The IRC Microsoft Dynamics 365 Solution Blueprint Summary

(summarized from the full 173-page Solution Blueprint Document)

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1. Overview

A Solution Blueprint Document (SBD) is a result of business process analysis and system requirements validation sessions held during Phase 1 (Analysis and Planning) of a Microsoft Dynamics 365 (D365) implementation. It provides the stakeholders with a proposed solution for the implementation in Phase 2 (Design, Build and Test). The focus of an SBD is on general, high-level configuration settings and potential customized functionality and does not include all the standard features of D365 or all the IRC process tasks. D365 will also be referred to as ERP or "the system" throughout this document.

The IRC has experienced extensive growth over the last five years and requires a holistic information system that can provide users with immediate access to quality data in order to meet the needs of the organization. The system needs to be accessible and flexible enough to meet the growing and changing needs of a large global NGO. Moving to an ERP system will support the standardization of efficient business processes throughout the organization.

- Specifically, the IRC requires an ERP system that:
  - Can provide real-time data access, enhanced financial controls, improved donor compliance and reporting, and a user-friendly interface to support its finance, supply chain and grants management functions;
  - Supports the integration of Finance, Supply Chain, Grant Management, and Program Management departments at HQ and across all offices throughout the organization;
  - Can interface with core IRC systems (Salesforce, OTIS and others);
  - Is available to users in multiple languages (i.e., English, French and Arabic);
  - Will capture all entities of IRC Inc., and IRC UK;
  - Has the option to add additional functionality in the future to replace some of the IRC's other current systems.

- Several benefits will be achieved by implementing an ERP when Finance, Supply Chain, Grant Management, and Program Management functions are integrated, including:
  - Increased visibility of transactions across the organization;
  - Automated workflow approvals;
  - Paperless and holistic system;
  - Built-in donor compliance alerts and links to up-to-date donor regulations;
  - More robust reporting tools to enhance management decisions and improve management in all functional areas, departments of the organization.

The IRC wants to use D365 in its native state as much as possible and limit customizations. The resulting solution has been provided based on that premise. However, since D365 is not inherently a grant management system, it will be more efficient and effective to customize the system for components of donor compliance and project management where possible.

2. Finance

D365 will support the Finance departments across the organization by introducing the automation of significant day-to-day finance processes. This will lead to a streamlining of month end processes and reconciliations, financial and donor reporting, and reduce processing errors. Budgets and forecasts will be produced and updated based on higher-quality information. This will allow the IRC to spend more time on managing the business and not duplicating data entry.

The Budgeting Module in D365 will be used to track the operating/fiscal budget of the IRC.

In D365, IRC will be implementing a multi-company approach. Each country, United States Program (USP) office, and Headquarters (HQ) will be set up as separate "companies" within D365. Whilst all HQ departments will reside within the one company, there will be security features enabled to ensure each department can easily and securely manage their financial information. IRC-UK will also be set up as a separate company but will not consolidate its financial results with IRC, Inc. By utilizing separate companies, IRC will gain security at the Company level and inherit the

Company ID on all transactions. This will allow each office to easily view and manage their current day-to-day operations in D365, and provide access to real-time data.

Another IRC requirement is for the system to reflect multi-currency in the management of grants/projects. The accounting currency of the organization is USD. Most transactions are done in local currency, which translates to accounting (USD) currency based on the current exchange rate. Since the project/grant is in donor currency, on most transactions, the local, USD and donor currency will be shown. Financial reports will be used to manage donor reports in donor currency.

3. Grant/Project Management

The Grant/Project module for D365 will be used to manage and control the grant process from a post-award stage through to closure. OTIS will continue to be the repository for pre-award and non-financial post-award information and an interface will be created to transfer data from OTIS to D365 for the grant setup.

Each IRC grant will be set up in D365 using a project ID and other financial dimensions which are similar to the T1, T2, T3 codes, etc. that are used today.

The grant may be set up in D365 prior to the final signing of the grant agreement/contract. This will ensure the IRC can begin set up of the grant, which will enable forecasts, budgets, and requisitions. This will also reduce the risk of project start-up and implementation delays.

3.1 Grant/Project Structure

A new grant will be set up in the grant/projects module when it meets the criteria established to transfer the grant information from OTIS into D365.

The project budget will be set up and imported into D365 based on the specific donor categories that are grouped so as to provide the required donor reporting based on the donor reporting line (T2 code today).

Once there are more details available, an *item* and *expense* forecast will be created and then imported into D365 in the project module. The *item* forecast will be used to represent the procurement plan for the grant. The *expense* forecast will be used for all non-procurement expenses such as personnel, travel and administrative costs. The combination of the item and expense forecast will represent the spending plan of the grant.

D365 allows for full tracking of transactions to the project budget for committed costs and actual spend. Reporting of grant/project status, budget vs actual, internal, and external reporting will be done utilizing the *Financial Reports* tool within D365. Additional reporting can be achieved with standard enquiries and project reports. Examples of standard project reports would be project transaction reports, project statement, project budget and actual, project profit & loss, committed costs, and donor payment retention.

