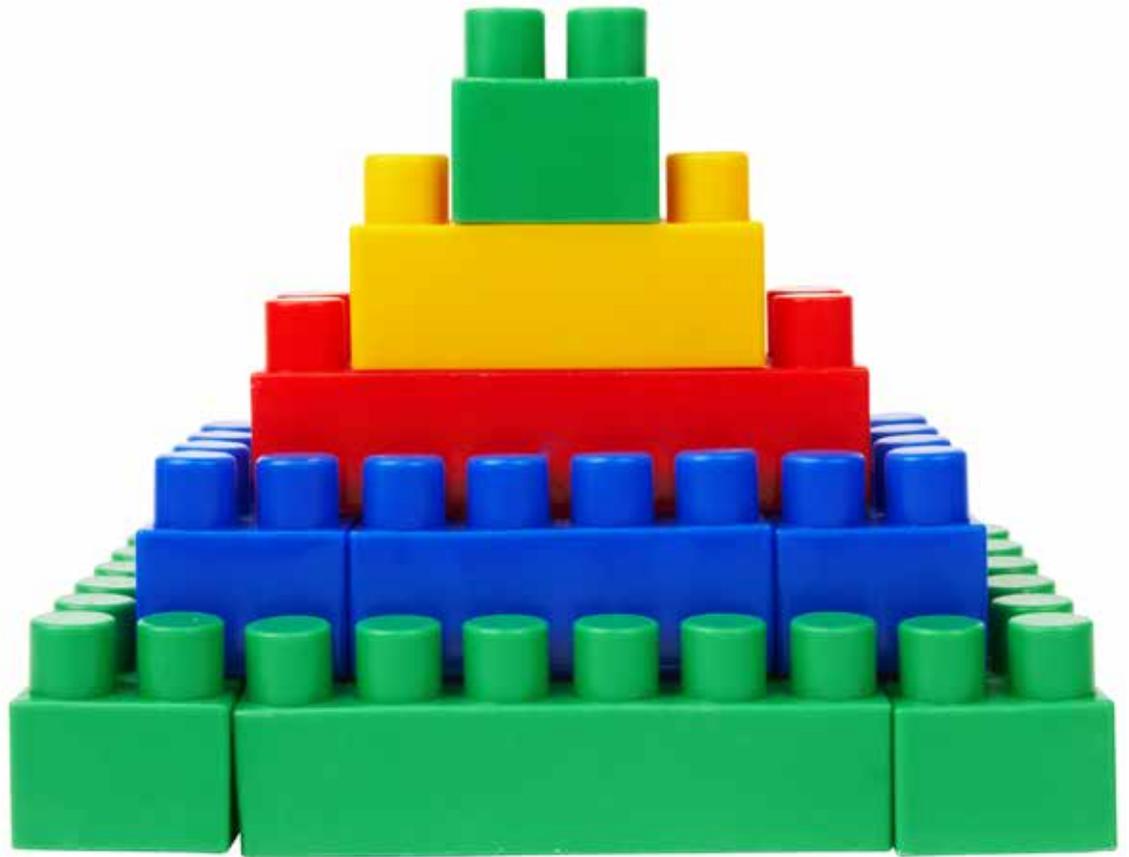


Putting the Pieces Together for Success
State of New York –
A Case Study for Finance Transformation



\$262 billion reconciled to within **\$5K**

6,000 **electronic**
bank-to-bank transfers

165,000 vendors
on a common statewide vendor file

Voucher review
and processing
time reduced
by

33%

20,000
vendors

have used the
Internet
to update their records

CAFR **within 116 days**
completed of fiscal year end

9,000 employees have submitted travel expenses

60% increase
in ACH payments

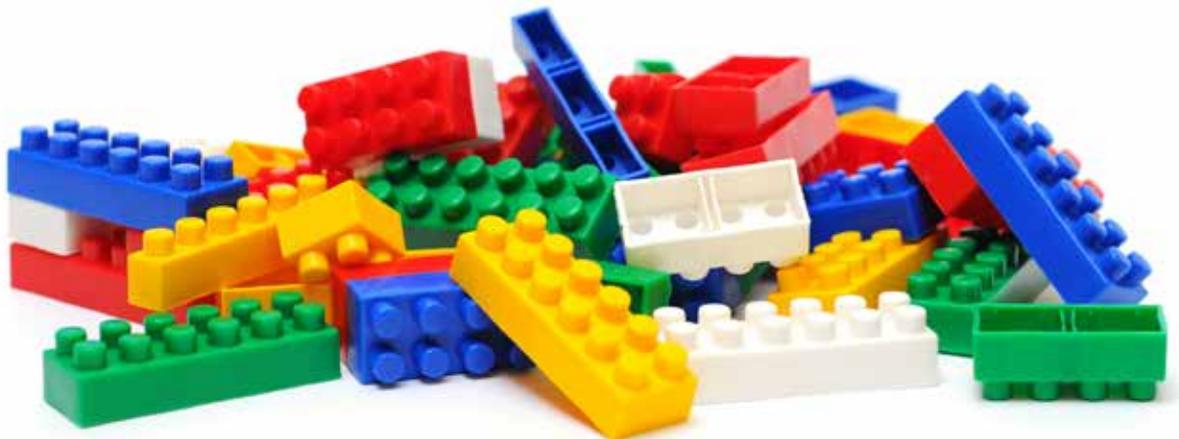
of federal grants managed through SFS

1,500 inter-agency billing transactions

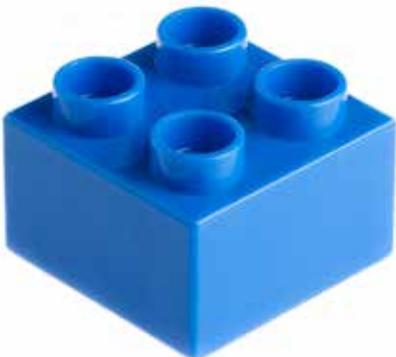
100%

Table of Contents

Statewide Financial System (SFS) Providing Benefits to the State of New York	1
Deloitte's Involvement in the State of New York's Financial Systems	4
FOCAS + NYFMS = SFS	5
Financial Management and Reporting	7
Business Processes using Deloitte IndustryPrint™	9
Budgeting	11
Enterprise Grants Management	12
Revenue and Cash Management/Treasury Services	13
Procurement Transformation	15
Implementation Preparation	17



The Statewide Financial System (SFS) is New York state government's new accounting and financial management system. The SFS is a state-of-the-art system for collecting and moving financial information between and among state agencies, state control agencies (the Division of the Budget and the Office of the State Comptroller), the state legislature, vendors and the general public. The SFS, through which all the state's financial transactions flow, is the backbone of the commerce of state government.



Statewide Financial System (SFS) – Providing Benefits to the State of New York

The SFS was implemented in April 2012, replacing the Comptroller’s decades old Central Accounting System and, to date, more than 60 standalone agency financial management systems with a single shared system. The new system is the result of a collaboration of the Executive Branch, led by the Division of Budget and the Office of the State Comptroller. Both of these entities had been in the process of implementing their own independent financial systems when the decision was made in October 2009 to combine efforts for a single implementation of an enterprise-wide financial system. This decision immediately resulted in significant savings for the joint project as work already completed by the Comptroller’s Office and Deloitte could be leveraged as the basis for SFS.

