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The Next Generation

FI$Cal

Financial Information System for California

State of California
Department of Finance

In Partnership With:

State Controller's Office
State Treasurer's Office
Department of General Services

Financial Information System for California Special Project Report (SPR) Project # 8860-30

(Formerly known as the Budget Information System Project)

October 30, 2006
Final
(as revised on December 14, 2006)

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Executive Summary

The scope of the Budget Information Systems (BIS) Project is to develop and implement a single comprehensive budget system supporting the state's fiscal and policy decision processes. The project was envisioned to be developed on enterprise software that could be expanded for additional functionality. The BIS Project was intended to interface with various accounting systems including, the State Controller's Office systems, California State Accounting and Reporting System (CALSTARS), and other departmental systems.

As work proceeded on many fronts for the BIS Project (market research, chart of accounts analysis, functional and technical requirements workshops at the departmental level as well as discussions with other control agencies), the project team consistently heard a single message from participants: the current operational business systems limit the state's ability to efficiently manage and report on various business operations as well as allocate resources in the most effective manner. Due to the limitations of legacy systems, staff resort to collecting data and performing analysis using numerous shadow or subsystems and multiple spreadsheets, creating a situation where critical information is decentralized and difficult to consolidate.

These limitations are largely due to the aging of the state's infrastructure which was primarily developed between 1965 and 1975. Much of that infrastructure is considered to be obsolete from a business perspective and in some cases the hardware is also considered to be obsolete primarily due to the loss of manufacturer support or staff trained in their computing platforms. The aging and retirement of the core workforce who are knowledgeable about the systems and business processes/requirements that the systems were designed to address further compounds the aging systems' infrastructure.

The consensus among the state's financial management leaders is that the state desperately needs to replace its back office systems that support the state's business. Failure to modernize and replace this infrastructure will result in a continuation of the processes and limitations that exist today for managing the state's $131.4 billion enterprise. The state must improve its ability to perform management analysis and reporting at all levels, including the Legislature, in a timely fashion for the state to operate like a business. Replacing the business infrastructure with the "Next Generation" of systems and related business processes as well as transitioning the workforce to view and operate the state's business as a dynamic enterprise will enhance the state's capability to operate as a business enterprise.

This Special Project Report for the BIS Project supports transforming the scope of the project to the Financial Information Systems for California (FI$Cal) Project. Through a partnership of the Department of Finance (Finance), the State Controller's Office (SCO), the State Treasurer's Office (STO) and the Department of General Services (DGS), this "Next Generation" project will prepare the state systems and workforce to function in an integrated financial management system environment. Each of the partners has constitutional and/or statutory responsibilities related to the state's financial management that will not change or expand with the proposed enterprise financial system. In addition, the roles and responsibilities for system administration will be clearly delineated since the administrative functions in the centralized system will be owned by multiple lead agencies through the established partnership. A formal memorandum of understanding between Finance and each of the other lead/partner agencies will be executed to provide the framework for this partnership.

The FI$Cal Project will also play a major role in the state's succession planning for much of the financial management workforce. Transforming the state's business systems to an enterprise based Next Generation business system and workforce requires building on the backbone of Enterprise Resource Planning (ERP) software which integrates and automates many of the business practices associated with operations, in this case, the financial management of the state.

The vision statement for the FI$Cal Project developed by the project partners states:

> "To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management."

To achieve this vision, the state must first modify its processes to adopt best practices and leverage the inherent efficiencies embedded in ERP tools. The central systems must then be replaced in partnership with a select number of departments that will develop end-to-end processes that will meet the needs of all departments, including the four lead agencies operating in a single statewide system. To implement the statewide vision in the most efficient manner a Master Services Agreement will be established to support the roll out of additional departments or functions statewide. The following highlights some of the objectives of this project:

- Provide more and better financial information to decision makers and program managers.
- Provide the opportunity for more transparency of financial information to provide a better basis for decision making and knowledge sharing to the public and the state's business partners, including the Legislature.
- Provide tools to monitor expenditures compared to the approved budget and provide alerts when deviations occur.
- Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.
- Facilitate workforce transition by establishing a single uniform financial management system that must be used by all state entities.
- Reduce manual reconciliations among control agencies, state agencies, and other separately maintained systems and databases. By having a single source of financial information, manual reconciliations will be minimized.

This project change is consistent with the recommendations of the California Performance Review (CPR) (Volume 3, *Keeping the Books)*. The CPR found that the state's existing financial management systems are not meeting the state's business needs or expectations and in that sense are obsolete. Many of the financial systems were reported as being at risk of failure because of age, loss of manufacturer support, and or loss of key staff to maintain or use them.

The CPR recommended:

1. The State Chief Information Officer (CIO) should assemble a Financial Task Force to develop a statewide vision and plan for a California enterprise financial system.
2. The Governor should direct the State CIO to begin implementing the statewide basic financial system by December 31, 2005 with implementation in all state agencies and departments completed by July 1, 2007.

The project change is also consistent with the State CIO's Strategic Plan. Partially in response to the CPR, the State CIO's 2005 Statewide Information Technology Strategic Plan includes support for the business of the state to "...operate as a seamless enterprise..." The Plan has six goals, including the following:

1. Make government services more accessible to citizens and state clients.
2. Implement common business applications and systems to improve efficiency and cost-effectiveness.
3. Ensure state technology systems are secure and privacy is protected.
4. Lower costs and improve the security, reliability and performance of the state's IT infrastructure.

1.0 Project Approval Transmittal

Lead agency partners SPR approval/concurrence:

Vincent P. Brown
Chief Deputy Director, Budget
Department of Finance

(See Page 7a)
Michael Carter
Chief Operation Officer
State Controller's Office

Andrew Chang
Chief Deputy Director
Department of General Services

Douglas D. Spittler
Director, Cash Management Division
State Treasurer's Office

Project leadership SPR approval/concurrence:

Stephen W. Kessler
Project Sponsor
Department of Finance

Suzanne V. Bost
Project Executive
FI$Cal Project

The FI$Cal Project proposed in this SPR is consistent with and supports Goal 2: Implement Common Business Applications, of the State's Information Technology Strategic Plan.

Clark Kelso
State Chief Information Officer

Michael Carter
Chief Operation Officer
State Controller's Office

The Controller's Office signs this agreement with the understanding that nothing in this agreement shall be construed to limit, restrict, or otherwise infringe upon the constitutional or statutory authority of the Controller. Moreover, that there is no intent, expressed or implied, to bind the Controller-elect to this agreement and that such agreement is subject to the review, evaluation, affirmation and/or repudiation by the Controller-elect at anytime after he officially assumes office.

Information Technology Project Request

Special Project Report

Executive Approval Transmittal

Department Name			
Department of Finance: In partnership with the State Controller's Office, State Treasurer's Office and Department of General Services			
Project Title (maximum of 75 characters)			**Project Acronym**
Financial Information System for California (Formerly BIS Project)			FI$Cal
FSR Project ID	**FSR Approval Date**	**Department Priority**	**Agency Priority**
8860-30	7/26/05	1	N/A

APPROVAL SIGNATURES

I am submitting the attached Special Project Report (SPR) in support of our request for the Department of Finance's approval to continue development and/or implementation of this project.

I certify that the SPR was prepared in accordance with the State Administrative Manual Sections 4945-4945.2 and that the proposed project changes are consistent with our information management strategy as expressed in the California Information Technology Strategic Plan.

I have reviewed and agree with the information in the attached Special Project Report.

Chief Information Officer		**Date Signed**
M. L. Auman		11/2/06
Printed name:	Mike Auman	
Budget Officer		**Date Signed**
Cindy Roberts		11-16-06
Printed name:	Cindy Roberts	
Department Director		**Date Signed**
		11/20/06
Printed name:	Michael C. Genest	
Agency Secretary		**Date Signed**
Printed name:	N/A	

2.0 IT Project Summary Package

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION A: EXECUTIVE SUMMARY

1.	Submittal Date	

		FSR	SPR	PSP Only	Other:
2.	Type of Document		X		
	Project Number	8860-30			

			Estimated Project Dates	
3.	Project Title	Financial Information System for California	Start	End
	Project Acronym	FI$CAL (Formerly BIS)	August 2005	June 2015

4.	Submitting Department	Department of Finance
5.	Reporting Agency	Department of Finance

6. Project Objectives

- Replace the state's aging legacy financial management systems while the workforce with knowledge of those systems can facilitate the transition to a standardized, modernized, and supportable system that is not people centric.
- Increase transparency to provide a better basis for decision making and knowledge sharing to the public and the state's business partners.
- Develop an effective single statewide financial management system.
- Provide timely, accurate, complete and integrated financial data.
- Streamline government operations by giving managers, end-users, and stakeholders easy access to timely and accurate information.
- Eliminate redundant systems and processes by integrating all financial information into a single system.
- Increase fiscal accountability and control at all levels of an organization, including statewide.
- Support project, grant, and activity-based reporting at multiple levels.
- Provide timely and comprehensive information to improve cash management.
- Permit agencies to shift their efforts from processing and reconciliation of financial information to analysis (both at the department level and state level).
- Provide the ability to perform management and analysis of system data timely and efficiently.
- Support the state's succession planning for much of the financial management workforce through system modernization.

8.	Major Milestones	Est Complete Date
	See Section 4.5.5	
	PIER	July 2016
	Key Deliverables	
	• PIER Report	July 2016

Project #	**N/A**
Doc. Type	**SPR**

7.	**Proposed Solution**
	Implement an enterprise resource planning system to meet California's Financial Management requirements. This project begins with the replacement of the legacy budget and control accounting systems at Department of Finance and at the State Controller's Office. Departmental accounting will be phased in over time. The State Treasurer's Office will also use this system to facilitate cash management processes that relate to departmental and state level accounting.

SECTION B: PROJECT CONTACTS

Project #	**N/A**
Doc. Type	**SPR**

Executive Contacts								
	First Name	**Last Name**	**Area Code**	**Phone #**	**Ext.**	**Area Code**	**Fax #**	**E-mail**
Agency Secretary								
Dept. Director	Michael	Genest	916	445-4141				
Budget Officer	Cindy	Roberts	916	445-3274	3026	916	327-0220	Cindy.Roberts@dof.ca.gov
CIO	Mike	Auman	916	323-3104	2926	916	327-0220	Mike.Auman@dof.ca.gov
Project Sponsor	Steve	Kessler	916	445-4923				Steve.Kessler@dof.ca.gov

Direct Contacts								
	First Name	**Last Name**	**Area Code**	**Phone #**	**Ext.**	**Area Code**	**Fax #**	**E-mail**
Doc. prepared by	Sue	Bost	916	445-1777	3310	916	324-4888	Sue.Bost@dof.ca.gov
Project Executive	Sue	Bost	916	445-1777	3310	916	324-4888	Sue.Bost@dof.ca.gov
Project Manager	Valerie	Varzos	916	445-1777	3310	916	324-4888	Valerie.Varzos@dof.ca.gov

SECTION C: PROJECT RELEVANCE TO STATE AND/OR DEPARTMENTAL PLANS

1.	What is the date of your current Operational Recovery Plan (ORP)?	Date	4/2005
2.	What is the date of your current Agency Information Management Strategy (AIMS)?	Date	8/2005
3.	For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.	AIMS	8/2005
		Page #	17, 27

Project #	N/A
Doc. Type	SPR

		Yes	No
4.	Is the project reportable to control agencies?	X	
	If YES, CHECK all that apply:		
X	a) The project involves a budget action.		
	b) A new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.		
	c) The project involves the acquisition of microcomputer commodities and the agency does not have an approved Workgroup Computing Policy.		
X	d) The estimated total development and acquisition cost exceeds the Departmental cost threshold.		
	e) The project meets a condition previously imposed by Finance.		

Project #	N/A
Doc. Type	SPR

Budget Augmentation Required?		
No		
Yes	X	If YES, indicate fiscal year(s) and associated amount:

FY	2005-06	FY	2006-07	FY	2007-08	FY	2008-09	FY	2009-10	FY	2010-11
$455,367		$1,723,633		$35,657,231		$184,230,567		$(10,934,954)		$2,171,191	
FY	2011-12	FY	2012-13	FY	2013-14	FY	2014-15	FY	2015-16		
$(38,943,591)		$(45,735,872)		$(13,319,957)		$(7,776,476)		$(26,012,278)			

PROJECT COSTS (2005-06 thru 2010-11)

1.	Fiscal Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	SUBTOTAL
2.	One-Time Cost	933,834	4,210,325	37,319,760	207,485,254	165,181,815	157,850,086	$572,981,074
3.	Continuing Costs	0	0	947,581	14,156,871	45,525,356	55,028,276	$115,658,084
4.	TOTAL PROJECT BUDGET	$933,834	$4,210,325	$38,267,341	$221,642,125	$210,707,171	$212,878,362	$688,639,158

SOURCES OF FUNDING

5.	General Fund	455,367	2,179,000	37,206,231	220,581,015	209,646,061	211,817,252	$681,884,926
6.	Redirection	478,467	2,031,325	1,061,110	1,061,110	1,061,110	1,061,110	6,754,232
7.	Reimbursements							
8.	Federal Funds							
9.	Special Funds							
10.	Grant Funds							
11.	Other Funds							
12.	PROJECT BUDGET	$933,834	$4,210,325	$38,267,341	$221,642,125	$210,707,171	$212,878,362	$688,639,158

Project Costs continued on following page.

Project #	N/A
Doc. Type	SPR

PROJECT COSTS (2011-12 thru 2015-16)

1.	Fiscal Year	2011-12	2012-2013	2013-2014	2014-2015	2015-2016	TOTAL
2.	One-Time Cost	118,906,495	71,731,695	55,861,543	46,534,872	0	$866,015,679
3.	Continuing Costs	63,242,465	64,682,658	67,234,118	68,785,579	88,504,477	$468,107,381
4.	TOTAL PROJECT BUDGET	$182,148,960	$136,414,353	$123,095,661	$115,320,451	$88,504,477	$1,334,123,060

SOURCES OF FUNDING

5.	General Fund	105,147,625	0	0	0	0	$787,032,551
6.	Redirection	1,061,110	1,061,110	1,061,110	1,061,110	380,604	$ 11,379,276
7.	Reimbursements						
8.	Federal Funds	15,036,164	26,799,942	24,162,841	22,623,350	17,448,527	$106,070,824
9.	Special Funds	59,992,778	106,929,062	96,407,295	90,264,879	69,617,860	$423,211,874
10.	Grant Funds						
11.	Other Funds	911,283	1,624,239	1,464,415	1,371,112	1,057,486	$ 6,428,535
12.	PROJECT BUDGET	$182,148,960	$136,414,353	$123,095,661	$115,320,451	$88,504,477	$ 1,334,123,060

0

PROJECT FINANCIAL BENEFITS

13.	Cost Savings/Avoidances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
14.	Revenue Increase	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Note: The totals in Item 4 and Item 12 must have the same cost estimate.

SECTION E: VENDOR PROJECT BUDGET

Project #	N/A
Doc. Type	SPR

Vendor Cost for SPR Development (if applicable)	N/A
Vendor Name	

VENDOR PROJECT BUDGET

1.	Fiscal Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	SUBTOTAL
2.	Primary Vendor Budget	0	0	0	92,000,000	92,000,000	92,000,000	$276,000,000
3.	Software Vendor Budget	0	0	0	61,776,514	9,700,000	9,700,000	$81,176,514
4.	Independent Oversight Budget	0	171,000	360,000	540,000	540,000	540,000	$2,151,000
5.	IV&V Budget	0	171,000	360,000	1,300,000	1,300,000	1,300,000	$4,431,000
6.	Other Budget	67,578	1,529,346	1,605,783	4,100,000	19,950,000	3,750,000	$31,002,707
7.	TOTAL VENDOR BUDGET	$67,578	$1,871,346	$2,325,783	$159,716,514	$123,490,000	$107,290,000	$394,761,221

1.	Fiscal Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	TOTAL
2.	Primary Vendor Budget	46,000,000	10,000,000	10,000,000	10,000,000	0	$352,000,000
3.	Software Vendor Budget	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	$125,300,000
4.	Independent Oversight Budget	360,000	360,000	360,000	180,000	0	$3,411,600
5.	IV&V Budget	720,000	360,000	360,000	180,000	0	$6,051,600
6.	Other Budget	3,750,000	3,750,000	500,000	500,000	10,000,000	$50,358,490
7.	TOTAL VENDOR BUDGET	$60,530,000	$24,170,000	$20,920,000	$20,560,000	$19,700,000	$537,121,690

----------(Applies to SPR only)----------

PRIMARY VENDOR HISTORY SPECIFIC TO THIS PROJECT

8.	Primary Vendor	
9.	Contract Start Date	
10.	Contract End Date (projected)	
11.	Amount	$

PRIMARY VENDOR CONTACTS

	Vendor	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
12.	Informatix	Michele	Blanc	916	830-1692				Michele.Blanc@Informatixinc.com
13.									
14.									

RISK ASSESSMENT

	Yes	No
Has a Risk Management Plan been developed for this project?	X	

General Comment(s)
The risk management plan is contained in Section 5 of this document.

3.0 Proposed Project Change

3.1 Project Background/Summary

The Department of Finance's (Finance) Feasibility Study Report, as approved in July 2005, proposed the implementation of a commercial off the shelf (COTS) Budget Information System (BIS) to meet statewide and departmental budget development and budget administration needs. The objective of the BIS Project is to develop a comprehensive statewide financial system to prepare, enact, and administer the state's annual financial plan (budget) and to provide critical information required to make budget decisions and manage state resources. The solution will also address various information and budget deliberation needs of the Legislature and operate in the context of the state's direction to seek an enterprise-wide solution for business applications that are common statewide.

To ensure the success of this effort and to achieve many of the outcomes identified, the BIS Project also includes an evaluation of the state's chart of accounts (found in the Uniform Codes Manual) to establish common definitions that can be used for statewide financial management including various budgeting and accounting activities.

3.2 Project Status/Milestones

The Project has made consistent progress since the FSR was approved in July 2005. The following summarizes various milestones/activities.

Information Technology Procurement Plan Approval	August 2005
Conducted Procurement for Chart of Accounts/Acquisition Assistance	October 2005 – February 2006
Conducted Statewide Workshops and Published Findings on the State's Chart of Accounts	April 2006 – September 2006
Conducted Statewide Business Requirements Workshops	July 2006 – October 2006

The Project has invested a significant amount of time analyzing the current chart of accounts, gathering lessons learned data from other states and state agencies, and validating prior market research. The Project has also begun the requirements definition process which is scheduled to conclude in November 2006 with a validation process that includes all state agencies. Following the completion of the requirements development and validation process, a Request for Proposal will be issued to select a COTS product and implement a system to address the identified requirements. Because the COTS software and system integrator has not been selected, certain information cannot be provided at this time. However, as a result of the efforts to date, Finance has refined its scope and is completing an interim Special Project Report (SPR) as required by the conditions of approval for the project. Additional information will be provided in the subsequent Special Project Report (SPR) upon completion of the evaluation and selection process and prior to the final contract award. This report will be completed consistent with the requirements set forth in approval of the project.

In addition to the requirement to send any significant project updates to Finance in an SPR, the project was also required to complete a monthly Independent Project Oversight Report. The project is currently developing the procurement documents necessary to obtain an Independent Project Oversight Consultant (IPOC) to maintain oversight of all phases of the project from the development of the software and system integrator solicitation document through project roll-out. It is anticipated that the IPOC will be in place in March 2007 to support the review of the requirements to be included in the solicitation documents. During the interim period, the project has submitted monthly project reports to Finance for review and project monitoring.

3.2.1 Chart of Accounts Analysis/Strategy

Since April 2006, Finance conducted 24 chart of accounts workshops which were attended by a cross-section of budget, accounting, and business stakeholders to discuss chart of accounts needs as well as strengths, weaknesses, and gaps in the current chart of accounts. The workshops considered chart elements needed to support budget development and administration, project and grant administration, statutory reporting, and other management requirements. The outcomes of these workshops are outlined in a report that proposes a strategy to update the chart of accounts when the statewide system is implemented. This report outlines Finance's plan for managing the statewide acceptance of a new chart of accounts, as a condition of project approval. This effort involved nearly 150 individuals representing 40 departments which served as a first step in gaining acceptance of a new chart of accounts when it is implemented.

3.2.2 Business Requirements Workshops

In July 2006, Finance began conducting business and technical requirements workshops. More than 225 individuals representing over 60 departments have participated in the requirements workshops. In addition to the requirements workshops, the project team has met separately with other control agencies and key stakeholders (SCO, DGS, and STO) to understand and document the state's financial requirements and to gather and identify the business problems associated with our current business processes. Fact finding sessions have also been conducted with other state departments that have implemented or are implementing analogous projects to identify business problems they have encountered or anticipate as well as to identify key lessons learned.

3.2.3 Market Research

Stakeholder education sessions related to market survey findings and best practices being employed by other governments and large corporations were also conducted. Based on information provided by Gartner Consulting Services, in addition to private industry approximately 1/3 of the states have implemented or are planning to utilize an Enterprise Resource Planning (ERP) software solution to support their enterprise administrative functions including budgeting, accounting, and procurement. The key concepts comprising ERP are:

Enterprise: The core functionality consists of software applications that have an organization-wide impact.

Resource: These applications address the management of both financial and non-financial resources.

Planning: The systemic approach focuses on improving strategic (i.e., future-oriented) decision making for the organization as a whole.

Efforts in Other States

In October 2005, project staff visited the Commonwealth of Pennsylvania to benefit from the successful implementation of their statewide ERP system. The following highlights some of the successes and achievements of "Imagine PA".

Paraphrased From *Transformational Experience in Pennsylvania;*

- In 1999, Pennsylvania took the first steps toward a massive transformation. The executive leadership of the Commonwealth envisioned a project that would enable the state to function as a best-run business. With 83,000 employees and more than 50 agencies, the state's project, then known as Imagine PA, posed uncommon challenges and promised many months of hard work. Despite the obstacles, the initial phase of the

implementation took 14 months, thanks to solid leadership. "We were only able to do this because of our executive leadership and support. Our executive leadership and support made us into a cohesive team able to pull everything together."

- Pennsylvania's vision was to spark meaningful business and process change by deploying a statewide ERP system that would become a foundation for streamlining state operations. It became a driver in helping the Commonwealth to eliminate wasteful duplicate processes, automate paper-based procedures, and deliver comprehensive and timely decision-making data. The ERP implementation created new ways of doing business and better ways of serving constituents.
- The ERP project helped the state purge paper documents such as travel forms, leave requests and many pages of reports. In terms of electronic paychecks, 200,000 paper documents were eliminated monthly saving $500,000 annually on mailing costs alone. In Human Resources hundreds of thousands of documents were eliminated since the work is now performed electronically.
- The new technology allows Pennsylvania to process financial expenditures through standardized systems. This allows all pertinent records to be updated automatically. Automatic updates and powerful reporting tools allow the ERP platform to deliver comprehensive and timely budgetary data and enables administration officials to make better-informed management decisions based on real time accurate information from a single source.
- Pennsylvania reported that it is transforming the way it does business, empowering its employees and setting new standards for the performance of state government.

In addition to the visit to Pennsylvania, Finance has participated in several conferences sponsored by the National Association of State Budget Officers where transitions to ERP software based systems were highlighted and discussed. These conferences have offered numerous opportunities to network and share experiences with many of the other states that have implemented or are implementing an ERP system and their anticipated benefits. In summary, several of their findings are (source is noted):

- ERP systems have served as a key component of public-sector transformation strategies. These systems deliver finance, human resources, payroll, procurement and other modules typically manufactured by a single software company. Such systems are attractive to governments because they consolidate data from diverse business processes into a single information repository; support best practices and permit reengineering of business processes for greater efficiency; and enhance constituent service through internet-based transaction processes. (Public CIO Magazine)
- An ERP provides the ability to automate and integrate data providing common data across the enterprise which results in more data consistency and transparency. (Nebraska)
- Improved cash management outcomes are attainable. Vendor payments are transparent and controlled. Integration of information that reflects the procurement to payment, also known as "req to check" lifecycle, has been the most beneficial. (Nebraska)
- Moving to an ERP requires adequate time during the contract period to resolve the policy and planning aspects of moving to an ERP and the adoption of best practices. Each contract should include a withhold of funding to ensure that the functionality bid is actually represented in the system. (Nebraska)
- Similar to other states, North Carolina is implementing an ERP system to address the following risks: (1) high degree of manual effort in current processes and systems; (2) inconsistent data across systems; (3) cumbersome access to information; (4) scarce

human resources to support, maintain, and provide system data; (5) lack of vendor support for legacy systems; and (6) potential system failure. (North Carolina)

- North Carolina will establish a single repository with a common set of data elements. Information will be shared to allow agencies to better manage their business and collaborate. There will be real-time access to the transaction activity. The intent is to increase productivity to enable the state to be more competitive in the global arena and implement streamlined business process to drive efficiency and provide improved services. (North Carolina)
- The Wisconsin Accountability, Consolidation, and Efficiency Initiative plans to optimize performance at the agency and enterprise levels by consistently applying best management practices. They will address the current inability to make strategic decisions that result from a lack of data or lack of quality, enterprise-wide data. In addition, they intend to reduce costs by streamlining government operations and improving asset management by embracing best practices and an enterprise approach. Wisconsin currently maintains numerous stand-alone systems at the enterprise level and in user agencies that result in substantial time spent on redundant data entry and reconciliation between systems. For example 57 systems support financial management and 33 support human resources and payroll. There are no enterprise-wide procurement and asset management systems. (Wisconsin)

Efforts in California State Departments and Agencies

In addition to market research on other state's efforts and outcomes, the Project has also looked to experiences and lessons learned from some of the state departments that have successfully implemented and are using ERP systems to support their administrative functions:

- Department of Water Resources
- Department of Motor Vehicles
- Department of General Services
- Administrative Offices of the Courts

These projects have been the "pilot" agencies that have demonstrated that California state departments can successfully develop, implement and operate COTS ERP software for administrative operations including Financial Accounting, Human Resources, Procurement/Ordering, Asset Management and Inventory Management/Facilities Management.

A critical lesson learned from the departments utilizing enterprise software is the need to reengineer administrative processes and adopt the best practices inherent in the COTS ERP products to fully leverage the benefits of these systems. When interviewed by the project team, these departments noted that a major barrier to the reengineering effort is compliance with the control agencies' legacy administrative systems, policies, and practices (Finance, SCO, STO, and DGS). Even with the limitations noted, each of the departments that have implemented a system considers the implementation and operation to be highly successful. They further noted that these efforts would have been even more successful if they could have derived benefits from process reengineering of certain statewide business processes such as processing claims.

The following excerpts from our *Chart of Accounts Summary Report* highlight the lessons learned and critical success factors of other departments' ERP efforts.

Lessons Learned

- **Start With a Vision of the End in Mind** – Given the breadth and complexity of these new solutions, implementing departments made a point of highlighting two key characteristics of these systems: modularity and integration, that is, the classification[1] structure elements are shared among modules which impacts how the chart of accounts is developed and configured. For example, the rollout of a grants management/ accounting or asset management module might impact the configuration of the General Ledger accounts or require additional classification elements. Knowing what modules are planned for rollout over time and the impact those modules have on the classification structure can make a difference in how well the system supports various business processes.
- **Maximize ERP Benefits By Adopting ERP Best Practices** – Each ERP solution has a specific design, in terms of how business processes are supported and how the various modules integrate. Each module "expects" certain financial data and is designed to utilize that data in "standard" business processes. Following the ERP design and implicit "best practice" increases the likelihood of gaining the maximum benefit from the system. On the other hand, modifying baseline classification structures, elements and business processes can limit the benefits received and have a negative impact on user acceptance and overall value of the ERP solution.
- **Importance of Change Management Cannot Be Overstated** - ERP systems typically represent a dramatic change from the legacy systems they replace from both a people as well as a process perspective. The design, user interface, processes and technology are often very different from the traditional panel interface, batch process-type legacy solution. They may also impact the classification structure associated with a legacy solution. Mapping current classification structure values to the new ERP values, communicating the "then" vs. "now" look-and-feel of data and understanding how classification changes may impact departmental systems/operations are all critical. The magnitude of the potential changes must be carefully considered and weighed as part of the overall ERP implementation.
- **ERP Systems Require Greater Centralized Control/Configuration** - ERP systems typically have a much greater level of complexity due to the broader set of business functions supported and the integrated nature of the modules. Therefore, an ERP system that might have supported only financial accounting business processes becomes a system designed to support other business processes generating accounting events, such as asset management, purchasing and budget development/control. The increased complexity expands the role of the support and maintenance organization, and requires an increased level of skills and knowledge required to administer the ERP system. This is true for the classification structure, which may now support much greater department detail yet require "system experts" to adequately maintain the chart of accounts. Planning for this shift of skills/knowledge and the likely impact on the maintenance and support team is a key consideration.
- **Technology Implications May Be Significant** - ERP systems typically reside on a different technology platform from the legacy systems they replace. The transition from a mainframe-based to PC server-based environment can tax ancillary technology. For example, the move to a web-centric solution will impact network bandwidth, since the move places additional burden on connections (e.g., character-based vs. graphical-

[1] Classification, in this context, refers to the different elements used to classify and record financial transactions for various purposes, such as budget control, management decision making and financial reporting. A single transaction can be classified in a variety of ways to support the needs and requirements of different financial system users and stakeholders.

based interfaces). These can also potentially impact the classification structure set-up, although the driver will likely be the ERP module(s) deployed (i.e., deploying modules with specific classification structure needs would impact chart of accounts configuration).

Critical Success Factors

- **Executive Support** - A critical success factor for overall ERP implementation success is executive support, both at a statewide (including the Legislature) and departmental level. This also applies to "acceptance" of necessary classification structure changes and a willingness to modify/adapt business processes impacted by those changes.
- **Involving Key Managers/Staff (Subject Matter Experts)** - ERP success or failure often rests with the resources involved in the project. Assigning key managers and staff who can "lead" the team and provide subject matter expertise is a key success factor. This has implications for the classification structures as these are the same resources that can align the goals and outputs of current business processes with best practices associated with ERP business processes.
- **System and User Training** - Understanding key points about the ERP implementation, including the system design, business process configuration and classification structure usage, is a critical success factor. A training program must be developed that is organized around education about the system implementation, configuration and specific business processes deployed. The training program must be more than the traditional "how do I use this screen?" effort in order to yield dividends in user acceptance and overall ERP value.
- **Change Management** - As noted in Lessons Learned, change management is a major, and potentially the most difficult, facet of the ERP implementation. Ongoing communication before, during and after the project, through a variety of protocols (i.e., presentations, web site/casts, e-mail, newsletters and so on) is a key success factor. Again, the impact and transition to a "new" classification structure is an integral part of this communication.
- **Service-Oriented Support and Maintenance Organization** - The transition of the maintenance and support team for the system from a reactive, traditional culture to a pro-active, service-oriented culture is a critical success factor. The responsibilities of the team typically are greater and the expectations in terms of skills, guidance and capabilities are expanded.

Because of California's size and diversity, we are most analogous to a large, world-wide corporation or the federal government for the purposes of system development. Therefore, in addition to the market research regarding public sector implementation experiences, the project has found a wide variety of information regarding the uses of ERP systems within the private sector. As noted in the paraphrased excerpts below, corporations have found that:

- The lack of a single organization-wide software platform represents a substantial roadblock in the path to improving critical business process and decision making. (Hackett Research Group)
- A powerful enterprise resource planning (ERP) backbone can be successfully leveraged to improve business operations...departments can more easily share information and communicate with each other. (JDS Uniphase)
- A single database can be used to track all data instead of several databases, each of which needs to be kept updated and accurate. Cross-referencing and delayed data updates required when you have more than one database can be eliminated.

Employees system wide can access and integrate all common core processes thereby streamlining global processes. (JDS Uniphase)

- The goal of simplifying the various operational processes is achievable with an ERP. There is flexibility to continually improve processes and make changes to move to a higher level of excellence in terms of meeting customer needs through continuously increasing functionality on a single organization wide platform. (JDS Uniphase)
- The ERP system permits control of all data in an organization [such as the state] by standardizing on one system for the front end and using one data source for the back. (CIO Magazine)
- Multiple ERP instances and multiple data stores require multiple support teams, multiple training, disparate equipment, constant reconciliation, expensive interfacing systems and maintenance, help desks and support teams. This can be mitigated by transitioning multiple ERP systems to a single centrally maintained and operated instance. (CIO Magazine)
- Using shared services allows us to leverage economies of scale and support the transition to a single, customer-focused organization. [This was done through a single instance, real-time ERP database.] (JDS Uniphase)
- A single ERP vendor can meet the organization's functional requirements and it will require fewer integration skills, involve less training, require fewer competencies to support it, be less expensive to purchase and maintain and will involve less risk. (Giga Information Group)
- Moving to common, centralized processes for transaction intensive activities such as accounting, human resources management and procurement can yield savings. (*Enterprise Solutions* by Thomas Davenport, Susan Cantrell and Jeanne Harris)
- Alcoa North America CIO Kevin Horner cites that they have achieved significant savings in procurement due to "common optimized processes and common configuration of the software across the company and across the world. There is no way we could have ever driven that level of savings in North America with 44 different procurement systems." (Information Week)

Lastly in June 2006, Finance conducted additional educational workshops related to ERP solutions, as part of its efforts to educate staff from Finance budget units, CALSTARS, and the SCO in the capabilities and features of COTS ERP software. A primary goal in conducting these educational workshops was to ensure that state staff understands how modern ERP systems differ conceptually from the legacy systems with which they are accustomed. Key areas discussed included:

1) *Presentation*
   a) How modern, browser-based, graphical ERP systems "look and feel".
   b) How they use recognition memory rather than recall memory.
   c) How they use navigation.
   d) How they provide workflow including defining workflow rules, online routing and approval of documents, establishing/modifying business rules to trigger alerts/notifications, escalation, etc.
   e) How attachments such as document files, graphic files and other types of structured/unstructured data are integrated with the ERP system.
   f) How user help, both on-line and off-line, is provided. How help can be context sensitive. How help can be searchable.

