METRO

Opportunities for Mitigating Risk in Metro's Business Process Improvement Initiative

March 2005
A Report by the Office of the Auditor

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March 24, 2005

To the Metro Council, Chief Operating Officer and Metro-area citizens:

As we performed preliminary survey work regarding Metro's financial information systems and related business processes, we became aware of executive management's plan to address this specific area. This plan, Metro's Business Process Improvement Initiative, was formally announced to Metro employees on February 16, 2005.

We strongly support actions that increase efficiency and the value of Metro to citizens. This initiative will necessarily involve significant changes in personnel and how transactions are processed. As you are well aware, risk accompanies any change. The larger the change, the greater the risk. By identifying and managing risks, successful change can be better assured and opportunities for meeting management expectations can be increased.

To support Metro in this effort, we prepared a special report that identifies certain best practices that should be considered when undertaking a business process improvement initiative. We provide this information both to assist Metro in successfully implementing contemplated changes and to raise awareness of the importance of monitoring current internal controls throughout the process improvement effort.

We appreciate the assistance provided us as we gathered the information necessary to prepare this report and recognize the many people at Metro actively committed to improving business processes.

Please contact me if you have any questions or would like additional information

Yours very truly,

Alexis Dow, CPA
Metro Auditor

Auditor: Tom Thompson

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Executive Summary

Opportunities exist to enhance the effectiveness of Metro's substantial investment in PeopleSoft's financial applications, as well as Metro's current efforts to standardize financial business processes across Metro.

Many governmental and commercial organizations implemented new enterprise resource planning (ERP) systems such as PeopleSoft within the last ten years, and have not yet gained the benefits contemplated by those systems. Metro's situation is no different. These systems provide the greatest incremental benefit when business process improvement[1] efforts are integrated with the ERP implementations, and because it affects people and organizations, this is the step that is most difficult to achieve.

Metro itself has identified the need to improve business processes to increase efficiency and is currently initiating a significant business process improvement effort around Metro's business services functions.

Business process improvement efforts are never easy and this initiative involves considerable risk. Accordingly, to successfully meet Metro's strategic initiative of improving business processes, increasing efficiency, and successfully creating the opportunity for change, Metro management needs to:

- Establish an enterprise vision and strategy for financial business systems

- Proactively support the business process improvements throughout Metro

- Develop a comprehensive project plan that defines desired outcomes, and establish specific tasks and project teams to achieve each task's objective

- Reassess the current chart of accounts structure to ensure it is providing the management information required by the current organization

- Optimize and mandate the use of currently owned technology throughout Metro unless it can not meet specific needs

- Assess information access and delivery for quality, timeliness, consistency, and transparency of data needed to manage Metro and its business units

We appreciate the difficulty addressing this initiative with the limited resources available to maintain Metro's current operational environment. Yet, without these actions, the significant investment in financial systems and reengineering efforts may not achieve desired outcomes. Duplication of effort and inefficient use of business systems will continue and satisfaction level regarding transaction processing and information reporting will remain a continuing issue. Further, without very close management attention to the business process improvement effort, there is the increased risk of current service levels declining, potential degradation of data quality and possible breakdown of controls designed to deter fraud and identify errors.

Our detailed observations and risk mitigating suggestions are on the following pages.

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[1] Business process improvement refers to an organization's efforts to revise or reengineer activities and processes to improve their efficiency or effectiveness.

Background and Scope

In an era of declining resources to support governmental services, it is imperative to streamline business processes that are important to the efficient operations of the organization, but are not a part of the service delivery or mission of the organization. Metro has the opportunity to now optimize the use of its PeopleSoft applications as it undertakes new efforts to improve business processes.

In 1995 Metro management made the decision to replace the existing financial systems with an integrated suite of financial and human resources applications from the PeopleSoft Corporation. This action was necessary because of the legacy system's Year 2000 limitations, loss of software vendor support and a desire for improved business processes and information availability to system users. However, resource limitations (both capital and human), application functionality limitations and limited executive level support forced Metro management to scale back the available applications for implementation. Resource limitations also curtailed the change management actions necessary to fully standardize the business processes utilizing those applications across Metro.

The management structure and information demands of Metro have evolved since the initial system design in 1995. Although required budgetary and financial reports are prepared, there are strong indications neither the business systems nor the business processes are satisfactorily meeting Metro management's nor the operational units' expectations for efficient process or comprehensive management information. Although staff responsible for the systems have recognized the issues, it has been very difficult to obtain management's attention regarding financial information needs and other reporting decisions. During the Metro Auditor's initial survey work of Metro's financial business processes, we became aware that Metro management is in the process of initiating fairly dramatic actions[2] to address many of the initial observations we identified.

The scope of our work for this assessment consisted of interviews with key business services managers and staff as well as assessing the account structures and available methods for access to reports and other data. It also included review of business process improvement best practices.

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[2] Metro management has established a critical success factor within the draft Goals and Objectives associated with the FY 2005-06 Strategic Budget Initiative and is currently initiating a significant business process improvement effort around Metro's business services functions.

Risk Mitigation Suggestions

We are very supportive of Metro management's efforts to improve the efficiencies of the financial business processes. However, to enhance the opportunity of successfully changing the business processes and achieving the desired efficiencies, Metro should have a formal strategy and decision process in the following areas. These risk mitigation suggestions are standard best practice actions for business process improvement initiatives.

