Status of ERP & FY13 CAFR
Council Audit Committee

November 21, 2013
Department of Finance
Technology Modernization Project Office
www.montgomerycountymd.gov/finance

ERP Update

- Ongoing Approach

- Finance Staffing

- FY13 CAFR

- Oracle Issues Inventory

- Post Implementation Audit

- Attachments:

  - Summary of Open and In Progress Oracle Issues

  - Summary of Closed Oracle Issues

  - Post Implementation Audit Update

ERP Update – Ongoing Approach

- ERP Issues
  - Prioritized with focus on CAFR impact/internal control deficiencies
  - Classified by type (e.g. General Ledger fix, Workaround, Permanent Solution)
  - Most significant issues relate to tight integration of system modules (e.g. Procurement/Accounts Payable, and Projects/Grants)
  - Opportunity for enhancements to internal controls (e.g. cross validation rules)
- Resources allocated based on priorities
  - Team approach: ERP staff/consultants and home office staff
- Resolution efforts focused on end-to-end nature of system and issues
  - Researching/assessing issues;
  - Identifying solutions;
  - Testing; and
  - Implementing changes in production environment.
- Weekly formal communications to address progress, resolve impediments
  - ERP/Controller mgmt, staff, and consultants meeting
  - Management conference call

ERP Update – Finance Staffing

- Goal at FY12 briefing:

  Staff enhancement and realignment in Controller's Division intended to:
  - Broaden Oracle based skill set
  - Expedite knowledge transfer from consultants to staff
  - Reduce reliance on outside contractors and consultants
- Progress in filling vacancies – FY13 and FY14:
  - 28 Controller Division vacancies filled (almost 50% of 60.5 FTE)
  - 14 accounting-related vacancies filled
    - 11 - prior ERP/Oracle experience
    - 12 - prior government/public accounting experience
    - 6 - CPA or CPA-candidate
  - Eliminated contractor firm support
  - Reduced temporary staff
- Looking forward:
  - Center of Excellence: Consulting, problem solving, and collaboration with other departments to improve financial analysis, use of ERP capabilities, timely and accurate compliance with financial processes, and greater understanding of Departmental, Fund, and overall County financial position.

ERP Update – FY13 CAFR Progress

- CAFR: 12/31/13 on track
- Key CAFR processes – on track or improved over FY12:
  - Mass encumbrance liquidations
  - Bank reconciliations
  - Fund closing
  - CAFR draft preparation
- Federal single audit – several months earlier than FY12
- FY12 findings addressed or improved, including:
  - Timely reconciliation of bank accounts, accounts payable, retirement plans
  - Approval of journal entries
  - Process for identifying CFDA numbers for federal awards
  - Reduced systems administrative access
  - Improved access controls, change control & related documentation/procedures
  - Analysis and updating of reserves
  - P-card review and accruals
- Auditor evaluation of status of County resolution in process

ERP Update – Oracle Issues Inventory

- Focus on:
  - Remaining CAFR impacts/internal control deficiencies
  - Permanent solutions w/ tight integration and operational & financial reporting impacts
  - New system, accounting, process issues as identified
- For significant issues:
  - As analyzed, may identify multiple underlying causes
  - Broken out and tracked separately, often PS and GL/W until PS is implemented
  - Contributes to increase in total issues tracked
- Significant progress has been made:
  - 153 total issues closed/resolved
  - 89 permanent solutions closed/resolved
- Summary status:

	Closed *				Pending Closed				In Progress/Open			
	1	2	3	Total	1	2	3	Total	1	2	3	Total
2013	83	59	11	153	3	3	1	7	3	100	27	130
2012	30	5	4	39	8	2	0	10	7	70	23	100

* duplicates removed

ERP Update – Post Implementation Audit

Audit cited:

- Best practices used/areas performed very well
- Areas that need strengthening, deeper analysis, or better approach

The ERP Office focused on four major areas of the June 2013 Internal Audit in FY13 and FY14:

1) Defining and establishing clear roles and responsibilities and the creation of the Enterprise Service Center
    - Creation of three new classifications
    - Defining and establishing clear roles and responsibilities of core departments and ERP Enterprise Service Center
    - Recruitment of experienced Oracle/ERP users through use of preferred hiring criteria
2) Defining and developing Strong User Access Controls
    - Reviewed and reduced the number of individuals with access that was too broad or allowed for conflicting privileges
    - Limited Super User responsibility by granting on a temporary basis when requested through Change Request Process
3) Developing Policies and Procedures
    - ERP Change Control Process and Procedures
    - ERP Testing Policy
    - ERP Security Policy
    - ERP Risk Assessment Policy
4) Developing Business Intelligence (BI) Reporting Tools

Attachments

Summary of Open and In Progress Oracle Financial Reporting and Business Process Issues

