New York's Procure-to-Pay Cycle

How New York Turned Forward the Clock and Modernized its Business Process

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Brendan McClune

Brendan represents the New York State Comptroller as a designated Project Officer for the New York Statewide Financial System (SFS). SFS is New York's independently operating state financial system and is jointly governed by the Office of the State Comptroller (OSC) and the Governor's Division of the Budget. Project Officers provide operational guidance to SFS, assist with project and initiative scope decisions, and serve as the point of coordination between the Governance Board and SFS operations.

Brendan also serves as a project manager for SFS-related projects in OSC's Office of Operations. The Office of Operations is responsible for executing the Comptroller's constitutional role with regard to payroll, accounts payable transaction audit and approval, accounting, financial reporting, and unclaimed funds operations.

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Ed Bouryng

Ed founded Metaformers in 2000 after he recognized a need in the marketplace for a new kind of consulting firm focused on client success through combined leadership, foundational governance, unparalleled knowledge of industry best practices, and innovation. He has led the evolution of the company to today, building a hybrid management consulting and cloud delivery solutions company focused on helping organizations to achieve their intended ROI. The Metaformers team, under Ed's leadership, views technology as a strategic transformation and modernization enabler, though it is the client's people and their ability to gain tangible long-term results that is the primary ROI driver. Ed works with client Executives to help build and drive a vision that delivers sustainable positive change within their organization.

Prior to Metaformers, Ed has led implementations and architected financials products serving the federal government. He holds a BS degree in Accounting from Pennsylvania State University and is a Certified Public Accountant and a Certified Government Financial Manager.

Agenda

- Preparation to implement enterprise financial system

- Transition to process modernization

- Challenges to process modernization

- Procure-to-pay modernization approach

- Specific improvements implemented

- PTP modernization takeaways

- Change management modernization takeaways

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Themes

- Centralization
- Change management from long-standing business practices
- Standardizing data and processes
- Leveraging your enterprise financial system

Inflection Point

New York State implemented an Oracle PeopleSoft enterprise financial system on April 1, 2012

NYS created a new entity called the Statewide Financial System (SFS) that manages our enterprise financial system

SFS manages the operation of the enterprise system, develops best practices, and works closely with agencies to implement best practices

Prior to SFS

- The Office of the State Comptroller managed and used a mainframe application to process payments and produce financial statements

- The mainframe served as the accounting book of record for New York State

- Many state agencies had their own financial management systems

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Prior to SFS

- Payment requests were submitted via paper vouchers with supporting information stored in numerous agency managed systems across the state

- Invoices, purchase orders, and vouchers were all paper and distributed via the mail

- The State did not have a valid, reliable vendor file of unique entities

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Preparing to Implement SFS

NYS created a joint governance model to oversee SFS with the Office of the State Comptroller and the Division of the Budget comprising the Joint Governance Board

The JGB sets the strategic direction for SFS and approves projects to implement

SFS under the joint governance model created a central organization that identifies and develops best practices, and creates a single communication and implementation approach

