Global Business Services

ENCOMPASS
Agency Chief Financial Officer and Executive-Level Meeting

June 14, 2007

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Agenda

- Opening Remarks
  - Earl Goode, Chief of Staff, Governor Mitchell E. Daniels
  - Chris Ruhl, Director, State Budget Agency
  - Tim Berry, Auditor of State
- Project Updates – Steve Daniels
- Using PeopleSoft – Steve Daniels
- Training – Daniel Kinnamon
- Chart of Accounts – Daniel Kinnamon
- Reconciling to the Auditor of State – Daniel Kinnamon
- Internal Controls – Marilyn Rudolph
- Calendar – Steve Daniels
- Testimonial – Joe Fistrovich

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Opening Remarks

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Project Updates

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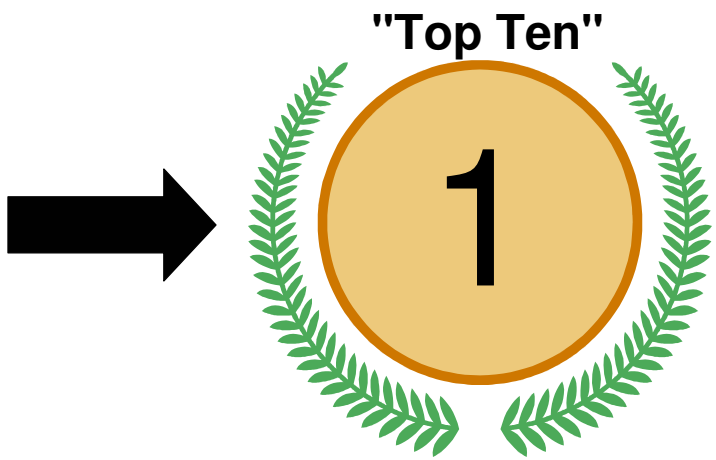
Project Updates

- You were each provided an **Agency "Top Ten" Action Items** list as you came in the room today
- These are the ten most important items that the ENCOMPASS project team would like you to take away from this meeting and begin executing
- Throughout this presentation, we will touch upon each of the items on the list
  - This graphic will be used throughout the presentation representing the action items on your list



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Project Updates (cont.)

"Enterprise Common Processing
and
Analytics Systems"

- The State of Indiana is implementing a new integrated financial system: ENCOMPASS
- The goal of ENCOMPASS is to institutionalize a common set of standard financial management processes and best practices
- To meet this goal, we have identified three key objectives:
  - Establish a new statewide accounting structure (Chart of Accounts)
  - Establish common data collection standards
  - Standardize financial management processes and reporting
- <u>Desired Outcome:</u> "one way" of doing financial management across the State

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Project Updates (cont.)

- Benefits of implementing ENCOMPASS and adopting the "one way" approach of doing financial management include:
  - Improved accuracy and timeliness of financial data and reporting
  - Reduced financial transaction processing times
  - Elimination of duplicative data collection and reporting requirements
  - Enhanced internal controls capabilities
  - Alignment with the Governor's Performance Measurement Program
- To achieve these benefits, we need participation and support from all State agencies

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Project Updates (cont.)

- As an agency Chief Financial Officer (CFO) or executive-level financial manager, it is imperative that you embrace ENCOMPASS by becoming a champion of change

- Communicate to your agency staff that you support ENCOMPASS and "one way" financial management; encourage your agency staff to:
  - Attend ENCOMPASS Town Hall meetings
  - Read ENCOMPASS newsletters and emails; visit the website
  - Participate in ENCOMPASS training
  - Participate in PeopleSoft user groups and working groups
- Together, we can integrate financial operations and achieve better financial accountability across the State

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Project Updates (cont.)

FY 2007 Year End Close (June 15)

- Completed Purchase Orders: Between June 15 and July 31, initiate closing actions for requisitions and purchase orders
- Open Purchase Orders: For requisitions and purchase orders crossing into FY 2008 that are not encumbered at AoS:
  - Cancel the requisition/purchase order, or
  - Change the budget reference in PeopleSoft to FY 2008

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Project Updates (cont.)