2) *Integration & Interfaces*
   a) How modules are integrated such that there is consistency across modules and across the enterprise.
   b) How integration increases accuracy, provides "one version of the truth", minimizes data entry, speeds processing.
   c) How external sub-systems are interfaced with the general ledger module.
3) *Reporting*
   a) How required reporting and ad hoc reporting are greatly improved.
   b) How standard public sector queries and reports are available "out-of-the-box", and what are the tools for creating standard/production and ad-hoc reports
   c) How information is more readily available.
   d) How reporting can be used to conduct data analysis (e.g., business intelligence) and improve the management decision making and lead to process improvement.

Recognition of the Need for a Change in Approach

The workshops, collaboration and discussions with the project stakeholders along with the information gathered and shared in researching other governments and corporations brought into sharp focus the need to consolidate and modernize the state's business systems rather than simply develop a statewide budget system. In addition, there is a broad realization that California cannot conduct business efficiently or effectively using numerous independent, stand-alone systems—or information silos.

In partnership with our stakeholders and the other lead agencies, who were also conducting their own journey of discovery, we have learned many key lessons. These lessons are derived from our research and outreach efforts; input from stakeholders and consultants; industry leaders in technologies that will best meet the state's needs; and other public/private sector efforts to improve the management of financial resources. All of these lessons have driven us to one, unavoidable conclusion. To be successful we must work together, collaboratively and in partnership to move California's financial and business management forward for the next generation.

3.3 Reason for Proposed Change

Both budgeting and accounting are fiscal systems or processes that involve the planning, allocating, receiving, and disbursing of monetary resources. Each year the basis for tracking state expenditures (accounting) begins with the enacted budget; conversely, annual budget preparation uses year-end statements of actual and projected expenditures as a basis for preparing the Governor's Budget. Additionally, many accounting transactions begin with the requisition to purchase some type of good or service and end with the receipt and payment for the good or service for a specific budgeted program or function.

Because of the interrelationship among purchasing, accounting, and budgeting enterprise applications closely integrate these functionalities. This further highlights that these activities are virtually interdependent and should not be considered as separate and distinct functionalities. Control agencies and departments spend a significant amount of resources in the manual exchange of the same or similar data. As a result this information is duplicated in a substantial number of systems residing in departments as well as one or more of the control agencies. Because of this duplication and lack of standardization, the state frequently cannot provide accurate, homogenous or consistent financial information for analysis; staff spends time on data entry that is duplicative; and other staff spends considerable time reconciling data between systems.

These systems lack the ability to perform statewide management analysis and report across all departments and all levels, including for the Legislature. The current state accounting systems and related chart of accounts were designed to capture expenditure information by organizational entity and object of expenditure rather than by activity or unit of output. These accounting systems cannot provide policy makers information on how state departments spend appropriated funds on specific activities or programs without manipulation of data or how state services costs vary among program components or among state departments.

For state government to have timely and accurate data on an enterprise basis, it must operate as a single enterprise rather than the current environment which represents a collection of individual enterprises. With the availability of today's automation tools and their successful implementations world-wide as well as within state governments and California state departments, there is an opportunity to consolidate system functionality and reengineer the state's administrative processes and policies. This opportunity will allow the state to operate both as an enterprise as well as provide a more transparent view of governmental operations to a wide variety of audiences including various levels of oversight (such as Finance, SCO, Legislature, Bureau of State Audits, etc.) as well as the public.

In addition, the state is facing the loss of the workforce most knowledgeable about systems and processes that have been in place for more than 25 years due to anticipated retirements. A shift from a legacy environment to a web-centric enterprise environment will provide an opportunity to bolster the staff knowledgeable about these systems and processes. This will play a major role in the succession planning for financial management of the state enterprise.

In addition to the problems related to the systems and processes that support budget development and administration outlined to support the BIS Project (see problems from the original FSR in Appendix C), departments and the lead agencies have identified the following problems and limitations primarily for accounting and procurement processes and practices:

Processes are Inefficient:

- Majority of documents are exchanged in a hard-copy format. This requires both re-keying into a secondary system as well as reconciliation between the agencies' data.
- Packaging of individual claim schedules and appropriate back-up data is a manual and very labor intensive process. It requires the exchange of hard copy data such as original invoices, expense detail, purchase order, contract, and remittance advice information. This process requires the same documents/information to be handled and copied at least three times (originating program, departmental accounting office, and SCO). As a result claim schedules can be misdirected or lost which may cause payment delays.
- State agencies are required to close out their books and prepare year-end financial statements by July 31 (General Fund and specified feeder funds) and August 21 (all other funds). However many departments are unable to meet these timelines because of reconciliation issues, the way in which initial transactions are recorded and subsequently distributed, data discrepancies, lack of a clear audit trail, and limited staff knowledgeable of governmental generally accepted accounting principles (GAAP). The California Performance Review Report noted that 24 percent of departments did not complete their year end reports on time.
- The cash management activities for the Pooled Money Investment Account performed by the STO, SCO and Finance require highly manual and labor intensive processes. These highly critical activities are supported primarily by various separately maintained automated systems and a myriad of manually maintained spreadsheets and

documents. In addition, all transactions (receipts and disbursements) require coordination and communication among STO, SCO and the departments. The coordination and communication among the parties is critical to ensure the state's operations and cash flow needs are not adversely impacted. Currently, there is no automatic notice of large same day payments to those who will ensure the cash to cover the payment is available. Lack of advanced cash management tools can also result in an inaccurate projection of cash flow borrowing needs, both internally or externally from the financial market.

- Cash management functions related to the Surplus Money Investment Fund, the General Fund, and funds supported by bond proceeds require daily, time-consuming, manually prepared transfers of cash.
- The SCO's Payroll Clearance System requires a significant amount of effort to maintain the interface, which translates the payroll system codes for payroll transactions to codes used by the SCO Fiscal System. The transactions being processed through the Payroll Clearance System require a significant number of adjustments and corrections, as the interface is not able to provide all the correct translations.
- The state has limited ability to ensure that only authorized vendors are performing business with the state. Currently, unauthorized vendors are identified and reported in a manual process. However, due to the volume and timing of these manual processes, some unauthorized vendors do conduct and receive payment for work with the state.
- Responding to inquiries from departments and vendors regarding the status of payments is time consuming for the SCO because the process relies heavily on manual validation or waiting for information to be entered into automated systems. Each inquiry requires tracking from the beginning of a payment process through the distribution of a check and can include multiple hand-offs both from and to programs, departmental accounting offices, and the SCO.

Timing of Transactions Tardy and Uninformed:

- Departments make uninformed expenditure decisions due to the lack of current information on whether adequate resources are available. There is at least a 30 – 60 day delay between the expenditure of funds and when those expenditures are reported in current accounting systems. These delays are largely attributable to current business processes, such as the use of the clearing account; monthly cost allocation and fund split; and the monthly receipt of labor charges from SCO. Specifically, initial state expenditures are recorded against a single fund or clearing account (primarily the General Fund) and then split to all appropriate fund sources making it difficult for decision makers to have an accurate and timely view of the financial position of each fund.
- Vendor invoices received by the state go through numerous physical hand-offs from receipt, approval, and payment. The current process requires matching of purchase orders, stock received reports, and approved invoices prior to the assembly of the claim schedule. As a result, vendor payments are frequently delayed resulting in greater expenses to the state due to late payment penalties. In 2004-05 alone, the state spent approximately $2.3 million on nearly 16,000 late payment penalties.
- Conversely, the state is unable to capitalize on early payment discounts offered by retailers because of the lengthy payment process from receipt of a good or service, receiving and approving the invoice and the invoice payment.
- There is ongoing difficulty in recording collecting outstanding accounts receivables. Currently, due to staffing problems in accounting offices and the lack of a billing system that will generate collection letters and dunning notices, departments have limited time and ability to go through the manual process of collecting overdue receivables.

Processes are Redundant and Labor Intensive:

- Departments are required to provide the same or similar information to various control agencies and the Legislature at different times throughout the year. Due to timing, differing objectives/instructions, and/or various departmental units preparing the materials, the outputs may be different. For example, departments are required to report both past/prior year expenditures and revenues to the SCO and Finance each year. These two lead agencies work together to identify and reconcile the difference between these numbers. These agencies are not able to reconcile all differences.
- More than 60 departments receive federal funds directly (additional departments and agencies receive and record federal funds as a reimbursement from another state agency). These departments find themselves increasingly unable to satisfy federal grant reporting requirements due to a lack of data. As a result the use of numerous disparate systems for activity tracking has resulted in redundant posting of the same/or similar data in several systems e.g., detail in one system summarized and recorded in several others.
- Claim information is maintained electronically in a department; however, for payment processing and submission to the SCO it must be transferred into a manual process (i.e., the claim schedule, supporting claim documentations, and remittance advice information must be reduced to paper). This information must then be mailed or hand carried to SCO for input into multiple systems including claim tracking, contract system, and fiscal system. This data must be reconciled and then paid. Departments are notified of payments and record payments in their accounting systems. Currently more than 1,100 claims are received by the SCO daily, representing approximately 275,000 claims processed each year. On average it currently takes approximately 7 to 9 days to pay a claim after receipt by the SCO.
- Retention of the paper based documents, including claim schedules with supporting documentation, contracts, and financial statements is required to comply with various auditing requirements for at least five years. This requires significant level of management and tracking of the data during the retention period. These files are routinely needed; the process to retrieve the data is manual and labor intensive.
- The state maintains more than 200 vendor tables to identify approved vendors' information. These vendor tables reside in each departmental accounting system, the DGS, and SCO. Essentially, a vendor must "register" at each state department it does business with, submitting a complete vendor profile to each department, which is time consuming for both vendors and departments. As a result, a single vendor may be assigned different vendor identification numbers by each of these departments.
- The age of the current systems limits their ability to easily interface or integrate data from more modern programs or spreadsheets used for recording loans, interest, bond tracking, revenue distributions, federal drawdown data, etc.
- Production of required SCO reports (statewide Cash Report, Budgetary-Legal Basis Annual Report, and the Comprehensive Annual Financial Report) requires data submitted by departments/state agencies to be consolidated manually or re-keyed into the SCO systems. In 2004-05, 1,639 budgetary reports were processed from 289 agencies and 278 GAAP reports from 69 agencies. This activity involves the full time efforts of 18 staff to collect, reconcile, and produce the data to meet these reporting requirements.
- Existing systems do not capture the data needed to comply with new reporting requirements of the Governmental Accounting and Standards Board (GASB). A specific example includes the way in which the state classifies funds. Fund classifications differ between systems (certain departmental systems, the Finance budget systems, and the SCO fiscal control and budgetary/legal reporting systems). These systems do not reflect

the classifications identified in GASB 34; therefore, to comply with these requirements, the SCO must reclassify and adjust data from departments. Modification of the legacy systems is not practical and in many cases the adjustments to comply with GASB requires significant manual effort.

Current Systems are Inadequate:

- Even though some of the state's business systems are not in danger of functional failure, the universe of the state's financial management systems is inadequate from a business management perspective. Without a transition to an integrated financial management system the state will continue to operate with the same limitations as it does today.
- Numerous departments systems that provide critical departmental accounting data to upload into CALSTARS are at the end of their useful life and are at risk of failure.
- The current systems lack the ability to perform management analysis and reporting at any level in a timely manner. Neither can they report data in a real-time fashion.

Achieving Efficiencies/Savings Requires Different and Better Information:

- The disparity of the state's financial systems today and the way in which expenditures are recorded, limit the state's ability to fully leverage its purchasing power. The DGS (and many other states and private companies) have discovered that utilizing the principles of strategic sourcing can result in significant savings. But to do that, the state must know the procurement information – the spend data – for specific procurements to leverage that data. We do not have that information today.
- The lack of consolidated information for state payments greatly diminishes the state's ability to deduct government debtor obligations from corresponding state payments.
- A vendor may receive multiple payments (numerous) from the state in a single business day because the current systems and processes cannot combine these payments. The origination and fund distribution are diverse, operate independently at the department level, and have no linkage to one another. This results in many more transactions and a higher cost of doing business both for the state and vendors.
- The state has had very limited success in providing information regarding how much has been paid to a specific vendor over a defined period of time or how much the state has paid for a specific commodity/service. This limitation is also tied to the maintenance of more than 200 vendor tables as noted above. The collection of this type of data is so labor-intensive, relies on extrapolation of data from numerous sources, and is not necessarily trustworthy that opportunities for savings are lost and reports are deemed unreliable.
- Vendors have made claims regarding how much business they do with the state in an effort to secure additional business at a purported savings level. However, due to limitations of the state's ability to compare the vendor's sales data with the state's spend data, the state has had limited success validating these claims which can have two differing outcomes. The state could obligate future expenditures based on erroneous data and end up costing the state more than it would have otherwise spent or the state could lose an opportunity to save money by leveraging the state's purchasing power to achieve a better per unit rate.

Aging Technology Platform:

- Lack of needed functionality, flexibility and dependence on 30-year old technology infrastructure and legacy systems makes modifying and enhancing the state's financial systems difficult, if not impossible. For example, the current systems are unable to comply with certain federal disbursement requirements.

- Many legacy systems that support the state's management of its financial resources are using outdated technology. In many cases these legacy systems are no longer supported by the manufacturers of the systems. There are also significant problems maintaining the systems due to both the loss of knowledgeable staff and the difficulty in hiring staff knowledgeable in the maintenance and operation of these systems. Many people trained in these aging technologies have retired or will be retiring soon. Most other employees have been trained in new technologies limiting their ability to program in the older technologies. The cost (both in real dollars and business operations risk) of depending on these soon-to-be-obsolete skills continues to rise, as the availability of these skills continues to diminish to the point of soon being unavailable.
- A failure of the state's budget systems during the budget development process could be problematic, resulting in the Governor's inability to meet the Constitutional deadline for presenting a budget plan to the Legislature. However, even more of a risk would be a failure during the final sessions of the budget deliberation process (Conference Committee), because appropriations to critical government services could be delayed.

3.4 Proposed Project Change

It is clear that the state's business infrastructure, which was primarily developed between 1965 and 1975, is aging. The legacy systems that support core business functions are burdened by multiple languages and platforms, redundant data entry, reconciliation among different databases holding similar data, and numerous interfaces. Essentially, the State of California has accomplished its budgeting, cash management, accounting, purchasing and payroll functions using numerous stand alone systems and manual processes both at statewide and department levels. Although these independent systems have been maintained and incrementally upgraded, the state has neither modernized nor replaced these systems in a structured and coordinated manner to meet its changing and on-going needs. Consequently, much of that infrastructure is considered to be obsolete from a business perspective and in some cases the hardware is also considered to be obsolete primarily due to the loss of manufacturer support or staff trained in their computing platforms.

The aging of the state's infrastructure is compounded by the aging and retirement of the core workforce who are most knowledgeable about the systems as well as the business processes and requirements that those systems support. We acknowledge that the state's legacy systems have provided reliable and dependable service because they are powerful systems geared for heavy duty transaction processing. But we have outgrown them and in some cases they have been neglected and fallen into disrepair. These systems also drive the manual processes that surround them. While our legacy systems are still supporting basic functions, they are at risk of failure because of age, loss of manufacturer support, and/or loss of key staff to maintain and use them.

The state must replace the infrastructure with the "Next Generation" of systems (including business processes that align with best practices in financial management) and must also have a workforce that views and operates the state's business as a dynamic enterprise. This "Next Generation" project will prepare the state to function in an integrated financial and administrative system environment. We must move ahead now and plan for our future. Large projects take significant time, and we cannot responsibly wait until the legacy systems, crucial to California's fiscal stability, collapse.

This SPR proposes to leverage the state's planned investment of nearly $140 million to implement a statewide budget system to expand the BIS Project and alternatively procure a

system that will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management. This effort will ensure the best interest of the state and its citizens, and optimize the business management of the state.

To that end, this SPR proposes that California establish an integrated financial and administrative system based on ERP software rather than continuing to replace each of the state's administrative systems separately.

Leadership and Partnership for Success

To achieve an enterprise view, there is a critical need to provide statewide leadership and coordination. This begins with a partnership among the state's four control (lead) agencies Finance, the SCO, DGS, and the STO. These agencies have reached consensus on scope and approach to achieve the vision as well as roles and responsibilities. Each recognizes the unique opportunity that an enterprise view offers the state and its citizens. Each entity has unique constitutional and/or statutory responsibilities relative to specified business processes that will be separately maintained throughout the partnership (see current responsibilities outlined in Appendix B, Section 1.0). This will require members of the team to have dual reporting relationships both to the FI$Cal Project and to their constituent department. These team members will have a key responsibility to report and raise issues to both the project management and their constituent department management.

The current constitutional and/or statutory responsibilities of the four partners will not change or expand as a result of implementation of the proposed enterprise financial system. In addition, the roles and responsibilities for system administration will be clearly delineated since the administrative functions in the centralized system will be owned by multiple lead agencies through the established partnership. A formal memorandum of understanding (MOU) between Finance and each of the other lead/partner agencies will be executed to provide the framework for this partnership. The MOU will include covenants guaranteeing that the partners' constitutional and/or statutory responsibilities will not change without the affected partner's concurrence; each partner will have "ownership" of their respective business areas in relationship to the system. Therefore, each partner will have the authority to ultimately determine how the system will be developed, configured, etc., in relation to their respective business roles and responsibilities.

Recognizing that the scope and complexity of converting all departments at the same time to a single-system is substantial and arguably too large, our proposal includes a Concept and Vision Statement for the state (see Appendix A) and highlights the first steps of a Phased Enterprise Financial Management System.

In summary, our vision is:

> To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management.

To achieve this vision, the state must first modify its processes to adopt best practices and leverage the inherent efficiencies embedded in ERP tools. The central systems must then be replaced in partnership with a select number of departments that will develop end-to-end processes that will meet the financial management needs of all departments, including the four lead agencies operating in a single statewide system. The departmental model can be rolled out and implemented at remaining departments utilizing system integration services. To implement the statewide vision in the most efficient manner a Master Services Agreement will be established to support the roll out to additional departments or functions statewide. The statewide model, to be cost effective, must be constructed and scaled to roll out to other departments, in a phased approach, but only after the system has been determined to be effective, operationally efficient, and secure.

The Project proposes to meet the following objectives:

- Replace the state's aging legacy financial management systems while the workforce with knowledge of those systems can facilitate the transition to a standardized, modernized, and supportable system that is not people centric.
- Increase transparency to provide a better basis for decision making and knowledge sharing to the public and the state's business partners, including the Legislature.
- Develop an effective single statewide financial management system.
- Provide timely, accurate, complete and integrated financial data.
- Streamline government operations by giving managers, end-users, and stakeholders easy access to timely and accurate information.
- Eliminate redundant systems and processes by integrating all financial information into a single system.
- Increase fiscal accountability and control at all levels of an organization, including statewide.
- Automate and standardize reporting mechanisms.
- Support project, grant, and activity-based reporting at multiple levels.
- Provide timely and comprehensive information to improve cash management.
- Permit agencies to shift their efforts from processing and reconciliation of financial information to analysis (both at the department level and state level).
- Provide the ability to perform management and analysis of system data timely and efficiently.
- Support the state's succession planning for much of the financial management workforce through system modernization.

The following excerpt from the July 2005 Feasibility Study Report (FSR) is included below to highlight the budget related business objectives.

BIS Project - Business Objectives

> *"Replace outmoded fiscal and budgeting systems and build better systems. This requires an investment, but our separate financial systems must be tied together to allow accurate, comprehensive and timely statewide financial information and reporting."* [2]

[2] California Performance Review, 2004

The project proposed in this FSR is designed to resolve the business issues discussed in the previous section and integrate the entry, analysis, retrieval and reporting of information related to the state's budget development and administration processes. While BIS has an overall project goal to achieve the following general improvements these items are not considered to be measurable project objectives. In addition to these goals, measurable objectives to address work-arounds, compromised accuracy, and aging technology are detailed on the following pages:

- Improve issue and historic budget development analysis capabilities by preserving historical information in the proposed system.
- Reduce redundant descriptive and analytical writing for decision documents, reports, and publications.
- Improve ability of enacted budget to guide development of departmental operating budgets by preserving more information and improving controls.
- Improve quality of operating budgets and related management controls to avoid over expenditures and erratic spending patterns.
- Improve ability to use current year and past year accounting information in budget development.
- Improve ability to project budgets for multiple years and scenarios.
- Enhance ability to incorporate new information into the budget process in the future, such as performance information.
- Improve understandability of the budget to the public, Legislature and department management (especially those responsible for specific program expenditures).

However, to ensure the success of this effort and to achieve many of the outcomes identified, this project must first establish common rules that can be used for both budgeting and accounting activities. Therefore, a common chart of accounts will be established by a cross-section of budget, accounting, and business stakeholders to develop a foundation or system architecture that can be later expanded and utilized for accounting functions.

The objectives identified on the following pages outline the measurable objectives Finance intends to achieve as a result of the project described in this FSR. Meeting these objectives will allow Finance to redirect resources currently spent on manual and cumbersome activities to more value-added analysis and budget administration activities. While no quantifiable data is available regarding efficiencies that will be achieved for state agencies, it is anticipated that department budget staff will also achieve similar efficiencies. This will allow departments to improve the quality of operating budgets and internal management controls to minimize over expenditures of limited state resources in the future.

"Work-Arounds" Create More Work and Impacts Productivity

- Reduce entry of the same expenditures, revenues, and personnel years (PYs) data in multiple files and multiple formats by 25%. Currently it is estimated that 14,000 hours of Finance staff time is spent in data entry and reporting activities, for a cost of $425,000. Additionally, it is estimated that approximately 18,000 hours of Finance staff time was spent on reconciliation activities due to the duplicate data entry efforts, for a cost of approximately $515,000.

- Reduce the number of hardcopy handoffs (i.e., Schedule 10s, Budget Galley) by 50-75 percent. During the development of the 2004-05 Governor's Budget, it is estimated that Financial Operations maintained thirty (30) separate logs that tracked handoffs of various budget documents throughout the budget process. It is estimated that each Budget Unit also maintains approximately five (5) logs each to track various items throughout the budget process for a total of about thirty (30) additional logs maintained throughout Finance. As a result of the eBudget implementation in 2004-05 (to produce the 2005-06 Governor's Budget), a reduction in document handoffs was achieved. With the implementation of BIS it is anticipated that these handoffs will be further reduced to fully realize the 50-75 percent reduction.
- Reduce the number of special purpose spreadsheet drills by 50 percent since the majority of data necessary to respond to these drills will be available as part of the core functionality of BIS. During the 2003-04 budget development cycle (from development through enactment), there were 175 special purpose drills. Additionally, a number of these drills were completed multiple times with different data requirements.
- Reduce Finance budget staff data entry activities related to capturing one-time costs, full-year adjustments, employee compensation adjustments, and budget change requests by 70 percent. This reduction will be realized by shifting initial data entry of budget change requests to state agencies and departments, and implementing system-generated adjustments for one-time costs, full-year costs, employee compensation, etc. Approximately 4,300 planning estimate adjustments occurred in the 2003-04 budget for the line items identified above, excluding budget change requests. On average during 2002-03 and 2003-04 finance staff entered data for 2,400 budget change requests.
- Reduce the amount of overtime expended by Finance staff in support of budget development and administration activities, by 25 percent. (On average, over the fiscal years 2000-01 and 2001-02, overtime costs for Finance were $631,000 per year).

Compromised Accuracy

- While the number of errors and omissions to prior budgets has not been specifically tracked and would be difficult to quantify, implementation of a single system is likely to reduce the need for technical corrections to the proposed and enacted budgets by 15 percent
- Eliminate inconsistent data entry formats for the same data elements (i.e., whole dollars vs. rounded dollars, $151,650 vs. $152k).
- Reduce training costs associated with training Finance analysts by 15 percent
- Eliminate the need for manual comping of various budget documents such as the galley by budget unit analysts and the Central Unit. As a result of the eBudget implementation in 2004-05, a reduction in manually comping was achieved. With implementation of BIS it is anticipated that the remaining comping activities will be eliminated.

Aging Technology Platform

- Reduce the number of stand-alone systems supporting Finance's budget development and administration processes by 80 percent

Based on the objectives identified above, it is expected that a reduction of approximately 17,000 staff hours or the equivalent of approximately 9.5 positions can be achieved. However, since only marginal savings will be gained, the time spent on largely manual and labor-intensive activities will be redirected to more value-added analyst activities. This approach will likely result in more significant cost avoidance/future savings, particularly in local assistance budgets. No savings are reflected in this FSR since they would not result in a reduction to current state expenditures but more likely would reduce or limit future growth.

FI$Cal Project Objectives

Substantially more improvements will be achieved by expanding the previously approved statewide budget system project to a statewide financial management system project. In addition to the objectives identified in the approved FSR related to the implementation of a statewide budget system, additional objectives have been identified. Since the financial management system will be implemented in phases over a number of years, the objectives will be achieved over a number of years. As more transactions are processed through the new system, more of the objectives will be achieved. The new financial management system will also result in a substantial number of general improvements that are not considered to be "measurable project objectives." The following objectives and improvements are presented based on what is expected when the system is fully implemented.

Redundant Data Entry

- Reduce the SCO's data entry activities related to receipts, claims, year-end reports, journal entries, etc., by 70 percent. This reduction will be realized by capturing data entered at the department-level through an electronic interface or direct utilization of the system. On average, the SCO staff re-enters data from approximately 1,100 claims and 220 receipts daily, representing approximately 275,000 claims and 56,000 receipts processed each year.
- Reduce entry of the same expenditure and revenue data in multiple files and multiple formats by 60 percent. For example, past/prior-year revenue and expenditure data is kept in separate databases at the departments, Finance, and the SCO. Each database requires its own data entry. By having the amounts kept in one database, the information will only need to be entered once.
- Reduce the number of shadow systems or subsystems used to collect data for external reporting purposes. The majority of data necessary to record and track the expenditure of project and grant funds will be available as part of the statewide financial management system. While the number of these systems (including special purpose spreadsheets) is unknown at this time, the readiness assessment for each department implemented will include an inventory of existing systems and their purpose to determine an appropriate baseline that can be measured.

More Timely Access to Data

- Reduce the late submission rate of year-end financial statements by 50 percent. In 2004-05 approximately 15 percent of 296 organizations submitted their year-end financial statements after the established deadline. While more current data is not available, this rate has remained relatively unchanged over time. Late submission of these reports cause delays in preparing required reports and could impact the state's credit rating. This improvement is achieved by departments having a more flexible and timesaving system that will significantly expedite their year end preparation process.
- Reduce inquiries regarding claim and payment status from departments and vendors to the SCO by 60 percent. This will be achieved by providing web-based access and look-up capabilities. It is assumed that department staff will also benefit from this added capability.
- Provide a comprehensive view of the statewide account's receivable status (collection rates and account's receivable aging information). This will likely enable to the state to improve the collection of account receivables. Note however that this ability would not apply to the state's large business specific systems such as child support or delinquent taxes in this system.

Opportunities for Savings/Cost Avoidance

- Decrease late payment penalties by expediting the payment process. In 2004-05 the state spent approximately $2.3 million on nearly 16,000 reported late payment penalties. In addition, the state may also be able to leverage discounts offered by vendors for "prompt payment" of invoices.
- Reduce by 50 percent the production of daily and monthly accounting reports in hard copy or paper-based formats. This objective will be achieved by having this information easily available online making the paper reports unnecessary.

Aging Technology Platform

- Reduce the number of stand-alone accounting systems used in the preparation of reports for all reporting bases by 60 percent. Replace three separate SCO systems that support the following basis of accounting and reporting – Cash, Budget/Legal, and GAAP – with a single integrated system. Automate reporting and publication of financial data to produce electronic and hardcopy financial statements.

Following are some of the major improvements (not considered to be measurable) that are expected to result from the implementation of a statewide financial management system:

Business Process Reengineering Improvements

- Establish a single system where the state's financial information is stored in one database. This will eliminate duplicative effort, many manually maintained reconciliations, differences due to timing, and many existing problems related to management, maintenance and reporting of information in different systems.
- Improve the electronic submission of claim information by eliminating the paper claim schedule process. This will require significant changes to the current process including the requirement of acceptable electronic "face sheets," supporting documentation for audit/claim validation, electronic authorizations ("digital signature"), remittance advice information, and audit/edit routines.
- Establish one statewide master vendor file. Separate vendor files for each department will be eliminated resulting in significant savings and the elimination of duplicate records. Multiple claims to the same payee will be combined into a single payment. How much the state paid to a specific vendor will be easily identified, which will simplify the

provision of year-end form 1099 information, and the ability to negotiate quantity discounts. (Stand-alone expenditure programs, e.g. as Medi-Cal, IHSS, PERS, STRS, FTB refunds, would not be included in this vendor file.)

- Establish an electronic procurement system that will have electronic purchase orders, invoices, contracts, approvals, and payments ("Req. to Check").
- Establish a system-wide automated offset system that can deduct government debtor obligations from corresponding state payments based on the incorporation of taxpayer identification numbers, social security numbers, or employer identification numbers for all payments.
- Improve the payment process to allow payment to vendors via different payment channels (i.e., direct deposit (EFT), warrant, etc.) based upon the vendors preference and reduce both time spent and costs for postage related to current methods.
- Provide web-based access on the status of payments to vendors, payees, and state departments.
- Establish a standardized method of electronically transferring year-end financial reporting information between state departments and control agencies with built in validations.
- Revamp the statewide chart of accounts and the various budgeting, accounting and reporting treatments of the same transactions and information. This will be necessitated by the conversion to one system that should treat information one time in the same way. Currently, information is presented differently by the departments' budget systems, departments accounting systems, Finance's budget system, and the SCO's fiscal system, budgetary/legal reporting system, and GAAP reporting system. In order to make the new system as efficient as possible the different treatments will need to be restricted.

Other Objectives

- Improve access to timely and relevant revenue and expenditure information, to enable decision makers to make better informed decisions at all levels and branches of the government enterprise.
- Provide tools to monitor expenditures compared to the approved budget and provide alerts when deviations occur.
- Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.
- Facilitate workforce transition by establishing a single uniform financial management system that must be used by all state entities.
- Reduce manual reconciliations among control agencies, state agencies, and other separately maintained systems and databases. By having a single source of financial information, manual reconciliations will be minimized.
- Ability to know where the state's assets are in the event of statewide emergency.
- Explore other opportunities to improve the budget process.

This project, through the partnership of the four lead agencies, will maximize business reengineering opportunities, adopt best practices, and minimize system customization. The tools to facilitate reengineering are provided in ERP commercial-off-the-self software which provides administrative functions and is currently utilized at some state agencies in California as well as various public sector entities including other statewide systems.

The proposed statewide ERP software will be a one time purchase; however, the implementation and configuration of the system components will be incrementally developed

and installed. In terms of licensing, the state will obtain and use an enterprise license that ensures only those licensing costs applicable to a specific project phase or activity will be charged. The state does not intend to pay for licenses until they are needed to ensure the best pricing for the state and compliance with Control Section 11.10.

3.5 Impact of Proposed Change on the Project

This project has migrated from being a statewide budget only project with the intent of being the foundation for future financial management systems, to becoming the statewide financial and administrative system, Financial Information Systems for California (FI$Cal).

Because the BIS Project was following the system development life cycle and consulting stakeholders at the inception of the project, the required change to the project was identified early enough to be a logical and productive change. The BIS Project was still in the requirements phase of the project so there will not be a loss of invested resources by making this change at this phase of the project.

The Project did have to take a step back in the planning activities and to prepare this Special Project Report to obtain project approval; nonetheless, the requirements efforts for the BIS Project continued to move forward. There is no question that this project is significantly larger, but our analysis of the rejected alternatives outlined in Section 1.6 determined that it is the most cost effective approach in the long run.

The original BIS schedule proposed an unbundled procurement approach and planned to complete the effort with a signed contract in April 2008. The procurement approach now consolidates both the software and the system integrator (discussed below) and the additional tasks of developing the SPR, obtaining the appropriate approvals, gathering additional business requirements, collecting documentation to describe the departmental accounting and procurement infrastructure now indicates that a signed contract is planned for August 2008.

The foundation of an ERP implementation is the development of the general ledger. Implementing only the budget portion of the software requires limited development effort of the general ledger. With the addition of accounting, the activities during the implementation phases of the project are much more extensive. Based on studies from the Meta Group and lessons learned from the other ERP projects, the project has planned for a 20 month schedule for the first implementation cycle of planning, new statewide chart of accounts, detailed requirements and design, configuration and any necessary customizations, testing, training and deployment out to the first wave of user departments. Deployment at state agencies to utilize the system for accounting and budget development will be planned for July 2010.

