

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

FLAIR STUDY

DELIVERABLE 5



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REVISION HISTORY

DATE	AUTHOR	VERSION	CHANGE REFERENCE
4/9/2014	North Highland	100	Final accepted version of the FLAIR Study.

QUALITY REVIEW

NAME	ROLE	DATE

EXECUTIVE SUMMARY

The Florida Constitution (s. 4(c), Article IV) and Florida Statutes (Section 17.001 and 215.94, F.S.) identify the Chief Financial Officer (CFO) as the chief fiscal officer. By virtue of the position, the CFO is responsible for the Florida Accounting Information Resource Subsystem (FLAIR) and the Cash Management Subsystem (CMS). By statute (Section 215.94, F.S.) the Department of Financial Services (DFS, Department) is the functional owner of FLAIR. As the designated agency head for DFS, the CFO is also the Executive Sponsor for this study.

As a result of the proviso language in Section 6 of the 2013 General Appropriations Act, the Department procured the services of North Highland, an independent consulting firm with experience in planning public sector technology projects, to complete a study (FLAIR Study) and to recommend either enhancing or replacing FLAIR. For the study, the joint team of DFS and North Highland is referenced as the FLAIR Study Team (Team). Also, the study includes an inventory of agency business systems interfacing with FLAIR (Inventory) and an assessment of the feasibility of implementing an Enterprise Resource Planning (ERP) System for the State of Florida.

Fundamentally, the proviso language acknowledges changes are necessary to FLAIR, and perhaps, CMS. The proviso summarizes the four options to evaluate as:

1. Enhance FLAIR (Option 1)
2. Replace FLAIR (Option 2)
3. Replace FLAIR and CMS (Option 3)
4. Replace FLAIR, CMS, MFMP and People First with a statewide ERP solution (Option 4)

The outstanding business questions to answer in the FLAIR Study regarding the recommended option are:

- Is there an option to enhance FLAIR from its current state to a more modern state by use of new tools and functionality either by adding components or overhauling existing components?
- Given current conditions and future expectations and objectives, should FLAIR be replaced in total and should CMS also be replaced?
- What is the feasibility of implementing an Enterprise Resource Planning (ERP) system for the State of Florida?
- What is the State's readiness to implement a statewide ERP including the Purchasing Subsystem (MyFloridaMarketPlace, MFMP) and Personnel Subsystem (People First)?

To emphasize the impact of the FLAIR Study, readers and decision makers should consider the scale and scope. In relative terms, if the State of Florida was a country, its Gross Domestic Product would be among the 20 largest in the world. If the State of Florida was a private sector corporation, its \$90 billion budget would earn a spot in the "Fortune 25." Financial management for an enterprise of the size and complexity of the State of Florida has a scope and scale best compared to the other large states (i.e. California, Texas, New York, Illinois, and

Pennsylvania), the largest US Federal agencies, and the largest, most complex national and multi-national private sector companies.

The FLAIR Study includes a market scan to use as input for the final recommendation in response to the business questions. The market scan included (1) a review of other large states' financial system modernization projects, (2) input from select State agencies with diverse business needs, (3) market analyst recommendations for viable software solutions, and (4) interviews with relevant private sector companies including software and service providers. Also, the study represents the latest version of several previous studies completed by public¹ and private² organizations. All of the studies, including this study, have come to similar conclusions.

The conclusion of this study is the State of Florida should pursue the replacement of FLAIR and CMS with a "Commercial off the Shelf" (COTS) ERP solution for the financial management processes to support the constitutional obligations of the CFO. The replacement of FLAIR and CMS will:

- Mitigate risk associated with a fragile application code environment in a rapidly changing business environment which can lead to significant operational interruptions and down time (e.g., creating new agencies, consolidating agencies, modifying payroll calculations, adding new data elements to support financial code changes)
- Implement a statewide accounting system to enforce standardization resulting in future benefits from increased integration and a true enterprise perspective of government financial operations
- Act as a scalable foundation to evolve as business needs change
- Position Florida for future innovation with the ability to consider a true enterprise system

CURRENT STATUS OF FLAIR AND CMS

FLAIR and CMS are references to a series of technical subcomponents performing various financial and cash management functions. The systems support the business aspects of the Division of Accounting and Auditing (A&A), the Division of Treasury (Treasury) and state agency financial accounting.

A capable, flexible and reliable financial management system is a must for an enterprise the size of Florida. FLAIR is not keeping up with the State's evolving and growing business needs and, as time goes on, the operational risk of relying on FLAIR only increases. The limitations

¹ Council on Efficient Government Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire, 1/7/2008

² KPMG Modernization of State Government Financial Management Business Practices Study, 8/2/1999 – 2/15/2000; KPMG FLAIR Replacement Final Report, 3/8/2001

with FLAIR and the associated impacts (e.g., proliferation of agency compensating systems and agency unique processes) are not trivial and negatively impact the operational productivity and the financial management of the State.

FLAIR is a 30-year old system with an array of technology, old and new. The core technology was developed in the 1970s and implemented in the 1980s. While the software and hardware versions are relatively current, the construct of the internal software components and configuration (coding language is outdated within the database), and administration over the years present a rigid and fragile foundation in an environment requiring a dynamic response to economic, political and social changes.

This study included an inventory of agency systems interfacing with FLAIR. To increase contextual accuracy, the inventory considered also systems performing financial management functions commonplace for modern core financial management systems. Today the number of agency compensating systems is more than 400. This number represents a 33% increase from a similar study in 2000. Furthermore, 75% of these systems are approaching a point in time they will require significant resources to maintain and replace.

The FLAIR programming language and data file structure are not commonplace and resources to support the technology are scarce in the market today. According to software industry analysts, the current programming language does not rank in the top 50 in-demand today. From an IT support perspective, approximately 42% of FLAIR technical support employees have 30 or more years of service. As these employees retire it will represent a significant loss of institutional knowledge and technical expertise. Replacing the technical expertise of a market scarce resource is highly unlikely. Conclusively, the FLAIR staff members who may depart within the next five years are seasoned and experienced experts with many combined years of institutional knowledge presenting a significant risk for enhancement and support to FLAIR in the near future.

For CMS there is a similar, albeit more modern situation, regarding support staff. While a significant portion of CMS functionality is being replaced by more modern technology, the resource pool supporting and developing the modern components is constrained by a small number of existing, senior employees. This presents additional risk across the domain and functions of the Treasury. Mitigating the risk by building a complete programming support organization is unrealistic.

FLAIR has not been significantly upgraded in the context of modernizing the core modules. Coding techniques have changed and there is a risk of programs with outdated programming language software structure not being properly updated when statutory changes are made. The last significant functional upgrade occurred in the late 90's with the addition of the purchasing card (P-card) functionality. Less significant enhancements continue and none significantly improve or move forward the base FLAIR technology.

FLAIR is comprised of four components to support accounts payable, accounts receivable, financial statements, cash projections and forecasting and state payroll processing:

- Central Accounting Component (Central FLAIR) – mostly used by A&A for auditing, maintains cash and budgetary balances, and functions for tax reporting

- Departmental Accounting Component (Departmental FLAIR) – used by all agencies to report general ledger balances, maintain detailed accounting records, manage assets, and administer vendor files used for payments
- Payroll – processes employee payments, tax reporting and other agency administrative payroll functions not performed by People First
- Information Warehouse (IW) – as the financial data and reporting repository, maintains five years of transaction history and used primarily to supply data to agency financial management systems

Prior to 2013, the Treasury used fourteen different applications which were developed at various points in time between 1984 and 2002³. The net result of the various application development efforts was multiple database platforms to support multiple programming languages. The difficulty to maintain adequate resources with the complex skill set needed to support such a variety of platforms, and integration among platforms can become a challenge. Furthermore, from a business perspective, processes can be disjointed and interrupted creating multiple entry points for inefficient and ineffective practices. The Treasury functions CMS serves are:

- Cash Management
- Investment Management
- Accounting Management

Treasury embarked on a two phase modernization effort which began in 2009⁴. Phase 1 included an integrated application to support cash management processes including receipts, verifications, and chargebacks ultimately updating the bank and state account applications. The first phase of the modernization effort was implemented in August 2013. Also in 2013, the Treasury began the second phase of modernization and this phase includes various processes for consolidated revolving accounts, investment accounting, trust fund accounting, warrants, disinvestments, archives, agency repository, and replacement of bank and state accounts. This phase is in progress with an estimated completion date of 2018.

Finally, the respective systems and subsystems for FLAIR and CMS are not integrated. They interact through external programs and file exchanges. This is true for each of the subsystems of the Florida Financial Management Information System (FFMIS) including:

- Planning and Budgeting
- FLAIR
- Cash Management
- Purchasing

³ DFS Treasury Cash Management System Modular Redesign Project Justification, 10/27/2009

⁴ Cash Management System, Project Management Plan, Department of Financial Services, 12/16/2011

- Personnel

FRAMEWORK FOR THE FLAIR STUDY RECOMMENDATION

Through a rigorous exercise facilitated for the DFS executive team, a vision and comprehensive set of goals was established as the basis to evaluate the alternatives for FLAIR from the 2013 GAA proviso. The selection of alternatives from the 2013 GAA proviso language must support:

1. A reduction of the State's financial risk exposure through technology built on the premises of scalability, flexibility, and maintainability
2. Improvement in the State's specific decision making by capturing a consistent and an expandable set of data
3. Improvement in the State's financial management and accounting capabilities to enable more accurate oversight of budget and cash demands today and in the future
4. Improvement in state employee productivity, reduction of operational complexity and an increase of internal controls by enabling standardization and automation of business processes within and between DFS and the State's other governmental agencies

The financial, operational, and other benefits of implementing new technology for FLAIR will have a significant impact upon state government from the perspective of business and technology. Benefits include:

- Establishment of the necessary cornerstone for a new integrated financial management system with tightly integrated functions (e.g., general ledger, accounts payable, etc.)
- Inclusion of a significant number of data fields with the ability to define and change the fields to improve the State's management of budget and unit costs
- Realization of cost avoidance due to reduced agency administrative costs through process standardization, overall system maintenance costs, and a reduced need for agency-run financial management systems and external financial data repositories

BUSINESS CASE FINDINGS AND RECOMMENDATIONS

The FLAIR Study addresses the primary elements for business cases in the Planning and Budgeting Instructions on the Florida Fiscal Portal⁵ relative to the 2013 GAA for the FLAIR Study. Specifically, as documented, to support the final recommendation, the FLAIR Study includes:

⁵ State of Florida Fiscal Portal, Planning and Budgeting Instructions, Business Case Guidelines & Instructions

- An options analysis for the enhancement or replacement of FLAIR and CMS including the implementation of a statewide ERP solution
- Recommendations summarizing the results of the FLAIR Study
- Implementation elements to support the recommendation for the enhancement or replacement of FLAIR and CMS
- Procurement and contracting options for the recommended components of the FLAIR Study

The FLAIR Study Team conducted an options analysis was performed by referencing data gathered from extensive market research, specific Florida agency interviews, and targeted interviews with comparable states. The analysis was based on system functionality required to meet the State's needs. Common themes from the options analysis include the following:

- All states who have modernized their systems within the past ten years have moved to an ERP solution
- Enforce standardization of business processes through governance instead of making individual customizations
- The level of governance strength is directly related to the level of success and outcomes of the ERP implementations
- Pre-implementation activities are essential to the overall adoption of the ERP solutions including preparing for enterprise-wide change including business process re-engineering, workforce transition, and management of organizational change

The implementation cost of the four options range between \$219 million and \$467 million. The four options range between seven and fifteen years to fully implement and achieve the identified goals including a significant reduction in operational and financial risk, simplification of financial management processes, and improved visibility and reporting at a statewide level.

Based on the analysis completed, the FLAIR Study Team recommends the State of Florida replace FLAIR and CMS with a core ERP solution (Option 3). The quantitative and qualitative factors considered in the analysis include:

- Alignment to defined mission and solution goals:
 - Options 3 and 4 are most closely aligned to the mission of the CFO and the solution goals specifically because they represent a statewide solution with the ability to enforce standardization and scale to evolving and changing business requirements of the State
 - Options 3 and 4 improve tremendously the State's financial management capability by enabling more accurate oversight of budget and cash demands while reducing operational complexities and increasing standardization
 - Options 1 and 2 do not support the most basic system capability of a single system of record for statewide financial transactions and cash balances and increase the operational complexity of the other options

- Risk analysis:
 - Option 3 presents the lowest risk rating of the elements evaluated including political and executive sponsorship, governance, funding, technical resource availability, agency buy-in and support, standardization and integration with FMMIS systems
 - Option 1 has the highest risk profile relative to the analysis because enhancing FLAIR requires a complete rebuild
- Solution Costs - both implementation and total cost of ownership over 15 years:
 - Option 2 has the lowest implementation cost by approximately 3% from Option 3 (\$219 million versus \$225 million)
 - Options 1 and 4 are substantially more costly to implement (\$467 million and \$383 million respectively)
- Timeline to implement and realize potential benefits
 - Option 3 has best ranking with a 7.9 year timeline until benefits are potentially realized representing a nominal improvement over Option 2

Irrespective of the recommended option, the FLAIR Study Team spent considerable time determining an implementation approach with the overall objective of achieving the expected outcomes by reducing the risk in large, complex IT projects of this nature. Given the lessons learned from Project Aspire – good and bad, input from the market scan including other large states and Florida agencies, the implementation strategy to support the replacement of FLAIR and CMS must consider the following:

- An enhanced and effective governance structure at the enterprise and overall project level
- The business and IT organizational units will undergo significant transformation
- Extensive communication and coordination with the state agencies directly supports success
- The Informaton Warehouse requires an overhaul starting with the creation of a system and data strategy
- Business process standardization is imperative to support any future benefits gained from replacing FLAIR and CMS with an ERP solution

Based on the elements of success for implementing a new FLAIR and CMS derived from Project Aspire lessons learned, the market scan, and industry experience applied to the local environment, significant consideration was given to the replacement approach. The Team developed and incorporated three common principles. The first principle is to create a realistic plan to complete the FLAIR and CMS replacement project. The next principle incorporates a number of smaller objectives along a deliberate timeline. The final principle acknowledges the statewide aspect of the project and the impact to the other Florida agencies. With these core principles applied, the FLAIR and CMS replacement project should occur as described below:

- The first two years will consist of activities to prepare DFS for implementation including decision points incorporated along the way to update the business case and evaluate direction
- The first implementation will consist of a new ERP for core FLAIR and select CMS functions
- A pilot will be held prior to full implementation for additional agencies
- Staggered rollouts will occur with the agencies

This approach allows the State to prepare adequately and to incorporate lessons learned when moving through the full implementation.

Using results from the options analysis work, Gartner⁶ analyst input, and lessons learned, the method of procurement is a matter of alignment with the buying organization. Selecting the software and services separately (unbundled) is a common approach when the basic functionality and usability of the software are priorities. Otherwise, conducting a single procurement for software and services (bundled) gives deference to leveraging a service provider's experience and capability to implement and support ERP. Both methods have been successfully used to select an ERP system. Likewise, both methods were used in unsuccessful projects so there is no clear differentiator between the procurement methods.

The FLAIR Study Team recommends the following method for Florida given the past experience with Project Aspire and an appropriate alignment to current and to future objectives:

- Conduct a single procurement leveraging a software selection and the experience of an ERP system integrator resulting in a single contract for software and services
- Include contractual requirements for the software vendor to review and to confirm any customizations to their product does not inhibit future enhancements and upgrades
- Incorporate periodic reviews of progress with minimum criteria for acceptance to assess accurately whether the implementation is within tolerance for success or to identify signs of trouble and prevent continued progress until any issues are remedied
- Require financial consequence for non-performance and termination to ensure the State is protected and able to continue moving forward without significant additional investment

The Department's procurement and contract management process, which is documented in the DFS Contract Management Lifecycle and Procurement Guide, will be followed to develop the procurement documents and contract.

⁶ Gartner, Incorporated, Founded in 1979, is a technology research and advisory company.

CHAPTER 1 BACKGROUND

Key Takeaways From This Chapter

The ability of the CFO and DFS to perform their roles and responsibilities and complete the statutory mission is becoming increasingly difficult given the significant limitations of FLAIR. A new financial management solution is needed now and the need for change can be evidenced by the following:

- Agencies are implementing workarounds and financial related business systems to fill “gaps” created by FLAIR limitations. The proliferation of these agency unique processes and complementary systems will continue as business needs change. The resulting impact will increase operational complexity through the continued de-standardization of state financial processes and an increase in maintenance and administrative costs. This condition will make it more difficult for the CFO and DFS to manage the State’s financial resources.
- FLAIR is an inflexible and fragile system. It is not keeping up with the State’s evolving and growing business needs, and the stability of FLAIR is also a concern when changes or enhancements are made to it. System instability introduces significant operational risk (i.e., system down time).

A scalable, flexible and maintainable financial management system is a must for an enterprise the size of Florida.

It is critical the go-forward recommendation addresses the current FLAIR limitations, achieves the defined solution goals, and supports the CFO and DFS in performing their mission.

The FLAIR Study adopted the business case requirements of Chapter 287 of the Florida Statutes. The exhibit below provides those statutes applicable to Chapter 1 Background.

FLORIDA STATUTE	
287.0571(4)(b)	A description and analysis of the state agency’s current performance, based on existing performance metrics if the state agency is currently performing the service or activity.
287.0571(4)(c)	The goals desired to be achieved through the proposed outsourcing and the rationale for such goals.
287.0571(4)(d)	A citation to the existing or proposed legal authority for outsourcing the service or activity.

Exhibit 1-1: Chapter 1 Florida Statutes

1.1 FLAIR STUDY PURPOSE

The FLAIR Study was conducted in accordance with proviso in the 2013 GAA requiring the Department to analyze future options for the FLAIR subsystem. The proviso directed the following options be analyzed:

5. Enhance FLAIR
6. Replace FLAIR
7. Replace FLAIR and CMS
8. Replace FLAIR, CMS, MFMP and People First

The outcome of this study will be 1) a recommendation to replace or enhance FLAIR and an assessment of the feasibility of implementing an ERP system for the State of Florida and 2) a current inventory of all agency business systems interfacing with FLAIR (the Inventory).

1.1.1 PROJECT SCOPE

The FLAIR Study adheres to the requirements set forth in the 2013 GAA Proviso and in Section 287.0571 (4), F.S. Scope items include:

- Prepare an inventory of agency business systems interfacing with FLAIR
- Assess the advantages and disadvantages of enhancing FLAIR
- Assess the advantages and disadvantages of replacing:
 - FLAIR (Departmental, Central, IW, and Payroll components)
 - FLAIR and CMS
 - FLAIR, CMS, MFMP, and People First
- Assess the feasibility of implementing an ERP system for the State of Florida
- Identify any specific changes needed in the Florida Statutes and the State's financial business practices to facilitate the recommended option
- Perform a study of the various go-forward options, provide a go-forward recommendation, and prepare a final report titled "FLAIR Study"
- Complete and deliver the following budget schedules with information obtained as part of the study where required:
 - Schedule IV-B – Information Technology Projects
 - Schedule XII – Outsourcing or Privatization of a Service or Activity (if applicable)
 - Schedule XIIA, 1-3 – Cost/Benefit Analysis

The following items are out of scope for the FLAIR Study:

- Implementation of any agency system enhancements or replacement systems (i.e., agency business systems, agency financial systems, or agency financial reporting systems)

- Technical assessment of any FFMS subsystem or other State business systems beyond anything required in Section 287.0571, F.S. and instructions for Florida’s Schedule IV-B for Fiscal Year 2014-15
- Business process analysis and development of functional and non-functional requirements for any FFMS subsystems or other State business systems beyond anything required in Section 287.0571, F.S. and instructions for Florida’s Schedule IV-B for Fiscal Year 2014-15
- Identification or implementation of operational and process improvements for DFS or any other agency business system or functional process
- Initiation or implementation of any policy and legal authority changes

1.1.2 FLAIR STUDY APPROACH

The FLAIR Study employed a phased approach (Exhibit 1-2: FLAIR Study Approach). This approach allowed for information to be gleaned in a structured, objective manner, resulting in the development of two primary deliverables:

- A business case study on the alternatives for the FLAIR subsystem and a final recommendation to replace or enhance FLAIR, including any Schedule IV-B (as required)
- An inventory (described in Section 1.4.1) of agency business systems identifying the number of financial management related systems, outside of FLAIR, in existence across the State providing an indicator of how agencies are compensating for FLAIR limitations

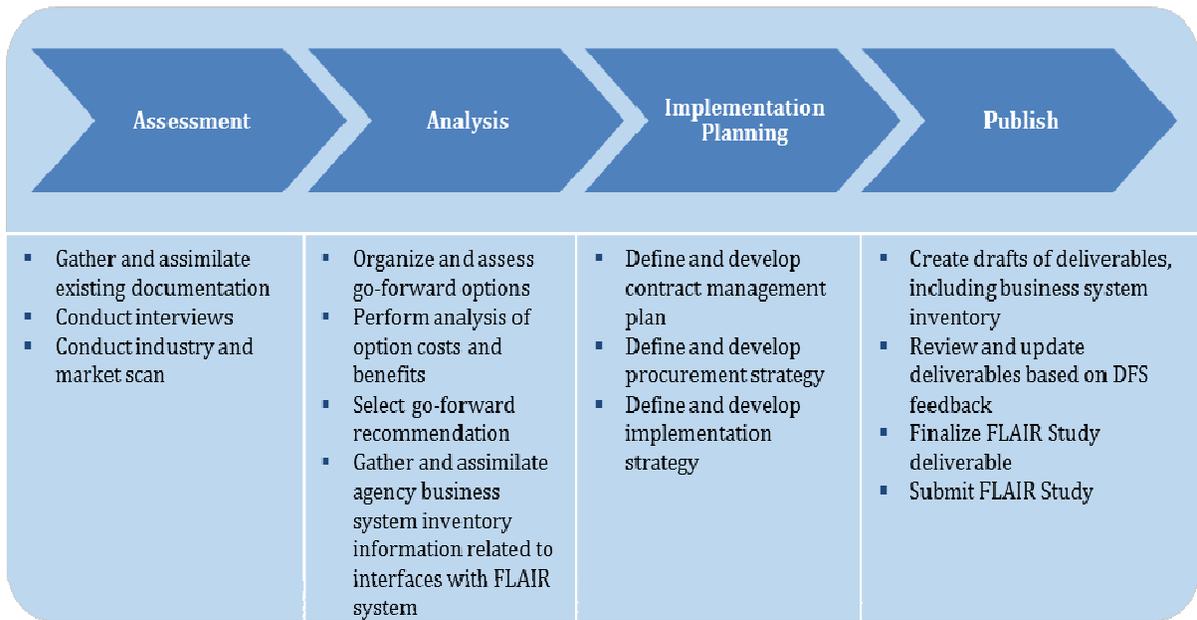


Exhibit 1-2: FLAIR Study Approach

1.2 FFMIS OVERVIEW

The FFMIS Act, established in July 1997, authorized in Sections 215.90-215.96, F.S., was established to plan, to implement, and to manage a unified information system for fiscal, management, and accounting support for the State’s decision makers. The FFMIS Act has the following goals:⁷

- Strengthen and standardize management and accounting procedures
- Strengthen internal controls
- Enable the preparation of objective, accurate, and timely fiscal reports
- Report on the stewardship of officials who are responsible for public funds or property
- Provide timely and accurate information for decision making

The FFMIS Act established the State’s financial management information system known commonly by the same namesake, FFMIS. FFMIS is comprised of LAS/PBS, CMS, People First, MFMP, and FLAIR. An illustration of the FFMIS topography is included below in Exhibit 1-3.

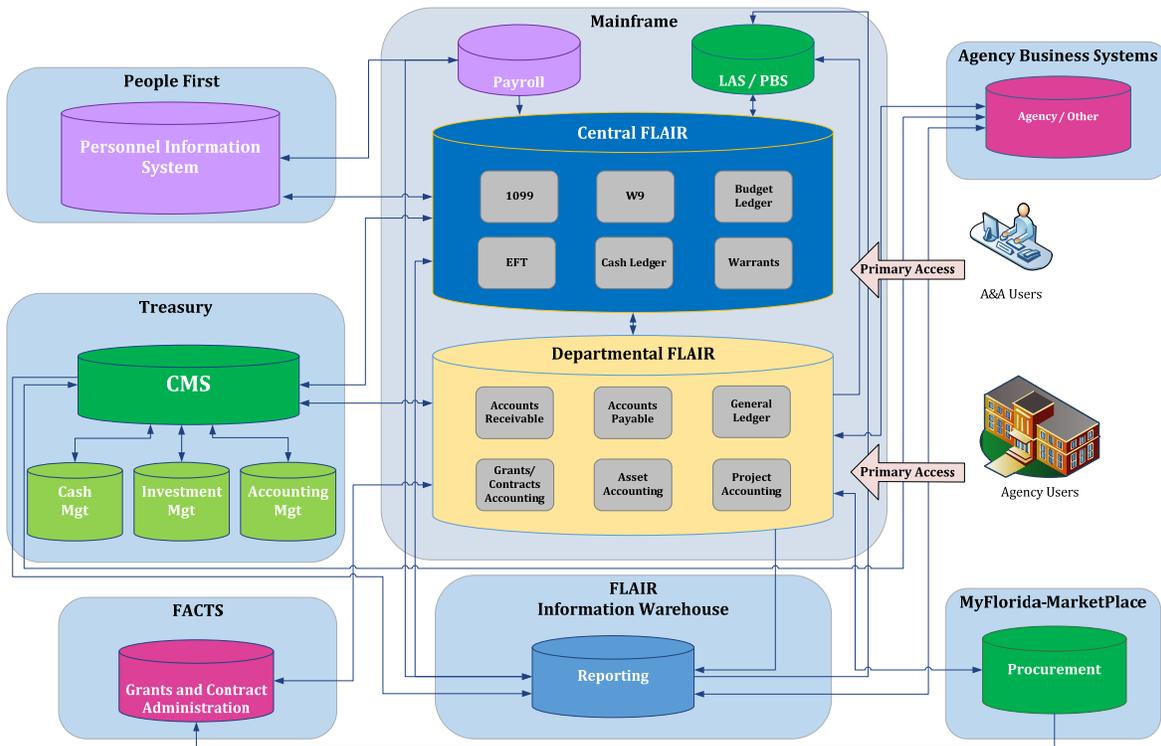


Exhibit 1-3: FFMIS Topography

⁷ Listed goals are a synopsis of Section 215.91 (1-3), F.S.

