

Report to



Washington State Office of Financial Management

Accounts Receivable—Feasibility Study

AR Recommendation



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1. INTRODUCTION

1.1. Purpose

The purpose of the Accounts Receivable (AR) Recommendation deliverable is to recommend which AR alternative solution is the best choice for OFM for a long-term accounts receivable solution, using the analysis of the options in the AR Alternatives Analysis deliverable.

1.2. Background

The OFM Statewide Financial Systems Group (SWFS) operates and maintains an Accounts Receivable System (AR), which is currently used by eight state agencies to track and account for their receivables. AR is a customized server-based Solomon application with a Microsoft SQL Server database that SWFS implemented in 1997-1998. Agency staff access AR through Washington State's intranet portal and Citrix servers. The state intranet portal allows for agency-to-agency services as well as links to various other levels of government. Agencies also upload batches of transactions to AR through files emailed to SWFS support staff or through a web services process. AR has automated processes for sending batches of transactions to the Agency Financial Reporting System (AFRS), which is the state's enterprise accounting system that resides on the state's mainframe computer.

Because the AR is highly customized for each agency, it is difficult to upgrade to newer versions of Solomon and upgrades have not been performed for several years. The version of Solomon used for the AR is no longer supported. OFM is conducting a project to upgrade the AR server operating systems to Windows 2000 and Citrix XP. This upgrade, together with new servers, will provide a three to five year window for running the current Solomon AR before the operating systems are no longer supported.

Customers (participating agencies) report that Solomon adequately meets their basic AR needs. There are additional features customers would like, but the application has not been enhanced much for the past three years. There are also some potential customers (non-participating agencies) who see limitations to the Solomon AR that have caused them to seek their own solutions or hesitate before signing up with OFM.

SWFS develops and maintains enterprise financial applications for state agencies. The vision for a SWFS AR is that it will be the enterprise application of choice for all state agencies that need an accounts receivable system. The current software platform will not be supported beyond three to five years, and there are additional features and enhancements that customers would like to see added to the existing application. SWFS wants to chart a long-term path for AR that leads to a supported environment and an



application that provides basic accounts receivable functionality and is flexible and robust enough to meet agency specific requirements that the current AR does or perhaps does not address.

OFM has engaged Sierra Systems to complete a Feasibility Study which will include addressing the requirements of a new Accounts Receivable System, providing an assessment of the feasibility of replacing AR, and recommending an approach for implementing a replacement.

1.3. Approach

The alternatives for an AR solution were described and analyzed in the AR Alternatives Analysis deliverable. Using this analysis and working with OFM staff, we developed this solution recommendation.

1.4. Sources

The following sources of information were used in the development of this deliverable:

- *AR Business Case, April 17, 2004*—previous deliverable in this project, describing the business case for a new CAMS solution, including cost and benefit information and the rating scale for fit with requirements.
- *AR Feasibility Notes, September 2003*—four-page high level assessment of utilizing L&I's AR system as the OFM enterprise AR system.
- *AR Implementation Notes, September 2003*—four-page, high-level assessment of OFM work effort to make L&I's AR application an AR enterprise application.
- *AR Requirements, April 17, 2004*—previous deliverable in this project, listing functional and non-functional requirements in a grid.
- *Baseline Measurement of Financial Systems project initial survey results, March 2004*—draft presentation of survey results and identification of high-effort processes.
- *SAP Documentation and Vendor Feedback, April 2004*—includes SAP provided documentation and feedback from state resources that attended SAP training.
- *Third Party Product Overviews and Evaluations, various dates, 2000-2004*—news articles from miscellaneous research sites and services including Gartner, AICPA Journal of Accountancy, CPA Technology Advisor, and CPA Software News.
- *Vendor Demos, Documentation and Feedback, May 2004*—conversations, demonstrations and documentation from best-of-breed COTS.



1.5. Relationships to other Deliverables

The Recommendation deliverable is made possible through work completed analyzing the AR solution options in the AR Alternatives Analysis deliverable. This document builds on the analysis and, in turn, will be built upon in all subsequent deliverables:

- The Cost Benefit deliverable will detail the costs and benefits for the recommended option.
- The Implementation Plan and Risk Management documents will use all deliverables produced.

2. SUMMARY OF SOLUTION ALTERNATIVE COSTS AND BENEFITS

The AR Alternatives Analysis document contains specific information on the AR solution options—their fit to requirements, costs, benefits and issues. In summary, the viable options are:

1. ***Implement Accounts Receivable Collections (ARC) from L&I.*** This option would involve rewriting and significantly expanding the ARC application. There is limited benefit from making use of its existing design and business rules as basic AR functionality would have to be custom developed and the database and business rules updated for multi-agency use. The resulting solution would meet the essential AR requirements as listed in the Requirements document. The development timeline for this option is longer than either of the COTS implementations. In addition, this option would lack expanded AR functionality not captured in the current AR requirements.
2. ***Implement a best-of-breed Commercial Off The Shelf (COTS) Solution.*** This option would implement one of a choice of vendor integrated financial packages developed for the mid-market and not-for-profit (public sector) financial accounting business environment. These full-feature fund accounting suites include multiple integrated business modules, such as purchasing and budgets, which can be optionally enabled separate from the AR functionality.
3. ***Implement the SAP enterprise solution.*** This option would implement the accounts receivable functionality as defined in the AR Requirements through SAP's Financial Management offering contained in the mySAP Public Sector solution. SAP HRMS is now being implemented statewide.