The implementation of the new financial system has enabled state agencies to work smarter and better, has brought improved communication across state government, and has given vendors and the public quicker and easier access to government financial information and services. The objectives achieved to date include transparency, accountability, reduced duplication, management of federal grants, budget control, financial reporting, efficiency, vendor access, and continuous improvements, as detailed below:



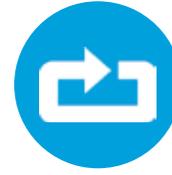
1. Improved financial transparency

- New capabilities and a multi-level chart-of-accounts allow easier reporting across agencies, providing executives with a statewide view of budget and spending information at a level of detail that is needed for managing the State’s resources
- New streamlined and consistent processes from agency to agency provide a consistent statewide view of government
- Enhanced capabilities enable state auditors to focus on high value cash transactions and other payments of particular interest earlier in the approval process
- Greater ability to track, analyze, and reconcile procurement card and travel card transactions in SFS, providing better visibility into, and control over travel spending and agency purchases
- It is now easier to drill down to source transactions to respond to audit findings and inquiries



2. Greater state accountability

- The State has fundamentally improved how it conducts its business. Standardized administrative functions and business processes are the rule now across agencies, and with that, more consistent recording and reporting of financial activities
- Better unified control over state finances through a single system for entering transaction data, performing required processing steps, tracking the status of transactions, and automating the flow of information between agencies
- Newly designed and streamlined process using new tools for book-to-bank reconciliation provides better controls over the State’s monies, as evidenced by a reconciliation that showed a discrepancy of only \$5K for fiscal year 2013. This provided an opportunity to address the root causes of discrepancies that existed prior to SFS
- SFS tracks electronic bank-to-bank transfers (more than 6,000 in FY13); these were tracked manually before SFS
- Enables more timely and accurate monitoring of cash balances, cash flow forecasting, and timing of disbursements



3. Elimination of duplicative and disparate agency financial systems

- Dozens of systems, including the legacy mainframe central accounting system, have been decommissioned as SFS provides the same or better functionality
- A single implementation effort eliminated the need for each agency to individually expend the effort and incur the cost of replacing its legacy financial management system



4. Improved management of federal grants

- All federal grants are now in one place with similar management processes across all of the federal grants
- Enhanced federal grant budgeting, tracking, and reporting provides the State with better information and controls over federally funded state programs, which constitute approximately 35% of the State's overall expenditures
- Enhanced ability to capture matching state/private grants and provide consolidated reporting for all grants related monies
- The State now has the ability to immediately close a project to stop spending or to assign a liquidation date after which spending is not allowed



5. Improved state budget control

- New management controls allow control agencies and program agencies to better manage their spending at a more detailed level than previously possible
- Agency funding and resources can now be redeployed from formerly system-focused support to program-focused activities



6. Enhanced program information and financial reporting for state managers, bond-rating agencies, and other public users of state data

- New reporting framework provides flexibility to generate reports in multiple formats, including spreadsheet formats, enabling better analysis of the data for management decisions and statutory reporting
- Enables improved performance reporting and monitoring and more informed resource allocation decisions
- Automates certain entries for the State's Comprehensive Annual Financial Report (CAFR), enabling the State's resources to focus on analysis rather than re-entering data
- Provides enhanced tracking of payroll accruals and outstanding debt, reducing the manual effort needed to complete CAFR reporting, as evidenced by completion of the FY13 CAFR within only 116 days of the fiscal year-end



7. Improved efficiency and productivity for state agencies and control agencies

- The SFS is accessible to authorized users via the Internet, providing greater flexibility for the State's workforce to access the system from any authorized location and at any time; this has led to increased productivity and enhanced disaster recovery capability
- Electronic workflow results in reduced cycle time for approvals and improved efficiencies in multiple areas, such as purchase order to receipt to invoice matching and travel and expense claim processing
- The time to process a voucher has decreased by 33%
- Less paper for agencies to submit as they now have the ability to electronically attach supporting documentation to SFS transactions
- Fewer paper checks now that employee travel expense payments are made through Automated Clearing House (ACH) remittance. There has been a nearly 60% increase in the number of ACH payments and over 9,000 employees have already submitted travel expenses via SFS
- Employees now have the ability to automatically import, reconcile, and submit their purchase card transactions for payment
- 15 public benefit corporations are using SFS to initiate debt service payments, which improves efficiency and transparency
- SFS automatically processed more than 1,500 inter-agency billing transactions without moving funds outside of the State's bank accounts. Prior to SFS, checks would be produced and then deposited by the collecting agency



8. New online system for vendors

- Vendors now have real-time online visibility into the status of their payments and the ability to maintain accurate vendor information themselves. To date, more than 20,000 vendors have used the Internet to update their vendor information in SFS
- Improved tracking of vendor performance and automated enforcement of matching among purchase orders, vendor invoices, and goods received has resulted in reduced rates of incorrect and duplicate payments
- A single statewide vendor database of more than 165,000 vendors provides better management of the vendor relationship and a single data management point for vendors
- The new common vendor file can be leveraged in the future to reduce costs to agencies through volume buying discounts, improved management of vendor agreements, common assessment of a vendor's legal capacity to do business with New York State, reduction in fraudulent claims, and an improved contract negotiating position
- One vendor record used by all state agencies eliminates the need for agencies to maintain duplicate records and for vendors to register multiple times
- The use of the common vendor file, which allows for combining of payments across agencies, has reduced the number of payments each year by more than 150,000



9. Continuous improvement of state government operations

- Additional eGovernment functions can be more efficiently added to the strong SFS Enterprise Resource Planning backbone that handles the back-office processes
- Provides the foundation for a shared services function that can provide multiple agencies with services that were previously decentralized, resulting in:
 - Better service
 - Improved operating efficiency
 - Reduced operating costs
- Provides the foundation for a grants reform initiative to streamline grant contract processes, accelerate performance of local grant programs, and improve compliance with audit requirements
- Provides the foundation for the State to assume monthly Supplemental Security Income/State Supplementary Payment payment processing for over 700,000 state citizens from the federal government starting October 2014, which could provide cost savings

Deloitte's Involvement in the State of New York's Financial Systems

Deloitte has been involved in statewide financial system projects for the State of New York for many years:

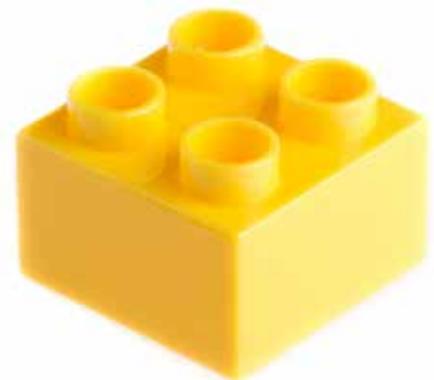
- As the finance transformation organization that assisted the Division of Budget (DOB) and the Office of the Chief Information Office (CIO) to define the requirements and develop the high level business processes for the New York Financial Management System (NYFMS) starting in 2006
- As the system integrator for the New York State Office of the State Comptroller (OSC)'s Future of the Central Accounting System (FOCAS) project starting in 2007
- As one of two system integrators – the other being IBM - for the New York SFS once the NYFMS and FOCAS projects were combined in 2009

Deloitte's work on NYFMS was leveraged by the State in creating the request for proposal for software selection. The procurement resulted in the selection of PeopleSoft Financials as the Enterprise Resource Planning (ERP) software for NYFMS. Since it was involved in the requirements definition for NYFMS, Deloitte was not allowed to bid on the NYFMS system integrator work. The NYFMS system integrator procurement process resulted in the selection of IBM in 2009.

