



# Procure to Pay Project

## Department of Juvenile Justice

October 1, 2014




# Agenda

- Introduction – Sonja Allen (DJJ CFO)
- Procure to Pay (P2P) Process Concerns
- DJJ P2P Process Improvement Approach
- Introduction - EY
- Program First Approach
- Project Approach
- Areas of Coverage
- Focus Areas
- Questions



# Introduction

Picture	Name	Contact Information
 A professional headshot of Sonja Allen, a Black woman with short dark hair, wearing a dark blazer, against a light blue background.	<p><b>Sonja Allen</b> CFO Department of Juvenile Justice</p>	<p>sonjaallen@djj.state.ga.us</p>



# Procure to Pay (“P2P”) Process Concerns

What keeps you up at night?

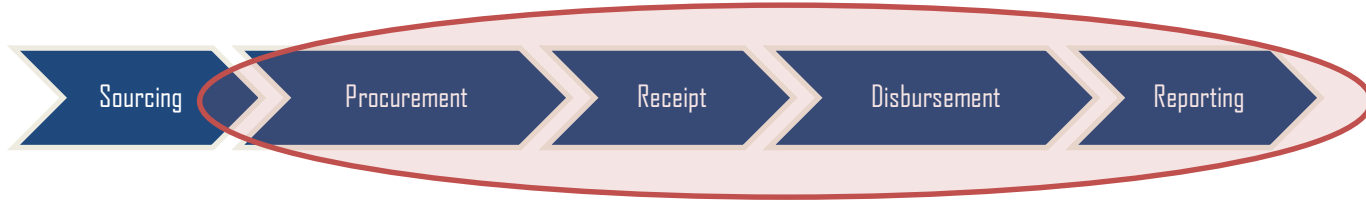
- What inefficiencies are you experiencing in your procurement through payment processes?
- How do you know proper segregation of duties is in place and being followed?
- How do you know the right people have the right access to appropriate systems?
- How do you know former employees have returned government property?
- What monitoring procedures are in place to ensure the budgeting process is effective?
- What practices are in place to effectively and efficiently monitor your p-card expenses?
- How do you know your financial information is complete and accurate?
- How often are your resources attending training and how is that being monitored?
- What process is currently in place for reviewing/updating policies and procedures?



# DJJ Procure to Pay (“P2P”) Process Improvement

Phase 1 – Assessment of P2P processes

Phase 2 – Implementation of process improvements identified



## Focus Areas:

- Requisition & PO Creation
- Goods/Services Receipts
- Voucher Creation
- WEX Card Administration
- P-Card Administration
- Financial Reporting and Budgeting
- Contract Administration and Monitoring
- Training



# Phase I Assessment

- During Phase I, the team noted opportunities to standardize and improve processes and related policy documents. Opportunities existed to tighten the overall internal control environment.
- Additionally, there were opportunities to increase the efficiency and effectiveness of practices throughout the P2P process in all areas of people, process, & technology.
- EY provided a complete report of observations, associated risks, and proposed next steps.
- The Phase II activities were designed to put the proposed next steps into place.



# Phase II Execution

- During Phase II the team worked with process owners to implement process improvements and develop updated policy & procedure documentation.
- All potential changes were co-developed and discussed at length prior to implementation, in an effort to increase process owner acceptance.
- New training materials and approaches were developed and successfully delivered to end-users.
- An increased focus on internal control, automation of processes, and continuous monitoring/training has been adopted at DJJ.



# Introduction

## Who are we?

We are members of the Atlanta area Advisory practice for Ernst & Young (EY), a global big-four accounting & advisory firm.

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# Program First Approach

**“To achieve this goal we must give the full measure of our support to agency policies which enforce safety precautions, protocols and procedures all the time and at all our secure facilities.”**

**Commissioner Niles**

[www.djj.state.ga.us/AboutUs/Commissioner](http://www.djj.state.ga.us/AboutUs/Commissioner)

## ***Improve stakeholder experience***

- ▶ Defined responsibilities with proper training
- ▶ Increase transparency and reporting
- ▶ Enhanced technology to support the job

## ***Support future growth***

- ▶ Improved levels of service for primary purpose
- ▶ Improved perception of procurement function
- ▶ Increased opportunity for skills development

