State of California

In Partnership With:

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

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

(SPR 3 - 2009-11-18)

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Executive Summary

This Special Project Report (SPR) provides a basis for understanding and agreement among the Financial Information Systems for California (FI$Cal) Partner Agencies (the Department of Finance, the State Controller, the Department of General Services, and the State Treasurer) and the state-level control agencies. This SPR describes project activities and costs through the Project's procurement phase and award of the system integrator contract. The project plan for development and implementation will be provided as part of a subsequent SPR after the procurement is completed.

Background

The FI$Cal Vision states:

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

The vision statement remains consistent with SPR 2 and statutes governing the FI$Cal Project; however, a few minor changes have been made to align the vision statement with the current project scope in asset accounting, grant accounting and removal of human resource management. The overall mission of FI$Cal remains unchanged from SPR 2, which is to provide integrated, reliable, and timely financial information for the state, will be achieved by selecting and implementing a commercial-off-the-shelf Enterprise Resource Planning (ERP) software package. As described in SPR 2, to achieve the vision, the state must first modernize and standardize its processes to adopt best practices and leverage the inherent efficiencies embedded in ERP software tools. The aging central systems must then be replaced in partnership with a select number of departments that will design end-to-end processes that will meet the needs of all departments, including the Partner Agencies operating in a single statewide system.

Various factors have influenced the need to (1) change the implementation approach and (2) revise the financing plan as articulated in SPR 2.

a) A key tenet of SPR 2 was to test the full capability of the software in the first implementation (Wave 1)[1]. The Project team then would roll out the system to the remaining departments in subsequent waves implementing in groups of departments every 12 months until complete. The Office of the Chief Information Officer (OCIO), the Legislative Analyst's Office, and the Partner Agencies expressed concerns over the risks associated with the size and complexity of the initial implementation.

b) In SPR 2, the funding and financing plan included short-term financing with Bond Anticipation Notes and long-term financing with Certificates of Participation. There were concerns over the viability of this funding approach.

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[1] A wave is defined as a set of activities resulting in the implementation of pre-defined business functions of the ERP software in one or more departments. For SPR 2, Wave 1 was the Partner Agencies and seven departments.

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Project Review

The Project contracted with ERP experts Grant Thornton, LLP, to assess FI$Cal's implementation approach based on a suggestion by the State's Chief Information Officer.

The Project Review, conducted from January through May of 2009 covered project objectives, scope, business requirements, organization, procurement and implementation aspects of FI$Cal. The review included a number of recommendations for each of the areas assessed. The review examined SPR 1 and 2, and in general, found the information useful and the project concepts well suited for such a large technology initiative. This included both the key sourcing strategy - a single procurement for both the software and system integrator and the implementation methodology of rolling out the software in a phased approach. With respect to the latter two project components, the FI$Cal Steering Committee adopted the following recommendations, which represent material changes to SPR 2:

a) This SPR proposes a two-stage approach to improve the quality of the proposal for FI$Cal's bundled procurement. The two-stage procurement strategy allows the Project to maintain the benefits of the bundled strategy while also realizing some of the benefits of the unbundled strategy (i.e., stronger education of software functionality for the state prior to contract award, and increased competition for the ERP software).

Stage I of the procurement is an open procurement for a Firm Fixed Price fit-gap analysis with awards to the top three bidders. It is very difficult to estimate the costs of implementing an ERP without a thorough understanding of the current systems, processes and unique policies of an organization. In Stage II of the procurement, the top three bidders will conduct a nine-month review to identify potential gaps in the software and the state's business requirements. Each bidder will use this information to estimate the effort required to 'fit' their solution to meet the needs of the state, while ensuring that the state is able to use the best practices and efficient processes incorporated in the software.

Each bidder, paid a fixed amount to carry out Stage II of the procurement, referred to as the "fit-gap", will subsequently provide a proposal with a detailed implementation plan and all costs required to carry out the plan. This fit-gap step addresses a major source of Information technology (IT) project overruns caused by the bidders misunderstanding of business and data conversion requirements, existing processes and systems and the impact of the new solution on the organization. This additional step in the procurement process will go a long way towards eliminating extensive and expensive work order changes that have been typical of the state's large IT projects.

b) The revised approach will limit the scope of the first implementation to Wave 1 (core accounting) to avoid the risks and high complexity of installing the full functionality of the software. Core accounting includes, but is not limited to, functionality such as General Ledger, Accounts Payable, Accounts Receivable, Cash Management and Vendor Management. A comprehensive list of core accounting functions is provided in Section 4.5.1 Project Scope. Limiting the initial functionality dramatically lowers the initial costs as well as mitigates the high risks of a large IT implementation.

Funding and Financing

In SPR 2, the funding and financing plan included short-term financing with Bond Anticipation Notes and long-term financing with Certificates of Participation. This funding plan is no longer a viable option for the Project. Project costs of $111.4 million identified in this SPR are through December 31, 2011 (completion of fit-gap). In 2008-09 the Project received a $37.6 Million General Fund loan, and the remainder of this loan is being carried over to cover project costs in 2009-10 and partial costs in 2010-11. The Project is seeking additional funding through completion of the fit-gap analysis that will include an annual $2.1 Million General Fund base. This additional funding will be addressed in the 2010-11 Governor's Budget.

While it is estimated that Wave 1 implementation costs will be less, this SPR does not re-estimate the 12-year project cost provided in SPR 2. Total overall 12-year project costs of $1.6 billion will be re-estimated in the subsequent SPR after the procurement of the system integration vendor. The longer term funding and financing plan will be further detailed in that SPR.

Project Status

After the Project Review was completed and the FI$Cal Steering Committee adopted the overall recommendation, the project schedule was re-planned. The Project is currently preparing for the procurement phase activities such as:

- Preparing procurement documents
- Recruiting staff with key knowledge, skills, and abilities
- Documenting business processes and legacy systems
- Identifying strategies to remove procedural obstacles
- Identifying critical successful factors
- Prioritizing required system functionality
- Collaborating with staff from successful ERP implementation projects to leverage lessons learned and implement best practices
- Designing enterprise wide processes such as the Master Vendor File and Chart of Accounts

The Project has developed a hiring plan based upon the Project Review recommendations. Critical project positions filled to date include a Project Executive, Project Director and Deputy Directors for the Business Team, Change Management Team, Project Management Office and the Vendor Management Office. A training plan was developed and implemented to ensure staff has the essential training to manage the project. The team is revising the business requirements in preparation for the Systems Integrator (SI) and software Request for Proposal (RFP). Other Accomplishments include:

- A Request for Information (RFI) was conducted to allow the vendor community to review and comment on the current business requirements. The Project will use the RFI responses to finalize the content and organization of the requirements for inclusion in the RFP.

- A Vendor Forum was conducted to update the vendor community on the project status and to answer questions that prospective bidders had regarding the FI$Cal project.

- The Project conducted a readiness assessment on the initial departments that will be considered for Wave 1 implementation.

- The Project continues towards the revised project schedule milestones as shown in Section 4.5.5 Project Schedule.

- Upcoming key milestones include completion of the RFP and its release, execution of the fit-gap, evaluation of the fit-gap proposals and award of the software and system integrator contract.

Legislative Pause
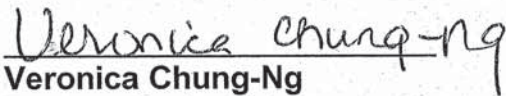
California Government Code Section 15849.22 states that the FI$Cal system shall be limited to Wave 1 implementation and subsequent implementation will proceed only after Legislative approval. In light of the revised approach, the Project will reexamine the Legislature's proposal for a one-year evaluation of the end of the first implementation. The previous "Large Scope" approach was inherently risky and the Legislature required all project activities to pause for one year after the initial implementation to assess the Project's ability to successfully implement the stated functionality. The revised Project Approach plans to conduct a nine-month fit-gap analysis prior to awarding the SI contract. Additionally, the Project will develop functionality across implementation waves instead of all functionalities at once. These decisions ultimately reduce project risks. They also raise the issue of the most appropriate time for a legislative review of the project. Not all of the functionalities will be developed by the end of the first implementation and therefore the Legislature will not have complete system information for review. Given these changes, the Project will investigate another approach perhaps at a different time, for a legislative review that considers the needs of the Project as well as provides a transparent means of communicating to the Legislature the health of the Project.

1.0 Project Approval Transmittal
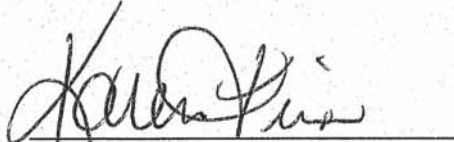
The FI$Cal Steering Committee Members by consensus decision approved this SPR on November 18, 2009.
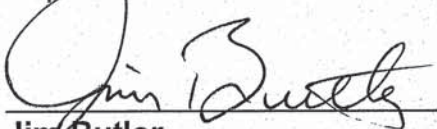
Fred Klass
Chair
FI$Cal Steering Committee
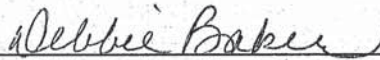
Veronica Chung-Ng
Program Budget Manager
Department of Finance
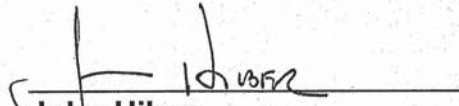
Karen Finn
Program Budget Manager
FI$Cal Project
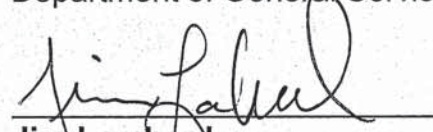
Jim Butler
Deputy Director
Department of General Services

Debbie Baker (for Doug Button, Retired)
Admin Chief
Department of General Services

John Hiber
Chief Operating Officer
State Controller's Office

Jim Lombard
Chief Administrative Officer
State Controller's Office

Mark Hariri
Director, Cash Management
State Treasurer's Office

Project leadership SPR approval/concurrence:

Titus Toyama
Project Executive
FI$Cal Project

Vicky Sady
Project Director
FI$Cal Project

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Information Technology Project Request

Special Project Report

Executive Approval
Transmittal

Department Name			
Department of Finance: In partnership with the State Controller's Office, State Treasurer's Office and Department of General Services			

Project Title (maximum of 75 characters)			Project Acronym
Financial Information System for California			FISCal

FSR Project ID	FSR Approval Date	Department Priority	Agency Priority
8860-30	7/26/05	1	N/A

APPROVAL SIGNATURES

I am submitting the attached Special Project Report (SPR) in support of our request to continue development and/or implementation of this Project.

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

I have reviewed and agree with the information in the attached SPR.

State Chief Information Officer[2]	Date Signed
Printed name: Teri Takai	11/25/09
Project—Administration Director	Date Signed
Printed name: Jan Rosman	11/18/09
Department Director	Date Signed
Printed name: Michael C. Genest	11/18/09
Agency Secretary	Date Signed
N/A	
Printed name: N/A	

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

2.0 Information Technology: Project Summary Package

1.	Submittal Date	

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

			Estimated Project Dates	
			Start	End
3.	Project Title	Financial Information System for California		
	Project Acronym	FI$Cal	August 2005	TBD

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

6.	Project Objectives

See Section 3.1.1 for the complete list of the Project Objectives

1. Replace the state's aging legacy financial systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies.

2. 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.

3. 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, Legislature, external stakeholders, state, federal, and local agencies.

1.	Major Milestones	Est. Complete Date
	See Section 4.5.5 Project Schedule	
	SPR 3	12/23/2009
	Pre-Fit Gap Activities	9/13/2010
	Release RFP	5/7/2010
	Award Stage I Contract: Fit-gap Vendors	9/13/2010
	Execute Fit Gap	5/27/2011
	Conduct Stage II Acquisition	12/30/2011
	Award Stage II Contract	12/30/2011
	PIER	**TBD**
	Key Deliverables	
	TBD	

Project #	N/A
Doc. Type	SPR

7.	Proposed Solution
	The systems integrator will configure and implement an ERP system to meet the business needs of the state.

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION B: PROJECT CONTACTS

Project #	N/A
Doc. Type	SPR

Executive Contacts

	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Agency Secretary								
Dept. Director	Michael	Genest	916	445-4141				
Project Administration Director	Janet	Rosman	916	445-8918	3337			Janet.Rosman@fiscal.ca.gov
Chief Information Officer (CIO)	Teri	Takai	916	319-9223				
Project Sponsor	Fred	Klass	916	445-4923				Fred.Klass@dof.ca.gov

Direct Contacts

	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Doc. prepared by	James	Duckens	916	445-8918	3336	916	324-4888	James.Duckens@fiscal.ca.gov
Project Executive	Titus	Toyama	916	445-8918	3301	916	324-4888	Titus.Toyama@fiscal.ca.gov
Project Director	Vicky	Sady	916	445-8918	3261	916	324-4888	Vicky.Sady@fiscal.ca.gov

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

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

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Project #	N/A
Doc. Type	SPR

Budget Augmentation Required?

