



# ONE WASHINGTON

FMAC

October 23, 2014

# Overview

- » Possible replacement of the core financial systems for all agencies, in all three branches of government
- » Developing a strategy and action plan for the Legislature

# Project Authority

- » 2013-2015 Budget appropriated \$2,400,000 for the purpose of developing a strategy and action plan to modernize the state financial and administrative systems
- » Assess readiness of state government to conduct business transformation and system replacement
- » Incorporate the objectives of lean management
- » Recommendations on scope, phasing and timelines, outcomes and measures of success, product strategy, budget and financing options, risk mitigation, staffing and organization and strategies to close readiness gaps

# Business Objectives

- » Comprehensive and understandable business case based upon business value
- » Identification of business transformation opportunities
- » Recommendations for future project scope and strategies

# Enterprise Resource Planning System



# Current State

- » Complex collection of > 100 applications
- » The core general ledger system is 30 years old
- » Incomplete enterprise systems – procurement
- » Non-existent enterprise systems – grants
- » Processes are inefficient, and inconsistent
- » Agencies build workarounds or implement systems to meet their business needs

# Foundation and Assessment Phase

- » **Developed a service delivery strategy**
- » **Assessed the current financial systems**
- » **Assessed current business processes**
- » **Assessed state readiness for business transformation and system replacement**

# Business Process Assessment

	Lagging	Basic	Enhanced	Leading	Insights
<b>Finance</b>		Accounts Payable Accounting Grants Management Accounts Receivable	Risk Management Strategy, Planning, and Budget Development Data, Reporting, and Analytics Organization Management* Asset Management	Treasury Budget Management	<ul style="list-style-type: none"> <li>Processes related to Budget Management are a leading practice</li> <li>Multiple agencies indicated that they were unable to report on basic vendor or expenditure data</li> <li>Limited electronic storage of documentation</li> </ul>
<b>HR / Payroll</b>			Travel and Expense Management Time and Payroll		<ul style="list-style-type: none"> <li>HR is somewhat manual, but executed well.</li> <li>TLA project may address many HR challenges</li> </ul>
<b>Procurement</b>	Procurement Strategies Data, Reporting, and Analytics	Fulfillment and Inventory Procure to Pay Organization Management	Vendor Management		<ul style="list-style-type: none"> <li>Procure to Pay cycle is a challenge</li> <li>Agency procurement data practices vary widely</li> <li>Inconsistent Procurement data causes challenges across most process areas</li> </ul>

\*Organization Management maturity does not include Innovative Funding, Management of Cross Agency Initiatives, or Management of Boards and Authorities due to limited information gathered during interviews

# Readiness Assessment

## Organizational (Overall) Readiness

Extensive change management needed to improve cultural and people readiness, and clear standardized documentation needed to improve process and technical readiness.

### Cultural Readiness

- Hesitation around statewide implementations, especially those with large scope.
- Lower level employees are empowered to drive change by joining committees, though changes are not adopted due to lack of executive sponsorship.
- Communication vehicles are effective, but when a key impacted party is left out of the communication, this has a negative effect.

### People Readiness

- Resource constraints limit how many people can be devoted to a project.
- Strong agency-specific communications offerings, but a general feeling that the State would need to handle the training due to resource constraints.
- Some PM and governance capabilities. Agencies have the right people with the right skills serving as PMs.
- Agencies have a clear model for engaging with bargaining units and unions.

### Process Readiness

- Mixed agreement / disagreement when asked if agency maintains accurate and clear documentation of current processes.
- Highly complex and inconsistent processes within and between agencies.

### Technical Readiness

- Mixed agreement / disagreement when asked if agency maintains accurate and clear documentation of current technology.
- Consistent disagreement when asked if agency has data readily available.

