



King County

**Accountable Business Transformation 2013
Budget Proviso Report: EBS and Hyperion
Stabilization, Year End Lessons Learned and
Benefit Realization**

Council Ordinance 17476, Sections 61 and 62

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Topic

Proviso Response for:

- Stabilization Status and Metrics for Oracle EBS, Hyperion & HCM
- 2012 Year-end Close and Lessons Learned
- Benefits Realization from ABT

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INTRODUCTION AND PURPOSE

The Accountable Business Transformation (ABT) project, launched at the beginning of 2012, established an integrated system for King County to manage its financial, human resources, payroll and budget operations. For the first time, agencies share an integrated platform of new technology applications: Oracle Electronic Business Suite (EBS), PeopleSoft HR and Payroll, and Hyperion Budgeting.

The County Council has requested a status report on specific elements of ABT implementation based on two related provisos in the 2013 Budget Ordinance.¹ The first section of this report focuses on the stabilization of the County's new financial system (Oracle EBS) and the new budget system (Hyperion). The second section highlights the 2012 year-end closing process for the County's financial system and lessons learned for the future. The final section recaps the benefits realized from the ABT implementation, including current benefits and those anticipated in the near future.

¹ The 2013 Budget Ordinance 17476 included two provisos, in Sections 61 and 62, requesting information about the stabilization of the countywide financial and budget systems by June 30, 2013. These provisos also requested information about year-end financial processes and benefits realization from the implementation of the ABT project.

EXECUTIVE SUMMARY

This report responds to two related provisos in Council Ordinance 17476, sections 61 and 62, requesting information about the stabilization of new wide financial and budget systems by June 30, 2013. The provisos also requested a description of the 2012 year-end financial closing process and an assessment of how the County is realizing benefits from its investment in the Accountable Business Transformation (ABT) project.

This report examines Oracle EBS stabilization from both a system and a business process perspective for each of ten modules and for the areas of reporting, system security and the handling of high priority defects. Overall, the system is stable and business processes are functioning, with some areas working better than others as shown in the following dashboard chart.

Oracle EBS System and Business Process Stabilization Status

Area	System Status	Business Process Status
OVERALL		
General Ledger Module		
Projects/Grants Module		
Fixed Assets Module		
Cash Management Module		
Accounts Receivable Module		
Advanced Collections Module		
iProcurement/Purchasing Module		
iExpense Module		
Accounts Payable Module		
Inventory Module		
Reporting		
Security		
Ability to handle high-priority defects		

The green and yellow circles reflect varying degrees of stability from high to medium, respectively. For example, the general ledger has a high stability rating for system and business process. This rating is justified by the fact that County staff have used accounting information from the general ledger module to produce accurate and complete 2012 year-end financial reports in record time. Although there are no areas marked completely in red which would reflect an unstable condition, there are two areas marked as yellow and red—projects/grants and accounts receivable—which indicate a low level of business process stability characterized by extra steps and complex workarounds.

Appendix I describes the stabilization status of each Oracle EBS area using metrics as of March 2013, followed by a section describing the outlook for improvement. Key system and business process issues that need to be addressed fall into three categories: (1) system-related defects that are in queue for resolution in 2013, including a major patch project that will be completed in

October; (2) design set-up decisions in projects/grants, accounts receivable, and fixed assets that need to be re-assessed because of inefficiencies and data growth; and (3) standardizing business processes around a project-centric financial accounting system, including regular training and improved documentation for users.

As of April 2013, the Hyperion budget system was in production and being used to develop the 2014 budget. The status of the budget system is closely monitored and updated on a regular basis; an updated system status is available to all users on PSB's budget and business planning website.

The County successfully closed its 2012 year-end accounting activity in the Oracle EBS financial system. The Finance and Business Operations Division orchestrated the closing process using web-based instructions, detailed schedules, tools and performance measures accessible to all users. The key lessons learned from 2012 include: (1) the need to develop, communicate and implement a countywide approach for year-round activities regarding financial analysis and associated data clean-up in support of year-end close; (2) the need for FBOD and BRC to schedule system-related support services that are timed to align with the annual business cycle; and (3) recognizing that patches should only be moved into production after comprehensive testing.

The final section of the report and Appendix II explain how the County is receiving value from the new integrated systems. Some benefits have been realized quickly, while others will occur in phases over several years as users progress through three phases of a systems "maturity model" from stabilization to standardization to optimization. The report signals that we are now ready to move from the stabilization phase to the standardization phase. The next major focus on the results of ABT benefits realization should logically occur near the end of the standardization phase in mid-2015 and be folded into the development of the 2015/2016 biennial budget.

STABILIZATION STATUS & METRICS: ORACLE EBS

Jan 2012 – March 2013

Financial Reporting and Accounting – Stable in Oracle EBS

A fundamental question when assessing stability is whether the Oracle EBS system is accurately recording financial activity for King County.

A primary measure of this activity is the amount of effort required to accurately create the Comprehensive Annual Financial Report (CAFR) in a timely manner, which is required to maintain King County's superior bond ratings. Producing the Oracle EBS trial balances that support the 2012 CAFR was much simpler than in the legacy systems because of the dozens of post-closing entries and side reporting from spreadsheets that occurred in prior years. Even after taking into account the expected first-year reporting challenges that arose from a new financial accounting system, draft Oracle EBS trial balances were provided to the State Auditor's Office in mid-March, a month earlier than in previous years, which allowed the CAFR audit to end by June 30, which is in accordance with reporting recommendations, for the first time in five years.

Another measure of this activity is how well King County meets its responsibilities as the ex-officio treasurer for 139 special districts. In this role, the County accounts for their funds in the general ledger and issues reports and manages and reconciles the warrants that have been issued. For 79 of these districts, King County also issues their warrants. Since March 2012, the County has fully met its responsibilities as ex-officio treasurer. In early 2012, just after implementation, the warrant issuance process was very cumbersome. In response, the County quickly redesigned the Accounts Payable spreadsheet interface process and the signature verification process, which significantly increased efficiency both for the agency and for central finance staff.

We therefore conclude that based upon the accurate and timely reporting of its 2012 financial results, that the Oracle EBS financial system is stable; however, we also understand and share user frustrations with other EBS functionalities and processes.

Remaining Pain Points for Oracle EBS Users

We expect that County users would encounter some level of frustration with the implementation of any new accounting system. The County's legacy financial systems had been in use for decades and users had many years to refine system edits and cross-validation tables and to perfect their specific reporting needs. In order to decrease the level of user frustration that still remains with Oracle EBS, FBOD and BRC managers plan to first address the system or business process major "pain points" that remain then move toward the lesser-priority process refinements and improvements.

Through conversations with over a dozen agency finance manager focus groups, FBOD and BRC managers are inventorying and prioritizing identified Oracle EBS remaining issues. These issues fall into one of three categories:

- **Business process issues** that require improved documentation and training to standardize work. Examples include: how to identify and understand the accounting differences between the Oracle EBS Projects module and the Oracle EBS General Ledger module;

the need to provide better clarity to the burdening process; the need to improve the budgetary reporting process - especially in regards to capital and operating projects; and the need to streamline and standardize the accounts payable business processes.

- **Solutions for business-process issues include:** developing and distributing pertinent business process documentation and training in these specific areas; collaboratively developing and implementing improved reports that specifically address these issues; and initiating FBOD led inter-agency Lean events to improve efficiencies in these targeted processes. *This activity is included in the FBOD 2013-2014 work-plans and forthcoming annual budget requests.*
- **Design setup decisions** that were made before go-live that appear to have led to some inefficiencies and unintended data growth. Examples include the current methodology for capitalizing assets from the Oracle EBS Projects module to the Oracle EBS Fixed Asset module; the level of labor detail utilized in the Oracle EBS Projects module; the set up for awards in the Oracle EBS Projects module and the invoicing and billing choices that were made in the Oracle EBS Accounts Receivable and Projects modules.
 - **Solutions for design setup decisions issues include:** re-assess the system design choices that are now available versus the specific alternative that was selected for each of these issues. Implementing changes for some of these design choices may be viable for FBOD/BRC's short-term work plans after review by the Central Business Systems Steering Committee, but we anticipate that in most of these areas it will be extremely difficult to implement design changes in mid-stream. In those cases, these assessments will be used as tools to inform the Oracle EBS upgrade process currently calendared for 2017. *This activity is included in the FBOD/BRC 2013-2014 work-plans and forthcoming in forthcoming annual budget requests.*
- **System defects.** Examples include the dozens of known errors that will be corrected with this summer's comprehensive patch project – for instance, we know that use tax is currently not flowing through to the Projects module and this error is in scope to be corrected with the patch project.
 - **Solutions for system defect types of issues include:** inventory and, on a prioritized and methodical basis, implement Oracle patches for the identified system defects that remain. As needed, we will develop efficient workarounds for low-impact, high-resource defects that are not expected to be corrected in the near-term by the upcoming patch bundle scheduled for implementation; these lower priority defects will be scheduled for implementation at a later time. *This activity is included in the BRC 2013-2014 work-plan and forthcoming annual budget requests.*

Oracle EBS Stabilization Status

The stability of Oracle EBS and associated business processes as of the end of the first quarter 2013 is defined as:

- The fundamental business processes are supported by the system and operating in a timely and correct manner or are otherwise supported with known and reasonable workarounds;
- The system has adequate alerts and signals to inform the business owner and BRC when the system malfunctions;
- The BRC is able to address emergency and high-priority system defects in a timely manner; and

- The backlog of defects is stable or falling.

Oracle EBS includes ten modules. The following summary chart summarizes the status of system and business process for each of the modules as well as the status of system reporting and system security. Appendix I of this report describes each area noted in the chart as of March 2013, in terms of stability of the system, the stability of the business process and the outlook for improvement through 2014.

Oracle EBS System and Business Process Stabilization Status

Area	System Status	Business Process Status
OVERALL		
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Inventory Module		
Reporting		
Security		
Ability to handle high-priority defects		

The green and yellow circles reflect varying degrees of stability from high to medium, respectively. For example, the general ledger has a high stability rating for system and business process. This rating is justified by the fact that County staff have used accounting information from the general ledger module to produce accurate and complete 2012 year-end financial reports in record time. Although there are no areas marked completely in red which would reflect an unstable condition, there are two areas marked as yellow and red—projects/grants and accounts receivable—which indicate a low level of business process stability characterized by extra steps and complex workarounds.

The criteria statements that follow were used as key markers for the system and business process stabilization ratings for each area of the summary chart.