No	
Yes	X

If YES, indicate fiscal year(s) and associated amount:

FY	2005-06	FY	2006-07	FY	2007-08	FY	2008-09	FY	2009-10	FY	2010-11
	455.4		1,777.6		0		3,366.4		19,246.4		36,244.0

FY	2011-12 *	FY	2012-13	FY	2013-14	FY	2014-15	FY	2015-16	FY	2016-17	FY	2017-18
	32,673.1												

PROJECT COSTS (2005-06 thru December 2011)   ($ Thousands)

	Fiscal Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	*2011-12	SUBTOTAL
1.									
2.	One-Time Cost	866.3	5,019.7	6,237.0	5,783.4	17,697.8	33,869.7	27,017.5	$96,491.4
3.	Continuing Costs	0	0	0	0	3,655.6	4,555.3	6,746.6	$14,957.5
4.	TOTAL PROJECT BUDGET	$866.3	$5,019.7	$6,237.0	$5,783.4	$21,353.4	$38,425.0	$33,764.1	$111,448.9

SOURCES OF FUNDING**

5.	General Fund	455.4	2,233.00	6,237.00	2,417.00	2,107.00	2,181.00	1,091.00	$16,721.4
6.	Redirection	410.9	2,786.70	0	0	0	0	0	$3,197.6
7.	Federal Funds								$0.0
8.	Special / Other Funds	0	0	0	3,366.4	19,246.4	36,244.0	32,673.1	$91,529.9
9.	Financing								$0.0
10.	PROJECT BUDGET	$866.3	$5,019.7	$6,237.0	$5,783.4	$21,353.4	$38,425.0	$33,764.1	$111,448.9

* 2011-12, reflects approximately 6 months to the estimated completion of the procurement phase and the SI and software contract award.

** Identification of the source of funding is in process.

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Project #	N/A
Doc. Type	SPR

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

VENDOR PROJECT BUDGET

	Fiscal Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	TOTAL
•	**Software Customization Budget**	0	0	0	0	0	0	10,500,000	$10,500,000
•	**Project Management Budget**	0	92,510	531,473	218,575	675,010	650,000	325,000	$2,492,568
•	**Independent Oversight Budget**	0	97,700	44,761	4,018	342,600	77,400	38,700	$605,179
•	**IV&V Budget**	0	97,700	472,668	0	290,686	1,200,000	600,000	$2,661,054
•	**Other Budget**	0	2,590,073	290,548	1,167,718	2,569,400	4,022,400	3,261,200	$13,901,339
•	**TOTAL VENDOR BUDGET**	$0	$2,877,983	$1,339,450	$1,390,311	$3,877,696	$5,949,800	$14,724,900	$30,160,140

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

PRIMARY VENDOR HISTORY SPECIFIC TO THIS PROJECT

1.	**Primary Vendor**	
2.	**Contract Start Date**	
3.	**Contract End Date (projected)**	
4.	**Amount**	$

PRIMARY VENDOR CONTACTS

	Vendor	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
5.									
6.									
7.									

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Project #	N/A
Doc. Type	SPR

RISK ASSESSMENT

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

General Comment(s)
A summary of the risk management plan is contained in Section 5.0 of this document.

3.0 Proposed Project Change

3.1 Project Background/Summary

In 2005, the Department of Finance (DOF) developed a Feasibility Study Report (FSR) that proposed the implementation of a commercial-off-the-shelf (COTS) Budget Information System (BIS)[3] to meet statewide and departmental budget development and budget administration needs. The objective of the BIS Project was to develop a comprehensive statewide budget system to prepare, enact, and administer the state's annual financial plan (budget) and to provide critical information required to make budget decisions and manage state resources. The solution was also intended to address other critical information and budget deliberation needs of the Legislature and to take into account the intent to develop a future enterprise financial management system for other common statewide applications.

The collaboration and discussions with the project stakeholders, along with the information gathered and shared in researching efforts in other governments (state, local, and federal level) and private industry, brought into sharp focus the need to consolidate and modernize the state's entire financial management process into a single financial management system. In addition, through these efforts, there was a clear conclusion that one of the intended objectives of the BIS Project, budget administration, could not be accomplished as envisioned within the existing project scope.

In December 2006, the DOF approved an SPR for the Financial Information System for California (FI$Cal). FI$Cal is a partnership between the agencies responsible for the state's financial management: DOF, the State Controller's Office (SCO), the State Treasurer's Office (STO), and the Department of General Services (DGS), collectively known as the "Partner Agencies".

A trailer bill to the Budget Act of 2007 required the Project to develop additional planning documents and submit them to the Legislature no later than April 1, 2008. In addition to evaluating four specific alternatives, the Project was required to include a plan of funding that evaluated alternative financing options including the use of special funds and federal funds, develop formal roles and responsibilities through the execution of a memorandum of understanding by the Partner Agencies, and develop a revised project management plan to address project leadership succession planning and vendor accountability. This resulted in SPR 2[4] which was approved by DOF in December 2007.

In February 2008, the Legislative Analyst's Office (LAO) analysis of SPR 2 recommended proceeding with the project while incorporating alternatives which would reduce risk, provide for greater legislative oversight and review, lower initial costs, and rely less on borrowing. In April 2008 the Legislature approved the FI$Cal Project.

In January 2009, in response to concerns expressed by the Legislature, the Office of the Chief Information Officer (OCIO), the LAO, and the Partner Agencies, the Project contracted with Enterprise Resource Planning (ERP) experts, Grant Thornton, LLP, to conduct a review in the context of best practices for planning and implementing a large ERP project. The Project Review included the following tasks: (1) review the proposed

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[3] The BIS FSR was approved July 26, 2005

[4] A copy of SPR 2 is located at http://www.fiscal.ca.gov/project_information/publications/

project objectives, (2) review the FI$Cal business requirements, (3) review the project organization and governance structure, (4) review the project implementation approach, and (5) recommendation of the best sourcing strategy within the existing FI$Cal procurement approach.

The Project Review has not changed the overall project scope. The project goals, overall business requirements, bundled procurement approach, and implementation waves remains consistent with SPR 2. Rather, the review recommended the proposed implementation strategy and approach be revised to reduce the initial development costs and mitigate risks by reducing the functionality deployed in the first implementation (Wave 1)[5]. The proposed strategy aligns with best practices in large public sector ERP implementations, and provides for early success, development of the Project Team's skills, and reassurance of the stakeholder community. The revised project strategy described in this document is largely a result of the Project Review and subsequent decisions of the FI$Cal Steering Committee.

3.1.1 Project Objectives

While the overall goals of the Project have not changed from SPR 2, based upon the Project Review, the original objectives have been streamlined to better align with the goals. These are presented without any respect to urgency or priority.

1. Replace the state's aging legacy financial systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. Financial Management is defined as accounting, budgeting, cash management, asset accounting, vendor management and procurement.

2. Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.

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.

4. Increase investment returns through timely and accurate monitoring of cash balances, cash flow forecasting, and timing of receipts and disbursements.

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.

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.

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[5] See Section 3.1.2 ERP Implementation Approach for a definition of implmentation Stages and Waves.

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.

8. Provide online access to financial management information resulting in a reduction of payment and/or approval inquiries.

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.

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 information.

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.

12. Track purchase volumes and costs by vendor and commodity/service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.

13. Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods/services available from existing sources (e.g., leveraged procurement agreements).

14. Streamline the accounts receivable collections process and allow for offset capability which will provide the ability for increased cash collection.

15. Streamline the payment process and allow for faster vendor payments which will reduce late payment penalty fees paid by the state.

16. Improve role-based security and workflow authorization by capturing near real-time data from the state's human resources system of record.

17. Implement a stable and secure information technology (IT) infrastructure.

3.1.2 ERP Implementation Approach

ERP solutions are typically phased in over time due to the scope, complexity and impact a project will have on an entity. In order to better manage risk, leverage project team resources and manage the overall project, system features, functions and capabilities may be introduced at different times and/or to different sets of users in a graduated fashion. A phased approach also allows the Project team to build on the success of earlier phases (i.e., stages/waves). The user community, executive management and the project team have a demonstrated success to highlight the benefits of the new system. In addition, lessons learned from past challenges can be applied to future phases.

The Project proposes two implementation stages and multiple implementation waves. A Stage is defined as a group of implementation waves. Stage 1 includes system design and configuration, and the implementation of Wave 1. A wave is defined as a set of activities resulting in the implementation of pre-defined business functions of the ERP software in one or more departments. Stage 2 is the roll out of the ERP solution to groups of departments every 12 months.   The specific phased-in implementation

approach for FI$Cal using project stages and implementation waves will be determined at the end of the fit-gap procurement.

3.1.3 Benefits from Investing in FI$Cal

In March 2008, the Project completed an analysis determining that FI$Cal will provide a direct return to the state in three ways: cost avoidance, cost reductions from process improvements, and increased efficiency and gains derived from better management of information. This effort documented the same cost avoidance potential found in SPR 2 of approximately $6.2 billion over the term of the Project. The cost avoidance is the result of the economies of scale from developing and implementing a single system, instead of each state entity developing and implementing an independent system.

The analysis estimated the size and scope of potential administrative expenditures that may be able to be reduced or eliminated as a result of investing in the Project. These potential improvements are the result of process improvements and are derived from better management of financial information. That effort estimated annual expenditures that could potentially be reduced upon full implementation of FI$Cal to be in excess of $500 million. The Project's analysis is consistent with a current Hackett Group study that estimates for every $1 billion in revenue, modern enterprise resource planning systems permit savings of $2.8 million[6]. This equates to $400 million in annual savings for the state.

Cost Avoidance

Should the state decide to take no coordinated effort to implement a system to support statewide business functions as proposed by the FI$Cal Project, control agencies and departments would be forced to replace their legacy systems with applications (or application suites) that are specific to individual departmental needs, such as ERP systems, other commercial off-the-shelf (COTS) systems, and custom developed software applications.

The replacement of these legacy systems will occur as a result of three drivers. First, many of the state's legacy systems, while still supporting basic functions, are at risk of failure because of age, loss of manufacturer support, or loss of key staff to maintain and use them. Second, state departments will increasingly seek ways to capture the value of new technologies to handle their business functions, better manage their resources (at times with less employees), and respond to demands for accountability and performance. Over time, departments will come forward with requests to expand the performance of legacy systems or replace these systems. Third, some business applications software is regularly updated by the Office of Technology Services (formerly Department of Technology Services). However, there are legacy systems that are not integrated with existing systems such as budgets, procurement, account receivables, and asset accounting. Therefore, because of the lack of integration, departments cannot obtain timely expenditure information from the state's legacy batch accounting processes. Departments, in their pursuit of timely and accurate information, efficiency, and integration will begin to seek alternatives to FI$Cal that provide a similar scope of business functions and will request the authority to obtain their own ERP systems.

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[6] http://www.thehackettgroup.com

Process Improvements and Increased Efficiency

The state will derive direct benefits from improvements in processes that lead to increased efficiencies and reduced costs. The areas affected by the transition to an enterprise system include: elimination of some primary control agency systems, elimination of supplemental systems, improvements in accounts payable processing, expansion of electronic funds transfer payments, budget development, data quality, asset accounting, cash management, grant accounting, and financial reporting.

By creating a single integrated financial system, the state expects to derive benefits for the financial management workforce by allowing financial management personnel to use standardized processes, receive common training, and obtain skills that are transportable across state departments. This is expected to increase statewide process improvements and decrease costs in the financial workforce in the areas of recruitment, retention, and training.

In each of these areas, direct benefits have been identified from implementing FI$Cal. For example, the Project affirms the shared awareness of the Partner Agencies that the system would replace a large portion of the core financial management systems now used in these agencies. At the SCO, FI$Cal will replace its financial systems and sub-systems, including components of the Accounting and Reporting Systems, Fiscal System's Claims Audits and the Agency Treasury Trust Systems. At DOF, the system will replace eleven stand-alone budget systems, Budget Preparation System, Capital Outlay Project Tracking Systems, Policy Decision Support, Budget Decision Support System and Planning Estimates, e-Budget/data capture, Change Book System, Revenue System, Legislative Information System, Personnel Years System, fund maintenance, and organization maintenance system. At DGS, several procurement and asset management systems are expected to be replaced, including Procurement Information Network, California State Contracts Register, and the State Contract and Procurement Registration System. By the end of the Project, the California State Accounting and Reporting System (CALSTARS) will also be retired. Savings from the eventual elimination of these systems are estimated to be $27 million annually at full implementation of FI$Cal.

