

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

**PERFORMANCE AUDIT REPORT
APRIL 2016**



MICHAEL W. KANE, MPA
Legislative Budget Assistant
(603) 271-3161

CHRISTOPHER M. SHEA, MPA
Deputy Legislative Budget Assistant
(603) 271-3161

State of New Hampshire

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
Concord, New Hampshire 03301

STEPHEN C. SMITH, CPA
Director, Audit Division
(603) 271-2785

To The Fiscal Committee Of The General Court:

We conducted a performance audit of the Department of Administrative Services Back Office Consolidation to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective.

The purpose of the audit was to determine whether the Department of Administrative Services consolidating certain business processing functions within the Shared Services Center resulted in more efficient, effective, and economical services during State fiscal years 2012 through 2015.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

April 2016

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

TABLE OF CONTENTS

	<u>Page</u>
TRANSMITTAL LETTER	i
EXECUTIVE SUMMARY	1
RECOMMENDATION SUMMARY	3
BACKGROUND	5
COST SAVINGS AND STATUTORY COMPLIANCE	11
Observation No. 1: DAS Should Complete Consolidation	12
EFFICIENCY AND ECONOMY	15
Observation No. 2: Establish A Governance Structure	15
Observation No. 3: Improve Or Redesign Accounts Payable Process	17
Observation No. 4: Document Internal Policies And Procedures	18
Observation No. 5: Update And Standardize Manual Of Procedures Requirements	19
Observation No. 6: Utilize Vendor Discounts.....	21
Observation No. 7: Establish Service Level Agreements	22
Observation No. 8: Evaluate Billing Methods	23
Observation No. 9: Establish A Performance Measurement System	24
Observation No. 10: Develop And Utilize Customer Service Surveys.....	26
Observation No. 11: Improve Human Resource Management	27
Observation No. 12: Reclassify Under-Utilized Position.....	28
APPENDICES	
Appendix A: Objectives, Scope, And Methodology	A-1
Appendix B: Agency Response To Audit	B-1
Appendix C: Survey Results	C-1
LIST OF TABLES	
Table 1: Executive Agencies Not Using Shared Services As Of January 2016	6
Table 2: Shared Services Center Revenues And Expenditures, SFY 2013 - 2015	9
Table 3: Total Estimated Appropriations Savings, SFY 2012 - 2015.....	11

LIST OF FIGURES

Figure 1: Shared Services Center Organization As Of January 20167
Figure 2: Accounts Payable Process.....8

ABBREVIATIONS

AP	Accounts Payable
BOA	Bureau of Accounting
DAS	Department Of Administrative Services
FTP	File Transfer Protocol
MOP	Manual Of Procedures
RFP	Request For Proposals
SFY	State Fiscal Year
SJD	Supplemental Job Description
SLA	Service Level Agreement
SSC	Shared Services Center

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

EXECUTIVE SUMMARY

We found the Department of Administrative Services (DAS) did not effectively implement legislative requirements to consolidate back office operations. Chapter 224, Laws of 2011 required the consolidation of certain business processing functions, including accounts receivable; accounts payable (AP); collections; and any other finance and accounting functions and transactions the DAS Commissioner determined would achieve substantial efficiencies from consolidation. However, the DAS was only able to partially consolidate AP functions. Legislation also required consolidating certain business processing functions to achieve cost savings of \$352,000 in total funds in the State fiscal year (SFY) ending June 30, 2012 and \$1,000,000 in total funds for the SFY ending June 30, 2013. Our analysis indicated business processing function savings attributable to consolidating the AP function, realized no estimated savings in SFYs 2012 and 2013. We estimated a net savings of \$166,414 in SFY 2014 and \$99,686 in SFY 2015 in total funds from abolishing positions after creating the Shared Services Center (SSC) to consolidate AP.

Chapter 224, Laws of 2011 and Chapter 144, Laws of 2013 also required consolidating human resource and payroll functions. Human resource and payroll consolidation required savings of \$1,428,000 in total funds for the biennium ending June 30, 2013 and \$1,428,000 in total funds for the biennium ending June 30, 2015. However, no substantial human resources and payroll consolidation have taken place and savings have not materialized.

We found the inability to implement the legislation, achieve cost savings, and improve operations were due to a poor governance structure and State agency resistance. This ineffective governance structure resulted in several consolidation objectives remaining unfinished and is the subject of many of our observations.

We found efforts to consolidate AP functions by creating the SSC did not increase efficiency or economy in the State's AP operations. Leading practices indicate increased economy and efficiency can be achieved by reengineering and standardizing processes prior to consolidation. However, no standardization or reengineering took place and we found the process was no more efficient after consolidation. Standardization additionally requires revising policies, but no comprehensive internal policies existed within the SSC. We found the State's Manual of Procedures (MOP) was outdated, did not include standardization of AP procedures, and was inconsistently enforced by the DAS. Additionally, we found the lack of process improvement in AP operations hindered the DAS from enforcing MOP requirements, such as prioritizing and capitalizing on vendor discounts.

An essential aspect of operating a shared service center involves establishing a service level agreement (SLA) with users to formalize agency relationships. SLAs are a vehicle to establish and evaluate interagency billing and shared service center performance. However, no SLAs existed between the SSC and agencies. Consequently, no performance measurement system existed and interagency billing was inconsistent. Once an SLA is established, it is customary to conduct continuous program evaluation using a customer survey, but the DAS never developed a survey.

We also found the SSC's human resources practices were inefficient. The SSC was assembled by transferring various staff from several different agencies, but the DAS did not reclassify or consistently revise these positions to better match the work of the newly created SSC. This resulted in a disparity of labor grades among individuals performing the same work, and the highest paid position within the SSC was under-utilized.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action Required?	Recommendations	Agency Response
1	12	No	Continue consolidation efforts required by State law, standardize processes before further consolidation attempts, and use full authority granted under the law to achieve consolidation goals.	Concur In Part
2	15	No	Establish a clear governance structure, assign responsibility, and delegate authority to achieve objectives.	Concur
3	17	No	Work with agencies to reengineer the accounts payable process and make improving business processes a primary objective in future consolidations.	Concur
4	18	No	Complete a formal policy and procedure manual for Shared Service Center (SSC) operations.	Concur
5	19	No	Ensure timely revision of the Manual of Procedures to properly communicate and standardize accounts payable (AP) procedures and consistently enforce requirements.	Concur
6	21	No	Collaborate with agencies to encourage and train personnel to utilize vendor discounts and reengineer the AP process to take advantage of discounts offered.	Concur
7	22	No	Work with agencies receiving services from the SSC to establish and formalize service level agreements.	Concur
8	23	No	Evaluate agency billing methods, begin reconciling payments, formalize the billing system in service level agreements, and establish managerial review.	Concur
9	24	No	Improve AP data collection, establish performance measures in service level agreements, and develop performance goals to be compared with actual performance.	Concur
10	26	No	Develop and utilize customer service surveys to monitor and continuously improve the SSC services and satisfaction level.	Concur

Recommendation Summary

Observation Number	Page	Legislative Action Required?	Recommendations	Agency Response
11	27	No	Reclassify staff positions to standardize class titles and notify incumbents in accordance with applicable administrative rules.	Concur
12	28	No	Reclassify the Business Administrator IV position to better align with organizational objectives.	Concur In Part

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

BACKGROUND

Chapter 224, Laws of 2011 gave the Department of Administrative Services (DAS) Commissioner broad powers, with prior approval of the Fiscal Committee and the Governor and Council, to consolidate certain functions within State government. The DAS Commissioner was authorized to eliminate unnecessary positions and transfer personnel, equipment, records, and appropriations to consolidate human resources and payroll functions and certain back office functions to achieve efficiencies and cost savings over the 2012/2013 biennium. Savings of \$1,428,000 in total funds, including \$571,200 in general funds were required through human resources and payroll consolidation in the fiscal year ending June 30, 2013. Chapter 144, Laws of 2013 also required savings in the biennium ending June 30, 2015 of no less than \$1,428,000 in total funds due to human resources and payroll consolidation, including \$571,200 in general funds.

Chapter 224:85, Laws of 2011 also required consolidating certain business processing functions, including accounts receivable; accounts payable (AP); collection of fines, penalties, fees, restitution, remittances, and other moneys due to the State; and other finance and accounting functions and transactions the DAS Commissioner determines would achieve substantial efficiencies from consolidation. Chapter 224:85 required cost savings of \$352,000 in total funds, including \$88,000 in general funds for the State fiscal year (SFY) ending June 30, 2012 and an additional \$1,000,000 in total funds, including \$250,000 in general funds for the SFY ending June 30, 2013 from consolidating business processing functions. To assist with the consolidation, the Legislature appropriated \$250,000 for consulting services. As of January 31, 2016, \$85,780 of the appropriation remained unspent.

Shared Services

When organizations implement shared services, a variety of benefits can be realized including reduced costs; greater efficiency through utilizing leading practices, economies of scale, standardization, and reengineering processes; and improved effectiveness through enhanced customer service, utilizing service level agreements (SLA), recruiting staff with specialized skillsets, and improving the control environment.

However, when organizations attempt to consolidate services without complete implementation, not all benefits are realized. Characteristics of limited consolidation include: 1) the service center is located at an overseeing department and is classified as another function of the agency or department; 2) the service center is run by an accountant rather than a business administrator; 3) key performance indicators, SLAs, and service costing are rare; 4) performance is based on the budget rather than to department objectives; 5) services tend to be standardized regardless of the needs of the units being supported; and 6) support managers have little accountability for service cost and quality. Consolidation without process change may have only a limited, onetime benefit.

In response to the legislative mandate to consolidate multiple back office functions, the DAS selected the AP function for consolidation and hired a consulting firm to assist with the implementation. Accounts payable was reportedly selected because: 1) DAS management

believed the AP process was already standardized, and 2) the AP process had already increased automation capabilities during the SFY 2010 implementation of the State’s financial management system, NHFirst.

After the consultants conducted their analysis, the DAS established the Shared Services Center (SSC) in November 2012 to consolidate business processing functions common to multiple agencies into a single entity. By September 2015, the DAS had partially consolidated the AP function but had not consolidated any payroll or human resources functions. Seventeen authorized positions were abolished, primarily unfilled vacant positions, and 28 authorized positions were transferred into the SSC for AP purposes. Through attrition, the SSC was reduced to 18 personnel processing AP by September 2015. According to the DAS, payroll and human resources functions had not been consolidated because each agency had different processes which needed standardizing before consolidation, lack of staff resources, and potential federal Fair Labor Standards Act issues.

Regarding AP, until 2012, each State agency maintained its own staff and resources to provide its business needs with limited assistance from the DAS. Prior to consolidation, 321 employees statewide were authorized to enter transactions into the NHFirst AP module, although only 197 personnel actually entered AP transactions into NHFirst during SFY 2012. As of June 30, 2015, the number of users authorized to enter AP information into NHFirst was reduced to 73, including 18 within the SSC. During SFY 2015, approximately 531,345 AP invoices were paid statewide. Approximately 222,000 (42 percent) invoices were keyed by personnel within the SSC.

By November 2015, most agencies had transferred their AP function to the SSC. Table 1 shows the agencies using their own AP processing capacity.

