



## Accounting (ERP) Systems: Buy vs. Keep

Many school districts are in process of evaluating the need to purchase a new accounting (ERP) system or enhance the existing legacy system. There are many factors that play into this type of decision but a few stand out. First, is budget. Procuring a new ERP system will run in the five to ten million dollar range, or higher dependent on modules purchased, consulting time required to implement and your negotiating skills. Second is staffing. Your current staff skills (technical and non-technical) will not match well with the newer technology. Be ready to re-train existing staff, hire new people with skills that support the new software and outsource/contract for any gap in staffing capabilities. Third, be certain that the new accounting software has an "open architecture". This term is thrown around a lot in the industry, but basically the software should provide Application Interfaces (APIs) to each sub-ledger and the general ledger; ability to reconfigure modules to meet changing business needs and should have EDI and/or newer electronic document gateway capabilities. Finally, account for the "people factor". People dislike change. You may have employees who may not be happy with the existing system but will not rally behind you during transition to a new system. Fear of change must be recognized and addressed prior to and during system transition. End users (accountants, administrative assistants, etc) want to know how they will accomplish daily tasks with the new system and where they will get their data for reporting. Each department/school has probably developed their own system for tracking detailed accounting/transaction data. You will need to show (sell) them on how the new system will make this task easier, save time, etc.

Detailed reporting, auditability, system flexibility and supporting functional business processes are the primary goals and purpose for implementing an ERP/Accounting system.

### Buy vs Keep?

#### PROS

1. ERP systems will provide more flexibility in tracking revenue for cost recovery operations. This type of business unit will usually require AR invoicing to bill customers. Although government entities traditionally accomplished tracking income by recording negative expenditures, it is very hard to track transaction detail (reconcile) and service customers. An AR module will help manage billing and receipt functions of the district.
2. ERP software will also provide options for project tracking, via a project module, and can accommodate tracking project expenditures across multiple organizational accounts.
3. Detailed reporting capability is probably the biggest difference between legacy systems and those of today. Out of the box, ERP systems offer better reporting capabilities than legacy. However, reporting usually needs some customization to meet the organization's business requirements. As mentioned above, detailed reporting is a primary goal for implementing an accounting system, but is often overlooked, put off or assumed the report already exists, until well into the implementation. Detailed reporting is harder to accomplish with legacy systems since they typically do not have the capability to store detailed transaction data.
4. E-procurement – Most ERP/accounting systems offer their own version of E-Procurement software. Even if it is determined that the ERP vendor's E-procurement software does not meet your business needs, 3rd party software can be "bolted on" to an ERP system through APIs.

## CONS

1. If a new ERP system is purchased, be ready for a minimum 6-12 month implementation cycle that includes functional analysis, team assignments, data mapping, testing, training and pre-production testing.
2. Technical staffing requirements will be completely different to support the new ERP system. This will usually equate to a larger budget line for technical personnel and/or outsourced (on-site) vendor contracts to support the new environment. Be sure to negotiate tiered consulting rates to match the skill level of the consultants supplied for the project.
3. Converting to a newer, more flexible technology is not as easy as the industry or sales people make it seem. However, it can be accomplished with proper project management, good technical support, etc. and matching functional process to ERP software capabilities.
4. ERP systems are expensive.
5. Don't assume all ERP e-procurement products work the same. Although functional gaps have narrowed in all e-procurement products, gaps still exist. You would be well advised to bring in a specialist that understands e-procurement and ERP systems to flush out the gaps ahead of time.

Due to budget constraints you may be forced to put off a large expenditure of an ERP system. However, Every school district would be well served by beginning functional/technical analysis and process re-engineering/streamlining efforts prior to the procurement of an ERP system. By doing so, it will improve your position when reviewing demos, writing the RFP and negotiating the deal. Typically the functional/technical analysis comes after the contract is signed and usually uncovers requirements that will equate to additional money (remember the contract outlines deliverables that may not have included business requirements discovered in the functional analysis). Doing the analysis up front will help minimize project cost overruns and reduce your risk of purchasing software that does not meet your business needs.

If a new ERP system is purchased, the district should setup and maintain a test environment (database instance) that mirrors production. Having a test environment will allow for testing of functional and technical processes, training of personnel, testing version upgrades, controlled management of cutting legacy systems over, or adding new specialized software that requires integration, etc. With a test environment all can be done without interfering with the production (live) accounting data.



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