



**Annual Report to the Legislature
February 14, 2014**

In Partnership With:

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



TABLE OF CONTENTS

SIGNATURE PAGE	4
LEGISLATIVE MANDATE	5
EXECUTIVE SUMMARY/OVERVIEW OF PROJECT STATUS <i>(Legislative Mandate #1)</i>	6
PROJECT TIMELINE - CALENDAR YEAR 2014.....	12
OVERVIEW OF THE PROJECT'S HISTORY (<i>Legislative Mandate #2</i>)	12
ACTUAL AND BUDGETED EXPENDITURES (<i>Legislative Mandate #5</i>).....	12
STAFFING (<i>Legislative Mandate #5</i>)	14
CHANGE MANAGEMENT / STAKEHOLDER ENGAGEMENT <i>(Legislative Mandate #7)</i>	14
OPERATIONS AND MAINTENANCE	16
SIGNIFICANT EVENTS (<i>Legislative Mandate #3</i>)	17
FUTURE ACTIVITIES (<i>Legislative Mandate #3</i>)	19
ACHIEVED FUNCTIONALITY AND QUALITATIVE BENEFITS <i>(Legislative Mandate #6)</i>	20
SIGNIFICANT SOFTWARE CUSTOMIZATION (<i>Legislative Mandate #9</i>).....	21
MITIGATION ACTIONS FOR MISSED MAJOR MILESTONES <i>(Legislative Mandate #4)</i>	22
PROJECT OBJECTIVES PROGRESS (<i>Legislative Mandate #10</i>).....	22
LESSONS LEARNED AND BEST PRACTICES (<i>Legislative Mandate #8</i>).....	29
Appendix A: Project History.....	32
Appendix B: System Scope By Wave.....	35
Appendix C: Glossary and Acronyms.....	39



List of Tables

Table 1. Significant Events.....	18
Table 2. Future Events.....	19
Table 3. Project Objectives Progress	23
Table 4. Lessons Learned.....	29
Table 5. 2012 Significant Events.....	34
Table 6. Pre-WaveSystem Scope	35
Table 7. Wave 1 System Scope	35
Table 8. Wave 2 System Scope	36
Table 9. Wave 3 System Scope	37
Table 10. Wave 4 System Scope	37

List of Figures

Figure 1. Wave Timeline Comparison	8
Figure 2. FI\$Cal Project Costs	10
Figure 3. FI\$Cal Dashboard	11
Figure 4. Project Timeline	12
Figure 5. FI\$Cal Budget and Expenditures.....	13

SIGNATURE PAGE

The FI\$Cal Steering Committee Members by consensus decision approved this Annual Report to the Legislature on February 14, 2014.

Project leadership approval and concurrence:



Barbara Taylor
Project Executive



Tamara Armstrong
Project Director



Sue Johnsrud
Executive Partner

LEGISLATIVE MANDATE

Legislation codified in [Government Code Section 13300.5](#) requires the FISCAL Project to report to the Legislature an update on the Project, by February 15 of each year, with the following information:

1. An executive summary and overview of the project's status.
2. An overview of the project's history.
3. Significant events of the project within the current reporting period and a projection of events during the next reporting period.
4. A discussion of mitigation actions being taken by the project for any missed major milestones.
5. A comparison of actual to budgeted expenditures, and an explanation of variances and any planned corrective actions, including a summary of FISCAL project and staffing levels and an estimate of staff participation from Partner Agencies.
6. An articulation of expected functionality and qualitative benefits from the project that were achieved during the reporting period and that are expected to be achieved in the subsequent year.
7. An overview of change management activities and stakeholder engagement in the project, including a summary of departmental participation in the FISCAL project.
8. A discussion of lessons learned and best practices that will be incorporated into future changes in management activities.
9. A description of any significant software customization, including a justification for why, if any, customization was granted.
10. Updates on the progress of meeting the project objectives, including the objectives provided in paragraph (1) of subdivision (c) of Section 15849.22.

The initial report, due February 15, 2013, shall provide a description of the approved project scope. Later reports shall describe any later deviations to the project scope, cost, or schedule.

This report represents the second submission of the Annual Legislative Report per Mandate [Government Code Section 13300.5](#).

EXECUTIVE SUMMARY/OVERVIEW OF PROJECT STATUS *(Legislative Mandate #1)*

From its beginnings in 2005 as a Department of Finance Feasibility Study, the Financial Information System for California (“FI\$Cal” when referring to the System; the “Project” when referring to the FI\$Cal Project Team) has grown into one of the largest and most dynamic information technology undertakings in the history of the State. The FI\$Cal Project stands on the threshold of a roll-out that will forever change the way California conducts its financial management activities. This major event is thanks to an extensive effort that includes FI\$Cal’s leaders and teams, the Partner Agencies¹, Accenture, LLP (Accenture) as the System Integrator, multiple contractors, representatives from many State agencies and departments, and the Legislature.

FI\$Cal is intended to enable the State of California to combine accounting, budgeting, cash management, and procurement operations into a single financial management system. This will eliminate the need for more than 2,500 independent legacy systems and department-specific applications that support the internal financial management operations of the State. Most of these systems and applications do not communicate with each other, and have exceeded their useful lives.

Among its many benefits, FI\$Cal will provide State agencies and departments the ability to manage California’s annual budget in an integrated, automated system, produce accurate financial data, manage and automate approvals through workflow, consolidate vendor information into one master file, reduce State government’s environmental footprint by reducing paper consumption, and eliminate many of the State’s outdated legacy financial management systems.

The FI\$Cal Project is using proven technology and leveraging best practices and lessons learned from [Enterprise Resource Planning \(ERP\)](#) experts and other projects. By standardizing business processes, FI\$Cal will eliminate the need for redundant manual input, time-consuming reconciliations, and auxiliary systems and spreadsheets. These changes will increase the accuracy, timeliness, and flexibility of data reporting, improve financial management, and enhance transparency.

The FI\$Cal Project is implementing a [commercial-off-the-shelf \(COTS\)](#) ERP solution. COTS ERP solutions have been widely and successfully deployed for years in both the private and public sectors. Benefits include greater operational efficiency due to the establishment of more effective business practices and elimination of unnecessary steps.

To achieve the FI\$Cal Project vision of implementing a statewide ERP to be used by the four Partner Agencies and all departments (with exceptions as permitted by law), the FI\$Cal Project developed objectives that specify what benefits the selected ERP system should provide. The vision and objectives for FI\$Cal have been codified in [Government Code Section 15849.22](#). The System is scheduled to be deployed in five waves, composed of Pre-Wave and Waves 1-4.

The Wave 1 Design and Build Phases are complete for all functionality except for some functionality related to budgets and approved Change Requests. We are continuing to make progress in these areas, but do not expect the respective design and build activities to be completed until March 2014. However, the Project remains on schedule and within budget for a Wave 1 deployment on July 1, 2014. Wave 2 planning activities will begin in March 2014.

¹ The Partner Agencies are the Department of Finance (DOF), the State Treasurer’s Office (STO), the State Controller’s Office (SCO), and the Department of General Services (DGS).

However, the Project remains on schedule and within budget for a Wave 1 deployment on July 1, 2014. Wave 2 planning activities will begin in March 2014.

Significant Events

Significant events since the submission of the initial FI\$Cal Annual Report to the Legislature dated February 13, 2013 includes the following:

- Deployment of Pre-Wave procurement functionality including requisitions, purchase orders, and receipts on July 1, 2013. This functionality was deployed to seven State entities.
- Implementation of the single, statewide master vendor file ([Vendor Management File \[VMF\]](#)).
- Implementation of the FI\$Cal Service Center (FSC) to support Pre-Wave users.
- Preparation and submission of Special Project Report (SPR) 5. A summary of SPR 5 is presented below.

SPR 5 Summary

On January 8, 2014 the Steering Committee approved submittal of FI\$Cal SPR 5. The California Department of Technology approved SPR 5 on January 17, 2014.

Although this Annual Report to the Legislature is meant to cover only 2013, a summary of SPR 5 is also presented given its significance to the FI\$Cal implementation.

Information provided in this report related to 2014 and subsequent years are contingent upon the approval of the Control Section 11.00 Letter associated with SPR 5.

SPR 5 makes the following changes to FI\$Cal waves and the timeline:

- **Wave 1:** No changes
- **Wave 2:** SPR 4 planned for the 12-month implementation of SCO, STO, and DGS control agency functions, as well as 75 additional departments, including DGS-Contracted Fiscal Services.

SPR 5 allows DGS to replace its [Activity-Based Management System \(ABMS\)](#) with FI\$Cal, as ABMS has reached the end of its useful life and is no longer supported by the Office of Technology Services Standards.

SPR 5 adds DGS's previously deferred, departmental operations functions to Wave 2, and the following departments from Wave 3 to address their immediate need for Wave 2 functionality: CalRecycle and Department of Toxic Substances Control.

In addition, the Department of Consumer Affairs' procurement functionality only remains in Wave 2; this department's other functionality moves from Wave 2 to Wave 4.

SPR 5 moves SCO and STO control agency functions from Wave 2 to Wave 3.

SPR 5 extends Wave 2's implementation from 12 months to 15 months.

- **Wave 3:** SPR 4 planned for a 12-month, mid-year implementation of 20 departments that overlapped with Waves 2 and 4. SPR 5 eliminates the mid-year implementation and

shifts STO and SCO control agency functions to Wave 3. Wave 3 will be a 24-month implementation with a new go-live date of July 2016.

