

PROCESS GROUP DEFINITIONS – FINANCE

Full-time equivalents (“FTEs”) and costs will be collected and reported for comparisons to world-class and peer groups by the 18 processes shown in **bold**. They are detailed further on subsequent pages.

Cash Disbursements

Accounts and Programs Payable
Travel and Expense

Revenue Cycle

Cash Application
Credit
Collections
Customer Billing

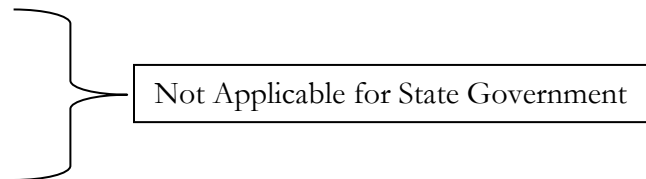
General Accounting and External Reporting

General Ledger
Inter-Agency Accounting
Cost Accounting
Fixed Assets
External Reporting

Tax Management

Tax Management

- Tax Accounting
- Tax Filing and Reporting
- Tax Planning



Treasury Management

Cash Management
Capital and Risk Management

Compliance Management

Compliance Management

- Audit
- Government compliance

Planning and Performance Management

Planning and Performance Management

- Budgeting
- Reporting

Fiscal Analysis (aka Business Analysis)

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- Cost analysis
- Pricing and profitability analysis
- Program performance analysis
- New Program analysis

Management and Administration

Function Management

CASH DISBURSEMENTS

ACCOUNTS AND PROGRAMS PAYABLE

The standard accounts payable and cash disbursement process definition includes the process of paying suppliers, vendors or external third parties for goods, services or freight shipments (inbound and outbound). For state government the definition has been expanded to include program payables. Programs payable includes the process of preparing, reviewing and delivering payments to payees such as Medicaid providers, recipients of public benefit programs (such as TANF and Unemployment Compensation), beneficiaries of other programs operated by the government as an agent or custodian for another party (such as Child Support) and specialized payments to payees not already accounted for (such as lottery agents and prize winners and government bond holders).

- Processing and routing of incoming mail specific to the cash disbursements process including handling of invoices, and requests for payment
- Matching of payee invoice, purchase order, receipt acknowledgement, eligibility status, claims and other required documents or information to validate and verify payment can be made. Often this activity relates to matching requests for payments to an eligibility determination process which had already been performed.
- Preparing and coding of vouchers or claims and performing data entry into an accounts payable or programs payable application
- Processing and managing interface files or other electronic means by which claims for payment are presented
- Processing payments, either electronic funds transfers, warrants, or checks
- Review of system automated program payments due (programs payable – examples include lottery, unemployment, welfare and Medicaid payments, etc.)
 - Performing compliance verification and quality review
 - Researching/reconciling of accounts payable and programs payable; includes processing of debit/credit memos related to payables
 - Performing record retention tasks including maintaining files necessary to support audits and request for federal reimbursement
 - Providing management reporting and audit support specific to the cash disbursements process for accounts and programs payable transactions
- Coordination and management of outsourcing relationships with third-party providers

Note: Intake, assessment, and determination or re-determination of eligibility for the programs themselves (i.e. to create a payee who is eventually and subsequently eligible to receive a payment under program payables), is out of scope. Thus we expect the preponderance of costs associated with running a government program (such as Medicaid) to be out of scope, and only the costs of accounting and fiscal staff processing the payments themselves (or analogous outsourced cost) to be in scope.

CASH DISBURSEMENTS

TRAVEL AND EXPENSE

The processing and payment of employee and/or contractor expense reports for business expenditures incurred on behalf of the organization.

- Incoming mail / post processing (within travel and expense)
- Matching of employee report with receipts, outstanding advances and travel authorizations
- Coding of expense reports
- Compliance verification/approval
- Quality control review
- Data entry/keying into travel and expense system
- Automatic and manual payment processing/distribution
- Verification and issuance of travel and expense cash advances
- Production and distribution of travel and expense report/advance statements
 - Management of internal travel expense management policies and programs including travel and procurement card programs and monitoring compliance to those programs (excludes corporate travel department for purposes of reservations)
 - Researching/reconciling of employees' corporate direct bill account
 - Providing management reporting and audit support specific to the cash disbursements process for employee travel and expense transactions
 - Coordination and management of outsourcing relationships with third-party providers

REVENUE CYCLE

OVERALL

In general, revenue cycle includes processes and activities where customers have an obligation to remit revenue to the state government. The obligation includes both exchange and non-exchange transactions. An example of a non-exchange transaction would be the obligation to pay a tax. An example of an exchange transaction would be payment of revenue in exchange for a license.

