	MF	-	AS/DT	MF
Tax assessment	D	D	AS/DT	AS/DT	-	-	D	-	D	D	-	AS/DT	D
Fee assessment	D	D	AS/DT	-	-	-	D	-	AS/DT	D	-	D	-
Revenue distribution	AS/DT	-	AS/DT	AS/DT, MF	AS/DT	-	-	-	AS/DT	MF	-	AS/DT	AS/DT
Invoicing	AS/DT	-	AS/DT	AS/DT	AS/DT	-	AS/DT	-	AS/DT	D	-	AS/DT	AS/DT
Accounts receivable	AS/DT	-	AS/DT	AS/DT	AS/DT	AS/DT, MF	AS/DT	-	AS/DT	AS/DT	-	AS/DT	AS/DT MF
Loans receivable/servicing	D	D	D	D	-	-	D	-	D	D	D	D	AS/DT MF
Collections management	-	-	AS/DT	AS/DT	AS/DT	AS/DT	AS/DT	-	AS/DT	AS/DT	-	AS/DT	AS/DT
Asset management	MF	-	AS/DT	AS/DT	AS/DT	AS/DT, MF	AS/DT	-	AS/DT	-	-	AS/DT	-
Purchasing	MF	-	AS/DT	AS/DT, MF	AS/DT	AS/DT, MF	AS/DT	-	AS/DT	AS/DT	-	AS/DT	AS/DT
Point of sale	D	D	AS/DT	AS/DT, MF	AS/DT	AS/DT	D	-	AS/DT	AS/DT	-	D	D
Merchandise sales	MF	D	AS/DT	AS/DT, MF	AS/DT	-	D	-	AS/DT	AS/DT	D	AS/DT	D
Inventory management	AS/DT MF	-	AS/DT	AS/DT, MF	AS/DT	AS/DT, MF	AS/DT	-	AS/DT	AS/DT	-	AS/DT	AS/DT
Program or project costing	AS/DT MF	D	AS/DT	-	AS/DT	AS/DT, MF	-	-	AS/DT	D	-	AS/DT	AS/DT MF
Cost allocation	-	D	AS/DT, MF	AS/DT	AS/DT	AS/DT, MF	-	-	AS/DT	D	AS/DT	-	AS/DT MF
Time reporting	MF	D	AS/DT, MF	AS/DT	AS/DT	AS/DT	D	-	AS/DT	D	D	-	AS/DT
Labor distribution	MF	D	AS/DT, MF	AS/DT	AS/DT	AS/DT	D	-	AS/DT	D	D	D	D
Grants management	-	D	AS/DT, MF	D	AS/DT	AS/DT	AS/DT	-	AS/DT	D	-	AS/DT	AS/DT MF
Contract management	MF	-	AS/DT	AS/DT	AS/DT	AS/DT	AS/DT	-	AS/DT	D	-	AS/DT	AS/DT MF
Case management	D	D	D	-	-	-	D	-	D	D	-	AS/DT	D
Work order/job management	MF	D	D	-	-	AS/DT	AS/DT	-	AS/DT	D	D	AS/DT	D

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<b>Business Process 2.0</b>	Mark D for Does Not Use; AS/DT for Agency Systems or Desktop Apps; MF for need More Functionality;												
<b>Agencies Reporting</b>	1	2	3	4	5	6	7	8	9	10	11	12	13
Other, please specify:													
Financial Reporting				MF							MF		