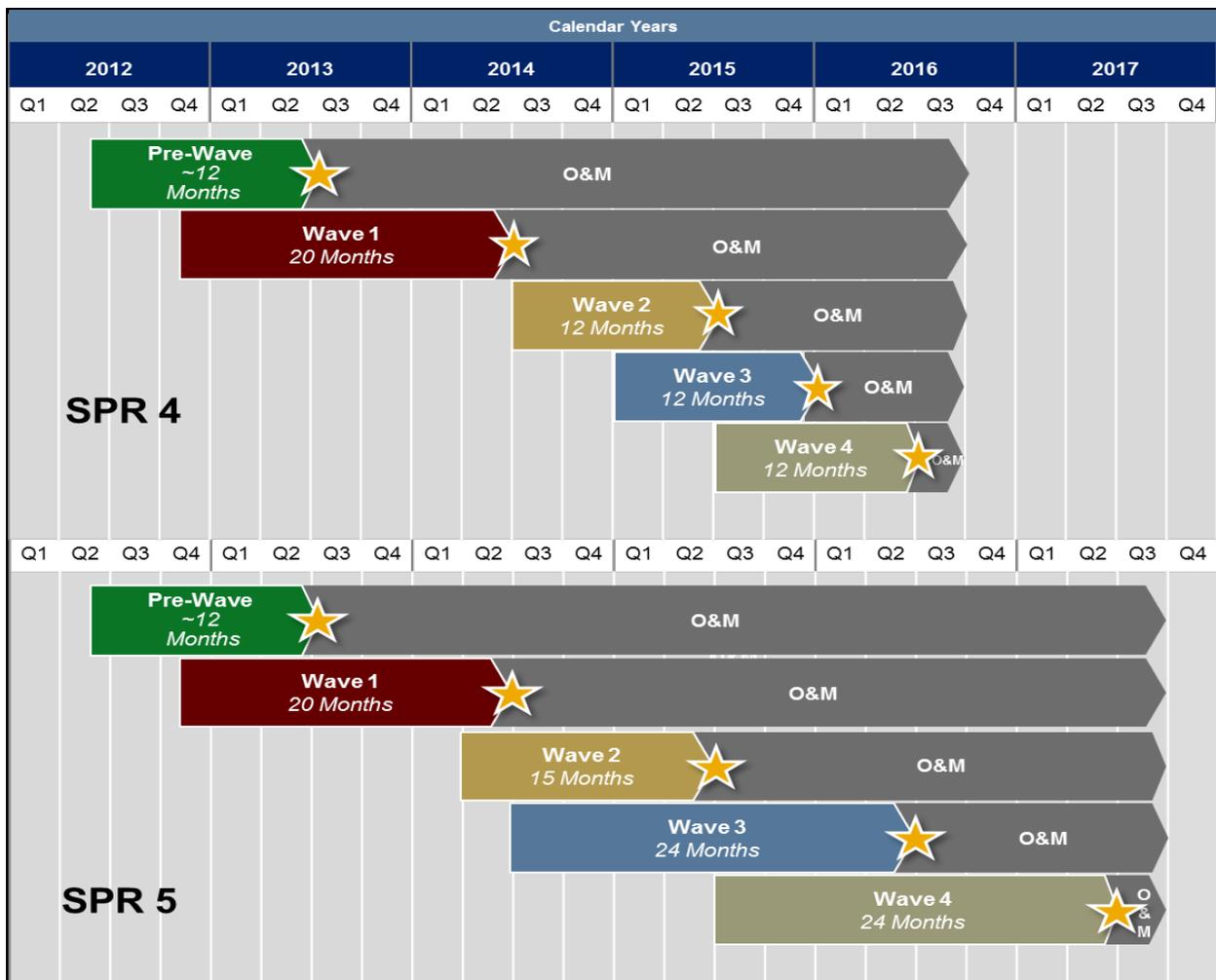
All other departments originally scheduled to implement in Waves 2 and 3 are shifted to Wave 4.

Wave 3 also includes a PeopleSoft upgrade.

- **Wave 4:** Includes all remaining departments and the Department of Consumer Affairs' non-procurement functionality. Wave 4 is a 24-month implementation with a new go-live date of July 2017.

Figure 1 illustrates the revised wave timeline comparing SPR 5 to the current SPR 4 timeline.

FIGURE 1. WAVE TIMELINE COMPARISON



SPR 5 was developed for the following reasons:

- As a result of the successful Pre-Wave implementation and efforts to date for implementing Wave 1, the Project is more familiar with the opportunities and challenges of the technical solution. Consequently, consistent with the scope of Pre-Wave and with the advice of the State's [ERP](#) Advisors, the Project evaluated the implementation strategy for future waves to reduce risk and ensure Project success.
- To address the complexity of Business Process Re-engineering and integration between the control agencies, additional time is added to Waves 2-4 to analyze, design, build, test, and implement FI\$Cal.
- The control agency implementation is unique and more complex than departmental implementations, and will require more dedicated resources and effort than originally envisioned. Minimizing the number of departments in Waves 2 and 3 focuses Project resources on the control agencies' functionality, reducing the risk profile for the Project.
- The changes for control agencies impact all departments. Therefore, it is crucial to have FI\$Cal implemented and stabilized prior to rolling out the system to the remainder of the departments.

The departments will benefit from more time to design and adapt their internal business processes, train staff, and develop interfaces and conversions. The departments will also benefit by transitioning to the full scope of FI\$Cal functionality in a single implementation. This transition combined with the Wave 3 System upgrade further reduces risk and eliminates the need for retraining departmental staff and the adverse impacts of phased functionality rollouts.

SPR 5 provides details of the recommended changes.

Figure 2 outlines a Project cost comparison between SPR 4 and SPR 5.

FIGURE 2. FI\$CAL PROJECT COSTS

	Fiscal Year	SPR 4 Approved 3/2/12	SPR 5 Approved 1/17/14	Difference
Actuals	2005/06 - 2010/11	55,802,864	55,802,864	0
Actuals	2011/12	38,790,960	21,792,710	(16,998,250)
Actuals	2012/13	88,978,046	81,967,543	(7,010,503)
Budgeted	2013/14	84,596,627	85,101,242	504,615
Budgeted	2014/15	101,908,979	106,517,000	4,608,021
Budgeted	2015/16	130,014,605	133,968,396	3,953,791
Budgeted	2016/17	84,194,295	90,045,298	5,851,003
Budgeted	2017/18	32,519,267	59,837,841	27,318,574
Budgeted	2018/19	-	37,571,674	37,571,674
	Total	616,805,643	672,604,568	55,798,925

Events Forecast for 2014

Notable events forecast for the next reporting period include the following (See the [Glossary](#) for definitions of technical terms):

- Approval of SPR 5
- **Wave 1**
 - Test Phase completes
 - End user and FI\$Cal support staff training complete
 - [User support lab](#) available
 - [Dry run](#) and [dress rehearsal](#) complete
 - [Cutover](#) activities complete
 - [Go live](#) of Wave 1
 - Accenture Service Level Agreement executes
- **Wave 2**
 - [Change Network](#) launches
 - [Fit/Gap Analysis](#) and [Conference Room Pilots \(CRPs\)](#) complete
 - Analyze Phase completes
 - Design configuration completes
 - Technical design of units [Reporting, Interface, Conversion, Extensions, and Forms \(RICEF\)](#) completes
 - Analyze and design technical architecture completes
 - Design Phase completes
 - [Configuration](#) build completes

- [Interface](#) and [conversion](#) build completes
- Build Phase completes
- [Business Process Workshops \(BPWs\)](#) complete
- Develop training materials begins
- Test Phase begins

- **Wave 3**
 - [Change Network](#) launches
 - [Fit/Gap Analysis](#) and [CRPs](#) complete
 - Analyze and design technical architecture begins
 - Software upgrade analysis begins
 - Analyze Phase completes

Project Health

This FI\$Cal Annual Report to the Legislature addresses in detail the items delineated in the legislative mandate, covers the period from January 1, 2013, through December 31, 2013, and includes a look-ahead period as appropriate. Figure 3, FI\$Cal Dashboard, presents a high-level assessment of the status of the Project based on six basic criteria: schedule, cost, deliverables, scope, risks, and resources.

FIGURE 3. FI\$CAL DASHBOARD

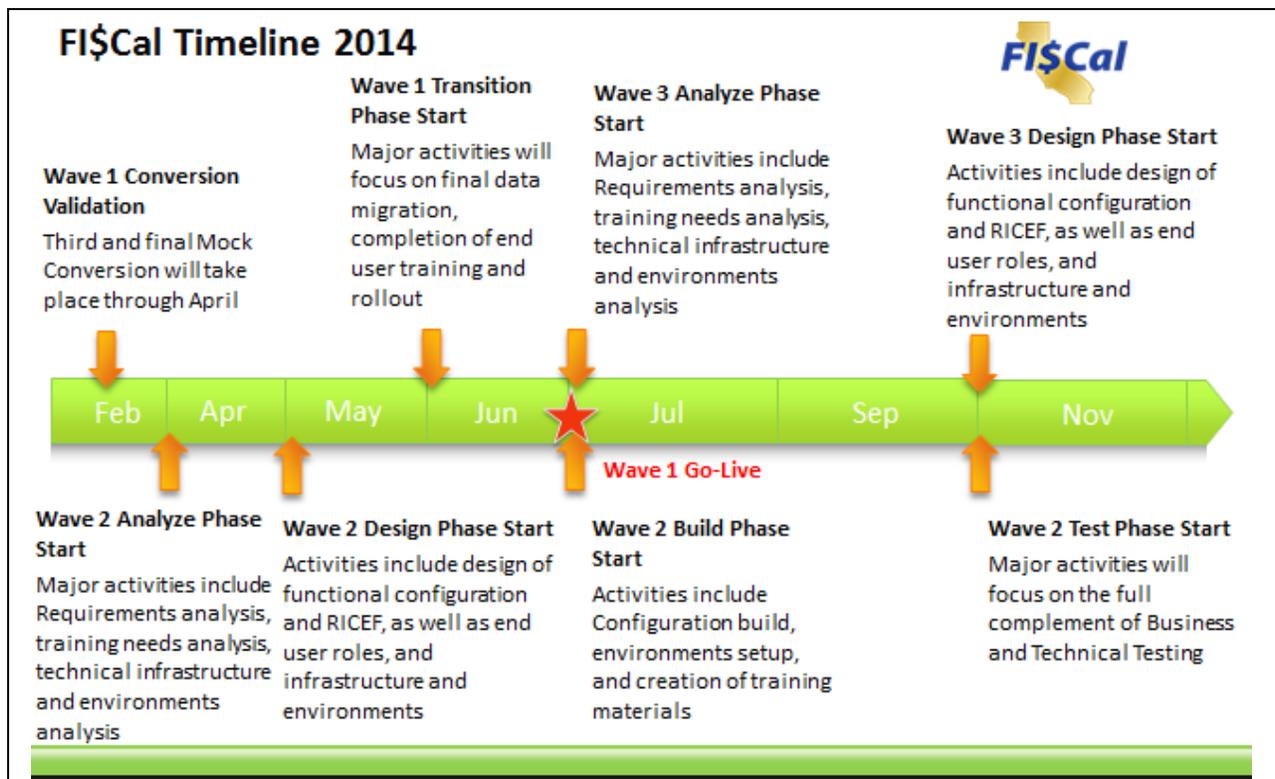
Measurement	Prior Status	Current Status	Status
Schedule			Wave 1 go-live milestone is on track, although some work streams are tracking behind. Overall the Project is still on track.
Cost / Budget			The Project continues to operate within budget. The Project continues to monitor costs and address funding needs through the annual budget process.
Deliverable Quality			Risk 285 for Poor Deliverable Quality addresses the quality of all deliverables. This risk remains open. Mitigation steps continue to be developed and the risk monitored.
Scope			The Steering Committee approved Change Request CR 349 moving Legacy Data Repository from Wave 1 to Wave 2.
Risk & Issue			Risks and Issues continue to be identified. The Risk and Issue Workgroup is actively managing current Risks and Issues.
Resources			The Project received authorization for 39 additional positions through December 2013 which increased our vacancy rate. The Project continues on-going recruitment for all vacancies.

