

ALA American Library Association

TO: ALA Executive Board

DATE: April 2, 2020

RE: Accounting Outsourcing Report

ACTION REQUESTED: Information only

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INFORMATION:

- Background
- Services Provided
- Staffing
- Status
- ALA Accounting staffing

Background

ALA had entered into an agreement with BOC (Back Office Cooperative) on April 24, 2019 to outsource accounting functions of ALA to be serviced by EXL for BOC.

Start date: April 24, 2019

End of Term: December 31, 2021

The Director of Operations at EXL and ALA Controller had a week-long meeting in September 2019.

Topics:

1. Overview of ALA Business Model
2. High-level overview of all in-scope processes for EXL (Accounts Payable, Accounts Receivable and General Ledger Accounting)
3. Project planning and define Project Roles and Responsibilities
4. Technology and Infrastructure
5. Detailed overview of current "AS IS" Accounts Payable processes
6. Detailed overview of current "AS IS" Accounts Receivable processes
7. Detailed overview of current "AS IS" month-end close processes
8. Detailed overview of current "AS IS" reconciliation processes
9. Expense report processes (Concur)
10. Internal Controls in place and controls to be added to processes
11. Develop comprehensive training schedule for EXL team

While meeting with the Director of Operations at EXL in September 2019, the following were discovered.

Accounts Receivable

EXL does not make check deposits or process credit cards.

EXL does not handle collections on accounts receivable.

Accounts Payable

The Accounts Payable workflow is a manual process. In processing Accounts Payable invoices, there are three steps involved.

1. Scanning invoices into OnBase (scanning tool)
2. Entering invoice information from OnBase to CWS (Client Workflow Solution – invoice approval tool) is a manual process
3. Entering invoice information from CWS to ALA's internal Accounts Payable system is a manual process.

NOTE: ALA processes about 18,000 invoices and over 2,000 expense reports per year.

The amount of manual work performed by EXL is a concern as it requires a tremendous amount of review time by ALA accounting team.

Actions taken by ALA as a result of the above findings

ALA hired a temporary position through June 30, 2020 to perform the Accounts Receivable tasks noted above.

The EXL team representing each service area joined the ALA accounting team for on-site training sessions from October 21, 2019 to December 6, 2019 (6 weeks). Training was provided and then the EXL team observed ALA staff during the September/October month-end close process and the EXL team processed some transactions for the November close while ALA accounting staff observed the EXL team. During this process, areas for additional training were identified and ALA accounting staff continues to provide training remotely.

Services Provided By EXL

Accounts Payable

Accounts Receivable

General Ledger Accounting including reconciliations

Staffing

Prior to outsourcing, the number of staff at ALA headquarter was as follows:

Accounts Payable – 2 staff

Accounts Receivable – 1 staff

Accounting – 1 temporary accountant (due to a vacant Accounting Manager position since December 2018 and a vacant Senior Accountant position since June 2019)

Grant Manager

Controller

Current staffing (2): Grant Manager and Controller

EXL staff assigned to ALA's Client Service Team

Accounts Payable – 3

Accounts Receivable – 2

General Ledger Accounting – 1

Manager – Oversee Accounts Payable, Accounts Receivable and General Ledger Accounting – 1

Total – 7

In addition, EXL added 3 more staff to assist the current team at their cost.

Accounts Payable – 1.5; Accounts Receivable – .5; and General Ledger Accounting – 1

There are 10 EXL members working on ALA

Status

Volume of work and the complexity of work in each area appears to be overwhelming for EXL team.

Accounts Payable

Progress is being made – The process requires extensive review by ALA accounting team with daily supervision and guidance. Due to high volume and manual processing of accounts payable invoices, there's a high rate of repetitive errors detected by ALA accounting staff and EXL team currently relies heavily on ALA staff to review their work.

Accounts Receivable

Some progress in being made – The process requires extensive direction and coaching. This is an area where it will take some time for EXL to be independent.

Month-end Close

Little progress is being made – The EXL team displays lack of general accounting technical skills and understanding which is a major concern.

The ALA accounting team is consistently reviewing and providing training. However, the EXL team has not demonstrated their ability to apply the training in completing their month-end close tasks.

Balance Sheet reconciliations

The EXL team appears to be struggling with the concept of reconciling balance sheet accounts.

For the most part, the Balance Sheet reconciliations have not been completed to date.

General comment/concerns and plans

From the perspective of the ALA Accounting team, there is no evidence of Internal Controls being in place and being performed.

Due to the high volume of work for EXL, quality and quantity suffers, despite the amount of time dedicated to EXL to provide guidance and additional training.

ALA accounting staff are committed to provide additional training to EXL team members in order to make this transition successful.

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Accounting Outsourcing Financial Report As of March 15, 2020

	Budgeted costs and fees			Actuals through January 31, 2020			FY 2020 Projection		
	EXL	ALA	Total	EXL	ALA	Total	EXL	ALA	Total
Staff charges	\$ 226,161	\$ 103,175	\$ 329,336	\$ 70,659	\$ 73,576	\$ 144,235	\$ 202,588	\$ 172,564	\$ 375,152
Project Management Office (PMO) and implementation fees	20,000	-	20,000	-	-	-	20,000	-	20,000
Staff expenses	50,000	-	50,000	-	-	-	54,702	-	54,702
	<u>\$ 296,161</u>	<u>\$ 103,175</u>	<u>\$ 399,336</u>	<u>\$ 70,659</u>	<u>\$ 73,576</u>	<u>\$ 144,235</u>	<u>\$ 277,290</u>	<u>\$ 172,564</u>	<u>\$ 449,854</u>