**NOTE: A "-" means the agency made no comment on the business process**

<b>Business Process 2.1</b>	<b>Automated AFRS Interface? Y = Yes, N = No , NA = Not Applicable</b>												
<b>Agencies Reporting</b>	1	2	3	4	5	6	7	8	9	10	11	12	13
Accounts payable	NA	Y	Y	Y	-	N	Y	Y	Y	Y	Y	Y	N
Tax assessment	-	NA	Y	N	-	NA	-	NA	-	-	Y	N	-
Fee assessment	-	NA	Y	N	-	NA	-	NA	N	-	Y	-	NA
Revenue distribution	Y	Y	Y	N	-	Y	Y	Y	Y	N	Y	Y	Y
Invoicing	Y	Y	Y	N	-	Y	Y	Y	N	-	N	Y	N
Accounts receivable	Y	Y	Y	N	-	Y & N	Y	Y	Y	Y	Planned	N	N
Loans receivable/servicing	-	NA	-	-	-	NA	-	NA	-	-	NA	-	Y
Collections management	N	N	N	N	-	N	N	NA	N	N	Planned	Y	N
Asset management	N	N	Y	N	-	N	N	Y	Y	N	Y	Y	N
Purchasing	NA	N	Y	N	-	N	N	N	N	N	Y	Y	N
Point of sale	-	NA	Y	N	-	N	-	NA	N	N	N	-	-
Merchandise sales	NA	NA	Y	N	-	NA	-	NA	N	Y	NA	N	-
Inventory management	NA	Y	Y	N	-	N	N	NA	Y	N	Y	Y	N
Program or project costing	NA	NA	Y	N	-	N	Y	Y	Y	-	Y	-	Y & N
Cost allocation		NA	Y	N		N	Y	N	Y		Y		Y & N

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<b>Business Process 2.1</b>	<b>Automated AFRS Interface? Y = Yes, N = No , NA = Not Applicable</b>												
<b>Agencies Reporting</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
	NA				-					-		-	
Time reporting	NA	NA	Y	N	Y	Y	-	Y	N	-	NA	-	N
Labor distribution	NA	NA	N	N	-	Y & N	-	Y	Y	-	NA	-	-
Grants management	NA	NA	N	-	-	N	N	N	N	-	N	Y	N
Contract management	NA	N	N	N	-	N	N	N	N	-	N	N	N
Case management	-	NA	-	-	-	NA	-	NA	-	-	N	N	-
Work order/job management	NA	NA	-	N	-	N	N	NA	Y	-	NA	N	-
Other, please specify:													
Financial Reporting				N							N		
<b>NOTE: A "-" means the agency made no comment on the business process</b>													
<b>A "Y &amp; N" means the agency has more than one approach to the process and at least one has an automated interface or at least one does not have an automated interface with AFRS</b>													
<b>"Planned" in the column means the agency is developing a system and an automated interface is being planned.</b>													

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<b>Business Process 2.2</b>	<b>Duplicate Keying Required? Y = Yes, N = No, NA = Not Applicable</b>												
<b>Agencies Reporting</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
General ledger	NA	N	N	N	Y	Y	N	N	N	N	-	-	Y
Accounts payable	NA	N	N	N	Y	N	N	N	N	Y	-	N	N
Tax assessment	-	NA	N	Y	-	NA	-	NA	-	-	-	N	-
Fee assessment	-	NA	N	N	-	NA	-	NA	N	-	-	-	-
Revenue distribution	NA	N	N	Y	Y	N	N	N	N	Y	Y	N	Y
Invoicing	NA	N	N	Y	Y	N	N	Y	N	-	-	N	Y
Accounts receivable	NA	N	N	Y	Y	Y	N	N	N	N	-	Y	Y
Loans receivable/servicing	-	NA	-	-	-	NA	-	NA	-	-	-	-	Y
Collections management	NA	N	N	Y	Y	N	Y	NA	N	N	-	N	Y
Asset management	NA	N	N	Y	Y	Y	N	Y	Y	Y	-	N	N
Purchasing	NA	N	N	Y	Y	NA	Y	Y	Y	Y	-	N	N
Point of sale	-	NA	N	Y	Y	Y	-	NA	N	Y	Y	-	-
Merchandise sales	NA	NA	N	Y	Y	NA	-	NA	N	N	-	Y	-
Inventory management	NA	N	N	Y	Y	Y	N	NA	Y	N	-	N	Y
Program or project costing	NA	NA	N	N	Y	Y	N	N	N	-	Y	-	Y
Cost allocation	NA	NA	N	Y	Y	N	N	N	N	-	Y	-	Y
Time reporting	NA	NA	N	N	-	N	-	Y	Y	-	-	-	-
Labor distribution	NA	NA	N	Y	-	Y	-	Y	N	-	-	-	Y
Grants management	NA	NA	N	-	Y	Y	Y	Y	Y	-	-	N	Y
Contract management	NA	N	N	Y	Y	Y	Y	Y	Y	-	-	N	-
Case management	-	NA	-	-	-	NA	-	NA	-	-	-	N	-
Work order/job management	NA	NA	-	?	-	N	Y	NA	Y	-	-	N	-
Other, please specify: Financial Reporting					Y								