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Preparing to Implement SFS

Plan to retire the OSC-managed mainframe system and numerous agency-managed financial management systems and transition to an enterprise system
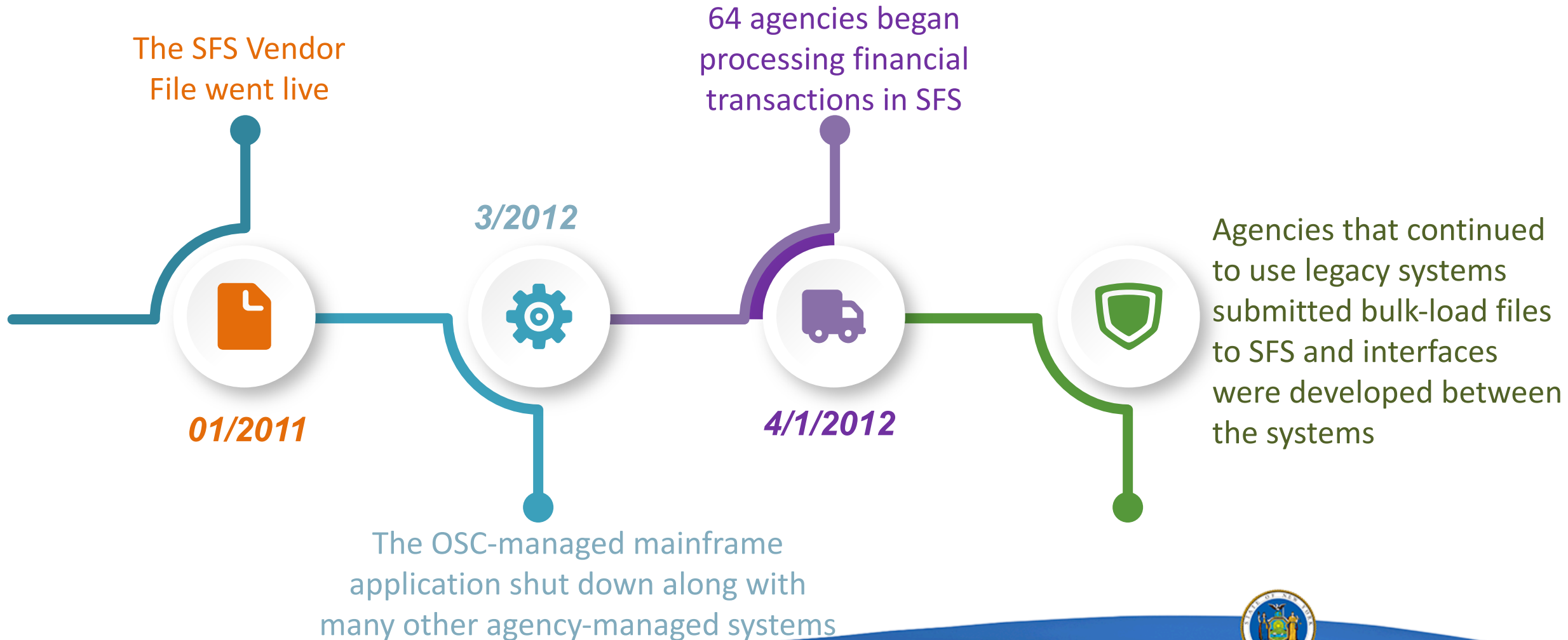
Begin to develop business processes that are consistent across enterprise system users

Develop a statewide vendor file with a control and verification process that validates entities and ensures a vendor

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Implement SFS

The SFS Vendor File went live

64 agencies began processing financial transactions in SFS

3/2012

Agencies that continued to use legacy systems submitted bulk-load files to SFS and interfaces were developed between the systems

01/2011

4/1/2012

The OSC-managed mainframe application shut down along with many other agency-managed systems

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Transition to Process Modernization

- Stabilized on the new enterprise system platform
- Fundamental realignment to industry best-practices
- Needed procure-to-pay realignments:
  - Use of the Procurement Contract and Purchase Order
  - Enabling full visibility of pre-encumbrances and encumbrances against the agency's annual budget
  - Aligned fundamental shift with major upgrade to PeopleSoft v9.2
  - Outcome: Establish a platform for further ROI-based modernization efforts

Challenges to Process Modernization

- Disparate business practices and data quality standards across the state
- Ingrained business processes that could not all be changed simply with the implementation of an enterprise system
- The need for training and education
- Paper-oriented processes
- Discomfort of people moving away from known systems and paper
- Preference to maintain existing processes and append required system tasks to their existing processes

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PTP Modernization Approach

- Partnering with a pilot agency

- Identifying challenges and successes

- Developing best practices documents

- Revising and communicating policy and operations guidance

- Communication and training with agencies preparing to on-board to best practices