The above dashboard is as of December 31, 2013 and does not include pending Change Requests or work still in the pipeline that may have a direct impact on the schedule in 2014.

PROJECT TIMELINE - CALENDAR YEAR 2014

Figure 4 gives an overview of the project timeline for calendar year 2014.

FIGURE 4. PROJECT TIMELINE



OVERVIEW OF THE PROJECT'S HISTORY (Legislative Mandate #2)

A history of the Project is discussed in [Appendix A. Project History](#).

ACTUAL AND BUDGETED EXPENDITURES (Legislative Mandate #5)

Figure 5 provides a breakdown of the actual and projected expenditures for 2013-14.

FIGURE 5. FI\$CAL BUDGET AND EXPENDITURES

Project Costs	FY 2013-14				Cumulative Project Costs ^{3/}
	Governor's Budget	Actuals ^{1/}	Year End Projections	Difference	
Project: FI\$Cal					
FY 2013-14 Actuals through December 2013					
Staff (Salaries & Benefits - Project & Partners)	32,070,242	7,742,300	28,932,333	3,137,909	68,982,536
Hardware Purchase	1,197,350	158,807	1,197,350	0	5,103,304
Software Purchase / License	727,650	162,281	727,650	0	2,949,775
Telecommunications	379,000	38,004	102,927	276,073	38,004
Contract Services:					
Software Customization ^{2/}	26,219,313	5,523,472	26,219,313	0	48,706,593
Project Management	940,000	69,077	940,000	0	4,850,936
Project Oversight	424,400	0	424,400	0	1,122,613
IV&V Services	1,000,000	75,600	1,000,000	0	2,922,492
Other Contract Services	9,369,710	354,574	9,369,710	0	21,100,354
TOTAL Contract Services	37,953,423	6,022,723	37,953,423	0	78,702,988
Data Center Services	2,336,000	213,993	1,513,584	822,416	1,176,484
Agency Facilities	2,127,000	575,319	2,065,630	61,370	9,402,792
Project Other (Standard Comp, Travel, Training)	8,310,577	604,270	5,569,371	2,741,206	8,724,931
Total Project Costs	85,101,242	15,517,696	78,062,267	7,038,975	175,080,813

^{1/} Actual expenditures are direct from CALSTARS reports as of December 31, 2013.
^{2/} Projected expenditures are through June 30, 2013.
^{3/} Cumulative Project Costs are actual expenditures from FY 2005-06 through December 2013.

Explanation of Differences

As identified in Figure 5, the FI\$Cal Project anticipates a total savings of \$7,038,975 comprised of the following components:

- Staff Salaries and Benefits: Project and Partners**
 The anticipated savings of \$3,137,909 is due to the number of vacancies FI\$Cal has experienced. Staffing is addressed in more detail in the [Staffing](#) section below.
- Telecommunications**
 This line item represents the FI\$Cal Project’s communication costs including the purchase of telephones and delivery services. The anticipated savings of \$276,073 is due to projected expenditures being less than budgeted.
- Data Center Services**
 This line item represents Data Center Services costs for information technology services. The savings of \$822,416 is due to the projected costs being less than budgeted.
- Agency Facilities**
 The anticipated savings of \$61,370 is due to rent at the FI\$Cal location being less than budgeted.

- **Project Other**

This line item includes operating expenses and equipment such as general office supplies, travel, and training. The anticipated savings of \$2,741,206 is primarily due to training and travel projected expenditures being lower than budgeted because of staff vacancies.

STAFFING (*Legislative Mandate #5*)

The Project continues to employ multiple recruitment strategies to fill vacancies. In an effort to increase the number of applicants for recruitments, the Project advertises vacancies in various arenas in addition to posting on the CalHR website.

To recruit and retain highly-qualified staff, the Project has established a process that recruits highly-qualified employees with the appropriate knowledge, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the organization's training investment and ensuring Project success.

FI\$Cal Positions

As of December 1, 2013, FI\$Cal had 270 authorized permanent/full time positions and 11.5 authorized temporary help positions. Of the 270 permanent positions, 38 were vacant which represents a 14.07 percent vacancy rate.

By the end of FY 2013-14 (July 2013 – June 2014), the Project will have established a total of 299.5 authorized positions. These positions include an increase of 57 permanent/full time positions (55 FI\$Cal and 2 Partner Agency).

Hirings and Separations

Since January 2013, the Project has hired a total of 74 staff (55 FI\$Cal and 19 Partner Agency) and had 27 separations (17 FI\$Cal and 10 Partner Agency), for a net gain of 47 staff. At the leadership level, an Executive Partner joined the FI\$Cal Project in July 2013. To ascertain a more comprehensive understanding of separations, and to develop additional strategies for staff retention, the Project performs exit surveys.

Due to the unique nature and pace of the FI\$Cal Project, there has been a 13.5 percent turnover rate over the past 12 months. Existing staff are working additional hours to meet the required workload demands and ensure the FI\$Cal Project remains on schedule. However, vacancies and the loss of knowledgeable Project staff have the potential to delay Project schedules and increase Project costs.

The FI\$Cal Project continues to make every effort to recruit and fill all authorized positions with qualified candidates who possess the necessary skill sets to meet the highly technical and Project-specific requirements. The FI\$Cal Project is continually improving its strategies by using and incorporating lessons learned.

CHANGE MANAGEMENT / STAKEHOLDER ENGAGEMENT (*Legislative Mandate #7*)

Change management activities and stakeholder engagement are critical to the success of an undertaking of this magnitude. FI\$Cal's Change Management Methodology provides the framework to ensure that the business benefits are realized and to further ensure a smooth

transition process to the FI\$Cal financial solution. For details of the Change Management Methodology, see SPR 4.

Change Management Activities Overview

FI\$Cal's Change Management Office (CMO) built upon and expanded existing and planned communications efforts, including outreach through the Customer Impact Committee, the FI\$Cal Forum, the Department Liaison Network (DLN), and the newly formed [Change Champion Network](#).

Each Wave 1 department established a [Department Implementation Team \(DIT\)](#). FI\$Cal Project [Readiness](#) Coordinators are partnering with DITs to guide them through readiness activities and ensure they are prepared for the upcoming Wave 1 go live.

Building on the foundation of Pre-Wave, the FI\$Cal team kicked off the [Change Network](#) for Wave 1 departments. Members of the Change Network have been equipped to provide their departments with additional FI\$Cal communication channels and to manage resistance.

The Project meets monthly with the sponsors of each Wave 1 department to provide a Project status report, discuss each department's progress on FI\$Cal tasks, and to coach them on explaining the importance of FI\$Cal to each of their departments.

FI\$Cal Forums are held quarterly to provide updates to all departments' staff. Topics include Project status updates, design processes, implementation overview, transitioning to FI\$Cal, demonstration of functionality, upcoming activities, and a summary of accomplishments. These meetings will continue throughout the Project.

The Project continues to provide regular information through a monthly publication, the *FI\$Cal Focus*. The *FI\$Cal Focus* provides departments with monthly updates on key activities and milestones and disseminates information and messages from FI\$Cal leadership.

Departmental Participation

Pre-Wave and Wave 1 departments participated and completed required tasks in 2013. Future wave departments have been participating in Project activities such as design sessions and Customer Impact Committee meetings. The FI\$Cal Project held various sessions/meetings for Pre-Wave and Wave 1 departments. These meetings included Design Sessions, [BPWs](#), Testing, and Training sessions, [Interface](#) and [Conversion](#) Workshops, and [Change Champion](#) meetings. In addition, the Project has scheduled support sessions geared at providing departments support with their FI\$Cal transition tasks and enhanced understanding of the new business processes.

Knowledge Transfer

The State must be in the position to support FI\$Cal once implemented. To prepare the FI\$Cal staff for the necessary support roles, knowledge transfer is a component of the Change Management Methodology. Knowledge transfer activities have been identified and participation in those activities is being monitored closely by the Project. Managers and key State leads are responsible for ensuring that continual identification of knowledge transfer opportunities is realized.

