

Department of Accounts Budget Highlights

Cardinal Initiative

Senate Finance Committee Subcommittee on General Government

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State Comptroller

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Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Budget Bill Provisions

Cardinal Production Support – Enterprise Applications Internal Service Fund (EA ISF)

- Item 260 A.1, NGF funding estimate for EA ISF
- Item 469 H.2., Central Appropriations GF agency costs
- § 1-87 NGF MEL

Cardinal Vendor Database Standardization – GF

Cardinal Accounting and Reporting Oversight – GF

- Both under Item 257, Funding and § 1-87 GF MEL

Cardinal Statewide Rollout Project – EA ISF MEL only

Performance Budgeting System – EA ISF MEL only

- Both under § 1-87 NGF MEL

Cardinal Funding

Production Support

- Shared resources – VDOT, DOA, VITA, Contractors/Consultants

Staffing Source	FY 2013	FY 2014	FY 2015	FY 2016
VDOT – Loaned NGF MEL	10	10	6	6
DOA – New NGF MEL	-	2	7	10
DOA – GF MEL (CARS support)	-	-	-	(2)
Contract Employees	10	11	11	11
Accenture Support Contract	20	25	25	25
VITA – Northrop Grumman	4	4	4	4
Total	44	52	53	54

- FY 2013 operating costs funded by VDOT (\$14.9 million NGF)
- FY 2014 – JLARC approved rates will be charged to agencies upon conversion (\$17.4 million NGF, \$215,000 GF state agency supplements per Item 469 H.2.)
 - FY 2015 - \$15.3 million NGF, \$1.8 million GF
 - FY 2016 - \$19.1 million NGF, \$5.5 million GF (includes WCA repayment)

Cardinal Funding

Vendor Database Standardization (required pursuant to Chapter 3, Item 260 B.2.)

- Current vendor data management responsibility is decentralized to agencies
- Goal is to centralize vendor data management to uniformly identify and report vendors, goods and services, facilitate data exchange between systems and optimize resource monitoring
- Resources – DOA, Contractors

Staffing Source	FY 2013	FY 2014	FY 2015	FY 2016
DOA – New GF MEL	-	4	6	10
Contract Employees	-	2	2	2
Total	-	6	8	12

- FY 2014 – \$847,805 GF
 - FY 2015 - \$1 million GF (increase only as needed)
 - FY 2016 - \$1.5 million GF (increase only as needed)

Cardinal Funding

Accounting and Reporting Oversight

- CARS is 30 years old, inflexible and relatively simple technology
- Cardinal is new, flexible and complex technology
- Increased central oversight is needed to mitigate the risk of improper transactions inherent with the introduction of a new statewide financial system
- Resources – DOA

Staffing Source	FY 2013	FY 2014	FY 2015	FY 2016
DOA – New GF MEL	-	3	6	8

- FY 2014 – \$322,926 GF
 - FY 2015 - \$644,651 GF (increase only as needed)
 - FY 2016 - \$857,935 GF (increase only as needed)

Cardinal Funding

Statewide Rollout Project (FYs 2013-2016)

- Shared resources – DOA, Contractors/Consultants

Staffing Source	FY 2013	FY 2014	FY 2015	FY 2016
DOA – New NGF MEL	6	18	9	-
Contract Employees	6	18	9	-
Consultant SOW s (est.)	40	40	40	-
Total	52	76	58	-

- Funded by \$60 million Working Capital Advance (WCA)
- Repayment (over 10 years) begins in FY 2016 following CARS decommissioning (included in approved JLARC rates)
- Project staff gain experience/expertise in project roles and transition to Production Support, Vendor Database Standardization and/or Accounting and Reporting Oversight roles after project tasks are complete

Performance Budgeting System

Performance Budgeting (PB) System

- PB is funded through the Enterprise Applications ISF
- Plans are to consolidate PB production systems support within DOA (i.e., within the Enterprise Applications Production Support unit)
- Resources – DOA (MEL transfer from DPB)

Staffing Source	FY 2013	FY 2014	FY 2015	FY 2016
DOA – New NGF MEL	-	2	2	2
DPB – Existing GF MEL	2	-	-	-
Total	2	2	2	2

Cardinal Background

Enterprise System Governance

Cardinal Production Support Budget

Cardinal Roll-out Plan

JLARC EA ISF Rate Information

- Implementation Plan and Billing Methodology

Enterprise Governance Model

Current Enterprise System Governance

- State Comptroller provides oversight and directs operations of Cardinal
- Close collaboration with VDOT and VITA
- DOA administers Enterprise Applications Internal Service Fund
- VITA provides all IT infrastructure services via Northrop Grumman

Near-term Governance Plans

- Consolidate production system support organization within DOA for enterprise financial management systems funded through Enterprise Applications ISF (i.e., VDOT, DPB, DOA)
- Refine governance model based on agency participation

Cardinal Roll-out Plan

Wave 1 – Planned Fiscal Years 2013-2014

- Delivers Cardinal to agencies that will process all transactions via online entry
 - 147 agencies – estimated 460 Cardinal users
- Delivers Cardinal to pilot agencies that will process transactions via interface
 - 4-6 agencies, 30-50 Cardinal users

Wave 2 – Planned Fiscal Years 2015-2016

- Delivers Cardinal to the remaining agencies
- Primarily includes agencies that will process all transactions via interface or are within a group of agencies that will process some transaction types via interface and some online
 - 131 agencies – estimated 1,299 users

