



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

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Office of Financial Management

Revenue Accounting Value Proposition

Version 1.1

August 2, 2006

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1 Document Overview

1.1 Related Documents

This document is a view of revenue accounting business process modeling and includes:

- An executive summary that provides a high-level digest of the revenue 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 may be used to quantify improvements during and after the “could-be” processes has been implemented.
- A portrayal of the current state of the revenue accounting process functions including the following detail:
 - Process scope and business objectives;
 - Process challenges;
 - Process flow diagram; and
 - Components list.
- Best practice research.
- The recommended (could-be) model for the revenue accounting process including process flow diagrams and a narrative of the process.
- A high-level data model for the recommended process model.
- Policy, process, organization, and system recommendations to support the model for revenue accounting.

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.

1.2 Approvals

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

Name	Organization	Date
Kathy Rosmond	OFM	

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
0.1	4/15/06	J. Natteford	Original
0.2 - 0.3	5/9/06	C. Connors	Various components added
0.4 - 0.5	5/16/06	C. Connors	<ul style="list-style-type: none"> Added appendix A –Revenue Accounting Statistics Added best practice research summary Updated enterprise data candidates
0.6	5/18/06	J. Natteford	<ul style="list-style-type: none"> Updated executive summary, sections 6 and 7 Enhanced best practice information Added Solomon reference to As-Is
0.7	5/23/06	R. Madsen	<ul style="list-style-type: none"> Updated executive summary, sections 6 and 7 Made formatting corrections
0.8	6/5/06	S. Dodson	Updated executive summary
0.9	6/29/06	J. Natteford	Updated Revenue Amounts with input from OFM Accounting
1.0	7/10/06	S. Dodson	Updated text to support Revenue Amounts
1.1	8/2/2006	Project Team	Added comments from Agency Advisory Group and made text changes to the Executive Summary
1.1	12/12/2006	S. Dodson	Cosmetic updates to Appendix E

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
Project Team	OFM	5/16/06	0.5
Focus Group and Agency Advisory Group	Various	5/22/06	0.6
Focus Group and	Various	5/23/06	0.7

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Name	Organization	Date of Issue	Version
Agency Advisory Group <i>Roadmap website</i>			
Focus Group and Agency Advisory Group <i>Roadmap website</i>	Various	7/10/06	1.0
<i>Roadmap website</i>	Various	8/2/06	1.1

1.5 Document Control Information

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

Enterprise Business Process and Data
Modeling for the *Roadmap*
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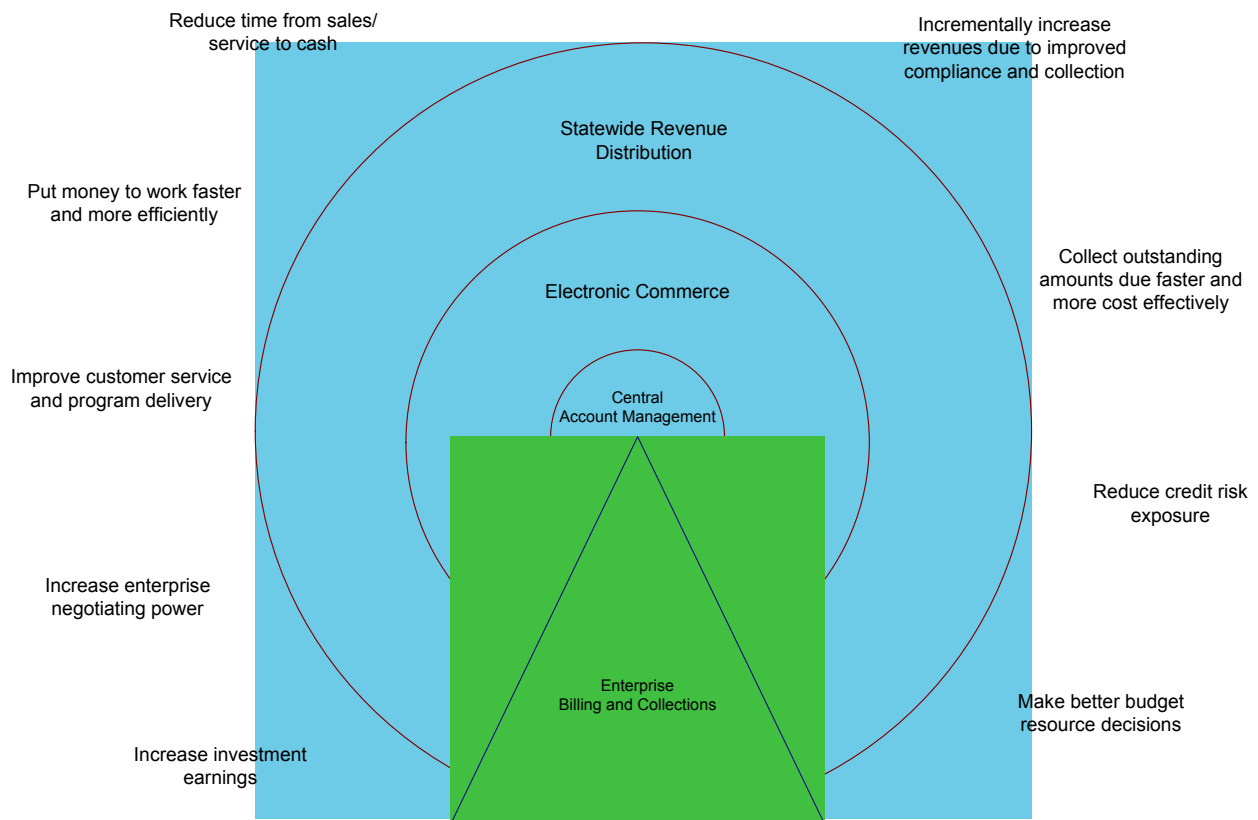
2 Executive Summary

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 Background and Business Objectives

The *Roadmap* business process modeling project is tasked with modeling the current process for managing revenue accounting and proposing a vision for the future. This report summarizes the effort completed and makes a business case for implementing significant change. The results in this report are based on best practice research and input from a focus group of agency revenue accounting experts.

The following graphic presents a conceptual view of the *Roadmap* vision for revenue accounting business processes in Washington State:



2.2 Value Proposition for Change

The next subsections summarize the rationale, results, business value, and performance measures that make up the value proposition for significant change in four broad areas: payment method and collections reform, electronic commerce, account management, and revenue center of excellence.

2.2.1 Payment Method and Collections Reform

Vision

Standardized laws promote open and effective collections, public trust and increased compliance.

Rationale

Agencies are currently unable to implement some effective industry best practices, including those that make it as easy as possible for a customer to pay. These restrictions result in later receipts and more exposure to overdue payments and write-offs.

Results

- Remove payment method restrictions to expand customer payment options.
- Legalize best practice collection methods, such as instituting more effective penalties, withholding services where appropriate, and offsetting receivables with payables.
- Establish an effective governance structure empowered to oversee receivable accounting policy and practices across agencies.

Business Value

- **Increased working capital efficiency** through improved and standardized processes and polices.
- **Better business relationships** with customers through better, easier to understand processes for customers and agencies.
- **Reduced risk exposure** through:
 - Strategic alignment with best practice trends in public collections methods;
 - Established governance structure promoting cost effective solutions to receivable accounting
- **Increased compliance** through standardized policies and expanded customer payment options.

Performance Measures

- Percent of electronic receipts.
- Working capital turnover rates.
- Debt written off as a percent of total debt.

2.2.2 Electronic Commerce

Vision

Implement an enterprise customer self-service portal that enables real time interaction between customers, receipting and line of business systems.

Rationale

Agencies have historically collected the majority of revenue via check or cash, with an increasingly large portion collected electronically via EFT or ACH processes. Private industry trends, in response customer demands, indicate increasing adoption of electronic commerce. According to the census bureau although total retail e-commerce sales accounts for 2.3% of total sales, they increased 24% from 2004 to 2005.¹

Universal adoption of electronic commerce technologies, coupled with account management would allow the state to support efficient and effective business interactions.

Results

- Leverage Washington State's electronic commerce laws to enable electronic commerce between the state and its customer community.
- Negotiate low/no fee electronic payment service options based on enterprise volumes.

- Create an enterprise payment portal for customer self-service submission of payments and access to invoices and data about their transactions with the state.
- Enable real-time interaction between the portal, receipting, and line of business systems.

Business Value

- **Better business relationships** through:
 - Increased payment options for customers and business partners.
 - Self-service access to transactions with the state.
- **Increased investment earnings** through streamlined treasury deposits.
- **Optimized return** on the state's investment in the enterprise payment portal and technology to support electronic commerce.

Performance Measures

- Percent of invoices sent electronically to customers.
- Percent of electronic receipts.
- Average time from sale/service to receipt of cash (for targeted lines of business).

¹ US Census Bureau, Quarterly Retail E-Commerce Sales, 4th Quarter 2005, <http://www.census.gov/mrts/www/data/html/05Q4.html>

2.2.3 Revenue Center of Expertise

Vision

Responsive, efficient and effective adoption of a shared services model for targeted revenue accounting services.

Rationale

Each agency meets their agency-specific revenue accounting needs as best they can, but greater efficiencies, improved information value, increased investment revenues, and more effective negotiation power could be achieved with enterprise-level processing supported by integrated revenue accounting systems.

Results

- Require the center of excellence to establish service level agreements with agencies to ensure quality services are measured and delivered.
- Centralize responsibility and authority for Washington’s revenue accounting policies, systems, data and targeted business processes such as electronic commerce processing, mail-in cashing, revenue distribution, receivables management and collections within a revenue center of excellence.
- Contract with professional lock-box processor for the enterprise to receive, digitize, and image payments and turnaround documents, deposit cash into state accounts, create suspense accounts for remittances without turnaround documents, and transmit remittance information.
- Centralize management of lock-box payment and transaction files within the recommended revenue center of excellence.
- Implement enterprise information systems that integrate customer information, acceptance of electronic payments, loan servicing, and accounts receivable / cashing management business processes and data to support the policy and process improvements recommended for revenue accounting.

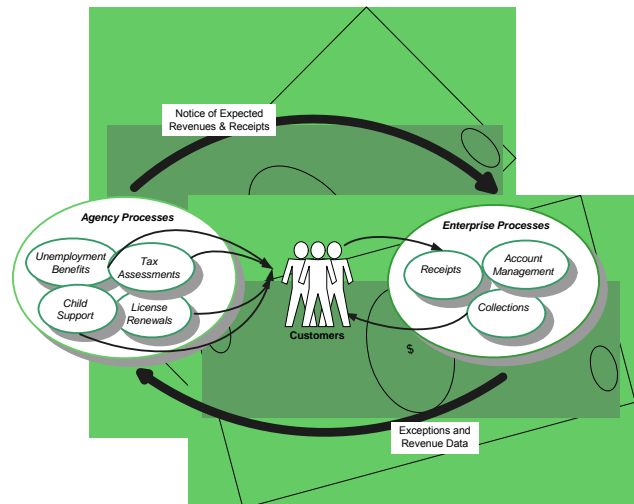
Business Value

- **Improved service delivery** to citizens, through:
 - More agency focus on core missions, strategic plans, and customers
 - Faster, better business processes, measured and monitored against service level agreements

- **Reduced risks** by:
 - Improved accountability
 - Automated compliance validation
- **Increased working capital** by:
 - Increasing collections and reducing write-offs
 - Putting money to work faster and more efficiently
- **Better decisions for better results:**
 - Systematic and timely recording of transactions will ensure accurate financial status reports for programs
 - Access to comprehensive, detailed data allows the state to make better budget resource decisions
- **Lower costs** through:
 - Reduced investments in agency shadow systems
 - Increased enterprise negotiating power for lower cost banking services
- **Optimized return** on the state’s investment in the enterprise payment portal and technology to support electronic commerce.

Performance Measures

- Days sales outstanding, i.e. average time to collect
- Debtors by aged group as a percent of the total debt



Consolidated & Agency Line of Business Processes

2.2.4 Customer Account Management

Vision

Convenient access and enterprise coordination promote constructive, transparent partnerships with customers and business partners.

Rationale

Duplicative and often out-of-date information about Washington's customers is currently held in dozens of locations managed by many different organizations.

An enterprise approach to account management, coupled with investments in portal technology and electronic commerce tools would allow the state to manage its customers as a corporate asset and offer the same convenient, reliable electronic interactions customers use with many other businesses.

Results

- Establish universal customer identifiers linked to line of business systems to improve customer service and coordinate state services.
- Adopt enterprise customer performance rating standards, policies, and processes to improve cross-agency service delivery and standardize risk evaluation, collection referral, and write-offs.
- Centralize management of customer information and relationships within the recommended revenue center of excellence.

- Provide consolidated customer information to support enterprise revenue accounting business processes while appropriate business owners maintain specific data
- Enable customers to purchase services, make self-assessments, and pay on account through the customer self-service portal.

Business Value

- **Better customer relations** through consolidated business processes between our customers and the state.
- **Better decisions for better results** through access to comprehensive data on the state's business transactions with each customer.
- **Reduced risks:**
 - Centralized management of customer performance will reduce the likelihood of continuing to do business with a poor performing customer.
- **Increased revenues** through improved compliance monitoring and faster, better, cost-effective collections.

Performance Measures

- Percent of customers reporting excellent service.
- Days sales outstanding, i.e. average time to collect.

2.3 Conclusion and Next Steps

The effectiveness and efficiency of Washington State's revenue accounting processes varies greatly between agencies whose core missions involve the collection of significant amounts of revenue and those focused on other public policy issues. The revenue agencies have the resources, tools (law, systems, etc.) and skills that might guide policy, process, and organizational transformation for the enterprise as a whole.

Enterprise level change is necessary to establish a solid policy, process, and technological foundation for managing customer accounts, improving the speed and accuracy of revenue collection and processing, and increasing collection rates for past-due accounts. The changes necessary to implement enterprise level improvement represent a large cultural shift for the state, but they are essential to revenue accounting transformation.

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No action is expected on any recommendations in this report until the *Roadmap* Advisory Group and Executive Sponsors identify these transformation activities as a priority. At that time, the following steps are proposed:

- Identify a business owner for the could-be vision and recommendations;
- Transition responsibility to the business owner;
- Evaluate the feasibility of each of the approved recommendations; and
- Communicate and gain momentum for change.

2.4 Focus Group Participants

Representatives from the following agencies participated in the modeling focus groups for revenue accounting:

Community Trade and Economic Development

Department of Agriculture

Department of Social and Health Services

Department of Labor and Industries

Department of Natural Resources

Department of Retirement Systems

Department of Revenue

Department of Social and Health Services

Department of Transportation

General Administration

Health Care Authority

Liquor Control Board

Office of Financial Management

Office of the State Treasurer

Washington State Patrol

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

3 As-Is Revenue Accounting Business Models

3.1 Process Scope, Definition, and Business Objectives

Information about the current state (as-is process) for revenue accounting was gathered through an as-is focus group meeting with agency experts. In this meeting, participants described what they do today and why. The agency participants who participated in the as-is, could-be, and follow-up focus group meetings are listed in Appendix B – Agency Focus Group Participants.

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

Revenue accounting is the process of receiving, classifying, recognizing and recording receipts; distributing receipts to the appropriate jurisdictions, funds, sources; and invoicing, monitoring, and collecting loans and other types of debt receivable from or on behalf of the state's customers.

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

1. Receive the money:
 - Minimize time from service/sale to receipt of cash;
 - Safeguard and properly record all monies received; and
 - Make it easy for customers to pay the state.
2. Put the money to work:
 - Provide timely and accurate notification of receipts to program managers and stakeholders;
 - Enable accurate cash flow forecasting to support real-time investment decisions;
 - Provide a corporate view into revenue and receivable information across lines of business and agencies;
 - Distribute revenues to the appropriate jurisdictions, organizations, and funds according to governing statute and/or agency policy;
 - Recognize and classify revenue in the proper fiscal period and account codes;
 - Collect data to support revenue forecasting and budget resource decisions; and
 - Ensure revenue and receivable subsidiary ledgers are in balance with corresponding general ledger accounts.
3. Manage customer accounts:
 - Manage customer information and credit worthiness to enhance service delivery and minimize bad debts;
 - Collect outstanding loans, long-term, and short-term receivables as they become due;
 - Ensure timely and accurate recording of transactions to customer accounts;
 - Assess interest, penalties, or fines as appropriate to motivate prompt payment and recover cost of collecting funds; and
 - Protect the privacy of sensitive customer data.

3.2 Business Challenges

Current revenue accounting business challenges for agencies and the state include:

1. Challenges with properly receiving and handling cash:

- For many lines of business, agencies cannot offer customers the convenient and cost effective payment options they expect due to their inability to absorb or pass through bank card fees, RCW restrictions, bankcard provider practices and technology limitations;
- When electronic payment options are offered, customer adoption levels often fall short of expectations;
- Most agencies lack tools to efficiently record all three types of government receipts: payments on receivables, over-the-counter sales, and self-reported tax/fee assessments; and
- It is very expensive for agencies receiving money through the mail or over the counter to comply with state internal control requirements, cash deposit regulations, and revenue reconciliation requirements.

2. Challenges with making the money available to programs:

- Program staff and business partners don't always have timely access to the data they need about payments, requests for service, and available revenues;
- The state has limited ability to predict when revenue will be collected or receivables converted to cash to support working capital investment decisions;
- The state lacks enterprise systems that effectively support revenue accounting business processes at the level of detail needed by agencies;
- Many agency systems are tied to a single line of business and lack the flexibility and functionality needed to effectively manage agency receivable and collection activities and respond to legislative changes;
- Application of funds is often delayed in cases of misdirected mail, "mystery money" that may or may not belong to the agency, and checks received at decentralized locations; and
- Accurate data about the total amount owed to the state, agencies, and funds is not available at the enterprise level except at fiscal year close.

3. Challenges with managing customer accounts:

- The state and many agencies can't effectively manage customer transactions and credit risks because customer information is spread across many duplicative "line-of-business" receivable, licensing, and tax systems;
- Collection tools and expertise vary by agency and line of business;
- Law, policy, and system limitations prevent enterprise use of best practice collection tools and techniques, such as offsetting amounts due against amounts payable;
- Penalties and interest are not always sufficient to motivate payment or cover the costs of collection; and
- The state lacks visibility into aged receivable balances and write-off trends.

The bottom line is that current processes take time and focus away from service delivery and make doing business with the state cumbersome for customers and the public.