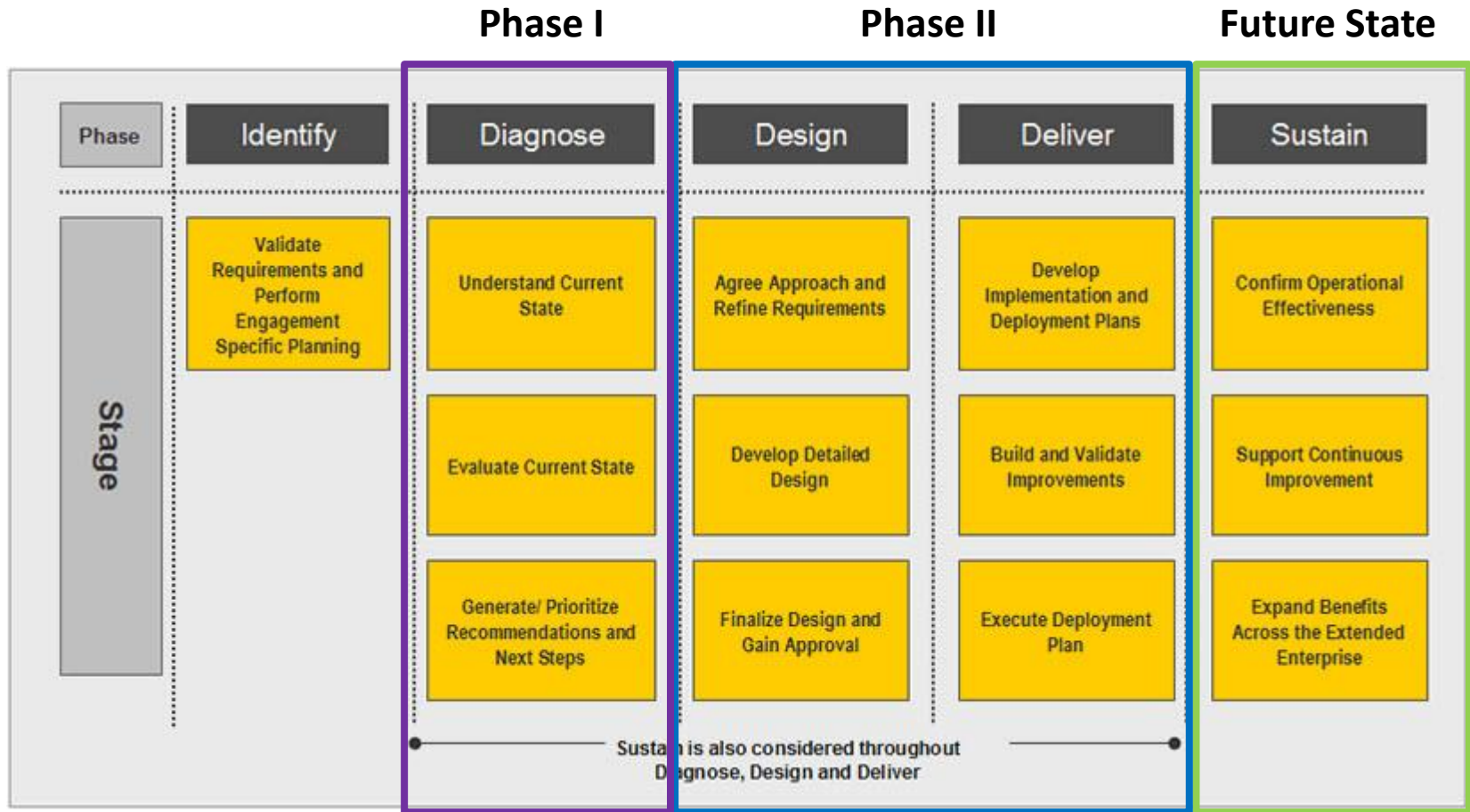
## ***Deliver additional value***

- ▶ Eliminate non-value-added activities
- ▶ Enhance focus on roles and responsibilities
- ▶ Standardize processes to gain efficiencies

**DRAFT – For Discussion Purposes Only**



# P2P Project Approach





# Areas of Coverage

- Requisitioning
- Purchase order approvals
- Receiving goods/services
- P-card use and receipt reconciliations
- Voucher creation
- WEX card use and receipt reconciliations
- Contract administration
- Financial reporting and budgeting



