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MICHAEL POST, C.P.A., M.B.A.

HARRIS COUNTY AUDITOR

September 8, 2020

Dear Honorable Members of the Harris County Commissioners Court,

The Harris County Auditor's Office Internal Audit Division has recently issued the consulting memo listed below. The results of our review are included in the memo. Please contact Errika Perkins, Chief Assistant County Auditor (713-274-5673), or myself if you have any questions. Thank you for your time and attention to these efforts.

- Accounts Payable Post Implementation Status Update
    - **Issue Date:** September 8, 2020

Sincerely,

Michael Post
County Auditor

Harris County Auditor's Office

Memorandum

To:

Lina Hidalgo, County Judge

Rodney Ellis, Commissioner Precinct 1

Adrian Garcia, Commissioner Precinct 2

Steve Radack, Commissioner Precinct 3

R. Jack Cagle, Commissioner Precinct 4

From: Mike Post, Harris County Auditor

Errika Perkins, Chief Assistant County Auditor- Audit Division

CC:

Joe Madden, County Judge's Office

Brandon Dudley, Precinct 1

Mike Lykes, Precinct 2

Conrad Joe, Precinct 3

Cheryl Guenther, Precinct 4

Bruce High, Chief Information Officer

Dylan Osborne, Treasurer

DeWight Dopslauf, Purchasing Agent

Leslie Wilks Garcia, 1st Assistant County Auditor

David Berry, Budget Management

Robert Soard, County Attorney's Office

Sue Lasseigne, Universal Services

RE: PeopleSoft Accounts Payable Post Implementation Status Update

Date: September 8, 2020

During the July 14, 2020, Commissioners Court meeting, in response to agenda item 11, interest was expressed in a review of the Accounts Payable (AP) PeopleSoft implementation due to payment issues identified by various departments since go-live in March. The County Auditor agreed to a limited scope review of the progress of AP related issues and their status.

The objectives of this review were to:

1. Evaluate the change control processes in place to address "Post-Go-Live" issues.
2. Determine the status of Accounts Payable "Post-Go-Live" issues.
3. Determine the status of the County's past due invoices.
4. Evaluate the status of vendor duplicate payments.
5. Research PeopleSoft implementations and usage at peer institutions.

Overview

The STARS implementation project was an initiative of Harris County to replace the County's legacy financial system, IFAS. IFAS, a SunGard Bi-Tech product, was implemented in Harris County in 1999. In 2010, SunGard Bi-Tech announced the availability of its new ERP suite, ONESolution, as a replacement to IFAS. However, the County chose to look at other ERP products rather than implement ONESolution.

The County's financial leadership formed an Executive Steering Committee (ESC) to select the new financial system and oversee the project implementation. The ESC is comprised of Universal Services' Executive Director, Budget Management Director, County Purchasing Agent, County Treasurer, and the County Auditor. After going through a selection process, PeopleSoft was selected as the new ERP system. Additionally, a consulting provider, CherryRoad Technologies was retained to assist with design and implementation of the PeopleSoft system.

Deloitte was engaged to perform a risk assessment over the implementation of the PeopleSoft application (also referred to as STARS). This review focused on the implementation activities and the risks associated with the project. While the review was concluded prior to go-live, the final report was published May 29, 2020. Deloitte identified several high risk areas for improvement, including organizational change management, followed by project governance, application controls, testing, and data conversion.

PeopleSoft was migrated to production on March 1, 2020, using the "Big Bang" approach, meaning several modules went live at the same time, leaving IFAS as a backup system for historic information retrieval and other related processes.

