Business Process Reengineering – Finance Transformation

November 17, 2016
AGENDA

• Current State
• Future Vision
• Planning Phase
• Design Phase and Ongoing Work
• Finance Releases
• Budget Project
MAJOR ISSUES - FINANCIAL STRUCTURE

• Organizational Structure
  – Organizational structure is not flexible enough to support change
  – Smart numbering creates redundancy in data
  – Current structure does not support reporting requirements
  – Lack of definition around organizational elements

• Master Data
  – Use of fund prior to organizational structure creates transparency issues
  – Lack of governance over cost objects results in inconsistency
    ▪ Project Simplify – Business Office Activity
      o Funds, cost centers and internal orders are all used to track the same
types of activities
    ▪ Transparency Impact of these Inconsistencies
      o Department – minimal
      o College – difficult
      o Provost – challenging
      o Campus – impossible!!
  – Inability to provide effective and efficient analytics
## Major Issues - Cost Objects

<table>
<thead>
<tr>
<th>Fund</th>
<th>Organization Structure</th>
<th>General Ledger Code</th>
<th>Cost Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Group 9</td>
<td>Business Areas 5</td>
<td>Assets 428</td>
<td>ROIs 26,964</td>
</tr>
<tr>
<td>Fund Types 35</td>
<td>Major Units 97</td>
<td>Liabilities 206</td>
<td>SIOs 20,822</td>
</tr>
<tr>
<td>Fund Subtypes 162</td>
<td>Departments 929</td>
<td>Equity 100</td>
<td>Grants 5,354</td>
</tr>
<tr>
<td>Funds 31,365</td>
<td>Cost Centers 8,213</td>
<td>Revenue 780</td>
<td>Sponsored Programs 49,070</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expenses 1,160</td>
<td></td>
</tr>
</tbody>
</table>
Number of funds increased 63% from Go Live through FY 2015, averaging 11% per fiscal year.
FUNDS

Total number of funds – 27,008 (as of 6/13/16)
Our Vision

Build structures that are “informative and simple” by creating a system that is:

<table>
<thead>
<tr>
<th>Data Driven</th>
<th>Intuitive</th>
<th>Flexible</th>
<th>Streamlined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define and utilize correct master data</td>
<td>Easier collaboration and transitions</td>
<td>Ad-hoc reporting across institution</td>
<td>System does the work</td>
</tr>
</tbody>
</table>
Create Accounting & Reporting at Logical Levels

Success Means Creating…

- Structures that are informative and simple
- Institutional Transparency balanced with Departmental requirements (needs)
- Analytics and Reporting are simplified
- Sustainable process change and governance mechanisms
- Funds are “sources of funds” not operational tracking mechanisms

- Regulatory required (minor)
- Purdue created (major)

Future Vision
~ 8-10 Funds
SCOPE OF WORK- PLANNING PHASE

Topics covered to date:

- Fund Types and Funds
- Master Data
- Other Reporting
- Grants
- Reserves
- Other

Purpose of our discovery is to conclude with a reasonable amount of certainty that the design approach will result in an overall successful outcome.

During the Blueprint phase the details will be designed based on the design approach.
Data Gathering
- Meet with owners of each Fund Type
  - Discuss External & Internal Reporting Requirements
    - Assets, Liabilities, Fund Balance (Statement of Net Position)
    - Revenues vs Expense (Statement of Activities)

Solutioning
- Meet as a Core Finance team to discuss potential solutions within SAP

Organizational Design Document (ODD)
- As-Is Process
- Options for To-Be Process
- Impacts & Considerations
- Reporting Requirements

Due diligence isn’t particularly exciting….but necessary!
# REVIEW OF CURRENT FUND TYPES

<table>
<thead>
<tr>
<th>Fund Group</th>
<th>Fund</th>
<th>Current Breakdown</th>
<th>To-Date Number</th>
<th>Data Gathering</th>
<th>Solutioning</th>
<th>ODD Draft</th>
<th>ODD Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>Fiduciary/Agency</td>
<td>586</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>Endowment</td>
<td>89</td>
<td>85</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Plant</td>
<td>Capital Projects</td>
<td>2,163</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt Service</td>
<td>182</td>
<td>145</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Restricted</td>
<td>Agriculture</td>
<td>385</td>
<td>17</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>-Special</td>
<td>Gifts</td>
<td>4,698</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Other Student Aid</td>
<td>401</td>
<td>241</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scholarships</td>
<td>3,846</td>
<td>1</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sponsored Programs</td>
<td>27</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Student Loans</td>
<td>175</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Work Study</td>
<td>53</td>
<td>4</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>Cash in Bank</td>
<td>1</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>General</td>
<td>30</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Service Funds</td>
<td>6,558</td>
<td>170</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
<td>80</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>19,274</td>
<td>673</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Current Assessment not completed yet. To-Date number expected to go down further.
CURRENT vs. SIMPLIFIED STRUCTURE

Current Structure
- Internal Orders (103,302)
- Projects/WBS (334)
- G/L Acc. (2,550)
- Functional Area