Each FFMIS subsystem has a statutorily identified functional owner as well as additional statutory requirements as follows:

- LAS/PBS – The Executive Office of the Governor (EOG) is the functional owner. The system must be designed, implemented and operated pursuant to Chapter 216, F.S.
- CMS – The CFO is the functional owner. The system must be designed, implemented and operated pursuant to Chapters 17 and 215, F.S.
- People First –The Department of Management Services (DMS) is the functional owner. The system must be designed, implemented and operated pursuant to Chapter 110.116, F.S.
- MyFloridaMarketPlace – DMS is the functional owner. The system must be designed, implemented and operated pursuant to Chapter 287, F.S.
- FLAIR – DFS is the functional owner. The system must be designed, implemented and operated pursuant to Chapters 17, 110, 215, 216, and 287, F.S.

The functional owner for each subsystem is responsible for managing, maintaining and responding to the dynamic demands of State government within the FFMIS framework. A summary of relevant FFMIS statutes is included in Section 1.6, Index of FFMIS Related Legal Citations.

1.2.1 FFMIS GOVERNANCE STRUCTURE

The FFMIS Act establishes the FFMIS governance structure. FFMIS is governed by a Financial Management Information Board (FMIB, Board) and a FFMIS Coordinating Council (FFMIS Council). The Board includes the:

- Governor, as the Chair
- CFO
- Commissioner of Agriculture
- Attorney General

The FMIB has overall responsibility for managing and overseeing the development of FFMIS, including establishing financial management policies and procedures for executive branch agencies. The FMIB is not required to meet at any specific frequency, and the Governor or the CFO may call a meeting of the Board at any time the need arises.

The FFMIS Council is composed of the following individuals or their designees:

- The CFO, as the Chair
- Commissioner of Agriculture
- The DMS Secretary
- The Attorney General
- The Director of Office of Policy and Budget

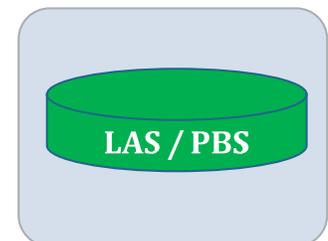
- The Auditor General (non-voting member)
- The State Courts Administrator (non-voting member)
- An executive officer of the Florida Association of State Agency Administrative Services Directors (non-voting member)
- An executive officer of the Florida Association of State Budget Officers or designee (non-voting member)

The FFMIS Council is required by law to meet at least annually. The primary responsibility of the Council is to review and to recommend to the Board solutions and policy alternatives to ensure coordination between functional owners of the various FFMIS subsystems to the extent necessary to unify all the subsystems into a financial management information system. Additional duties of the FFMIS Council include:

- Conduct studies and establish committees, workgroups, and teams to develop recommendations for rules, policies, procedures, principles, and standards to the Board as necessary to assist the Board in its efforts to design, to implement and to perpetuate a financial management information system
- Recommend to the Board solutions, policy alternatives, and legislative budget request issues to ensure a framework for the timely, positive, preplanned, and prescribed data transfer between information subsystems
- To recommend to the Board solutions, policy alternatives, and legislative budget request issues to ensure the availability of data and information to support State planning, policy development, management, evaluation, and performance monitoring
- To report to the Board all actions taken by the Council for final action
- To review the annual work plans of the functional owner information subsystems by October 1 of each year. The review is to assess the status of FFMIS and the functional owner subsystems. The Council, as part of the review process, may make recommendations for modifications to the functional owner information subsystems annual work plans

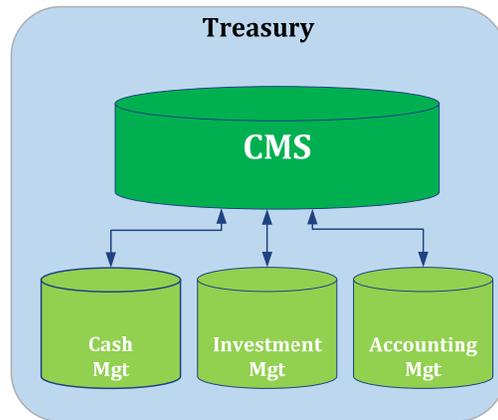
1.2.2 PLANNING AND BUDGETING SUBSYSTEM (LAS/PBS)

LAS/PBS is the State’s budgeting and appropriation subsystem. LAS/PBS is used for developing, preparing, analyzing, and evaluating agency budget requests. EOG’s Office of Policy and Budget (OPB) uses LAS/PBS to develop the Governor’s budget recommendations and to allocate and to control the appropriations. The Legislature uses the subsystem to create the appropriations bills, including the proviso and other controlling language used to document legislative intent and create the foundation to enable the agencies to manage and perform legislatively authorized or required services and activities consistent with such legislative intent. The budgeting and appropriations process produces the GAA and its supplements and amendments.



1.2.3 CASH MANAGEMENT SUBSYSTEM (CMS)

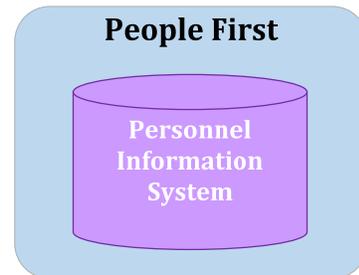
The Treasury receives and disburses cash, invests available balances, and performs related accounting functions, cash management operations, and consultations. The Treasury operates separate applications known collectively as CMS to carry out its responsibilities of monitoring cash levels and activities in State bank accounts, for keeping detailed records of cash transactions and investments for State agencies, and paying of warrants and other payments issued by the CFO. CMS interfaces with Central FLAIR, Departmental FLAIR, Department of Revenue systems, other State agency systems, FLAIR IW, and bank business partner systems.



The Treasury is in the process of upgrading the current CMS platform to a web-based system. The upgrade will occur in two phases. Phase 1 went live in August 2013 and established a new integrated platform and replaced three existing business applications including Verifies, Receipts, and Chargebacks. Phase 2 will replace the remaining CMS subsystem applications and add the capabilities to the new integrated CMS platform developed in Phase 1.⁸ Phase 2 is scheduled to implement in stages from 2014 through 2018.

1.2.4 PERSONNEL INFORMATION SUBSYSTEM (PEOPLE FIRST)

People First is a self-service, secure, web-based personnel information system comprised of the following modules: payroll preparation, time and attendance, recruitment, benefits administration, human resources management, and organizational management. It is used by employees, managers, retirees, job applicants, and State human resources (HR) staff. The system currently supports more than 200,000 State and University users.



DMS outsourced the State’s personnel function to NorthgateArinso, Inc. (NGA). The current contract expires on August 20, 2016 and has an annual value over \$36 million.⁹

SAP software is the current platform for People First. NGA has performed more than 17,000 customizations to the system platform and web application servers, and 588 interfaces have

⁸ Remaining CMS applications to be replaced in Phase 2 include: Fund Accounting, Bank Accounts, State Accounts, Dis-investments, Investment Accounting System, Consolidated Revolving Account, and Special Purpose Investment Accounts. A description of each business application can be found in the Chapter 1 Appendix.

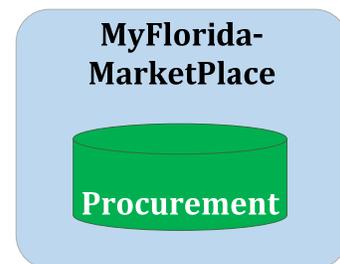
⁹ [People First Contract](#).

been built to exchange data between the People First system and external systems (e.g., FLAIR, university personnel systems, insurance carriers). The system streamlines and automates many of the State's HR functions, and promotes paperless work processes (e.g., timesheet submission, benefits transactions, and direct deposit).

In accordance with proviso in the 2013 GAA, DMS procured KPMG to conduct a business case study to determine the best and most appropriate human resource model for DMS to procure in a future competitive solicitation. The business case study was completed January 31, 2014.¹⁰

1.2.5 PROCUREMENT SUBSYSTEM (MYFLORIDAMARKETPLACE)

MyFloridaMarketPlace is a secure, web-based procurement system. It provides for State procurement staff and vendors to exchange products and services. MFMP allows vendors to register with the State and display and manage their catalogues online. Buyers use MFMP to find products, place orders, approve purchases, reconcile invoices and approve payment all within one system. Procurement personnel can create solicitations in the sourcing module while the analytics module provides spend analysis and reporting. The system serves State and vendor users and supports a broad array of procurement capabilities.



DMS and Accenture, LLP executed a contract on October 9, 2002 to implement an Ariba procurement solution for the State of Florida. The State of Florida Ariba application, known as MFMP, is a COTS package with over 300 customizations. The largest share of the customizations (28%) was required to interface with the State's accounting system, FLAIR.¹¹ MFMP has over 13,000 State users and nearly 100,000 registered vendors.

The current MFMP contract is set to expire on January 31, 2017 and has options for renewal; the annual value of the contract is over \$10 million.¹²

¹⁰ [January 31, 2014 KPMG People First Business Case.](#)

¹¹ MyFloridaMarketPlace Business Case of the eProcurement Solutions, August 2011.

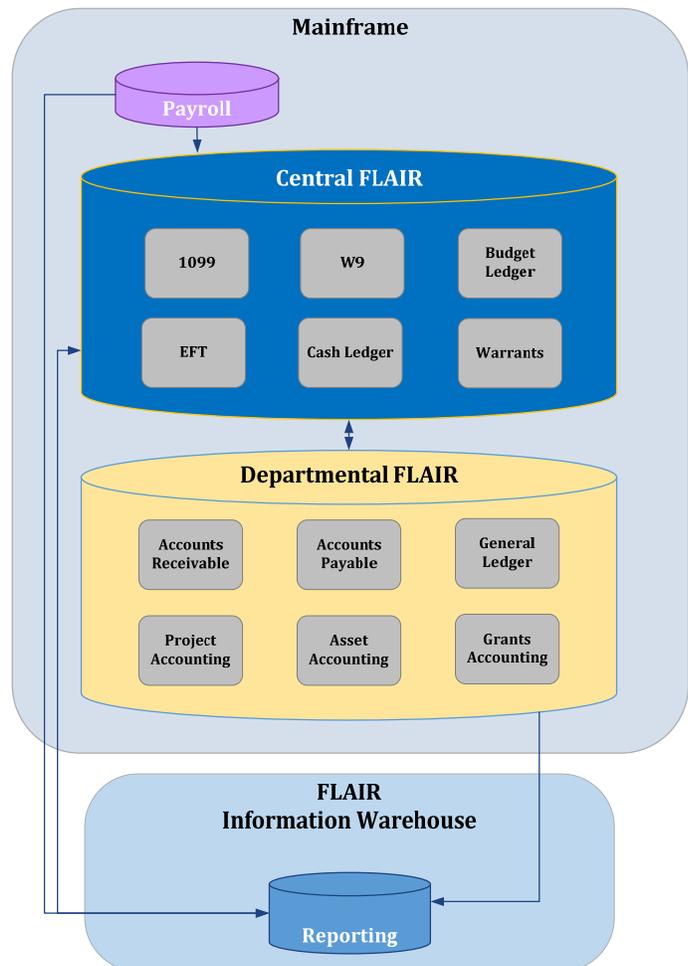
¹² [MFMP Contract.](#)

1.2.6 FLAIR SUBSYSTEM (FLAIR)

FLAIR is the State's accounting system. It supports the accounting and financial management functions for the State's CFO including budget posting, receipt and disbursement of funds, payroll processing and employee portal, and the accounting information for the State's Comprehensive Annual Financial Report (CAFR).

FLAIR consists of the following components:

- **Payroll Accounting:** Processes the State's payroll. Payroll capabilities are contained within FLAIR.
- **Central Accounting:** Maintains cash basis records and is used by the CFO to ensure expenditures are made in accordance with the legislative appropriations. It contains cash balances and budget records as well as supports tax reporting; it is not a comprehensive General Ledger.
- **Departmental Accounting:** Maintains agencies' accounting records and is utilized at the end of each fiscal year to prepare financial statements in accordance with generally accepted accounting principles.
- **Information Warehouse:** A reporting and data repository system allowing users to access Central Accounting information and most Departmental Accounting information in FLAIR. The IW receives data from Central FLAIR, Departmental FLAIR, and Payroll.



FLAIR was implemented in the early 1980s based on source code from the 1970s. It runs on a mainframe and is used by 36 state agencies with approximately 14,000+ individual users at 400+ accounting office sites throughout the State. FLAIR supports the financial oversight management of the State's \$90 billion budget¹³ and processes more than 95 million accounting transactions annually. FLAIR also pays 180,000 State personnel annually.

¹³ DFS manages an available budget of over \$90 billion (includes current fiscal year's budget and carryover balances from previous fiscal years).

The last significant functional upgrade to FLAIR occurred in the late 90's with the addition of the Purchasing Card (P-card) functionality. Otherwise, FLAIR has not been significantly upgraded in the context of modernizing the core modules.

1.2.7 PROJECT ASPIRE

The State of Florida began an effort to upgrade and modernize its core operational software and IT infrastructure, specifically its accounting, cash management, procurement and human resources functions, in February 2000. A study was completed by KPMG and provided high-level direction for how the State could achieve this goal. The core of the recommendation was a “best of breed” approach promoting specialized applications rated highly in specific functional areas and would also support enterprise wide integration. The study spawned three initiatives: MFMP, People First, and Project Aspire. Project Aspire was the project to modernize the State’s finance and accounting subsystems, FLAIR and CMS. Some of the original goals of Project Aspire were to:

- Modernize and unify the State’s accounting and cash management platforms
- Create an enterprise integration architecture to allow other business system components (i.e., Personnel, payroll, LAS/PBS, and eProcurement) to be integrated
- Establish flexible functionality and be able to support the needs of the State with minimal or no modifications
- Maintain meaningful management information for decision makers
- Eliminate, to the extent possible, agency-specific systems built to perform critical accounting functions not available in FLAIR

After conducting a procurement for combined software and implementation services in late 2002, DFS selected BearingPoint to implement the PeopleSoft software package. The BearingPoint contract was for a six-year term from August 27, 2003 to October 1, 2009. The project experienced significant challenges. On May 17, 2007, after completing design and development, Aspire was suspended during testing due to significant concerns with its ability to deploy successfully.

Given the strong similarities between Project Aspire and the intent of the FLAIR Study recommendation, it is important to include key strengths and lessons learned from Aspire into future plans. The strengths and lessons learned, gleaned from firsthand discussions with Project Aspire team members and two State sponsored project lessons learned sessions¹⁴, are identified below and have been incorporated into the FLAIR Study (see Exhibit 1-4: Project Aspire Strengths to Replicate and Exhibit 1-5: Project Aspire Lessons Learned).

¹⁴ [Gartner Project Aspire Evaluation, May 2007](#); and [Council on Efficient Government: Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire, January 2008](#).

PROJECT ASPIRE STRENGTHS	WHERE INCORPORATED IN FLAIR STUDY
<p>Agency Engagement and Communication:</p> <ul style="list-style-type: none"> ▪ Each agency had a liaison to the project, was supported by an active agency advocacy group, and was able to provide business requirements ▪ Project team established strong project communication practices (project website, regular project Newsletter, regular meetings with liaisons, and project status reports) 	<p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Project Planning ▪ Change Management
<p>Governance Structure:</p> <ul style="list-style-type: none"> ▪ A strong governance structure was instituted on Aspire and roles and responsibilities were defined for each layer of the governance structure; however, the composition of the senior leadership was problematic (see Project Aspire Weaknesses below) 	<p>Chapter 3: Recommendation</p> <ul style="list-style-type: none"> ▪ Governance Structure <p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Project Governance/Project Management Office
<p>Contract Management:</p> <ul style="list-style-type: none"> ▪ Contract terms with vendor were rigid and enabled the State to withhold payment when deliverables were not met ▪ The contract enabled DFS to rebuff the vendor’s request to switch from a fixed fee contract to a time and material (T&M) contract 	<p>Chapter 5: Procurement and Contract Management</p> <ul style="list-style-type: none"> ▪ Performance Standards

Exhibit 1-4: Project Aspire Strengths to Replicate

The exhibit (Exhibit 1-5) below focuses on weaknesses in Project Aspire and where they are incorporated into the FLAIR Study:

PROJECT ASPIRE WEAKNESSES	WHERE INCORPORATED IN FLAIR STUDY
<p>Governance and Steering Committee Composition:</p> <ul style="list-style-type: none"> ▪ Did not hold all members accountable to their responsibilities and escalate situations where members were not meeting expectations ▪ Did not identify Steering Committee members with relevant operational experience and who were able to “dive into details” so decisions were well founded ▪ Did not ensure Steering Committee was making timely decisions and had the authority to make and enforce decisions related to the design, development, implementation and rollout of the recommended solution 	<p>Chapter 3: Recommendation</p> <ul style="list-style-type: none"> ▪ Governance Structure <p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Project Governance/Project Management Office
<p>Future-State Vision:</p> <ul style="list-style-type: none"> ▪ Did not define a clear vision for the future-state financial environment and align with key stakeholders (FMIB, FFMIS Council, and key agencies) to ensure alignment and their support 	<p>Chapter 1: Background</p> <ul style="list-style-type: none"> ▪ Solution Goals and Benefits <p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Transition Plan

PROJECT ASPIRE WEAKNESSES	WHERE INCORPORATED IN FLAIR STUDY
<p>Process Standardization/Minimize Customization:</p> <ul style="list-style-type: none"> ▪ Did not aggressively promote process re-engineering/standardization and oppose customization of software to match existing business processes to reduce implementation complexity and promote operational efficiency and consistency across the State 	<p>Chapter 3: Recommendation</p> <ul style="list-style-type: none"> ▪ Governance Structure <p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Business Process Re-engineering <p>Chapter 5: Procurement and Contract Management</p> <ul style="list-style-type: none"> ▪ Performance Standards
<p>Disciplined Procurement:</p> <ul style="list-style-type: none"> ▪ Did not define and follow a disciplined and structured procurement strategy and approach to ensure all appropriate due diligence was completed and a well-informed purchase decision(s) could be made ▪ Did not document vendor performance measures to enable the State to gauge progress objectively and hold the vendor accountable to established milestones and project requirements 	<p>Chapter 5: Procurement and Contract Management</p> <ul style="list-style-type: none"> ▪ Procurement Approach and Strategy
<p>Qualified and Experienced Implementation Team:</p> <ul style="list-style-type: none"> ▪ Did not establish clear expectations around the roles and responsibilities of all project team members to reduce ambiguity and greater alignment ▪ Did not hold project team members accountable for their work; and address resource and skill issues aggressively to minimize impact to the broader project 	<p>Chapter 4: Implementation Strategy</p> <ul style="list-style-type: none"> ▪ Project Planning (Project Governance) <p>Chapter 5: Procurement and Contract Management</p> <ul style="list-style-type: none"> ▪ Procurement Approach and Strategy

Exhibit 1-5: Project Aspire Weaknesses

1.3 CURRENT STATE PERFORMANCE

An objective method to assess the current performance of a financial management system is to review relevant performance metrics. Key performance metrics allow for comparisons of like business functions to be made across industries and organizations of different sizes. Tracking and reporting on key performance metrics is one way organizations can evaluate their operational efficiency and effectiveness over time as well as identify operational processes to focus improvement efforts upon.

The data produced today about FLAIR and CMS and the functions they support are not key performance metrics, rather they are volume statistics to indicate the sheer number and type of transactions flowing through the system. These volume measures are not optimized to support DFS or agency management decision making nor do they allow for operational performance to be assessed. Examples of some of the transaction volume measures captured can be found in Exhibit 1-6.

BUSINESS FUNCTION	FLAIR STATISTICS ¹⁵
Accounts Payable (AP)	<ul style="list-style-type: none"> Number of Warrants Printed = 8 million Number of EFT Payments = 6.7 million Number of Purchasing Card Payments = 700,000 Number of 1099s Reported = 12,000 -14,000
Accounts Receivable (AR)	<ul style="list-style-type: none"> 54,801 AR records created 25 Agencies record AR records
Financial Statements	<ul style="list-style-type: none"> Time to Prepare CAFR = 7-9 months
Payroll	<ul style="list-style-type: none"> Percent of Payroll by Direct Deposit = 96%
Finance Function Overall	<ul style="list-style-type: none"> Accounting Transactions = ~95 million Number of Users = ~14,000+ Number of Records in Data Warehouse = 1.2 billion
Tax Reporting	<ul style="list-style-type: none"> Number of W9 Records = ~ 80,000
Funds Management	<ul style="list-style-type: none"> Number of Deposits Processed = 740,612 Amount of Deposits Processed = \$83.48 billion Amount of Interest Apportioned to General Revenue = \$103.5 Million

Exhibit 1-6: Current FLAIR and CMS Statistics

Florida is not alone in its absence of generating and tracking operational performance metrics. As part of this study, interviews were conducted with seven other states, including Virginia, Georgia, Pennsylvania, New York, Alabama, Texas and Ohio. None of the states interviewed currently produce operational performance metrics.

During the Pre-Design, Development and Implementation phase (Pre-DDI) described in Chapter 4: Implementation Strategy and included as part of the business process re-engineering efforts, it is recommended DFS establish a baseline set of operational performance metrics. These baseline metrics enable DFS and the State to objectively assess (1) the magnitude of potential operational improvements and (2) operational improvement progress. Potential operational measures to consider are contained in Exhibit 1-7: Common Finance and Accounting Metrics.

BUSINESS FUNCTION	PERFORMANCE CATEGORY	POTENTIAL PERFORMANCE METRICS
Financial Reporting	<ul style="list-style-type: none"> Cycle Time Process Efficiency Process Efficiency 	<ul style="list-style-type: none"> Annual Close: Days to close Manual Journal Entry (JE) percentage of all JE Number of Full Time Equivalents (FTE) for the process group "perform financial reporting" per \$1 Billion revenue

¹⁵ Statistics from Fiscal Year 2012-2013.

BUSINESS FUNCTION	PERFORMANCE CATEGORY	POTENTIAL PERFORMANCE METRICS
Accounts Payable (AP)	<ul style="list-style-type: none"> Process Efficiency 	<ul style="list-style-type: none"> Number of FTEs for the process group "process accounts payable and expense reimbursement" per \$1 Billion revenue Number of AP invoices processed per AP FTE
Accounts Receivable (AR)	<ul style="list-style-type: none"> Process Efficiency 	<ul style="list-style-type: none"> Number of FTEs for the process group "process accounts receivable" per \$1 Billion revenue Number of remittances processed per AR FTE
Payroll	<ul style="list-style-type: none"> Cycle Time Process Efficiency 	<ul style="list-style-type: none"> Number of business days to process payroll Number of FTEs for the process group "process payroll" per \$1 Billion revenue
Finance Function Overall	<ul style="list-style-type: none"> Process Efficiency Cost Effectiveness 	<ul style="list-style-type: none"> Number of Finance Function FTEs per \$1 Billion in revenue Total cost to perform the Finance Function per Finance Function FTE
Treasury Management	<ul style="list-style-type: none"> Process Efficiency 	<ul style="list-style-type: none"> Number of FTEs for the process group "manage treasury operations" per \$1 Billion revenue

Exhibit 1-7: Common Finance and Accounting Metrics¹⁶

1.4 LIMITATIONS WITH FLAIR TODAY

In the absence of being able to use metrics to evaluate the operational performance of the current-state FLAIR system, a qualitative assessment was completed. This assessment, leveraging information gleaned from agency interviews¹⁷ and documentation, identified significant challenges and limitations with the current system. These challenges and limitations can undermine the State’s ability to efficiently and effectively manage its finances, exposing the State to operational risk, increasing statewide maintenance costs, and reducing organizational productivity due to inconsistent business processes.

The identified limitations of FLAIR today and their qualitative impact on the business are summarized in Exhibit 1-8: Limitations with FLAIR Today. The following is the Legend for Exhibit 1-8.

LEGEND:

Business Impact Scale:



-Low



- Medium



- High

¹⁶ Source: American Productivity & Quality Center (APQC); www.apqc.org.

¹⁷ “Deep dive” interviews were conducted with the following agencies: Department of Transportation, Department of Revenue, Department of Environmental Protection, Department of Financial Services, Department of Management Services, and Department of Children and Families.



IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
1. FLAIR data is compiled using Microsoft Access and Excel for preparation of the Financial Statements (e.g., CAFR).	<ul style="list-style-type: none"> Source data is being manipulated outside of system increasing risk of errors being introduced Effort expended to reconcile and to confirm financial figures increases time and costs to produce reports 	●	●	○	○
2. FLAIR does not support cash forecasting at a State level.	<ul style="list-style-type: none"> Lack of sufficient, reliable, and timely information results in a more conservative position being taken than is required influencing potential investment earnings Lack of sufficient, reliable, and timely information hinders decision making and could result in an unfavorable action being taken 	○	○	●	●
3. FLAIR does not support either the scheduling or consolidation of payments.	<ul style="list-style-type: none"> Additional effort required to support payment process (i.e., number of journal entries) State incurs additional banking fees and cannot take advantage of favorable payment terms 	○	○	●	○
4. Accounting transactions are not captured at a consistent level of detail.	<ul style="list-style-type: none"> Different processes and procedures in use across agencies increases enterprise-wide operational complexity Available data/information cannot be leveraged in a consistent manner 	○	○	○	○
5. Current structure of Central FLAIR limits ability to interface encumbrances from external systems (e.g., MFMP).	<ul style="list-style-type: none"> Reduces DFS/CFO's visibility into the State's liabilities and impacts decision making related to the State's cash position 	●	○	○	●

IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
6. FLAIR does not contain a receipting function to manage and to track invoices.	<ul style="list-style-type: none"> Agencies have implemented workarounds (i.e., systems, processes) to support their AR needs It is not possible to get a statewide view of outstanding AR balances hindering operational decision making 	●	●	●	●
7. Central and Departmental FLAIR do not reconcile without manual processes.	<ul style="list-style-type: none"> Additional agency effort and resources required to complete reconciliation A manual reconciliation effort increases likelihood of errors being introduced 	●	●	●	●
8. CMS must be reconciled with Central and Departmental FLAIR since they are not on an integrated financial platform (FLAIR and CMS are not integrated; they interact through external programs and file exchanges).	<ul style="list-style-type: none"> Additional effort and resources required to complete reconciliation Manual reconciliation efforts increase likelihood of errors being introduced 	●	●	●	●
9. FLAIR does not have functionality to keep inter agency transfers in balance.	<ul style="list-style-type: none"> Requires reconciliation effort to ensure agency accounts are not out of balance (in particular at year end) 	●	●	●	●
10. Warrants cannot be charged to more than one account.	<ul style="list-style-type: none"> Warrants requiring payment from multiple funds require journal transfers after the payment is initially made in order to allocate the charge correctly resulting in effort being expended and potential errors being made Increases cost with number of warrants 	●	●	●	●

IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
11. FLAIR has limited Asset/Inventory Management functionality (e.g., barcode reading, track “high interest” items without needing a financial value or tracking depreciation).	<ul style="list-style-type: none"> Agencies have implemented their own systems to manage the annual asset inventory process which increase support costs and process complexity 	●	●	●	●
12. There is no functionality for management or statewide reporting of the State’s resources: <ul style="list-style-type: none"> Assets Grants Projects Contracts 	<ul style="list-style-type: none"> Oversight, management and decision making related to State resources is more challenging Manual processes and workarounds are required to support reporting requirements and manage resources (e.g., development and processing of cost allocations, identification of eligible/ineligible activities) 	●	●	●	●
13. Reporting capabilities are limited. Unable to report at statewide level (i.e., amounts due to the State, vendor spend).	<ul style="list-style-type: none"> Additional reporting tools/systems are being used to produce reports increasing support/maintenance complexity, cost and effort Data is maintained in multiple systems and not always defined and used consistently raising complexity in using the data/information effectively (i.e., better pricing terms based on volume) and increasing the time and effort to create needed reports 	●	●	●	●
14. Agencies cannot forecast or project different financial models or scenarios throughout the fiscal year (i.e., “what if” analysis).	<ul style="list-style-type: none"> Analysis to address management questions mid-year requires manual processing and additional staff effort and time 	●	●	●	●

IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
15. Business users cannot create and run ad hoc reports without IT resource assistance.	<ul style="list-style-type: none"> Report creation becomes a process needing management Timeliness of report creation is not aligned with the actual need for the information Increased cost for IT support to collect data and create reports 	○	●	○	○

IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
16. Technology platform is outdated, inflexible, and difficult to maintain and enhance. ¹⁸	<ul style="list-style-type: none"> Stability of system is a concern when changes or enhancements are made leading to downtime or potentially system failure Operational complexity and cost and effort to integrate FLAIR with other systems increases due to age of technology in use and “stovepipe” design of FLAIR components Enhancements and changes (e.g., add/subtract agencies, add fields to transaction details) to FLAIR organization or accounting changes are difficult and costly to make which hinders leadership’s ability to change the accounting structure to support better financial management 	●	●	●	●

¹⁸ FLAIR is more than 30 years old and is built on an antiquated programming language (Natural). Natural does not rank in the top 50 programming languages and accounts for less than 0.2% popularity of the all programming languages monitored. Source: TIOBE Programming Community Index for November 2013.

IDENTIFIED LIMITATION/CHALLENGE	IMPLICATION	BUSINESS IMPACT			
		INCREASED OPERATIONAL RISK	DECREASE IN OPERATIONAL EFFICIENCY / EFFECTIVENESS	INCREASED COSTS/LOST REVENUE	SUB OPTIMAL DECISION MAKING
17. FLAIR lacks necessary functionality to support the construction of cost allocations essential for agencies to allocate costs required by numerous grant programs.	<ul style="list-style-type: none"> Agencies use workarounds (i.e., manual processes or external tools/systems) to generate required cost allocations and meet reporting requirements Once calculated cost allocations need to be re-entered into Departmental FLAIR exposing agencies to manual entry errors or additional reconciliation 	●	●	●	●
18. The design of FLAIR results in four cash balances being maintained and managed (one bank balance and three book balances (CMS, Central and Departmental)).	<ul style="list-style-type: none"> Monitoring multiple cash balances requires additional staff and management attention and reduces operational focus Significant effort required to keep cash balances reconciled Entry for error of multiple book balances to reconcile 	●	●	●	●
19. The design of FLAIR results in payroll processing activities being completed in multiple separate applications (People First, Payroll, Central and Departmental FLAIR).	<ul style="list-style-type: none"> Reconciliation efforts are required between systems and operational complexity increases since payroll related calculations and activities are being completed in multiple systems Note: People First contains payroll capabilities currently suppressed and being completed by FLAIR Payroll 	●	●	●	●
20. FLAIR does not support workflow/electronic documents.	<ul style="list-style-type: none"> Manual, paper and email based review and approval processes are time intensive, hard to track/monitor, and could result in required documentation being misplaced/not archived correctly 	●	●	●	●

Exhibit 1-8: Limitations with FLAIR Today

1.4.1 CONSEQUENCES OF FLAIR LIMITATIONS

As illustrated in Exhibit 1-8, FLAIR does not have the needed functionality or ability to evolve to meet ever changing business requirements. Agencies are increasingly becoming reliant on workarounds and compensating systems to meet their financial management business needs. The proliferation of compensating financial systems and agency unique processes continues as time passes and business needs change. The resulting impact will be a further increase in operational risk and complexity and a reduction in organizational productivity. This will make it even more difficult for the CFO, DFS, and agencies to manage the State's financial resources effectively and efficiently.

The magnitude and ongoing nature of agencies trying to make up for FLAIR limitations are demonstrated by the findings from the Inventory conducted as part of the FLAIR Study.¹⁹

The Inventory (Attachment 2) identified over 400 financial management related systems; 259 have a direct interface to FLAIR. A similar system inventory was completed in the year 2000 by KPMG, and at the time the number of financial management related systems was approximately 300.²⁰ Over the intervening 13 year period, there has been over a 33% increase in the number of agency financial management related systems. While not all agency systems directly interface with FLAIR, they rely on information provided by FLAIR data to support required financial processes.

The limitations with FLAIR are not new and have existed for many years. Over 75% of agency business systems are over 5 years old and only 13% are less than 3 years old. This information indicates agencies have been compensating for FLAIR limitations for many years to better support the evolving financial management needs of their agency.

- The primary financial function gaps being closed by agency compensating systems include:
 - AR/Receipting
 - Cost Allocation
 - Grant Accounting
 - Management Reporting
 - Asset/Inventory Management

Based on interviews with the agencies submitting their business system interface information and the deeper dive agency interviews completed, there is an indication a large number of the

¹⁹ The purpose of the inventory was to identify the number of financial management related systems, outside of FLAIR, in existence across the state and provide an indication of how agencies are compensating for FLAIR limitations. Deliverable title: FLAIR Study Agency Business System Inventory, March 2014.

²⁰ KPMG Business Case: Chapter 4 – IT Assessment, February 2000.

agency business systems identified in the inventory are potential candidates for retirement once the go-forward solution is implemented.

1.4.2 STATUS QUO IS NOT AN OPTION

If the State of Florida was a country, its Gross Domestic Product (GDP) would be among the 20 largest in the world. If the State of Florida was a private sector corporation, its \$90 billion budget would earn a spot in the “Fortune 25.” Financial Management for an enterprise of the size and complexity of the State of Florida has a scope and scale best compared to the other large states (i.e. California, Texas, New York, Illinois, and Pennsylvania), the largest US Federal agencies, and the largest, most complex national and multi-national private sector companies.

A capable, flexible and reliable financial management system is a must for an enterprise the size of Florida. FLAIR is not keeping up with the State’s evolving and growing business needs and, as time goes on, the operational risk of relying on FLAIR only increases. The limitations with FLAIR and the associated impacts (i.e., proliferation of agency compensating systems and agency unique processes) are not trivial and negatively impact the operational productivity and the financial management of the State.

1.5 SOLUTION GOALS AND BENEFITS MUST SUPPORT THE AGENCY’S MISSION

Regardless of the go-forward recommendation, it is critical the defined solution goals and benefits are clearly linked and support the CFO and DFS in performing their roles and responsibilities. The following section demonstrates how a direct connection was established between the CFO’s mission and defined solution goals and benefits.

1.5.1 THE CFO’S MISSION

The CFO has the legal responsibility for settling and approving accounts against the State and maintaining all State funds and securities. This role, and associated responsibilities, are enabled in the Florida Constitution and Florida Statute (Article IV, Section 4C and Chapter 17, F.S., respectively) and establish the mission for the CFO. Subsequently, DFS exists to support the CFO in performing his role and responsibilities. Additionally, Section 215.93, F.S. defines the functional owner for each FFMS subsystem and the functional owner’s responsibilities.

A defined mission is critical since it clarifies the purpose of an organization and it establishes the framework for operational decision making. All current and future activities should support the mission. Without a clear mission, resources may be allocated sub optimally and organizational decisions and efforts may be uncoordinated and even potentially contradictory. Achieving and supporting the CFO’s mission must be at the center of any potential go-forward recommendation.

1.5.2 CURRENT STATE CHALLENGES AND RISKS REQUIRE ACTION TO BE TAKEN NOW

The ability of the CFO and DFS to perform their mission is becoming increasingly difficult given the significant limitations with FLAIR. A new financial management solution is needed now and the need for change is evident by the following:

- Agencies have implemented and continue to implement workarounds and financial related business systems to fill “gaps” created by FLAIR limitations. The proliferation of these agency unique processes and compensating financial systems will only continue as business needs change. The result is an increase in operational complexity, maintenance and administrative costs, and increased difficulty for the CFO and DFS to manage the State’s financial resources. A secondary impact related to the number of agency unique processes and homegrown systems will be an increased level of complexity to transition to new go forward solution.
- FLAIR is a fragile system developed 30 years ago, and it cannot evolve to meet the State’s ever changing business and financial management needs. The fragility is represented by the complications and instability arising from required changes to support business and policy needs, e.g., changing agency names or payroll calculations.
- FLAIR is an inflexible system based on the underlying programming and data structure. This is demonstrated by the limited potential to add data elements. The limiting factor is the structure of the programming modules.
- Resources needed to maintain FLAIR are scarce and are becoming more limited. Over 40% of personnel supporting FLAIR have at least 30 years of service and are currently eligible for full retirement. The loss of irreplaceable institutional knowledge and lack of qualified resources to support FLAIR increases future operational risk when changes to the system are needed or system issues need to be resolved. Resource knowledge is critical since system documentation may not always be accurate and up to date.
- FLAIR cannot support the Department’s or the State’s financial management needs. FLAIR cannot forecast cash demands at a state level nor does it contain functionality supporting operational efficiency (i.e., workflow, automated reconciliation) and cannot promote cost savings/revenue generation (i.e., Net Discounts, interest earnings).
- FLAIR, and the FFMIS subsystems, are designed and operated in a way not conducive to supporting an enterprise-wide solution. If the state ever wants to move towards an enterprise-wide solution, it needs to establish a flexible foundation to allow for evolution (i.e., add capabilities) and to be a catalyst for future statewide operational efficiency and effectiveness efforts.

1.5.3 GUIDING PRINCIPLES SHAPE THE DEFINITION OF SUCCESS

Guiding principles provide the framework for decision making and support objectives created to meet the stated principles. The developed guiding principles must take into account the current state environment (i.e., risks and challenges, market trends²¹) and what is required for the CFO and DFS to perform their mission. Additionally, the guiding principles must be aligned to the authority granted by statute. Three guiding principles were developed as part of the FLAIR Study (see Exhibit 1-9: FLAIR Study Guiding Principles and Supporting Statutes).

²¹ Market trend information can be found in Chapter 2: Options Analysis.

GUIDING PRINCIPLES	SUPPORTING STATUTES
Implement a statewide finance and accounting system to enforce process standardization, promote economies of scale, and enable comprehensive, accurate financial information to be produced.	<p>215.93: No agency shall establish/maintain systems which duplicate any of the information systems of FFMS.</p> <p>216.102: Financial information must be contained within FLAIR.</p> <p>216.141: The CFO shall use FLAIR in the performance of and accounting for all of his or her constitutional and statutory duties and responsibilities</p>
Implement an evolving solution able to respond and support economic, political and social changes in a timely manner.	<p>215.91: FFMS subsystems shall be designed to incorporate the flexibility needed to respond to the dynamic demands of State government.</p> <p>215.93: FFMS shall be upgraded as necessary to ensure efficient operation and to provide information for the effective operation of State Government.</p>
Implement a solution to support a true state-wide, unified information system.	<p>215.91: FFMS shall be a unified information system. FFMS is used for the collection, processing, and reporting of financial management data required for efficient and effective operation.</p>

Exhibit 1-9: FLAIR Study Guiding Principles and Supporting Statutes

1.5.4 LONG TERM VISION

Prior to making a recommendation on any go-forward solution, it is critical to have a vision clearly articulating future objectives supported by the statutory mission. The vision can be used as the basis for long-term planning. The vision should incorporate the key elements of the guiding principles.

As part of the FLAIR Study, DFS leadership created the following vision statement encapsulating the guiding principles supported by enabling statutes:

Implement a statewide accounting system to enforce standardization, acts as a scalable foundation to evolve as business needs change, and positions Florida for future innovation as it considers a true enterprise-wide solution.

The vision should be something an organization can strive towards for the next 5, 10, or 15 years. Additionally there should be clear linkage between the vision and the mission. The diagram below (Exhibit 1-10: Relationship between Mission and Vision) illustrates how the mission and vision are connected and interrelated.



Exhibit 1-10: Relationship between Mission and Vision

1.5.5 GO-FORWARD SOLUTION GOALS AND BENEFITS

The FLAIR Study vision statement sets the future direction. It is critical to have defined goals aligned to the vision and, if they are realized, they address the current FLAIR limitations, support the mission, and deliver business value. The solution goals identified for the FLAIR Study are:

Vision Statement

Implement a statewide accounting system to enforce standardization, acts as a scalable foundation to evolve as business needs change, and positions Florida for future innovation as it considers a true enterprise-wide solution

Solution Goals

1. Reduce the State's risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability
2. Improve State and agency specific decision making by capturing a consistent and an expandable set of data
3. Improve the State's financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future
4. Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies

Exhibit 1-11: Vision and Solution Goals

More details on each solution goal and their associated expected value to the Department and Florida are in the exhibits below.

Goal 1: Reduce the State's risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability

Goal Description	Replace outdated hardware and software with more widely embraced technology leveraging advancements in: <ul style="list-style-type: none"> • Functionality • Maintenance • Ease of use • Storage • Integration standards and protocols (e.g., API, SOA, etc.)
Goal Business Value	<ul style="list-style-type: none"> • Increases pool of technology talent/resources which improves ongoing ability to maintain and support solution • Employs technology capable of scaling, evolving and growing as business needs change (e.g., can add fields to transaction details, can add/subtract agencies) • Reduces complexity of integration and reduces costs to maintain system and interfaces due to leveraging more flexible and adaptable technology framework and platform • Increases system security, stability, and recoverability with implementation of latest technology standards • Transform the workforce to better use and leverage new and available technology • Increases timeliness of delivering IT solutions (e.g., interfaces) since technology standards are predefined and widely recognized • Improves flexibility and timeliness of financial transaction processing

Exhibit 1-12: Goal 1 Description and Business Value

Goal 2: Improve state and agency specific decision making by capturing a consistent and an expandable set of data

Goal Description	<ul style="list-style-type: none"> Platform supports enterprise wide and agency specific reporting needs Supports self-service, including both ad hoc and standard reports Data defined and used consistently Data accessible by a common set of reporting tools
Goal Business Value	<ul style="list-style-type: none"> Provides new, more timely, consistent and accurate information to aid operational decision making Enables ability to produce operational performance metrics to monitor and assess organizational productivity and process efficiency Facilitates a common understanding of available data across users which increases consistency of how information is used Enables re-use of developed queries and reports across agencies which fosters cross agency learning Increases ability and ease of supporting CFO's Transparency Florida initiative

Exhibit 1-13: Goal 2 Description and Business Value

Goal 3: Improve the State's financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future

Goal Description	<p>A single, integrated financial management platform that:</p> <ul style="list-style-type: none"> Introduces new and enhanced Financial Management and Cash Management capabilities (e.g., consolidating and scheduling vendor payments, effective dating, activity based planning and budgeting) Provides a single system of record, based on a standard definition of data elements, for all accounting transactions within DFS and across state agencies Supports extension to other key business functions and processes (i.e., grants, contracts, projects, and procurement) in the future
Goal Business Value	<ul style="list-style-type: none"> Increases accuracy of cash forecasting and tracking which enables cost savings/revenue generating opportunities for the state (maximizing interest earnings, take advantage of Net Discounts) Positions agencies to sunset redundant financial management systems as new financial management capabilities and functionality are introduced with the new statewide accounting solution Enhances staff effectiveness by reducing time spent reconciling transactions between multiple systems, increasing focus on analysis Introduces a common statewide financial management platform with expandability to support other business functions Enables new and tighter controls of appropriation spend and reduces number of Journal Transfers

Exhibit 1-14: Goal 3 Description and Business Value

Goal 4: Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies

Goal Description	<ul style="list-style-type: none"> Optimizes use of embedded business and financial reporting process standardization (i.e., minimize system customizations, minimize number of exception processes) Leverages workflow and electronic document storage Establishes overall project and operational governance model to allow focus on process and data standardization
Goal Business Value	<ul style="list-style-type: none"> Reduces operational complexity and increases operational efficiency and effectiveness due to reduction of manual processes and number of exception processes Increases transactional data integrity and accuracy by adhering to solution's embedded process standardization Increases staff transferability within agencies since business processes and tools are consistent Facilitates future process improvement efforts by limiting process variability and facilitating future evaluation of alternate operating models (e.g., shared services) Enables state finance and accounting staff to perform higher value activities (e.g., monitor trends, identify duplicate payments) Supports future implementation of vendor supplied upgrades for functional and technical improvement due to number of customizations being minimized

Exhibit 1-15: Goal 4 Description and Business Value

1.6 OUTSOURCING CONSIDERATION

There is currently no existing or proposed legal authority to outsource or privatize any material component of FLAIR.

1.7 INDEX OF FFMIS RELATED LEGAL CITATIONS

There are several Florida Statutes directly or indirectly impacting FFMIS. The table below (Exhibit 1-16) represents an index of the most relevant citations and provides context for the scope of FFMIS and its subsystems, the authority and responsibilities of the key roles and governing bodies overseeing and managing FFMIS and its subsystems, and high level functional requirements for FFMIS and its subsystems. As the state evaluates a framework for governance and business process reengineering, modifications to these statutes should be considered to support the recommended solution.

ARTICLE / STATUTE	SUMMARY OF STATUTE/STATUTE HIGHLIGHTS
Article 4 (Section 4c), Florida Constitution	<ul style="list-style-type: none"> Introduces the roles and high-level responsibilities of the State's Executive Branch, specifically the role and responsibilities of the CFO.

ARTICLE / STATUTE	SUMMARY OF STATUTE/STATUTE HIGHLIGHTS
17	<ul style="list-style-type: none"> ▪ Defines the roles and responsibilities of the CFO. The CFO is the chief fiscal officer of the State and is responsible for settling and approving accounts against the State and keeping all State funds and securities.
110.116	<ul style="list-style-type: none"> ▪ In addition to the FFMIS Act, the personnel information system (People First) must be designed, implemented, and operated pursuant to this statute.
215.86	<ul style="list-style-type: none"> ▪ Each State agency and the judicial branch shall establish and maintain management systems and controls to promote and to encourage compliance; economic, efficient, and effective operations; reliability of records and reports; and safeguarding of assets. Accounting systems and procedures shall be designed to fulfill the requirements of generally accepted accounting principles.
215.90 – 215.96	<ul style="list-style-type: none"> ▪ Statutes collectively can be cited as the “Florida Financial Management Information System Act.” The FFMIS Act was established to plan, implement, and manage a unified information system which provides fiscal, management, and accounting information. ▪ The FFMIS Act established the FMIB and FFMIS Coordinating Council; and defines their authority and their roles and responsibilities. ▪ The FFMIS Act identifies the functional owner of each FFMIS subsystem; and defines their authority and their roles and responsibilities.
216.102(2)	<ul style="list-style-type: none"> ▪ Statute highlights responsibilities of the CFO related to financial information which must be contained within FLAIR.
216.141	<ul style="list-style-type: none"> ▪ Statute describes how the EOG will utilize FFMIS data in the planning and budgeting process to provide for effective management practices for the efficient operations of all State agencies and the judicial branch.
216.151	<ul style="list-style-type: none"> ▪ Statute authorizes the EOG to prepare an analysis of the legislative budget requests submitted by State agencies and the judicial branch covering their respective operational and fixed capital outlay requirements.
287	<ul style="list-style-type: none"> ▪ Statute describes the requirements for procuring materials and services within the State government and authorizes DMS to develop an eProcurement solution.

Exhibit 1-16: Index of FFMIS Related Legal Citations²²

The remaining chapters of the FLAIR Study present the analysis performed on the four options specified in the GAA proviso, recommends a go-forward solution, includes a procurement and contract management approach and presents an implementation strategy to transition DFS and the State from the current solution to the recommended solution.

²² More information on legal citations can be found at <http://www.flsenate.gov/Laws/Statutes>.

1.8 CHAPTER 1 APPENDIX

1.8.1 CMS BUSINESS APPLICATION SUMMARY

The table below (Exhibit 1-17) provides more information on the business applications contained within the CMS subsystem. The Treasury is in the process of upgrading the current CMS platform to a web-based system. The upgrade will occur in two phases. Phase 1, which went live in August 2013, established a new integrated platform and replaced three existing business applications. The business applications replaced were Verifies, Receipts, and Chargebacks. Phase 2 will replace the remaining CMS subsystem applications and add the capabilities to the new integrated CMS platform developed in Phase 1. Phase 2 is scheduled to implement in stages from 2014 through 2018.

CMS APPLICATION NAME	APPLICATION CAPABILITY DESCRIPTION
Verifies	Used to process and store agency deposit details for verification in FLAIR and reconcile Treasury's Bank Accounts with Treasury Bank Account Ledgers (produced by Bank Account System).
Receipts	Used to balance and store daily deposit and returned item details processed in FLAIR
Chargebacks	Used to account for all returned items charged to the Treasury Bank Accounts.
Fund Accounting	Performs accounting functions for invested Trust Funds and Special Purpose Investment Accounts (SPIA) and allocates investment earnings to the General Revenue Trust Fund, Trust Funds, and SPIA. A file transfer including investment and dis-investment journal transfers is received nightly from FLAIR Central Accounting. Also, a monthly file transfer is sent to the Information Warehouse.
Bank Accounts	Used to account for all Treasury assets including bank account balances and investment transactions. This process records the assets of the Treasury by posting bank and investment activity to bank account/investment ledgers.
State Accounts	Used to account for all Treasury assets by state fund type. This system is used for the reconciliation of Treasury and FLAIR Central Accounting cash account balances. A monthly file transfer is sent to FLAIR Central Accounting. This process produces the Treasury's accounting of State funds which is used by FLAIR Central Accounting to reconcile their accounting records.
Dis-Investments	Used to liquidate trust fund investments. A daily file transfer including dis-investment journal transfers is sent to FLAIR Central Accounting.
Investment Accounting System	Used to account for all investments made by the Treasury internal and external portfolios and includes interest amounts to be allocated. Fund Accounting is used to apportion the interest.
Certificates of Deposit	Used for accounting for Treasury's Certificate of Deposit Program.
Consolidated Revolving Account (CRA)	Used to account for all agency participant banking activities associated with Revolving Funds.
Special Purpose Investment Accounts (SPIA)	Used for transfers in and out of the Special Purpose Investment Account. This process relates to investments provided for in Section 17.61, F.S.
Warrant Processing	Used to verify and pay warrants and support reconciliation. A daily file is sent to and received from Central FLAIR.

