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Automating an Appropriation Transfer

Submitted By:

Kathy Bass
Associate Finance Director
Division of Accounting Operations
Department of Health and Human Services
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Introduction

Every year, as a part of the legislative session, the South Carolina General Assembly passes an Appropriations Act that allocates a specific amount of State monies (and other monies, if applicable) to each of the State's agencies. These monies are further defined within the Act as to what specific purpose they can be expended. Each specific purpose is denoted within the Appropriations Act by a "line item" entry. For any given State agency, there might be line items for personal services, operating expenses, contractual services, and fringe benefits.

While the General Assembly makes a good faith effort to allocate the funds into the appropriate line items in the necessary amounts, they realize that expenditure fluctuations can occur within the Agency throughout the fiscal year. Accordingly, in order to keep the agencies operating efficiently and to ensure that expenditures are accurately categorized, provisions have been made that recognize and accommodate these fluctuations. The process is known as a transfer of appropriation.

Transfers of appropriation are done whenever an agency needs to transfer money from one line item to another. Transfers of appropriation are also done whenever money needs to be transferred between agencies. The agency is allowed to transfer funds freely between line items as long as they do not cross fund types (e.g., State vs. Federal) or do not involve the transfer of personal service funds (salaries) to other line items. NOTE: The latter type of transfer can be done but it requires additional approval from the Office of the State Budget.

The document used for accomplishing transfers of appropriation is the Appropriation/Cash Transfer form (also known as STARS form 30) (see **Appendix A**).

Once prepared, the form is submitted to the Comptroller General's (CG's) Office for processing.

The Comptroller General's Office is responsible for ensuring that all Appropriation/Cash Transfer forms adhere to the guidelines established in the Statewide Accounting and Reporting System (STARS) Policies and Procedures Manual. The Comptroller General's Office will accept Appropriation/Cash Transfer forms via three different methods. The first method is the traditional paper version of the form. The second method is a facsimile copy of the form. The third method is through electronic tape submission.

Currently, the Department of Health and Human Services (DHHS) submits all of its Appropriation/Cash Transfer forms via fax. This is the only accounting form that DHHS still processes manually. All other accounting forms: disbursement vouchers (DVs), interdepartmental transfers (IDTs), and journal entry vouchers (JEs) are processed nightly by the Agency's accounting system which, in turn, produces a printout of the form and an electronic tape for submission.

DHHS initiates and processes approximately two hundred transfers of appropriation per state fiscal year. The current internal process requires the information for the transfer of appropriation to first be entered into the Agency's accounting system, the Governmental Accounting and Financial Reporting System (GAFRS). A printout produced from GAFRS is then used to manually prepare the Appropriation/Cash Transfer form. Because of the manual preparation, one out of every six documents that is submitted to the Comptroller General's Office contains errors. In order to correct the

errors, DHHS must make adjusting entries to the STARS application. This is obviously an inefficient process.

Another inefficiency associated with the current submission method is the amount of time that the Comptroller General's requires to process it. According to the CG's accountability report, the average processing time for all accounting documents, regardless of submission method, is 4.53 working days. According to DHHS' assigned auditor within the Comptroller General's office, the Appropriation/Cash Transfer forms that DHHS currently submits via fax require, on average, 1 to 2 days for processing. While the current processing time is below the CG's stated processing average, this number only considers the time it takes for the CG's office to process the form once they receive it. The processing time does not reflect situations such as when an Appropriation/Cash Transfer form is not sent or when an Appropriation/Cash Transfer form is sent but receipt is not acknowledged by the Comptroller General's office. The processing averages also do not account for the error correction situation described above. These types of situations generally add several days to the overall processing time. In addition, since the CG's staff manually enters the facsimile submission into STARS, this method will always be dependent on the CG's current workload.

The purpose of this project is to lay the *framework* for DHHS to be able to process its Appropriation/Cash Transfer forms via electronic tape. By processing these forms electronically, the Agency will 1) reduce the inefficiencies associated with the manual forms processing, 2) reduce the number of errors that need to be corrected, and 3) reduce the overall processing time for the Appropriation/Cash Transfer forms.