Table 1

Executive Agencies Not Using Shared Services As Of January 2016

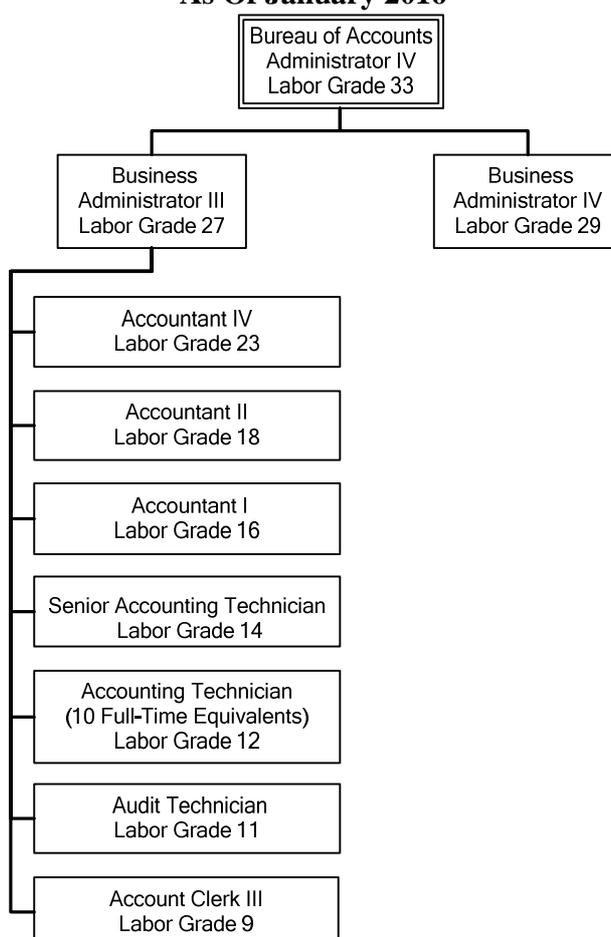
Adjutant General	Public Utilities Commission
Corrections ¹	Resources and Economic Development ¹
Health and Human Services Commissioner ¹	Revenue Administration
New Hampshire Lottery Commission	Secretary of State ²
Office of Energy and Planning	Treasury ¹
Police Standards and Training Council	
Notes:	
¹ These agencies reported using the SSC for some transactions.	
² This agency is statutorily exempt from having to use the SSC.	
Source: LBA analysis of DAS data.	

Organization And Staffing

The SSC was supervised by an administrator within the DAS Bureau of Accounting (BOA). By November 2015, the SSC had 16 personnel overseen by a single business administrator. An additional business administrator was located in the SSC but did not have supervisory responsibility over line staff. Instead, this position was devoted to agency billing and vendor problem resolution. Figure 1 shows the organization of the SSC as of January 2016. Although the organization chart shows several different job titles, all positions performed essentially the same task - processing AP invoices for payment. Each position was brought into the SSC from its original State agency when the center was created and the plan was to reclassify the positions to an accounting technician position at Labor Grade 12. However, the reclassifications were never attempted and the positions retained their original labor grades and titles.

Figure 1

**Shared Services Center Organization
As Of January 2016**



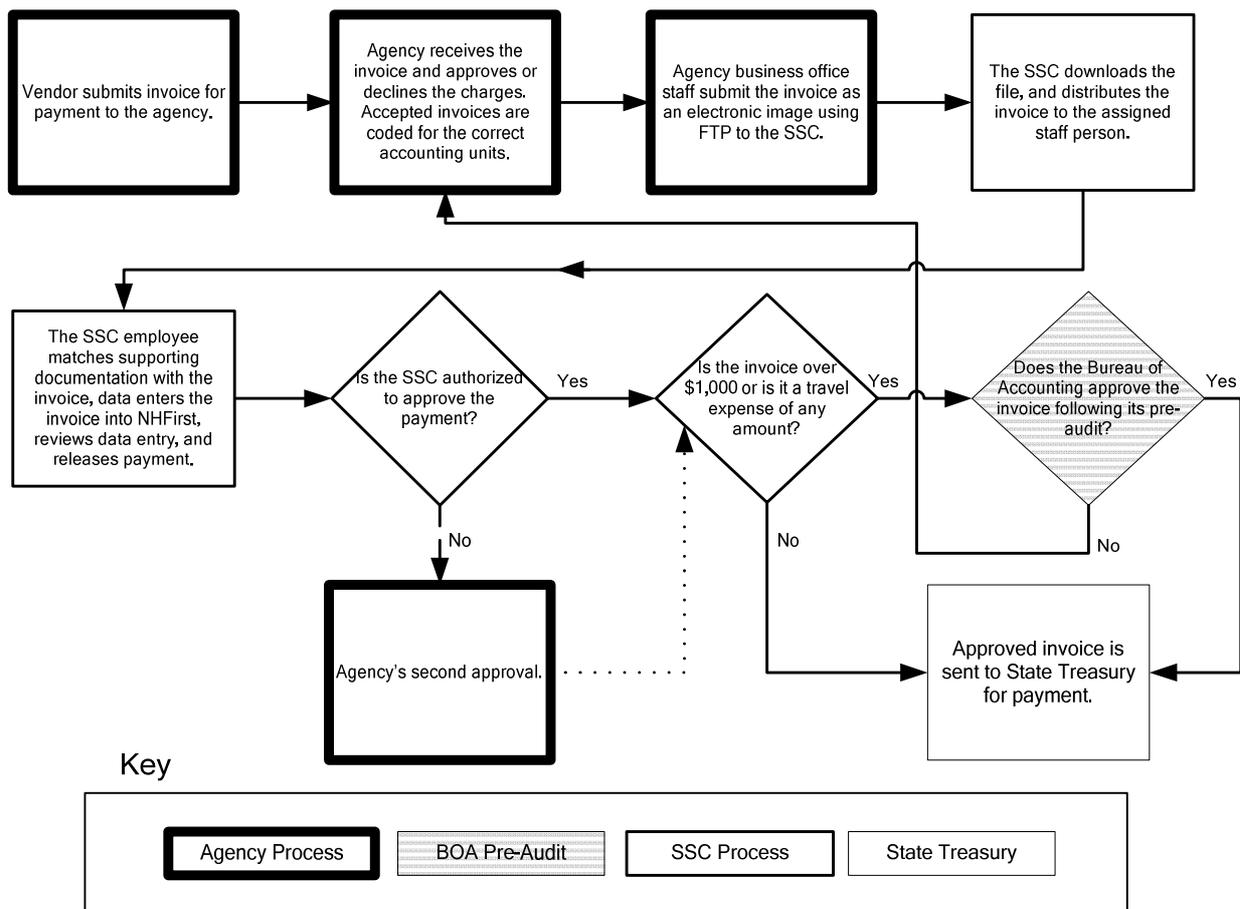
Source: LBA analysis of SSC organization chart.

Accounts Payable Process

Figure 2 illustrates the State’s AP process from agency receipt of the invoice, the processing done by the SSC, pre-audit by the BOA, and the final payment by the State Treasury. Initial scanning, account coding, approval, and invoice submission for payment was done by agency staff. Invoice submission was done via File Transfer Protocol (FTP) which requires a file upload by the agency and a file download by the SSC. After downloading the files, the SSC had the primary responsibility for verifying supporting documentation and then invoice entry into NHFirst. Matching could be done by performing a two-way match or three-way match. Two-way matching consisted of matching both the purchase order and the invoice. Three-way matching included the purchase order, receiving order, and the invoice. The SSC released the payment after matching and data entry was performed. Depending on the invoice amount, type of expense, and the authority delegated to the SSC, the invoice could be subjected to second approval from the agency or pre-audit activities from the BOA before payment by the State Treasury.

Figure 2

Accounts Payable Process



Source: LBA analysis of New Hampshire’s AP process.

Revenues And Expenditures

As shown in Table 2, SSC expenditures for SFY 2014, the first full fiscal year the SSC operated, were approximately \$1.429 million and revenues were \$1.453 million, resulting in a surplus of nearly \$24,000. However, during SFY 2015, expenditures declined to \$1.218 million but revenue declined further to \$1.11 million for a deficit of \$108,000. The SSC earned revenue by billing client agencies based on the number of invoices processed. The average SSC billing rate for SFY 2015 was \$4.66 per invoice processed.

Table 2

Shared Services Center Revenues And Expenditures, SFY 2013 - 2015

	2013	2014	2015
Personnel & Benefits	\$294,079	\$1,262,917	\$1,131,576
Current Expenses	1,222	17,488	25,814
General Services Transfers	0	50,912	61,282
Consultants	65,688	98,532	0
Total Expenditures	\$360,989	\$1,429,849	\$1,218,672
Total Revenues	\$ 0	\$1,453,490	\$1,110,570
Surplus (Deficit)	(\$360,989)	\$ 23,641	(\$ 108,102)

Note: Table combines revenues and expenditures from two accounting units associated with the SSC.

Source: LBA analysis of Statements of Appropriation.

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

COST SAVINGS AND STATUTORY COMPLIANCE

The Department of Administrative Services (DAS) Shared Services Center (SSC) did not achieve savings required by Chapter 224:85, Laws of 2011. Consolidating business processing functions was required to achieve savings of \$352,000 in total funds for State fiscal year (SFY) 2012 and an additional \$1,000,000 in total funds for SFY 2013. Our analysis indicated estimated savings fell well short of the required savings in SFY 2012 and SFY 2013 as indicated in Table 3. In fact, cost saving measures were not implemented until SFY 2014 when 16 funded positions were abolished. Additionally, when start-up costs are factored into the analysis, such as building renovations, hiring consultants, and project management costs, appropriations actually increased during SFY 2012 and 2013 by an estimated \$30,410 and \$227,116, respectively. As Table 3 indicates, additional operating costs and agencies hiring additional accounts payable (AP) staff to compensate for perceived loss of control over those functions, substantially diminished the estimated savings achieved from abolishing the positions to \$166,414 in SFY 2014 and \$99,686 in SFY 2015.

Table 3

Total Estimated Appropriations Savings, SFY 2012 - 2015

Appropriations Cost or Savings	SFY 12	SFY 13	SFY 14	SFY 15
Abolished Positions	\$ 0	\$ 0	\$ 766,748	\$ 807,147
Non-Personnel Costs	(30,410)	(219,065)	(257,188)	(261,977)
Agencies Hiring Staff	0	(8,051)	(135,449)	(243,836)
Other Personnel Costs	0	0	(207,697)	(201,648)
Net Savings (Loss)	\$(30,410)	\$(227,116)	\$166,414	\$99,686

Note: Other personnel costs include additional appropriations for temporary positions.

Source: LBA analysis of NHFirst and agency reported data.

The SSC was unable to achieve the required cost savings due to delay in implementing the SSC. Although the 16 funded positions were abolished in SFY 2014, this was after the savings were required by statute. All of SFYs 2012 and 2013 was spent working on acquiring consultants and analysis needed for developing the SSC. By the time the first cost savings were required in SFY 2012, the SSC had not been established.

