

THE SABHRS (MT PRRIME) PROJECT - System Implementation Issues Update

Prepared for the
Legislative Finance Committee
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INTRODUCTION

At the beginning of fiscal 2000, Montana implemented the financial module of a new computerized accounting, human resources, and budgeting system. The financial module was implemented nearly two months after the state implemented the human resources and payroll module of the system. All modules of this system, the Statewide Accounting, Budgeting, and Human Resources System (SABHRS), are up and running. While SABHRS is performing its basic accounting, human resources, and budget maintenance and control functions, it is not performing flawlessly. The system and its implementation have caused frustrations among system users. This report discusses the implications of the system-generated errors, system implementation, and sources of user frustrations.

WHY IS THIS REPORT BEING WRITTEN?

At its September meeting, the Legislative Finance Committee (LFC) directed Legislative Fiscal Division (LFD) staff to monitor the SABHRS implementation and operations and to provide updates at future committee meetings. In keeping with this directive, this report will update the LFC on the status of SABHRS implementation and apprise the LFC of potential fiscal and policy issues associated with the system.

SYSTEM IMPLEMENTATION

The budgeting module, Montana Budgeting and Reporting System (MBARS), went into operation in August 1998. This system was used to develop and update the Executive Budget requests during the 1999 legislative session. Soon the second state budget will begin to be developed using MBARS.

Other modules followed MBARS implementation: the asset management module, in October 1998; the human resources module, in April 1999; and the financial modules (general ledger, accounts payable, accounts receivable, and purchasing), in July 1999. During the 10 months that the human resources portion of the system and the 8 months that the financial portion of the system have been in operation, system users and SABHRS personnel have learned much about the capabilities and limitations of the system. SABHRS personnel and system users have also experienced a great deal of frustration with the system. Some of these frustrations were and continue to be the direct result of system implementation and the added work required to learn a new system and input organization and staff data, all while continuing to conduct the daily business transactions. Other frustrations are caused by the additional time it takes to enter data into the system and concerns over the accuracy, availability, and completeness of system reports. Frustrations associated with the time it takes to enter data into the system are not likely to go away in the near future since they are a direct result of system design methodology inherent to PeopleSoft.

Early Stages of Implementation

System Startup

During the early stages of implementation, system users were entering or verifying data to define agency or program accounting and reporting structures, human resource data, and current biennium operating budgets. SABHRS personnel entered some of the data via a batch process, while system users manually entered other data. When fiscal 2000 began, system users were still entering system configuration data and still identifying data that were needed to allow transactions to process. At the same time, system users began to use SABHRS to perform the daily financial transactions. This phase of the process did not go smoothly for either SABHRS personnel or agency users. Frustrations grew as payroll, vendor payment, transaction processing, and reporting problems and issues developed.

The following discussion is intended to provide the LFC with an understanding of how the implementation of SABHRS impacted system users. It is not intended to point blame or criticize the implementation of SABHRS. The implementation of a system of this magnitude is so complex and has such far-reaching implications that an investigation that only scratches the surface of the system can not adequately analyze implementation issues.

Payroll Problems

When the human resources system was first implemented there were several unexplained glitches in the payroll system, e.g. some employees were not paid or were paid incorrect amounts and some checks had incorrect retirement deductions. SABHRS personnel have been solving problems on a case-by-case basis. During recent discussions with agency staff, agency personnel noted that they are still experiencing some random and recurring system-generated payroll errors.

Vendor Payment Problems

Several vendors had reported that they were not being paid or were being paid only after long delays. The problem was largely the result of delays in entering information about each vendor into the new system. All vendor data entry is done centrally by Department of Administration Accounting Bureau personnel, who were unable to enter data quickly enough to allow all payments to be made on time. Accounting Bureau personnel were reassigned to speed up entry of vendors into the vendor database. The major backlog has been eliminated. For the most part, agency personnel are satisfied with how the current process is working. However, some agencies that use a manual process to provide payments or refunds to large number of individuals could still experience periods of longer delays.