Customers include all types of revenue payers, such as individuals, organizations, and even other governments.

- For agencies who provide products/services only to other state agencies and departments, those internal "customers" should be included
- For agencies that provide products/services to non-paying customers or "applicants", those applicants should be included as "customers"
- For agencies that issue "involuntary bills" or where it is understood a bill/payment is due but no bill has been issued (i.e. Dept. of Revenue tax bills), those individuals or businesses being billed or making a payment should be included as "customers"
- Include estimates of individuals using state facilities where a fee is paid for a service received (i.e. golf courses)
- Exclude estimates of individuals making use of state provided common public access facilities that are not paying a fee such as scenic overlooks or wildlife observation stations

Note: Revenue Cycle processes exclude activities associated with collection of money or credit card transactions in settlement of purchases by customers at retail locations, toll collections, or payments made through the Internet where credit terms were not extended. Do not include write-off amounts as an outsource cost.

REVENUE CYCLE CASH APPLICATION

The Cash Application process includes:

- Posting and application of remittances to the accounts receivable system at the customer level including any adjustments
- Includes posting of cash receipts (accounts receivable) for all types of revenues such as taxes, fees, fines, rents, sales, assessments, federal grants, and inter-departmental revenues
- Recording and tracking receivables from customers
- Depositing of customer checks, EFT, or credit card payments received
- Performing management reporting, updating master files, record retention and audit support specific to the revenue cycle process
- Coordination and management of outsourcing relationships with third-party providers including maintenance/management of lock box operations by banks

REVENUE CYCLE CREDIT

The process of extending credit to customers. Government activity in this process is expected to be minimal at the most.

- Developing of credit scores (includes reviewing outside agency reports, credit references), credit limits, payment terms, related policies and procedures, and the approval of credit requests
- Performing management reporting, updating master files, record retention and audit support specific to the credit process
- Coordination and management of outsourcing relationships with third-party providers

Note: Exclude customer service activities, e.g., product support, quality and returned goods.

REVENUE CYCLE COLLECTIONS

The process of pursuing the collection of receivables from customers.

- Pursuing the collection of receivables from customers including calls, letter, emails or other communication methods to collect outstanding receivables
 - Monitoring aged receivables and the maintenance of collection activity history
 - Calculating of interest and/or penalties on past-due/overdue invoices and calculating any associated loss provisions, reserves and bad debt write-off
 - Performing management reporting, updating master files, record retention and audit support specific to the collections process
 - Coordination and management of outsourcing relationships with third-party debt collection providers

Note: Excludes activities associated with collection of money or credit card transactions in settlement of purchases by customers at retail locations, toll collections, or payments made through the Internet where credit terms were not extended. Do not include write-off amounts as an outsource cost.

REVENUE CYCLE CUSTOMER BILLING

The process of documenting and issuing invoices to customers in conformance with contractual obligations or statutory requirements.

- Providing maintenance of pricing standards and contract compliance
- Collecting billing information for purposes of generating customer invoices and verification of billing output (examples include property assessments to revise tax liabilities)
- Performing reconciliation of billing system information against billing documentation including documenting and issuing invoices in conformance with contractual obligations or statutory requirements
- Creating, printing and distribution of customer invoices and the processing of billing adjustments (i.e. license renewal notices should be included)
- Performing management reporting, updating master files, record retention and audit support specific to the customer billing process
- Coordination and management of outsourcing relationships with third-party providers

GENERAL ACCOUNTING AND EXTERNAL REPORTING

GENERAL LEDGER

This process group entails general accounting activities and the reporting of financial information to state and federal regulatory agencies and external third parties where required by legislation. This process includes general ledger close, consolidations, state level eliminations, maintenance of the general ledger and preparation of department and agency financial statements in accordance with management reporting requirements

- Providing maintenance of the general ledger and preparation of department/agency financial statements in accordance with statutory reporting requirements
- Preparing and recording of journal entries
- Monitoring of the close process at statewide, department and agency levels
- Reviewing and analysis of account and subordinate level trial balances and preparation of consolidated trial balance
- Generating and distributing of monthly operational reports
- Performing reconciliation of balance sheet accounts and related bank statements and preparation of eliminating entries
- Finalizing of monthly consolidated statements
- Calculating and consolidating of expense type information
- Providing maintenance of statewide/group overhead allocation pools and related rates
- Researching of state and federal accounting issues and briefing of new pronouncements
- Performing record retention/archiving and audit support specific to accounting and external reporting
- Coordination and management of outsourcing relationships with third-party providers

GENERAL ACCOUNTING AND EXTERNAL REPORTING

INTER-AGENCY ACCOUNTING

Creation of entries for goods/services provided to other agencies including determination of billing amount and preparation of the financial transactions.