3.3 Business Process Model Overview

The following documentation illustrates the existing process, challenges, and variations among agencies for revenue accounting:

- Process flow diagram (graphical model);
- Components list; and
- Agency variations summary.

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

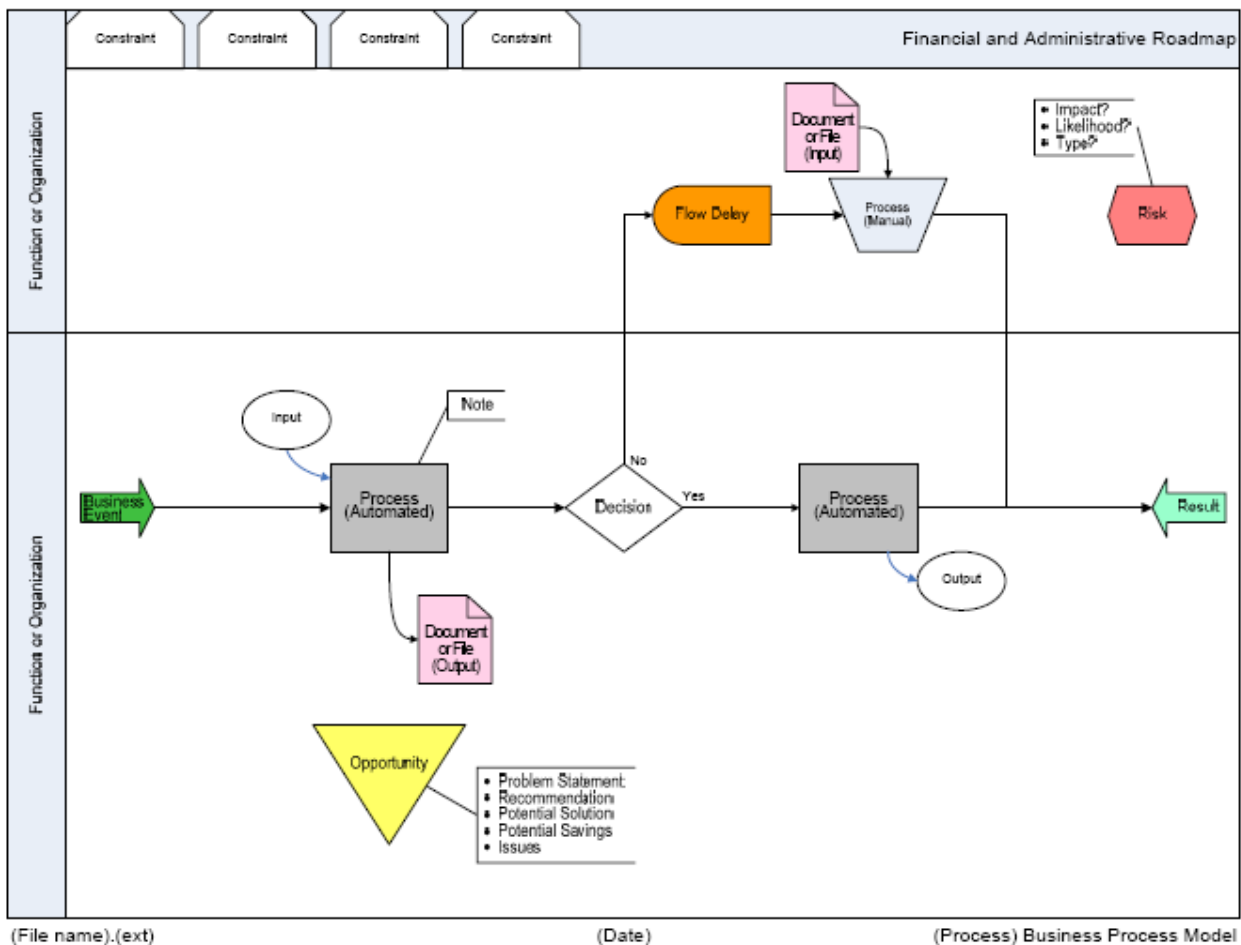


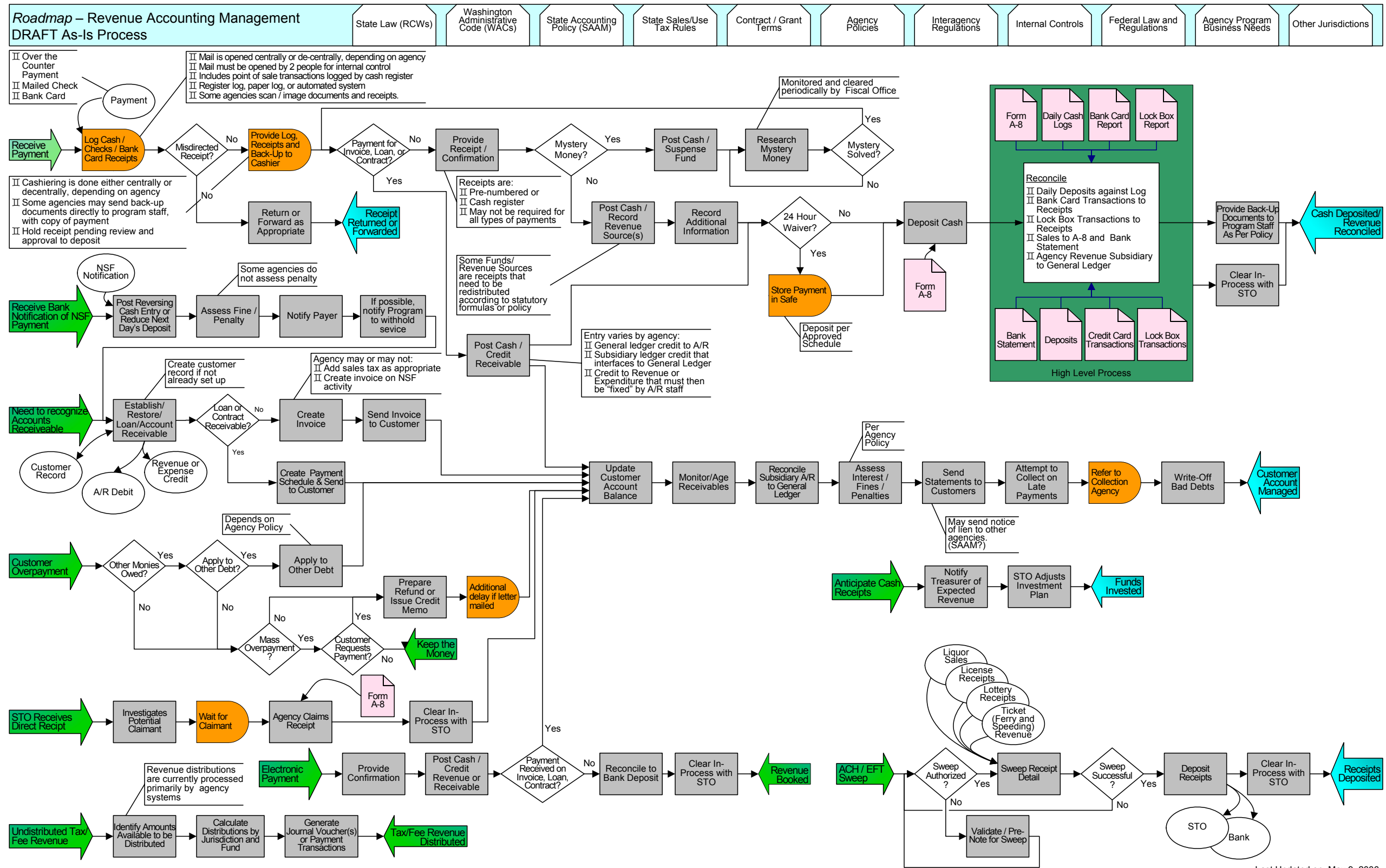
Figure 1 - Process-modeling legend

3.4 Revenue Accounting As-Is Business Process Model

The next page presents the graphical process flow diagram (business process model) for revenue accounting:

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Last Updated on May 9, 2006

Figure 3 - Revenue Accounting As-Is Process Model

3.5 Components for Revenue Accounting Business Processes

These are the process components, roles, inputs, outputs, events, data and constraints that support the revenue accounting business process model:

Roles /Entities	Inputs	Outputs	Events	Data	Constraints
<ul style="list-style-type: none"> • Cashiering staff • AR staff • Service Requestors • Internal Managers • OST staff • Customers • Public 	<ul style="list-style-type: none"> • Invoice • Credit Memo • Payments • Payment Backup Information • Bank Card • Customer Information • NSF Checks • Logs – Cash, Bank Card, Lock Box 	<ul style="list-style-type: none"> • Invoices • Bank Deposits • Statements • Collection Letters • Accounting Transactions • Loan / Contract Payment Schedule 	<ul style="list-style-type: none"> • Receive Payments by mail and walk-ins (includes virtual walk-ins) • Notifications of NSF Checks • Customer Payments • Customer Overpayments • Receive Virtual Payments • Agency Revenue System Interfaces 	<ul style="list-style-type: none"> • Customer Information • Account Coding • Invoice information • Credit Memo • Refund information • Customer Account Balances 	<ul style="list-style-type: none"> • State Laws (RCWs) • Washington Administrative Code (WACs) • State Accounting Policy (SAAM) • State Sales / Use Tax Rules • Agency Policies • Interagency Policies • Internal Controls

3.6 As-Is Common Process and Agency Variations for Revenue Accounting

“We are doing business in the 21st century with 20th century tools and 19th century policies and laws.”²

Agencies follow the same basic process for recording revenue and tracking accounts receivable, however of the agencies reporting³, only 42% have an automated cashiering system and 58% have centralized cashiering offices. In addition, 58% of the agencies have multiple cashiering systems. Forty-two percent of the agencies reporting reported they process their cash receipts manually. Furthermore, up to 98% of customer payments received, are either cash or check.

Seventy-five percent of the agencies stated they have an automated receivable system with 50% reporting they have multiple receivable systems. There is a 50-50 split between agencies reporting centralized and decentralized accounts receivable offices.

Sixty-seven percent reported that they have their cashiering activities integrated with their accounts receivable systems leaving 33% without any integration. Fifty percent reported that the amount of integration varied be either division or system.

Ninety-two percent of the agencies reported using multiple automated invoice processes to produce their invoices. Seventeen percent reported they produced either all or part of their invoices manually. Note: no agency reported only using a single system to produce invoices.

The majority of agencies responding reported using the mail for 99 to 100% of their invoices, with only two agencies electronically transmitting their invoices and no agency reported posting invoices to a website.

Twenty-five percent of responding agencies cannot accept electronic payments. Sixty-seven percent can accept payments, but only for specific services. Fifty percent would like to be able to accept electronic payments for more types of services. A third of the agencies reported using Automated Clearing House (ACH) transactions to “sweep” payments directly from customer accounts. Fifty percent of the agencies reported they absorbed the fee, 8% passed the fee on the customer and 8% stated it varied depending on service or program.

Ninety-two percent of the agencies monitor their receivables monthly. Twenty-five percent produce the aging reports manually. Seventy-five percent review the reports centrally with 42% reporting that program mangers perform the review.

About eight agencies use the current Solomon statewide billing/receivables solution, which provides some capability to manage customer accounts, create bills, and record receipts. This activity is automatically transmitted to AFRS as appropriate. The system was implemented to replace the previous non-Y2k compliant system. It is built on a platform that is technologically obsolete and is not scalable to support additional participating agencies. In order to serve the needs of the agencies and interface with AFRS, it was customized to such a degree that it cannot be upgraded to the current version of the base commercial off the shelf software. In order to support multiple agencies it was deployed with one database instance for each agency. This configuration has proven to be unworkable for wider agency implementation.

² Quote from one of the focus group participants.

³ Statistics are based upon 12 out of 15 agency responses; details are available in Appendix D – Detailed Assumptions on Common Processes and Agency Variations.

Summarized in this section are the agency commonalities and variances. Appendix D – Detailed Assumptions on Common Processes and Agency Variations, contains a more detailed listing.

Statewide Commonality

What most agencies reported they had in common was at best, a combination of automated and manual processes for handling cash receipts and accounts receivable monitoring; and at worst, a completely manual process for these activities

Focus Group agencies share commonality in the following areas:

- The majority of customer payments are received as cash or check;
- Agencies typically use more than one invoice system to generate accurate invoices;
- Agencies do not currently generate and post electronic invoices;
- Agencies generally monitor receivables monthly and produce receivable monitoring reports; and
- Agencies generally follow the same high-level process steps to log payments, provide receipt/confirmation of payment, clear revenue suspense accounts, and contact customers on outstanding receivables.
- Agencies generally reconcile their subsidiary AR ledger to the General Ledger centrally, using either automated and manual methods;

Agency Variations

For the focus group agencies, the over arching driver for variance is whether the resources to automate are or were available. In addition, each agency has developed its own individual approach to handling these activities.

The drivers for variance among agencies are:

- The division on approach between centralized cashiering/receiving and decentralized cashiering/receiving;
- Those agencies having an automated receivables system, with some having multiple receivables systems, and those agencies manually managing receivables;
- Agencies able to integrate cashiering activities with accounts receivable allowing customer account updates upon receipt and those still processing receipts and updates to customer accounts as either separate processes or manual processes.
- Agency-unique revenue distribution systems to accomplish complex distribution functions;
- Some agencies can accept electronic payments while others cannot due to policy restrictions and/or technology/tool limitations;
- Agencies use a variety of methods to apply payments to customer accounts including applying to a specific invoice, to an account balance without regard to invoice number, and to “unapplied” cash if the payment is over or under the amount due;
- Agency invoices are either mailed, or emailed to customers;
- Some agencies handle customer inquires centrally; in other agencies inquiries are addressed by each organization;
- Agencies assess interest and penalties according to unique agency statutes and policy;
- Agency write-off and collections policies and processes vary.

4 Revenue Accounting Best Practice Research

This section contains best practice research compiled for the revenue accounting business function, which includes revenue receipting, revenue distribution, accounts receivable management and collection on past-due accounts.

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, assimilating industry standards research, and evaluating high-level functions of software solutions. The best practice research is summarized by category below.

Eliminate Payment Barriers

Best practice research highlights the importance of making it as easy as possible for customers to make payments. Providing enhanced payment options can increase customer satisfaction by simplifying the payment process and provide monetary benefits from quicker payment and fewer accounts going to collections.

To the extent that customers find it convenient to make their payments through the state web portal using credit cards or ACH transactions, the state also gains faster deposits and less paper handling. Electronic Bill Presentment and Payment (EBPP) technologies and process approaches are well established in business and are being applied to governments. EBPP provides connections from the service provider or seller to the consumer's financial institution which allows the customer to make payments electronically either from their bank web site, from the seller's web site or through a third party who aggregates payments for many sellers. Investments in implementing electronic bill presentment and payment solutions would be difficult for even the largest individual agency to justify but a statewide approach could provide significant benefits that would grow over time as a greater percent of statewide commerce is automated in this fashion.

Best Practice Example

The Canadian province of British Columbia contracted with Electronic Data Systems (EDS) to consolidate customer service, revenue receipting and past due collections for many ministries that had been managed through more than 40 separate revenue management systems. Before the project, the province's use of these mostly antiquated and overloaded technology systems caused delayed collections, excessive write-offs, customer frustration, unnecessary exposure of private customer information, and inconsistent application of policies. EDS has developed a contracted shared service center to provide: customer account management, billings, receipt processing, past due collections and tax return processing for many ministries. In its first year of operation the service center has significantly improved customer service, protection of private citizen information and begun to implement the SAP Revenue Management solution.

Revenue Services of British Columbia First Annual Report, March 31, 2006,
http://www.sbr.gov.bc.ca/rsbc/Annual_Report-2005.pdf

Automate Remittance Processing

Best practice research indicates that making online billing and payment options available can save a substantial amount of money. Just as significantly is the increase in the number of companies citing as the primary driver for offering these services, the need to respond to business partner demand. The research also cites the softer, but still important, benefits that

accrue resulting from business partners viewing the state as a more sophisticated and professional organization.

The research also discusses the growing practice of using scanning and optical character recognition solutions in remitting locations that will need to continue to manage the declining, yet still significant number of non-electronic payments. New “Check 21” federal legislation allows cashiering locations (central or distributed receivable locations, lockbox vendors and point of sale stations) to create a legally equivalent “substitute check”, process the check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks.

Much of the same scanning technology used for Check 21 processing is also leveraged to capture remittance information. By using character recognition software to turn remittance documents into data that can be matched with expected payments the banking, classification and coding functions related to routine transactions will be highly simplified. This will leave skilled revenue personnel to manage true mystery money that cannot be matched by name, address, account number, amount, invoice number, or other remittance data submitted with the payment to an expected revenue item.

Best Practice Example

A Texas-based health care enterprise enjoyed the economies of scale and consistency promised by creating a central billing office. As their customer base grew, however, their processes reached performance limits. To address this problem, they folded their billing and collections staff into EDS, their selected IT services provider. They then selected a new billing system to support back office growth. As a result the health care enterprise’s hard dollar returns included a 67% reduction in 120 day receivables and a 50% reduction in 60 receivables with overall days in accounts receivable reduced to 14 days. The outsourced approach allowed managers to focus on running the practice without sacrificing control or access, enhanced recruitment and retention rates, and increased customer satisfaction.

Jim Bloedau, “Merged Outsource Billing and ASP: Considering a New Model”, Group Practice Journal, March 2005

Improve Cash Flow Predictability

By improving the predictability of revenue cash flow, best practice research indicates the value of the revenue stream can be better leveraged in raising investment income and reducing borrowing expenses. The research indicates the necessity of focusing on gaining end-to-end visibility into receivables transactions, in order to deliver actionable information for cash management.

Recording true receivables as well as the expected revenue items as part of the billing and receivable process will provide a wealth of information about anticipated payments and begin to provide the statistical information that will allow revenue managers to improve cash flow forecasts. Automating the mechanical and routine processes provides an opportunity to invest training of a motivated team of revenue and collection specialists working at a higher skill level and providing greater value to the organization in managing the receivables portfolio. According to research this team should focus priority attention on distressed and delinquent accounts in the hope of getting them paid or offset to a state payable prior to going into a collections status.