Because this system will also be used at Finance for statewide budget, at STO for statewide cash management, and at SCO for statewide accounting, the Project will explore earlier implementation at the control agencies based on the vendor proposals.

As noted in the BIS Project FSR, the proposed system will have a broad impact on budget staff throughout the state, as well as Legislative staff, LAO, and Legislative Counsel. The state's accounting and procurement workforce will also be significantly affected. Virtually all staff that supports the state's various administrative processes must learn the features and processes of the proposed system and implement related changes in business processes.

Lead agency staff must also learn features and processes of the proposed system and implement related changes in business processes to achieve statewide benefits. Since the

proposed system will utilize modern technology to transform many antiquated and manual processes, there will be a substantial transition and "learning" curve associated with the new system. As a result, a comprehensive change leadership, education, and training program will be required. The Department of Personnel Administration, the State Personnel Board, and various unions will also be key participants in the process work force transition process.

In addition to the anticipated impact on state staff, the proposed system could also have an impact on departmental information technology infrastructure. While the Project assumes that departmental desktop platforms and infrastructure will support the proposed financial management system, each department's connectivity will need to be evaluated to ensure optimum system performance. To the extent a department requires an upgrade of desktops and/or network connectivity, they will be required to upgrade their systems prior to implementation and if necessary, submit a separate budget change proposal to request necessary resources. Any budget change requests will be considered and if justified funded as part of the traditional budget process.

The effect of this significant scope change on the project schedule is somewhat mitigated by the decision to follow a bundled procurement strategy rather than the unbundled approach included in the approved FSR. Working with our acquisition consultants, the BIS Project Team conducted an analysis of acquisition strategies including a review of the current market, effects of a bundled and unbundled strategy, and recent experience in other similar California procurements. The criteria identified below were evaluated and weighted to support the decision process.

- Quality of Overall Solutions
- Time to Delivery
- Internal Cost of Procurement
- Cost of Overall Solution
- Competition
- Risk of Procurement Failure

Key factors that support the decision for a change in the procurement strategy from an unbundled to a bundled approach include:

- Enables highest quality software and system integrator partnerships allowing product vendors the freedom to respond with their preferred system integration partner(s) and/or utilize their own services group.
- Appropriately emphasizes total solution benefit and the relative importance of implementation services.
- Significantly less elapsed time for the overall project schedule (one process – one decision):
    - Reduced procurement timeline
    - Single accountability from the Vendor reduces complications that can increase implementation timeline
- Reduced review time for RFP and related documents.
- Reduced evaluation process level of effort.

Even with an one-time project cost of $634.9 million, a statewide system that integrates the essential business functions of the state is more cost effective than the cost to independently upgrade and replace the state's aging infrastructure one department at a time (see Rejected Alternative 2). In addition, the collaborative approach for an enterprise system will avoid the

system integration/interface problems and costs that disparate systems and projects would pose. Each of the state ERP efforts already approved or implemented to date has a number of common components with one of the largest costs of each effort being software configuration and implementation. If these independent projects had been done on a consolidated basis, the state could have avoided duplicate costs for system configuration, which is on average 20 to 25 percent of the total costs ($600 million). Based on the costs of these projects, the cost avoidance to the state on these systems alone could have been as much as $150 million. In addition to this major component, other activities could also be consolidated thus benefiting the state by avoiding duplicated costs for activities such as:

- Requirements analysis and definition
- Preparation of user manuals, staff training, etc.
- Project management, oversight, and validation
- Data center consultation and services
- DGS procurement consultation and services
- General office expenses for project team (i.e., office equipment, office space)
- Software purchase (base cost, not licensing costs)

Equally clear is that for ERP implementation to be most efficient and cost-effective in California the approach must be statewide in nature: the *enterprise* is the state. As part of research for this project one of the often repeated lessons learned is that change in the state must occur from the top down. The lead agencies (control agencies) must work together to change the policies and processes and requirements that drive activities at the departmental level. The new financial management infrastructure can then be rolled out like concentric circles to departments. But foremost, the foundation of the house must be built first. There is at present an opportunity and a critical need to provide statewide leadership and coordination regarding the development and implementation of present and future enterprise systems for the State of California in one unified, integrated ERP system.

A statewide approach to address the state's financial business needs is consistent with the California State Information Technology Strategic Plan to implement common business applications and systems to improve efficiency and cost-effectiveness; and replace duplicate, conflicting and outdated applications that are not interoperable enterprise-wide across all departments. It is also consistent with the recommendation from the California Performance Review report to "develop and centrally host 'shared services' applications that will provide the backbone for business management statewide, such as budgeting and accounting, managing human resources, asset management and procurement management."

Recent interviews with other states and governmental entities, who have been involved in the deployment of enterprise financial and administrative systems, have made apparent the importance of incorporating full accounting functionality (such as general ledger, accounts payable, and accounts receivable) to support budget development, enactment, and administration. They further indicate that to fully realize the benefits of implementing a statewide budget system, full utilization of all of the accounting elements included in a financial management system should not be overlooked. Finally, they noted that most accounting processes originate with the purchase or requisition of a good or service and end with the payment for that good or service. Certain assets purchased are also tracked throughout their useful life. Therefore, basic procurement and asset management functions are also integral to achieving full efficiencies and part of the foundation for effective management of the state's resources.

3.6 Feasible Alternatives Considered

Proposed Alternative – Implement a Statewide Financial Management System

This approach starts with the end in mind. It begins with a statewide vision[3] and provides for separate but related projects to implement a statewide financial management system.

Large enterprises in both the private and public sector have favored acquiring a COTS ERP solution. Major reasons for this choice include the flexibility and much lower and predictable cost of commercial software. In addition, ERP solutions have been implemented in a broad range of public and private organizations, providing an abundant supply of expertise and knowledge to maintain and support a COTS ERP. Further, the application of COTS ERP is based on "best-practice" processes and is built on a highly scalable and maintainable technology platform. Most importantly, COTS ERP supports a wide variety of well-integrated business functions, providing the client with the option to implement other modules or systems in the future, at virtually no development cost.

ERP technology offers numerous benefits to improve state business practices and performance:

- Increase transparency to provide a better basis for decision making and knowledge sharing to the public and the state's business partners.
- Streamline government operations by giving managers, end-users, and stakeholders easy access to timely and accurate information.
- Eliminate redundant systems and processes by integrating all financial information into a single system.
- Increase fiscal accountability and control at all levels of an organization, including statewide.
- Utilize best practices for handling and processing data.
- Standardize and modernize technology which will reduce the wide variety of programming languages, tools, databases, etc. used in the state.
- Support project, grant, and activity-based reporting at multiple levels.

Based on the project's market research, a clear benefit of an ERP system is integration. Due to the expense of implementing multiple ERP systems without achieving the full benefit of integration or reengineering opportunities, it would not be in the state's best interest nor would it be fiscally prudent to develop independent systems to address the state's aging infrastructure. The development of the proposed statewide system reflects the partnership of Finance, SCO, STO, and DGS. Collectively we have responsibility for:

- Providing fiscal policy advice.
- Preparation of the annual budget that ensures the state's financial integrity.
- Operation and maintenance of the state's accounting system.
- Fiscal control over the receipt and disbursement of public funds.
- Custody of all monies and securities of the state.
- Investing the state and locals' idle cash in a prudent manner.
- Centralized business management functions and services to support the statewide enterprise.
- Management of state-owned property.
- Procurement of commodities and information technology goods and services.

[3] The overall concept and vision are in Appendix A.

We recommend establishing a statewide system that addresses our traditional roles and responsibilities in an integrated financial and administrative system. To achieve the Statewide ERP Vision, provide initial authorization and funding for the project, and plan for subsequent phases and projects, the FI$Cal Project proposes to identify the effort for creating an overall vision and develop and implement a financial management solution that includes:

1. A commitment among the four lead agencies to adopt best practices to (a) minimize customization and (b) achieve effective and efficient processes.

2. A statewide chart of accounts to support full financial management functionality.

3. A budget system for all departments that currently participate in the budget process with Finance.

4. A statewide accounting system that replaces departmental accounting systems (CALSTARS and non-CALSTARS) and the SCO's financial management and STO's cash management systems.

    - This phase will include the departments that have implemented or are in the process of implementing an ERP system through an interface; however, ultimately inclusion of these departments in a later phase is part of the Statewide ERP Vision.
    - This project will exclude major cashiering systems and specialized business systems.

This alternative will result in one-time project costs of $633.4 million of one-time project costs, $232.6 million of one-time business transformation costs that are intrinsically linked to the FI$Cal project and, maintenance and operations costs over nine years of $468.1 million. This "Next Generation" project includes preparing both the state systems and the workforce to function in an integrated financial management system environment. The FI$Cal Project will also play a major role in the state's succession planning for much of the financial management workforce. Transforming the state's business systems to an enterprise based Next Generation business system and workforce requires building on the backbone Enterprise Resource Planning (ERP) software which integrates and automates many of the business practices associated with operations, in this case, the financial management of the state. Without the workforce transformation the investment in the information technology will be of little value.

Leveraging the accounting functionality necessary for the BIS Project has benefits and risks:

Advantages

- Utilizes all components necessary to effectively meet the basic financial management business requirements of the statewide enterprise.
- A single, statewide enterprise financial management system will avoid significant costs to the state from multiple implementations of similar enterprise accounting and budget applications by numerous medium and large agencies.
- A single, statewide development allows the state to apply the talents of qualified staff from several state departments to defining business practices and how the system works, rather than relying on departments to undertake separate projects on their own
- Similarly, once established, accounting and budgeting staff development throughout the state will be based on consistent processes and tools rather than dozens of disparate ones.

- While not currently estimated, savings in ongoing licensing fees and maintenance costs compared to those same costs for systems from multiple vendors should be substantial.
- Creates efficiencies and potential savings to the state while producing timely information and greater accountability and the opportunity for more effective financial management.
- Results in more timely expenditure and revenue data and the flexibility to refine estimating techniques and processes.
- Provides integration of information and systems for the state.
- Results in processing efficiency and improved functionality.
- Establishes standardized budgeting and accounting processes and procedures and information.
- Provides better management reporting by capitalizing on improved technology, including data management efficiencies and flexible report writing capabilities.
- Results in fewer interfaces by establishing a common platform for financial management functions including budgeting and accounting, which is a more cost effective approach to replacing outmoded fiscal and budgeting systems.
- Avoids conflicts with future software versions and updates.
- Uses a modern IT infrastructure and programming environment and phases out the use of legacy systems that are hard to support.

Disadvantages

- A project of this size has many complexities.
- Departments must change the way they conduct daily business activities.
- Challenges of operational change management.
- Limited number of vendors can compete for a statewide financial management system.
- Limited number of vendors that provide ERP software to support the statewide enterprise.
- Long-term reliance on a single software vendor (e.g., licensing and upgrades).
- Departments which have already implemented portions or all of an ERP system internally will have to develop interfaces to FI$Cal. A plan for transitioning these departments to the statewide system will be developed as part of the project.
- Requires commitment of departmental resources for development, deployment and oversight that in some cases is critical to existing business functions. This results in the need to provide departments with replacement staff well before they will be implemented by way of backfilling the loss of key staff and to provide advance resources to ensure a successful transition.
- Costs for the statewide financial and administrative system are much greater than the cost for the original BIS Project.
- To fully leverage the benefits, efficiencies and value of an ERP, the state will need to change current business processes and implement best practices for each business process across all agencies. Some changes to practices desired by the state (including the Legislature) may have to be delayed until the selected vendor can modify its product to accommodate the proposed change.
- Maintenance of the existing statewide CALSTARS system will be required concurrent with project development and implementation until all departments on CALSTARS are implemented. Additionally, CALSTARS may require modification depending on the system integrators approach to the collection of statewide data.

If the current independent projects were done on a consolidated basis, the state could have avoided duplicated costs for system configuration, which is on average 20 to 25 percent of the total costs. The cost avoidance to the state could have been as much as $150 million. In

addition to this major component, other activities could also be done on a consolidated basis thus benefiting the state by avoiding duplicated costs for activities such as:

- Requirements analysis and definition
- Preparation of user manuals, staff training, etc.
- Project management, oversight, and validation
- Data center consultation and services
- DGS procurement consultation and services
- General office expenses for project team (i.e., office space, office equipment)
- Software purchase (base cost, not licensing costs)

The proposed solution best meets the state's needs for a comprehensive, integrated financial management system. If multiple systems continue to be implemented, the end result will mirror the current "stove pipe" environment with numerous information silos and will perpetuate the inconsistencies, delays, and inefficiencies of existing data that do not effectively support the management of the state's $131.4 billion[4] enterprise. While these separate systems will most nearly meet a departments' individual objectives, it will not meet the statewide financial management objectives because they will lack an overall view of the state's enterprise. Efforts to obtain that level of statewide data will be periodic, may not provide the most current data available, and will require complex and costly interfaces.

Rejected Alternative 1 – Custom Develop a Financial Management System

While a custom developed solution is typically a viable option for many information technology projects, it may not be a viable option for a statewide financial management system. One of the more important pieces of information obtained through market research of other states for the BIS Project was whether their systems were based on purchased "off-the-shelf" software or entirely custom developed. The majority of states that responded indicated that they were purchasing commercial off-the-shelf systems to support the budget development and administration processes. Since budgeting can be a less standard process from state to state than accounting, we believe that if the survey were retooled to broaden the question that the results would largely be the same.

The market research revealed that the majority of systems that support typical business functions of accounting, budgeting, and procurement use commercial off-the-shelf products because these processes are largely standardized. As a result there is little data available on which to base a cost estimate of a custom developed system, particularly for a large project as is envisioned for the State of California.

Development of custom code does have one primary advantage, it is typically developed or customized to meet all of the users' specific needs, e.g., the user can have exactly what they want. Therefore, it could mimic or automate the current processes, resulting in less resistance to a new system because it is exactly what the user wants. As a result the organizational change management, which is a critical component of a project of this size, would be minimized. The remaining benefits and advantages would be similar to the benefits of other alternatives presented; therefore, they are not identified below. On the other hand, there are several disadvantages related to this alternative that are noteworthy and are therefore highlighted as follows:

[4] Total 2006-07 State Budget, excluding federal funds, certain non-governmental cost funds, and reimbursements.

Disadvantages

- Likely to be a much higher cost alternative since the solution would be built from the ground up, versus configuring an existing solution. This would result in a longer development and implementation timeline.
- While a technology tool set may be proven, there would be no track record for a custom developed product which would increase the risks to the state.
- The state would lose the ability to leverage best practices inherent in many off-the-shelf packages.
- Would require a significant effort prior to selecting a contractor to complete a statewide business process reengineering study.
- The vendor that provides the solution would be the only one knowledgeable about the software which could severely limit the state's ability to become independent of the contractor for on-going maintenance and support.
- Maintenance and future upgrades of a custom system will also require more work affecting both vendor and state staff.
- Could result in long term reliance on a single vendor.

Rejected Alternative 2 – Develop Separate Statewide and Department Commercial Off-the-Shelf Systems

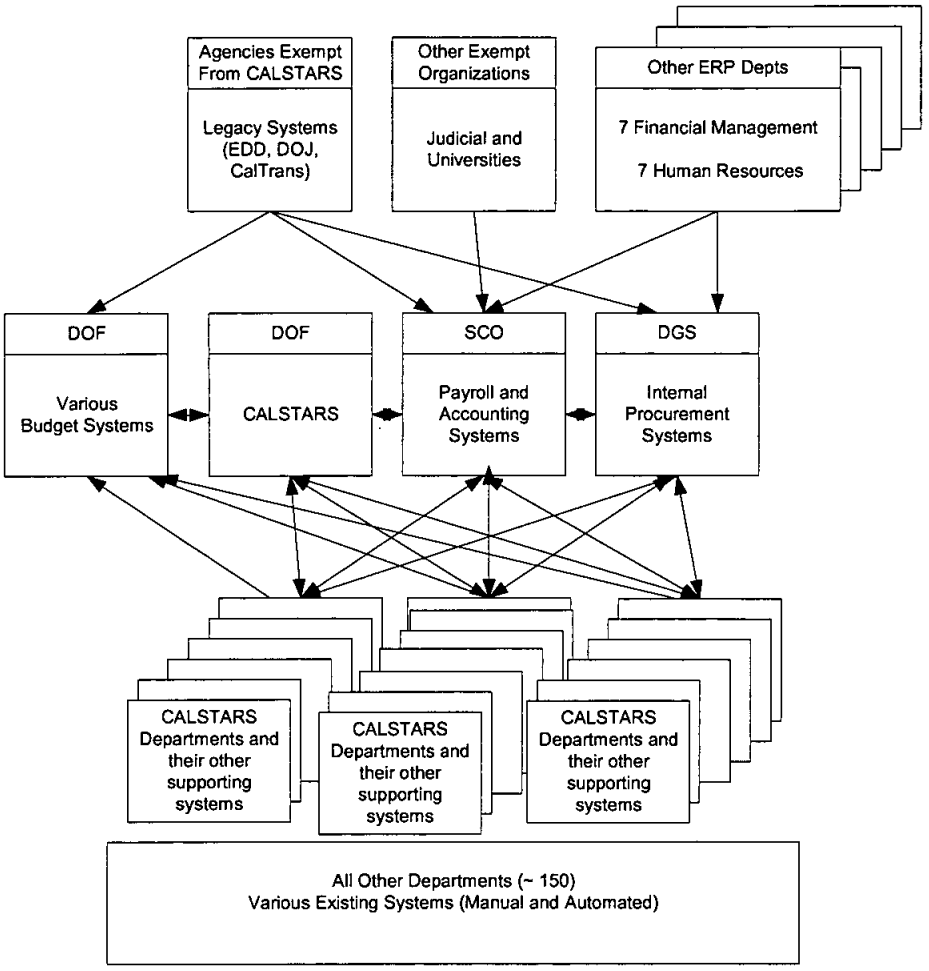
Several state departments have implemented[5] ERP-based systems for their own use or have initiated[6] the process for acquisition of such a system in an attempt to address the need for better administrative and management tools. Existing state laws have limited the amount and types of reengineering opportunities that these individual departments can implement. Consequently, the efficiencies and savings anticipated or realized in other states have not been as great in these independent efforts. In fact, costly customizations to the core software have been necessary to comply with these laws. For example, the claim schedule process requires a specified form to be provided to the SCO and must include original signatures and hard copies of all supporting information, which limits a department's ability to automate this process and provide information electronically.

In addition to these individual department efforts, both the SCO and Finance are developing statewide systems. The SCO's system, commonly referred to as the 21st Century Project, will address statewide personnel and payroll functions and the BIS Project will address statewide budget development and administration.

Since the state has begun each of these separate efforts, the state could continue to separately develop systems both at the department level and the state level and attempt to share or exchange data through a wide variety of interfaces and paper-based processes. Under this approach the data exchange will also have challenges and will not address many of the deficiencies in the current systems/processes because the statewide data will be available only at a high level and would not provide the desired ability to drill down into specific financial management areas.

The current environment could be represented by the following diagram which demonstrates in a simplistic fashion the challenges this alternative could present.

[5] Department of Water Resources, Department of Motor Vehicles, California Public Employees' Retirement System, California State University
[6] Department of Corrections and Rehabilitation and Department of Transportation



In addition to the complexity of independently developing both statewide and departmental enterprise systems, the cost of incremental development of these systems by additional individual departments would far exceed the cost of the proposed statewide system. To date more than $600 million has been spent or is planned for expenditure, including the two statewide projects: 21st Century Project and Finance's BIS Project. It is likely that virtually every medium to large state agency will also seek approval to implement an ERP or similar system over the next five to seven years. If this occurs, the total cost to the state for independent implementation of these systems could range from $3.4 to $5.3 billion. This estimate is based on the classification of departments in the FSR as small, medium, and large and the estimated cost per agency. The following assumptions were used to develop the estimated range of $3.4 to $5.3 billion:

- The BIS FSR identified 64 medium state agencies based on the size of a departmental budget (between $30 million and $499 million).
- The BIS FSR identified 39 large state agencies based on the size of a departmental budget (over $500 million).
- Seven departments have reported projects to Finance implementing ERP financial management functionality similar to the project proposed by Finance.
- Three other large projects not reportable to Finance have implemented or are implementing ERP financial management functionality similar to the project proposed by Finance.
- Reportable projects have resulted in costs of approximately $600 million.

- Non-reportable projects have resulted in costs of a similar or greater magnitude than reportable projects.
- Assume 75 percent of the 64 medium-sized agencies (less existing projects) will require a replacement of aging financial management systems in the next five to seven years.
- Assume 90 percent of the 39 large-sized agencies (less existing projects) will require a replacement of aging financial management systems in the next five to seven years.
- Costs were derived from actual costs based on data available for nine ERP efforts in process or implemented in California.
- Costs were scaled based on the applicability of the modules/functionality and number of locations to make like comparisons where appropriate.
- Low range was based on the adjusted average costs for both medium and large ERP implementations.
- High range was based on the adjusted average costs for both medium and large ERP implementations.

The resulting estimate based on these assumptions is as follows:

- 44 medium agencies x $30 million - $50 million per agency = $1.3 billion – $2.2 billion
- 31 large agencies x $70 million - $100 million per agency = $2.1 billion – $3.1 billion
- Low end of the range is $1.3 billion + $2.1 billion or $3.4 billion
- High end of the range is $2.2 billion + $3.1 billion or $5.3 billion

Finally, because these independent systems have preceded or are proceeding with the development of statewide systems, many of them may require rework in order to exchange data or provide data in new formats that may be needed for the statewide systems. Continuing to incrementally and independently develop these systems will only exacerbate the problem and require the continuation of costly customizations to the commercial off-the-shelf systems instead of adopting best practices, which essentially recreates our legacy world.

In conclusion the following summarizes both the advantages and disadvantages relative to continuing to develop and operate various disparate systems in both departments and at the state level.

Advantages

- Replicating the current processes is more familiar to agencies and departments.
- Less change management is needed within a department; although it still represents a significant change that requires a continuing change management program.
- Smaller independent projects are less risky than a statewide effort due to size and complexity.
- More "local" ownership because it is "their" project rather than something departments and agencies may feel forced into. Independent projects result in more individual department responsibility and possibly better levels of cooperation.
- Allows departments with critical needs to move projects forward on a timeline that may better meet their needs.
- Eliminates potential jurisdictional issues between constitutional offices.

Disadvantages

- Significant cost for the incremental development of systems could range between $3.4 and $5.3 billion.
- Introduces significant complexity to support the exchange of data. Complex interfaces may be difficult to develop, especially between legacy systems and newer ERP systems, and required continual maintenance will be necessary.
- Additional complexity related to multiple types of software.
- Many benefits of "ERP" such as the automatic effect (recording) of actions across the enterprise and the real time or instant availability of information would not be realized. Significant budget decision support aspects of the system will be lost. We will be implementing and continuing "stove-pipe" accounting, human resources, and procurement software that is very expensive.
- Lost opportunities to reengineer inefficient processes that are labor intensive paper-based processes that are largely manual.
- Creates redundancy – each development will require most of the parts of an ERP software package. For example, we will have multiple general ledgers, multiple vendor files, and purchase different or the same software multiple times.
- Requires numerous procurements for the same or very similar services increasing the exposure to the state to protest or failed procurement.
- Results in the repetition of workload intensive activities across the state including the definition and analysis of requirements; preparation of user manuals; conducting staff training; project management, oversight, and validation; and data center consultation and services.
- Perpetuates the inconsistencies, delays and inefficiencies of the existing systems and processes and will require significant reconciliation efforts.

Alternative 3 – Utilize an Application Service Provider

An Application Service Provider (ASP) is a business that provides computer services to its customers. It can be a very complex and customized service, such as the Medi-Cal Programs Fiscal Intermediary providing customized services to a single client. It can also be a standardized service such as card processing or medical billing. ASPs are frequently used by small and medium sized companies that cannot support their own internal information technology infrastructure. The ASP usually owns and operates the software application and the hardware. Information is made available through the internet. Fees are paid for the service rendered, usually a "per use" basis.

While there is a large market of ASP and there are benefits to utilizing these types of services identified below, there are also significant risks in loss of control of data, functionality, and security. There is also a relationship with a service provider that must be periodically reevaluated on a competitive basis and may result in a periodic system change that could affect a very large segment of the state workforce.

The state has successfully utilized ASP for a variety of programs such as the Medi-Cal Fiscal Intermediary or accepting credit card payments to health care payment processing and in many cases they are a viable alternative. But utilizing an ASP for the core state administrative functions that are specific Constitutional responsibilities coupled with the risks associated with third party processing do not make this a viable alternative.

Advantages

- Software integration is not the state's responsibility.
- The costs for the ASP are shared by multiple clients.
- Vendors with multiple clients may acquire more experience.
- Software updates are the responsibility of the ASP.
- Internal IT staff may be redirected to services not provided by an ASP.
- Service levels may be incorporated contractually.
- Costs are predictable based on contractual agreements.
- Training of the state IT workforce would not be required.
- Expertise to support such a system is more readily available in the private sector than the public sector.
- Application service providers can more easily handle the large number of transactions anticipated in a statewide system.
- Would require less retraining of the state workforce than the recommended alternative.

Disadvantages

- Entrusts the operation of the state's financial management system to a third party.
- Sensitive financial data, particularly during the budget development process, could be made public which would adversely affect the deliberative process.
- Lack of flexibility. Unless a special contract is used, the application is shared with other clients.
- Control of the software, the function, and the data is limited.
- Market changes may affect the service.
- Integration with other state systems may be limited.
- Makes the state wholly dependent on a contractor over time because state staff would not support the on-going system maintenance and operations of the system.
- The Constitution prevents outsourcing jobs to the private sector that could otherwise be performed by state employees unless there is a savings. Both budgeting and accounting unlikely to meet this criterion.
- Represents a significant financial investment but no ownership.

3.7 Implementation Plan

The implementation approach for the first stage of the financial management project and the scope of the software/system integrator procurement (RFP) will include:

a. Collaboratively develop a statewide chart of accounts.

b. Develop and implement a statewide budget system, which will include:
   - Statewide (Finance/Legislature) budget preparation
   - Department budget submission to the statewide system
   - Statewide budget administration
   - Departmental budget preparation and administration
   - Import monthly, actual accounting data, from all departments including those with ERP's and separate accounting systems. Data will be provided as part of the department monthly close-out process and should be presented at the budget level used by departments to administer their budget.

c. Develop and implement a central accounting system for the SCO and include STO for cash management:

- Including:
  - Statewide control accounting and reporting (budgetary/legal, GAAP, etc.)
  - State disbursements
  - Audits of state expenditures (claim audits)
  - STO cash management
  - Development of an interface to exchange data between departmental systems and the statewide financial management system.

- Excluding specialized systems at the SCO such as unclaimed property, apportionments, local government mandates, travel expense claims.

d. Solicit vendors' recommended approach to (1) achieve the long-term concept and vision and (2) assess the effectiveness of multiple agencies using a single, integrated environment.

e. Implement a select number of departments, including some CALSTARS.[7]

f. Provide for training and development of state employees and a transfer of knowledge to begin the creation of an organization to support and maintain a statewide enterprise system.

g. Evaluate the implemented budget and accounting components to determine the extent to which the stage 1 project goals and objectives were met and assist with any necessary modifications to the implementation plan.

The first stage of this project will also include the following separate activities, which may include additional procurement efforts:

a. Develop a strategy to determine how the state will create the goals and objectives of the long term concept and vision.

b. Prepare the remaining agencies for transition to the new system. This would include documentation of the existing systems for non-CALSTARS agencies and developing an approach for the transition.

c. Develop an Implementation Plan that identifies how the state will implement the strategy. This implementation plan should address all the planning components required for project management standards.

d. Create an ERP System Integrator Master Service Agreement (MSA) or alternative to expedite the procurement of additional system integration services to address the existing and on-going state investment in ERP technology to achieve the statewide concept and vision.

[7] Likely to include small departments using DGS Contracted Fiscal Services and departments that provide the full breadth of financial management functionality such as Department of Parks and Recreation, Department of Fish and Game, and/or Department of Social Services.

4.0 Updated Project Management Plan

4.1 Project Manager Qualifications

The Project will utilize both an independent contracted project manager to partner with a state project manager to provide the breadth of skills necessary for a project of this size. The qualifications of this individual must include:

- Knowledge of computer hardware, software, applications, and networks, with a focus on current enterprise financial systems.
- Experience in structured project management principles.
- Operational experience in developing and implementing project management practices.
- Familiarity with state procurement policies and procedures.
- Extensive knowledge of state project approval procedures and criteria.
- Practical experience in defining business requirements and implementing a large ERP software application development project.
- Knowledge of the public sector budgeting and accounting functions and the potential application of information technology to support those functions.
- Experience in IT budgeting, planning, and coordination.
- Knowledge of industry standards and best practices.
- Strong communication and leadership skills and an ability to work with diverse teams and communicate difficult and complex issues clearly and concisely both orally and in writing.

Duties of the project manager include:

- Monitor the planning, execution, and control of all activities necessary to support the implementation of a statewide enterprise financial system.
- Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams.
- Maintain and monitor the project plan and performance, including performance of contractor teams such as the state project manager, acquisition assistance vendor, software vendor, and system integrator
- Coordinate with the independent verification and validation (IV&V) and independent oversight consultant to address and incorporate findings and recommendations.
- Participate in the identification, quantification, and mitigation of information technology project risks. Participate in quality planning, assurance, and control.
- Direct the development of project documentation required by control agencies.

4.2 Project Management Methodology

While this section has not changed from the approved FSR, it is included here for readability.

Finance uses a project management methodology based on Project Management requirements outlined in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM).

4.3 Project Organization

Since the product and system integrator have not yet been selected, the final project organization structure is still unknown; however, the following changes to the project organization have been made to reflect the strategic direction for a comprehensive enterprise strategy and the relationship to new FI$Cal Project.

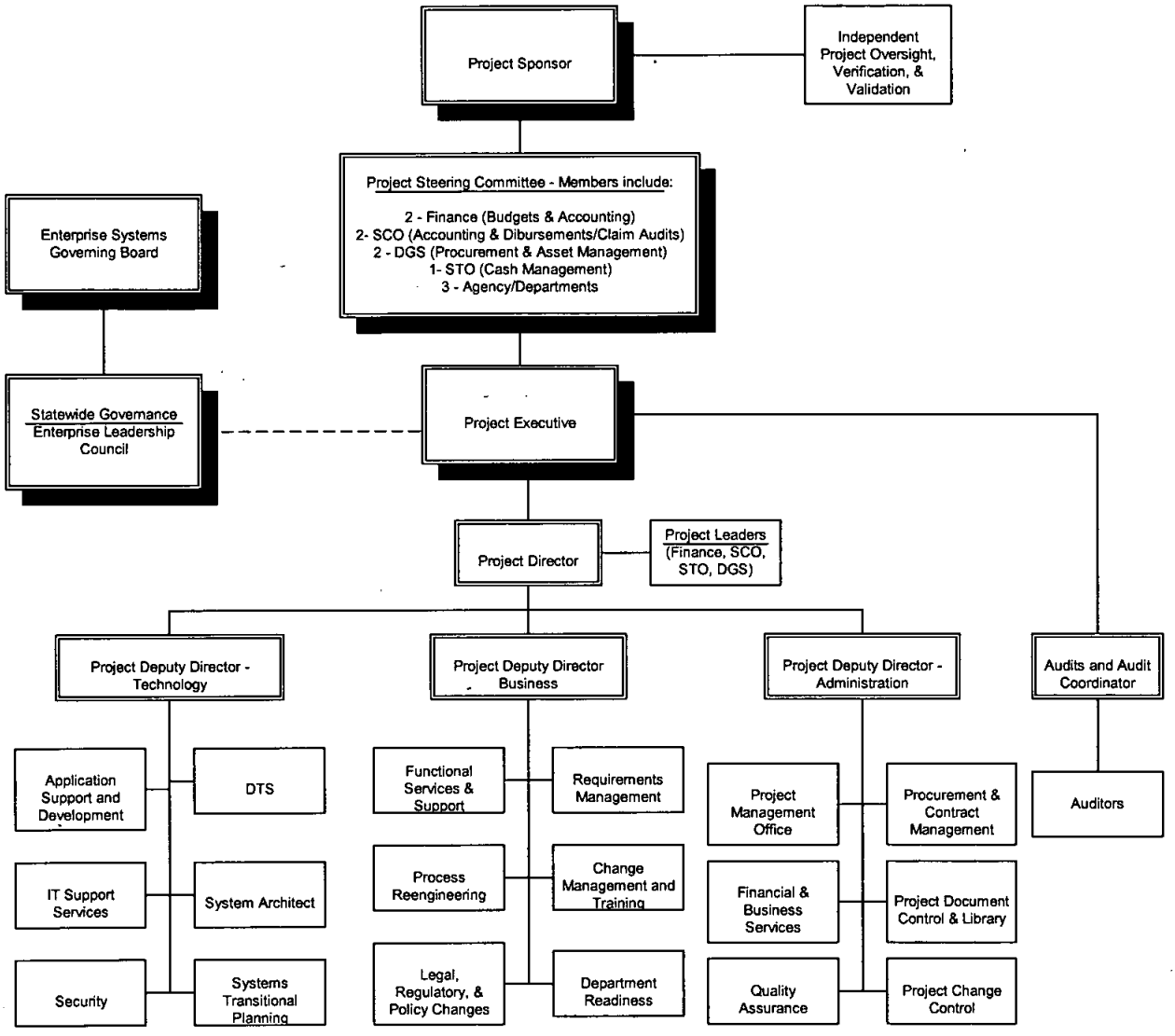
Project Structure

This is an unusual project because of the collaboration of the four lead agencies. The four project leaders representing each lead agency will collaboratively set policy direction for the project. The project will be led by a Project Director utilizing structured project management methodologies.