## **Evaluated three scenarios**

- » **1- Managed services Enterprise Resource Planning (ERP) system for financials and procurement**
- » **2- Best of Breed eProcurement application with managed services ERP financials**
- » **3 – Best of Breed eProcurement application with Software as a Service ERP financials**

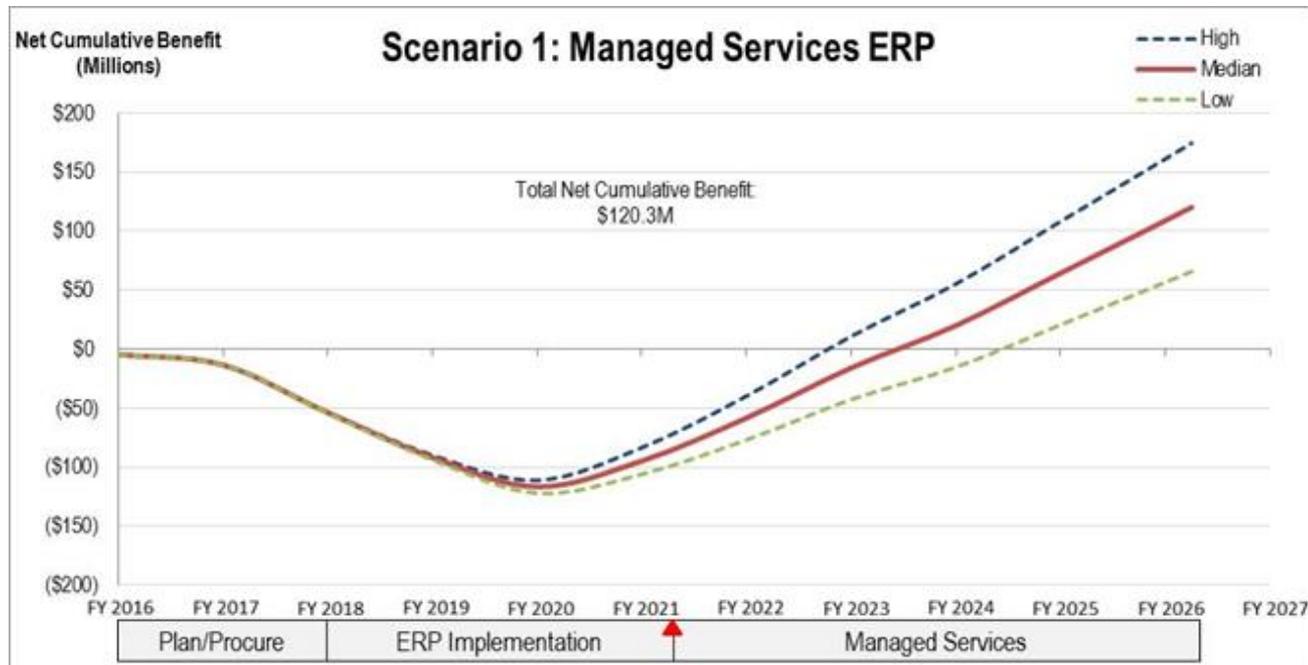
# Built a business case for each scenario

- » **Hard dollar costs based on phasing and timelines, staffing etc.**
- » **Hard dollar benefits that are possible because of system functionality, including:**
  - › **Strategic sourcing**
  - › **Prompt pay discounts**
  - › **Receivable collections**
  - › **Vendor fees**
  - › **Purchase cards**
  - › **Software maintenance fees**
  - › **Printing reduction**

### Scenario 1

The break-even point for Scenario 1 occurs toward the middle of FY 2023. Over the next six biennia, total benefits exceed total costs by \$120.3 million.