Best Practice Example

Categorize customers into those who generally pay on time and occasionally late, others who find it difficult to pay and require payment plans, business or government

customers who pay late but are very low credit risk, and those who are continually behind. Develop tailored treatment plans to suit the anticipated collection profile of each customer. Terminate accounts and outsource to a collections agency sooner for higher risk customers. Develop a clear understanding of the cost of collections and optimize the cost-to-collections ratio.

Paul Grey, Peace Software, “Collections Best Practice”, www.UtilitiesProject.com

Consolidate Customer Interface Points

The best practice research indicates that corporations are consolidating their customer and business partner interface points and, to the extent possible, moving interactions from call centers to the web. In addition to the significant reduction in process costs, consolidation provides new opportunities for agencies to connect with business partners. For example, if a business applies through the portal for a business license to open a retail plant nursery through Department of Licensing they could automatically be given the opportunity to schedule a Nursery Inspection through the Department of Agriculture.

Research also indicates that organizations are consolidating in order to build processes that capture and leverage past customer payment behavior to drive credit and collections decisions going forward. Applying this to state government should allow agencies to consider a business partner’s enterprise-wide credit history in any decision to grant that customer credit for a product or service purchase or demand payment at the time of delivery (where allowed by law). Consolidation and automation also provides enhancement to customer perceptions. Enhancing the appearance of the state as a single enterprise by consolidating payment and billing channels might cause customers and business partners who have a continuing business relationship with the state to be more conscious and careful with their state credit history.

Best Practice Example

The City of Buffalo Water Board formed a public private partnership with American Water for management of the city’s water system. The partnership included customer service, billing, and collections. American Water and the city automated customer accounts, communications, and collections systems and processes. The partnership has exceeded the benchmark collection rate of 94%, achieving 97%. This increase in collections has resulted in a significant annualized revenue increase. Cornerstones of the revenue collection increase include systematic follow-up, flexible payment options, and acceptance of credit card payments.

The National Council for Public-Private Partnerships, “Partnership Pays Dividends for Buffalo’s Water System”, <http://ncppp.org/cases/buffalo.html>

Business Goals from Best Practice Research:

1. Deliver strategic cash flow insight to the CFO’s office;
2. Optimize cash flow and revenue management;
3. Reduce operational expenses;
4. Improve customer service;
5. Improve voluntary compliance;
6. Lower accounts receivable balances;
7. Reduce bad-debt expenses;
8. Improve government reporting and transparency; and
9. Consistent application of policies and business processes.

5 Could-Be Revenue Accounting Business Process Models

Using the information gained from the as-is processes and the best practice research, the project team worked with the same extended group of agency experts to model the could-be business processes for revenue accounting. Several agencies with significant revenue or payment recovery business activities have developed sophisticated processes for collecting and distributing revenue and recovering overpayments. Generally, the focus group and the project team were open to leveraging the experiences of individual agencies to implement significant change for the enterprise. They agreed that the future state process should:

- Create a customer self-service portal that consolidates assessment, fee, loan, credit risk, current billing, and other account receivable information for citizens and business entities;
- Use emerging technology to convert cash and accompanying documentation into electronic financial transactions for treasury processing and rules based revenue distribution;
- Provide an enterprise billing option to agencies; and
- Consolidate cashing and collection activities for past due accounts and other enterprise revenue accounting activities in a center of excellence.

The following graphic presents a depiction of the relationship between these consolidated activities and agency line of business processes in the *Roadmap* vision for revenue accounting in Washington State:

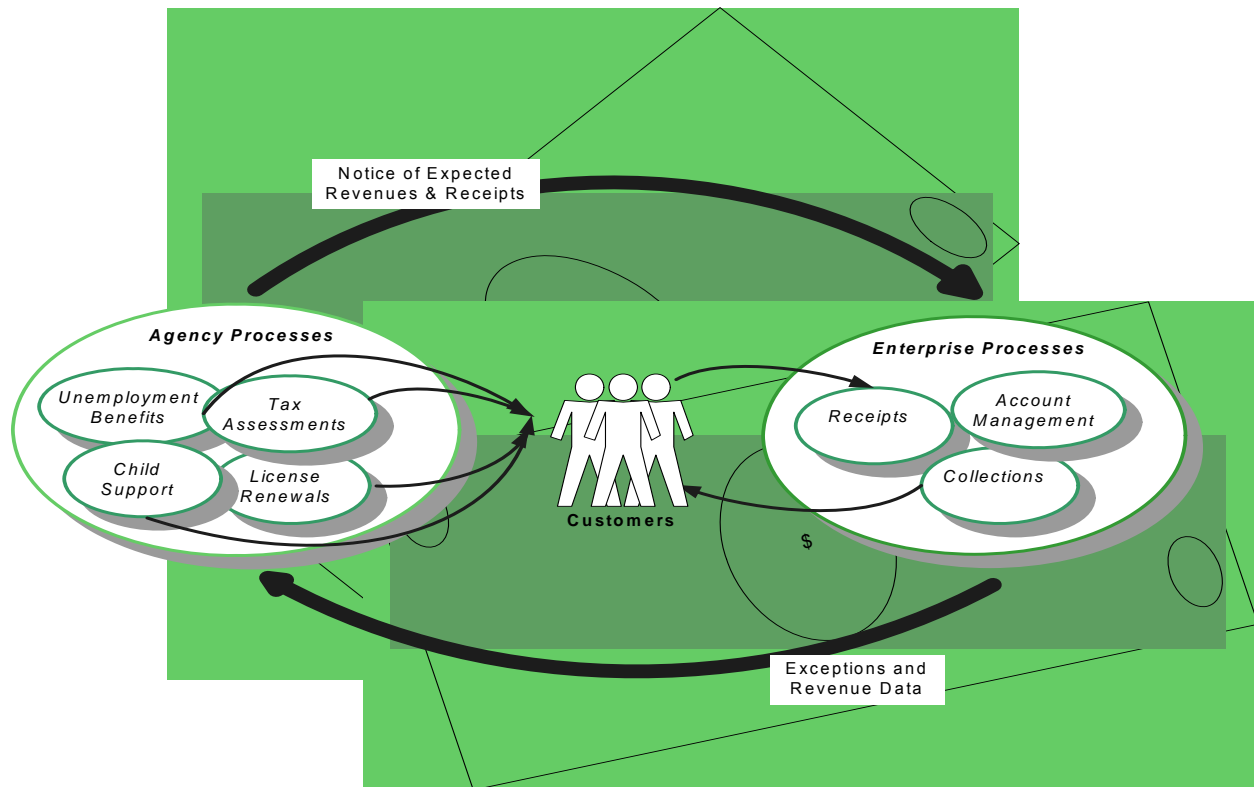


Figure 4 - Revenue Accounting Consolidated & Agency Line of Business Process Diagram

This view reflects the integration and leveraging of agency core business revenue processes with enterprise processes for account management, electronic commerce and other receipt processing, revenue distribution, and collection activities.

The focus group combined these technology and organizational improvements with policy and process improvements recommended in Section 7, Recommended Implementation Strategies, 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 model is labeled as a “Vision in Progress”.

The following components illustrate the could-be process for revenue accounting:

- Business process model – diagram representing the could-be processes for revenue accounting;
- Process narrative to support the proposed process modifications; and
- Component list of the business process model – the Roles, Inputs, Outputs, Events, Data, and Constraints included in the model.

5.1 Could-Be Business Process Model for Revenue Accounting

This model describes a “vision in progress”. Refer to Section 5.2 for a narrative description of the could-be model process steps.

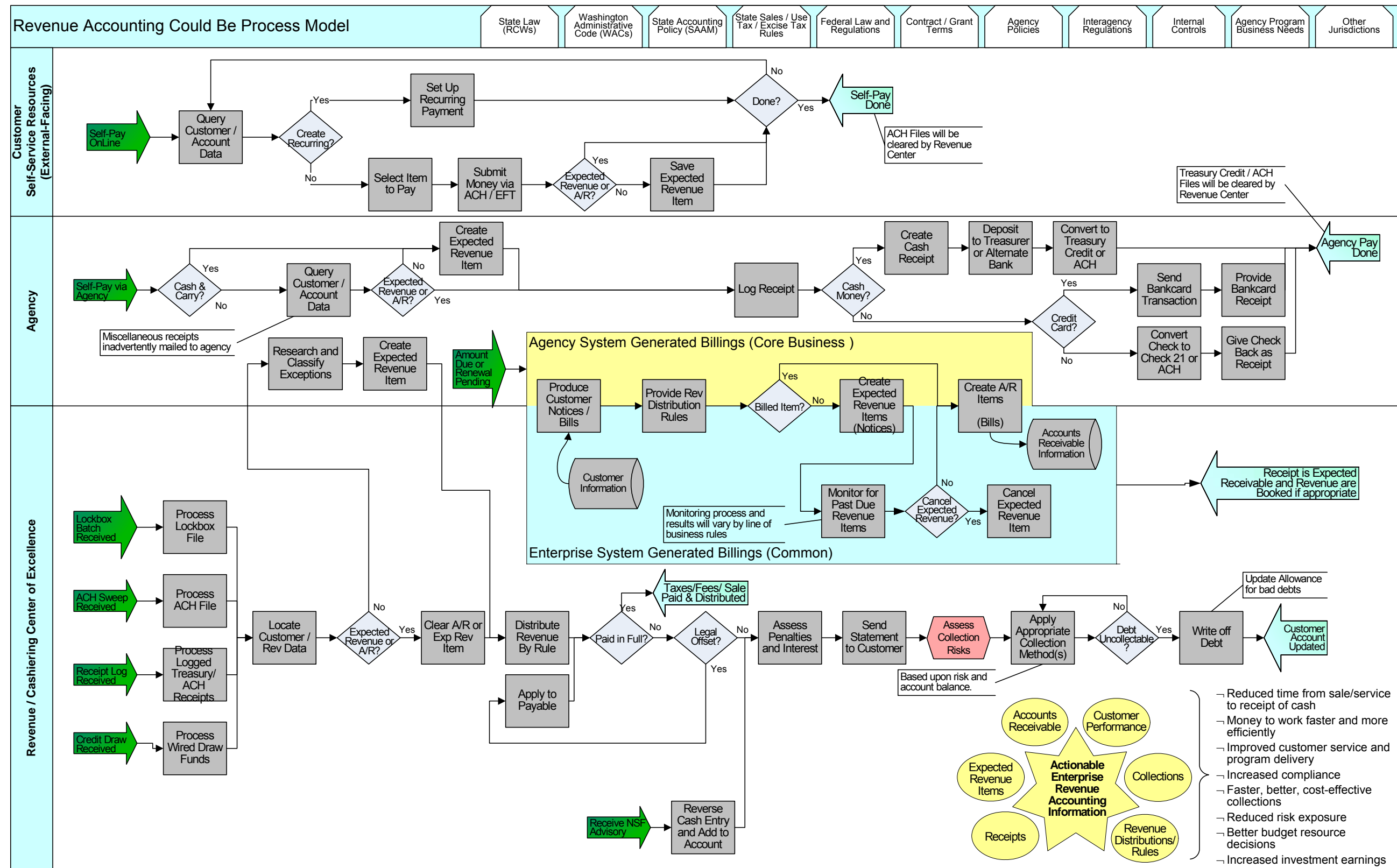


Figure 5 - Could-Be Revenue Accounting Vision

5.2 Could-Be Process Narrative

The following narrative describes the could-be vision proposed by the focus group of agency experts for Washington State revenue accounting. This vision features a single source of customer information linked through a customer identifier (based on a hidden taxpayer identification number or Universal Business Identifier [UBI]) and presented through a customer self-service web portal. In the could-be model, both customers and agency staff use portal capabilities to query account data and select and remit payment for goods and services, fees, assessments, and account balances using current and emerging electronic commerce payment methods.

The model also proposes centralizing cashing, revenue distribution, some billing, and past due account collection activities in an enterprise center of excellence staffed by revenue agency and agency revenue experts. Enterprise revenue distribution and billing and accounts receivable systems, and well as emerging technology for receiving and processing payments, support center of excellence and agency activities.

Notes:

1. Agency revenue and billing systems will interface with the Customer Self-Service Portal and enterprise accounts receivable system. With these interfaces, agencies will make fee, assessment and billing information available to their customers via a single point of contact.
2. The could-be vision allows for the assignment of a customer identifier by an agency on behalf of a recipient.
3. The vision is based on both existing and enhanced banking contracts and capabilities for lockbox and electronic payment processing.

Customer Purchases Services and Makes Payments Online– From the Access Washington website, the customer will be able to link to the Customer Self-Service portal and retrieve or create their customer record by inputting one of several different access keys: name, TIN, Washington customer identification number, or Washington UBI, for example. A customer will arrive at the portal for a variety of reasons including: 1) they are linked to the portal from an online eCommerce purchase transaction at an agency web site, 2) they receive a notice (reminder, invoice, bill or statement received on paper or via email) and follow the “to pay online...” instructions, 3) they sign in to “Access Washington” to conduct some other business and receive a message asking if they would like to pay some of their state bills. (When linking from secure agency systems customers will skip the customer sign-on process.)

The portal will look up all expected fee, assessment, or accounts receivable items for the customer based on information supplied by agency and enterprise revenue, assessment, and account receivable systems. The customer will be able to select other items for payment from a menu based on their profile and a larger catalog of services and assessments. The customer will be able to select multiple items from several different agencies for payment with a single remittance. The portal will create accounting transactions based on customer requests. The customer record will include preferred payment methods and bank routing information, if authorized.

When the user authorizes the payment, enterprise or agency processes will create electronic commerce items for financial institution cash processing. These processes will also create or update agency expected revenue items or accounts receivable balances. They will indicate the services/assessments/accounts paid, payment method, payment amount, and payment receipt date. To the extent possible, payments will be validated to minimize the possibility of insufficient funds. The process will include item identifiers for financial institutions to return with incoming cash. This will facilitate automated matching of deposits with portal transactions and expected revenue items.

Customer Purchases Services and Makes Payment at Agency – When customers initiate cash and carry transactions (for services, assessments or payments on account) at agencies or agencies receive mail in payments directly, agency staff will use Customer Self-Service portal capabilities to post the

expected revenue item or update an account receivable and record the payment on behalf of the customer. Agency staff will ask the customer if they want to pay for any other items listed as outstanding for their record.

Agency staff will use point of sale or other devices to process checks and credit card payments. The devices will create electronic commerce transactions for financial institution cash processing. Agency staff will return cleared checks to the customer, along with relevant receipts. These processes will also create or update agency expected revenue items indicating the services/assessments/accounts paid, payment method, payment amount, and payment receipt date. To the extent possible, payments will be validated to minimize the possibility of insufficient funds. The process will include item identifiers for financial institutions to return with incoming cash. This will facilitate automated matching of deposits with portal transactions and expected revenue items.

When the customer presents cash for payment, agency staff use the Customer Self-Service portal to create or update agency expected revenue items indicating the deposit date for the cash with the Treasury. The process will use the deposit date and amount to reconcile the cash posted in the Treasury systems to the expected revenue items.

Amount Due or Renewal or Self Assessment Pending – First notices and bills such as driver license renewals will be sent from agency systems. These systems will also produce expected revenue items displayed via the customer self service portal and cleared by inbound Treasury deposit, credit card, and automated clearing house cash transactions and credit draws. Agencies may also send expected revenue or account receivable transactions to an enterprise billing and account receivable system for formatting, electronic distribution, and posting to customer accounts.

Interagency bills and receivables will be processed through the enterprise account receivable system. Agencies will be able to accept or question the amounts billed through the system.

Customer Makes Remittance to Lock Box – For agencies that accept payments via lockboxes, the processing contracts will require the conversion of submitted turnaround documents to agency expected revenue items. Lock box processors will deposit the remittance amount into the appropriate bank account with linking item identifiers. For remittances without turnaround documents, the lock box processor will create suspense items that include relevant data from the envelope, enclosures, and check face. Additionally, lock box contracts will require imaging of all associated paper forms for these suspended items. Processors will route balanced payment files to the Treasury and transaction files to the revenue center of excellence.

Process Cash Receipts – Revenue center processes will match expected revenue and account receivable items with Treasury deposit, credit card, and automated clearinghouse cash transactions and credit draws based on item identifiers. These processes will clear matching items or groups of items and flag cash receipt exceptions. The processes will also identify expected revenue items for which cash transactions have not been received within a period of time specified by business rules.

Exceptions will be routed to revenue center or agency staff based on business rules. Staff will use customer, transaction, and payment source information, as well as images for lock box payments without turnaround documents to research and update the cash transaction for matching.

A similar process in reverse will address non-sufficient funds and other debit transactions from the Treasury or banking institution. Penalties and interest will be added according to established business rules and the customer's account will be updated. Revenue center processes will generate notices to the customer as specified by business rules.

Distribute Revenue by Rule – Revenue center processes will distribute revenue and other collections to state agencies based on coding associated with the expected receipt or account receivable transaction. The distribution processes will occur as the inbound cash clears the outstanding item and include a funds available date based on business rules. The process will notify receiving entities of the availability of the funds by date and create accounting entries reflecting the movement of funds or payment requests when necessary.

Collection of Overdue Items – Revenue center processes will use customer information to identify

Roadmap

EBPDM – Revenue Accounting Value Proposition

Updated: August 2, 2006



potential offsets for overdue amounts. These processes will access items scheduled for payment by enterprise accounts payable processes and determine whether to offset the payable by the overdue amount based on business rules. If allowable, revenue center processes will update the payable transaction with a net collection and post it to the customer account. These processes will distribute the amounts collected based on the distribution rules for the original expected revenue or account receivable item.

Revenue center processes will generate second and third notices for certain expected revenue items and account receivable balances based on business rules. Penalties and interest will be applied to balances on a periodic basis or upon request. These processes will use rules to cancel other outstanding items or route them as pending cancellation for agency review.

Revenue center processes and staff will initiate collection activities for aged expected revenue and account receivable amounts using the most effective practices for the customer profile. These might include payment plans, case worker contact, wage garnishment, liens and probate attachments. Revenue center staff may route certain overdue accounts to the Attorney General's office for collection via the court system. Profile information will also flag customers for additional risk assessment on future transaction requests based on collections history.

Write-off of Uncollectible Items – Revenue center processes will identify customer account balances for write-off based on rules that might include item type, age, amount, and profile. Again, based on business rules, the processes will route pending write-off items to revenue center and agency staff for review and approval.