The major business driver for this project is to assure the availability of funds for the programmatic sections of DHHS. If funds are not posted accurately or in a timely fashion, then the Agency cannot use those funds until the corrections are made or the entry is posted. These accounting delays ultimately conspire to reduce the Agency's ability to conduct its business, provide quality services, and/or meet the customer's expectations. This project aligns well with one of DHHS' stated goals of optimizing the value of its services through the efficient and effective implementation of administrative support processes.

Another benefit of this project will be that all of the Agency's accounting documents will be submitted in a consistent fashion. This consistency will pay dividends in terms of support costs and staff training. There will also be a residual benefit from this project to other agencies. Once this project is completed and the system functionality is created within GAFRS, any other agency that uses the GAFRS accounting application can have the same functionality made available to them at a nominal cost.

What Other Agencies Are Doing

As stated earlier, this process is not unique to DHHS. All agencies participate in the transfer of appropriations process. By reviewing how other agencies are submitting their transfers, we can possibly benefit from their experiences and expedite our own implementation. For this project, we looked at several other agencies that are comparable to DHHS both in staff size and in the number of transfers that they submit annually.

The Department of Disabilities and Special Needs (DDSN, 2004) and the Department of Social Services (DSS, 2004) utilize two of the submission methods for the Appropriation/Cash Transfer forms: the traditional paper method and the fax submission

method. The majority of their submissions are via the traditional paper method. Once the form is prepared, their courier delivers the form to the CG's for processing. If timing is critical, they will fax the form. However, the faxed method only eliminates the added time of courier delivery. They, too, encounter the same inefficiencies as DHHS does with their manual forms processing.

DDSN would like to enhance their current process to eliminate some of these deficiencies, but they do not have the necessary resources to pursue this initiative at this time. DSS echoed the same sentiment. They would like to enhance the process, but due to budget cuts and staff reductions, do not have the funds or the staff to invest in changing the system. Although DSS is not currently planning to change their submission method, they are a GAFRS client agency and, as mentioned above, could potentially benefit from DHHS' proposed system changes.

The Department of Health and Environmental Control (DHEC, 2004) and the Department of Mental Health (DMH, 2004) both submit their Appropriation/Cash Transfer forms via electronic tape. Both agencies have been submitting electronically for a couple of years. Their reasons for using this method of submission were basically the same reasons that DHHS has identified. They wanted to use the most efficient and effective method available. They did note, however, that even though this was their preferred method of submission, that they are not precluded from using the other methods should the need arise.

The Automation Process

While the obvious conclusion of this study was to utilize electronic media as our preferred submission method, it became apparent that the Agency would also benefit by

improving its manual processes at the same time. By eliminating one of our internal data entry steps, the Agency would have a streamlined process should we ever have to revert back to one of the manual submission methods. Accordingly, the project is divided into two distinct phases based upon these objectives. The first phase is to eliminate the manually prepared Appropriation/Cash Transfer form and replace it with a GAFRS-generated form. The second phase is to create an electronic tape directly from the GAFRS application.

It was decided that the creation of GAFRS-generated Appropriation/Cash Transfer form would be the first phase of the project because it did not require specific coordination with the Comptroller General's office and it did not require a significant process change.

The first step in this phase was to contact the Office of the State Chief Information Officer (State CIO). The State CIO provides the programming support for the GAFRS application. We met with representatives from this agency to discuss the changes that would be required in order for GAFRS to accommodate printing an Appropriation/Cash Transfer form.

During this initial meeting it was discovered that the Appropriation/Cash Transfer form closely resembled the Interdepartmental Transfer form (**See Appendix B**). There were only a few differences between the forms. The first difference was the title and the form number. Interdepartmental Transfer forms are a document type 4 and STARS form 40. Appropriation/Cash Transfer forms are a document type 3 and STARS form 30. The second difference was an additional line on the Appropriation/Cash Transfer form to state a reason for the transfer. Interdepartmental Transfers do not require this line. The third

difference was a reference box at the bottom of the Appropriation/Cash Transfer form. This box is used to determine whether or not a transfer must be sent to the Office of State Budget for approval prior to submission to the CG's office. Interdepartmental Transfers have a certification statement in lieu of the reference box. The final difference was the signature authority lines. The Interdepartmental Transfer form has two signature authority lines and titles. The Appropriation/Cash Transfer form has three signature authority lines with slightly different titles. Given these minor differences and given the fact that GAFRS can already generate an Interdepartmental Transfer form, it was determined that the same programming logic could be re-used to generate the Appropriation/Cash Transfer form.