Exhibit 1-17: CMS Business Application Capabilities

CHAPTER 2 OPTIONS ANALYSIS

Key Takeaways From This Chapter

Chapter 2 presents an analysis of the options to enhance or replace FLAIR, identifies the minimum set of capabilities required of a new financial management system in Florida, and describes the expected benefits the system would bring to the State. To accomplish this, the analysis relies on the background information presented in Chapter 1, including the mission of the CFO, the limitations of the existing FLAIR system, and the DFS goals and objectives as well as:

- A summary of the intensive processes adopted by State Agencies in response to the shortcomings of FLAIR
- Research into how other states have addressed similar problems in the past
- Study of the current landscape of the ERP software market

The four options which address the minimum criteria are described in detail along with:

- How well each option aligns to the DFS goals and objectives
- The estimated costs and resources required to implement and maintain each solution
- A timeline for the delivery of the expected benefits
- Risk associated with each option

The FLAIR Study adopted the business case requirements of Chapter 287 of the Florida Statutes. The exhibit below provides those statutes which apply to Chapter 2 Options Analysis.

FLORIDA STATUTE	
287.0571(4)(e)	A description of available options for achieving the goals. If state employees are currently performing the service or activity, at least one option involving maintaining state provision of the service or activity shall be included.
287.0571(4)(f)	An analysis of the advantages and disadvantages of each option, including, at a minimum, potential performance improvements and risks.
287.0571(4)(g)	A description of the current market for the contractual services that are under consideration for outsourcing.

FLORIDA STATUTE

<p>287.0571(4)(h)</p>	<p>A cost-benefit analysis documenting the direct and indirect specific baseline costs, savings, and qualitative and quantitative benefits involved in or resulting from the implementation of the recommended option or options. Such analysis must specify the schedule that, at a minimum, must be adhered to in order to achieve the estimated savings. All elements of cost must be clearly identified in the cost-benefit analysis, described in the business case, and supported by applicable records and reports. The state agency head shall attest that, based on the data and information underlying the business case, to the best of his or her knowledge, all projected costs, savings, and benefits are valid and achievable. As used in this section, the term “cost” means the reasonable, relevant, and verifiable cost, which may include, but is not limited to, elements such as personnel, materials and supplies, services, equipment, capital depreciation, rent, maintenance and repairs, utilities, insurance, personnel travel, overhead, and interim and final payments. The appropriate elements shall depend on the nature of the specific initiative. As used in this paragraph, the term “savings” means the difference between the direct and indirect actual annual baseline costs compared to the projected annual cost for the contracted functions or responsibilities in any succeeding state fiscal year during the term of the contract.</p>
<p>287.0571(4)(i)</p>	<p>A description of differences among current state agency policies and processes and, as appropriate, a discussion of options for or a plan to standardize, consolidate, or revise current policies and processes, if any, to reduce the customization of any proposed solution that would otherwise be required.</p>

Exhibit 2-1: Applicable Statutes for Chapter 2

There are four options included in proviso language in the 2013 GAA for the upgrade or replacement of FLAIR. The purpose of this Chapter is to define and provide an evaluation of the benefits and impacts of each option against the needs of the State of Florida.

This Chapter begins with a summary of the current challenges experienced across the State related to the use of FLAIR, including the impact of FLAIR on the State’s agencies. It then contains an overview of how these challenges have been addressed by other states similar in size and complexity to Florida, including a review of recent implementations, an analysis of trends with respect to financial systems in the public sector, and a description of other important industry trends. This is followed by an outline of how the software market has addressed these challenges.

The Chapter continues with a detailed description of each of the options to address the FLAIR system including a detailed description of the option, a high level implementation timeline, cost and resource estimates, and the advantages and disadvantages of the option. Following the option descriptions are key considerations Florida must address when analyzing the different options. Finally, the Chapter ends with a comparison of each of the options related to the needs of the State.

2.1 SUMMARY OF CURRENT SITUATION

FLAIR was designed and built to automate business processes as they existed in the 1980's and the early 1990's when large portions of the State's business were performed manually. In the late 1990's, departmental transaction functionality was added to FLAIR, and the original "Central FLAIR" application was not integrated because it would have been too complex to rewrite it at that point. This has led to the current processing environment where the State's financials are managed in two partially linked databases which require significant effort by agencies and DFS to reconcile.

As business has changed over the past twenty years, minor updates have been made to FLAIR by adding on external functions, most notably an information warehouse for enhanced reporting; however, the core transaction and data capabilities have not changed to meet the needs of the state including:

- Flexibility to support new functional demands as State Government has changed
- Greater ability to support statewide reporting and information standardization
- Modern user experience and basic functionality expected from a modern system for increased productivity
- Ability to process transactions in a real-time or near real-time manner to support agency operations
- Support for decision making around cash management including available cash balances
- Ability to maintain a single set of books for the state which is usable by agencies for their reporting, and DFS for audit and review
- Support for business process improvements such as workflow and document management
- Use of current technology to enable the Division of Information Systems (DIS) to properly maintain and grow the system using available resources

The change in the overall business landscape since FLAIR was developed has forced the State, DFS, and agencies to change the way they interact with constituents and each other. Because FLAIR has not been updated in the past two decades, agencies have been forced to develop their own systems to manage financial transactions and reporting, using FLAIR as little as possible.

- Individual agency systems have increased approximately 33% since 2000²³ with a corresponding need for support and maintenance of these systems

²³ 300 agency systems reported in the February 2000 KPMG Business Case: Chapter 4 – IT Assessment compared with 424 agency systems identified during the inventory conducted as part of this project.

- With the proliferation of agency systems, the ability to provide meaningful statewide reporting has decreased due to a lack of standardization across the agencies and systems
- Functionality which is beneficial to the state, such as integrating encumbrance checking into MFMP, or interfacing agency transaction systems directly with FLAIR has been difficult or impossible due to the underlying architecture and the batch nature of FLAIR processing

2.2 MARKET CONDITIONS AND TRENDS

To provide context to the review of financial management system options for Florida, the FLAIR Study Team reviewed how comparable states and the software markets have addressed challenges like those faced by Florida outlined in Chapter 1 and Section 2.1 of this Chapter. The team then reviewed and assessed additional detail around some of the more prominent trends and how they could impact the solution recommendation.

2.2.1 TRENDS IN PUBLIC SECTOR

Over time, public sector organizations and their constituents have increased the demands they place on their financial operations teams and the systems which support them. Whether it is a desire for greater operational efficiency, faster processing times, advanced reporting, more transparency and accountability, data analytics or integration with an ever-changing array of new end-user technologies and mobile devices – the requirements expected of public sector financial departments are constantly stressing their available resources.

As a result, modern financial systems have evolved rapidly over the past ten years and offer solutions which can help address these baseline requirements and associated issues. The market no longer provides ‘green-screen’, text-based systems and multi-day batch processing cycles like the FLAIR system. It now offers fully integrated web-based replacements for these legacy systems with intuitive, modern user interfaces and near real-time transaction processing and reporting.

Many public sector entities have taken advantage of these new technologies and have begun (or recently completed) financial management system and business operations transformation projects of their own. After reviewing the current state of the financial management systems at the top 30 states by total expenditure, the FLAIR Study Team chose a group of seven peers for further analysis. The selected peer group is outlined in the Exhibit below along with the reason for their inclusion. A more complete list of the top 30 states and some key comparative information is included in the Appendix to this Chapter in Section 2.5.2.

These states were selected based primarily on the size of their budget and their relative complexity of operations in relationship to Florida. The FLAIR Study Team focused on states who had completed or were engaged in financial system modernization initiatives in recent years and have made different decisions on software, outsourcing strategy, funding model, and business process re-engineering approaches. The Exhibit below reflects the FLAIR Study Team’s analysis:

STATE	STATE RANK / 2013 STATE BUDGET ²⁴ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE, YEAR IMPLEMENTED, DURATION ²⁵	FINANCIAL MANAGEMENT SYSTEM COST (MILLIONS)	HR/PAYROLL SOFTWARE AND YEAR IMPLEMENTED	REASON INCLUDED
NY	2 / \$133,500	PeopleSoft (2011) 4 yrs.	200 - 240 ²⁶	PeopleSoft (2005)	<ul style="list-style-type: none"> Large state budget and recent ERP implementation success
TX	3 / \$93,000	PeopleSoft (2011) 3 yrs.	145 - 180 ²⁷	PeopleSoft (2012)	<ul style="list-style-type: none"> Large state budget and to survey a state which is still in the process of going through an ERP implementation
PA	4 / \$66,900	SAP (2002) 3 yrs.	140 - 160 ²⁸	SAP (2004)	<ul style="list-style-type: none"> Comparable state budget to Florida and successful statewide ERP implementation
OH	8 / \$57,900	PeopleSoft (2008) 4 yrs.	100 - 120 ²⁹	PeopleSoft (2008)	<ul style="list-style-type: none"> Comparable state budget to Florida and outsourcing model
VA	12 / \$43,400	PeopleSoft (2014) 5 yrs.	115 - 135 ³⁰	PeopleSoft (2014)	<ul style="list-style-type: none"> In-process implementation with unique pilot-agency approach

²⁴ [National Association of State Budget Officers \(NASBO\) Expenditure Report 2011-2013](#)

²⁵ Information provided during state interviews. Implementation times have been rounded up.

²⁶ Includes estimated implementation costs for the financial management system and comptroller portions of the project based on informal cost ranges provided by project participants.

²⁷ Estimate from original 2008 business case for statewide implementation modified based on current DOT implementation.

²⁸ Estimated range based on total project cost of \$225 million, assuming 2/3 of project cost for financials.

²⁹ The Ohio Office of Budget and Management set budget at \$158 million for the full ERP, assuming 2/3 cost for financials.

³⁰ Estimated range for initial statewide implementation (including DOT) based on state interview and project briefing from September 10, 2012.

STATE	STATE RANK / 2013 STATE BUDGET ²⁴ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE, YEAR IMPLEMENTED, DURATION ²⁵	FINANCIAL MANAGEMENT SYSTEM COST (MILLIONS)	HR/PAYROLL SOFTWARE AND YEAR IMPLEMENTED	REASON INCLUDED
GA	14 / \$41,100	PeopleSoft (1999) 2 yrs.	50 - 70 ³¹	PeopleSoft (1999)	<ul style="list-style-type: none"> One of the first states to implement an ERP solution and has undergone several upgrades
AL	27 / \$24,200	CGI Advantage (2002/2015)) 4 yrs.	50 - 70 ³²	CGI Advantage (2002 / 2015)	<ul style="list-style-type: none"> State actively using CGI Advantage and in process of statewide upgrade with extensive process re-engineering

Exhibit 2-2: Peer Group States Chosen for Comparison

For each state in the peer group, the FLAIR Study Team interviewed the executive sponsor responsible for financial operations and / or project director responsible for the financial management system. The interview questions focused on the:

- Structure of financial operations within the given state
- Financial management technology solution chosen and the selection process
- Benefits derived from the solution
- Infrastructure (people, technology, and governance) required to successfully implement and maintain the system solution
- Lessons learned and recommendations for the State of Florida as it considers enhancing or replacing FLAIR

In addition to conducting research with the states directly, the FLAIR Study Team consulted a number of other sources to obtain industry trends. These sources included:

³¹ Range for statewide financial implementation in 1998 from Computerworld article, “Despite Odds, Georgia Hits It Big With ERP System” October 9, 2000.

³² Estimated range for business process re-engineering and upgrade of the financial system provided during Alabama interview

- Interviews with representatives from the three leading public sector financial management software providers (Oracle, SAP, and CGI)
- Interviews with a number of leading public sector system integrators (IBM, CGI, Accenture, Deloitte)
- A conference call with a research analyst at Gartner, Inc. who specializes in public sector financial system trends
- Numerous research papers and studies focusing on the implementation of commercial off the shelf (COTS) ERP systems at the statewide level ^{33 34}

From this research and the state interviews, the following key themes emerged:

- **Use of ERP Solutions:** States are adopting and implementing ERP solutions to support core statewide financial management including financial reporting as opposed to developing new technologies in-house. Of the statewide financial system implementations over the past ten years, all have been ERP solutions including PeopleSoft, SAP, and CGI Advantage software.
- **Cross-Agency Standardization:** States able to mandate and enforce consistent business processes had lower overall support and maintenance costs because of the process standardization as well as the ability to limit agency-specific customizations. Unique agency-specific transactions were required to be interfaced leveraging a standard interface protocol.
- **Strong Enterprise and Project Governance:** States who have successfully implemented new enterprise financial management systems all had clearly defined project governance structures which defined processes for decision making. In addition, the projects that enacted significant business process change had clearly defined enterprise governance to direct statewide policy and interaction between competing priorities.
- **Business Process Re-engineering (BPR) Prior to Implementation:** As a way to avoid customization in the new system and achieve benefits sooner, many states underwent a period of BPR prior to the implementation phase. States who did not perform BPR had large volumes of customizations and generally had to wait until they performed the re-engineering to achieve expected project benefits.
- **Limit System Customizations:** A best practice in successful states is to use ERP functionality as designed and keep customizations for core financial transactions and reporting to a minimum. Limiting customizations reduces the implementation and

³³ PN Narayan, Martin Benison, and Naomi Wyatt, "[The State of ERP in the States.](#)" The National Association of State Chief Information Officers 2008 Annual Conference (Milwaukee, WI), September 2008

³⁴ Massimiliano Claps and Ivy I. Anderson, "[Trends in Statewide ERP Implementations.](#)" Gartner, October 5, 2009.

maintenance cost of a packaged system and enables the State to take advantage of new functionality via regular vendor upgrades.

- **System Integrator (SI) Selection can be as Important as Software Selection:** While procurement strategies varied widely (SI first, software first, combined selection, etc.), almost everyone interviewed stressed the selection of the right SI can be as important as the selection of the right software package. The SI was critical to the success of each of the interviewed states' ERP projects, providing expertise during system design, configuration, testing, and end user training.
- **Phased Implementation Approach:** In general, states have taken a phased approach to the implementation of new enterprise financial management systems, often revamping central systems first before addressing agency concerns. A phased approach allows the State to tackle the initiative in smaller, more manageable pieces, realizing benefits sooner often before changes in administration.
- **Focus on Organizational Change Management (OCM):** In nearly every case, OCM played a key role in ensuring a successful implementation. Key components addressed by successful states include organizational transformation, internal communication, job training, system training, and external (public) communication.
- **Partner with Key Agencies:** To ensure success, many states chose to partner with a key agency or agencies as a part of the initial implementation. These partnerships ensured agency needs were considered during the deployment, served as an example of success that made it easier to onboard other agencies in later phases or were vehicles to provide additional sources of funds.
- **Existence of an Agency Chargeback Costing Model:** Funding models for ERP initiatives varied amongst the states in some capacity, but most had some element where an agency was charged directly either for ongoing operations, or for development of special functionality.
- **Combination of In-House and Outsourced Support:** Most states interviewed are currently hosting their financial management systems within state-run data centers or on dedicated outsourced data centers. In addition, about half of the states interviewed outsourced at least part of their ongoing application support.

Additional information on the enterprise systems environment at each state surveyed is included in the Appendix to this Chapter in Section 2.5.1.

2.2.1.1 SUMMARY OF STATE INFORMATION

The Exhibit below summarizes the results of the research into ongoing (and recently completed) enterprise financial management system replacement initiatives in the peer group. The results are summarized in Exhibit 2.3 below and additional detail for each interviewed state is located in Sections 2.5.2 and 2.5.3 of the Appendix:

- State – States formally interviewed by the FLAIR Study Team
- Financial Solution – The selected financial management software, go-live date, and primary SI

- HR/PR Solution – The selected Human Resources and Payroll software, implementation date range, and primary SI
- Procurement Strategy – Method of selecting software and SI
- Funding Model – Method for initial implementation and ongoing system funding
- Ongoing System Support – Model used by the state for system support (in-house vs. outsource)
- BPR – Indicates whether or not the state went through a period of BPR as part of the implementation

STATE	FINANCIAL SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	HR/PR SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	PROCUREMENT STRATEGY	FUNDING MODEL	ONGOING SYSTEM SUPPORT	BPR
NY	PeopleSoft (2011) Deloitte/ IBM	PeopleSoft (2005) IBM	<ul style="list-style-type: none"> Unbundled 	<ul style="list-style-type: none"> Initial Project Funding & Ongoing Support: Appropriation 	<ul style="list-style-type: none"> In house, (approx. 150 employees) 	<ul style="list-style-type: none"> Performed process standardization as part of initial implementation
TX	PeopleSoft (2011) Deloitte ³⁵	PeopleSoft (2012) Deloitte	<ul style="list-style-type: none"> Unbundled 	<ul style="list-style-type: none"> Initial Project Funding & Ongoing Support: Appropriation 	<ul style="list-style-type: none"> Outsourced to Xerox 	<ul style="list-style-type: none"> Limited as part of initial implementation
PA	SAP (2002) Bearing Point	SAP (2004) Bearing Point	<ul style="list-style-type: none"> Unbundled 	<ul style="list-style-type: none"> Initial Project Funding: Appropriation Ongoing Support: Agency Chargeback 	<ul style="list-style-type: none"> In-house (approx. 100 employees) 	<ul style="list-style-type: none"> Limited during initial phase Performing as part of current upgrade

³⁵ Go-live dates represent initial system usage by the first wave of participating agencies. Rollout of additional agencies is expected to take between five and seven years.

STATE	FINANCIAL SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	HR/PR SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	PROCUREMENT STRATEGY	FUNDING MODEL	ONGOING SYSTEM SUPPORT	BPR
VA	PeopleSoft (2014) Accenture	PeopleSoft (2014) Accenture	<ul style="list-style-type: none"> Bundled - Integrators pitched best-fit software and implementation strategy 	<ul style="list-style-type: none"> Initial Project Funding: 50% Treasury Loan / 50% from VDOT Ongoing Support: Agency Chargeback 	<ul style="list-style-type: none"> Hardware outsourced to Northrop Grumman Accenture and VA staff: Application support, Database Administration, Development 	<ul style="list-style-type: none"> Performing process standardization as part of initial implementation
OH	PeopleSoft (2008) Accenture	PeopleSoft (2008) Accenture	<ul style="list-style-type: none"> Bundled 	<ul style="list-style-type: none"> Initial Project Funding & Ongoing Support: Agency chargeback Additional Payroll processing charge 	<ul style="list-style-type: none"> Outsourced to Accenture 	<ul style="list-style-type: none"> Performed process standardization as part of initial implementation
GA	PeopleSoft (1999) Cedar Crestone	PeopleSoft (1999) Cedar Crestone	<ul style="list-style-type: none"> Bundled 	<ul style="list-style-type: none"> Initial Project Funding: Appropriation Ongoing Support: Agency Chargeback 	<ul style="list-style-type: none"> In-house (approx. 60 employees) 	<ul style="list-style-type: none"> Limited during initial phase Performing as part of current upgrade

STATE	FINANCIAL SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	HR/PR SOLUTION, YEAR IMPLEMENTED, INTEGRATOR	PROCUREMENT STRATEGY	FUNDING MODEL	ONGOING SYSTEM SUPPORT	BPR
AL	CGI Advantage (2002/ planned 2015 upgrade) CGI	CGI Advantage (2002/ planned 2015 upgrade) CGI	<ul style="list-style-type: none"> Bundled - Software Selection (2010) to confirm integrator 	<ul style="list-style-type: none"> Initial Project Funding: Appropriation Ongoing support: Agency Chargeback 	<ul style="list-style-type: none"> Outsourced to CGI, but hosted in state data center 	<ul style="list-style-type: none"> Limited during initial phase Performing as part of current upgrade

Exhibit 2-3: Summary of State Survey Results

2.2.1.2 SUMMARY OF AGENCY INFORMATION

To better understand the ways in which state agencies interact with FLAIR in the course of their business operations, the FLAIR Study Team conducted interviews with a sample of agencies to obtain a representation of the inputs, needs, and attitudes toward FLAIR. During those interviews, core functional business owners provided descriptions of the ways their agency performs the primary business processes which interact with FLAIR including:

- General ledger and financial reporting functions
- Budgeting and budget reporting
- Contracts management and purchasing
- Accounts payable
- Cash receipting, invoicing, and managing receivables
- Project and grant management accounting and management
- Asset and inventory management

The focus of the interviews and discussions were on current business processes related to financial transactions to identify potential needs or opportunities related to the use of a central accounting and finance system.

The following Exhibit outlines the agencies interviewed along with the major reason for including each in the interview process:

AGENCY	REASON FOR INCLUSION
Department of Financial Services	Representative of a smaller agency with broad needs
Department of Management Services	Small agency with broad needs, also includes oversight of MFMP and People First
Department of Transportation (DOT)	Large, complex agency with detailed needs, particularly around project, contract, and grants management and reporting
Department of Revenue (DOR)	Medium complexity agency that provides centralized processing (receipting) for other agencies
Department of Children and Families (DCF)	Large agency with focused agency business systems and significant external reporting needs, particularly related to federal grants
Department of Environmental Protection (DEP)	Medium agency with broad needs including point of sale and grants management

Exhibit 2-4: Agencies Included in Process Outreach

From our interviews, multiple themes became apparent regarding the use of FLAIR by the agencies including:

- Agencies have financial management needs which are not being met by FLAIR and have therefore implemented their own systems to meet these needs

- The FLAIR interface is inconvenient, and agencies minimize their interaction with it
- Integration with FLAIR is technically difficult, and the technology used causes limitations to agency functionality
- Agencies have had to develop reporting capabilities and workaround solutions due to limitations in FLAIR

Unmet Business Needs

In addition to their specific agency business systems, all of the agencies interviewed had common business processes which fed into or used data from Departmental FLAIR where they had acquired and maintained their own systems to perform this function. Some examples of this include:

- Every agency interviewed maintains either a manual or automated accounts receivable system where they track receivables, manually report bad debts to DFS as needed, or record receivables manually into FLAIR at the end of the year.
- Agencies with significant allocations, particularly where payments are processed from multiple sources are challenged with FLAIR's inability to make a disbursement from more than one account and fund. These agencies (including DCF, DEP, DFS, and DOT) have agency systems to facilitate the calculation and processing of allocations to track, enter, and reconcile this distribution.
- Agencies have individual systems or manual processes to track and provide reporting for actual to budget expenditures because of limitations of FLAIR reporting and the level of detail at which transactions are recorded.
- The process for posting and allocating payroll expenses is cumbersome. When the payroll is paid, FLAIR makes a one-sided entry into the cash ledger in Central FLAIR and provides a separate program with a suggested expense distribution for the agencies to make into Departmental FLAIR. The agencies spend a large amount of time ensuring that labor distribution is properly entered and that Central and Departmental FLAIR remain properly reconciled.

Inconvenient Interface

The agencies interviewed either indicated the FLAIR interface was difficult to use, (including DCF and DFS), or they did not use FLAIR; having developed alternate systems which interface data into FLAIR (e.g., DEP has developed an application to facilitate transaction input into FLAIR and DOT employees use their own business systems which interface into FLAIR for most financial transactions).

Technical Difficulties Interfacing with FLAIR

There were two primary technical difficulties identified when working with FLAIR. The first was the lack of a standard, modern interface protocol. This negatively impacts the ability of agency systems to share data with FLAIR and prevented an automated interface for validating available budget when creating requisitions or purchase orders in MFMP.

A second technical limitation in FLAIR is the fact the system is primarily batch based, meaning many of the transactions entered during the day are processed overnight with the results (including error reports) not available to users until the next day. DEP, DOT, DFS, and DMS all maintain reconciliation processes which were created to keep data from their core business systems reconciled with the transactional data in FLAIR.

Many of these agency business systems do not integrate with FLAIR and require manual entries on a periodic basis. There are, of course, risks associated with this including the possibility of human error made in the transfer of data and the absence of material data in the system on a timely basis. DCF is one agency facing this issue. For receipting, they have a Fee Maintenance System which does not interface with FLAIR and requires a manual upload.

Reporting Limitations

Another common point of contention with FLAIR is its inability to produce useful reports or data extracts in a readily usable format for agency consumption. Agencies often extract FLAIR data and maintain it in their own data warehouse either because FLAIR does not have all of the desired data. Or in cases where FLAIR reports are used, the reports require extensive formatting and cleanup effort in Excel before they can be used. DOT for example, pulls accounts receivable reports from its own Receipts Processing System (RPS). DMS and DEP on the other hand credit FLAIR for having sufficient data, but when they pull asset and other basic financial reports from FLAIR, they must perform an extensive manual effort in Excel to make the data readable for use.