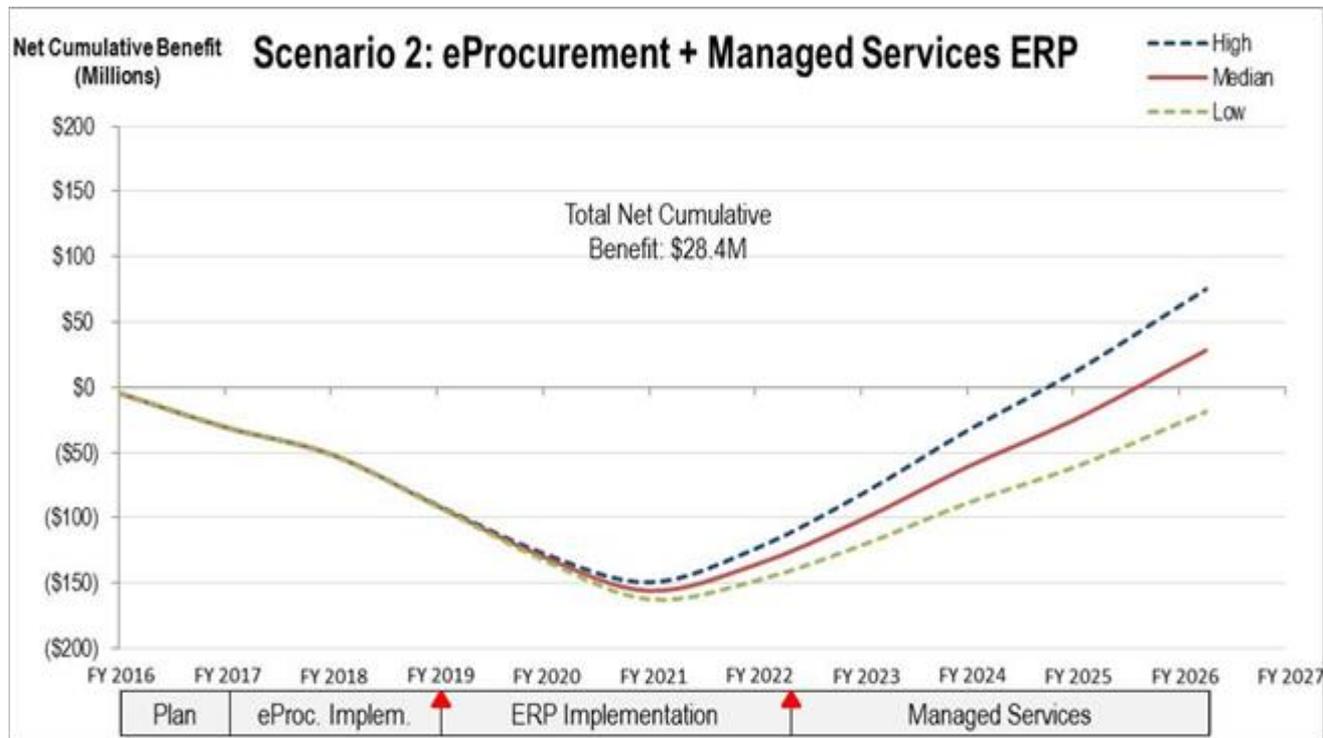
	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
<b>Costs</b>	\$ 13.3	\$ 91.6	\$ 64.9	\$ 24.5	\$ 33.2	\$ 15.2	\$ 242.7M
<b>Benefits</b>	-	13.0	62.1	103.4	113.5	71.0	\$ 363.0M



## Scenario 2.

The break-even point for Scenario 2 occurs towards the middle of FY 2025. Over the next six biennia, total benefits exceed total costs by \$28.4 million.