Observation No. 1

DAS Should Complete Consolidation

Neither savings nor consolidation goals contained in shared services legislation were met. Chapter 224, Laws of 2011 authorized the DAS Commissioner to eliminate unnecessary positions and transfer personnel, equipment, records, and appropriations to consolidate human resources and payroll functions to achieve efficiencies and cost savings over the 2012/2013 biennium. Chapter 144, Laws of 2013 also required savings in the biennium ending June 30, 2015 of no less than \$1,428,000 in total funds due to human resources and payroll consolidation, including \$571,200 in general funds. However, no positions were eliminated, no payroll function consolidations occurred, and the required savings were not realized. In January 2016, the DAS Commissioner hired a full-time employee to spearhead human resource consolidation. The State Payroll Manager reported some efforts were made at payroll consolidation, but consolidation remained a work in progress. Payroll practices within State agencies reportedly varied significantly, requiring the DAS to first standardize processes before actual consolidation could begin.

Chapter 224:85, Laws of 2011 also required consolidating certain business processing functions, including accounts receivable; AP; collection of fines, penalties, fees, restitution, remittances, and other moneys due to the State; and other finance and accounting functions and transactions the DAS Commissioner determined would achieve substantial efficiencies from consolidation. As of January 2016, the AP function was partially consolidated. Accounts payable functions for the Lottery Commission, Public Utilities Commission, Police Standards and Training, the Adjutant General, and Department of Revenue Administration were not consolidated. The Secretary of State's Office was exempted from the provisions of the law. Several agencies, such as the Department of Corrections and the Department of Health and Human Services had consolidated some of their AP functions but retained some abilities to process their own AP. Agencies not consolidated reported they had not done so because of confidentiality or the nature of their work was different than other agencies. However, the SSC required its personnel to sign confidentiality statements.

The DAS, whose Commissioner had statutory authority to consolidate functions, led consolidation efforts by appointing a Project Manager to oversee the consultant contract and act as liaison between the DAS and other State agencies, as well as consultants to plan and implement the AP consolidation. Nevertheless, agencies resisted AP consolidation and lacked standardized AP processes. The DAS delayed implementing other back office, human resources, and payroll functions until it could fully consolidate the AP process, although no plans were made to complete the consolidation. As a result, savings required by the legislation were not achieved.

Recommendations:

We recommend DAS management continue consolidation efforts required by State law. The DAS should also standardize processes before further consolidation attempts, and use its full authority granted under the law to achieve envisioned consolidation goals.

Auditee Response:

We concur in part.

Given that the audit report indicates that the Accounts Payable – Shared Services Center (AP-SSC) effort did not achieve the desired results, DAS believes that it is necessary to, with stakeholder input, first re-evaluate the approach to consolidation of these services followed by reengineering of the program for greater efficiencies. We agree the re-engineered model for this or any other successful shared services reorganization will increase efficiencies and productivity, but we disagree it will result in continuation of the consolidation in all cases. As the implementation of the AP-SSC demonstrated, significant changes in operations across 60+ state agencies, such as large-scale consolidations, are complex and challenging. As noted in Recommendation 1, to ensure the greater success of future consolidation efforts, DAS must work in partnership with State agencies to evaluate, standardize, and where appropriate, re-engineer processes, from start to finish, in order to increase efficiency, consistency and accuracy of operations. Given limited staff resources, DAS and state agencies must focus their efforts in the most critical areas. DAS, together with our state agency partners, will pursue improvements and possible consolidation of operations where such changes are expected to provide cost savings, efficiency gains, improved consistency, and/or reduced risk to the state. As soon as was fiscally possible, DAS brought on a new Project Manager to lead future process improvement efforts and has begun conversations with other state agencies to begin to prioritize the most beneficial projects and build support for continuing this important work across our human resource, payroll and back office business operations.

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

EFFICIENCY AND ECONOMY

Direct benefits from a successful shared services implementation include increased efficiency and cost savings. Efficiencies are gained through process improvement and standardization which eliminate inefficient or redundant steps. Cost savings are achieved because fewer employees are generally needed once consolidation occurs. However, instead of redesigning the accounts payable (AP) process to better leverage standardization and existing systems, the Department of Administrative Services (DAS) continued using the AP process in place, moved some business office personnel to the centralized Shared Services Center (SSC) for data entry, and simply routed invoices through the new SSC. Although centralization is an important step towards creating a shared services business model, the full value of consolidation cannot be realized without process improvements. We examined a sample of 280 invoices processed through the SSC during the first quarter of State fiscal year (SFY) 2016 and found 24 percent of the invoices were paid after the due date and no vendor discounts were taken. Invoices spent an average of 21 days at the originating agency before being sent to the SSC, where they spent one day on average. The entire AP process took an average of 26 days during the first quarter of SFY 2016, which increased from 20 days during the first quarter of SFY 2012, before the SSC was created. Due to the absence of performance metrics, we were unable to specify the cause for the six-day increase.

In addition to not reengineering and standardizing AP processes, we found multiple objectives and legislative mandates were not achieved due to the lack of an established governance structure. We found policies and procedures for the SSC were not developed and existing AP policies, such as the statewide Manual of Procedures, were outdated, inconsistently enforced, and did not address the role of the SSC in the AP process. Although the SSC grew its customer base to 30 agencies by SFY 2015, these relationships were never formalized or defined using service level agreements (SLA). The SSC also lacked a system to measure AP performance and did not formally request feedback from its customer agencies. The billing cost, which was reportedly used as an informal substitute for a performance metric system, was inconsistent. Finally, we found existing staff at the SSC were used inefficiently largely because positions were transferred into the center without reclassification. Addressing these deficiencies should produce a more efficient and economical AP process and subsequent consolidations.

Observation No. 2

Establish A Governance Structure

Efforts to consolidate AP, human resources, and payroll functions lacked effective governance to ensure consolidation was fully and effectively implemented. Governance is the way an organization provides oversight, accountability, and delegates authority to achieve agency objectives. The governance structure was crucial to the design of the SSC because of its importance to many operational aspects including setting policy, resolving customer issues, establishing performance goals, ensuring statutory compliance, and adding or removing services.

We found the following conditions indicating ineffective governance:

- Although a Project Manager was appointed for AP, no one was appointed until January 2016 to lead the human resources consolidation.
- Some State agencies resisted consolidation during implementation and some agencies were still not consolidated by the end of the audit period.
- Customer service issues were directed and handled at various Executive Branch levels, from the SSC administrator to the Governor's Office, creating informal reporting lines.
- No analyses were conducted to determine whether cost-savings required in statute were achieved.
- Consultants and DAS management developed draft documents such as SLAs, recommended a performance measurement system, customer survey, and position reclassifications; but none were ever implemented.
- Although consultant recommendations and plans were deemed infeasible by DAS management, no modified plans to continue consolidation efforts were generated.
- A preliminary assessment report was completed by the consultants, but neither the DAS nor the Governor's Office could find a copy of the final report.

The DAS, whose Commissioner had statutory authority to consolidate functions, led consolidation efforts by appointing a Project Manager to oversee the consultant contract and act as liaison between the DAS and other State agencies, as well as consultants to plan and implement the AP consolidation. A DAS Business System Analyst was brought on later to assist with implementation and eventually became the supervisor of the AP function. Although management resources were allocated during the early phases of consolidation, several key personnel, such as the DAS Commissioner, consultants, Project Manager, State Comptroller, and the SSC Administrator, eventually left the DAS before the SSC was fully implemented. The former DAS Commissioner reported that strained resources, turnover in key roles, resistance from State agencies, and being overwhelmed with other administrative tasks, prevented prioritizing additional consolidation efforts.

Management is accountable for creating a well-defined governance structure with assigned responsibilities and established reporting lines at all levels of the entity to enable the organization to operate in an efficient and effective manner, comply with regulations, and communicate quality information. Without an effective governance structure, the likelihood of successful consolidation was diminished.

Recommendation:

We recommend DAS management establish a clear governance structure, assign responsibility, and delegate authority to achieve the entity's objectives.

Auditee Response:

We concur.

DAS agrees that a strong governance structure, with assigned responsibility and clear lines of authority is a critical component of effective and efficient operations. Although a well-defined

governance structure may not be evident, the DAS management team provided well thought-out planning, communication and extensive man hours to bring the AP-SSC project to a successful start-up. The DAS management team involved in the initial phase of AP-SSC implementation included many of the same staff who were integral in the statewide implementation of the Lawson ERP system, which replaced the former IFS (integrated financial system) and went live in FY 2010. We agree with the LBA's finding that staff turnover in several key management positions hampered the formalization of oversight and governance for the AP-SSC. As process evaluation, standardization, and consolidation efforts move forward, DAS will work closely with state agencies to ensure that governance structures are clarified and strengthened for AP-SSC and other processes and functions.

Observation No. 3

Improve Or Redesign Accounts Payable Process

The statewide AP processes were not substantially redesigned for efficiency prior to consolidation. We examined process flow charts indicating general AP processes prior to the consolidation and compared them to the process flow following consolidation and found little difference between the before- and after-consolidation processes. No steps were eliminated or rearranged from the previous AP process, but additional steps at some agencies and transmitting data between agencies and the newly-created SSC were added to the process.

Leading practices indicate consolidating back office functions into a shared services center is an ideal time to reevaluate the business process to gain efficiencies and downsize staffing requirements. Redesigning processes can reduce paper, eliminate complex steps, and better integrate systems to increase cost savings.

It appeared one objective of hiring a consultant to assist with the back office operations consolidation was to reengineer the AP process. The Request for Proposals (RFP) introduction stated, "DAS is seeking a consulting firm (Consultant) to provide consulting services for *business process analysis, design and reengineering...*[emphasis added]." The RFP's stated goal was to:

Standardize business processes and administration through business process re-engineering. The State desires to maximize the benefit of a comprehensive business process improvement plan with standardized processes and best practices that achieve efficiencies across the enterprise, where feasible, including the reduction of paper use and current duplication of effort.

Although process reengineering may have been in the original scope of work, the consultant's scope of work changed as difficulties were encountered. Some of these difficulties included uncooperative agencies and technical challenges the consultants had to resolve first which put the project behind schedule.

Agencies reported duplication of effort and other inefficient practices in the current AP process, some of which are due to inefficient agency practices. We found, as cited in Observation No. 6,

invoices spent an average of 21 days at the agency out of the 26 days it took to complete processing. Eleven of 24 agencies reported making additional paper copies of invoices even though an electronic copy was created for the SSC. Eleven of 24 agencies reported retaining the data entry function, relying on the SSC to only upload data into NHFirst. Five out of 24 agencies reported simulating document matches within NHFirst prior to submitting an invoice, a practice also performed by the SSC during the AP process.

Recommendation:

We recommend DAS management work with agencies to reengineer the AP process to resolve inefficiencies. We also recommend improving business processes be made a primary objective in any future consolidations.

Auditee Response:

We concur.

The resolution of inefficient practices and attempts to gain efficiencies is an ongoing daily process between managers at AP-SSC and the agencies they serve. Efficiencies have been achieved within the AP-SSC, resulting in a reduction in staff from 28 in FY 13 to 18 in FY 16 (which was associated with an 8% reduction in operating costs from FY 14 to FY 15). Additionally, according to the LBA survey, over two thirds of the agencies served reported to be satisfied or very satisfied with current communication between themselves and AP-SSC. Nonetheless, the overall processing of AP transactions, including agency steps and steps within the AP-SSC, takes longer than is desired. The AP process had undergone a substantial reengineering three years prior to creating the AP-SSC as part of the move to NH First. DAS was not able to re-evaluate the process due to the tight time constraints for putting the AP-SSC in place. We agree that improving processes should be a primary objective with any future work toward consolidation of services. DAS will immediately encourage state agencies to review and streamline their current, internal AP-related operations while working with fellow state agencies to determine how to best re-evaluate the entire process from start to finish (from receipt of an invoice to payment).

