Capital Payment Analysis & Process Map

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Presented by:
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Ohio Shared Services
Service First
a division of OBM

The Following Data Analysis Represents Calendar Year 2017, January – December where the Fund Code Begins in 57xx

A3

Title: Document Current State OSS Capital Invoice Vouchering Process

Team: Shannon Stalling, Valentine Nnachetam, Brent Wentzel, Bryon Moore, Brandi Crowley

Date started: 2/6/2018   Current Date: 3/5/2018   **Executive Sponsor: Rae Ann Estep, Jim Kennedy**

Shannon M. Stallings

P1: Why Change is Needed

OBM Senior Leadership has requested that the current state OSS Capital Invoice vouchering process be documented.

P2: Current State

Capital invoices have been out of scope for OSS and are traditionally processed by the participating agencies. Participating agencies are sending OSS 97% of their accounts payable work and are now requesting that OSS voucher their capital invoices.. The agencies send capital invoices to OSS with vouchering instructions. OSS accounts payable staff create the payment voucher. Validation is performed according to standard processes. No additional or special validation is performed for capital invoices. Discrepancies arise between what agencies ask OSS to do and what OSS can do according to standard processes and policy. This leads to denied vouchers and reprocessing.

P3: Future State

Future state is yet to be determined based on the direction and guidance provided by the OBM Senior Leadership.

P4: Analysis

A current state process map was created. A review of existing policies was conducted. An analysis of capital vouchers created by OSS was also performed and revealed that, since 2013 there have been 16 agencies sending capital invoices to OSS for processing. As of 2018 there are currently seven agencies still sending capital invoices to OSS for processing. 24% of the capital invoices to do not reference a project code (a key element and requirement for reporting purposes, or an Appropriation Line Item (ALI) that begins with a "C". Agencies are also requesting "DUE NOW" payment terms even though the invoice does not meet the criteria for DUE NOW payment. This has led to denied vouchers, reprocessing efforts, and supplier dissatisfaction. There were a total of 21 vouchers denied due to incorrect or missing project code, and another 7 were denied due to agencies wanting them paid "DUE NOW." This was out of a sample size of 217 vouchers.

P5: Potential Solutions

Potential solutions can be divided into two groups:
Short Term Solutions:
1) Implement a process change in collaboration with State Accounting to enforce the use of a project number on capital invoices. 2) Implement training for OSS Accounts Payable associates on capital invoices/Vouchers. 3) Develop and implement a report to monitor capital vouchers created, and have AP managers perform a secondary review for quality assurance purposes.
Long Term Solutions:
1) Form a green belt project to develop a future state process map. 2) Develop end-to-end OBM policies (from Procurement to Payment) and standard processes on the capital process. 3) Communicate the new process/policies to all agencies that process capital vouchers, but in particular those agencies who utilize OSS services.

C7: Check Results

	Current	Projected	Actual
# Process Steps	15	18	18
Lead time	8	10	10
# Defects	52	0	0
Customer Satisfaction	90%	100%	100%

C7: Check Results

All short term solutions have been implemented as of 3/5/2018. 1) Policy change implemented to require the project code on capital vouchers. There have been zero invoice payments delayed due to no project code.
2) Guidance on processing capital vouchers provided to 18 OSS AP staff members.
3) Report created to monitor and quality assure capital invoices. There have been zero defects since this report was implemented.

A8: Follow-up Action

1) Present current state process map and analysis to OBM Senior Leadership (April 14, 2018).
2) If directed, form a green belt project to develop future state process map, policies, and procedures.