Transaction Processing

As system users began entering accounting transactions many transactions failed to completely process and post to the general ledger. When a transaction fails to continue processing it is put in a suspended status. As transactions continued to suspend, frustration among system users continued to grow. The frustration was compounded because the users were unable to identify the reason for the transaction's failure to process. A major source of this frustration was the unavailability and inadequacy of reports to track transactions and organization financial status. As time went on, more and more transactions were suspended, resulting in backlogs of work for some agency accounting and payroll personnel.

Suspended Transactions

Transactions suspended for a number of reasons, such as:

- incomplete accounting configurations;
- invalid accounting information; and
- subsystem translation coding errors.

As stated earlier, agencies were still entering accounting and organizational configuration information into SABHRS as the system was being used to conduct daily business of the state. Some of the information that was used to start the system was entered into SABHRS manually by the agency personnel, while some of the information was loaded via batch processes by SABHRS personnel, from information contained in MBARS or provided by agencies. Much of the information loaded via these batch processes bypassed automatic validity checks of the system. As a result, some invalid data was placed in the system, e.g. inconsistent alphabetic cases entered in case sensitive fields, invalid data structures, or typographical errors. The lack of vendor information in the vendor tables of the system also played a role in causing transactions to suspend.

While processing transactions, SABHRS verifies that the data in a transaction corresponds to certain information that characterizes the agency accounting structures. Since some of the data that SABHRS was using to validate the data in transactions was inaccurate, transactions would fail to process and become suspended.

Some agencies with special business needs continued to use subsystems for performing part of their business functions. Data from these subsystems are entered into SABHRS via a translation process. In some instances, the coding of the subsystem translation function was not compatible with the data structures in SABHRS. In these instances, data transmitted to SABHRS failed verification checks (edits) and then fail to process and became suspended.

Four agencies currently use the translate process to communicate with SABHRS. By December 2000 only one agency plans to continue to use this process. As agencies move

off the translate process, the number of suspended transactions and amount of time expended to reconcile records will be reduced.

In other instances, agency personnel entered invalid transactional data. These errors could have resulted because of several factors:

- typographic errors;
- lack of knowledge of the new system;
- staff workload issues;
- the volume of data being entered in to the system;
- staff turnover and unfamiliarity with the system by new employees;
- changing program requirements; or
- evolution (changing how the agency used the system based on lessons learned).

In order to get transactions to process, some agencies intentionally coded transactions to incorrect accounting codes, but with the intent that they would go back and correct the entry as the system startup workload decreased. For example, one common practice was to use a prepaid asset account instead of an expense account to record payments that were valid for the accounting period.

Recording a payment in a prepaid asset account is a valid transaction if it is truly for recording a prepayment of a future expense. However, this was not the case in this example. In this example, payment was being made for a valid and current expense and should have been accounted as an expense. When a prepaid asset account is used to record a valid and current expense, the expenses of the organization are understated and the remaining appropriation authority is overstated.

Issues Surrounding Suspended Transactions

Transactions that were recorded in a prepaid asset account will need to be corrected by the end of the fiscal year to accurately record program expenditures and appropriation activity. This practice will result in duplication of work to correct these entries. In the meantime, the accounting system will not accurately reflect program expenditures until these corrections are made. Also, when entries of this nature were done to allow payroll transactions to post, similar entries will need to be made on both the financial and human resource systems. If entries are only made on the financial system, the position data on the human resources system will not match the financial system and will give erroneous information. This inconsistency could impact the legislature's ability to identify specific issues of interest.

Backlogs

During the early stage of implementation, when transactions were routinely failing to process and were becoming suspended, backlogs of work requiring research and

correcting activities began to grow. The diversion of effort to eliminate backlogs affected agencies in many ways:

- less time was available to send staff to training to learn how to effectively use the system;
- agencies shifted staff from other positions or hired temporary staff;
- increased stress on staff were factors in staff turnover; and
- data entry errors increased, which caused additional transactions to become suspended.

When staff was added or shifted from other duties, other areas of the agencies suffered. Budgets that were intended for other purposes were used to fund the additional staff or work that was normally done by the staff who were shifted to augment the accounting functions. In some instances the other functions were delayed or will not get completed.

