

Enterprise Applications

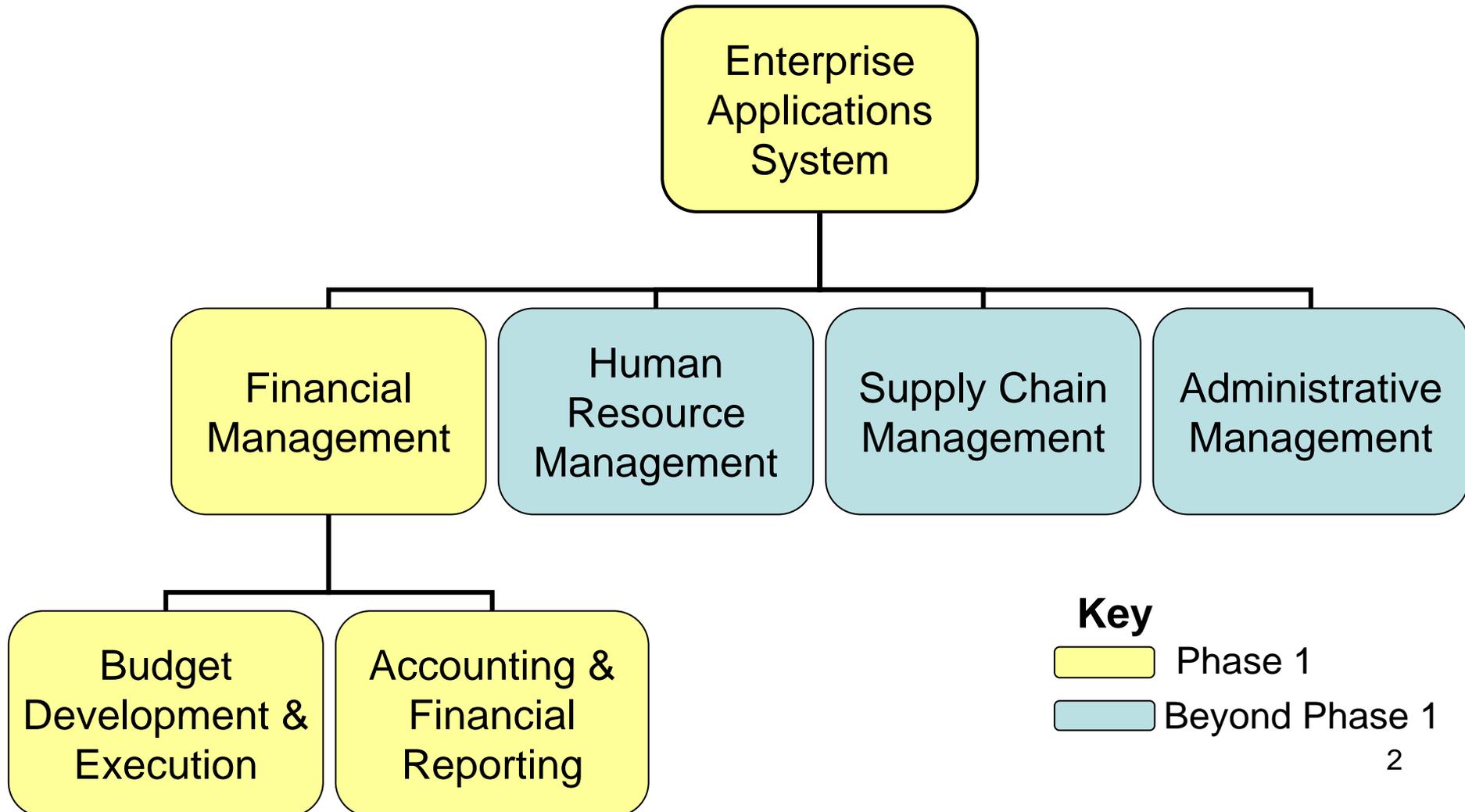
Senate Finance Subcommittee on
General Government

Status Update

January 29, 2007

Jody M. Wagner
Secretary of Finance

Enterprise Applications System Overview



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- Why start with Financial Management?
 - If an Enterprise solution was not being considered at this time, the Commonwealth would still face the need to replace its financial systems
 - We would still be reviewing business processes
 - We would still be considering an ERP software solution
 - We would still be hiring an integrator
 - Current systems do not support the needs of most state agencies. Over 150 separate financial systems of various types were discovered during due diligence with an estimated annual cost of \$117m (source Due Diligence report 2005)