Challenges to Change Management

FI\$Cal has a robust and focused strategy to facilitate implementation of the System to the various State departments. At the onset of departmental engagement, the Project must create a shared understanding of the departmental involvement necessary. Departments have consistently communicated their underestimation of the impact of the work required by their staff for the transition to FI\$Cal. The Project aligns expectations through communications with department sponsors and their implementation teams. Strong sponsorship at each department is vital. Each sponsor is expected to drive the effort from within their organization.

Departments struggle with their ability to complete the transition tasks as scheduled. The FI\$Cal Project has learned that many departments do not have the staff necessary to complete the tasks on time and still do their priority work. Departments not having enough resources is a risk to the success of the Project. Additionally, the completion of tasks is more challenging for these earlier waves.

Because the FI\$Cal functionality is still being configured, they are asked to provide information to the Project without having seen the System. Departments have repeatedly communicated that providing information based on “conceptual knowledge” is extremely challenging. To address task completion challenges, the Project has implemented support sessions to assist departments with all major tasks and to assist with understanding the new business processes. Although this requires more FI\$Cal staff time than anticipated, it is vital for departments to transition to the FI\$Cal solution.

Other challenging areas of focus for departmental participation are (1) alignment of internal departmental processes to the new way of transacting in FI\$Cal (2) correct assignment of department end users to end user roles available in FI\$Cal to complete transactions (3) active participation in the FI\$Cal testing process including interface, conversion, functional, configuration, security, workflow, user acceptance and unscripted testing (4) active participation in the FI\$Cal training program and [end user support labs](#).

The Project continues to work with each department individually to mitigate these challenges. Change management cannot be a “one size fits all” model in all instances. Accordingly, the Project’s [Readiness](#) Coordinators actively engage with their assigned departments to help them work through their specific challenges.

In recognition of these challenges, in SPR 5 the Project allows for 24 months for department implementation in Waves 3 and 4.

OPERATIONS AND MAINTENANCE

Operations and Maintenance (O&M) Services and service level agreements associated with the base O&M contract term start once Wave 1 goes live. Accenture will provide O&M services through a service level agreement from the Wave 1 go live until final System acceptance by the State after all waves have been implemented and fully stabilized. It is the Project’s intent that the State will exercise its option to assume responsibility for O&M services at that point. However, the existing contract allows the State to exercise the option to continue with Accenture- supported O&M for an additional three years.

The FI\$Cal Service Center

The FSC will incrementally assume the FI\$Cal System O&M as waves are implemented. Ultimately, the FSC will be responsible for the ongoing operation and maintenance of the entire FI\$Cal System.

The FSC was chartered by the FI\$Cal Steering Committee in September 2012 to provide the ongoing operations and maintenance, customer service and support, and internal administrative services for the FI\$Cal production System. The FSC began operations in July 2013 with Pre-Wave go live.

The primary operational functions of the FSC as of this date are as follows:

- Service Center Operations: Daily maintenance, operations, and support of the FI\$Cal System. This includes infrastructure and application operations and support, and management.
- Customer Service and Support Operations: Support services to FI\$Cal customers and stakeholders through the use of a help desk and incident tracking. FSC's customers include vendors, departments using the System, control agencies, and the Legislature. Customer-reported incidents may include functional questions, application issues, and end user training needs.
- A user support group has been established and the Project conducts monthly conference calls with the group.

As of the date of this report, the FSC supports the following types of departmental transactions:

- Procurement (Requisitions, Purchase Orders, Receipts)
- Vendor Management

During the period between July 1, 2013 and December 31, 2013, the FSC reported that 74 different departmental users from 7 different departmental entities logged into the System and performed transactions with no critical incidents. While the Pre-Wave departments are relatively small, these departments have used the System to process several hundred of their procurement-related transactions.

SIGNIFICANT EVENTS *(Legislative Mandate #3)*

Completion of Pre-Wave

Pre-Wave provided a go live prior to Wave 1 that built a statewide financial system roadmap and implemented automated workflow processing for requisitions, purchase orders, receiving, and the [VMF](#) to support that functionality introduced in Pre-Wave. In addition, Pre-Wave included (1) the onboarding of both Accenture and State Project resources through Pre-Wave (2) the establishment of approximately 75 percent of FI\$Cal's infrastructure, and (3) execution of a full cycle of the phases included in Accenture's Delivery Methodology (ADM). Pre-Wave allowed the Project to gain valuable expertise and lessons learned which have been applied as the Project progressed. See [Appendix B, System Scope By Wave](#), for a more detailed scope of Pre-Wave and Waves 1 through 4.

The following table describes significant events that occurred in the current reporting period by wave.

TABLE 1. SIGNIFICANT EVENTS

Chronology of Significant Events in 2013	
Wave	Activity
Pre-Wave	Design Phase completed
	Hardware and software installation and configuration completed
	Build Phase completed
	Technical design, build, and unit test for RICEF units completed
	Dry run completed
	Data conversion and interface activities completed
	User Acceptance Testing (UAT) completed
	Test Phase completed
	Dress rehearsal completed
	End user training completed
	User support labs conducted
	Cutover activities completed
	Go live
	Wave 1
Change Network established	
Conference Room Pilot (CRP) sessions completed	
Analyze Phase completed	
Requirements Traceability Matrix (RTM) completed	
Design Phase completed	
Upgrade to Hyperion release 11.1.2.3 completed	
Change Champion Network established	
Independent consultant for readiness assessment engaged	
Build Phase completed	
Test environment completed	
Interface and conversion workshops conducted	
BPWs completed	
Technical design, build and unit test for RICEF units completed	
Wave 2	Change Request to move Legacy Data Repository (LDR) to Wave 2 approved

Chronology of Significant Events in 2013	
Wave	Activity
	Change Request for Business Process Management (BPM) approved by the Steering Committee

FUTURE ACTIVITIES (Legislative Mandate #3)

Training

Per SPR 5, in an effort to adequately support the training needs for FI\$Cal Waves 2 through 4, Accenture will be the lead in training delivery. The State will assume a support role, with increasing responsibility throughout the waves. This will ensure the State is ready to assume full training responsibilities for on-going training of FI\$Cal post Wave 4.

Operations and Maintenance

The FI\$Cal Project will establish mechanisms for System monitoring of outages and availability. The Project will also manage the service level agreement between the State and Accenture.

Table 2 provides details on future activities planned for the next report period.

TABLE 2. FUTURE EVENTS

Future Events in 2014	
Wave	Activity
Wave 1	Functional and integration test completes
	End-to-end testing (configuration , security, workflow) completes
	Data conversion and interface activities complete
	Readiness of FSC Service Desk processes and tools confirmed
	FSC support staff training completes
	Dry run Completes
	UAT completes
	Test Phase complete
	Dress rehearsal completes
	Disaster recovery testing completes
	User support lab available
	End user training completes
	Cutover activities complete
	Go live
Accenture Service Level Agreement executes	
Wave 2	Change Network launches

Future Events in 2014	
Wave	Activity
	Fit/Gap Analysis and CRPs complete
	Analyze Phase completes
	Design Configuration completes
	Technical design of RICEF units completes
	Analyze and design technical architecture completes
	Design Phase completes
	Configuration build completes
	RTM completes
	Interface and conversion build completes
	Design training completes
	Build Phase completes
	BPWs complete
	Develop training materials begins
	Test Phase begins
	Functional and integration test begins
Wave 3	Change Network launches
	Fit/Gap Analysis and CRPs complete
	Analyze and design technical architecture begins
	Software upgrade analysis begins
	Analyze Phase begins
	Design Phase begins

ACHIEVED FUNCTIONALITY AND QUALITATIVE BENEFITS (*Legislative Mandate #6*)

Prior to Pre-Wave go live, departments needed to keep all procurement documentation in a paper file and route related hard-copy documents for review and approval.

At Pre-Wave go live, the first official requisition was posted in the new System. Departments can attach all procurement documents to a FI\$Cal requisition and purchase order. Reviewers and approvers can see these documents and perform their review within the System.

Once initial data is added to the FI\$Cal requisition, that data need not be re-entered. The data flows into the purchase order and receipt, saving buyers' time because they no longer need to add duplicate data to purchase documents.

SIGNIFICANT SOFTWARE CUSTOMIZATION (*Legislative Mandate #9*)

The Project is committed to implementing FI\$Cal with minimal customizations. The Oracle [ERP Suite](#) (PeopleSoft and [Hyperion](#)) is a mature ERP solution so that where possible, FI\$Cal leverages the built-in capabilities of the product to re-engineer the State's financial business processes. The Project's implementation strategy continues to focus on out-of-the-box functionality.

However, to ensure the State's ability to meet its business needs, it is necessary to make some customizations. During 2013, three significant software customizations were approved: (1) Enhanced Labor Distribution Solution (2) Enhanced Interagency Billing Solution (3) Cash Accounting Extension. A fourth customization, State Controller's Office Prepayment Audit, was approved to be deployed post Wave 1 implementation and prior to Wave 2 implementation.

During Design Phase sessions with departments, the need for additional functionality was identified. Some of these resulted in software customizations as outlined below.

Enhanced Labor Distribution Solution

The Labor Distribution process creates accounting entries to record the State's payroll transactions. The process initially classifies each department's payroll costs to a single accounting classification. The Labor Distribution process will distribute those costs to employee-specific accounting classifications based on business rules defined by the departments. It was determined that additional functionality is required to distribute labor costs based on departmental input, allowing departments to have more flexibility in distributing labor distribution charges.

Enhanced Interagency Billing Solution

The Interagency Billing process relates to the invoicing and settlement process between State departments for goods and services provided by one department to another. While the vanilla solution provided some automation, it stopped short of meeting the State's needs and required several manual steps. The customized solution provides automation and will result in a streamlined process.

Cash Accounting Extension

The State enables departments to record cash in Centralized Treasury System (CTS) accounts to three different General Ledger (GL) cash accounts: General Cash, Agency Trust Cash, and Office Revolving Fund (ORF) Cash. Additional functionality was required to facilitate the departmental Centralized Treasury System (CTS) account and Cash in State Treasury accounting requirements. The Cash Accounting extension will enable FI\$Cal users to associate more than one GL cash account to one PeopleSoft Bank Account.