Deloitte began working on the FOCAS project in November 2007 to help OSC conduct finance transformation and implement the PeopleSoft Financials application. The goal of this project was to replace the central accounting system built in 1980s, the Oracle EBS General Ledger primarily used for CAFR and Generally Accepted Accounting Principles (GAAP) reporting, and several shadow systems used to meet the needs of the New York State OSC, the Division of Treasury within the Department of Taxation and Finance (DTF Treasury), the Division of Budget and the state agencies. OSC is the control agency/auditor for the State responsible for approving various transactions (budget certifications, contracts, vouchers, journals, revenue, and refunds) submitted by agencies for posting to the budget and accounting ledgers. In addition, OSC is responsible for payments management, cash management, investments management, and debt management.

Deloitte and OSC designed and documented business processes using Deloitte's IndustryPrint™ tool. Deloitte completed fit-gap analysis, configured PeopleSoft modules in scope, designed and built many of the RICE (Reports, Interfaces, Conversions, and Enhancements) objects that were identified during the fit-gap analysis with OSC, and DTF Treasury. The project was on-track for an April 2010 implementation when it was combined with NYFMS in 2009 to create the SFS project. The State asked Deloitte and IBM to work collaboratively as prime contractors towards a successful implementation of SFS.

Deloitte continues to provide seven to 10 resources for post-implementation support of SFS. Starting in February of 2014, Deloitte will assist the State of New York in developing a proof-of-concept for the use of Hyperion to help produce financial reporting, including the CAFR.



FOCAS + NYFMS = SFS

While DOB and the CIO report up to the Governor, the State Comptroller is a separately elected official with audit and control responsibilities for the State. Statewide ERP implementations in states with separately elected officials (Governor, Comptroller, Auditor, and/or Treasurer) are considered more challenging than those without. Due to constitutional separation of duties and the reporting and control requirements of each constitutional entity, configuring today's ERP solution as a "one size fits all" presents project challenges.

While a single instance is the most efficient approach from a technical standpoint for a statewide ERP system, initially New York did not have the necessary governance to support a single instance and looked to a Service Oriented Architecture to tie the FOCAS and NYFMS systems together. However, when confronted with the fiscal challenge of a down economy, the State and its key vendors (Deloitte, KPMG, Oracle, and IBM) designed an approach that combined the FOCAS and NYFMS projects into a single instance and launched a SFS program. This combined approach has saved tens of millions of dollars in project costs.

A single instance impact analysis was conducted to identify changes to the existing Deloitte FOCAS designs. Since Deloitte completed the fit gap analysis and configuration of the core system for statewide use, IBM leveraged Deloitte's FOCAS configurations and designs to add additional functionality for the initial online agencies. All agencies have the ability to submit transactions using either legacy layouts (using the legacy cost center model to crosswalk to PeopleSoft Chartfields) or PeopleSoft layouts (using PeopleSoft Chartfields). These transactions can be processed in near real-time or in batch mode overnight. Agencies can also subscribe for extracts to confirm the status of transactions.

Deloitte worked with the State Comptroller, DOB, executive agencies, and the State's other vendors to help develop a common chart-of-accounts and statewide vendor file.

SFS is the official book of record for the financial data of the State. Some agencies use the system directly, while other organizations, such as the State University of New York (SUNY) and the City University of New York (CUNY), send interface files to SFS. SFS includes financial data for all agencies, totaling \$133 billion in annual expenditures and \$129 billion in annual revenue.

Implemented in April 2012, the project represents the first statewide Information technology transformation initiative with a high degree of joint participation between separately elected officials. A formal Governance Board (GB), which consists of senior executives from DOB and OSC, has been commissioned to oversee the execution of the program and continue to look for opportunities to do work faster, better, and cheaper.

When the SFS program was created, Deloitte was responsible for the configuration, design, and build of the RICE components to meet OSC, Treasury, and agency interface needs. IBM was responsible for the additional configuration, design, and build of RICE components required to meet DOB and the online agencies' specific needs.

There are 95 New York State organizational entities that use SFS:

- 63 entities that use SFS as their financial system
- 15 future phase entities that currently provide near real-time interfaces to SFS
- Two higher education institutions that will continue to interface to SFS: SUNY and CUNY
- 15 public benefit corporations using SFS to initiate debt service payments with other functions (such as budget set up) emerging



Scope of PeopleSoft Functionality

As part of the SFS program, the following modules are implemented for the State of New York:

- General Ledger
- Commitment Control (Budgets)
- eSupplier Connection
- eProcurement
- Purchasing (including Vendors, Procurement Contracts, and P-card Functionality)
- Accounts Payable
- Grants
- Projects
- Contracts
- Billing
- Accounts Receivable
- Banking (including Bank Reconciliation)
- Cash Management
- Travel and Expense (including Travel Credit Card Functionality)

The project had a goal of limited modifications to the PeopleSoft product so future upgrades will be easier to achieve. The State learned the difficulty in upgrading the PeopleSoft HCM module used for payroll processing due to heavily customizing the package. Therefore, SFS stayed closer to the baseline PeopleSoft Financials product by utilizing configurations and “bolt-ons”, such as the Contract Audit Module and the “Bulkload” processor to provide near real-time integration with SFS. The use of these bolt-ons provides New York specific functionality integrated with the PeopleSoft system without affecting the baseline product.

Other key designs led and configured by Deloitte include the following:

- Statewide primary ledgers for accounting – Modified Accrual and Cash ledgers
- Additional ledgers for OSC – Accrual and Cash Adjustment ledgers for CAFR, GAAP, and Cash Reporting
- Average Daily Balance ledger for tracking the average daily balance in funds to allocate revenue (interest from investment portfolio)
- Statewide budget ledgers (Appropriations, Segregations, Project Parent Grants), Project Child (Grants and related activities)
- Statewide Revenue ledgers for tracking Appropriated Loan Receivable reimbursements, General Obligation Bond proceeds, General Obligation, and public authority bond reimbursement
- Chart-of-accounts structure
- Bank accounts and payment methods
- Vendor management
- Cash concentration and cash management
- Daily bank reconciliation and Book-to-Bank reconciliation

The following sections illustrate how Deloitte, in collaboration with the State and other vendors on the project, designed business processes, configured master data, and developed various RICE objects to support NY State Operations in specific areas.

The Bulkload processor developed by Deloitte utilized the following Oracle tools to process high volumes of transactions:

Oracle Data Integrator (ODI)	Forms the backbone of the interface to the various legacy systems. It is responsible for detecting data files that are available for processing and has the ability to extract, load, and transform data and prepare it for processing through the interface.
PeopleSoft Integration Broker (IB)	Technology supports web-service and messaging integration. With the ability to create and manage multiple queues, transactions can be processed across parallel threads.
PeopleSoft Component Interface (CI)	Can be viewed as “black boxes” that encapsulate PeopleSoft data and business processes, and hide the details of the structure and implementation of the underlying page and data. Component interfaces execute the business logic built into the component and as a result, they provide the same data validation as is available with the online PeopleSoft system.

Financial Management and Reporting

Chart-of-Accounts

With the implementation of SFS, the State of New York redesigned its chart-of-accounts to support the State's budgeting and reporting needs. The State formed a core team to define the chart-of-accounts, which constituted representatives from the Office of the State Comptroller, DOB and agencies.

Deloitte, along with Oracle and IBM, assisted the State with the design of a new chart-of-accounts that would support the State meeting its budgeting and reporting needs and leveraging PeopleSoft effectively. Deloitte and IBM provided the State with an analysis on the use of business units for the general ledger, which resulted in NY selecting a multiple business unit structure where each agency is mapped to its own business unit.