All GAFRS-generated forms are created in Microsoft Visio, an end-user drawing package used to create templates and forms. It was determined that the quickest way to produce an Appropriation/Cash Transfer form would be to make a copy of the Visio file associated with the Interdepartmental Transfer and use it as a base to begin modifications.

Once the format of the form is finalized, the next step is to determine what internal GAFRS programming changes need to be made in order for the GAFRS data to be compliant with the STARS form. We identified three key coding structures that needed modifying. The first was the ability for the application to correctly convert the data stored in GAFRS from a *subfund* (detail) level to a *fund* (summary) level during the printing process. The fund level specifies the type of fund that is being used: general, earmarked, restricted, or federal. The fund level is represented by a two-digit code (e.g., 01,03,04,05). The subfund level specifies both the type of funds and the programs associated with those funds. The sub fund level is represented by a four-digit code (e.g.,

1001, 3475, 4276, 5764). It was decided that a conversion index would be used during the printing process to associate the various subfund values to their appropriate fund level counterpart. For example, subfund 3475 would be printed as fund level 03. The only exception to this conversion is for subfund 1001. This value is loaded the same way in GAFRS and in STARS. No conversion will be necessary for this subfund value.

The second significant programming modification also involves data conversion during the printing process. This time the data conversion involves object codes. In specific, the application needs the ability to convert a *minor* object code to a *major* object code within the personal services classification. A minor object code specifies a detail classification for an expenditure (e.g. 0165-temporary grant employee, 0171-temporary employee, 0172-per diem), while a major object code specifies the general classification for an expenditure (e.g., 0170-temporary services). Appropriations for temporary services funds are loaded into STARS at the major object code level. Appropriations for temporary services funds are loaded into GAFRS at the minor object code level. As before, a conversion index will be used to associate these particular minor object code values with their appropriate major object code counterparts (i.e., 0165 to 0170, 0171 to 0170, and 0172 to 0170). All other appropriations are stored at the major object code level in both STARS and GAFRS so no additional conversions are necessary.

The third modification is actually a change to the GAFRS transaction code decision table. The transaction code is a three-digit numeric number that specifies a unique accounting event. For example, transaction code 300 indicates a “credit the appropriation line item” and transaction code 350 indicates a “debit the appropriation line item. Within the transaction code decision table, there is a voucher-writing indicator

field. The field requires either an “n” (no) or “y” (yes) value. For this project, we will need to change the voucher-writing indicator to “y” for both transaction code 300 and transaction code 350. Setting this field to “y” will allow the system to print the Appropriation/Cash Transfer form whenever either of these transaction codes is used.

The final step of this phase will be testing the GAFRS system to see if it generates the Appropriation/Cash Transfer form correctly. All of the programming changes detailed above will be made in the GAFRS test environment. Once the test environment is set up, appropriation transfers can be entered into the test system. In lieu of creating fictitious appropriation transfer data, we will use a sample of ten (10) actual transfers that DHHS has already processed. This way we can ensure that all types of transfers (e.g., personal services, other operating) are represented and are incorporated into the testing. Since the outcome of these transfers is already known, it will provide a control group from which to judge the success of the tests. Up to three different test cycles will be run depending on the results of the previous cycle. Each cycle will include the following steps: entering the ten sample documents, batch balancing the documents, submitting the documents for overnight batch processing, and printing the completed document.

The second phase of the project is to create an electronic tape directly from the GAFRS system that can be submitted to the CG’s Office. Phase two will require programming changes to GAFRS as well as the approval from the Comptroller General’s office before full implementation can occur.