Most departments utilize various stand-alone systems performing specific functions to supplement systems like CALSTARS or other departmental accounting systems. These "supplemental systems" are not always formally supported and maintained as a part of the state's infrastructure. But they are nonetheless critical systems that department staff rely on to accomplish their work. The Project will dramatically reduce the number of supplemental administrative systems used to collect data for external reporting purposes. For example, the Project expects to reduce by 80 percent the number of shadow systems supporting the budget development and administration. Based upon sample costs, the Project estimates that staff and system costs for the 73 targeted departments with existing shadow systems could save the state as much as $219 million annually.

Significant additional expenditures could be reduced through process improvement in a number of areas, including:

Process	Improvement
Accounts Payable processing	▪ Elimination of manual entry of purchase orders. ▪ Electronic storage and retrieval of payment documents. ▪ Reduction of late payments. ▪ Maximizing early payment discounts to vendors.
Claim schedule processing	▪ Reducing the time and effort required to prepare, approve and sign, submit, audit, and pay a claim schedule.
Budget Development	▪ Reduce the number of hardcopy handoffs of documents between departments and DOF, including Budget Change Proposals, Schedule 10s, and budget spreadsheets.
Duplicate data entry	▪ Reduce data entry of the same expenditures, revenues, and personnel year data in files, formats, and systems maintained by multiple departments. ▪ Departments will be able to enter receipt data directly through an electronic interface or FI$Cal.
Data Management	▪ Reduce the effort required to reconcile different datasets.
Special purpose spreadsheet drills	▪ DOF and departments will be able to reduce the number of special purpose spreadsheet drills to determine the impact of various strategies on programs and services.
Cash Management	▪ Departments will be able to directly enter deposit records into FI$Cal. ▪ The state will be able to extract and compile accruals for receipts, reimbursements, and expenditures for improved cash management. ▪ FI$Cal will provide STO the exact amount of each warrant issued under a single claim and its means of delivery.
Warrant processing	▪ FI$Cal will increase the efficiency of processing physical warrants by automatically accessing electronic files. ▪ Both SCO and STO will utilize the same data for the creation and payment of warrants.

Process improvement estimates suggest that these improvements alone could save the state as much as $48 million annually.

Management of Information

The state's current financial management systems do not manage information using the most efficient processes and interfaces. There is considerable replication and redundancy of information across the multitude of systems that are used by the Partner Agencies and the departments. The previously mentioned analysis identified several benefits to the state related to improvements in the state's management of financial information. These benefits will be realized as a result of making technology and process improvements to numerous business aspects, including Strategic Sourcing, modernization of the state's Procurement System, Asset Accounting, consolidation of IT

contracts, Cash Management, streamlined Banking, Budget Development and Administration, and decision-making tools.

Significant additional expenditures could be reduced through better management of state financial information in a number of practices:

Practice	Improvement
Strategic Sourcing	▪ Expansion of the state's strategic sourcing efforts from 8.5 percent of total spend to 15-20 percent of total spent.
Modernizing the state's procurement system	▪ Automation of request processes. ▪ Electronic catalogs and leveraged purchase agreements. ▪ Electronic delivery of purchase requests. ▪ Electronic receipt of invoices. ▪ Reduction of invoice processing time due to ERP managed processes. ▪ Efficient management of payment terms.
Asset Accounting	▪ Centralized asset accounting.
IT Contract Management	▪ Consolidation of similar technology licenses and contracts across the state by as much as 15 percent.
Cash Management	▪ Increase investment earnings by an estimated 5 basis points annually by improving the state's cash forecasting. ▪ Increase portfolio average life by 15 days. ▪ Provide early notification of planned expenditures to the Centralized Treasurary System which would improve the cash management of investable funds. ▪ Daily reconciliation processes could be expedited resulting in faster credit to state agencies. ▪ One centralized Stop Payment database located within FI$Cal for each agency to check on stop payment verifications.
Decision Making	▪ 15 percent reduction in the effort to report and analyze the state's financial condition.

Improved decision making as a result of these practices have the potential to save the state as much as $240 million annually.

3.1.4 FI$Cal Project Benefits Measurement

Based on the FI$Cal Project objectives, the Project will undertake efforts to more definitively measure the benefits of implementing FI$Cal. Drawing from the lists of improvements in the previous section, the Project will develop a methodology and list of improvements to take quantitative before and after measurements in the Partner Agencies and departments. Doing so will help the state to document the acquisition and use of resources and quantify the relationship between the use of these resources and their outputs and outcomes. By focusing on a variety of financial and nonfinancial measures of inputs, outputs, and outcomes, and measures that relate efforts to

accomplishments, these efforts will help the Project and the state more fully assess governmental performance.

Public agencies are increasingly being called upon to demonstrate the value of investing in programs and services. To this end, the Governmental Accounting Standards Board (GASB) has developed Concepts Statements on Service Effort and Accomplishment (SEA) Reporting (See GASB Concepts Statement No. 1, No. 2, and No. 5). SEA's reporting objective as originally stated in GASB Concepts Statement No. 1, Objectives of Financial Reporting, is based on the GASB's belief that SEA information is necessary for assessing accountability and in making informed decisions.

GASB has identified the elements of SEA reporting to include:

- Categories of SEA measures

  - Measures of service efforts (input indicators), measures of service accomplishments (output and outcome indicators), and

  - Measures that relate service efforts to service accomplishments (efficiency and cost-outcome indicators) and

- Explanatory information.

The use of recognized assessment tools may be considered to assist in the measurement of project success. In doing so, the Project will rely on the concepts and guidelines of GASB and other federal agencies, including the Office of Management and Budgets, as well as the work done in other states to benchmark the financial processes addressed by FI$Cal. The purpose of this effort is to identify and measure the benefits of FI$Cal. Towards this end, the Project will undertake a before and after analysis of business processes in those departments implementing FI$Cal. The following basic structure will be used to measure and document program benefits:

- **Objectives:** Objectives are measurable activities or functions that are related to a goal and indicate if the goal is being achieved.
- **Metrics:** a metric is a direct or indirect measure for an objective.
- **Base Values:** the value of the metric <u>before</u> project wave implementation.
- **Final Values:** the value of the metric <u>after</u> project wave implementation.

The results of benefits assessment will be used to assist the state in identifying the Project's strengths and weaknesses and allow it to make informed funding and management decisions in the future. Results will also be used for future control agency and Legislative reporting.

3.2 Project Status

After the Project Review was completed and the FI$Cal Steering Committee adopted the overall recommendation, the project schedule was re-planned. The Project is currently preparing for the procurement phase activities such as:

- Preparing procurement documents

- Recruiting staff with key knowledge, skills, and abilities

- Documenting business processes and legacy systems

- Identifying strategies to remove procedural obstacles

- Identifying critical successful factors

- Prioritizing required system functionality

- Collaborating with staff from successful ERP implementation projects to leverage lessons learned and implement best practices, and

- Designing enterprise wide processes such as the Master Vendor File and Chart of Accounts

The Project has developed a hiring plan based upon the Project Review recommendations. Critical project positions filled to date includes a Project Executive, Project Director and Deputy Directors for the Business Team, Change Management Team, Project Management Office and the Vendor Management Office. A training plan was developed and implemented to ensure staff has the essential training to manage the project. The team is revising the business requirements in preparation for the Systems Integrator (SI) and software Request for Proposal (RFP).

A Request for Information was conducted to allow the vendor community to review and comment on the current business requirements. A Vendor Forum was conducted to update the vendor community on the project status. The project conducted a readiness assessment on the initial departments that will be considered for Wave 1 implementation. The Project continues towards the revised project schedule milestones as shown in Section 4.5.5 Project Schedule. Upcoming Key milestones include completion of the RFP and its release, execution of the fit-gap, evaluation of the fit-gap proposals and award of the software and system integrator contract.

3.3 Reason for Proposed Change

The Project Review, conducted from January through May of 2009 covered project objectives, scope, business requirements, organization, procurement and implementation aspects of FI$Cal. The review included a number of recommendations for each of the areas assessed. The review examined SPR 1 and 2, and in general, found the information useful and the project concepts well suited for such a large technology initiative. This included both the key sourcing strategy - a single procurement for both the software and system integrator and the implementation methodology of rolling out the software in a phased approach. The recommendations were adopted by the FI$Cal Steering Committee. The latter two are detailed in the following section.

3.4 Proposed Project Change

As a result from the Project Review, the FI$Cal Steering Committee adopted the following recommendations, which represent material changes to SPR 2:

<u>Sourcing Strategy</u>

This SPR proposes a two-stage approach to improve the quality of the proposal for FI$Cal's bundled procurement. The two-stage procurement strategy allows the Project to maintain the benefits of the bundled strategy while also realizing some of the benefits of the unbundled strategy (i.e., stronger education of software functionality for the state prior to contract award, and increased competition for the ERP software).

Stage I of the procurement is an open procurement for a Firm Fixed Price fit-gap analysis with awards to the top three bidders. It is very difficult to estimate the costs of implementing an ERP without a thorough understanding of the current systems, processes and unique policies of an organization. In Stage II of the procurement, the top three bidders will conduct a nine-month review to identify potential gaps in the software and the state's business requirements. Each bidder will use this information to estimate the effort required to 'fit' their solution to meet the needs of the state, while ensuring that the state is able to use the best practices and efficient processes incorporated in the software.

Each bidder, paid a fixed amount to carry out Stage II of the procurement, referred to as the "fit-gap", will subsequently provide a proposal with a detailed implementation plan and all costs required to carry out the plan. This fit-gap step addresses a major source of Information technology (IT) project overruns caused by the bidders misunderstanding of business and data conversion requirements, existing processes and systems and the impact of the new solution on the organization. This additional step in the procurement process will go a long way towards eliminating extensive and expensive work order changes that have been typical of the state's large IT projects.

<u>Implementation Approach</u>

The revised approach will limit the scope of the first implementation to core accounting to avoid the risks and high complexity of installing the full functionality of the software. Core accounting includes, but is not limited to, functionality such as General Ledger, Accounts Payable, Accounts Receivable, Cash Management and Vendor Management. A comprehensive list of core accounting functions is provided in Section 4.5.1 Project Scope. Limiting the initial functionality dramatically lowers the initial costs as well as mitigates the high risks of a large IT implementation.

In addition to the benefits identified above from adopting the changes in the SPR 2 sourcing strategy and implementation approach, the proposed change will:

- Move most vendor costs projected in SPR 2 into subsequent fiscal years
- Reduce initial development costs
- Minimize initial disruptions to departments as they migrate from the legacy systems

3.4.1 Purpose for Wave 1

In SPR 2, Wave 1 implemented the full ERP solution. The purpose was to ensure that the system design took into account all business functions and requirements, and that all functions would integrate properly. In this SPR, the primary objective for Wave 1 is to demonstrate the ability of the state to successfully implement statewide ERP software functionality across departmental business processes, while successfully managing organizational change. Wave 1 will implement cross-functional processes between a small number of departments and the Partner Agencies.   Final determinations with respect to the strategy of rolling out FI$Cal, including functional scope and selected departments, will be determined during the fit-gap analysis, based in part on vendor recommendation.

Critical success factors for Wave 1:

- Prove that the configured system can meet department and Partner Agencies business needs
- Demonstrate the state's ability to:

    ◦ Adopt the ERP software's built-in best practices
    ◦ Reengineer financial processes
    ◦ Streamline cross-functional processes between departments and control agencies
    ◦ Change statewide polices where appropriate
    ◦ Introduce new enterprise-wide technology
    ◦ Manage organizational change
    ◦ Automation of manual and/or redundant processes to core accounting

3.5 Impact of the Proposed Change

The Project schedule was re-planned, as reflected in Section 4.5.5 Project Schedule after the completion of the Project Review and approval by the Steering Committee. The proposed change decreases the Wave 1 implementation costs as compared with the "Large Scope" in SPR 2. The Project Team is smaller than originally planned which will also reduce cost. The projected implementation for Wave 1 has been extended by one year; however, the start date will be validated during the fit-gap process.