Key changes to the chart-of-accounts included:

- Use of project and activity to track federal grant and capital project spending and revenue
- Use of programs for capturing and tracking member items
- Use of operating unit to track geographic locations for agencies like Department of Correctional Services
- Use of product to capture revenue at a detail level (individual fees, fines, and licenses)
- Use of delivered Chartfields 1, 2, and 3 for agency specific information such as accumulators and eminent domain

Legacy Cost Center Mapping

To limit changes required to legacy systems that will not be replaced immediately by SFS, the project team developed a crosswalk structure to map the legacy cost centers to the new SFS chart-of-accounts. Legacy cost center mapping is used by agencies that still need the cost center approach to support the integration with their current agency systems. In addition to agencies, payroll uses the cost centers for maintaining the position pools and tracking costs related to regular, part-time, overtime salary, and other office and administrative costs.

Deloitte built the functionality to enable agencies to create cost centers and map them to PeopleSoft Chartfield values. Agencies can view, update, and inactivate the cost centers. Spreadsheet upload functionality is provided to allow for mass changes to the cost center mappings.

General Ledger and Financial Reporting

The New York State OSC is responsible for reporting the financial status of the state on a budgetary, cash, accrual, and modified accrual basis. Prior to SFS, OSC maintained two different systems, one for the budgetary and cash reporting basis and another to meet the financial reporting requirements of accrual and modified accrual basis as required by GAAP. It is also used to meet the Governmental Accounting Standards Board (GASB) standards including Statement 34 (GASB 34).

Today, SFS provides the budgetary, cash, accrual, and modified accrual basis information in one online system available to users throughout the State.

- **Budgetary basis accounting** is the recording and tracking of state appropriations authorized by the Legislature and allocated by the Director of the DOB. These allocations provide essential control over state spending so payments are made within the purposes and the amounts authorized by the Legislature
- Under the **cash basis of accounting**, revenues and expenditures are recognized as cash that is received and disbursed. The balance sheet reflects only a balance of cash and fund balance while activity statements simply are a summary of cash receipts and disbursements. OSC is required to produce monthly "Cash Basis" reports as well as the "Cash Basis" Annual Report to the Legislature. OSC is also required to produce quarterly disbursement and revenue reports by major function/source for selected state agencies
- Under the **accrual basis of accounting**, most transactions are recorded when they occur, regardless of when cash is received or disbursed
- Under the **modified accrual basis of accounting**, revenues and other financial resources are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due

Deloitte designed business processes for budgetary and financial reporting and configured statewide accounting ledgers for Modified Accrual, Accrual, Cash, and Cash Adjustments.

- The **Modified Accrual ledger** is designed to be the statewide primary ledger where all transactions are primarily recorded and posted
- The **Accrual ledger** is primarily used by OSC to record additional entries and adjustments for CAFR and GAAP reporting
- The **Cash ledger** is designed as a supporting ledger to inherit transactions from the Modified Accrual ledger when they impact cash. This ledger is used primarily to support OSC and Agency cash reporting needs
- OSC uses the **Cash Adjustments ledger** to record any adjustments related to cash reporting

Data in the Modified Accrual ledger is used in conjunction with data in the Accrual ledger to support the CAFR and GAAP Reporting requirements. Data in the Cash ledger is used in conjunction with data in the Cash Adjustments ledger to support the State's Monthly, Quarterly, and Annual Cash Reporting requirements.

In addition, agency specific accrual ledgers are configured for agencies to enter transactions for agency specific reporting. Data in the Modified Accrual ledger is used in conjunction with data in the Agency Accrual ledger to support agency specific reporting needs that cannot be met by the statewide Modified Accrual and Cash ledgers.

One fundamental change that the State needed to adapt its processes around is that the State's legacy accounting systems used the Cash ledger as the primary ledger where the agencies and OSC entered transactions. The Modified Accrual ledger was fed from the Cash ledger based on certain mapping logic. In SFS, the Modified Accrual ledger is the primary ledger where OSC and agencies enter transactions and the Cash ledger is the derivative ledger, which inherits transactions from the Modified Accrual ledger.

A custom enhancement was developed to populate the Cash ledger with accounting entries when a transaction impacted cash inflow or outflow (for example, when a voucher is paid or when a deposit is made). The Cash ledger is also populated with journal entries that impact the movement of cash between the accounting strings (between funds and between business units/agencies).

Deloitte designed the business process for journal entry and approval for recording accounting entries to ledgers. Deloitte designed and built the journal workflow to support the journal approval process that spans agencies and multiple bureaus/units within OSC. The workflow ensures that the journals are routed to multiple agencies for approval if the journal entry includes the transfers between agencies. OSC specifies threshold limits for each agency to route to OSC for approval if the total amount exceeds the threshold.

Deloitte assisted OSC in the design and development of nVision reports used for financial reporting. In addition, several reports were designed and built to support the operational and financial reporting needs of various bureaus within OSC and DTF Treasury, DOB, and agencies. Deloitte assisted the State with the design of reports and queries to meet various reporting needs. Each report was analyzed to determine the right tool (SQR, App Engine, OBIEE, nVision) for creating and distributing the report.

SFS Integration with Payroll (PeopleSoft HCM)

The State of New York uses PeopleSoft HCM for employee salary and benefits. The State processes salary payments on a biweekly pay period in three batches: one for Military/Navy, one for institutions, and one for the administration.

Deloitte designed the business process and interface to allow payroll to submit accounting information for payroll gross expenses, reversals, and movement of revenue to escrow funds to make future tax and deductions payments.

PeopleSoft HCM was not updated with the new chart-of-accounts defined in SFS. PeopleSoft HCM still has the legacy account code fields based on the legacy cost center structure. Agencies access the HCM system to set up the cost centers (crosswalked to SFS Chartfield accounting strings, including appropriation) for position pools. The OSC Payroll unit verifies these cost centers associated with position pools are valid on a weekly basis.

Deloitte built an interface to update the payroll system with cost centers that have valid appropriations in SFS. OSC Payroll then notifies agencies if any of the cost centers associated with position pools have invalid appropriations so they can be corrected. The interface also provides lapsing information about the accounting string so OSC Payroll can proactively reach out to agencies to update the cost centers that are lapsing soon.

Employees use SFS for travel expenses that are both taxable and non-taxable. Taxable information needs to be included in the W-2s generated for employees from the payroll system. Deloitte designed and built an outbound interface for providing the payroll system with taxable employee travel expense information on a monthly and annual basis.

Payroll makes garnishment payments needed for taxes, child support, federally guaranteed student loans, and court-ordered fines or restitution. Deloitte designed the business process and the interface to submit vouchers to SFS for approval and payment.

Payroll makes taxes and other high dollar payments on a monthly/quarterly basis. Deloitte designed the business process where OSC Payroll could enter vouchers directly in SFS to make tax and other high dollar payments through ACH/wire payments.

Business Processes using Deloitte IndustryPrint™

The State leveraged the Deloitte IndustryPrint™ tool to develop and document the statewide business processes. Deloitte refined and documented the detailed business processes previously developed by the state for statewide operations including the operations of the OSC and DTF Treasury. State resources later extended the Deloitte documented IndustryPrint™ flows to include the operations of online agencies.

Voucher Processing

Agencies create vouchers to initiate payment to vendors. If the vouchers are related to purchase orders, the encumbrance is liquidated and vouchers are matched to purchase orders. The OSC Bureau of State Expenditures (BSE) reviews vouchers, audits and approves them. It is critical to ensure that agencies do not overspend their budgets or a contract value.