The FI$Cal Project will be organized into three teams. A technical team will provide the infrastructure to support the project. The business team will provide overall expertise for the various business areas addressed by the project. This represents the largest of the three teams, because the project is best represented as a business transformation effort rather than solely a technology project. The primary emphasis of the project will be to change business processes to be more effective and efficient. The last team is the project administration team including the project office, project financial management and reporting, quality assurance, project documentation, and project retention and recruitment. The system integrator teams will be incorporated into the state teams identified above and are therefore not separately reflected in the project organization chart. This structure is necessary because of the intensive knowledge transfer program that will be part of the project to support a transition of the primary system deployment activities from the system integrator at early project stages to state staff in later project stages. The system integrator's project manager will report to the state's Project Director.

The following organization chart illustrates the anticipated project structure:

FI$Cal Project Organization



Project Governance:

Project Governance is represented by a sponsor, a steering committee, a project executive, and a project director.

The project Steering Committee reflects the project's primary financial management functions and a partnership among the four lead agencies and departments:

- Chair, Finance project sponsor.
- Two representatives from Finance (budgets and accounting)
- Two representatives from DGS (procurement and asset management)
- Two representatives from SCO (accounting and disbursements/claim audits)
- One representatives from STO (cash management)
- Three representatives from participating departments or agencies.

Statewide Governance.

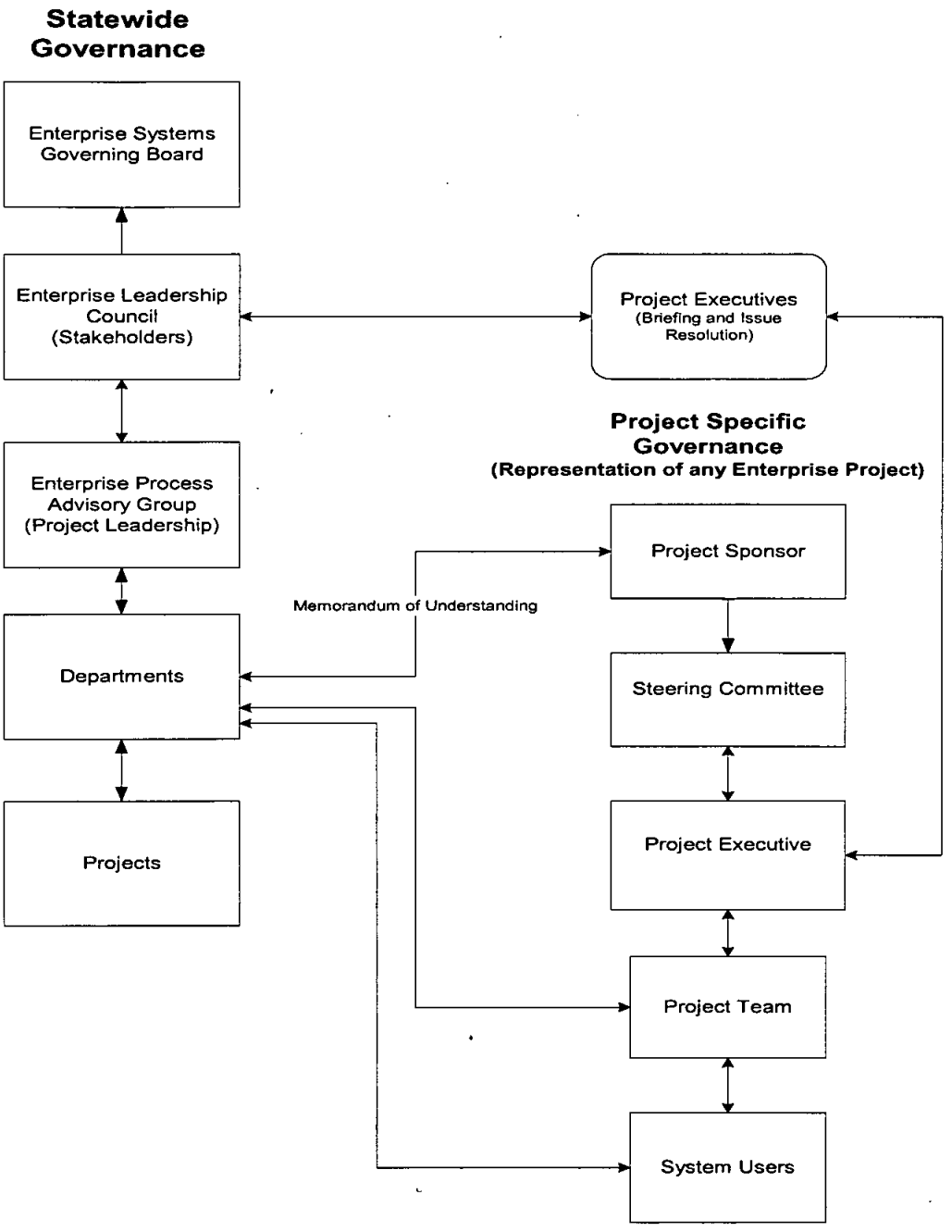
In addition this project will be responsible to the newly established enterprise project governance structure.

As the state moves forward with the development of a statewide enterprise financial management and information system the need for leadership and governance at a statewide (enterprise) level is reinforced. The FI$Cal Project will be responsible to a statewide governance structure encompassed in the Enterprise Leadership Council (ELC). The ELC, established through a charter of the members, will establish the forum and governance structure for stakeholders of this FI$Cal Project as well as other enterprise projects in development by other state agencies. This will include, but not be limited to, the current human resources capital management enterprise efforts (21st Century Project) and other enterprise-wide application proposals as appropriate.

The ELC will be sponsored by the State CIO, who will have primary responsibility for overall ELC management, support and coordination. The diagram on the following page displays the relationship of enterprise projects to the ELC. The ELC will consist of the following voting statewide enterprise project stakeholders:

- State Chief Information Officer
- Director, Department of Finance
- Agency Secretary, Business, Transportation and Housing
- Agency Secretary, Corrections and Rehabilitation
- Agency Secretary, California Environmental Protection Agency
- Agency Secretary, Education
- Agency Secretary, Food and Agriculture
- Agency Secretary, Health and Human Services
- Agency Secretary, Labor and Workforce Development
- Agency Secretary, Resources
- Agency Secretary, State and Consumer Services
- Agency Secretary, Veteran's Affairs
- Director, Department of Personnel Administration
- State Controller
- State Treasurer
- Executive Director, Board of Equalization
- FI$Cal Project Executive (non-voting member)

Enterprise Systems Governance



The statewide ERP governance structure will also include the Enterprise Systems Governing Board which will be charged with ratifying recommendations of the ELC. The most sensitive policy decisions of statewide importance and impact will be referred by the ELC to the collective decision making authority of the Director of Finance, the Secretary of the State and Consumer Services Agency, the State CIO, the State Controller and the State Treasurer for ratification.

The mission of the ELC will be to provide a forum for stakeholders of statewide enterprise resource projects to address issues of mutual interest and concern as well as to provide

statewide support and guidance for all state enterprise-wide system projects. The mission includes providing a forum for project stakeholders to review, resolve and provide direction on issues that have a statewide impact. The ELC will be charged with fulfilling the following needs for the FI$Cal Project as well as other ERP projects:

- Provide statewide leadership and support for current and future enterprise-wide projects by communicating the vision, working to reduce barriers, mitigate risk, and resolve inter- and intra-departmental project issues.
- Commit departmental and agency resources to assist with enterprise project objectives.
- Provide input and guidance for issues that have statewide impact to assist in a resolution.
- Provide advice regarding statewide strategies, direction, and policies.
- Recommend state policy regarding enterprise-wide process standards and procedures
- Recommend strategic planning and statewide policy for acquisition and deployment of financial, procurement, and human resources enterprise systems
- In those instances where authority to mandate or change existing laws, policies, or processes is vested with a control agency, department or constitutional office, recommend changes to be implemented to the appropriate entity.

The charter for the ELC is appended to the SPR. (Appendix F)

4.4 Project Priorities

The three variables that project managers can change on a project to maintain project performance are resources, schedule, and scope. These three factors are interrelated – a change in one impacts the other as well.

Trade-off Matrix

	Resources	Schedule	Scope
CONSTRAINED (Cannot change)			**X**
ACCEPTED (Could be changed)		**X**	
IMPROVED (Can Be Changed)	**X**		

- Project **resources** can be **improved** in response to specific issues or impacts. Additional resources may be available utilizing state staff or through contracting with vendors.
- The project **schedule** is classified as **accepted**; changing the schedule may be necessary to preserve scope. Changes in schedule, however, must not conflict with state mandated timeframes for producing the annual budget or year end financial statements.
- The project **scope** is **constrained.** The project scope cannot be changed if core project objectives are to be met. However, certain elements of the project scope can be shifted if necessary to ensure that state mandated timeframes are met.

4.5 Project Plan

4.5.1 Project Scope

Since this project will encompass the management of the state's financial resources, Finance, the SCO, STO, and DGS have formed a partnership to collaboratively develop the proposed integrated financial and administrative system.

The proposed phase of the new enterprise system encompassed in this project will result in:

- A new budget system for Finance and all departments that currently participate in the budget process with Finance.
- The replacement of the CALSTARS and specified SCO systems as well as selected independent accounting systems.
- The electronic exchange or access of data among STO, SCO, and Finance for cash management, debt service, and investments.

Initial Scope Efforts

The following summarizes the business functionality that will be represented by the initial product selection and has been defined by the four lead agencies and departments.

- Budget Development and Enactment
  - Planning
  - Development and Enactment – Including decision making support, the spring budget update, and veto decision processes.
  - Position Control and Salary Administration - The focus is utilizing Position Control and Salary Administration data interfaced from the 21st Century Project for the purpose of budget development
  - Revenue Forecasting - Includes revenue estimates for most non major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
  - Budget Documents (Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights, etc.)
- Budget Control
  - Appropriation Accounting--Cash Control
  - Budget Control (includes Allotment Accounting , Budget Plans, and Budget Preparation Support for departments)
  - Includes budget executive orders and budget revisions process among departments, Finance, and SCO
- Accounting plus Requisition and Asset Management for GASB 34 and 35. It has also been a business case issue to have central/shared tables for consistency (i.e., chart of accounts, vendor files, employee identification/authentication, etc.)
  - General Ledger
  - Some Asset Management
- Receivables/Collections
  - Receipt Accounting
  - Accounts Receivable Accounting

- Procurement/Payables
  - Encumbrance Accounting beginning with the Requisition Process for internal control and identification of "spend" information (i.e., what are we buying for the state)
  - Accounts Payable (with a consistent, standardized, improved process)
- Project/Grant Accounting
  - Federal Grant Accounting
  - Cost Accounting
  - Project Accounting (expanded functionality)
  - Labor Distribution
- Cash Management
- Bank Reconciliation
- Asset Management – focuses on department and state-level asset accounting (GASB 34 and 35). This includes tracking the depreciation of fixed assets as well as management of assets (e.g., equipment, buildings, and land) and a schedule of assets for reconciliation of item to control account.
  - Description of Assets, including works of art/treasures
  - Useful Life, by Category
  - Impairments (GASB 42)
- Contracts - basic requirements for new functionality for department contract management (but not DGS contract management). DGS participation will provide statewide oversight and policy consistency.
- Requisitions and Purchasing Orders - basic requirements including Procurement Cards. DGS participation will provide statewide process oversight and policy consistency.
- Vendor Management - requirements for departmental processing in a process that is consistent statewide, including a single vendor file.

Out of Scope in Initial Effort

The following business functionality is considered to be out of scope for this phase of the project; however, it is intended that the software will support the full vision/spectrum functionality to lay the foundation for future separate but related projects.

- Asset Management functions (DGS/Departments) – functions where asset management functionality is desired beyond basic asset accounting. In scope asset accounting includes the scheduling and location of the asset to confirm the control account value.
- Inventory Management – all functions that track the warehousing, utilization, and restocking of inventory.
- Human Resources – all functions with the exceptions noted below because the 21st Century project will interface with FI$Cal. The exceptions are:
  - Position Control and Salary Administration – The 21st Century Project is the system of record including all transactions related to this functionality
  - Data transfer from 21st Century Project because budget and accounting functionality requires this information.
  - Labor distribution - State accounting requires labor distribution to spread costs to other funds.

- Procurement – DGS procurement functionality and systems (except as noted above in the relationship with departments).
- Revenue Forecasting – Forecasting requirements performed by Finance for major revenues using data which originates from departments. (e.g., FTB, BOE).
- Specialized Business Functionality Department Systems – Specific functionality, such as major (very large and specialized) Cashiering/Cash Receipting/AR, are excluded. However, a key function is to record revenue and cash and reconcile to the cashiering subsidiary systems. Accounts Receivable must be part of this system. It is a critical subsidiary to the GL and a foundation of the ERP. Very large, specialty A/R systems such as Department of Health Services' Genetic Disease billing system or Franchise Tax Board's ARCS (Accounts Receivable Collection System) are not part of this project. Therefore, the software selected will stipulate that capabilities to support these types of functions because the tool selected may be used for the future replacement or upgrade of these systems in separate but related projects,
- Employee Expense Claims – SCO has CALATERS in place which all departments are mandated to use by July 1, 2009. When CALATERS must be upgraded, just like the A/R systems, this software may be used for the future replacement or upgrade of these systems in separate but related projects.

It should be emphasized that a key point of this project specifies that the state intends to purchase an ERP software solution that will be the standard for the state. Establishing the standard helps achieve the vision. The statewide governance process will be the forum should this standard no longer serve the state.

This stage will exclude departments that have implemented or are in the process of implementing an ERP system; however, these departments will be required to provide various state-level data for budgeting, accounting (including statewide spend data), disbursements, and year-end reporting. A standard interface will be developed and each of these entities will be required to either exchange data and information through the interfaces or to enter state-level information into the statewide system as needed by one of the four lead agencies for this stage. This interim process will remain in place until the full transition to a statewide financial and administrative system is completed.

As a result, departments fall into several usage types as described below. Specific departments in each of the categories below are identified in Appendix E.

Full System Utilization
The majority of departments will utilize this system to build their budgets; prepare departmental allotments for specified divisions, bureaus, and/or programs; administer/monitor approved budgets; perform all accounting transactions; record all purchasing transactions; process the payment of claims (disbursements); and complete year-end reports.

Indirect Beneficiary/Utilization
The next largest group of departments that will benefit from the system includes those departments that currently do not prepare their own budgets, do limited management of the budget, do not perform accounting transactions, and do not record their own purchases. Typically, these services are provided by the DGS' Contracted Fiscal Services or another large department within their agency area; these departments are identified in "Full System Utilization" above. Given the additional capability of the system

to monitor department expenditures, it is likely that these departments will utilize various system reports and budget monitoring capabilities or business intelligence tools such as "dashboards" to monitor cash flow, revenues, expenses and other traditional financial information.

Budget Development and Administration Exclusively
All departments that are currently required to submit budget information to Finance will use this system to prepare and submit their budget requests and/or present their annual budget. This requirement would affect departments identified above as excluded from the full system implementation and would include departments that have implemented or are implementing individual ERPs, various entities from other branches of government (Legislative and Judicial), and autonomous entities like the Lottery Commission and Higher Education.

Electronic Data Exchange/State Level Accounting
Direct usage, interface, or data entry will be required for state-level accounting purposes as follows.

- All departments that must report information for inclusion in the State of California Financial Statements will use the system directly or indirectly.
- All departments that use the SCO to issue warrants will use the system directly or indirectly.
- All departments that are required to use the STO's authorized depositories will use the system directly or indirectly.

Essentially all state governmental entities will utilize this system within defined roles and responsibilities. All affected organizations will participate in project team and leadership roles to develop and transition over time to a standardized, integrated, automated system to support administrative functions. The usage types described above are broad categorizations used to support estimated costs of the FI$Cal Project for purposes of this SPR. The first two user types represent approximately 89 percent of all state departments. Refer to the list of all departments and how they are classified in Appendix E.

As noted previously achieving the vision of a single-system is arguably too large and complex for a single implementation. This section focuses on the functionality to be included; the phases that will be rolled-out either through the initial procurement to select the state standard (product) or through future procurements for roll-out of additional functionality or departments; and identify additional separate but related projects that are likely to support the Concept and Vision Statement for the state.

To ensure that the full vision can be met by the initial procurement to select a core software tool and adopt a state standard, the functionality workshops have not excluded any departments for the purpose of defining requirements. In fact, all but two of the departments that use a system other than CALSTARS participated in at least one requirements workshop to assist in this process.

4.5.2 Project Assumptions, Dependencies, and Constraints

The following sets forth the assumptions on which the project is based, the external events the project is dependent upon, and the constraints under which the project is to be conducted.

Assumptions include the following:

- Adequate project funding is available throughout the project lifecycle.
- Vendor/software selection schedule is not delayed significantly.
- Higher priority projects do not impact the schedule or resource requirements.
- Vendor resources (product and system integrator) and state staff are utilized during implementation and operations phases.
- The project adheres to a formal project management methodology and project schedule. Proactive risk, issue and change management strategies are employed.
- Project implementation and deployment activities do not negatively impact the timely development and presentation of the Governor's Budget and May Revision or other state business activity.
- Business roles and responsibilities for each control (lead) agency do not change or expand with an enterprise-wide system and roles and responsibilities for system administration are clearly delineated since administrative functions in the centralized system will be owned by multiple lead agencies.
- The state will support and operate in a dual environment concurrently as legacy systems are phased out and the new system is implemented and phased in. Interfaces with the legacy systems and some departmental systems are required while phasing in the new system implementation.
- Project governance must be active in promoting the opportunity for business process improvements, and potential policy and statutory changes. Specifically, business processes are simplified and optimized wherever possible to meet the goals of the project within specified timeframes.
- The workstation infrastructure at state agencies is mature and sufficient to support this solution.
- The SCO's 21st Century Project includes necessary position data and history as the state system of record to support the Project.
- Departmental desktop platforms and infrastructure will support the proposed financial management system.

Dependencies include the following:

- Appropriate state program and technical resources are allocated to the Project Office, and to any ancillary teams related to this effort.
- Supporting contracts and procurements are completed on schedule.
- Expenditure authority is provided through the annual budget process.
- Stakeholders reach agreement on a statewide coding structure (chart of accounts).
- A rigorous change management program is developed and in place to manage resistance to change and to assist state departments, agencies and other stakeholders' transition to the new system and processes.
- Agencies and departments participate and provide information as required to successfully develop and implement system interfaces and data exchange processes.
- Changes to existing laws are made to support the system business processes reengineering.

Constraints include the following:

- Solution operates in the context of the state's direction for an enterprise-wide solution.

- The solution makes use of the state's computing resources, technical infrastructure and data center where appropriate[8].
- Some departments have program needs that cannot be met by an enterprise-wide administrative system. A process will be developed to address unique business needs that are beyond the enterprise system.

4.5.3 Project Phasing

The project life cycle phases are reflected in the project schedule in section 4.5.5. The project is implemented in distinct stages by function and organization. The balance between a controlled roll-out of departments and a reasonable project schedule support the following project stages.

Stage 1

Stage 1 represents the activities represented in the first Request for Proposal (RFP) and will implement the statewide functionality (lead agencies) of budgets, accounting, and cash management. Stage 1 will include a select number of departments for accounting and budget administration to establish the model of the new statewide system. It is anticipated that all departments will provide budget information to Finance in this stage. In addition a select number of departments that reflect the organizational diversity[9] and as a result demonstrate the ability to operate all the functionality identified in the vision for an integrated financial and administrative system that meets a variety of operational needs[10]. This select number of departments will be deployed in two waves in 2010 and 2011 and will use the following approach:

Year 1 – complete department readiness activities, including documenting the baseline of financial management staffing and processes.
Year 2 – transition the department to the new system (deployment)
Year 3 – implement and stabilize the new system
Year 4 – document the new staffing and processes and compare to the baseline.

Departments not deployed in this phase will send information electronically to support the new system.

Stage 2

Roll out of the remaining departments for accounting and budget administration will happen in Stage 2 and will continue to use the following approach:

Year 1 – complete department readiness activities, including documenting the baseline of financial management staffing and processes.
Year 2 – transition the department to the new system (deployment)
Year 3 – implement and stabilize the new system
Year 4 – document the new staffing and processes and compare to the baseline.

The departments will be rolled out in waves in 2012, 2013, and 2014 using this approach. This will be completed through a separate procurement(s) for system integration services and/or by state staff that will be cross-trained through an active knowledge transfer process during Stage 1. Stage 2 will utilize the state standard that is adopted and deployed in the first stage.

[8] Should the state's policy on the use of the data center be modified, the impact to the project will be evaluated.
[9] Small, medium, and large departments; centralized and decentralized management; simple and complex financial management and reporting; and CALSTARS and non-CALSTARS users.
[10] Such as collection of revenues and other receipts/license fees; capital outlay planning and tracking; receive and distribute federal funds; variety of fund sources; project/grant management; cash management; and procurement.

4.5.4 Roles and Responsibilities

The following roles and responsibilities have been developed for the project:

Project Team Role	Responsibility
Enterprise Systems Governing Board	■ The Enterprise Systems Governing Board will review recommendations by the ELC for adoption.
Enterprise Leadership Council	■ The Enterprise Leadership Council (ELC) will address statewide policies, needs and concerns, and provide related guidance to the projects' Executive and the Steering Committee.
Project Sponsor – Finance	■ Provide sponsorship and support for project from Executive Management. ■ Chair the Steering Committee. ■ Assign authority to the Project Executive. ■ Champion statewide support for the project. ■ Liaison to the Legislature, State CIO, and Governor's Office. ■ Ensure project funding and resources. ■ Establish project goals and priorities with the Steering Committee. ■ Provide decision making authority before elevation to the ELC. ■ Review and approve actions by the Change Control Board (significant changes to project scope, budget or schedule).
Steering Committee	■ Provide statewide leadership and support for project. ■ Establish project goals and priorities. ■ Participate in coordination and allocation of departmental and project resources. ■ Review and approve actions by the Change Control Board. ■ Support the project by communicating the vision and working to reduce barriers and mitigating risk. ■ Facilitate the interdepartmental collaboration of a statewide system. ■ Provide issue resolution across agencies. ■ Participate in the identification of issues that have statewide impact and require ELC review. ■ Provide advice regarding consistency with statewide strategies, direction and policies.
Project Executive – Program Budget Manager	■ Promote the vision for the Project. ■ Provide leadership for the project. ■ Oversee the delivery of the solution. ■ Reports project achievements and status to the Sponsor and Steering Committee. ■ Elevate issues to the Steering Committee. ■ Chair the Change Control Board. ■ Provide Finance Executive oversight for the project. ■ Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to stakeholders, public, legislature, and the Enterprise Leadership Council. ■ Take Steering Committee issues forward to the Enterprise Leadership Council, as needed for issues that could not be resolved. ■ Approve final project deliverables. ■ Approve risk mitigation strategy and action.
Project Director (State Project Manager)	■ Provide a centralized structure to coordinate and manage the project, its staff resources, teams, activities, facilities, communication, and outreach using structured project management methodologies. ■ Report to the Change Control Board. ■ Report to the Project Executive. ■ Ensure overall project process and deliverable quality – responsible for the delivery of the solution. ■ Ensure the solution implemented addresses the project's and associated program objectives. ■ Ensure quality control and quality assurance are performed in accordance with the quality plan. ■ Serve as central point of communication and coordination for the project. ■ Ensure timely communication with the Project Executive. ■ Direct the activities of state and vendor personnel assigned to the project. ■ Monitor the planning, execution, and control of all activities necessary to support

Project Team Role	Responsibility
	the implementation of a statewide enterprise financial system. ■ Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams. ■ Maintain and monitor the project plan and performance, including performance of contractor teams such as the acquisition assistance vendor, software vendor, and system integrator ■ Coordinate with the independent verification and validation (IV&V) and independent oversight consultant to address and incorporate findings and recommendations. ■ Participate in the identification, quantification, and mitigation of information technology project risks. Participate in quality planning, assurance, and control. ■ Direct the development of project documentation required by control agencies.
Lead Agency (Partner Agencies) Project Leaders (Finance, State Controller, General Services, State Treasurer)	■ Coordinate activities between the project and their respective partner agencies. ■ Ensure that the project business vision, goals, objectives, policies and procedures are identified and met. ■ Assist with prioritizing and resolving business priorities related to the project. ■ Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to their respective department. ■ Participate as a member of the Change Control Board. ■ Review and approval of key project deliverables. ■ Coordinate with and provides guidance to the project management team, reviews and approves project deliverables and acceptance criteria. ■ Ensure the coordination and integration of project activities and transition activities within their respective agency. ■ Identify project risks and issues, participates in approval of risk mitigation strategy and actions. ■ Participate with critical problem solving.
Deputy Project Director - Business	■ Responsible for ensuring the successful implementation of the system within the user community. ■ Direct the collaborative efforts needed to configure, install and design the system to support the state's administrative function. ■ Direct the effort to modify existing or create new state processes as required for process improvements. ■ Collect and manages the business requirements identified by the subject matter experts and ensures they are embodied in the software solution. ■ Assist with validating requirements, and completing requirements decomposition and gap analysis. ■ Conduct integration, system testing, and user acceptance testing, documenting the results. ■ Provide input into the design and development of custom programs. ■ Participate in transition to the post-implementation support organization. ■ Participate in user training and knowledge transfer activities. ■ Facilitates the identification and modification of statue, regulation, and policy that supports the project objectives. ■ Direct activities designed to prepare the users and stakeholders for the change they will experience before, during, and after transition to the new system. ■ In conjunction with the Deputy Project Director – Technology, responsible for directing the activities required for the rollout of the infrastructure and installation of the system within the user community. Execute appropriate implementation and roll out, "go-live" strategies. ■ Review and recommend approval of key project deliverables. ■ Incorporate change management team activities. ■ Work with stakeholders to ensure communication between end-users, stakeholders and the project. ■ Design and execute the communication plan. ■ Develop and implement a change management program. ■ Assess change readiness. ■ Monitor change impact and develop/execute mitigation strategies. ■ Plan, track, and approve all communication methods and communication vehicles related to Project.

Project Team Role	Responsibility
	■ Design and develop the training plan and strategy. ■ Execute the training strategy statewide. ■ Monitor the training program and develop/execute mitigation strategies. ■ Coordinate the resolution of policy, standard and procedure issues across the state, related to the implementation of the BIS solution. ■ Monitor the impact of policy, standard and procedure changes and develop/execute mitigation strategies. ■ Provide input into project risk and issue efforts, and resolve as assigned.
Deputy Project Director - Technology	■ Responsible for the system design, development, test, implemented and operated to meet the identified business objectives. ■ Assist with validating requirements, and completing requirements decomposition and gap analysis. ■ Execute appropriate implementation and roll out, "go-live" strategies. ■ Directs the team that designs and develops custom programs. ■ Participate in transition to the post-implementation support organization. ■ Provide management direction to contract staff to ensure they meet contractual obligations. ■ Manage the architectural components of the system. ■ Ensure the business needs are incorporated into the systems architecture. ■ Manage the network architecture and infrastructures. ■ Manage software configuration management. ■ In conjunction with the Deputy Project Director – Business facilitates the rollout of the infrastructure and installation of all equipment within the user community. ■ Ensure the successful conversion of data from the source systems to the new system. ■ Ensure that all appropriate system documentation is developed. ■ Facilitates knowledge transfer activities between the consultants and state team to ensure that state staff can support the system and continued development and implementation. ■ Review and recommend approval of key project deliverables. ■ Coordinate with the State Data Center. ■ Responsible for system security in conjunction with the state and departmental Information Security Officers.
Deputy Project Director - Administration	■ Establish the project management policies, planning, processes, coordination, tracking, reporting and communications requirements for the project. ■ Ensure that the administrative and reporting activities of the project are met. ■ Responsible for coordination and management of the project funding and resources. ■ Ensure the project overseers have the information they need to continue their support of the project. ■ Drive and maintain the overall project schedule. ■ Manage project risk. ■ Identify project risks and issues, determine which should be elevated and facilitate their resolution. ■ Review and recommend approval of risk mitigation strategy and action. ■ Assist in obtaining and managing resources assigned to the project. ■ Review and recommend approval of key project deliverables. ■ Ensure that project processes and deliverables are consistent with Finance and state project management, technical standards, policies, strategies and architecture. ■ Manage project procurements and contracts; work with vendor teams to correct deliverable deficiencies. ■ Manage project document control and official records.
Vendor Team	■ Work with the statewide project team to develop the system while transferring knowledge and building an experienced state project team and maintenance organization. ■ Establish and manage related components of the project schedule in coordination with the Deputy Project Director – Administration. ■ Participate in Steering Committee meetings. ■ Provide technical architecture recommendations and direction ■ Guide definition of technical requirements and design.

Project Team Role	Responsibility
	■ Participate in requirements validation, requirements decomposition and gap analysis. ■ Provide technical recommendations regarding data and data conversion. ■ Provide technical input into implementation activities. ■ Provide input into project risk and issue efforts, and resolve as assigned. ■ Make recommendations regarding the project organization. ■ Lead development of the system and acceptance Test Plan. ■ Conduct unit, integration and system testing, documenting the results. ■ Create and manage configuration control and change control procedures. ■ Plan and lead user training and knowledge transfer activities. ■ Establish implementation and roll out, "go-live" strategy. ■ Design and develop custom programs. ■ Lead transition to the post-implementation support organization. ■ Provide input into project risk and issue efforts, and resolve as assigned.
Project Oversight	■ Meet the requirements of the Department of Finance's Information Technology Project Oversight Framework (Framework). ■ Help detect risks and variations that may occur during the project. ■ Recommend corrective action.
Audit Team	■ Conduct system audit to ensure strong internal controls and accountability. ■ Review audit findings of both internal and external audits. ■ Coordinate with team leaders to identify resolution to audit findings. ■ Track and ensure audit finding is resolved and audit organization repeats review indicating finding resolved.
Project Quality Assurance	■ Support and review project process planning to help ensure quality is inherent in how the project is executed. ■ Assess project process performance to identify ways to overcome problem areas and improve project performance. ■ Assess project artifacts to identify and prevent defects in dependent work products. ■ Review project deliverables to ensure consistency with Finance project management standards. ■ Provide input to project team pertaining to the quality of project deliverables. ■ Participate in and provide guidance to activities regarding project quality. ■ Verify project processes for adherence to documented project plans. ■ Verify project artifacts for completeness and ability to meet dependent project processes and work products.
Independent Project Oversight Consultant	■ Follows the State's Information Technology Oversight Framework. ■ Reporting to Finance leadership the risks and overall health associated with the project. ■ Ensuring that project deliverables are satisfied.
Independent Verification & Validation Contractor	■ Verify that the project approach and deliverables will produce the desired outcome. ■ Validate that the system developed meets the accepted requirements by performing independent tests on the developed system and reporting the results.

4.5.5 Project Schedule

The following project schedule identifies major mile stones.

Project Phases	Phase Deliverables	Project Interval
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006

Project Phases	Phase Deliverables	Project Interval
Special Project Report	• Reevaluate project, goals, and statewide approach • Review of report	August 2006 – November 2006
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of Finance, SCO, STO and DGS.	November 2006
Procurement	• Develop RFP • Conduct business based procurement for statewide software and system integrator services	November 2006 – June 2008
Special Project Report	• Complete report on solution and updated costs. • Review of report and other authorizations required	June 2008 - August 2008
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	September 2008 – February 2009
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2009 – November 2009
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	December 2009 – May 2010
Implementation: Release and Deploy Solution – Lead Agencies and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to Finance, SCO, STO, and selected departments • Evaluation Report after first department roll-out.	April 2010 – June 2010
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Wave 1 – June 2010 Wave 2 – June 2011 Wave 3 – June 2012 Wave 4 – June 2013 Wave 5 – June 2014
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2015

4.6 Project Monitoring

While this section has not changed substantially from the approved FSR, it is included here for readability.

The Project is monitored in accordance with state approved policies and documented in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM). The Project employs practices embodied in the Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK®) and the Software Engineering Body of Knowledge.

The state's Project Manager, manages the day-to-day activities of the FI$Cal Project. The Project is also in the process of conducting a procurement to obtain the assistance of a contracted project manager. The current schedule anticipates completion of this procurement by March 2007. The Project Office provides oversight focused on project management best practices and coordination of information technology initiatives. The project steering committee provides leadership and guidance with a state executive perspective, focused on scope, schedule and resource management.

Monitoring of the project is performed through:

- Documented status reports
- Status meetings with the product and vendor staff
- Project performance reports that document project metrics, variances and trends
- Change control reports that document requested and accepted changes to the project scope

Frequency of reporting is weekly.