Common File Layout

- ENCOMPASS will use new common file formats to transmit and process payment data at AoS:
  - The new file formats will utilize the new COA structure
  - There will be one transmission standard for all agencies
  - Each agency will be responsible for making changes to their payment systems to be compliant with the new file formats
- Once the new file formats are made available, work with your agency's information technology staff to make needed changes to your payment systems

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Project Updates (cont.)

Special Disbursing Officer (SDO) Accounts

- Although agencies rely upon SDO accounts for purchasing and paying for expenditures, SDOs present deficiencies in the areas of financial management best practices
- The State is exploring alternatives to SDO accounts
- In the meantime, please review your SDO accounts and work diligently to close unnecessary and or unused SDO accounts

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Project Updates (cont.)

Implementation Concerns

- Based on lessons-learned from prior implementations and feedback received during this implementation, we are making it a priority to focus on providing:
  - Hands-on ENCOMPASS training, specifically:
    - Training on the new COA structure
    - Training on new business processes under ENCOMPASS
  - Enhanced financial reporting capabilities, specifically:
    - Access to timely and accurate financial data
    - Ability to produce standard financial reports that can be used across the State

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Project Updates (cont.)

Work Groups

- We have established the following ENCOMPASS work groups to identify and document requirements:
  - Chart of Accounts
  - Internal Controls
  - Reports
  - Projects
  - Cross Project Coordination
- These work groups are comprised of members from many State agencies and the ENCOMPASS team thanks you for your continued support and participation

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Using PeopleSoft

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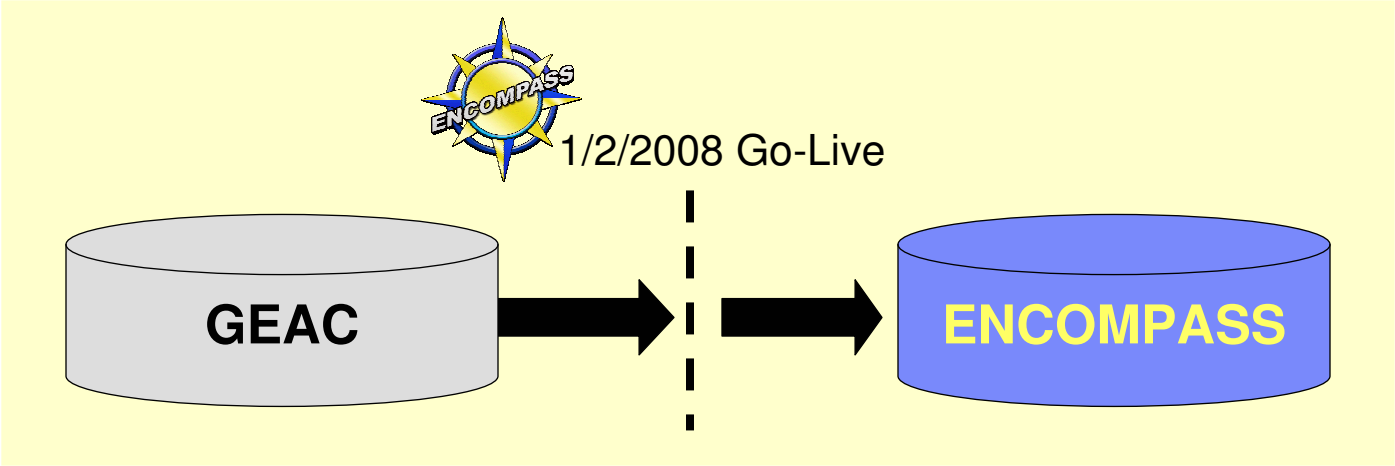
Using PeopleSoft

- AoS operates the state accounting system (GEAC), which is the official financial record for the State
- On January 2, 2008, AoS will retire GEAC financials and begin using ENCOMPASS (PeopleSoft 8.9) to maintain the official record for the State's budget, general ledger, cash receipts, and disbursements



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Using PeopleSoft (cont.)

- Starting July 1, 2007, record all financial transactions in the following PeopleSoft modules:
  - General Ledger
  - ePro/Purchasing
  - Asset Management
  - Accounts Payable

"Top Ten"
6

- Take steps to ensure that your agency's financial staff are appropriately trained and understand how to process and reconcile financial transactions in PeopleSoft

"Top Ten"
7

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Using PeopleSoft (cont.)