Status	Category	Priority 1			Priority 2				Priority 3		Grand Total
		A	C	Total	A	B	n/a	Total	n/a	Total	
In progress	Accounts Payable (AP)				5			5			5
	Enterprise Asset Management (E)	1		1	3	1		4			5
	Fixed Assets (FA)				2			2			2
	General Ledger (GA)				3			3	1	1	4
	Payroll (PR)				1	1		2			2
	Purchasing (P)				2			2			2
	Labor Distribution (LD)						1	1			1
	Accounts Receivable (AR)				4	2		6	1	1	7
	Cash Management (CE)				4			4			4
	General/ Miscellaneous (M)	1		1							1
In progress Total		2		2	24	4	1	29	2	2	33
Open	Accounts Payable (AP)				9	6		15	4	4	19
	Enterprise Asset Management (E)				2			2	1	1	3
	Fixed Assets (FA)					1		1			1
	General Ledger (GA)				17	4		21	5	5	26
	Payroll (PR)				1	4		5	1	1	6
	Projects and Grants (G)		1	1	1	1		2	3	3	6
	Purchasing (P)				2			2	1	1	3
	Labor Distribution (LD)						1	1	3	3	4
	Accounts Receivable (AR)				2	2		4	1	1	5
	Cash Management (CE)				7	3		10			10
	General/ Miscellaneous (M)				5	3		8	6	6	14
Open Total			1	1	46	24	1	71	25	25	97
Pending Closed	Accounts Payable (AP)				2			2			2
	General Ledger (GA)	1	1	2	1			1			3
	Accounts Receivable (AR)								1	1	1
	General/ Miscellaneous (M)	1		1							1
Pending Closed Total		2	1	3	3			3	1	1	7
Grand Total		4	2	6	73	28	2	103	28	28	137

Note: This report shows ERP Related Issues

Priority/Sub-Priority Categories

1A	Could contribute or has contributed to a material weakness or significant deficiency in an audit and no identifiable workaround
1B	Could contribute to a material error in the CAFR and no identified workaround
1C	Could contribute to a material error in the CAFR but identified workaround
2A	Has a GL or negative operational impact, so until permanent solution implemented this issue results in new GL, operational inefficiencies and /or Workaround requirements/issues each year)
2B	Ideal goal is to be implement by next FY-or no significant GL impact.
3	Long-term opportunity for improvement.

Status:

Open	New issue identified or is not being actively pursued
In Progress	Issue is being actively pursued
Pending Closed	Final solution identified, tests successful, need to do move to production
Closed Resolved	Issue is closed. Solution identified and implemented
Closed Duplicate	Closed Duplicate Request

11/14/2013

Summary of Closed Oracle Financial Reporting and Bussiness Process Issues

Status	Category	Priority 1				Priority 2			Priority 3		Grand Total
		A	B	C	Total	A	B	Total		Total	
Closed Duplicate	Accounts Payable (AP)	2	2		4				1	1	5
	Fixed Assets (FA)					1		1			1
	General Ledger (GA)	1			1		3	3	1	1	5
	Payroll (PR)					1	1	2	3	3	5
	Projects and Grants (G)	3			3	2	3	5	1	1	9
	Purchasing (P)		1	1	2	1	1	2			4
	Treasury/Accounts Receivable/Cash Management (T)	1			1						1
Closed Duplicate Total		7	3	1	11	5	8	13	6	6	30
Closed Resolved	Accounts Payable (AP)	3	3	1	7	8	5	13	2	2	22
	Budgeting (B)	3	1		4	1		1			5
	Enterprise Asset Management (E)	2	1		3	2		2			5
	Fixed Assets (FA)	8	3	1	12	6		6			18
	General Ledger (GA)	8	2		10	5		5			15
	Payroll (PR)	6		4	10	4		4	1	1	15
	Projects and Grants (G)	14		2	16	5	8	13	4	4	33
	Purchasing (P)	8	1	2	11	4	1	5	1	1	17
	Treasury/Accounts Receivable/Cash Management (T)	4			4	1	2	3	3	3	10
	Accounts Receivable (AR)	1	1		2	3	1	4			6
	Cash Management (CE)					1		1			1
	General/ Miscellaneous (M)	2		2	4	1	1	2			6
Closed Resolved Total		59	12	12	83	41	18	59	11	11	153
Grand Total		66	15	13	94	46	26	72	17	17	183

Note: This report shows ERP Related Issues

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11/14/2013

ERP Post Implementation Audit Update

- Accomplished:

  - **Recruit and hire full-time employees in the core business department** - ERP Enterprise Service Center classification study was conducted. Three new classifications are in the process of being approved and created: 1) Senior ERP functional Business Analyst /32; 2) ERP functional Business Analyst/30; and 3) Enterprise Technology Expert/34. In addition, the Core Departments are incorporating preferred criteria in the recruitment of new positions.

