ATOM
Administrative Technologies of Marin
Preliminary Business Process Improvement Recommendations and Next Steps

January 2013
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Overview of Presentation

Purpose of today: Before moving forward, hear feedback on recommendations and next steps

1. Where we’ve been
   • Lessons Learned

2. Where are we now
   • ATOM Project Overview
   • Phase 1 - Findings of Business Process Review
   • Improvements and Changes

3. Next Steps
Lessons Learned

New Approach based on past experience.

- Simpler software designed for the public sector (“Tier II” versus “Tier I”)
- Incremental, phased approach based on readiness
- More direct Board oversight, as compared to the previous project operated by the elected Auditor’s Office
- More reliance on our IST department to lead and manage the project
- Greater user input throughout and training prior to go-live
- Early involvement in change management
Why we initiated ERP system project in 2004

• Many of our business practices were outdated, didn’t serve us well or needed revision
• Former financial system (MARS) implemented nearly 14 years prior (1990) and was no longer supported by vendor
• Limited functions in old system; couldn’t pull data from multiple sources
• Simply put, SAP was initiated to make us more modern, efficient and effective organization.
Current SAP System is Stable

*Improvements were made, but not to extent required*

Pre 2007

**Lacking:**
- program-based capacity
- workflow for financial processes; all paper-based
- self-time entry; strictly paper timesheets
- Budget development – done on spreadsheets

Changes made

**Made available:**
- more data and integrated system workflow
- partial automation of timesheets
- automation of regulatory data updates (i.e. tax rate changes)
- expanded ability to administer benefits to domestic partnerships

Next Phase

**Improve and fix system deficiencies:**
- full automation of timesheets
- employee self-service
- better system controls, streamlining
- Improved vendor look-up capability
- user-friendly interface, reporting and metrics
Where Are We Now?

- Reviewed pros and cons of fixing the system in August 2010:
  - Requirements revisited – only 51% fully met
  - Stable but work-arounds required
- Need for better financial and personnel management given flat resources and expected staff turnover
- Greater expectation for automated transactions and real-time information
- Lower ongoing costs for simpler Tier II system
- Cost of a new financial system estimated at $5 to $10 million
- Decision to move to a different solution

SAP Performance Requirements

- Met 51%
- Partially Met 32%
- Not Met 17%
ATOM Project Overview

Process:
- Phase 1 - Document and improve business processes
- Phase 2 - Prepare system requirements
- Phase 3 - Select software
- Phase 4 - Implement system

Results:
- Simpler more intuitive systems
- Better financial and personnel reporting for managers
- More efficient operations – less staff time – so departments can focus time on core missions not administration
- More transparent government – the ability to confidently report on financial and human resources activities when our citizens request information
- Long term cost savings – anticipated lower costs of maintaining simpler system
- Well-managed County government
Phase 1: Business Process Improvement

• Hired Plante Moran to provide objective evaluation of our processes and to recommend industry best-practices
• This phase sets foundation for next system implementation
• This step not taken in SAP implementation
• 2,500 staff hours in 2012 to document current business processes
• Over 400 Business Process maps and over 900 issues covering all departments
• Engaged staff in open feedback forums to understand impacts of change and also went to each department
Plante Moran Profile

**STABILITY**
- Founded in 1924
- Recognized by *Fortune* magazine as one of the “100 Best Companies to Work For” for the last eleven years
- 12th largest certified public accounting and management consulting firm in the nation

**DEPTH**
- Approximately 2,000 staff members, including over 250 partners and directors
- Over 50 technology consulting professionals
- Significant investment in professional education/training

**INDUSTRY EXPERTISE**
- Over 50 years of involvement in serving public sector clients
- Significant municipal ERP and IT Strategic Planning experience

**VENDOR INDEPENDENCE**
- Independent from software and hardware vendors for our public sector clients
- 94% of clients say Plante Moran puts their interests first
Approach
## Project Governance