Independent project oversight and verification & validation, will also be performed by an independent consultant team (IPOC/IV&V) on an ongoing basis. The current schedule anticipates completion of this procurement by March 2007. The reports prepared by the consultant team will be submitted to the Project Sponsor and the project steering committee as part of the monthly status reporting process. This will include:

- The use of information to detect, analyze and eliminate potential causes of nonconformities
- Determining the steps needed to eliminate the potential causes of nonconformities
- Initiating the preventative action and applying controls to ensure that it is effective
- Ensuring that relevant information on actions taken, including changes to procedures, is submitted for management review

4.7 Project Quality

Project quality is assured using the state's established quality control procedures as documented in the SAM/SIMM. The project management plan includes separations of duties, acceptance testing, version control tools, a requirements traceability matrix, and customer walkthroughs. The Project Management vendor will be required to develop quality standards and use industry standard project management methods.

The Project will also utilize traceability to track requirements beginning with the RFP development. This will continue during the vendor selection process and throughout implementation of the solution. Traceability is a key methodology for ensuring consistent compliance with the requirements, and is used to document approved changes in scope and requirements. Since the project is just beginning the development of an RFP to select a software tool and system integrator, many of these activities will not begin until early 2007.

4.8 Change Management

Projects that significantly change business processes require organizational change management as well as project change management.

4.8.1 Project Change Management

The following project change management approach was outlined in the FSR and will continue to be utilized.

Change management is performed in accordance with the software implementation best practices and consistent with state requirements. Changes are carefully managed because they can adversely impact cost, schedule and project performance. Changes can also disrupt schedules, delay target dates and unbalance resources. Change management for the project includes the following types of change:

- Scope changes
- Schedule changes
- Cost changes
- Quality changes
- Risk changes

The Project currently performs or will perform the following activities relative to change management based on the stage in the project schedule:

- Utilization of a change control plan/system to evaluate all needs and requests for change.
- Charter a Change Control Board (CCB) (chaired by the Project Executive) and made up of the Project Director and the department Project Leaders to make recommendations to the project Steering Committee as the body with the authority to approve scope, schedule and budget changes to the project.
- Establish a Configuration Management Plan to identify and document changes to the physical characteristics of project systems and work products.
- Develop and update the Communication Plan for communicating change to users.
- Adjust the Project Management Plan as necessary to accommodate each approved change order.
- Ensure that the training and change management programs are closely aligned to facilitate the transition to the project solution.

4.8.2 Organizational Change Management

Additionally, for the benefits of the project solution to be fully, achieved affected budget and accounting staff across the state must understand what is changing and be ready, willing and able to adapt to new ways of conducting work using the project solution. This requires careful planning and execution of activities to manage and deploy change well in advance of project "go-live". Consequently, business process transition/organizational change management will be managed at every stage of the project and will encompass not only the technical changes but also process changes and the accompanying impacts to fiscal offices across the state. Change management activities focus on understanding how new processes and organizational change result from the implementation of the project. Change management involves:

- Communicating the changes.
- Sponsoring state personnel to assist in communicating the benefits of the changes.
- Identifying risks associated with the changes.
- Recognizing that new roles and procedures may need to be created to support new processes.

The Project reflects a planned approach to change with the objective to maximize benefits and minimize risk. This is critical because several facets of the state's financial management will change during the course of this project. This includes processes and technology. An ERP system will change the way we work within the state. Clear communication is needed to demonstrate that this is a positive change to prepare the state for the next generation as a significant number of experienced state employees retire. As part of the project, a more formal change management program will be put in place, including the following:

- Develop a change management plan (organization readiness assessment) to identify issues that may impede change and resistance points. This assessment should also provide recommendations, interventions, and activities to address anticipated change such as developing a strategy, identifying staff affected, identify skill set needs, identifying training needs, performing a readiness assessment, and empowering participants.
- Develop an organization transition guide to assist the state in addressing any changes in roles and jobs. This guide is also used to plan for organization, role and job adjustments, and new opportunities to support new business processes resulting from the implementation of the project.
- Deploy the Project Change Management Team. During project initiation, and during each production release, the project team and the User Advisory Team will define activities to prepare and gain buy-in, commitment and involvement of the change agents and plan for intervention and transition management activities.
- Update and document a communications program - An effective communications program will be essential to the success of the project. Project related information including milestones, benefits and impacts will be disseminated to all affected staff and targeted stakeholders. Currently the project uses various tools including a project website, project distribution lists, project bulletins, periodic stakeholder meetings, and agency briefings to disseminate this information.

Although some change management began at the project's inception, formal change management begins in November 2007 and will initially focus on communication, documenting our existing processes, identifying opportunities for improvements and identifying a skills assessment of state staff. The project has planned for dedicated staff as part of the change management and training team throughout the project. These staff will be assigned to work with specified agencies during each project stage. The team will be assigned to provide full support to approximately 70 departments that will fully utilize the system, as well as some support to 67 departments which are considered indirect system beneficiaries.

4.9 Authorization Required

Approval of this SPR will be required from Finance's Office of Technology Review, Oversight and Security as part of the standard SPR review process. A copy of this SPR will also be provided to the Legislative Analyst's Office.

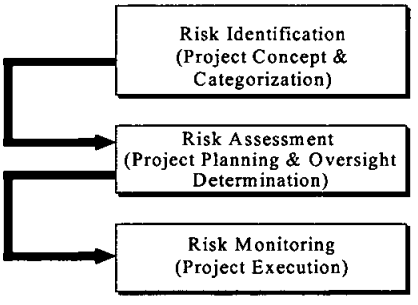
5.0 Risk Management Plan

While this section has not changed substantially from the approved FSR, it is included here for readability.

Risk is a concept that describes any factor that may potentially interfere with the successful completion of a project. Risks typically result in increased costs, diminished product quality, schedule delays, or project failure. The goal of the risk management discipline is to identify, address and attempt to manage risks. This includes identifying potentially high-risk projects early in the planning phase to ensure that these projects receive commensurate attention from internal and potential external program and information technology organizations. Risks are inherent in IT projects and this process enables program areas to formulate strategies to avert potential disasters. An effective risk management approach involves continually assessing what can go wrong and implementing strategies to prevent or manage such risks.

The risk management and control process was initiated during development of the BIS Project FSR and it will continue throughout the remaining phases of the FI$Cal Project. This process consists of three basic activities that are consistent with state IT requirements and are repeated throughout all of the project phases. This relationship is graphically presented below. Notice that project categorization is the first step.

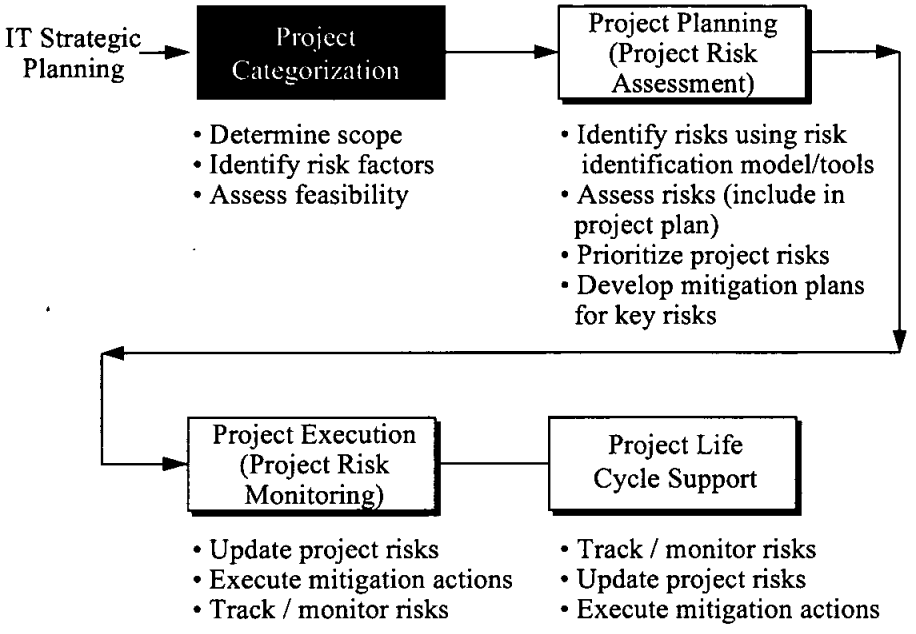
Risk Management Process



A formal risk management approach, including a process to manage, communicate and resolve an issue, allows clear direction to be established. This typically has the added benefit of strengthening the project team's enthusiasm and commitment to success. Preparation for the unexpected eliminates the wasted time and resources often associated with emergency reaction to problems.

The risk management cycle within a project is shown in the following figure. Notice that it includes the initial risk identification. Early risk identification, as a method to perform project categorization, is the focus of risk management and is performed at a high level of abstraction in the project concept phase.

Risk Management Cycle



5.1 Risk Management Worksheet

Several risks are identified that may confront the FI$Cal Project. As the project continues, these and other risks are entered and maintained in a database for tracking, updating reporting and resolving. A number of the risks identified below are currently being managed through the preventative measures that are identified.

The SPR to be provided following the project procurement will expand this risk analysis to include loss hours and risk hours. The table below describes these risks in the format prescribed by Finance guidelines. It includes the following columns:

- **Risk Category/Event:** Potential risks that may occur during a project to implement the proposed solution
- **Probability:** Likelihood of the risk occurring (0=no chance, 1=100 percent chance)
- **Preventative Measures:** Actions that may be taken to minimize the potential of the risk occurring
- **Contingency Measures:** Actions that may be taken if the risk does occur
- **Comments:** General comments regarding the risk

Risk Category/Event	Probability	Preventative Measures	Contingency Measures
Personnel			
Insufficient resources assigned to the project – assigned project team resources have other competing priorities	0.8	Establish time requirements of staff at the outset of the project, and obtain commitment from executive management to apply resources to the project. Prior to the start of the project, develop a resource transition plan. This plan should include cross-training as well as resourcing staff to be assigned to assume the day-to-day responsibilities of resources assigned to the project.	Management to perform ongoing assessment of level of effort and adjust staff workload as necessary to ensure that necessary resources available are dedicated to the project. Implement software functionality in a phased manner.
Turnover of key state and contractor staff during project	0.8	Cross-train backup and second backup staff to fill in as needed. Implement a retention pay and bonus program to encourage recruitment and stability of staff. This will have the added benefit of assisting with recruitment.	Assign backup staff to primary role.
The project implementation and development activities require skills that the project's technical staff members do not possess.	0.95	Provide training to technical staff prior to project start up.	Hire staff members that have experience using the tools in which the new system will be developed.
Key individuals with the most knowledge of the business processes and current applications are not available or will be retiring.	0.7	Provide ongoing training programs for existing and newly hired staff members prior to project start up. Implement regular 'informational sharing' staff meetings to educate and increase budget staff knowledge. Provide project staff to departments to transfer business knowledge prior to vendor selection.	Management to assign the key resources to the project. Resource project to document information from key knowledgeable staff.
Staff adverse to change - Substantial impact on business processes, extensive business process and organizational (people) change	0.6	Implement change management processes early in the project as well as throughout the project. Provide for workforce transition. Demonstrate incremental results. Provide sufficient and appropriate training for users. Execute the communication plan. Executive management will clearly communicate importance of dedication to the project.	Elevate issues to the Executive Steering Committee. Hold focus groups with employees to address issues. Reassign resources.
System is underutilized by intended users due to concerns in the security structure and confidentiality of data.	0.7	Implement change management processes throughout the project. Demonstrate systems security provisions/features. Provide sufficient and appropriate training for users.	Seek legislation to mandate use of system.

Risk Category/Event	Probability	Preventative Measures	Contingency Measures
Maintaining an aggressive schedule with limited number of subject area experts. Delays in main statewide processes will not be acceptable.	0.8	Fund extra positions to allow for cross-training prior to development.	Redirect internal resources in order to meet mandated requirements.
Architecture and Infrastructure			
The state does not have the facilities to house the project team	0.5	Begin facility search as soon as SPR is approved, contingent on funding availability. Identify interim space as needed.	House some staff on-site (by combining offices) and house some staff at vendor facility until sufficient on-site space is located. Delay the start of the project.
Software			
Heavy reliance on vendor for technical expertise and other critical components of the project. Limited control over frequency of new releases (as source code is typically owned by the vendor with enhancements and maintenance performed offsite).	0.25	Develop in house expertise on the application. Work with vendor to prioritize enhancements and scheduled maintenance. State staff should actively participate in vendor user groups.	Hire staff members that have experience using the tools in which the new system will be implemented. Provide sufficient funding for contracts to incorporate the costs of enhancements and maintenance.
Dependency on technology that is not consistent with the state's planned environment	0.5	Ensure the procurement process is aligned with state's technical direction.	Establish maintenance contracts with the product vendor to support the technology.
Requirements Management			
New requirements introduced after agreed upon specifications completed (increasing the scope of the project)	0.4	Meeting should be held early in the project to validate and achieve consensus on requirements. Functional requirements (as well as any specifications) should be accepted by the steering committee and signed off by the project manager prior to development. Implement formalized change control/approval processes.	Execute change control/approval process. Adjust project timelines as needed.
External Environment			
The collection of statewide financial data relies on the cooperation from departments that currently use a department enterprise system.	0.9	Establish need for departments to provide data via an interface to the statewide system early in project.	Information from department will be manually processed for inclusion in statewide totals and check processing.
Management Processes			
Delay in awarding the solution contract due to lack of adequate vendor participation or vendor protest of the notice to award.	0.5	Include the submittal of draft proposals and vendor demonstrations as part of the procurement process.	Work with DGS and legal staff, providing sufficient review of the solicitation document.
Departments and agencies are unable to meet cost requirements	0.5	Communicate with statewide stakeholders consistently through the project approval and procurement phases. Estimate and fund cost increases for departments and agencies to meet requirements.	Revisit project funding approaches.

Risk Category/Event	Probability	Preventative Measures	Contingency Measures
Lack of formalized/timely issue resolution process – not easy to get management review and decisions in a timely manner	0.4	Get agreement on who has decision-making capabilities/final authority. Develop formalized review timelines and roles/ responsibilities for issue research and resolution. Utilize issue tracking software to identify/record issues and the status/resolution. Utilize the escalation process for obtaining appropriate approvals.	Assess impact to schedule and budget; meet with project leadership to determine an issue resolution process.
Contractor Performance			
Vendor/contractor providing software/solution may cease operations	0.1	Require that the vendor provide information regarding the financial stability of its company. Establish an escrow account to hold source code on the state's behalf. Require a vendor to provide a performance bond as collateral to assure that funds are available to reimburse the state for damages if the contractor fails to perform or causes damage while performing the contract such as ceasing to operate.	Obtain the rights to the source code and perform development maintenance of the software either in-house or using another vendor
Other			
Conversion of data – level of effort underestimated	0.8	Begin data clean-up efforts prior to conversion start up. Require a conversion plan to be documented prior to commencing conversion	Adjust project timelines as needed.
Department does not have adequate documentation for developing gap analysis prior to the system installation.	0.5	Provide department with sufficient notification to allow for the documentation of existing systems. Provide department with resources to assist with the additional workload.	Postpone department implementation to later date.
Improving the statewide business processes through the utilization of the best practices incorporated in the COTS may be restricted by existing statutes.	0.8	Identify and recommend changes to existing statutes and regulations. Initiate a change to existing statute that allows certain requirements to be waived to facilitate the adoption of best practices and opportunities to reengineer existing processes.	Customization of the COTS solution will be required. This may result in the inability to apply vendor upgrades.
Implementation plan too aggressive; unrealistic timelines and/or budget has not been appropriately allocated to key activities such as training, quality assurance.	0.6	Work with stakeholders to reach consensus on an appropriate implementation plan/timeline. Implement the change management process. Regularly monitor adherence to agreed upon implementation plan/timeline and project budget. Adjust project timelines and budget as needed.	Reduce functionality, where allowable, to meet deadlines and budget.

Risk Category/Event	Probability	Preventative Measures	Contingency Measures
Frequent changes to the underlying business processes	0.8	Procure a system that is flexible and easily adaptable to change.	Execute change control process.
Lack of agreement on a statewide coding structure (chart of accounts)	0.8	Work with stakeholders to reach consensus early in the project. Determine authority to establish a statewide coding structure.	Adjust project scope to reflect areas where consensus is not reached. Seek legislation to mandate a statewide chart of accounts.
The new coding structure must maintain a relationship to the existing coding structure identified in the UCM.	0.6	Include the business partners in defining the new coding structure Provide a crosswalk between the new and old structures.	Continue to use the existing coding structure.

5.1.1 Assessment

The Risk Management Worksheet identifies the potential sources of risk associated with this project. The risks identified on the worksheet will be re-evaluated on a monthly basis, or more frequently if required, throughout the project. In addition, the project manager, using the standard project management planning tools adopted by this project, will include required corrective actions associated with a risk in the detailed project plan. This plan will encompass the entire structure of the project and its deliverables, providing a comprehensive framework for assessing each aspect of the project for potential risk.

5.1.2 Risk Identification

The following tools were used to aid in the identification of risks:

- SIMM Categories and Examples of Risk
- Historical Information
- Project Team Brainstorming
- Interviews with Stakeholders
- Business Process Reengineering - Transition Report (March 2005)

The characteristics of each identified risk are captured on the Risk Management Worksheet.

6.0 Economic Analysis Worksheets (EAW)

6.1 EAW Assumptions

There is no recently completed ERP project of the size and complexity proposed in this SPR that may be used as a measure for cost and workload. Consequently, this SPR is an estimate that used the best available information. In addition, it is recognized that the competitive procurement will provide better information and better estimates. Prior to signing a contract, an SPR with updated estimates will be submitted for review and approval.

To determine this estimate, three different costing methodologies were blended and used in estimating the costs for the FI$Cal Project:

- Top Down Estimating – compare the project to other similar projects and accept the actual costs from the similar projects as the estimate.
- Analogous Estimating – Utilize established per unit costs to develop cost estimates. A well known example is the cost to build a house is $250 per square foot.
- Bottom Up Estimating – identify the tasks and the level of effort to complete those tasks to cost out the project.

Blends of these three approaches were used because of constraints encountered with each approach. The constraints encountered were either the lack of available information or schedule. Gathering detailed information on each department would be so time consuming that the end value may not be worth the investment. Also, gathering costs directly from the software vendors or from the system integrators at this time could have a negative effect on the procurement.

It must also be recognized that the cost of an ERP project is a variable based on the number of organizations (approximately 200 organizations, 101 budget offices, 70 accounting offices, four partnering lead agencies); the geographic distribution; the number of end users; and the number of functions being implemented.

Most of the project costs fall into the following areas:

Software and Contractors

The cost of the software and the system integrator was based on extrapolating costs of other ERP projects (other states and other departments) using the variables of the FI$Cal project. Costs from the Pennsylvania project and the California projects by the Department of Motor Vehicles, the Department of Water Resources, the Administrative Offices of the Courts, the California State University, and the State Controller Offices 21st Century Project were all used. Market research from the META Group was also used to confirm that the estimated costs fell within an acceptable range.

Project Staffing

This was the most challenging estimate and several methods were used. The project tasks by teams and project phases were identified. Lessons learned from ERP projects, both California projects and other state projects, and published reports were utilized. The knowledge base of the various functional teams was also identified. Functional teams include General Ledger and Financial Reporting, Accounts Receivable, Accounts Payable, Cash Management, Budgets, Disbursements, Asset Management, Grant Management, Procurement, Cost Accounting, and Project Accounting. With this information, the team composition was identified.

When the specific team members were identified, cost reasonableness tests were applied.

- Comparisons were made to other large statewide projects such as the Statewide Automated Welfare Systems (SAWS) and the California Child Support Automated System (CCSAS). Both of these projects are implementing at 58 counties versus over 70 state agencies.
- Comparisons were made with other department ERP projects. For a large department, project staff ranged from 40 to 90 a year. This project allocates a statewide business

team of about 10 staff for every three departments, which illustrates the synergy of a consolidated project.
- The statewide project team represents less than 5 percent of the effected workforce.
- The size and composition of the statewide team falls within the range of a Gartner research report on ERP support staffing.

Data Center Costs

The data center utilized existing system costs and extrapolated to identify the data center cost estimate for the new system.

Facility, Equipment, and Operating Expenses

This was a factor of the number of staff, the physical plant and special needs such as training facilities, and housing anticipated consulting staff. Standard, existing costs were used to develop the estimates.

6.2 Project/Business Relationship

The FI$Cal Project is a business transformation project as well as an information technology (IT) project. Generally, IT projects do not include major business project components. Lessons learned with ERP projects indicate that without a major business transformation, the benefit from the new technology tools will not be significant.

If the total business costs are not included in the EAWs, the total cost of the effort would not be clearly presented. However, in recognition that this is not a typical information technology project, the staffing for the business transformation effort is shown on a separate line under project staffing. It should be noted that the project staffing does include business team members performing typical IT project roles, such as requirements identification, testing, and training. But, for example, efforts related to business process changes, policy and statute changes, and workforce transition are segregated as business transition staffing.

6.3 Funding Approach

The FSR proposed to fund the Project with General Fund for the first two years of the project to support the chart of accounts analysis and procurement activities. Thereafter, the funding distribution was estimated based on the proportion of the respective funds (General, special and federal) to the total budget. The FSR further indicated that an analysis of various funding options was being conducted to ensure that costs are appropriately distributed to all departments and various non-General Fund sources.

This study was completed in October 2006 by Finance's Performance Review Unit and identified the advantages and disadvantages of funding alternatives for the Project development and implementation as well as an on-going maintenance and operations as well as charging alternatives for the ongoing maintenance and operations. The following alternatives were considered:

Pay-As-You-Go Methodologies

- General Fund Appropriation
- General Fund Appropriation with State Agency Chargeback
- General Fund Appropriation with Pro Rata and Statewide Cost Allocation Plan (SWCAP)
- General, Special, and Federal Fund Appropriations

Long-Term Financing Methodologies

- GS $Mart Program (Lease-Purchase Financing)
- Vendor Financing
- Lease-Revenue Bonds—Certificates of Participation (COPs)
- General Obligation (GO) Bonds

Other Methodologies

- Information Technology (IT) Investment Fund
- Public/Private Partnerships or Benefits Funding

Based on the study from the Performance Review Unit, the project team has worked with other Finance staff to evaluate potential funding/charging alternatives to select the most appropriate approach. The advantages and disadvantages were considered relative to each other as well as in the context of the overall state budget and the state's current fiscal situation. Guiding principles included minimizing overall project costs and ensuring that costs are distributed to all departments and various non-General Fund sources. As a result of this analysis, the state will pay costs as they are incurred, and direct appropriations from the General Fund, special funds, and federal funds will be used. This will result in less overall costs to the state than the financing methodologies considered. Special and federal fund appropriations will be used in the latter part of the project to facilitate development and application of appropriate allocations to agencies and non-General Fund sources and develop memorandums of understanding where necessary. Initial funding to support costs for planning and early development activities will be from the General Fund to recognize the FI$Cal Project as a high priority statewide financial and administrative system.

The actual project costs, including costs associated with the product, system integrator, state staff and support dollars, as well as the final schedule, will not be known until after the completion of project procurement activities. A subsequent SPR will provide a more detailed funding breakdown for the project based on the proposals submitted.

Appendix A – Concept and Vision Statement

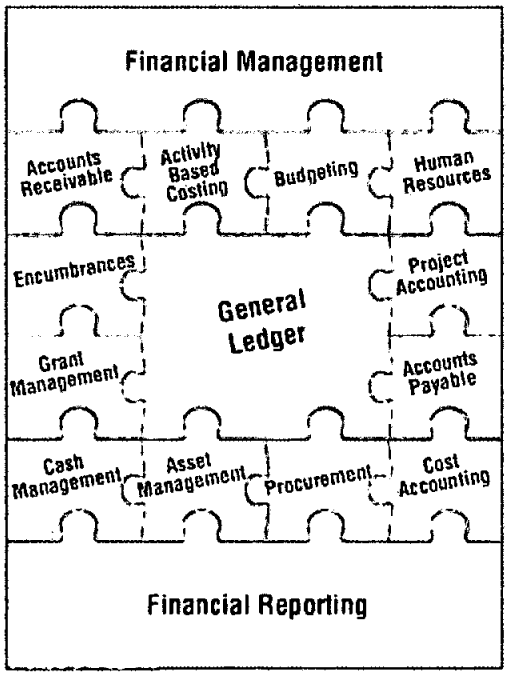
The purpose of the Concept Statement is to document the long term project vision, goals and high level objectives agreed upon by the project stakeholders.

1. *Vision*

To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management.

2. *Goal of the project*

A goal of this project is to realize operational and cost efficiencies by using validated best business practices to manage the state's financial resources. This can be fully achieved only by the ultimate adoption of a common integrated financial management system by all state governmental entities for business processes that are widely used throughout the state government enterprise. All affected organizations will participate in project team and leadership roles to develop and transition over time to this standardized, integrated, automated system to support these common administrative functions. This project will maximize business reengineering opportunities, adopt best practices, and minimize system customization. The tools to facilitate reengineering are provided in Enterprise Resource Planning (ERP) commercial-off-the-self software which provides administrative functions and is currently utilized at some state agencies in California as well as various public sector entities including other statewide systems.



To achieve the collaborative business goal, the following information provides the high-level definition of this project based on a consensus of project stakeholders.

3. *Business Opportunities and Objectives*

a) Reengineer outdated business processes. There is a unique opportunity to coordinate, partner, and create new, integrated processes and focus on a statewide strategy.
b) Realize project cost efficiencies from a coordinated effort with an enterprise-wide focus versus multiple, separate projects.
c) Provide an enterprise-wide system utilized by all departments.
d) Provide effective management tools and information.
e) Avoid redundant costs and ultimately provide operational efficiencies by performing administrative functions as a statewide enterprise versus individual organizations.
f) Address workforce succession planning through the use of a common statewide system to provide homogenous business processes, practices, standardized tools, and administration to state employees performing the basic business process of the state resulting in significant reduction in training costs as departments move from one agency/department to another.
g) Provide accessible management information with both depth and breadth.
h) Integrate the budget development, budget administration, accounting, procurement, payment, human resources and reporting processes of the state.
i) Provide centralized administration with decentralized operations.
j) Provide superior data quality and integrity by formulating common business terms, policies, and practices within a system that employs strong internal controls.
k) Maintain an historical archive of electronic information that can be retrieved when needed.

4. *Project Priorities and Strategies*

a) Engage control agencies (Finance, SCO, STO, DGS, and DPA) and state agencies in a partnership and reengineer statewide business processes required for an integrated statewide system.
b) Engage the Legislature to ensure their business needs and requirements are included.
c) Obtain statutory authority that reflects the partnership among and between control agencies.
d) Prioritize the most vulnerable aspects of the administrative processes.
e) Identify and recognize legal requirements versus "past practice" – identify what is required to effectively reengineer processes and minimize software customization. Additions or modifications to existing laws, the Government Code, and other administrative rules and regulations may be required.
f) Coordinate closely with stakeholders, including departments and the Legislature, during the reengineering effort and other phases of the project.
g) Establish organizational change management and employee development plans.
h) Identify enterprise software to meet the long term goal while recognizing the need for separate, phased deployment of functions and agencies within a framework of business and technology standards. Recognize that some functions may be defined as separate projects.

5. *Assumptions and Dependencies*

a) Roles and responsibilities for each control agency would not change or expand with an enterprise-wide system.
b) Support and operate in a dual environment concurrently as legacy systems are phased out and the new system is implemented and phased in. Interfaces with the legacy systems and some departmental systems will be required while phasing in the new system implementation.
c) The ability to create disparate and redundant systems will be eliminated. The option to "opt out" must not exist.
d) Departments will have program needs that cannot be met by an enterprise-wide administrative system. A process will be developed to address unique business needs that are beyond the enterprise system.
e) Control agencies must clearly provide unified direction to line departments.
f) Roles, including system administrative roles, and governance for a statewide system must be established; this may include project governance, statewide ERP governance, and an executive board representing the control agencies.
g) Project governance must be active in promoting the opportunity for business reengineering, and potential policy and legal changes.
h) Some agencies have developed or are in the process of developing administrative systems to address critical business needs. Coordination with these agencies will be needed to achieve the ultimate goal of a statewide system.
i) All departments currently required to submit budget information will continue to do so utilizing the new system.

6. *Scope and Approach*

a) Major Functions and Features
   i) Functions
      (1) Budget development, enactment, and administration
      (2) Accounting
      (3) Procurement/Supply Chain
      (4) Cash Management
      (5) Asset Management
      (6) Human Resource Management
      (7) Financial Management and Reporting
      (8) Cost Accounting
      (9) Project Accounting
      (10) Grant Management

   ii) Quality Attributes
      (1) Ensure data quality and integrity
      (2) Provide strong internal controls
      (3) Maintain functional integration
      (4) Provide reasonable performance expectations in a web-based environment
      (5) Ensure security standards

b) All state agencies will ultimately be included in the system based on defined roles and responsibilities. The sequence for implementation will be determined based on criteria that includes business need and project risk.
c) The project will be completed in phases to ensure success and visible progress.
d) The financial and administrative data of the state must be accurate and timely. Because the implementation of an enterprise administrative system will have a dramatic effect on the administrative operations, a planned, phased approach will identify the functions and organizations to be implemented in a logical sequence.
e) A proof-of-concept phase beginning with all the control agencies and a limited number of departments will be completed to minimize risk and demonstrate the integrity of the system before it is implemented (rolled out) in a phased approach.
f) A phased approach will extend the life of the project and will also require the maintenance of both the new system and the certain legacy systems (primarily CALSTARS) for a period of time. However, this approach reduces risk and allows for development and training of staff.
g) Separate but coordinated projects will be used to implement some of the functionality listed above such as Human Resource Management which is under development as the SCO's 21st Century Project.

7. *Limitations and Exclusions*

a) A single system cannot accommodate every nuance of every program or it will fail. The project must clearly identify what is included and what is excluded in terms of business requirements. For example, the following are not included in the enterprise administrative system:
   i) Program specific requirements (i.e. generation [computation] of licensing fees is program specific and is therefore excluded; however, tracking the receipts is an accounting function and projection of the revenues is a budgeting function and is included.)
   ii) Cashiering for the collection of program specific transactions.

b) Organizations that are constitutionally exempt from utilizing the SCO for disbursements may require their own accounting systems.

8. *Background*

The last major statewide automation of administrative accounting and budget systems began in 1979 and included CALSTARS, SCO accounting, and various Finance budgeting systems. Some departments such as Motor Vehicles, Transportation, Justice, General Services (DGS), Employment Development, the Board of Equalization, and Water Resources were excluded from the new automated systems because they had existing automated accounting systems. CALSTARS was intended to provide accounting functionality for most other agencies. Due to technology limitations and other issues at the time, control agencies responsible for administrative systems such as Finance, the SCO, and STO have their own systems to support their primary constitutional responsibilities.

Finance recognized a need to consolidate and improve the legacy budget systems and completed a Feasibility Study Report (FSR) that was approved in July 2005 to formally initiate the Budget Information System (BIS) Project. The objective of the BIS Project was to

replace Finance's existing budget development and administration legacy systems with a commercial-off-the-shelf budget information system to meet statewide and departmental budget development, enactment, and administration needs. In addition, the BIS Project would address various information and budget deliberation needs of the Legislature and operate in the context of the state's decision to seek an enterprise-wide solution for administrative applications. It was the analysis and research of the BIS project that recognized the advantages of a coordinated statewide effort.

California has a unique opportunity at this time to leverage these efforts and develop an integrated statewide financial management system. With the availability of today's automation tools, there is an opportunity to consolidate system functionality and reengineer the state's administrative processes and policies. Control agencies' primary functions can be operated in a single system to provide timely, consistent, quality, effective management information. The current lack of consistent and accurate management information, or the cost of gathering management information, has been a recurring challenge for the state and the object of criticism.

As documented in the California Performance Review Report, many of the state's major systems that support the financial management of the state's $131.4 billion enterprise are aging, do not meet existing business needs, and need to be replaced. It is proposed to expand the BIS Project to collaboratively develop an integrated financial system that supports the management of the state's resources and dollars. This collaborative project will lead to the eventual replacement of CALSTARS and other independent accounting systems.

The alternative to this concept of a statewide comprehensive system is not to agree on an over-arching, coordinated goal and for individual agencies to continue to replace each system and retain the "stove pipe" architecture and data disparities we have today. These problems include:

- The current environment has information in thousands of disparate systems.
- The integrity and quality of the data are questionable and at risk.
- The existing environment is not effective or efficient.
- Legacy systems are aging and will need to be replaced.
- Technical and application expertise to maintain these systems is diminishing
- Critical management information is not available when required.

Appendix B – Baseline Analysis

This baseline analysis is provided as an appendix to update to the baseline presented in the FSR. The purpose of this section is to provide an understanding of the business and technical environment and infrastructure that currently supports the state's financial management.

1.0 Current Method

The following highlights the purpose and functions of the four control (lead) agencies for this project) that collectively support the financial management of the state's enterprise:

Department of Finance

The mission of Finance is to serve as the Governor's chief fiscal policy advisor, to promote responsible resource allocation through the state's annual financial plan, and to ensure the financial integrity of the state. Finance advises the Governor and the Legislature about the fiscal condition of the state and guides the development and administration of the Governor's Budget plan for presentation to the Legislature. In addition, Finance operates and maintains an accounting system (CALSTARS) used by most state agencies to accurately and systematically account for all revenue, expenditures, receipts, disbursements, and property of the state.

