

State of California
**Automated
Expense Reimbursement Project**
Efficiency Through Automation

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Introduction to the Automated Expense Reimbursement Project

The objective of the Automated Expense Reimbursement Project is to provide the State with a comprehensive solution for effectively managing the travel advance and expense reimbursement program. The project has studied the current business practices, identified the deficiencies of current processes, and determined the State's needs associated with travel advances and reimbursement of employees' travel and business expenses. The project's mission is to acquire an automated system that will resolve the current deficiencies and meet the needs of the State.

Project Background

A business case study was conducted by the State Controller's Office with the assistance of the Department of Personnel Administration, Department of General Services, and eight operating departments. The eight departments, representing approximately 51% of the State's travel budget, were:

Board of Equalization
Department of Corrections
Department of Health Services
Department of Justice
Department of Motor Vehicles
Department of Social Services
Department of Transportation
Employment Development Department

The study was based on the State's current business practices for processing travel-related expenses. Through this analysis, the following five major deficiencies were identified:

- ◆ **Processing is expensive.** On average, an expense claim costs approximately \$29, while a travel

advance costs \$10, and reporting a taxable reimbursement costs \$3. The annual statewide cost is approximately \$17 million.

- ◆ **Processing is labor intensive.** An average of 72 steps involving 50 "touch points" and consuming 86 minutes of work time are required to prepare, submit, and process a travel advance, expense reimbursement, and associated taxable expenses.
- ◆ **Complex statewide travel rules contribute to error rates.** Inaccurate application of the statewide rules contributes to error rates ranging from 10% to 40%.
- ◆ **Employees are not reimbursed on a timely basis.** Currently, it takes an average of 13 work days to process an expense claim.
- ◆ **Management information is inadequate.** Expense reimbursement information is not readily available to operating departments and central agencies.

The conclusion of the study was that these deficiencies could be resolved and significant statewide savings achieved by automating the travel advance and expense reimbursement processes.

Projected Statewide Savings

The business case study concluded that of the \$17 million annual statewide processing costs, an annual statewide savings of \$7.8 million could be achieved by automating the travel advance and expense reimbursement processes. This significant savings consists of:

\$3.1 million in hard savings resulting from the workload reduction in departmental accounting offices.

\$4.7 million in soft savings resulting from the workload reduction of preparers and approvers.

Feasibility Study Validates Study's Findings

At the conclusion of the business case study, a feasibility study report (FSR) was prepared. The FSR validated the study's findings and confirmed that statewide savings could be achieved by implementing an automated travel advance and expense reimbursement system.

The FSR was approved by the Department of Finance and the Department of Information Technology in 1998.

Project Funding

General Fund dollars were not allocated for the Automated Expense Reimbursement Project. As a result, the costs for the project's development effort and ongoing maintenance will be funded, on a reimbursable basis, by departments electing to use the system.

Use of the system is voluntary. Departments electing to participate are requested to enter into interagency agreements with the Controller's Office for the one-time development cost fee. An interagency agreement for the ongoing maintenance fees will also be secured at the time the department begins using the system.

Development costs for the project must be secured before a contract can be awarded to a vendor. Therefore, the Controller's Office has been engaged in a concerted effort to contact departments

and secure their support and commitment to the project in the form of an interagency agreement for the development cost fee.



Development Costs

The project's development costs will be divided among participating departments based on a per capita (per employee) charge. The development cost charge is a one-time fee that can be paid by the department over one or two fiscal years. The one-time development fee will be collected from all departments using the system, regardless of when they elect to participate.

To encourage departments to commit to the project now, so that sufficient development cost commitments can be secured prior to the awarding of a contract, a fee structure has been developed whereby the per capita fee is reduced for early participation. The development fee structure is:

Early Participation (by 8/99):

\$10 per employee

Late Participation (after 8/99):

\$14 per employee

Maintenance Costs

The maintenance cost fee, which will commence after the department is using the system, will be on going and based on the department's actual use of the system.

The maintenance fee is estimated at \$4.00 per request in the project's feasibility study report. The actual maintenance fee will be determined when the system is known and operational.

Project in Procurement Phase

The project is currently in the procurement phase. A Request for Proposal (RFP) was released to the vendor community in January 1999.