While it is estimated that Wave 1 implementation costs will be less, this SPR does not re-estimate the 12-year project cost provided in SPR 2. Total overall 12-year project costs of $1.6 billion will be re-estimated in the subsequent SPR after the procurement of the system integration vendor.

3.6 Feasible Alternatives Considered

The Project considered three alternatives, the Hybrid Strategy, the Small Scope Strategy and the Concurrent Projects Strategy. The Project Review determined that the SPR 2 Large Project Scope Strategy was not a feasible alternative. Section 3.4 Proposed Project Change provides a description of the material changes to SPR 2 that are contained in the Preferred Alternative. This section provides a description of the three alternatives considered. The chart below provides a comparison of each of the feasible alternatives.

3.6.1 Comparison of Alternatives

Strategy	Pros	Cons
Preferred Alternative **Hybrid Strategy:** Wave 1 core accounting ERP functionality for a small number of departments and control agencies. Each wave adds additional, more complex functionality and implements additional departments.	▪ Lower risk and lower initial cost ▪ More consistent with best practices for ERP implementations ▪ Demonstrates project team's ability to redesign end-to-end business processes and to manage organizational change	▪ Multiple interfaces required to department and control agency legacy systems
Alternative 2 **Small Scope Strategy:** Wave 1 implements one business function in one control agency. Four subsequent waves build on this functionality and incrementally roll out FI$Cal to departments.	▪ Lower cost of Wave 1 ▪ Early implementation of Wave 1 ▪ Low risks in Wave 1	▪ Few benefits realized in Wave 1 ▪ Scope of subsequent waves will be large ▪ Many interfaces to legacy systems
Alternative 3 **Concurrent Projects Strategy: For example,** several independent parallel projects for Budgets, Accounting, e-Procurement, etc. Each project has a separate phased implementation strategy.	▪ Several smaller scope projects each with reduced risk and opportunities to realize early benefits ▪ Flexibility of approach within each project	▪ Requires management of multiple concurrent projects and of multiple system integrators ▪ Higher initial cost ▪ Potential lack of integration

3.6.2 Preferred Alternative - Hybrid Strategy

This approach implements a moderate functional scope (core accounting) in a small number of departments in Wave 1. The scope of the first wave is a hybrid between the Small Scope Strategy and the SPR 2 "Large Scope" strategy. With the exception of the

Board of Equalization (BOE) and the Department of Justice (DOJ) [7], the proposed departments will be kept as simple as possible to achieve the objectives of Wave 1 as stated in Section 3.4.1 Purpose of Wave 1.

By adopting the Hybrid Strategy, the Project expects to reduce the elapsed time to implement Wave 1. The small initial functional scope of this strategy, and the gradual addition of increased functionality, will also reduce the risks related to the magnitude of change the state must endure during each wave. The fact that the Wave 1 functional scope is smaller than the full FI$Cal scope strategy proposed in SPR 2 will make the availability of skilled internal staff a lower and more manageable risk. Wave 1 implementation will require a less complex solution, and will reduce risk associated with a complex system design and deployment. Finally, by adopting the Hybrid Strategy, the Project will incur lower costs in the first few years than it would in the strategy proposed in SPR 2.

The Hybrid Strategy addresses many of the risks associated with a Large Scope implementation by scaling back the ERP scope in Wave 1. However, it includes enough functionality to deliver benefits and to demonstrate FI$Cal's capability to provide future expected benefits. It will also demonstrate the Project team's ability to deliver the configured system and to collaborate with departments and affected control agencies to manage the impact of change. The following is the assessment of the Hybrid Strategy:

- **Elapsed time:** Elapsed time is relatively short for the first wave (15-18 months) and 12 months each for the remaining waves.

- **Magnitude of change:** The small initial scope of this strategy, and the gradual addition of increased scope, reduces the risks related to magnitude of change.

- **Skilled internal staff:** The Wave 1 scope is smaller than the SPR 2 strategy, making the availability of skilled internal staff a lower and more manageable risk, but still significant.

- **Solution complexity:** Wave 1 requires a less complex solution, except for the high number of interfaces.

- **Initial cost:** The cost incurred in the first few years will be significantly lower than the SPR strategy.

- **Achieving benefits early:** Wave 1 provides immediate and significant benefits including improved transparency, streamlined processes, elimination of redundant data and duplicate data entry for the Wave 1 departments.

3.6.3 Alternative 2 - Small Scope Strategy

Wave 1 implements only one business function in one control agency. The remainder of the required business functions are developed and implemented in four subsequent waves. In each wave, FI$Cal functionality is expanded and it is implemented across a new group of departments. At the same time, the additional system functions are implemented as upgrades in the departments that already have FI$Cal. The

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[7] BOE and DOJ have aging financial systems that must be addressed in FI$Cal first wave implementation.

underpinning of this strategy is that a small, more easily manageable first phase allows the Project team to gain experience with the software package, the implementation methodology and the new technology with less negative consequence when mistakes are made. The Project team gains knowledge and experience in each wave allowing more complex functions to be developed with lower risks. Wave 1 is developed and implemented in 12 months. The projected costs for Wave 1 will be significantly lower than the existing Wave 1 plan. One example of this approach would be the implementation of a statewide general ledger that will meet SCO statutory reporting needs. Statewide financial information would be populated in the new FI$Cal system through interfaces from existing department accounting systems.

The Small Scope strategy implements one statewide function in one control agency in Wave 1. The underlying principle of the strategy is to achieve at least one project objective and to reduce risks by:

- Keeping the scope of Wave 1 very small; and

- Limiting the number of departments involved to one.

The following is the assessment of the Small Scope strategy:

- **Elapsed time:** Certain functionality (e.g., e-Procurement) could be implemented earlier than previously planned.

- **Magnitude of change:** The small functional scope coupled with an implementation in only a single control agency and results in very little organizational change in Wave 1.

- **Skilled internal staff:** The number of skilled staff required by the Project team is small and therefore involves few risks related to internal staffing.

- **Solution complexity:** Generally, this approach has an initially low complexity, but may require extensive interfaces.

- **Initial cost:** The cost incurred in the first few years will be lower than in other alternatives, but overall costs will be comparable.

- **Achieving benefits early:** The Wave 1 benefits of this strategy are limited to one control agency and exclude departments. There will be limited process improvement, reengineering, and enterprise transformation in the early waves.

3.6.4 Alternative 3 - Concurrent Functional Projects Strategy

Establish parallel, interdependent projects, each with a scope that is limited to a major business function (e.g., accounting, budgets, procurement, etc.), and implement a team that would integrate project plans, manage functional dependencies and ensure the integrity of FI$Cal's system design. Each project uses a phased implementation approach where the scope and number of departments is determined by the corresponding control agency with input from departments. Projects may be concurrent or overlapping. Depending upon the extent to which projects overlap, short-term development costs could be much higher than for the other alternatives.

This strategy consists of several separate but inter-dependent projects. The following is the assessment of the Concurrent Functional Projects Strategy:

- **Elapsed time:** In general, this approach will reduce the elapsed time for implementation of subsequent functionality.

- **Magnitude of change:** Overall, the magnitude of change is large, as the scope affects many parts of the organization and will challenge the state's capacity for change. There will also be many policy and process issues to resolve concurrently.

- **Skilled internal staff:** The state will be challenged to provide enough business experts to support the high number of re-designed processes and complex testing required by concurrent activities across multiple projects. However, functionality could be phased within each project to help mitigate the number and scope of skilled staff required.

- **Solution complexity:** High complexity related to multiple project teams and Large Scope. Each project has a separate implementation approach, requiring integration of plans and designs to ensure software is consistent and project inter-dependencies are managed.

- **Initial cost:** The cost incurred in the first few years will be higher since there are multiple projects at the same time.

3.6.5 Conclusion

The proposed Hybrid Strategy addresses many of the identified risks by reducing the ERP scope in Wave 1. The strategy includes enough functionality to deliver benefits, and demonstrate the system's capability to provide future expected benefits. Finally, the Hybrid Strategy will reveal the project team's ability to deliver the configured system and to collaborate with departments and Partner Agencies to manage the impact of change.

3.7 Implementation Plan

The revised implementation plan will be provided as part of a subsequent SPR, which will be submitted after Stage II of the procurement is completed.

4.0 Updated Project Management Plan

4.1 Project Director Qualifications

The Project is run by a state Project Director, a senior level project manager with significant background and experience in operating large, complex projects with diverse stakeholder groups. (See Section 4.3.4 Project Director)

4.2 Project Management Methodology

The Project uses a project management methodology based on project management requirements outlined in the OCIO California Project Management Methodology (CA-PMM), the State Administrative Manual (SAM), the State Information Management Manual (SIMM), and the Project Management Institute's (PMI) Body of Knowledge (PMBOK).

4.3 Project Organization

4.3.1 Project Governance

The chart below represents the planned project organization[8].

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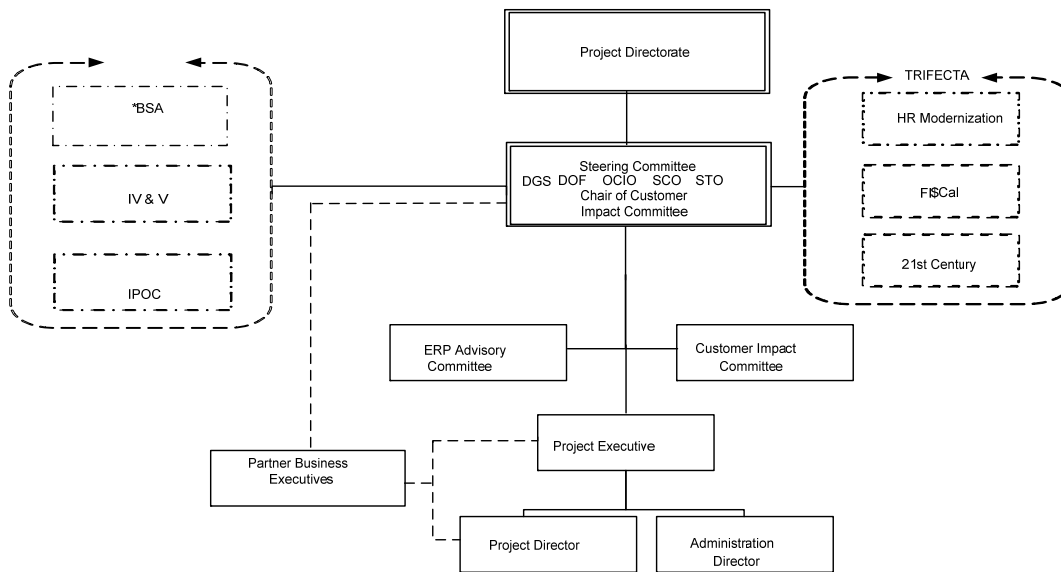
[8] The complete project governance structure is detailed in the Project Charter. The dotted lines indicate an advisory relationship.

* Pursuant to Government Code 15849.22 (f), the State Auditor's Office (state auditor) is required to independently monitor the FI$Cal project throughout the development of the FI$Cal system, as deemed appropriate by the state auditor. Additionally, the BSA is required to report on the status of the FI$Cal project at least annually before January 10.

Based on the Project Review recommendations, the following changes to the governance structure have been adopted:

1. Given the FI$Cal Project's position as a major statewide IT investment, the OCIO was made a voting member of the FI$Cal Steering Committee.

2. To promote more effective representation of department needs, the Project is forming a Customer Impact Committee (CIC). This group will be comprised of representatives of the departments implementing FI$Cal (e.g., the Wave 1 departments). The department representatives will include the department CIO and Deputy Director for Administration (or their designated representative). The group will provide advice and counsel to the FI$Cal Steering Committee to ensure that departmental needs and concerns are effectively communicated. The chair of the CIC, a departmental representative chosen by the other members of the CIC, will also sit as a voting member of the Steering Committee.

3. To make the Steering Committee more agile and focused, membership of the Steering Committee has been streamlined to DGS, DOF, OCIO, SCO, STO, and the chair of the CIC.

4. The Project will establish an ERP Advisory Committee, chaired by the Project Executive. The committee will be made up of ERP implementation experts from outside the Project and will include executives and managers with extensive 'hands-on' experience as a steering committee member for one or more large ERP projects. Members will be chosen from among the following organizations:

   - Other departments in the state
   - Counties or municipalities
   - Large educational organizations
   - Other states or provinces
   - Federal government departments
   - Other government agencies
   - Large private sector organizations

5. The Project has formalized the existing *Trifecta*[9] project meetings to include more rigorous identification and tracking of inter-project dependencies, issues, and opportunities for synergy. Using the *Trifecta* document as a foundation, the Project teams will track and regularly discuss dependencies, synergies, issues, and risks relating to the integration of the projects. As necessary, joint Steering Committee meetings for the projects will be held to address issues and decisions that affect multiple projects.