D6: Action Plan

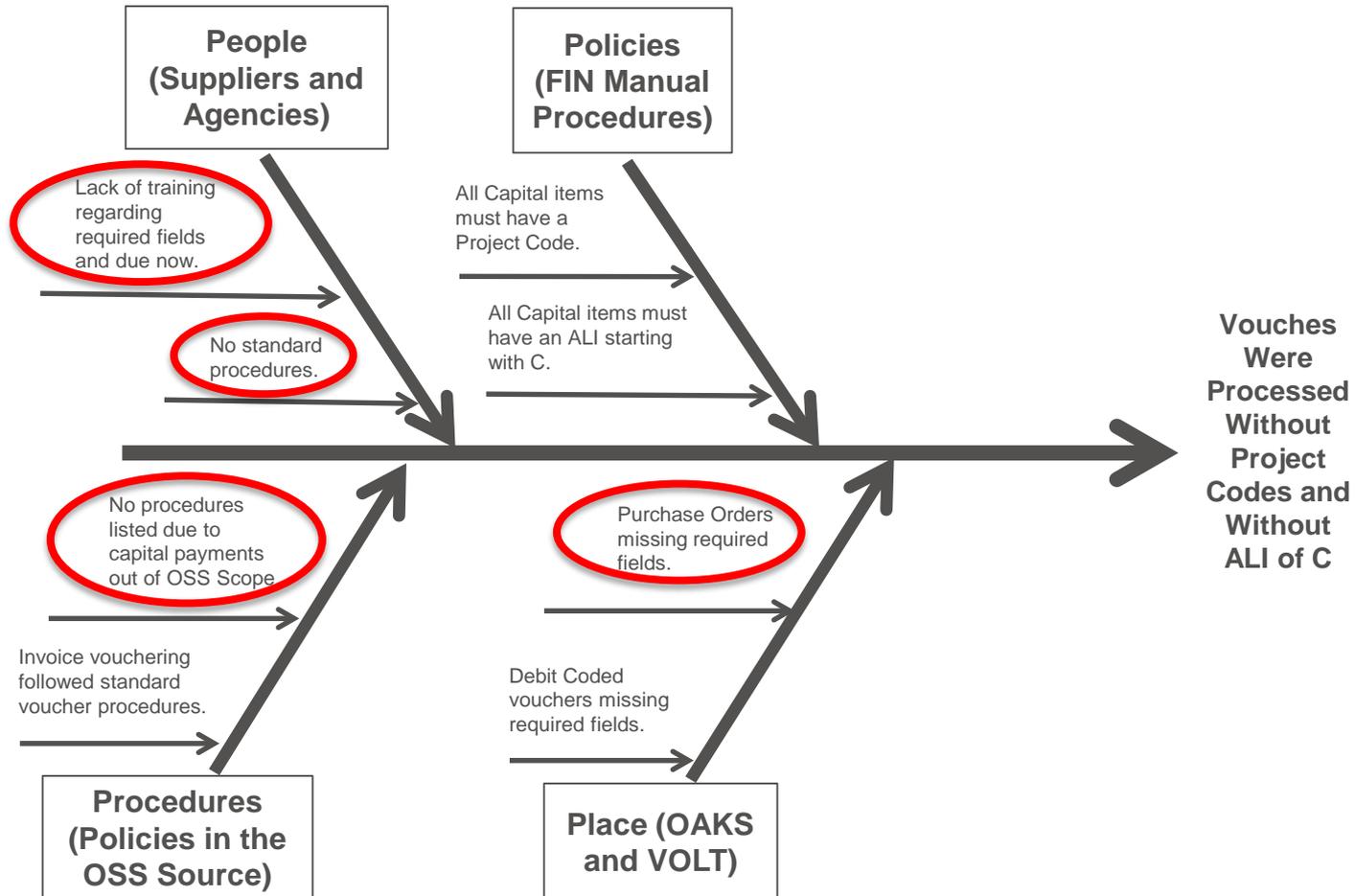| Action item:	Assigned to:	Due Date
Current State Process Map	Team	3/5/2018
Perform analysis of existing policies	Shannon Stallings	3/5/2018
Perform data analysis of OSS capital payments	Shannon Stallings	3/5/2018
Present to OSS Leadership	Team	3/14/2018
Present to OBM Senior Leadership	Team	4/12/2018

THE PROCESS GAPS

People (Suppliers and Agencies)

Policies (FIN Manual Procedures)

Lack of training regarding required fields and due now.

All Capital items must have a Project Code.

No standard procedures.

All Capital items must have an ALI starting with C.

No procedures listed due to capital payments out of OSS Scope.

Purchase Orders missing required fields.

Invoice vouchering followed standard voucher procedures.

Debit Coded vouchers missing required fields.

Procedures (Policies in the OSS Source)

Place (OAKS and VOLT)

Vouches Were Processed Without Project Codes and Without ALI of C

OSS PROCESSED BY AGENCY

Agency	Volume	# Reviewed	% of Volume
AGR01	120	74	28.37%
DNR01	73	39	17.26%
DAS01	63	20	14.89%
DMR01	59	33	13.95%
DPS01	36	24	8.51%
COM01	27	8	6.38%
DRC01	15	4	3.55%
DMH01	14	3	3.31%
ADJ01	5	2	1.18%
OBM01	4	3	0.95%
JFS01	3	3	0.71%
BWC01	2	2	0.47%
DYS01	2	2	0.47%
Grand Total	423	217	

OSS CAPITAL PAYMENT REVIEW

Reviewed	217	
Vouchers with Issues	52	24%
No issues	165	76%

Note: The average dollar value of the payments with issues was $17,000.00.