Cardinal - Budget

	VDOT/DOA Only	Add Wave 1 Agencies	Add Wave 2 Agencies	Roll-out Complete
Budgeted Annual Operating Costs	FY 2013	FY 2014	FY 2015	FY 2016 *
Software (PS) Maintenance/License fees	\$ 1,500,000	\$ 1,530,000	\$ 1,530,000	\$ 1,591,000
Hardware / Equipment – VITA	2,129,000	2,235,000	2,235,000	2,347,000
Internal Staff (Salaried) – 10 to 16 FTE	1,487,000	1,859,000	2,042,000	2,544,000
Contract Staff	2,202,000	2,753,000	2,753,000	2,893,000
Accenture Post Production Support Contract	5,000,000	6,250,000	6,250,000	6,250,000
Northrop Grumman Enhanced Server Support	1,952,000	1,500,000	850,000	850,000
Facilities, Training, other	676,000	1,494,000	1,470,000	1,512,000
WCA Repayment/Federal Payback	-	-	-	6,644,000
Total Cardinal System Operating Costs	\$ 14,946,000	\$ 17,621,000	\$ 17,130,000	\$ 24,631,000
Less: VDOT-only Modules	N/A	6,379,000	6,201,000	6,511,000
Total Base Cardinal System Operating Costs	N/A	\$ 11,242,000	\$ 10,929,000	\$ 18,120,000
ISF charges for Total Cardinal System Costs :		Assumes ½ Year Billing	Assumes ½ Year Billing	Assumes Full Year Billing
General Fund	N/A	\$ 215,000	\$ 1,786,000	\$ 5,536,000
Non-General Funds	N/A	\$ 17,406,000	\$ 15,344,000	\$ 19,095,000
* Working Capital Advance (WCA) repayment begins in FY 2016 - \$6.6 million annually/ 10 years				

Cardinal – Phased Implementation

Billing Implementation Plan

Agency use of the Cardinal Enterprise Base system (General Ledger, Accounts Payable and Funds Receipt) is being implemented in waves throughout FYs 2014-2016

- FY 2013 Cardinal Enterprise Base system operating costs are currently entirely funded by VDOT
- Cardinal Enterprise Base system rates will be imposed on agencies upon conversion to Cardinal starting in FY 2014

Cardinal – VDOT-only Modules

Billing Methodology

Certain Cardinal modules are initially only being used by VDOT (Project Accounting, Procurement, Full Accounts Receivable, Time and Attendance)

- Based on current costs, 36.2% of total budgeted Cardinal operating costs are attributed to VDOT-only modules
- 36.2% is the pro rata share of annual PeopleSoft maintenance fees attributed to VDOT-only modules to the total annual PeopleSoft maintenance fees
 - $\$455,920 \div \$1,259,429 = 36.2\%$
- The portion of FY 2014 annual operating costs (\$17.6 million) attributable to VDOT-only modules is estimated at \$6.4 million
- This amount will be calculated annually and charged to VDOT directly beginning in FY 2014

Cardinal – Enterprise Base Rate

Billing Methodology

Throughout the transition period the Enterprise Base Rate is calculated using a combination of CARS and Cardinal transaction counts

- Budgeted annual Cardinal operating costs (less VDOT-only module costs) ÷ total prior year Adjusted Statewide Transaction counts = Rate per transaction
- Based on estimated FY 2014 Cardinal operating costs and FY 2012 Adjusted Statewide Transaction counts, the Base rate is calculated at \$1.05 per transaction:
 - $(\$17.6 \text{ million} \text{ minus } \$6.4 \text{ million}) \div 10.7 \text{ million transactions} = \$1.05 \text{ per transaction}$
- Prior to charging agencies during FY 2014 the Base rate will be recalculated using updated budgeted FY 2014 Cardinal operating costs and actual FY 2013 Adjusted Statewide Transaction counts

Cardinal – WCA/Federal Funds Payback

Billing Methodology

Cardinal is planned to become the Commonwealth's financial management system of record effective in FY 2016

- The Enterprise Base system rate will be adjusted in FY 2016 to begin repayment of the Working Capital Advance (WCA) that funded the statewide Cardinal implementation (estimated at \$63.3 million)
 - Amortized over ten year period = \$6.3 million annually
- The WCA balance includes certain costs that are not eligible for federal funds participation (estimated at \$20.9 million), which must be returned to the federal government each year the WCA Repayment Rate is charged
 - Amortized over ten year period and multiplied by the estimated federal funding participation rate of 15% = \$0.3 million annually

Cardinal – WCA/Federal Funds Payback

Billing Methodology

The combined WCA repayment and federal non-participation payback amount estimated to be included in annual operating costs and added to the Enterprise Base Rate in FY 2016 totals \$6.6 million annually

- Based on the estimated WCA balance, federal non-participation amount and FY 2012 Adjusted Statewide Transaction counts, the Enterprise Base rate will increase in FY 2016 by \$0.62 per transaction
 - $\$6.6 \text{ million} \div 10.7 \text{ million transactions} = \$0.62 \text{ per transaction}$
- Prior to charging agencies during FY 2016 this rate will be recalculated using the actual WCA balance, federal non-participation amount and FY 2015 Adjusted Statewide Transaction counts

Cardinal - Billing

Billing Methodology

Charging frequency – quarterly through interagency transactions

- Effective upon conversion to Cardinal

FY 2015 and subsequent rates will be calculated in the same manner

- Adjusted for any applicable prior year profit/loss



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