General Ledger
Accounts Payable

- **<u>Up through go-live:</u>** In addition to AoS journal vouchers, agencies need to enter General Ledger journals for all financial transactions maintained by AoS that are not recorded in PeopleSoft

- **<u>After go-live:</u>** Discontinue AoS journal vouchers and journal entries; processes will change under ENCOMPASS

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Using PeopleSoft (cont.)

ePro/Purchasing

Up through and after go-live:

- Create a requisition and purchase order in ePro/Purchasing for all purchases over $500 under object codes 3, 4, and 5
- Create receivers in PeopleSoft to record receipt of goods and or services
- Link payment vouchers to the corresponding purchase order so that an additional encumbrance is not established in PeopleSoft

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Using PeopleSoft (cont.)

Asset Management

Up through go-live:

- Continue to report assets with a cost of $20,000 or more to AoS
- Transition your asset control system to PeopleSoft

After go-live:

- Discontinue reporting assets over $20,000 to AoS
- Continue recording all assets in ENCOMPASS (i.e., PeopleSoft)

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Training

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Training

- In November, AoS will provide hands-on instructor-led ENCOMPASS training to all agencies for the following PeopleSoft modules:
  - General Ledger
  - ePro/Purchasing
  - Accounts Payable
  - Accounts Receivable
  - Asset Management
  - Project Costing
- AoS will also provide on-site training support after ENCOMPASS go-live

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Chart of Accounts

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Chart of Accounts

- ENCOMPASS will establish a statewide accounting structure, i.e. Chart of Accounts (COA)
- In preparation for implementing the new COA, agencies will need to conduct the following activities:
  - Map existing chartfield data into the new COA structure
  - Analyze results of the mapping to identify gaps and or omitted chartfield values
  - Establish and validate new chartfield values
- We have developed a COA Handbook that is located on the ENCOMPASS website

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Chart of Accounts (cont.)

- The ENCOMPASS project team has developed a mapping tool to support COA mapping activities
- We are currently piloting the COA mapping tool with four agencies
- We plan to rollout the COA mapping tool to all agencies in late June
  - We will provide training, user guides, and ongoing support for this effort
  - Target completion date for this effort is July 20, 2007

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Reconciling to the Auditor of State (AoS)

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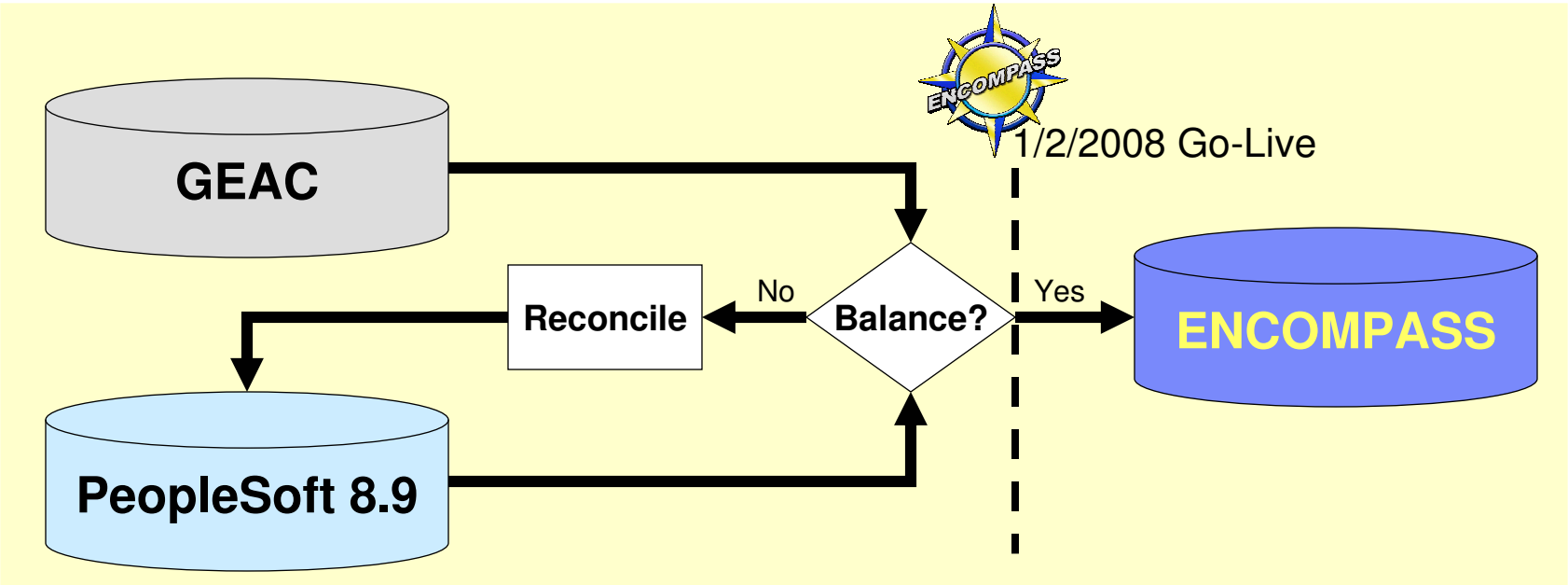
Reconciling to AoS