Travel and Expenses

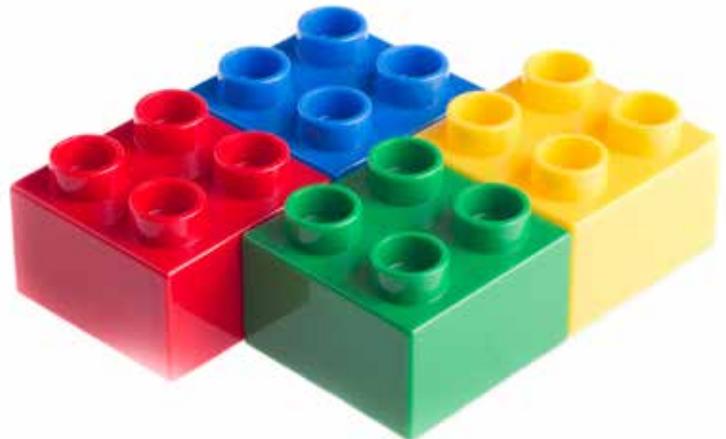
The Travel and Expenses module was implemented so employees can record their travel expenses in SFS on a consistent statewide basis. Employee records and bank account information were obtained from the PeopleSoft-based payroll system for processing expense reports. Expense reports are processed for payment through two different pay cycles: one for checks and the other for ACHs in Prearranged Payment and Deposit (PPD) format. PeopleSoft does not provide the functionality to pay checks and ACHs from two different bank accounts, which is a state requirement. So, custom functionality was developed by Deloitte to ensure that ACHs are paid in the PPD format from a different bank account than check payments. The monthly and annual taxable expense payments are sent to the payroll system to include in the employee's W-2 forms.

Deloitte built the functionality to support the agencies that still continue to use their legacy systems for travel expenses and send that data into SFS for payment processing and accounting. The State plans to roll out the PeopleSoft Travel and Expenses module to all agencies in the future.

Revenue Allocation

Revenue allocation includes allocating the interest earned through the short-term investment pool (STIP) portfolio. The Division of Pension Investment and Cash Management (PICM) of the Office of the State Comptroller concentrates the State's money into the general checking accounts by conducting cash concentration sweeps from various agencies sole custody accounts. This money is invested in the State's short-term investment pool portfolios. OSC allocates the interest earned on a monthly basis to the agency funds that contributed to the pool during the month based on an average daily balance. When a fund is ineligible, the interest is credited to the general fund. The allocation has multiple levels, starting with fund followed by grant, child performer, and DOT eminent domains.

Deloitte designed the business process and implemented PeopleSoft allocations functionality to support the STIP revenue allocations to multiple levels.



Cost Allocations

Fringe benefit costs refer to those expenditures incurred by the State for the benefit of its employees. These costs are paid by the State, as an employer, for retirement plans, Social Security, health insurance, dental insurance, workers' compensation, survivors' benefits, unemployment insurance, and the State's contribution to the employee benefit funds as negotiated in labor union contracts.

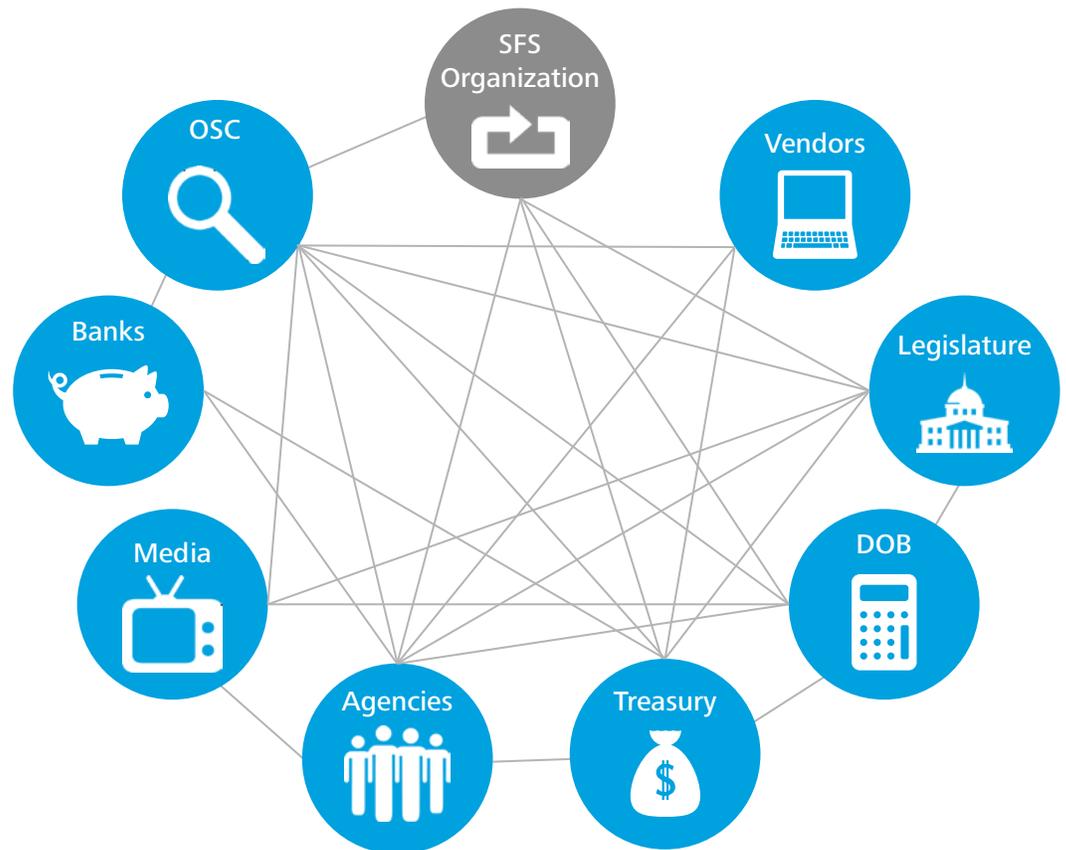
Indirect costs are agency or central service agency costs that cannot be directly associated with the administration of a particular program. Therefore, they cannot be charged as a direct program expense. Indirect costs include: physical overhead, space occupancy, utilities, information technology, and central service agency (e.g., Office of General Services, Civil Service, Budget, General Services) costs.

DOB determines waivers and billing rates depending on fund, program, and account. OSC performs a quarterly allocation of the costs and creates a receivable. Agencies make the payment to offset the outstanding receivable.

Deloitte designed a business process and developed an enhancement to calculate the fringe bills based on the ledger amounts and waivers/rates. OSC bills the agencies using this custom functionality. Agencies then pay the bills through the inter-agency billing process designed to accommodate payments between agencies.

SFS supports the interactions among many stakeholders

The complex environment that is the State of New York is served well by the integrated SFS, as all of the stakeholders, both internal and external, have access to appropriate parts of the system. Transparency and efficiency are enhanced by SFS.



Budgeting

OSC establishes and maintains the control records for state appropriations authorized by the Legislature and allocated by the DOB Director. These allocations provide essential control over state spending so payments to vendors, contractors, state employees, and local governments are made within the purposes and amounts authorized by the Legislature.

Legislative controls by the State Legislature are enforced through statewide appropriations budgets at the bill copy level. Executive controls by the DOB are enforced through statewide allocations (referred to as “segregations” in New York State) also defined at the bill copy level even though segregations can be all or part of an appropriation.