2.2.2 TECHNOLOGY TRENDS

Over the past fifteen years, the market for public sector enterprise financial management systems has consolidated considerably with a few software vendors emerging with the breadth of functionality required to support the operations of a large state. While there have been very few new enterprise software companies who have developed point solutions, none have addressed the challenges of financial management at the statewide level. The following vendors were identified as leaders in this marketplace based on state interviews and industry research:³⁶

- Oracle PeopleSoft
- SAP
- CGI Advantage
- Workday³⁷

³⁶ Industry Research confirmed by Gartner analyst conference call on December 9, 2013 and 2013 Gartner magic quadrant for ERP.

³⁷ Workday is not considered a leader in the State ERP space based on install base, but was included because of its status as an up and coming software package.

2.2.2.1 ORACLE PEOPLESOFT IN PUBLIC SECTOR

Oracle's PeopleSoft ERP software has been the most common choice for state and local governments with 12 of the top 30 states using the solution. Oracle's ERP solutions have been known for their service-oriented framework, making PeopleSoft a particularly good fit for government organizations. They have modules to handle the main aspects of public sector business. These modules can perform key functions for a wide array of organizations, both in the private and public sectors.³⁸

PeopleSoft is also known for the superiority of its human resources functionality. Their User Productivity Kit tool is a powerful feature for end-user training. Its out-of-box fit for public sector business has made it the top choice for state governments. As with all enterprise software, successful implementation of PeopleSoft requires a significant investment and often results in radical changes in the way business is performed.³⁹

The top ERP software integrators, including Accenture, Deloitte, and IBM perform PeopleSoft integration services. Second tier integrators like CherryRoad Technologies and Ciber are starting to make a push and are beginning to be considered viable options as integrators for large organizations like state governments. Integrators typically like to follow a phased approach to implementation by which different waves of agencies are brought onto the new system one after another. The "big-bang" approach has been followed in a few places to implement HR/Payroll functionality across all state agencies at one time, but this has not been the norm.

PeopleSoft has been the most common choice as a statewide ERP solution since the boom of these initiatives roughly a decade ago. Georgia, Virginia, Ohio, Texas, and New York are a few examples of states who have selected PeopleSoft. Georgia has found success with its system since it went live in 1999 and has seen major improvements in financial management, HR/payroll, and procurement functionality. Virginia has their system in place at two agencies, and has plans to expand statewide in the coming years. Ohio has seen significant improvements in their financial management operations since they implemented PeopleSoft in place in 2008.

2.2.2.2 SAP IN PUBLIC SECTOR

SAP's core ERP solution for private sector business has been optimized to fit the operations and comply with the standards of state and local governments. The core solution can support the main business functions for state and local governments. The inherent features of SAP for Public Sector have allowed states using the application to expand the capabilities of their system to improve their ability to manage public funds, deliver better service to citizens,

³⁸ Meeting with PeopleSoft Representatives, December 17, 2013

³⁹ [Oracle PeopleSoft Applications Overview](#)

streamline the tax collection process, ensure safety and security of the community, and securely manage mobile devices and deliver content.^{40 41}

SAP is a market leader for large businesses. The State of Florida fits this description as it operates a business which would comfortably place it amongst the Fortune 500 in the private sector. SAP is known for high quality applications which can be deployed as an integrated bundle or modularly with the capability of future integration of other modules. Their applications hold an advantage over the competition for manufacturing and movement of goods. The top system integrators, including IBM, Accenture, and Deloitte, all provide SAP implementation services.

Pennsylvania was one of the first states to undertake a statewide SAP implementation project, having made the transition in 2002. They used BearingPoint, acquired by Deloitte, for integration services. Upgrades provide a challenge for the state due to customizations made early in the project. North Carolina also used BearingPoint as the integrator for its SAP HR/Payroll system in 2008. After success with this project, they are poised to transition their financial management functions to a SAP solution.^{42 43}

2.2.2.3 CGI ADVANTAGE

CGI has developed their CGI Advantage solution specifically for state and local governments. This separates them from Oracle and SAP, who took the approach of modifying and expanding an existing commercial solution. CGI Advantage typically requires fewer customizations than some of the other commercial packages because it was developed for the public sector. The system has special capability for Comprehensive Annual Financial Reporting (CAFR) and for keeping in line with the Cash Management Improvement Act (CMIA).^{44 45}

CGI also heavily promotes their “Managed Advantaged” software-as-a-service model, which has been selected by several states including Alaska, Colorado, and Wyoming.⁴⁶ This model lessens the burden on state IT staff for system maintenance by putting it in the hands of CGI and makes system costs more predictable. CGI is a smaller player in the ERP world and does not have the same installed base as SAP or Oracle.⁴⁷

Only CGI performs integration services for its CGI Advantage software. Thus, by choosing CGI software as the best-fit software, a procurement strategy for services is, by default, already in

⁴⁰ [SAP for Public Sector](#) Product Overview

⁴¹ Meeting with SAP Representatives, December 11, 2013

⁴² Interview conducted with former North Carolina State Comptroller, December 6, 2013.

⁴³ [“State of North Carolina: Standardizing the Process of Delivering Government Services,”](#) August, 2008.

⁴⁴ [CGI Advantage ERP Overview](#)

⁴⁵ Meeting with CGI Representatives, December 17, 2013

⁴⁶ [CGI Advantage ERP Managed Advantage Overview](#)

⁴⁷ [CGI Managed Advantage Overview](#)

place. There are positives and negatives to this model. Problems could arise if the CGI team is unable to successfully complete an implementation since there is no secondary market of available integrators.

Several states have recently selected or confirmed CGI Advantage. Alabama has been operating with legacy mainframe AMS (now CGI) Advantage software for central accounting and HR/Payroll for the past 25 years, and is in the process of a major upgrade which includes significant business process re-engineering. By October 2015, they plan on having 20 state agencies live on the new system. The timeline calls for all state agencies to make this transition in the next 5 years.⁴⁸ Arizona has also selected CGI Advantage software for statewide financial management. The new system will integrate with the State's existing human resources information system.⁴⁹

2.2.2.4 *WORKDAY*

One other solution that has been making headway in the ERP market is Workday, which is a relatively new player in the market, having been founded in 2005. Workday is unique from the other major ERP software vendors in that they fully subscribe to the software-as-a-service (SaaS) model where the software is hosted in the cloud and all participants share the same application code. Their solutions for Financial Management and Human Capital Management (HCM) are in place at over 600 companies across the private and public sectors with approximately half of these clients implementing their "full platform," of both Financial Management and Human Capital Management modules.^{50 51}

By choosing Workday, any customer is fully committing to a SaaS model, which inherently has advantages and disadvantages. Workday prides itself on its ability to keep every customer up to date on its most current version, the ease of system access on mobile devices, and the user-friendliness of its interface. Customizations are not possible under the SaaS model, and any unique needs must be met through configuration or outside of the system. The upgrade process is less painful than it is with the traditional software and support model as they are made automatically without the hindrance of customizations. Upgrade costs are built in to the subscription cost of the service.

The array of top-tier system integrators including Accenture, Deloitte, and IBM have been building their Workday practices over the last few years. Most of Workday's public sector customers are at the local level. They did achieve one large-scale state contract of their HCM solution in Nebraska in 2012. It was during this implementation government-specific business features were developed.⁵² Workday's HCM solution was also recently selected for

⁴⁸ Alabama Interview, December 20, 2013.

⁴⁹ [CGI Advantage ERP Product Overview](#)

⁵⁰ [Workday Product Overview](#)

⁵¹ Meeting with Workday representatives conducted on February 5, 2014.

⁵² Doug Henschen, "[Workday Wins More Customers for Cloud Apps](#)," Information Week, August, 1, 2012.

the State of Maryland. To date, there have not been any implementations of Workday's Financial Management solution at the state level.

2.2.3 OTHER CONSIDERATIONS

During the market analysis and comparable state interviews, a number of items came up which could have significant impact and need to be considered as part of the solution analysis. Each of these items is defined in this section and assessed with respect to the objectives of the study using a combination of industry research, comparison against the financial management environment of similar states, and the professional experience of the FLAIR Study Team. The topics contained within this section and their reason for inclusion follow:

- **Use of ERP Software:** Background and considerations related to this topic are critical in comparing the FLAIR enhancement or replacement options included in proviso
- **Outsourcing of Business Operations:** A significant industry trend is the outsourcing of business operations (as was intended with the implementation of the People First project)
- **Outsourcing of Application Support:** One significant trend identified during the state market analysis and will have a material impact on the future of FLAIR is how the application will be supported
- **Software Licensing:** The model for licensing application software can have an impact on the overall financing and support of the implemented system
- **Funding Models:** Funding of the initial financial management system implementation and ongoing application maintenance and support is a critical item to ensure success of the project
- **Implementation Cost Drivers:** These items were identified by the FLAIR Study Team during research including discussions with the state peer group and form the basis for the cost models developed and presented later in this Chapter

2.2.3.1 USE OF INTERNALLY DEVELOPED SOFTWARE VS. COMMERCIAL OFF THE SHELF ERP SOFTWARE

The first fundamental question to address is whether Florida should develop its next generation of financial management software internally or purchase and implement a commercial off the shelf (COTS) ERP software package.

If the state chooses to develop the application internally, it will need to develop and then maintain a significant level of very specific skills and capabilities in the creation and maintenance of application software. In addition, as the market changes, DFS will have to continue to make changes to keep up so as to avoid a repeat of the current situation with FLAIR.

The following Exhibit contains the benefits and trade-offs of custom development compared to the purchase of an ERP solution:

FACTOR	DEVELOP INTERNALLY	IMPLEMENT ERP
Scalability ⁵³	<ul style="list-style-type: none"> ▪ Custom developed solutions are typically tailored to the specific need of an organization and are often built without regard for scalability or future customizations. Therefore, these applications tend to be less scalable than their off the shelf counterparts. 	<ul style="list-style-type: none"> ▪ Providers of off the shelf software typically build it to support the needs of many organizations of different sizes and complexities – therefore their products inherently support both scalability and change.
Stability ⁵⁴	<ul style="list-style-type: none"> ▪ Because custom developed solutions are tailored to an organization’s exact business requirements, they tend to be extremely stable so long as requirements do not change. ▪ Custom developed solutions tend to struggle in dynamic environments because changes often require extensive programming instead of minor configuration. ▪ Supporting large custom development software systems can become a challenge in organizations where staff turnover is high. 	<ul style="list-style-type: none"> ▪ Unless it is heavily customized, ERP software is typically very stable, having been thoroughly tested and used by thousands of customers. ▪ In most cases, off the shelf software vendors provide support and keep base technology current as part of an annual maintenance contract.

⁵³ References the flexibility of the identified option to adapt to the changing demands of the State.

⁵⁴ References the impact of the identified option on the overall stability of the state’s systems and business processes.

FACTOR	DEVELOP INTERNALLY	IMPLEMENT ERP
Cost ⁵⁵	<ul style="list-style-type: none"> ▪ For large scale systems, initial development and implementation costs can be higher than the purchase of ERP software as the State would have to do 100% of the design and development, where by purchasing an ERP, the development costs are spread across all of the vendor's customers. ▪ Long term maintenance costs are typically higher for custom developed solutions because organizations which custom-build software must maintain deep software development skills post implementation to support upgrades. ▪ Current FLAIR support costs are not comparable to support of a modern application because the FLAIR system has not been updated on a regular basis to keep up with the demands of the State. 	<ul style="list-style-type: none"> ▪ For large-scale and complex applications, it is typically less expensive to buy software from a vendor who can aggregate the cost of development across all of their clients. ▪ When maintaining an ERP, there is a support cost which must be paired to the vendor each year, but this is typically offset by lower development staff costs thereby providing greater stability.

⁵⁵ The relative impact of each option on the total cost of ownership.

FACTOR	DEVELOP INTERNALLY	IMPLEMENT ERP
Ease of Implementation ⁵⁶	<ul style="list-style-type: none"> ▪ Custom developed solutions allow organizations to create software to exactly match a business process. Where processes are standardized, this can be a large benefit, but in Florida, where there is limited standardization between the agencies, this does not provide a benefit. ▪ Custom developed solutions typically take significantly longer to develop and implement than ERP alternatives because every function in the system has to be designed, developed and tested, taking significant numbers of internal and external resources. Acquiring the necessary resources may be difficult for the State. 	<ul style="list-style-type: none"> ▪ ERP software has many common processes built in and can be used as a template to help Florida improve operations. ▪ ERP software enforces process standardization and requires project governance to facilitate changes to business process to minimize custom development for an effective implementation and supportable solution. ▪ Shorter implementation to benefits realization if properly managed because software is configured, not created from scratch.
Reference States	<ul style="list-style-type: none"> ▪ None – all surveyed states are either already on ERP systems or are migrating from custom systems to ERP for financial transaction processing. 	<ul style="list-style-type: none"> ▪ Alabama, Georgia, Ohio, Pennsylvania, New York, Texas, Virginia.

Exhibit 2-5: Use of ERP Software Summary

2.2.3.2 OUTSOURCING OF BUSINESS OPERATIONS

One significant opportunity facing states and public sector entities today is the option to outsource segments of their operations. Traditionally, outsourcing has been discussed in the context of Information Technology systems, but is now also often discussed related to specific business processes. The decision to outsource a business process or function is a mix of strategic, financial, and cultural considerations.

Processes which are good candidates for outsourcing exhibit some of the following characteristics:

- Clearly defined service and method for engaging the service
- Standard, repeatable process where clear measures and metrics can be established and tracked

⁵⁶ The relative impact of each option related to complexity and successful ability to deploy the solution.

- The process being outsourced requires very specific skills that are difficult to maintain
- Not core to the mission of the organization

Management of financial transactions, data, and reporting is the core business and the direct responsibility of DFS. Outsourcing these core financial processes does not meet the criteria above and would therefore not be a good candidate for discussion as part of the FLAIR assessment.

The payroll function currently performed by DFS includes a gross to net pay calculation and data validation step for information that is originally entered and processed through the State’s People First system. DFS is then responsible for settling the payroll and withholding obligations of the State. Although there are viable private sector options available, payroll is considered core to the mission of DFS and is currently not considered a good candidate for outsourcing.

2.2.3.3 *OUTSOURCE APPLICATION SUPPORT*

A trend has been developing for years in the private sector toward outsourcing support of information technology. In the interviews with comparable states, around half are currently outsourcing, or are planning to outsource, some portion of the management and support of their enterprise financial management systems.

Application support for an enterprise system typically includes a range of activities such as:

- Maintenance of the hardware and technical infrastructure to support the system
- Maintenance of the software, ensuring it is available and working as designed
- Management and maintenance of upgrades and enhancement requests
- Management of ongoing knowledge activities such as system training

The following Exhibit outlines the benefits and trade-offs of outsourcing system support functions:

FACTOR	OUTSOURCED	INTERNALLY MANAGED
Scalability	<ul style="list-style-type: none"> ▪ An outsourced solution is highly scalable because the responsibility for managing the resources and capabilities fall with the contracted provider, minimizing the impact to the customer. The strength of the contract and contract manager will have a direct impact on the ability to make changes. 	<ul style="list-style-type: none"> ▪ Depending on job market conditions, it may be difficult for public sector organizations to identify, train, hire and retain skilled application support specialists internally, causing scalability issues.

FACTOR	OUTSOURCED	INTERNALLY MANAGED
Stability	<ul style="list-style-type: none"> A strong procurement which results in the right vendor managed by a strong contract will provide a very stable support environment. 	<ul style="list-style-type: none"> Stability of the support environment is based on the abilities and availability of internal staff resources.
Cost	<ul style="list-style-type: none"> Outsourced application support resources tend to costs significantly more than using internal resources. Outsourced support can be more cost effective for a highly specific skill needed on an infrequent basis (e.g. a database administrator who is needed once per quarter.). 	<ul style="list-style-type: none"> Internal resources are usually significantly less expensive than outsourced resources. Specific, infrequently used skills can be more costly and difficult to maintain with employees requiring significant training and certification for infrequently used skills.
Ease of Implementation	<ul style="list-style-type: none"> Outsourced application support is a mature industry, making transitioning to a third party managed services provider a relatively straight-forward process. 	<ul style="list-style-type: none"> Providing support internally requires active management of a full support organization. Depending on job market conditions, hiring skilled staff to support applications internally may be challenging.
Reference States	<ul style="list-style-type: none"> Virginia, Ohio, Alabama, Texas (partial) 	<ul style="list-style-type: none"> Pennsylvania, Georgia, New York

Exhibit 2-6: Outsourced vs. Internally Managed Application Support

2.2.3.4 FUNDING MODELS

Statewide financial management applications are complex and expensive to acquire and maintain. There are two basic models for system funding. In one, the budget for the financial system is appropriated by the owning entity. The other is a charge-back model where either the implementation costs or operations and maintenance of the system (or both) are allocated to the participating agencies based on system usage. In this model, each agency has to include system usage in their annual budget request.

Agency Chargeback Models

Of the states interviewed, the majority funded their initial implementation through a legislative appropriation, although Virginia is financing their implementation and repaying the costs with planned assessments from the participating agencies. After the system is live, the majority of the states interviewed, including Alabama, Georgia, Ohio, Pennsylvania, and Virginia, plan to or are supporting their statewide financial system through charges to participating agencies.

The models for the chargeback of costs vary based on the organization and oversight. From research with the interviewed states, the ones using a chargeback model shared the following characteristics:

- Costs for managing the system are spread across participating agencies using either a charge based on direct usage where actual usage is 'billed' to the agency after the fact (cost recovery model), or a budgetary assessment calculated based on a previous period's usage
- HR costs are typically allocated based on the number of employees as this represents the most readily available consistent metric
- Financial system costs are typically allocated based on a mix of the following two elements:
 - Number of key transactions performed by the agency (e.g., Journal Entry, PO, AP Warrant, etc.)
 - Dollar spend, either in specific transactions or total budget for the agency

There are specific benefits and challenges with implementing an agency charge-back system. Multiple states, including Virginia had to get legislation passed to support charging agencies for use of the statewide system. In addition, when charging for functionality and support there is the potential for discord among agencies where the larger agencies with more budget (like DOT) can have more sway over project scope decisions if they offer to defray the costs of the additional functionality. In addition, the chargeback model can be complex and require significant maintenance. One of the major benefits of a charge-back model is agencies have a direct cost for using the system, and for any upgrades implemented, making the participating agencies take a more proactive role in managing system requests and only asking for truly required functionality.

Direct Appropriation

Florida currently uses a direct appropriation model where DFS receives funding to support FLAIR. MyFloridaMarketPlace is also funded through legislative appropriation. One of the benefits of this model is it is very simple to administer and would not require any changes in current statute. In addition, there would be no transition or learning curve required for the legislature or the agencies.

Some changes in the current appropriation model would be extremely beneficial for DFS and the State. First, an ongoing commitment to the support of FLAIR and its associated costs could be achieved. One reason the current system has stagnated is a lack of adequate funding for ongoing maintenance and upgrades to keep up with technology and the needs of the agencies. In addition, because of the nature of software system projects, if a project is delayed, unspent funds may need to be retained from one year to the next.

Alternate Funding Options

In addition to a budgetary appropriation, there are alternate sources of funding which may be available to Florida to support development or maintenance of an improved FLAIR system. Each of these options come with limitations and would require significant additional analysis:

- **External transaction fee** –MFMP currently charges vendors a 1% fee for all sales made to the State. This model could potentially be expanded or enhanced to help support the payment processing and validation that is performed by FLAIR.
- **Treasury interest charges** – interest on state funds is currently an income source for Treasury which is subsequently provided to agencies as income. While modest, it might be an option to apportion some of any increase in interest income due to better cash management to from an improved FLAIR and CMS to support the new FLAIR system.

2.2.3.5 LICENSING MODELS

There are two primary models for enterprise software licensing, either a per-user or an enterprise or ‘site’ license. A per-user license cost is exactly as it sounds, the software company charges a specific cost for each user accessing the system. These costs may be further refined by the function accessed by an employee (e.g. a user who is only using reporting may cost less than a user who is performing accounting transactions). An enterprise license is where an organization pays a flat amount and there is then no incremental charge per employee using the software.

The pricing model is set by the software vendor. This analysis is presented to inform the overall evaluation, but the licensing model will be driven by the software vendor chosen, as opposed to being a primary choice DFS and the state will make.

The following Exhibit outlines a comparison between per user and enterprise software licenses.

FACTOR	PER USER	ENTERPRISE
Scalability	<ul style="list-style-type: none"> ▪ Cost and usage of the software is directly scalable to the number of employees using the system where the State would pay an incremental amount for each user accessing the system 	<ul style="list-style-type: none"> ▪ Software cost is fixed and does not change with the number of users or volume
Stability	<ul style="list-style-type: none"> ▪ Not applicable to this analysis 	<ul style="list-style-type: none"> ▪ Not applicable to this analysis
Cost	<ul style="list-style-type: none"> ▪ The cost comparison for the licensing model must be addressed as part of the procurement process as either option could end up more beneficial to the State depending on the number of users, how the vendor sets up the system cost (enterprise wide, by function, etc.) and the actual cost for each model 	
Ease of Implementation	<ul style="list-style-type: none"> ▪ Where there is a high cost to use the system, employees with minimal needs may be kept out of the system, leading to offline processes 	<ul style="list-style-type: none"> ▪ Because there is no incremental cost, employees can be encouraged to use the system for any possible function

Exhibit 2-7: Licensing Model Summary

2.2.3.6 PROJECT GOVERNANCE MODEL CONSIDERATIONS

Proper project governance will be critical to the success of the implementation and the State receiving the expected benefits from this project. There are several interrelated elements to be addressed. An overview of these elements is presented in this section, with a specific recommendation presented in Chapter 3 of this study. The following elements were present in some capacity in each of the interviewed states as well as our research:

- **Executive Commitment** – A system and project which has statewide impact must have the active support of the highest level of involved parties to set policy, support decision making, and provide resources. Each reference had one or multiple executive sponsors to drive the project. For example, in New York, there were co-sponsors from the Division of Budget (Executive Branch) and the Comptroller to facilitate the necessary coordination between transaction entry, audit, and payment approval. Other states including Alabama, Georgia, Pennsylvania, and Virginia, had cabinet level members on the executive steering committee.
- **Involvement by All Impacted Parties** – While systems are typically owned by one central control agency, all state agencies who use the system should have active input into the decision making process for the scope of the system, priority of enhancements and upgrades, and the rollout process and timing for any changes. In many of the states interviewed including, Alabama, Georgia, New York, Pennsylvania, and Virginia, agency representatives had direct seats on the project steering committee during the implementation.
- **Multi-Level Structure** – Because an enterprise system has many facets applicable to either small groups of users, or may impact all employees across the State, successful governance will have decisions that are made at the right level. Following are the key levels for the governance structure:
 - **Executive** – Establishing and enforcing the overall vision of the project, making overall policy decisions and resolving issues between jurisdictions are critical elements and if not performed in an efficient manner can have significant negative impacts on a project as broad as the replacement of the statewide financial system.
 - **Project** – From the initiation of the project until transition to steady-state support, a focused project governance team will make project resource, scope, budget, and timeline decisions along with addressing and resolving project issues. This level of governance is what is typically referred to as the ‘steering committee’ and was present in each of the interviewed state projects.
 - **Functional** – During and after the implementation, many of the decisions required by the project are related to how specific business functions are performed across the state. An example of a functional governance team would be a statewide accounts payable working group who provide recommendations and input to the project steering committee on what data should be in a vendor file, or how to record and manage vendor payment terms. Many of the states including Alabama, New York, Pennsylvania, and Texas created and used functional groups during and after implementation.

2.2.3.7 TECHNOLOGY SOLUTION COST DRIVERS

There are many individual cost elements which have an impact on the overall cost of an enterprise financial management system. Generally, these individual cost elements are combined into the following three categories:

- **Required Purchases:** These costs include all the up-front items which must be purchased to enhance an existing system or deploy a new one. This includes software licenses, computer hardware and data center facilities and equipment as well as any infrastructure technology systems required to support the new system (e.g., Directory Services, Security Services, etc.).
- **Implementation:** These costs include the in-house and contracted labor required to deploy a new enterprise system. Major cost components include requirements development, project oversight, software installation and configuration, software development, system integration, report development, data conversion, testing and quality assurance, process re-design, organizational change management, project team training, and end user training.
- **Operations and Maintenance:** These costs include all labor and materials required to support the enterprise system over the course of its full lifecycle. Major components of this category include software maintenance, production support and training, software development, planned future upgrades, process improvements, change management related to upgrades, infrastructure support, system administration, ongoing hardware, data center facilities, and other equipment maintenance costs.

2.3 COST BENEFIT ANALYSIS

The State of Florida needs to address the shortcomings of its existing financial management system as outlined within Chapter 1, and section 2.1 of this Chapter. This section of the study describes each option in detail, providing a list of expected benefits and identifying the advantages and disadvantages of each solution.

2.3.1 MINIMUM CAPABILITIES OF A NEW FINANCIAL SYSTEM

To properly evaluate the solutions available to the State for improving its financial management system, the FLAIR Study Team defined a minimum set of capabilities each option must fulfill based upon the following criteria:

- The mission of the CFO and other existing statutes
- The limitations to financial management posed by the current FLAIR system
- The State's guiding principles, goals, and objectives for a new solution for financial management
- Research into how Florida Agencies, other states and the software market have responded to the challenges caused by FLAIR's current limitations

The Exhibit below contains the list of minimum capabilities identified to meet the requirements of financial management within Florida. Additional detail regarding each capability is contained in Appendix Section 2.5.4.