System Status Stabilization Criteria

Green (high stability)

- The application is working as designed for key functions
- BRC staff can support application without frequent intervention or manipulations
- The system is available with minimal downtime for users

Yellow (medium stability)

- The application is working but patches or other fixes are needed to improve speed, accuracy and efficiency

- BRC staff have to devote extra time and resources to make the application work, but solutions are apparent in the near future
- Design set-up choices need to be revisited to ensure optimal use of Oracle capabilities with the most efficient use of County resources
- The system has more downtime than expected but this is manageable

Red (low stability or unstable)

- The application does not work as designed and is not meeting critical needs of agencies
- BRC staff do not have the capacity to address issues and problems and require intervention using expert outside resources
- The downtimes are excessive and hampering users

Business Process Status Stabilization Criteria

Green (high stability)

- The business process is stable from the perspective of central business owner
- User concerns are low priorities that can be inventoried and resolved later
- Users can conduct business with minor inconveniences or reasonable workarounds
- The intended business process is being used most of the time, with some exceptions
- Central business owners understand the process well enough to begin moving users to the next level of maturity, i.e., standard work and streamlining
- Documentation and training exists in an ad hoc fashion but needs to be strengthened via a coordinated training strategy

Yellow (medium stability)

- The business process is stable from the perspective of central business owner, however one or more of the following conditions may apply:
- User concerns are mid-level priorities that need to be addressed in the near term
- Users can conduct business but there are extra steps and some complex workarounds
- The intended business process is being used at least half of the time, with many exceptions
- Central business owners must identify and fix key problems with the support of users, prior to moving to next level of maturity
- Limited documentation and training exists in an ad hoc fashion and needs to be broadened and strengthened

Red (low stability or unstable)

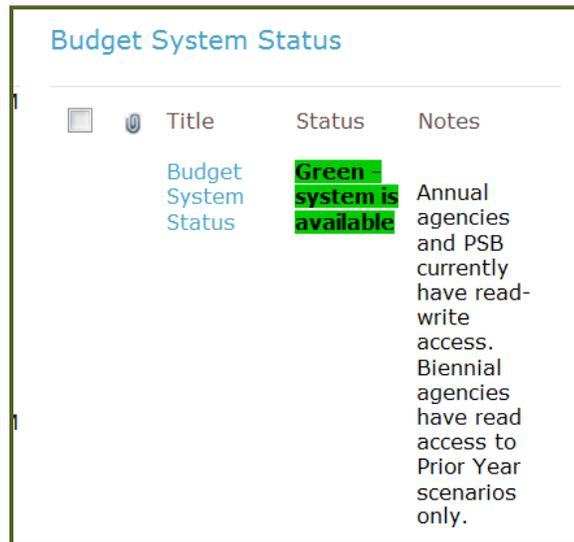
- The business process is unstable or unpredictable from the perspective of the central business owner
- User concerns are high-level priorities that need to be addressed as soon as practicable
- Users have a high degree of difficulty conducting their business due to burdensome steps and complex workarounds
- The intended business process is being used one third or less of the time, with much confusion by users
- Central business owners are reacting to multiple problems and need to re-examine the process design and solve urgent problems before moving to next level of maturity
- Many users need special assistance and documentation/training is on hold until process becomes more stable

STABILIZATION STATUS & METRICS: BUDGET SYSTEM

The Hyperion budget system is the County's central budget process support system and includes modules for the development of both the operating and capital budget. The system is integrated with both the accounting system (Oracle EBS) and personnel system (PeopleSoft) and is used to aggregate and report at multiple stages of the development of the budget (e.g. Executive proposed budget, Council proposed budget, etc.).

System Status & Improvements

As of April 2013, the budget system was in production and being used to develop the 2014 budget. The status of the budget system is closely monitored and updated on a regular basis; an updated system status is available to all users on PSB's budget and business planning website using a color coded system of "green" or available "yellow" or limited access and red "system unavailable" along with a description of the reason for the status and anticipated availability if warranted (see screen shot from website below).



Title	Status	Notes
Budget System Status	Green	Annual agencies and PSB currently have read-write access. Biennial agencies have read access to Prior Year scenarios only.

The budget system was used to develop the 2013-14 Council adopted budget concurrently with system implementation during 2012. The system went "live" in the first quarter of 2012 while system implementation was not substantially completed until the third quarter of 2012. The County experienced a number of issues during that time including:

- System instability and multiple occasions where the system was unavailable to system users.
- Inaccurate data loads from PeopleSoft into the budget system resulting in extensive manual corrections; this was in part due to the complex personnel budgeting design.
- Processes to calculate salary budgets took excessive amounts of time to complete which decreased system availability to users.
- Complex labor budget user interface that made it administratively cumbersome to make labor budget changes and get accurate FTE counts.

- The system included a large number of operating projects which slowed down processing time and decreased the users satisfaction with system experience.
- Complex Oracle EBS technical requirements that added to time required to load CIP data from Hyperion to Oracle EBS.
- In the budget user survey conducted in the fall of 2012, 74% of respondents reported that they were either “Very Dissatisfied” or “Somewhat Dissatisfied” with the budget system.

During the 4th quarter of 2012 PSB solicited feedback from users, conducted a review of the current system by an expert consultant, and held several discussions with a large focus group of agencies and business system partners. Through this evaluation we identified several areas for immediate improvement including:

- Simplifying the PeopleSoft interface and Hyperion design by removing employee and using only position records.
- Simplifying the budget business process by forecasting position budgets with average salary data.
- Developing a series of standard audits for PeopleSoft data to identify data load errors early in the process.
- Simplifying the position budget data forms to improve the user experience with salary and benefits budgeting.
- Simplifying the data structure for EBS to remove all operating projects that are not used for budgeting.
- Simplifying the position budgeting business process to reduce the time spent on personnel calculations and allocations.

The impact of those improvements included:

- Removing employee from the PeopleSoft interface and position budget process resulted in a decrease of approximately 13,000 members from the database outline which is expected to reduce errors and improve system processing time as well as the users experience.
- Removing employee from the user interface decreased the number of steps to transfer a position between cost centers from 21 to 5. The number of steps to update an FTE value was reduced from 12 to 7. This is expected to reduce the amount of time users spend inputting budgets.
- The time to complete system salary and benefit calculations has been reduced from approximately 4 hours to less than 2 hours which is expected to reduce the amount of time the system is unavailable to users.
- Filtering non budgeted operating project numbers from Oracle EBS data imports decreased the number of operating projects from 15,000 to 800. This is expected to improve system performance and users experience.
- We anticipate that survey respondents will report greater satisfaction with the system as a result of these modifications (to be conducted in the 3rd Quarter 2013).

Future Outlook and Planned Actions:

During the course of 2013, we have several items of work that are currently underway or are planned. The following table provides a list of items that are in the planning stages that will provide additional functionality, reporting capability, and/or system stability.

Module	Description	Target date for Completion
Hyperion	Decision Approval Project. Develop tool to track, record, and communicate decisions in Hyperion. The development of this tool is ultimately expected to replace Mbase, the legacy decision tracking system.	July 2013
Hyperion	System Stability Patching. Apply, test and fully implement most recent application patch set. The patch set corrects a number of system defects identified by Oracle and will help PSB / BRC receive a better level of customer support from Oracle when issues arise.	End of 2013
Hyperion	The number of awards in the system will be reduced to improve calculation speed and reporting capabilities.	End of 2013
Hyperion	Supplemental Process. Currently supplemental are not being entered and recorded into Hyperion. They are developed using legacy forms and databases. Implementing supplemental in Hyperion will require a business process design as well as further validation of a developed interface to EBS.	Planning Complete by 2013
Capital Project Information Center	Complete Report Migration from PIC (Access) to SQL Reporting Services for all PIC dashboard reports	End of 2013

STABILIZATION STATUS & METRICS: HUMAN CAPITAL MANAGEMENT SYSTEM

The Human Capital Management System (HCM) is the County's central mechanism for tracking and managing the movement of employees throughout the county. Hiring, transfers, promotions, special duty assignments and separations are all documented in the HCM system. Implemented in 2010, the system is and has been stable for several years. HCM is integrated with both the budget system and with the PeopleSoft Payroll, Time and Labor system.

Background:

Implementation of the HCM system happened in 2010-2011. The system went "live" in March of 2010 and was stable shortly thereafter. Central and department-based human resources employees were successfully trained on the system and are using it for almost all human capital-related transactions. Exceptions include side systems for non-paid interns and leave tracking and administration. Recent challenges have been associated with the rollout of consolidated payroll in January of 2012, but HCM continues to be consistently and reliably used. Stabilization has led to a number of benefits, including:

- significantly more visibility and transparency for our human capital data, which ultimately means fewer errors and time spent on rework;
- time savings for managers and staff as a result of self-entry; and,
- the ability to look at personnel data countywide to assess trends and identify areas of concern.

Future Outlook:

While the system is stable there are a number of opportunities for improvement to fully maximize the use and capability of the system. Key areas for progress include:

- More regular and robust engagement of the user community to set standards for use of the system in order to generate consistent, reliable information;
- More consistent training and on-boarding for staff using the HCM system to ensure regular practices and data entry;
- Auditing and process improvement opportunities to free staff up for higher-value work; and,
- System clean-up to eliminate duplicative work across Payroll, Time and Labor and HCM.

2012 Year-end Closing and Lessons Learned

The Council proviso requested a description of the 2012 year-end closing and any lessons learned for 2013 year-end closing. The first section recaps the 2012 closing process for the financial data and reports. The second section lists the specific elements requested in the proviso (in italics) and describes the response to each element.

Overview Description of 2012 Closing Process

The 2012 year-end process was complex with a new system, new business procedures and challenges with reports. It was successful because of a major coordinated effort between BRC, FBOD and the agencies. The project had four pieces, two of which were due to the new system and two of which are standard year-end activities that were more challenging because they were occurring in a new system.

Preparing and testing the new Oracle system functionality and creating reports

The BRC and FBOD jointly completed a project to implement year-end functionality in Oracle EBS. This work program included preparation work to test the new system, diagnostics testing, end-to-end testing, integration testing with PeopleSoft and Hyperion, system fixes, implementation of new 1099 functionality and patch application. Business decisions were required about which functionality to use and which business rules to implement in the system. A major challenge was creating reports to support the year-end process that could be available to agencies in a timely manner.

Developing, training and communicating new business procedures for BRC, FBOD and agencies

Because Oracle EBS is new to King County, many of the business processes for year-end were new for agencies, particularly those moving from ARMS. Even routine activities became non-routine for all agencies because of moving from a GL-centric accounting system to a projects-centric system. FBOD, supported by the BRC, held multiple workshops on year-end processes and schedule, procurement cleanup, grants accounting, accruals, and finance data cleanup. Additional workshops were held on PeopleSoft and Oracle integration to educate staff on the impacts of human resources data on procurement approvals and labor distribution setups for the new year. An internal website was created as a single point of information for all year-end instructions, questions and processes. An extensive communication plan was implemented with frequent messages about upcoming deadlines, status reports and answers to emergent questions.

Data Cleanup activities

Year-end encompasses a series of activities performed by agency, FBOD and BRC staff to ensure that the County has a quality set of data for its financial and grant reporting requirements. For example, a review was done of the financial entries made throughout the year and corrections were made as necessary. Contract spend and encumbrances were reviewed for accuracy and to prepare for budget carryovers and re-appropriations. In January, the Oracle EBS sub-ledgers (accounts payable, purchasing, inventory, fixed assets, accounts receivable, projects/grants and order management) were reconciled to the general ledger and then closed. Final adjustments were made. These data cleanup activities were supported by new reports, many of which were not available until late November, some of which had to be validated and then corrected.

Set up for the New Year

Set up for the new year is a critical activity to ensure that financial transactions are correct from the first business day. The BRC ran multiple tests to test the integration between Hyperion, PeopleSoft and Oracle including mock payrolls and operational budget loads. The BRC worked with agencies to set up new 2013 organizations and projects to implement the 2013 budget. The BRC also coordinated the creation of new PeopleSoft combo codes and the implementation of updated labor/burden rates and usages. Agencies worked with Human Resources to confirm that employee information was updated in PeopleSoft and that reorganizations, labor rates and combo codes were accurate. The BRC worked with Human Resources and FBOD to implement new 2013 employee pay (cost-of-living allowance, merit, etc.).

2012 Year-end Agency Challenges and Lessons Learned

The top challenges for agencies for the 2012 year-end close were reporting and training. These become lesson learned areas for the 2013 closing process.

- **Reporting** was a major challenge for 2012 year-end because the reports were all new with different formats, names and content. Most were not available until late November and some of them had incomplete or confusing information and the field names were not consistent. Improvements made in this area over the course of last year have made reporting easier for agency personnel in 2013. However there is still a need for additional improvements in this area; improved reporting capabilities and associated training are included in FBOD and BRC 2013 and 2014 work plans and forthcoming budget requests.
- **Training** was required for all business processes because the County had moved from GL-centric to Project-centric accounting, and had moved to a new procurement paradigm. Agencies were particularly frustrated with the lack of training on projects, accruals, accounts receivable, non-labor resources and burdening. Multiple workshops were held on purchase order cleanup and grants accounting and those processes went more smoothly. FBOD plans to provide additional training and workshops for year-end 2013, and for staying current with data cleanup throughout the year. A focused effort has been made with procurement data cleanup starting in January 2013.

Response to Specific Elements of Proviso

The results of the consultant testing process and any changes that were made in response to the testing phase.

The consultant testing process was completed in November 2012 by BRC consultants and staff and by FBOD personnel. The testing resulted in no major changes to processes however minor adjustments were made to procedures. For instance we learned the “adjustment” (13th month) period needed to be opened during the January period. The “adjustment period” is designed to capture year-end non-budgetary entries after the December period is closed (such as depreciation). The change was to open the “adjustment” period, then open the January period, then close the “adjustment” until it is needed after the December period is closed.

A definition of successful year-end closing and explanation of whether a successful year-end closing has been achieved.