Four statewide budget ledgers - appropriations, segregations, and project parent and child were designed and configured to track the spending. Within appropriations and segregations, there are sub-ledgers to track budget, pre-encumbrance, encumbrance, and expenses. The design allowed defining both appropriations and segregations with the same chart-of-accounts at the bill copy level. The design provides flexibility to define project parent and child budgets for federal grants tracking. Liquidation date for federal grants is enforced through the project budget definition for the grant to prevent agencies spending beyond the liquidation date.

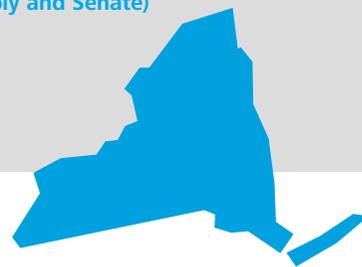
Agencies can submit the journals for segregating their appropriations, perform budget transfers within their agency (budget transfers/interchanges) and across agencies (sub-allocations and apportionments). In addition to online entry, OSC and agencies are provided tools (e.g., spreadsheet upload) to facilitate mass upload of budget journals and attributes.

Deloitte assisted the State with a new design and configuration of statewide budget ledgers. The new design involved taking a different approach for member items, federal grants, and capital projects.

The Budget workflow spanning across key stakeholders is implemented to streamline the budget certifications approval process. The workflow provided flexibility for agencies to have multiple approval levels within their own agency before routing the budget certifications to the DOB followed by the OSC. The Budget workflow supports a maximum of eight levels (three levels within an agency, two levels within the DOB, and two levels within OSC).

There are five types of entities that are either controlled by a separate branch of government or by a separately elected official that utilize SFS:

- Governor’s agencies
- OSC
- Courts
- Department of Law
- State Legislature (Assembly and Senate)



Enterprise Grants Management

Proper record keeping for individual federal grants is necessary to conform to provisions of grant agreement(s), the Federal Single Audit Act, the Federal Cash Management Improvement Act (CMIA), and federal uniform administrative grant requirements. Consistent with the accounting and reporting requirements contained therein, it is necessary to capture and track the status of federal grant funds by federal grant award numbers, CFDA (Catalog of Federal Domestic Assistance) numbers and expenditures or disbursements from appropriated federal programs.

All federal grants are established in PeopleSoft by the OSC via a standard process using the PeopleSoft Grants, Contracts, and Projects modules. While entering the grant information, critical grant information such as CFDA, Sponsor, and Grant reference is captured in SFS. Each federal grant has a corresponding project, which is used in the accounting strings for expenditure and revenue receipts providing the ability to track at the project level. Grants management functionality also allows OSC and agencies to indicate the grant type and track expenditure and revenue for state or private match and interest component, if any.

Depending on how federal draws are defined, grants are classified as centralized, decentralized, or hybrid (combination of centralized and decentralized). "Centralized grants" refer to those grants where the OSC manages the federal draw or billing the federal sponsor and recording the receipt. "Decentralized grants" refer to the grants where an agency manages the federal draw or billing to federal sponsor and recording the receipt. Deloitte designed and configured grants functionality to support both centralized and decentralized grants.

Deloitte implemented the enterprise grants management functionality in PeopleSoft to support the state's federal grant tracking and reporting needs. SFS is the primary source of information on federal grants for budgeting, tracking, and reporting.

Delivered functionality in PeopleSoft relies on billing worksheet and Letter of Credit (LOC) summary report for facilitating drawing down federal grant amounts. PeopleSoft Billing ensures that for all awards that use LOC as the means for obtaining payment, the draws are calculated based on LOC numbers and the information is summarized by document number. However, OSC needs draw calculations and summarizations based on parameters like Payee Account Number, Data Universal Numbering System number, recipient ID, and location. Further, the delivered LOC summary report does not carry information indicating 'Saved Redraws', 'New Redraw Amounts', and 'Amounts supposed to have been requested' vis-à-vis 'Amount Requested', etc. Deloitte designed and built the custom bolt-on functionality to meet the drawdown requirements of OSC. The functionality is tightly integrated with delivered functionality in Project Costing and Billing to reflect the correct amounts for drawdowns and accounting.

PeopleSoft allows grant-related expenditures to be billed even before disbursement. To comply with the State's CMIA agreement to use disbursement logic rather than expenditure logic, Deloitte extended the functionality to ensure that only disbursed vouchers and expense reports are eligible for billing the federal sponsor.



Revenue and Cash Management/Treasury Services

Revenue Management

In most cases, daily cash receipts are collected by agencies and deposited into agency sole custody accounts. Based on rules for each account, the available cash balance is regularly transferred from these accounts into the State's general checking account by OSC's Cash Management Unit (CMU). Agencies are then responsible for initiating the revenue transfer transactions to record the receipts in the appropriate funds.

In some cases, the State's revenue is deposited into the State's general checking account by electronic transfer, wire deposit, or cash deposit. All cash and checks are deposited by DTF Treasury. Wire transfers from outside sources and daily cash deposits made by DTF Treasury are deposited directly into the general checking account.

Accounting transactions may be initiated by OSC, DTF Treasury, or the agency to record and classify the revenue to the appropriate funds. OSC's BAO Revenue Unit continuously reviews, reconciles, and approves the pending transactions into the accounting ledgers after reconciliation of the daily bank statements.

Deloitte designed the business process for revenue management involving agencies, DTF Treasury, and OSC. Agencies enter the receipts into SFS for general checking either online or via the interface process. OSC reviews and approves the deposit transactions in SFS once the deposits are at the bank. DTF Treasury reconciles the transactions entered by agencies using Bank reconciliation functionality. Bank account security in SFS ensures that agencies are only able to enter the deposits for general checking, but they cannot approve the transactions due to the established controls.

Online agencies have the ability to create bills for customers and record deposits in their sole custody accounts in SFS. When this money is swept into general checking, agencies enter the transfers/reclassifications from sole custody to general checking.

Tracking Outstanding General Obligation Debt

The State of New York considers debt principal and interest payments as expenses even though principal reimbursements reduce the outstanding debt liability. When the actual principal and interest payments are made, expense accounts are used to record the accounting as needed for GAAP reporting and the CAFR. Deloitte designed a monthly process to calculate the outstanding debt by deducting the paid principal liabilities from the bond proceeds. The process also accommodates flexibility for any refunds that happen before the liability due to lower interest rate and other reasons.

Payment Processing

OSC is responsible for making payments to vendors and employees from the State's general checking accounts. Two different accounts are maintained in the State's general checking to make both ACH payments and check payments. OSC is also responsible for making payments from the Comptroller's refund account for revenue refunds such as tax refunds, and DMV refunds.

Deloitte designed the business processes for issuing and releasing payments from the State's general checking account and the Comptroller's refund account. Deloitte configured multiple pay cycles to make payments to vendors, employees, and citizens from multiple bank accounts through various payment methods: wire, ACH, and check. These pay cycles were performed "lights-out" and executed during the nightly end-to-end processing without manual intervention. The pay cycles create outbound text files with check information to send to the high speed check printers for printing checks issued from multiple bank accounts, general checking, and the Comptroller's refund account.