3.2 Donor Compliance

The IRC's Domestic & International Finance Manual and Global Supply Chain SOPs and Manuals form the basis of much of IRC's compliance work. In both cases, these resources are designed in such a way that if IRC policy is followed, donor compliance is ensured. This basic principle, however, masks much additional complexity in the IRC's compliance environment. Donor rules vary considerably in a number of areas, including but not exclusive to:

- Asset rules
- Budget flexibility
- Inventory management
- Permissible purchasing
- Transparency and reporting
- Sub-Award Management

D365 can be configured to manage some of the donor compliance with standard functionality, but the IRC is proposing to create a "Donor Compliance" policy in D365 where the system is set up with the standards of the donor

and allows flexibility to the grant/project, as needed. The donor compliance policy would need to be validated to ensure that it meets the donor requirements. This donor compliance policy would be a customization and is listed as a gap.

Some donor compliance issues can be handled with the standard functionality:

- Approved vendor for a specific item;
- Using a vendor contract to limit quantity-based procurement;
- Set up items in such a way that limits those items to that specific project;
    - This could be managed with a procedure and specific items;
- Utilize workflow for certain category restrictions;
- Utilize workflow for category highlights such as a pharma item;
    - Create the workflow notifications to reflect relevant data/values;
- Policy restriction on expenses (expense management) for employee travel related restrictions;
- Changing project stage to restricted transactions (on-hold);
- Setting up vendor as on-hold as it may relate to a sub-awardee;
- Use specific journals to track reversals or adjustments for disallowances;
- Add a link to donor regulations;
- Set up of Sub-Award as a sub project – this will allow detailed tracking of sub-awardee spending and the sub project can inherit donor rules of the IRC project.

Other compliance requirements will require a customization to enforce compliance:

- Donor reporting line flexibility;
- Asset rules for both value and tracking requirements and disposition;
- Donor currency translation outside of IRC normal policy;
- Procurement restrictions;
- Transparency reporting.

While these customizations can be created to assist with adhering to donor regulations, it will be the responsibility of IRC staff to be aware of these compliance requirements and keep up-to-date on when any donor regulation may change.

4. Supply Chain

The Supply Chain process begins with planning, and proceeds through procurement, order processing, logistics planning, inventory receiving, asset and fleet management, and vendor payment processing. These integrated functions will work in coordination with the grant/project, forecasting, budgeting and finance modules of D365. Integrated system functions will streamline the operations flow in supply chain as well as providing detailed visibility at any given time with reporting capabilities. Combined with integrated grants, budgets, and financial management, D365 will provide automated controls for the supply chain process to provide an additional level of risk mitigation in the organization.

Procurement Management- The current procurement spend is approximately $300 million dollars. The Supply Chain process within the IRC is managed locally by the in-country or USP offices' supply chain personnel, and is supported by regional Supply Chain and Global/HQ Supply Chain personnel. The majority of the procurement is sourced locally. The Supply Chain is a very manual process, resulting in greater potential for vendor fraud, misuse of funds, a need for inventory tracking and traceability, and ineffective planning, all resulting in the IRC implementing D365.

D365 will support the procurement functions of the IRC by managing vendors and vendor spend, tracking procurement by item, full traceability of requisitions through vendor payment, workflow management, document management, and real-time information.

Inventory Management - Currently, all inventory is tracked on spreadsheets. D365 will provide the IRC with an inventory system that can track on-hand inventory and value, logistics management, asset and fleet management, inventory traceability, expiration date tracking, cycle count reporting, grant inventory reporting and disposition of

inventory. Using standard D365 functionality, all donor and sub-award inventory will be tracked in the system. This will ensure that all IRC and sub-awardee inventory related to grants is tracked to disposition for each grant.

Asset Management - There are three types of fixed assets that will be tracked using the Fixed Asset module in standard D365; IRC-capitalized assets, grant assets, and assets provided by a donor.

- IRC-capitalized assets will be recorded at their purchase cost and will be depreciated;
- Grant assets will be expensed to the grant they were purchased for. These assets will be set up for tracking purposes, with no cost attached so they will not be depreciated. The original cost will be recorded on the asset for reference purposes;
- The assets provided by a donor for specific project use will also be treated the same as grant assets by tracking these assets with no cost attached.

Fleet Management - This is not a module that exists natively in D365. However, the decision has been made to use the standard functionality of D365 and some customizations to address this gap.

5. Technical Solution

This portion of the SBD discusses the technical aspects of the IRC's ERP system solution. The following topics are addressed:

- Environment Plan
- D365 for Operations Developer Setup
- Application Lifecycle Management (ALM)
- D365 for Operations Security
- IRC special security requirements
- Data Migration
- Information access and reporting in D365 for Operations
- Offline & Low Bandwidth Access Considerations
- Interfaces
- Document Management

Many of these topics are standard aspects of D365. However, many specialized requirements surfaced throughout the Analysis & Planning Phase of this project and will need to be addressed in the final ERP solution.

5.1 Security

- **Authentication –** Ensuring the user is who they claim to be, by demanding a user name and password that is validated against Azure Active Directory at sign-in. Also, the user must have an active Rescue.org email account.
- **Authorization -** Granting access to a form, menu item or report.
    - For instance, the user "John Doe" has access to open the donors' list form.
- **Data Security** - The practice of limiting the records that a user may see within a form or report.
    - For instance, the user "John Doe" may only see/access donors assigned to the "Private Donors" group.
    - Extensible Data Security (XDS) is a D365 security feature.
- **Legal Entity** (company) – Role assignment is a natural application of data security. User role assignments and data security may be applied to one or more legal entities. This effectively applies legal entity data security to the user.

The IRC's security requirements include row-level security. For example, the IRC limits access to project budget and spend information. Users are only allowed to view certain rows in these tables according to their role on various projects. This solution will implement all four of the above levels of security.