State Controller's Office

The State Controller is the constitutionally established fiscal officer of the government of the State of California. The mission of the State Controller and his/her office includes providing sound fiscal control over the receipt and disbursement of public funds; reporting the financial operations and condition of the state; assuring that money due the state is collected; issuing warrants for disbursement of monies; auditing any disbursement of state money; and serving as a member of fiscally oriented boards and commissions.

State Treasurer's Office

The State Treasurer, a constitutionally established office, provides banking services for state government with goals to minimize interest and service costs and to maximize yield on investments. The Treasurer is responsible for the custody of all monies and securities belonging to or held in trust by the state; investment of temporarily idle state monies; administration of the sale of state bonds, their redemption and interest payments; and payment of warrants drawn by the SCO and other state agencies.

Department of General Services

The DGS was statutorily created to provide for the centralization of business management functions and services in support of California state government. The DGS is responsible for providing services to state agencies in the following areas: management of state-owned and leased real estate; approval of architectural designs for local schools and other state-owned buildings; printing services; procurement of commodities and information technology goods and services, as well as maintaining the state's vehicle fleet.

Budget Cycle Description

The following summarizes the current business processes involved in the development and administration of the state's budget.

- ***Budget Development (July – January)*** – The California Constitution requires the Governor to submit a budget to the Legislature by January 10th of each year. The Governor presents the budget at a formal press conference on or before January 10th. The Director of Finance, as the chief fiscal policy advisor to the Governor, directs the effort for preparation of the Governor's Budget. The budget development process culminates with final budget decisions and the publication of the Governor's Budget package.

  State entity annual spending plans, or budgets, begin with agencies, departments, boards and commissions submitting Supplementary Schedule of Appropriations (Schedule 10) and Supplementary Schedule of Revenues and Transfers (Schedule 10R) to Finance. These schedules include actual revenues and expenditures for the most recent completed fiscal year (past year), revised revenues and expenditures estimates for the current year (current year), and proposed revenues and expenditures for the upcoming budget year (budget year).

  Finance budget analysts review the data and work with departments to compile the information into the past, current and budget year format as presented in the annual Governor's Budget. As the budget data are compiled and reviewed, the Governor, through Finance, modifies the budget to reflect his policy emphasis.

  Budget year proposed amounts are based on the current year's budget revised by workload adjustments such as one-time, full-year, limited-term cost adjustments as well as other adjustments authorized in the Budget Act to establish a workload budget. Additional changes to the workload budget are then made through Budget Change Proposals (BCP) to reflect approved policy decisions. BCPs are developed by department staff and are submitted to the department directors for approval. This process could begin as early February in some departments as part of a BCP concept phase. Directors may approve, deny, or modify BCPs before forwarding them to the agency secretary, if applicable, for approval. BCPs are further reviewed by the agency secretary who may modify, approve, or deny them. BCPs approved by the director and agency secretary are submitted to Finance for review and approval.

  After receiving and reviewing BCPs from departments, Finance may question the department about its budget changes, their effects on programs and their fiscal impacts. Approved BCPs are incorporated into the Governor's Budget and submitted to the Legislature.

- ***Spring Budget (February – May)*** –By statute, Finance is required to submit to the Legislature all proposed adjustments to the Governor's Budget between April 1st and May 14th of each year for specified types of adjustments. From January through May, Finance continues its analysis and refines the budget by collecting updated information and honing projected revenues and expenditures. Proposed adjustments include an update of General Fund revenues and changes in expenditures for school funding requirements pursuant to Proposition 98, capital outlay, caseload, enrollment, or population. In addition, policy adjustments may be included to reflect changes in economic conditions. Following the completion of the spring decision process Finance updates data maintained in its various budget systems, prepares Finance letters detailing proposed changes, provides notifications

to the Legislature, and produces the May Revision Report and other program specific documents for consideration during the legislative hearing process.

- ***Hearings (February – June)*** – The legislative hearing process generally begins in late February soon after the Legislative Analyst's Office (LAO) completes their analysis of the Governor's Budget package and issues a report. Each House of the Legislature scrutinizes and deliberates the spending plan in budget subcommittees. The Legislature holds budget hearings, and questions department and Finance representatives about the proposed budgets. LAO representatives also provide input and commentary during these hearings. At this time, program stakeholders may participate in the subcommittee hearings and voice their views on various state policies and programs.

  In addition to providing testimony supporting the Governor's Budget, Finance maintains the official record of legislative actions that occur in both the Senate and Assembly Budget Committees during the hearing process. Finance produces separate General Fund updates at the end of the Assembly and Senate subcommittee processes to reflect their respective actions.

  Each House of the Legislature modifies the Governor's Budget to reflect their program and policy emphasis. Once each House adopts its version of the Budget, a Budget Conference Committee is then appointed to resolve differences between the two versions. Based on Finance's record of legislative actions, legislative staff develop the Conference agenda. To support Finance's testimony role during Conference, Finance prepares position papers and supporting documentation for each issue appearing in the Conference agenda. In addition to providing testimony during Conference, Finance produces daily General Fund Updates and develops analytical documentation for numerous working groups to assist in resolving critical budget issues. During all of these activities, Finance maintains the official record of Conference actions. Once the Conference Committee reaches agreement on the budget, a conference report is prepared and submitted to each house for concurrence. For issues that the Conference Committee cannot reach agreement, negotiation at the leadership level may take place to resolve the high-level differences. During this time numerous analytical documents are produced to facilitate the negotiations.

  After both Houses approve the Budget with a two-thirds vote, the Budget Bill is moved to the Governor for signature. Prior to signing the bill, the Governor may reduce or eliminate (veto) selected items to be excluded from the final spending plan.

- ***Finalize Budget (June – July)*** – Finalizing the budget encompasses both activities that the Administration completes prior to the signing of the Budget Bill and trailer bills, and subsequent administrative activities associated with implementing the Budget Act. These activities include the management decision process to determine appropriate adjustments to the legislatively approved budget and development of the actual veto messages (including the Veto Message Package), Budget Highlights, Rating Agency Binder (including the cash flow statement), the Final Change Book, and the Final Budget Summary.

  Assuming a relatively timely budget, this process begins by June and ends by late summer. Finance Budget Units review their budget program areas for legislative augmentations or other potential veto issues prior to the enrollment of the Budget Bill and related budget trailer bills. Once the Budget Bill and related budget trailer bills have been enrolled, the Governor has 12 days to act on the bills. During this two-week period, final veto decisions are made and must be incorporated into Finance's budget systems. This culminates in the enacted budget, i.e., the Budget Act. Funding provisions and related legal requirements included in the Budget Act and related trailer bills must be satisfied during the administration of the annual budget plan.

Once the Governor signs the Budget Act, the SCO and each department inputs the authorized spending plan into their accounting systems and begins posting expenditures in accordance with the Budget Act.

- ***Administration*** – Budget administration begins with an enacted budget and continues for multiple years based on the authority provided. The Budget Act provides flexibility under specified circumstances for adjustments of authorized expenditure levels. Though the Budget Act is considered the primary source of authorized expenditures, many programs receive their funding through statutory provisions that provide continuous funding authority.

  State agencies have the primary responsibility to operate within budgeted levels and to comply with any restrictions or limitations. Most adjustments to budget authority require Finance approval; many also require a formal notice to the Legislature and a waiting period to provide the opportunity for legislative review and response before final approval.

  Part of the administration process includes potentially significant mid-year adjustments to revenues and expenditures based upon changing economic conditions or other significant policy considerations.

Departmental budgeting processes are similar to Finance's; state agencies and departments follow similar processes, procedures and timing as Finance during the budget development process, and provide Finance with budget estimates, historical spending data and analytical reports. A variety of software tools and stand-alone automated applications are used by departments and agencies, however, to a large extent, these processes are manual. Department management or budget directors develop departmental annual budgets and are responsible for administration of the approved budget.

As described above, Finance's current data computing environment supporting the budget development and administration processes consists of multiple mainframe systems developed individually to support the different parts of the state's budget process. However, the information processing, decision support and timing needs of Finance have grown more complex yet the capabilities of the existing systems have not been able to meet these needs. Because of this, Finance has implemented and utilizes various work-around decision applications, such as Excel, Word, and Access to track, record, and report on the decision process, as the current systems are unable to provide the functionality found in these other business productivity tools.

While these work-arounds have resulted in automation that meets Finance's budget development, enactment and administration needs, it has created a highly manual and paper intensive environment with extensive data and process redundancy. In addition, the resulting work-arounds increase the number of reconciliation points for budget data. This is problematic as Finance requires information that is current, accurate and readily available in order to reliably support the development of California's budget.

Accounting Cycle Description

The accounting cycle begins with the establishment of the accounts at the beginning of the fiscal year. The cycle continues with the posting of the budgeted appropriations, the posting of the daily transactions, and the completion of the closing entries. The accounting cycle ends after the year-end adjusting entries have been posted and the preparation of the annual financial reports have been completed. The following summarizes the current business processes for the administration of the state's accounting transactions:

- ***Establish Beginning of Fiscal Year Accounts*** – The ending balance sheet accounts and appropriation balances and encumbrances (after closing) are carried forward to start the new fiscal year.

  The SCO, Division of Accounting and Reporting (DAR) operates the State's Centralized Control Accounting System that uses a "cash basis" of accounting. The SCO Control Accounting System starts the fiscal year by carrying over the ending cash balances, fund balances, and appropriation balances (after closing).

  Departments keep detailed accounting records that include not only the cash in the state treasury as kept in the SCO accounts but includes receivables, fixed assets, other assets, accounts payable, other liabilities, appropriation balances, and encumbrances. The departments carry forward the ending balances of these accounts (after closing) to start the new fiscal year.

  The departments reconcile their more detailed records to the "cash basis" control account records of the SCO.

- ***Post Budgeted Appropriations*** – The appropriations authorized in the Budget Act and other enacted legislation are established both in the departments and SCO records. These new appropriations along with the appropriations carried over from the previous year establish the amounts that are available to spend on the programs specified in the legislation.

- ***Post Daily Transactions*** – During the year, the departments establish receivables, encumbrances, and payables. They collect revenue and other receipts and forward the cash remittances to the SCO and STO. State agencies incur obligations and send claim schedules to the SCO for payment or for reimbursement of their revolving fund. Budget adjustments, expenditure adjustments, and other financial transactions are also recorded in the agency and the SCO records. Through out the year, departments reconcile their more detailed records to both SCO and STO records on a monthly basis.

- ***SCO Closing*** – At the end of the year, the SCO posts its final cash transactions for the year and closes its receipt and disbursement accounts. This process forms the basis for the beginning balances of the next year's cash basis records.

- ***Year-end Adjusting Entries*** – At the end of the fiscal year, departments review their records and post any adjustments that are needed to bring the ending balances of the agency records to the correct final amounts.

  Also, the SCO posts its final "cash basis" transactions for the year.

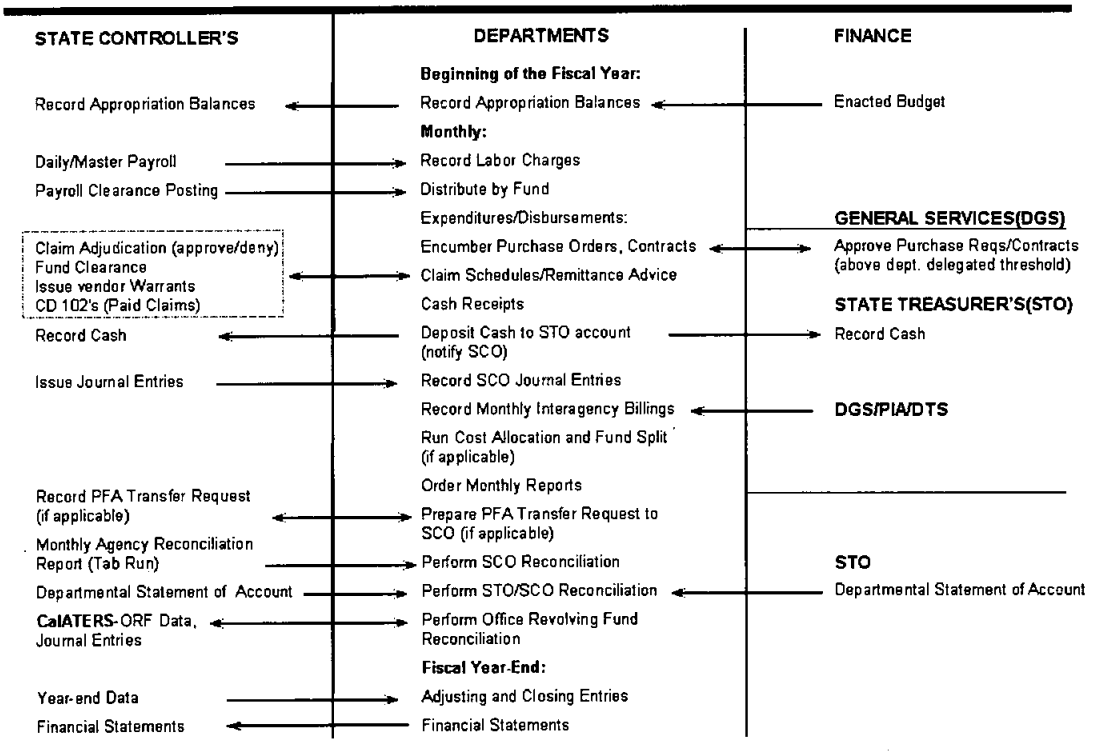
- ***Departmental Closing*** – The departments close their receipt and disbursement accounts into the fund balances of the various funds. This process forms the basis for the beginning balances of the following year's records.

- ***Annual Financial Reports*** – The departments prepare their year-end financial statements. Included in their statements are "accruals and adjustments" that will add the receivables, payables, etc. to the SCO records since this information is not in the SCO "cash basis" accounts (i.e., SCO Reporting System). The departments also provide information to the SCO that allows the "Budgetary/Legal Basis" records to be adjusted to the "GAAP Basis".

  With this additional information, the SCO completes the financial statements that include the effect of all the financial transactions and ending balances for the funds of State of California government. The SCO then publishes two financial reports based on two different accounting bases, (1) the *Budgetary/Legal Basis Annual Report* and (2) the *Comprehensive Annual Financial Report* prepared in accordance with the GAAP.

The chart displays the accounting cycle from a departmental accounting office perspective and how SCO, Finance, STO, DGS and departments interact and exchange data during the accounting cycle.

Accounting Cycle



2.0 Existing Systems

The table below lists the major, existing systems and a description of their objectives:

Existing Systems	Description
Budget Systems	
Budget Decision Support System (BUDDS)	The system is used for planning, tracking and approving workload and policy expenditure adjustments (Planning Estimates and Budget Change Proposals) during the fall decision support process. The system provides expenditure information for the fall General Fund Updates.
Change Book System	The system captures incremental changes (expenditures and positions) to the Governor's January 10 Budget during the spring process. The system tracks changes by the entity (house) proposing the change: i.e., Administration (House of Finance), Assembly, Senate, Conference, and Governor's vetoes (Veto House). Data from this system is used to update the budget bills (Assembly and Senate). The system also provides the expenditure information for the spring General Fund Updates.
Budget Preparation System (BPS)	The system identifies the authorized expenditures, savings and/or carryovers for every expenditure authority by item and by program or category. The system information is used to prepare the Governor's Budget and Governor's Budget summary schedules. This system also produces the Detail of Appropriations and Adjustments (RWA) report which is used to cross tie and verify expenditures included in various budget displays. Data from this system is also used to update the budget bill and is the source of RWA data used in GBPS.
Fund Condition System	The system captures expenditure information from BPS and revenue information from the Revenue System to create the Fund Condition Statements included in the Governor's Budget. Data from this system is also used in GBPS.
Personnel Year System	The system captures statewide positions, personnel-years, and associated salary information. The system also tracks classifications (civil service, constitutional, statutory, and exempt) and is used to develop some of the Governor's Budget summary schedules.
Fund Maintenance System	This system maintains the data for authorized state funds such as fund number, legal names and requirements, and administering organizations, including a history of changes. This data is referenced in most Budget applications and the Legislative Information System (LIS).
Capital Outlay Project Tracking System (COPTS)	COPTS captures Departments' net needs, alternatives, and proposed plans for infrastructure projects, their associated Budget Change Proposals, and projected 5-year plans.

Existing Systems	Description
Policy Decision Support (PDS)	The system is used to track budget issues, provide policy and workload adjustments amounts (dollars/positions), prepare decision-meeting agendas, and provide supporting data during the decision-making process for both the fall and spring budget processes. The PDS system is also used to track decisions related to the veto of legislative augmentations or base funding amounts. Data from this system is also used GBPS.
Governor's Budget Presentation System (GBPS)	The system combines Governor's Budget and Budget Summary information into a new hierarchical structure and presents it on the Internet. System data is collected from departments via Word files and Excel (about 80 percent) and integrated with selected budget data maintained by Finance in its legacy systems (about 20 percent). The budget narrative can also be updated via the Data Capture user interface. This data is then used to generate web pages and .pdf files for the presentation of Governor's Budget and Budget Summary. This system started capturing departmental data in the fall of 2004 and the first web presentation was in January 2005. Enhancements have incorporated additional data to support the May Revision and budget enactment processes.
Revenue System (Schedule 10Rs)	The system captures total revenues, transfers, and loans. General Fund, special funds, any transfer that affects these funds, and all inter-fund loans are captured in the system. This system is used for both the fall and spring processes and has no capability to track individual revenue issues, thus a spreadsheet or PDS is used to track issues.
Organization Maintenance System	This system maintains general information, various titles, history, comments, and other information for each organization. This data is referenced in most Budget applications and the Legislative Information System (LIS).
Statewide Cost Allocation Plan (SWCAP) and Pro Rata Databases	These databases are used to allocate a fair share of statewide general administrative costs (i.e., statewide indirect costs) to state departments and to special funds. The allocations calculated by the database are used in the determination of the estimated costs to be recovered from the federal government, for SWCAP, and from special funds, for Pro Rata. The data that is used to populate the databases originates from various Excel spreadsheets.
Statewide Accounting Systems	
State Controller's Fiscal (Control Accounts) System (ARMS)	The system accounts for all the cash basis financial transactions of the State Treasury, including receipts, disbursements, and cash. ARMS provides control of all legally authorized appropriations on a cash basis.
Payroll Clearance System	The system provides the interface between the SCO Payroll System and the SCO Fiscal System. It translates the Payroll System codes for payroll transactions to codes used by the Fiscal System. This system creates journal entry transactions that move funds between the agency's accounts and the payroll revolving fund (the fund from which all payroll is disbursed).

Existing Systems	Description
FOCUS Reports (FOCUS)	FOCUS is a program used to produce reports from information in the Fiscal System in a format required by the SCO.
Dyl280 Programs (Dyl280)	Dyl280 is program that makes mass changes to the data in the Fiscal System, rather than having to prepare the changes manually.
Investments of the Pooled Money Investment Account with Premiums and Discounts	This database is used to account for investments with premiums and discounts. It calculates the amortization of the premiums and discounts for the quarterly investment earnings distribution.
Local Agency Investment Fund Interest Distribution	This program distributes the interest earning to local agency accounts based on the amount and time of the deposits.
School Building Aid Loans	This database maintains the records for repayment of State School Building Aid Loans.
Public Works Bond Proceeds Funded Projects	This database records and maintains the records for the Public Works Bond Proceeds Funded Projects.
Year-end Accrual Letters for PMIB Loans	Once a year, this database is used to prepare year-end accrual letters for PMIB loans. This database tracks all of the PMIB loans as of June 30 for multiple fiscal years.
Lottery Offset Database	This database is a downloaded file of the Lottery payments.
Agency Trust Database	This database is used to account for the detail of the agency checking accounts and agrees with the totals kept in the fiscal system.
Online Treasury Trust Checking Account Detail Inquiry	This program provides state agencies online viewing of their agency checking accounts.
Agency Trust Database	This database creates the daily agency trust transactions. It also creates daily and monthly reports for the STO and state agencies.
Fund and Agency database	This database provides easily accessible information on funds and agencies.
Systems Index	This database provides information on the indexes from the main system, including revenue, general ledger, appropriation, etc.
Loan Tracking	This database tracks all inter-fund loans.
County Coding	This database tracks the revenue codes assigned to county and court collections.
Statewide Reporting Systems	
GAAP Reporting System	The system tracks financial data, indexes, funds, etc. on a GAAP basis. It is manually updated based on data from numerous sources.
GAAP Query System	Data from the GAAP Reporting System is downloaded to an Access database to support queries and reports for analysis.
Budgetary/Legal Reporting System	The system tracks financial data, indexes, funds, etc. on a budgetary/legal basis. It is manually updated based on data from numerous sources.
Budgetary/Legal Query System	Data from the Budgetary/Legal Reporting System is downloaded to an Access database to support queries and reports for analysis.

Existing Systems	Description
Statewide Disbursement Systems	
Bank Reconciliation	The system keeps track of the status of all warrants issued by the SCO providing outstanding warrant, paid warrant, and stop payment daily. It interfaces with the SCO's Fiscal System, the Uniform State Payroll System, including Business Month and Garnishments; and the STO.
Tape Claims	With the exception of the Medi-Cal, PERSCare, and Retirement programs (see below), this system processes all "electronic" claims submitted to the SCO that result in the issuance of a Controller's warrant.
Generalized EFT Payment System	With the exception of the Medi-Cal and Retirement programs, this system processes all claims submitted to the SCO that result in an EFT payment.
Medi-Cal Payment System	The system processes claims produced by the State's Fiscal Intermediary for the Medicaid program. The system produces warrants, EFT payments and remittance information that are mailed to the Medi-Cal providers. The system interfaces with SCO Fiscal.
PERSCare Payment System	The system processes claims produced by the two administrative services organizations that adjudicate claims for the state's self-funded health plans. The system produces warrants, remittance information and explanation of benefits. The system interfaces with SCO Fiscal.
Retirement Payment System (warrants)	The system processes the allowance rolls and refunds of retirement contributions for the Public Employee, State Teachers, Legislative, and Judicial retirement systems. The system interfaces with SCO Fiscal.
Retirement Payment System (EFT)	The system processes the allowance rolls and refunds of retirement contributions for the Public Employee, State Teachers, Legislative and Judicial retirement systems that result in an EFT payment.
Statewide Claims Systems	
Claims Tracking System	This system tracks claim schedules prepared by agencies and received by the SCO. It captures pertinent claim schedule information (agency, fund, claim schedule number, etc.), date received, the subsequent disposition of the schedule (audited, approved, reduced or cut, or returned to agency), when released to the SCO's fiscal system, when paid by SCO fiscal/disbursement systems.
Contracts Database	This system captures all contracts issued by agencies, when agencies submit claim schedules for payment against such contracts. Select contract information is maintained within this system and utilized when auditing a contract claim schedule payment.
Signature Card File	A manual system---paper signature cards (by agency), identify any/all individuals who are authorized to approve/sign claim schedules on behalf of the agency. A claim schedule needs an authorized signature; it is signed by the approving official under penalty of perjury.

Existing Systems	Description
Statewide Procurement System	
State Contract and Procurement Registration System	The system supports the collection of spend data on purchases over $5,000 from departments. Departments enter the information via the web.
Departmental Accounting Systems	
California State Accounting and Reporting System (CALSTARS)	The system provides departments with an automated organization and program cost accounting system which accounts for appropriation accounting, fund control, expenditures, disbursements and receipts. In addition CALSTARS provides departments with a full general ledger system, monthly labor processing and cost allocation, and automated year-end processes.
Monarch Software (Reporting Tool)	Monarch is a data access and analysis tool used by CALSTARS departments to view, extract, query and export CALSTARS report data which has been downloaded from a mainframe environment to a PC.
PACE Accounting System (SCO)	This system tracks all of the financial transactions and fixed assets for the SCO.
Various Departmental Accounting Systems	A variety of systems, in addition to CALSTARS, support departmental accounting primarily for appropriation accounting, fund control, expenditures, disbursements and receipts. The specific platforms are identified below as either Included or Excluded Systems. Some of these systems also include specialized accounting and reporting functions specific to an individual department's business operations.
Numerous Accounting Subsystems or Shadow Systems[11]	Numerous subsystems and shadow systems are also used by departments to record more detailed information than what can be recorded in the main financial system (e.g., CALSTARS or departmental system, etc.) or for various reporting purposes including budget preparation, federal reporting, and grant/project reporting.

In addition to the statewide accounting, reporting, and disbursement systems identified above, the SCO has developed and maintains over 50 spreadsheet/word files to perform critical tracking of state resources and transactions. Several key examples include:

- Payroll Registry – used daily to record State Payroll Revolving Fund transfers.
- Investments of the Pooled Money Investment Board Projections – Projection of receipts and disbursements based on historical activity and current year trends are prepare every nine to 10 weeks to assist the state in cash flow activities.
- Surplus Money Investment Fund (SMIF) Interest Earnings and Transfers – provides data regarding SMIF earnings and transfers and is uploaded/downloaded to other systems.
- Bond Issue and PMIB Loans – track bond issues and serves as a template for journal entries for key data entry into the Fiscal System.
- Agency Trust Daily Balance Totals – used daily to track totals of replenishment claims; transfers between state agency account and state fund accounts; and checks, deposits, and agency trust adjustments.

[11] A survey of 34 departments, as part of the project's chart of accounts analysis, identified a total of 213 such systems used for both accounting and budgeting.

- Remittance Advice Daily Batch Control Sheet – used daily to record and reconcile to the STO cash report.
- General Fund Daily Worksheet – calculates the daily transfers from the Feeder Fund to the General Fund, and transfers loans and loan repayments to/from the General Fund
- General Fund Daily Summary Worksheet – summarizes General Fund daily cash transactions and is used for forecasting General Fund cash balances
- Federal Trust Fund Reconciliation – reconciles the Federal Trust Fund deposit accounts with the cash fund.
- Fixed Assets Depreciation – identifies depreciable assets and uses an average useful life to determine depreciation expense for equipment, structures, etc.
- Fixed Assets Tracking – based on hard copy reports provided by departments of the capital assets (land, equipment, building, improvements other than buildings, infrastructure) input beginning balance, additions, deductions, and ending balance representing approximately 2,400 capital assets.

In addition to tracking and monitoring the condition of the state's funds and accounts, spreadsheets (Excel and Lotus 123), Word documents, and publishing tools support key reporting activities for the state including but not limited to:

- General Fund Annual Report
- General Fund Monthly Report
- General Fund Analysis Report
- General Fund Revenue Report
- General Fund Loan Document
- Pooled Money Investment Account Designation
- Comprehensive Annual Financial Report
- Budgetary/Legal Basis Report

Included Systems

This project would also include the replacement of CALSTARS and specified financial systems (primarily those with aging legacy systems). The systems that have been identified as most "at-risk" of failure due to their age and limited availability of staff trained/willing to support them include the following six departments:

1. Department of Justice (Custom legacy system)
2. State Controller's Office (PACE, also does accounting for California Senior Legislature and Institute for regenerative medicine)
3. State Board of Equalization (ACPAC)
4. Department of Technology Services (PeopleSoft)
5. California Housing Finance Agency (Custom legacy system – Unix)
6. Department of Rehabilitation (ARMS)
7. Employment Development Department (also does accounting for California Career Resource Network)

Excluded Systems

The project will exclude systems that have implemented or are in the process of implementing an ERP system. However, these departments will be required to provide various state-level data for budgeting, accounting (including statewide spend data), disbursements, and year-end reporting. A standard interface will be developed and each of these entities will be required to either exchange data and information through the interfaces or to enter state-level information

into the statewide system as needed by one of the four lead agencies for this phase. This interim process will remain in place until the full transition to a statewide financial and administrative system is completed. The following identifies 14 departments/agencies that fall into this category as well as other excluded departments based on their current interaction with statewide budget and accounting processes:

1. Judicial Council, Administrative Offices of the Courts (SAP/Oracle ERPs)
2. State Controller's Office (SAP ERP – Human Resources Management System)
3. California State Lottery Commission (PeopleSoft ERP, Autonomous Accounting)
4. Department of General Services, except Contracted Fiscal Services (Oracle ERP)
5. Public Employees' Retirement System (PeopleSoft ERP)
6. Department of Transportation (ERP procurement in process)
7. Department of Motor Vehicles (Oracle ERP)
8. Department of Water Resources (SAP ERP)
9. Department of Corrections and Rehabilitation (ERP procurement in process)
10. University of California (System unknown, semi-autonomous)
11. Hastings College of the Law (DataTel, semi-autonomous)
12. California State University (PeopleSoft ERP, semi-autonomous)
13. Workers Compensation Benefits, aka SCIF (GL System)
14. Bureau of State Audits (System unknown)

3.0 Current System Interfaces

Budget System Interfaces

- SCO – At budget enactment just prior to vetoes, Finance transfers the file of Budget Act items to assist the SCO with some preliminary set-up of SCO files. Since these files are preliminary they require manual modifications by the SCO. Throughout the year, Finance transfers the file of certain statewide adjustments to budget authority, as the back-up to Executive Orders. Also, for the Governor's Budget past year General Fund reconciliation, the SCO transfers their file of expenditures and authorizations, as well as revenues and transfers, to Finance.
- CALSTARS – Upon request of CALSTARS, Finance transfers a complete file of the past and current year authorizations, expenditures, and adjustments to CALSTARS.
- LIS – The Legislative Information System (LIS) uses the same "lookup" data (for Organizations and Funds) as used by the Budget applications. LIS data is not transferred to budget applications, but the system is used as a resource (to budget analysts) for newly enacted fiscal legislation, their appropriations, funding, hearing dates and line-item vetoes.
- COPTS – Issue level data (for Capital Outlay BCPs) is transferred to BUDDS/PE database to assist in the General Fund Update process.
- GBPS – This system derives about 20 percent of the data (primarily numerical) used in the Budget presentation from other budget applications. This includes Fund Condition, Reconciliation with Appropriations, and Summary Schedule data which is transferred in an XML format. All calculations have been completed before this data is transferred from legacy systems to GBPS. The remaining 80 percent of data (numerical and narrative) is gathered from state departments in spreadsheet and word processing files and uploaded to the GBPS database using the Data Capture user interface. Each component (various narrative types, fiscal data, and special displays) involves separate upload routines.

CALSTARS Interfaces

Various departments interface with CALSTARS to upload data (financial data, timesheets data, various table maintenance data, e.g., vendor, cost allocation, index code, program cost account, etc). These departments include:

- Office of Emergency Services
- Department of Insurance
- Secretary of State
- State Treasurer
- Department of Consumer Affairs
- Franchise Tax Board
- Department of Financial Institutions
- Department of Corporations
- Department of Housing and Community Development
- Department of the California Highway Patrol
- California Conservation Corps
- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Parks and Recreation
- State Water Resources Control Board
- Department of Toxic Substances Control
- Department of Corrections and Rehabilitation
- Office of Statewide Health Planning and Development
- Department of Aging
- Department of Alcohol and Drug Programs
- Department of Health Services
- Department of Developmental Services
- Department of Mental Health
- Department of Social Services
- Department of Education
- Department of Industrial Relations
- Department of Personnel Administration
- Public Utilities Commission
- Department of Military
- Department of Veterans Affairs
- Department of General Services, Contracted Fiscal Services

The following identifies other interfaces to/from CALSTARS (does not include report or data files requested by departments).

TO SCO:

- Automated Year-End Financial Data

FROM SCO:

- CALATERS Expenditure data
- Central Treasury Trust Account Data for Bank Reconciliation

- Notice of Claims Paid for liquidating Claims Filed
- Monthly Agency Reconciliation data for DB2 Monthly and DB3 Year-end Reconciliations
- Payroll Tape for Labor Processes
- Prior Year Accruals Summary Report Data for DB3 Year-end Reconciliation process

FROM DGS:

- DGS EFT Invoices data
- Monthly Selected Telephone Invoice data

TO FTB:

- Reportable payments for 1099s

TO EDD

- Independent contractor payments

The following processes are pass through printing of reports on CALSTARS printers for the convenience of the sending and receiving agencies. These processes DO NOT create any accounting input, but the reports are used for verification and/or the creation of entries for input to CALSTARS:

FROM DGS:

- DGS Invoices
- DGS Notice of Electronic Fund Transfers

FROM SCO:

- Daily Journal Entries
- Monthly Journal Entries
- Cancelled Warrants
- Agency Reconciliation
- Fund Reconciliation
- Selected Accounts
- Central Treasury Trust Account Statement
- Accruals to Controller's Accounts Report
- Adjustments to Controller's Accounts Report
- Final Reconciliation of Controller's Accounts Report
- Yearly Reversion of SCO JE Report
- Prior Year Accruals Summary Report
- Yearly Accruals Data for Prior Year

SCO Accounting and Reporting Interfaces

- Payroll Clearance System – The system provides the interface between the SCO Payroll System and the SCO Fiscal System. It translates the Payroll System codes for payroll transactions to codes used by the Fiscal System.
- Surplus Money Investment Fund (SMIF) Interest Earnings Distribution – Information on the SMIF transactions is transferred from ARMS into a COBOL program that calculates the "dollar days" for each deposit. The "dollar day" information is downloaded into a Lotus 123

spreadsheet, which distributes the interest earnings and adds the account information. The Lotus 123 file is then uploaded into a file, which posts the interest earnings to the funds in the Fiscal System that earned the interest.