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[9] A collaboration between the FI$Cal, 21st Century, and the HR Modernization projects.

4.3.2 Project Leadership at the State Executive Level

The long-term success of organizations requires continuity in top management. The commitment and involvement of the Partner Agencies at the highest level is the key to leadership succession planning for the Project. To ensure organizational leadership and support that will bridge the inevitable changes in government leadership, the Project has:

- Developed a Memorandum of Understanding between Partner Agencies to memorialize the vision, the governance and the structure of the Project

- Established in statute the requirement for the Project partnership to develop and implement the Project (Government Code Section 15849.20 et Seq.).

4.3.3 Project Executive

The Project Executive has the following roles and responsibilities:

- Promote the vision of the project

- Provide leadership for the Project

- Serve as Liaison to the Legislature, State CIO, Governor's Office, departments, and agencies

- Provide Executive oversight for the Project and the delivery of the solution

- Report project achievements and status to the Steering Committee

- Elevate issues to the Steering Committee

- Coordinate information and issues with the Partner Business Executives when the project management processes (project management plans) do not provide an approach or resolution

- Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to stakeholders, the public, and the Legislature

- Approve final project deliverables

- Approve risk mitigation strategy and action

- Participate in succession planning

4.3.4 Project Director

The Project Director has the following roles and responsibilities:

- Provide a centralized structure to coordinate and manage the Project, its staff resources, teams, activities, facilities, communication, and outreach using structured project management methodologies.

- Report to the Project Executive.

- Ensure overall project process and deliverable quality – responsible for the delivery of the solution.

- Ensure the solution implemented addresses the Project's and associated program objectives.

- Ensure quality control and quality assurance are performed in accordance with the quality plan.

- Serve as central point of communication and coordination for the Project.

- Ensure timely communication with the Project Executive and Partner Business Executives through the established project management process (project management plans).

- Direct the activities of state and vendor personnel assigned to the Project.

- Monitor the planning, execution, and control of all activities necessary to support the implementation of a statewide enterprise financial system.

- Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams.

- Maintain and monitor the project plan and performance, including performance of contractor teams such as the acquisition assistance vendor, software vendor, and system integrator.

- Coordinate with the independent verification and validation (IV&V) and independent oversight consultant to address and incorporate findings and recommendations.

- Participate in the identification, quantification, and mitigation of IT project risks.

- Participate in quality planning, assurance, and control.

- Direct the development of project documentation required by control agencies.

- Participate in succession planning.

4.3.5 Partner Business Executives

The Project includes four Partner Business Executives to ensure the necessary participation, rapid communication and coordination of business vision, goals, objectives, policies and processes between the Project and the Partner Agencies. Their role includes the following:

- Provide staff support function to their Steering Committee representative(s).

- Coordinate activities between the Project and their respective partner agencies.

- Ensure that the Project business vision, goals, objectives, policies and procedures are identified and met.

- Assist with prioritizing and resolving business priorities related to the Project.

- Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to their respective department.

- Coordinate with and provide guidance to the project management team, review and provide input on key project deliverables and acceptance criteria.

- Coordinate, as needed, significant project deliverable concerns with their representative partner management.

- Ensure the coordination and integration of project activities and transition activities within their respective agency.

- Identify project risks and issues, participates in approval of risk mitigation strategy and actions.

- Perform responsibilities within the project management structure and processes to participate in critical problem solving.

- Receive delegated decision authority from their respective Steering Committee representative(s).

- Escalate issues within the established project management processes documented in the project management plans. The Project and Business Executives may meet and choose alternative resolution processes which may include an emergency meeting of the Steering Committee in the event of an immediate or critical need.

- Elevate project concerns with their representative management at the highest levels in the event a critical need is not being addressed in a timely manner.

- Participate in succession planning.

4.3.6 Project Team Structure

```
Partner Business Executives                          CEA V/ Project Executive          Administrative Assistant I
        DOF
       CEA III

        SCO
       CEA III

        STO
       CEA III

        DGS
       CEA III

              CEA IV/ Project Director        CEA III/ Administration Director
              Project Development Team         Project Administration Team

   Project Management Office                           Financial Operations
            (PMO)

   Change Management Team                              Business Services

       Business Team                         EEO, Human Resources,
                                             Recruitment, Retention, and
                                               Selection Services

      Technology Team                         External Affairs and Legislation

  Vendor Management Office
           (VMO)
```

The FI$Cal Project will be organized into six functional units:

- The Project Administration Team provides fiscal services, business services, human resources, recruitment, exams and retention, and external affairs and legislation services.

- The Business Team provides overall expertise for the various business areas addressed by the Project. The primary emphasis of the Project will be to change business processes to be more effective and efficient by adopting the best practices inherent in the COTS.

- The Change Management Team provides the change management strategy, communication plan, sponsorship plan, coaching plan, resistance management plan, and training plan so that every person impacted by FI$Cal will be aware of the need for change, desire to support and participate in the change, obtain knowledge on how to change, have the ability to implement required skills and behaviors, and finally participate in reinforcement activities to sustain the change.

The sponsors, senior managers, mid-level managers and supervisors are all important advocates and play the primary role in change management. The change management team coaches each of these groups to ensure FI$Cal is successful.

- The Project Management Office (PMO) ensures the Project adheres to state IT policies and guidelines, follows the FI$Cal Project management plans, and incorporates project management standards and best practices.

- The Technology Team provides technical expertise and support for FI$Cal's system and infrastructure.

- The Vendor Management Office (VMO) is responsible for the management, coordination and day-to-day oversight of all aspects of information technology acquisitions for goods and services contracts for the Project. VMO also manages and oversees all aspects of vendor management and accountability.

4.4 Project Priorities

The three variables that project managers can change on a project to maintain project performance are resources, schedule, and scope. These three factors are interrelated – a change in one impacts the others. The chart below represents the Project's prioritization of the triple constraints factors. The project enhances the chances for success by determining a distinct priority of the components, and managing the project to that prioritization.

1. Scope refers to the necessary work to be performed in order to produce the desired project results.

2. Schedule (Time,) is defined as the duration of time it will take to complete the defined scope of the project.

3. Resources include the budget and effort expended on staff, services and products.

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

4.5 Project Plan

4.5.1 Project Scope

The table below provides the scope of the FI$Cal Project as approved by the Steering Committee on August 19, 2009. The sub functions annotated Wave 1 defines "core accounting." This functionality is subject to change after the fit-gap has been conducted and the Steering Committee adopts the SI and software solution.

Major Function	Sub Function	Description
Accounting*		Accounting is the process of recording, summarizing, and reporting (including ad hoc) the state's financial transactions. The process must properly, accurately, and systematically account for all receipts, disbursements, resources, obligations, and property of the state and must allow for accurate and comparable records, reports, and statements of all financial affairs of the state in compliance with governing accounting and reporting statutes/standards. Beginning with Wave 1 and for each fiscal year thereafter, there must be a single book of record for all of the state's financial transactions as defined in the Acronyms and Definition section of this SPR.
	Payables (Wave 1)	The processes needed to authorize, record, and disburse payments from both a departmental and statewide perspective. General Payables Payables include: ▪ Allowing a three-way matching of a procurement/legal document, invoice, and an acknowledgment of receipt of goods and services. ▪ Initiating, approving, and processing payment requests via workflow. ▪ Tracking payments by specific criteria such as vendor, commodity/service code, accounting classification and purchase document number. ▪ Making payments to vendors, absent a record in the master vendor file such as Medi-Cal, IHSS, and retirement payments that are generated in major external payment processing systems.

Major Function	Sub Function	Description
		▪ Aging analysis. ▪ Issuing 1099s. ▪ Maintaining payment history. Agency Office Revolving Fund A payment mechanism for departments to issue checks from their revolving fund/agency checking account(s) for permissible uses when immediate payment is necessary. Example payments include salary advance, travel expense advance, and urgent vendor invoices (e.g., payment discount or to avoid Prompt Payment Act penalties). SCO Payments SCO payment processes involve receiving, auditing, and processing payment requests from departments, and producing warrants drawn on the State Treasury. SCO payment functions include: ▪ Validation of the legality, propriety, and accuracy of each payment which includes verifying valid appropriation authority, verifying funds availability/sufficient cash, and performing pre- and post-payment audits. ▪ Creation of warrants/statements <u>or</u> print files utilized to print warrants (including registered warrants) and statements. ▪ Creation of NACHA format "bank" files utilized to make direct deposit (EFT) payments. ▪ Creation and maintenance of warrant/payment registers.
	Asset Accounting (Wave 1)	The process of accounting and tracking all transactions related to each asset while maintaining uniform accountability for departmental and state-level asset information for reporting. Asset Accounting includes: ▪ Grouping and maintaining assets by major classes. ▪ Grouping separately capital assets related to governmental activities and those related to business-type activities, as required by governing accounting and reporting statutes/standards.

Major Function	Sub Function	Description
		- Recording acquisition date, ownership (i.e., department, fund), identification number, depreciation, amortization, and asset acquisition cost or fair value for donated assets. - Recording additions and deletions during the period which demonstrates the change between the beginning and ending book values. - Recording capital and operating leases.
	Bond Accounting (Wave 1)	The process of accounting, tracking, and reporting all transactions related to bonds and other debt financing. Bond Accounting includes the recording of: - Bond authority and allocation by project. - Debt financing and bond proceeds. - Expenditure by funding source. - Debt service funding and payments, schedules of outstanding bond balances, and premium/discount amortization. - Reissued and defeased bonds.
	Chart of Accounts (Wave 1)	A financial coding structure of all identified accounts used by departments and statewide functions to record financial transactions. The COA allows the state to generate accurate records, reports, and statements of various functions, transactions, and activities. Chart of Accounts: - Ensures consistent recording of transactions in a uniform manner and properly assign transactions to the appropriate accounts and reporting classifications. - Provides a mechanism to ensure uniform processes in the areas of budgeting, accounting, tracking and reporting of state financial activities (such as receipts and disbursements). - Allows access to standardized financial information allowing for reliable statewide comparisons across agencies and departments and the ability to perform detailed analysis on organizations within departments.

Major Function	Sub Function	Description
	Cost Allocation (Wave 1)	A process in which expenditures and encumbrances not initially charged to or directly associated with a program activity can be accumulated and then allocated to the program activities directly associated with those charges. Cost Allocation includes: ▪ Calculating and applying overhead rates for indirect costs. ▪ Distributing costs by user defined formulas, including central services costs.
	Encumbrance (Wave 1)	The commitment of all or part of an appropriation for future expenditures. Encumbrances are typically posted from documents such as purchase estimates, purchase orders, and contracts. Encumbrance Accounting includes: ▪ Reserving the amount from the appropriation, allotment and budget balances to reflect encumbrance activities. ▪ Reclassifying appropriate encumbrances at year-end.
	Financial Reporting (Wave 1)	Provides timely published information about the financial position, results of operations, and changes in financial position of the state and its legally separate entities. This information is available to a wide range of users in making economic decisions and complying with governing accounting and reporting statutes/standards. Statutory/GAAP Reports preparation includes: ▪ Comprehensive Annual Financial Report (CAFR). ▪ Budgetary/Legal Annual Report and Annual Supplements I and II. ▪ Cash reports (daily, weekly, monthly, annually, or other time period as specified.). ▪ Department financial statements (e.g., year end, budget to actual).
	General Ledger (Wave 1)	A central repository for all financial transactions and balances, individually or in summary, based on the Chart of Accounts structure. The general ledger is supported by one or more subsidiary ledgers that provide account details. General Ledger: ▪ Includes postings of all financial transactions, accruals, and closing entries. ▪ Supports the state's fund accounting and financial statement preparation such as Balance