- On-boarding agencies to best practices in manageable phases

Purchasing Improvements

Improvements

> Worked with agencies to ensure requisitioners had proper defaults on their user profiles

> Identified appropriate staff at the agency to create purchase requisitions

Benefits

> More efficient creation of requisitions

> Fewer errors to correct

> Better data quality

> Duties are properly assigned at the agency

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Purchasing Improvements

Improvements

➢ Created items and catalogs in SFS for requisition and purchase order creators to purchase from

Benefits

➢ Improved procurement intelligence

➢ Easier and more efficient buying experience

➢ Positions NYS for better reporting and potentially lower prices in the future

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Receiving Improvements

Improvements

- Policy requiring receiving on all purchases with limited exceptions (e.g., utilities)
- Purchase orders default to requiring receiving in SFS

Benefits

- Improved procurement intelligence and transparency
- Facilitates three-way match, automating the voucher review process
- Reduced agency review requirements for invoices

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Receiving Improvements

Improvements

- Positioned the State to use SFS to integrate Inventory with Purchasing to meet the need to keep track of, manage, and report COVID-19 inventories

Benefits

- Transparency to agencies regarding inventory balances and location of items
- More efficient process for recording inventory in our financial system
- Improved tracking and control over inventory and pending shipments

ATTENDANCE CHECK

Invoicing Improvements

Improvements

- ❖ Eliminated a separate workflow system used to route invoices and supporting documentation for approval and moved all invoice processing into SFS

- ❖ Created a Routing ID field to support facility-level invoice management and routing

Benefits

- ❖ Visibility for agencies and control agencies into invoice processing

- ❖ Eliminated duplicate entry and approval of invoices

- ❖ Created a single book of record for invoicing and vouchering

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Invoicing Improvements

Improvements

- ❖ Invoice processing occurs in eSettlements module rather than Accounts Payable
- ❖ Agencies are encouraged to return improper invoices to the vendor

Benefits

- ❖ Leverage integration in our enterprise system
- ❖ Payable vouchers are not created until an invoice has been approved
- ❖ Required payment dates reflect date NYS received a proper invoice, increasing investment interest earnings

Invoicing Improvements

Improvements

❖ Encouraged vendors to submit electronic invoices and attachments

Benefits

❖ Environmentally friendly

❖ Quicker processing times

❖ Immediate transparency for agencies and vendors as invoices are immediately visible in the Supplier portal upon creation

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Invoicing Improvements

Improvements

- ❖ Changed agency behavior to use appropriate payment terms at the contract, purchase order, and voucher levels

Benefits

- ❖ Proper payment terms on contracts and purchase orders default onto payable vouchers, improving efficiency
- ❖ Increase the frequency with which NYS takes advantage of discounts offered
- ❖ Increase in investment earnings by delaying payment until contractually or legally required payment dates

Monitoring Improvements

Improvements

✓ Developed real-time dashboards and metrics that are available to users directly in SFS

Benefits

➤ Agencies can track in real-time their improvements and continued challenges

➤ Easy to identify the step(s) in the payment lifecycle causing delays

➤ Agencies can quickly identify lingering or abandoned transactions

PTP Modernization Takeaways

- Modernization is an iterative process that requires a vision with clear objectives, supported by strong governance, and effective stakeholder collaboration

- Your enterprise software investment is an investment in best practices – leverage them

- Procurement intelligence takes time to establish - better to work towards it now to meet the urgent need in the future

- The underlying work will be performed to meet regulations and policy with or without the enterprise system – assign responsibilities in your financial systems accordingly

- Quality vendor data and productive relationships with vendor decision-makers facilitate successful modernization

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Change Management Modernization Takeaways

- The enterprise system must enable the agency process

- Fundamental change requires vision, leadership, and authority

- Long-standing processes are entrenched and must be a focal point

- Agency executive involvement and support is necessary

- System change (alone) is not the key to ROI – it is the change to the business process and value to those users that drives ROI

- Investments into the system that enable change are high-value

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