Reports

Under the Statewide Budgeting and Accounting System (SBAS) environment, standard reports were distributed to agencies on a regular basis. The agency personnel were familiar with the reports and confident in their accuracy.

However, when SABHRS was first implemented, few, if any standard reports were developed and available to system users. It wasn't until the second month after implementation that reports containing information resembling that contained on standard SBAS reports were available. In the early stages, the accuracy and formatting of SABHRS reports were confusing and in question. System users were not aware of what reports were available or what was contained on the reports. Many system users did not know how to run the reports that were available or were not able to access the reports.

Without adequate and accurate reports, system users were handicapped from responding to the increasing backlog of suspended transactions. Reports were not available or were cumbersome to use to identify the causes of suspended transactions. Program managers and fiscal staff were uncertain of the status of program expenditures and appropriation activity.

Shortly after implementation, some agencies expressed concerns about the lack of reports needed for federal reporting purposes. By October 1999, SABHRS personnel delivered two reports that allowed agencies to meet their federal reporting requirements.

Where is SABHRS Now?

The financial portion of SABHRS has been in operation for nearly three-quarters of fiscal 2000 and the human resources portion of SABHRS has been in operation for nearly a full year. Although SABHRS may not be fully functioning as originally envisioned, it is

performing the basic accounting, budgeting, and human resources functions needed to do business. The state has come a long way in getting to this point:

- much of the backlogs that were generated during the early stages of implementation have been eliminated or reduced;
- most subsystems that input program financial data to SABHRS have been modified so that transactions do not suspend;
- agency accounting configurations have been corrected so transactions are not routinely suspended;
- reports have improved in both format and accuracy;
- users are more familiar with the system;
- user training has improved and is available to a broader class of users; and
- SABHRS personnel have learned more of system capabilities.

In addition, some significant business processes have been completed for the first time using the new software. For example, in January 2000 approximately 15,000 W2 forms and 8,000 1099 forms were produced and distributed on time to employees and vendors.

Major Frustrations of System Users

The implementation of SABHRS has come a long way. However, system users are still frustrated by features of the current system, such as:

- human resources and financial systems are not fully integrated;
- budget maintenance transactions require more time to process;
- payroll and financial transactions require more time to process;
- report availability, format, and accuracy are not fully developed; and
- the system does not meet expectations.

Human Resources and Financial Systems are Not Fully Integrated

The payroll information is entered into the human resources module. Unlike the old human resources system (Payroll/Personnel/Position Control or PPP), the SABHRS human resources module issues pay checks and then transfers accounting information to the financial module of SABHRS. The system is integrated in regard to this process. On the other hand, when changes are made to tables that provide validation control or accounting and personnel information in one system, these changes are not automatically made to the other system. Duplicate work must be done to keep both systems synchronized. This lack of integration adds work for agency personnel and is a source of frustration to system users. Without information in the two systems matching, information needed by the legislature to make informed policy decisions is inaccurate. It's only fair to point out that the SBAS and payroll/personnel/position control (PPP) systems of the past were also not integrated and required a manual effort to maintain the

systems in synchronization. The frustration agencies have is rooted in the understanding that SABHRS would be an integrated system that would eliminate the need to manually update one system when a change is made to the other system.

Another source of frustration to system users is inefficiencies that result from the inability of a user to have both the human resources and financial modules of the system open at the same time. Often, a user needs to use information contained in one module to enter data in the other modules. With the current system configuration, the user must open either the human resources or financial system and either write or print the needed information. The user must then close that system and open the other system. Users frequently don't realize that the information from the other system is needed until partway into entering a transaction. When this happens, the user can either close out of the system they are working in and then open the other system or find a coworker with system access who is available to get the information from the other system. If the user closes the system before completing and saving a transaction, all work that has been done to the transaction will be lost.

Budget Maintenance

Budget maintenance is another area where users are frustrated. The way SABHRS handles budgets forces agency managers to make a tradeoff between entering budget information at a centralized level or entering budgets at a more distributed level. If the agencies choose to maintain budgets at a centralized level, managers are frustrated by the lack of budget information at the operating level. If the agencies choose to distribute budgets to the operation levels, a significant effort must be made to distribute the budgets and then to make changes when situations change (budget maintenance).