Major Function	Sub Function	Description
		Sheet, Statement of Net Assets, Statement of Activities, and Statement of Operations.
		▪ Provides for multiple bases of accounting (e.g., GAAP, budgetary/legal, accrual, modified accrual, and cash) departmentally and statewide.
	Grant Accounting (Wave 3)	The process of capturing funding or other assets made available by a government or private organization to be used or expended for a specified purpose, activity or facility. The state may act as a grantor and/or a grantee. Grant Accounting includes: ▪ Meeting federal reporting requirements of all cognizant federal agencies. ▪ Tracking federal reimbursement billings. ▪ Providing sub-grantee accounting for federal pass through or other grants made to cities or counties. ▪ Maintaining and reporting accounting data for a reporting period different from the state fiscal year.
	Labor Distribution (Wave 1)	The process of allocating personnel costs and hours to programs and organizations, projects, grants and other chart of account elements. Labor Distribution includes: ▪ Recording personnel services costs based on payroll data from SCO.
	Loan Accounting (Wave 3)	The process of accounting, tracking, and reporting all transactions related to loans made from one fund/program/entity to another. Loan Accounting includes: ▪ Recording inter-fund, intra-fund, program, temporary or long-term loans. ▪ Recording receipts and disbursements as required by governing accounting and reporting statutes/standards.
	Project Accounting (Wave 3)	Projects are defined as a temporary endeavor undertaken to create a unique product or service, such as a capital project to construct a new building. The Project Accounting process is used to track the accounting of projects by accumulating all accounting data in one place for those unique products or services. Project Accounting includes:

Major Function	Sub Function	Description
		■ Project Planning and Data Recording activities. ■ Project Administration activities for tracking and modifying/amending costs, budgets, resources, funding and other data throughout the project life cycle. ■ Project Closeout activities for the compiling and summing of project finances, payment of all outstanding invoices, reverting any unused funds and reallocation of any unused resources.
	Receivables/ Receipts (Wave 1)	Receivables Amounts owed to the state by entities or individuals. Receivables include: ■ Billing of fees for services provided by an agency. ■ Aging analysis. ■ Payroll accounts receivables. ■ Tracking collection activity for overdue receivables. ■ Tracking and submitting receivables for offset including amounts owed from governmental and non-governmental entities. Receipts Currency, checks, warrants, and other negotiable instruments that are received for deposit. Receipts include: ■ Classifying and recording receipts by type and purpose. ■ Recording miscellaneous receipts not tied to a billing.
Budgeting*		Budgeting is a multi-stage process that occurs throughout the fiscal year. The budget enacts both fiscal and operational policy for the state. The final budget, which is the state's plan of operations expressed in terms of financial or other resource requirements for a specific period of time (GC 13320, 13335; SAM 6120), is required to be enacted by July 1 of each year. The scope of the Budget process incorporates the planning, reporting (including ad hoc) and allocation of both financial and personnel resources, the receipt and disbursement of monetary resources according to the approved allocations, and the monitoring of resources to reconcile expenditures with

Major Function	Sub Function	Description
		appropriations and to track performance and output.
		There must be a single system of record that provides an official source for all of the state's budget data.
	Budget Administration (Wave 2)	The process of administering the annual Budget begins with an enacted budget and continues for multiple years, based on the authority provided.
		Budget Administration includes:
		▪ Administering departmental spending authority, expenditures, and program activities throughout the authorized period.
		▪ Maintaining, monitoring and reporting on budget activity throughout the authorized period.
		▪ Monitoring revenues and fund conditions.
		▪ Analysis and tracking of legislation, and various budget-related issues (issue memos, etc.).
		▪ Distributing and tracking the status of Legislative reporting pursuant to Budget Act Section requirements.
	Budget (Appropriation Control) (Wave 2)	The goal of Appropriation Control is to ensure that departments are operating within their approved /authorized budget levels, and taking corrective action in case of unforeseen circumstances.
		Appropriation Control includes:
		▪ The real-time monitoring and reporting on encumbrances, expenditures and program activities throughout the authorized (available and liquidation) period.
		▪ Recording and tracking Executive Orders and Budget Revisions.
		▪ Allotment accounting for departments.
		▪ Accounting for appropriations by period of availability and period of liquidation.
		▪ Identifying transactions that exceed appropriation control amounts.
		▪ Identifying unencumbered and un-liquidated balances.
	Budget Development and Enactment	Budget development uses year-end statements of actual expenditures, and/or current year initial appropriations and projected expenditures as the basis for preparing the state's annual operating plan (budget).

Major Function	Sub Function	Description
	(Wave 2)	The Budget Development and Enactment process includes estimating, tracking and reporting: ■ All budget submission and planning processes, including decision making support, baseline budget development, Budget Change Proposals and other policy adjustments. ■ Other budget development processes, such as determining compliance with and tracking of the State Appropriations Limit, etc. ■ Spring budget updates. ■ Cost recoveries. ■ Legislative actions. ■ The Governor's veto process. In order to develop proper resource allocations, budget development makes frequent use of revenue estimates for most non-major revenues (e.g., special funds), existing position control and salary administration data from the SCO to estimate available personnel resources, and at the very least summary data forecasts for the General Fund. This process results in: ■ Publication of the Governor's Budget, Governor's Budget Summary, Salary and Wages Supplement, May Revision Highlights, Budget Highlights, and other periodic and/or statutorily required budget related documents. ■ Provision of access to budget publications via the eBudget website. ■ Enactment of the state budget
Cash Management*		Cash management is the process of ensuring sufficient cash availability and minimizing cash flow borrowing costs by controlling, tracking, analyzing and forecasting cash inflows and outflows.
	Cash Flow (Wave 1)	Monitoring of the state's cash inflows, outflows and available cash on a daily, monthly and yearly basis or other time period as specified. Cash Flow includes: ■ Recording accumulated deposits/withdrawals from each Demand Deposit Bank. ■ Recording transactions for demand checks issued and drawn against any of the depository banks.

Major Function	Sub Function	Description
		• Recording all transfers within state and external entities.
		• Tracking of General Fund cash flow borrowing and borrowable resources, by fund and daily balances.
		• Tracking and recording of receipts and payment dates.
		• Identifying funds that are deposited and withdrawn from state funded cash, PMIA and SMIF.
		• Recording and tracking of the exchange of funds between the federal government and the state in accordance with the federal Cash Management Improvement Act.
	Cash Forecasting (Wave 1)	Estimating and forecasting cash balances timely to ensure cash availability, maximize investment opportunities, and minimize borrowing requirements. Cash Forecasting includes identifying: • Deposits, receipts, disbursements and balances. • Disbursements for other special circumstances, such as those that could be paid with an IOU, and determining and tracking priority vs. non priority payments. • Internal and external borrowing amounts and costs. • Models based on confidential control agency decisions/deliberations.
	Bank Reconciliation (Wave 1)	The process of comparing and matching amounts from the state's accounting records against the amounts reflected in the banks' records. Bank Reconciliation includes: • Recording manual, electronic, Zero Balance Account (ZBA) deposits. • Matching agency deposits and demand checks against third party financial institution records. • Matching agency deposit records against records recorded by STO.
	Check Reconciliation (Wave 1)	The process of comparing and matching checks issued against STO paid items. Agency Check Reconciliation includes: • Matching issued check data against paid data.

Major Function	Sub Function	Description
		▪ Creating files of outstanding checks issued and stop payment items.
		▪ Updating check data to paid status or other applicable status.
		▪ Aging analysis.
	Warrant Reconciliation (Wave 1)	The process of comparing and matching warrants issued against STO paid items.
		SCO Warrant Reconciliation includes:
		▪ Matching issued warrant data against paid data.
		▪ Creating validation files of outstanding warrants issued, and stop payment items.
		▪ Updating warrant data to paid status or other applicable status, and creating accounting transactions based on warrant status updates.
		▪ Providing the life cycle of all warrants issued.
		▪ Recording the redemption date of registered warrants for calculating interest and generating journal entries.
		▪ Aging analysis.
Procurement*		The procurement process consists of three stages: acquisition planning, the acquisition phase, and post award activities. Rules governing what transpires during each stage vary based on the classification of the transaction (e.g., goods, services, information technology (IT) goods/services, construction, architecture and engineering). An acquisition approach could be competitive, non-competitive, or an existing source might be used such as a state program or a leveraged procurement agreement. Most departments do not have inherent procurement authority for all classes of items.
		There must be a single system of record that provides an official source for all of the state's procurement data.
	Agreements (Wave 3)	Special or collective-use agreements generally do not follow the typical requisition-solicitation-purchase document sequence.
		Agreements include:
		▪ Utilizing strategic sourcing for planning purposes.

Major Function	Sub Function	Description
		- Departmental contracts (e.g., Interagency Agreements, intra-agency master agreements, blanket purchase orders). - The state's leveraged procurement agreements as applicable for statewide and local government use. - Processing emergency acquisitions.
	Acquisition Process (Wave 2)	The Acquisition Process includes functionality to: - Identify and administer purchasing authority and related fees. - Execute planning activities (e.g., Request for Information). - Identify projects and track associated acquisitions. - Standardize use of commodity/service codes. - Create and revise requisitions. - Execute approvals and exception requests. - Create and manage purchase documents, including financed transactions. - Accommodate post award activity such as delivery, receipt, and various contract and project management activities including disputes, change, subcontractor activity management and acceptance of goods/services. - Manage the state's payment card activity. - Automate reporting for various purposes such as mandated requirements, statewide purchase document usage, and associated activities. - Procure for another or multiple departments. - Allow restricted access for businesses.
	Solicitation and supplier comparison processes (Wave 2)	Covers the interactive process between offeree and offeror. Solicitation and supplier comparison processes include: Utilizing best practices for electronic bids/offers for competitive, non-competitive, and existing source acquisitions such as:

Major Function	Sub Function	Description
		· Solicitation creation that includes various provisions such as participation programs. · Canvassing suppliers. · Sealed bid receipt. · Bid evaluation or supplier comparison and tabulation (e.g., preference and incentive calculation). · Eligibility validation. · Reverse auctions. ▪ Managing associated multi-step processes such as: · Bidder's conference. · Questions/answers. · Multi-step proposal submission (e.g., draft, final). · Supplier selection approval process. ▪ Accommodating phone quote process.
	Notices of intent to award and contract award (Wave 2)	Covers miscellaneous activities, including but not limited to: ▪ Protest processes. ▪ Purchase document registration. ▪ Record keeping.
	Announcements, solicitation advertisement, and supplier subscription service (Wave 2)	Includes various activities that support the acquisition process such as: ▪ Establishing supplier profiles. ▪ Posting information such as solicitation advertisements, contractor advertisements, and special announcements. ▪ Notifying suppliers.

Major Function	Sub Function	Description
	Electronic catalogs and catalog ordering (Wave 3)	Covers processes for establishing and using catalogs. Includes catalogs for: ▪ Leveraged procurement agreements. ▪ State contracts. ▪ Commercial electronic catalogs (excludes catalogs that require memberships).
Vendor Management* (Wave 1)		Vendor Management includes functionality that supports various vendor processes and provides a statewide central source of vendor information (i.e., Master Vendor File) used by all departments for procurement, receiving, and payment functions. The process allows the state to administrate, maintain, track, and report on vendor activities. Examples include: ▪ Registration. ▪ Certification (e.g., small business and DVBE online self-certification). ▪ Performance Rating. ▪ Validation (e.g., prenote, National Provider, and Taxpayer Identification Number). ▪ Eligibility status (e.g., active, dispute, inactive/purge). ▪ Affiliate identification (e.g. parent/child, related businesses). ▪ Payee data (e.g., banking information and pay to address).
Asset Management **		
* The FI$Cal Project proposes this phasing concept for the implementation of the project scope with the understanding that the fit-gap process will provide a more accurate representation of the actual functionality to be implemented in each wave. Wave 1 will only include those functions required to implement core accounting. Functionality currently identified as being implemented in subsequent waves that is determined by the fit-gap process to be a necessary function of core accounting, will be included in Wave 1. ** Asset Management may be added after a Business Case Analysis has been completed by DGS.		

4.5.1.1 Out of Scope in Initial Effort
The following functionalities are not in the scope of Stage 1 or 2 of the FI$Cal Project.

Major Function	Sub Functions	Comments
Asset Management	DGS/Department Functions	Functions where asset management functionality is desired beyond asset accounting as described in Section 4.5.1 Project Scope.
Procurement	Inventory Management	Functions that track the warehousing, utilization, and restocking of inventory.
Human Resources	Human Resources	All functions with the exceptions noted in the Initial Scope Efforts. The payroll system administered by SCO will be the source of data.
Revenue Forecasting	Revenue Forecasting	Forecasting requirements performed by Finance for major revenues using data which originates from departments (e.g., FTB, BOE).
Payables	Employee Expense Claims	SCO has CalATERS in place which all departments are mandated to use by July 1, 2009. When CalATERS must be upgraded, just like the other A/R systems, this software may be used for the future replacement or upgrade of these systems in separate but related projects. There may be departments exempt from CalATERS that may require this functionality sooner as a separate but related project.
Various	Specialized Business Functionality Department Systems	Specific functionality, such as major (very large and specialized) Cashiering/Cash Receipting/Accounts Receivable, is excluded. However, a key function is to record revenue and cash and reconcile to the cashiering subsidiary systems. Accounts Receivable must be part of this FI$Cal system. It is a critical subsidiary to the GL and a foundation of the ERP. Very large, specialty A/R systems such as Department of Public Health's Genetic Disease billing system or Franchise Tax Board's ARCS (Accounts Receivable Collection System) are not part of this project. Therefore, the software selected will stipulate that capabilities to support these types of functions will be available because the tool selected may be used for the future replacement or upgrade of these systems in separate but related projects.