The design of the pay cycles included considerations for secure communication with banks. The outbound files sent to the banks include the following:

- ACH files in Cash Concentration and Disbursement plus addenda (CCD+) format for vendors
- ACH files in PPD format for employee travel and expenses
- Wires in EDI 820 format
- Positive Pay files for check payments

- **Using the same system simplifies and improves reconciliation. For FY13, the Book-to-Bank reconciliation for \$262 billion, consisting of \$133 billion in expenditures and \$129 billion in revenue, was within \$5 thousand**
- **New processes provide better controls between OSC and DTF Treasury for the release of big money items such as investments and funding transfers**
- **Using one online system for payment status, including cancellations, reconciliations, and escheatment processes, provides up-to-date information to the agencies**



Cash Management

The CMU within the Bureau of State Accounting Operations (BSAO) of the Office of the State Comptroller is responsible for the State's annual cash flow which includes monitoring and daily management of revenue and disbursements. They are responsible for approving and maintaining the State's more than 3,000 bank accounts. They monitor the daily activity in the State's general checking accounts and maintain account balances and operating rules for the more than 500 accounts monitored by the State as part of the STIP. The Cash Management Unit also provides and maintains rules for these accounts and provides daily recommendations to the Investment Unit about the availability of funds in STIP.

Deloitte designed the business processes for banking and cash management in SFS. The PeopleSoft Banking and Cash Management modules replaced the shadow systems used by OSC Cash Management and DTF Treasury. With the SFS implementation, all state bank accounts are maintained in SFS along with related accounting information and rules for cash concentration. Deloitte extended the delivered bank account functionality by adding additional pages to capture attributes for bank accounts to support rules for cash concentration and reporting.

CMU imports bank statements into SFS to determine the amount of money that should be swept from the bank account to the general checking accounts for the short term investment pool. Deloitte extended the delivered bank statement import functionality to allow the import of the previous day bank statement multiple times, as the State wanted to take advantage of the updated data from the bank.

CMU analyzes the State's cash position every morning to determine the amount of funds available in STIP. A daily worksheet is prepared that captures cash flow data, available cash balances from the state accounts, prior day revenue collections, and expected upcoming disbursements.

CMU makes weekly cash flow projections taking into consideration estimated revenues along with payrolls by dates, Higher Education payments, school aid payments, and other large payments that will have a cash flow impact.

Deloitte designed and configured the daily cash position and the weekly cash forecasting worksheets in SFS to support the State's needs to determine its daily cash position and forecast cash balances to effectively manage the State's cash. Custom database views and cash position trees were developed to capture the required information into the daily cash position and weekly cash forecasting worksheets.

Bank Account Security

The State of New York has more than 3,000 bank accounts. Some accounts, like the general checking account, are jointly owned by OSC and DTF Treasury and are used for processing the payments for vendors and employees and making deposits (checks and grants) into the general checking accounts. Other accounts are exclusively owned by specific agencies for maintaining their sole custody deposits. To ensure that only authorized transactions are made on specific bank accounts, new functionality was developed to configure and enforce bank account security at the user level.

Bank Reconciliations

DTF Treasury reconciles daily bank statements for the State's general checking account and its sub-accounts used for issuing wire, ACH, and check payments. OSC is responsible for reconciling OSC's refund accounts, which are used to issue revenue refunds such as tax refunds and DMV refunds.

Deloitte designed the bank reconciliation functionality so that DTF Treasury can use it to reconcile transactions on a daily basis. Automated reconciliation processes indicate when the reference numbers match between the bank statement and the system. Semi-manual reconciliation is used when manual intervention is needed to match the bank transactions to the system transactions. For example, ACH transactions appear on the bank statement in bundles of 99 million dollars which are matched with the thousands of ACH transactions issued from the system.

The primary customizations in this area included providing a "Select All" button on the semi-manual reconciliation so DTF Treasury can select thousands of ACH payments in the system at once. Other enhancements included providing additional information for payments and deposits where agency-specific information is available to ease the reconciliation process.

Allocation of General Obligation Bond Proceeds

The OSC is responsible for ensuring bond proceeds are allocated to the capital spending by agency based on the accepted rules for allocation. Deloitte designed the process which is used on a monthly basis to determine the unallocated bond proceeds and allocate them based on the agency capital spending that occurred during the month.

Public Authority Debt Issuance and Reimbursement

Public authorities are corporate instruments of the State created by the Legislature to further public interests. These entities develop, operate, and maintain some of New York's most critical infrastructure including roads, bridges, and schools. As a result, public authorities play a significant role in the debt structure of New York State.

Procurement Transformation

Statewide Vendor Master File

As part of SFS, the State now has a single vendor file that is used to maintain and use vendor information on the State's 165,000 vendors. Deloitte worked with the State to build a statewide vendor master file to replace the payee file and multiple vendor masters maintained by various agencies throughout the state. Deloitte assisted the State with leading practices in building the vendor file and how to leverage the PeopleSoft functionality to configure regular vendors, one-time vendors, single payment vendors, and inter-agency vendors. Deloitte extended the delivered vendor functionality by adding fields to capture additional attributes for vendors to assist in reporting.

Deloitte built additional functionality to support the vendor maintenance process. The custom functionality included:

- A custom screen through which agencies can request the addition of a new vendor
- Mass upload functionality to enable the Vendor Maintenance Unit to mass upload the approved vendors into PeopleSoft

The Vendor Master File went live one year before the go-live of the remaining functionality. This gave the State time to further refine the vendor master and eliminate duplicates and redundancies prior to the enterprise go-live. It also provided opportunity for the vendors to learn the new approach, review the information in the vendor master, and provide updates to their profiles.

Benefits of the single statewide vendor master include:

- Improves New York State's business relationship with its vendors
- Provides vendors the ability to manage their own business record over the internet
- Vendor records are used by all state agencies
- Provides easy access to voucher payment/invoice status information
- Provides direct access to the status of purchase orders



Contracts

State agencies use different types of procurement contracts and revenue contracts, as well as create amendments for the contracts. Deloitte designed and configured the business process for entering and approving procurement and revenue contracts and their amendments. Agencies can identify their contracts as corporate contracts to allow usage by other agencies or restrict contract usage to a specific agency. Deloitte extended procurement and revenue contracts functionality to include amendments functionality not delivered in PeopleSoft. Other extensions included providing the ability for agencies to add value added resellers to the contracts.

Prior to SFS, OSC Bureau of Contracts (BOC) used their legacy Contract Management System (CMS) for auditing and approving the contracts and amendments. PeopleSoft does not provide functionality to replace CMS, and it was decided to build a custom bolt-on in SFS so all information is housed in a single repository to ease the audit and approval process by OSC BOC.

Deloitte, along with the State, designed and built the Contract Audit Module (CAM), a custom bolt-on application to provide contract auditing capabilities. This PeopleSoft bolt-on identifies the procurement contracts, amendments, purchase orders, third-party contracts, and procurement records that require audit and associates them with the pre-defined protocols required for approval. CAM also restricts the contracts from modifications, once released to audit. CAM includes questionnaires and checklists needed for the contract audit and approval process.

Agencies use purchase orders (PO) to create an encumbrance and associate it with a contract, if the PO is related to a contract. PeopleSoft does not deliver the functionality to capture contract amendment information at the purchase order level. Deloitte extended the purchase order functionality by capturing the contract amendment sequence number at the purchase order level.

Procurement Card and Travel Card Functionality

PeopleSoft delivers functionality to support the procurement card and travel card functionality in the Purchasing and Expenses modules. The functionality assumes that the payment is made to credit card vendors after the user reconciles the transactions.

However, the State decided to continue its approach to speed up the procurement card payments. The State makes payments for credit cards prior to the reconciliation process; agency users then reconcile the transactions after the payments are made to the credit card vendor. Any money spent for personal use is returned to the State through checks from the employees.

For procurement cards, prepaid voucher functionality is used for making initial payment to the credit card vendor. Later, when the agencies reconcile the data, the system creates regular vouchers, which are then applied against the pre-paid vouchers.

For travel cards, a regular voucher is used to pay the credit card vendor and a reclassification is performed in the general ledger to reclassify the accounting from a clearing account.