5.3 Could-Be Revenue Accounting Components

Roles /Entities	Inputs	Outputs	Events	Data	Constraints
<p><u>Agency</u></p> <ul style="list-style-type: none"> • Cashier (for front desk and infrequent mail-in receipts) • Revenue exception researcher • Program managers <p><u>Revenue Center</u></p> <ul style="list-style-type: none"> • Cashier • Revenue agent • Receivable / collections agent <p><u>Customers</u></p> <ul style="list-style-type: none"> • Cash & Carry • Self Assessed • Web visitors • Bill/Invoice payers <p><u>Other</u></p> <ul style="list-style-type: none"> • Treasury staff 	<ul style="list-style-type: none"> • Invoice • Credit Memo • Receipts • Payment Backup Information • Customer Information • NSF Checks 	<ul style="list-style-type: none"> • Invoices • Bank Deposits • Statements • Collection Letters • Accounting Transactions • Loan / Contract Payment Schedule • Expect revenue items • Distributed bills 	<p><u>Revenue Center</u></p> <ul style="list-style-type: none"> • Receive payments by mail and over the web • Apply receipt to item • Send bill, invoice or statement • Distribute revenue by rule • Convert check to electronic ACH • Send unanticipated receipt to agency for research • Collect debt and write off uncollectible • Notifications of NSF Checks <p><u>Agency</u></p> <ul style="list-style-type: none"> • Receive payments via walk-in and through agents • Research unanticipated receipt <p><u>Both</u></p> <ul style="list-style-type: none"> • Look up customer account • Record new expect-ed revenue item • Record new accounts receivable 	<ul style="list-style-type: none"> • Customer info • Revenue distribution rule • Expected revenue item • Account receivable item • Account Coding Rule • Invoice info • Statement info 	<p><u>Unlikely to be changed</u></p> <ul style="list-style-type: none"> • Federal Law and Regulations • Agency & Other Jurisdiction Program Business Needs • State Sales / Use / Excise Tax Rules <p><u>Might be changed</u></p> <ul style="list-style-type: none"> • State Laws (RCWs) • Washington Administrative Code (WACs) • State Accounting Policy (SAAM) • Contract / Grant Terms • Agency Policies • Interagency Policies • Internal Controls

6 Recommendations, Value Proposition, and Performance Measures

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. This section summarizes the significant changes identified by the revenue accounting focus group, 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 revenue accounting business objectives.

6.1 Proposed Policy, Process, Organizational, and System Recommendations

The following sections present the policy, process, organizational and system changes recommended by the revenue accounting focus group and the business value expected from each change. The recommendations 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 recommendation, recommend policy revision language, if necessary, and support an executive level decision to move forward.

More details on each recommendation can be found in Section 7- Recommended Implementation Strategies.

The recommendations are organized around four broad categories:

1. **Payment Method and Collections Reform** – The strategic transformation of state law and policy to facilitate receipt and collection of amounts due to the state based on proven best practices.
2. **Electronic Commerce** – The universal adoption of electronic commerce technologies to support efficient and effective business interactions.
3. **Revenue Center of Excellence** – The delivery of efficient, cost-effective revenue accounting business services to generate incremental increases in state revenues.
4. **Account Management** – The effective utilization of the data the state collects about its customer community to improve business relationships and cross-agency service delivery.

More details on each recommendation can be found in Recommended Implementation Strategies.

6.1.1 Payment Method and Collections Reform Recommendations

This section summarizes the policy/process and organizational recommendations for payment method and collections reform.

Proposed Recommendation	Expected Business Value
<p>1. Institute payment reform.</p> <p>Policy/Process: 1) Empower the state to accept all forms of payment; 2) Authorize and require penalties for non payment that cover costs of collection; 3) Authorize interest charges on amounts past due from other governments; 4) Expand options for offsetting amounts due against amounts owed to customers; and 5) Grant authority for the state to consistently garnish wages, place liens against property, and withhold both related and unrelated services for nonpayment.</p> <p>Organizational: Establish governance structure empowered to oversee effective transformation of revenue accounting policy and practice across agencies.</p>	<ul style="list-style-type: none"> • Better, easier to understand processes for customers and agencies • Better business relationships with customers • Increased working capital through improved and standardized processes and polices • Reduced risk exposure • Increased compliance • More cost effective collections • More cost effective technology solutions

6.1.2 Electronic Commerce Recommendations

This section summarizes the policy/process and system recommendations for universal adoption of electronic commerce.

Proposed Recommendation	Expected Business Value
<p>2. Enable customer self-service and electronic commerce.</p> <p>Policy/Process: 1) Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its customer community; and 2) Negotiate low/no fee electronic payment service options based on enterprise volumes.</p> <p>System: 1) Create an enterprise payment portal for customer self-service submission of payments and access to invoices and data about their transactions with the state; and 2) Enable real-time interaction between the portal, receipting, and line of business systems.</p>	<ul style="list-style-type: none"> • Better business relationships with customers • Faster, better payment processing for customers and the state • Increase investment earnings

6.1.3 Revenue Center of Excellence Recommendations

This section summarizes policy/process, organizational and system recommendations for efficient and effective adoption of a shared services model for targeted revenue accounting activities.

Proposed Recommendations	Expected Business Results
<p>3A. Create a revenue center of excellence.</p> <p>Organizational: Centralize responsibility and authority for Washington’s revenue accounting policies, systems, data, and targeted business processes such as electronic commerce processing, mail-in cashiering, revenue distribution, receivables management and collections within a revenue center of excellence.</p> <p>Policy/Process: 1) Require the center of excellence to establish service level agreements with agencies to ensure quality services are measured and delivered; and 2) Require agency participation in the services as they become available.</p>	<ul style="list-style-type: none"> • Incremental increases in state revenues • Improved service delivery to citizens, through more agency focus on core missions, strategic plans, and customers • Faster, better business processes, measured and monitored against service level agreements • Faster results from Roadmap revenue accounting business process improvements • Improved customer relations • Reduced credit risk exposure
<p>3B. Adopt enterprise lock-box standards and practices</p> <p>Policy/Process: Contract with professional lock-box processor for the enterprise to receive, digitize, and image payments and turnaround documents, deposit cash into state accounts, create suspense accounts for remittances without turnaround documents, and transmit remittance information.</p> <p>Organizational: Centralize management of lock-box payment and transaction files within the recommended revenue center of excellence.</p>	<ul style="list-style-type: none"> • Put money to work faster and more efficiently • Faster, better, cost-effective revenue collection • Reduced risk exposure • Increased enterprise negotiating power for lower cost banking services
<p>3C. Implement integrated revenue accounting systems.</p> <p>System: Implement enterprise information systems that integrate customer information, acceptance of electronic payments, loan servicing, and accounts receivable/cashiering management business processes and data to support the policy and process improvements recommended for revenue accounting.</p>	<ul style="list-style-type: none"> • Better information for better decisions for better results <ul style="list-style-type: none"> - Timely, accurate financial status reports for programs - Make better budget resource decisions • Faster, better business processes • Improved accountability • Increased working capital • Improve customer service and program delivery • Reduced risk through 100% validation for compliance with business rules • Reduced investments in agency shadow systems

6.1.4 Account Management Recommendations

This section summarizes policy/process, organizational, and system recommendations for improving customer and business partner revenue account management.

Proposed Recommendations	Expected Business Results
<p>4. Enhance customer information management.</p> <p>Policy/Process: 1) Establish universal customer identifiers linked to line of business systems to improve customer service and coordinate state services; and 2) Adopt enterprise customer performance rating standards, policies, and processes to improve cross-agency service delivery and standardize risk evaluation, collection referral, and write-offs.</p> <p>Organizational: Centralize management of customer information and relationships within the recommended revenue center of excellence.</p> <p>System: 1) Update agency systems to include the identifier; 2) Provide consolidated customer information to support enterprise revenue accounting business processes while appropriate business owners maintain specific data; and 3) Enable customers to purchase services, make self assessments, and pay on account through the customer self-service portal.</p>	<ul style="list-style-type: none"> • Improved customer relations • Increased compliance • Better information for better decisions and better results • Faster, better, cost-effective collections • Reduced risk exposure through reduced likelihood the state will continue to do business with poor performing customers • Increased revenues through improved compliance monitoring

6.2 Value Proposition

Best practices research indicates that effective management of revenue and receivables presents opportunities for agencies to achieve strategic advantage through improvements in customer service, cash management and reduction in costs.⁴ Implementing policy, organizational changes and enterprise systems based upon best practices will help the State of Washington to:

- Reduce time from sale/service to receipt of cash;
- Put money to work faster and more efficiently;
- Improve customer service and program delivery;
- Increase revenues incrementally due to improved compliance and collection;
- Collect outstanding amounts due faster and more cost-effectively;
- Reduce credit risk exposure;

⁴ “Better Practice Guide – Management of Accounts Receivable”, Commonwealth of Australia, December 1997

- Make better budget resource decisions;
- Increase enterprise negotiating power for lower cost banking services; and
- Increase investment earnings.

System modernization is a key enabler for revenue accounting transformation, but to be effective this must be implemented together with organizational, process and policy changes. System improvements include enterprise revenue accounting system integration, automation of debt collection processes, and the statewide use of electronic commerce.

Policy and process reformation, such as implementing a universal customer identifier and adopting standard credit risk evaluations, collection referral, and write-off policies is essential to cross-agency standardization, risk mitigation, improved customer service, and enterprise-wide information sharing.

Organizationally, private sector, and more recently public sector organizations have reduced costs while improving services through consolidating and centralizing finance functions, such as accounts receivable, into “centers of excellence”. This type of organizational re-structuring represents a large cultural change for the state, but studies suggest that benefits quickly outweigh the disruption, new ways of working are quickly institutionalized, and corporate culture will adapt and evolve.⁵

These changes will assist the enterprise in achieving administrative efficiencies and creating a more agile and responsive government that benefits all citizens. However, measuring the net benefit against the cost of these policy, process, organizational, and system modifications is often difficult. Best practices research, however, indicates that measurable savings do accrue to entities making these types of changes. More specifically, best practices research shows that enterprise level changes in the revenue accounting business processes:

- Save dollars by making online billing and payment options available;
- Improve the image of the state as a more sophisticated and professional organization;
- Improve the predictability of revenue cash flow, leveraged to raise investment income and reduce borrowing expenses;
- Increase end-to-end visibility into receivables transactions in order to deliver actionable information for cash management;
- Improves voluntary customer compliance;
- Increase customer satisfaction by simplifying the payment process and provide monetary benefits from quicker payment and fewer accounts going to collections; and
- Allow agencies to consider a business partner’s enterprise-wide credit history in any decision to grant that customer credit for a product or service purchase or demand payment at the time of delivery.

When enterprise-wide data is standardized and data collection is increased, program managers and collections professionals will have a rich store of information about customers, enterprise receivables balances, debtors, and working capital. This data can be analyzed to help inform policy decisions and better serve Washington citizens. The types of questions that can be answered include:

⁵ “Shared Services in Government – Turning private-sector lessons into public-sector best practices”, AT Kearney, 2005

- How can the state increase standardization and reduce revenue generation costs to increase working capital and value without impacting service delivery?
- How can the state increase investment income by faster translation of cash receipts into available funds and more accurate cash receipt estimates?
- What are the characteristics of the states debtors?
- Which types of collections are the most effective for the state?
- Where should the state target audit and fraud detection?

When the proper tools are in place information can be managed proactively to impact larger statewide service delivery performance initiatives. A couple of examples:

Companies are relying heavily on bank lockbox providers to help streamline receivables management. In the current economy, reducing payment exceptions and resolving invoice disputes is a strategic issue, saving millions of dollars and substantial personnel time that companies spend annually on resolution, payment errors and invoice disputes.⁶

In the private sector, although the same potential benefits exist in the public sector, shared services can significantly improve cost performance, typically saving 5 to 15 percent, and as much as 20 percent. Other benefits include improved services and service delivery, organization credibility and a more effective use of resources.⁷

6.3 Performance Measures

The focus group identified key performance indicators to measure the results of implementing their vision for revenue accounting:

- Average time from sale/service to receipt of cash (for targeted lines of business);
- Percent of customers reporting excellent service;
- Percent of invoices sent electronically to customers;
- Percent of electronic receipts;
- Working capital turnover rates;
- Debtors by aged group as a percent of the total debt; and
- Debt written off as a percent of total debt.

The metrics help to target implementation and operational efforts towards progress in achieving the overall goals and objectives identified in the value proposition. The following table maps the focus groups' suggested metrics to the stated business objectives for revenue accounting, to create a framework for performance measurement under the "could-be" model:

⁶ Srivastava, Sanjay, "Deriving Greater Value from Lockbox Processing", www.gtnews.com, May 2006

⁷ "Shared Services in Government – Turning private-sector lessons into public-sector best practices", ATKearney, 2005

Business Objective	
Metric	Proposed Source
Receive the money	
<ul style="list-style-type: none"> ▪ Average time from sale/service to receipt of cash (for targeted lines of business) 	<ul style="list-style-type: none"> ▪ Accounts receivable system ▪ Line of business systems
Put the money to work	
<ul style="list-style-type: none"> ▪ Working capital turnover rates ▪ Percent of electronic receipts 	<ul style="list-style-type: none"> ▪ Accounts receivable system ▪ Financial reporting system ▪ Enterprise customer self-service portal
Manage customer accounts	
<ul style="list-style-type: none"> ▪ Percent of customers reporting excellent service ▪ Percent of invoices sent electronically to customers ▪ Debtors by aged group as a percent of the total debt ▪ Debt written off as a percent of total debt 	<ul style="list-style-type: none"> ▪ Enterprise customer self-service portal ▪ Accounts receivable system ▪ Line of business systems

These metrics require further analysis during the preparation of the feasibility study(s) for proposed policy and system changes. Implementing the metrics will necessarily begin with a period to establish a baseline against which to measure progressive improvement using tools designed and developed for this purpose.

7 Recommended Implementation Strategies

Focus group members recognize that the recommended changes 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 recommendation:

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 recommendation.
 - a. Validate the *Roadmap* focus group recommendation in light of the information collected during step 1.
 - b. If the recommendation appears to be feasible, evaluate various implementation 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 recommendation in more detail, including specific implementation steps recommended by the focus groups, beyond the general approach outlined above.

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

1. Payment method and collections reform;
2. Electronic commerce;
3. Revenue Center of excellence; and
4. Account management.

7.1 Implementation Strategies for Payment Method and Collections Reform

The following recommendations focus on strategic transformation of state law and policy to facilitate receipt and collection of amounts due to the state based on proven best practices

<p>1. Recommendation – Institute payment method and collections reform.</p>	
<p>Policy/Process:</p> <p>Institute payment method and collections reform legislation that would:</p> <ul style="list-style-type: none"> ○ Empower the state to accept all forms of payment; ○ Authorize and require penalties for non payment that cover costs of collection; ○ Authorize interest charges on amounts past due from other governments; ○ Expand options for offsetting amounts due against amounts owed to customers; ○ Grant authority for the state to consistently garnish wages, place liens against property, and withhold both related and unrelated services for nonpayment. <p>Organizational: Establish governance structure empowered to oversee effective transformation of revenue accounting policy and practice across agencies.</p>	
<p>Current Policy</p>	<ul style="list-style-type: none"> • State law restricts the ability of agencies to absorb bank card fees; example: RCW 46.01.235 requires the Department of Licensing and its agents to charge a convenience fee when payment is made by debit or credit card for licensing of drivers, the issuance of identicards, and vehicle and vessel titling and registration. The law specifies that the fee must be “sufficient to offset the charges imposed on the department and its agents and subagents by credit and debit card companies”. • RCW 43.41.180 authorizes OFM to approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible and requires agencies to seek approval; SAAM 40.20.20 requires submission and approval of an economic feasibility study for all new pilot or permanent applications that would accept electronic payments. • RCW 43.17.240 and SAAM 85.54.50.c require agencies to assess interest of one percent per month on past due receivables in accordance with, except when: <ul style="list-style-type: none"> - Charging interest conflicts with the provisions of a contract, or other law, - The debt is to be paid by other governmental unit, or - Interest is waived based upon rules adopted by OFM in WAC 82-06 • State legislation requires specific penalties and fines for some types of debt. Example: Retirement System member accounts are assessed interest at 8%, per RCW 41.50.125. When additional legal remedies (as permitted under RCW 41.50.135 and RCW 41.50.136) such as a claim made on an estate or a lien placed upon real or personal property, the interest rate assessed on the member account is 12%. • State law allows offset of payables against receivables in only a few instances; example: RCW 74.20A.270(9) allows DSHS to offset support amounts due against some benefit payments.

<p>Problems With Current Policy</p>	<ul style="list-style-type: none"> • The state is lagging behind the private sector in adoption of electronic commerce • Payment method restrictions and convenience fees inhibits realization of electronic commerce benefits by limiting the customers ability to pay for services • The state is missing opportunities to collect on revenues due the state by not adopting best practice collection, penalty and offset policies and procedures • Only one-third of the focus group agencies indicated they routinely charged interest and fines on past due customer accounts in their response to the Agency Variances survey • Agencies do not generally feel they have the legal authority to offset payments due against amounts payable to the same customer • Fines and penalties assessed by some agencies are not sufficient to cover the costs of collecting past due debt • Agencies cannot charge interest on the amounts past due from local and federal government units (Approximately 25 percent of the \$8 billion of accounts receivable due the end of FY05 was from local and federal governments; the portion past due is not reported at the state level) • Current legal payment and collections method provisions for some lines of business are overly complex, resulting in increased costs to automate business processes
<p>Benefits</p>	<ul style="list-style-type: none"> • Better, easier to understand processes for customers and agencies • Better business relationships with customers • Increased working capital through improved and standardized processes and polices • Reduced credit risk exposure • Increased compliance • More cost effective collections • More cost effective technology solutions
<p>Impacts & Concerns</p>	<ul style="list-style-type: none"> • Statutory reform will require vision and leadership • Successful statutory reform is a precursor for implementation of the process improvement and electronic commerce tools needed to complete the Roadmap vision for receivables management
<p>Implementation Strategy Steps</p>	<ul style="list-style-type: none"> • Include in analysis: <ul style="list-style-type: none"> - Compare and contrast electronic payment strategies, costs and limitations - Define Washington’s corporate values for collections, penalties, interest, write-offs and offsets

7.2 Implementation Strategies for Electronic Commerce

Recommendations in this section focus on the universal adoption of electronic commerce technologies to support efficient and effective business interactions.