Observation No. 4

Document Internal Policies And Procedures

The SSC did not comprehensively document internal policies and procedures. Although some SSC personnel kept and shared individual instructions specific to the agencies they served, no uniform internal policy and procedure manual existed.

Lack of internal policies and procedures resulted in procedures being applied inconsistently by personnel. For example, we observed differing opinions among SSC personnel regarding their role in auditing invoices. Further, some procedures were undocumented, such as agency billing procedures.

Documented policies and procedures are an essential aspect of operating an organization and ensuring activities are performed consistently while meeting organizational objectives. Although some internal policies and procedures were documented, SSC management reported making little progress during the audit period.

Agencies reported dissatisfaction with the consistency in services provided. For example, agencies reported inconsistencies among SSC staff keying invoices. Additionally, processes unique to an agency and monthly billing were performed without a documented procedure to ensure consistency and continuity in services.

Recommendation:

We recommend DAS management complete a formal policy and procedure manual for SSC operations.

Auditee Response:

We concur.

During its infancy, the AP-SSC was challenged with providing a level of customer service to state agencies that had high expectations for timely processing and a smooth work flow. Many agencies that utilize AP-SSC are not uniform in their practices and managers at AP-SSC have spent much of their time over the past two years compiling and documenting procedures, and attempting to move toward a standard approach. Much time has been spent in meetings with numerous larger agencies to field concerns and improve the processing of invoices. Each agency has its own unique view of how the AP-SSC process should move forward. The variations in expectations and desired procedures, and ongoing dialogue to resolve differences, contribute to the establishment of documented policies and procedures, but also slow down the process. The development of a complete manual of policies and procedures remains the objective.

Observation No. 5

Update And Standardize Manual Of Procedures Requirements

The DAS Manual of Procedures (MOP) was outdated, lacked standardization, and contained requirements which were inconsistently enforced. State statute required a comprehensive and uniform financial management system described in a manual clearly explaining procedures applicable to all State agencies.

The MOP Was Not Current

The MOP section describing the AP process was last updated during SFY 2011. Since the SSC was established in SFY 2013, the MOP did not mention the SSC or its policies, procedures, processes, guidelines, or methods. This resulted in outdated documentation and insufficient AP training materials <http://sunspot.nh.gov/erp/coursematerials.asp>.

The MOP Did Not Standardize Accounts Payable Procedures

The MOP could have been used as a tool to communicate standardized procedures among agencies. The DAS did not standardize AP procedures prior to the SSC's creation. Procedures should have been standardized to facilitate the transition, while streamlining operations within agencies and the SSC. Without standardization, AP processes differed in State agencies, which produced inefficiencies, confusion, and dissatisfaction.

The MOP Was Incomplete And Implementation Was Inconsistent

The DAS required agencies to complete an "Addendum to Authorization of Limited Power of Attorney" form to delegate approval authority for agency payments released by the SSC. Although three agencies delegated approval authority to the SSC, this form was not found in the MOP.

The MOP also required agencies to complete a "Certification of Payment Systems Controls" form prior to allowing a payment sub-system to interface with the NHFirst System. This form was designed to allow the DAS to review the control system in place for any sub-systems interfacing data into NHFirst. Twenty sub-systems were approved by the DAS. Of those 20 sub-systems, seven forms did not provide a description of the process as required by the MOP prior to approval of the sub-system. Without this information, DAS could not fully evaluate whether proper financial controls existed prior to interfacing with NHFirst.

Statute required the DAS to codify a comprehensive manual on the procedures for managing the State's financial system. Leading practices suggest policies and procedures are required to establish the financial management control structure and ensure objectives are met. Policies and procedures require consistent enforcement and updating to remain effective. Modifying policies and procedures was part of the original work order for the consultants. However, the MOP was not revised during or after implementation of the SSC due to difficulties the consultant encountered, which included uncooperative agencies and technical challenges the consultants had to resolve prior to implementation. These factors were cited as responsible for putting the project behind schedule.

Recommendation:

We recommend DAS management ensure timely revision of the MOP to properly communicate and standardize AP procedures and requirements and consistently enforce MOP requirements by increasing management oversight.

Auditee Response:

We concur.

DAS agrees that the MOP needs to be updated to include the AP-SSC, but notes that simply changing the MOP is only one vehicle for achieving standardization. Sustained process improvement and standardization results from a collaborative effort across all state agencies to

re-design and adjust procedures, with continued oversight and training to ensure the new process is effectively maintained. The limited involvement of agency staff in the creation of the AP-SSC, turnover in DAS staff, and lack of staff resources to train and support process changes within agencies limited the adoption of standard practices within the AP process and AP-SSC. As noted above, efforts continue to define and implement standardized practices. The LBA notes that some new forms have been put in place to better formalize expectations. DAS will continue to work to include these forms and reflect new procedures in the MOP and to work with agencies to improve compliance with all required procedures.

We believe it is important, though, to recognize that New Hampshire has 60+ individual state agencies, with different missions and goals and variations in day-to-day operations, that have, for many years, operated with a high level of autonomy. As a result, there are varied, long-established sub-systems and processes in place that must be adjusted for process efficiency, standardization and consolidation to occur. In doing so, these agencies also must maintain the important business functions that serve the people of our state. Moving to standardized and consolidated processes – and successfully documenting and fully implementing those processes – is thus a far greater challenge and more time consuming, than perhaps was anticipated by the Legislature in crafting the requirements.

Observation No. 6

Utilize Vendor Discounts

Invoices were not processed timely enough to take advantage of vendor discounts. When applicable, vendors offered discounts ranging between one percent and two percent if the agency paid within ten days of the invoice date. We reviewed a statistically valid random sample of invoices from the first quarter of SFY 2016. Of the 280 invoices we reviewed, discounts were offered on 12 invoices (4 percent), but none were taken. We also found, on average, the invoice spent 21 days at the agency out of the 26 days it took to complete processing. Twenty-four percent of the invoices in our sample were paid after the invoice due date.

According to the MOP, “Invoices eligible for cash discounts are to receive priority handling. Agencies may adjust the terms if advantageous to the State, such as to recognize cash discounts, or if contractually obligated to do so.” An SSC manager reported each agency had responsibility for their own cash management. One agency reported it did not see discounts being offered and the AP system was not conducive to processing an invoice in order to receive the discount. Agencies not following the MOP guidelines for discounts sacrificed potential cost savings when paying invoices.

Recommendations:

We recommend DAS management follow the MOP guidelines by collaborating with agencies to encourage and train personnel to utilize vendor discounts when advantageous to the State. We also recommend DAS reengineer the AP process in order to take advantage of offered discounts.

Auditee Response:

We concur.

The DAS will work with state agencies to ensure that the state can take advantage of vendor discounts when offered by the vendor as the source of the delay is found in the portion of the AP process maintained by the agencies and not within the AP-SSC. Initially, state agencies will be encouraged to examine their own internal procedures to reduce the time frame from submission of an invoice to an agency to when the invoice is forwarded to the AP-SSC for payment, and to put in place a mechanism to prioritize processing of invoices eligible for discounts. The AP-SSC will monitor the agency utilization of discounts offered and consult with the agencies with regard to following the MOP guidelines. As recommended by the LBA, and in keeping with recommended practices for continual process improvement, DAS will coordinate with state agencies to re-examine the entire process, from purchase to invoice to payment, to further streamline the process to ensure that available discounts are secured.

Observation No. 7

Establish Service Level Agreements

The SSC had no formal SLAs with agencies utilizing its services. Leading practices suggest SLAs are essential. Several agencies reported preferring an SLA with the SSC to facilitate the relationship.

According to the Institute of Management Accountants, a SLA is:

a formal contract or agreement between the shared services provider and its customers. Their use facilitates the development of an unambiguous, well-defined understanding by both provider and user of the SSC regarding the services to be provided and the costs that will be charged for them.

An effective SLA includes service expectations and guidelines, performance measures, billing rates, anticipated volumes, quality, timeliness, and methods for dispute resolution. In addition, SLAs establish the SSC's accountability to customers and their needs, which enables negotiating targeted service benchmarks. Once established, SLAs should be continually maintained to effectively support SSC financial and delivery expectations and commitments.

DAS management reported there was no statewide standard for AP processing within the agencies and viewed SLAs as a method for implementing standardization amongst agencies, rather than utilizing them as a contract tailored to each agency's needs. Draft SLAs were created in SFY 2012 but were never finalized with each agency. Therefore, the SSC provided services to agencies without formally documenting expectations and responsibilities of both entities.

Without formalized SLAs, the SSC and its customer agencies lacked accountability; had no agreed upon expectations for services to be delivered, goals, or objectives; lacked performance

measures to monitor the SSC's effectiveness to obtain optimization; and risked poor communication; all of which affected efficient and effective operations.

Recommendation:

We recommend DAS management work with agencies receiving services from the SSC to establish and formalize SLAs.

Auditee Response:

We concur.

The DAS contracted with a project consultant who initiated a draft document Service Level Agreement prior to the go live of the AP-SSC. However this draft was never finalized. Once the AP-SSC was operational, efforts were focused on resolving issues of agency dissatisfaction with the process and working toward standardized procedures. Without standardized processes, the agreement would have had to be tailored to each individual agency, which would codify existing inefficiencies and limit further standardization and efficiency gains. As AP process become more efficient, standardized and acceptable to AP-SSC customers, the Service Level Agreement will be utilized to memorialize the relationship and considered as a part of any future process improvement and/or consolidation implementation.

Observation No. 8

Evaluate Billing Methods

The SSC lacked a formal and comprehensive billing system, instead charging agencies varying billing rates throughout the fiscal year without financial reconciliation at year end. One SSC administrator was responsible, without managerial oversight to ensure accuracy, for processing all billing. For the first six months of the year, the SSC set the monthly billing rate by dividing the prior year's SSC expenditures by the total number of completed invoices, with the goal of breaking even. For the last six months of the fiscal year the *current* year expenditures and revenues were examined and the rate was adjusted to break even for the year.

Transaction volume fluctuated month to month; therefore, in SFY 2015, agencies were billed a starting rate of \$5.90 per transaction for the months of July through February, a rate of \$5.00 per transaction for April and May, and were not billed for invoices in the months of March and June. Because the rate fluctuated, a reconciliation should have been performed to ensure agencies were accurately billed the average rate for the fiscal year. However, no reconciliation was performed which caused some agencies to be under billed as much as \$3,443 or over billed as much as \$6,780. In addition, the SSC lacked SLAs outlining the billing method. Therefore, agencies were unaware of discrepancies in billing and could not accurately review charges. Our survey of State agencies reported 75 percent of agency respondents did not believe, or did not know whether the billing system was reasonable.

Billing is a typical component in an SLA. The SLA serves as a method to clearly communicate services to be provided and the costs that will be charged for them. By not formalizing an agreed upon billing system with financial reconciliations, agencies were inequitably charged for invoice transactions.

Recommendation:

We recommend DAS management evaluate agency billing methods, begin reconciling payments to ensure equitable rates, formalize the billing system in SLAs, and establish managerial review to ensure accuracy.

Auditee Response:

We concur.