State Controller's Office Prepayment Audit

SCO and the Project determined the need for systemically identifying vouchers for additional audit review after entry into the PeopleSoft workflow process. The FI\$Cal Prepayment Audit Workflow will replace the use of paper claims with the departmental data entry of voucher transactions. Departments will create voucher transactions and electronically route them using PeopleSoft workflow technology for review and approval within the department and the SCO. PeopleSoft also provides data validation edits, including verification of budget authority and available budget, purchasing authority limits, department and other approvals, etc.

DEVIATIONS TO THE PROJECT SCOPE, COST, OR SCHEDULE (*Legislative Mandate Report Requirement*)

The approved scope of the FI\$Cal Project was defined in RFP FI\$Cal 8860-30 and is further delineated in Deliverable 1.02 Project Work Plan submitted by Accenture and accepted by the State on October 5, 2012. The Project Work Plan defines the implementation approach, schedule, functionality by wave, departmental roll-out by wave, and transition of the FI\$Cal solution components.

The Project reports one deviation to the Project scope:

The State and Accenture mutually agreed to clarify the use of Oracle [BPM](#) in the System. BPM will be implemented to provide workflow capabilities between PeopleSoft Financials and the Oracle Imaging and Process Management (IPM) application. These three applications will be implemented in Wave 2 to support image processing and integration with Financials transactions.

The Project reports the following deviations to the Project Schedule:

The implementation of the [LDR](#) has been delayed until Wave 2. Since the full scope of functionality will not be deployed to departments in Wave 1, departments would have to invest significant time and resources in performing a partial conversion to the LDR without the ability to retire their legacy systems. Then in Wave 2, departments would have to again invest significant time and resources to convert the remaining data associated with the Wave 2 functionality. By moving the LDR implementation from Wave 1 to Wave 2, the Project and the departments avoid completing similar work activities at two different points in time.

There were no deviations to the Project costs beyond the potential savings identified above.

MITIGATION ACTIONS FOR MISSED MAJOR MILESTONES (*Legislative Mandate #4*)

The Project did not miss any major milestones in 2013 as defined in SPR 4 that will impact the Project's ability to go live with Wave 1.

However, the Project has established and measures milestones at a lower level to track progress. Mitigation steps are established for lower level milestones. Two important areas tracking behind are the completion of Budgets/Hyperion build activities and functional test execution. Budgets/[Hyperion](#) build activities were originally expected to complete December 6, 2013 and are now planned to complete March 7, 2014. Functional test execution is scheduled to complete April 15, 2014, and is running one to two weeks behind. Mitigation steps are in place for both of these lower milestones and the Project is working to minimize the impact to downstream activities.

PROJECT OBJECTIVES PROGRESS (*Legislative Mandate #10*)

Table 3, Project Objectives Progress, provides progress updates on actions taken during the current reporting period to bring FI\$Cal closer to meeting the objectives set out in [Government Code Section 15849.22](#).

This table also projects progress anticipated to occur during the next reporting cycle.

TABLE 3. PROJECT OBJECTIVES PROGRESS

Project Objectives Progress	
Progress Through 2013	2014 Projections
<p>Objective 1: Replace the State's aging legacy financial management systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. For purposes of this paragraph, "financial management" means accounting, budgeting, cash management, asset accounting, vendor management, and procurement.</p>	
<p>The Project continued the analysis of legacy financial systems to determine which systems may be replaced, retired, or interfaced. Pre-Wave deployment of related functionality was completed successfully on July 1, 2013, as scheduled.</p> <p>The Project has designed standardized financial management practices for the majority of Wave 1 functionality.</p>	<p>The Project will continue to implement business processes that allow the departments to replace, retire, or interface legacy financial systems to FI\$Cal.</p> <p>The Project will continue to finalize and test the Wave 1 standardized business processes.</p>
<p>Objective 2: Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.</p>	
<p>For Pre-Wave, the Project focused on the design, build, test, and deployment of foundational functionality (vendors, requisitions, purchase orders, and receipts).</p> <p>For Wave 1, the Project designed, built, and began testing Wave 1 procurement functionality, which includes creating procurement transactions against the new Chart of Accounts, paying for purchases using a procurement card, and integrating procurement with accounts payable.</p> <p>The statewide VMF is up and running in Pre-Wave with approximately 300 vendors.</p>	<p>Wave 1 procurement functionality will be deployed.</p> <p>In Wave 2, the Project will complete design of bidder functionality and the Small Business (SB)/Disabled Veteran Business Enterprise (DVBE) part of the VMF. New business processes will be defined for managing vendor solicitations.</p> <p>The statewide VMF will grow to an estimated 7,000 vendors.</p>

Project Objectives Progress	
Progress Through 2013	2014 Projections
Objective 3: Maintain a central source for financial management data to reduce the time and expense of vendors, departments, and agencies collecting, maintaining, and reconciling redundant data.	
<p>The Project recommended a new Chart of Accounts and budget structure. Input was gathered from departments and lessons learned from evaluating similar ERP implementations by public sector entities. The new Chart of Accounts will provide the State the ability to more efficiently perform financial data analysis and reporting.</p>	<p>Wave 1 functionality will be deployed and will provide centralized vendor data management as well as a standard Chart of Accounts and budget structure that will be used as part of the standardized business processes.</p> <p>Wave 2 analyze, design, and build will commence. Additional control functions will be included in FI\$Cal.</p>
Objective 4: Increase investment returns through timely and accurate monitoring of cash balances, cash flow forecasting, and timing of receipts and disbursements.	
<p>The Project conducted cash forecasting Business Process Re-engineering sessions to review control agency and department-specific forecasting needs.</p> <p>The Project developed to-be processes as a result of these sessions which will allow access to a single source for cash balances and pending transactions across all departments. This access will allow the State to monitor cash flow more efficiently</p>	<p>Wave 1 functionality will be implemented for departmental cash flow management.</p> <p>Wave 3 analyze and design activities will commence.</p>
Objective 5: Improve fiscal controls and support better decision making by state managers and the Legislature by enhancing the quality, timeliness, consistency, and accessibility of financial management information through the use of powerful data access tools, standardized data, and financial management reports.	
<p>The Project implemented, delivered, and customized reports in Pre-Wave to support the Procurement and eProcurement functionality.</p> <p>The Project designed and built both delivered and customized reports for Wave 1 functionality.</p>	<p>Reporting tools will be deployed in Wave 1.</p> <p>Wave 1 Reports will be tested and implemented.</p> <p>Design of Wave 2 Reports will begin.</p> <p>Design and build of the legacy data repository will begin for deployment in Wave 2.</p> <p>A University of Southern California research study will complete for use in developing the Transparency Website.</p>

Project Objectives Progress	
Progress Through 2013	2014 Projections
<p>Objective 6: Improve access and transparency of California's financial management information allowing the implementation of increased auditing, compliance reporting, and fiscal accountability while sharing information between the public, the Legislature, external stakeholders, state, federal, and local agencies.</p>	
<p>The FI\$Cal Project and Partner Agencies developed a solution for the Wave 1 Governance, Risk, and Compliance (GRC) Audit Tool, which will be used by SCO to independently audit financial management information and monitor controls to detect and prevent compliance failures.</p>	<p>The GRC Audit Tool will be designed and implemented. The Project will complete the test effort for Wave 1 functionality. The Project will determine next steps in the development of the Transparency Website.</p>
<p>Objective 7: Automate manual processes by providing the ability to electronically receive and submit financial management documents and data between agencies, departments, banks, vendors, and other government entities.</p>	
<p>In Pre-Wave, the Project deployed the foundational functionality (vendors, requisitions, purchase orders, and receipts). The Project also designed, built, and began testing Wave 1 functionality, which includes additional automated processes such as voucher and journal approval.</p> <p>The Project designed to-be processes regarding the electronic receipt and submission of financial management documents and data.</p>	<p>The Project will complete the test effort and deployment for Wave 1 functionality, including automation of processes using workflow and other tools inherent in the application.</p> <p>Design and build will complete for full replacement of BidSync to automate the end-to-end procurement process.</p>
<p>Objective 8: Provide online access to financial management information resulting in a reduction of payment or approval inquiries, or both.</p>	
<p>The Project began discussions of functionality to allow vendors to make online inquiries and initiate updates through vendor self-service. This will minimize the need for staff to answer calls and perform related activities.</p>	<p>The Project will continue to design and build functionality to allow Wave 1 departments to make online inquiries. Design will also continue to allow vendors to initiate updates through a self-service portal in Wave 2.</p>

Project Objectives Progress	
Progress Through 2013	2014 Projections
<p>Objective 9: Improve the state’s ability to preserve, access, and analyze historical financial management information to reduce the workload required to research and prepare this information.</p>	
<p>The Project developed the data conversion approach to provide FI\$Cal users with access to current budgeting, accounting and procurement data.</p> <p>Pre-Wave data conversion activities were completed.</p>	<p>For Wave 1, the Project will continue to convert data from departments and Partner Agencies associated with Wave 1 functionality.</p> <p>Design and build of the legacy data repository will begin for deployment in Wave 2. It will include data from legacy systems not converted into FI\$Cal that still need to be maintained for historical reporting purposes.</p>
<p>Objective 10: Enable the state to more quickly implement, track, and report on changes to financial management processes and systems to accommodate new information such as statutory changes and performance.</p>	
<p>The FI\$Cal Service Center was established in Pre-Wave and can implement system changes resulting from statutory changes that impact the FI\$Cal functionality.</p> <p>The Project continued to follow the established change control process.</p>	<p>The FSC will be further expanded. Policies and procedures will be developed and implemented to accommodate additional functionality.</p>
<p>Objective 11: Reduce the time, workload, and costs associated with capturing and projecting revenues, expenditures, and program needs for multiple years and scenarios, and for tracking, reporting, and responding to legislative actions.</p>	
<p>The Project delivered procurement-related reports that support the Pre-Wave functionality.</p> <p>The Project designed and built procurement, accounting, and budgeting reports to support the Wave 1 functionality.</p>	<p>The Project will test and deploy reporting capability to support the Wave 1 functionality.</p> <p>The Project will design and build procurement, accounting, and cash management reports related to Waves 2 and 3 deployments.</p>