A successful year-end process has two major components:

- (1) Close the financial records and issue correct and timely financial reports. The Comprehensive Annual Financial Report (CAFR) must be published by June 30, 2013 and the Single Audit for federal grants completed by September 2013.
- (2) Set up the financial system and update all needed data elements for the new year so that financial transactions can be made correctly on the first business day in January.

The 2012 year-end process was successful.

- The CAFR and the Schedule of Expenditure for Federal Awards (SEFA) financial reports were completed in May, a month ahead of schedule because the reporting was coming from a single system in which the transactions could be directly linked to the reporting elements. At this point, the CAFR is on schedule for completion by June 30 and the Single Audit for federal grants is on schedule to be completed in September.
- The financial system was ready to use on January 2. The system was set up with new organizational units and projects, updated labor/burden rates and usages, and PeopleSoft data was accurate for labor rates, combo codes and organizational units. Operational budgets were loaded but capital budgets for a small amount of agencies were still not in place in March 2013 due to technical issues in loading conversion data that are still being corrected by BRC staff and are expected to be resolved shortly.

A description of performance measures that were identified for a successful year-end closing process and performance on those measures.

The performance measures identified to represent a successful year-end close were completing the necessary accounting clean-up that would allow the fiscal year closing to remain on schedule, and for the CAFR audit to be completed on-time. The table below lists key planned and actual dates associated with the year-end schedule. Closing activities fell a week behind the schedule due to system and reporting issues experienced in December 2012 and January 2013. The lost week did not affect the auditor's ability to complete audit work timely because the Oracle EBS system allowed FBOD to deliver a trial balance to the auditor a month in advance of the actual financial statements. Even though the trial balance was a week late, the trail balance enabled a three week earlier start to the audit.

	Cut-off Date Planned	Cut-off Date Actual	Variance Discussion
AP Receipts	12/31	12/31	On-time
AP Close	1/2	1/2	On-time
Projects December	1/17	1/27	Week+ late due to system delays
GL December	1/18	1/29	Week+ late due to system delays
GL Adjustments	2/4	2/11	Week+ late due to system delays
GL Grant Accruals	2/11	2/19	Week+ late due to system delays
SEFA Due to Finance	3/4	3/4	On-time
SEFA Due to SAO	4/1	4/8	Week+ late due to system delays

	Cut-off Date Planned	Cut-off Date Actual	Variance Discussion
CAFR Due to SAO	4/16	4/23	Week+ late due to system delays
CAFR Audit Published	6/30	Unknown	None at this time

Identification of any challenges experienced in the year-end closing process, the resolution or planned resolution of the challenges and identification of target dates for any planned corrections to the system or process.

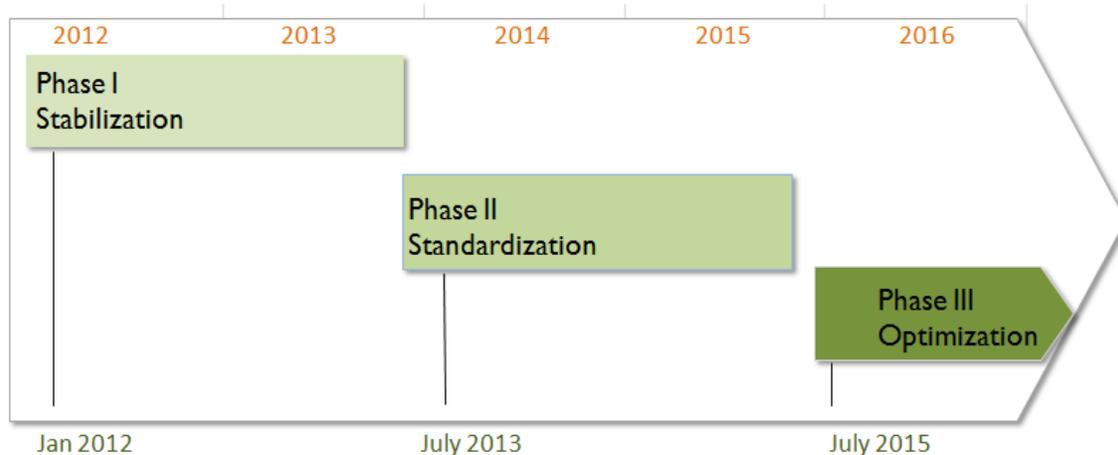
Challenges and Lessons Learned	Solution (Counter Measure)	Date
<p>Patches. A patch to Procure-to-Pay in December shut down the projects and grants module activity for almost a week. Comprehensive installation of patches from Oracle was deferred in lieu of system stabilization activities. Selected patches were needed to solve known year-end issues. We learned that patching one module can have unexpected results in another module and that patches should only be moved to production with comprehensive testing.</p>	<p>The BRC is conducting a project to bring patches up-to-date, and will establish a schedule to apply patches at least once a year.</p>	<p>October 2013 for next major patch upgrade</p>
<p>Data growth. Data growth caused unexpected long run times for the job that creates the reporting database causing it to be unavailable for use.</p>	<p>The first fix included extending the timing of the database creation job. This solution resolved the immediate crisis. As a mid-term solution, the database creation job has been fine-tuned to reduce the time needed to complete updates. The tuned job is ready for production and will be installed when FBOD authorizes approval after the CAFR audit.</p> <p>Incremental changes are planned for 2013 – 2014 with consideration of a larger project after the problem is fully understood.</p> <p>The BRC needs a long-term strategy to deal with data growth.</p>	<p>June 2013 2013 - 2014</p>

Challenges and Lessons Learned	Solution (Counter Measure)	Date
<p><u>Discoverer Reporting Tool.</u> The Discover Reporting application was not available due to large volumes of data being processed through it. Departments pulling large data through an interface along with normal peak demand overwhelmed the application.</p>	<p>The BRC made available alternative methods for FBOD to access data. FBOD was instructed on a second route to access the production database.</p> <p>The BRC requested departments refrain from pulling large amounts of data during the day when FBOD needed access. The problem was resolved by the departments exercising discipline over the time of day for the large requests.</p>	January 2013
<p><u>State Auditor Data Extracts.</u> Large-scale data extracts requested by the State Auditor consumed BRC resources.</p>	<p>Most extracts were completed but this effort pointed out the need for the State Auditor’s team to have its own access to Oracle EBS information versus relying on the BRC producing updated extracts.</p> <p>The State Auditor has used the standard reporting application as the primary data tool during the audit. The auditors are having success with the standard tools so further work on the extracts is on hold.</p>	Not applicable
<p><u>Schedule of Expenditures of Federal Awards (SEFA).</u> Due to EBS functionality, the SEFA is prepared from a combination of the General Ledger and Projects modules, which reflects additional complexity from the prior legacy systems.</p>	<p>An internal audit by an outside accounting firm mitigated some risk for applicable departments, but found several departments had not completed required reconciliation work.</p> <p>DOT made a material error that caused the SAO enough concern that extensive audit work on the SEFA was required. The error was not caused by the new system but an unexpected change to the basis of reporting by an experienced departmental staff person.</p>	<p>Retrain departments to perform required reconciliation work.</p> <p>Apply additional resources to answering auditor inquiries on the SEFA.</p>

Challenges and Lessons Learned	Solution (Counter Measure)	Date
<p><u>Financial Clean Up Activities.</u> The cleanup work load was too high at year-end to be reasonably addressed.</p>	<p>The Financial Management Section is providing additional guidance on financial clean-up activities and training which will lessen workload at year-end. A key focus will be routine cleaning throughout the year rather than waiting until year-end.</p>	<p>Q3 2013</p>

BENEFITS REALIZATION

There are many types of potential benefits from technology projects such as ABT. As outlined in the response to another Council 2013 budget proviso (section 19, P3), these include: increased quantity of service; improved quality of service (such as faster response times, greater reliability, or greater accuracy); reduced cost to produce service; and better access to services for the public. ABT implementation has and will produce benefits in several of these categories. Some of the benefits can be realized quickly, while others will occur in phases over several years as users progress through three phases of a systems “maturity model” from stabilization to standardization to optimization (see diagram).



This report focuses on the stabilization of systems and emphasizes that the financial and budget systems are stable and functional, with more work left to do to ensure standard work and streamlined business processes. The report signals that we are now ready to move from the stabilization phase to the standardization phase, with our sights on optimizing our use of these systems starting in July 2015.

As central business owners and agencies progress into the standardization phase, there is an opportunity to focus on the development of standard work in each business process. Standard work is a central concept of the County’s LEAN management approach which emphasizes eliminating wasteful steps from business processes and adding value for customers. After standard work is firmly in place, the central business owners and agencies can advance into the optimization phase in which users are confidently using the system to achieve even higher levels of efficiency and customer value.

The Executive intends to use this maturity model framework for identifying and realizing benefits from the ABT project. As a starting point, PSB has convened discussions among central business owners of the various ABT systems to identify the current and potential benefits of the systems as of March 2013. The outcome of these discussions is reflected in Appendix II of this report.

Benefits achieved to date fall typically in the categories of improved quality and reduced cost. A notable example of a quality improvement is elimination of post-closing entries in the accounting system. Previously, these entries and the existence of two separate accounting systems precluded

the development of trial balances and delayed the preparation of the audited Comprehensive Annual Financial Report (CAFR). The new EBS produces trial balances that allowed the State Auditor to begin its work a month earlier, which is expected to result in a 2012 CAFR delivered on time by June 30. Other examples of quality improvements include improved accuracy of manual payroll checks and unification of capital and operating budgets in a single system.

Some cost reductions have been achieved as a result of ABT implementation and others will occur in the future. One obvious example is the significant reduction in paper documents due to automated processes. Electronic purchase orders have eliminated approximately 700,000 pages of paper annually, and self-service electronic time reporting has eliminated many paper forms.

Other aspects of the new system produce a mix of quality improvements and cost reductions. For example, ABT has resulted in extensive changes to the procurement process countywide. These changes expedite purchasing, while also driving countywide spending to already established contracts where agencies receive the best pricing and overall value. With the new financial system, the County also has the ability to determine the percentage of all spending that is either on or off contract; this valuable information was simply not available in the former legacy systems.

The next major focus on ABT benefits realization should occur near the end of the standardization phase, which will likely occur as part of developing the 2015/2016 biennial budget. There are two reasons for this timing. First, most agencies have a 2013/2014 biennial budget in place and budget changes are not being considered unless absolutely necessary. Second, as noted above, key business process and modules of ABT are just now moving out of the stabilization phase into the standardization phase, so many of the potential benefits are yet to be realized.

PSB will develop a summary of categories of actual and potential benefit achieved as part of the 2015/2016 budget submittal. As called for in the proviso, this report will also identify exemplary accomplishments and potential corrective actions, as needed. ABT benefits realization will also be tracked in the annual reports on overall IT benefits realization that will be presented to the Council each spring.

APPENDIX I

STABILIZATION STATUS & METRICS BY MODULE/AREA

EBS General Ledger Module

System Status	Business Process Status
●	●

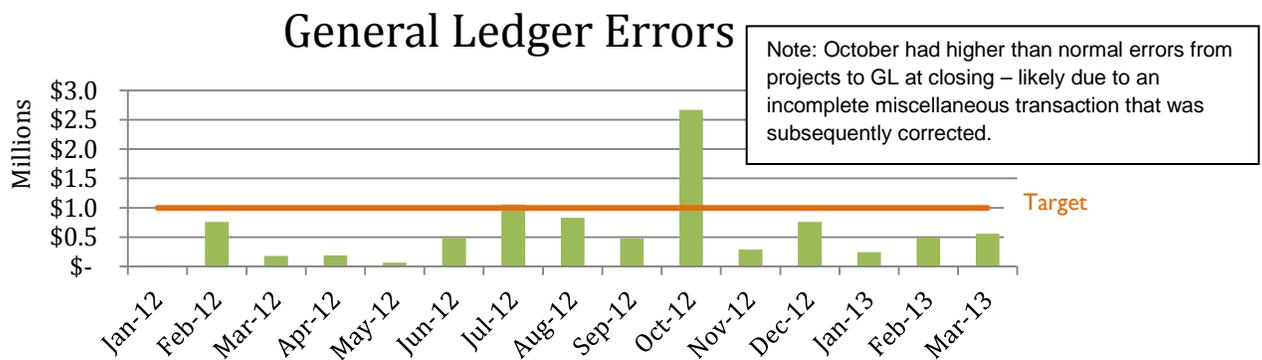
Description

The General Ledger for King County is the primary accounting record for all County agencies and special purpose districts and is used to keep track of all the financial transactions.