LEGEND: The shading of the stars describes the relative support and level of justification for including the enumerated item as a minimum capability.



MINIMUM CAPABILITIES	JUSTIFICATION FOR INCLUSION					
	MISSION OF THE CFO, EXISTING STATUTE OR OTHER POLICY	LIMITATIONS OF EXISTING SYSTEM	GUIDING PRINCIPLES, GOALS AND OBJECTIVES	AGENCY RESEARCH	STATE RESEARCH	MARKET RESEARCH
1. Single system of record for statewide financial transactions and cash balances	●	●	●	●	●	●
2. General Ledger (G/L)	●	●	●	○	●	●
3. Accounts Payable (A/P)	●	●	●	●	●	●
4. Basic Accounts Receivable (A/R)	●	●	●	●	●	●
5. Bank Reconciliation	●	●	●	●	○	●
6. Payroll Calculation, Verification and Payment	●	●	●	●	●	○
7. Budget and Encumbrance Management	●	●	●	●	●	●
8. Real-time or near real-time transaction processing	○	●	●	○	●	●
9. Warrants paid from multiple account combinations	●	●	●	●	○	○
10. Electronic workflow and routing	●	●	●	●	●	●
11. Effective dating of transactions	●	●	●	○	●	●
12. Support for industry standard communication / system integration protocols	●	●	●	○	●	●
13. Use of modern programming languages and database technologies	○	●	●	○	●	●
14. Multiple environments to support testing and migration	●	●	●	○	●	○
15. Minimize or eliminate use of the mainframe and take advantage of a multi-tier application architecture	○	●	●	○	●	●
16. Flexible database architecture that supports multiple fields	●	●	●	○	○	●

MINIMUM CAPABILITIES	JUSTIFICATION FOR INCLUSION					
	MISSION OF THE CFO, EXISTING STATUTE OR OTHER POLICY	LIMITATIONS OF EXISTING SYSTEM	GUIDING PRINCIPLES, GOALS AND OBJECTIVES	AGENCY RESEARCH	STATE RESEARCH	MARKET RESEARCH
17. Ability to report on a standardized set of data	●	●	●	●	○	●
18. Storage of developed queries, views, and reports	○	●	●	○	●	●
19. Modern set of reporting tools for export and analysis of data	●	●	●	●	●	●
20. Self-service reporting	○	●	●	●	●	●
21. Asset, Project, Contract and Grants Accounting	●	●	●	●	●	●
22. Modern, user-friendly interfaces	○	●	●	●	●	●
23. Electronic document storage and attachments	●	●	●	●	●	●
24. Direct interface with productivity tools such as Microsoft Excel	○	●	●	●	●	●

Exhibit 2-8: Minimum Required System Capabilities and Justification for Inclusion

2.3.2 EXPECTED BENEFITS

Implementing a financial management system with the capabilities described in the Exhibit above will deliver numerous benefits to the State. Key benefits can be grouped in one of three categories; reduction of risk, operational improvements, or improved decision making.

Reduction of Risk

By modernizing its financial management system, the State will significantly reduce risks which are present due to both FLAIR’s age and the underlying technology which supports it. Specific areas of risk reduction include:

- Risk of a catastrophic system failure would be significantly reduced by moving to a new or enhanced system

- System support and maintenance challenges would be significantly reduced because moving to a modern technology platform / ERP solution would make identifying and retaining skilled technical staff much easier
- Risk and instability resulting from a lack of documentation within the current system would be resolved during the implementation of the new system
- Business risks associated with the lack of flexibility and scalability of the current system will be reduced or eliminated by enhancing or replacing FLAIR with a modern system

Operational Improvements

A modernized financial management system will deliver numerous, material benefits that will improve the efficiency and effectiveness of financial management. Specific examples include:

- Encumbrances are interfaced from external systems and traceable on all payable transactions
- FLAIR uses a single common database removing the need for the current integration and reconciliation between Central and Departmental FLAIR
- Inter-agency transfers and eliminations are automatically processed and balanced
- Warrants can be paid from any account combination entered
- The new system supports the consolidation and scheduling of payments based on due dates and payment terms
- An accounts receivable system that supports tracking and reporting of monies owed to the state
- CMS check reconciliation and cash availability functions share data with FLAIR transactions removing the need to reconcile them
- The state maintains two cash balances (book in the new system), and the bank balance, reducing the time spent on cash reconciliation
- The system maintains effective dates for data and transactions
- The system supports workflow processing and electronic document management
- System support resources have a common skill set and can be easily recruited or contracted from multiple sources
- The new system incorporates standard functionality to support barcode reading and more efficient inventory processing
- Standard functionality supports basic tracking and accounting for assets, grants, projects, and contracts

Improved Decision Making

The new system will offer significantly improved reporting capabilities once operationalized, which will allow the State to make better financial decisions. Specific examples include:

- Financial system data will be available through queries from the information warehouse reducing the need for MS Access and Excel for preparation of the Financial Statements (e.g., CAFR) and management reports
- Aging of accounts payable and accounts receivable as well as other cash forecasting reports will be available directly from the system
- Accounting transactions are captured at a consistent level of detail across the state, leading to better reporting
- Data and reporting tools are available to support statewide reporting of key metrics (e.g., vendor and category spend)
- Business users can create and run ad hoc reports and queries as needed without IT resource assistance
- Application maintains a flexible, standardized Chart of Accounts (CoA) structure supporting statewide reporting while giving agencies the ability to categorize expenses at a lower level of detail as needed
- Agencies can forecast financial performance throughout the year (e.g., “what if” analysis)

2.3.3 OPTION DESCRIPTIONS

The 2013 GAA Proviso language for the FLAIR Study project included requirements to evaluate the following solutions as to how best they would address the issues identified earlier in this Chapter:

9. Enhance FLAIR
10. Replace FLAIR
11. Replace FLAIR and CMS
12. Replace FLAIR, CMS, MFMP and People First

The commercial software market commonly labels software which can perform the functions required by the State as Enterprise Resource Planning (ERP) software. ERP is business process management software that allows an organization to use a system of integrated applications to manage the business and automate back office functions. Common to all ERP systems are core financial transactions (general ledger, accounts payable, accounts receivable, asset accounting), and basic procurement (purchasing, contracts, and receiving). ERP systems also include additional functions such as project and grants tracking, human resources, and payroll. To be consistent with standard industry definition, the term ERP is used when reviewing the options to replace FLAIR.

A summary of the system components and functionality which will be addressed in each option is included in the Exhibit below along with an indication of whether functionality is **Core** and therefore included for the option, considered **Expanded**, and would be included in

Phase 2 of the implementation or **Interfaced**⁵⁷ for the option because the existing systems will address those needs. The Exhibit below outlines the included functions for each of the four options considered.

FUNCTION	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Budget Ledger	Core	Core	Core	Core
Cash Ledger	Core	Core	Core	Core
Accounts Receivable	Core	Core	Core	Core
Accounts Payable	Core	Core	Core	Core
W9	Core	Core	Core	Core
EFT	Core	Core	Core	Core
1099	Core	Core	Core	Core
Warrants	Core	Core	Core	Core
General Ledger	Core	Core	Core	Core
Project Accounting	Core	Core	Core	Core
Asset Accounting	Core	Core	Core	Core
Grants Accounting	Core	Core	Core	Core
Information Warehouse / Reporting	Core	Core	Core	Core
Payroll	Core	Core	Core	Core
Grants Management	Expanded	Expanded	Expanded	Expanded
Contract Management	Expanded	Expanded	Expanded	Expanded
Project Management	Expanded	Expanded	Expanded	Expanded
Asset Management	Expanded	Expanded	Expanded	Expanded
CMS: Receipts	Interfaced	Interfaced	Core	Core
CMS: Verifies	Interfaced	Interfaced	Core	Core
CMS: Chargebacks	Interfaced	Interfaced	Core	Core
CMS: Trust Fund Accounting	Interfaced	Interfaced	Core	Core
CMS: Investment Accounting	Interfaced	Interfaced	Core	Core
CMS: Disinvestments	Interfaced	Interfaced	Core	Core
CMS: Bank Accounting	Interfaced	Interfaced	Core	Core
CMS: State Accounts	Interfaced	Interfaced	Core	Core
CMS: CRA	Interfaced	Interfaced	Core	Core
CMS: Agency Repository (Doc Mgmt.)	Interfaced	Interfaced	Core	Core

⁵⁷ Interfaced refers to both the electronic and manual movement of data between systems.

FUNCTION	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
CMS: Warrant Processing	Interfaced	Interfaced	Core	Core
CMS: Investments (Trading) ⁵⁸	Interfaced	Interfaced	Interfaced	Interfaced
CMS: SPIA ⁵⁹	Interfaced	Interfaced	Interfaced	Interfaced
CMS: Archive ⁶⁰	Interfaced	Interfaced	Interfaced	Interfaced
MFMP: Purchasing	Interfaced	Interfaced	Interfaced	Core
MFMP: Receiving	Interfaced	Interfaced	Interfaced	Core
People First: Human Resources	Interfaced	Interfaced	Interfaced	Core
LAS / PBS: Budgeting	Interfaced	Interfaced	Interfaced	Interfaced
FACTS: Grants Administration	Expanded	Expanded	Expanded	Expanded
FACTS: Contract Administration	Expanded	Expanded	Expanded	Expanded
Agency Business Systems ⁶¹	Interfaced	Interfaced	Interfaced	Interfaced

Exhibit 2-9: System Function Comparison by Option

Each of the four options is described in detail including the following elements:

- An overview of the solution including a future state system diagram and a list of included functions
- A high-level implementation timeline including descriptions of the major phases
- A year-by-year breakdown of the expected costs associated with the solution
- A summary of resources required for implementation
- A list of advantages and disadvantages

⁵⁸ Investment management (trading) functionality is not standard to ERP software and is not recommended for inclusion; however, accounting for investments would be included in the ERP to provide a statewide view of financial accounting.

⁵⁹ Special Purpose Investment Account (SPIA) transactions and account management functionality is not standard to ERP software and is therefore not recommended for inclusion; however, accounting for investments would be included in the ERP to provide a statewide view of financial accounting.

⁶⁰ The CMS archive would remain on CMS, all transactions processed in the new system would be available from the new system for reporting or review.

⁶¹ While replacing agency business systems is not specifically within the scope of this project, it is expected that with additional functionality in FLAIR, certain agency systems would become obsolete (or redundant).

2.3.3.1 OPTION 1: ENHANCE FLAIR

As currently constructed, FLAIR does not meet the minimum set of capabilities required for managing Florida’s finances as supported in the previous section (see Exhibit 2-8). Enhancing the current system rather than replacing it with packaged ERP software is the first option to consider.

The Exhibit below contains an analysis of the scope of the enhancement to FLAIR required to support a selection of the minimum capabilities defined in the previous section of this Chapter. These capabilities were selected for illustrative purposes due to their relative importance and overall impact on the scope of the required enhancements.

	SELECTIONS FROM MINIMUM SET OF CAPABILITIES (EXHIBIT 2.8)	IMPACT ON ENHANCEMENT SCOPE
1	Single system of record for statewide financial transactions	<ul style="list-style-type: none"> ▪ A single system of record for statewide financial transactions does not exist today. ▪ To establish a single system of record for statewide financial transactions, core components of Central FLAIR (cash ledger) and Departmental FLAIR (general ledger for Agencies) will need to be combined. ▪ This consolidation of Central and Departmental FLAIR represents a fundamental change to architecture of the existing system. Implementing this change would require nearly all system components and interfaces to be rewritten.
8	Real-time or near-real time transaction processing	<ul style="list-style-type: none"> ▪ FLAIR as currently constructed is a batch based system which does not support real-time transaction processing. While batch based financial systems do still widely exist in both the public and private sector, they can introduce processing delays if information must be moved between multiple systems or system components to complete a transaction. ▪ For example, in FLAIR, a simple funds transfer transaction can take as many as five days to process due to a day-long delay each time information is “batched” and transferred between CMS, Central FLAIR, Departmental FLAIR and agency systems. ▪ Adding real-time processing capabilities to FLAIR is a fundamental change requiring nearly all core processing modules and sub-components of the system to be rewritten.
10	Electronic workflow	<ul style="list-style-type: none"> ▪ FLAIR does not support electronic workflow capabilities or automation. This lack of automation significantly reduces operational efficiencies. ▪ Adding electronic workflow capabilities to a system which does not inherently support it would require significant re-work. ▪ To add workflow capabilities to FLAIR, all core modules of the system would need to be rewritten to include this capability and interfaces to all other systems would need to be updated.

	SELECTIONS FROM MINIMUM SET OF CAPABILITIES (EXHIBIT 2.8)	IMPACT ON ENHANCEMENT SCOPE
11	Effective dating of transactions	<ul style="list-style-type: none"> ▪ FLAIR does not inherently support the ability to provide an effective date for each transaction posted. ▪ Without effective dating of transactions, significant operational inefficiencies are introduced when trying to produce accurate reports, as tedious manual adjustments are necessary. ▪ While adding the ability to effectively date transactions would not normally require a significant upgrade to a modern financial system, FLAIR's limitations make adding this capability all but impossible without updating the data model and expanding the number of fields available for each transaction. These two activities would essentially constitute a rewrite of the entire system.
17	Flexible database architecture which supports multiple fields	<ul style="list-style-type: none"> ▪ FLAIR currently runs from a non-relational database with limited fields. ▪ Adding additional data fields for a process entails making changes to the underlying architecture of FLAIR which would mandate changes to every function and sub-component referencing the data element.
24	Modern, user-friendly interfaces	<ul style="list-style-type: none"> ▪ Users interact with FLAIR today using text based TN3270 / 5250 connections which are typical of mainframe based applications. ▪ The current user interface is functional, but is not user friendly and can be challenging for a new user to learn compared to a windows or web based interface. ▪ One solution to this problem is to introduce a modern web-based front-end to FLAIR, external to the core system, through which employees would interact with the system. ▪ While addressing this capability with a web-front end would not require FLAIR to be rewritten it would still require a multi-year effort to implement and would not address any of the other core issues inherent within the system.

	SELECTIONS FROM MINIMUM SET OF CAPABILITIES (EXHIBIT 2.8)	IMPACT ON ENHANCEMENT SCOPE
13	Use of modern programming languages and database technologies	<ul style="list-style-type: none"> ▪ The existing system is written on top of aging technology platforms which are no longer widely used (Natural / ADABAS). In one study, Natural does not rank within the top 50 programming languages utilized and accounts for less than 0.2% popularity of the all programming languages monitored.⁶² ▪ In addition to introducing functional and technical limitations, the technology platforms on which FLAIR has been developed make identifying and retaining staff challenging. ▪ Moving to more modern technology platforms will necessarily require a full system rewrite. ▪ While tools are available in the marketplace which can speed the process of transitioning from Natural / ADABAS to more modern database / programming languages, there are significant drawbacks to this approach: <ul style="list-style-type: none"> ○ Tools to automate platform conversion are not inexpensive and can introduce significant risks. ○ While conversion tools can decrease implementation times, deploying FLAIR on a new technology platform using these tools will still require a significant, multi-year effort. ▪ While modernizing the technology platforms supporting FLAIR would help reduce the risk of a catastrophic system failure and would alleviate some of the staffing challenges currently faced by DFS, it would not address other key requirements of a new system (ex: creating a single system of record for state financial transactions, providing electronic workflow, introducing real-time processing capabilities, etc.).

Exhibit 2-10: Impact of Minimum Capabilities on Enhancing FLAIR

The analysis clearly shows enhancing FLAIR in a way which addresses all of Florida’s required capabilities for a new financial management system will require the entire system be rewritten. This includes not only an update of the technology platforms and user interfaces but also a redesign of the underlying system architecture, consolidation of Central and Departmental FLAIR, and update of the data model.

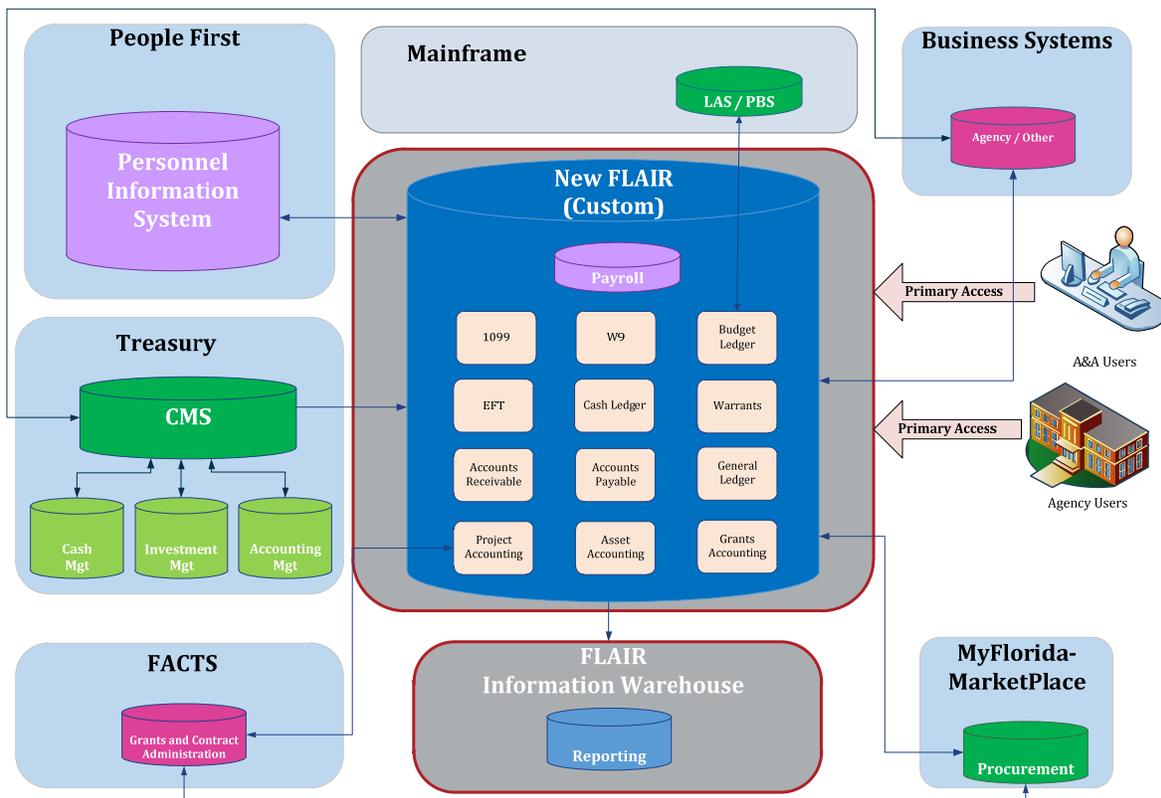
Rewriting FLAIR will require a significantly larger investment than providing incremental enhancements to the existing system – but without performing this rewrite, it is not possible for the State of Florida to address all of its required financial management capabilities.

⁶² Source: TIOBE Programming Community Index for November 2013.

The following pages contain a description of the effort required to rewrite FLAIR, including an estimated project timeline and an analysis of costs and required resources.

Solution Overview

The Exhibit below provides a pictorial representation of the scope of this solution with in-scope components highlighted in grey and outlined with a bold red line. Key characteristics of this solution include the consolidation of existing Central and Departmental FLAIR into a single platform, referred to below as New FLAIR.



Note:
* Central FLAIR, Departmental FLAIR, CMS, IW and FACTS all interface with each other.

Exhibit 2-11: Option1: Enhance FLAIR Scope Illustration

Implementation Timeline

The following Exhibit shows a timeline and a high-level implementation plan for rewriting FLAIR. Descriptions of each phase along with basic assumptions are included on the following pages. Detailed assumptions surrounding this approach can be found in Attachment 1 to this study.

Please note the key milestones have been annotated with callouts.

Activities	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Pre-DDI															
Planning, Re-engineering, and Procurement	◆ Architecture and SI Selected														
DDI Phase 1: Re-Write FLAIR (Central and Departmental)															
Design															
Build/ Test															
FFMIS System Integration															
DDI Phase 2: Agency Onboarding															
Pilot and System Updates															
New FLAIR Rollout															
DDI Phase 3: Payroll															
Design															
Build/ Test															
Pilot and Updates															
Roll Out															
DDI Phase 4: Additional Functionality															
Design															
Build/ Test															
Pilot and Updates															
Roll Out															
DDI Phase 5: Information Warehouse															
Information Warehouse Redesign															
Information Warehouse Implementation															
Operations and Maintenance															
Support Existing FLAIR															
Support New FLAIR															
Cost Breakdown (in thousands)															
Implementation	\$7,581	\$11,216	\$28,324	\$20,576	\$34,347	\$35,149	\$35,663	\$40,568	\$46,088	\$60,727	\$56,652	\$55,697	\$23,143	\$4,561	\$7,143
Maintenance Costs - Existing FLAIR	\$16,870	\$17,123	\$17,380	\$17,641	\$17,905	\$18,174	\$18,446	\$18,723	\$19,004	\$19,289	\$19,578	\$19,872	\$5,062	\$0	\$0
Maintenance Costs - New FLAIR	\$0	\$0	\$1,544	\$44	\$44	\$44	\$9,044	\$44	\$44	\$6,171	\$22,412	\$16,374	\$18,452	\$23,866	\$33,446
Resource Effort Breakdown															
Implementation	32	49	87	86	140	142	142	159	179	218	184	184	93	38	47
Total Support Team	165	165	165	165	165	165	165	165	165	226	295	311	165	165	165

◆ People First Contract Expires ◆ MFMP Contract Expires

Exhibit 2-12: Option 1 Timeline⁶³

- Pre-DDI:** Before any software development can begin, a significant amount of pre-implementation work must occur. Specific tasks in the pre-design, development, and implementation (DDI) phase include business process re-engineering, establishment of project governance structures, and organizational change management activities. In addition, a significant strategic planning effort around information technology will need to occur including the selection of future state technology platforms and planning for the transformation of the technology organization.

A number of procurements will also need to occur to support this phase – both for acquisition of the selected technology platforms as well as for a software developer / system integrator who will assist with the development.

⁶³ The Resource Breakdown in the Exhibit provides the expected total annual labor effort for each year. Due to timing of resource need, skills, and other factors, actual staffing may vary.

Also during Pre-DDI, the project team will work closely with DMS to evaluate the best platform and option for replacement of FLAIR payroll. This evaluation will correspond with the renewal of the current People First contract.

- **DDI Phase 1: Rewrite FLAIR:** This activity will consist of 3rd party and State resources working together to redesign and develop a new financial management system for the State. This activity will replicate the functionality of existing Central and Departmental FLAIR with a number of key enhancements including:
 - Consolidation of existing Central and Departmental FLAIR functionality to create a single system of record for statewide transactions and cash balances
 - Standardization of data sets to allow for better reporting and improved decision making
 - Use of modern technology platforms, programming languages and databases
 - All other functions listed in the minimum set of capabilities at the beginning of this Chapter

During this phase of the project significant efforts will be undertaken to integrate the new financial management system with other FFMIS systems, including the existing MFMP, People First, CMS, LAS/PBS, and the existing FLAIR.

- **DDI Phase 2: Agency Onboarding:** To ensure successful deployment and acceptance of the new system, agencies will be migrated to the new system in phases over a two and a half year period (following an 18 month pilot with one or two agencies, including DFS). Specific agencies who will be brought online during each phase of the rollout will be chosen based on a combination of their size, complexity, willingness to support migration to the new system, and need.
- **DDI Phase 3: Payroll:** Once the core functionality for the new system has been developed, existing payroll processes will be redeveloped to take advantage of the capabilities of the new system. Specific improvements could include:
 - Ability to apply payroll transactions directly to department accounts
 - Ability to source payroll transactions from multiple funds
 - Redevelopment of the payroll calculation system, including an evaluation of People First as an alternative solution for this function
- **DDI Phase 4: Additional Functionality:** Once core system functionality has been developed and the rollout to state agencies has begun, the focus will shift to the development of additional functionality building upon and further improving the State's financial management capabilities. Specific functionality developed will include:
 - Grant management
 - Asset management
 - Project management
 - Contract management

It is important to note while development of these additional capabilities will be well underway at the close of the 15 year analysis window, it is not expected to be available to roll out to the agencies within the 15 years.

- **DDI Phase 5: Information Warehouse (IW):** A key part of the enhancement of FLAIR will be redesigning the IW. The new IW will take advantage of the capabilities of the new system to provide advanced reporting capabilities to agency users and improve their decision making capabilities. Key tasks in this phase will include:
 - Working with business operations teams to standardize data definitions so improvements can be made to the data warehouse and reporting functions
 - Deploy additional analytic capabilities to take advantage of new data coming into the system. This may require the procurement of additional third party software and tools
- **Operations and Maintenance:** The current FLAIR system will need to be maintained until it has been decommissioned. The new FLAIR solution will need support and maintenance beginning part way through the implementation, thus creating a period where there is maintenance and support required for both systems.

Cost Breakdown

Based on the implementation timeline defined above, the estimated costs for rewriting FLAIR are outlined in the Exhibit below. Detailed information on the derivation of these costs estimates can be found in Attachment 1 to this study.