Project Objectives Progress	
Progress Through 2013	2014 Projections
Objective 12: Track purchase volumes and costs by vendor and commodity code or service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.	
<p>During Pre-Wave, the Project designed, built, tested, and deployed foundational functionality (vendors, requisitions, purchase orders, and receipts).</p> <p>The Project established the statewide VMF by consolidating, cleansing, and validating the vendor records that were loaded into FI\$Cal for Pre-Wave functions.</p> <p>The Project designed, built, and began testing Wave 1 procurement functionality, which includes creating procurement transactions with the new Chart of Accounts.</p>	<p>The Project will deploy Wave 1 functionality, which includes creating procurement transactions against the new Chart of Accounts.</p> <p>The Vendor Management File will continue to grow, adding new vendors to support FI\$Cal departments.</p> <p>The Project will begin designing and building a conversion process to transfer vendor data to FI\$Cal, which will replace BidSync in Wave 2.</p> <p>The Project will develop the process to gather data to enable strategic sourcing in future waves.</p>
Objective 13: Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods and services available from existing sources, including, but not limited to, using leveraged procurement agreements.	
<p>During Pre-Wave, the Project designed, built, tested, and deployed foundational functionality (vendors, requisitions, purchase orders, and receipts).</p> <p>The Project designed, built, and began testing Wave 1 procurement functionality, which includes creating procurement transactions with the new Chart of Accounts.</p> <p>The Project implemented automated workflow for procurement approvals, including ad hoc reviewers and approvers.</p> <p>The Project implemented the ability to track expenditures by commodity.</p>	<p>The Project will expand workflow approval to account for the end-to-end procurement process. This process includes delegated purchasing authority limits, and budget checking, and will enforce submittal to DGS as appropriate.</p> <p>The Project will develop the process to gather data to enable leveraged procurement agreements in future waves.</p>
Objective 14: Streamline the accounts receivable collections process and allow for offset capability, which will provide the ability for increased cash collection.	
<p>Designed and built integrated receivable and payment processes to streamline and improve the collection and offset activities for Wave 1.</p>	<p>The Project will test and deploy Wave 1 collection processes.</p>

Project Objectives Progress	
Progress Through 2013	2014 Projections
Objective 15: Streamline the payment process and allow for faster vendor payments, which will reduce late payment penalty fees paid by the State.	
The Project designed and built vendor payment functionality which allows departments to enter payment voucher transactions once, at the start of the payment process. This workflow technology electronically routes transactions for review and approval within the department for Wave 1.	The Project will test and deploy vendor payment functionality and related workflow for Wave 1. For Wave 3, the Project will analyze the end-to-end vendor payment process to route transactions to SCO for final disposition.
Objective 16: Improve role-based security and workflow authorization by capturing near real-time data from the State's human resources system of record.	
Role-based security and workflow authorization functionality was established during Pre-Wave. The Project analyzed system interfaces required to support FI\$Cal, including the State's Human Resources (HR) system of record. Information from different sources, including the State's HR system of record, will interface with FI\$Cal to provide additional information needed for role-based security and workflow in Wave 1.	Test and deploy functionality to support the HR data for Wave 1 which will be provided on a batch schedule.
Objective 17: Implement a stable and secure information technology infrastructure.	
Oracle hardware and software were procured and installed at both Vacaville (non-Production and Disaster Recovery) and Gold Camp, which will host the production system. For Pre-Wave, the Project established the foundation for a stable and secure information technology infrastructure.	The Project will implement expanded security processes and capabilities. The Project will procure and install additional hardware and software to support Wave 1 capacity.

LESSONS LEARNED AND BEST PRACTICES (*Legislative Mandate #8*)

Lessons learned were conducted for the Pre-Wave implementation with FI\$Cal Project teams. The table below represents the lessons learned that FI\$Cal captured during Pre-Wave implementation and those observed during Wave 1 development.

TABLE 4. LESSONS LEARNED

Lesson Learned	Recommendation for FI\$Cal Project
Departmental Readiness	
During Pre-Wave and preparations for Wave 1 deployment, the Project learned that the departmental FI\$Cal transition tasks require more support from Project staff than anticipated.	The Project has adopted the approach of conducting kick-off or workshop sessions for the launch of major FI\$Cal transition tasks for departments. These events are followed by support sessions available to those departments requiring additional assistance.
During Pre-Wave deployment, the Project recognized an opportunity to develop roles within the <u>DITs</u> for extended FI\$Cal communications and resistance management.	The Project has expanded the role of Change Champions and has tools for sharing FI\$Cal information and identifying and managing resistance from within the champions' own departments.
During the Pre-Wave transition to FI\$Cal, the Project identified a need to establish independent readiness assessment for future waves.	To assist with evaluating readiness, the Project has hired a consultant to supplement the Project's efforts by performing independent department readiness assessments. The goal of the independent assessment is to provide an unbiased analysis of the readiness of departments for each wave.
Interface and conversion activities are a major area of concentration for all information technology projects. During Pre-Wave and preparations for Wave 1 deployment, FI\$Cal recognizes that the need for additional time and attention is warranted.	The extended schedule proposed by SPR 5 ensures that interfaces and conversions are properly understood, designed, built, and tested to support the FI\$Cal solution.

Lesson Learned	Recommendation for FI\$Cal Project
Control Agency Stabilization	
<p>The FI\$Cal Project encountered and resolved a wide variety of issues related to control agency functions. The Project developed a clear understanding of the complexity involved with re-engineering and integrating control agency functions and the crucial role they play in the successful deployment of FI\$Cal departments.</p>	<p>The long-term success of the Project will be served by minimizing the number of departments in earlier waves and allowing a focus on the control agencies. SPR 5 proposes to focus on deploying control agency functions in Waves 2 and 3, while moving most other departments scheduled for deployment in earlier waves to Wave 4.</p> <p>In addition, Wave 3 is extended by six months to allow a fiscal year-end implementation rather than mid-year, as originally scheduled.</p>
<p>The success of the deployment of FI\$Cal to departments is heavily impacted by the successful deployment of control agency functions. By having these functions implemented and stabilized prior to bringing on the majority of departments, the risk of adverse departmental impact is reduced.</p>	<p>This deployment approach will result in client departments receiving the full end-to-end departmental and control agency functions at once. It will also allow the Project to focus the majority of its resources on control agency integration during Waves 2 and 3.</p>
Knowledge Transfer	
<p>The Project recognizes that knowledge transfer between State and consultant resources is essential to ensure that State staff is qualified to effectively provide long-term support of FI\$Cal. In 2013, the Project learned that additional attention must be provided to knowledge transfer activities to ensure their effectiveness.</p>	<p>The Project has identified knowledge transfer activities and a process to help managers and lead staff track effectiveness.</p> <p>During the implementation of Wave 1 end-to-end business processes, the Project will continue to explore opportunities to gain additional knowledge and experience as maintenance activities are put into operation.</p>

Lesson Learned	Recommendation for FI\$Cal Project
Testing	
<p>During Pre-Wave, the Project learned that earlier involvement of departments in the testing phase would have been of value. Some departments experienced difficulty completing UAT tasks within the time constraints provided. In addition, more thorough review of test scripts would have identified gaps in functionality tested and reduced script revision.</p>	<p>For Wave 1, the Project has involved departmental staff in testing earlier and plans to provide flexible options for the departments to perform their UAT. The Project has incorporated unscripted testing during both functional and UAT.</p> <p>In addition, during the development of Wave 1 test scripts, Oversight Consultants reviewed and provided suggestions that were incorporated to improve script quality. The Oversight unit is also observing Wave 1 test execution and test results as the activities occur, providing real time recommendations to the Project leads. All future test activities are planned to follow this model.</p>
Communication	
<p>Communication is a critical element of a large project. FISCAL's communication during 2013 was good, but could be improved. For meetings, more attention should be placed on refining meeting materials, ensuring the right participation, identifying the desired results, and communicating outcomes. For external communications, the emphasis should be placed on providing timely information and communicating information at a level of detail and complexity that is appropriate for the target audience.</p>	<p>The Project will look for additional opportunities to improve communications across the teams and down to individual team members. This includes refining meeting standards to ensure that the correct participants are invited, meeting objectives are clear, and the resulting decisions and action items from meetings are communicated to the right audience.</p> <p>Material review processes are in place to assist with providing accurate, clear, concise, and timely information.</p>
Schedule	
<p>During Pre-Wave, Project staff did not always accurately record their time for Project schedule tasks. Also, detailed tasks in the Project schedule were not always clear or measurable, and task dependencies were not always logically arranged.</p>	<p>The Project established special knowledge transfer sessions to teach Project team members how to properly update their scheduled tasks. These sessions underscored the importance of accurate reporting of team members' progress towards task completion.</p> <p>To ensure that tasks are clear and measurable and task dependencies are logical, the Project's schedule team is collaborating regularly with other Project team members and is performing ongoing analysis of the scheduled tasks.</p>

Appendix A: Project History

This section gives an overview of the Project's history from its inception in 2005 through 2012.

Feasibility Study Report (FSR)

In 2005, the Department of Finance (DOF) developed an FSR that proposed the implementation of a [COTS](#) Budget Information System (BIS) to meet statewide and departmental budget development and budget administration needs. High-level discussions brought into focus the need to modernize the State's entire financial management process into a single financial management system. It was determined, however, that budget administration could not be accomplished within the Project scope proposed in the BIS FSR.

