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Phoenix Business Consulting Public Sector Case Studies

Los Angeles Unified School District (Finance and Procurement)



Overview:

- 2nd largest public school district in the United States.
- Serves over 600,000 students, has over 45,000 teachers and 38,000 other employees
- Within the District there are over 3,500 users generating more than 300,000 purchase orders per year.
- SAP Implementation covered Finance, Funds Management, Grants Management, Asset Management, Warehouse Management, and Public Sector Procurement.
- Projected improvements after SAP implementation:
 - 5%-20% Improvement on sourcing savings on indirect spend
 - 1% - 3% Reduction in Asset Maintenance cost
 - 5% - 50% Reduction in budgeting and forecasting cost
 - 2%-20% Reduction in Finance Cost
 - 5%-50% Reduction in Audit Cost

LAUSD Expands SAP's Scope Past HR and Payroll:

History: After the stabilization of the District's Human Capital Management (HCM) implementation in 2007/08, a new project was green lighted to migrate and centralize District finance and procurement functions. In Jan 2012, LAUSD formally started the process of migrating from their legacy mainframe system (IFS) to the SAP ECC, SRM PPS, SuS, BW, and HANA solutions. This project was named the Legacy Replacement Program and *Phoenix Business Consulting (Phoenix)* was responsible for system design, integration, and development as the prime consulting partner.

Project Scope: Providing a fully-integrated HCM, Finance, Procurement and Warehouse Management system was the major objective of the LRP implementation. The budget execution process, which was managed by LAUSD in a separate system (COFE), is now managed using standard SAP Funds Management budget and availability control features. About 3,000 payment cards, which are credit cards primarily used for small purchases by LAUSD employees at various schools and office locations, were also included in the LRP implementation. Using SAP to manage these payment cards and the District's other bank-related accounts also includes timely interfacing with the LAUSD bank information systems, which provides for better control and reporting of financial transactions.

The **purchasing** process in the legacy IFS system included creation of purchase orders, receiving of goods/services, invoicing, and vendor payments. IFS did not support solicitations, supplier registration, purchasing document approval, self-service procurement, catalog-based shopping, legal contract authoring, contract compliance or interfacing with the District's externally-facing public notification system for bidding and procurement. The District's new SRM 7.01 **Procurement** shopper to select their shipping priority. Upon shopping

for **Public Sector (PPS)** system was designed to include all of these capabilities using the integrated SAP Procure to Pay and Receive to Distribute business processes. The LRP implementation included enabling pre-encumbering and sourcing of shopping carts, purchase order processing, solicitation (RFx) and contract management, live auctions, self-registration of suppliers (ROS), development of procurement documents using SAP Document Builder, vendor punch-out and SRM-MDM internal catalogs for procurement of products and **services, supplier self-services (SuS)**, and HCM organizational structure replication with automatic updates.

The LRP project also included the implementation of additional integrated, end-to-end SAP business processes. **Employee travel management**, from trip approval to reimbursement of related expenses in employee paychecks, is now integrated within the District's SAP Hire to Retire process. Acquisition, tracking and **management of fixed assets** are now performed in SAP using the District's integrated SAP Acquire to Retire process. **Grant-related funding and other customer receivables are now completely processed and managed using the District's integrated SAP Order to Cash process.** Budget execution, internal cost allocation, project accounting and financial reporting are now performed using the District's integrated SAP Plan to Report process. Bank and lockbox accounts are now completely managed and reconciled using the District's integrated SAP Cash to Invest process.

Flexibility: the LRP project attempted to utilize standard SAP capabilities where possible, a significant number of enhancements were required and developed by Phoenix. A major enhancement implemented was the integration of ECC stock transport orders with SRM. This allows end-users to shop for items available in the LAUSD warehouse using an internal catalog, performing a real-time stock availability check and allowing the shopper to select their shipping priority. Upon shopping

cart approval, a stock transport order is automatically generated in ECC which then triggers a customized warehouse pick, pack and ship process. Pricing conditions are used to automatically track warehouse revenue, including price mark-ups for warehouse items, as well as cost of goods sold. Warehouse inventory, including food, is replenished using planned orders generated through automatic re-order point planning. Materials requirements planning (MRP) requisitions are automatically replicated to the SRM system for sourcing, allowing responsible buyers to issue a purchase order, begin an RFx process or use a Reverse Auction process within the SRM sourcing application.

Other customizations developed and implemented during the LRP implementation include travel trip and expense reimbursement request, shopping cart, purchase order, vendor invoice, procurement card, journal entry and customer invoice approvals using SAP business and process-oriented workflow; automated compliance with vendor catalogs; field enhancements across all procurement documents; enhanced validations dependent on the combination of internally and externally sourced line-items, values, and commodity codes; customized supplier registration including vendor certification; automatic updating of supplier lists and vendor master data; integration of job planning with Funds Management and Grants Management – Grantee budget execution; enhancements to further automate internal cost allocation and billing; different forms; and various reports using ABAP programming and BW reporting.

LAUSD's Risk Tolerance and Phoenix's Methodology

LAUSD's previous SAP ERP implementation project [Business Tools for Schools (BTS)] produced an openly-publicized failure. This resulted in LAUSD imposing a near-zero risk tolerance for subsequent IT implementations, including the LRP implementation project. Phoenix addressed this risk-adverse environment by proposing and providing a highly-experienced team of more than forty functional business process, training, project management, and SAP for Public Sector experts, all of whom were seasoned senior-plus level consultants. Many of these resources worked with each other on past SAP implementations.

Phoenix utilized a hybrid Agile/ASAP methodology, maintaining a highly-flexible approach to ensure the most successful project possible. Phoenix was primarily concerned with interactions, operability, collaboration, and flexibility in the context of

processes, documentation, negotiations, and planning. Proposed changes to project scope were quickly and collaboratively addressed by both Phoenix and LAUSD project management.

Phoenix worked to educate business process owners about SAP capabilities and the business blueprint process, supporting these business process owners to better understand and validate District business requirements and quickly complete the blue printing process. This included early demonstration of major business processes in SAP systems by seasoned functional resources, accelerating validation of requirements and completing the blue printing process within the LRP project planned time-frame. This Agile approach provided LAUSD business process experts with confidence that critical requirements were addressed, allowing them to quickly review and approve the final blueprint documents and allowing system configuration and development activities to proceed as planned.

Phoenix also supports SAP for Public Sector projects with a large repository of common, pre-developed enhancements and LAUSD was able to leverage many of these developments with minimal modification. This provided the LRP project with a foundation of more reliable workflows, account validations, interfaces, messages, alerts, etc. requiring fewer resources to develop and test required customizations.

In Conclusion: The LRP project provided LAUSD with a modern and scalable SAP for Public Sector solution that fully integrates HCM, Finance, Procurement and Warehouse Management, interfacing order management with the District's highly-specialized Cafeteria Management, Plant Maintenance and Transportation Management systems. This integrated solution feeds and transports over 500,000 students and manages over \$1.5 billion in annual spend for the 2nd largest school district in the nation.





6021 Midnight Pass Rd Unit 3
Sarasota, FL 34242
United States

Tel: (310) 779-9132 |

Fax: (817) 549-0261

www.PhoenixTeam.com

Contact:

JL DIAZ

Director – Customer Success

Phoenix Business Consulting

916-752-8358