SABHRS limits budget transactions to one line of accounting code per budget change document. This limitation is contrasted to the SBAS environment in which one budget change document could include up to 99 lines of accounting code. On SBAS documents, the information from one line could be copied to subsequent lines and only the information that was different could be changed. On SABHRS budget change documents, all information must be manually entered. According to SABHRS personnel, the standard budget feature, scheduled to be available July 1, 2000, would allow unlimited entry of budget maintenance accounting lines, equaling or exceeding SBAS capabilities.

Agencies are also frustrated by the duplicate work they must do to submit budget change requests to the Office of Budget and Program Planning (OBPP). Agencies must first enter all accounting coding for a budget change on a spreadsheet that is submitted to OBPP for approval. Agencies must then manually enter the data into SABHRS. Agency personnel approve some of the transactions, OBPP then approves some of the transactions, and then the agency personnel approve the remainder of the transactions. The timing of transaction entry and approval is critical to successful processing of these

budget transactions. Unless it is streamlined, this process could hinder the ability of agencies to process fiscal year-end documents in a timely manner.

Payroll and Financial Transaction Entry

Most agencies report that it takes nearly twice as long to enter payroll into SABHRS compared to entering into SBAS and PPP. Agencies also report that it takes two to three times as long to process a valid payroll document. What took agencies two days to enter and correct errors now takes agencies four to five days to perform the same work. Part of the frustration agencies have is the size of the payroll documents that must be reviewed to identify errant data. For example, the Department of Public Health and Human Services (DPHHS) has payroll documents with ten thousand lines of coding. A single line of invalid coding will cause the entire document to suspend. Furthermore, the invalid line is not identified and agency staff must manually search for errant coding.

Exceptions do exist where agencies have not encountered significant changes in the time needed to process payroll documents. Agencies that have not encountered problems:

- have small numbers of full time equivalent positions (FTE);
- have simple funding structures;
- previously used a subsystem to enter payroll data in a similar way to how it is entered into SABHRS; or
- currently use an automated subsystem to enter payroll data.

One difference that should be noted is that SABHRS requires more information to be entered than the old PPP system required. This increased data has added work for the system users, but will also provide users with increased data for managing FTE. The value of this increased data is still unknown. This is because of issues with system reporting and data access.

Agencies have expressed frustration with the time involved with entering other financial transactions, such as inter-unit journals (used for one agency to pay another agency), budget journals, and claims involving more than one vendor or vendors with more than one location. To address the increased time needed to enter payroll and other financial transactions, several agencies have added staff during the current biennium. Some agencies have stated that they will request additional staff in their budget requests for the 2003 biennium. Other agencies have shifted existing staff from other activities or used overtime or compensatory time to address the increased workload. Agencies are funding this work from their existing budgets, so some activities that normally would have been done are not being done.

Reporting

Standard reports produced by the system have improved from earlier in the implementation process. However, concerns with report availability, format, and accuracy are still frustrating agencies. The process that agencies must use to obtain reports is also a source of frustration and inefficiency. It may be that reports are available in many cases, but agency personnel aren't aware.

Multiple Systems

Reports from SABHRS are available from a number of systems. System users can obtain standard reports directly from SABHRS. Other reports are available using the Report Distribution System (RDS). RDS is basically a password-protected network server that allows users access to electronic versions of various reports. Agency personnel have expressed concern that the standard reports available from SABHRS and RDS do not meet their management needs. In response, two other options have been made available to view and manipulate reports to meet individual preferences. Agencies can use the spreadsheet program Microsoft EXCEL or they can use another program called DocuAnalyzer. Both EXCEL and DocuAnalyzer are capable of reformatting and manipulating the information available on the SABHRS and RDS reports to the format and preferences of agency personnel. SABHRS personnel have made models or templates available for manipulating the standard SABHRS reports in a variety of ways that agency personnel have requested.

The options available to agency personnel to view SABHRS data has, on the one hand, added functionality that wasn't available with SBAS – the ability to electronically manipulate data. On the other hand, agency personnel are frustrated because:

- they must now learn new tools to get data that they previously were given monthly via printed and distributed standard reports;
- the process involving a separate software program to prepare all reports is less efficient for users than providing all reports directly from SABHRS;
- they perceived that SABHRS would be available to all users for ad hoc reporting; and
- they perceived that all data fields would be linked between the summary data and source data.