SPR 1

In December 2006, DOF approved an SPR for the FI\$Cal Project. SPR 1 proposed leveraging the State's then-planned investment of nearly \$140 million to implement a statewide budget system to expand the BIS Project or, alternatively, procure a system that would 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. These goals were modified in SPR 3 to align the vision with the current project scope in asset accounting, grant accounting and the removal of human resource management. SPR 1 proposed that California establish an integrated financial and administrative system based on Enterprise Resource Planning software rather than continuing to replace each of the State's administrative systems separately.

SPR 2

A trailer bill to the Budget Act of 2007 required that FI\$Cal develop additional planning documents and submit them to the Legislature. In addition to evaluating alternatives to the System itself, FI\$Cal was required to include a plan of funding that evaluated alternative financing options, developed formal roles and responsibilities through the execution of a memorandum of understanding by the Partner Agencies, and developed a revised project management plan to address project leadership succession planning and vendor accountability. This resulted in SPR 2, which was approved in December 2007.

SPR 2 extended the schedule for the FI\$Cal Project by two years for additional planning, legislative reporting activities, and procurement and design phase activities. SPR 2 also increased estimated FI\$Cal Project costs from \$1.3 billion to \$1.6 billion, detailed a Funding and Finance Plan, and provided cost estimates and analyses for five alternatives to FI\$Cal. SPR 2 was approved in December 2007.

SPR 3

In January 2009, in response to concerns expressed by the Legislature and other stakeholders, FI\$Cal contracted with [ERP](#) expert, Grant Thornton, LLP, to conduct a review of best practices for planning and implementing a large ERP project.

The project review did not change the overall FI\$Cal Project scope, but recommended that the proposed implementation strategy be revised to reduce initial development costs and mitigate risks by reducing the functionality deployed in the first implementation. The project review also recommended that the sourcing strategy be changed to a two-stage procurement approach,

which FI\$Cal adopted. The revised project strategy, resulting from the project review and subsequent decisions of the FI\$Cal Steering Committee, resulted in the submittal of SPR 3 in November 2009. SPR 3 described FI\$Cal's activities and costs through the procurement phase and award of the System Integrator contract.

SPR 3 Addendum (SPR 3.A)

SPR 3.A was submitted to maintain transparency, report current status and accomplishments, and gain California Department of Technology (CDT) approval of schedule changes through the procurement phase and the submittal timeframe of SPR 4. These changes did not impact the scope, resources, or costs through the procurement phase as approved in SPR 3.

SPR 4

SPR 4, approved in March 2012, updated activities, schedule, and costs through system development and implementation. Total costs including planning, procurement, design, development, and implementation (DD&I), and the first year of O&M were estimated at \$616.8 million. This represented a reduction of approximately \$1 billion from the total costs identified in SPR 2.

FI\$Cal's implementation approach, as revised in SPR 4, is comprised of five waves: a Pre-Wave followed by four implementation waves. The Pre-Wave establishes a statewide Chart of Accounts, Budget Structure, and limited functionality. As FI\$Cal progresses through the waves, the number of departments participating in FI\$Cal increases and additional components of System functionality are introduced.

System Integrator Procurement

In Stage 1 of the procurement, the State awarded three Firm-Fixed-Price contracts to the highest scoring bidders (Stage 1 Contractors) based on the selection criteria defined in Request for Proposal (RFP) FI\$Cal 8860-30. Each of the Stage 1 Contractors conducted a [Fit/Gap analysis](#) to identify potential gaps between their proposed software and the State's business requirements. The Fit/Gap analysis allowed the Stage 1 Contractors the opportunity to gain a thorough understanding of the State's needs to propose a detailed and accurate Stage 2 proposal for the design, development, and implementation of its solution. All three Stage 1 Contractors subsequently participated in Stage 2 as bidders. Accenture was awarded the System Integrator contract in June 2012.

Table 6 provides an overview of the FI\$Cal Project's history in 2012.

TABLE 5. 2012 SIGNIFICANT EVENTS

Chronology of Historical Events in 2012	
Dates	Events
March	SPR 4 was approved by CDT
June	System Integrator Contract approved and signed
	Pre-Wave started
July	<i>FI\$Cal Focus</i> - Departmental Newsletter launched
	DOF go live moved from Wave 2 to Wave 1
	Statute, Regulation, and Policy Analysis for 2012 completed to determine if any statutes might impede implementation of FI\$Cal
September	Wave 1 started
October	Project Work Plan accepted
	Pre-Wave and Wave 1 CRPs started
	Pre-Wave Change Network started
November	Project Schedule accepted
	Pre-Wave Design started

Appendix B: System Scope By Wave

Scope of the System Functionality

The tables below describe the system functionality to be implemented for each wave with SPR 5. Each table includes only the new or additional system functionality that is added during that wave. Functionality already implemented in early waves is rolled out to new departments being brought online with FI\$Cal. New functionality rolled out after a department's original go live will be deployed to that department as part of the subsequent wave implementation.

Pre-Wave provides a go live prior to Wave 1 that builds a statewide financial system roadmap and implements automated workflow processing for requisitions, purchase orders, and receiving to demonstrate the benefits of automation to the State. In addition, the Pre-Wave will (1) include the design of the statewide COA, Budget Structures, and statewide end-state business processes, (2) determine and take action on the disposition of Pre-Wave legacy systems, and (3) confirm the departments by Wave.

TABLE 6. PRE-WAVE SYSTEM SCOPE

System Module	Functionality Details
Requisition and Purchase Order	Integrated requisitioning, procurement, and receiving transactions with electronic workflow within the Pre-Wave departments will be implemented to demonstrate the benefits of automation. Establishment of the statewide VMF will begin by consolidating, cleansing, and validating the BidSync vendor records to be loaded into FI\$Cal with a focus on supporting the departments in each wave until BidSync is replaced.

Wave 1 provides a broad set of departmental accounting, budgeting, and procurement functionality* to a limited number of departments and the Partner Agencies. Control-related business processes remain the same during Wave 1 for DGS, SCO and STO. DOF's control-related business processes around budgeting will be in FI\$Cal as part of Wave 1, making FI\$Cal the Budget System of Record.

TABLE 7. WAVE 1 SYSTEM SCOPE

System Module	Functionality Details
Financial Controllership and Governance	Functionality for Wave 1 departments includes Chart of Accounts maintenance (defines department level Chart of Accounts and Budget Structure), maintenance of the statewide Chart of Accounts and Budget Structure, and finance policy setting such as customer set-up, vendor maintenance, and security access.
Asset Accounting	Setup and maintenance of assets for Wave 1 departments, including acquisition, depreciation, stocktaking, lease administration, adjustment and disposal, and reporting.
	Depreciation performed by departments in FI\$Cal and sent to SCO for Wave 1 departments.
	Physical inventory of existing assets for Wave 1 departments.

* It is important to note that the functionality being rolled out during a given wave may only be partial; entries in the Scope tables are not intended to mean that the full functionality of the end-to-end process identified by the system module name is being deployed during that wave.

System Module	Functionality Details
	<p>Entering and administering capital and operating leases for Wave 1 departments.</p> <p>Adjustments, re-categorizations, transfers and disposal of assets for Wave 1 departments.</p> <p>Identified set of reports for Wave 1 departments.</p>
Requisition to Check	Updating the State VMF for Wave 1 participating departments. Functionality includes purchasing, invoice and payment processing, and encumbrance accounting. Implements integrated requisitioning and procurement transactions with electronic workflow for Wave 1 departments (does not include contracting and sourcing).
Accounts Receivable and Cash Receipts	Customer setup and management for Wave 1 departments. Functionality includes customer management, order processing, payment processing, customer billing, collections management, and receivables reporting.
Budget Lifecycle	<p>End-to-end budget development for Wave 1 departments, including development, enactment, administration, and operations support. FI\$Cal becomes the Budget System of Record.</p> <p>DOF control functions, including review, approval, and revision of departmental budgets.</p>
Project/Grant Lifecycle	Setup of projects and post-award grants only for Wave 1 departments. Functionality includes cost accumulation, project capitalization, federal funds administration, and project reporting.
Record to Report	Functionality for Wave 1 departments includes General Ledger setup, time sheet and labor distribution for payroll activities, department-specific cost allocations, financial statements, tracking of bond-specific accounting, tracking of loan-specific accounting, and management reporting.
Cash Management and Bank Reconciliation	Functionality includes set up of Centralized Treasury System (CTS) accounts for departments, cash management, bank reconciliation, cash forecasting, and cash position accounting.

Wave 2 continues the rollout of functionality by deploying additional statewide control functions to DGS, including transition to FI\$Cal as the Procurement System of Record. This wave also delivers additional FI\$Cal departmental functionality to all of the Wave 1 departments. Wave 2 also adds the departmental operations for DGS. As in Wave 1, additional Change Management activities and focus will be needed for the Wave 1 and Wave 2 departments during their Wave 3 implementation.

TABLE 8. WAVE 2 SYSTEM SCOPE

System Module	Functionality Details
Financial Controllership and Governance	Functionality includes defining department-level COA and Budget Structure for Wave 2 departments as well as maintenance of the statewide COA and Budget Structure.
Asset Accounting	Asset stocktaking including the capability for hand-held scanning of inventory for departments using FI\$Cal.
Requisition to Check	Integrated sourcing, bidder registration, contracts, certification, protest, intent to award communication, and electronic approval. Replacement of BidSync and California State Contracts Register website functionality. Add Wave 2 vendor data to

System Module	Functionality Details
	the VMF for all participating departments (BidSync will be replaced, so all BidSync vendors need to be captured in FI\$Cal). Vendor self-service invoicing for Wave 2 departments. SCO approval of vouchers in the FI\$Cal System for Wave 2 departments.
Accounts Receivable and Cash Receipts	Statewide capture of receipts and deposits in FI\$Cal.
Project/Grant Lifecycle	Functionality includes creation of pre-award grants, project billing, federal funds administration, and project reporting.

Wave 3 continues the rollout of additional statewide control functions to the remaining Partner Agencies (SCO and STO), including transition to FI\$Cal as the General Ledger Book of Record and cash management control functions. This wave also includes a technology upgrade to the FI\$Cal solution.