2. Recommendation – Enable customer self-service and electronic commerce.	
<p><u>Policy and Process:</u></p> <ul style="list-style-type: none"> ○ Leverage Washington State’s electronic commerce laws to enable electronic commerce between the state and its customer community. ○ Negotiate low/no fee electronic payment service options based on enterprise volumes. <p><u>System:</u></p> <ul style="list-style-type: none"> ○ Create an enterprise payment portal for customer self-service receipt, submission of payments, and access to invoices and data about their transactions with the state. ○ Enable real-time interaction between the portal, receipting and line of business systems. 	
Current Policy	<ul style="list-style-type: none"> • Customers have limited, if any, self-service access to their registration, invoice, or payment data • Customers must deal with each agency’s unique revenue accounting staff, policies and processes • Some agencies have developed electronic commerce capabilities but are hindered by costly service fees
Problems With Current Policy	<ul style="list-style-type: none"> • Agencies spend significant time and effort responding to customer inquiries • Customers cannot easily access data about the status of their state transactions • Processes are primarily paper based and error prone • The state cannot offer its customers the same convenient, reliable electronic interactions they use with many other businesses
Benefits	<ul style="list-style-type: none"> • Better business relationships with customers • Faster, better business processes for customers and the state • Put money to work faster and more efficiently • Increased investment earnings
Impacts & Concerns	<ul style="list-style-type: none"> • Need to work with customer communities to ensure new processes and policies will meet their needs
Implementation Strategy Steps	<ul style="list-style-type: none"> • Establish outreach program to promote benefits to customers and other external business partners • Form statewide task force to develop strategies for leveraging electronic commerce laws; validate that law supports enterprise strategies and propose amendments if necessary • Define requirements and enterprise business policies for:

2. Recommendation – Enable customer self-service and electronic commerce.	
	<ul style="list-style-type: none"> - Electronic customer invoices - Electronic receipts - Customer access to information about their transactions, invoices, payments, etc. • Provide incentives for customers to participate and hold customers responsible for the quality of their data • Provide flexible electronic commerce tools to support varying levels of technical capability • Negotiate low/no fee service options

7.3 Implementation Strategies for Revenue Center of Excellence

Recommendations in this section focus on delivery of efficient, cost-effective revenue accounting business services to generate incremental increases in state revenues.

3A. Recommendation – Create a revenue center of excellence.	
<p>Organizational: Centralize responsibility and authority for Washington’s revenue accounting policies, systems, data, and targeted business processes such as customer information management, mail-in cashing, revenue distribution, receivable management, and collections within a technology-enabled revenue center of excellence staffed by revenue experts.</p> <p>Policy/Process:</p> <ul style="list-style-type: none"> ○ Require the center of excellence to establish service level agreements with agencies to ensure quality services are measured and delivered. ○ Require agency participation in the services as they become available. 	
Current Policy	<ul style="list-style-type: none"> • Each agency operates largely as an independent business, with some oversight by and assistance from central services • High volume revenue agencies have developed outstanding revenue accounting tools and expertise • Agencies adopt their own penalties and collections policies and procedures within the limits established by federal and state law and policies • Many agencies operate their own systems to supplement functionality provided within enterprise financial and administrative systems • Accounts receivable are managed by staff in almost every agency, in either centralized or decentralized locations
Problems With Current Policy	<ul style="list-style-type: none"> • Many agencies lack the tools and expertise they need to effectively and efficiently manage billing, receipting and collections processes • Time spent on transaction processing detracts from the ability of high volume revenue agencies to manage their operations strategically • Multiple points of contact and inconsistent practices make it difficult to present

3A. Recommendation – Create a revenue center of excellence.	
	<p>a single face of government to the state’s customers</p> <ul style="list-style-type: none"> • Unreliable and inconsistent data from too many processes and systems
Benefits	<ul style="list-style-type: none"> • Incrementally increased state revenues for program service delivery • Better information to support working capital investment decisions • Improved service delivery to citizens – agencies will be able to focus more resources on their core missions, strategic plans and customers • Faster, better business processes – results will be measured and monitored against service level agreements • Faster results from <i>Roadmap</i> revenue accounting business process improvements • Improved customer relationships – through single point of contact and consistent business practices • Reduced risk exposure – professional management of centralized revenue accounting business processes will increase attention to high risk areas
Impacts & Concerns	<ul style="list-style-type: none"> • Implementation of a revenue center of excellence would create significant organizational change management challenges; however the overall impact may be lower than implementing new processes and systems in many different locations and organizational units • Technology is a key enabler for effective shared services operations • Salaries for center of excellence employees will need to be sufficient to retain highly skilled, motivated professionals
Specific Implementation Strategy Steps	<ul style="list-style-type: none"> • Identify one or more of the current revenue agencies to lead the transition • Manage the revenue center of excellence as an extension of current revenue agency operations, staffed by agency revenue experts and organized strategically to allow for effective and efficient processing of the state’s cash receipts, revenue, and ongoing collections • Negotiate service level agreements and metrics • Pilot the processes and adjust as necessary before a phased statewide roll-out

3B. Recommendation – Adopt enterprise lockbox standards and practices	
<p>Policy/Process: Contract with a professional lock-box processor for the enterprise to receive, digitize, and image payments and turnaround documents, deposit cash into state accounts, create suspense accounts for remittances without turnaround documents, and transmit remittance information.</p> <p>Organizational: Centralize management of lock-box payment and transaction files within the recommended revenue center of excellence.</p>	
Current Policy	<ul style="list-style-type: none"> • Agencies adopt collections/cashiering processes and procedures to meet the agency needs • Receipts are sent directly to agency account receivable systems for processing
Problems With Current Policy	<ul style="list-style-type: none"> • High costs due to significant duplication of effort and inefficiencies within and across agencies • Unreliable and inconsistent data from too many processes and systems
Benefits	<ul style="list-style-type: none"> • Improved service delivery to citizens – agencies will be able to focus more resources on their core missions, strategic plans and customers • Faster, better business processes – results will be measured and monitored against service level agreements • Increased working capital for state programs • Reduced risk exposure – professional management of centralized lockbox and cashiering business processes will ensure appropriate attention to high risk areas • Increased enterprise negotiating power for lower cost banking services
Impacts & Concerns	<ul style="list-style-type: none"> • Imaging, or digitizing, receipts, turnaround documents and/or additional papers/envelopes is essential for quick resolution of suspended items. • Historically, the cost of professional lock-box processors has minimized adoption for agencies
Specific Implementation Strategy Steps	<ul style="list-style-type: none"> • Analyze cost benefits for utilizing a lock-box service. There are a variety of implementation strategies to evaluate: <ul style="list-style-type: none"> ○ Outsourced lock-box service ○ Expand and transform an existing agency in-house lock-box solution to an enterprise-wide solution • Negotiate contract, service level metrics, and agreements with a professionally managed lock-box processor

<p>3C. Recommendation – Implement integrated revenue accounting information systems.</p>	
<p>System: Implement enterprise information systems that integrate customer information, acceptance of electronic payments, loan servicing and accounts receivable/cashiering management business processes and data to support the policy and process improvements recommended for revenue accounting.</p> <p>Best practice research indicates that system modernization is a key enabler for the other revenue accounting recommendations</p>	
<p>Current Policy</p>	<ul style="list-style-type: none"> • No enterprise systems are available to manage customer information, acceptance of electronic payments, loan servicing and accounts receivable/cashiering management business processes, let alone end to end revenue accounting business processes • 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) • Most agencies make do with available statewide systems, Excel and Access • Receivables are usually recorded in AFRS and reconciled once a year
<p>Problems With Current Policy</p>	<ul style="list-style-type: none"> • The state generally lacks reliable data to manage customer performance or support effective cash management decisions • For many agencies, state and agency systems are too fragmented, siloed, and inflexible to support adoption of best business practices • It is expensive for the state to develop and operate duplicative agency systems
<p>Benefits</p>	<ul style="list-style-type: none"> • Better information for better decisions for better results <ul style="list-style-type: none"> - Timely, accurate cash receipt projections - Improved budget resource decisions • Faster, better business processes • Improved accountability • Increased working capital • Improved customer service and program delivery • Reduced risk through 100% validation for compliance with business rules • Reduced investments in agency shadow systems
<p>Impacts & Concerns</p>	<ul style="list-style-type: none"> • The scope of the proposed change is very large • Requiring use of enterprise systems and data standards would involve a significant cultural shift • Effective integration with agency line of business billing and tax management systems is essential

3C. Recommendation – Implement integrated revenue accounting information systems.	
	<ul style="list-style-type: none"> • Impact on agency mission critical systems and interfaces will be significant
Specific Implementation Strategy Steps	<ul style="list-style-type: none"> • In collecting stakeholder input on detailed requirements, emphasize the importance of implementing standard business processes across the enterprise wherever possible to minimize customizations and maximize ROI from the technology investment • Acquire system(s) that best fit the <i>Roadmap</i> vision for Washington State • Configure system to incorporate <i>Roadmap</i> vision and best business practices • Configure the system(s) in a pilot setting, then adjust the configuration as necessary to improve standard business processes before rolling out statewide

7.4 Implementation Strategies for Account Management

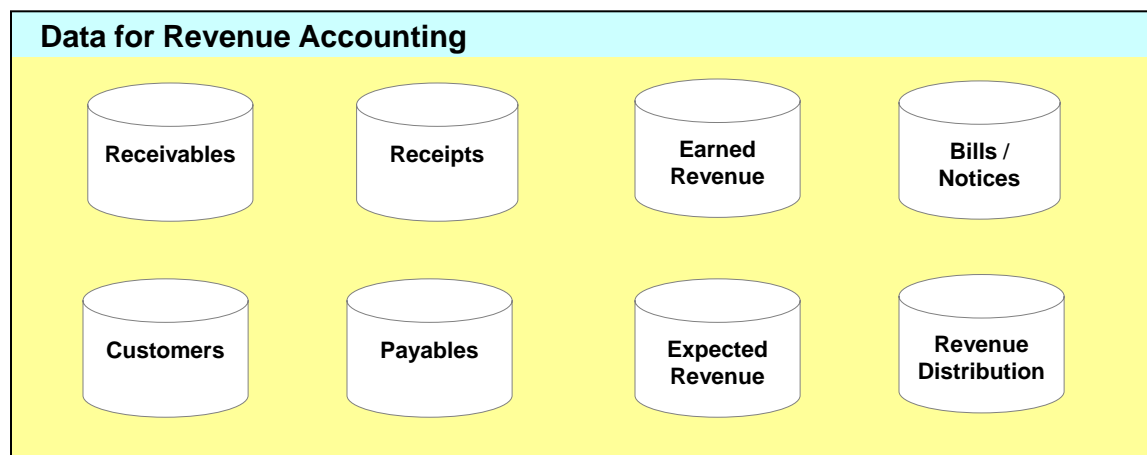
The following recommendations focus on effective utilization of the data the state collects about its customer community to improve business relationships and cross-agency service delivery.

4. Recommendation – Enhance customer information management.	
<p>Policy/Process: Establish universal customer identifiers linked to line of business systems to improve customer service and coordinate state services; and Adopt enterprise customer performance rating standards, policies and processes to improve cross-agency service delivery and standardize credit risk evaluation, collection referral, and write-offs.</p> <p>Organizational: Centralize management of customer information and relationships within the recommended revenue center of excellence.</p> <p>System:</p> <ul style="list-style-type: none"> ○ Update agency systems to include the identifier. ○ Provide consolidated customer information to support enterprise revenue accounting business processes while appropriate business owners maintain specific data. ○ Enable customers to purchase services, make self-assessments, and pay on account through the customer self-service portal. 	
Current Policy	<ul style="list-style-type: none"> • Information about Washington’s customers is held in dozens of locations managed by many different organizations within the state • Each customer can have multiple identification numbers • Customer performance is managed at the line or business or agency level with limited cross-agency credit risk evaluations • Agencies adopt their own penalty, collections and write-off policies and procedures within the limits established by federal and state law and policies
Problems With Current Policy	<ul style="list-style-type: none"> • The state cannot manage its customers as a corporate asset • Agencies have no way of knowing about a customer’s performance with other

4. Recommendation – Enhance customer information management.	
	agencies when making business decisions
Benefits	<ul style="list-style-type: none"> • Improved customer relations • Increased compliance • Faster, better, cost-effective collections • Improved cross-agency service delivery • Better information for better decisions and better results • Increased compliance • Reduced credit risk exposure <ul style="list-style-type: none"> - Centralized management of customer performance reduces likelihood the state will continue to do business with a poor performing customers • Increased sales tax revenues through improved compliance monitoring
Impacts & Concerns	<ul style="list-style-type: none"> • Identifying a unique identifier for customers ranging from citizens and businesses to other governmental agencies (local and county governments) will be challenging • Migration to enterprise customer management will involve significant cultural change • The customer identifier and vendor identifier would be linked, when a business or individual is both a user and supplier of state services (to enable offsetting of amounts due against amounts owed) • Maintenance of enterprise customer performance management information may raise public disclosure issues
Implementation Strategy Steps	<ul style="list-style-type: none"> • Promote customer records as a shared and valuable resource • Define enterprise customer management polices: <ul style="list-style-type: none"> - Establish smart customer identifier to accommodate the universe of existing and future customers - Require agencies to use the universal customer identifier and modify the respective systems if necessary • Coordinate technical aspects of the proposed solution with the Integration Architecture Committee

8 Proposed Candidates for Enterprise Data Standards

Implementation of the could-be vision provides opportunities for data standardization. Following is a view of revenue accounting related enterprise data entity candidates:



Definitions for these candidate enterprise entities follow:

Receivables	Information about customer accounts receivable, including the data necessary to age the receivable for application of penalties and interest and refer the receivable to the enterprise collections process.
Receipts	Information on monetary receipts from customers and associated bank processing, including point of sale and other electronic commerce, check, and cash receipts.
Earned Revenue	Information on assessments and fees acknowledged by customers and earned by the state.
Bills/Notices	Individual bills and notices for customer accounts booked by all agencies.
Customers	Data on customers including address and contact information.
Payables	Information on items payable to customers (for identifying potential offsets).
Expected Revenue	Information about expected assessments or fees from customers. Unlike accounts receivable they do not carry a legal expectation of payment.
Revenue Distribution	Information on distribution rules to be processed upon revenue receipt.

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 revenue 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.

9 Conclusion and Next Steps

The next step for the revenue accounting process is, by means of the feasibility study currently scheduled, to determine what parts of the revenue accounting could-be vision should be included in the initial Core Financials implementation being planned for the 07-09 biennium. This study will determine the extent to which enterprise revenue accounting solutions can address the challenges and recommendations included in this report.

The following steps are proposed to drive future changes:

- Identify a business owner for the could-be models and recommendations;
- Transition responsibility for the process to the business owner; and
- Communicate and gain momentum for change.

Appendix A – Revenue Accounting Statistics⁸

Revenue Collections

Washington State agencies (other than higher education) received over \$30 billion in revenues during each of the past two fiscal years.

Revenue Source	FY 2003	FY 2004	FY 2005
Taxes	12,296,615,497	13,187,907,399	14,072,636,431
Licenses, Permits, and Fees	670,907,201	685,507,727	725,438,943
Federal Revenue	6,646,752,356	6,639,284,812	6,414,699,086
State Charges & Miscellaneous Revenue	5,606,949,081	13,499,073,104	10,800,829,618
Private/Local Charges & Misc. Revenue	331,759,038	401,367,095	400,789,871
GRAND TOTAL	\$25,552,983,174	\$ 34,413,140,136	\$32,414,393,950

Forty-two agencies each collected \$12 million or more of revenue during state fiscal year 2005. The top ten revenue agencies collected one-half billion dollars or more, and account for 90 percent of total revenue dollars received by the state that year. Seven of these agencies and nine additional agencies participated in the revenue accounting focus group (shaded rows).

Agency	FY 2003	FY 2004	FY 2005
Department of Revenue	11,189,060,304	11,948,195,883	12,838,258,767
Dept of Soc and Health Services	4,104,832,232	4,463,233,272	4,434,354,792
State Investment Board	1,528,606,527	6,831,318,094	3,538,321,822
Employment Security Department	1,132,500,519	2,146,373,536	1,844,232,437
Dept of Labor & Industries	74,065,866	1,560,482,470	1,769,887,959
Department of Licensing	1,210,835,132	1,334,470,964	1,389,325,193
Health Care Authority	985,218,640	1,081,735,558	1,243,864,203
Dept of Transportation	817,190,940	759,376,506	912,308,776
Supt of Public Instruction	579,745,232	638,099,308	719,562,366
Liquor Control Board	440,335,379	481,965,870	502,241,829
Other			
Lottery Commission	461,039,341	482,192,831	459,296,659
Insurance Commissioner	343,461,486	373,932,970	386,852,921
Department of Health	268,147,752	283,016,635	314,933,612
Dept of Natural Resources	215,075,605	249,515,560	288,829,509
Office of Attorney General	193,061,742	179,566,735	170,575,019
Community, Trade & Economic Develop	143,296,201	152,706,793	156,659,030
Dept. of Information Services	129,416,532	113,918,691	133,636,822
Dept of Ecology	130,528,199	104,835,068	104,341,413
Office of State Treasurer	77,056,665	57,027,797	101,195,180
Office of Financial Management	555,585,057	119,945,259	98,238,781
Depart of Retirement Systems	70,856,505	96,711,396	97,626,052
Dept of General Administration	99,829,341	96,165,067	95,454,316

⁸ Source: OFM Statewide Accounting Services query of CAFR database. Figures include all agencies except higher education.

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Department of Fish and Wildlife	91,189,980	87,438,445	93,909,186
Admin Office of the Courts	87,818,709	89,466,429	84,479,239
Military Department	51,465,728	73,635,991	81,163,991
Department of Corrections	62,242,761	61,607,428	74,438,034
Higher Ed Coordinating Board	26,250,018	23,727,111	42,772,995
Secretary of State	32,809,979	34,836,798	42,546,790
Department of Financial Institutions	37,670,421	45,586,673	40,621,821
Department of Veterans Affairs	21,908,420	41,435,714	37,743,642
Department of Agriculture	31,212,521	32,109,940	34,228,212
Public Printer	33,050,269	32,070,253	32,897,803
IAC for Outdoor Recreation	23,318,252	28,321,895	26,973,576
Workforce Trng/Ed Coord Board	25,545,976	23,947,761	26,481,932
Department of Personnel	18,253,413	30,679,692	26,221,736
Office of State Auditor	23,014,472	25,698,862	24,153,905
Utilities and Transport Comm	13,845,353	15,378,138	24,114,979
Parks and Recreation Comm	19,438,722	22,348,998	23,177,622
Washington State Patrol	17,311,917	19,925,697	22,979,474
Gambling Commission	14,590,684	13,656,622	14,672,440
ST Conv & Trade Center Comm	11,434,174	13,975,088	13,472,230
Office of Admin Hearings	12,371,975	12,822,614	12,416,710
All other agencies (combined)	148,494,235	129,683,726	34,930,174
Grand Total	\$25,552,983,174	\$34,413,140,136	\$32,414,393,950

Accounts Receivable

Fiscal year end accounts receivable balances ranged from \$7.2 to \$8.0 billion. These balances are reported as net of allowances for uncollectible debt exceeding \$1 billion, or 14 percent of gross receivables. Intergovernmental receivables accounted for one-third of total gross receivables.