<table>
<thead>
<tr>
<th>Project Governance Component</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Administrators Office (CAO)</td>
<td>Provides overall project sponsorship and support. Reports progress and recommendations to the Board of Supervisors.</td>
</tr>
<tr>
<td>Executive Steering Committee (ESC)</td>
<td>Oversees all issues of strategic importance to enterprise applications that operate across departments, supporting Finance &amp; Logistics, Human Resources, Payroll and Budget business functions for the County.</td>
</tr>
<tr>
<td>ATOM Advisory Group</td>
<td>Provides critical advice and makes recommendations to the ESC through the ATOM Nucleus. Every department has a designated representative on the ATOM Advisory Group.</td>
</tr>
<tr>
<td>ATOM Nucleus</td>
<td>Provides project management and project advice to the ATOM Advisory Group and ESC. The Nucleus is involved in day to day decisions and providing recommendations regarding the project to the ESC.</td>
</tr>
</tbody>
</table>
Methodology

Key Themes:
- Significant participation from County staff across all Departments
- Validation of key as-is documentation by County staff
- Significant discussions with ESC regarding recommendations
- Provide the County with direction and best practice recommendations for improving current business processes
- Quantify benefits in terms of estimated time savings for process owner and user departments
Results of As Is

- Engaged 100+ process owners and users from all County departments in facilitated sessions
- 410 As Is Process Maps documented
- 318 Supplemental and Shadow Systems Identified
- 1,022 Issues Identified, Verified and Documented
  - 304 Process, Policy and Control related issues (after consolidation from 509 issues)
  - 513 Technology related issues
Results of As Is – Sample Process Map

Finance and Cash
Sub-Process: NSF Check Processing
Department: Inter-Departmental

Map No: FC-CR-05-I

Bank

Treasurer

DOF (AP)

Departments

Courts

Fees range from $5-$30 based on department

Hand Delivers Hard Copies to AP
## Results of As Is – Sample Issues

<table>
<thead>
<tr>
<th>Process Area</th>
<th>Issue</th>
<th>Type</th>
<th>Comment</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Receipting</td>
<td>There may be too many approval levels in the cash receipts process when cash is received via Bank of America.</td>
<td>Process</td>
<td>Determine appropriate approvals required for cash receipts and incorporate into workflow process.</td>
<td>Pre-Implementation</td>
</tr>
<tr>
<td>Cash Receipting</td>
<td>The cash register tape and deposit slip are completed manually. They need to be scanned and mailed because of time delays.</td>
<td>Process</td>
<td>A system that prints daily cash deposit totals and submits supporting documentation via workflow to necessary parties.</td>
<td>Implementation</td>
</tr>
<tr>
<td>Cash Receipting</td>
<td>Credit Card Processing is decentralized, which causes inefficiency. The Departments have to coordinate with the bank to actually setup the merchant account and notifying the Treasurer. Each department is managing their merchant contracts and processing fees differently.</td>
<td>Process</td>
<td>Consider a centralized payment processor.</td>
<td>Pre-Implementation</td>
</tr>
<tr>
<td>Cash Receipting</td>
<td>There is not a standard point of sale system at the County. Each department has their own Point of sale system, causing inefficiencies.</td>
<td>Technology</td>
<td>Upgrade and centralize the cash receipting and point-of-sale system to streamline the processing of revenues collected from the federal, state, individual citizens, and local businesses. Implement a standard point of sale system across the County that is interfaced to the financial system. Include in specification development in ATOM Project Phase 2.</td>
<td>Implementation</td>
</tr>
</tbody>
</table>
Key Findings

• Complexity of Current Account Structures
• Reliance on Manual Processes
• Opportunities to strengthen Internal Controls
• Lack of Integration Between the Core Financial System and Other Systems
• Lack of Real-time Data Accessibility to End Users
• Implementation of Manually Intensive Stand-alone “Shadow” Systems and Processes
• Lack of eBusiness Functionality
• Enforcement of Policies and Procedures

Many issues can be traced back to the choices made during the implementation of SAP and how it was configured for the County
## Tier 1 vs. Tier 2 ERP