Stabilization Status and Metrics

A key accounting operational activity is closing periods. When Oracle went live, month end close was very difficult. During the first three months, month end close took up to 19 days due to lack of documentation and understanding of the processes, system errors, and problems with projects billing and accounts receivable integration. Starting in June 2012, month end closed on time and has closed on time every month since then. Likewise, FBOD successfully completed the year-end closing process in April 2013– one month ahead of last year’s schedule.

The chart below identifies how the general ledger has functioned since go-live. General Ledger errors are primarily due to agencies entering journal entries for one-sided miscellaneous transactions from the Projects module. These should be two-sided journal entries. With training by FBOD, agencies have substantially corrected errors from go-live and trained proper procedures going forward.



General Ledger Outlook

The General Ledger is functioning as designed. Key benefits are timely month end and year-end close processes that are understood and documented. The focus of work will be educating end users on how to reconcile the general ledger to the other modules – particularly the Projects/Grants module and Accounts Receivable module.

EBS Projects/Grants Module

System Status	Business Process Status
	

Description

The Projects/Grants module provides an integrated cost management solution for projects and activities across the enterprise.

Stabilization Status and Metrics

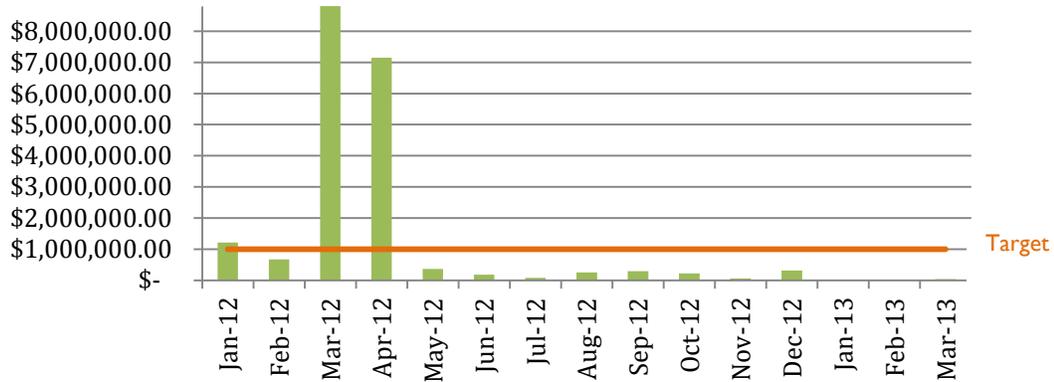
With EBS, King County implemented project-centric accounting for the first time. As expected, agencies are facing a steep learning curve for both the system and the business process as they move from the legacy systems, which were general ledger, based and align with the new functionality that is projects based.

The Projects module supports basic business needs and it is functioning, albeit with inefficient, workarounds for most of the identified errors associated with the module. An inventory of Projects/Grants system challenges has been identified through the BRC Request for Work (RFW) process. Many of the RFW's for the Projects/Grants module are in scope to be corrected with the upcoming 2013 EBS patch project by the BRC.

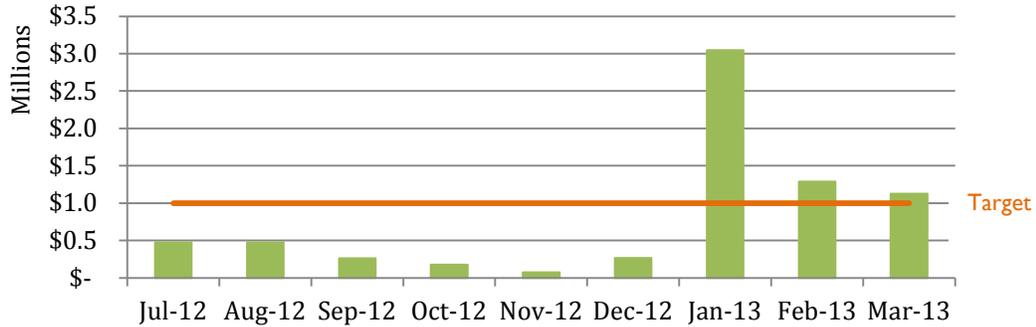
BRC and FBOD leadership have conducted agency interviews to understand key pain points with the Project/Grants module and associated business processes. A major challenge for agencies is that the reports are not adequate for agencies to conduct their business. While basic process documentation exists, improved detailed documentation is needed for a full and comprehensive understanding of this diverse and complex module. Frustrations include understanding capital project budgeting and reporting, how to reconcile projects in the Projects/Grants module with the General Ledger module, and the need for clarity with the burdening process.

The two metric charts that follow describe the labor distribution backlog and project errors. The Labor Distribution Errors and Backlogs chart represents transactions in the Projects/Labor Account 19904 that require correct coding to be applied. After April 2012, the low dollar value means that labor distribution functionality is working. Projects errors in 2012 are primarily the result of transactional errors occurring in agencies. The spike in January 2013 is a result of two things – an error that was made in splitting the final payroll transactions between 2012 and 2013, and agency 2012 data “clean up” activity prior to the December close.

Labor Distribution Errors Backlog



Projects Errors



Projects Outlook

BRC and FBOD leadership are committed to addressing agency concerns with the system, business processes and with training and documentation. The BRC will be communicating with agencies about which problems will be resolved with the upcoming patch project scheduled for completion in October 2013. The 2013 and 2014 FBOD and BRC work plans will address improved reporting, agency training, system and operational manuals, system changes and business process improvements.

- User Guides will be prepared for burdening, reconciliation with other modules, and project budgeting and reporting in the second half of 2013.
- The 2013 Patch Project is expected to improve project based billings.
- Additional training and business process improvement projects will be implemented in 2014.

Additionally, FBOD and BRC managers plan to review with PSB and agency staff the effectiveness of various design decisions that were made in regards to the Projects/Grants and other EBS modules before go-live. Design decisions to be reviewed include analyzing the effectiveness of awards set-up, the detailed use of labor charges and its data growth impacts, and other areas where there may be some efficiency available based upon Oracle EBS options not currently in use.

EBS Fixed Assets Module

System Status	Business Process Status
	

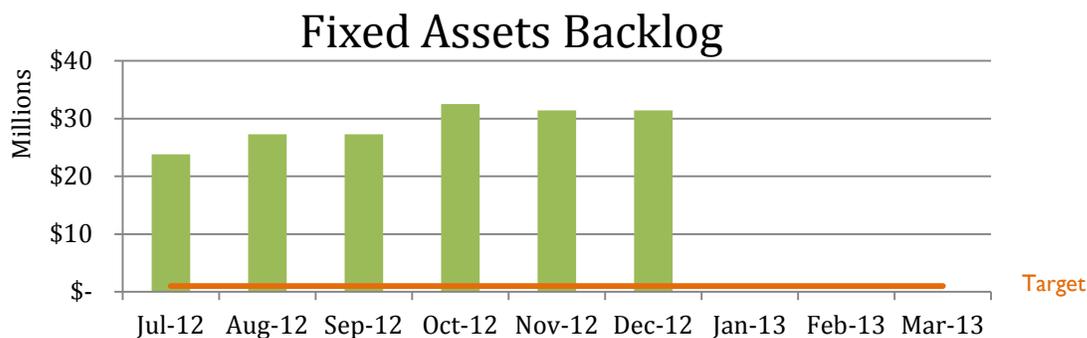
Description

The purpose of the Fixed Assets module is to track all County assets over \$5,000 and to generate depreciation.

Stabilization Status and Metrics

The Fixed Assets module is working as designed but the design requires labor-intensive processes, workarounds and side systems to support the basic business needs. The 2012 challenges with moving purchased assets to the Fixed Asset module have been resolved and that functionality is working correctly. However, the fixed asset capitalization process is highly inefficient. A key business need is to move a completed capital construction project from the Projects Module where costs are accumulated to the fixed asset module where a completed capital asset is tracked and depreciated. A very manual and time consuming workaround has been developed to move the accumulated costs into an Excel spreadsheet, manipulate them, enter them manually into Oracle and attach the spreadsheet for audit documentation. Reports are adequate and no additional alerts need to be created.

In the chart below, Fixed Assets backlog includes the dollar value of expenditures for assets not recorded in the Fixed Asset module from procurement activity. The system had problems that were finally resolved in December 2013. FMS cleared the backlog as part of year-end activities.



Fixed Assets Outlook

In 2014, FBOD and BRC managers plan to review with PSB and agency staff the effectiveness of various design setup decisions that were made before go-live in regards to the Fixed Asset module and the Projects/Grants modules to identify possible changes that can enable the system to easily send summary project costs to fixed assets for capitalization.

EBS Cash Management Module

System Status	Business Process Status
	

Description

King County utilizes the Oracle Cash Management module to reconcile daily bank transactions that have been recorded in the Oracle General Ledger, Accounts Receivable, Accounts Payable and Cash Management modules.

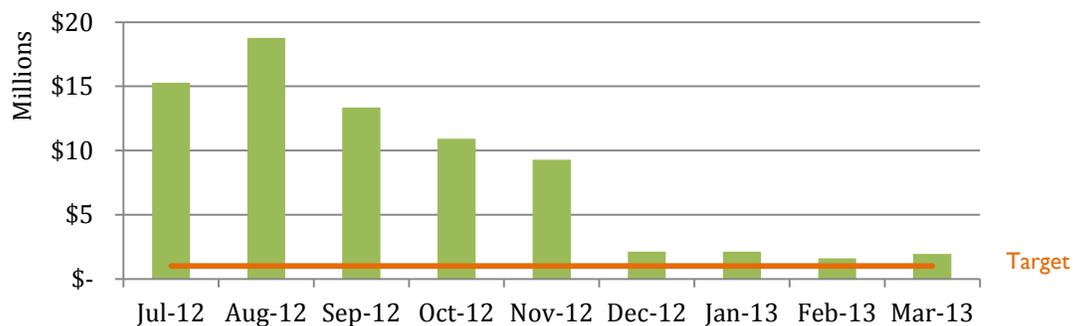
Stabilization Status and Metrics

Major customizations were designed into the Cash Management module in order to support the ex-officio treasurer function. These customizations have impacted the cash management functionality and the integration of this module and reporting. While the module meets basic business needs, there are inefficient workarounds for managing bank reconciliation and special district accounting and reporting. Reports are not sufficient so side system Excel spreadsheets and workarounds are required. Some deficiencies are anticipated to be corrected with the 2013 Patch Project. Standard Oracle reconciliation does not fully identify out-of-balance situations. Queries are being developed to address this issue.

There are two key metrics for measuring stabilization for cash management: (1) cash management backlog and (2) bank to book un-reconciled line items.

