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ANDREW M. CUOMO
Governor

MARY BETH LABATE
Director of the Budget

BUDGET BULLETIN	B-1217	August 12, 2015

TO: **ALL DEPARTMENT AND AGENCY HEADS**

FROM: **Mary Beth Labate** Mary Beth Labate

SUBJECT: **Statewide Financial System – Managing Future Cash Impacts of Procurements through the Payment Schedule Projection (PSP)**

The purpose of this Bulletin is to provide an overview of the Payment Schedule Projection (PSP) tool introduced with the SFS EE1 project.

EE1 Background

In December 2013, the Statewide Financial System (SFS) launched a new initiative to deliver significant new financial management functionality for State agencies. This initiative, called the SFS Enterprise Enhancement, Phase 1 (EE1) project, is scheduled for go-live in October 2015. This is the first of several steps in leveraging the power of SFS to align with best practices, improve financial transaction efficiency, retire legacy IT systems and create an end-to-end financial system for procurement, travel, payments, accounting, project costing, assets, and financial management. It may, however, require adjustments to your current processes.

The scope of EE1 includes implementing re-architected, standardized business processes related to budget management (KK) that will improve both system processing efficiency and consistency.

PSP Overview

PSP, a new budgeting tool, was developed to enhance controls over spending and support the shift to 100% segregation of appropriations upon budget enactment. The PSP provides information on the projected cash impact of purchases at the time of obligation [i.e., when a purchase order (PO) is issued] and provides visibility to planned agency spending by quarter for the fiscal year and the carry-out period (multi-year for capital projects spending). Without the ability to monitor and control the future cash impacts of procurements, the State could be exposed to significant financial plan and liquidity risk associated with moving to full segregation.

The PSP tool offers better fiscal control by requiring agencies to manage cash impacts as part of the procurement cycle therefore preventing obligations with cash impacts that do not align with the cash plan.

Utilization of PSPs offers a more comprehensive budgeting view. In the new environment, spending patterns associated with purchases made pursuant to a contract or stand-alone purchase order will be taken into consideration to ensure budget adherence. As such, the planned cash impact of a procurement must be validated against the KK Financial Plan (refer to Budget Bulletin B-1216) through a successful budget check prior to a PO being eligible for dispatch to the vendor.

PSP Scope

At go-live, POs will serve as the "planned expenditure" component of the PSPs limiting planned spending to non-personal service and a small population of contracted local assistance payments. In the future, PSP usage is expected to expand to include other types of agency spending in the PSP.

Development of PSP

A PSP method is associated with each PO and distributes the spending from the PO across quarters in accordance with business rules incorporated into the PSP method. Agencies often have repeat purchase orders, so the expectation is that the PSP will model the traditional spend out of similar purchase orders.

The PSP method will be defaulted systematically to the PO based upon pre-configured agency settings, but there will be the ability to override the defaulted selection, with proper security. At go-live, agencies will have a limited number of pre-configured PSP methods that can be applied to a PO. It is expected that, as agencies become more familiar with the process, the pre-configured methods will be expanded and adapted based on actual experience.

Agencies have significant flexibility in the management of their PSP defaults with the ability to establish defaults by contract, contract profile and by business unit in addition to entering the PSP Method on the PO or the requisition. By establishing up-front configuration of the types of contracts and characterizing the typical cash impacts of POs referencing those types of contracts, agencies are able to apply a more consistent approach to projecting cash impacts of procurements. This also precludes the need to "touch" a document as it relates to the PSP.

Questions regarding PSP defaults and adjustments should be directed to SFS at helpdesk@sfs.ny.gov.

PSP Budget Checking and the KK Financial Plan

While planned spending is populated on a very granular PO-by-PO basis, budget checking occurs on an aggregate basis based on the KK Financial Plan (i.e., Agency, Fund, FP category, program). This allows for flexibility in development and selection of the PSP method, as it is expected that projected cash spend out will not occur exactly as projected (occurring either earlier or later than projected). The budget check ensures that spending in aggregate does not exceed the KK Financial Plan budgeted amount. While a margin of error is provided by the level of budget checking control, that does not relieve the agency from their responsibility to establish PSP methods based upon historical spending information available. It is expected that the PSP methods defaulted or manually selected represent these spending patterns as accurately as possible.

PSP Adjustments and Budget Check Failures

The Division of the Budget, with SFS support, will provide oversight, best practice guidance, and the control function over the PSP tool. Where DOB observes agencies are providing consistently inaccurate projections, the budget examination unit may assist agency staff in their efforts to more accurately establish the planned cash impacts of their procurements.

An agency encountering a PSP budget check failure must follow up on the failure to determine the best course of remediation. Options include: 1) changing the PSP Method on the PO (when establishing a PO), 2) making an adjustment to the PSP projection for existing POs through the PSP adjustment page, or 3) contacting the budget examination unit to adjust the KK Financial Plan. While resolution will ultimately be determined on a case-by-case basis, budget check errors that are determined to be heavily influenced by planned spending on the PO are more likely resolved through a PSP adjustment, while those determined to be heavily influenced from actual expenditures may require an adjustment to the KK Financial Plan budget. For example, a PO fails PSP budget check under the following scenarios:

- Budget $100; Actual Expended $10; Planned Spending $90
    - Agencies should review the planned spending details to determine if a PSP adjustment may be needed to move projections of planned spending to future quarters and free-up funds under the established cash ceiling for the quarter.

- Budget $100; Actual Expended $80; Planned Spending $20
    - Agencies may be able to process a PSP adjustment, but more likely the budget error is related to expenditures and they should contact their budget examiners to discuss an adjustment to the cash ceiling for that quarter.

PSP Monitoring Reports/Queries

<u>PSP Adjustment Activity Report</u>

Provides an overview of PSP Adjustment activity to support monitoring of PSP adjustment activity against PO's, subsequent to the initial PO budget check. The report will be used to support improvements to PSP Method defaults and may be used by DOB to support future use of PSP controls by PSP Method or by Purchasing BU.

Report Name	PSP Adjustment Activity Report (NYKK4001)
Report Navigation	Main Menu > Commitment Control > Budget Reports > PSP Adjustment Activity Report
Report Role	NYF_AGY_KK_REPORTS

PSP Voucher Report

Provides information relating to vouchering in excess of planned amounts. The report will be used to support improvements to PSP Method defaults and may be used by DOB to support future use of PSP controls by PSP Method or by Purchasing BU.

Report Name	PSP Voucher Report (NYKK4002)
Report Navigation	Main Menu > Commitment Control > Budget Reports > PSP Voucher Report
Report Role	NYF_AGY_KK_REPORTS

PSP Allocation Summary Report

Provides a summary comparison between an agency's original PSP allocations for PO's and the actual expenditures recorded against these PO's. Alternately, the report provides the same comparison using the current PSP allocation.

Report Name	PSP Allocation Summary Report (NYKK4003)
Report Navigation	Main Menu > Commitment Control > Budget Reports > PSP Allocation Summary Report
Report Role	NYF_AGY_KK_REPORTS

PSP Query Reporting Tools

To help analyze where PO adjustments need to be made when PSP budget checking errors occur, PSP query reporting tools have been developed. These queries must be run against the KK Financial Plan ledgers.

Query Name	NY_PSP_PL_DET • PO information is displayed at the line level NY_PSP_PLD_DET • PO information is displayed at the distribution level
Report Role	Access to PeopleSoft (PS) Query Viewer or Manager is needed.

Questions regarding the establishment and implementation of the PSP tool should be directed to the SFS Help Desk at helpdesk@sfs.ny.gov.