# Requisition/PO Creation

## Typical Areas of Concern:

- Non-standardized forms used to requisition goods/services
- Personnel have inappropriate access to make purchases given their roles within the Agency
- Unnecessary goods and/or services are procured
- Transactions are not coded to the proper account
- Capital expenditures are not coded as such in the G/L
- POs are not created prior to purchase



# Requisition/PO Creation

## Purpose

- Facilitate the transition to a more centralized procurement operation through approval routing updates, implementing communication protocols and providing training

## Key outputs

- Updated standardized requisition documents will be used for purchases
- User access reviews performed will be performed regularly
- Approved requisitions for standard purchases (e.g., food, clothing) will be routed directly to Central Office for consolidation with other requisitions prior to purchase order creation
- All purchases will be sourced to a purchase order unless they are specifically exempt or will be appropriately paid via AP voucher
- Central office NIGP code review for off contract purchases will comply with all DOAS standards and utilize 5 digit coding

## EY has delivered value to DJJ by:

- Providing subject matter resource (SMR) support during implementation of recommendations
- Collaborating with DJJ to strengthen internal controls (manual & systematic)
- Producing a comprehensive baseline of DJJ improvement of the front-end P2P process



# Goods Receipts

## Typical Areas of Concern:

- Payments are made for goods and/or services that have not been received
- Payments are made for unauthorized goods and/or services
- Invoices are not paid timely resulting in issues with vendors
- Payments are made for invoices containing incorrect price/quantity or other information



# Goods Receipts

## Purpose

- Facilitate the transition to standardized physical and systematic receiving procedures including the proper segregation of duties between purchasing, physical and systematic receipt
- Establish baseline record retention policies that can be communicated and enforced as required procedures

## Key outputs

- Consistent and standardized processes for physical and systematic receipt, vendor follow up, agreeing to PO detail, and contractual price monitoring
- Segregation of duties will be in place to prevent or control instances when buyers physically receive goods
- Increased focus on training personnel in proper coding techniques to reduce errors and follow-up communications
- Standard record retention policies communicated across the Agency and they will be enforced

## EY has delivered value to DJJ by:

- Providing industry insight and leading practice for standardized receiving procedures including both physical and systematic receipt as well as knowledge on proper segregation of duties
- Leading practice procedures for record retention and enforcement



# Voucher Creation

## Typical Areas of Concern:

- Payments are made for goods and/or services that have not been received
- Fictitious or duplicate payments are made
- Disbursement amounts are not recorded or are incorrectly recorded
- Payments are made to unauthorized vendors
- Disbursements are incorrectly coded





# Voucher Creation

## Purpose

- Facilitate the transition to a more centralized procurement operation through IT enhancements for voucher collection, 'Proof' report review, disbursement approval and training
- Establish communication procedures between the Central Office and local facilities for instances of rejected vouchers or missing documentation

## Key outputs

- Invoices for standard purchases will be submitted directly to the Central Office for voucher creation to reduce clerical/recording errors
- Segregation of duties in place to separate key responsibilities
- Issues noted by Central Office AP during voucher preparation will be communicated back to the facility
- Vendors will be paid via ACH or wire transfer whenever possible reducing the risk associated with manual check payments

## EY has delivered value to DJJ by:

- Being a business partner in the transition to a more centralized procurement operation
- Providing public & private sector experience and leading practice processes for voucher creation and disbursement review and approval
- Sharing insights into transitioning vendor payments to electronic processing



# WEX Card Administration



## Typical Areas of Concern:

- Inappropriate users in possession of WEX cards
- WEX cards being used for inappropriate purchases
- Delays resulting from inefficient processes
- Expenses are recorded to the incorrect department and/or facility



# WEX Card Administration



## Purpose

- Facilitate the transition to a more organized and controlled WEX administration process through implementation of a quarterly review and IT enhancements to the WEX/ARI system functionality
- Provide proper procedures for the use of vehicles and reconciliation of related mileage logs and monthly WEX charges to receipts

## Key outputs

- All individuals with WEX 'Driver IDs' will be active employees and will be accurately associated with the correct department
- Periodic reviews will be in place to verify the accuracy of the WEX/ARI 'Driver ID' access and coding
- The online WEX 'Driver ID' request form received by the Central Office will include detailed fields such as job title and usage justification to be populated by local supervisors
- A standard process for requesting the use of vehicles and WEX cards will be in place including safeguards
- Clear expectations regarding vehicle usage and gas charge reconciliations will be communicated