COST CATEGORY	AMOUNT (MILLIONS)
Implementation Cost	\$467.4
Existing FLAIR Support Costs	\$225.1
New FLAIR Support Costs	\$131.5
Solution Total Cost of Ownership	\$824.0

Exhibit 2-13: Option 1 Summary Costs

In Exhibit 2-13 above, *the solution total cost of ownership* is the sum of the following components:

- **Implementation Cost:** Internal (employee time) and external (contractors / purchases) expenditures required to implement an ERP solution to replace FLAIR
- **New FLAIR Support Cost:** Expenses associated with supporting the new FLAIR solution during and after its implementation
- **Existing FLAIR Support Cost:** Expenses associated with supporting FLAIR prior to its retirement

An annual breakdown of information is represented graphically in the following Exhibit:

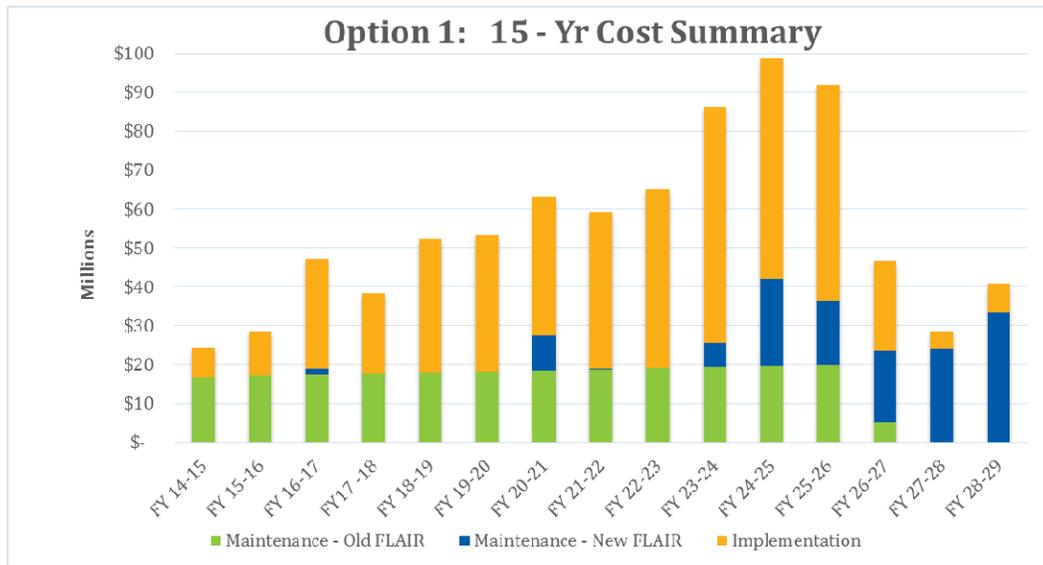


Exhibit 2-14: Option 1 15 Year Cost Summary⁶⁴

Resource Breakdown

Rewriting FLAIR is not a trivial task and will require a significant number of internal and external resources to execute successfully. The Exhibit below estimates the total work effort in annual equivalents for internal and external resources required to complete the project:

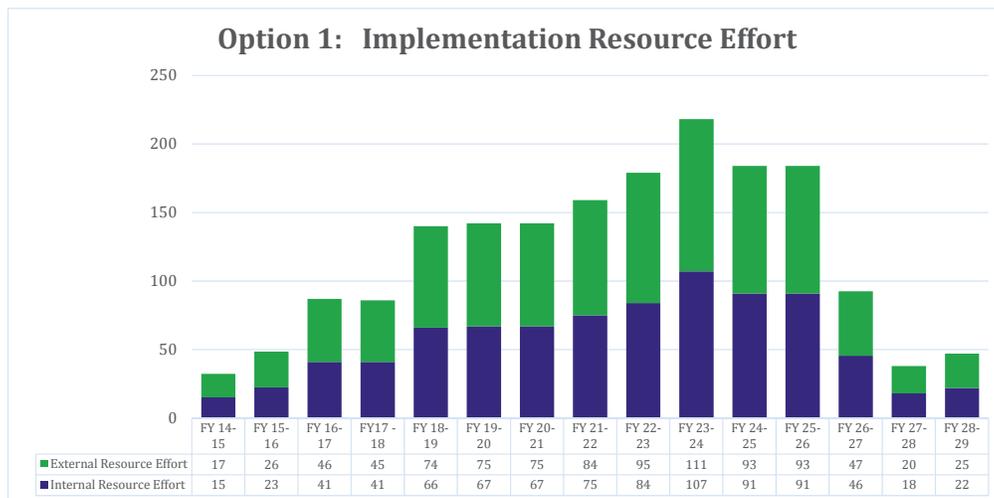


Exhibit 2-15: Option 1 Implementation Resource Effort

⁶⁴ The New Flair maintenance costs represented prior to go-live primarily include hardware costs, including a major hardware upgrade in FY 20-21.

Advantages and Disadvantages

The following Exhibit outlines the advantages and disadvantages of implementing Option1:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Solution is modernized and provides enhanced functionality (e.g., new interface framework/information broker) ▪ Solution is built to business requirements (i.e., you get exact functionality you want) ▪ Impact of change on staff is less than package ERP solution since terminology would be similar to current solution ▪ Sourcing of IT resources is much easier since solution is built on modern technology ▪ Cost and timing of upgrades and solutions enhancements is controlled by the agency (not an ERP software provider) 	<ul style="list-style-type: none"> ▪ Implementation of the new system extends beyond the 15 year analysis timeframe ▪ When implementation is complete, DFS must keep a team of software developers on hand to continuously research and develop system enhancements to ensure the product does not become outdated soon after deployment ▪ Significant likelihood solution functionality will become stagnant through lack of adequate maintenance and support (similar to what happened with FLAIR) ▪ Interfacing with CMS will continue multiple cash balances that must be reconciled ▪ Business processes are limited to solution design and business requirements (i.e., not based on inherent best practices in a package software product) ▪ Software design and development timeline will be longer than a packaged ERP solution ▪ Implementation cost is significantly higher than Option 2 and Option 3. ▪ FFMIS applications would require modifications to integrate with new solution (i.e., design and processing changes will be necessary)

Exhibit 2-16: Option 1 Advantages and Disadvantages

2.3.3.2 OPTION 2: REPLACE FLAIR

The second option available to the State is to replace core FLAIR components with ERP software. Specific components addressed would include;

- Central FLAIR
- Departmental FLAIR
- Information Warehouse
- Payroll

Solution Overview

The Exhibit below provides a pictorial representation of the solution for Option 2:

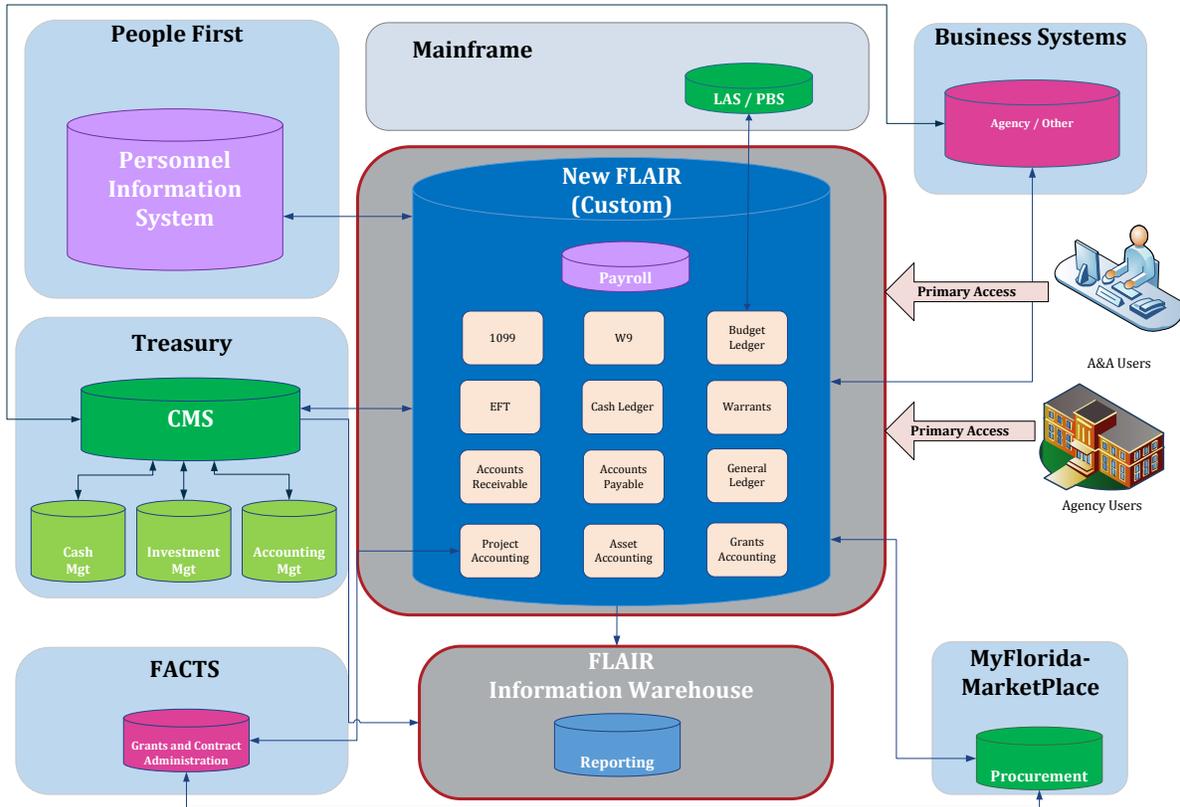


Exhibit 2-17: Option 2: Replace FLAIR Scope Illustration

Implementation Timeline

The following Exhibit shows a timeline and a high-level implementation plan for replacing FLAIR. Descriptions of each phase along with basic assumptions are included on the following pages. Detailed assumptions surrounding this approach can be found in Attachment 1 to this study.

Key milestones have been annotated with callouts.

Activities	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Pre-DDI															
Planning, Re-engineering, and Procurement															
DDI Phase 1: Implement ERP Solution															
Implement ERP for FLAIR															
Deploy Information Warehouse for ERP															
Pilot ERP Solution															
FLAIR/ IW Rollout															
Implement Payroll in ERP															
<p>Central FLAIR Retired</p> <p>Departmental FLAIR Retired</p> <p>Legacy Payroll Retired</p>															
DDI Phase 2: Expand ERP Functionality															
Add Expanded Functionality in All Agencies															
Operations and Maintenance															
Support Existing FLAIR															
Support ERP FLAIR															
Upgrade ERP															
Cost Breakdown (in thousands)															
Implementation	\$6,753	\$9,846	\$39,062	\$30,798	\$37,482	\$31,008	\$31,883	\$3,183	\$5,738	\$10,686	\$6,349	\$6,573	\$0	\$0	\$0
Maintenance Costs - FLAIR	\$16,870	\$17,123	\$17,380	\$17,641	\$14,128	\$10,161	\$5,285	\$260	\$264	\$268	\$272	\$276	\$280	\$284	\$288
Maintenance Costs - ERP	\$0	\$0	\$8,733	\$10,719	\$17,285	\$22,334	\$30,140	\$27,367	\$29,911	\$27,978	\$32,791	\$29,585	\$28,931	\$29,258	\$34,000
Resource Effort Breakdown															
Implementation	30	43	87	117	87	53	59	9	43	42	25	36			
Support - FLAIR	165	165	165	165	125	84	44	3	3	3	3	3	3	3	3
Support - ERP	-	-	25	51	91	132	147	162	162	162	162	162	162	162	162

◆ People First Contract Expires ◆ MFMP Contract Expires

Exhibit 2-18: Option 2 Timeline ⁶⁵

Pre-DDI

- Before any software configuration or development can begin, a significant amount of pre-implementation work must occur. Specific tasks will include business process re-engineering, establishment of project governance structures, and organizational change management activities. In addition, a significant strategic planning effort around information technology will need to occur including planning for the transformation of the technology organization.
- A number of procurements will also need to occur to support this phase. Key components include the selection of an ERP software vendor and a systems integrator to assist with the implementation of the ERP solution.
- Also during Pre-DDI, the project team will work closely with the DMS to evaluate the best platform and option for replacement of FLAIR payroll. This evaluation will correspond with the renewal of the current People First contract.

DDI Phase 1: Implement ERP Solution

⁶⁵ The Resource Breakdown in the Exhibit provides the expected total annual labor effort for each year. Due to timing of resource need, skills, and other factors, actual staffing may vary.

- **Implement ERP for FLAIR:** DFS will work with the chosen SI to configure the functionality of the existing Central FLAIR within the ERP solution. In parallel with this development, DFS will also build and configure Departmental FLAIR functionality within the ERP solution. Key components of this step include:
 - Building an interface between the new ERP solution and existing Departmental FLAIR
 - Configuring the ERP system to support the business processes defined in the minimum set of capabilities
 - Scoping, developing, and testing integrations with the other FFMIS systems to ensure the new ERP system will operate efficiently with the other FFMIS component systems including CMS, MFMP, People First, and LAS / PBS

- **Deploy Information Warehouse (IW) for ERP:** In addition to configuring core Central and Departmental FLAIR functionality in the new ERP solution, this phase of the project will include a re-design and deployment of the current DFS IW.

Deploying the IW will include procurement and implementation of new technology to support data warehousing, reporting and business intelligence as well as:

- Working with business operations teams to standardize data definitions so improvements can be made to the data warehouse and reporting functions
- Deploying new analytic capabilities to take advantage of data coming into the system
- **Pilot ERP Solution:** To ensure successful deployment and acceptance of the new system, DFS will pilot the new ERP solution with a handful of select agencies for a full fiscal year. Participating agencies will be required to discontinue use of the old system during the pilot.

During the pilot, Central FLAIR will still serve as the official system of record for statewide cash balances; however, financial results in the new system should reconcile directly with Central FLAIR. Once the pilot of the new system is successful, Central FLAIR will then be retired.

- **FLAIR/ IW Rollout:** Following the pilot, agencies will be migrated to the new system in phases over a two year period. Specific agencies to be brought online during each phase of the rollout will be chosen based on a combination of their size, complexity, willingness to support migration to the new system, and need.

Once all agencies are migrated to the ERP solution, Departmental FLAIR will be retired.

- **Implement Payroll in ERP:** Payroll processes will be re-designed to take advantage of the capabilities of the new ERP solution. Specific improvements may include:
 - Ability to apply payroll transactions directly to department accounts
 - Ability to source payroll transactions from multiple funds

- Redevelopment of the payroll calculation system, including an evaluation of People First as an alternative solution for this function

DDI Phase 2: Expand ERP Functionality

- Once core system functionality has been implemented within the new ERP system and the rollout to State agencies has begun, the focus will shift to taking advantage of inherent capabilities of the chosen ERP solution to expand and improve upon the State’s financial management capabilities. Specific functionality expected to be developed includes:
 - Grant management
 - Asset management
 - Project management
 - Contract management

Operations and Maintenance

- **Support Existing and ERP FLAIR:** The current FLAIR system will need to be maintained until it has been decommissioned. The new ERP system will require support and maintenance during the pilot testing process. This will create a period where there is a maintenance and support need for both systems.
- **Upgrade ERP:** A critical part of owning and operating an ERP system is keeping up with available vendor upgrades. These upgrades typically include the incremental addition of new functionality, security updates and bug fixes and other system enhancements which ensure the system remains supported by the vendor. Three upgrades of the ERP system are planned over the 15-year window – two minor upgrades -- typically point releases where new functionality is not configured and rolled out to end users -- and a major release including the implementation of new capabilities.

Cost Breakdown

Based on the implementation timeline defined above, the estimated costs for implementing an ERP solution to replace FLAIR are described in the Exhibit below. Detailed information on the derivation of these costs estimates can be found in Attachment 1 to this study.

COST CATEGORY	AMOUNT (MILLIONS)
Implementation Cost	\$219.4
FLAIR Support Costs	\$100.8
ERP Support Costs	\$329.1
Solution Total Cost of Ownership	\$649.3

Exhibit 2-19: Option 2 Summary Costs

In the Exhibit above, *the solution total cost of ownership* is the sum of the following components:

- **Implementation Cost:** Internal (employee time) and external (contractors / purchases) expenditures required to implement an ERP solution to replace FLAIR
- **FLAIR Support Cost:** Expenses associated with supporting FLAIR prior to its retirement
- **ERP Support Cost:** Expenses associated with supporting the new ERP solution during and after its implementation

An annual breakdown of information is represented graphically in the following diagram:

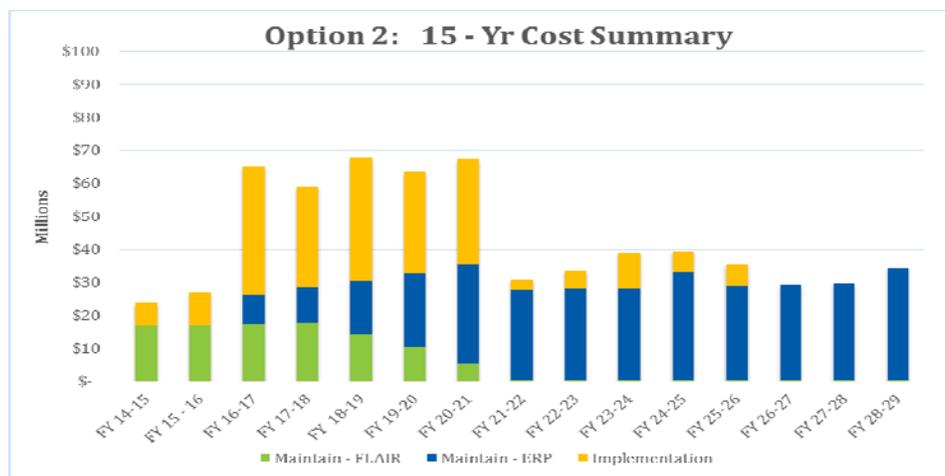


Exhibit 2-20: Option 2 15 Year Cost Summary

Resource Breakdown

The Exhibit below estimates the total work effort in annual equivalents for internal and external resources required to complete the project:

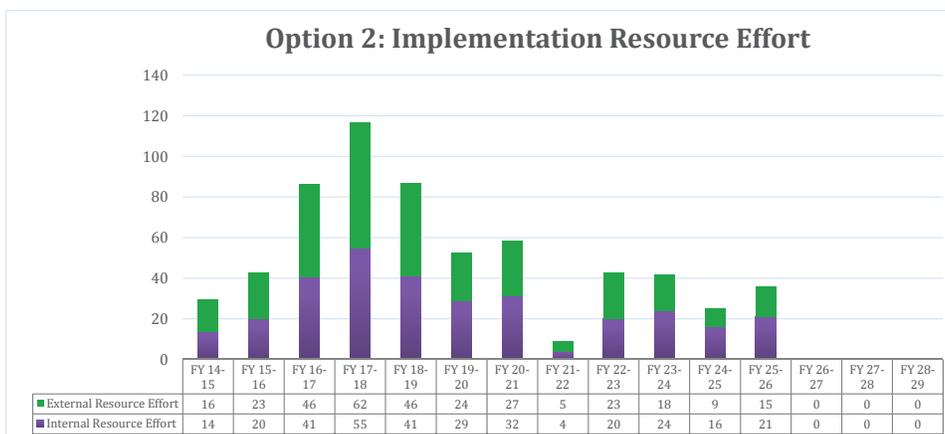


Exhibit 2-21: Option 2 Implementation Resource Effort

Advantages / Disadvantages

The advantages and disadvantages for this option are outlined in the Exhibit below:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Solution based on industry standard technology infrastructure ▪ Solution leverages industry standard practices for core business processes ▪ Vendor upgrades will ensure solution continues to evolve and grow (i.e., add new functionality/capabilities) ▪ Faster design, development, and implementation (DDI) cycles relative to custom built solutions ▪ Easier to identify and acquire resources to support solution ▪ Provides a modernized ERP foundation to allow for further state enterprise integration in the future (e.g., CMS, Procurement) ▪ Solution establishes a consistent set of accounting data definitions 	<ul style="list-style-type: none"> ▪ Fails to leverage the potential process improvements to cash reconciliation processes ▪ Interfacing with CMS will continue multiple cash balances that must be reconciled ▪ Costs, timeline, and upgrade schedule dictated by a system integrator ▪ Package solution requires extensive business process re-engineering to support standard business processes ▪ Package solution would require staff to learn new business terminology and processes ▪ FFMIS applications would require modifications to integrate with new solution

Exhibit 2-22: Option 2 Advantages and Disadvantages

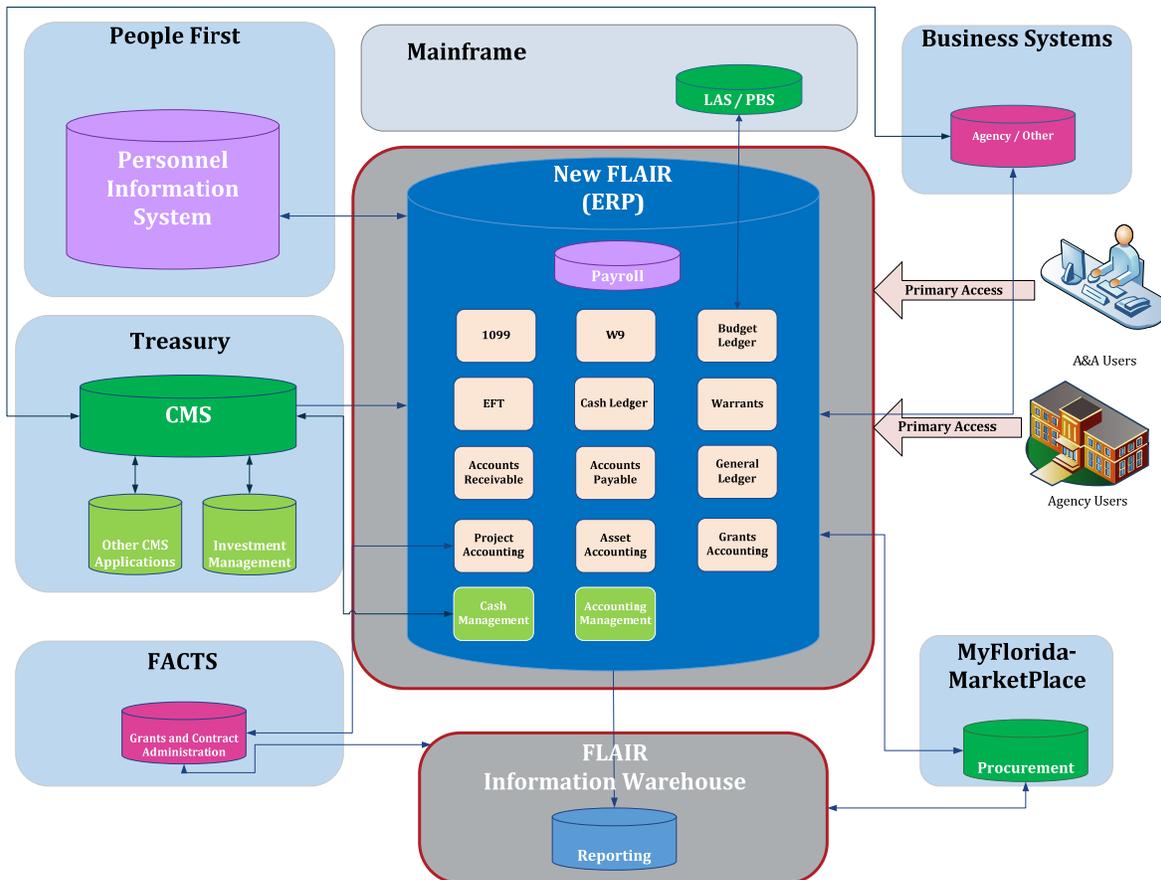
2.3.3.3 OPTION 3: REPLACE FLAIR AND CMS

The following provides additional context around the scope for Option 3: Replace FLAIR and CMS.

- Replace the four main components of FLAIR with an ERP software package:
 - Central FLAIR
 - Departmental FLAIR
 - Information Warehouse
 - Payroll
- Leverage the chosen ERP solution to replace the existing Cash Management System (CMS) administered by the Treasury

Solution Overview

The Exhibit below provides a pictorial representation of the scope of this solution:



Note:
 * Central FLAIR, Departmental FLAIR, CMS, IW and FACTS all interface with each other.

Exhibit 2-23: Option3: Replace FLAIR and CMS Scope Illustration

Implementation Timeline

The following Exhibit shows the timeline and high-level implementation plan for replacing FLAIR and CMS. Descriptions of each phase along with basic assumptions are included on the following pages. Detailed assumptions surrounding this approach can be found in Attachment 1 to this study.