Results

<u>Objective: Evaluate the change control processes in place to address "Post Go Live" issues.</u>

At the time of our review, Universal Services was establishing change management protocols to identify and centralize all enhancements to PeopleSoft. There were 331 total enhancements; 71 already completed, leaving 280 enhancements in the backlog across all County departments for all areas, not just Accounts Payable. At the current rate of disposition, the backlog would take approximately 18 months to clear. However, additional enhancements are being identified weekly and the timeline and disposition rate are not static.
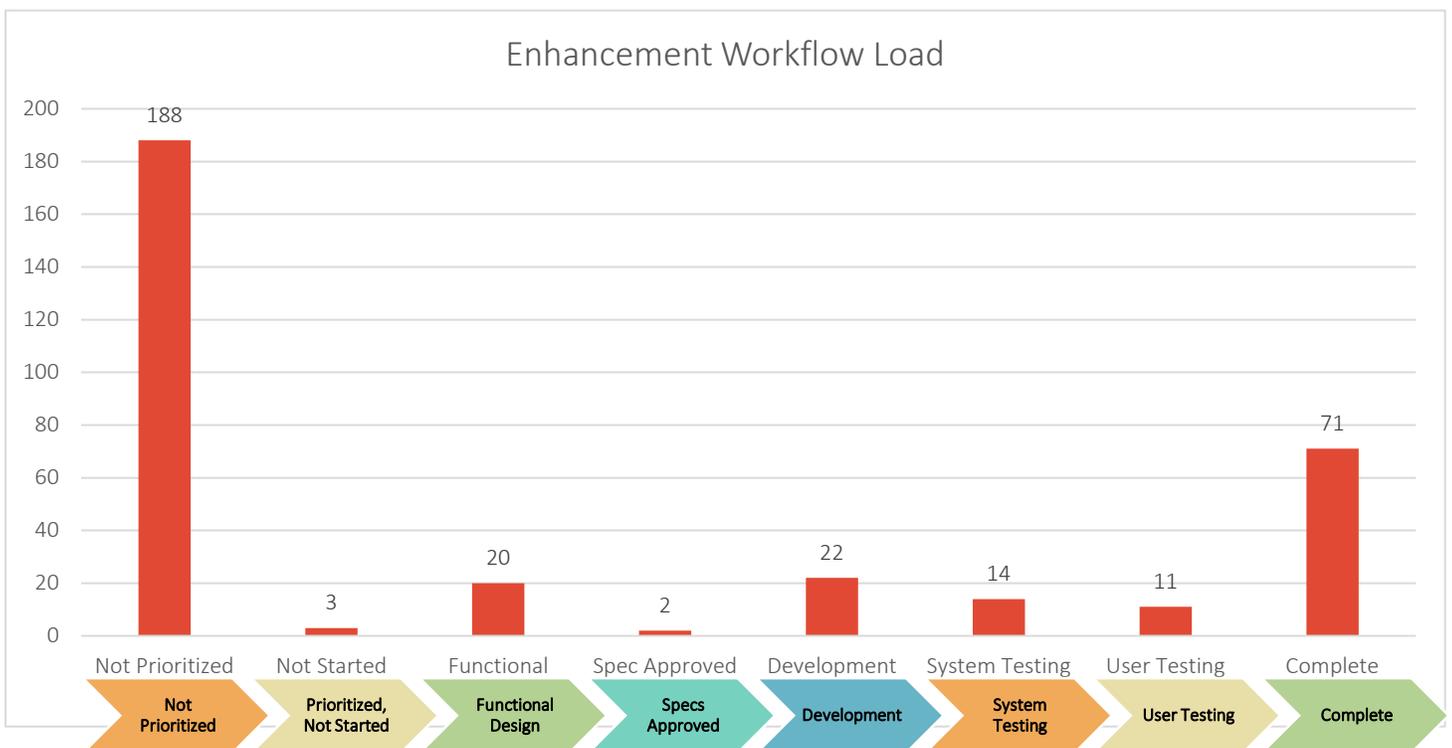
As indicated in the table above, 188 enhancements had not been prioritized because the Universal Services requires department knowledge to guide this process. To address this concern, the ESC has reassembled the Executive Advisory Committee (EAC) to now include the original members and extend invitations to representatives from the Commissioners Court, Community Services Department, County Engineer, Sheriff, and Flood Control. The first meeting of the EAC was scheduled to be held on September 3, 2020.