- Since the conversion from GEAC to ENCOMPASS occurs six months into FY 2008, financial records will be maintained in both GEAC and PeopleSoft 8.9 until ENCOMPASS go-live
- At go-live, financial transactions in PeopleSoft 8.9 must balance with GEAC transactions so that ENCOMPASS will match the official record for the State
- If transactions do not balance at go-live, AoS will adjust agency balances in PeopleSoft to align



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Reconciling to AoS (cont.)

"Top Ten"
9

- Starting in FY 2008, reconcile open financial transactions in PeopleSoft to the financial transactions maintained by AoS
  - Reconcile all PeopleSoft objects (not just expenditures and revenue) to AoS
  - Reconcile PeopleSoft purchase orders and assets
  - Close completed purchase orders
- At a minimum, PeopleSoft should be reconciled to AoS <u>monthly</u>

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Internal Controls

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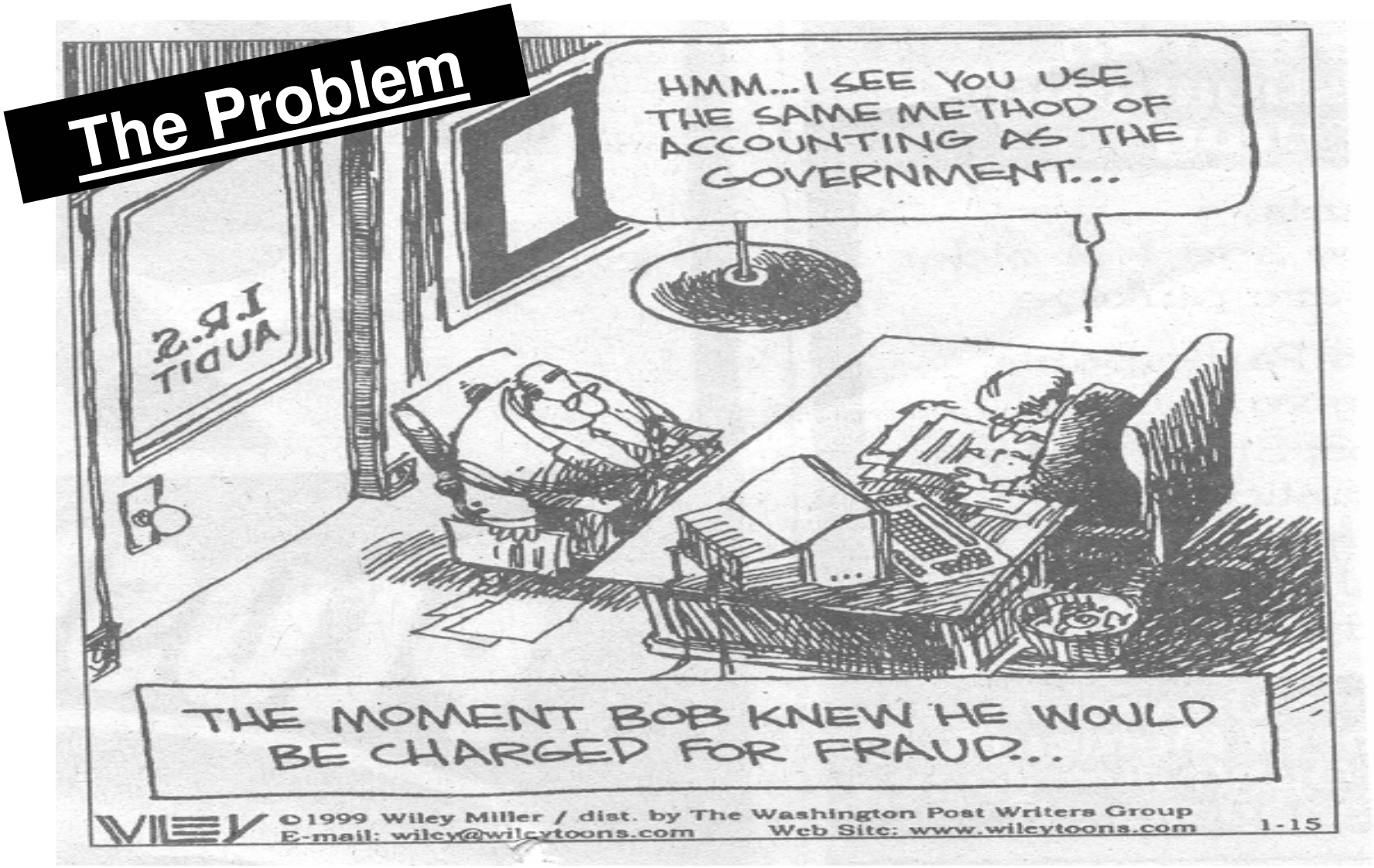
Internal Controls