The project's procurement is taking an "alternative procurement" approach in that the RFP only contains the State's business requirements for processing travel advances and expense reimbursements. It does not contain detailed technical requirements or a technical design. The vendors have been asked to propose their best solutions for meeting the State's business requirements.

The State's procurement team, consisting of staff of the State Controller's Office and the Department of General Services, has been working with the interested vendors to ensure their understanding of the State's business requirements and to ensure the team's understanding of the vendors' proposals. The procurement includes the submission of conceptual and draft proposals prior to submission of the final proposals. The conceptual and draft proposals are being required to ensure the finest quality of the final proposals.

Currently, the procurement team has completed the review of conceptual proposals and confidential meetings to discuss the results of the review with each proposing vendor. The project timeline for the remaining effort is provided below.

Project Phase	1999							2000											
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
Draft Proposal	█																		
Final Proposal Evaluation			█																
DOF, DOIT, & Legislature Approval					█														
Award Contract							█												
Development									█										
Pilot															█				
Implementation																			█

System Features

Employees will use the automated system to electronically request travel advances and expense reimbursements. The requests will be electronically routed to the appropriate approvers for approval and to the department accounting office for payment scheduling. Departments will continue to issue travel advances; however, the Controller's Office will issue the expense reimbursement payments to employees.

The automated system will include various features to reduce workload, error rates, and the amount of time from request preparation and submission to employee payment.

Key System Features	
System Security	Extensive safeguards to protect against unauthorized access to the system and data will be provided.
Consolidated Management Information	Non-technical users will be provided with the capability to initiate reports of current and historical data.
Electronic Notifications	Through the use of departments' existing e-mail systems, users will be alerted of actions taken or required (e.g., to alert an approver that a request is ready for review, to notify an employee that the request has been disapproved).
User Friendly	The system will be interactive with users, guiding and assisting the inexperienced user yet not impeding the experienced user.
Direct Deposit	Employees who have direct deposit of their salary and wage payments will automatically receive their expense reimbursement payments via direct deposit.
Automated Edits and Audits	Statewide rules and department policies will be automatically applied at the time the employee prepares the request.
Automatic Calculations and Generated Information	The system will calculate and generate as much information as possible to ensure accuracy and prevent excessive entry of data.
Automated Travel Advance Recovery	Travel advances will be automatically scheduled for recovery from expense reimbursements; however, department accounting office staff will be able to change the automated scheduling.
Automatic Tax Reporting	Taxable and reportable expense items will be automatically reported to the Controller's Office for tax withholding and inclusion on W-2, Wage and Tax Statements.

Benefits of an Automated System

The business case study documented the following benefits of an automated system:

	Today <i>(manual process)</i>	Future <i>(automated system)</i>
Timely Reimbursement	13 work days	5 work days
Reduced Labor	72 steps, 86 minutes	34 steps, 40 minutes
Reduced Costs		
Expense Claim Only	\$29	\$16 (45% savings)
Expense Claim, Travel Advance, & Tax Reporting	\$42	\$21 (50% savings)

Participating Departments

Board of  Equalization

To date, the following departments have committed to signing interagency agreements for their share of the project's development costs:

Board of Prison Terms

California Conservation Corps

Department of Aging

Department of Corrections

Department of Education

Department of General Services

Department of Pesticide Regulation

Department of Housing and

Community Development
Department of Health Services

Department of Industrial Relations

Department of Motor Vehicles

Department of Parks and Recreation

Department of Personnel Administration

Department of Real Estate

Department of Toxic Substances Control

Employment Development Department

Franchise Tax Board

Secretary of State

Stephen P. Teale Data Center

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The *Automated Expense Reimbursement Project* is a periodic newsletter published by the State Controller's Office. Suggestions and comments regarding the newsletter or questions regarding the project may be sent via e-mail to tecproject@ca.gov or to 300 Capitol Mall, P.O. Box 942850, Sacramento, CA 94250-5878, Attention: Bonni Silva.

Noteworthy Items

- **Departments reviewed business requirements.**
The business requirements included in the Request for Proposal were developed by the State Controller's Office and were validated by 21 operating departments representing most aspects of State operations (e.g., small and large departments, centralized and decentralized accounting functions).
- **Departments will retain receipts.**
Departments using the automated system will be allowed to retain receipts and supporting documentation provided they are retained in "central locations" within the departments (and not at the employee or approver level). The "central locations" must be administrative support-type office levels.