Under SABHRS, information is available at any time from the desktop. However, users must proactively seek that information.

The need to learn a third party software program will add training costs for agencies and makes what was once a single step process a multi-step process. The functionality to drill down to source data is not available and system users must still track source data manually. True ad hoc reporting, where an individual can directly access all data in SABHRS, is only available to a limited user set. The primary factors for this are:

- potential system performance impacts (it would slow the system for others);

- users must have specialized knowledge of the structured query language used to get full and complete information; and
- the potential that this access could allow system data to be corrupted.

One goal of the SABHRS is to train agency personnel and to certify them to “query” the database for ad hoc reporting. Progress is being made in this area, and the Helena College of Technology offers reporting classes for users.

Position Control

Agency managers have been frustrated because adequate information to manage positions is not available from SABHRS to the extent that it was available from the old PPP system via the Position Control Report (PCR). As such, some managers can not adequately manage their FTE or personnel services budgets. This frustration led to the development of a subsystem by DPHHS. DPHHS is in the final stages of developing a system that will extract data from SABHRS and prepare a report similar to the old PCR. Once developed and tested, the coding for this report will be provided to SABHRS for use by all agencies. Development of this subsystem has impacted DPHHS by tying up existing computer programming staff so that they were not available for other agency needs. When complete, this report will meet most agencies’ reporting needs in the area of position control.

Developing a new subsystem to perform functions for SABHRS appears to go against the goals of the system to reduce duplication and streamline business processes. In an earlier report to the LFC, it was suggested that the primary mechanism for increasing efficiencies would be through eliminating or reducing the number of subsystems associated with state accounting, human resources, and budgeting.

Training

Prior to implementation, training for system users was limited to individuals who routinely enter data and transactions into the system. Little if any training was available for managers or users whose primary involvement with the system is to monitor or use the data in the system to manage a program or budget. Training for SABHRS is evolving to meet the user’s needs. For example, the Helena College of Technology is offering two new classes geared specifically for managers and fiscal officers.

However, agencies are frustrated that managers and users of system data need to learn SABHRS and other third party programs in order to get data out of the system. In order for agency personnel to make ad hoc inquiries from the SABHRS database, they are required to attend a special training course. Only trained agency personnel will be granted access to the database and SABHRS personnel must first approve all queries.

System Doesn't Meet Expectations

Agency personnel and legislators have been disappointed in the functionality of SABHRS as compared to what they understood the system was supposed to do. According to the goals of SABHRS, paraphrased below from the SABHRS Internet homepage, the system is intended to:

- improve access to financial and human resource information;
- streamline business processes;
- reduce duplicate data entry;
- simplify the state payroll process; and
- maximize the ability to plan for the future, using relevant management information to improve decision-making.

Through discussions with agency personnel, they would be hard pressed to agree that the current configuration of SABHRS and the processes associated with maintaining budgets and getting information out of SABHRS would satisfy many of the goals listed above. Some of the frustrations voiced by agency personnel are:

- payroll takes longer to process;
- data must be entered more than once;
- access to information is more cumbersome and limited; and
- some processes, namely the inter-unit journal and budget change process, are more complicated.

FUTURE SABHRS UPGRADES AND ENHANCEMENTS

SABHRS is a product of PeopleSoft, Inc. PeopleSoft has established a goal to provide technical and functional upgrades of their products on an 18-month schedule. PeopleSoft uses Oracle database software as the engine for its financial and human resources application software. Like PeopleSoft, Oracle plans upgrades on a regular schedule. It's a common practice for software suppliers to stop supporting versions of software after a certain time after the version is no longer commercially available. Once the supplier does not support a version of software, assistance in resolving problems is either not available from the supplier or placed on a low priority and can take weeks to be addressed. Consequently, there are substantial risks associated with relying upon unsupported software. For PeopleSoft, those risks include:

- fixes and updates to the installed release are unavailable (e.g. if federal changes to COBRA or 401K regulations occur, those software changes would not be available to unsupported software releases);
- help desk calls may not be satisfactorily resolved;

- over time, the current PeopleSoft release becomes incompatible with other software (UNIX, Oracle, Word/Excel); and
- reliance on state staff increases to keep the databases running.