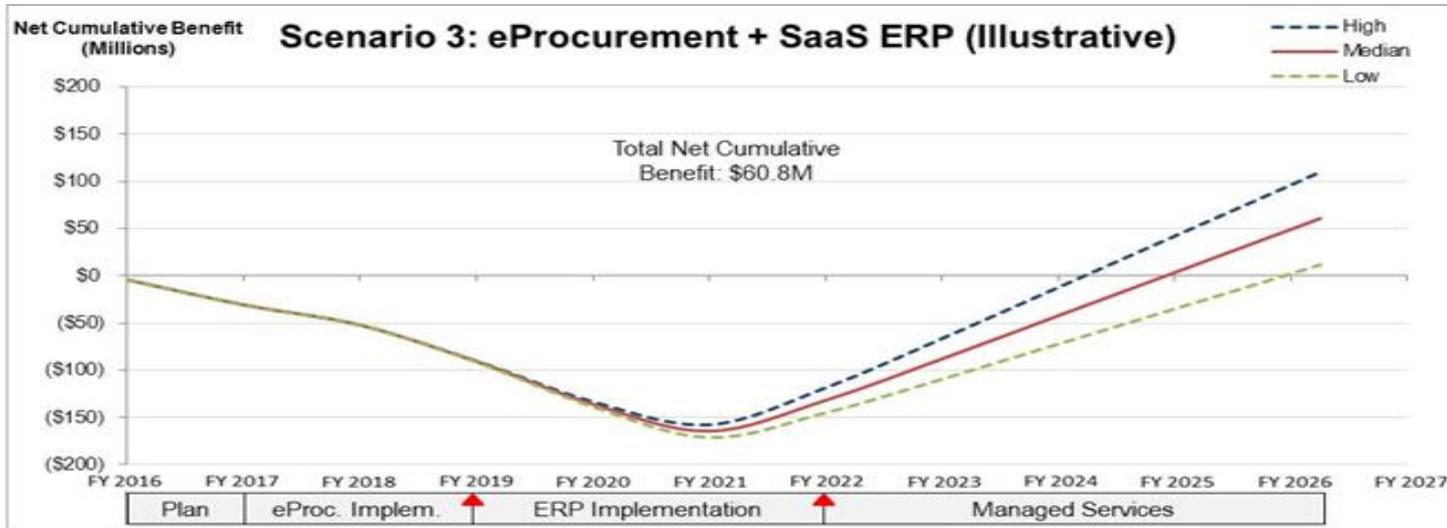
	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
<b>Costs</b>	\$ 30.4	\$ 64.1	\$ 104.4	\$ 32.9	\$ 35.1	\$ 17.5	\$ 84.4M
<b>Benefits</b>	-	3.9	39.3	87.2	111.5	70.9	\$ 312.8



### Scenario 3

The break-even point for Scenario 3 occurs at the end of FY 2024. Over the next six biennia, total benefits exceed total costs by approximately \$60.8 million.

	FY 16-17	FY 18-19	FY 20-21	FY 22-23	FY 24-25	FY 26-27*	Total
<b>Costs</b>							\$ 267.0M
<b>Benefits</b>	\$ -	\$ 3.9	\$ 41.1	\$ 98.4	\$ 113.5	\$ 70.9	\$ 327.8 M



\*Note: FY 25-27 figures include one quarter of FY 2027.

# Mission Impacts

## Positive

- + Redesigning business processes through Lean
- + Winning the war for talent
- + Converting data to insights for decision making
- + Shifting from system maintenance to program support
- + Reducing risk of system failures
- + Standardizing payee and customer data
- + Making travel self-service
- + Facilitating budget planning
- + Gaining needed capabilities
- + Accounting for results via chart of accounts and outcomes
- + Reporting the right information at the right time to the right people
- + Meeting and exceeding public expectations

## Negative

- Increased vigilance to avoid project and system failure
- Staff productivity loss during transition
- Culture change to accomplish enterprise-wide governance
- Workforce turnover
- Deluge of data
- Changes in job descriptions and functions
- Heightened public expectations for open data

# Final Report Conclusion

- » Meeting today's challenges of increased demands for services, rising costs, and limited resources requires an operating design, business processes, and IT systems designed for this new era.
- » One Washington provides all three.
- » It is a good business decision and a good mission decision.

# Next Steps

- » Developing a recommended plan and approach for next biennium and beyond
- » Review our plan with external advisors
- » Report to the Legislature



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