

## SAP Customer Success Story Public Sector – Municipal Services



**“The cooperation between the City of Albstadt and the Stetten am kalten Markt local authority is a significant step for the authorities toward becoming service-oriented service providers.”**

Michaela Wild, Town Treasury Manager, Project Lead for the New Municipal Budgetary and Financial Accounting Solutions, City of Albstadt

### AT A GLANCE

#### Organizations

- Names: City of Albstadt, Stetten am kalten Markt (Stetten) municipal authority
- Location: Baden-Württemberg, Germany
- Industry: Public sector
- Products and services: Municipal services
- Employees: 750 – City of Albstadt, 40 – Stetten
- Web sites: [www.albstadt.de](http://www.albstadt.de), [www.stetten-am-kalten-markt.de](http://www.stetten-am-kalten-markt.de)
- Implementation partner: Municipal Information Processing Association Reutlingen-Ulm

#### Challenge and Opportunity

Optimization potential exhausted

#### Objectives

- Design and implement a concept to transfer cash transactions from Stetten to the Albstadt treasurer’s office, including functionality to support accounting, payment transactions, cash management, dunning, and foreclosure activities
- Develop a business concept to implement new municipal budgetary accounting and double-entry accounting solutions for Stetten

#### SAP® Solutions and Services

- SAP® ERP application, with functionality for municipal double-entry accounting operations
- SAP Public Sector Collection and Disbursement application

#### Implementation Highlights

- Efficient, user-friendly implementation of shared services
- Reinforcement of partnership

#### Why SAP

- Software that supports shared services
- Flexibility and quality of software
- Long-term investment protection

#### Benefits

- Reduction in personnel and material costs for Albstadt
- Better use of Albstadt’s treasury resources to achieve additional revenues
- Albstadt’s standardized view of all contract types related to any one customer, thanks to business partner accounting functionality
- Stetten’s capability to analyze overall administration efficiency, contrast product costs and revenues, and compare performance between municipalities, thanks to its double-entry accounting
- Stetten’s heightened cost awareness and business transparency

#### Existing Environment

SAP software now available in the SAP for Public Sector solution portfolio

## CITY OF ALBSTADT SHARES SERVICES WITH STETTEN AM KALTEN MARKT

### SAP® Software Enables Town Treasury to Take Over Local Authority’s Cash Transactions as Service Provider

“You don’t have to reinvent the wheel to enable authorities to work together innovatively and effectively,” remarks Michaela Wild, manager of the City of Albstadt’s town treasury. Her insight is shared by Hubert Schatz, head of financial administration, building and planning management, and facility management for the Stetten am kalten Markt (Stetten) local municipality. Their successful cooperation sets an example for all local authorities who want to become more efficient and profitable without compromising the service they provide their citizens.

The track record of the cooperation between Albstadt and Stetten over the last four years is exemplary, underpinned by two software implementations, both based on SAP® software: a double-entry bookkeeping solution for Stetten and a business partner accounting solution for Albstadt.

#### Forward-Looking Shared Services Concept

Albstadt is the county seat of Zollernalbkreis and lies approximately nine miles from Stetten, located in Sigmaringen county. Albstadt has nine districts and approximately 47,000 residents. Stetten has 5,400 residents, belongs to the Bodensee-Oberschwaben region, and includes four other districts.

These two municipal authorities first became the focus of interest in 2004 when Stetten transferred its cash transactions to the county seat of Albstadt. The move was the result of an initiative launched by Gregor Hipp, the mayor of Stetten. Representatives from both local authorities had been discussing how they could work together to control continually growing cost pressures.

Their conclusions led to a unique concept of cooperation in cash accounting between them, with Stetten transferring its entire cash transaction process to Albstadt on January 1, 2004. Albstadt assumed responsibility for accounting, processing payment transactions, cash management, and the dunning and associated measures required to collect payments and implement foreclo-

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sure proceedings. At this time, Albstadt replaced its existing financial accounting software – the standard solution for the state – with integrated SAP functionality now found in the SAP for Public Sector solution portfolio. Their implementation partner was the Municipal Information Processing Association Reutlingen-Ulm (KIRU), a service provider for integrated IT solutions in the public sector.