AP-SSC uses a combination of Crystal Reports and standard INFOR functionality to produce agency billings based on invoices processed each month for each agency. Currently, the rate per invoice is based on costs per invoice for operation of the AP-SSC. At the startup of AP-SSC in FY 13, there were no billings to state agencies; AP-SSC costs were covered with a separate FY 13 appropriation. A new class was added to the FY 14/15 budget (class 035) for budgeting for charges for AP transactions by the AP-SSC. Agency budgets were based on the short history of invoice processing and assumptions made in the implementation stages. Currently rates are adjusted periodically, if needed, to ensure expenses are covered or to reduce an anticipated surplus in revenue. It is challenging for agencies to correctly budget and for DAS to ensure costs are covered under this system given that the number of invoices processed varies over time. Although a different approach may be warranted, the reconciliation process, as recommended by the LBA to adjust all charges to an average annual rate at the end of a year, would be extremely difficult for DAS and agencies to implement, and particularly problematic for accounts that may have closed earlier in the FY (e.g., short-term grant-funded projects or federally-funded projects that operate under the Federal Fiscal Year instead of the state's). DAS will evaluate the current billing process and approach for setting and adjusting rates. The billing process will be included in Service Level Agreements.

Observation No. 9

Establish A Performance Measurement System

The SSC lacked a system to measure AP performance against goals and objectives. SSC management stated all invoices received were processed at the SSC within the specified 48-hour goal, however, these measures were not tracked and only supporting documentation from the first three months of operation was made available. Through statistical sampling techniques and manual review of a sample of invoices we determined the SSC generally processed invoices within a day of receipt from the agencies.

Additionally, the SSC did not analyze invoice processing data to ensure resources were utilized efficiently and effectively. Monthly reports were generated to show the volume of invoices

processed, but were not submitted to management or further analyzed for performance purposes. Instead, the SSC relied on billing rates based on cost per invoice processed as a reference point to determine whether efficiencies were met. Management cited lower billing rates throughout the fiscal year. However, the billing rate was directly related to invoice volume and the SSC expenditures; therefore, it was not an accurate reflection of AP efficiency.

The SSC cost per invoice only reflected the SSC data entry step of the process, and not the overall cost of invoice payments. For example, excluded were costs associated with the agency receiving the invoice such as scanning, uploading, review, and approvals prior to sending it to the SSC. There were no reliable measurements available prior to consolidation or post consolidation; therefore, we estimated the cost per invoice for two State agencies. We found in SFY 2012, prior to the creation of the SSC, one agency's cost per invoice was \$12.93 and the other agency's cost per invoice was \$14.28. In SFY 2015, the cost per invoice had increased to \$15.70 and \$15.49 respectively, resulting in \$68,856 of additional costs.

In a shared service organization, performance measures serve as the basis for developing SLAs, pricing, and defining the measure of success for the SSC and its employees. A performance measurement system should include goals and objectives linked to a clear mission, as well as relevant measures to compare against actual performance. Performance measures make accountability possible by being specific, well-defined, relevant, understandable, timely, comparable, reliable, and cost-effective. Analyzing performance demonstrates how to improve and identifies other strategies which may produce more effective results. In addition, performance measures reinforce a service culture and encourage continuous improvement in efficiency.

During the consolidation, consultants recommended management establish a system to measure performance through metrics such as average invoice process time, failed processing edits, invoices cancelled due to SSC or to agency error, checks cancelled, volume of routine and rush invoices, and volume of invoices per month categorized by monetary amounts. The metrics were to be regularly measured and reported to agencies, as well as used in developing the performance expectations in SLAs. Management determined the metrics would require manual tracking until automated processes could be created. However, SLAs were never finalized and the processes were never automated; therefore, manual tracking was limited to volume of invoices processed. Designing and operating an efficient and effective SSC, as well as quickly assessing performance metrics, was compromised without the criteria for evaluating success and progress being clearly delineated and continually monitored.

Recommendation:

We recommend DAS management improve the effectiveness and efficiency of invoice processing and establish a performance measurement system by:

- **improving how it utilizes data collected during the AP process,**
- **establishing performance measures in formalized SLAs, and**
- **developing and comparing goals to actual performance.**

Auditee Response:

We concur.

In the startup months following the creation of AP-SSC, as agencies were phased into the process, performance was measured as the ability to satisfy the agencies serviced and processing within perceived acceptable time frames. Efficiency of the unit was based on timely flow of the work. The AP-SSC required several months to ramp up to a fully functional and integrated unit. Efficiencies in performance were achieved as evidenced by the reduction in the number of staff at the AP-SSC, from 28 in FY 13 to 18 in FY 15, and reduced costs of operation of the AP-SSC. Now that the AP-SSC is established and benchmarks for performance can be determined, DAS will work to define appropriate performance measures to use to monitor and adjust operations.

Observation No. 10

Develop And Utilize Customer Service Surveys

The SSC had no system in place to collect agency feedback regarding services provided. We surveyed 38 State entities, 30 of which utilized the SSC. Twenty-eight of the 30 agencies receiving services responded to the survey, and 14 reported satisfaction with SSC services. However, most respondents did not believe the SSC produced a more cost-effective or efficient AP process, decreased their agency's workload, or improved financial controls.

Management is responsible for obtaining relevant data from reliable sources in a timely manner. One of these sources includes operational data, which can be used for effective monitoring. A customer service survey is one way to measure performance in order to direct improvement efforts. It can also be used to evaluate SSC performance while focusing on overall agency satisfaction with service. In addition, customer surveys are a key part in continually improving the SLA by determining areas that require further attention and customer requirement changes.

In SFY 2014, the State Comptroller recommended the SSC develop an agency survey to obtain information regarding the AP consolidation efforts. DAS management reported a survey was never developed. Instead, the SSC practice was to receive complaints and concerns from agencies by telephone or email, and if the issue could not be resolved, SSC management would then meet with agency personnel.

By waiting for complaints rather than initiating periodic efforts to measure agency satisfaction, the SSC could not proactively identify and address mutual concerns amongst the agencies. It also made it difficult to facilitate continuous improvement within the SSC and the customer agencies. Agencies receiving services must be satisfied with desired services at reasonable costs and quality levels to be or remain supportive of the SSC. Dissatisfied agencies may resist fully utilizing the SSC for the AP function, and resist efforts to further consolidate other back office functions.

Recommendation:

We recommend DAS management develop and utilize customer service surveys to obtain agency feedback in order to monitor and continuously improve the SSC services and satisfaction level.

Auditee Response:

We concur.

Although a formal customer survey has not been developed, there has been no lack of communication between DAS and the serviced agencies. In the early stages of the AP-SSC, numerous meetings were held between DAS management and the agencies to mitigate the resistance of joining the AP-SSC and address issues the agencies perceived as hindrances or burdens on their business practices. In the second year of operation, an attempt was made by DAS via its Bureau of Education & Training to develop such a survey; however resources and personnel changes prevented this from being completed. DAS expects to develop and utilize a customer service survey in calendar 2016 as part of the AP-SSC performance measurement system and re-evaluation of the approach utilized for consolidation.

Observation No. 11

Improve Human Resource Management

Although SSC management reported job responsibilities for the 16 full-time equivalent AP staff were similar, six different class titles were used. During the audit period, SSC staff in the Accountant I, Accountant II, Senior Accounting Technician, Accounting Technician, Audit Technician, and Account Clerk III classes all performed essentially the same tasks. Five of the seven supplemental job descriptions (SJD) did not match the job responsibilities of the incumbents and were last updated before the SSC's creation. Additionally, three SJDs required supervisory responsibility but the position incumbents did not supervise staff during the audit period. Consequently, staff performing similar duties ranged between labor grades 9 and 18. To address this disparity among labor grades, management assigned additional work on an ad hoc basis to the positions with higher labor grades, instead of reclassifying the positions to match SSC work processes.

One of the principles of the State personnel classification system is to ensure all positions within a given class are on the same pay schedule so compensation may be equitably applied to all positions in the same classification. Disparities in labor grades developed when positions were transferred from other agencies into the SSC and retained their prior labor grades, class titles, and SJDs. Administrative rules required management to give two years notice to incumbents in a position before a position could be downgraded. However, the DAS never notified incumbents of a potential downgrade to their positions, opting instead to rely on attrition to reduce the number of staff coming into the SSC with position titles other than the Accounting Technician position their SSC duties required. By not following classification system rules, employees performing similar duties were paid at different labor rates. If notice of reclassification had been given when

positions were transferring to the SSC during SFY 2013, then an estimated cost savings of \$16,703 would have occurred during SFY 2015. Additional savings would have been realized in subsequent years.

Recommendations:

We recommend DAS management seek to reclassify staff positions as needed to standardize class titles.

We also recommend DAS management notify incumbents in positions to be downgraded in accordance with applicable administrative rules.

Auditee Response:

We concur.

Several employees were transferred from their home agency to DAS to establish the AP-SSC. DAS management had limited input into the selection of the staff. As a result, agencies provided employees with varying labor grades and class titles, and their current pay rates and titles were maintained upon transfer to DAS to garner staff acceptance of the transfer and as required by administrative rules. The intent was to reclassify positions through staff attrition, which was largely successful. Currently there are only four positions that remain and have not been changed. Per the LBA recommendation, DAS will evaluate the responsibilities and classifications of the positions that have not yet been reviewed and adjusted and begin the process of reclassification, both up or down, if deemed appropriate.

Observation No. 12

Reclassify Under-Utilized Position

The Business Administrator IV position within the SSC was under-utilized. At Labor Grade 29, the Business Administrator IV position was the highest labor grade in the SSC during the audit period. During most of the audit period the Business Administrator IV supervised several staff-level AP personnel. In March of 2015, the SSC organizational structure was changed to consolidate supervision of all AP personnel under a labor grade 27 Business Administrator III position. As a result of the reorganization, supervisory duties of the Business Administrator IV were eliminated and this employee then became responsible for customer service and agency billing. The job classification for the Business Administrator IV position required supervision of subordinate managers, formulating policies and procedures, and conducting policy analysis. Instead of reporting to the SSC manager, the position reported to an Administrator IV within the Division of Accounting Services, Bureau of Accounting.

The Business Administrator IV position was reportedly never intended to become part of the SSC and did not fit into the vision of the SSC organizational leadership. Because agencies reportedly negotiated which positions they would transfer to the SSC, the position was transferred into the SSC without a clear role within the organizational structure. By not

reclassifying this position to better align with organizational objectives, DAS management inefficiently utilized the position and maintained a higher labor grade position than the SSC required.

Recommendation:

We recommend the DAS seek to reclassify the Business Administrator IV position to better align with organizational objectives.

Auditee Response:

We concur in part.

DAS is in the process of revising the supplemental Job Description for the Business Administrator IV (BA IV) position, but believes it is appropriate to maintain this position at that classification and labor grade. As noted above, DAS received positions of various classifications and labor grades in creating the AP-SSC, including the BA IV position. Initially, the incumbent in this position was placed in a supervisory role at AP-SSC, overseeing approximately half of the processing staff, but reporting to a manager at a lower level. Recent changes in staffing and positions within the AP-SSC were made near the end of FY 15 to establish a manager (a Business Administrator III) and assistant to oversee the processing staff within the AP-SSC. The manager and the BA IV position report directly to an Administrator IV within the Bureau of Accounting.