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Internal Controls (cont.)

- The State is supporting an internal controls initiative to establish processes and systems that will provide assurances that operational, financial reporting, and regulatory compliance objectives are achieved
- The internal controls initiative has five components:
  - Control Environment
  - Risk Assessment
  - Control Activities (includes segregation of duties)
  - Information and Communication
  - Monitoring

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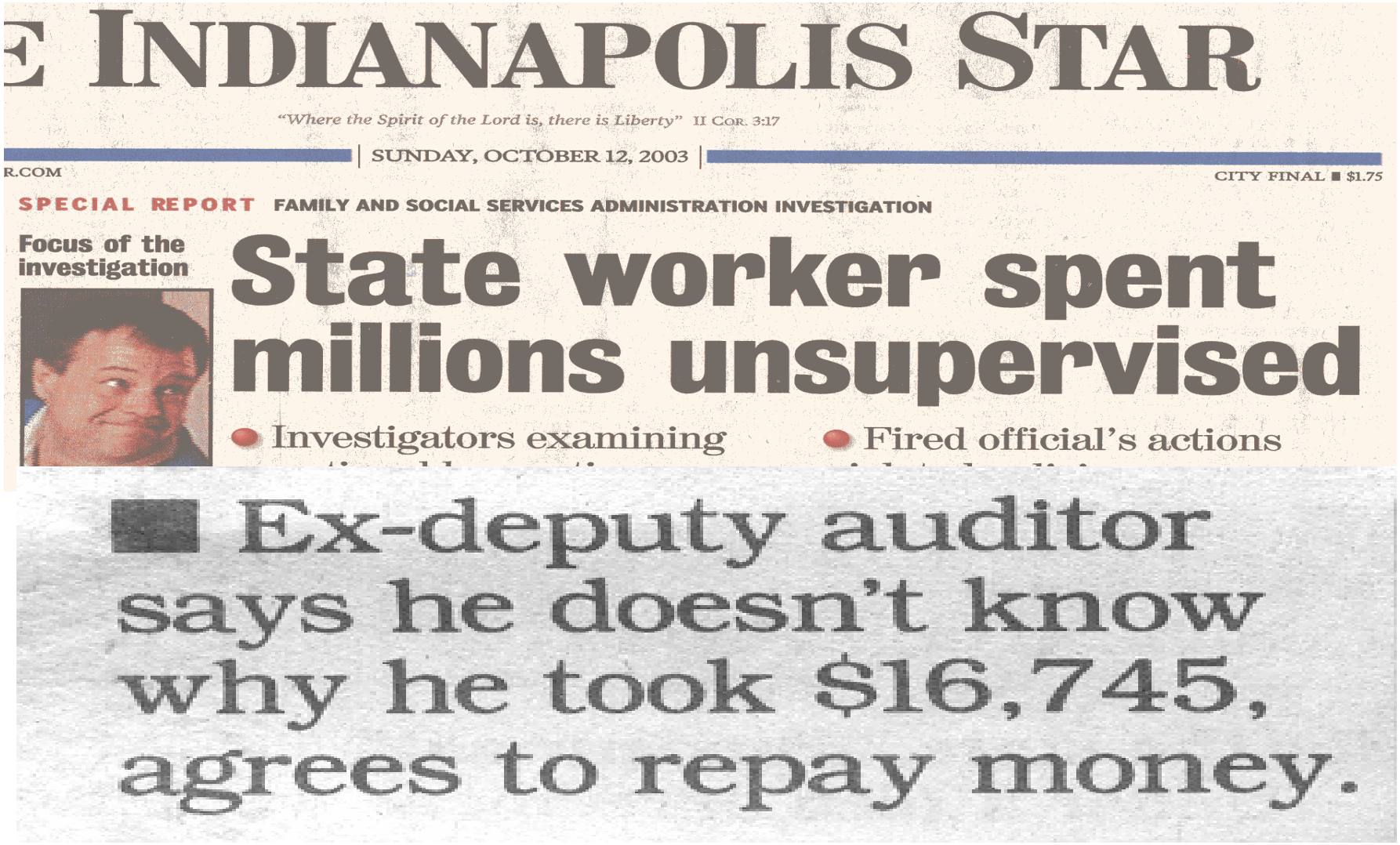
Internal Controls (cont.)