  - **Define and develop strong user access administration process** – ERP is utilizing iamMCG Identity Management to validate and grant new user access to Oracle EBS, PeopleSoft, Oracle BI and Hyperion. All User rules are defined in iamMCG.
    - In addition, the following system administration processes are being conducted 1) quarterly review of Orphaned Security Records; 2) semi annual review and validation of Worklists in Oracle; 3) Semi annual review and validation of Hierarchies in Oracle; 4) Annual validation of Responsibility Functionality in Oracle; 5) Annual validation of Separation of Duties.
    - The following Interim Policies and Procedures are in place 1) ERP change Control Request and Issues; 2) ERP Testing Policy; 3) ERP Security Policy; 4) Risk Assessment Policy.
    - The following process and procedures are documented: 1) Apps Read Account Access; 2) Year End Cancellation of Non Approved RQs and POs; 3) Fiscal Year Mass Clearing Process; 4) Accounts Payable Security Rules; 5) Accounts Payable Responsibility Secured- Account Based Rules; 6) Policy on Accessing Confidential Personnel Records; and 7) Oracle HCM Payroll Related Roles and Responsibilities defined.

ERP Post Implementation Audit Update

- Accomplished:
  - **Expedite the availability of reports to assist the core department, business units, and other County agencies** – the ERP team has successfully implemented the Business Intelligence BI reporting tool. The following Oracle models are in production:

Oracle/Main frame Module	BI Report/Dashboard
Accounts Payable (AP)	AP iExpense AP Invoice Distribution Payments Distribution
Labor Distribution	Labor Distribution (biweekly payroll) Labor Schedules
Purchase Orders (PO)	PO Distribution, Requisitions, Contract and Receiving
General Ledger	GL Summary GL PC Projection
HRMS Legacy	MCG legacy HADA History Adjustments MCG Legacy Job History MCG Legacy Pay Biweekly Gross MCG Legacy Payroll Earnings MCG Legacy Payroll Gross CY 2010 MCG Legacy Payroll Hours CY 2010 MCG Legacy Payroll Year To Date MCG Payroll Gross-to-Net

ERP Post Implementation Audit Update

- Accomplished:

    - **Continue to enhance the new issue management process where ERP-related issues –** Change Control and Issues Management process implemented. SharePoint is a central repository for all ERP hardware, applications, network, interface, data base changes. All testing and configuration documents are attached to the CR and housed in SharePoint.

    - **Establish improved testing process –** The County is managing and monitoring the testing process to ensure all required tests are conducted. All testing is being documented and centrally maintained in SharePoint.

    - **Training for the ERP and its modules provided by the County ERP project team should be developed, updated –** The ERP team in conjunction with the core department has updated and revamped online training and instructor led training. The following Oracle EBS modules have been updated 1)Purchasing Fundamentals; 2) Accounts Payable Fundamentals; 3)General Ledger; 4) Projects and Grants Fundamentals; 5) Departmental HR Liaison; 6) iRecruitment and 7) Transaction Approver. In addition, the following new courses have been developed 1) Advanced Purchasing for Procurement Buyer; 2) Accounts Receivable; 3) Purchasing Change Order Process; 4) Workforce Performance Management; 5) Oracle Learning Management; and 6) Compensation Workbench.

ERP Post Implementation Audit Update

- In Progress

    - **Establish clear roles and responsibilities** - The ERP subject matter leads have begun identifying, defining functional and operational roles and responsibilities for each Oracle EBS financial, human resource, payroll module. Draft document will be vetted with the core business department for approval.

    - **Initiate a new Business Process Reengineering (BPR) Initiative** – Several financial re-engineering process are underway 1) Change Order process for purchase orders, 2)the Department of Finance has begun a pilot program to recentralize Accounts Payable transactions; 3) selected billing and receipt functions are being centralized with Accounts Receivable Unit.

    - **Establish processes and internal controls around master data**– The following audit controls are being validated and operational procedures developed 1)Oracle EBS HRMS Change Log, tracking of critical HR data; 2) Oracle FND Audit, tracking of data related to responsibility and Oracle Form access; 3)Oracle FND Role and Responsibility , tracking of data related to current role and responsibility ; 4)Oracle Core DB, tracking usage; and 5) Oracle Enterprise Manager (OEM), auditing real time and monitoring Oracle EBS activity.

    - **Expedite the availability of reports to assist the core department, business units, and other County agencies** – the following BI reporting models are in development: 1) HR Assignment; 2) HR Position Management; 3) iRecruitment; 4) Benefits Management; 5) Learning Management; and 6) GL Detail (Budget/Encumbrance)

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