IBM designed the approach for P-Card and T-Card reclassifications, and Deloitte supported the accounting design to ensure that the design included the support for the cash ledger and related reporting.

Implementation Preparation

Training

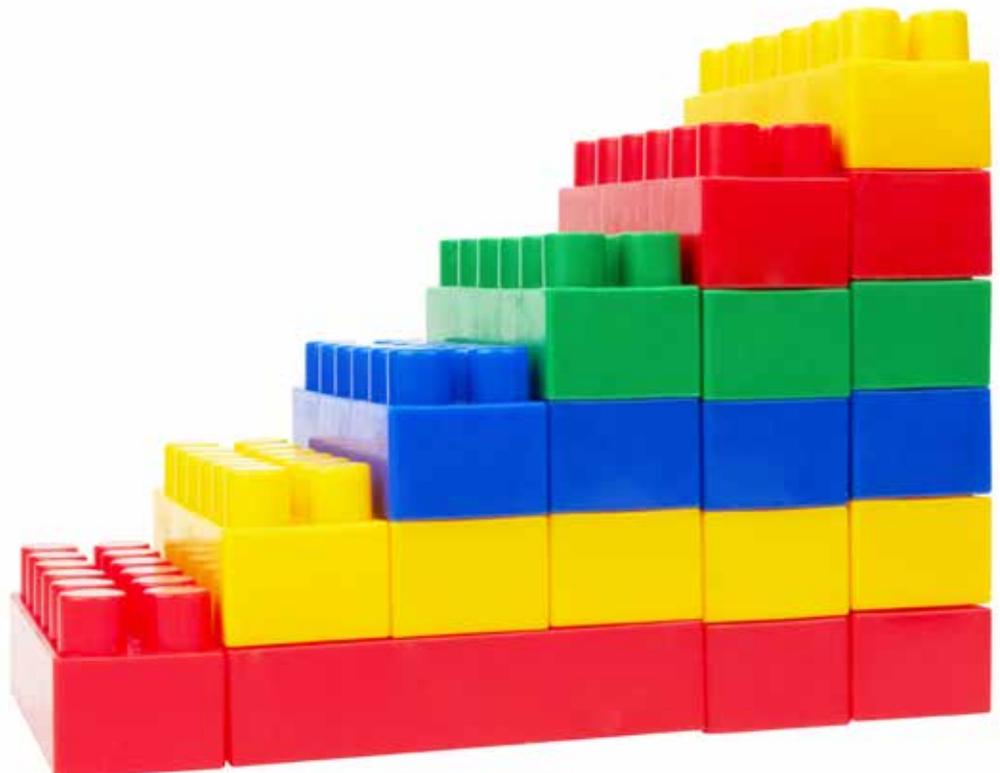
Deloitte developed the training material, including leveraging Oracle's UPK, and provided training to both OSC and DTF Treasury to perform their roles as control agencies. Deloitte assisted in drafting the agency transaction guide, COA Handbook, Operations Manual, and Batch Process Schedule. The State, along with IBM, developed the training material and delivered training to DOB and state operating agencies.

Testing

Deloitte led various cycles of testing for the OSC, DTF Treasury, and the agencies that sent interface files to SFS. There were several rounds of testing which included integration testing, system testing, user acceptance testing, system readiness testing, and enterprise readiness testing. As part of system readiness and enterprise readiness testing, Deloitte led the testing of 1,100 business processes along with OSC, DOB, and the agencies. IBM led the budgets and revenue threads, and KPMG, the project IV&V vendor, reviewed and certified all of the test scripts and execution.

Deloitte also led the accounting validation testing, regression testing, and effective date testing. Accounting validation helped ensure the accounting entries generated in a business process are accurate and meet the State's reporting needs. Regression testing identified the list of scripts that need to be executed for validation when a new RICE element or change in existing design has to be tested for end-to-end testing. Additional testing helped ensure effective dating functionality in PeopleSoft worked for chart of accounts values and tree maintenance.

The State, Deloitte, and IBM worked together to take the steps to prepare for the successful implementation of SFS, including the areas of training, testing, and data conversion.



Data Conversion

Deloitte, with assistance from the State, was responsible for the conversions from the State’s central accounting system and shadow systems primarily owned by OSC. Deloitte assisted OSC resources for validating and reconciling converted data. Several reports and queries were designed and built to meet user requirements for data validation and reconciliation.

SFS Application Module	Conversion Items
General Ledger	<ul style="list-style-type: none"> Statewide Open Balances as of March 31, 2012 <ul style="list-style-type: none"> Modified Accrual Balances Cash Basis Balances Cash Balances for Child Performers Cash advance receivable from agencies
Commitment Control	<ul style="list-style-type: none"> Expenditure budgets for statewide appropriations and segregations for the last two years Revenue Budgets for Appropriated Loan Receivable, General Obligation, and Public Authority Bond Reimbursement, and GO Bond Proceeds
Vendors	<ul style="list-style-type: none"> Seeding of the New York State Vendor Master File Open Active Liens as of March 31, 2012
Payables	<ul style="list-style-type: none"> 1099 Balances as of March 31, 2012 Expenditures and Disbursements as of March 31, 2012
Procurement Contracts	<ul style="list-style-type: none"> Open Active Procurement and Revenue Contracts as of March 31, 2012 Life-to-date and year-to-date summary activity for converted contracts
Cash Management and Deal Management (PS Treasury)	<ul style="list-style-type: none"> Bank Accounts and Rules Investments and Collateral data from the QED Financial Systems, Inc. investment system (Investment history for the last 10 years)
AR/Billing	<ul style="list-style-type: none"> Fringe Benefit and Investment Cost Receivables as of March 31, 2012
Grants/Contracts/Projects	<ul style="list-style-type: none"> Active Federal Grants and Balances (Disbursements, Drawn Amount and Amount yet to draw)
Oil Spill	<ul style="list-style-type: none"> Active Oil Spill projects and revenue balance amounts

IBM designed and developed the following interfaces which were leveraged for seeding information at the time of go-live:	
Travel and Expense	<ul style="list-style-type: none"> Initial load of employee data from the payroll system Employee credit card information (Travel Cards/Procurement Cards)
Customers	<ul style="list-style-type: none"> Customer information related to Agency-converted Open Active Receivables
AR/Billing	<ul style="list-style-type: none"> Agency Open Active Receivables as of March 31, 2012

\$262 billion reconciled to within **\$5K**

6,000 **electronic** bank-to-bank transfers

165,000 vendors

Voucher review and processing time reduced by

on a common statewide vendor file

20,000 vendors

33% have used the Internet to update their records

CAFR completed within **116** days of fiscal year end

9,000 employees have submitted travel expenses

60% increase in ACH payments

100% of federal grants managed through SFS

1,500 inter-agency billing transactions



Terry Blake

CXO Services Financial and
Administrative Management Solutions Leader
Principal, Deloitte Consulting LLP
tblake@deloitte.com

Terry Blake serves as the national lead for the Financial and Administrative Management Solutions market offerings to state and local government. Terry has over 30 years of experience in public sector consulting, especially in the areas of ERP, human services systems, and revenue systems.



Simhadri Basava

CXO Services Financial and
Administrative Management Solutions
Specialist Leader, Deloitte Consulting LLP
sbasava@deloitte.com

Simhadri Basava is a specialist leader in the public sector practice of Deloitte Consulting, LLP focused on CXO services in the Finance and Administration area. In his role, he manages projects and advises senior leaders in State Governments and Higher Educational institutions on shared services, business transformation, and ERP implementations.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2014 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited