

Decision Package Bundle



Agency: Office of Financial Management
Decision Package Code-Title: 20 - One WA System Readiness Planning
Budget Session: 2019-21 R
Budget Level: Policy Level
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Agency Recommendation Summary

OFM requests \$29.3 million to continue expanded readiness activities for the One Washington program to successfully implement a cloud-based Enterprise Resource Planning (ERP) solution that provides Finance, Procurement, Budget and HR/Payroll services. These expanded readiness activities are necessary for a program of this magnitude to address business and technical risks and prepare for a smooth ERP transition in future biennia.

Program Recommendation Summary

Fiscal Summary

Dollars in Thousands

Operating Expenditures	FY 2020	FY 2021	FY 2022	FY 2023
Fund 466 - 1	\$14,747	\$14,597	\$14,597	\$14,597
Total Expenditures	\$14,747	\$14,597	\$14,597	\$14,597
Biennial Totals		\$29,344		\$29,194
Staffing	FY 2020	FY 2021	FY 2022	FY 2023
FTEs	30	30	30	30
Average Annual		30.0		30.0
Object of Expenditure	FY 2020	FY 2021	FY 2022	FY 2023
Obj. A	\$2,848	\$2,848	\$2,848	\$2,848
Obj. B	\$957	\$957	\$957	\$957
Obj. C	\$10,000	\$10,000	\$10,000	\$10,000
Obj. E	\$720	\$720	\$720	\$720
Obj. G	\$72	\$72	\$72	\$72
Obj. J	\$150	\$0	\$0	\$0
Revenue	FY 2020	FY 2021	FY 2022	FY 2023
466 - 0420	\$14,747	\$14,597	\$14,597	\$14,597
Total	\$14,747	\$14,597	\$14,597	\$14,597
Biennial Totals		\$29,344		\$29,194

Package Description

The One Washington program requests \$29.3 million to expand on implementation readiness activities begun in previous biennia, to reduce overall agency and program risk, and assure business and technology readiness for a successful ERP implementation. Instead of purchasing a perpetual license, One Washington will purchase a subscription to shared ERP software resulting in lower implementation costs and a quicker implementation cycle, and continuously updated software. A summary of readiness activities for the 2019-21 biennium is provided below:

1. Conclude a competitive Software as a Service (SaaS) procurement

This activity will acquire:

A. The services of an Assistant Attorney General with ERP/SaaS contract model expertise to participate in contract development and negotiations with the selected vendor to include terms that are most favorable for the state.

B. ERP procurement expertise to advise and assist in the competitive procurement process.

C. An ERP/SaaS expert to:

i. Expand requirements to address Budget and HR/Payroll capabilities modeled after activities in previous biennia that collected requirements for the Finance and Procurement solution.

ii. Develop roles and responsibilities for the ERP solution provider, the Program and agency personnel during and post implementation.

iii. Consult on procurement, implementation and organizational change management (OCM) tasks.

iv. Assist in finalizing procurement documents, including service level agreements for managing ERP vendor performance during and post implementation.

v. Assist with procurement management including the bidder's conference, bidder questions, evaluations, bidder demonstrations, site visits and customer reference checks.

D. An ERP solution provider with demonstrated industry expertise in public sector ERP solutions.

2. Continue with more in-depth technology readiness activities

This activity will:

A. Complete a comprehensive data gathering initiative that provides more detailed and quantifiable information on:

i. agency system impacts;

ii. needed integrations to support needed operations; and

iii. enterprise reporting to support accurate budget estimates and timeframes in future biennia.

B. Prioritize state and agency tasks based on the updated agency systems impact inventory for systems that will be integrated, modified or decommissioned.

C. Develop an IT operating model and define the integration architecture for supporting enterprise analytics and reporting.

D. Continue technical readiness activities to gain additional understanding of technology impacts throughout the state.

3. Lead and facilitate comprehensive business readiness activities

Additional business readiness analysis is needed to support development of future business models to optimize the benefits of the new ERP. Planned readiness activities include:

A. Develop and provide to agencies tools, templates and guidance in developing an inventory of state and agency current business processes to support successful change management.

B. Engage a firm that specializes in benchmarking studies to optimize future business practices based on similar processes within peer organizations.

C. Develop a business operating model to define ERP vendor, the Program and agency roles and responsibilities for conducting future business processes including the Support Center model for supporting ERP users following implementation.

D. Build out of facility to support a model office. The model office is a working prototype of the ERP which allows us to engage key personnel involved in the transition at an early stage. Participating in the model office are key personnel who will ultimately be responsible for using the systems and processes once the execution of the project or program is complete.

4. Expand Project Management Office (PMO) capabilities and expertise

Building out the PMO staffing, capabilities and processes is important to effectively guide and manage a large-scale initiative like the One Washington program. PMO readiness activities include the following:

A. Continue PMO resourcing model in a phased manner with the goal to fully staff the PMO prior to ERP implementation, with leads and appropriate skill levels for business and technology readiness, organizational change management (OCM), testing, data conversion, integrations, training and project management.

B. Hire a Chief Technology Officer and a Chief Information Security Officer with staff and consultant support in specialized technical areas of system architecture, integration solutions, data conversion and security.

5. Develop a program-wide OCM plan

This readiness activity requires an outside OCM firm with ERP implementation experience to accomplish the following:

A. Develop a comprehensive OCM Plan based on proven methods, practices and approaches from other successful ERP and large-scale programs.

B. Assist the One Washington program in defining roles and responsibilities needed at the state and agency levels to implement and support appropriate levels of change management.

C. Collaborate with the state, partner agencies and ERP solution provider during implementation to achieve successful and sustained adoption of the ERP.

One Washington expects an OCM consultant to bring a proven methodology and framework for assisting the state and agencies with planning for and supporting the scale of change required by the new ERP. The OCM plan will align with the implementation strategy and address change management activities incrementally so that agencies adapt to ERP business capabilities as deployed.

6. Establish a pool for agency readiness

The One Washington program requests \$24.5 million for a dedicated pool for agencies and an additional \$3.0M for transportation agencies, to assist with internal readiness activities to prepare for a successful ERP implementation. Because many state staff performed daily work the same way for years (decades in many cases), making OCM resources and methodologies available to agencies will help staff successfully prepare for this large-scale transformation. The funding is outside of this decision package.

The One Washington OCM plan will define the scope of agency readiness activities and establish allocation criteria for an equitable methodology to support agency readiness tasks into the 2019-21 biennium.

Assumptions and Calculations

Expansion or alteration of a current program or service:

The One Washington program is needed to avoid potential catastrophic system failure

The state's financial management system, Agency Financial Reporting System (AFRS), is a 35-year old COBOL mainframe system, making it the oldest statewide financial system in the country. AFRS is an aged and fragile system that has lived well-beyond its useful life. It is not a question of "if" but of "when" a major system failure will occur, disrupting \$100 million in payments daily.

A potential system failure of unknown duration means interruption of critical payments that would not only impact the statewide economy on a very large scale, but would also impact the livelihood of thousands of individuals who depend on regular, predictable revenue, including:

- Employees who depend on bi-monthly payroll.
- Retirees who depend on monthly pension payments.
- Contracted businesses and vendors who depend on payments for good and services, including operators of nursing homes, group homes, day care centers, and providers of health care to vulnerable clients and injured workers (and who may discontinue these critical services if not paid).
- Low-income residents who depend on monthly cash benefits for sustenance and daily living.

In addition to the risk for potential system failure, there are significant risks in continuing to operate AFRS, risks that are worsening every day, including:

1. **A dwindling pool of knowledgeable resources:** Due to retirement and attrition, few state staff resources remain that understand operations and troubleshooting of the current ecosystem:
 - In several critical areas, AFRS is down to a single resource for operation and troubleshooting.
 - Potential contractors simply do not have the background to step in as state staff retire. The collection of systems and inter-dependent processes cannot be learned over night.
2. **Old technology is more vulnerable to security threats:** Older technology exposes the state to security threats on multiple fronts:
 - Because of the fragility and age of AFRS, many subsystems have not received regular updates, including security upgrades. Some systems have been out of compliance for ten years.
 - Older technology lacks modern encryption tools for protecting personally identifiable information.
 - Distributed data and systems are more difficult to control and monitor for security threats compared to centralized, enterprise solutions.
3. **Continued operation and cost of parallel systems:** Because AFRS does not meet business needs, state agencies have developed shadow parallel systems to fill functional gaps. These legacy shadow systems require constant maintenance and are costly to operate. The One Washington program initially identified 85 legacy systems to potentially decommission with the integrated Finance/Procurement phase of the ERP, with additional systems being decommissioned with the Budget and HR/Payroll phase. The technology readiness assessment activities in the 2019-21 biennium will finalize which agency systems can be integrated, modified or decommissioned with the new ERP.
4. **Lack of comprehensive data to support decision making:** These shadow systems are operated independently and without common data standards and definitions. There is no integration or comprehensive view of financial data for effectively managing expenditures across the enterprise. Disparate data sources are cobbled together and manipulated resulting in an unsatisfactory basis for answering important questions and making critical decisions across the enterprise.
5. **High cost of operating a mainframe environment:** AFRS is one of a handful of remaining systems that shares in the \$67 million in annual operating costs for the state's mainframe environment. AFRS will likely be the last system hosted by the state's mainframe with responsibility for carrying the full cost of the annual operating costs. Further delays in replacing AFRS will be costly due to continual growing maintenance costs.

The One Washington program is needed to establish a centralized procurement system

Besides addressing enterprise financial business needs, a new ERP is needed to bring centralized procurement capabilities. Currently there is no statewide system for managing the purchasing and contracting lifecycle. Instead, each agency has developed its own procurement and contracting system, ranging from commercial-off-the-shelf systems to a combination of lower-tech solutions managed through email and spreadsheets. Anticipated benefits of a statewide procurement system include automated enterprise-wide reporting, increased collection of vendor fees rather than voluntary reports, potentially lower vendor contract costs due to purchasing economies of scale, and improved opportunities for veteran and woman-owned businesses through greater visibility into contracting opportunities.

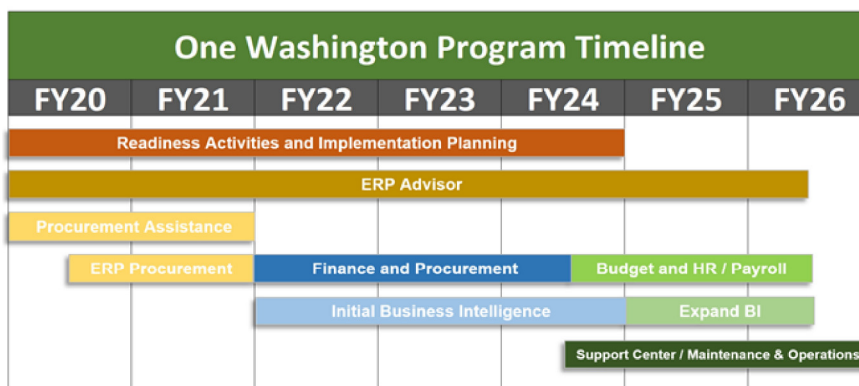
The current state of aged and siloed technology is ineffective, inefficient and unsustainable. Using a 35-year old financial system along with distributed procurement systems cannot continue indefinitely. Continuing with expanded procurement and readiness activities to reduce risk and prepare for a smooth implementation of the ERP is a prudent next step for meeting the state’s obligation as an accountable steward of public funds.

Detailed assumptions and calculations:

The One Washington program plans an implementation strategy that minimizes risk and delivers business benefits

The One Washington program understands that the composition, sequence and timing of the roll-out needs to be carefully considered before establishing concrete implementation plans. The program will work with the acquired ERP experts and selected ERP solution provider to determine an implementation strategy that minimizes overall risk while maximizing business benefits for the enterprise. A phased implementation strategy that implements ERP capabilities incrementally will reduce risks of a large-scale, big bang implementation.

An incremental or rolling approach also supports application of lessons learned, minimizing risks of failure, and assures agencies adapt to new business processes and system integrations, or decommissioning, in a more manageable manner. Given the criticality of potential financial disruptions due to the age and fragility of AFRS, and the benefits of an enterprise procurement solution, the first implementation phase addresses integrated Finance and Procurement with initial Business Intelligence (BI) capabilities. The second phase addresses Budget, HR/Payroll and expanded BI. Although the approach will be refined in the upcoming biennium, the current implementation strategy is as follows:



The business capabilities of the first implementation phase are highlighted below:

Finance Capabilities	Procurement Capabilities	Business Intelligence Capabilities
<ul style="list-style-type: none"> Accounts receivable Accounts payable General ledger Grants management Project accounting Budgetary controls Travel and expense management Inventory management Cost allocation Asset management Cash and banking management Master data Reporting 	<ul style="list-style-type: none"> Purchase requisitions and purchase orders Contract management Receiving Strategic sourcing (RFP, RFQ, etc.) Supplier relationship management Catalog purchasing Master data Reporting 	<ul style="list-style-type: none"> Enterprise performance reporting Decision support Enterprise analytics Executive dashboards Operational dashboards Drill-down reporting Parameter driven reporting Drag and drop report building Trend reporting Graphical reporting Accessible data dictionary

The One Washington program continues success of previous milestones

The table below summarizes the approved activities and accomplishments to date:

Biennium	Legislature Approved Activity	Successes and Accomplishments

2013-15	Business Case \$2 million	<ul style="list-style-type: none"> Developed business case Defined costs and impacts for three ERP scenarios Collaborated with 16 agencies
2015-17	Chart of Accounts Future State Design and Business Readiness \$2 million	<ul style="list-style-type: none"> Selected strategic integration partner with ERP experience in 12 other states Completed design and established governance processes and standards for future Chart of Accounts Developed common procurement processes and data standards Implemented a statewide Facilities Portfolio Management tool for the state budget process Upgraded the OFM budget development suite
2017-19	Program Blueprint, Integration Strategy and Plan, Business Intelligence Strategy, Mainframe Plan \$6.5 million WSDOT Integration Assessment \$0.3 million	<ul style="list-style-type: none"> Completed the <u>Program Blueprint</u> Developed an <u>Integration Strategy and Plan</u> Developed an Enterprise Data and Business Intelligence Plan Developed a Mainframe Migration Plan (scheduled to complete FY2019) Hired a Change Manager Collaborated with WSDOT on business and accounting requirements from its separate financial system (on-going) Reviewed the Cost Allocation System Performed AFRS data clean-up (on-going) Reviewed and standardized specialty procurement areas (i.e. leasing)
2018 Supplemental Request	Agency Integration Assessment \$3.5 million WSDOT Readiness \$2.3 million	<ul style="list-style-type: none"> Began collaboration with partner agencies on integration requirements Began collaboration with WSDOT on readiness activities Began ERP solution vendor procurement
Total authorized to date:	\$16.1 million (with \$3.3 million carry forward in 2019-21 biennium request)	

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information.)

2019-21 Biennium: \$3,298,000 One Washington carry forward
 \$29,344,000 Business Readiness Activities
 \$32,642,000 Total

Funding to date has been provided through the Central Service Model and the Technology Fund.

Workforce Assumptions:

One Washington 19-21 Decision Package				
FTE Breakdown				
	# of FTEs	Annual Salary	Total Salaries	
Administrative Assistant	2	\$ 58,000	\$ 116,000	
Budget Manager	1	\$ 104,000	\$ 104,000	
Business Analyst Financial Systems	1	\$ 97,000	\$ 97,000	
Change Manager	1	\$ 108,000	\$ 108,000	
Chief Information Security Officer	1	\$ 124,000	\$ 124,000	
Chief Technology Officer	1	\$ 140,000	\$ 140,000	
Communications Consultant	1	\$ 104,000	\$ 104,000	
Contracts Specialist	2	\$ 73,000	\$ 146,000	
Executive Program Director	1	\$ 166,000	\$ 166,000	
HR Consultant	1	\$ 72,000	\$ 72,000	
PMO Analyst	7	\$ 87,000	\$ 609,000	
PMO Lead	1	\$ 111,000	\$ 111,000	
Project Manager	1	\$ 111,000	\$ 111,000	
Finance SME	3	\$ 106,000	\$ 318,000	
HR SME	4	\$ 87,000	\$ 348,000	
Procurement SME	2	\$ 87,000	\$ 174,000	
Totals	30	\$ 1,635,000	\$ 2,848,000	

Other objects of expenditure align with OFM staffing model assumptions for new positions: benefits, facility needs, equipment and goods and services.

Strategic and Performance Outcomes

Strategic framework:**Strategic framework**

The One Washington program positively impacts state strategic goals for **efficient, effective and accountable government** and **improved technology tools to better serve state government and the public**. A new ERP will support better accountability of state spending and purchasing while moving the enterprise toward a new era of transparency and traceability to strategic legislative, agency and executive goals.

The One Washington program provides value by creating consistent and common enterprise processes resulting in the following benefits:

- Statewide collection of critical data to support operations and decision-making.
- Transparency and integrity of data collected.
- Accuracy of data conversion for continued historical insights.
- Prevention of critical system failure.
- Support of budget development, planning and management.

Performance outcomes:**Program-level performance outcomes**

The One Washington program uses program-level measures to determine success leading up to implementation, including:

Category	Program Benefit/Outcome	Measure
Schedule	Meet major milestones and implementation timeframes as scheduled	Percent complete against implementation plan
Scope	Increase customer satisfaction of business functionality delivered	Satisfaction scores through surveys
	Deliver business functionality based on the defined scope	Percent functionality delivered as defined by the implementation plan
Budget	Complete the program within budget	Actual budget expenditures compared to planned
Organizational Readiness	Train staff to be ready to use system	Percent of staff trained
	Deliver high quality training	Satisfaction scores through surveys
	Transition to future business processes	Percent of transition tasks complete

Operational performance measures

Working with the governance and leadership team, including the OCIO, the One Washington program builds on previous success by developing operational performance measures in the 2019-21 biennium. Specific readiness activities will inform development of performance measures including the benchmarking analysis for streamlining future processes based on peer organizations; and the technology readiness assessment for quantifying the number of systems for integration, modification and decommissioning. Objectives and measures will be developed to increase automation, decommission agency shadow systems, streamline business processes, and increase overall transparency and visibility into state Finance, Procurement, Budget and HR management.

**Other Collateral Connections****Intergovernmental:**

Approximately 100 state agencies use the state financial system and more than 1,000 governmental entities use the state's master contracts and WEBS system for procurements and solicitations. The One Washington program assures a streamlined transition to the new ERP through a robust enterprise-wide OCM plan.

Stakeholder response:

Through continued involvement by agency executives in the governance framework and Business Transformation Board, the One Washington program will build on its experience of successful collaboration and engagement with stakeholders.

Legal or administrative mandates:

Business readiness activities will likely identify statutory budget and fiscal requirements that are no longer relevant and should be modified or repealed, or best practices that should be incorporated into the ERP. Each business area has external standards or process mandates that must be addressed, i.e. GASB.

Changes from current law:

N/A

State workforce impacts:

The One Washington program will create new positions or modify existing positions giving existing state staff an opportunity to learn new skills and competencies, with many transitioning into a support role after the completion of the Program. Future business and operating models will be developed in the 2019-21 biennium.

State facilities impacts:

The One Washington program team will increase to 40 staff. The program has coordinated with the OFM facilities management team to find space to accommodate the program team.

Puget Sound recovery:

N/A

Reference Documents

- Attachment to the One Washington Decision Package - Cost of Delay.docx

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff? Yes

- IT Addendum 2019-21 Nov 30 2018 - FINAL.docx