**NOTE: A "-" means the agency made no comment on the business process**

<b>Business Process 2.3</b>	<b>Reconciliation to AFRS Required? Y = Yes, N = No, NA = Not Applicable</b>												
<b>Agencies Reporting</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
General ledger	NA	NA	Y	N	Y	Y	Y	N	Y	N	-	-	Y
Accounts payable	NA	Y	N	N	Y	N	Y	N	Y	Y	-	N	N
Tax assessment	-	NA	N	Y	-	NA	-	NA	-	-	Y	N	-

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<b>Business Process 2.3</b>	<b>Reconciliation to AFRS Required? Y = Yes, N = No, NA = Not Applicable</b>												
<b>Agencies Reporting</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
Fee assessment	-	NA	N	N	-	NA	-	NA	N	-	-	-	-
Revenue distribution	-	Y	Y	Y	Y	N	Y	N	Y	Y	-	N	Y
Invoicing	-	Y	N	N	Y	Y	Y	N	N	-	-	N	Y
Accounts receivable	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Loans receivable/servicing	-	NA	-	-	-	NA	-	NA	-	-	-	-	Y
Collections management	Y	Y	N	Y	Y	Y	Y	NA	N	Y	Y	N	Y
Asset management	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Purchasing	-	NA	N	Y	Y	NA	N	N	N	Y	-	N	N
Point of sale	-	NA	N	Y	Y	Y	-	NA	N	Y	Y	-	-
Merchandise sales	-	NA	N	Y	Y	NA	-	NA	N	Y	-	Y	-
Inventory management	Y	Y	Y	Y	Y	Y	Y	NA	Y	N	Y	Y	Y
Program or project costing	Y	NA	N	Y	Y	Y	Y	N	N	-	-	-	Y
Cost allocation	-	NA	N	Y	Y	N	N	N	N	-	-	-	Y
Time reporting	-	NA	N	N	Y	Y	-	N	N	-	-	-	Y
Labor distribution	-	NA	N	Y	Y	Y	-	N	Y	-	-	Y	-
Grants management	-	NA	N	-	Y	N	N	N	N	-	-	N	Y
Contract management	N	NA	N	Y	Y	N	N	N	N	-	-	N	Y
Case management	-	NA	-	-	-	NA	-	NA	-	-	-	N	-
Work order/job management	N	NA	-	N	-	N	N	NA	N	-	-	N	-
Other, please specify:	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	Y	-	-	-	-	-	-	-	-	-

**NOTE: A "-" means the agency made no comment on the business process**

<b>6. In the following list of data items:</b>	<b>% of Agencies Reporting</b>														
<b>Agencies Reporting</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	
• Time activity code	84.6%	MF	D	-	-	-	AS/DT	D	D	AS/DT	D	-	D	-	
• Cost objective/pool	84.6%	-	D	D	AS/DT	-	D	D	D	AS/DT	D	AS/DT	-	AS/DT	
• Location (Geographic)	76.9%	MF	D	-	AS/DT	-	D	D	D	-	AS/DT	-	D	AS/DT	