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Tier 1 Vendors</th>
<th>Tier 2 Vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design Considerations</strong></td>
<td>• Designed for private sector and later adapted to public sector</td>
<td>• Primarily designed for public sector</td>
</tr>
<tr>
<td></td>
<td>• Larger organizations with greater R&amp;D budgets</td>
<td>• More prescriptive functionality</td>
</tr>
<tr>
<td></td>
<td>• Robust development tools</td>
<td>• Environments leverage 3rd party tools (database, report writer, etc.)</td>
</tr>
<tr>
<td><strong>Software Functionality</strong></td>
<td>• Core modules have robust functionality</td>
<td>• Typically less robust functionality for core components, including HR/Payroll</td>
</tr>
<tr>
<td></td>
<td>• May lack public sector specific features (e.g. encumbrance rollover, GASB 34 reporting, etc.)</td>
<td>• Many vendors offer additional public sector modules; e.g., permitting</td>
</tr>
<tr>
<td></td>
<td>• Highly configurable</td>
<td>• Some configuration</td>
</tr>
<tr>
<td><strong>Staff required for</strong></td>
<td>• 6-12 FTE</td>
<td>• 3-7 FTE</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ongoing support staff</strong></td>
<td>• 3-8 FTE</td>
<td>• 1-3 FTE</td>
</tr>
<tr>
<td><strong>required</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost Model for Major</strong></td>
<td>• Most major upgrades include significant license fee costs</td>
<td>• License fees for version upgrades often included with maintenance fees</td>
</tr>
<tr>
<td><strong>Version Upgrades</strong></td>
<td>• Most major upgrades require significant levels of vendor services to assist</td>
<td>• Most major upgrades require moderate levels of vendor services</td>
</tr>
<tr>
<td><strong>Software Support Channel</strong></td>
<td>• Mixed, some direct, some through implementer / value added reseller channel</td>
<td>• Primarily direct vendor support</td>
</tr>
<tr>
<td><strong>Hosting Options</strong></td>
<td>• Generally hosted internally, some offering ASP. Few multi-tenant web-based options.</td>
<td>• Generally hosted internally, some offering ASP. Few multi-tenant web-based options.</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>• Costs can be 2 – 3 times higher than Tier 2</td>
<td></td>
</tr>
</tbody>
</table>
Key Opportunities

• Redesigned and streamlined business processes incorporating established best business practices.
• Full integration between all system modules, allowing for the elimination of shadow systems and other supplemental applications.
• Real-time, immediate update and access to the financial and human resources information.
• Single entry of data and reduction in manual processes.
• Data to support management decision-making.
Key Opportunities

• Elimination of paper-based processes and replacement with automated, online workflows and approvals
• Self-service capabilities and other “e-government” opportunities such as employee self-service, remote time entry and mobile workforce capability.
• Increased public sector accounting functionality with cost and activity based accounting.
• Performance measurement and improved reporting capabilities.
• Improved system of internal controls.
• Reduced total cost of ownership.
Recommendations
## Recommendations

<table>
<thead>
<tr>
<th>Process</th>
<th>Recommendation</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority 1:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Procurement</td>
<td>• Redesign process/streamline/strengthen controls</td>
<td>Very High</td>
</tr>
<tr>
<td>• Payroll</td>
<td>• Automate/simplify/improve controls</td>
<td>High</td>
</tr>
<tr>
<td>• Revenue Cycle</td>
<td>• Integrate/standardize/improve controls</td>
<td>Very High</td>
</tr>
<tr>
<td>• Projects/Grants</td>
<td>• Standardize/streamline</td>
<td>High</td>
</tr>
<tr>
<td><strong>Priority 2:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Accounting/Budgeting</td>
<td>• Increase effectiveness/simplify</td>
<td>Moderate</td>
</tr>
<tr>
<td>• Recruiting</td>
<td>• Automate/streamline/effectiveness</td>
<td>Moderate</td>
</tr>
<tr>
<td>• Labor Relations</td>
<td>• Simplify/reduce classifications</td>
<td>High</td>
</tr>
<tr>
<td>• Human Capital/Learning &amp; Development</td>
<td>• Automate/self service/improve effectiveness</td>
<td>Moderate</td>
</tr>
</tbody>
</table>
System Replacement Options

1. Do Not Change Existing Environment

2. Further Deploy & Integrate Current Systems

3. Replace Current Systems w/ Integrated ERP designed for Public Sector

4. Replace Current Systems w/ Best of Breed

Strategic Options Evaluated
# System Replacement Options Analysis

(1) Anticipated costs for best of breed option are 10% in addition to costs for ERP given the expected additional integration and ongoing support costs; benefits, however are not expected to increase at the same rate.

