Memo

TO: Practice Group Leaders of Strategic Interventions LLC (Top management at a NYC-based consultancy firm)

FROM: Peter Schuld, Project Manager (internal)

DATE: October 15, 2017

SUBJECT: Capstone IT system upgrade

Strategic Interventions is experiencing rapid growth and needs to strengthen their internal management reporting systems to improve cost control and to avoid high overhead costs. The Capstone IT system upgrade is designed to provide full transparency of production costs incurred to best determine project profitability and to reach the most efficient employee utilization for the entire firm.

**IT Systems Upgrade**

The Capstone project will significantly improve the firm’s financial management accounting capabilities by purchasing and successfully implementing four modules of the SAP Finance Master IT software package. We will implement the requirements of Strategic Interventions by June 2018 without adding unnecessary complexity. Implementing a sophisticated job budget and time tracking system will increase the firm’s ability to calculate the total workload and the true overhead cost required for each project. The increased cost transparency will in turn help the firm to improve overall profitability.

**Requirements**

The total purchase price for the four required Finance Master modules is $390,000. The board has stipulated that the software budget for the initial installation cannot exceed $400K, and has provided an additional $20K to incorporate additional training. These figures do not include the internal cost of resources to support this effort.

The Finance Master package has seven modules at a total cost of $580,000, but not all modules are required for achieving our immediate goals. The General Ledger and Accounts Payable modules constitute the minimum available package and cost $260K for software, customization and installation. To achieve the board’s stated goal of improving client billing and improving the transparency of true project costs on a firm wide level, a set of four modules is required:

General Ledger module (GL)

This module works with other financial modules to provide a complete set of transactions and reports for the entire firm. It has the most up-to-date balance of any ledger at a given time. Its bottom line for a specific account is transferred to the balance sheet or income statement depending on the type of account. It will considerably improve accounting transparency and satisfy the external financial reporting requirements.

Accounts Payable module (AP)  
  
This module supports multiple invoices and funds on a single check, routing entries for automatic approval and use of commodity codes. It tracks money owed, available discounts, due dates, and cash requirements at any time. It aligns payments with cash flows to maximize discounts while minimizing late charges. The installation of the AP module addresses shortcomings in the current practice of manually assembling client bills by administrators based on the project principal’s directions.

Payroll/HR module

The Payroll/HR module associates multiple pay rates for each employee, tracks contract pays, manages leave accrual, supports timecard entry (either by exception, positive entry, or both), enters or calculates hours and rates, permits remote location time card entry, maintains records of time usage per employee and by project code, and maintains multiple employee billing rates.  This module will significantly reduce companywide overhead costs by clearly assigning employee utilisation to specific projects.

Job Costing/Project Accounting module

This module builds project costs either from automated updates or data entry, maintains multiple mark-up structures by activity/task classifications, can incorporate or eliminate overhead charges by employee category, bills actual costs vs. % complete, maintains original project budget data for comparison reporting, calculates actual costs to date vs. % budget completion, maintains project category codes allowing rollup of project activity and billing by group, owner, type of project, etc., allows manual billing adjustments, tracks mark-ups and write-offs based on actual vs. billed data, creates project invoices for batch update, and can generate internal revenue/expense transfers based on project time spent. Installing this module will allow all costs to be allocated directly to a project, and will let the company identify ways to improve profitability.

**Assumptions**

The Finance Master team onsite will execute all tasks required to customize the system as specified for the firm. However, the project team will need to identify what needs to be done, how it should be done, and how to use the systems options to make that new process happen.

Therefore, a team of experienced employees will need to be assigned to this project effort. The board has agreed that up to five individual employees will be available as project team members on either a part-time or full-time basis for the full duration of the project, as necessary. Their total utilization cannot exceed four Full Time Equivalent (FTE) employees at any point. Nevertheless, the project manager will determine which employees and skill sets are needed and requests those employees.

**What needs to be done**

Capstone relies on senior functional managers’ continuous input to the project team. Any delay in their contribution risks project failure. The board has agreed to make accommodations to allow the best project team to be assigned to the work so that the new system is effective in improving the firm’s operations.

Please sign the attached PMP document to allow my team to start the Capstone project. Board members will be informed monthly and ad-hoc about the project’s progress, important milestones and possible obstacles in order to reach the stated goals on time and within the stated budget.

Yours Sincerely

Peter Schuld

Attachments: A detailed Project Management Plan (PMP)

This memo uses facts and statistics from SCS BUS 150 W (no boiler text)