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6. In the following list of data items:	% of Agencies Reporting													
D = Do not use, AS/DT = Agency System or Desktop Tool, MF = More Functionality, CC/NTC = Currently Captures or Needs To Capture														
Agencies Reporting		1	2	3	4	5	6	7	8	9	10	11	12	13
▪ Work order	76.9%	AS/DT	D	AS/DT	-	-	D	AS/DT	D	AS/DT	D	-	D	D
▪ Job	76.9%	D	D	D	-	-	D	D	D	AS/DT	D	-	D	D
▪ Grant	76.9%	-	D	AS/DT	-	AS/DT	D	AS/DT	D	AS/DT	D	AS/DT	AS/DT	AS/DT
▪ Contract	76.9%	MF	AS/DT	AS/DT	-	AS/DT	D	AS/DT	-	AS/DT	D	-	AS/DT	AS/DT
▪ Budget activity	69.2%	-	-	D	-	-	D	AS/DT	D	AS/DT	-	AS/DT	-	-
▪ Sub- Fund	69.2%	D	D	-	-	-	D	D	D	AS/DT	D	-	D	-
▪ Project	69.2%	MF	AS/DT	AS/DT	-	AS/DT	-	AS/DT	-	AS/DT	-	AS/DT	-	-
▪ Contract	69.2%	MF	AS/DT	-	AS/DT	AS/DT	D	D	-	AS/DT	AS/DT	-	-	AS/DT
▪ Case	69.2%	D	D	D	-	-	D	D	D	D	D	AS/DT	D	-
▪ Asset	61.5%	MF	-	-	AS/DT	AS/DT	D	AS/DT	D	AS/DT	D	-	D	-
▪ Tax information	61.5%	MF	AS/DT	AS/DT	AS/DT	-	D	D	D	AS/DT	AS/DT	-	D	D
▪ Customer	61.5%	MF	AS/DT	AS/DT	-	-	AS/DT	D	D	AS/DT	AS/DT	AS/DT	-	-
▪ Trust	53.8%	D	-	AS/DT	-	-	D	D	D	AS/DT	D	-	D	MF
▪ Activities that cross budgeted programs	53.8%	-	-	D	-	-	D	AS/DT	D	-	D	-	D	AS/DT
▪ Commodity	46.2%	MF	D	-	-	-	D	-	-	AS/DT	D	AS/DT	AS/DT	D
▪ Inventory	7.7%	-	-	-	CC/NTC	-	-	-	-	-	-	-	-	-
▪ Beer and Wine Tax	7.7%	-	-	-	CC/NTC	-	-	-	-	-	-	-	-	-
▪ Sales	7.7%	-	-	-	CC/NTC	-	-	-	-	-	-	-	-	-
▪ Tax distribution	7.7%	-	-	-	CC/NTC	-	-	-	-	-	-	-	-	-
▪ Budget Coding	7.7%	-	-	-	-	-	CC/NTC	-	-	-	-	-	-	-
▪ Vendor # Document # Reference #	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-
▪ Customer # Document # Reference #	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-

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6. In the following list of data items:	% of Agencies Reporting													
D = Do not use, AS/DT = Agency System or Desktop Tool, MF = More Functionality, CC/NTC = Currently Captures or Needs To Capture														
Agencies Reporting		1	2	3	4	5	6	7	8	9	10	11	12	13
▪ PV memo detail	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-
▪ Object-sub sub object	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-
▪ Revenue sub source	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-
▪ Inventory levels - General Ledger values	7.7%	-	-	-	-	-	-	-	-	CC/NTC	-	-	-	-
▪ Claim	7.7%	-	-	-	-	-	-	-	-	-	-	CC/NTC	-	-
▪ Award	7.7%	-	-	-	-	-	-	-	-	-	-	CC/NTC	-	-



Appendix H – Advisory Group Endorsement

Agency	Date	Endorse Vision?	Response
AGR		Endorsed	
DIS		Endorsed	
DOC		Endorsed	
DOP		Endorsed	
DOR		Endorsed	
DOT	8-28-06	See comments	<p>In general, the "could-be" charts seem to reflect mostly the idea of a new financial system. Staff feel some of the charts may look different under an approach to enhance AFRS.</p> <p>Also, significant change management resources may be needed to accomplish the culture shift to an enterprise solution.</p> <p><u>Detailed comments</u></p> <p>Page 8: Yes, it is difficult to relate revenues to expenditures as Government typically is not in the business to make a profit, and often is providing services that no one else will. Attached is a link to an example of how WSDOT attempts to explain where fuel tax and other revenues are used:  <a href="http://www.wsdot.wa.gov/accountability/fueltax/05-07GasTaxDistribution.pdf">http://www.wsdot.wa.gov/accountability/fueltax/05-07GasTaxDistribution.pdf</a></p> <p>Page 11: In recent years, WSDOT has used the same indirect cost rate as approved by FHWA for billings to state agencies, local governments and others. While the concept of only one methodology for cost allocation makes conceptual sense, there may be a variety of reasons and needs to have multiple means of redistributing costs -- some are related to billing or funding mechanisms, some may be for increasing productivity of staff so that timesheet coding is not a big burden. WSDOT can provide a list of all the means of cost allocation and cost redistribution we use. In consideration of this concept, the Roadmap project should also think about policies regarding when, if or how to waive indirect cost rate charges where appropriate.</p> <p>Page 27: Redesigning the Chart of Accounts alone will not eliminate shadow systems. Appropriate system functionality to meet the line of business needs, along with Chart of Accounts changes or improvements may allow a reduction in shadow systems.</p> <p>Page 32: Real time links between the statewide general ledger and subsidiary ledgers is a nice goal, but could have a few technical challenges to get in place, depending on how quickly batch processing systems can be replaced, firewalls between agencies and State Government Network issues with outside partners. The same applies for interfaces with agency line of business systems.</p> <p>Pages 36-37: Maybe it is implied or expected to be understood, but I didn't find anything in items 1A -1C about meeting business needs or requirements. While there is a lot about improved data and information,</p>

