SAP LEASE ACCOUNTING

Utilizing SAP Flexible Real Estate Management for Lease Accounting for IFRS 16 and GASB87 Compliance and Process Optimization

lsi

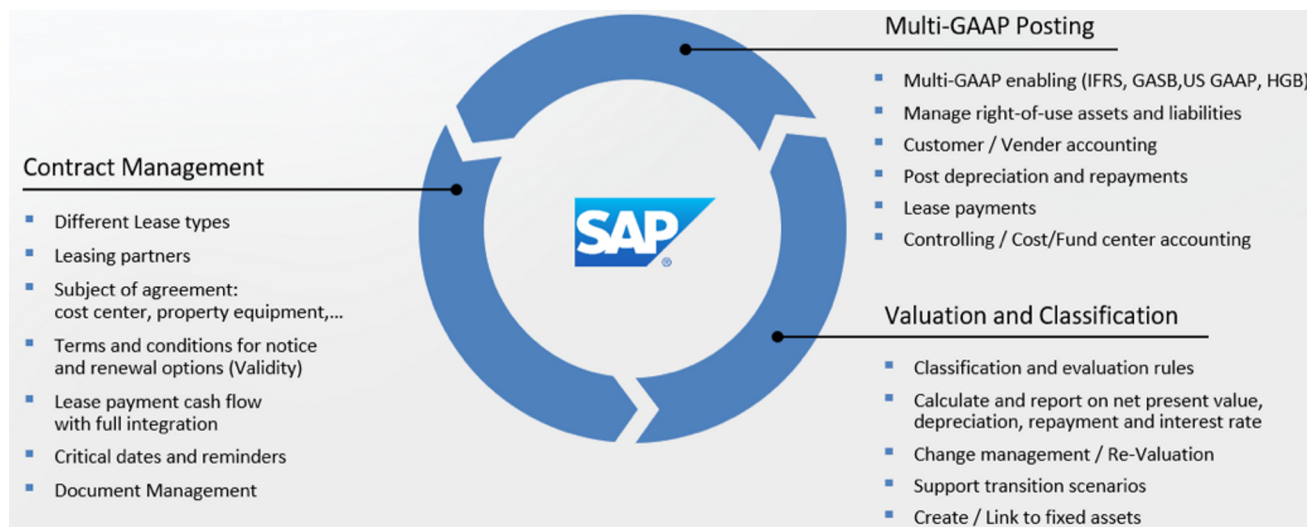Innovative SAP Solutions for Public Enterprises

SAP Gold Partner

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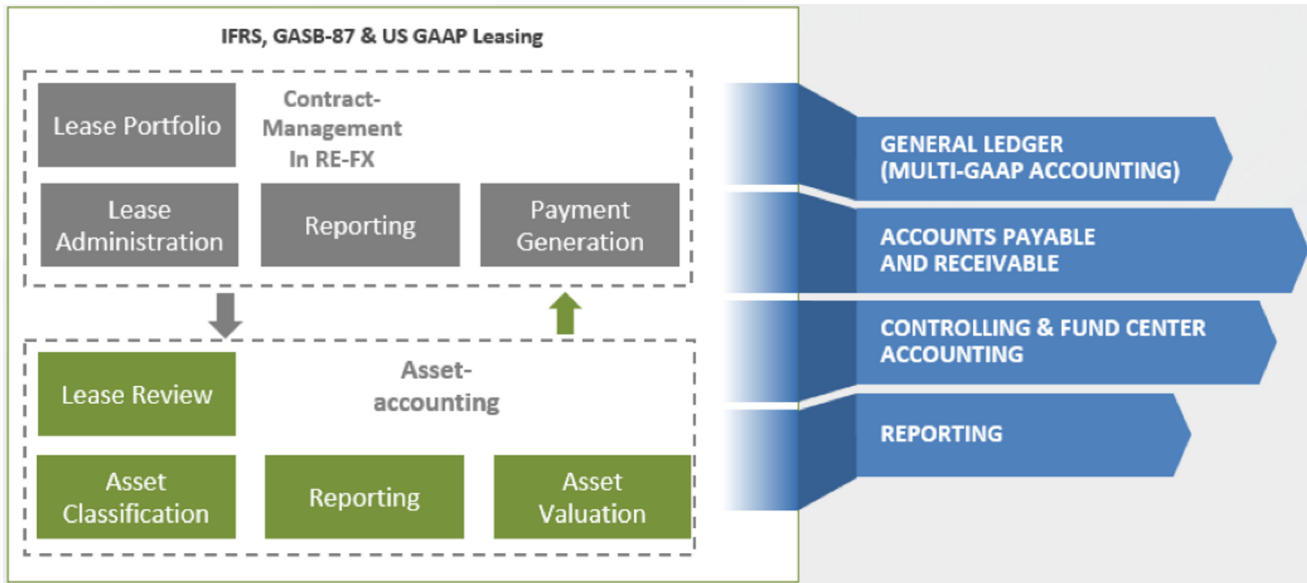
SAP Flexible Real Estate Management Module (SAP ReFX) is a subcomponent of SAP Finance, which simplifies an organization's solution landscape by: real time valuation of finance leases, elimination of financial interfaces, and reduction of the number of applications in a system landscape. This solution and implementation overview outlines the best practises, benefits, and approach, which have been proven in the market with implementation and consulting services supporting SAP ERP customers with a focus on Public Sector entities.