TABLE 9. WAVE 3 SYSTEM SCOPE

System Module	Functionality Details
Financial Controllership and Governance	Define department-level Chart of Accounts and Budget Structure for Wave 3 departments.
Requisition to Check	Add Wave 3 vendors to VMF for Wave 3 participating departments that had not previously been reported in BidSync .
Budget Lifecycle	Statewide budget publication in FI\$Cal, replacing the Governor's Budget Publication System (GBPS).
Record to Report	FI\$Cal becomes the General Ledger Book of Record and includes multiple accounting basis statewide. Functionality includes claims processing, specific statewide cost allocations and labor distribution, statewide cash, and accrual financial statements, bond accounting including amortization, scheduling, and management by STO, bond fund setup and allocation of proceeds by SCO, and setup, amortization, and maintenance of loans.
Cash Management and Bank Reconciliation	Functionality includes cash management reports to provide statewide departmental cash balances in FI\$Cal, STO statewide bank reconciliation, more cash forecasting methods, investment maintenance, including interest allocation for Pooled Money Investment Account, and statewide cash position reporting for CTS banks.

Wave 4 deploys the FI\$Cal System in its entirety to all remaining in-scope departments and releases the public-facing transparency website.

TABLE 10. WAVE 4 SYSTEM SCOPE

System Module	Functionality Details
Financial Controllership and Governance	Define department-level COA and Budget Structure for Wave 4 departments.

System Module	Functionality Details
<i>Requisition to Check</i>	Add vendors to FI\$Cal Vendor Management File for Wave 4 departments that had not previously been reported in BidSync.
<i>Transparency Website</i>	Stand up of transparency website.

Out of Scope Functionality

The functions that are not in the scope of the FI\$Cal Project have also been defined by the Partner Agencies and departments. These include the larger functions of Asset Management beyond Asset Accounting, Inventory Management, Human Resources, Revenue Forecasting, Employee Expense Claims, and Specialized Business Functionality Department Systems.

The current scope of the FI\$Cal Project provides for interfaces to systems used by [deferred](#) and [exempt](#) departments. As these departments' [ERP](#) systems require upgrades or the department desires expanded functionality, they will move to FI\$Cal, and as such are referred to as "deferred departments." An interface will be developed for these departments to either exchange data or information through the interface, or to enter State-level information into the statewide ERP system as needed by the Partner Agencies, and to provide a comprehensive view of the State's finances.

Appendix C: Glossary and Acronyms

Term	Definition
Accenture Delivery Methodology (ADM)	Accenture’s methodology for a successful ERP implementation to deliver on-time and within budget. The methods incorporate and align with key industry standards for project management.
Activity-Based Management System (ABMS)	The current ERP system used by DGS for financial management activities. FI\$Cal will replace ABMS.
BidSync	The current procurement system of record with complete end-to-end, requisition- to-purchase order functionality. Users create requisitions, purchase orders, solicitations, bid evaluations, and all other items associated with the procurement process.
Business Process Designs	Business process flows and narratives, key assumptions, and cross-team impacts related to each business process within departments.
Business Process Management (BPM)	Oracle software that will be implemented to provide workflow capabilities between PeopleSoft Financials and the Oracle Imaging and Process Management (IPM) application.
Business Process Workshops (BPWs)	Sessions for departments on the functionality being implemented for a specific wave. BPWs help departments build an understanding of the new processes and an understanding of how their department will be affected. Departments can then assess changes and impacts at the department level.
Change Champion	A person who identifies activities and messages that help staff achieve change readiness.
Change Management	An approach to transitioning individuals, teams, and organizations from a current state to a desired future state.
Change Network	The network of groups and individuals designed to support the change effort to get departments and their end users ready to implement FI\$Cal.
Checkpoint Survey	The second round of the User Readiness Survey in a wave to determine readiness for implementation and transition (only applies to Waves 1-4).
Conference Room Pilots (CRP)	Facilitated sessions comprised of department participants to demonstrate and validate how the FI\$Cal software can be designed and configured to meet the business needs and requirements while operating with the new FI\$Cal business processes. CRPs evaluate the fit of FI\$Cal with the State’s requirements using the draft to-be FI\$Cal business processes.
Configuration	Design and set up of the ERP package to reflect the business rules, requirements and business processes. Using tools inherent in the system, the design and set up of settings for the software, tables, schema, personal calculation rules, functions, features, operations, screens, and reports. Requirements that are met by configuring the system functionality using existing tools inherent in the system may be designated as being met out-of-the-box.
Conversion	The process of moving data from the current, or legacy system(s), to the new, or target system(s).



Term	Definition
Commercial Off the Shelf (COTS)	A software product that is commercially available, leased, licensed, or sold to the general public to be used “as-is.” COTS products can be tailored for specific uses. Use of COTS software offers significant savings in procurement, development, and maintenance, and provides alternatives to in-house developments.
Customization	Specifically created changes to the ERP or third party software code for functionalities not existing in the purchased ERP COTS software or third party products and made without the use of configuration tools inherent in that software.
Cutover	A period of time when the legacy system data is migrating to the new system. Once the cutover activities have been completed, FI\$Cal becomes the system of record for the affected departments and functionality.
Department of Finance (DOF)	A FI\$Cal Project Partner Agency
Department of General Services (DGS)	A FI\$Cal Project Partner Agency
Department Implementation Team (DIT)	Department staff persons who provide direct support to the department in their preparations for FI\$Cal.
Department Liaison	Department staff person who is the focal point of communication and interaction between the FI\$Cal Project and the departmental staff.
Deferred Departments	Those departments that have implemented or are in the process of implementing an ERP system.
Design Phase	The stage during which the business requirements and the software application are converted into a system design for FI\$Cal. The Project then validates the design against the State’s defined requirements.
Dress Rehearsal	Mock trial run or mock go live. Data is entered into the test system and transactions are performed. After all results are analyzed and issues resolved, project leaders determine if the system and end users are ready to use the new system and make the decision to go live or not.
Dry Run	An initial test of the System cutover processes to mitigate possible failures during the actual cutover.
End-to-End Testing	A methodology used to test whether the flow of an application is performing as designed from start to finish.
End User	Individuals who will use FI\$Cal or will be impacted by the new System or business processes such as the change in a process from manual to automated.
Enterprise Resource Planning (ERP)	Software that integrates departmental and business functions across a company onto a single computer system. This computer system serves the different departments’ business needs.
Exempt departments	Departments within the State that have special statutory provisions that allow them to use systems other than FI\$Cal for their financial management. Exempt departments will exchange necessary information with FI\$Cal to support the statutory and constitutional functions of the Partner Agencies.
Fit/Gap Analysis	A phase in the Project lifecycle where a study is done to identify whether the present system fits the requirements. If any gaps are identified, they are recorded in a prescribed format. The analysis is used for implementing the correct requirement in the project.
Functional Test	Testing the system against the functional requirements of the product.
Go Live	When end users begin to use FI\$Cal. At this time, FI\$Cal’s intended



Term	Definition
	users can access FI\$Cal, and the System is fully active. Prior to go live, FI\$Cal was under development or operating in a limited test mode.
Hyperion	An Oracle software product for budgeting and planning that integrates financial and operational planning processes.
Interface	The point of interaction between various software components.
Interface Test	A software testing methodology used to test individual software components, or units of code to verify interaction between various software components.
Integration Test	Testing more than one component of a system and how these components function together.
Issue	An unforeseen event that impacts the project. An issue may be identified in the form of a risk where a trigger event occurred, or as a new issue that was not previously identified.
Legacy Data Repository	A Project-provided solution that departments may use to store data from their respective legacy systems that will not be converted into FI\$Cal, but needs to be maintained for historical reporting purposes.
Legacy System	An old method, technology, computer system, or application program.
Lessons Learned	Documented information, usually collected through meetings, discussions, or written reports, to show how both common and uncommon project events were addressed. This information can be used as a reference for subsequent project efforts.
Mock Conversion	A pre-go-live test of the conversion process and scripts when converting data into the target system. Each mock conversion simulates the real go-live process with actual data volumes.
Readiness	The state of being prepared for the implementation of FI\$Cal, both as departments and end users.
Readiness Workshop	Educational workshops to introduce topics to departments such as the Change Network , business processes, Chart of Accounts, interfaces , and conversions to help prepare departments for the FI\$Cal implementation.
Requirements	A condition or capability that must be met or possessed by a system.
Requirements Traceability Matrix (RTM)	A table of system features that can be traced to an objective and provides information as to whether each feature has complete requirements.
RICEF (Reporting, Interface, Conversion, Extensions, and Forms)	Types of development objects used to deliver functionality.
Risk	An uncertain event or condition that, if it occurs, has a positive or negative effect on at least one project objective.
Sponsorship	The act of taking responsibility for the FI\$Cal Project to help the State realize the value of FI\$Cal implementation; the network of sponsors who will help realize the desired change for the FI\$Cal Project.
Stakeholder	A person or group who is impacted by the change, assists in implementing the change, can provide needed resources or knowledge, whose approval is necessary for the change, and whose sponsorship and/or ownership ensure cooperation from others.
State Controller's Office (SCO)	A FI\$Cal Project Partner Agency



Term	Definition
State Treasurer's Office (STO)	A FI\$Cal Project Partner Agency
Survey User Group	A cluster of end users formed for the purposes of tracking, analyzing, and reporting on user readiness.
System Integrator (SI)	A company that specializes in bringing together component sub-systems into a whole and ensuring that those sub-systems function together.
Test Script	A set of instructions that will be performed on the system to test that it functions as expected.
To-Be Processes	The new or future business processes being designed, developed, and implemented for the State as part of the FI\$Cal solution.
User Acceptance Testing (UAT)	A testing process to confirm that a system meets mutually agreed-upon requirements.
User Support Labs	Training labs where users can bring in real-life examples and get support as they perform transactions in the practice environment.
Vendor Management File (VMF)	A statewide central source of vendor information that will be used by all departments for procurement, receiving, and payment functions.