- Local Agency Investment Fund (LAIF) Interest Distribution – Information on the LAIF transactions is transferred from ARMS into a COBOL program that calculates the "dollar days" and interest earnings for each deposit. The interest earnings are then transferred to a file, which posts the interest earnings to the deposits in the Fiscal System that earned the interest.
- Lottery Offset Process – The Lottery Commission provides a file to the SCO for payment of the lottery winners. The payees contained on the file submitted by the Lottery are matched against a database provided by the Franchise Tax Board (FTB). The database provided by the FTB is a point-in-time copy of FTB's offset database of people that owe money to the state or local governments. When there is a "match", the payee's warrant is manually pulled and deposited into a special deposit fund. A file of the "matches" is then supplied to the FTB to determine whether a true offset exists and, if so, how much the offset is and to whom it should be paid. The FTB returns to the SCO a file with the information for the original payment, the offset, the balance owed to the winner, and the entity that should receive the amount offset. The SCO prepares the face sheet of the claim that will use the FTB file to pay the balance owed to the winner. The SCO will then prepare manual transfers and claim schedules to pay the offset amounts.
- Budget Act Reconciliation – Data is downloaded from ARMS into an Access database to reconcile to the appropriations included in the budget act.
- Agency Trust System – Data from the STO is sent to the SCO and is posted to Fiscal System's Treasury Trust Accounts and the separately maintained "Agency Bank Account System."
- Transfers-in and Out Matching – Information on the Transfer-in and out accounts in the Fiscal System is downloaded into an Access database. The transfers-in and out are matched to each other with any differences being corrected in the Fiscal System.
- The California State University campuses and the CALSTARS agencies receive Budgetary/Legal accrual information electronically from the SCO Reporting System. They incorporate this information with information in their accounting systems to send their year-end financial reports electronically to the SCO.
- There are a number of files from the SCO Fiscal System, Reporting System, and the GAAP System that are downloaded daily into Access databases. These Access databases provide the SCO staff and the Bureau of State Audits staff with easily accessible and up-to-date information that was previously only available from multiple printouts.
- The State Compensation Insurance Fund sends an electronic file from its year-end database of claims to the SCO. This file is downloaded into Excel and used to calculate and distribute the Workers' Compensation Liability to the appropriate activity or fund for the CAFR.

Disbursement Interfaces

- Fiscal System – This system interfaces with three disbursements systems: Medi-Cal Payment System, PERSCare Payment System, and Retirement Payment System.
- Bank Reconciliation System – This system also interfaces with the Fiscal System; the Uniform State Payroll System, including Business Month and Garnishments; and the STO. In addition this system interfaces with some automated agency systems to provide automated post issuance information such as returned and redeposited warrants and cancelled warrants.

- Tape Claims – Interfaces with various departmental systems to process all electronic claims submitted to SCO (with the exception of Medi-Cal, retirement, and PERSCare) that result in the issuance of a warrant.
- Generalized EFT Payment System – Interfaces with various departmental systems to process all electronic claims submitted to the SCO (with the exception of Medi-Cal and retirement) that result in an EFT payment.
- Medi-cal Payment System – Interfaces with Electronic Data Systems/Department of Health Services.
- PERSCare Payment System – Interfaces with Blue Cross, Medco, and CalPERS.
- Retirement Payment System – Interfaces with CalPERS and CalSTRS.

Appendix C – Business Problem/Opportunity

Excerpt from July 2005 Feasibility Study Report.

> *"The state lacks enterprise-wide budget and financial systems that are necessary to produce the information managers' need to plan and manage. Existing technologies are dated and fragmentary."* [12]

A significant part of the Finance's mission is to prepare, enact, and administer the state's annual financial plan (budget), which the Governor is required under the California Constitution to present by January 10 of each year. As recognized by the California Performance Review (CPR) to achieve this mission more effectively, Finance needs improved automation to consolidate, analyze and prepare the state's annual budget.

The state's existing budget related systems are inadequate and limit Finance's ability to efficiently manage and report on budget issues. Due to the limitations of legacy budget systems, staff resort to performing analysis using multiple spreadsheets and an Access database application, creating a situation where critical information is decentralized and difficult to consolidate. There are often some delays in producing requested information due to the difficulty in gathering and organizing the necessary data. Spreadsheets, MS Word documents, handwritten notes, and other paper-based documents contain vast amounts of critical information used in budget analysis and administration (i.e., the ability to compare budget to actuals). However, these are not fully integrated and there is no single system that currently exists where budget data can be effectively collected and managed for budget development and administration.

Finance's primary budget systems (see Section 4.1.1) were originally deployed in the mid 1970's; these systems are not flexible and do not meet the needs of the state's current budget development and administrative processes. They were developed individually to support different parts of the state's budget process with little consideration for overall integration across applications.

The following problem areas have been identified.

1. **"WORK-AROUNDS" CREATE MORE WORK AND IMPACT PRODUCTIVITY.** Key business functions involved in the budgeting process are complex, and are highly manual and paper-intensive. The dependence on manual, labor-intensive processes and outdated technologies creates great risk to Finance. At certain times of the year a system failure or even an unplanned absence by a critical employee can cause great disruption to the process.

- **Ineffective use of Analysts' Time and Capacity**: It now takes Finance considerable time to prepare and validate data used in various budget reports and budget systems. This also reduces employee efficiency and productivity, forcing Finance staff to spend disproportionate time on repetitive and mundane tasks that could be automated with currently available technology. The level of effort that must be directed toward data entry and reconciliation during the budget development process limits the time available for review and analysis of critical budget issues.

[12] California Performance Review, 2004

- Similar data is captured in multiple applications; however, the data is structured differently in each application and recorded at different levels of detail (i.e., appropriation, program, issue, etc.). This results in an inability to easily report or track individual budget issues and statewide fiscal status across the annual budget process. It also requires duplicate data entry efforts – creating significant workload and increasing the opportunities for data errors. It is estimated that this resulted, in fiscal year 2001-02, approximately 22.5 Finance staff spending 14,000 hours in related data entry and reporting activities, for a cost of $425,000.
- The inability to easily combine fiscal data and narrative information requires the use of Excel, Word, and Access to develop reports to support the decision process. Related data are manually entered into briefing documents from other sources. Briefing documents may include fiscal data, narrative write-ups, charts, graphs, etc., as requested. The re-keying of information into briefing documents not only increases the chance for data entry errors, but it also has a significant impact on workload. It is estimated that approximately 42 Finance staff expended 42,000 hours for a cost of $1.3 million during 2001-02 in related activities.
- Due to the lack of integration between the mainframe systems and the desktop tools, data must be manually transferred between the mainframe systems and the PC tools to support staff analysis and the decision process. In addition, because of differences in the data structures, this data must also be manipulated and reviewed before any detailed analysis is begun. This required approximately 16,000 staff hours for a cost of approximately $500,000 in 2001-02.
- Not all of the information requested by decision makers is available in the legacy systems or on electronic files. Because the information is not easily accessible, a significant amount of research time is required in order to provide the requested information for decision making purposes. It is estimated that related research activities resulted in approximately 40 Finance staff expending close to 27,000 hours for a cost of $800,000 in 2001-02.
- It can also be very difficult and time consuming to locate past documentation that is critical for a current analysis or decision, as the current systems do not retain this type of data.

  Additionally, the current structure of the legacy systems does not support the retention of prior fiscal year information. All legacy systems retain only one budget cycle (current year revised and budget year) of fiscal data, except for Budget Preparation System (BPS). Often Finance needs to compare previous years' information to support decisions, trend analysis, and requests for general background information relating to past budgets. Prior to the implementation of eBudget Finance staff relied solely on hardcopy reports such as the Governor's Budget and on printouts of previously developed electronic files from other systems, such as Excel, to obtain this information and prepare the necessary reports. As a result of the implementation of eBudget, the most current Budget is now available at a high level of detail electronically for staff reference.
- Finance acts as the official recorder throughout the legislative hearing process, including the Conference Committee. As a result staff spend a considerable amount of time obtaining detail from departments; verifying and validating legislative actions; and ensuring that issues are properly recorded. It is estimated that in 2001-02, approximately 1,400 hours of Finance staff time was spent in related activities for a cost of approximately $42,000.

- **Overtime** – the re-keying of information across the multiple systems and the need for multiple reconciliation efforts and signoffs results not only in a perception that the systems and processes are inefficient but contribute towards high overtime usage, increased training requirements and the continual development of work-around processes. On average, over the 2000-01 and 2001-02, overtime costs for Finance were $631,000 per year.

- **Increased training costs due to turnover** – Budget analysts manage critical information using a combination of manual processes and non-integrated technologies. While Finance provides extensive training on the budget process, frequently there is no formal documentation or training associated with the work-around solutions. Individuals involved in the budget process require significant training to support budget preparation and administration. The annual per person cost for training is $2,115 for new analysts, $548 for experienced Finance staff and $845 for Finance principals. Based on this data, Finance had an estimated cost of $103,131 for training during 2001-02.

2. COMPROMISED ACCURACY.

Given the lack of needed functionality in the legacy budget systems, budget development and administration processes are heavily manual and Finance staff tend to manage budget related information in independent spreadsheets and documents. The lack of integrated data in a single system substantially increases the risk of data inaccuracy.

- **The lack of integration makes it difficult and time consuming to consolidate information into a statewide perspective.** Data must be converted, reformatted, and manually updated across multiple systems and spreadsheets to support the budget administration and development processes. Even a small miscommunication can result in significant discrepancies and detailed reconciliation efforts.

  - As a direct result of the lack of integration, detailed information needed for robust analysis is generally scattered across the organization and difficult to gather. Thus, there is more time and energy spent on gathering information and less on analysis. This may compromise the level of review of various funding options related to individual budget issues. It is estimated that in 2001-02, approximately 46,000 hours of Finance staff time was spent in related activities for a cost of approximately $1.4 million.
  - The majority of detailed budget information comes from departments and is provided via hardcopy or in spreadsheets (submitted electronically), requiring key entry or upload into the GBPS by Finance staff, with a few exceptions (Capital Outlay Project Tracking System, CALSTARS data, certain reports from SCO). It is estimated that in 2001-02, approximately 11,000 hours of Finance staff time was spent in key entry and data upload activities for a cost of approximately $330,000.
  - The re-keying of information into spreadsheets can lead to keying errors; therefore, Finance has developed various reconciliation processes to ensure the integrity of the data.
  - Spreadsheets don't always capture the decision justification or who made the decision. This information may be handwritten on the notes but not captured electronically. As a result, the history of specific issues may be lost.

- **Labor intensive manual review processes**. Decisions are captured in the work-around applications and then the final supporting detail is recorded in the legacy systems. This leads to multiple entries of data and excess reconciliation within a short period of time. These efforts include review and comparison of original data, comping or calculating data to ensure accuracy. In addition, a significant amount of staff time is necessary to copy and distribute various budget documents and publications which is a largely manual process.

    - Spreadsheets do not provide auditing capabilities. The lack of auditing capabilities increases staff reconciliation efforts. Also, critical pieces of decision justification are never captured for future use.
    - As a result of the multiple systems and differing data structures, Finance has developed many manual reconciliation processes between applications, hardcopies, and spreadsheets. These reconciliation processes include the comparison of system and hard copy data and the comping of hardcopy data before and/or after data entry to ensure the accuracy and integrity of budget data. It is estimated that in 2001-02, approximately 18,000 hours of Finance staff time was spent on reconciliation activities for a cost of approximately $515,000
    - Finance prepares various reports and publications that require an extensive use of narrative formatting, tabular presentations, and graphs and charts to summarize fiscal information. While the format of this information is similar across annual publications and from year-to-year, these reports and publications are developed by re-keying data from the legacy systems and Word documents into numerous spreadsheets and narrative documents to generate multiple publications. If a change in the fiscal data is required, the change must be made in the legacy systems, the ancillary systems, and appropriate reports and publications. Additional staff time is then necessary to copy and distribute these reports and publications. It is estimated that in 2001-02, approximately 3,200 hours of Finance staff time was spent in related activities for a cost of approximately $95,000
    - Multiple logs, the majority being manual, are used to track the location and status of hardcopy documents being routed for confirmation of data, validation of receipt of documents, reconciliation efforts, and reviews. It is estimated that in 2001-02, approximately 625 hours of Finance staff time was spent in key entry and data upload activities for a cost of approximately $19,000

3. AGING TECHNOLOGY PLATFORM

Finance's existing systems rely on older technologies that are difficult to maintain. Due to their age and the number of changes that have been made over the years, many of the applications are poorly structured and difficult to operate and maintain. Furthermore, while it is not possible to accurately predict the potential for failure of these legacy systems, it can be reasonably assumed that sooner or later it will occur.

- Aging technology and a limited ability to maintain systems in danger of experiencing a failure could result in a failure to produce the Governor's budget as required by the Constitution. Lack of needed functionality and flexibility and dependence on 30 year old technology makes modifying and enhancing these systems difficult, if not impossible – most of the systems were developed to address separate budget processes, without the benefit of an overall architecture.
- Difficulties in recruiting and retaining personnel who have the technical knowledge to maintain and operate Finance's budget systems and contracting for support of outdated technologies represent a high risk for Finance. Finance (and likely the state as a whole) has only a few personnel with the technical skills and system knowledge necessary to maintain its mainframe budget systems. Universities and colleges no longer provide training in the operating environment and programming languages of Finance's budget systems. Many people who were once proficient with these legacy systems have been retrained in new technologies resulting in diminishing ability to program in the older technologies. The cost of these skills continues to rise and may soon be simply unavailable – key technologies of Finance's budget systems have passed their useful life because the systems no longer meet data needs and it is becoming more difficult (and costly) to acquire vendors knowledgeable in these technologies.
- Limited staff resources are stretched to support and maintain ten different budget applications that use at least five different programming platforms running against numerous databases.

The above items reflect gross hours spent on specific activities identified in the As-Is report completed by Finance in June 2002 to evaluate existing budget development processes. Because of the overlapping nature of many budget activities the estimated hours associated with these business problems may be counted in more than one area. The unduplicated hours for individual activities included in the categories above is approximately 71,000 hours which is equivalent to approximately 39 personnel years or full-time equivalent positions.

State Agency/Departments

The cumulative effect of these problems is even more significant when the impact of Finance's budget systems on state agencies is considered. State agencies partner with Finance during the budget development process by providing Finance with budget estimates, historical spending data, and analytical reports. Agency data is a significant input into the Governor's Budget.

While state agencies have internal business processes to develop and manage departmental budgets, they also use Finance's system data (hardcopy forms and system reports) to prepare their budgets. Therefore, the inefficiencies and inaccuracies inherent in Finance's automated budget systems and associated business processes impact state agencies in the same way that they impact Finance. Specifically, the loss of productivity and compromised accuracy detailed previously in Problems #1 and #2 impact state agencies in the same way that they impact Finance. The negative impact of these systems is magnified on a statewide basis. Examples of impacts from a state agency perspective include:

- ***Inefficient use of resources:*** Departments expend a significant amount of effort manually transferring information between their internal budget development systems and the forms and schedules used by Finance to develop the budget. The process for developing iterative versions of the galley and supporting schedules is time consuming

and labor intensive, which diverts resources from other departmental functions, such as budget management/monitoring.

- ***Inaccurate Data:*** Data entry errors often occur when departments transfer data from their internal systems to the schedules and forms used by Finance. Identifying and correcting errors is a difficult and time consuming process. Some errors may not be detected for weeks or months after the passage of the budget, impacting the departments' ability to manage their programs within the approved budget.
- ***Redundant Data:*** Redundant data exists in the systems used by the departments and Finance to develop and manage budgets. Departments must expend resources reconciling this data to ensure that it is accurate and consistent with Finance's records. Departments must also reconcile their records with the SCO.
- ***Difficulty Meeting Deadlines:*** Last minute changes as a result of budget decisions from both the Administration and Legislature – which require modification to the galley, various schedules and worksheets, or detail to complete change book entries – are time consuming to process and error prone.
- ***Lack of Technical Resources:*** Many departments, especially smaller ones, do not possess the technical resources required to effectively develop and maintain their *internal* budget development systems. For example, several small and medium sized departments reported the use of multiple internal spreadsheets for developing and tracking budget data. The departments reported a need for more sophisticated tools, but lacked the technical resources to develop them. Other larger departments have more sophisticated – but older – systems which are no longer supported by their vendors or which have reached their capacity for modifications. These internal issues compound the resource, process, and technical impacts caused by the lack of integration with Finance's systems.
- ***Inefficient Budget Control:*** Departments manually input appropriations into their internal budget and accounting systems after legislative appropriations have been made. Due to the lack of an integrated statewide system where Finance or another controlling entity enters appropriations, there is no automated mechanism preventing users from entering expenditures beyond their allocations. Departments must expend significant resources to prevent this from occurring, or to correct over-expenditures when they do occur.
- ***Cumbersome Reporting:*** Departments must often respond to Finance requests for program and budget data during "budget drills" (such as caseload information, program expenditures, and trend data). In many cases, departments do not have the required information, or it is in a form that does not allow departments to easily re-format the data to respond to the information request. When departments are unable to provide the information (at all or in a timely manner), Finance's inquiries may not be addressed, often resulting in a denial of the departmental requests or reductions to existing resources.

In addition to the items noted by departments above, there are instances when decision-level detail is not transmitted to departments (except in verbal form) and the detail is not entered into departmental budget control systems. Thus, some portions of the budget may not be implemented as intended. More detailed budget systems to track specific decisions are often "ad-hoc", if they exist at all.

As highlighted in the CPR: *"In the area of financial management of the state's resources, CPR finds the state particularly deficient. Our systems are old and outmoded...Our budget practices also should be improved. The systems used to manage the budget are, again, out of date. More*

importantly, though, our state's budget is based on an old style of line-item budgeting that virtually guarantees poor budget decision making, since the Governor and the Legislature do not have all of the information they need to make the best judgments about how to spend the state's resources.

Budget crises tend to focus the harsh light of reality on how well government does its job. The harsh reality in this area is that we need to do better, much better. This may be one of the most important areas of improvement in this study since it goes to the heart of the public's trust in our stewardship of government and our use of their hard-earned tax dollars."

Appendix D – FI$Cal Project Benefits

The business case presented in this SPR identifies the significant opportunities for business improvements that will provide new services and more effective processes for the state. The primary business case is the modernization of aging systems and the retooling of the work force to ensure continued operation and good health of our administrative systems that were developed more than 30 years ago. This project also provides for necessary succession planning for financial management staff. As a result, the FI$Cal Project is a business transformation project not just a replacement of the legacy administrative systems that support the management of the state's $131.4 billion enterprise.

The SPR does not address or measure the specific savings or efficiencies anticipated with the FI$Cal Project. But the following outlines the approach to identify the organizational changes and any efficiencies created by the project to ensure that any resulting savings are realized.

It is accepted that ERP systems are more expensive to implement, operate, and maintain than our existing systems. They provide comprehensive functions in a tightly integrated environment and also provide significant data management that is not available in our current systems. Consequently, the complexity, integration, and emersion in our business community is necessarily more expensive to support than our current systems.

An ERP system generally optimizes the internal business processes, not the processes with our customers. The value of an ERP implementation will be a factor of the business process improvements. If this project is only a systems replacement, the state will probably not realize any savings. Conversely, the efficiencies realized will be a direct result of the state's ability to streamline the "back office" administrative processes. The realization of efficiencies will be a direct outcome of the learning curve attributed to the new processes and the new system. A Meta Group study of ERP implementations found that it took eight months after the new system was implemented (31 months total) to see any benefits and even then the benefits were modest compared to the cost of the project.

Because the Meta Group study was conducted within the private sector, we anticipate that California will likely have more opportunities to streamline our "back office" processes than most private sector organizations. Given the antiquated business processes identified in Section 1.3, Reason for the Proposed Change, there are many opportunities to reengineer cumbersome, or labor-intensive administrative processes. The FI$Cal Project plans to measure the changes created with the implementation of the system. Projects usually review and document baseline (as-is) processes to identify and design new business processes (to-be) as part of project planning specifically to identify opportunities for business process reengineering. With an ERP project, the new processes (also called best practices) are provided by the software.

For the FISCAL project, the software product is selected with a competitive procurement. The selected product will provide the new processes that California will use to replace our current processes. This project encompasses over 100 organizations. Because of these two constraints, we propose the following:

- Departments will be converted to the new system over a four-year cycle.
- Year one – a department will document its existing accounting processes and complete other project readiness activities.
- Year two – the department completes the activities needed to implement the new processes and works with the statewide team to complete the conversion activities.
- Year three – the department uses the new system.
- Year four – the department compares the new organization and new processes to the year one baseline organization and processes and reports the changes.

Because most state agencies have different internal processes, measuring the benefit of the system for each department will be different and each department will report on its unique changes. The summary of all the departments' reports will reflect the project's overall effectiveness.

California is not in the forefront of implementing ERP software. The following is a partial list of cities, counties, states, and other governmental organizations that have implemented an ERP system.

State of Arkansas
State of Florida
State of Iowa
State of Maryland
State of Nebraska
State of Tennessee
State of South Carolina
State of Colorado
State of Hawaii
State of Kentucky
State of Michigan
State of North Carolina
State of Nevada
State of Wisconsin
State of Connecticut
State of Indiana
State of Louisiana
State of Montana
State of Pennsylvania
State of New Mexico

Anchorage, AK
Cook County, IL
Multnomah County, OR
New York, NY
Los Angeles School District
Department of Energy
Anne Arundel County, MD
City and County of Denver
Los Angeles, CA
San Diego County
Sacramento County
Sacramento Municipal Utilities District
Chicago, IL
Detroit, MI
Los Angeles County
Seattle, WA
City of Sacramento

California Department of Motor Vehicles
California Department of Water Resources
California Public Employees Retirement System
California Department of General Services
California State University
California Administrative Office of the Courts

Appendix E – Department Classification for the Project

Full System Utilization

Current CALSTARS Departments

NOTE: While there are only 63 CALSTARS departments identified in the following list, several departments such as the Departments Mental Health and Developmental Services represent entities with multiple accounting offices. Therefore, there is a significant level of effort associated with their implementation which is reflected in the estimated implementation costs (increase staffing, travel, etc.).

1. Governor's Office
2. Office of Planning and Research
3. Office of Emergency Services
4. Office of the Lieutenant Governor
5. Department of Insurance
6. Secretary of State
7. State Treasurer
8. California Science Center
9. Department of Consumer Affairs
10. Department of Fair Employment and Housing
11. Franchise Tax Board
12. Department of General Services – Contracted Fiscal Services[13]
13. State Personnel Board
14. State Teachers' Retirement System
15. Department of Alcoholic Beverage Control
16. Department of Financial Institutions
17. Department of Corporations
18. Department of Housing and Community Development
19. Department of Real Estate
20. Department of Managed Care
21. Office of Traffic Safety
22. Department of the California Highway Patrol
23. California Conservation Corps
24. Energy Resources Conservation and Development Commission
25. Colorado River Board of California
26. Department of Conservation
27. Department of Forestry and Fire Protection
28. State Lands Commission
29. Department of Fish and Game
30. Department of Boating and Waterways
31. California Coastal Commission
32. State Coastal Conservancy
33. Department of Parks and Recreation
34. State Air Resources Board
35. California Integrated Waste Management Board
36. Department of Pesticide Regulation

[13] Contracted Fiscal Services currently provides accounting services for 29 small departments.

37. State Water Resources Control Board
38. Department of Toxic Substances Control
39. Office of Environmental Health Hazard Assessment
40. Office of Statewide Health Planning and Development
41. Department of Aging
42. Department of Alcohol and Drug Programs
43. Department of Health Services
44. Department of Developmental Services
45. Department of Mental Health
46. Department of Community Services and Development
47. Department of Child Support Services
48. Department of Social Services
49. Department of Education
50. California Postsecondary Education Commission
51. Board of Governors of the California Community Colleges
52. Agricultural Labor Relations Board
53. Department of Industrial Relations
54. Student Aid Commission
55. Commission on Peace Officer Standards and Training
56. California Arts Council
57. Public Employment Relations Board
58. Department of Personnel Administration
59. California Horse Racing Board
60. Department of Food and Agriculture
61. Public Utilities Commission
62. Military Department
63. Department of Veterans Affairs

Departments with Legacy Systems

1. Department of Justice
2. State Controller
3. State Board of Equalization
4. Department of Technology Services (HWDC & Teale)
5. California Housing Finance Agency
6. Department of Rehabilitation
7. Employment Development Department

Indirect Beneficiary/Utilization

Another Entity Support Budget and Accounting Functions

1. Legislative Analyst's Office
2. Secretary for State and Consumer Services
3. Secretary for Business, Transportation, and Housing
4. Secretary for California Health and Human Services Agency
5. Office of the Inspector General
6. Secretary for Environmental Protection
7. California Gambling Control Commission
8. Scholarshare Investment Board
9. Debt and Investment Advisory Commission, California
10. Debt Limit Allocation Committee, California
11. Industrial Development Financing Advisory Commission, California

12. California Tax Credit Allocation Committee
13. California Alternative Energy & Advanced Transportation
14. Pollution Control Financing Authority, California
15. Health Facilities Financing Authority, California
16. Urban Waterfront Area Restoration Financing Authority, California
17. School Finance Authority, California
18. Educational Facilities Authority
19. Fair Employment and Housing Commission
20. Alcoholic Beverage Control Appeals Board
21. Office of Real Estate Appraisers
22. California Transportation Commission
23. High Speed Rail Authority
24. California Tahoe Conservancy
25. Native American Heritage Commission
26. Santa Monica Mountains Conservancy
27. San Gabriel/Lower Los Angeles Rivers/Mountains Conservancy
28. San Joaquin River Conservancy
29. Baldwin Hills Conservancy
30. Delta Protection Commission
31. San Diego River Conservancy
32. Coachella Valley Mountains Conservancy
33. Emergency Medical Service Authority
34. Commission on Aging
35. California Senior Legislature
36. California Medical Assistance Commission
37. State Independent Living Council
38. Education Audit Appeals Panel
39. California Career Resource Network
40. Institute for Regenerative Medicine
41. Board of Chiropractic Examiners
42. Board of Pilot Commissioners
43. Fair Political Practices Commission
44. Consumer Power and Conservation Financing Authority, California
45. Seismic Safety Commission
46. Electricity Oversight Board
47. "Little Hoover" Commission on California State Government
48. Commission on the Status of Women
49. California Law Revision Commission
50. Commission on States Mandates

<u>Another Entity Only Supports Accounting Functions</u>

1. Secretary for Resources
2. Office of the Secretary for Education
3. Secretary for Labor and Workforce Development Agency
4. California Victim Compensation and Government Claims Board
5. Wildlife Conservation Board
6. San Francisco Bay Conservation and Development Commission
7. Sierra Nevada Conservancy
8. State Council on Developmental Disabilities
9. California Children and Families Commission
10. Managed Risk Medical Insurance Board
11. California State Library

12. California State Summer School for the Arts
13. Commission on Teacher Credentialing
14. California Workforce Investment Board
15. State Public Defender
16. Department of Finance
17. Office of Administrative Law

Budget Development and Administration Exclusively

NOTE: The following list also includes departments identified above as "Indirect Beneficiary/Utilization" for accounting functions.

1. Legislature
2. Legislative Counsel Bureau
3. Judicial Council
4. Secretary for Resources
5. Office of the Secretary for Education
6. Secretary for Labor and Workforce Development Agency
7. California State Lottery Commission
8. California Victim Compensation and Government Claims Board
9. Department of General Services
10. Public Employees' Retirement System
11. Department of Transportation
12. Department of Motor Vehicles
13. Wildlife Conservation Board
14. San Francisco Bay Conservation and Development Commission
15. Sierra Nevada Conservancy
16. Department of Water Resources
17. State Council on Developmental Disabilities
18. California Children and Families Commission
19. Managed Risk Medical Insurance Board
20. Department of Corrections and Rehabilitation (DOC + CYA)
21. California State Library
22. California State Summer School for the Arts
23. Commission on Teacher Credentialing
24. University of California
25. Hastings College of the Law
26. California State University
27. California Workforce Investment Board
28. State Public Defender
29. Workers Compensation Benefits (SCIF)
30. Bureau of State Audits
31. Department of Finance
32. Office of Administrative Law

Electronic Data Exchange/State Level Accounting

Direct usage, interface, or data entry will be required for state-level accounting purposes noted below. Essentially all state governmental entities provide some level of state accounting data to the SCO.

- All departments that must report information for inclusion in the State of California Financial Statements will use the system directly or indirectly.
- All departments that use the SCO to issue warrants will use the system directly or indirectly.
- All departments that are required to use the STO's authorized depositories will use the system directly or indirectly.

Appendix F – Enterprise Leadership Council Charter

Council Sponsor:	Mike Genest, Director, Department of Finance
Council Chair:	Mike Genest, Director, Department of Finance
Council Vice-Chair:	Clark Kelso, California State Chief Information Officer
Council Advisor:	Clark Kelso, California State Chief Information Officer

1.0 Introduction

The purpose of this document is to establish the charter for the Enterprise Leadership Council (ELC). The charter will establish the forum and governance structure for stakeholders of the statewide enterprise financial management system project sponsored by the Department of Finance (Finance) as well as other enterprise resource planning (ERP) projects in development by other state agencies and other statewide information technology initiatives. The ELC will address policies, needs and concerns, and provide related guidance to the projects' steering committees. Project executives/directors may seek resolution of issues of statewide impact and concern through the ELC. This charter also establishes the relationship between the Enterprise Process Advisory Committee (EPAC) and the ELC.

The ELC may also perform a similar function for the current human capital management enterprise efforts (21st Century Project) and other enterprise-wide application proposals as needed.

The ELC will be sponsored by the State Chief Information Officer (CIO), who will have primary responsibility for overall ELC management, support and coordination.

This charter also establishes the Enterprise Systems Governing Board which is charged with ratifying recommendations of the ELC. From time to time, policy decisions of statewide import and impact related to business processes and technology necessary to support those processes may be referred by the ELC to the collective decision making authority of the Director of Finance, the Secretary of the State and Consumer Services Agency, the State CIO, the State Controller and the State Treasurer ratification.

2.0 Mission

The mission of the ELC is to provide a forum for stakeholders of statewide enterprise resource projects to address issues of mutual interest and concern as well as to provide statewide support and guidance for all state enterprise-wide system projects. The mission includes providing a forum for project stakeholders to review, resolve and provide direction on issues that have a statewide impact and cannot be resolved by the respective enterprise project steering committee.

3.0 Council Objectives

The ELC is charged with fulfilling the following project needs:

- Provide statewide leadership and support for current and future enterprise-wide projects by communicating the enterprise vision, working to reduce barriers, mitigate risk, and resolve inter- and intra-departmental project issues
- Committing departmental and agency resources to assist with enterprise project objectives
- Provide input and guidance for issues that have statewide impact to assist in a resolution
- Provide advice regarding statewide strategies, direction, and policies
- Recommend state policy regarding enterprise-wide business process standards and procedures
- Recommend strategic planning and statewide policy for acquisition and deployment of financial, procurement, and human resources enterprise systems
- In those instances where authority to mandate or change existing laws, policies, or processes is vested with a control agency, department or constitutional office, recommend changes to be implemented to the appropriate entity.

4.0 Membership

4.1 Voting Members

The ELC will consist of the following statewide enterprise project stakeholders:

- State Chief Information Officer
- Director, Department of Finance
- Agency Secretary, Business, Transportation and Housing
- Agency Secretary, Corrections and Rehabilitation
- Agency Secretary, California Environmental Protection Agency
- Agency Secretary, Education
- Agency Secretary, Food and Agriculture
- Agency Secretary, Health and Human Services
- Agency Secretary, Labor and Workforce Development
- Agency Secretary, Resources
- Agency Secretary, State and Consumer Services
- Agency Secretary, Veteran's Affairs
- Director, Department of Personnel Administration
- State Controller
- State Treasurer
- Executive Director, Board of Equalization

The Chief Deputy Director, Budgets of Finance will serve as Chair when the Director of Finance is unable to attend meetings.

4.2 Alternate Members

Voting members may designate alternate members to act on their behalf. Alternate members must have authority to make policy decisions for the agencies and the departments they represent. In addition, alternates must be individuals who are responsible for state policy related to their functional business areas, and individuals who value the enterprise view and promote the use of collaborative approaches for government enterprise operations.

4.3 Non-voting Members

The FI$Cal Project Executive will also participate in the ELC as a non-voting member. The ELC may designate other personnel as non-voting members of the ELC when warranted and approved by the ELC Chair, in order to bring particular skills and expertise to the Council.

4.4 Member Rights

Members may, during any regularly scheduled meeting:

- Suggest agenda items for future meetings
- Make strategy recommendations to the ELC for consideration
- Make goal and objective recommendations to the ELC for consideration
- Make budgetary recommendations related to statewide enterprise projects to the ELC for consideration
- Delegate, in writing, a voting proxy to a member of the ELC or appoint an alternate member as a representative as defined in section 4.2.