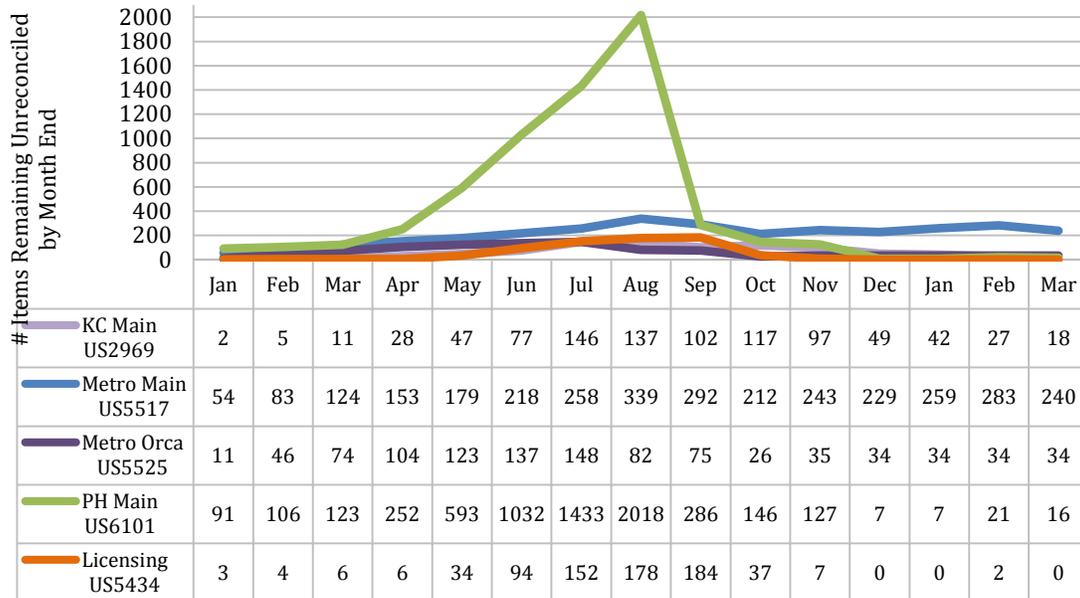
Cash Management backlog is the dollar value of outstanding un-reconciled bank transactions that are more than 30 days old. These errors can occur due to Oracle system errors, side system errors, business process procedures in FBOD or in agencies, and end user errors. The high number of un-reconciled transactions that had accumulated by Q2 2012 was addressed by a special project team in FBOD in Q3 and Q4 2012.

Cash Management Backlog



There are 5 main groups of accounts that are reconciled centrally in FBOD – KC Main, Metro Main, Metro Orca, Public Health Main, and Licensing. The large number of reconciling items in the Public Health Main account from August was addressed by FBOD by assigning additional staffing. Treasury and DPH have implemented new procedures to maintain the account.

Bank to Book Report - Unreconciled Line Items, Jan 2012 - March 2013



Cash Management Outlook

Major non-system workarounds are required for bank reconciliation. Some deficiencies are anticipated to be corrected with the 2013 Patch Project. Once the Patch Project outcomes are assessed a follow up work program will be developed to address remaining system inefficiencies. System changes and business process improvements are scheduled to be addressed in the 2014 FBOD/BRC work plan.

EBS Accounts Receivable Module

System Status	Business Process Status
	

Description

The function of the Accounts Receivable module is to bill customers, account for dollars that are outstanding and apply the cash that is received to the correct accounts.

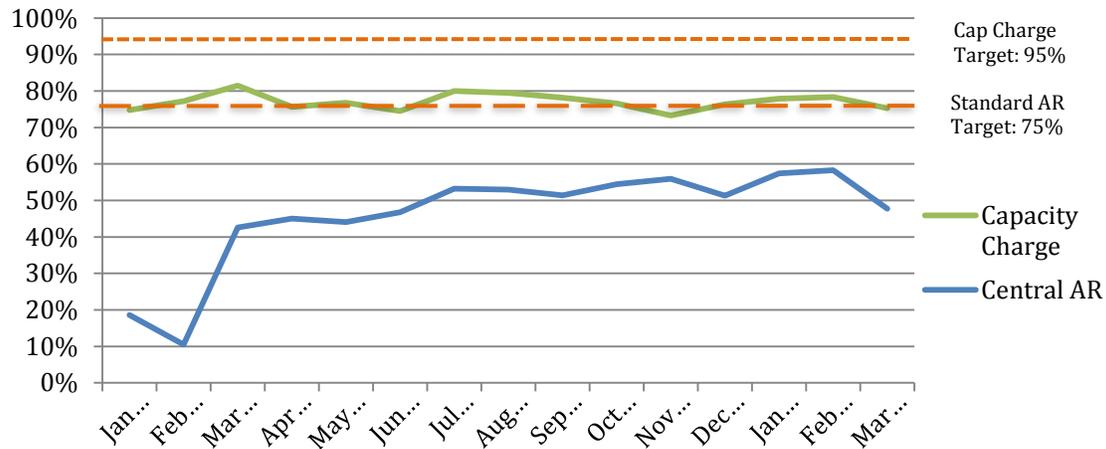
Stabilization Status and Metrics

The Accounts Receivable module has two designs – a standard design and a custom design for the wastewater capacity charge. The custom design for capacity charge meets the basic needs for Wastewater Treatment for these charges with some inefficient workarounds to access historical records. However, the standard design does not meet the County’s basic business needs for other County receivables. Significant challenges include the invoice design, the interface design, the customer profile design and the design for accounting for receipts at the invoice/transaction level instead of at the account/customer level. The invoice for projects/grants billing process has major challenges but should be fixed with the 2013 Patch Project. At this point, the system for standard receivables is not configured to support electronic checks or on-line bill pay.

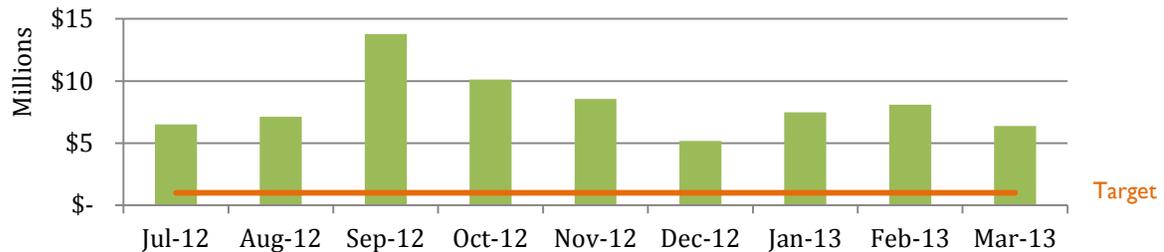
The business process in central Accounts Receivable remains highly manual as shown in the chart below that distinguishes between receipts that can be automatically applied to customer accounts and those that must be manually applied. Approximately 80% to 85% of all receivables by count relate to the capacity charge program and 80% of them can be auto-applied, largely because on-line payment by debit/credit cards is enabled. Capacity charge represents about 5% of total cash received.

By contrast, an average of 50% of all other receivables totaling 95% of cash received are manually applied because of the invoicing problems and because the module is not designed to auto-apply electronic banking transactions. This is a slow and error-prone process. The scanner configuration supports paper checks but not electronic banking. In addition to on-line banking and electronic checking, there may be other areas to gain efficiency available based upon Oracle EBS options not currently in use. The reporting for this module is not adequate for agencies. The Accounts Receivable Unapplied Receipts backlog represents receivables that have not yet been applied to an account either because the receivable is from an unknown source or because the receivable must be manually placed on account while the customer is being researched. This number does not include capacity charge. This dollar figure is on an upward trend due to instability in the Projects to Accounts Receivable functionality and the inability to generate invoices for certain DPH, DOT and DNRP projects. Therefore the grant dollars are being placed into a clearing account and must be then manually accounted for in the general ledger.

Percentage of Auto-Applied Standard AR Central AR versus Capacity Charge



Accounts Receivable Unapplied Receipts Backlog



Accounts Receivable Outlook

In 2013, FBOD is undertaking a Lean project for the Accounts Receivable system and business process to identify the root causes of the problems based on data analysis and business process evaluation. The analysis is projected to be complete in summer 2013. It is expected that substantial system and business process improvements will be required in multiple phases over at least an 18-month timeframe. They could include:

- Redesign of the invoice,
- Introduction and integration of electronic banking functionality,
- On-line bill pay for standard receivables,
- System and interface redesign,
- Customer/account redesign,
- Reconfiguration of the scanner,
- Application of cash at the account/customer level instead of the invoice level,
- Business process redesign to incorporate Oracle functionality for greater efficiencies,
- End user guides, documentation and skills training.

EBS Advanced Collections Module

System Status	Business Process Status
	

Description

The Advanced Collections module was put into production one year after go-live in January 2013. This module tracks accounts that are delinquent and that may be sent to collections if they are not brought current.

Stabilization Status and Metrics

The Advanced collections module was placed into production in January 2013 and the first round of dunning letters were issued. However, due to a configuration change, FBOD was unable to issue additional dunning letters until May 2013 when the system error was fixed. At this time, the module meets basic business needs with minimal workarounds. Reports are adequate. The module is being used by four billable groups – Solid Waste Division, Juvenile Division (Superior Court), Department of Judicial Administration and False Alarms (Sheriff's Office).

The Advanced Collections module uses data in the Accounts Receivable module that records activity against a customer account. Family Court Services (Superior Court) and Office of Public Defense are not using the functionality because of high error rates in the customer accounts due to errors associated with the automated application of receipts in the Accounts Receivable module. These underlying data problems need to be resolved through a manual clean-up effort before these agencies can effectively use this functionality.

Advanced Collections Outlook

The Advanced Collections module meets business needs for those agencies that have good account data in the Accounts Receivable module. It is anticipated that once data cleanup occurs for accounts in OPD and Family Court Services that delinquent accounts can be sent to collections. In addition to the six agencies discussed above, other agencies are discussing using this module for collections. This increased use could begin in late 2013 or early 2014.

EBS iProcurement & Purchasing Modules

System Status	Business Process Status
●	●

Description

The iProcurement and Purchasing Modules are seamlessly integrated to support purchasing activities for all King County agencies. These modules are designed to expedite ordering, receiving, and paying for all types of goods and services.

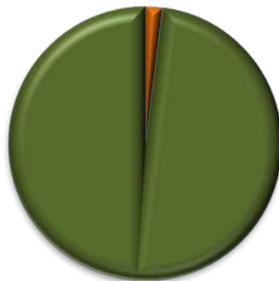
Stabilization Status and Metrics

iProcurement and Purchasing modules support the basic business needs of King County. Workarounds are known and reasonable. Adequate reports are available to manage purchases. When the system buffer is overloaded purchase orders are not sent to vendors but no notice is available to trouble shoot the issues. At go-live the County experienced significant problems with interfacing orders from agency side systems. These interface problems have been resolved.

The two metric pie charts below indicate that the County is successfully driving spend to negotiated contracts that offer best pricing. Most purchase orders are linked to contracts allowing for faster processing.

2013 Q1 Spend Analytics

Off-contract spend 2%



On-contract spend 98%

Manual PO's 12%



Auto-sourced PO's 88%

iProcurement/Purchasing Outlook

The iProcurement/Purchasing modules are functioning as designed. No major system issues have been identified. Key benefits are reflected in the spend analytics. In 2013, 98% of all spend is on-contract. 88% of all purchase orders are auto-sourced in the system and send directly to the vendor without manual touch.

The key challenge with iProcurement is getting agencies to adopt the new business process. The preferred business process involves an agency making a requisition online in the system to order goods or services from an established contract. Some agencies still order goods and services by contacting vendors off-line and then retroactively place a requisition in the system to trigger a payment by Accounts Payable. This retroactive requisition process causes late payments. Problems with the business process are being addressed through Accounts Payable business improvement projects that are discussed in depth below.

EBS iExpense Module – P Cards

System Status	Business Process Status
●	●

Description

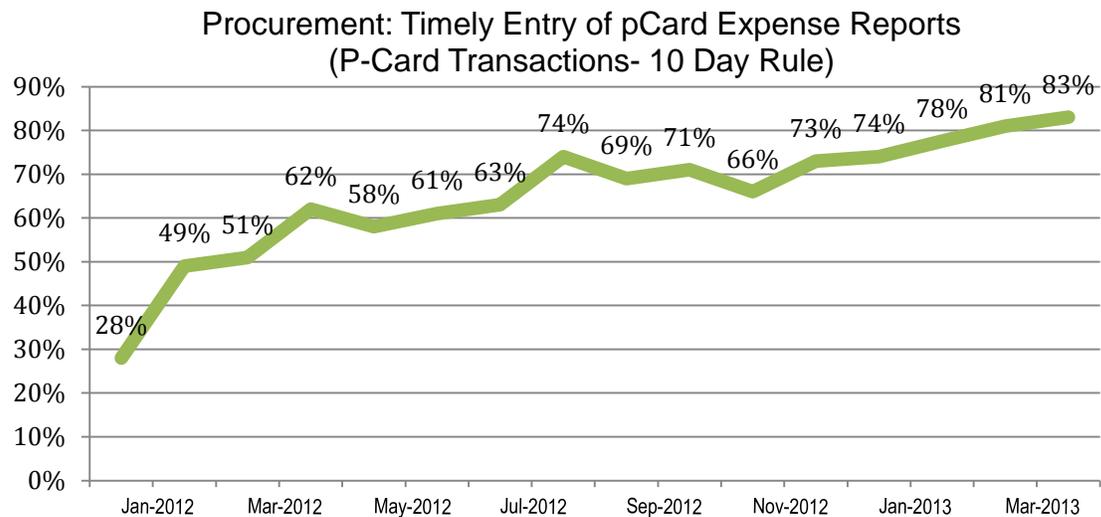
The iExpense Module is a self-service module for employee travel and expense reimbursements, and has been customized to manage purchase card (PCard) transactions.