The largest cost differentiator among all the viable alternatives is ongoing support (maintenance plus enhancements). As described in the Alternatives Analysis document, there is a fundamental difference between the enhancement expectations for custom developed software and for COTS packages that have been designed to be flexible for customers' needs. Between the COTS packages, the largest cost differentiator is the estimated implementation costs due to difference in complexity of the packages.

Considering the projected five-year costs of the three viable solutions, the best-of-breed solution has a slightly lower estimated cost than the other two; the ARC solution had the highest five-year estimated cost; and the SAP enterprise solution was estimated slightly higher than the best-of-breed solution.

The anticipated benefits of the two COTS options are significantly greater than the anticipated benefits for the ARC redevelopment, chiefly because they offer clear upgrade paths and choices for added functionality.

If SAP financials are implemented statewide, the SAP enterprise solution provides the state with a single platform, integrated statewide financial management system.



3. SOLUTION RECOMMENDATION

Considering both projected costs and benefits, we recommend the implementation of a COTS AR solution for the state. Of the two COTS solutions considered— best-of-breed and SAP enterprise —our recommendation is contingent on the state’s plans for implementing statewide SAP financials.

SAP has stated that implementing SAP’s accounts receivable functionality to meet the state’s requirements may be successfully achieved either standalone, before statewide SAP financials, or as part of a statewide SAP financials implementation.

Washington State is now conducting a study to develop an overall implementation plan, taking into consideration the scope of what will be implemented and the order that makes sense for the state. The finding of this study may impact this recommendation.

3.1. Recommendation A

If Washington implements a statewide SAP financial system, the potential to integrate accounts receivable with a fully enabled general ledger and potentially with purchasing, payables, budgets and other applications, are compelling reasons to implement the SAP accounts receivable functionality.

The timing of a statewide financial implementation is important. If the state implements statewide SAP financials within the 2005–2007 biennium, it is anticipated that current systems will continue to operate until SAP accounts receivable functionality can be implemented, also within that biennium.

3.2. Recommendation B

If a statewide SAP financials implementation occurs in the 2007–2009 biennium or later, the viability of the current AR system is much more in doubt. As the features and costs of the two COTS solutions with respect to the AR requirements are very similar, we recommend the OFM wait until the end of the 2003–2005 biennium before deciding which of the two COTS solutions to implement. This will allow OFM time to review the SAP HRMS implementation and do further research on the best-of-breed vendors

3.3. Recommendation C

If statewide SAP financials are not implemented, we recommend the implementation of a best-of-breed COTS solution.

Further details on implementation options will be explored in the AR Implementation Plan.



4. ASSUMPTIONS

The following assumptions have been made in making this recommendation:

1. The solution capability information received from vendors, both for best-of-breed and for SAP, is accurate as represented in the requirements grid and analysis in the Alternatives Analysis deliverable. Vendors reviewed and contributed to the values on the grid and had an opportunity to respond to specific questions on capabilities.
2. Projected solution cost information received from vendors, both best-of-breed and SAP, is accurate as represented in the Cost Section of the Alternatives Analysis deliverable, to the extent that it provides a good basis for comparison. More detailed cost information will be included in the subsequent Cost Benefit Analysis deliverable.
3. Solution capability and project cost information for the best-of-breed solution, based on a specific product suite, is representative of other best-of-breed offerings.
4. The current OFM AR system will continue to operate until a new AR solution is implemented, or until the end of the 2005–2007 biennium, whichever is sooner.
5. The SAP HRMS implementation currently underway will be successful by the end of the current biennium.
6. Efforts now underway to analyze SAP financials for statewide application will determine whether or not the SAP general ledger will be implemented statewide. If SAP general ledger is chosen, a future project will determine more closely the capabilities of all SAP financial applications.
7. Vendor and integrator support for a COTS system implementation will be available as needed for successful implementation within the projected cost ranges.
8. OFM will plan and participate in publicizing the availability of expanded functionality and in the delivery of training to current and future users of a new OFM AR system.
9. Business process changes resulting from the implementation of a new AR solution will be accepted by the current users of the OFM AR system.
10. Additional functionality offered by a COTS solution may attract agencies not currently using the OFM AR system to use the new solution.
11. Agencies using a new COTS solution may want to use optional functionality beyond that addressed by the current OFM AR, (e.g., Customer Non-invoiced Cash Receipts, Miscellaneous Cash Receipts).
12. The availability of optional functionality beyond that addressed by the current OFM AR has not been explored nor documented. For functional and non-functional fit, this recommendation addresses only those requirements identified in the AR Requirements deliverable.



Appendix A. Revision Log

Revision Date	Description	By Whom
	Document updated based on OFM's feedback	
May 27, 2004	Draft completed	Denise Mills
May 26, 2004	Content completed	Tom Babington

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