E INDIANAPOLIS STAR

"Where the Spirit of the Lord is, there is Liberty" II Cor. 3:17

SUNDAY, OCTOBER 12, 2003

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SPECIAL REPORT FAMILY AND SOCIAL SERVICES ADMINISTRATION INVESTIGATION

Focus of the investigation

State worker spent millions unsupervised

- Investigators examining
- Fired official's actions

■ Ex-deputy auditor says he doesn't know why he took $16,745, agrees to repay money.

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Internal Controls (cont.)

SEGREGATION OF DUTIES – A VITAL COMPONENT

- Use structures and controls in PeopleSoft to support
- PeopleSoft security can limit the functions that a particular user can have
- Workflow can facilitate necessary approvals
- Potential problems (and audit issues) exist today – so take steps to correct now.
- We don't have to wait for full ENCOMPASS implementation to make improvements!

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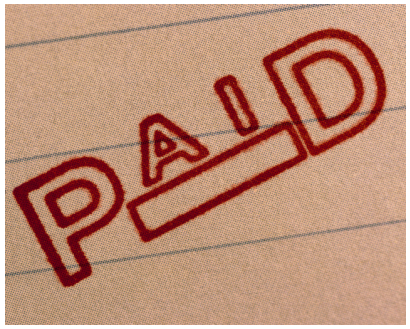
Internal Controls (cont.)

<u>Example:</u> Purchasing Activities

Making the Purchase

Receiving the Goods



Paying the Invoice

- A single staff person should not have all the roles of the purchasing and payment process
- Allowing a single person to have all these roles is the first step towards making headline news

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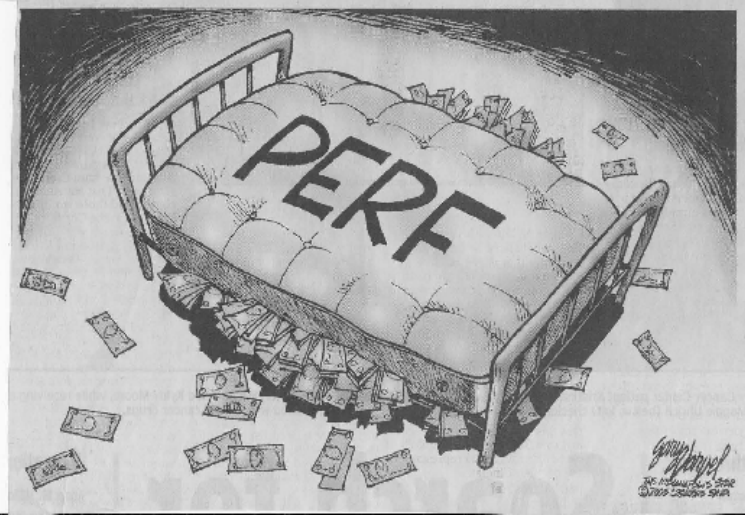
Internal Controls (cont