- Calculation of amounts owed based on various bases, such as allocation, per transaction etc.
- Accounting and reporting of financial information department/agency level and below
- Reconciliation of account activity to G/L balances
- Monitoring of amounts not collected and collection support activities
- Write-off of un-reconciled balances
- Communications with Treasury and other departments on account reconciliations, settlements and reporting

GENERAL ACCOUNTING AND EXTERNAL REPORTING

COST ACCOUNTING

The process by which department/agency operational information is captured at a level of detail beyond what is needed for general accounting purposes, including: project, service, or funding source

- Capturing and tracking costs on a project or program basis. Typically capturing costs eligible for reimbursement by another entity (such as federal government)
- Tracking of special, long duration projects (such as capital projects)
- Capturing program cost information at a level of detail below that needed for general accounting purposes, including: project, service, or funding source

GENERAL ACCOUNTING AND EXTERNAL REPORTING

FIXED ASSETS

The process of recording and controlling the physical records and financial activities related to the assets of the organization

- Recording and controlling the physical records and financial activities related to the assets of the organization
- Collection of accounts payable vouchers and other documentation required for asset setup
- Preparation of input documents for additions, deletions, transfers and adjustments
- Data entry/keying into fixed asset system
- Reconciliation of fixed asset system account balances and related constructed asset clearing accounts to the general ledger
- Preparation of related journal entries
- Distribution of fixed asset reports
- Record retention and preparation of asset folders
- Development of fixed asset accounting policies and procedures
- Maintenance of depreciation tables and schedules for GASB purposes
- Development, training and support of inventory tracking systems and procedures
- Asset/inventory tagging
- Conducting physical inventory of capital assets

GENERAL ACCOUNTING AND EXTERNAL REPORTING

EXTERNAL REPORTING

The process of reporting financial information as dictated by Generally Accepted Accounting Principles (GAAP as defined by GASB.), government statutes (statutory or budgetary basis) and federal reporting requirements

- Preparing, reporting and submission of interim and annual special reports, such as monthly fund statement reports, cash flow reports, budgetary control reports and various management reports
- Preparing and reporting of specialized financial information to support other government purposes, for example financial information in bond offering statements
- Preparation and distribution of the Comprehensive Annual Financial Report

TREASURY MANAGEMENT

CASH MANAGEMENT

The process of managing and planning the agency's overall funding and cash flow needs, handling of cash flows (depository and disbursement accounts) and banking relations. Includes State and/or Agency cash and debt management

- Securing of funds to meet the organization's cash flow needs and the investment of any excess cash generated by the organization
- Performing daily cash positioning, funds concentration and mobilization
- Performing daily account maintenance (i.e., account setup/closing, signatories, services used, account analysis, etc.) of all banking/financial institutions
- Establishing the overall capital structure to support the organization's long and short term working capital requirements
- Overall bank relationship management
- Performing short term borrowing activities, including the issuance of notes and commercial paper

TREASURY MANAGEMENT CAPITAL AND RISK MANAGEMENT

The process of managing and planning the organization's finance risk management strategy (such as interest rate). This area includes investment management and support. It also includes state and/or agency cash and bond debt.

- Developing and managing the organization's approach to managing its risks associated with fluctuating interest rates, including analyzing and evaluating of financing and investment alternatives
- Negotiating of financing, loans and servicing of debt
- Performing long term borrowing activities, including issuance of bonds
- Development and monitoring of short and long term cash forecasts
- Preparing of financial information in support of investment, borrowing and cash management
- Meeting with and managing key analysts and institutional investors
- Providing treasury management policy and procedure, management reporting and audit support specific to the treasury management process
- Working with both internal and external customers/suppliers in increasing the awareness and utilization of effective treasury management practices
- Includes administration of the requirements of the Cash Management Improvement Act.

Note: Excludes investment management of funds owned by customers, agencies, or other third parties. Investment management being excluded would be considered part of an agency's core product or services provided to clients. Exclude pension management, local government investment pools. Exclude Component Units such as state universities and housing authorities.

COMPLIANCE MANAGEMENT

This process is primarily made up of processes and activities which ensure financial reporting accuracy, compliance with reporting and managing government grants and contracts and assessing whether adequate controls are in place. It includes independent appraisal activities performed by internal auditors as well as by external auditors, including auditing firms for the purposes of certification of financial statements and assessing the adequacy, effectiveness and compliance with financial, operating, information systems, and administrative internal controls.