Major Function	Sub Functions	Comments
Various	Specialized Business Functionality Department Systems (cont.)	There are also very specialized expenditure programs such as Medi-Cal, In-Home Supportive Services, and Child Support that have special custom programs to meet their mandates. Some specialized systems will reside outside of FI$Cal (for example, to determine what amounts should be apportioned to local governments, what should be paid to IHSS providers). It is expected that only limited standard functions of these and other special expenditure programs will be part of the FI$Cal system such as validation of cash and appropriation availability, warrant reconciliation, and payment history. Interfaces will be needed to send data from the SCO's various claims processing systems that produce payments for the specialized expenditure programs, to the FI$Cal system.

The current scope of the Project does not include departments that have implemented or are in the process of implementing an ERP system. As these department's 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". A standard 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.

4.5.2 Project Assumptions

The strategy and timeline in this SPR are based on the following assumptions:

- Partner Agency and departmental staff participating on the FI$Cal Project are empowered to make decisions on behalf of their respective organizations.

- Sufficient resources are made available to the FI$Cal Project, Partners, and participating departments.

- Significant budget delays do not occur preventing the project from acquiring resources needed to execute the project.

The Department of General Services will:

- Approve the request to conduct the procurement under the provisions of Public Contract Code (PCC) 6611.

- Expedite procurement reviews in accordance with the accelerated schedule.

- Provide staff to perform negotiations as required in the PCC 6611 process within accelerated schedule.

- Additional project functionality may be identified at any point during Stage 1 or Stage 2. This functionality is expected to leverage the existing solution provided by the FI$Cal system. Projects sponsored by the requesting department will require a Feasibility Study Report with separate project approval prior to implementation. Scope changes will follow the FI$Cal change control processes.

4.5.3 Project Phasing

Refer to Section 3.4 Proposed Project Change.

4.5.4 Roles and Responsibilities

Refer to the Project Charter.

4.5.5 Project Schedule

Milestone	Finish Date
Special Project Report #3 • Develop a new SPR based on the Grant Thornton project review as approved by the Steering Committee	12/23/2009
Pre-Fit Gap Activities • Conduct Department Surveys • Chart of Accounts Design • Master Vendor File Design • As Is Business and Legacy System Documentation	9/13/2010
Release RFP	5/7/2010
Award Stage I Contract: Fit-gap Vendors	9/3/2010
Execute Fit Gap	5/27/2011
Conduct Stage II Acquisition • Evaluate Proposals	12/30/2011
Award Stage II Contract • Software and System Integrator	12/30/2011

4.6 Project Monitoring

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

The PMO, monitors the day-to-day activities of the FI$Cal Project and reports to the Project Director. The Project has also obtained the assistance of a contracted project manager that operates within the PMO. The PMO provides oversight focused on project management best practices and coordination of IT initiatives. The Project Executive Team and Steering Committee provides leadership and guidance with a state executive perspective, focused on scope, schedule and resource management.

By statute the FI$Cal Project is monitored by the Bureau of State Audits. Independent project oversight is being provided by the OCIO, IV&V via the OCIO, and DOF Information Technology and Consulting Unit. Additionally, the LAO regularly attends the FI$Cal Steering Committee meetings.

4.7 Project Quality

The Project will enforce quality assurance in accordance with the FI$Cal Quality Management Plan. This is another key area to ensure project accountability for both the vendor and state staff. Project quality is assured using the state's established quality control procedures as documented in the SAM and the California Project Management Methodology. Project Quality is monitored by the FI$Cal PMO as well as Independent Verification and Validation, Project Oversight and the Bureau of State Audits.

The Project will also utilize traceability to track requirements beginning with the RFP development. This will continue during the vendor selection process and throughout implementation of the solution. Traceability is a key methodology for ensuring consistent compliance with the requirements, and is used to document approved changes in scope and requirements.

4.8 Change Management

4.8.1 Project Change Control

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

- Scope

- Schedule

- Cost

- Quality

- Risk

4.8.2 Organizational Change Management

Projects that significantly change business processes require organizational change management. Recognizing the effect that this Project will have on the state workforce cannot be underestimated. It is not sufficient to train end users on FI$Cal. The need to understand the types of changes this will bring to the workplace, their role in the change, and the definition and support of their new role in the organization is of utmost importance.

Additionally, for the benefits of the Project solution to be fully achieved, the affected budget, accounting, and procurement staff across the state must understand what is changing and be ready, willing and able to adapt to new ways of conducting work using the Project solution. This requires careful planning and execution of activities to manage and deploy change well in advance of project "go-live". Consequently, organizational change management activities are an integral part of every stage of the Project and encompass not only the technical changes but also process changes and the accompanying impacts to fiscal offices across the state. Organizational change management activities involve creating a strategy, communication plan, sponsorship plan, coaching plan, resistance management plan, and training plan so that every person impacted by FI$Cal will:

- Be aware of the need for change.

- Desire to support and participate in the change.

- Acquire the knowledge on how to change.

- Develop the ability to implement the required skills and behaviors.

- Participate in reinforcement activities to sustain the change.

The sponsors, senior managers, mid-level managers and supervisors are all important advocates and play the primary role in change management. The change management team coaches each of these groups to ensure FI$Cal is successful.

The Project reflects a planned approach to change, with the objective to maximize benefits and minimize risk. This is critical because several facets of the state's financial management will change during the course of this Project. This includes processes and technology. An ERP system will change the way we work within the state. Clear communication is needed to demonstrate that this is a positive change to prepare the state for the Next Generation as a significant number of experienced state employees

retire. As part of the FI$Cal Project, a more formal change management program will be put in place, including the following:

Change management approach

- Sizing the change
- Assessing the organization
- Change management strategy
- Team structure and responsibilities
- Sponsor roles and responsibilities
- Planning and implementation
- Feedback and corrective action
- Celebrating successes

Change management implementation

- Communications plan
- Sponsor plan and roadmap
- Coaching plan
- Resistance management plan
- Training plan

Assessing the results

- Feedback analysis
- Corrective action plan
- Incentives and celebrating successes
- Post action review summary

Although some change management began at the Project's inception, formal change management began with project planning and focuses on communication, documenting our existing processes, identifying opportunities for improvements and identifying a skills assessment of state staff. The Project has planned for dedicated staff as part of the change management and training team throughout the Project. These staff will be assigned to work with specified agencies during each project stage. The team will be assigned to provide full support to departments that will fully utilize FI$Cal, as well as some support to all indirect system beneficiaries.

4.9 Authorization Required

Approval of this SPR will be required from the FI$Cal Steering Committee and the Office of the State Chief Information Officer.

5.0 Risk Management Plan

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

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

The FI$Cal Risk Management Plan was adopted by the Steering Committee in October of 2007. The Risk Management Team is responsible for managing risk weekly, meets bi-weekly, reports risks weekly to the Project Executive Team and monthly to the Steering Committee. The risk activities include:

1. Assessment
2. Identification
3. Analysis and quantification
4. Prioritization
5. Response
6. Avoidance
7. Acceptance
8. Mitigation
9. Tracking and control

6.0 Updated Economic Analysis Worksheets (EAWS)

SPR 2 identified the cost of the FI$Cal project at $1.6 billion through the 2017-18 fiscal year. For the purposes of this SPR, we are only estimating project costs through December 31, 2011.

Once the Stage II contract for the Software and System Integrator has been awarded, the revised total project cost will be provided as part of SPR 4.

6.1 Existing System/Baseline Cost Worksheet

There are no changes to the Existing System/Baseline Cost Worksheet that was included in SPR 2.

6.2 Proposed Alternative Worksheet

The Proposed Alternative Worksheet has been updated to reflect project costs through December 31, 2011. Major adjustments for each fiscal year are highlighted below.

<u>2008-09 Fiscal Year</u>

Project costs have been updated for the 2008-09 fiscal year to reflect the actual costs. A total of $40 million was approved in SPR 2 and the budget; actual expenditures were $5.8 million.

Before proceeding with the FI$Cal Project as outlined in SPR 2, a Project Review was conducted during the 2008-09 fiscal year. During this time period, both the hiring of additional staff and contract expenditures were minimized pending the outcome of the Project Review. As a result of this Review, the proposed project implementation strategy and approach were revised to reduce the initial development costs and mitigate risks by reducing the functionality implemented in Wave 1.

<u>2009-10 Fiscal Year</u>

Project costs have been updated for the 2009-10 fiscal year to reflect the revised implementation strategy and approach outlined in SPR 3. A total of $82 million was approved in SPR 2 and in the 2009-10 budget; however, costs for the 2009-10 fiscal year are now estimated at $21.4 million. Major changes include:

- Reduction in the number of project and program staff.

- Corresponding reduction in staff-related operating expenses and equipment.

- Reduction and/or elimination of planned funding for various contracts due to the revised project schedule. These contracts include the Software Customization contract.

- Reduction in funding required for agency facilities due to the delay in acquiring dedicated office space for Project staff.

2010-11 Fiscal Year

For the 2010-11 fiscal year, the project costs have been updated to $38.4 million to reflect the revised estimate based on the proposed implementation strategy and schedule. The funding details are summarized below:

- The revised project and program staffing level will be limited to 156.8 personnel-years.

- The Stage I contract for the Fit-gap vendors will be awarded.

- FI$Cal staff will move to new office space in 2010-11.

July 2011 to December 2011

Project costs displayed in this SPR are only through December 31, 2011—through the award of the Stage II Contract. This estimated 6-month cost is $33.8 million. Funding details are summarized below:

- All staff costs, related operating/facility costs, and contracts costs are for 6-months only.

- The Stage II Contract will be awarded by December 30, 2011.

- Data Center Services are budgeted at $4.6 million.

Existing System/Baseline Cost Worksheet

All costs are shown in whole (unrounded) dollars.

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Date Prepared: 10/16/2009

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Continuing Information /1, 3, 4																												
Technology Costs																												
Staff (salaries & benefits)	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	1,704.3	162,682,778
Hardware Lease/Maintenance		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		22,512,165
Software Maintenance/Licenses		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		36,475,426
Contract Services		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		35,699,170
Data Center Services		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		74,115,535
Agency Facilities		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		9,333,116
Other		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		12,664,184
Total IT Costs	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	1,704.3	353,482,374
Continuing Program Costs: /2, 3, 4																												
Staff	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	107,295.5	7,756,786,362
Other		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		1,262,111,305
Total Program Costs /4	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	107,295.5	9,018,897,667
TOTAL EXISTING SYSTEM COSTS /4	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	108,999.8	9,372,380,041

/1 IT costs are approximated from data provided by various departments and do not include non-CALSTARS departments that are part of the project, nor costs related to the support of the numerous accounting shadow systems that exist.

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

/3 Department costs will be measured/verified throughout the project lifecycle as outlined in SPR #8860-30, October 30, 2006, Appendix D.

/4 Costs are reported from SPR #8860-30 October 30, 2006 (does not include subsequent General Salary Increases).

FISCALDocs #14_1

Proposed Alternative Worksheet

														All Costs are shown in whole (unrounded) dollars.					