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Agency	Date	Endorse Vision?	Response
			<p>there should be some statement about supporting the State's required business needs.</p> <p>Page 39: Section 3A should have something about supporting line of business needs. Section 3B should not preclude the potential for other cost redistributions that may be needed that are different from approved cost allocation plans. More specifics can be provided on this if necessary.</p> <p>Page 46: The current chart of accounts does not prohibit cost allocation. Also, there is more than just AFRS transaction fees that have caused other systems to be developed -- primarily a lack of functionality relating to accounts receivables and billings, cost allocation, etc. (This also applies to the statement at the bottom of page 50)</p> <p>Page 49: There are other quick entry methods available in a variety of systems beyond AFRS' current transaction codes. Many large systems have a similar functionality.</p> <p>Page 51: Item 1C - Under impacts and concerns, timing and capacity to accept more change should be included. Timing will be an issue for line of business systems as well. Under implementation strategy, there needs to be a bullet for building a migration strategy.</p> <p>Page 54, 2B: Reducing the number of funds appears to usurp Legislative authority. Also, LEAP and OFM already have mechanisms to retire funds once legislatively decided to do so. The percentage idea also usurps Legislative authority.</p> <p>Page 56: Under current environment, last bullet, there are more than leave costs that may be allocated. Better wording might be leave and benefit costs. The same comment applies on page 57, last bullet under Issues -- Treatment of leave <u>and benefit costs</u>.</p> <p>Page 59: Under Implementation Strategy, item b -- include benefit costs in the allocation discussion, as well as leave accruals.</p> <p>item c -- Better wording might be "Propose a strategy for making <u>visible</u> funding issues for programs, once full costs are known." Since government is often required to provide services that may not be cost effective and it is the Legislative prerogative to make such decisions, making the information readily available on what items are subsidized may be more appropriate.</p> <p>item 6 -- In implementing activity based costing, there should be some consideration of mutual benefit situations where it may be appropriate to waive or not charge an indirect cost rate.</p> <p>Page 59: Under Issues, there are needs for cost redistribution capabilities beyond an indirect cost rate or approved cost allocation plan. Some are related to internal agency transfers, or reduction of effort for time entry, among other reasons.</p> <p>Page 60: Under Implementation Strategy, it would be helpful to have a bullet to define indirect costs and administrative costs. Under 6.4, 4A, Linking Revenue Sources to outcomes delivered, there is often not a one-for-one relationship between revenues to cost objectives or outcomes. See comments for page 8 above.</p>