OSS CAPITAL PAYMENT ISSUES

Issue Identified	Volume
Missing Project Number	28
Appropriation Line Item Does Not Start With C	10
Missing Project Number and Appropriation Line Item Does Not Start with C	14

Note: The Fin Process Manual states that when using a capital expense account code the Project ChartField is required. This was not being validated in the OAKS Production Environment.

ISSUES BY AGENCY

	AGR01	ADJ01	DAS01	DNR01	DPS01	OBM01
Missing Project Number and Appropriation Line Item Does Not Start with C				10		
Appropriation Line Item Does Not Start With C				11	3	
Missing Project Number	4	1	2	9	13	3

OTHER CAPITAL REVIEW FINDINGS

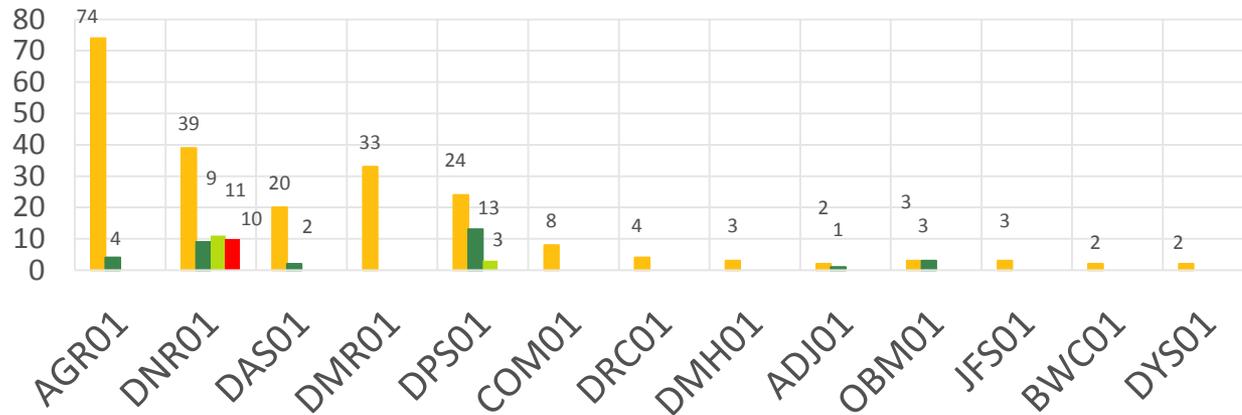| Other Findings	Volume
Process As Due Now, But Did Not Meet Initial State Due Now Requirements	5
Should Have Been Processed As Due Now Based Upon Initial State, But Were Not	3
Non-PO Vouchers*	4

*PO's are not required on all capital payments as they can also be debit coded.
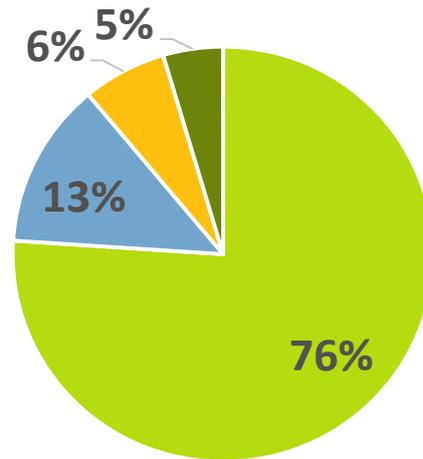
OSS PAYMENTS BY AGENCY

Issues by Agency

Legend:
- 🟧 Reviewed
- 🟩 Missing Project Code
- 🟨 ALI Does Not Start with C
- 🟥 Missing Project and ALI Does not Start with C

CURRENT REQUIREMENT ISSUES

- **No Issue**
- **Missing Project Number**
- **ALI Does Not Start With C**
- **Missing Project Number & ALI Does Not Start With C**

Note: The errors above have led us to determine a change is necessary. The changes to account codes over time and the urgency of capital payments have led us to determine that a monitoring system is necessary.