Using unsupported software increases the risk of system failure and prevents the state from taking advantage of additional functionality associated with new releases.

SABHRS personnel have developed a plan for keeping SABHRS and Oracle on a supported version to the maximum extent possible while factoring in other management issues, such as resources and customer needs.

Upgrades of PeopleSoft software will provide increased functionality and correct programming problems identified with the system. Upgrades currently planned by PeopleSoft will address SABHRS human resources security issues and increase the efficiency of the payroll entry process, but would not significantly improve other financial system efficiency issues that frustrate system users. Additional FTE will be needed during the current biennium to support SABHRS in response to PeopleSoft upgrades. These FTE are expected to continue to be needed to support future upgrades. Although some performance improvements will be realized during the current biennium, the improvements that will result from the upgrades will provide a greater impact during future biennia.

Human Resources Upgrades

The SABHRS human resources module is currently operating on PeopleSoft version HRMS 6.0. SABHRS personnel plan to upgrade to version HRMS 7.56 by May 2001, with a portion of the upgrade being completed in October 2000. Implementation of version HRMS 7.56 was originally planned for April 2000. When prioritizing resources to enhance SABHRS 6.0 to address agency concerns, SABHRS personnel used the April 2000 expected upgrade date. This upgrade date is mentioned because SABHRS personnel may not provide enhancements to SABHRS to address some of the system shortcomings that are frustrating agencies because it was anticipated that the April 2000 upgrade would address the concerns.

HRMS 7.56 offers the potential to improve the efficiency of payroll entry by adding an automated payroll entry function. This time entry feature would allow employees to enter their timesheet information directly and would potentially reduce the workload for payroll personnel. SABHRS anticipates that a pilot of this functionality would first verify its effectiveness. With the delay of moving to HRMS 7.56, this functionality will be delayed until after May 2001, but could be available as early as December 2000. Moving to HRMS 7.56 would also bring SABHRS under the support of PeopleSoft. An extended service plan was purchased from PeopleSoft that kept HRMS 6.0 supported until December 31, 1999. However, at the present time, PeopleSoft does not support the HRMS 6.0 version. HRMS 7.56 would also enhance the security functionality and potentially address data security issues raised by the Legislative Audit Division (audit

number 99DP-02) and agencies. HRMS 7.56 would potentially shorten the time it takes to run payroll by allowing the payroll process to continue after a non-fatal pay calculation error is encountered. Under the current version, payroll processing stops when the first error is encountered and must be restarted after that error is corrected. Subsequent errors are not identified and could stop subsequent payroll processing, thereby increasing the time it takes to process payroll documents.

SABHRS personnel estimate that the upgrade to HRMS 7.56 in May 2001, with a portion in October 2000, would require nearly \$524,000 additional costs to the SABHRS 2001 biennium budget and would include the need for an additional 6.00 FTE during the current biennium. These additional FTE would be required for future upgrades and would likely be requested in the 2003 biennium budget request. SABHRS personnel are currently identifying how to fund this additional cost for the current biennium. They have begun recruiting the additional FTE.

Financial System Upgrades

SABHRS financial system is currently operating on PeopleSoft version 6.0. SABHRS is planning on upgrading to version 7.02 by March 2001. Version 7.02 is expected to be a minor technical release, which will incorporate the new PeopleSoft tool enhancements that would be provided in version 7.00, but would provide minimal relief of the system shortfalls that cause most of the agency frustrations.

SABHRS personnel estimate that the upgrade to version 7.02 in March 2001 would require about \$127,000 additional costs to the SABHRS 2001 biennium budget and would include the need for an additional 1.00 FTE to function as a database administrator. This FTE would also be needed for ongoing operations and would likely be included in the 2003 biennium budget request. Three of the FTE identified for the HRMS 7.56 upgrades would be shifted to work on version 7.02 upgrades. SABHRS personnel are currently identifying how to fund this additional cost for the current biennium.