Fiscal Year	Inter-Governmental Receivables	Other Receivables	Allowance for Uncollectible Debt	Net Receivables
2003	\$2,797,378,772	\$5,669,957,321	(\$1,211,038,161)	\$7,256,297,932
2004	\$2,900,974,331	\$5,883,905,431	(\$1,215,417,070)	\$7,569,462,692
2005	\$3,131,032,470	\$6,227,964,786	(\$1,331,583,042)	\$8,027,414,214
Average Inter-Governmental %	33%			
Average Uncollectible %			14%	

Each of the sixteen revenue accounting focus group agencies had over \$6 million in net receivables at the end of fiscal year 2005 (shaded rows).

Agency	Inter-Governmental Receivables	Other Receivables	Allowance for Uncollectible Debt	Net Receivables
Department of Revenue	\$339,442,127	\$2,596,585,952	\$(30,478,894)	\$2,905,549,185
Community Trade & Econ Dev.	1,084,681,685	385,671,535	(135,184,474)	1,335,168,747
Dept of Soc and Health Serv	511,894,179	1,166,229,679	(950,805,677)	727,318,181
Employment Security Dept	34,612,441	622,010,308	(108,214,037)	548,408,712

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Agency	Inter-Governmental Receivables	Other Receivables	Allowance for Uncollectible Debt	Net Receivables
Dept of Labor & Industries	4,488,101	623,272,166	(82,397,258)	545,363,009
State Investment Board	2,682,349	497,536,324	-	500,218,673
Dept of Ecology	422,957,465	25,441,553	(19,540,974)	428,858,044
Dept of Natural Resources	96,270,737	196,572,252	(1,075,652)	291,767,337
Dept of Transportation	110,123,445	24,696,678	(2,273,846)	132,546,277
Supt of Public Instruction	74,004,422	2,567,674	-	76,572,095
Depart of Retirement Systems	50,178,905	1,991,000	(122,745)	52,047,160
Health Care Authority	40,894,094	1,665,028	(49,965)	42,509,157
State Board of Education	41,122,584	-	-	41,122,584
Department of Corrections	36,701,721	2,981,395	-	39,683,116
Department of Health	32,097,398	2,899,336	(3,641)	34,993,094
Office of State Treasurer	90,835	34,653,245	-	34,744,080
Department of Fish and Wildlife	25,651,257	1,306,600	(1,896)	26,955,962
Military Department	25,846,054	147,439	-	25,993,494
Department of Licensing	21,471,012	4,151,858	(121,526)	25,501,344
Wash State Lottery	8,119,639	14,964,154	(120,273)	22,963,520
Department of Personnel	19,456,545	160,077	-	19,616,621
Treasurers Deposit Income	19,244,155	-	-	19,244,155
Dept. of Information Services	18,165,911	152,426	-	18,318,337
Dept of General Administration	14,857,780	2,175,467	-	17,033,247
Liquor Control Board	6,063,787	8,571,755	(120)	14,635,423
Washington State Patrol	12,611,199	1,104,921	(549,305)	13,166,814
Parks and Recreation	10,443,809	1,304,401	(6,235)	11,741,974
Office of Attorney General	11,242,979	35,202	-	11,278,181
Workforce Trng/Ed Coord	8,800,445	284	-	8,800,729
Department of Veterans Affairs	6,371,393	1,856,456	(537,455)	7,690,394
IAC for Outdoor Recreation	6,895,769	38	-	6,895,807
Office of Financial Management	6,528,494	123,059	-	6,651,553
Department of Agriculture	3,729,015	2,478,575	(98,819)	6,108,770
All other agencies	23,290,741	4,657,949	(250)	27,948,440
Grand Total	\$3,131,032,470	\$6,227,964,786	\$(1,331,583,042)	\$8,027,414,214

Bad Debt Write-Offs and Adjustments

Bad debt expense is reported for state proprietary funds only. The following table displays only proprietary fund bad debt expense recorded during the past three fiscal years.

Agency	FY 2003	FY 2004	FY 2005
Health Care Authority	(29,645)		
Department of Personnel			257
Wash State Lottery Commission	53,395	4,921	11,339
Depart of Retirement Systems	70,804	5,265	17,390
Office of Minority & Women Enterprises		4,650	
Dept of General Administration	11,902	4,889	23,587

Agency	FY 2003	FY 2004	FY 2005
Liquor Control Board	120	1,145	
Dept of Labor & Industries	31,780,397	8,018,719	19,597,272
Dept of Social and Health Services	266,232		154,537
Department of Corrections	167,165	1,922	346
Higher Ed Coordinating Board	-	5,492	-
Total – Proprietary funds only	\$32,320,369	\$ 8,047,003	\$19,804,728

Bad debts in governmental funds are not visible in the current accounting systems since they are recorded as a reversal against the revenue source originally credited when the receivables were booked. In order to provide some indication of the level of annual bad debt write-offs for governmental funds the following table summarizes revenue agency responses to a question on “Adjustments and Write-Offs” from a 2003 survey.⁹ The collectability of the written off receivables varies depending upon the write-off policy, collection resources and tools available to the individual agency.

For this question, agencies reported whether they reduced or “wrote-off” past due amounts owed. When interpreting the data, it is important to note that each agency has its own policies and procedures for defining what amounts are “written-off”.

Type of Adjustment or Write-off	Total	Percent
1. Other	168,634,000	37%
2. Corporations without assets	81,526,000	18%
3. Unable to locate debtor	52,298,000	13%
4. Collection activities exhausted	50,252,000	11%
5. Statute of limitations	28,305,000	6%
6. Bankruptcies	18,163,000	4%
7. Reduction by Administrative Hearing	15,901,000	4%
8. Hardship	14,683,000	3%
9. Costs exceed benefits	12,858,000	3%
10. Negotiated compromises	2,770,000	1%
11. Reduction by Court	1,631,000	< 1%
	\$454,021,000	100.00%

The “Allowances for Uncollectible Debt” in the accounts receivable statistics above provides another indication.

Appendix B – Agency Focus Group Participants

Two half-day as-is and could-be focus group sessions were held to model the revenue accounting business process. All participants were invited to also attend a follow-up session to create a revenue accounting vision for Washington State. The following is a full list of the 36 participants who attended at least one of the 3 sessions.

⁹ A Survey of the Statewide Collection of Past Due Amounts, Final Report, June 17, 2003. Sponsored by the Financial Services Administration of the Department of Social and Health Services. Adjustment categories are based on the Office of Financial Management’s SAAM policy 90.40.

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Steve Bourque	Community Trade and Economic Development
Lisa Nelson	Department of Agriculture
Margaret Tucker	Department of Agriculture
Randy Deike	Department of Agriculture
Valerie Torres	Department of Agriculture
Dan Ashby	Department of Social and Health Services
Cindy Cavanaugh	Department of Labor and Industries
Denise Carr	Department of Labor and Industries
Larry Rzany	Department of Labor and Industries
Margo Driver	Department of Labor and Industries
Jim Smego	Department of Natural Resources
Julie Sandberg	Department of Natural Resources
Linda Madison	Department of Natural Resources
Ana Maria Malaier	Department of Retirement Systems
Debbie Ocheltree	Department of Retirement Systems
Binh Vu	Department of Revenue
Dan Contris	Department of Revenue
Judy Baddock	Department of Revenue
Doug Trainor	Department of Social and Health Services
Keith Phillips	Department of Social and Health Services
Bev Runion	Department of Transportation
Jeff Caldwell	Department of Transportation
Rick Judd	Department of Transportation
Helen Martz	General Administration
Kathy Iblings	General Administration
Valerie Gore	General Administration
Debbie Allen	Health Care Authority
Margee Thompson	Liquor Control Board
Nancy Lin	Liquor Control Board
Mike Schaub	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
Alaine Johnson	Washington State Patrol

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Deborah Collinworth

Washington State Patrol

Jo Williams

Washington State Patrol

Appendix C – Best Practice References

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“British Columbia Revenue Management Project Summary Report”, Ministry of Provincial Revenue, November 26, 2004

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“Revenue Management in Revenue Agencies”, Sierra Systems, August 2003

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Appendix D – Detailed Assumptions on Common Processes and Agency Variations

Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
Worst Pains		<u>Worst pains in Cashiering and Accounts Receivable</u>	
		▪ Customers don't send back-up with payment	100%
		▪ Collecting on delinquent payments	67%
		▪ System(s) do not support process effectively	67%
		▪ Not enough staff to keep up with volume	33%
		▪ Customer records get out of date	33%
		▪ NSF checks	42%
		▪ Customers demand electronic pay options we can't provide	58%
		▪ It takes too much time/effort to get/keep subsidiary records reconciled to the general ledger	33%
		▪ Reconciliations take too much time and effort	42%
		▪ We don't have any problems – everything is running smoothly	0%
		▪ Responding to customer inquiries take too much time	17%
		▪ Can't provide accurate cash flow forecasts	25%
		▪ Divisions keep sending out invoices without letting Fiscal know	25%
		▪ Researching unapplied balances on customer accounts	58%
▪ Researching "mystery money" to clear suspense fund	58%		
▪ Opening mail and logging checks takes too much time	42%		

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<p><u>Other Please Specify:</u></p> <ul style="list-style-type: none"> ▪ Need revenue reports as well as general ledger reports for reporting and reconciliation ▪ One system to record cash activity and another system to record accounts receivable activity ▪ Too much data entry ▪ Customer view only access to their accounts/statements ▪ Same business process agency-wide ▪ Lack of a general AR/Cash Receipting system for all agency activity ▪ Minimal description for incoming EFT ▪ Electronic payments received with little information-especially from federal agencies ▪ Obtaining an appropriate agreement (correct agreement form, overhead, well written scope of work, dates, signatures, etc) ▪ Determining billable costs on permits (what is covered by the permit and what should we charge for) ▪ Obtaining the correct customer billing address and contact person ▪ If the address changes during the course of the agreement-dealing with split history in TRAINS A/R system ▪ The routing of originals and copies of revenue receipts to appropriate departments. ▪ Vendor payment refunds-collection of refund checks ▪ Refund checks not mailed to region office-send to “bill to” name/address ▪ Multiple lines of data entry required to post cash receipt (sometimes for very small dollar amounts per line) ▪ Customers do not want to provide SSN or Fed Tax ID # ▪ Credit Card transactions – transaction date vs. Post date to OST 	
General	<ul style="list-style-type: none"> ▪ Agency complies with state laws and 	<u>Cashiering</u>	

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
	regulations.	▪ Agency has centralized Cashier Office	58%
	▪ Agency complies with SAAM rules and regulations	▪ Each division is responsible for its own cashiering activities	42%
		▪ Agency has automated cashiering system	42%
		▪ Agency has multiple cashiering systems	58%
	▪ Agency has centralized AR office, however only two programs currently use this service via Solomon AR. All other programs use their own AR system and post AR information after Headquarter posts to Cashiering.	▪ Cash receipts are processed manually (e.g. with Excel)	42%
		<u>Accounts Receivable</u>	
	▪ Agency could compile AR balances based on various ageing reports from various AR systems. Accurate recording of AR in each stand-alone system is questionable.	▪ Agency has centralized Accounts Receivable Office	50%
		▪ Each division is responsible for its own Accounts Receivable activities	50%
	▪ Agency could compile all revenue and receivable activity across the agency for a particular customer with enormous effort.	▪ Each division has an Accounts Receivable Office	17%
		▪ Agency uses the OFM Statewide AR System	17%
	▪ Agency could compile all revenue and receivable activity across the agency for a particular customer with enormous effort.	▪ Agency has automated receivable system	75%
	▪ Each program uses a unique identifier for each customer	▪ Agency has multiple receivable systems	50%
	▪ Agency does not use TIN or UBI as a customer identifier in the case of AR and cash receipting.	▪ Receivables are managed manually (e.g. with Excel)	42%
		▪ Agency could compile the current balance on all loans and accounts receivable with minimal effort	58%
	▪ Each region/division maintains files for their A/R accounts, but changes to customer information in the system (address, etc) are handled by HQ	▪ Agency could compile the current balance on all loans and accounts receivable with significant effort	17%
		▪ Agency could compile and analyze all revenue and receivable activity across the agency for a particular customer with minimal effort	42%
		▪ Agency has no idea how much business is conducted with each customer	33%
		<u>Customer Records</u>	
		▪ Agency manages customer records centrally	58%
		▪ Each division manages its own separate customer file/records	50%

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		▪ Agency uses a unique identifier for each customer	50%
		▪ Agency uses TIN as customer identifier	25%
		▪ Agency used UBI as customer identifier	25%
		<u>Major types of payments your agency receives</u>	
		Type of Payment	<u>Approximate Transaction Volume</u>
		Non-invoiced Tax receipts	50 – 13,500,000,000
		Invoiced goods and services	15,000 – 130,000
		Cash-and-carry (Point-of-Sale)	16,270 – 1,400,000,000
		Other major categories - please specify:	5,900 – 550,000,000
		Other major categories - please specify: <ul style="list-style-type: none"> ▪ Non-invoiced fees/certifications/reimbursements ▪ Permits/Application fees 	5,900 550,000,000
		<u>Staff Resources</u>	
		Total # FTEs involved in Tax/Fee Revenue Distribution processes agency-wide	40

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		Total # FTEs involved in cashiering and accounts receivable processes agency-wide:	600
		Approximate % of time the cashiering/A/R FTEs spend performing the following activities:	From To
		Logging/receipting cash & checks	3% 38%
		Cashiering – recording receipts	3% 75%
		Cashiering - reconciliation	2% 15%
		Invoicing	1% 15%
		Managing customer accounts/balances	1% 20%
		Reconciling subsidiary AR to GL	2% 15%
		Collections	0% 38%
		Write-offs	0% 18%
		Updating customer records/handling customer inquiries	5% 50%
Log Payments		▪ All mail is opened by 2 people	83%
		▪ A manual log of cash receipts is maintained	33%
		▪ A machine generated control tape is maintained	75%
		▪ A copy of the log is provided to cashiering with all cash, checks and backup	75%
		Other, please specify: ▪ <u>Centrally we use an ACCESS database for our main agency cash log.</u>	

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding																					
		<p>Types of payments your agency accepts and the approximate percent those types of payments make of your total receipt volumes - <u>Wild educated guesses on percentages are okay</u></p> <table border="1" data-bbox="892 402 1698 776"> <thead> <tr> <th data-bbox="892 402 1507 475">Type of Payment</th> <th data-bbox="1507 402 1698 475">From</th> <th data-bbox="1698 402 1906 475">To</th> </tr> </thead> <tbody> <tr> <td data-bbox="892 475 1507 521">Cash & checks</td> <td data-bbox="1507 475 1698 521">45%</td> <td data-bbox="1698 475 1906 521">98%</td> </tr> <tr> <td data-bbox="892 521 1507 566">EFT (electronic fund transfer)</td> <td data-bbox="1507 521 1698 566">0%</td> <td data-bbox="1698 521 1906 566">32%</td> </tr> <tr> <td data-bbox="892 566 1507 639">ACH (Automated Check Handling Process)</td> <td data-bbox="1507 566 1698 639">1%</td> <td data-bbox="1698 566 1906 639">15%</td> </tr> <tr> <td data-bbox="892 639 1507 685">Journal vouchers</td> <td data-bbox="1507 639 1698 685">0%</td> <td data-bbox="1698 639 1906 685">10%</td> </tr> <tr> <td data-bbox="892 685 1507 730">IAP (electronic interagency payments)</td> <td data-bbox="1507 685 1698 730">1%</td> <td data-bbox="1698 685 1906 730">27%</td> </tr> <tr> <td data-bbox="892 730 1507 776">Other major categories - please specify:</td> <td data-bbox="1507 730 1698 776">0%</td> <td data-bbox="1698 730 1906 776">26%</td> </tr> </tbody> </table>	Type of Payment	From	To	Cash & checks	45%	98%	EFT (electronic fund transfer)	0%	32%	ACH (Automated Check Handling Process)	1%	15%	Journal vouchers	0%	10%	IAP (electronic interagency payments)	1%	27%	Other major categories - please specify:	0%	26%	
Type of Payment	From	To																						
Cash & checks	45%	98%																						
EFT (electronic fund transfer)	0%	32%																						
ACH (Automated Check Handling Process)	1%	15%																						
Journal vouchers	0%	10%																						
IAP (electronic interagency payments)	1%	27%																						
Other major categories - please specify:	0%	26%																						
<p>Provide Receipt/ Confirmation</p>	<ul style="list-style-type: none"> ▪ Pre-numbered receipt forms are used when a customer payment is received other than through the mail. Pre-numbered receipt forms are not recorded in any log or database. 	<ul style="list-style-type: none"> ▪ Receipts are provided for all non-invoiced receipts ▪ Pre-numbered receipt forms are used ▪ Cash register receipts are used <p>Other, please specify</p> <ul style="list-style-type: none"> ▪ Pre-numbered receipts are given out for items received over the counter at locations without a cash register or requested by the customer when payment is mailed in. 	<p>50%</p> <p>92%</p> <p>58%</p>																					
<p>Post Cash/ Liquidate Accounts Receivable</p>	<ul style="list-style-type: none"> ▪ Agency does not utilize a one-server system to handle cash and AR activity. ▪ Each program posts AR activity in each AR system differently. When using Solomon, payment is applied against a specific 	<ul style="list-style-type: none"> ▪ Cashiering activities are integrated with A/R (so customer account is automatically updated on receipt) ▪ Cashiering activities are not integrated with A/R ▪ Varies by division/system 	<p>67%</p> <p>33%</p> <p>50%</p>																					