State's public pension fund must clean up its practices



Audit: BMV does poor job of handling its money

State review discovers dozens of record keeping problems at agency

By Theodore Kim
theodore.kim@indystar.com

Forgotten bank accounts. Discrepancies in accounting ledgers. Disregard for basic contracting rules.

State auditors found these and dozens of other record-keeping problems at the Indiana Bureau of Motor Vehicles, deficiencies that resulted in errors in tax payments to local jurisdictions and mistakes in the tracking of cash transactions at license branches.

The inadequate safeguards leave the agency — responsible for more than $900 million in transactions in fiscal 2006 — vulnerable to fraud and malfeasance, according to the State Board of Accounts audit.

Sen. Timothy S. Lanane, D-Anderson, characterized the audit's findings as "alarming" and called on state and local prosecutors to make sure no crimes had occurred.

"The clerk-treasurers of the smallest towns are required to keep records of every penny that comes into their protection," Lanane said. "Those same principles should apply to the BMV. We need to get to the bottom of that."

See BMV, Page A14

KEY POINTS OF AUDIT

The State Board of Accounts found accounting problems at the Indiana Bureau of Motor Vehicles. Among its findings and recommendations:

- The agency lost track of bank accounts containing at least $3.5 million during the past year's transition to the STARS database.
- STARS has had trouble tracking basic financial transactions. The audit recommended the agency establish a comprehensive accounting system.
- The BMV paid nearly $24 million to a technology company, Unisys Corp., to help fix STARS. But little documentation could describe or justify the work that was done.
- Some BMV clerks have access to accounts, checks and other financial material that could make it easy to hide financial fraud or malfeasance. The audit advised the agency to disperse those duties among employees so that no single employee has too much access.

Go to IndyStar.com/politics to read the complete State Board of Accounts audit.

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Internal Controls (cont.)

"Top Ten"
10

- Assess your agency's current financial processes and look for ways to reduce your agency's exposure to financial waste, fraud, and abuse
- Document how your agency conducts its financial processes, specifically, who initiates, enters, and approves your agency's financial transactions for:
  - Requisitions
  - Purchase orders
  - Payment vouchers
  - Assets
  - General ledger
- Establish separate roles for the financial processes listed above