Oracle Upgrades

PeopleSoft uses Oracle database software as the engine for its application program (SABHRS). Oracle, like PeopleSoft, plans regular upgrades of its database software. In addition to planning for upgrades of SABHRS financial and human resources modules, SABHRS personnel must plan for Oracle upgrades in their budget and operating plan.

Spreadsheet Journal Upload

SABHRS personnel are investigating a feature of the current system that may prove promising in reducing some of the time it takes to enter financial information into general ledger journals. The feature is available in the current version of SABHRS but has not

been used. It involves uploading data contained on a spreadsheet to populate fields on general ledger journals. SABHRS anticipates that this process will be available to a pilot group of agencies by March 2000. If the feature proves successful for the pilot agencies, it will then be made available to all agencies. The date for system-wide availability is unknown at this time.

This feature will reduce the time to enter some documents but will not provide a significant efficiency improvement. The reason a significant efficiency improvement is not anticipated is that the feature will only be available for general ledger journals and not all types of transaction documents.

Standard Budgets

Another feature of the current PeopleSoft version is the capability to have standard budgets. Until this feature was identified, agencies were limited to:

- establishing budget control at a high level (centralized budgets) and administratively distributing the high level budget to lower level organization levels; or
- allocating the budgets on SABHRS to the lower level organization levels.

Both options meet the intent of law for establishing operating plans (17-7-138, MCA), but each option forces the agencies to make tradeoffs between ease of budget maintenance and budget information availability.

When agencies establish high level budgets and only allocate budgets administratively to the lower levels, the amount of work needed to maintain budgets is reduced (e.g. make statutorily allowed budget changes), but information available to line managers for managing budgets is also reduced. Without budgets allocated on SABHRS to the operating organizations, reports that would normally show expenditures and the relationship to allocated budgets do not include the budget figures. Lack of organization level budget information on SABHRS frustrates managers because an additional process must be established to provide this information.

When agencies allocate budgets to operating organizations, more information is provided to the managers responsible for the budgets, but work needed to maintain the budgets and make any changes is significantly increased. The processes required to make budget changes on SABHRS and obtain approval from OBPP have been a source of frustration to agencies. The primary factor for these frustrations is the increased time needed to enter data into SABHRS, as compared to the amount of time needed for the same process in the SBAS environment. Documentation that OBPP needs to ensure that operating budgets meet statutory requirements has also increased and imposes duplication of work for agency personnel. This is primarily because of how SABHRS transactions are processed and which system users are allowed to process certain transactions.

The standard budget feature that is available with the current version of SABHRS has the potential to allow OBPP to control operating budgets to the requirements of the law while providing flexibility to agencies to allocate budgets to operating organizations. The standard budget feature appears to allow budgets to be allocated to lower level organizations without significantly increasing the work associated with maintaining budgets. SABHRS personnel are currently evaluating this feature and resolving some technical issues associated with its use. SABHRS and OBPP hope that this functionality would be available to state agencies, as an option, by the beginning of fiscal 2001.

Agencies that choose to use the standard budget feature would be faced with a workload issue for fiscal 2001. Prior to using SABHRS in fiscal 2000, legislatively authorized budgets for both fiscal 2000 and fiscal 2001 were entered into SABHRS. Because fiscal 2001 budgets have been entered into SABHRS, agencies that choose to use standard budgets would need to reverse some of the work they did in allocating fiscal 2001 budgets and then allocate the budgets using the standard budget feature. This would only be an issue for fiscal 2001, but would reduce the time needed for agencies to maintain their budgets for the remainder of fiscal 2001. At this time, the impact this feature would have on reducing agency SABHRS related workload is unknown, because this functionality has not been implemented or tested.

ADDITIONAL CONCERNS

Fiscal Year 2000 Closing

Potential Delays

SABHRS has not completed a full fiscal year operating cycle. One of the significant milestones or tests of SABHRS will be to close the “books” for fiscal 2000. The fiscal year closing process traditionally places a significant burden on fiscal and accounting resources in all agencies and OBPP. Coincidentally, fiscal 2000 is the base year for developing budgets for the 2003 biennium. The LFC should be aware of a concern regarding SABHRS and the fiscal 2000 closing process that:

- could potentially delay closing fiscal 2000;
 - could significantly impact agencies;
 - could impact the budget development process for the 2003 biennium; and
 - could impact the startup of fiscal 2001.
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- The final date for closing fiscal 1999 was extended because DPHHS was unable to process all documents in time to meet the deadline for year-end closing.