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
	invoice, which automatically assigns revenue codes. <ul style="list-style-type: none"> ▪ Cashiering activities are integrated with A/R-if cash receipt is coded to invoice, it will liquidate customer invoice 	Other, please specify _____ <u>When applying payment to customer account, do you:</u> <ul style="list-style-type: none"> ▪ Apply against account balance, without regard to specific invoice # being paid ▪ Apply against specific invoice being paid, even if its partial payment (e.g., pay a percent against each applicable revenue source code invoiced) ▪ Always apply against specific line items on the invoice ▪ Apply against specific line items on invoice if partial payment ▪ Post to “unapplied” on the customer account if payment appears to be an under or overpayment Other, please specify: <ul style="list-style-type: none"> ▪ Process depends on division/program needs and systems’ constraints. Amount may be posted to a suspense account when received by mail and then identified by account and line item later in the process when partial pays are made. Process also includes accepting pre-payments by mail for specific services offered by DOL and drawn down as services are provided. Unapplied amounts may be refunded if an overpayment occurs and if greater than \$10 per RCW 46.68.010. Over the counter transactions are always paid in full. ▪ Post overpayment or unidentifiable amounts to revenue suspense account 	 50% 58% 25% 25% 33%
Post Cash/ Distribute Revenue to Sources	<ul style="list-style-type: none"> ▪ Revenue distributions are entered manually into cashiering system using an agency specific revenue ID code called Fee Type. 	<ul style="list-style-type: none"> ▪ Complex distributions are receipted by agency-unique revenue distribution systems ▪ Revenue distributions are entered manually into cashiering system ▪ Revenue distributions are recorded on A8 and entered directly into financial system 	 50% 33% 58%

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<ul style="list-style-type: none"> ▪ Supporting documents submitted with payments provide bar code details on account coding Other, please specify <ul style="list-style-type: none"> ▪ Revenue source and fund are data elements on cash receipt documents. This information is summarized on the A-8. ▪ Revenue distributions are recorded on JV and entered directly into financial system. Copy of JV sent to appropriate agencies (some are done at the STO level based on our JV) 	25%
<p style="text-align: center;">Post Cash/ Suspense Fund</p>	<ul style="list-style-type: none"> ▪ Researching mystery money takes an enormous amount of staff time. About 2% of daily receipts need additional research for revenue distribution coding. This 2% can take up to 1 hour per day. 	<u>Agency:</u>	
		<ul style="list-style-type: none"> ▪ Receives a high volume of 'mystery money' that must be researched 	25%
		<ul style="list-style-type: none"> ▪ Seldom receives mystery money 	58%
		<u>Responsibility for clearing revenue suspense:</u>	
		<ul style="list-style-type: none"> ▪ Is centralized 	83%
<ul style="list-style-type: none"> ▪ Decentralized 			

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
<p>Store Payments in Safe</p>		<p>Agency is waived from 24 hour deposit requirement for the following (please specify):</p> <ul style="list-style-type: none"> ▪ Agency has up to 3 days to identify payment and deposit a receipt. ▪ Regions \$100 up to 5 days on region at least twice per week or exceeds \$2000. ▪ Risk Management Office – when checks are received for less than the full amount due and immediate deposit may jeopardize full recovery ▪ Risk Management Office – when checks are mailed to a WSDOT office other than HQ Risk Management and processing is delayed ▪ For offices when the deposit does not exceed \$250 (must deposit weekly though) ▪ Field office(s) in rural areas cash less than \$500, Combined Fund Drive proceeds collected in the field. ▪ For locations that receive small amounts of money – they have a \$200 a week limit. 	

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
<p>Reconcile Daily Deposits Against Log</p>		<p><u>Please describe process briefly:</u></p> <ul style="list-style-type: none"> • Reconcile daily deposit against mailroom control tape. Deposit amount shown on Cashiering report or Solomon Cash Journal report must equal the amount indicated on the mailroom control tape. If amounts do not match, reason for the adjustment must be recorded and attached to the Cash Journal Voucher. • New system provides total deposit vs. total receipted • When approving cash receipts input into agency system, a tape is run on the checks. The total of the cash receipt and the tap are compared to the mail logs to make sure each check is accounted for. • Payments are entered onto PI log by cash room staff and given to cashier who prints PI log. Payments are balanced against payment advices. A cash receipt journal (A-8) and deposit slip are prepared for the payments less any checks that are being returned (returned checks are noted on PI log). Payment advices are entered into PDI. PDI is balanced against PI log. • Batches are balanced against the batch headers (PC Cash) • Remittance Processor generates report of totals which balances against receipts which balances to A8 • Reconcile daily A8-Cash Receipts to Cash Log at month end and Financial Manager approves. • Centrally we reconcile daily deposits against ACCESS database generated cash log. 	
<p>Reconcile Bankcard Deposits to Receipts</p>	<ul style="list-style-type: none"> • Agency does not have means to electronically import bank information to Solomon AR or Cashiering. 	<p>For the reconciliation process:</p> <ul style="list-style-type: none"> ▪ Electronic bank information is used electronically ▪ Electronic bank information is used in manual process 	<p>33%</p> <p>42%</p>

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
Reconcile Lockbox transactions to Receipts		<ul style="list-style-type: none"> • Lockboxes are not used <p>If lockboxes are used, please describe process briefly:</p> <ul style="list-style-type: none"> • Lockbox is used. An electronic file uploads to Cashiering and total deposit amount verified against back up documents and reports forwarded by US Bank. • Store and division petty cash/change fund 	0%
Post reversing Cash Entry for NSF Check		<ul style="list-style-type: none"> ▪ NSF checks are a major business problem for agency 	0%
		<ul style="list-style-type: none"> ▪ NSF checks are a minor problem for agency 	67%
		<u>Approximate number and percent of checks that come back NSF:</u>	From To
		Volume:	5 3320
		Percentage:	0.0275% 2%
Establish Loan/ Account Receivable		<u>Loans or contracts receivable:</u>	
		<ul style="list-style-type: none"> ▪ Agency does not make loans 	67%
		<ul style="list-style-type: none"> ▪ Agency manages one or more loan programs 	0%
		<ul style="list-style-type: none"> ▪ Loans balances are tracked manually (e.g. Excel/Access) 	0%
		<ul style="list-style-type: none"> ▪ Loans balances are tracked using agency system 	8%
		Other – please specify	
		<u>Credit risks are managed by:</u>	
		<ul style="list-style-type: none"> ▪ Routinely advising customers of policies for extending credit and collecting payment 	25%
		<ul style="list-style-type: none"> ▪ Running credit checks on customers before extending credit 	8%
		<ul style="list-style-type: none"> ▪ Discontinuing services to customers with bad pay history 	25%

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		Other, please specify: <ul style="list-style-type: none"> In the event of delinquent accounts or repeated NSF payments, programs contact customer and request payment by cash or money order only. Checks are no longer accepted. 	
Create Invoices	<ul style="list-style-type: none"> Each program may vary in business process for summary level or individual service detail provided on the invoice. Fiscal does not know about every invoice sent out by all divisions due to decentralization of invoicing. Agency does not track AR by subsidiary ledger in AFRS. 	<u>Invoices are created:</u>	
		<ul style="list-style-type: none"> Separately, for each service/sale 	92%
		<ul style="list-style-type: none"> In summary, for all services/sales to the customer during billing period 	42%
		<ul style="list-style-type: none"> Based on Work Done Agreements 	33%
		<ul style="list-style-type: none"> For estimated amounts based on contract amount 	17%
		<ul style="list-style-type: none"> For contract amount divided over a time period. [e.g. Rental agreement] 	33%
		<ul style="list-style-type: none"> Based on Customer Order Documents 	25%
		<ul style="list-style-type: none"> “Standing payment” amounts that do not need to be invoiced are negotiated from regular customers whenever practicable 	8%
		<ul style="list-style-type: none"> Other Types [Please specify]: 	
		<u>Organization:</u>	
		<ul style="list-style-type: none"> Invoicing is done centrally 	42%
		<ul style="list-style-type: none"> Each division produces their own invoices 	42%
		<ul style="list-style-type: none"> Fiscal knows about every invoice sent by all divisions 	25%
		<ul style="list-style-type: none"> Other – please specify: 	
<u>Invoicing Creation Tools</u>			
<ul style="list-style-type: none"> Agency uses a single automated invoice process 	0%		
<ul style="list-style-type: none"> Agency uses multiple automated invoice processes 	92%		

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding	
		<ul style="list-style-type: none"> ▪ Invoices are produced manually (e.g. Word, Excel) 	17%	
		<ul style="list-style-type: none"> ▪ Invoices are either created directly from or interfaced to a central agency AR system or the statewide AR system 	50%	
		<ul style="list-style-type: none"> ▪ Invoices are either created directly from or interfaced to multiple agency AR systems 	25%	
		<ul style="list-style-type: none"> ▪ Regardless of where invoices are created, the customer's balance is updated in some sort of subsidiary ledger <u>and</u> the agency general ledger balance is updated 	58%	
		Other, please specify: <ul style="list-style-type: none"> ▪ Customer's balance is updated in an Excel spreadsheet log. 		
		<u>Sales Tax:</u>		
		<ul style="list-style-type: none"> ▪ Is routinely added as appropriate for sales of goods 	42%	
		<ul style="list-style-type: none"> ▪ Agency never charges for sales tax 	25%	
		<ul style="list-style-type: none"> ▪ We're not sure what we should be doing about sales tax 	0%	
		Other, please specify <ul style="list-style-type: none"> • Agency assigns fees for service, certification fees, and fines based on amounts specified by RCW; not to include tax. 		
Invoices Sent to Customers		Specify % of total invoices that use each method	From	To
		<ul style="list-style-type: none"> ▪ Mailed 	10%	100%
		<ul style="list-style-type: none"> ▪ Sent electronically 	10%	53%
		<ul style="list-style-type: none"> ▪ Posted on website for customer access 	0%	0%
		<ul style="list-style-type: none"> ▪ E-mailed 	20%	20%
		<ul style="list-style-type: none"> ▪ Not sent 	1%	90%
		<ul style="list-style-type: none"> ▪ Other (please specify) 	0%	0%

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EBPDM – Revenue Accounting Value Proposition

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
Monitor/ Age Receivables	<ul style="list-style-type: none"> ▪ Ageing reports and collectables are reviewed by program managers per State Auditor's recommendation. ▪ Customer inquiries may be handled centrally at times, however, most customer inquiries are handled by each program. ▪ Agency does not measure efficiency or effectiveness metrics at this time. ▪ Accounts are distributed among FTEs doing the collecting. Every debtor is contacted once a receivable becomes one day past due. Approximately 7,000 accounts are worked and collection is typically achieved within 30 days. 	<u>Monitoring</u>	
		<ul style="list-style-type: none"> ▪ Receivables are monitored monthly 	92%
		<ul style="list-style-type: none"> ▪ Receivables are monitored quarterly 	0%
		<ul style="list-style-type: none"> ▪ Agency analyzes turnover rate (days invoices are outstanding) 	67%
		<ul style="list-style-type: none"> ▪ Agency does not analyze turnover rate 	33%
		<u>Aging Reports</u>	
		<ul style="list-style-type: none"> ▪ Reports are produced electronically 	75%
		<ul style="list-style-type: none"> ▪ Manual reports are produced 	25%
		<ul style="list-style-type: none"> ▪ No formal aging reports are produced 	0%
		<ul style="list-style-type: none"> ▪ Reports are reviewed centrally (e.g. fiscal office) 	75%
		<ul style="list-style-type: none"> ▪ Reports are reviewed by the program manager 	42%
		Other – please specify	
		<u>Customer inquiries</u>	
		<ul style="list-style-type: none"> ▪ Inquiries are handled centrally 	67%
		<ul style="list-style-type: none"> ▪ Inquiries are handled by each organization 	50%
		<ul style="list-style-type: none"> ▪ Other (please specify): 	
		<u>Which of the following A/R efficiency metrics do you monitor:</u>	
		<ul style="list-style-type: none"> ▪ Invoices processed per Full Time Equivalent (FTE) staff member per month 	17%
		<ul style="list-style-type: none"> ▪ Remittances processed per FTE per month 	8%
		<ul style="list-style-type: none"> ▪ Debtors contacted per FTE per month 	17%
<ul style="list-style-type: none"> ▪ Direct labor cost per invoice/remittance/debt collection action 	8%		
<ul style="list-style-type: none"> ▪ Cost of accounts receivable as a percentage of revenue from credit sales 	0%		

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<ul style="list-style-type: none"> ▪ Cost of accounts receivable as a proportion of total administrative costs <p><u>Which of the following A/R effectiveness metrics do you monitor:</u></p> <ul style="list-style-type: none"> ▪ Accounts Receivable as a percentage of total revenue ▪ Debtors turnover i.e. average time to collect days ▪ Debt written off as a percentage of total debt ▪ Doubtful debts as a percentage of total debt ▪ Percentage of debts collected within terms of trade ▪ Debtors by age group as a percentage of total debt <p>Proportion of debts settled by electronic means, i.e. EFT</p> <p>If you do track any of these metrics, please include some sample data at the bottom of this survey</p>	<p>8%</p> <p>33%</p> <p>17%</p> <p>17%</p> <p>17%</p> <p>0%</p> <p>0%</p> <p>8%</p>
<p>Reconcile Subsidiary A/R to General Ledger</p>	<p>Agency complies with SAAM 85.54.65.b: Subsidiary ledgers are to be balanced against the associated general ledger control accounts at least monthly.</p>	<p><u>Reconciliation</u></p> <ul style="list-style-type: none"> ▪ General ledger receivable balances represent estimated amounts rather than actuals ▪ All loans due are recorded in the financial system (e.g. the loan receivable subsidiary ledger reconciles to the loan receivable balance in the general ledger) ▪ All accounts receivable are recorded in the financial system (e.g. the accounts receivable subsidiary ledger(s) reconcile to the accounts receivable balance in the general ledger) ▪ Reconciliation is handled centrally ▪ Reconciliation is a decentralized activity ▪ Reconciliation is done entirely manually ▪ Reconciliations are partially automated ▪ We would like to reconcile but we don't ever have time 	<p>8%</p> <p>17%</p> <p>67%</p> <p>92%</p> <p>8%</p> <p>50%</p> <p>33%</p> <p>17%</p>

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<ul style="list-style-type: none"> ▪ Other [please specify]: 	
Assess Interest/ Fines/ Penalties	Agencies assess interest as per SAAM 85.54.50.c: Interest of one percent per month is to be charged on past due receivables in accordance with RCW 43.17.240, except when one of the following conditions are met: <ul style="list-style-type: none"> • Charging interest conflicts with the provisions of a contract, or other law. • The debt is to be paid by other governmental unit. • The debt became due prior to July 28, 1991. • Interest is waived based upon rules adopted by OFM found at Chapter 82-06 WAC describing the conditions under which interest may be waived on past due receivables. 	<u>For loan programs:</u>	
		<ul style="list-style-type: none"> ▪ Interest is assessed, similarly to bank loans 	0%
		<ul style="list-style-type: none"> ▪ Interest is not assessed 	8%
		<ul style="list-style-type: none"> ▪ Agency does not issue loans 	17%
		<ul style="list-style-type: none"> ▪ Other, please specify 	
		<u>For delinquent receivables, interest or fines are:</u>	
		<ul style="list-style-type: none"> ▪ Routinely assessed on all delinquent accounts 	33%
		<ul style="list-style-type: none"> ▪ Automatically assessed by system 	17%
		<ul style="list-style-type: none"> ▪ Manually calculated and assessed (e.g. Excel) 	33%
		<ul style="list-style-type: none"> ▪ Sporadically assessed on some accounts 	8%
<ul style="list-style-type: none"> ▪ Assessed only on large dollar accounts 	0%		
<ul style="list-style-type: none"> ▪ Assessed according to SAAM 85.54.50.c 	17%		
<ul style="list-style-type: none"> ▪ Assessed according to unique agency statues/policy 	33%		

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<p>Please specify “Reason for Agency Practice”</p> <ul style="list-style-type: none"> No interest charged to Federal government because they assess themselves interests at pre-determined rates. No interest assessed to state agencies except for trust related activities Member accounts are assessed interest at 8%, per RCW 41.50.125. When additional legal remedies (as permitted under RCW 41.50.135 and RCW 41.50.136) such as a claim made on an estate or a lien placed upon real or personal property, the interest rate assessed on the member account is 12%. Employer accounts are assessed interest at 12%, per RCW41.50.120. 	
<p>Send Statements to Customers</p>	<p>Agency used to produce and mail customer statements but discontinued this practice as these were often confused with monthly billings. We found past due letters to be more effective.</p>	<p><u>Customer statements are:</u></p>	
		<ul style="list-style-type: none"> Generated and sent monthly to all customers 	<p>42%</p>
		<ul style="list-style-type: none"> Generated and sent monthly to selected customers 	<p>33%</p>
		<ul style="list-style-type: none"> Generated and sent quarterly to all customers 	<p>8%</p>
		<ul style="list-style-type: none"> Generated and sent quarterly to selected customers 	<p>0%</p>
		<ul style="list-style-type: none"> Not generated or sent 	<p>17%</p>
		<ul style="list-style-type: none"> Depends on division policy 	<p>17%</p>
<p>Collect on Late Payments</p>		<p><u>Customer contact on late (outstanding) receivables</u></p>	
		<ul style="list-style-type: none"> Contact is handled centrally 	<p>50%</p>
		<ul style="list-style-type: none"> Each division handles their own 	<p>42%</p>

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		▪ Customers have very few payment options	58%
		▪ Staff have the authority to negotiate payment options within guidelines, without further approval from management	67%
		▪ Please use the following table to describe when and how contacts are made on delinquent accounts:	
		# Days Late	Contact Method *
		Over 30	Letter, Statement, Phone
		Over 60	Letter, Statement, Phone
		Over 90	Termination Letter, Statement, Phone
		Over 120	Letter, Collection Agency Document
		# Days Late	Who initiates contact?
		Over 30	Agency Personnel
		Over 60	Agency Personnel
		Over 90	Agency Personnel, Collection Agency Personnel
		Over 120	Agency Personnel, Collection Agency Personnel
		<u>Collections staff:</u>	
		▪ Receive specialized training on managing delinquent accounts	25%
		▪ Manage all delinquent debts regardless of amount	50%
		▪ Handle only accounts over a certain amount	17%
		▪ Agency does not have specialized collections staff	33%
		▪ Agency uses collection services at other agency's	25%