## EY has delivered value to DJJ by:

- Reviewed WEX Card process and made recommendations to improve procedures currently in place



# P-Card Administration



## Typical Areas of Concern:

- Unauthorized access to execute transactions
- Fraudulent and/or unauthorized purchases are made
- Fictitious or duplicate purchases are recorded



# P-Card Administration

## Purpose

- Facilitate the clean up of purchase card access and implementation of period reviews to maintain access integrity
- Establish reporting capabilities that are sufficient for the Purchase Card Administrator to use in training and evaluation exam completion analysis

## Key outputs

- Individuals with purchase cards will be active employees and will be accurately associated with the correct department in the PeopleSoft system
- Periodic review of individuals with purchase card access, including credit limits, will be taking place
- All purchase card holders will have completed the required training and passed the required evaluation exam
- The Purchase Card Administrator will be able to pull useful reports for training and exam completion validation
- The Purchase Card Administrator will be notified of terminations and/or transfers when they occur by the HR Department

## EY has delivered value to DJJ by:

- Providing guidance/support in the implementation of the recommendations
- Collaborating with DJJ to strengthen internal controls



# Financial Reporting and Budgeting

## Typical Areas of Concern:

- Financial records are inaccurate or are misstated
- Fraudulent or incorrect transactions are not identified timely
- Funds budgeted for unnecessary/inappropriate purchases
- Local facilities or departments spend in excess of the budgeted amount
- Procurement decisions are made based on budget information that inaccurately reflects available funding



# Financial Reporting and Budgeting

## Purpose

- Strengthen overall financial close and reporting procedures including segregation of duties within the process
- Formalize processes and communication of new requirements including monitoring and enforcement actions

## Key outputs

- A period-end checklist will be utilized and signed to evidence the completion of all closing procedures
- Journal entry preparation, review and posting will be properly segregated through the use of user access roles that are defined by functional area
- Bank account reconciliation reviews by Central Office will be performed on a monthly basis and a checklist will be maintained to evidence the completion of reviews
- Budget monitoring will be executed at a higher level by the Central Office to allow more time for analysis and less time dealing with budget allocation changes

## EY has delivered value to DJJ by:

- Providing leading practice knowledge around financial reporting procedures and budget management



# DJJ Contract Administration



## Typical Areas of Concern:

- Contracts are executed where an existing contract already existed
- Unauthorized DJJ contracts (and amendments) are executed
- Contract lapses in coverage and/or renewals
- Vendors do not comply with contractual terms and are not held accountable





# DJJ Contract Administration



## Purpose

- Implement sustainable contract administration and monitoring procedures
- Facilitate the transition to a contract repository including obtaining locally executed contracts and loading the data to a contract repository

## Key outputs

- Invoices for standard purchases will be submitted directly to Central Office for voucher creation
- A complete listing of all state-wide, agency and local contracts will be maintained and used for contract monitoring
- Contract compliance monitoring responsibilities will be understood and performed at the local and Central Office and monitoring procedures will be in place
- A systematic process will be in place to monitor vendor compliance both operationally and for administrative purposes including expiration and renewals

## EY has delivered value to DJJ by:

- Providing guidance/support in the implementation of the recommendations



# Training

## Typical Areas of Concern:

- Trainings are outdated, incomplete or non-existent
- Trainings are not effective at imparting information to end-users
- Training completion and end-user understanding is not monitored
- Personnel do not attend refresh training on a regular basis



# Training

## Purpose

- Develop and facilitate training workshops that cover procurement, budgeting, purchase order review, purchase cards, bank account reconciliations, contract process and online travel reimbursements

## Key outputs

- Updated training approach will be used to improve class participation
- Employees involved in the procurement process will be trained in state purchasing guidelines and will be familiar with the existing contracts in TGM and the order of precedent
- Employees involved in the procurement process will be trained on key budget reports (BD-10 and BCR) and will review them on an on-going basis to drive purchasing decisions based on the available budget prior to approving purchase requisitions
- Central office purchase order sourcing procedures will be thoroughly documented and readily accessible for any new employee or backup employee, who will be previously identified, and trained to fill specific positions in the purchase order review process
- All purchase card holders will have completed the required training and passed the required evaluation exam

## EY has delivered value to DJJ by:

- Bringing fresh ideas and resources to assist with the preparation of training materials and roll-out of training workshops



# Questions?