Simplified Structure
- Internal Orders
- Projects/WBS
- General ledger Acc.
- Functional Area
- Grant (5,627)
- Funded Program (31,182)
- Sponsored Program (49,412)
- Commitment Item (2,834)
- Sponsor Class (38)
### FUTURE STRUCTURE

**General Ledger Transformation**

<table>
<thead>
<tr>
<th>Structure Elements:</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Purdue</td>
<td>Purdue</td>
</tr>
<tr>
<td>Business Area Group</td>
<td>n/a</td>
<td>West Lafayette</td>
</tr>
<tr>
<td>Segment</td>
<td>n/a</td>
<td>Provost</td>
</tr>
<tr>
<td>Business Area</td>
<td>West Lafayette</td>
<td>College of__________</td>
</tr>
<tr>
<td>Major Unit</td>
<td>College of__________</td>
<td>n/a</td>
</tr>
<tr>
<td>Department</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Cost Centers</td>
<td>2,481</td>
<td>186</td>
</tr>
<tr>
<td>Orders</td>
<td>794</td>
<td>3,335</td>
</tr>
<tr>
<td>Funds</td>
<td>613</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future Financial Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Financial</td>
</tr>
<tr>
<td>Full Financial</td>
</tr>
<tr>
<td>Full Financial</td>
</tr>
<tr>
<td>Full Financial</td>
</tr>
<tr>
<td>Full Financial</td>
</tr>
<tr>
<td>Profit &amp; Loss</td>
</tr>
</tbody>
</table>
Phase is November 28, 2016 through April 30, 2017:

- 107 scheduled workshops; each includes the need for prep time, sessions, confirmation and playback
- Sessions are grouped into nine work streams:
  - Asset Management
  - Accounts Payable
  - Accounts Receivable
  - Controlling Module
  - Funds Management
  - Grants Management
  - Treasury
  - General Ledger
  - Project Systems
- Prototypes include Faculty Allocation and Ag Funds
WORKSHOPS/DESIGN PHASE

Prototypes already identified:
- AG Funds
- Faculty Allocation

Need support and input from regional campuses:
- Assist in identifying the best resources
- Review documentation and provide feedback
- Identify any processes that need to be addressed
- Invites will be sent starting next week
GL ACCOUNTS PROJECT SCOPE

WHAT?
- **Analyze** current use of GL accounts
- **Identify** necessary GL accounts needed to support business requirements
- **Establish** accounting rules, governance and audit procedures to ensure consistency and transparency
- **Adjust** GL to support business requirements
- **Alignment** of hierarchy structures
  - Support Month End Close and Budget vs Actual Analysis
- **Develop Definition of Use** for each GL account
- **Modify external systems** (Ariba, Concur) with necessary changes

WHO?
- GL Project Lead
- Support from Comptroller’s and Business Offices

WHAT THEN?
- **Training**
  - Develop General Ledger Dictionary
  - Conduct Accounting Transaction Basic Training

  **Governance**
  - Month End Close
  - Audits
  - Process for new GL accounts
  - Accountability and Ownership

WHEN?
- 3/15/17
  - Revenue and Expenses
- 6/30/17
  - Balance Sheet
MONTH END CLOSING PROCESS – AS IS

- Managed by Accounting Services
- Designed to close out each monthly period
- Comprised of 20 specific processes/steps
  - Bi-weekly payroll accrual
  - Accounts receivable small balance write off
  - Settlement of facilities work orders and projects
  - Run facilities and administrative charges
  - Verify posting of interfaces
  - Manage asset-related transactions and run depreciation
  - Close sales and vendor transactions
  - Support student life’s closing needs
MONTH END CLOSING PROCESS – AS IS

Departmental Business Offices

• Initiate transactions

• Business office checklist
  – Provide standard tasks for completion

• Perform account management activities and projections
  – Monitor open purchase orders
  – Monitor departmental receivables
  – Initiate correcting documents
  – Close unneeded chart elements
MONTH END CLOSING PROCESS – FUTURE PATH

Develop an expanded month end closing process with support documents:

- Payables, prepaid, and receivables
- Investments mark to market
- Fixed assets and Depreciation
- Capital leases
- Facilities and administrative charges
- Intracompany eliminations

Fulfill the following reporting requirements:

- Monthly- 11/30/2016
  - Financial statements
  - Budget vs. Actual
- Quarterly- 12/31/2016
  - Budget vs. Actual
  - Full financial statements
  - Statement of cash flows
FI RELEASE ROADMAP

**Release 1- 7/1/2017 - Capital Release**
- Business Area
- Capital
- Order Types
- Cost Centers
- Plant Fund
- Selected fund types conversion
- Company Codes (PI)

**Release 2- 10/1/2017 - Maintenance Release**
- Selected Fund Types
- Grants
- Operational Budget
- New programs for Plant Maintenance

**Release 3- 1/1/2018 - HCM Release**
- University-wide new organizational structure
- Fund Types

**Release 4- 7/1/2018 Go Live**
- Transactional Data Migration
- S/4 HANA
- New Reporting directly from Database
BUDGET PROJECT

- Planning Phase - Begins 11/28/2016
- Evaluating Interim Solutions
- Long Term Solution
  - Identified during Budget Design Phase
  - Implemented by 7/1/2018
• QUESTIONS?