

Transform Financial Processes

OFM budget request summary

The proposal

This proposal provides capacity to reengineer and transform the core financial and administrative processes of state government. Current financial systems cannot be easily modified to provide the necessary level of process automation and would be replaced over the next eight years with modern tools to be used by the entire enterprise. The automation of time and attendance reporting would take place first, a top priority of many agencies, including the Department of Transportation which will serve as a pilot agency. Activities next biennium will also include the reengineering of financial business processes, redesign of the state's chart of accounts, and development of an implementation plan to replace the state's aging financial systems with an ERP (enterprise resource planning) system.

The problem

OFM no longer provides a modern, complete accounting system as required by law---this is a significant barrier to transformation and consolidation

- The technology is obsolete and limiting.
- The state's approach to supporting financial management is no longer modern—the older systems capture information, but don't support the processes themselves. Each agency must spend valuable time and resources to figure out the approach and tools their organization will use. This drives much of the independent IT systems in larger agencies.
- The enterprise financial system suite is incomplete. The lack of basic functionality available in the suite leads to system duplication across state government as agencies have been required to meet these needs on their own. An analysis of the state's IT portfolio database found at least 220 agency systems supporting basic financial management processes.
- It is costly and difficult to meet today's demands for decision-support and transparency information and leverage the wealth of data captured as an enterprise asset.

Government reform cannot be sustained without an infrastructure that makes it possible. The right kinds of financial and administrative systems are a critical part of this infrastructure. OFM's data-capture systems need to be replaced with those which enable standard statewide processes. OFM is proposing to do this by implementing an ERP system

Reengineer state financial processes, supported by a modern ERP system

ERP stands for Enterprise Resource Planning, and refers to an integrated computer system which supports the enterprise-wide financial, administrative and business activities of an organization. Most major companies and many governments now use these kinds of systems. The state's payroll system is a component of ERP and we would likely build on this investment. The ERP would ultimately support as many as 27 common state business functions and would take six to ten years to complete.

Key Benefits

- Ability to significantly reduce systems duplication in state government
- Ability to redirect agency capacity from back office processes to agency core missions
- Access to more real-time financial information
- More sophisticated cost accounting and business intelligence capability
- Reduced training and increased productivity when financial and administrative staff move between agencies as most tools and processes will be common
- Ability to capture and report on information to support decision making and leveraging the data.

PROJECT AT A GLANCE

	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium	2017-19 Biennium
Estimated project expenditure*	\$21,600,000	\$53,900,000	\$82,500,000	\$13,000,000
Key project activities expected	<ul style="list-style-type: none"> · Procure and implement an automated time and attendance system · Begin reengineering the state's core financial and administrative processes · Define system requirements · Design new chart of accounts · Determine ERP implementation approach · - Refine project scope and expected costs and benefits 	<ul style="list-style-type: none"> · System procurement activity · Process reengineering · Change management · ERP design and initial development 	<ul style="list-style-type: none"> · Development and implementation of the core ERP components · Process reengineering, change management and design of remaining ERP components determined to be in scope 	<ul style="list-style-type: none"> · Development and implementation of the remaining ERP components determined to be in scope
Systems likely to be implemented this period	Automated time and attendance for pilot agencies	Automated time and attendance for all agencies	<ul style="list-style-type: none"> · General Ledger Accounting · Labor distribution · Cost and project accounting · Accounts receivable · Procure to pay cycle · Capital asset accounting 	TBD-but may include: <ul style="list-style-type: none"> · Budget development and monitoring · Performance management · Grant accounting

* Estimates of costs and benefits will be refined as part of the implementation planning in the 2011-13 biennium

Proposed financing approach

A combination of appropriations, inter-fund loans and Certificate of Participation financing are proposed for initial financing. OFM currently charges agencies for the use of the enterprise financial systems. Rates would be adjusted to cover the cash flow needs of the project and the cost of the operation of the new systems and to eliminate charges for old systems as they are decommissioned.

Significant items of note

- **This is a business process transformation project**
This is first and foremost a business transformation project, not an IT project. The majority of the effort, cost, frustration, change and benefit will be related to the redesign of the state's business processes for financial and administrative activities. The project must put a high priority on change management, training, and communication throughout the effort.
- **Consolidation opportunities**
Standardization and automation will allow the state to see and seize more shared service opportunities.
- **New kinds of governance bodies will be needed**
Because this project will touch most corners of state government, effective governance and stakeholder engagement will be critical to success. The state will need to clarify which groups—existing or new—will have decision rights in areas that haven't been well defined to date. For example, who will make the decisions about which business processes should be standardized and which are unique enough that they should not be included in the new ERP system?
- **A new chart of accounts**
The state will have an opportunity to design a new chart of accounts that can better meet the state's needs today. While this could provide many benefits, we recognize that this will be a significant task and may create issues and work in other areas.
- **Achieving benefits will require some compromise and loss**
There are tradeoffs any time you move from long-used or customized systems. The tradeoffs are likely to be most pronounced at agencies that are converting from custom-built, in-house systems that have been tailored specifically to their business needs. There will be tough decisions on how to balance project costs, enterprise needs, ERP sustainability and specialized information needs. The state should expect trade-offs in the area of performance as well. In the course of making certain performance gains, some processes may become less efficient.
- **This will require a significant commitment of time and energy**
No budget estimate can capture the full contribution of time and energy that state employees will make to this kind of significant change. The project cannot be successful without these contributions and efforts. This kind of transformation is necessarily disruptive. Agencies cannot contribute the required expertise to the project if that compromises the integrity of the agency mission. Project funding should be sufficient to help ensure both needs can be met. The state may also want to consider putting other potentially competing initiatives on hold.
- **We will take to heart the lessons of others**
This kind of major transformation project will always experience some rough waters along the way. This state has the opportunity to learn lessons from our own history in major projects as well as from others. We have already found other states and governments to be very generous in sharing what they've learned from their experience.