



# **Commonwealth of Virginia Cardinal Project**

**A Briefing for the  
Senate Finance Committee  
General Government Subcommittee**

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# Agenda

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- What is Cardinal?
- CARS Limitations and Risks
- Cardinal Project Background
- Parts 1 and 2 Scope
- Part 3 Scope
- Project Costs and Funding Model
- Future Goals



# What is Cardinal?

## Unprecedented Partnership

- Financials, Procurement and more for VDOT (Part 1)
- Base Financials for Commonwealth, in DOA (Part 2)
- Base Financials for Commonwealth, Statewide Rollout (Part 3)

## Critical Near-term Goal

- Risk Reduction
  - VDOT – Replace FMSII, Eliminate risk of FMSII system failure
  - DOA/Statewide – Replace CARS, Address APA recommendations for improved financial system capabilities and controls that threaten Virginia's unqualified audit opinion, AAA bond rating and ranking as Best Managed State



# CARS Limitations and Risk

The Commonwealth Accounting and Reporting System (CARS) serves as the current enterprise financial management system. CARS is:

- Lacking in Functionality – Only supports general ledger, vendor payment processing and funds receipting. Functional limitations have driven agencies to implement agency-based systems, decreasing data standardization and corresponding reporting transparency.
- Lacking in User-friendly Integration – Workflow integration between purchasing and finance and other applications is limited or non-existent, impeding workforce efficiency.
- Built on 1970's Technology – 30 year old mainframe application is supported by a few key resources whose skills are not easily replaceable in today's workforce.
- High Risk - Need for a modern statewide financial management system is frequently cited by APA. Inaction risks the Commonwealth's unqualified audit opinion, AAA bond rating and Best Managed State ranking.



# Cardinal Project Background

Year	Activity
<b>1978</b>	DOA's CARS implemented
<b>1998</b>	VDOT's FMS II system was implemented
<b>2004 - 2006</b>	VDOT FMS II Upgrade Project planning conducted
<b>2006 - 2007</b>	VDOT joined DOA on the statewide VEAP initiative (Virginia Enterprise Application Program)
<b>2008</b>	Economic downturn resulted in insufficient funding for statewide ERP; VDOT proposes strategy to replace VDOT's FMS II and establish an enterprise base financial system for the Commonwealth; VDOT and DOA partner on initiative
<b>2009</b>	Conducted RFP process for software and services; Accenture and Oracle (PeopleSoft Enterprise License Agreement (ELA)) contracts established for the Commonwealth of Virginia
<b>2011</b>	Go Live Date for VDOT implementation (Part 1) December 5, 2011



# Parts 1 and 2 Scope

## Part 1 (VDOT)

### Functional Areas in Scope:

- General Ledger
- Accounts Payable
- Accounts Receivable
- Project Accounting
- Procurement
- Time and Attendance
- New Statewide Chart of Accounts
- 5,000 End Users Trained
- Retire FMSII

**Deployed in December 2011**

## Part 2 (Enterprise Base Modules- DOA only)

### Functional Areas in Scope:

- General Ledger
- Accounts Payable
- Limited Accounts Receivable  
(Funds Receipt)
- New Statewide Chart of Accounts
- 10 End Users Trained

**Scheduled to Deploy in October 2012**



# Part 3 Scope

## Statewide Rollout of Enterprise Base Financials

- System configuration and testing, user training
- Transition all online CARS agencies to the enterprise Base
  - 87 agencies with less than 1,500 transactions annually go-live on or before FY 2014
  - 49 agencies with more than 1,500 transactions annually go-live on or before FY 2015
- Develop interfaces between Cardinal and the remaining agencies with agency-based financial systems (e.g., DMAS, DMV, higher ed.)
  - 127 agencies must develop interfaces to Cardinal using centrally prescribed file formats. Development costs are not included in estimated Part 3 project costs
  - Staged rollouts over 2 year period prior to FY 2015 with several early “proof of concept” implementations
- Goal is to retire CARS with Cardinal Base Financials becoming the statewide financial management system (system of record) starting in FY 2015