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding									
		<p><u>Delinquent Accounts are referred to Collection Agency</u></p> <ul style="list-style-type: none"> ▪ Routinely ▪ Only in extraordinary circumstances ▪ Never ▪ Depends on division policy <p>Please briefly describe collection agency policy:</p> <ul style="list-style-type: none"> ▪ Office responsible for the receivable sends supporting documentation for the billing and all letters sent to customer to HQ A/R staff, who then compile the information and send to the collection agency. HQ A/R staff work directly with the collection agency and monitor monthly collection agency reports. Status of accounts in collection is provided back to the responsible office. ▪ Member accounts that have not responded within 90 days are sent to a collection agency. ▪ Employer accounts are not turned over to outside collectors. ▪ Receivable system has a \$5 built-in tolerance. ▪ Accounts are sent to collection agency after they have received invoice, statement, two dunning letters and one phone call from agency personnel. Only private individuals and companies can be sent to the collection agency. 	<p></p> <p>33%</p> <p>25%</p> <p>8%</p> <p>25%</p>									
<p>Write Off Bad Debts</p>	<p>Write Off Bad Debts</p>	<p><u>What is the approximate value of your annual write-offs agency-wide</u></p> <table border="1" data-bbox="892 1089 1696 1230"> <tr> <td data-bbox="892 1089 1507 1138">FY05</td> <td data-bbox="1507 1089 1696 1138">\$ 600</td> <td data-bbox="1696 1089 1906 1138">\$ 28,000,000</td> </tr> <tr> <td data-bbox="892 1138 1507 1187">FY04</td> <td data-bbox="1507 1138 1696 1187">\$ 123</td> <td data-bbox="1696 1138 1906 1187">\$ 23,000,000</td> </tr> <tr> <td data-bbox="892 1187 1507 1230">FY03</td> <td data-bbox="1507 1187 1696 1230">\$ -</td> <td data-bbox="1696 1187 1906 1230">\$ 11,000,000</td> </tr> </table> <p><u>Write-Offs:</u></p> <ul style="list-style-type: none"> ▪ Are initiated by program manager ▪ Are initiated centrally ▪ Require program manager approval 	FY05	\$ 600	\$ 28,000,000	FY04	\$ 123	\$ 23,000,000	FY03	\$ -	\$ 11,000,000	<p></p> <p></p> <p></p> <p></p> <p>33%</p> <p>33%</p> <p>42%</p>
FY05	\$ 600	\$ 28,000,000										
FY04	\$ 123	\$ 23,000,000										
FY03	\$ -	\$ 11,000,000										

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		<ul style="list-style-type: none"> ▪ Require approval by an agency central authority ▪ Other – please specify: <p><u>Steps required for write-off of Accounts Receivable:</u></p> <p>Please specify briefly</p> <ul style="list-style-type: none"> ▪ After exhausting collection efforts, the office responsible for the receivable flagged for write-off in acctg system. A program is run which generates a report of the items flagged for write-off. The office reviews and signs the report and then sends to HQ. HQ A/R staff review the write-off report and then forward to the Accounting Chief for approval of the write-offs (would send request to AG for those about Accounting Chief's authority to write-off). Once signed by the Accounting Chief, another program is run which then writes off the receivable. ▪ Determine collectibility, cost to collect, statute of limitations, compromise and settle, bankruptcy, exception to policy. 	<p>58%</p>
Process Refund or Issue Credit Memo	Process Refund or Issue Credit Memo	<p><u>Overpayments are discovered:</u></p> <ul style="list-style-type: none"> ▪ By manual review ▪ By electronic comparison of invoiced and paid amounts <p><u>Overpayments are generally:</u></p> <ul style="list-style-type: none"> ▪ Refunded to the customer ▪ Issued as formal credit memos against customer account ▪ Directly adjusted against outstanding account balance 	<p>83%</p> <p>58%</p> <p>83%</p> <p>17%</p> <p>67%</p>

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		Other, please specify: <ul style="list-style-type: none"> ▪ The customer is contacted by phone to explain the overpayment and asked if they want a refund or if they want us to apply the overpayment to a future billing. ▪ Overpayments are refunded only on member accounts. 	
Receive Virtual Payments		<u>Credit/Debit Card payments:</u>	
		<ul style="list-style-type: none"> ▪ Can be accepted for all types of services 	0%
		<ul style="list-style-type: none"> ▪ Can be accepted for only specific services 	67%
		<ul style="list-style-type: none"> ▪ Cannot be accepted 	25%
		<ul style="list-style-type: none"> ▪ ACH Debit Process is used to “sweep” payments directly from customer accounts for some services 	33%
		<ul style="list-style-type: none"> ▪ Agency would like to accept electronic payments for more types of services but does not have the technology/tools 	50%
		<ul style="list-style-type: none"> ▪ Agency would like to accept electronic payments for more types of services but the Economic Feasibility Study required by SAAM 40.40 is a barrier 	25%
		<ul style="list-style-type: none"> ▪ Other, please specify: 	8%
		<u>Service fees for electronic payments are:</u>	
		<ul style="list-style-type: none"> ▪ Charged to customer 	8%
		<ul style="list-style-type: none"> ▪ Absorbed by agency 	50%
		<ul style="list-style-type: none"> ▪ Varies, depending on service and program 	8%
		<u>Electronic payment tools</u>	
		<ul style="list-style-type: none"> ▪ Agency can accept electronic payments via the Web 	33%
<ul style="list-style-type: none"> ▪ Web system is integrated with receivable systems 	25%		
<ul style="list-style-type: none"> ▪ Manual updates to A/R must be made for web payments 	17%		

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		Other, please specify: <ul style="list-style-type: none"> Wire transfers through STO only Wire and ACH charges are absorbed by OST, not agency. 	
Distribute Tax/ Fee Revenues	Distribute Tax/ Fee Revenues	<u>Please Provide the following information about your agency tax/fee revenue distribution process, if any:</u>	
		Organizational Unit responsible for distributions Fiscal (Accounting Services) – Revenue/Receivables Unit certifies revenue to be distributed through OST and DOR.	
		Total # of FTEs involved <ul style="list-style-type: none"> 2.5 - 40 	
		Frequency of distribution Daily, Monthly, Quarterly	
		How distribution formulas are managed Varies. Through legislative review teams, accounting analysis, and through automation	
		Approximate number of recipients <ul style="list-style-type: none"> From 15 TO over 300 organizations including all state taxing jurisdictions, all states, two Canadian providers, 18 non-profits, etc. This does not include refunds due to overpayments or non-qualification of licensing requirements. 	
		Level of complexity From Highly complex to very complex	

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Process Steps:	Assumptions on Common Processes	Sample Agency Variations	Percentage Of Agencies Responding
		Names of systems used	
		Other?	



Appendix E – Advisory Group Endorsement

Agency	Date	Endorse Vision?	Response
AGR			No comments received
DIS			No comments received
DOC			No comments received
DOP			No comments received
DOR			No comments received
DOT	6-28-06	See comments	<p><u>General Comments</u> For truly bold change, either the State Treasurer or OFM should provide a credit card acceptance engine or service. Current efforts by small organizations within agencies to accept credit card payments on the web are hampered by the cost of creating (or contracting for) a payment facility or portal individually.</p> <p>I was happy to hear from a recent Financial Management Advisory Council presentation about the Portal Project that the Roadmap and that project are now coordinating. Hopefully the increased visibility with the Governor's cabinet will add to the Roadmap's momentum to provide new tools, like credit card engines, sooner rather than later.</p> <p>The use of the term "working capital efficiency" throughout the document seems to be inappropriate in a governmental environment. Perhaps "improved cash flow", "better, more efficient use of funds," or "increased funds availability or information" might be better terms. The same for the performance measure of working capital turnover rate -- How about something like: Days cash available, currency of customer accounts, or available cash as a percent of fund balance? Other possible measures include receivables turnover rate or percentage collected within 30 days, etc.</p> <p>No mention of Check 21 requirements, or Payment Card Industry Data Security Standards was made. Both of these should be considered in future directions for revenue processing.</p> <p><u>Specific Comments</u> Page 7: On the ability to offset receivables and payables, we were advised by our AAG a few years ago that particular language to do so must be contained within each agreement or contract. Also, we were originally developing this capability within TRAINS, but did not complete the development due to the legal issues and complexities of performing the process on an agreement by agreement basis.</p> <p>What is the expected form of governance structure for oversight of receivable accounting policy and practices? Doesn't OFM already have this authority?</p>

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Agency	Date	Endorse Vision?	Response
			<p>Pg 9 - Revenue Center of Excellence: The narrative does not appear to include invoicing or billing, which is part of the model for the Revenue Accounting focus group. Would agencies then continue to generate their own invoices and the revenue center would be strictly involved in the receipting and collection activities?</p> <p>Invoicing/billing for federal funds is a complex process depending on the federal agency. Several agencies have their own system that we have to convert data and bill through (FHWA, FTA). Other agencies require specific forms which vary between agencies (FAA, FRA, Homeland Security). Some of these are billed on-line where others are through the mail. The invoicing will be key to getting the receipts to the proper fund sources.</p> <p>As with the Procurement to Payables recommendations, this shared service center module should be one of the last steps in the implementation chain. Greater acceptance would be gained through focusing first on streamlining laws and regulations, then supporting and institutionalizing the new laws and rules in a new system. After those steps, a virtual center of excellence might be workable.</p> <p>Page 13 - Under Business Challenges, in addition to customer adoption levels falling short in utilization of electronic payment options, the opposite can happen over time. We have experienced exponential growth with some of our electronic payment options with a large increase in fees that had not originally been budgeted for.</p> <p>Page 18 - Under Statewide Commonality, it is not a universal truth that agencies do not currently generate and post electronic invoices. In the WSDOT FHWA billing process, an electronic billing is generated weekly with receivables and receipts posted electronically as part of the process.</p> <p>Page 19 - On a cautionary note, while WSDOT is in favor of eliminating payment barriers and increasing capabilities for accepting payments electronically, the State and agencies need to be prepared for increases in costs as transaction volumes increase. While there may be some opportunities to reduce the per transaction fee, if the number of transactions increase dramatically, the costs will still go up.</p> <p>Pg 25 - Customer Purchases Services and Makes Payment Online: What about the federal agencies? Are we expecting them to register and pay through the portal? How would the WSDOT current FHWA automated weekly billing process link up with the portal? Will there be coordination through the State Treasurer to expand ACH and electronic transfer mechanisms with local governments at a reasonable cost?</p> <p>Also, a discussion of Electronic Toll Collection methods and automatic account replenishment through systematic (and system generated) credit card transactions in this section might be helpful. While we may be the only agency doing the former, the later may be a tool of interest to other agencies at some point.</p> <p>Page 26 - Don't forget to develop appropriate controls and procedures for monitoring of lockbox vendors.</p>

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Agency	Date	Endorse Vision?	Response
			<p>Lockboxes are not immune to frauds as recently disclosed by the State Auditor's Office at training through the Financial Management Advisory Council. The recommended imaging processes and electronic reporting will help, but there should be more.</p> <p>Page 30 - In authorizing interest charges on amounts past due from other governments, much stakeholder work will need to be done. Some local governments and a few federal agencies are notoriously slow to pay or dispute each billing with WSDOT. Also, on the e-commerce recommendations, some recent actions by the Federal Government may require speeding this along. (See attached e-mail regarding DFAS no longer accepting paper billings)</p> <p>Page 36 - The recommended implementation strategies are very important and should not be buried halfway back in the document. Change management can <u>not</u> be over emphasized.</p> <p>Page 39 - Other considerations for implementing strategies for electronic commerce should include: streamlining OFM approval requirements and inclusion of associated fees and costs in budget development processes and procedures. Incorporation of Payment Card Industry Data Security Standards and training therein should also be a part of the implementation strategy.</p> <p>Page 41 - Union contracts and bargaining agreement issues should be included under impacts and concerns.</p> <p>Page 44, 45 - Has any discussion ensued about the possibility of using the UBI number as a customer account number? It is something already collected by many agencies.</p> <p>Page 47 - Without the certainty of funding, is it premature to talk about initial Core Financials implementation for 07-09? The timeline for the feasibility study project would be helpful in understanding relationships among the projects and timing.</p>
DRS			No comments received
DSHS			No comments received
ESD			No comments received
GA	6-26-06	See comments	Thank you once again for the opportunity to comment on another value proposition! We support all of the recommendations with the exception of the ones where a center of excellence (or shared services center) is recommended. Similar to her comments on the Procure-to-Pay value proposition, Linda prefers more of a Human Resources Management System (HRMS) model where an enterprise reporting system (ERP) provides agencies with a framework and system to conduct their own revenue accounting transactions. We are in support of the other recommendations.
HCA			No comments received

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Agency	Date	Endorse Vision?	Response
LCB			No comments received
LNI			No comments received
LOT			No comments received
OFM – Statewide Accounting	6-30-06	See comments	<p>Recommendation 1</p> <p>10 Policy/Process</p> <p>The state currently accepts all forms of payments. In fact, the state collects the majority of payments in an electronic form. This does not always prove to be cheaper given the fact that the state generally has to add a second receipting system since we are not able to do away with traditional forms of payment. There is also the cost of credit card fees. Even when the state can utilize a third party to collect payments allowing us to pass the credit card fee onto the payer, it is not entirely a positive solution since the taxpayer has to pay the fee.</p> <p>Authorizing penalties and interest charges requires changes to laws and/or rules. And, the public is involved in the decision making process. Special interest groups can and do have a strong voice in decision making – they generally are voters and legislators listen to what they have to say.</p> <p>We understand that there are potentially legal issues involved with debt offset and caution that much work has to be done before a general recommendation as to its feasibility can be made.</p> <p>11 Organizational</p> <p>It's not clear who you envision being involved in the governance structure empowered to oversee effective transformation of revenue accounting policy and practice across agencies, but absent significant law and rule change, the transformation would be limited.</p> <p>11.5 Expected Business Value</p> <p>Broad value statements – given issues raised with policy/process and organizational, appear very challenging to realize.</p> <p>Large revenue collecting agencies currently have knowledgeable, dedicated collection staff and the state has a contract with a collection agency that other agencies can take advantage of. There is undoubtedly room for improvement in the collection arena statewide especially related to small agencies, but I would think that the improvement would be fairly limited as far as additional amounts collected.</p> <p>11.6 Recommendation 2</p> <p>12 Policy/Process</p> <p>Current electronic commerce laws require applications to be economically feasible. We strive to maximize benefit to state and our customer community. Proposal to negotiate low/no fee electronic payment service options based on volume does is not realistic. Are large commercial businesses exempt from credit card fees?</p>

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Agency	Date	Endorse Vision?	Response
			<p>13 System The Governor currently has an enterprise business portal initiative. A payment component seems like a logical extension – but would it require a central system or would links to existing agency payment processes be an acceptable alternative at least for large agencies that currently have integrated other agency specific mission critical systems. A centralized system may benefit small agencies but at a significant cost to the large agencies with integrated internal systems.</p> <p>14 Expected Business Value The current enterprise business portal initiative focuses on business relationships with customers – it extends way beyond payment processing. Additionally, it includes linkage with local governments which, from a business perspective, is important. It's not clear if this proposal incorporates local governments as well.</p> <p>14.7 Recommendation 3</p> <p>15 Policy/Process 'Revenue center of excellence' may be a term of art, but seems to imply that staff in current decentralized revenue offices are providing other than excellent service. Perhaps there is another way to reference a centralized operation. While lock-boxes offer many benefits, they have fees associated with them that would have to be considered in assessing their net value. <u>Organizational</u> Absent significant law and rule change to standardize agency business operating environments, a centralized revenue accounting center would be challenged to operate more efficiently than the current decentralized structure.</p> <p>16 Expected Business Value Expected business results would have to be compared against costs to assess net value.</p>
OST			No comments received
WSP	6-16-06	See comments	<p>Our comments are <i>italicized in blue</i> below.</p> <p>REVENUE ACCOUNTING RECOMMENDATIONS:</p> <ol style="list-style-type: none"> 1. Payment method and collections reform <ol style="list-style-type: none"> a. Expand customer payment options by removing payment method restrictions from law and policy. <i>We're okay with this.</i> b. Legalize best practice collection methods including more effective penalties, authorization to withhold services, and the ability to offset state receivables with payables. <i>This would be good. Currently, we are withholding services on past due accounts for Background checks, training at the Fire Training Academy, Traffic Control contracts, etc,</i>

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Agency	Date	Endorse Vision?	Response
			<p><i>where applicable. We have concern over "...the ability to offset state receivables with payables". Sounds like it could be a nightmare reconciling??</i></p> <p>2. Electronic commerce</p> <p>a. Promote universal adoption of electronic commerce by:</p> <ul style="list-style-type: none"> ❖ Implementing an enterprise payment portal ❖ Enabling real time interaction between the portal, receipting and line of business systems ❖ Negotiating low/no fee electronic payment service options based on enterprise volumes ❖ Marketing benefits to customers <p><i>We are concerned about the fees that we would/could be charged for accepting credit cards.</i></p> <p>3. Revenue center of excellence</p> <p>a. Consolidate delivery of targeted enterprise revenue accounting services such as customer information management, mail-in cashing, revenue distribution, receivables management and collections</p> <p><i>Not sure how this would work for us as we have various revenue codes depending on the type of contract and various reimbursement codings. Some come in as Deferred Revenue if the revenue has not been earned yet or Deferred Recovery.</i></p> <p><i>35% - 50% of the items we receive may not be set up as a receivable, so it would have to be deposited into a suspense account and then researched and moved.</i></p> <p>b. Analyze the potential for enterprise lockbox standards and practices <i>Not sure how this would work for us. Could possibly work for Criminal Records and Ident.</i></p> <p>c. Implement integrated revenue accounting systems <i>We're okay with this.</i></p> <p>4. Account management</p> <p>a. Establish universal customer identifiers linked to line of business systems to improve customer service and coordinate state services <i>Could be okay, but would question how long it would take to get a new customer number?</i></p> <p>b. Leverage enterprise customer information to improve cross-agency service delivery and standardize credit risk evaluation, collection referral and write-off policy <i>We're okay with this.</i></p> <p>We have so many different places our billings are coded to that we will either be doing more research (if they are placed in suspense) or must rethink how the money that comes in should be coded.</p> <p>Thanks for the opportunity to comment. Diane Perry Washington State Patrol</p>

Roadmap

EBPDM – Revenue Accounting Value Proposition
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Enterprise Business Process and Data
Modeling for the *Roadmap*

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