(2) If Option 2, invest in SAP, soft costs are estimated to be 50% of Option 3 soft costs. Note that hard costs already include Marin County IT staff who support SAP.

(3) If Option 2, invest in SAP, soft cost savings are assumed to be the same as Option 3 soft cost savings, assuming all of the investments are made to improve SAP.

(4) Option 3 and Option 4 hard cost savings include avoidance of further investment in SAP ($11M over 10 years) in order to provide an 'apples to apples' comparison.

(5) Anticipated soft cost savings under all applicable scenarios assumes savings apply to productive staff time.

<table>
<thead>
<tr>
<th>10 year Cost Projections</th>
<th>Options Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10 Years</td>
<td>Option 1 - Status Quo</td>
</tr>
<tr>
<td>Cost Projections</td>
<td>-</td>
</tr>
<tr>
<td>Cost Multiplier</td>
<td>-</td>
</tr>
<tr>
<td>Total Hard Costs</td>
<td>$ 21,792,034</td>
</tr>
<tr>
<td>Total Soft Costs</td>
<td>-</td>
</tr>
<tr>
<td>Total Cost Projection</td>
<td>$ 21,792,034</td>
</tr>
<tr>
<td>Soft Costs Saving Multiplier</td>
<td>-</td>
</tr>
<tr>
<td>Hard Cost Savings</td>
<td>-</td>
</tr>
<tr>
<td>Soft Cost Savings</td>
<td>-</td>
</tr>
<tr>
<td>Total Cost Savings</td>
<td>-</td>
</tr>
<tr>
<td>Hard Costs Net Saving (10 Years)</td>
<td>$ (21,792,034)</td>
</tr>
<tr>
<td>Net Savings (10 Years)</td>
<td>$ (21,792,034)</td>
</tr>
</tbody>
</table>
Approach

Phase 1 - Assessment
- Issues Listing (1,022)
- Process Maps (400+)
- Technology Issues (513)
- Process/Policy/Control Issues (509)
- Consolidated Issues (344)

Phase 2 & 3 - Procurement
- Software Specifications
- RFP, Vendor Due Diligence, Contract

Phase 4 - Implementation

Phase 1B – Process Redesign
- High Level Process Redesign
- System Selection Guidance/Criteria

Phase 1 Report

Phased Implementation/Final Process Redesign
Thank You

MARIN COUNTY, CA
Next Steps

Winter to Summer 2013
- Finalize Phase 1
- Begin interim measures and employee process teams

Winter to Summer 2013
- Complete requirements for RFP

Fall 2013 to Spring 2014
- Issue RFP
- Select software
- Finalize legal contract for software

Spring 2014 to End of 2015
- Implement new software using a phased approach
Next Steps for Process Improvement

1. Take interim measures (prior to a new system) to address deficient areas:
   - Clarify organizational roles and enforce policies and procedures to improve internal controls
   - Better understand reporting requirements that created the need for shadow systems and expand training on accessing existing data in SAP
   - Improve eBusiness where possible (where further SAP investment not required)

2. Incorporate input from your Board – then finalize recommendations and communicate actions
3. Staff-led process improvements – including possible additional expert assistance
4. Manage and communicate anticipated changes
Next Steps for System Replacement

• Educate staff on software options, including site visits
• Prepare system requirements
• Prepare Request for Proposal
• Evaluate software
• Select software
• Implement system
In Closing... Success requires

• Department engagement and commitment to the project
• Right people on the project
• Clear and commonly understood scope and goals
• Foundation of good policies, processes, and controls
• Transparency to Board, employees, and public
• Confidence
Opportunity for Questions