# Key Takeaways – Part 3

- Business process and technology changes will be significant for current CARS end-users but VDOT/DOA pilot of Base and phased implementation approach reduces overall project risk
- Commitment to proceed with Part 3 is **urgent**. Without Part 3:
  - \$19 million invested since 2006 on the enterprise financial management software procurement and system development will be lost
  - VDOT will incur \$5.1 million in Cardinal re-work costs to remove previously developed statewide functionality included in Part 1 – resulting in Cardinal becoming simply an agency-based financial system for VDOT
  - Statewide cost sharing opportunities are eliminated – resulting in VDOT bearing the entire cost of Cardinal support and maintenance indefinitely
  - The momentum and continuity of the Cardinal Project Team and the focus of the partnering agencies are lost
- Enterprise Financials funding model (WCA, Internal Service Fund) is in introduced budget





# Project Costs and Funding Model

## Parts 1 and 2

- Development and implementation costs totalled \$58 million over 4 years (FY 2009-12)
- Funded primarily by VDOT with some Base system costs funded by a portion of existing Working Capital Advance (WCA) – \$8 million
- Operating costs currently entirely funded by VDOT

## Part 3

- Development and implementation costs estimated at \$57 million over 4 years (FY 2012-2015). Final estimates subject to contract negotiations
- Project funding provided through additional WCA (Item 260, HB 30)
- Operating cost and WCA repayment through agency Internal Service Fund (ISF) charges
- Agency ISF charges imposed upon conversion based on agency transaction counts
- Agency ISF charges begin in FY 2014



# Cardinal Operating Costs (est.)

	Part 1 VDOT Only Go Live 12/5/11	Part 2 DOA and Part 3 Agency Rollout	Part 3 Agency Rollout	Rollout Complete CARS Retired	
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015 *</u>	<u>FY 2016</u>
Base Modules	\$ 7,826,346	\$ 9,535,289	\$ 10,706,446	\$ 10,408,640	\$ 10,929,073
WCA Repayment	-	-	-	6,644,387	6,644,387
Total Estimated Base Costs	\$ 7,826,346	\$ 9,535,289	\$ 10,706,446	\$ 17,053,027	\$ 17,573,460
Non-base Modules (VDOT Only)	4,440,654	5,410,437	6,074,966	5,905,843	6,201,135
Total Estimated Operating Costs	<u>\$ 12,267,000</u>	<u>\$ 14,945,726</u>	<u>\$ 16,781,412</u>	<u>\$ 22,958,870</u>	<u>\$ 23,774,595</u>
* Working Capital Advance (WCA) repayment begins in FY 2015 - \$6.6 million annually/ 10 years					



# ISF Charges (est.) – Base Modules

Secretarial Area		FY 2014		FY 2015		FY 2016	
		<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
Education		\$ 156,822	\$ 91,704	\$ 293,653	\$ 2,380,578	\$ 302,615	\$ 2,453,230
Health and Human Resources		16,763	3,452	651,685	2,081,498	671,573	2,145,022
Transportation	VDOT	-	9,234,310	-	5,524,102	-	5,692,690
	Other	-	16,520	7	1,626,213	8	1,675,843
All Other Secretarial Areas		526,259	246,856	1,065,004	2,015,347	1,097,506	2,076,853
Legislative		328,231	56,063	19,797	2,431	20,402	2,505
Judicial		-	29,466	1,079,977	68,509	1,112,936	70,600
Independent		-	-	-	244,226	-	251,677
Total Estimated ISF Charges – Base Modules		\$ 1,028,075	\$ 9,678,371	\$ 3,110,123	\$ 13,942,904	\$ 3,205,040	\$ 14,368,420



# Future Goals

## Expand Base Financials

- Specific functionality, scope and timelines to be determined based on business need and resources available (examples)

Accounts Receivable

Project Accounting

Time, Attendance and Labor

Inventory and Asset Management

Procurement

## Modern technology platform provides an essential first step towards:

- Powerful reporting capabilities to facilitate better decision-making, optimize transparency, meet complex new federal reporting demands and improve performance
- Standardized data and more efficient business processes through better integration between administrative systems and with mission-critical agency systems
- Providing needed functionality to agencies so that select agency-based systems can be retired and systems support cost savings can be realized
- Consistent processes across agencies to improve efficiency and facilitate shared services