The AP-SSC manager (BA III) position, with their assistant, will handle day-to-day operations of the AP-SSC, including resolving issues and questions from agencies, as well as scheduling, oversight of staff performance, and training for the fifteen full-time and four part-time processors. The BA IV position will have responsibility for agency billing, monitoring overall performance of the AP-SSC, preparing and maintaining procedure documents and coordinating with other units within DAS as required. The BA IV position also will assist in resolving issues raised by agencies and work to include additional agencies within the AP-SSC. We believe maintaining the BA IV position at this level is essential to be able to satisfactorily respond to the LBA recommendations contained in this report.

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

**APPENDIX A
OBJECTIVES, SCOPE, AND METHODOLOGY**

Objectives And Scope

In April 2014, the Fiscal Committee of the General Court adopted a joint Legislative Performance Audit and Oversight Committee recommendation to conduct a performance audit of consolidating certain business processing functions at the Department of Administrative Services (DAS). Our audit sought to answer the following question:

Has consolidating certain business processing functions within the Shared Services Center resulted in more efficient, effective, and economical services?

The audit had two primary objectives: 1) determine whether cost savings established in Chapter 224, Laws of 2011 and Chapter 144, Laws of 2013 were achieved; and 2) determine whether the Shared Services Center (SSC) resulted in increased economy and efficiency of accounts payable (AP) transactions. The audit period was State fiscal years (SFY) 2012 through 2015.

Methodology

To gain an understanding of the shared services concept, we examined reports from back office consolidation in other states and also reviewed articles and a text on shared services.

To gain an understanding of the AP process, its management, the internal control environment, and legal requirements, we:

- reviewed relevant State statutes, administrative rules, policies, procedures, plans, performance measures, request for proposals, and draft service level agreements;
- identified the path an invoice takes from receipt to payment and observed SSC AP processing; and
- interviewed DAS and SSC personnel, and personnel from client agencies.

To estimate savings attributable to the SSC's development, we analyzed both budgetary and expenditure data for the SSC and client agencies. Cost savings were analyzed longitudinally by SFY. We included full salaries and benefits costs in the analysis including employer costs associated with health benefits, retirement, and federal payroll taxes. Savings attributable to abolished positions were netted against expenditures for building renovations, consultants, project management, additional operational expenses, and AP personnel hired by agencies after the SSC's creation.

To determine the estimated cost per invoice prior to the SSC's creation and after implementation, we analyzed financial and transactional data for two State agencies and compared SFY 2012 and SFY 2015. The total cost for each SFY was then divided by the number of transactions processed

during the corresponding SFY. This resulted in the estimated cost per invoice for SFY 2012 and 2015.

To determine invoice processing speed, we analyzed key dates for a random sample of invoices processed through the SSC using NHFirst data and date data taken from corresponding invoices. The detailed analysis calculated the elapsed days between different events in the payables process. We compared a random sample of 280 invoices processed through the SSC from the first quarter of SFY 2016 (post-SSC creation) to the first quarter of SFY 2012 data (pre-SSC creation) to determine whether invoices were processed faster after the creation of the SSC. We selected the random sample using a confidence level of 90 percent with a five percent margin of error.

To identify client agency satisfaction with the services provided by the SSC, we sent a survey to all business office managers of State agencies in December 2015. For State agencies that were too small to have a business office manager, surveys were sent to the agency's chief administrative officer. A shorter version of the survey was also sent to State agencies not using the services of the SSC as of December 2015. In total, 38 surveys were sent out to State agencies and 36 were returned completed. The Office of Professional Licensure and Certification and the Highway Safety Agency did not respond to multiple attempts to complete the survey.

Data Reliability

We assessed the reliability of the AP date data for the first quarter of SFY 2016 contained in NHFirst by evaluating the logical relationships between date data in selected date fields and identifying extreme values. We concluded the data were sufficiently reliable because the results of our work provided assurance that the likelihood of significant errors or incompleteness was minimal and using the data would not lead to an incorrect or unintentional message.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

**APPENDIX B
AGENCY RESPONSE TO AUDIT**



VICKI V. QUIRAM
Commissioner
(603) 271-3201

State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street - Room 120
Concord, New Hampshire 03301

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

**Appendix B
Agency Response**

March 11, 2016

Representative Neal Kurk
Chair, Fiscal Committee of the General Court
State House
Concord, NH 03301

Dear Representative Kurk:

On behalf of the Department of Administrative Services (DAS), I thank the Office of the Legislative Budget Assistant (LBA) for its work in auditing the Accounts Payable Back Office Consolidation to determine if these efforts have resulted in improvements in efficiency, effectiveness, and/or costs savings for State fiscal years 2012 through 2015. We believe that the recommendations of the audit will support improvements in the handling of Accounts Payable (AP) transactions in the existing Shared Services Center (SSC), and are in alignment with the analyses that DAS has started of appropriate standardization and efficiency improvements, including possible consolidation, of back office, human resource, and payroll functions.

The audit concludes that the consolidation of AP processing within the SSC did not achieve the desired results: invoices now take longer to be paid, and the overall cost of processing each invoice is estimated to be greater (accounting for processing steps within the agency as well as within the SSC). To successfully move forward with additional efforts to improve state operations and reduce costs associated with back office, human resource, and payroll transactions, we must understand why this past effort failed. Toward this end, the audit supports our theories regarding the importance of process re-engineering and standardization before considering consolidation; the value of good documentation and clear agreements on procedures; and the use of performance measures to track and accordingly adjust operations.

However, DAS believes there are additional factors that also must be accounted for to achieve successful and sustainable change within state government:

- Our improvement efforts need to recognize that state agencies represent 60+ unique entities (businesses), with different missions and goals and variations in day-to-day operations. These agencies have, for many years, operated with a high level of autonomy and, as a result, have varied, long-established systems and processes in place that must be adjusted for process efficiency while maintaining the important business functions that serve the people of our state. This is a greater challenge than consolidating services across various sections of a business with a single product.
- Successful improvement requires buy-in and support for change across state agencies. To build support, any improvement effort must include certain essential elements:
 - Early, frequent, and open communication;
 - Recognition of the differences between the agencies;
 - A goal of serving agency’s needs within a common system; and
 - Clear goals and objectives for the project.
- Finally, significant change requires resources. Successful large-scale improvement requires dedicated staff to work on change, including Project Managers to work with teams to:
 - Evaluate processes;
 - Define performance measures;
 - Release staff from daily production requirements to provide expertise to design effective improvements;
 - Consult with technology experts;
 - Oversee implementation of improvements;
 - Train staff on new standardized procedures and requirements;
 - Prepare and update documentation of procedures;
 - Monitor performance; and
 - Continuously improve business processes.

The availability of staff to serve on and manage such teams is extremely limited across state government, hampering the state’s ability to re-engineer processes, implement improvements, and monitor performance in an expeditious manner.

In addition, as we approach the statutory requirements for consolidation of human resource, payroll, and back office processes, it is important to acknowledge that many NH state operations are already partially consolidated. In fact, when other states consider implementation of shared services, they begin with many of the best practices that New Hampshire has already put into place. For example:

- Since 2013, most state agencies have moved most human resource, payroll and accounting functions into a new Enterprise Resource Planning (ERP) system, called NHFirst. This system is managed centrally within DAS.
- The Department of Personnel within DAS serves as a single point of reference and approval for all HR transactions.

- All payroll is processed within DAS's Accounting Bureau working with state agency payroll officers.

Having noted the State's continuing efforts above, we acknowledge that there is much additional important work to accomplish. State agencies and DAS are working to improve, standardize, and streamline the handling of transactions within NHFirst and fully utilize the system's capabilities, including reporting and workforce development tracking. This work includes, for example, modifications to NHFirst and payroll procedures to ensure compliance with state and federal labor laws, as well as to address numerous nuances affecting payroll presented by NH's multiple collective bargaining agreements, and adapting NHFirst to better suit the needs of individual agencies and reduce the use of separate, independent systems. In addition, DOP and payroll processes can continually be improved to benefit all state agencies and taxpayers. These efforts are critical and on-going and already consume a significant portion of DAS staff time.

For these reasons, we propose to pursue a thoughtful, step-by-step approach to future improvement efforts that includes garnering support of partners, focusing improvement efforts on critical areas, dedicating staff resources within DAS and state agencies, examining business processes from start to finish, utilizing best practices, and carefully planning for implementing change.

DAS recently developed draft proposed goals and objectives to move forward in response to Legislative requirements:

"To work in partnership with state agencies to evaluate, standardize, and where appropriate, re-engineer and/or consolidate processes to improve operations of state government to:

- Ensure transactions are handled in the most appropriate and effective manner (e.g., at agency or central location, with defined review/approval) to reduce redundancy, ensure consistency and accuracy, and minimize timelines and cost;
- Minimize legal risk by ensuring accurate implementation of state and federal laws and regulations, and other similar requirements (e.g., contracts); and
- Increase hours available by human resource staff to support critical agency workforce development and organizational planning activities specific to each individual agency, such as specialized training, recruitment, and knowledge documentation and transfer."

Toward this end, DAS has undertaken the following steps:

- Hired a new Project Manager to coordinate new standardization and consolidation efforts for human resource and payroll functions;

- Held a series of “one-on-one” meetings with the Commissioners and Human Resource Directors of state agencies, as well as with key DAS bureau leads, to solicit input and build support for future efforts; and
- Is coordinating an on-going Workforce Development Committee, comprised of Commissioners and Human Resource Directors from 12 state agencies.

We envision that this effort will have several phases: (1) Project Prioritization, Definition and Scoping; (2) Process Evaluation and Identification of Specific Improvements/Changes to Pursue; (3) Development of an Implementation Plan (including steps and timeframes) and Communications/Training Strategy; and (4) Implementation and Monitoring.

Simultaneously, DAS and the staff of the AP-SSC will continue efforts to improve processing of AP transactions. DAS will continue to work closely with all state agencies to achieve greater efficiencies in AP processing and, in particular, to ensure that the state takes advantage of any discounts available from vendors for early or on-time payments. At some point, as the audit notes and principles of continuous improvement require, DAS will work in cooperation with state agencies to undertake a thorough evaluation of current operations (from beginning to end) and consider fundamental changes to processes and procedures (i.e., process re-engineering) to support greater efficiency gains and cost savings.

As always, DAS remains committed to successfully and efficiently supporting our state government and we will do our best to address the issues raised by the LBA as quickly as possible with every resource that we are able to leverage toward this important effort.

Thank you for your consideration of our response.

Sincerely,



Vicki V. Quiram
Commissioner

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ADMINISTRATIVE SERVICES
BACK OFFICE CONSOLIDATION**

**APPENDIX C
SURVEY RESULTS**

We sent surveys to all independent State boards, departments, commissions, authorities, and other institutions with access to the accounts payable (AP) financial processes in NHFirst regardless of whether or not the entity used the Shared Services Center (SSC) services. Surveys were sent to the business office managers with instructions to forward the survey to knowledgeable staff within their agency. We sent out 38 surveys and received 36 responses, for a 95 percent response rate. We combined and simplified similar answers to open-ended questions and presented them in topic categories; multipart responses are counted in multiple categories where applicable. Some totals in the following tables may not add up to 100 percent due to rounding or where respondents could respond multiple times to the same question.