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- Why start with Financial Management? - *continued*
 - Risk of system failure and the diminishing pool of knowledge to support these antiquated systems (COBOL, mainframe)
 - The potential exists for material errors that could lead to internal control findings or audit qualifications resulting from risks associated with antiquated systems. Concerns include:
 - Processes that require manual intervention
 - Significant data analysis and manipulation are required that adversely impacts timely financial reporting
 - Weaknesses in numerous reports as cited by the APA

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- Phase 1 – Financial Management Scope
 - Scope includes two major application releases
 - New Performance Based Budgeting System targeted for June 2008
 - New ERP-based Integrated Financial Management System – includes Budget Execution, Accounting & Financial Reporting, portions of HR and integration with Procurement targeted for June 2009

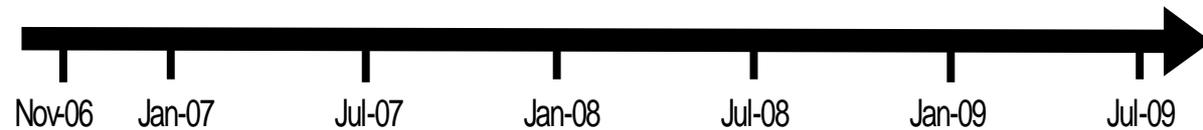
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Major Projects

Budget Development System

Budget Execution System

Accounting & Reporting



Processes Using New ERP Functions

Budget Amendment Cycle

Biennial Budget Development

Budget Execution, Accounting & Reporting



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- Phase 1 – Financial Management Details
 - 9 Functional Areas: General Accounting, Accounts Payable, Accounts Receivable, Procurement (initial interface), Fixed Assets, Cost Accounting, Performance Budgeting, Budget Execution, Time and Attendance
 - System Replacement for: DPB ProBud, DOA CARS, as well as agency legacy financial management systems in place at VDOT, VEC, DGS, and VITA
 - Approximately 250 Commonwealth entities that use CARS or report financial data to CARS will be impacted
 - About half currently use CARS as their primary accounting system and will use the new FMS
 - Other half that currently interface or report data to CARS will interface or report to new FMS
 - Phase 1 will establish the financial management standard for all Executive Branch agencies

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- Phase 1 – Financial Management Status
 - Planning (Complete by Q3 07)
 - CGI and Commonwealth staff engaged as of 1/3/07
 - Teams developing Future State deliverables
 - Independent Validation & Verification vendor selection underway
 - Project Plan in review (dovetail to RFP process)
 - Project management standards being established

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- Phase 1 – Financial Management Status
 - Product Selection Status (Q3 07)
 - “Quiet Period” has begun
 - Enterprise-wide focus
 - RFP currently being drafted
 - Hire Permanent EA Director (Q1 07)
 - Interviews in Process
 - Several strong candidates

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- Phase 1 – Draft Cost Estimate ~\$102 million*
 - Current appropriation covers cost of Project Planning (through General Design) ~\$11m
- Current Cost Summary
 - Integrator costs paid to CGI ~\$61m
 - Commonwealth (COVA) staff costs ~\$8m
 - Other COVA costs for software, hardware, PMO expenses (rent, equipment, supplies, etc.) ~\$27m
- Final cost will be confirmed during Project Planning

* includes 5% contingency

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- Phase 1 – Funding will come from several sources, released by ITIB (through VTIF) as appropriate
 - Current General Fund Appropriation - \$11m split between years: \$5.5m in FY07 and \$5.5m in FY08
 - \$5.5m approved by ITIB for planning and product selection
 - Will need to advance FY 08 funds to FY 07 to keep project moving
 - Additional funds will be needed. Sources will include:
 - Additional General Fund support from the General Assembly
 - Consolidated Collections in partnership with CGI (estimated at \$71m over 8 years)

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- Working Capital Advance
 - Needed to ensure project continuity following the completion of planning
 - Project Funding Timeline Gap
 - Planning is complete and \$11m of planning funds are exhausted between end of FY 07 and first quarter of FY 08
 - Development phase must begin immediately to meet planned project timeframes
 - Revenue generating engines may not yield enough in year 1 to sustain development continuity
 - Additional development funding will be included in FY 08 caboose bill but would not be available until late FY 08

Enterprise Applications Estimated Cost by Fiscal Year for Phase I

	CGI Charges	COVA Charges w/out staff	COVA staff	TOTAL
FY 2007	8,719,897	968,000	899,200	10,587,097
FY 2008	23,209,877	20,273,750	1,175,552	44,659,179
FY 2009	20,860,027	3,298,750	6,422,336	30,581,113
FY 2010	8,405,232	2,530,750	-	10,935,982
Subtotals	61,195,033	27,071,250	8,497,088	96,763,371

Contingency (5%): 4,838,169
Total Estimated Cost \$ 101,601,540

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Questions?