CAPITAL PAYMENTS PROCESSED BY AGENCIES

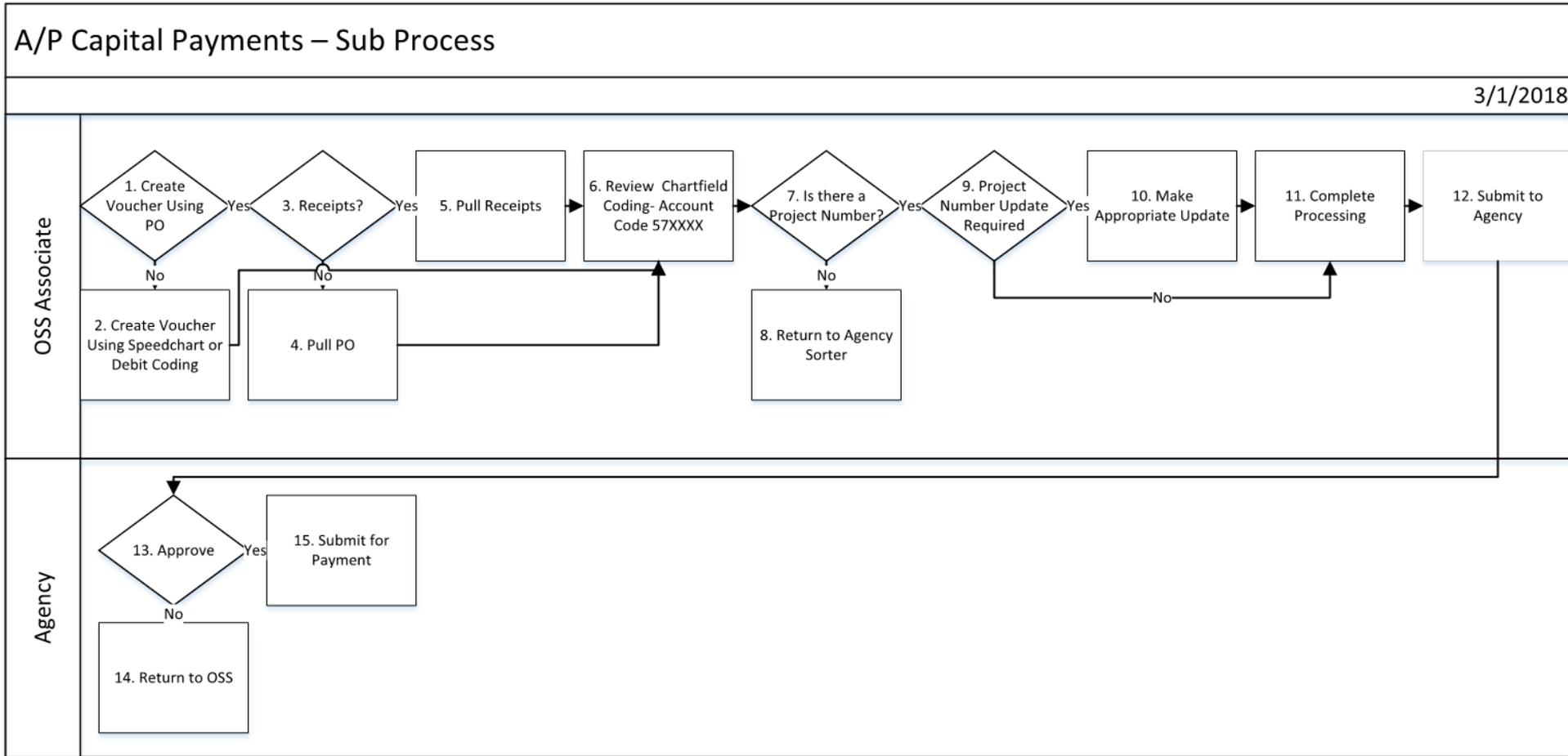|	2013	2014	2015	2016	2017
ADJ01	259	282	182	106	50
AGR01	25	18	19	56	38
BOR01	39	17	12	3	5
BWC01	13	4	6	42	6
COM01	23	23	4	8	7
DAS01	26	7		31	46
DEV01	306	1	1		
DMH01	164	203	215	188	179
DMR01	322	196	94	121	146
DNR01	613	636	862	1013	1110
DPS01	114	133	121	97	32
DRC01	289	288	472	697	579
DVS01	11	108	119	44	8
DYS01	139	97	87	90	63
JFS01	11	4	3		
RGC01	7	27	2	2	12
TOTAL	2361	2044	2199	2498	2281

PROCESS CHANGES

- After review, we determined our process map needed three additional steps. These are steps 6-8 below.