Q1. Please indicate which agency you are representing.		Response Count
		<i>answered question</i> 36
		<i>skipped question</i> 0

Q2. Does your agency currently use the Shared Services Center?		
Answer Options	Response Count	Response Percent
Yes	28	78
No	8	22
<i>answered question</i>		36
<i>skipped question</i>		0

Q3. What services does the Shared Services Center currently provide to your agency? (check all that apply)		
Answer Options	Response Count	Response Percent
Accounts payable manual data entry	21	75
Accounts payable upload data entry (via MS Excel files)	19	68
Accounts payable auditing	5	18
Account coding	1	4
Energy database data entry	4	14
Travel reimbursement processing	12	43
Vendor customer service	3	11
Agency customer service	3	11
Other (please specify)	1	4
<i>answered question</i>		28
<i>skipped question</i>		8

Q3. Comments. Other (please specify)	
Vendor Customer Service is only partial. A bulk is handled here at the agency. Vendors are directed to the Agency.	1

Q4. How satisfied are you with the overall service provided to your agency by the Shared Services Center?		
Answer Options	Response Count	Response Percent
Very satisfied	5	18
Satisfied	9	32
Neither satisfied nor dissatisfied	6	21
Dissatisfied	6	21
Very dissatisfied	2	7
	<i>answered question</i> 28	
	<i>skipped question</i> 8	

Q5. How satisfied are you with communication between your agency and the Shared Services Center currently?		
Answer Options	Response Count	Response Percent
Very satisfied	6	21
Satisfied	13	46
Neither satisfied nor dissatisfied	6	21
Dissatisfied	3	11
Very dissatisfied	0	0
	<i>answered question</i> 28	
	<i>skipped question</i> 8	

Q6. For each statement below, please indicate your level of agreement regarding the consolidation of accounts payable within the Shared Services Center.						
Answer Options	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Response Count
The accounts payable function is more cost effective as a result of the creation of the Shared Services Center.	0 (0%)	2 (7%)	5 (18%)	6 (21%)	15 (54%)	28
The accounts payable function is more efficient as a result of the creation of the Shared Services Center.	0 (0%)	2 (7%)	1 (4%)	9 (32%)	16 (57%)	28
Communication with agency vendors is better now than before the creation of the Shared Services Center.	0 (0%)	1 (4%)	9 (33%)	6 (22%)	11 (41%)	27
The Shared Services Center is responsive to vendors.	0 (0%)	4 (15%)	18 (67%)	2 (7%)	3 (11%)	27

Answer Options	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Response Count
My agency's workload has been reduced as a result of the creation of the Shared Services Center.	0 (0%)	3 (11%)	1 (4%)	7 (25%)	17 (61%)	28
The Shared Services Center is responsive to my agency.	3 (11%)	19 (68%)	1 (4%)	5 (18%)	0 (0%)	28
Invoices are processed accurately by the Shared Services Center.	1 (4%)	13 (46%)	6 (21%)	6 (21%)	2 (7%)	28
Accounts payable financial controls have improved as a result of the creation of the Shared Services Center.	0 (0%)	3 (11%)	6 (21%)	8 (29%)	11 (39%)	28

answered question **28**
skipped question **8**

Q7. Before submitting an invoice, does your agency regularly do any of the following actions? (check all that apply)		
Answer Options	Response Count	Response Percent
Make a paper copy of the original invoice	11	46
Track the invoice using a system or spreadsheet outside of NHFirst to track the invoice throughout the process	11	46
Perform a simulated two-way match to reconcile documents	5	21
Perform a simulated three-way match to reconcile documents	3	13
Enter invoice data into an MS Excel template for uploading to the SSC	11	46
Other (please specify)	11	46

answered question **24**
skipped question **12**

Q7. Comments. Other (please specify)	
[Agency specific needs] Once or twice a year but not regularly. But they are large and lengthy and time consuming.	1
We have the original copy of the invoice here so we maintain it in our records. We do track our expenses to verify month end system reporting but we did that before the SSC was created.	1
Audit all invoices for accuracy, purchasing rules, accounting string, vendor #, activity code, account category, and DBF (District/Bureau/Foreman) among others as it relates to activity. We also verify Federal eligibility for Federal projects best as possible.	1
Scan the original invoice, transfer invoice electronically to the SSC and keep the original invoice on file at agency.	1
Scan invoices into the SSC via secured file exchange server (FTP), stamp invoice (utilizing AP coding stamp), complete 14 informational items within coding stamp (e.g. company, process level, vendor number, invoice number, work unit, remit number, invoice amount, contract/purchase order	1

number, accounting unit, account signature and date)	
We do a verification of the accuracy of each invoice, contact vendors as needed, code invoices with applicable job numbers and maintain original invoices in our files. We do not understand what you mean by "simulated 2 or 2-way match" but we do match purchase orders, receiving reports and invoices prior to processing.	1
We verify the accuracy of the invoice, we confirm the amount to be paid under each contract and we keep records of the invoices we pay.	1
We have a few Excel sheets for tracking certain expenses as there are not sufficient reports to use.	1
Agency still writes Rev. Acct. #, Invoice #, date due, preparer name, etc., then scanned to SSC. Everything performed at agency except data entry in to NHFirst. Therefore agency is paying it's employee to do AP and paying SSC per invoice for the same work. Inefficient, both in time and expense.	1
We do not do any of the above.	1
Only perform these on some depending on the area.	1

Q8. After submitting an invoice, does your agency regularly do any of the following actions? (check all that apply)		
Answer Options	Response Count	Response Percent
Send an e-mail informing the SSC the invoice has been sent via the File Transfer Protocol (FTP)	6	25
Follow up on the status of an invoice	17	71
Perform a simulated two-way match to reconcile documents	7	29
Perform a simulated three-way match to reconcile documents	4	17
Provide customer service to vendors	21	88
Other (please specify)	8	33

answered question **24**
skipped question **12**

Q8. Comments. Other (please specify)	
Send an e-mail informing SSC an invoice has been uploaded to the FTP site if it is a Rush. Follow-up on the status of an invoice occurs if the agency discovers that it was not paid.	1
Goodyear, Car parts	1
Same as question 7. We only follow-up on the status of an invoice if we haven't seen it in our approval basket after 24 to 48 hours. We provide customer service to our vendors anytime the SSC cannot provide an answer.	1
Perform purchase order approval for invoices over \$250.00.	1
Put a second level of approval on invoices keyed by the SSC. Reconcile the Detail Transaction Register.	1
Upon Director approval of invoice, collect work units and voucher numbers to add to AP coding stamp information for better tracking/audit of invoice. File paper data for audit trail purposes.	1
[Agency] does all payment approvals.	1

If it is a RUSH invoice we contact SSC to notify them.	1
--	---

Q9. How often does your agency verify the data entry performed by the Shared Services Center?		
Answer Options	Response Count	Response Percent
Always	16	57
Very frequently	8	29
Occasionally	1	4
Rarely	0	0
Very rarely	0	0
Never	3	11

answered question **28**
skipped question **8**

Q10. Did the Department of Administrative Services consult with your agency before consolidating accounts payable and/or position changes?		
Answer Options	Response Count	Response Percent
Yes	16	57
No	6	21
Don't know	6	21

answered question **28**
skipped question **8**

Q11. Did performance measurements exist within your agency prior to the creation of the Shared Services Center (e.g. the time it takes to process an invoice)? If so, please explain in the comment box provided.		
Answer Options	Response Count	Response Percent
No	13	46
Don't know	8	29
Yes (please specify)	7	25

answered question **28**
skipped question **8**

Q11. Comments. Yes (please specify)	
Backlog Report - counting invoices to determine number of days to complete work. Lean Process was done to show difference in AP process and AP with the SSC.	1
Commissioner and Deputy signed off on all invoices prior to processing payments. Had internal managers, if they were not notified it was escalated to Commissioner and Deputy.	1
NHFirst Reporting on invoices keyed	1
Performance measured by ensuring payments were made to vendors in the time specified by the terms of the invoice or applicable purchase order.	1
We track processing time on invoices.	1

The performance measures as specified on the SJD	1
Because we are a small agency who only processes approx. 12 invoices per month, the amount of time it takes to use the SSC and follow their procedures, we could process the invoice ourselves within 1/2 the time.	1

Q12. How satisfied were you with the communication between your agency and the Department of Administrative Services during the consolidation phase of the Shared Services Center?		
Answer Options	Response Count	Response Percent
Very Satisfied	1	4
Satisfied	5	18
Neither satisfied nor dissatisfied	12	43
Dissatisfied	7	25
Very dissatisfied	3	11
	<i>answered question</i>	28
	<i>skipped question</i>	8

Q13. Were positions in your agency transferred and/or abolished as a result of the accounts payable consolidation?		
Answer Options	Response Count	Response Percent
Yes	14	50
No	13	46
Don't know	1	4
	<i>answered question</i>	28
	<i>skipped question</i>	8

Q14. Please list the position title(s), employee name, or any other identifying characteristic for each position transferred or abolished.	
	Response Count
	<i>answered question</i>
	<i>skipped question</i>
	14
	22

Q15. Did your agency hire business office personnel as a result of the accounts payable consolidation?		
Answer Options	Response Count	Response Percent
Yes	8	29
No	19	68
Don't know	1	4
	<i>answered question</i>	28
	<i>skipped question</i>	8

Q16. Please list the position title(s), employee name, or any other identifying characteristic for each employee hired, including temporary positions.	
	Response Count
	8
<i>answered question</i>	8
<i>skipped question</i>	28

Q17. Please specify any types of expenses incurred as a result of the creation of the Shared Services Center, (e.g. any technology or office expense changes). If appropriate, please indicate "none" or "don't know".		
Answer Options	Response Count	Response Percent
Office Supplies	11	39
Increased Workload	2	7
Personnel Costs	3	11
Fee to Shared Services Center	6	21
SSC Remodeling Costs	1	4
Vendor Late Fees	1	4
None	5	18
Don't Know	3	11
	<i>answered question</i>	28
	<i>skipped question</i>	8

Q18. Please specify any types of savings realized as a result of the creation of the Shared Services Center. If appropriate, please indicate "none" or "don't know".		
Answer Options	Response Count	Response Percent
None	21	75
Don't Know	6	21
Savings (please specify):	1	4
	<i>answered question</i>	28
	<i>skipped question</i>	8

Q18. Comments. Savings (please specify)	
There was approximately \$22,000 in benefit savings.	1

Q19. Is the cost allocation system devised by the Shared Services Center for billing services reasonable?		
Answer Options	Response Count	Response Percent
Yes	5	18
No (please explain below)	11	39
Don't know	10	36
Not applicable (please explain below)	2	7
Additional Comments	16	
<i>answered question</i>		28
<i>skipped question</i>		8

Q19. Additional Comments	
While we understand that a fixed price per transaction may be efficient to bill, we are still incurring additional costs than if we did the keying portion ourselves. Additionally the SSC has limited our batching capabilities, so we are being charged for additional individual invoices being processed as opposed to batching them together.	1
The development method for the rate is not clear, and sometimes we receive a month for free.	1
When we did it ourselves it was FREE now we pay and it stills goes to BOA for approval.	1
While we understand the process and that the cost is per item processed by the SSC, that's the most we know.	1
Seems reasonable	1
A full time Senior Accounting Tech position at top of salary grade for FY15 was \$40,170.00 and [the agency] paid the SSC \$90,183.00 for FY15.	1
Currently paying \$5 per transaction, [the agency] can upload Excel spreadsheet itself without service charge.	1
We do not believe it is based on the figures in question (expenses outlined) above.	1
Not supplied with backup for the charges.	1
The SSC hasn't shared its cost allocation methodology with the agencies.	1
The volume that we have at our agency is minimal and the cost for processing is high.	1
Per invoice charge is very high.	1
It is not really for me to calculate what the SSC should be charging based on their expenses. So I don't know if it is reasonable. I know their services duplicate what we already do in-house, so to that extent I feel like the expense is not necessary, but what they charge and whether it is reasonable is a question for them.	1
It's hard to quantify the amount charged, there are no reports to verify number of docs entered or if the correction was SSC fault, etc.	1
No since the Agency is performing all the work anyway short of data entry and we are being billed by SSC.	1
We are doing the same work	1

Q20. Once your agency releases invoices to the File Transfer Protocol (FTP) folder, which of the choices most accurately describes the amount of time the Shared Services Center takes to process your agency's invoices.