The first step of this phase was to again meet with the State CIO to identify the programming changes that needed to be incorporated, define the electronic file layout

that would be used, and coordinate the testing strategy with the Comptroller General's office.

One of the programming changes identified for phase two is the creation of a new batch type value. The batch type field indicates the type of document that is being entered and displays the corresponding data entry fields associated with that document. The batch type field also dictates how the document will be processed once the data entry is completed. The current batch type value for appropriation transfers is "1". This particular batch type just posts the transaction to the GAFRS database. It was determined that the functionality of this value would remain unchanged in order to accommodate internal transfers that require no CG submission. Instead, a new batch type value will be created to accommodate the appropriation transfers that do require submission to the CG's office. Appropriation transfers created with this batch type will post to the GAFRS databases as well as be flagged for tape submission. Since the batch type field is a manually keyed value, the staff will have to be informed about the new value and trained on when to use it.

Another programming change that was identified involves modifying an existing tape layout to accommodate the data fields for the Appropriation/Cash Transfer form. As detailed earlier, the Appropriation/Cash Transfer form is very similar in appearance to the Interdepartmental Transfer form. Since the IDT form is already submitted electronically, it was decided to use its file layout as the basis for the Appropriation/Cash Transfer form file layout. The modifications will be the same as those detailed in the first phase of the project.

The final step of phase two will be to test the GAFRS-generated file layout. This step will actually have two separate parts. The first part will be internal Agency testing and the second part will be testing with the CG's office.

The Agency's testing will be structured in the same manner as the testing in phase one. Ten existing appropriation transfers will make up the sample. Three separate test cycles will be used (if needed). The cycles will include entering the transfers using the new batch type, batch balancing the documents, submitting the documents for overnight batch processing, printing the document, and generating the document to tape.

Testing with the Comptroller General's office will consist of two comprehensive procedural walkthroughs that will encompass the complete submission process from data entry through tape creation and submission to posting in STARS. Each agency will perform an independent review of the walkthroughs and determine whether further modifications and testing are necessary or whether production submissions can begin.

Project Progress

In September, the DHHS budget staff met with the State CIO to discuss the programming requirements and the feasibility of this project. After finalizing the requirements for both phases of the project, a briefing was prepared by the budget staff and presented to the Agency's Deputy Director of Finance and Administration and Bureau Chief of Fiscal Affairs. The presentation described the project and emphasized its goals. The project cost (< \$20,000) and the project duration (3 to 5 months) were also discussed. At the conclusion of the meeting, management approved the project.

In October, the State CIO was authorized to begin working on the first phase of the project. To date, all of the programming changes for phase one have been made

within GAFRS. The State CIO is currently making the final adjustments to the new Appropriation/Cash Transfer Visio form. With phase one testing set to begin within the next few weeks, DHHS authorized phase two development to begin in late January.

DHHS has also already notified the CG's office about its intention to submit the Appropriation/Cash Transfer form electronically. Once phase one is completed, DHHS and the CG's office will hold a formal meeting with the programming and accounting staffs of both agencies.

Final Recommendations

At the conclusion of this project, DHHS will have automated all of its CG's submissions. Given that the Comptroller General does not currently offer a document imaging solution, the Agency is somewhat limited in its ability to further automate its GAFRS processes at this time.

Where DHHS will most likely receive the biggest technological benefit will be with the new South Carolina Enterprise Information System (SCEIS) program that the Comptroller General is developing. This system is proposed to replace the existing STARS application and become the statewide enterprise solution for financial administration for all of South Carolina state government. The Department of Mental Health is currently piloting the project for the CG's office. By participating in the development of this system and by becoming an early adopter of the technology, DHHS will be able to realize additional process efficiencies.