- We also added a manager Quality Check which is the slide following the Process Map to ensure capital payments are processed according to the FIN Policies.
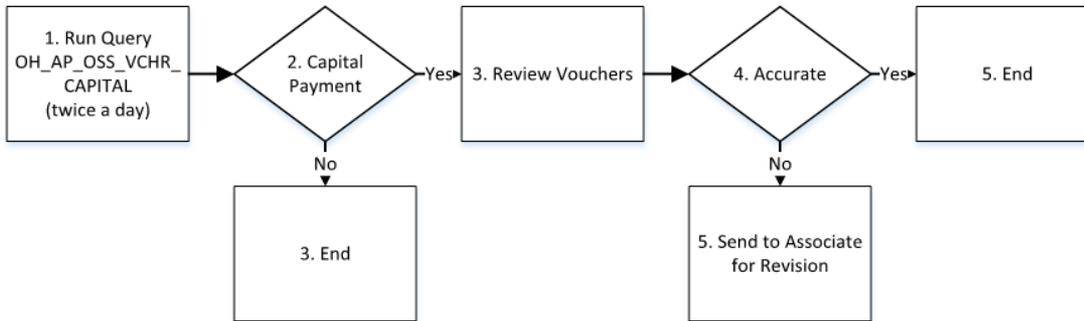
NEW PROCESS MAP

A/P Capital Payments – Sub Process

3/1/2018

OSS Associate

1. Create Voucher Using PO — Yes → 3. Receipts? — Yes → 5. Pull Receipts → 6. Review Chartfield Coding- Account Code 57XXXX → 7. Is there a Project Number? — Yes → 9. Project Number Update Required — Yes → 10. Make Appropriate Update → 11. Complete Processing → 12. Submit to Agency

No (from 1) → 2. Create Voucher Using Speedchart or Debit Coding

No (from 3) → 4. Pull PO

No (from 7) → 8. Return to Agency Sorter

No (from 9) →

Agency

13. Approve — Yes → 15. Submit for Payment

No → 14. Return to OSS

13

QUALITY CHECK

Quality Check – Capital Payments

3/1/2018

Coach

1. Run Query OH_AP_OSS_VCHR_CAPITAL (twice a day) → 2. Capital Payment →

- Yes → 3. Review Vouchers → 4. Accurate
  - Yes → 5. End
  - No → 5. Send to Associate for Revision
- No → 3. End

CURRENT STATE vs FUTURE STATE

Current State

- OAKS validation rule for capital Expenditure Account Codes in the range 570050 thru 578099 is not validating as expected. The validation trigger checks for the combo coding for the existence of a project number. Ticket has been created (1721799)

- OSS Processing has no documented validation in place to capture required Project ChartField if combined with ChartField Account of 57XXXX

Future State

- Associate must validate as a control measure, if Expense Account 57XXXX exists then Project Number is required

- "The Source" Processing instructions have been updated to cover all processing categories if ChartField contains 57XXXX is required

CURRENT STATE vs FUTURE STATE

Current State

- No Exception Process in place

- No Quality Assurance (QA)

Future State

- Established Exception Process and Exception Code with standard language

- QA conducted by Service Line Coaches, query executed several times a day for quality checks.
- Incorporate into standard QA process for this Account Code at 100% daily

BENEFITS OF THE CHANGE

- We sampled 217 invoices vouchered by Shared Services prior to the change and twenty one were denied due to missing project code while seven were denied due to not being process as due now; at ten minutes per denial, this is over 4.5 hours of lost productivity

- Shared Services now has a process in place to verify that all invoices processed have a Project Code which will allow for correct budget funding

- Shared Services is communicating the importance of having an ALI starting with C to ensure purchase order closure is based upon the capital budget cycle

- Shared Services will process all capital payments, fund code starting with 57* as due now to ensure timely payment of these invoices

BENEFITS OF THE CHANGE

- Shared Services processing these vouchers would give approximately twenty minutes per voucher back to the agencies to focus on their core mission

- Based upon an average of 2300 vouchers processed by all agencies over the last three years, this would be an average of 775 hours per year

- An average of 775 hours per year equates to 5.38 months using 144 man hours per month

THANKS TO:

LeanOhio: The Lean Team

Lean Liaison: Betsy Bayshore

Project Sponsors: Rae Anne Estep and Jim Kennedy

Senior Leadership: John Palermini and Doug Chaney

Mentor: Joe Pichert

Process Owners: Brent Wentzel and Valentine Nnachetam

Customers: Service Management, Accounts Payable Team, and OSS Agencies

Closing

- Any questions?