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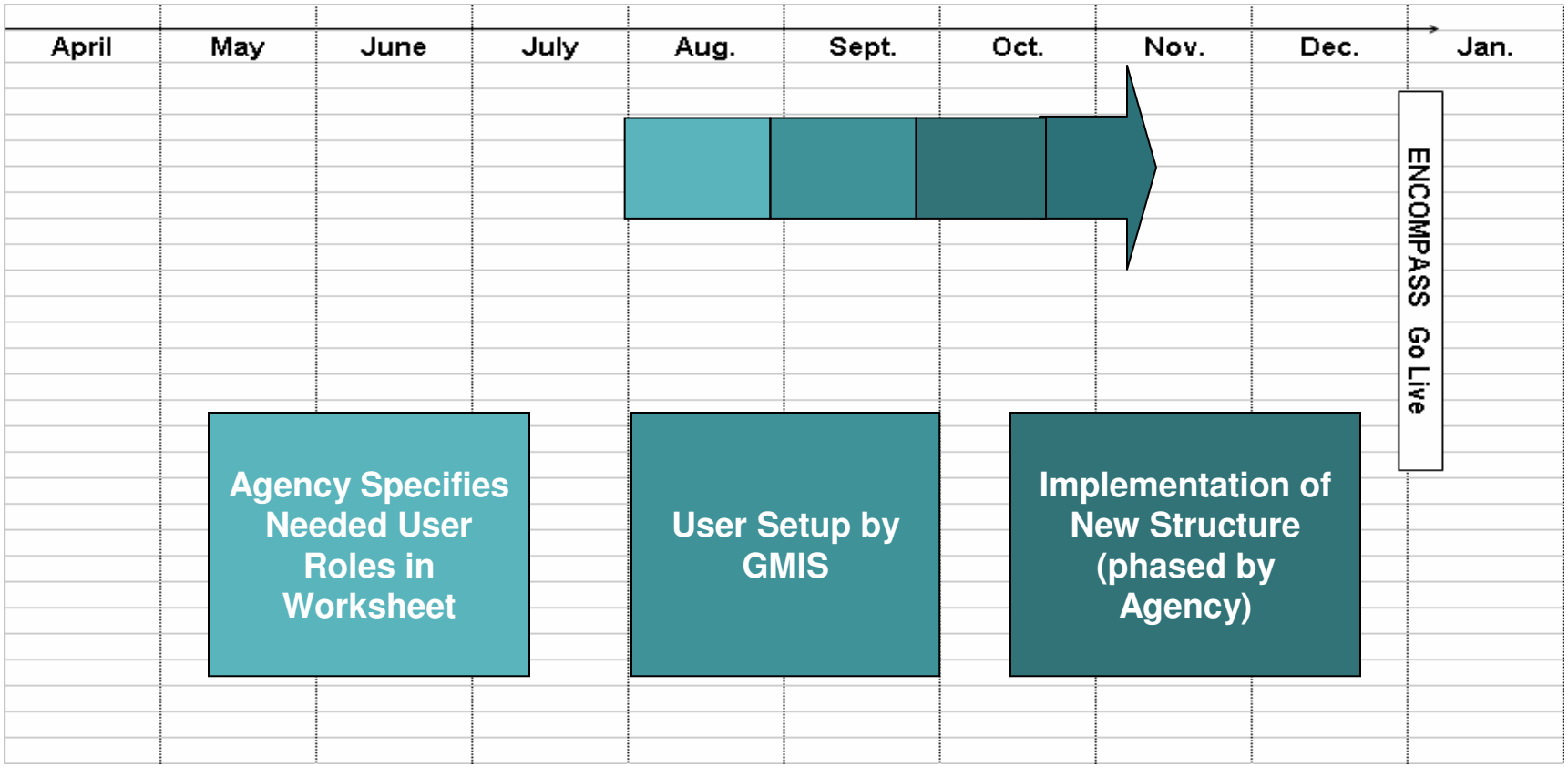
Internal Controls (cont.)

Planned Agency Implementation

- Agency Specification of Users and Roles
- Setup and Implementation (Phased by Agency)



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Internal Controls (cont.)

INTERNAL CONTROL

A Guide for Managers

STATE OF INDIANA

DRAFT

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Calendar

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Calendar

July	August	September
▪ Balancing and Reconciliation Workshops ▪ COA Mapping Rollout ▪ Enterprise Pilot	▪ Town Hall ▪ Prepare Agency Sub-Systems ▪ Reconcile PeopleSoft to AoS ▪ COA Mapping Updates	▪ Prepare Agency Sub-Systems ▪ Reconcile PeopleSoft to AoS ▪ COA Mapping Updates

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Calendar

October	November	December
▪ Town Hall ▪ Train-the-Trainer Training ▪ Pilot End User Training ▪ Prepare Agency Sub-Systems ▪ Reconcile PeopleSoft to AoS ▪ COA Mapping Updates	▪ Pilot End User Training ▪ End User Training ▪ Prepare Agency Sub-Systems ▪ Reconcile PeopleSoft to AoS ▪ COA Mapping Updates	▪ End User Training ▪ Prepare Agency Sub-Systems ▪ Reconcile PeopleSoft to AoS ▪ COA Mapping Updates

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Testimonial

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- ENCOMPASS Website
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- ENCOMPASS Email Address
  - encompass@sba.in.gov
- If you are having technical issues, submit them to GMIS
  - http://extranet.in.gov/gmis/issue_entry/base/issue_entry.asp

We Welcome Your Feedback / Questions / Comments

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Questions and Answers Session

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