Universal Services is also working to complete the implementation of additional projects that better support business needs. It is important to note that some of the enhancements that have yet to be prioritized may yield additional projects in the future.

Current projects include:

Projects	Description	Status
PeopleSoft ERP eBuilder Integration	Set up PeopleSoft to communicate directly with eBuilder to request, approve (if possible) payments of engineering contract activity.	Discovery (Information Gathering)
PeopleSoft ERP Time Entry by Employee	Allow all employees to enter their own time into the time system reducing the need for manual paper timesheets and manual review.	Planning
PeopleSoft IFAS Retirement - Status	Identify and archive relevant data from IFAS and turn the system off.	Planning
PeopleSoft ERP 1099s & W2s Printing/Mailing	Setup PeopleSoft to prepare and print/distribute 1099s and W2s.	Planning
PeopleSoft ERP Open Enrollment and ACA Status	Setup PeopleSoft to accommodate Affordable Care Act (ACA) and Open Enrollment for employee benefits.	Configuration

Universal Services purchased additional PeopleSoft modules that were not implemented at go-live. The unimplemented modules include: PeopleSoft ERP E-Settlements, Learning Management System, and E-Supplier. According to the latest update presented to the ESC, Universal Services will be requesting an additional $6.4 million in resources from the Commissioners Court to address the outstanding enhancements and projects.

Objective: Determine the status of Accounts Payable "Post-Go-Live" issues.

The table below depicts five completed PeopleSoft Accounts Payable issues that have impacted multiple departments within the County. They were corrected prior to Universal Services implementation of a tracking process, therefore they are not included in the completed enhancements.

Issue	Solution	Resolution Date
Payments were made for more than the associated balance on the PO.	System matching rules were modified to prevent this from occurring. There were no retroactive system adjustments. AP will make encumbrance adjustments as needed.	4/9/2020
Payments were made for more than the amount of goods or services received.	System matching rules were modified to prevent this from occurring. There were no retroactive system adjustments. AP will address necessary corrective actions.	4/18/2020
Departments inadvertently received on POs that belong to other departments.	Security rules were established that prevent a department from receiving on another department's PO.	7/17/2020
Payments coded to certain liability accounts were skipping departmental approvals.	Payment request workflow was added to secure departmental approvals.	7/23/2020

| Some payments were not posting properly due to differences in business units entered by the department and Accounts Payable. | Workflow was updated to route for department review any payment request or voucher that has business units that do not match. | 7/23/2020 |
| Accounts Payable processers were not able to view data necessary for troubleshooting payments. | Security profiles were modified to provide AP access to the screens needed. | 7/27/2020 |

The table below describes five Accounts Payable enhancement requests currently being tracked by Universal Services.

| Enhancement Number	Description	Status
271	Modify check stub to include additional details for utilities payments.	Not Prioritized
342	Add additional receipt information to the Accounts Payable PO screen to provide AP clerks ability to research details.	Not Prioritized
259	Create a process to allow remaining funds on PO to be released.	Functional Design
350	Provide departments more information via OpenText workflow to review invoices prior to AP entering the voucher in PeopleSoft.	Functional Design
346	The match schedule to auto process vouchers in PeopleSoft will be adjusted to allow the AP processing team more time to make corrections between the auto process runs.	Development

In addition, Universal Services has received a number of enhancement requests for reports that will support the vendor payment process. They are in various stages within the enhancement workflow.

Objective: Determine the status of the County's past due invoices.

The past due invoices analyzed in this section are derived from PeopleSoft's Problem Voucher Query report. Although significant strides have been made in the number of these invoices worked, as indicated in the table and chart below, new problem vouchers continue to come in.