Stetten and Albstadt decided not to form an association, since this would have gone against the underlying service provider concept. Stetten remained responsible for creating its own budget; cash management; and the deferral, short-term waiver and remission of main receivables, as well as performing its own asset accounting and the annual financial and capital accounts.

### **Cost Effective for Both Sides**

Both local authorities have gained substantially from the cooperation. Stetten benefited from improved profitability as a result of the long-term reduction in personnel and material costs. This means that when employees are absent, the local authority no longer has trouble covering for them, while freed-up personnel can dedicate their time to value-adding tasks. The quality of the services for Stetten residents has been maintained because various points of payment for the Albstadt town treasury have been set up in Stetten. “Smaller local authorities are often no longer able to handle the complex administration tasks on their own. The cooperation with a larger organization improves quality and ensures the political autonomy of the local authority remains untouched,” explains Schatz.

For its part, Albstadt was happy to assume responsibility for Stetten’s cash accounting. The Albstadt treasury staff, with its technical and specialist expertise, could easily implement the project. Furthermore, the expected number of cases from Stetten did not require additional personnel: yearly postings for Stetten amount to approximately 3,000, while in Albstadt the figure is around 60,000.

Since Stetten pays for the services Albstadt provides, the concept satisfies the principles of raising revenue and profitability as well. By using resources at full capacity, the Albstadt treasury has become more efficient and effective. And positioning its treasury as a service provider has reinforced Albstadt’s visibility among the surrounding municipalities in the area.

### **Municipal Double-Entry Bookkeeping in Stetten**

The positive experience from the cooperation with Albstadt treasury convinced the Stetten local authority to start a pilot project to implement municipal double-entry bookkeeping, again with the support of KIRU. The solution used standard SAP software with default settings and a tried-and-tested business concept for setting up a financial and control solution for a local municipal authority. This was based on the public sector master

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solution for double-entry bookkeeping developed by the Baden-Württemberg data center, a special expertise partner of SAP. Their solution provided extensive, mature core functions for budget planning and calculation, financial planning and calculation, financial statements, and cash accounts.

When the implementation went live on January 1, 2006, Stetten became one of the first municipal authorities in the southwestern province of Baden-Württemberg, Germany to switch its budget to municipal double-entry bookkeeping and the first in Baden-Württemberg to submit an opening balance sheet. The balance sheet was produced together with the municipal audit institution, without support from an external consulting company.

Stetten has been using double-entry bookkeeping ever since, and has found that solution provides many opportunities for cost-effective procedures. By incorporating the overall consumption of resources and breaking it down into individual products, the efficiency or inefficiency of the administration has become much more transparent. In addition, cost accounting using the double-entry bookkeeping method has led to improved cost awareness in cash management. Schatz is convinced: “Handling finite resources responsibly is the only way to achieve sustainability and justice between the generations.”

### **Business Partner Accounting in Albstadt**

As part of the double-entry bookkeeping implementation project at Stetten, Albstadt replaced its accounts receivable accounting software with a business partner accounting solution based on the SAP Public Sector Collection and Disbursement application.

At the center of the state-of-the-art software is a single customer function. In the past, a separate account had to be managed for every payment type. Today, having a single customer function provides a complete overview of all the receivables and payables between the town treasury and any one citizen or company. “Because of the large number of account assignment objects, cash transactions have become more diverse and sometimes complex, too. We benefited from the fact that, since 2002, we have completely mapped the cash account in the fiscal system. That meant we were already familiar with the technology,” says Wild.

### **Broad Acceptance and Interest from Other Parties**

The seamless transition of cash transactions from Stetten to the day-to-day operations at the Albstadt treasury is without doubt the greatest success of the cooperation. “There were no failures or considerable conflicts either during or after the transfer. Involving employees and citizens early on in the project meant that

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the move was accepted on a broad scale,” explains Wild. During the three-month transfer phase, a spirit of trust and cooperation grew between all those involved in the project.

The successful partnership is well-known locally. Neighboring local authorities have already expressed interest in similar cash transaction reorganizations. “If the new budgetary and cash law is passed in Baden-Württemberg, this kind of cooperation will become increasingly important. In the future, it will be harder for small local authorities to implement these sorts of large projects on their own,” says Wild.