Stabilization Status and Metrics

The iExpense module supports the basic business needs of King County. Workarounds are known and understood. Adequate reports are available to monitor expenses and transaction reconciliation. Timeliness of payment using this module depends upon business processes and approvals by end users. FBOD carefully monitors compliance with policies.

The P-Card program has over 650 cardholders and processed 5195 transactions with a value of over \$2.7M in April 2013. Staying current with transaction entries improves both accuracy and security (prompt detection of fraud.) The County receives a rebate based on both the volume of purchases and the speed of payments. The expectation is that all Cardholders submit weekly "Expense Reports" for approval to ensure timely payment to US Bank.

The metric below for PCards demonstrates that cardholders were 83% compliant with this rule in April-2013 vs. 28% in January-2012.



iExpense Outlook

The iExpense module is working as designed. Additional changes and adjustments will continue as we optimize this as a purchasing tool for the County.

EBS Accounts Payable Module

System Status	Business Process Status
	

Description

Accounts Payable module processes warrants and Automated Clearing House (ACH) payments to individuals, suppliers and external organizations. In the County's role as ex-officio treasurer for special districts, the County also issues district warrants and ACHs using this module. Accounts Payable is integrated with iExpense and is used to process payments to employees for expense and travel reimbursements and to pay PCards.

Stabilization Status and Metrics

The Accounts Payable module pays the County's bills using three processes - by invoice match, through iExpense and using an interface for direct payments. Initially the system needed to be enhanced to add functionality to assist with the match process. In March 2013, the module supported the basic business needs of King County. Workarounds are known and understood. Adequate reports are available to manage payments.

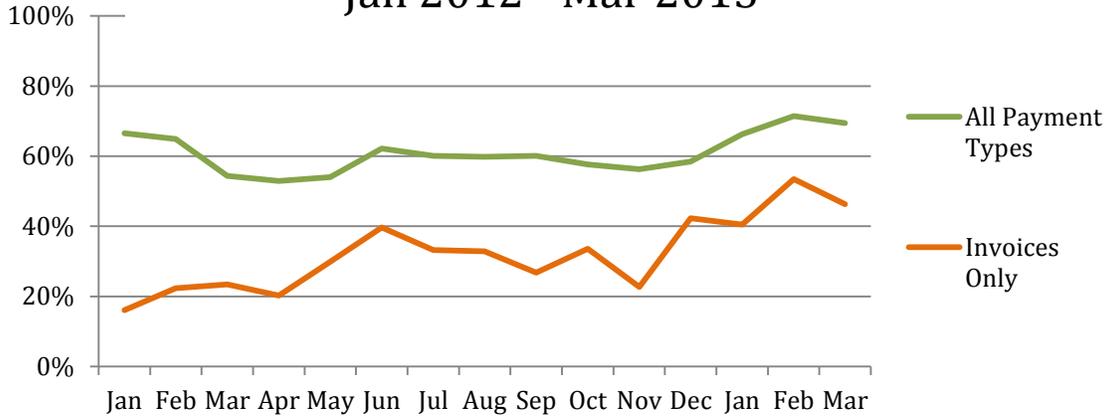
Many known system challenges such as correct application of tax and use taxes are expected to be improved with the 2013 Patch Project. The system design for one-time vendors generates about 25,000 new vendors each month, which would, if not corrected, overwhelm the vendor master database and result in warrant numbering problems. A project has been initiated to solve this design problem and a fix should be in place in summer 2013. Evaluating all payment types, 70% of the total payments issued using the Accounts Payable module were paid in a timely manner.

King County is the ex-officio treasurer for 79 special districts who issue their payments for goods, services and contracts through Accounts Payable using the interface for direct payments. Since go-live, 100% of these payments were made on time. At go-live the business process for using the interface required time consuming manual entry. The interface design was changed in Q3 2012 in response to customer requests and the process is now efficient and effective.

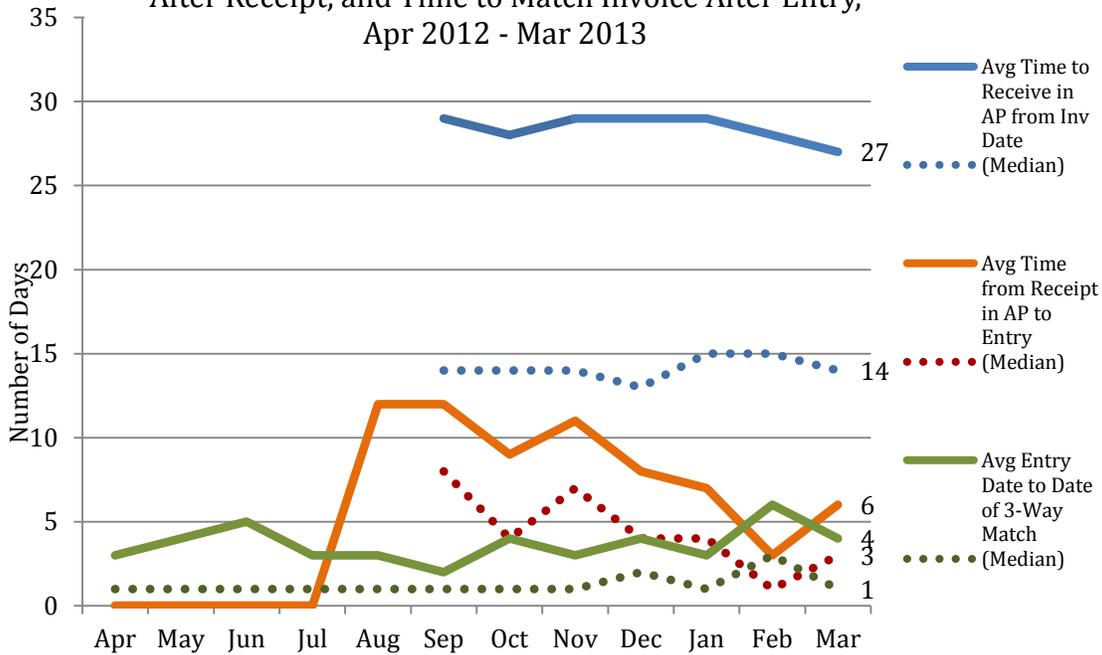
Central Accounts Payable processes between approximately 9,000 and 15,000 payments per month based on an invoice match. Those invoices which reach central Accounts Payable in a timely manner and that are accurate and complete upon submission are matched and paid on time.

While the system is stable, the business processes in the agencies, particularly the legacy ARMS agencies, are having difficulties meeting business process requirements for timely pay. At go-live, less than 20% of invoice-related payments were made on time. FBOD dedicated significant resources to improve this through outreach and training. Nine payment workshops were given to agencies between mid-August and mid-September, and an additional two were given in mid-October. Eight year-end PO cleanup workshops were held in November. This resulted in a substantial improvement in invoice quality and timeliness as reflected in December 2012. However, in March 2012, an average of 50% of all invoices continued to arrive in central Accounts Payable well past the due date as shown in the chart below.

Timeliness of Payments out of Central AP Jan 2012 - Mar 2013



Tracking Time to Receive Invoice in AP, Time to Enter Invoice After Receipt, and Time to Match Invoice After Entry, Apr 2012 - Mar 2013



Accounts Payable Outlook

The Accounts Payable module is working as designed but the underlying business processes, particularly those in some agencies, are inefficient and do not consistently meet County goals for paying vendors. In summer 2013, the one-time vendor redesign should be implemented. The Patch Project will result in other system improvement.

Since go-live FBOD has focused on business process improvements in Central Accounts Payable and in the agencies. In summer 2013, FBOD will have two Lean improvement process events to

address two integral business processes: agency management of requisitions and invoices and invoice entry and processing within Accounts Payable. These improvements will continue to be emphasized with additional Lean projects in 2013 and 2014 by working with individual agencies and by doing continual improvement projects within the central Accounts Payable business process. The improvements are expected to include:

- Working closely with agencies to improve agency business processes so that requisitions are used as purchasing tools instead of as a payment tool,
- Working with agencies on internal agency business processes so that invoices arrive in Accounts Payable in a timely, complete and correct manner,
- Developing and training standards for agency-generated invoices,
- Improving the internal Accounts Payable invoices processes and implementing standard work,
- Working with high volume vendors to improve efficiencies.

EBS Inventory Module

System Status	Business Process Status
●	●

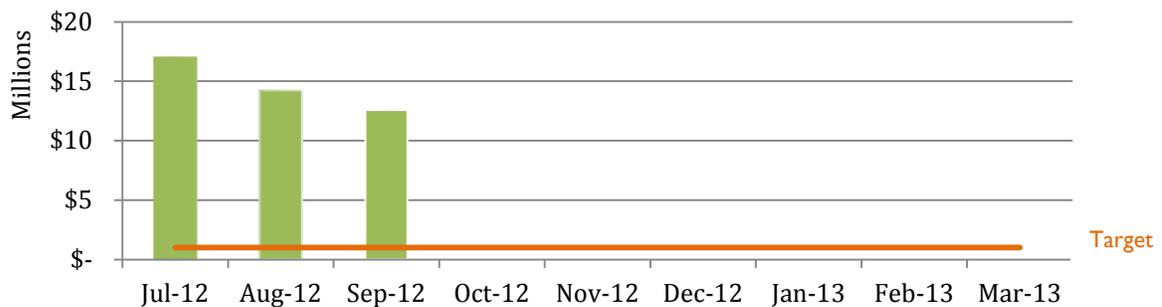
Description

The inventory sub ledger includes a detailed listing of items to be tracked and issued in the performance of business activities. King County has two agencies that use Oracle inventory – Department of Public Health and Wastewater Treatment. Transit and Fleet have inventories that are managed in side systems that interface to Oracle.

Stabilization Status and Metrics

The Inventory module supports the County's business needs and does not require workarounds. Adequate reports and alerts are in place. Inventory backlog in 2012 represented Transit inventory expenditures that had not yet been recorded in the general ledger. The dollars needed to be transferred from the Transit Inventory asset account. This backlog was resolved in the month of October.

Inventory Backlog



Inventory Outlook

The Inventory module is working as designed. Additional changes and adjustments will continue as we optimize this as a financial tool for the County.

EBS Reporting

System Status	Business Process Status
●	●

Description

The reporting requirements for Oracle EBS are supported by application reports provided in the system and by two tools. First, Discoverer is Oracle's ad hoc reporting tool which can be used to run existing reports or to create new reports. Second, BI Publisher is a reporting tool which is used in the BRC to build custom reports for use by all end users. Legacy reports are currently available by either running reports in the legacy IBIS system or by accessing archived ARMS reports.

Stabilization and Metrics

Reporting has been an area that generated significant frustration for end users after Go Live. The initial custom reports created by ABT were not comprehensive and needed additional testing. To develop ad hoc reports, the Discoverer tool requires significant training for end users who also faced a learning curve getting familiar with the data structures and values of the new system. The BRC created a Report User Group (RUG) to assist knowledge and support. RUG meetings are monthly and have had good turnout. In fact, as of March 2013, a number of County financial report writers have become engaged by helping plan RUG meetings and presenting topics they feel will be of interest to their colleagues across the County. The overall competency and comfort level of the attendees with reporting has improved over the last year.

A number of significant challenges still exist with the Discoverer reporting environment. The EBS finance system stores very detailed transactions in the Projects module and in the General Ledger. The overall data size is growing rapidly, making it difficult to complete the nightly build of the reporting data. The BRC has developed programs to create special reporting tables for projects and General Ledger that pre-calculate and compile data to make it more efficient for reporting functions. The Projects reporting table has approximately 25 million rows for example. Those processes take a long time to run making it challenging to consistently complete the data build by morning. A second challenge with Discoverer includes cases when Agency users have run queries that pull large volumes of data, so large that it has crashed Discoverer. This became an issue in December when Agencies were preparing for year-end. BRC has begun planning for additional improvements to both of these challenges, though solutions are not expected to be simple.