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal — Fit-Gap Ends Dec, 2011

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12 (through Dec, 2011)		PROJECT TOTALS:	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																
Staff																
Project Staff (Salaries & Benefits) /6	5.0	600,543	16.8	1,888,843	16.1	1,911,164	25.0	2,608,605	54.3	6,536,399	97.9	11,752,262	48.9	5,911,573	264.0	31,209,389
Program Staff (Salaries & Benefits) /6	0.0	0	0.0	0	11.3	1,325,024	11.9	1,375,222	28.1	3,635,049	58.9	7,318,613	29.5	3,701,336	139.7	17,355,245
Total Staff /1	5.0	600,543	16.8	1,888,843	27.4	3,236,188	36.9	3,983,827	82.4	10,171,448	156.8	19,070,875	78.4	9,612,909	403.6	48,564,634
Hardware Purchase				5,994		525,708		16,713		329,756		3,119,098		406,930		4,404,198
Software Purchase/License				22,185		0		104,470		512,559		491,241		452,417		1,582,872
Telecommunications						0		0		271		121,912		250,000		372,183
Contract Services																
Software Customization /4		0		0		0		0		0		0		10,500,000		10,500,000
Project Management /7		0		92,510		531,473		218,575		675,010		650,000		325,000		2,492,568
Project Oversight /2		0		97,700		44,761		4,018		342,600		77,400		38,700		605,179
IV&V Services		0		97,700		472,668		0		290,686		1,200,000		600,000		2,661,054
Other Contract Services /4		0		2,590,073		290,548		1,167,718		2,569,400		4,022,400		3,261,200		13,901,339
TOTAL Contract Services		0		2,877,982		1,339,450		1,390,311		3,877,696		5,949,800		14,724,900		30,160,139
Data Center Services		0		0		14,746		105,120		0		0		0		119,866
Agency Facilities		132,392		136,562		22,898		9,000		1,212,372		1,882,947		130,875		3,527,046
Other																
Project Other (Std Comp., Travel, Training)		133,321		88,099		651,414		146,771		1,297,847		2,613,835		1,129,493		6,060,780
Program Other (Std Comp.,)						446,596		27,229		295,833		620,000		310,000		1,699,658
Total Other		133,321		88,099		1,098,010		174,000		1,593,680		3,233,835		1,439,493		7,760,438
Total One-time IT Costs	5.0	866,256	16.8	5,019,665	27.4	6,237,000	36.9	5,783,441	82.4	17,697,783	156.8	33,869,708	78.4	27,017,524	403.6	96,491,376
Continuing IT Project Costs																
Staff																
Project Staff (Salaries & Benefits) /6							0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Program Staff (Salaries & Benefits) /6							0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Administrative Services (Salaries & Benefits)							0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Staff /1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Hardware Lease/Maintenance								0		10,618		179,783		110,445		300,846
Software Maintenance/Licenses								0		137,173		218,228		98,963		454,364
Telecommunications								0		7,425		164,012		69,273		240,710
Contract Services																
Data Center Services								0		0		0		4,593,855		4,593,855
Agency Facilities								0		3,240,362		3,484,362		1,642,957		8,367,680
Other (Std Comp, Travel, Training)								0		260,047		508,921		231,108		1,000,076
Total Continuing IT Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	3,655,626	0.0	4,555,306	0.0	6,746,600	0.0	14,957,532
Total Project Costs	5.0	866,256	16.8	5,019,665	27.4	6,237,000	36.9	5,783,441	82.4	21,353,408	156.8	38,425,013	78.4	33,764,124	403.6	111,448,908
Continuing Existing Costs																
Information Technology Staff /3	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	65.6	13,108,392	852.2	170,409,095
Other IT Costs		974,168		974,168		974,168		974,168		974,168		974,168		487,084		6,332,092
Total Continuing Existing IT Costs	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	65.6	13,595,476	852.2	176,741,187
Program Staff (Existing) /3, 5	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	4,126.8	298,337,937	53,647.8	3,878,393,181
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		48,542,743		631,055,653
Total Continuing Existing Program Costs	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	4,126.8	346,880,680	53,647.8	4,509,448,834
Total Continuing Existing Costs	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	4,192.3	360,476,155	54,499.9	4,686,190,021
TOTAL ALTERNATIVE COSTS	8,389.6	721,818,567	8,401.4	725,971,976	8,412.0	727,189,311	8,421.5	726,735,752	8,467.0	742,305,719	8,541.4	759,377,324	4,270.7	394,385,563	54,903.5	4,797,784,212
INCREASED REVENUES		0		0		0		0		0		0		0		0

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Proposed Alternative Worksheet (footnotes)

High level Assumptions:

/1 Staff Salaries include General Salary Increases and are current as of schedules published by DPA through 2008-09; note that the furlough days are not accounted for in the EAW.

/2 Contracts for Bureau of State Audits is included in Project Oversight line item.

/3 Continuing Existing Costs are reported from SPR 1 #8860-30, October 30, 2006 (does not include subsequent General Salary Increases)

/4 Contractor rate is assumed to be $160 per hour. SI consultant rate is assumed to be $180 per hour.

/5 Continuing Existing Program Costs will be measured/verified throughout the project lifecycle as outlined in SPR 8860-30, October 30, 2006, Appendix D.

/6 The FI$Cal Project is a business transformation project as well as a technology project. To develop and implement the anticipated business changes, the project, has included one-time program staff. These business analysts will redesign and restructure the state's business processes to adopt the best practices provided by the software.

- To provide visibility to the two types of staffing costs, traditional project staff are shown in one-time costs as "project staff"; the additional business staff are shown as one-time program staff. These business staff will be co-located as part of the statewide project team that will be responsible for standardizing the state's business processes.

- Also included in program staff line are the "on-sight" departmental teams that will be realigning the processes at each department to meet the new standards and assisting with each individual department's transition.

/7 The contracted Project Management budget includes funds for 2 years for a certified Project Management Scheduler to mentor state staff for developing and maintaining a structured project schedule.

- The EAW generally assumes that the fit-gap work will be conducted during 2010-11, but fit-gap vendors will not be paid until November 2011.

Economic Analysis Summary

									ECONOMIC ANALYSIS SUMMARY			**Date Prepared:**	**10/16/2009**
Department: Finance, General Services, State Controller's Office, State Treasurer's Office						All costs to be shown in whole (unrounded) dollars.							
Project: FI$Cal													
	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12			TOTAL
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
EXISTING SYSTEM																
Total IT Costs	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	917.7	190,336,663
Total Program Costs	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	8253.5	693,761,359	57774.5	4,856,329,513
Total Existing System Costs	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	58692.2	5,046,666,176
PROPOSED ALTERNATIVE																
Total Project Costs	5.0	866,256	16.8	5,019,665	27.4	6,237,000	36.9	5,783,441	82.4	21,353,408	156.8	44,725,013	78.4	27,464,124	403.6	111,448,908
Total Cont. Exist. Costs	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	8384.6	720,952,311	4192.3	360,476,155	54499.9	4,686,190,021
Total Alternative Costs	8389.6	721,818,567	8401.4	725,971,976	8412.0	727,189,311	8421.5	726,735,752	8467.0	742,305,719	8541.4	765,677,324	4270.7	391,235,563	54903.5	4,800,934,212
COST SAVINGS/AVOIDANCES	(5.0)	(866,256)	(16.8)	(5,019,665)	(27.4)	(6,237,000)	(36.9)	(5,783,441)	(82.4)	(21,353,408)	(156.8)	(44,725,013)	4113.9	329,716,748	3788.7	245,731,964
Increased Revenues		0		0		0		0		0		0		0		0
Net (Cost) or Benefit	(5.0)	(866,256)	(16.8)	(5,019,665)	(27.4)	(6,237,000)	(36.9)	(5,783,441)	(82.4)	(21,353,408)	(156.8)	(44,725,013)	4113.9	329,716,748	3788.7	245,731,964
Cum. Net (Cost) or Benefit	(5.0)	(866,256)	(16.8)	(5,019,665)	(27.4)	(6,237,000)	(64.3)	(12,020,441)	(146.7)	(33,373,849)	(303.5)	(78,098,863)	3810.5	251,617,885		

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Project Funding Plan

Department: Finance, General Services, State Controller's Office, State Treasurer's Office   All Costs to be in whole (unrounded) dollars   **Date Prepared: 10/16/2009**

Project: FI$Cal

Through Dec, 2011

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		TOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	5.0	866,256	16.8	5,019,665	27.4	6,237,000	36.9	5,783,441	82.4	21,353,408	156.8	44,725,013	78.4	30,759,408	403.6	114,744,191
RESOURCES TO BE REDIRECTED																
Staff	5.0	866,256	11.8	2,171,450	3.1	500,371	0.0	0	0.0	0	0.0	0	0.0	0	3.1	500,371
Funds:																
Existing System		0		0		0		0		0		0		0		0
Other Fund Sources		0		615,215		0		0		0		0		0		0
TOTAL REDIRECTED RESOURCES	5.0	866,256	11.8	2,786,665	3.1	500,371	0.0	0	0.0	0	0.0	0	0.0	0	3.1	500,371
ADDITIONAL PROJECT FUNDING NEEDED																
One-Time Project Costs	0.0	0	5.0	2,233,000	24.3	5,736,629	36.9	5,783,441	82.4	17,697,783	156.8	33,869,708	78.4	27,017,524	378.7	92,338,084
Continuing Project Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	3,655,626	0.0	4,555,306	0.0	6,746,600	0.0	14,957,532
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	0.0	0	5.0	2,233,000	24.3	5,736,629	36.9	5,783,441	82.4	21,353,408	156.8	38,425,013	78.4	33,764,124	378.7	107,295,616
TOTAL PROJECT FUNDING	5.0	866,256	16.8	5,019,665	27.4	6,237,000	36.9	5,783,441	82.4	21,353,408	156.8	38,425,013	78.4	33,764,124	381.8	111,448,908
Difference: Funding - Costs	0.0	0	0.0	0	(0.0)	0	0.0	0	0.0	0	0.0	(6,300,000)	0.0	3,004,716	(0.0)	(3,295,284)
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0

FISCALDocs #14_1

Appendix A: Acronyms and Definitions

Acronym / Term	Definition
A/R	Accounts Receivable
AIMS	Agency Information Management Strategy
ARCS	Accounts Receivable Collection System
BIS	Budget Information System
BOE	Board of Equalization
Book of Record	Provide the state with a single official General Ledger "Book of Record" in compliance with governing accounting and reporting statutes/standards. This single "Book of Record" may come from legacy systems, the new FI$Cal system, an interim system, or a combination of these systems. This would be part of the proposed strategy and the overall approach. (The state recognizes that detail data will not be available for all accounting until such time as all departments transition to FI$Cal, and deferred and exempt departments provide detailed financial information to FI$Cal. Through the transition period, statewide summary level data will be available.)
BSA	Bureau of State Audits
CAFR	Comprehensive Annual Financial Report
CalATERS	California Automated Travel Expense Reimbursement System
CALSTARS	California State Accounting and Reporting System
CA-PMM	California Project Management Methodology
CEA	Career Executive Appointment
CIC	Customer Impact Committee
COA	Chart of Accounts
COTS	Commercial Off-The-Shelf
DGS	Department of General Services
DOF	Department of Finance
DOJ	Department of Justice
DVBE	**Disabled Veteran Business Enterprise**
EAW	Economic Analysis Worksheet
EFT	Electronic Funds Transfer

Acronym / Term	Definition
ERP	Enterprise Resource Planning
FFP	Firm Fixed Price
FI$Cal	Financial Information System for California
FSR	Feasibility Study Report
FTB	Franchise Tax Board
FY	Fiscal Year
GAAP	General Accepted Accounting Principles
GASB	**Governmental Accounting Standards Board**
GC	Government Code
GL	General Ledger
HR	Human Resources
IHSS	In-Home Supportive Services
IPO	Independent Project Oversight
IPOC	Independent Project Oversight Contractor
IT	Information Technology
IV&V	Independent Verification and Validation
LAO	Legislative Analyst Office
NACHA	**National Automated Clearing House Association**
OCIO	Office of the Chief Information Officer
PBE	Partner Business Executive
PCC	Public Contract Code
PIER	Post Implementation and Evaluation Report
PMBOK	Project Management Body of Knowledge
PMI	Project Management Institute
PMIA	**Pooled Money Investment Account**
PMO	Project Management Office
PSP	Project Summary Package
RFP	Request For Proposal
SAM	State Administrative Manual
SCO	State Controller's Office
SEA	Service Effort and Accomplishment (SEA) Reporting

Acronym / Term	Definition
SI	Systems Integrator
SIMM	Statewide Information Management Manual
SMIF	Surplus Money Investment Fund
SPR	Special Project Report
STO	State Treasurer's Office
System of Record	Provide the state with a single official "System of Record" for budgeting and procurement data. This single "System of Record" may come from legacy systems, the new FI$Cal system, an interim system, or a combination of these systems. This would be part of the proposed strategy and the overall approach. (The state recognizes that detail data will not be available for all budgeting and procurement until such time as all departments transition to FI$Cal, and deferred and exempt departments provide detailed financial information to FI$Cal. Through the transition period, statewide summary level data will be available.)
VMO	Vendor Management Office
ZBA	Zero Balance Account

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