Answer Options	Response Count	Response Percent
Mostly processed within 1 day	10	36
Mostly processed within 2 days	11	39
Mostly processed within 3 days	3	11
Mostly processed within 4 days	0	0
Mostly processed within a week	2	7
Mostly processed after a week	0	0
Don't know	2	7

answered question **28**
skipped question **8**

Q21. How often does your agency request "rush" invoice processing?

Answer Options	Response Count	Response Percent
Daily	2	7
Weekly	6	21
Monthly	3	11
Almost never	11	39
Never	6	21

answered question **28**
skipped question **8**

Q22. Please list reasons your agency requests rush service.

Answer Options	Response Count	Response Percent
Agency specific needs	10	56
Overdue invoices	7	39
Registration fees	3	17
Rarely requested	2	11
Emergency situations	1	6
Receive discount	1	6
Vendor contract payment	1	6
Refunds	1	6

answered question **18**
skipped question **18**

Q23. Does your agency authorize the Shared Services Center to release invoices under a certain monetary threshold (i.e., Power of Attorney)?		
Answer Options	Response Count	Response Percent
Yes	6	21
No	21	75
Don't know	1	4
<i>answered question</i>		28
<i>skipped question</i>		8

Q24. What is the threshold dollar amount for your agency?		
Answer Options	Response Count	Response Percent
75	2	29
250	3	43
500	1	14
Other	1	14
<i>answered question</i>		7
<i>skipped question</i>		29

Q25. Are your agency's responsibilities and expectations of the services provided by the Shared Services Center formalized with a service level agreement?		
Answer Options	Response Count	Response Percent
Yes	0	0
No	18	64
Don't know	10	36
<i>answered question</i>		28
<i>skipped question</i>		8

Q26. Would you prefer a service level agreement be established?		
Answer Options	Response Count	Response Percent
Yes	8	29
No	6	21
No preference	14	50
Additional Comments	5	
<i>answered question</i>		28
<i>skipped question</i>		8

Q26. Additional Comments.	
Don't Know!	1
If the SSC performed more duties for us than they currently do, I would expect a service level agreement would be helpful and clarify expectations.	1

Clearly spell out responsibilities of both parties.	1
Would prefer not to be forced to use SSC.	1
Are there any benefits?	1

Q27. Which of the following functions would your agency consider additionally consolidating within the Shared Services Center? (check all that apply)		
Answer Options	Response Count	Response Percent
Accounts receivable	1	4
Human resources	1	4
Payroll	2	7
Collection of fines, fees, penalties, restitution, remittances	2	7
Other business functions	3	11
None (please explain)	25	89

answered question **28**
skipped question **8**

Q27. Comments. None (please explain)	
Agency business functions would remain	2
Agency has own consolidated AP services	1
Agency has specialized accounts receivable subsystems	1
Agency knowledge	3
Agency specific needs	2
Agency too small	5
AP process already disjointed	1
Agency's customer service needs	1
Depends on services offered	1
Dissatisfied with current human resource system	1
Don't know	1
Experience with SSC	2
Financial controls	1
No benefit to agency	1
None	3
Not cost-effective	4
Not efficient	4
Willing to consolidate collection of fines	1
Willing to consolidate contracts requiring Governor & Council	1
Willing to consolidate Human Resources and Payroll	1
Willing to consolidate recruitment for hiring	1

Q28. Why does your agency not use the services of the Shared Services Center?	
Comments	Response Count
[Response 1] Our Department is exempted from sharing our employees due to the nature of our Cooperative Agreements and the substantial involvement they must have	1

at our agency. [Response 2] We are under National Guard Department of Defense funding and have to work 100% with Department of Defense related activities.	
It had been looked at many years ago but it never materialized. The cost per transaction at the time was seen as too high compared to completion in house especially for small dollar invoice transactions.	1
Constitutional Office - statutory exemption.	1
We analyzed the type and volume of invoices we process and discovered it would take more time to prepare them for processing by the SSC. Several meetings were held with the manager of the SSC to discuss our analysis.	1
We are not a state agency.	1
We are a component unit of the state, not a state agency.	1
Number of transactions we process and the confidential nature of our work. Per RSA 21-J:14	1
We process many specialty invoices to our joint venture lotteries that are time sensitive and in addition we pay many prizes to Lottery winners which must be keyed to the proper accounts. It made more sense to keep the payables here.	1

answered question **8**
skipped question **28**

Q29. Which of the following functions would your agency consider consolidating within the Shared Services center? (check all that apply)		
Answer Options	Response Count	Response Percent
Accounts payable	0	0
Accounts receivable	0	0
Human resources	0	0
Payroll	0	0
Collection of fines, fees, penalties, restitution, remittances	0	0
Other business functions	0	0
None (please explain)	8	100

answered question **8**
skipped question **28**

Q29. Comments. None (please explain)	
[Response 1] Our Department is very unique and we are not able to share resources due to the nature of our mission. [Response 2] Our agency is not part of the SSC.	1
We would prefer to maintain inhouse	1
See answer to question [#28]	1
I need to know how the SSC would work for these functions before I can answer this question.	1
We are an authority, not a state agency and not part of the state's budget, so we have our own separate accounting, payroll, benefits and HR functions.	1
We are not a state agency.	1
Confidential nature of our business.	1
see previous comment [#28]	1

Q30. Are there any additional comments you would like to make regarding the Shared Services Center and their services?	
Comments	Response Count
<p>Since the use of the SSC we have found the following inefficiencies and concerns: We have found many mistakes by SSC in keying invoices resulting in:</p> <ul style="list-style-type: none"> • Difficulty in catching the error creating more work for our AP staff. • Longer processing time due to the extra time required to audit • Vendor payments being delayed resulting in vendor frustration <p>-The lack of training for SSC staff in understanding [Agency] payment processes and procedures which affects the timeliness of payments and the proper information being included such as:</p> <ul style="list-style-type: none"> • Missing activity numbers • Incorrect pages attached to vouchers • Skipped invoices as a result of attaching invoices to the back of other invoices • Paying invoices under a process level not under [Agency] authority or using portions of an appropriation not under our authority • Paying wrong vendors • Not marking payments for return to the agency so backup documentation can be sent with the payments • Receiving returned checks and holding them for several days before sending the check to the appropriate agency <p>-For the purposes of efficiency by our AP staff taking back the function of keying invoices we would maintain better controls, accuracy, and in the event of NHFirst being down we could continue working by performing auditing and filing functions.</p>	1
<p>[Response 1] I have heard first hand of the many problems that this venture has caused. I have also heard that this is a huge waste of resources and it is not saving the State any money.</p> <p>[Response 2] Although we are not part of the SSC, our vendor payment checks are in the one check with other agencies. When the SSC cancels a check, it will affect our payment and sometimes will occur the late fee. We would like have some communication from the SSC in the future.</p>	1
<p>Not cost or time efficient for the [Agency]. A duplication of work. We still have to research and code every invoice at the Agency level. Most of the work done by agency then have to pay someone to key the information into the system. All agencies have gone through extensive training for NHFirst and now are unable to use that training.</p>	1
<p>If we are going to move forward with keeping our keying at the Shared Service Center then I recommend that we have one main keyer for our agency so that we have consistency in our accounting records and reporting. Then when our keyer is off or out, others can help. Our keyer is careful, she does things the way we need them done and is wonderful, we run into a lot of errors and problems when other keyers are picking up our scanned files to help out. I also feel that the Shared Service Center makes changes to how they key bills and the things they will do for the agencies without first consulting the agencies and asking how it will affect them. Example is keying invoice numbers and dates without spaces now creates an inconsistency with our reporting and ability to review and compare older invoices. It also makes it more challenging in reviewing their keying for errors. We would have really liked to have had a say in how our invoices are inputted into the system as we are the ones that have to reconcile the reports and review the AP90 looking for paid invoices. We were also</p>	1

Survey Results

told that there was a 5 point check that all invoices go through before released to the agency and from the errors we have been seeing as of late we are unsure what that 5 point check is. We need to make sure that the keyer is paying attention to more than the stamp. They need to review the actual invoice itself to assure that everything there matches and that what they are inputting into the system is accurate before they release it to the agency. I shouldn't get invoices missing activity codes or with the wrong amount keyed, or the wrong vendor code.	
No.	5
We no longer use the SSC since our merger with Lottery	1
We would like to retain the ability to complete our own invoices.	1
The SSC process has resulted in staff doing more work to process invoices. All transactions are keyed to spreadsheets, verified and then sent to SSC. Their sole responsibility is to upload the file into NHFirst. Before SSC, it took less time and effort to process invoices than currently, staff had fewer errors and more control over processing than we do now. The theory of a SSC works for small agencies with limited accounting staff, however, for larger agencies with more sophisticated accounting systems, this has actually added work to our agencies.	1
Whenever we have had a problem they have always responded and been helpful. They have also been helpful in fully explaining something if there is a problem or we have submitted something incorrectly.	1
This would cause a lot more work for the department as we would need to monitor all transactions.	1
From the staff - some AP work is duplicated; there are errors; invoicing by the SSC is two to three months behind; cost is too much, as the AP person's job was not eliminated by use of the SSC; there is no choice as to whether or not we use the services. The SSC staff occasionally attempts to change the account that we request the expense posted to- which impacts our budget, as there may not be budget in the account which they choose.	1
No, but thank you for providing this important opportunity for agencies to share their experience with the SSC. We respect the intent and objectives that drove the creation of the SSC, but it has not, from our perspective, yielded any of the envisioned efficiencies, and, in fact, has imposed inefficiencies into our AP function.	1
Although the staff is always helpful the process is much more time consuming. Our accountant could easily be entering our invoices and dealing with any issues (wrong account code) more quickly than having to respond to questions from SSC. It makes it seem like you are doing double work because you have to back track some times.	1
SSC's work is fine, but it should not be forced on every agency. It is not a one size fits all solution as this response demonstrates. It has unnecessarily cost this agency time and money.	1
The cost per invoice is the same regardless of the work being done by the agency. Some agencies code, scan, and upload their invoices and others are required to code, enter on a spreadsheet, and scan and upload. which has not reduced their workload. The SSC has improved since June, invoices are being processed in a more timely manner and communication has improved. Because the staff has access to multiple agencies accounting units we have to watch to make sure that other agencies invoices and PO's are not mistakenly being charged to our accounts. When we find those errors they are corrected.	1

AP is more than data entry. Although we could not hire additional staff, remaining staff, mostly me, are left processing many AP duties.	1
<i>answered question</i>	20
<i>skipped question</i>	16