This extension is particularly notable because the fiscal and accounting records for fiscal 1999 were being done on SBAS, which was a system that agencies had been using and

were familiar with. Such is not the case for fiscal 2000, since SABHRS has been used to record the fiscal and accounting transactions for fiscal 2000. As stated previously, transactions performed on SABHRS are taking agencies longer to process.

Impacts on Agencies

Fiscal year closing is typically a time when agency accounting and budget personnel and OBPP are extremely busy. Agency budget personnel and OBPP are busy implementing budget changes that are needed to meet the intent of law. As stated earlier, the time it takes to make changes to agency budgets has significantly increased with the implementation of SABHRS. The use of the standard budget feature will not likely be available for fiscal 2000, so agencies will not be relieved of this time impact during fiscal 2000 closing.

Impacts on Budget Development

Delays encountered in closing fiscal 2000 could impact the preparation of the 2003 biennium budget. Submission deadlines that are included in 17-7-112, MCA, could be impacted if the year-end closing is significantly delayed. Because fiscal 2000 expenditures are the base for the 2003 biennium budgets, workload issues associated with fiscal 2000 closing could adversely impact the quality of base year expenditure data and subsequently could impact the 2003 biennium budget requests and legislative decision making. The impact on the legislative process would result if errors were identified in base year data that resulted in budget adjustments that would not normally have been needed.

Security

Security concerns with SABHRS have been identified in a November 1999 audit performed by the Legislative Audit Division (audit number 99DP-02). The audit identified a security issue that allows payroll personnel in one agency to access and change data for another agency. A similar issue exists where, because access is granted to perform inter-unit transactions, personnel in one agency can access and change financial data in another agency. The Legislative Audit Division and the Legislative Audit Committee are monitoring this issue. However, the existence of this security issue raises questions of data integrity.

Time entry security issues will be addressed with implementation of the HRMS 7.5 upgrade. In the meantime, SABHRS personnel are working with the Department of Administration's central payroll and accounting staff to improve security in the HRMS and financial databases.

Legislative Concern

Hand in hand with concerns associated with the fiscal 2000 year-end closing process and system security issues is the concern that information needed by the legislature to make informed policy decisions may not be available from the system. In particular, the information in the human resources system may not reflect the information in the financial system if adjustments are made to one system without making corresponding adjustments to the other system.

CONCLUSION

SABHRS has been used by agencies to record the accounting and human resources information for fiscal 2000. The transition from SBAS and PPP to SABHRS has been trying and has frustrated system users. This is to be expected for an endeavor of this magnitude. SABHRS is performing the basic accounting, human resources, and budget maintenance and control functions of the state. The time needed for system users to perform SABHRS transactions has increased from the time it took to enter similar transactions on SBAS and PPP. SABHRS personnel are investigating features of the current SABHRS system that would potentially reduce this time impact. In the meantime, some agencies have added personnel or shifted resources to address the increased time needed to use SABHRS. Agencies were not funded for this increased work so they are expending resources on overtime and additional staffing that should have gone to delivering other services or accomplishing other activities.

The next major test of SABHRS is closing of fiscal 2000. Concerns have been raised that the fiscal 2000 closing could be delayed and could impact the development of the 2003 biennium budget. This concern is centered around the accuracy of base year expenditure data and the impacts inaccuracies will have on the ability of legislative staff to evaluate the Executive Budget Request and provide the legislature information needed to make informed policy decisions.

The LFC may wish to ask:

What plans are in place for the Department of Administration to assure that the fiscal year-end closing process is completed on July 21?

What plan is in place to accommodate agency specific needs to verify the final accuracy of financial information during the fiscal year-end closing process?

What contingency plan does the Department of Administration have in place to minimize any adverse impacts from a delayed closing of fiscal 2000?