

Automated Clearing House Project

Office of the State Controller Oregon

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1. Provide a brief description of the project, including project objectives.
This project consisted of designing and implementing an electronic option for state agencies to pay vendor invoices and employee travel reimbursements by direct deposit (ACH) from within the statewide governmental accounting system. This enhancement was needed not only for the convenience, cost savings, and improved efficiency in the related business processes, but most especially because the system it replaced was separate from the statewide accounting system, and ACH transactions initiated through that system were not subject to the system controls of the accounting system at the time of issuance. In these days of shrinking revenue streams and increasing costs, it was critical that appropriate financial controls be put in place for all disbursements.
Preliminary studies and interviews with counterparts in other states indicated that the delivery of an electronic remittance advice had to be part of the new system if it was to be well received and widely adopted. It was soon decided that the project would need a web site for making remittance advice details available to payees. For added convenience and security, it was also decided that email notices would be sent whenever payment orders were issued or whenever these were received back from financial institutions. A second web site was developed to provide general information for interested persons and training for agency staff.
The objectives of developing this functionality quickly and at a low cost were achieved without out-sourcing and with existing systems and applications. All programming and design work was done in-house by a small number of staff. In spite of that, the project was completed in nine months--well ahead of schedule. And, most remarkably, the web sites and email notices, which are a key to the success of the project, cost only a few dollars each month to operate.
2. What improvement(s), new functionality, or business application did the project address?
The needed control against deficit spending was achieved. Now, routine ACH payments are issued from within the statewide accounting system and only when system controls are satisfied. There are other benefits. The cost savings of an ACH payment over a warrant is about 40 cents each. The value of the convenience to state travelers and vendors is immeasurable and much appreciated. Many of the tasks relating to warrant processing are being reduced as more and more ACH payments occur. This includes tasks such entering transaction data into two separate systems, canceling and reissuing lost checks, and performing complex monthly reconciliations with many outstanding payments.
Taking the NACHA return file and processing its contents without human intervention automated the process of updating vendor bank account information in the accounting system. The cancellation and unredemption of returned ACH payments was also automated.

For added convenience, an email notice is sent to the payee when a payment is returned, and the web site remittance records are updated to reflect the returned payment.

The remittance advice web site lists payments in various ways. Users can choose to post payments listed by deposit date or by invoice number, an option very popular with vendors. The number of payments viewed can also be controlled by choosing to see only the payments in-transit, or those 1, 2, 3, 4, 5, 30 60, or 90 days old.

3. Describe the schedule of the project's design, development, and implementation.

A Business Case was completed in December 2001 that built a compelling case to proceed with a project under the sponsorship of the State Controller. A team of Financial Management System Analysts from the State Controller's Division, Systems Analysts from Information Resource Management, and Analysts from the State Treasury was formed during January and February 2002. Several meetings produced the Project Plan in March 2002. Work began immediately and three agencies joined as partners to ensure an agency perspective was included and to test capabilities as they were designed and approved. Phase 1, which allowed us to pay State employee travel reimbursements, was implemented on schedule in late October, 2002, and Phase 2 implemented on time in mid-December, 2002, allowed us to pay vendors. A Statewide training was conducted in mid-January 2003 to ensure all agencies were able to use the program and to answer any specific questions or unique situations.

4. What did the project accomplish? Who are the current and potential beneficiaries? Were other public sector entities, like component units or local governmental entities, or private sector entities able to participate and, if so, how did this add value to the development and outcome of the project?

This project accomplished its goal of bringing the Statewide Financial Management Application into the Twenty-First Century by providing an electronic means of paying invoices and providing remittance advice.

Perhaps the single most significant accomplishment was conquering the obstacle of providing adequate remittance advice to vendors for combined payments. The ACH payment format most popular with the State's vendors currently allows only one line of addenda to accompany each payment to the financial institution. Our project team devised a system to display remittance advice on a secure website. On this website, we are able to give vendors free and secure access to all the remittance advice they would have seen on the "stub" of the warrant. Without this accomplishment, we would have had to exclude many vendors and travelers who receive combined payments. Our customers are delighted with complete information they receive from a cost-free and user-friendly source.

5. What were the levels of personnel on the project team and how did participation on the team enhance the skills of those personnel?

The Project Manager was not an experienced accountant nor programmer, but a fair leader with considerable project management experience in other disciplines. The Functional Project Leader is very experienced in the functional system aspects, and this was her first role of significant leadership. Nevertheless, she turned out to be the strength and driving force behind the project, and matured as a responsible leader. The Technical Project Leader was also very experienced, and kept the project's programmatic expectations well grounded,

knowing in advance where technical problems were likely to arise. He used his vast network within the Information Resource Management Division to quickly bring other resources to the project when required. The Project Functional Coordinator was new to the division and not deeply experienced with accounting nor the accounting system. He was, however, extremely analytical, creative, and organized, and immediately grasped the business requirements. The Project Technical Leader had not worked previously with the Statewide Financial Management Application. Nevertheless, she worked hard to learn the system quickly and added greatly to our project with the ingenuity and flexibility required to make changes in programming and slight changes in direction.

Each member of the team completed the Project with a more profound understanding of not only their comrades' jobs, but their own jobs, as well. Furthermore, each member became a stronger team player. Each player will be a little better member on future projects. As an indicator of the productive and organizational success of the project: everyone was disappointed to see it end.

6. List the funding source(s) (indicating those that would be innovative), costs incurred, benefits derived, and return on investment (factoring in hard and soft dollar savings).

Due to the same fiscal constraints most other States are experiencing, this project was funded out of the State Controller's biennial budget. The work was regarded as a long overdue solution to an enhancement that had been delayed due to Y2K and another long-term project to archive aged data from the system in order maintain its efficiency. \$271K of a \$282K budget was expended. At current rates, we expect to save approximately \$.40 on every payment made via ACH versus mailed paper warrant and printed remittance advice. While this project could not have been justified on a return on investment basis, with reasonable growth rates and low FTE requirements, we project a breakeven in the second operating year and annual cost avoidance exceeding \$70K by year five. Many benefits are intangibles, including improved financial control and keeping pace in the modern "paperless" business world.

7. What measurements have been established to monitor the continued success and benefits of the project?

Currently our measure of success is a combination of the number of ACHs generated, the number of new enrollments, and the number of "hits" on our website. In the future we will be able to compare the number of warrants and ACH payments and establish an acceptable ratio. Of course, we will want to continue to monitor costs to enable us to track the financial benefit to the State.

8. How replicable in other areas of the public sector or other states do you consider this project to be? In discussing replicability, please address the following questions. What obstacles or problems might other states encounter in trying to implement this or a similar project? Specifically, how was this project communicated statewide? Were there cultural business barriers to overcome? If yes, please elaborate. Was training involved from the central project team? Were consultants involved in the project? If yes, what was their role?

This project is quite replicable. We took many of our concepts from other states that have the basic ACH capability. Obstacles are current shortages of resources for special projects. As our project developed, we gave briefings on our progress at regular agency financial system user meetings. We set-up an "informational website to keep agencies informed. We also noted

progress and announced the arrival of capabilities and training on a special email address reaching most of our statewide users. Culturally, the willingness or ability of local financial institutions and vendors to embrace this electronic process seems to be problem from the past that has been overcome. Training was first practiced on our partner agency staffs and our internal staff, and then given statewide at a central location that required a large auditorium. No consultants were involved in the project at any point.