BI Publisher is the second tool for reporting in the new system. Each BI Publisher report must be custom developed in the BRC. In summer 2012, FBOD and BRC initiated a joint project to test and certify the reports. A certification process was defined that included validation of the data against the financial system by FBOD report owners. At the same time, 20 additional reports to support the first EBS Year-end process and Comprehensive Annual Financial Report (CAFR) financial reports were identified for development. These reports were prioritized based on agency input and needs to support year-end processes. By March 2013, 40 of the original reports have been certified, and the additional 20 new Year-end and CAFR related reports were developed and certified. That effort benefited the FBOD accountants work to prepare the CAFR. In mid-May the Interim Chief Accountant reported:

“Some good news to share: we’ve been advised by the State Auditor’s Office (SAO) that the Comprehensive Annual Financial Report (CAFR) audit is moving forward in a timely fashion this year due in large part to the submission of comprehensive EBS trial balance documents in mid-March. That’s a month earlier than previous manually generated trial-balance submissions from the legacy systems.”

The legacy reports are the third tool used by agencies. Wastewater Treatment relies upon the IBIS system to support the need for historical payment information for the capacity charge. OPD and King County Family Court rely upon legacy ARMS data for the same purpose. KCIT has a project starting in 2014 to archive the legacy data. Provision will need to be made to maintain access for capacity charge records and other records.

Custom Report Certification Chart

Reporting Tool	Number of Reports	Number Certified
EBS System Reporting	32	4
Discoverer	36	10
BI Publisher	56	26
+ New Year-end/CAFR reports (20)	1	1
• EBS	12	12
• Discoverer	7	7
• BI Publisher		
Total	144	60

Reporting Outlook

With 2012 year-end activities and the associated CAFR audit complete, we expect financial accountants to once again, commence the Oracle EBS report certification project.

Oracle has announced that Premier Support for Oracle Discoverer will end in June 2014 when it moves to Extended Support. Maintenance costs increase for Extended Support but still provides technical support for Discoverer. Oracle has announced that Extended Support for Discoverer expires in June 2017. This announcement solidifies that Discoverer is not a go forward product for Oracle. The County will need to identify a new reporting tool for the future. This is an opportunity to have the next generation reporting solution easier to use and better able to meet a broader set of reporting needs. The BRC will begin planning for a reporting project, likely targeted for 2015.

EBS System Security & Controls

System Status	Business Process Status
●	●

Description

System security includes the processes, technology and mechanisms by which computer-based equipment, information and services are protected from unintended or unauthorized access, change or destruction. Security mechanisms are in place for the technology infrastructure and in the financial system application.

Stabilization Status and Metrics

Security access for Oracle EBS is stable and evolving. Security at Go-Live was successful and most end users could access the system as required within the first week. Since Go-Live, some responsibilities have been refined and others added to meet unanticipated needs. FBOD and BRC are in the process of maturing security from stabilization to normalization. This is a recurring process based on monitoring and refining roles in response to changing business needs and a more mature understanding of the system. It is anticipated that security revisions will continue to occur over the life of Oracle EBS

A major challenge at Go-Live was providing enough access to end users for them to successfully perform their jobs starting on Day One. Providing access at Go-Live included two pieces – (1) creating custom responsibilities for each module and (2) assigning those responsibilities to over 2,000 end users. The project created approximately 100 custom responsibilities prior to Go-Live including 6 responsibilities to view or inquire about data, 17 responsibilities for end-users in agencies, and 67 responsibilities for staff in the BRC and FBOD. Since Go-Live, 5 new responsibilities have been added primarily for BRC and FBOD staff. Security access to Oracle is requested by the agency and then the access is applied by the BRC to the individual. Before Go-Live, each agency provided a complete list of staff that needed access and the roles that they needed. This list was used both for access and training.

After Go-Live it became obvious that a proxy structure would be required for employee reimbursements since many of the staff who receive reimbursements routinely for travel or expenses do not have daily access to a computer. During 2012, approximately 7,900 proxy users were assigned to iExpense Users. Overall, the proxy implementation process was slow and frustrating for many agencies but is working accurately as designed.

After the EBS system Go Live, FBOD and BRC worked together to implement comprehensive set of procedures tied to County policies for Agencies to request and obtain access to the financial system for new employees, transfers, and departing employees. The BRC administers the process and ensures that appropriate training is completed prior to employees getting system access. A set of forms has been developed to request access and controls are in place for monitoring the system.

Security Outlook

BRC and FBOD have continued working together to plan further improvements to ensure the EBS system application design meets guiding principles such as:

- Principal of ‘least privilege’ where each end user should have only the access privileges that are needed to perform the required functions needed to fulfill their job functions;
- Separation of duties are in place to preventing fraud;
- Defend the system from unintended access and to minimize risk of access to sensitive data or sensitive functions; and
- Implement audit trails to track system activity so that any unintended breaches due to misuse or attack can be identified

The BRC and FBOD have retained the national expert in Oracle security, Jeffrey Hare, to document the current security design, develop repeatable methods to keep the documentation up to date with minimal manual work, review internal controls and design security maintenance procedures. This project will also identify areas where the security access controls will need to be reconfigured to support central business needs. This access role redesign will continue throughout 2014 in conjunction with business improvement projects.

Ability to Address High-priority EBS System Defects

System Status	Business Process Status
●	●

Description

The proviso requested a review of whether the BRC is able to address emergency and high priority system defects and whether the backlog of defects is falling.

Stabilization Status (with Metrics)

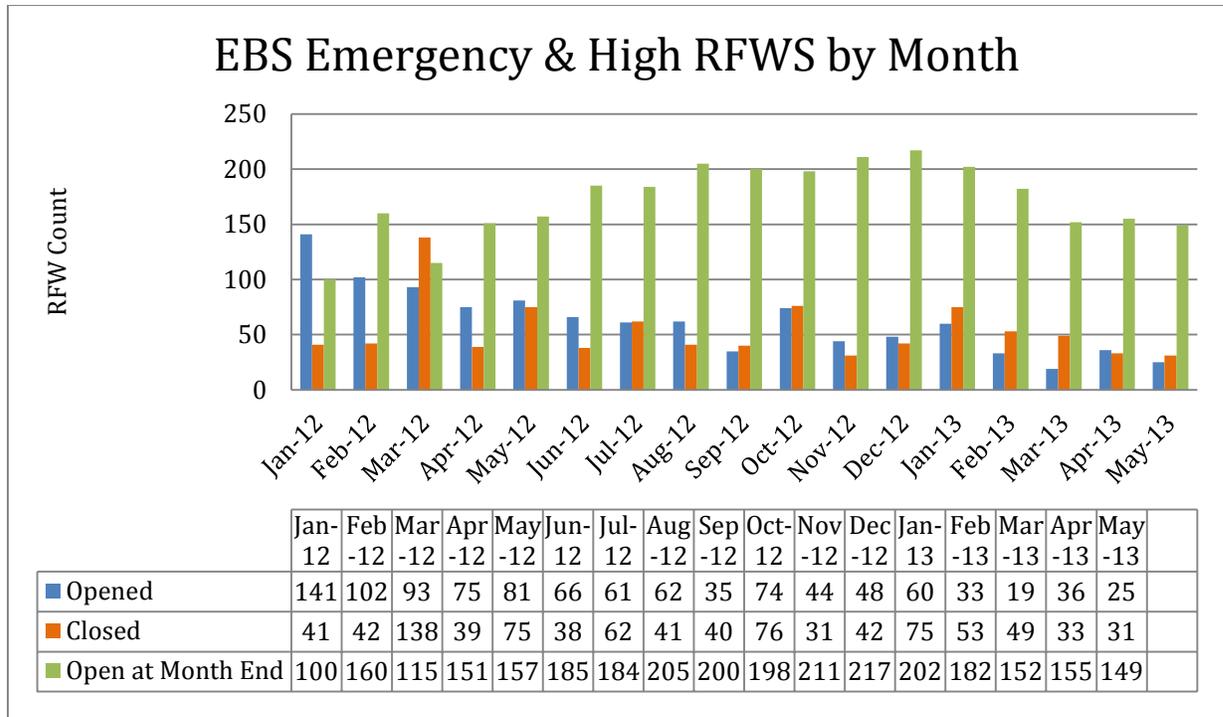
The BRC logs system issues needing attention as Requests for Work (RFW). The classification of an RFW is determined with professional judgment by asking the following questions:

- Is this needed for business continuity?
- Is this a legal/statutory requirement?
- Is this a critical issue for King County's specific requirements?
- Does the end result address the issue of a large population in our customer base?
- Is there a high return on investment (less work with more result)?
- Is this an internal technical/infrastructure defect that if resolved improves the quality of service?
- Does this result in an efficient business process?

Based on these questions, the severity of RFW's is recorded on the following scale:

- P1 = Total loss of Service/ Emergency
- P2 = High Impact
- P3 = Medium Impact
- P4 = Minimal Impact

The BRC has reached a temporary equilibrium on Oracle EBS with a slight downward trend on emergency and high priority system defects as represented by RFWs. The chart below shows that the unresolved emergency and high priority RFWs peaked in November and December 2012, was on a downward trend January through March 2013, and has settled in at around 150 for April and May 2013. The overall trend is down for 2013, but there are months where new issues exceed issues that are resolved.



	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13
BRC staff and contract personnel	128	81	66	65	67	55

Outlook

The BRC has currently dedicated most Oracle EBS staff resources to catching up on patches for the application. This limits the BRC’s ability to address new system issues until a major patch project is complete in late Q3 or early Q4. This means that the volume of open RFWs is likely to increase on a month to month basis. The BRC also expects a moderate spike in emergency and high priority work immediately after implementing such a large-scale patch project.

The BRC has adopted a release strategy for bundling and implementing system corrections and enhancements. The RFWs to bundle together in a release are determined by a combination of business owner input, common business value/functionality, functionality dependencies and system technical requirements. The RFWs bundled into a release are managed with a visual management board where the RFWs are tracked through defined phases to implementation. Release One, which cleared 11 RFWs, was completed in mid- May 2013. Release Two, which is expected to clear 29 RFWs, is expected to be completed in June 2013. Release three, which is the large-scale patch project, is expected to clear 38 pending RFWs.

APPENDIX II

BENEFITS REALIZATION DETAIL BY SYSTEM

Oracle EBS

Benefit	Why
<p>One Financial Accounting System.</p>	<p>Countywide financial information is available in one system. Staff are no longer required to hunt through and understand the reporting differences between the legacy systems. One system also has the benefit of only one set of procedures, a single chart of accounts, standard reporting, and business processes.</p> <p>In anticipation of ABT implementation, FBOD has eliminated 12 FTEs, resulting in savings of \$1.1 million savings annually since 2009. The eliminated positions include central data entry operator and ARMS support positions.</p> <p>Legacy system support costs have been greatly reduced, resulting in \$2.2 million savings for FBOD which has been passed on to customer agencies as part of the annual rate setting process for internal service funds.</p> <p>KCIT also reduced 14 FTEs (\$2.2 million) and part of these savings were used to support the creation of the new Business Resource Center (BRC).</p>
<p>Month-End and Year-End Closing.</p>	<p>Oracle EBS records expenditures faster than the retired ARMS legacy system, improving the quality and timeliness of month-end and year-end accounting data. This provides agencies with more accurate and timely expenditure information, reducing the risk of over-expenditures. Using December as an example, expenditure data for goods and services received will be routinely recorded in December month-end as opposed to the large volume of vouchers to accounts payable in mid-January for the year-end cutoff. The data in Oracle is available sooner with a more rational business process.</p>

<p>Elimination of Post-Closing Entries.</p>	<p>In the legacy systems, the year-end closing entries were prepared in elaborate spreadsheets outside of the system itself. In Oracle EBS, after the general ledger (GL) is closed there is a facility for controlled reopening and closing in order to accommodate late adjustments to the system which makes the GL and reported CAFR balances easily reconcilable. This contributes to significant efficiencies in the process and makes it easier for auditors to review trial balances.</p> <p>Bond ratings depend upon an organization providing timely financial statements. Timely trial balances allow the auditors to begin their audit a full month earlier and we expect them to be able to start even earlier in future years. Another benefit is that General Ledger and CAFR finally agree with each other without cumbersome post-closing spreadsheets, a significant internal control improvement. We believe future process and account hierarchy improvements will reduce the time involved even more in the years ahead.</p>
<p>CAFR Documentation of Agency Funds & Special Districts.</p>	<p>In prior years, numbers from hundreds of pages of old ARMS reports were manually entered into a spreadsheet for further analysis. The benefit in Oracle EBS is more timely preparation of the County's Annual Financial Report, which is critical for credit ratings, bond issues and other purposes.</p> <p>Example of efficiency: Preparing the supporting documentation for the eight pages of the CAFR for agency funds and special districts historically took about 80 hours. This year in Oracle, the documentation process took about eight hours. We believe future process and account hierarchy improvements will reduce the time involved even more in the years ahead.</p>
<p>Auto-sourcing of procurements and on-contract spending.</p>	<p>Increased on-contract spending provides the best opportunity for agencies to achieve the best pricing and terms for their purchases. In Oracle EBS, over 98% of the dollars on PO's have a contract and over 85% of the PO's are created automatically (i.e., auto-sourced and linked to a contract) upon approval of the requisition. In the legacy system, the creation of a manual requisition to the development of a purchase order typically took 30 days or more. In Oracle EBS, the requisition to PO takes place in minutes using auto-sourcing and is under 2</p>

	days if manual processing is required.
Use of P-Card for expediting purchasing and ensuring compliance with purchasing rules.	<p>The use of P-cards allows for fast purchasing, facilitates immediate payment to vendors, eliminates the need to prepare a requisition and a purchase order (PO's). EBS automatically creates a clear record of the spending and the County can receive a rebate. The EBS system has allowed the County to leverage and expand the use of P-cards. The County currently has 598 P-Cards in use today and is averaging about \$6M in spend each quarter.</p> <p>P-Cards have replaced the manual direct vouchers used in the legacy system that were used to acquire goods and services under \$5K. The County could not easily determine spending patterns of agencies and compliance monitoring with the \$5K threshold was difficult.</p> <p>The County achieves increased transparency and speed of purchasing with the P-Card tool. P-Card spending increased from \$1 million in 2010 to \$23 million in 2012 (47,000 transactions).</p> <p>Using national average costs, Purchase Order transactional costs are \$90.77, and P-Card transactional costs are \$17.24, so the difference is \$73.58 per transaction or about \$3.3million in cost avoidance for King County. The County has also received rebate revenues of \$200K in 2012 which offsets staffing costs for the P-Card program.</p>
Electronic Purchase Orders.	<p>In the legacy systems, paper PO's required hand separation, distribution via mail and required carbon copies. Today, suppliers receive PO's the same day. Most are not printed or filed. Over 120,000 orders were created in 2012. County agencies can view transaction information online. Suppliers receive PO's the same day. Most are not printed or filed.</p> <p>County agencies can view transaction information online. This saves printing and filing of over 700,000 pieces of paper annually and eliminates the use of carbon paper.</p>

<p>Contract compliance and monitoring.</p>	<p>E Oracle EBS has led to increased monitoring efficiencies for users. For example, the Business Development and Contract Compliance (BDCC) section in FBOD encountered many inefficiencies while ensuring compliance for the County's Contracting Opportunities Program (KCCOP) and the Federal USDOT DBE Program.</p>
<p>Centralization of bank account reconciliation processes.</p>	<p>The centralization of bank account reconciliations is a key benefit for financial stewardship of the County. Before Oracle EBS, the Cash Management group reconciled the County's main bank account and the warrant bank accounts. After Oracle went live, Cash Management took on reconciliation of another dozen accounts, including RALS, Transit, and Public Health.</p> <p>Oracle functionality is designed to automate a large portion of the bank reconciliation process allowing existing staff to handle a greater number of accounts. While there have been issues that have prevented optimal utilization of the full capability of Oracle, the expectation is that the efficiencies in Oracle will eventually allow Cash Management to reconcile even more bank accounts with increased accuracy and efficiency.</p>
<p>Preparing General Ledger entries from the Property Based System.</p>	<p>The previous process for making entries to the Property Based System (PBS) which generated general ledger entries was very cumbersome. A staff person would prepare a manual document that would be keyed and verified by the data entry group who would request a KCIT job to generate the G/L entry.</p> <p>With EBS, the staff person can make the entry directly into the general ledger. The result has been increased accuracy because the person making the entry knows the data best; the data entry wait time has been eliminated; there is immediate feedback from FMS that the entry has successfully posted; and paperwork has been reduced because the backup is now scanned.</p>

<p>Project cost accounting and labor distribution.</p>	<p>Labor distribution is the process of capturing labor cost in PeopleSoft and allocating the costs to the correct projects in Oracle. The complex labor distribution system is working effectively.</p> <p>The County's goal is to have 100% of the labor distribution cost posted correctly to projects without a significant backlog. The error rate is only .01 percent, which demonstrates the system's effectiveness. This ensures that the correct labor costs can be captured in projects and billings to customers.</p>
<p>Opportunity</p>	<p>Why</p>
<p>Implementing iSupplier.</p>	<p>This new module would help the County manage purchases more efficiently.</p>
<p>Projects/Grants.</p>	<p>The County's financial system is project-centric and this requires more support across the County. We need to re-deploy current staff and add some additional resources to meet user expectations in this area.</p>
<p>Training and User Documentation. Users do not have sufficient training or documents that explain how to use the system or troubleshoot problems.</p>	<p>In order to enable standard work, all County agencies in ongoing training programs and updated user guidelines and other tools. Onboarding training for new users is also a critical need to promote standardization.</p>

PeopleSoft

Benefit	Why
One HR and Payroll system	<p>Prior to ABT, FBOD operated two payroll systems with two separate schedules and processes. County employees are now in one system of record. This is a benefit for reporting, retroactive pay calculations, and implementing standard processes and calculations.</p> <p>With elimination of the MSA payroll system, FBOD reduced 4 FTEs (\$400K) since 2009. The KCIT support cost reduction is part of the 14 FTE reduction mentioned in the Oracle EBS table above.</p>
Single system of record and single data set	<p>Centrally, a single data set has meant more consistent and reliable data, an ability to ask and answer wide questions without aggregating multiple data sets, and a commensurate decrease in the staff time required to perform those functions. Users appreciate that the data is visible and normalized. This is beneficial because it leads to fewer errors and problems can be identified more quickly.</p>
Distributed entry and self-service	<p>Significant efficiencies and decreases in paper consumption have been achieved through self-service. Errors have been reduced as a result of locating transactions with the process managers (for example locating hiring transactions with HR staff).</p>
Contract administration	<p>Automation has made collective bargaining agreement implementation and on-going administration more efficient.</p>
Work flow	<p>Notification, batching and advance notice functions have made it significantly more efficient for central staff to manage work requests. The elimination of the form-based process of “complete, sign, print, scan, email or fax” has eliminated paper and process steps. Auditing allows us to measure response time at every step in a workflow. This gives us the opportunity to measure, learn and improve.</p>

Transaction transparency	In the legacy system, FBOD staff were unable to see if any employee pay had been reversed in the system for an employee. In PeopleSoft, the reversal of the original payment to the employee and the manual check are readily visible on the employee's record in the system to check for accuracy. In PeopleSoft, there is improved visibility and accuracy of King County employee payroll reversals.
Better view of historical transactions	MSA was a current year system and it did not maintain history for previous years. Payroll staff can now view an employee's payroll history for earnings, deductions, garnishments, taxes, and all other payroll transactions that occurred on an employee's paycheck. In the past, detailed past payroll history for an employee was largely a manual research effort accessing some data stored in an off-system data base, but mostly through an individual pouring through microfiche that has been filed per year per pay period for data. In PeopleSoft there is a better audit trail. Maintaining the history readily provides payroll more data required for audits and legal inquiries for payroll information.
Automating manual payroll checks	Pre-conversion, whenever a manual check was required for an employee, FBOD had to hand-calculate the replacement check. In PeopleSoft there is improved accuracy of manual payroll checks for King County employees.
Opportunity	Why
Use of auditing to create efficiencies	Because we are now able to audit centrally, there are many central "approval" processes and compliance checks that we could eliminate (and instead audit for), thereby freeing up both central and department staff to do higher-value work. Auditing could also be used to assess use of standards and increase data validity.

Diversified roles for users	User expertise and experience varies greatly depending on the complexity and number of transactions performed. In order to more appropriately permission and train users, it would be useful to create different user roles and permission levels. Diversification of user roles could also allow for increased delegation of work and fewer central approvals.
Updating of workflows to reflect current (and potentially new) processes	By updating our workflows to reflect current and potentially improved processes, we could increase efficiency and potentially reduce the number of transactions. By tackling some of the more significant problem processes (for example FML and special duty) we could greatly reduce some of the transactional burdens faced by department and central staff.
Training and on-boarding for new users; on-going and advanced training for existing users	Consistent, timely on-boarding of new systems users would ensure consistent, standards-based use of the system, thereby reducing errors and re-work (particularly re-work that occurs downstream). Regular FAQ-based training and more advanced training for existing users would (a) provide for consistent on-going use of the system, (b) provide for the ability to address problems or emergent areas of concern, and (c) create additional “super users” capable of doing advanced query and other work, thereby allowing us to get the most out of the system.
Review of current and development of new standards to promote consistent usage and data integrity	In order to train, audit and generally support consistent use of the system, it is critical that there be agreed-upon standards, developed in collaboration with the user community. By creating standard work across the board we would ensure replicable, efficient processes on the front-end and reliable data on the back-end. This means greater potential for Countywide and organization-specific reporting and an increased ability to use human capital data to plan, make decisions and solve problems.

Budget System

Benefit	Why
Distributed Entry	Distributed entry for Agency finance managers allows for budget proposal data to be entered directly into the Budget System rather than using separate forms which, in the past, were loaded centrally by PSB. This is a benefit because it allows reporting on all phases of the Budget Cycle in a single database. It saves users time in generating reports that compare Agency proposals with the Executive Proposed and Council Adopted budgets.
Capital reporting method for CIP budget proposals (CAPs) and Dashboard Performance Reporting.	Distributed entry; Single reporting interface for Capital Proposals and Dashboard Reporting. Agency controlled data entry. Greater transparency of information. Eliminate requirement for MS office tools for CAP reports. Published data available to all of King County using web-based SQL Reporting Services.
Consolidation of capital and operating budgeting into a single system	Prior to implementation, CIP and Operating budgets were in different systems. The position database was only used to populate Operating Budgets. After implementing CIP and Operating line item budgets are in the same database. CIP and Operating can use the same position file to create position level budgets.
Consolidation of capital and operating budgeting into a single system	Prior to implementation, CIP and Operating budgets were in different systems. The position database was only used to populate Operating Budgets. After implementing CIP and Operating line item budgets are in the same database. CIP and Operating can use the same position file to create position level budgets.
Position budgeting and salary averaging (business process change)	This reduces the amount of time agencies and PSB spend on employee by employee reconciliation of personnel budgets. Removal of employee data from the system greatly improves system performance and processing time.

Standardization of County budgeting/planning business practices	Standardizing common business processes and have developed a process by which these business processes are analyzed and communicated. Examples include how we inflate salaries for cost of living adjustments and how we budget central rates.
Consolidation of multiple budget systems into single system	Standardized data; standardized business practices; reduced reconciliation between systems; ability to consolidate budget from one system.
Coordination between CIP technical data and project management data	Eliminates need to manually enter information that already exists in Prism (DNRP), Unifier (FMD) and Roads Database (RSD). Eliminates duplication of existing data, provides consistent summary level data from all CIP implementing agencies into single database.
Opportunity	Why
Supplemental appropriations managed through Hyperion	This could reduce the amount of time spent adjusting the adopted budget in preparation for the next budget cycle.
Decision package approval tracking in Hyperion	Prior to implementation, PSB tracks approval status in a separate Access database. Post implementation, decisions will be tracked in the Hyperion Budget System. Increases reporting ability. Decreases time spent reconciling data between two databases.