- Review and appraisal of the soundness, adequacy and application of accounting, financial, operating, data processing and administrative controls
- Performance of a comprehensive audit program in accordance with generally accepted audit standards and generally accepted government auditing standards
- Verification of the reliability of management data
- Promotion of effective controls and recommendation of operating improvements where necessary
- Verification and safeguarding of assets
- Support and/or coordination of external audit and responding to special requests from the audit committee or other management
- Certification of financial reports and statements
- Maintaining financial records associated with government grants in accordance with specific government regulations
- Documentation of processes as required by internal policies
- Documentation of processes as required by external agencies
- Ongoing support of compliance requirements resulting from the Single Audit Act
- Include internal audit, compliance staff, and fraud units.
- Include external audit fees as an outsourcing cost for this process.
- Include hot line tips at the time of investigation

Note: Exclude hot line alerting and tracking activities.

PLANNING AND PERFORMANCE MANAGEMENT - OVERALL

This process group includes processes and activities associated with planning and reporting annual and long-term financial and non-financial objectives. Planning activities primarily include strategic planning support, the annual budgeting process and forecasting. Performance management includes the compilation and creation of management reports to support the government's management team in understanding the government's performance against annual budgets and long-term plans. Reporting of results may be done in a variety of ways including traditional paper based reports, web-based reports and balanced scorecards delivered in an Executive Information System or via combined methods.

BUDGETING

- Preparing the annual budgets with detail supporting schedules
- Establishing economic assumptions, guidelines and timing requirements
- Performing development and distribution of operating budget and capital budget guidelines, manuals, materials and user software
- Performing preparation, printing, and distribution of annual budgets, forecasts and supporting information
- Inputting of budget and capital plan into respective system(s)
- Coordinating the performance scorecard reporting and monitoring and the strategic plan
- Providing assistance to agencies in preparation of budget/capital plans
- Performing analysis and review of budget reports with management and legislature
- Preparing, reviewing and submitting interim forecasts, status reports and variance analysis with agencies

REPORTING

- Reporting of prior and current year actuals including variance analysis against budget and financial plan
- Development and maintenance of performance scorecards and associated metrics
- Reporting of actual capital spending vs. plan
- Calculating and/or reporting of various performance measurements such as service efforts and Accomplishments
- Preparing of various program/contract/funding source/organizational unit fluctuation analyses
- Fulfilling of various ad hoc reporting requirements
- Performing consolidation and review of agency supplied information
- Developing, analyzing and presentation of financial results to executive branch management and legislature
- Supporting of the government in preparation and determination of program and organizational unit goals, strategies and tactics
- Preparing of long-term plans (i.e. 3 year and 5 year plans) and legislative presentations

Note: Only include finance FTEs in both centralized and decentralized locations, not operations. Typically centralized devote 100% of their time to this activity while decentralized spend only a period of days, perhaps a few weeks, during the budget prep cycle.

FISCAL ANALYSIS

Finance professionals performing analysis to support management decisions being made on a regular or event driven basis. Includes providing agencies with interpretive and predictive financial and non-financial information, analyzing cost accounting data for purposes of evaluating new programs, services and projects.

- Providing management with interpretive and predictive financial information to make performance assessments and investment decisions through the use of sensitivity, pro forma and cause-and-effect analysis. (Analysis is often provided on an ad hoc basis and requires high degrees of accuracy and completion within short time frames)
- Performing analysis of operations, service levels, caseloads and trends
- Developing and reviewing of the business case and financial justifications for operating and capital requests (e.g., cash flow, internal rate of return, lease versus buy, lease buyouts)
- Developing and maintaining fringe benefit and indirect overhead recovery rates
- Gathering, evaluating and presenting financial, operating, and performance information about proposed new initiatives

Note: Only include FTEs in finance, not in operations. Example: Finance provides an analysis to a program unit on the financial trends for a program modification it is evaluating.

Note: Charging of rates and costs allocations is conducted in general accounting

MANAGEMENT AND ADMINISTRATION - FUNCTION MANAGEMENT

Activities related to the establishment of financial policies and controls as well as general administration and personnel management. For purposes of this study, this function is reserved for CFOs, senior finance managers, controllers, assistant controllers, treasurers, and their administrative support.

- Establishing of finance function policies
- Determining of financial policy controls
- Design, development, and implementation of finance function improvement initiatives, including human performance and technology projects
- Performing of general finance management activities, e.g., personnel management, performance management staff meetings