SAP REFX – Solution overview

The SAP ReFX solution approach encompasses 3 major components including: contract management, multi-GAAP posting, and valuation and classification

Contract Management
- Different Lease types
- Leasing partners
- Subject of agreement: cost center, property equipment,...
- Terms and conditions for notice and renewal options (Validity)
- Lease payment cash flow with full integration
- Critical dates and reminders
- Document Management

Multi-GAAP Posting
- Multi-GAAP enabling (IFRS, GASB,US GAAP, HGB)
- Manage right-of-use assets and liabilities
- Customer / Vender accounting
- Post depreciation and repayments
- Lease payments
- Controlling / Cost/Fund center accounting

Valuation and Classification
- Classification and evaluation rules
- Calculate and report on net present value, depreciation, repayment and interest rate
- Change management / Re-Valuation
- Support transition scenarios
- Create / Link to fixed assets

The SAP ReFX solution implementations allow for regulatory compliance with the new lease accounting model by providing visibility, transparency, accuracy, and timely reporting of lease assets required for compliance. On the capitalization side, it fully automates net present value calculations, eliminating the tedious manual calculations required for capitalizing leases. It improves compliance with organizational policies by reducing the need to make complex judgements.

IFRS, GASB-87 & US GAAP Leasing

Contract-Management In RE-FX
- Lease Portfolio
- Lease Administration
- Reporting
- Payment Generation

Asset-accounting
- Lease Review
- Asset Classification
- Reporting
- Asset Valuation

- GENERAL LEDGER (MULTI-GAAP ACCOUNTING)
- ACCOUNTS PAYABLE AND RECEIVABLE
- CONTROLLING & FUND CENTER ACCOUNTING
- REPORTING

On the contract administration side, the system promotes transparency of key contract clauses and improves compliance with contracts by automatically creating periodic lease payables. Coordination between the Lease Administrator and Asset Accountant is critical for proper classification and valuation. Sharing a common platform eliminates operational silos between these critical players.

Tracking of lease clauses also sets the stage for analysis of contract terms so the data collected can be used to negotiate better terms.

BEST PRACTICES AND IMPLEMENTATION APPROACH

LSI Consulting Inc., a SAP Gold Partner, implementation consultancy, and services provider recommends utilizing SAP Best Practices to maintain flexibility around SAP ReFX while expanding its use across different departments in an organization. As an example, the solution's flexibility allows an client to successfully deploy ReFX across several distinct units of the organization without customizations, and still meet all business requirements for each area.

After defining the solution, a critical task is to identify the required client master data elements and map these to the new SAP environment. The team can then identify areas in the client's legacy data that may need reviewed for accuracy, or need to be populated with new values available in the SAP systems. This enables the client to perform a thorough review and "clean-up" of its data. Since many legacy lease contracts may exist only in image form (or on paper), it is necessary to extract critical terms and conditions data from these contract for entry into the RE-FX solution.

Our team includes an extensive internal and external network of skilled and qualified personnel we can draw upon when needed during the life of the project. We can not only provide resources that consult on the solution but also those that can help in extraction of contract data.

Project work quality is controlled using a layered approach:

a) Skilled and experienced consultants are part of the team ensuring quality work.
b) Where applicable, the project manager(s) have the ability to monitor work output and quality and to ensure that the project is tracking to satisfactory standards.
c) The Solution Architect(s) oversee individual projects to ensure that the proposed solution is implemented by the team.
d) The team Project Manager is involved in every project to ensure compliance to quality and cost parameters. It is recommended that projects run on weekly cycles to check the previous week's performance, resolve any issues, and plan ahead for the coming week to ensure we are tracking to the project plan. Project burn rates are monitored weekly and adjusted as necessary.

LSI has been managing SAP projects since 1998; we a have an unblemished record of on time and on budget projects. As a prime contractor, we have been responsible for implementing SAP at some of the largest most complex public sector organizations in the United States. Our record of accomplishment is a direct reflection of our Project Management capabilities. LSI maintains a dedicated Project Management practice within our delivery organization.