5.0 Officers and Records

5.1 Chair

The Director of Finance will serve as the Chair of the ELC and preside over all ELC meetings.

5.2 Vice Chair

The State CIO will serve as Vice Chair.

5.3 Staff Support

Support resources for the ELC will be provided by the State CIO which will also be responsible for maintaining the official records of the ELC. Support activities for the ELC includes:

- Oversee the management, coordination and function of ELC meetings, including setting the time and location of such meetings.
- Create and distribute an agenda for ELC meetings.
- Publish ELC meeting agendas, arrange meetings and distribute highlights.
- Responsibility and management for all records of the ELC, including but not limited to the original Charter, meeting highlights, white papers, correspondence and current membership enrollment.
- Responsibility and management of ELC communications.
- Responsibility and management of support resources.

6.0 Voting Rights: Quorum

All decisions made by the ELC will be decided by two-thirds vote of the present members provided that a quorum of voting members is present at the meeting. Each participant is allowed one vote on behalf of his/her respective organization. Participants can present any additional delegated proxy votes provided the delegating agency provides the proxy vote in writing. A quorum of two-thirds of the voting membership must be established in order for an issue to be decided by vote at any meeting. The ELC will act upon the agreement of a quorum vote except as specifically provided elsewhere in the Charter. The Chair and/or the Vice-Chair will vote only where no decision can be reached, such as in the event of a tie.

7.0 Special Workgroups and Task Forces

The ELC may establish special workgroups and task forces to accomplish certain activities or functions of an immediate nature, as required to fulfill the responsibilities set forth in Section 3.0 of the Charter. The ELC will determine the special workgroups and task forces needed and will define the structure and membership of each task force. In addition, the ELC members will ensure resources are available for such groups through commitment of their organizational resources.

7.1 Special Workgroup and Task Force Objectives

The objective of the special workgroups and task forces will be clearly identified by the ELC to include the goals and objectives, deliverables, and time frames. The special workgroups and task forces will cease to exist at the completion of their charge and will transfer information, knowledge, resources and documentation to Finance for archival and future reference.

8.0 Meetings

8.1 Regular Meetings

The ELC will meet quarterly, with additional meetings called as required. ELC meetings are not open to the public.

8.2 Meeting Agenda

An agenda for regular meetings of the ELC will be prepared at the direction of the Chair and will, where feasible, be sent to each member of the ELC ten business days in advance of each meeting. Discussions and actions by the ELC will not, however, be limited to the items included on the agenda, but may include any business consistent with the charter and within the duties and powers of the ELC.

8.3 Special Meetings

The ELC will hold special meetings upon the call of the Chair. The Chair may call a special meeting at his/her initiative or in response to the written request of six voting members of the ELC at any time. Five business days notice of any special meeting will be given to all ELC members, except when the ELC Chair determines that special circumstances warrant shorter notice. Only matters covered in the notice to members may be transacted at a special meeting.

8.4 Addressing the ELC

Groups or stakeholders desiring to agendize a specific issue and to address the ELC on that issue must submit a written request to the State CIO at least 15 days in advance of the ELC meeting. The State CIO staff will present such requests to the ELC Chair who may deny the request, refer the matter to an appropriate ELC committee for consideration, or recognize the non-members request to address the ELC at a meeting, provided that they adhere to the subject approved by the Chair and limit their presentation as requested by the Chair.

8.5 Action Without a Meeting

Actions of the ELC may be taken without a meeting if the action is taken unanimously by all voting members of the ELC. The action will be evidenced by one or more written consents, whether executed manually or electronically.

9.0 ELC Committees

The ELC will establish the Enterprise Process Advisory Committee (EPAC). The EPAC will serve in support of the ELC by promoting the efficient and effective use of enterprise-wide solutions.

The Chair and the Vice Chair of the ELC may be non-voting members of all standing, special and ad hoc committees.

9.1 Enterprise Process Advisory Committee (EPAC)

Members of the EPAC are appointed by their respective department director or agency secretary and will represent that business area for policy, process, and enterprise technology review, and recommendations as appropriate. Appointed members will work jointly with state officials, the FI$Cal Project Executive and Finance staff who are also on the committee. Members of the EPAC will receive and review business requirements and enterprise-wide application proposals through the ELC, submit requirements to the ELC for further consideration, and provide enterprise planning options or recommendations to the ELC, as required, to meet statewide business needs and the various needs of business areas within the state, guide the development of new policies and processes, and make recommendations to the ELC in support of the enterprise. The EPAC may assist the ELC to develop the statewide strategic plan, business processes, and standards for statewide enterprise-wide system projects.

9.2 EPAC Authority

Unless otherwise specifically delegated by appropriate resolution or policy of the ELC, authority to act on all matters is reserved to the ELC and the duty of the EPAC will be to consider and to report or recommend to the ELC on appropriate matters. In cases where specific power or authority is granted the EPAC by the ELC, a report of final action by the EPAC will be made at the next regular meeting of the ELC and, if required, will be confirmed and approved by the ELC at that time.

9.3 EPAC Meetings

All regular meetings of the EPAC will be called by the EPAC Chair or designee who will determine the time and place of the meetings. A majority of the EPAC members may request the Chair of the EPAC to call a meeting. Notification of the meetings will be in writing and will include an agenda and other materials as appropriate. Notification of meetings will be distributed at least ten days before the scheduled date to members of the EPAC, and also will be distributed to members of the ELC.

10.0 Enterprise Systems Governing Board

10.1 Authority

This charter establishes the Enterprise Systems Governing Board (Board). The Board is charged with ratifying recommendations of the ELC. With the State Controller and State Treasurer being independently elected officials, each will have the final determination on any recommendations affecting their business areas and the ability to accomplish their constitutional responsibility. This would also apply to the statutory authority and responsibility of the other members. From time to time, policy decisions of statewide import and impact may be referred by the ELC to the collective decision making authority of the Board.

10.2 Membership

The Board will consist of the following membership:

- The Director of Finance
- The Secretary of the State and Consumer Services Agency
- The State Chief Information Officer
- The State Controller
- The State Treasurer

10.3 Alternate Members

Board members may designate alternate members to act on their behalf. Alternate members must have authority to make policy decisions for the agencies and the departments they represent. In addition, alternates must be individuals who are responsible for state policy related to their functional business areas, and individuals who value the enterprise view and promote the use of collaborative approaches for government enterprise operations.

10.4 Officers

The Director of Finance will serve as the Chair of the Board. The Chair will:

- Preside over all Board meetings

10.5 Vice Chair

The State CIO will serve as Vice Chair. The Vice Chair will serve as the Chair when the Director is unable to attend meetings.

10.6 Staff Support

Support resources for the Board will be provided by the State CIO which will also be responsible for maintaining the official records of the Board. Support activities for the Board includes:

- Oversee the management, coordination and function of Board meetings, including setting the time and location of such meetings.
- Create and distribute an agenda for Board meetings.
- Publish Board meeting agendas, arrange meetings and distribute highlights.
- Responsibility and management for all records of the Board.
- Responsibility and management of Board communications.
- Responsibility and management of support resources.

11.0 Amendments to the Charter

This Charter will be adopted and may be amended upon two-thirds vote of all ELC voting members and ratified by the ELC Chair. Any request to modify this Charter must be submitted in writing to the ELC Chair.

12.0 Enterprise Leadership Council Approval/Concurrence:

Director Department of Finance	Agency Secretary, Veteran's Affairs
Agency Secretary Corrections and Rehabilitation	Agency Secretary Business, Transportation and Housing
Agency Secretary Health and Human Services	Agency Secretary California Environmental Protection
Agency Secretary Resources	Agency Secretary Labor and Workforce Development
Agency Secretary, Education	Agency Secretary State and Consumer Services
Director Department of Personnel Administration	Agency Secretary Food and Agriculture
State Treasurer	State Controller
Executive Officer Board of Equalization	BIS Project Director Department of Finance
State Chief Information Officer	

EXISTING SYSTEM/BASELINE COST WORKSHEET

Department: Finance

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 12/14/06

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Continuing Information Technology Costs [1/]														
Staff (salaries & benefits)	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	**486.0**	**45,639,666**
Hardware Lease/Maintenance		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		**10,390,230**
Software Maintenance/Licenses		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		**16,834,812**
Contract Services		2,521,090		2,521,090		2,521,090		2,521,090		2,521,090		2,521,090		**15,126,540**
Data Center Services		5,363,195		5,363,195		5,363,195		5,363,195		5,363,195		5,363,195		**32,179,170**
Agency Facilities		717,932		717,932		717,932		717,932		717,932		717,932		**4,307,592**
Other		685,852		685,852		685,852		685,852		685,852		685,852		**4,115,112**
Total IT Costs	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**486.0**	**128,593,122**
Continuing Program Costs:														
Staff [2/]	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	**49521.0**	**3,580,055,244**
Other		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		**582,512,910**
Total Program Costs	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**49521.0**	**4,162,568,154**
TOTAL EXISTING SYSTEM COSTS	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**50007.0**	**4,291,161,276**

1/ Information technology costs do not include non-CALSTARS departments that are part of the project or costs related to the support of any of the numerous accounting shoadow systems

2/ Costs are estimated based on an extrapolation of budget costs and an estimated accounting and procurement staff costs for departments that are part of the project.

Department costs will be calculated throughout the project lifecycle as outlined in Appendix D.

EXISTING SYSTEM/BASELINE COST WORKSHEET

All costs to be shown in whole (unrounded) dollars.

Department: Finance

Project: FI$Cal

Date Prepared: 12/14/06

	Subtotal		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Continuing Information Technology Costs 1/														
Staff (salaries & benefits)	486.0	45,639,666	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	**891.0**	**83,672,721**
Hardware Lease/Maintenance		10,390,230		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		**19,048,755**
Software Maintenance/Licenses		16,834,812		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		**30,863,822**
Contract Services		15,126,540		2,521,090		2,521,090		2,521,090		2,521,090		2,521,090		**27,731,990**
Data Center Services		32,179,170		5,363,195		5,363,195		5,363,195		5,363,195		5,363,195		**58,995,145**
Agency Facilities		4,307,592		717,932		717,932		717,932		717,932		717,932		**7,897,252**
Other		4,115,112		685,852		685,852		685,852		685,852		685,852		**7,544,372**
Total IT Costs	**486.0**	**128,593,122**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**891.0**	**235,754,057**
Continuing Program Costs: 2/														
Staff	49521.0	3,580,055,244	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	**90788.5**	**6,563,434,614**
Other		582,512,910		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		**1,067,940,335**
Total Program Costs	**49521.0**	**4,162,568,154**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**90788.5**	**7,631,374,949**
TOTAL EXISTING SYSTEM COSTS	**50007.0**	**4,291,161,276**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**91679.5**	**7,867,129,006**

1/ Information technology costs do not include non-CALSTARS departments that are part of the project or costs related to the support of any of the numerous accounting shoadow systems

2/ Costs are estimated based on an extrapolation of budget costs and an estimated accounting and procurement staff costs for departments that are part of the project.

Department costs will be calculated throughout the project lifecycle as outlined in Appendix D.

PROPOSED ALTERNATIVE: **FISCAL ERP**

Date Prepared: 12/14/06

Department: Finance

Project: FI$Cal

All Costs Should be shown in whole (unrounded) dollars.

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs														
Project Staff (Salaries & Benefits)	5.0	600,543	17.0	2,013,697	123.5	13,241,845	226.5	22,631,746	204.9	20,987,162	183.6	18,837,483	760.5	78,312,476
Program Staff (Salaries & Benefits)	0.0	0	0.0	0	110.2	10,499,914	186.7	18,549,645	283.4	26,336,796	405.9	36,997,988	986.2	92,384,343
Hardware Purchase		0		0		1,098,290		781,671		0		0		1,879,961
Software Purchase/License		0		0		211,447		61,776,514		0		0		61,987,961
Telecommunications										0		0		0
Contract Services		0												
Software Customization		0		0		0		92,000,000		92,000,000		92,000,000		276,000,000
Project Management		0		457,000		500,000		500,000		500,000		500,000		2,457,000
Project Oversight		0		171,000		360,000		540,000		540,000		540,000		2,151,000
IV&V Services		0		171,000		360,000		1,300,000		1,300,000		1,300,000		4,431,000
Other Contract Services		67,578		1,072,346		1,105,783		3,600,000		19,450,000		3,250,000		28,545,707
TOTAL Contract Services		67,578		1,871,346		2,325,783		97,940,000		113,790,000		97,590,000		313,584,707
Data Center Services		0		0		0		0		0				0
Agency Facilities		132,392		220,928		5,296,123		624,000		0		0		6,273,443
Project Other (Standard Comp, Travel, Training)		133,321		104,354		3,774,715		3,669,908		2,382,132		1,900,025		11,964,455
Program Other (Standard Comp.,)		0		0		871,643		1,511,770		1,685,725		2,524,590		6,593,728
Total One-time IT Costs	**5.0**	**933,834**	**17.0**	**4,210,325**	**233.7**	**37,319,760**	**413.2**	**207,485,254**	**488.3**	**165,181,815**	**589.5**	**157,850,086**	**1746.7**	**572,981,074**
Continuing IT Project Costs														
Staff (Salaries & Benefits)	0.0	0	0.0	0	3.0	304,442	5.0	505,094	21.3	2,149,679	42.6	4,299,357	71.9	7,258,572
Hardware Lease/Maintenance		0		0		18,181		18,181		18,181		18,181		72,724
Software Maintenance/Licenses		0		0		21,478		21,478		9,721,478		9,721,478		19,485,912
Telecommunications		0		0		72,380		72,380		72,380		72,380		289,520
Contract Services		0		0		0		0		0		0		0
Data Center Services		0		0		0		10,000,000		29,500,000		36,800,000		76,300,000
Agency Facilities		0		0		0		2,892,623		2,892,623		2,892,623		8,677,869
Other		0		0		531,100		647,115		1,171,015		1,224,257		3,573,487
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**0**	**3.0**	**947,581**	**5.0**	**14,156,871**	**21.3**	**45,525,356**	**42.6**	**55,028,276**	**71.9**	**115,658,084**
Total Project Costs	**5.0**	**933,834**	**17.0**	**4,210,325**	**236.7**	**38,267,341**	**418.2**	**221,642,125**	**509.6**	**210,707,171**	**632.1**	**212,878,362**	**1818.6**	**688,639,158**
Continuing Existing Costs														
Information Technology Staff	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	74.0	6,701,611	479.0	44,734,666
Other IT Costs		13,825,576		13,825,576		13,825,576		13,825,576		13,825,576		11,419,766		80,547,646
Total Continuing Existing IT Costs	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**74.0**	**18,121,377**	**479.0**	**125,282,312**
Program Staff (Existing)	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	49521.0	3,580,055,244
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		582,512,910
Total Continuing Existing Program Costs	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**49521.0**	**4,162,568,154**
Total Continuing Existing Costs	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8334.5**	**715,193,546**	**8327.5**	**711,882,736**	**50000.0**	**4,287,850,466**
TOTAL ALTERNATIVE COSTS	**8339.5**	**716,127,380**	**8351.5**	**719,403,871**	**8571.2**	**753,460,887**	**8752.7**	**936,835,671**	**8844.1**	**925,900,717**	**8959.6**	**924,761,098**	**51818.6**	**4,976,489,624**
INCREASED REVENUES		0		0		0		0		0		0		**0**

PROPOSED ALTERNATIVE: **FISCAL ERP**

Date Prepared: 12/14/06

Department: Finance

Project: FI$Cal

All Costs Should be shown in whole (unrounded) dollars.

	Subtotal		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs														
Project Staff (Salaries & Benefits)	760.5	78,312,476	162.4	16,687,805	151.7	15,612,965	141.1	14,538,126	130.4	13,463,287	0.0	0	1346.1	138,614,659
Program Staff (Salaries & Benefits)	986.2	92,384,343	464.9	42,604,318	402.9	37,324,979	280.4	26,663,787	196.4	19,026,577	0.0	0	2330.8	218,004,004
Hardware Purchase		1,879,961		0		0		0		0		0		1,879,961
Software Purchase/License		61,987,961		0		0		0		0		0		61,987,961
Telecommunications		0		4,000,000		0		0		0		0		4,000,000
Contract Services														
Software Customization		276,000,000		46,000,000		10,000,000		10,000,000		10,000,000		0		352,000,000
Project Management		2,457,000		500,000		500,000		500,000		500,000		0		4,457,000
Project Oversight		2,151,000		360,000		360,000		360,000		360,000		0		3,591,000
IV&V Services		4,431,000		720,000		360,000		360,000		360,000		0		6,231,000
Other Contract Services		28,545,707		3,250,000		3,250,000		0		0		0		35,045,707
TOTAL Contract Services		313,584,707		50,830,000		14,470,000		11,220,000		11,220,000		0		401,324,707
Data Center Services		0		0		0		0		0		0		0
Agency Facilities		6,273,443		0		0		0		0		0		6,273,443
Project Other		11,964,455		1,865,417		1,848,113		1,830,810		1,813,505		0		19,322,299
Program Other		6,593,728		2,918,955		2,475,638		1,608,821		1,011,503		0		14,608,645
Total One-time IT Costs	**1746.7**	**572,981,074**	**627.3**	**118,906,495**	**554.6**	**71,731,695**	**421.5**	**55,861,543**	**326.8**	**46,534,872**	**0.0**	**0**	**3676.9**	**866,015,679**
Continuing IT Project Costs														
Staff (Salaries & Benefits)	71.9	7,258,572	63.8	6,449,036	74.5	7,523,875	85.1	8,598,714	95.8	9,673,553	171.0	16,172,146	562.1	55,675,896
Hardware Lease/Maintenance		72,724		1,093,007		18,181		18,181		18,181		730,412		1,950,686
Software Maintenance/Licenses		19,485,912		9,997,727		9,721,478		9,721,478		9,721,478		9,811,099		68,459,172
Telecommunications		289,520		72,380		1,972,380		1,972,380		1,972,380		1,972,380		8,251,420
Contract Services		0		0		0		0		0		10,000,000		10,000,000
Data Center Services		76,300,000		39,800,000		41,250,000		42,700,000		43,150,000		44,500,000		287,700,000
Agency Facilities		8,677,869		2,892,623		2,892,623		2,892,623		2,892,623		2,772,263		23,020,624
Other		3,573,487		2,937,692		1,304,121		1,330,742		1,357,364		2,546,177		13,049,583
Total Continuing IT Costs	**71.9**	**115,658,084**	**63.8**	**63,242,465**	**74.5**	**64,682,658**	**85.1**	**67,234,118**	**95.8**	**68,785,579**	**171.0**	**88,504,477**	**562.1**	**468,107,381**
Total Project Costs	**1818.6**	**688,639,158**	**691.1**	**182,148,960**	**629.1**	**136,414,353**	**506.6**	**123,095,661**	**422.6**	**115,320,451**	**171.0**	**88,504,477**	**4239.0**	**1,334,123,060**
Continuing Existing Costs														
Information Technology Staff	479.0	44,734,666	74.0	6,701,611	64.0	5,827,795	55.0	4,961,583	46.0	4,095,393	29.0	2,561,945	747.0	68,882,993
Other IT Costs		80,547,646		11,419,766		9,641,434		8,522,002		7,402,570		6,203,138		123,736,556
Total Continuing Existing IT Cos	**479.0**	**125,282,312**	**74.0**	**18,121,377**	**64.0**	**15,469,229**	**55.0**	**13,483,585**	**46.0**	**11,497,963**	**29.0**	**8,765,083**	**747.0**	**192,619,549**
Program Staff (Existing)	49521.0	3,580,055,244	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	8253.5	596,675,874	90788.5	6,563,434,614
Other Program Costs (Existing)		582,512,910		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		1,067,940,335
Total Continuing Existing Progra	**49521.0**	**4,162,568,154**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**8253.5**	**693,761,359**	**90788.5**	**7,631,374,949**
Total Continuing Existing Costs	**50000.0**	**4,287,850,466**	**8327.5**	**711,882,736**	**8317.5**	**709,230,588**	**8308.5**	**707,244,944**	**8299.5**	**705,259,322**	**8282.5**	**702,526,442**	**91535.5**	**7,823,994,498**
TOTAL ALTERNATIVE COSTS	**51818.6**	**4,976,489,624**	**9018.6**	**894,031,696**	**8946.6**	**845,644,941**	**8815.1**	**830,340,605**	**8722.1**	**820,579,773**	**8453.5**	**791,030,919**	**95774.5**	**9,158,117,558**
INCREASED REVENUES		0		0		0		0		0		0		**0**

Department: Finance
Project: FI$Cal

ECONOMIC ANALYSIS SUMMARY

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 12/14/06

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		SUBTOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
EXISTING SYSTEM														
Total IT Costs	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	486.0	128,593,122
Total Program Costs	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	49521.0	4,162,568,154
Total Existing System Costs	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	50007.0	4,291,161,276
PROPOSED ALTERNATIVE	**FISCAL ERP**													
Total Project Costs	5.0	933,834	17.0	4,210,325	236.7	38,267,341	418.2	221,642,125	509.6	210,707,171	632.1	212,878,362	1818.6	688,639,158
Total Cont. Exist. Costs	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8327.5	711,882,736	50000.0	4,287,850,466
Total Alternative Costs	8339.5	716,127,380	8351.5	719,403,871	8571.2	753,460,887	8752.7	936,835,671	8844.1	925,900,717	8959.6	924,761,098	51818.6	4,976,489,624
COST SAVINGS/AVOIDANCES	(5.0)	(933,834)	(17.0)	(4,210,325)	(236.7)	(38,267,341)	(418.2)	(221,642,125)	(509.6)	(210,707,171)	(625.1)	(209,567,552)	(1811.6)	(685,328,348)
Increased Revenues		0		0		0		0		0		0		0
Net (Cost) or Benefit	(5.0)	(933,834)	(17.0)	(4,210,325)	(236.7)	(38,267,341)	(418.2)	(221,642,125)	(509.6)	(210,707,171)	(625.1)	(209,567,552)	(1811.6)	(685,328,348)
Cum. Net (Cost) or Benefit	(5.0)	(933,834)	(22.0)	(5,144,159)	(258.7)	(43,411,500)	(676.9)	(265,053,625)	(1186.5)	(475,760,796)	(1811.6)	(685,328,348)		

ECONOMIC ANALYSIS SUMMARY

Date Prepared: 12/14/06

Department: Finance

Project: FI$Cal

All costs to be shown in whole (unrounded) dollars.

	SUBTOTAL		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
EXISTING SYSTEM														
Total IT Costs	486.0	128,593,122	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	81.0	21,432,187	891.0	235,754,057
Total Program Costs	49521.0	4,162,568,154	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	90788.5	7,631,374,949
Total Existing System Costs	50007.0	4,291,161,276	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	8334.5	715,193,546	91679.5	7,867,129,006
PROPOSED ALTERNATIVE	**FISCAL ERP**													
Total Project Costs	1818.6	688,639,158	691.1	182,148,960	629.1	136,414,353	506.6	123,095,661	422.6	115,320,451	171.0	88,504,477	4239.0	1,334,123,060
Total Cont. Exist. Costs	50000.0	4,287,850,466	8327.5	711,882,736	8317.5	709,230,588	8308.5	707,244,944	8299.5	705,259,322	8282.5	702,526,442	91535.5	7,823,994,498
Total Alternative Costs	51818.6	4,976,489,624	9018.6	894,031,696	8946.6	845,644,941	8815.1	830,340,605	8722.1	820,579,773	8453.5	791,030,919	95774.5	9,158,117,558
COST SAVINGS/AVOIDANCES	(1811.6)	(685,328,348)	(684.1)	(178,838,150)	(612.1)	(130,451,395)	(480.6)	(115,147,059)	(387.6)	(105,386,227)	(119.0)	(75,837,373)	(4095.0)	(1,290,988,552)
Increased Revenues		0		0		0		0		0		0		0
Net (Cost) or Benefit	(1811.6)	(685,328,348)	(684.1)	(178,838,150)	(612.1)	(130,451,395)	(480.6)	(115,147,059)	(387.6)	(105,386,227)	(119.0)	(75,837,373)	(4095.0)	(1,290,988,552)
Cum. Net (Cost) or Benefit	(1811.6)	(685,328,348)	(684.1)	(178,838,150)	(612.1)	(130,451,395)	(480.6)	(115,147,059)	(387.6)	(105,386,227)	(119.0)	(75,837,373)	(4095.0)	(1,290,988,552)

PROJECT FUNDING PLAN

All Costs to be in whole (unrounded) dollars

Department: Finance

Project: FI$Cal

Date Prepared: 12/14/06

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		SUBTOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	**5.0**	**933,834**	**17.0**	**4,210,325**	**236.7**	**38,267,341**	**418.2**	**221,642,125**	**509.6**	**210,707,171**	**632.1**	**212,878,362**	**1818.6**	**688,639,158**
RESOURCES TO BE REDIRECTED														
Staff	3.0	378,930	12.0	1,416,110	9.0	1,061,110	9.0	1,061,110	9.0	1,061,110	9.0	1,061,110	**51.0**	**6,039,480**
Funds:														
Existing System		0		0		0		0		0		0		**0**
Other Fund Sources		99,537		615215				0		0		0		**714,752**
TOTAL REDIRECTED RESOURCES	**3.0**	**478,467**	**12.0**	**2,031,325**	**9.0**	**1,061,110**	**9.0**	**1,061,110**	**9.0**	**1,061,110**	**9.0**	**1,061,110**	**51.0**	**6,754,232**
ADDITIONAL PROJECT FUNDING NEEDED														
One-Time Project Costs	2.0	455,367	5.0	2,179,000	224.7	36,258,650	404.2	206,424,144	479.9	164,120,705	581.1	156,788,976	**1696.9**	**566,226,842**
Continuing Project Costs	0.0	0	0.0	0	3.0	947,581	5.0	14,156,871	21.3	45,525,356	42.6	55,028,276	**71.9**	**115,658,084**
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	**2.0**	**455,367**	**5.0**	**2,179,000**	**227.7**	**37,206,231**	**409.2**	**220,581,015**	**501.2**	**209,646,061**	623.7	211,817,252	**1768.8**	**681,884,926**
TOTAL PROJECT FUNDING	**5.0**	**933,834**	**17.0**	**4,210,325**	**236.7**	**38,267,341**	**418.2**	**221,642,125**	**510.2**	**210,707,171**	**632.7**	**212,878,362**	**1819.8**	**688,639,158**
Difference: Funding - Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.6	0	0.6	0	**1.2**	**0**
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	**0.0**	**0**

ADJUSTMENTS, SAVINGS AND REVENUES WORKSHEET
(DOF Use Only)

Department: Finance

Project: FI$Cal

Date Prepared: 12/14/06

Annual Project Adjustments	FY 2005/06 PYs	FY 2005/06 Amts	FY 2006/07 PYs	FY 2006/07 Amts	FY 2007/08 PYs	FY 2007/08 Amts	FY 2008/09 PYs	FY 2008/09 Amts	FY 2009/10 PYs	FY 2009/10 Amts	FY 2010/11 PYs	FY 2010/11 Amts
One-time Costs												
Previous Year's Baseline	0.0	0	2.0	455,367	5.0	2,179,000	224.7	35,628,650	404.2	204,938,361	479.9	162,634,922
(A1) One-Time Budget Adjustments						(630,000)		(855,783)				
(A) Annual Augmentation /(Reduction)	**2.0**	**455,367**	**3.0**	**1,723,633**	**219.7**	**34,079,650**	**179.5**	**170,165,494**	**75.7**	**(42,303,439)**	**101.2**	**(7,331,729)**
(B) Total One-Time Budget Actions	2.0	455,367	5.0	2,179,000	224.7	35,628,650	404.2	204,938,361	479.9	162,634,922	581.1	155,303,193
Continuing Costs												
Previous Year's Baseline	0.0	0	0.0	0	0.0	0	3.0	947,581	5.0	14,156,871	21.3	45,525,356
(C) Annual Augmentation /(Reduction)	**0.0**	**0**	**0.0**	**0**	**3.0**	**947,581**	**2.0**	**13,209,290**	**16.3**	**31,368,485**	**21.3**	**9,502,920**
(D) Total Continuing Budget Actions	0.0	0	0.0	0	3.0	947,581	5.0	14,156,871	21.3	45,525,356	42.6	55,028,276
Total Annual Project Budget Augmentation /(Reduction) [A + C]	**2.0**	**455,367**	**3.0**	**1,723,633**	**222.7**	**35,657,231**	**181.5**	**184,230,567**	**92.0**	**(10,934,954)**	**122.5**	**2,171,191**

[A, C] Excludes Redirected Resources

Total Additional Project Funds Needed [B + D]

Annual Savings/Revenue Adjustments

Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Increased Program Revenues		0		0		0		0		0		0

PROJECT FUNDING PLAN

Department: Finance

All Costs to be in whole (unrounded) dollars

Date Prepared: 12/14/06

Project: FI$Cal

	SUBTOTALS		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		TOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	**1818.6**	**688,639,158**	**691.1**	**182,148,960**	**629.1**	**136,414,353**	**506.6**	**123,095,661**	**422.6**	**115,320,451**	**171.0**	**88,504,477**	**4239.0**	**1,334,123,060**
RESOURCES TO BE REDIRECTED														
Staff	51.0	6,039,480	8.4	1,061,110	8.4	1,061,110	8.4	1,061,110	8.4	1,061,110	3.0	380,604	**87.6**	**10,664,524**
Funds:														
Existing System		0		0		0		0		0		0		**0**
Other Fund Sources		714,752		0		0		0		0		0		**714,752**
TOTAL REDIRECTED RESOURCES	**51.0**	**6,754,232**	**8.4**	**1,061,110**	**8.4**	**1,061,110**	**8.4**	**1,061,110**	**8.4**	**1,061,110**	**3.0**	**380,604**	**87.6**	**11,379,276**
ADDITIONAL PROJECT FUNDING NEEDED														
One-Time Project Costs	1696.9	566,226,842	618.9	117,845,385	546.2	70,670,585	413.1	54,800,433	318.4	45,473,762	0.0	0	**3593.5**	**855,017,007**
Continuing Project Costs	71.9	115,658,084	63.8	63,234,871	74.5	64,673,799	85.1	67,223,994	95.8	68,774,189	168.0	88,235,673	**559.1**	**467,800,610**
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	**1768.8**	**681,884,926**	**682.7**	**181,080,256**	**620.7**	**135,344,384**	**498.2**	**122,024,427**	**414.2**	**114,247,951**	**168.0**	**88,235,673**	**4152.6**	**1,322,817,617**
TOTAL PROJECT FUNDING	**1819.8**	**688,639,158**	**691.1**	**182,141,366**	**629.1**	**136,405,494**	**506.6**	**123,085,537**	**422.6**	**115,309,061**	**171.0**	**88,616,277**	**4240.2**	**1,334,196,893**
Difference: Funding - Costs	1.2	0	0.0	0	0.0	(8,859)	0.0	(10,124)	0.0	(11,390)	0.0	111,800	**1.2**	**81,427**
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	**0.0**	**0**

ADJUSTMENTS, SAVINGS AND REVENUES WORKSHEET
(DOF Use Only)

Department: Finance
Project: FI$Cal

Date Prepared: 12/14/06

Annual Project Adjustments		FY 2011/12 PYs	FY 2011/12 Amts	FY 2012/13 PYs	FY 2012/13 Amts	FY 2013/14 PYs	FY 2013/14 Amts	FY 2014/15 PYs	FY 2014/15 Amts	FY 2015/16 PYs	FY 2015/16 Amts	Net Adjustments PYs	Net Adjustments Amts
One-time Costs													
Previous Year's Baseline		581.1	155,303,193	618.9	116,359,602	546.2	69,184,802	413.1	53,314,650	318.4	43,987,979		
() One-Time Adjustments													
(A) Annual Augmentation /(Reduction)		**37.8**	**(38,943,591)**	**(72.7)**	**(47,174,800)**	**(133.1)**	**(15,870,152)**	**(94.7)**	**(9,326,671)**	**(318.4)**	**(45,473,762)**		
(B) Total One-Time Budget Actions		618.9	116,359,602	546.2	69,184,802	413.1	53,314,650	318.4	43,987,979	0.0	(1,485,783)	**3593.5**	**842,500,743**
Continuing Costs													
Previous Year's Baseline		42.6	55,028,276	63.8	55,028,276	74.5	56,467,204	85.1	59,017,399	95.8	60,567,594		
(C) Annual Augmentation /(Reduction)		**21.2**	**0**	**10.7**	**1,438,928**	**10.6**	**2,550,195**	**10.7**	**1,550,195**	**72.2**	**19,461,484**		
(D) Total Continuing Budget Actions		63.8	55,028,276	74.5	56,467,204	85.1	59,017,399	95.8	60,567,594	168.0	80,029,078	**559.1**	**426,767,635**
Total Annual Project Budget Augmentation /(Reduction) [A + C]		**59.0**	**(38,943,591)**	**(62.0)**	**(45,735,872)**	**(122.5)**	**(13,319,957)**	**(84.0)**	**(7,776,476)**	**(246.2)**	**(26,012,278)**		

[A, C] Excludes Redirected Resources

Total Additional Project Funds Needed [B + D] **4152.6** **1,269,268,378**

Annual Savings/Revenue Adjustments

Cost Savings		0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		
Increased Program Revenues			0		0		0		0		0		