



- Board of Directors  
*Organization, Personnel and Technology Committee*

10/8/2013 Board Meeting

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**7-5**

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## **Subject**

Appropriate \$1.180 million to purchase and implement Oracle Accounts Payable Automation System; (a) enter into an agreement with Oracle Corporation in an amount not to exceed \$390,000 to provide all software components for Oracle's Accounts Payable Automation System; and (b) enter into an agreement with Application Software Technology Corporation not to exceed \$447,000 to provide implementation services for the system (Approp 15484)

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## **Executive Summary**

This letter requests authorization for the purchase and implementation of an Oracle Accounts Payable (AP) Automation System to scan paper invoices for the electronic storage of data and image files. The application provides automated workflow for approvals, and automates invoice processing within the Oracle E-Business Accounts Payable module. This system will allow Metropolitan to maximize workforce productivity and improve reliability for vendor payments. Adopting electronic storage of invoice data and images will utilize industry best practices and speed up response time to answer customer inquiries, provide emergency response capabilities, and support Metropolitan sustainability objectives.

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## **Details**

### **Timing and Urgency**

Metropolitan's Finance group has recommended that improvements be made to the AP business process through automation in order to maximize workforce productivity, improve reliability and support best business practices. During the past several years, the accuracy of intelligent scanning technology has improved immensely. Using an automated AP imaging system is considered a "best practice" and is in place in most companies comparable to Metropolitan. This project is recommended in the Information Technology Strategic Plan.

### **Background**

This letter requests authorization for the selection and implementation of an Oracle AP Automation solution using Optical Character Recognition (OCR) scanning to capture vendor invoice data and images. OCR is intelligent software that extracts key data fields, such as vendor number, vendor name, purchase order number, and dollar amount, from the hard copy invoices. Once the data are transformed into electronic media, automated workflows can be used to expedite approvals. The electronic invoices can then be processed into the Oracle E-Business Accounts Payable module for automatic matching and payment. Since the invoice images will be stored electronically, there will also be a reduced cost for off-site storage of paper invoices.

The Accounts Payable staff processes approximately 4,000 to 5,000 invoices on a monthly basis. These invoices are processed entirely through manual processes without any automated assistance. Automation will increase the level of reliability of this process, maximize workforce productivity, improve throughput time for vendor invoices and payment, and provide additional benefits by storing these data electronically. Moreover, this system enables staff to view the status of vendor payments on-line.

Accounts Payable staff must often respond to both internal and external requests for invoice-related information. Currently, this is a time intensive, manual process requiring the technician to find invoice information in the Oracle Financial Application, retrieve the batch number, research the date the invoice was sent to storage, complete a records request to have the information brought back on-site and provide a copy of the invoice to the requesting party. Storing the invoice images on-line, in a searchable format, will greatly reduce retrieval time and cost as the information will be readily available.

Emergency Response is an essential function at Metropolitan. While recovery plans exist for other types of documents, such as engineering drawings, invoice recovery is based on the hard copy documents stored offsite. A major disaster could result in the damage or destruction of these paper records. Having electronic copies of the invoice data and image, further supported by off-site backup of these electronic files, will better protect the financial obligations of Metropolitan.

Metropolitan supports a “green” environment. Points are awarded on consulting contracts for organizations that practice the “green” initiative. The electronic processing of invoices eliminates the need for vendors to submit paper invoices, thus decreasing the impact to the environment. Since current document retention rules require agencies like Metropolitan to retain invoices for a period of six (6) years, electronic storage will minimize the physical storage requirements and promote a sustainable paperless environment.

Based on staff research, it is believed that an automated Oracle AP Automation System will allow for a gradual decrease in AP staff (by attrition or reassignment) without any negative effect on invoice payment cycles. Organizations similar to Metropolitan that have adopted an automated AP solution have experienced many of the benefits described above.

