IT Modernization:
Bringing Government from Obsolete to Cutting Edge

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Focus on the Future

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Topics Covered

- State of the industry with respect to IT Modernization
- Obsolete systems assessment
- Finding the right replacement system
- Risk and cost of implementation
- Implementation considerations
- Cloud computing
- The future of accounting and auditing

Goal of Session

- To provide information to assist in evaluating the need and requirements of modernizing your IT system.

State of the Industry

Shared services

- Advantages:
  - ➤ Reduction in administrative services costs
  - ➤ Effectiveness and efficiencies
  - ➤ Centralized governance

State of the Industry

Shared services

• Disadvantages:

➢ Implementation cost

➢ Reduced control

➢ Specialized training and needs

➢ Lack of support services

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State of the Industry

<u>Decentralized departments</u>

- Numerous accounting applications

- Incompatible platforms

- Inefficient consolidations of financial information

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State of the Industry

Turnover in Key Positions

- Finding qualified replacements

- New talent brings new technology

- Outsourcing opportunities
  - Personnel
  - IT Solutions

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State of the Industry

<u>Cyber Security</u>

- System vulnerabilities

- Loss and recovery of data
  - Public information vs
  - Confidential information

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Obsolete Systems Assessment

<u>Questions to consider</u>

- How do transactions post to the general ledger?

- How and how often are budget amendments recorded?

- When is reporting available?

- Where is data stored?

- How is data backed up or restored?

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Obsolete Systems Assessment

- Are there separate modules for different transaction classes?
- Is the government's data, bank accounts, information systems secure?
- Terminals vs PC workstations?
- What ways are funds received from customers and paid to vendors?

❖ Terminology Exercise!

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Finding the Right Replacement
*(*if needed)*

- Set <u>GOALS</u> for what the system has to include for it to provide value
    - Increase efficiency
    - Flexible reporting
    - Reduce cost and minimize risk
    - Proper IT governance and analytics
    - User friendly
    - Secure
- Keep these at a high level, think, what do we want to get out of a new system and why do we need it
- This will help with RFP requirements or assist internal staff need to achieve through the discovery process. This will also sets the proper expectations of the project.

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Finding the Right Replacement

- Internal controls review (internally or externally performed)
  - Complete IT and Financial IC Review
  - Policy and procedures review
  - Identifying redundancies in the current process (IT and Financial)
  - Interview employees, department heads, customers and users of the applications
  - Leverage existing IT with the new system
  - Financial – segregation of duties
  - IT Governance – segregation considerations
  - Security concerns

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Finding the Right Replacement

Tips for selecting a vendor

- Send out RFP's or contract with a firm to do this on your behalf
- For proper due diligence, review at least 3 vendors
- Talk to other governments, find out what they use and gather feedback
- Opportunity for shared services, piggyback off bids for other governments
- Provide the vendor a list of requirements that stem from the goals
- Remember they may be just a local vendor for a larger application. One example of this is a MS accounting package. It is a Microsoft developed product that is sold, implemented and supported by local firms. This may give you the personal touch you are looking for with the support required.

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Finding the Right Replacement

Tips for selecting a vendor (Continued)

- Make sure all the accounting areas are covered and will fit with the specifics of the government

- Should have a good reputation, many referrals and provide specific timing for implementation

- Conversion capabilities

- Knowledgeable about the industry

- Support costs included in implementation ongoing costs in the future

- Where is the data housed?

- How are permissions setup?

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Risk and Cost of Implementation

Risk

Common pitfalls:

- Project is not completed on time, continuously missed deadlines, over budget
- http://www.michigan.gov/sos/0,4670,7-127-1640_61055-365111--,00.html
- https://blog.southeastcomputers.com/5-mistakes-to-avoid-when-choosing-accounting-software
- Don't lose touch with internal controls vs IT controls – sometimes it seems like the technology provides the internal control, but many times the controls can and still should be manual for them to be operating effectively and reduce risk.

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Risk and Cost of Implementation

Risk (continued)

Too much customization:

- Many times the users want a system that fixes everything, push the button and my job is done, so they can spend more time on higher value activities. This results in "Customization Overload".

- Not only does this cost more to make all the customizations, then associated demand on resources to train, maintain and monitor the activities becomes cumbersome.

- Utilizing technology that isn't fully developed or the market has yet to sort out (Beta vs VHS or HD DVD vs Blue Ray).