As of August 31, 2020, the amount of past due invoices, aged by voucher entry date, are as follows:

30-60 Days	60-90 Days	90 Days or More	Total
$ 8,107,338.39	$ 1,972,070.43	$ 1,044,500.45	$ 11,123,909.27

Past Due Invoice Count Trend as of August 31, 2020

Legend: 30-60 Days · 60-90 Days · 90 Days or More
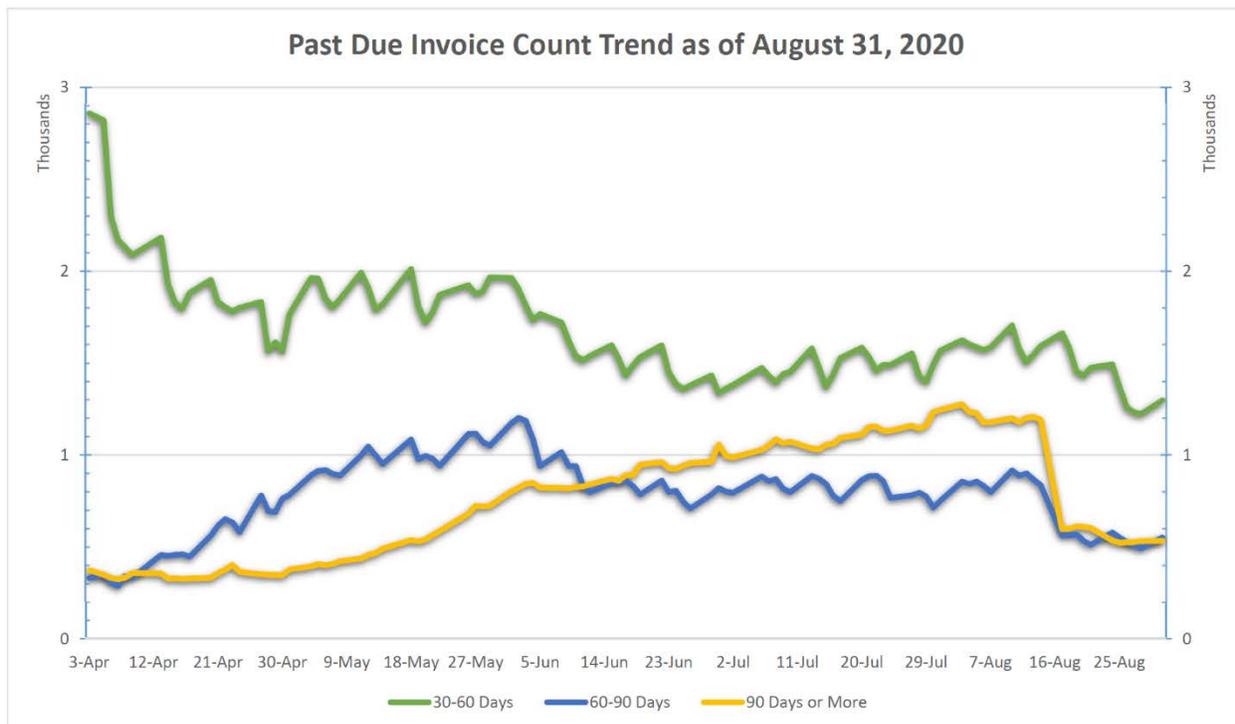
The Auditor's Office – Accounting Division has hired four temporary employees with PeopleSoft AP experience dedicated to work with departments to resolve these past due invoices.

Objective: Evaluate the status of vendor duplicate payments.

As part of the post go-live risk mitigation efforts, the Auditor's Office – Audit Division conducted an analysis of duplicate payments to identify invoices that were paid in both IFAS and PeopleSoft. PeopleSoft does have controls to prevent duplicate payments from occurring within the system.

Duplicate payment analysis identified 121 items totaling $269,615.29 that appeared to have been paid in both IFAS and PeopleSoft. The analysis included all IFAS invoices paid from the period of January 1, 2019, through February 29, 2020. These items were communicated to Auditor's Office - AP Department for resolution or recovery.