References:

Comptroller General's Office Accountability Report, State fiscal year 2003-2004
Department of Health and Environmental Control, Phone Interview, October 2004
Department of Health and Human Services Accountability Report, State fiscal year 2003-2004
Department of Disabilities and Special Needs, Phone Interview, October 2004
Department of Mental Health, Phone Interview, October 2004
Department of Social Services, Phone Interview, October 2004
STARS Policies and Procedure Manual, July 2004

Appendix A

AGENCY NUMBER	AGENCY BATCH NUMBER	OBJECT CODE HASH TOTAL	TOTAL BATCH AMOUNT	BATCH DATE	BATCH NUMBER	DOCUMENT
						3

AGENCY VOUCHER NUMBER

C.G. WARRANT NUMBER

STATE OF SOUTH CAROLINA

AGENCY TRANSFERRED TO (CR)

NAME
ADDRESS

AGENCY TRANSFERRED FROM (DR)

NAME
ADDRESS

APPROPRIATION/CASH TRANSFER

REASON FOR TRANSFER: _____

FROM: _____

FM	TRANS CODE	AGCY NO	MINI CODE	SUB-FUND CODE	SUB-SIDIARY ACCOUNT NO	ENCUMBRANCE NO	M O D	PROJECT CODE	P H A S E	AGENCY REFERENCE NUMBER	OBJECT CODE	D E T A I L	TRANSACTION AMOUNT	MULTI-PURPOSE CODE	C G R
TOTAL															

TO: _____

FM	TRANS CODE	AGCY NO	MINI CODE	SUB-FUND CODE	SUB-SIDIARY ACCOUNT NO	ENCUMBRANCE NO	M O D	PROJECT CODE	P H A S E	AGENCY REFERENCE NUMBER	OBJECT CODE	D E T A I L	TRANSACTION AMOUNT	MULTI-PURPOSE CODE	C G R
TOTAL															

AGENCIES MUST COMPLETE THIS SECTION

A. TRANSFER FROM PERSONAL SERVICES TO OTHER BUDGET CATEGORIES	YES **	<input type="checkbox"/>	NO	<input type="checkbox"/>
B. TRANSFER FROM OTHER BUDGET CATEGORIES TO PERSONAL SERVICES	YES **	<input type="checkbox"/>	NO	<input type="checkbox"/>
C. TRANSFER NECESSITATED BY THE APPROPRIATION ACT AND/OR ACTIONS BY THE BUDGET AND CONTROL BOARD	YES **	<input type="checkbox"/>	NO	<input type="checkbox"/>

* APPROVAL REQUIRED BY THE STATE BUDGET DIVISION

REQUESTED BY: _____ DATE _____ STATE BUDGET ANALYST _____ DATE _____

STATE BUDGET OFFICER _____ DATE _____

Appendix B

AGENCY NUMBER	AGENCY BATCH NUMBER	OBJECT CODE HASH TOTAL	TOTAL BATCH AMOUNT	BATCH DATE	BATCH NUMBER	DOCUMENT
						4

AGENCY VOUCHER NUMBER

STATE OF SOUTH CAROLINA

C.G. WARRANT NUMBER

AGENCY TRANSFERRED TO (CR)

NAME

ADDRESS

INTERDEPARTMENTAL TRANSFER

AGENCY TRANSFERRED FROM (DR)

NAME

ADDRESS

TO THE COMPTROLLER GENERAL
The Attached bills are approved for payment as follows:

FROM:

FM	TRANS CODE	AGCY NO	MINI CODE	SUB FUND CODE	SUB-SIDIARY ACCOUNT NO	ENCUMBRANCE NO	M O D	PROJECT CODE	P H A S E	AGENCY REFERENCE NUMBER	OBJECT CODE	D E T A I L	TRANSACTION AMOUNT	MULTI-PURPOSE CODE	C G R
TOTAL															

TO:

FM	TRANS CODE	AGCY NO	MINI CODE	SUB FUND CODE	SUB-SIDIARY ACCOUNT NO	ENCUMBRANCE NO	M O D	PROJECT CODE	P H A S E	AGENCY REFERENCE NUMBER	OBJECT CODE	D E T A I L	TRANSACTION AMOUNT	MULTI-PURPOSE CODE	C G R
TOTAL															

I hereby certify that the articles purchased or services rendered as shown herein have been received and are in accordance with law, and that the payee is entitled to payment, therefore by the State of South Carolina.

SIGNATURE _____ OFFICIAL TITLE _____ DATE _____ C.G. AUDITOR _____