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			Page 76: While the number of cost allocation plans can be a measure of complexity, how is it a measure of compliance for how monies are spent? Further, there may be business needs for other redistributions beyond a statewide cost allocation plan.
DRS		Endorsed	
DSHS		Endorsed	
ESD		Endorsed	
GA	8-25-06	See comments	<p>We have reviewed the General Ledger/Cost Accounting value proposition, and concur with the recommendations. We recommend that adequate time be allocated for the chart of accounts upgrade/enhancement, since it is a critical component to successful implementation of an enterprise financial system.</p> <p>We appreciate your team's dedication and leadership for this initiative!</p>
HCA		Endorsed	
LCB		Endorsed	
LNI		Endorsed	
LOT		Endorsed	
OFM – Budget	8-08-06	See comments	<p>We appreciate the opportunity to react to this report, and are available to engage in any further conversations as necessary to amplify our statements below.</p> <p>Many of these general comments were communicated at the July 24 discussion with Roadmap staff.</p> <p>Our information about the agency focus group comments is second-hand, so we have not attempted any literal revisions of the report to re-state what we think are the most likely policy concerns identified by agencies.</p> <p><b>GENERAL COMMENTS</b></p> <p>We feel the need to reiterate our concern that the statements in the draft report have been characterized in discussions as not representing recommendations, yet labels like “Findings and Conclusions” and “Implementation Strategies” create the sense that these ideas do indeed represent sponsor proposals.</p> <p>The length and format of the document make it difficult to distinguish the views of the focus group from recommendation or best practice statements. We believe stakeholder input is critical; however, it would be inappropriate if the concerns of a relatively small focus group were automatically translated into global problem statements requiring a statewide system solution.</p> <p>The budget issues are not always described in a way we understand. Some of this is easily fixed (e.g. it's not the “Accounting and Budgeting Act” (multiple references), and there is no RCW 43.88.0909 (p.63)). Other statements are more difficult to decipher because the terminology seems slightly off, the issue is insufficiently described, or multiple issues are combined. With OFM's name on this document, we want to make sure that the core policy/issues are accurately stated and that we don't appear naïve about their significance.</p>



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			<p>From a budget perspective, two of our highest priorities for accounting improvements are expenditure-to-outcome links, and timely, accurate charging of actual expenditures. These interests seem reasonably consistent with agency comments, but get buried in a lot of other commentary.</p> <p><b>SPECIFIC BUDGET RELATED ISSUES</b></p> <p><b>1A Policy: Starting with the results of the 2005 Chart of Accounts survey, enhance the statewide chart of accounts based on a continuing strategic evaluation of the state’s financial information objectives to accommodate both agency and statewide business needs.</b></p> <p>The final recommendations of the Chart of Accounts team were to maintain the chart of accounts as is, with a few minor enhancements. Enhancements would include using the Roadmap-related business analysis efforts to confirm information needs for grant, contract, and project management processes and explore options that allow for reporting actual expenditures by budget activity. Many of our earlier concerns have been addressed in this document. However, in the implementation strategy, the second bullet mentions “transformation of the chart of accounts.” At this point, we are not seeing a “transformation,” but potentially “modifications” to address additional needs in the Chart of Accounts.</p> <p><b>2A Policy: Improve methods to adjust the budget for programs that rely on actual revenue, grant funding levels and cash flows, such as enabling responsible program managers to make reasonable adjustments that increase or decrease budgeted amounts within legislative intent, across agencies.</b></p> <p>The state Constitution assigns the right of appropriation to the Legislature. The Legislature sets up all funds as either being appropriated or nonappropriated, with nonappropriated funds giving program managers the ability to spend up to available revenues. Unanticipated receipts allow the Governor/OFM to allocate spending authority (not appropriations) to agencies in a narrow set of circumstances.</p> <p>These mechanisms already give agencies legislative-defined flexibility in spending. The report appears to advocate broader authority, with more nonappropriated funds and “tolerance” of overspending appropriations in proprietary funds. This position has implications far beyond the General Ledger. The policy statement should not appear to ignore the legislative right to establish appropriations for any fund for any reason, based on its need for accountability and visibility. If that’s the debate we’re trying to have, then we should say that (and wait for the firestorm). If that’s not our position, then we need a clearer statement of what we’re arguing for.</p> <p>The issue statements mix multiple technical and control concerns that are hard to sort out and tie to a single policy position. It’s also somewhat presumptuous to imply that these “problems” exist because of a lack of education on the part of the Legislature, as opposed to a deliberate, informed decision that agencies simply do not like.</p> <p>In reading the detail, it sounds as though much of the issue is around streamlining the unanticipated receipt</p>