The strategies and approach above have successfully mitigated resource availability, data migration, data cleansing, and change management risks in typical ReFx projects to ensure completion in time to meet the new reporting rules deadlines.
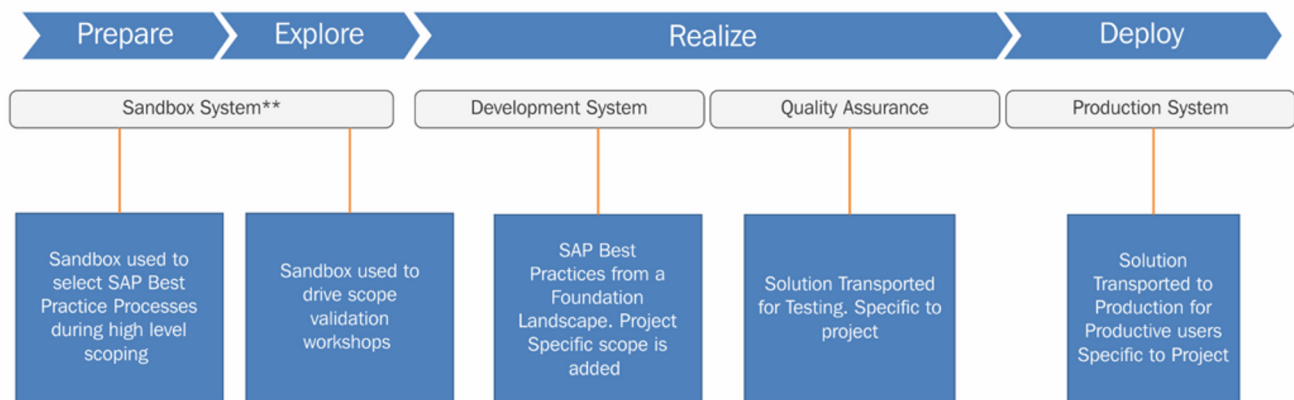
SAP ACTIVATE METHODOLOGY

SAP Activate Methodology aligns the phases and tasks associated with the project. Activate is based on the Agile methodology and SAP best practices.

The explore phase starts with workshops to document and understand the requirements. The requirements are mapped to the system capabilities to create the fit/gap analysis. At the end of the explore phase, we use the backlog list, which is used as input for the realize phase.

In the realize phase, the delta backlog is run into sprints with periodic walkthrough with the key users for validation that the solution development is on the right path. The testing and operations steps are like in any other implementation From the testing a backlog list of requirements is created and prioritized. The backlog is then built and tested in an iterative manner. It is done in a series of sprints, leading to integration tests, data, operational procedures, and environments being prepared during this Phase.

Within the deploy phase, the technical and organizational readiness is checked before going live with the solution. Mock cutovers are performed to get all the steps right, with the right timing, before doing a final cutover and go-live. Following a readiness check, the solution cutover can be released. The project ends with a period of go-live support:

Prepare	Explore	Realize		Deploy
Sandbox System**		Development System	Quality Assurance	Production System
Sandbox used to select SAP Best Practice Processes during high level scoping	Sandbox used to drive scope validation workshops	SAP Best Practices from a Foundation Landscape. Project Specific scope is added	Solution Transported for Testing. Specific to project	Solution Transported to Production for Productive users Specific to Project

** Sandbox - could be a separate system or part of separate Landscape or a client of the development system

The Activate methodology may be adjusted as needed to achieve a limited scope, rapid and agile go-live.

VALUE DRIVEN RESULTS

The above best practices, approach, and implementation methodology allows our clients to meet their succes criteria outlined at the begining of our engagements with them around ReFX including: ability to report all lease activities as required in GASB87, and opportunity for leases across the city to be accounted for and processed in a standardized method, and aligning both Lease Administrator and Asset Accountant on a common platform.

ABOUT LSI

Founded in 1998, LSI Consulting is a SAP Public Sector Solution Provider and Certified Gold SAP Public Sector implementation partner. SAP public sector consulting is our only line of business. Starting with the first US public sector implementation at the Massachusetts Institute of Technology (MIT) and the first US local government implementation at the City of Phoenix, LSI has been involved in implementing and supporting SAP systems in the public sector for over 20 years employing over 200 expert consultants.

LSI was created with the intent of offering high impact SAP services for the Public Sector market, with specific focus on Public Sector finance, EAM, procurement and logistics, statutory reporting HR/Payroll, Business Intelligence, and Enterprise Performance Management. LSI is authorized to provide SAP solutions including the newest cloud-based technologies Ariba™ and SuccessFactors™, SAP Mobile solutions, SAP HANA™ and SAP Analytics. LSI is privately held a sub chapter S Corporation. LSI as a corporation is owned and operated by a group of Managing Partners.

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LSI's Partnership with SAP

As an SAP Gold Partner LSI is certified to implement and re-sell all components of SAP S/4, Success Factors, Ariba, HANA and Analytics. We are dedicated to SAP only and are the go-to partner for Federal, State, Local Government, Education and Healthcare organizations. We have assisted SAP in best-practices for Public Sector clients by developing requirements and solutions with the SAP Development Team for SAP S/4 Public Sector Cloud, SAP Public Sector Budgeting, and SAP Student Lifecycle Management. LSI is the only implementer that what the first to design and develop SAP training course for Public Sector, and is the only go-to-market partner for Higher Education SAP Student Information System. We are the only SAP NS2 Secure HANA Cloud (SHC), SAP SuccessFactors, SAP Analytics Cloud, and SAP Cloud Platform reseller.

Additionally, LSI has assisted SAP in designing the SAP's Budget Control Solution and engaged with SAP Public Sector IBU around S/4 HANA cloud for public sector, and is now a SAP NS2 Secure HANA Cloud (SHC) reseller.