The Auditor's Office – Accounting Division has reviewed a majority of these items prioritizing by dollar value. Their efforts were able to determine that:

- 30 items totaling $188,943.73 were not duplicates or had been resolved (i.e., stop payments had occurred, or credit memos had already been received).
- 39 items totaling $75,598.43 were determined to be duplicate payments. Recovery efforts have begun for these items. As of the date of this report, $42,553.18 or 56% of the confirmed duplicates have been recovered.

The remaining 52 items totaling $5,073.10 are still under review to determine if they are duplicate payments. The Auditor's Office – Audit Division is developing ongoing monitoring routines to detect duplicate payments in PeopleSoft caused by human override, such as altering the invoice number.

Objective: Research PeopleSoft implementations & usage at peer institutions.

The Audit Division contacted two Local Government Agencies that have implemented PeopleSoft to determine if they experienced issues similar to those noted in this memo and what best practices they could share, if any.

Brazoria County, Texas

Brazoria County has been using PeopleSoft since October of 1999. They indicated that after their go-live they had to adapt business processes to leverage the software fully. There was a period where vouchers were entered as they were received, but this created some of the same issues that Harris County is experiencing such as mis-matching of receipts, PO balance issues, etc. This required them to spend time 'working' the problem vouchers. They re-engineered their process so that the 'trigger' for a payment at the department level is the goods receipt in PeopleSoft. They do not enter a voucher into the system for payment without the receipt. Their order of operations is as follows:

Purchase Order is created by Purchasing	Goods Receipt against PO is created by Department upon delivery of goods/services	Invoice is received by A/P and voucher created against PO only if receipt exists
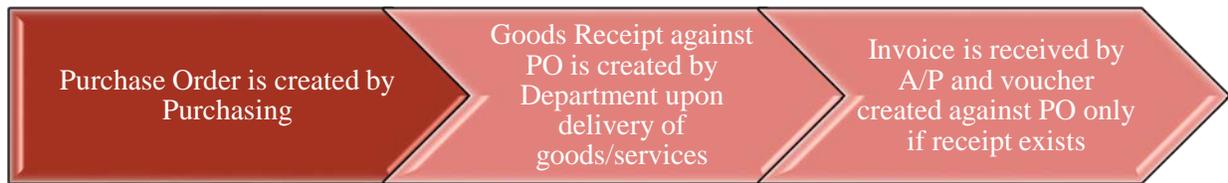
Hennepin County, Minnesota

Hennepin County has been using PeopleSoft since 2010. They did not encounter issues with matching because their existing business process workflow corresponded with the software design, in that a voucher was not created until after the receipt. The problems they encountered were related to timeliness of processing due to the invoices originally being sent to the departments first. They recommend using what is offered by the system and avoid performing significant optimizations that will cause problems with updates. Their order of operations is as follows:

Requisition Created and Routed for Approval by Department ID	Purchase Order Created	Receipts Entered	Invoices Uploaded to OCR recognition software	Department Requisitioners enter Receipt on OCR Software	AP Personnel enter Voucher to PeopleSoft / Begin 3-Way Match
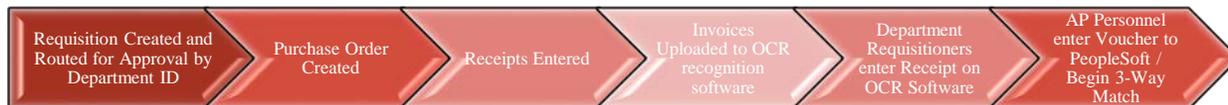
Currently, Harris County creates vouchers before the department has receipted the goods or services. This has resulted in mismatching of receipts and PO balance issues. Universal Services is creating an OpenText workflow that will reverse this process, by allowing departments to review the invoice first, match to the receipt, and then notify AP of their approval, which ultimately triggers the creation of a voucher.