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			<p>process. The new TALS system will greatly streamline current unanticipated receipts procedures from a paperwork standpoint. TALS will also aid some of the administering fund agency data access issues noted in this section.</p> <p><b>2B Policy: Reduce the number of funds by developing more cost effective ways to account for sources and uses of special funding, providing visibility of the funding across agencies and timeframes (e.g. through use of accounting methods such as appropriations rather than multiple funds).</b></p> <p>We agree with the idea of fewer funds, but don't understand the term "accounting methods such as appropriations". Appropriations are a legislative, not an accounting choice, although there are accounting and reporting improvements that could assist expenditure tracking. Additionally, the previous policy (2A) seems to argue for a reduced use of appropriations.</p> <p>It is inaccurate to say that there is no visibility for the status of funds across agencies. Statewide reports at the fund level do exist now and are in the process of being improved.</p> <p><b>2C Policy/Process: Allow fund reserves for future spending to respond to economic volatility and for cross biennium working capital and disclose impact of eliminating reserves.</b></p> <p>Obviously, some level of reserve is a good idea, and the Governor/Legislature has rarely budgeted down to zero balance in any fund. This policy argument seems to combine a legitimate interest in good fund management with a constituent objection to legislative choices about fund transfers. The latter is legislative prerogative that should not be dictated by accounting rules attempting to preempt higher-order policy decisions.</p> <p><b>3A Policy: Strategically design and implement a statewide activity based costing model that will: 1) Determine the full cost of government programs and services in alignment with Priorities of Government (POG); 2) Promote strategic decision-making Provide visibility into and support for issues regarding the adequacy of funding from various sources</b></p> <p>Priorities of Government (POG) does not demand cost-accounting and we should not over-state that connection. In fact, in the Chart of Accounts study, we explored the benefits and costs of tracking agency expenditures at the same activity level used in the budget, concluding that: 1) the activity structure used for budget could not replace the current program structure that serves as the main organization scheme for financial information, and 2) it was not feasible to expect that agencies could track accurate information by transaction at the activity level if this was added to existing requirements. Our recommendation was to explore the feasibility of some kind of program/activity crosswalk table that would allow "accurate enough" reports of expenditures on an activity basis.</p> <p>Also, we have used the term activity budgeting when talking about POG, however it should not be confused</p>

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			<p>with the term activity costing in its classic sense. They are very different approaches. What agencies may need for cost accounting and cost allocation is likely to be quite different than what is used for POG.</p> <p>The implementation strategy also talks about developing a standard methodology for allocating administrative costs. We have been engaged in a long conversation with the Legislature on the challenges and possibly minor benefits for using a one-size fits all approach. We advise caution in how this issue is discussed.</p> <p><b>4A Policy/Process: Link revenue sources (sub-source) to the mix of cost objectives and outcomes delivered across agencies. System: Align reporting tools, systems, interfaces, and data architecture to accommodate linking of revenues to the mix of cost objectives and outcomes delivered.</b></p> <p>It's hard to determine what the real issue is here. The structure of the budget assumes that specific funds support program expenditures, and that these expenditures produce outcomes measured by performance data. Multiple funds (with multiple revenue sources) often support the same program so, in reality, we can't always precisely link revenue sources to outcomes.</p> <p>Accounting practices can't somehow create this link. The dollar that a citizen pays in sales tax can truthfully be connected to parks or schools or any of a thousand other GFS expenditures. In many cases, the only direct link by revenue source is to the fund. (Even that connection will be thin if we go to fewer funds like we argue in 2B.)</p> <p>Is anyone advocating that agency staff spend a lot of time artificially tagging revenue sources to specific types of expenditures? The workload doesn't appear worth the benefit, and the outcome would be misleading.</p> <p>Again, the issue statements reflect the contention that there are no reports that display fund revenues and expenditures across all agencies. That's not true, and any improvements (e.g. so the agency could see this data more easily) are reporting issues, not accounting or budget overhauls.</p>
OST		Endorsed	
WSP	6-29-06	See comments	WSP has no specific comments. We agree with the findings and conclusions, although they are very general. The follow-on work will be critical, and we will be paying attention.

Enterprise Business Process and Data  
 Modeling for the Roadmap

END OF DOCUMENT