- Let's not be on the wrong side of technology

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Risk and Cost of Implementation

Cost

Entry costs:
- System complexity
- Integration with other accounting applications
  - Many times other departments use different cash receipting applications, tax payment tracking, property tax billing and payment, delinquent tax reporting
  - Will the accounting system be fully customized or an out the box solution
- How much availability in the budget for technology
- What will it take to satisfy all the goals or can some be considered less important to achieve - prioritize

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Risk and Cost of Implementation

Cost

Entry costs (continued):

- Sometimes as with any large decision there will compromise
- Data conversion
- Training
- New hardware
- Ecommerce integration – are payments collected online? Are documents exchanged online?
- Will the payments post automatically from the internet or phone app to the system or will there be a manual upload.

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Risk and Cost of Implementation

Cost

- Ongoing costs:
  - Storing / hosting and backing up data
  - Support costs – upgrades included in the cost?
  - Cost of licenses and subscriptions
  - Subscription services, example Office 365

Lots of considerations and decisions to make!

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Implementation

- <u>Considerations / Issues</u>
    - Take the time to clean up chart of accounts – the State has a uniform accounting and chart of accounts that should be used for each entity type. Review this to verify that the funds, accounts and fund classifications are correct.
    - Do not run parallel systems too long (3 months max)
    - After 3 months (max) the old system should be in rest, still available, but nothing live being posted there. Then in accordance with your retention policies, start phasing out the prior system.

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Implementation

- <u>Considerations / Issues (Continued)</u>
  - Converting transaction history from the old to the new system. (I recommend to our clients to bring in the beginning / ending balances on the "Go Live" date and leave the old stuff behind).
  - Trying to be too perfect with reporting. Many of the applications have ad hoc (or on demand reporting). Design and test the primary reports during the testing phase, to verify they work as expected.
  - Understand the reporting parameters and what can be customized. It may take some time to have the system generate the perfect report.

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Implementation

❖ Implementation Exercise!

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Cloud Computing

What is the Cloud? *buzzword

- Physical location

- Network of servers - dividing up the responsibilities, instead of one server doing all these tasks

- Processing data, storing data, backing up data, ecommerce

- Private vs Public

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Cloud Computing

What does this look like for the government and how does it impact on your staff:

- Instead of logging into a computer and opening the applications locally. Staff will log into a website that has all the data available and the information is updated live.

- They will be able to post transactions in real time and others will be able to see the changes almost immediately.

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Cloud Computing

What does this look like for the government and how does it impact on your staff (continued)?:

- Submit purchase requests and invoices remotely. (Think about taking picture from your phone of a quote and having it automatically put in a request for approval)

- Department heads, commissioners, council members and even the public, may be able to see updates to budgets live.

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Cloud Computing

- How do you pay for the Cloud?

- Most cases it is subscription based as compared to paying for program costs.

- Pay monthly for users as compared to annually per license and individually for applications.

- Example: Office 365 – ProPlus Edition $120 user a month (access to all basic Microsoft products), as compared to paying per user, per product, per year

- https://www.accountingtoday.com/news/are-we-ready-for-accounting-information-systems-in-the-cloud

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Cloud Computing

Advantages:

- Updates are easy to install, less downtime

- Predictable costs per user (have to pay for Excel, Word separately, some employees had one or the other, now you get them all for the same flat price.

- Cash flow can be better managed monthly then annually

- Tracking of licenses is easier, less database maintenance

- Usually more secure then the legacy system

Cloud Computing

Disadvantages:

- Poor internet connection – can't post payments, print receipts? How is that going to effect your work?

- Speed of the internet may cause delays in processing

- Timing of postings, as everything is live, a department head may log in at 8am and be under budget on a line item, then by 2pm with the invoice is posted they are over budget.

- Internal IT does not have access to the data, slower recovery

The Future of Accounting and Auditing

- Are computers going to replace humans?

- How is accounting effected?

- What to expect from your auditor?

- IT general controls

- Buzzwords – A.I., Blockchain, Robotic Process Automation

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The Future of Accounting and Auditing

Videos

Ted Talks

Artificial Intelligence vs humans

https://www.youtube.com/watch?v=5rNKtramE-I

How artificial intelligence will make technology disappear

https://www.youtube.com/watch?v=U88Ya9krtBk

Gaining Productivity with RPA

https://www.youtube.com/watch?v=2T1gIpWkDMM

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Questions?

- Tell me more about?

- Is there any way to?

- What can I expect?

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