The requested funds for this project (\$1.180 million) include \$390,000 for software purchase; \$42,000 for hardware purchase; \$447,000 for Professional and Technical services to provide installation, configuration, testing, and implementation; \$190,000 for internal labor for requirements definition, system design, infrastructure and security activities; \$4,000 for incidentals; and \$107,000 for remaining budget. This project has been evaluated and recommended by Metropolitan’s Capital Investment Plan Evaluation Team, and funds have been included within the fiscal year 2014/15 capital budget. (See Financial Statement in [Attachment 1](#).)

A competitive solicitation (Request for Proposal No. 1034) was issued to obtain implementation services, and eight responses were received and evaluated. Staff recommends that Applications Software Technology Corporation (AST) be engaged to implement Oracle’s AP Imaging system. AST has a solid record in Public Sector Oracle application implementations and is a certified Oracle partner. Currently, AST is implementing this product at the Metropolitan Transportation Authority.

This project will commence in January 2014 and be complete by the end of the 2014 calendar year.

## **Policy**

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Metropolitan Water District Administrative Code Section 5108: Appropriations

### **California Environmental Quality Act (CEQA)**

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CEQA determination(s) for Option #1:

The proposed actions are not defined as a project under CEQA because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

**Board Options**

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**Option #1**

Adopt the CEQA determination that the proposed actions are not subject to CEQA and

- a. Appropriate \$1.180 million;
- b. Authorize entering into an agreement with Oracle Corporation, in an amount not to exceed \$390,000, for the purchase of scanning, OCR processing, Oracle E-Business Suite integration, and data storage software for Oracle’s AP Automation System; and
- c. Authorize entering into an agreement with Applications Software Technology Corporation, in an amount not to exceed \$447,000, to provide implementation services for Oracle’s AP Automation System.

**Fiscal Impact:** \$1.180 million in budgeted funds under Approp. 15484

**Business Analysis:** This system will provide improvements in reliability and productivity by adopting best practices. It will decrease cost and save labor involved in storing and retrieving invoice copies, will provide greater Emergency Response capabilities, and will support a sustainable paperless environment.

**Option #2**

Do not implement an Oracle AP Automation System and continue using the manual process currently in place.

**Fiscal Impact:** None

**Business Analysis:** Not implementing this system continues a labor intensive, costly, and less reliable business process.

**Staff Recommendation**

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Option #1

  
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 Roy L. Wolfe  
 Manager, Business Technology

9/16/2013  
 Date

  
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 Jeffrey Kightlinger  
 General Manager

9/20/2013  
 Date

**Attachment 1 – Financial Statement**

**Financial Statement for the Business Operations Improvement Program**

A breakdown of Board Action No. 2 for Appropriation No. 15484 is as follows:

	<b>Previous Total Appropriated Amount (Apr. 2013)</b>	<b>Current Board Action No. 2 (Oct. 2013)</b>	<b>New Total Appropriated Amount</b>
Labor	\$ 770,000	\$ 190,000	\$ 960,000
Studies & Investigations	\$ -	\$ -	\$ -
Final Design	-	-	-
Owner Costs (Program mgmt., permitting)	-	-	-
Construction Inspection & Support	-	-	-
Metropolitan Force Construction	-	-	-
Materials & Supplies	40,000	432,000	\$ 472,000
Incidental Expenses	5,000	4,000	\$ 9,000
Professional/Technical Services	449,000	447,000	\$ 896,000
Equipment Use	-	-	-
Contracts	-	-	-
Remaining Budget	126,000	107,000	233,000
<b>Total</b>	<b>\$ 1,390,000</b>	<b>\$ 1,180,000</b>	<b>\$ 2,570,000</b>

**Funding Request**

<b>Program Name:</b>	Business Operations Improvement Program		
<b>Source of Funds:</b>	Replacement and Refurbishment		
<b>Appropriation No.:</b>	15484	<b>Board Action No.:</b>	2
<b>Requested Amount:</b>	\$ 1,180,000	<b>Budget Page No.:</b>	26
<b>Total Appropriated Amount:</b>	\$ 2,570,000	<b>Total Program Estimate:</b>	\$9,388,000