1) **Establish an enterprise (Metro-wide) vision and strategy for financial business systems that assigns authority and responsibility for each business process improvement.**

   a) Ensure the vision accommodates the differing business requirements of the commercial and the governmental operations of Metro.

   b) Ensure each business process is evaluated to determine whether centralized or decentralized management provides the most cost effective value to Metro.

   c) Encourage a mindset throughout Metro that challenges any business process that requires duplicative manual actions or activities.

   d) Ensure all business processes are formally documented, the staff are trained, and the actual business practices comply with the newly developed standardized processes.

2) **Ensure that Metro management actively supports the business process improvements throughout the enterprise to assure organization and staff alignment with the initiative's objectives.**

   a) For the enterprise vision to become a reality, senior management across Metro must embrace the concept and be held accountable through individual objective performance contracts or performance measures.

   b) Process owners must be identified and held accountable to the operational activities through annual objective performance contracts or performance measures.

   c) Employees must be held accountable to perform their duties following Metro's documented business processes through annual objective performance contracts or performance measures.

3) **Develop a comprehensive project plan that defines the vision and desired outcomes as a result of the initiative, and establish specific tasks and project teams to achieve each task's objective.**

   a) Ensure that a realistic project plan is developed that defines specific tasks and assigns responsibility for accomplishment.

   b) Provide for a process of feedback as tasks and teams progress to ensure timely addressing of issues or adjustment of direction.

   c) Provide a process for timely identification and approval of additional resource requirements, both human and capital, to ensure project schedules are met.

4) Reassess the current chart of accounts structure to ensure it is meeting the management information needs of current organizational units and Metro management.

    a) Evaluate with all users, including management, the adequacy of the current chart of accounts to meet the various business objectives of their organization units and across Metro.

    b) Define and enforce business rules for each chart of accounts segment to ensure consistency and accuracy of all data.

5) Optimize and mandate the use of currently owned information systems technology across Metro unless it cannot meet the functionality required.

    a) Ensure that PeopleSoft financial applications owned and implemented are the most cost effective solution for the standardized business requirements of Metro.

    b) Ensure that any business requirements unsatisfied by the current PeopleSoft applications are first tested against other PeopleSoft solutions prior to expanding the search for a systems solution.

    c) Establish minimum integration requirements for any non-PeopleSoft application to ensure the highest level of integration at the lowest life cycle cost.

    d) Ensure that any non-PeopleSoft business application also has a business process owner that ensures consistency across all the business units, such as time capture and reporting.

    e) Assess current business processes to ensure that the current life cycle cost to maintain and operate the process continues to justify not outsourcing.

    f) Ensure that any business-specific non-PeopleSoft applications only support the missing features and do not expand into business process areas that replicate the PeopleSoft business functions already in production.

6) Assess information access and delivery strategy to determine if it is providing the quality, timeliness, consistency and transparency of data needed to manage the various business units of Metro and Metro as an entity.

    a) Consider providing a cost effective information delivery process that is user friendly and provides relevant, consistent and timely data with visibility across Metro.

    b) Ensure that information delivery accommodates business units' needs for real time data and support it accordingly.

    c) Ensure that information access supports the business process requirements of the different business units and Metro.

    d) Ensure all information delivery and maintenance is based upon user requirements.

Concluding Comment

This business process improvement effort initiated by Metro management is not easily achieved, is not something that can happen quickly, and the expectations of management and staff must be realistic for each stage of the initiative. The risk mitigation suggestions we have made cannot guarantee success; however, they do represent best business practices when addressing business process improvements and should significantly reduce the risks associated with Metro's initiative.

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Report Evaluation Form

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Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

Name of Audit Report: Opportunities for Mitigating Risk in Metro's Business Process Improvement Initiative, March 2005

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
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Details	❏	❏	❏
Length of Report	❏	❏	❏
Clarity of Writing	❏	❏	❏
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Thanks for taking the time to help us.

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Metro

People places • open spaces

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 24 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.
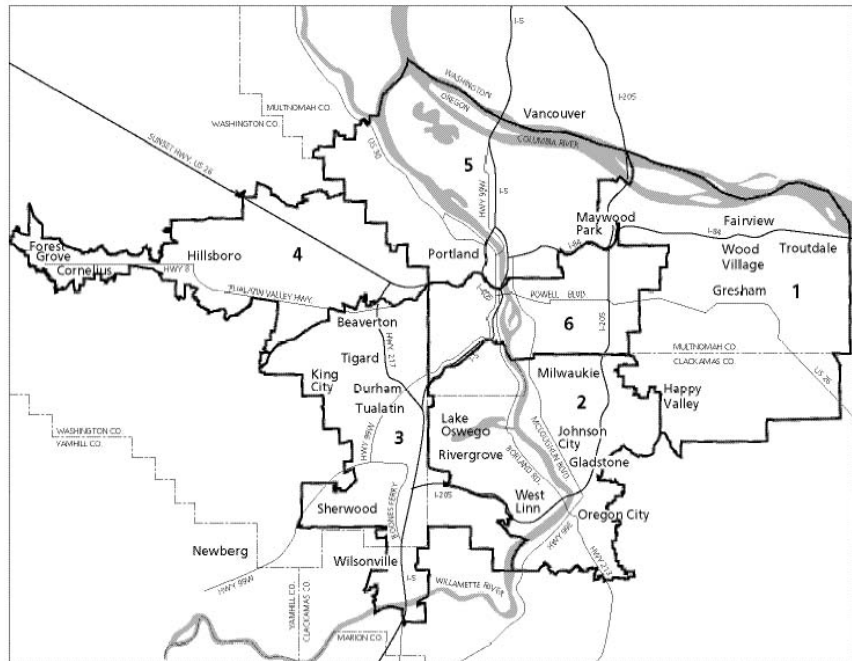
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