Activities	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Pre-DDI															
Planning, Re-engineering, and Procurement	ERP Solution and SI Selected														
DDI Phase 1: Implement ERP Solution															
Implement ERP for FLAIR/CMS															
Deploy Information Warehouse for ERP															
Pilot ERP Solution															
CMS Rollout															
FLAIR/ IW Rollout															
Implement Payroll in ERP															
DDI Phase 2: Expand ERP Functionality															
Add Expanded Functionality in All Agencies															
Operations and Maintenance															
Support Existing FLAIR															
Support ERP FLAIR															
Upgrade ERP															
Cost Breakdown (in thousands)															
Implementation	\$6,753	\$9,846	\$40,407	\$31,666	\$38,897	\$32,362	\$32,179	\$3,183	\$5,738	\$10,686	\$6,349	\$6,573	\$0	\$0	\$0
Maintenance Costs - FLAIR	\$16,870	\$17,123	\$17,380	\$17,641	\$14,169	\$10,077	\$5,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Costs - ERP	\$0	\$0	\$4,944	\$6,838	\$16,235	\$22,923	\$31,642	\$29,783	\$32,422	\$30,585	\$35,496	\$32,388	\$31,835	\$32,264	\$37,199
Resource Effort Breakdown															
Implementation	30	43	91	121	91	57	59	9	43	42	25	36	-	-	-
Support - FLAIR	165	165	165	165	125	83	42	-	-	-	-	-	-	-	-
Support - ERP	-	-	27	52	95	135	150	165	165	165	165	165	165	165	165

◆ People First Contract Expires ◆ MFMP Contract Expires

Exhibit 2-24: Option 3 Timeline ⁶⁶

Pre-DDI

- Before any software configuration or development can begin, a significant amount of pre-implementation work must occur. Specific tasks will include business process re-engineering, establishment of project governance structures, and organizational change management activities. In addition, a significant strategic planning effort around information technology will need to occur including planning for the transformation of the technology organization.
- A number of procurements will also need to occur to support this phase. Key components include the selection of an ERP software vendor and an SI to assist with the implementation of the ERP solution.
- Also during Pre-DDI, the project team will work closely with the DMS to evaluate the best platform and option for replacement of FLAIR payroll. This evaluation will correspond with the renewal of the current People First contract.

⁶⁶ The Resource Breakdown in the Exhibit provides the expected total annual labor effort for each year. Due to timing of resource need, skills, and other factors, actual staffing may vary.

DDI Phase 1: Implement New FLAIR

- **Implement ERP for FLAIR/CMS:** DFS will work with the chosen SI to configure the functionality of the existing Central FLAIR within the ERP solution. In parallel with this development, DFS will also build and configure Departmental FLAIR functionality within the ERP solution. Key components of this step include:
 - Building an interface between the new ERP solution and existing Departmental FLAIR
 - Configuring the ERP system to support the business processes defined in the minimum set of capabilities
 - Configuring the ERP system to support current CMS functionality
 - Scoping, developing, and testing integrations with the other FFMIS systems to ensure the new ERP system will operate efficiently with the other FFMIS component systems including MFMP, People First, and LAS / PBS
- **Deploy Information Warehouse (IW) for ERP:** In addition to configuring core Central and Departmental FLAIR functionality in the new ERP solution, this phase of the project will include a re-design and deployment of the current DFS IW.

This will include procurement and implementation of new technology to support data warehousing, reporting, and business intelligence as well as:

- Working with business operations teams to standardize data definitions so improvements can be made to the data warehouse and reporting functions
- Deployment of new analytic capabilities which take advantage of data coming into the system
- **Pilot ERP Solution:** To ensure successful deployment and acceptance of the new system, DFS will pilot the new ERP solution with a handful of select agencies for a full fiscal year. Participating agencies will be required to discontinue use of the old system during the pilot.

During the pilot, Central FLAIR will still serve as the official system of record for statewide cash balances; however, financial results in the new system should reconcile directly with Central FLAIR. Assuming the pilot of the new system is successful, Central FLAIR will then be retired.

- **FLAIR / IW Rollout:** Following the pilot, agencies will be migrated to the new system in phases over a two year period. Specific agencies to be brought online during each phase of the rollout will be chosen based on a combination of their size, complexity, willingness to support migration to the new system, and need.

Once all agencies are migrated to the ERP solution, Departmental FLAIR will be retired.

- **Implement Payroll In ERP:** Payroll processes will be re-designed to take advantage of the capabilities of the new ERP solution. Specific improvements may include:

- Ability to apply payroll transactions directly to department accounts
- Ability to source payroll transactions from multiple funds
- Redevelopment of the payroll calculation system, including an evaluation of People First as an alternative solution for this function

DDI Phase 2: Expand ERP Functionality

- Once core system functionality has been implemented within the new ERP system and the rollout to state agencies has begun, the focus will shift to taking advantage of inherent capabilities of the chosen ERP solution to expand and improve upon the State’s financial management capabilities. Specific functionality expected to be developed includes:
 - Grant management
 - Asset management
 - Project management
 - Contract management

Operations and Maintenance

- **Support Existing and ERP FLAIR:** The current FLAIR system will need to be maintained until it has been decommissioned. The new ERP system solution will need support and maintenance during the pilot testing process, creating a period where there is a maintenance and support need for both systems.
- **Upgrade ERP:** A critical part of owning and operating an ERP system is keeping up with available vendor upgrades. These upgrades typically include the incremental addition of new functionality, security updates and bug fixes and other system enhancements which ensure your system remains supported by the vendor. Three upgrades of the ERP system are planned over the 15 year window – two minor upgrades – typically point releases where new functionality is not configured and rolled out to end users – and a major release which will include the implementation of new capabilities.

Cost Breakdown

Based on the implementation timeline defined above, the estimated costs for implementing an ERP solution to replace FLAIR and CMS are as follows. Detailed information on the derivation of these costs estimates can be found in Attachment 1 to this study.

COST CATEGORY	AMOUNT
Implementation Cost	\$224.6 Million
FLAIR and CMS Support Costs	\$98.4 Million
ERP Support Costs	\$344.6 Million
Solution Total Cost of Ownership	\$667.6 Million

Exhibit 2-25: Option 3 Summary Costs

In the Exhibit above, *the solution total cost of ownership* is the sum of the following components:

- **Implementation Cost:** Internal (employee time) and external (contractors / purchases) expenditures required to implement an ERP solution to replace FLAIR
- **FLAIR Support Cost:** Expenses associated with supporting FLAIR prior to its retirement
- **ERP Support Cost:** Expenses associated with supporting the new ERP solution during and after its implementation

An annual breakdown of information is represented graphically in the following Exhibit:

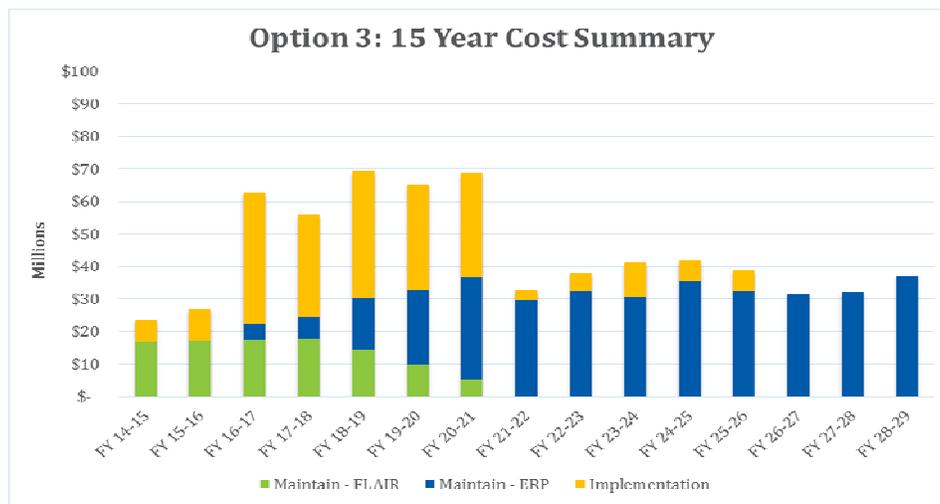


Exhibit 2-26: Option 3 15 Year Cost Summary

Resource Breakdown

The Exhibit below estimates the total work effort in annual equivalents for internal and external resources required to complete the project:

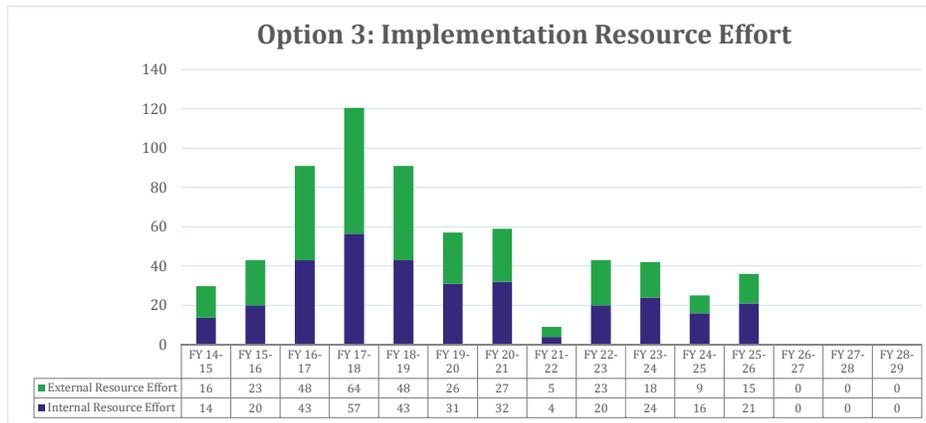


Exhibit 2-27: Option 3 Implementation Resource Effort

Advantages / Disadvantages

The advantages and disadvantages for this option are contained in the Exhibit below:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Solution based on industry standard technology ▪ Solution leverages industry standard practices for core business processes (e.g., order-to-cash, procure-to-pay) ▪ Vendor upgrades will ensure solution continues to evolve and grow (i.e., add new functionality/capabilities) ▪ Faster design, development, and implementation (DDI) cycles relative to pure custom built solution ▪ Easier to identify and source resources to support solution ▪ Provides a modernized ERP foundation to allow for further state enterprise integration in the future ▪ Single integrated platform automates and simplifies complex cash reconciliation process ▪ Solution establishes a solid foundation to extend the ERP platform to other business functions (e.g., procurement) 	<ul style="list-style-type: none"> ▪ Investment timeline and upgrade schedule dictated by the ERP vendor ▪ Package solution requires extensive business process re-engineering to support standard business processes ▪ Package solution would require staff to learn new business terminology and processes ▪ FFMIS applications would require modifications to integrate with new solution

Exhibit 2-28: Option 3 Advantages and Disadvantages

2.3.3.4 OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST

The following provides additional context around the scope for Option 4: Replace FLAIR, CMS, MFMP, and People First.

- Replace the four main components of FLAIR with an ERP software package:
 - Central FLAIR
 - Departmental FLAIR
 - Information Warehouse
 - Payroll
- Leverage the chosen ERP solution to replace the existing cash management system (CMS) run by the Treasury, MFMP, and People First

The Exhibit below provides a pictorial representation of the scope of this solution:

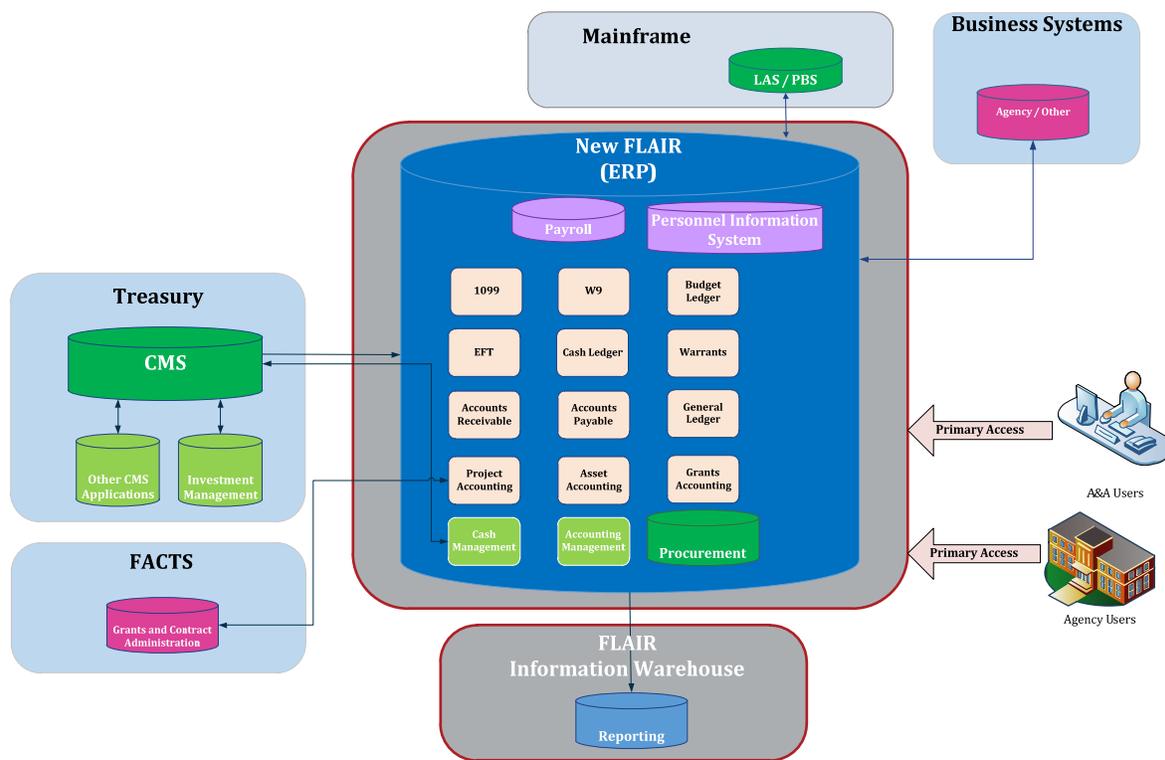


Exhibit 2-29: Option4: Replace FLAIR, CMS, MFMP, and People First Scope Illustration

Implementation Timeline

The following Exhibit shows a timeline and high-level implementation plan for replacing FLAIR, CMS, MFMP, and People First. Descriptions of each phase along with basic assumptions are included on the following pages. Detailed assumptions surrounding this approach can be found in Attachment 1 to this study.

Key milestones have been annotated with callouts.

Activities	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Pre-DDI															
Planning, Re-engineering, and Procurement	ERP Solution and SI Selected														
DDI Phase 1: Implement ERP Solution															
Implement ERP for FLAIR/CMS and Procurement	[Timeline bars for implementation]														
Deploy Information Warehouse for ERP	[Timeline bars for deployment]														
Pilot ERP Solution	[Timeline bars for pilot]														
CMS Rollout	[Timeline bars for CMS rollout]														
FLAIR/ IW Rollout	[Timeline bars for FLAIR/IW rollout]														
Implement HR and Payroll in ERP	[Timeline bars for HR and Payroll]														
◆ People First Contract Expires ◆ MFMP Contract Expires															
DDI Phase 2: Expand ERP Functionality															
Add Expanded Functionality in All Agencies	[Timeline bars for expanded functionality]														
Operations and Maintenance															
Support Existing FLAIR	[Timeline bars for support]														
Support ERP FLAIR	[Timeline bars for support]														
Upgrade ERP	[Timeline bars for support]														
Cost Breakdown (in thousands)															
Implementation	\$7,489	\$10,829	\$33,728	\$33,153	\$50,580	\$41,394	\$35,740	\$38,751	\$42,624	\$29,270	\$36,006	\$23,257	\$262	\$0	\$0
Maintenance Costs - FLAIR	\$16,870	\$17,123	\$17,380	\$17,641	\$17,481	\$13,396	\$8,483	\$3,506	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance Costs - ERP	\$0	\$0	\$7,576	\$9,614	\$15,449	\$22,309	\$28,048	\$27,537	\$29,139	\$30,878	\$37,465	\$33,716	\$37,716	\$34,772	\$39,692
Resource Effort Breakdown															
Implementation	32	47	117	128	134	116	78	89	106	125	120	54	36	-	-
Support - FLAIR	165	165	165	165	165	123	81	41	-	-	-	-	-	-	-
Support - ERP	-	-	26	52	94	135	150	165	165	165	165	165	165	165	165

Exhibit 2-30: Option 4 Timeline ⁶⁷

Pre-DDI

- Before any software configuration or development can begin, a significant amount of pre-implementation work must occur. Specific tasks will include business process re-engineering, establishment of project governance structures, and organizational change management activities. In addition, a significant strategic planning effort around information technology will need to occur including planning for the transformation of the technology organization.
- A number of procurements will also need to occur to support this phase. Key components include the selection of an ERP software vendor and a SI to assist with the implementation of the ERP solution.

DDI Phase 1: Implement ERP Solution

- **Implement ERP for FLAIR/CMS and Procurement:** DFS will work with the chosen SI to configure the functionality of the existing Central FLAIR within the ERP solution. In parallel with this development, DFS will also build and configure Departmental FLAIR functionality within the ERP solution. Key components of this step include:
 - Building an interface between the new ERP solution and existing Departmental FLAIR

⁶⁷ The Resource Breakdown in the Exhibit provides the expected total annual labor effort for each year. Due to timing of resource need, skills, and other factors, actual staffing may vary.

- Configuring the ERP system to support the business processes defined in the minimum set of capabilities
- Configuring the ERP system to support current CMS functionality
- Configuring the ERP system to support current core MFMP functionality – including purchasing and receiving
- Scoping, developing, and testing integrations with the other FFMS systems to ensure the new ERP system will operate efficiently with any remaining FFMS component systems including LAS / PBS
- **Deploy Information Warehouse (IW) for ERP:** In addition to configuring core Central and Departmental FLAIR functionality in the new ERP solution, this phase of the project will include a re-design and deployment of the current DFS IW.

This will include procurement and implementation of new technology to support data warehousing, reporting, and business intelligence as well as:

- Working with business operations teams to standardize data definitions so improvements can be made to the data warehouse and reporting functions
- Deployment of new analytic capabilities which take advantage of data coming into the system
- **Pilot ERP Solution:** To ensure successful deployment and acceptance of the new system, DFS will pilot the new ERP solution with a handful of select agencies for a full fiscal year. Participating agencies are required to discontinue use of the old system during the pilot.

During the pilot, Central FLAIR will still serve as the official system of record for statewide cash balances, however financial results in the new system should reconcile directly with Central FLAIR. Assuming the pilot of the new system is successful, Central FLAIR will then be retired.

- **FLAIR/ IW Rollout:** Following the pilot, agencies are migrated to the new system in phases over a two and a half year period. Specific agencies brought online during each phase of the rollout are chosen based on a combination of their size, complexity, willingness to support migration to the new system, and need. Once all agencies are migrated to the ERP solution, Departmental FLAIR is retired.
- **Implement HR and Payroll in ERP:** Following the deployment of Central and Departmental FLAIR, CMS and MFMP in the new ERP system the focus will shift to configuring human resources functionality within the new system. All functions currently contained within People First will be migrated into the ERP system and access will be rolled out statewide following a pilot with a subset of agencies.

DDI Phase 2: Expand ERP Functionality

- Once core system functionality is implemented within the new ERP system and the rollout to state agencies has begun, the focus shifts to taking advantage of inherent capabilities of the chosen ERP solution to expand and improve upon the State's

financial management capabilities. Specific functionality expected to be developed includes:

- Grant management
- Asset management
- Project management
- Contract management

Operations and Maintenance

- **Support Existing and ERP FLAIR:** The current FLAIR system needs to be maintained until it has been decommissioned. The new ERP system solution will need support and maintenance beginning during pilot testing process, creating a period where there is a maintenance and support need for both systems.
- **Upgrade ERP:** A critical part of owning and operating an ERP system is keeping up with available vendor upgrades. These upgrades typically include the incremental addition of new functionality, security updates and bug fixes and other system enhancements that ensure that your system remains supported by the vendor. Three upgrades of the ERP system are planned over the 15 year window – two minor upgrades -- typically point releases where new functionality is not configured and rolled out to end users -- and a major release that will include the implementation of new capabilities.

Cost Breakdown

Based on the implementation timeline defined above the estimated costs for implementing an ERP solution to replace FLAIR, CMS, MFMP, and People First are described in the following Exhibit. Detailed information on the derivation of these costs estimates can be found in Attachment 1 to this study.

COST CATEGORY	AMOUNT (MILLIONS)
Implementation Cost	\$383.1
FLAIR Support Costs	\$111.9
ERP Support Costs	\$354.7
Solution Total Cost of Ownership	\$849.7

Exhibit 2-31: Option 4 Summary Costs

In the Exhibit above, *the solution total cost of ownership* is the sum of the following components:

- **Implementation Cost:** Internal (employee time) and external (contractors / purchases) expenditures required to implement an ERP solution to replace FLAIR, CMS, MFMP, and People First
- **FLAIR Support Cost:** Expenses associated with supporting FLAIR, CMS, MFMP, and People First prior to its retirement

- **ERP Support Cost:** Expenses associated with supporting the new ERP solution during and after its implementation

An annual breakdown of information is represented graphically in the following Exhibit:

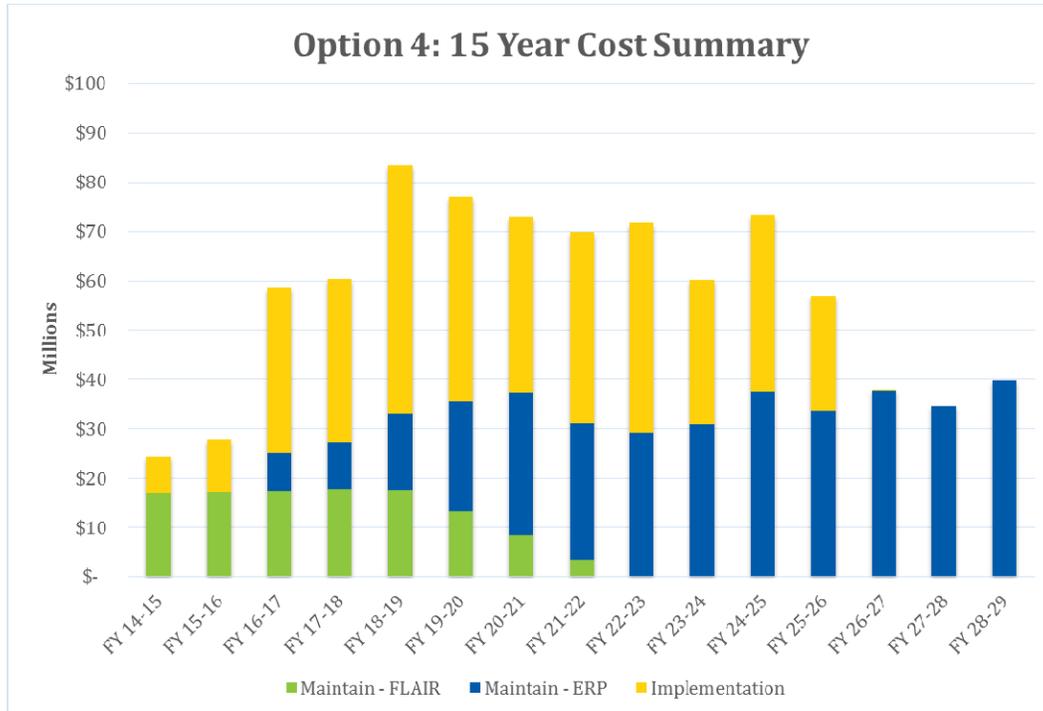


Exhibit 2-32: Option 4 15 Year Cost Summary

Resource Breakdown

The Exhibit below estimates the total work effort in annual equivalents for internal and external resources required to complete the project:

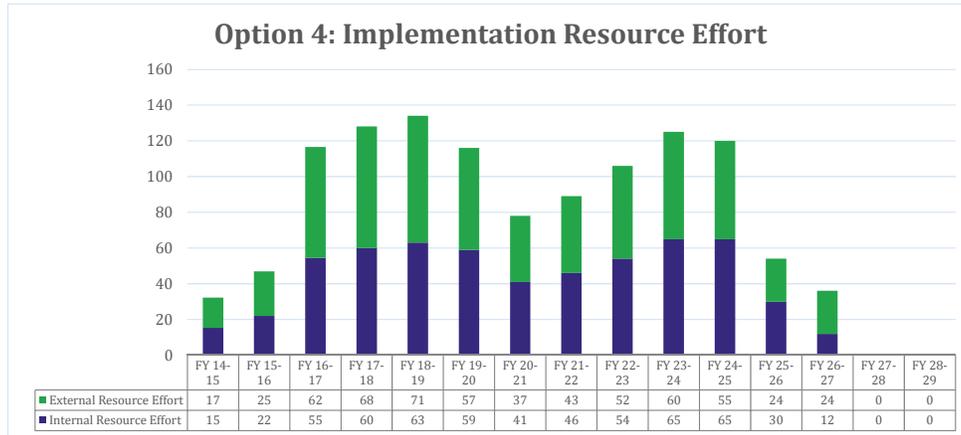


Exhibit 2-33: Option 4 Implementation Resource Effort

Advantages / Disadvantages

The advantages and disadvantages for this option are contained in the Exhibit below:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Solution based on industry standard technology ▪ Solution leverages industry standard practices for core business processes (e.g., order-to-cash, procure-to-pay) ▪ Vendor upgrades will ensure solution continues to evolve and grow (i.e., add new functionality/capabilities) ▪ Faster design, development, and implementation (DDI) cycles relative to pure customized solution ▪ Easier to identify and source resources to support solution ▪ Single integrated platform automates and simplifies complex cash reconciliation process ▪ Solution provides a single integrated platform supporting statewide financial management ▪ Data consolidated on single platform facilitates enhanced decision making and analysis 	<ul style="list-style-type: none"> ▪ Critical project and enterprise governance issues need to be addressed and implemented before this option would be feasible ▪ Investment timeline and upgrade scheduled dictated by the ERP vendor ▪ Package solution requires extensive business process re-engineering to support standard business processes ▪ Package solution would require staff to learn new business terminology and processes ▪ Planning and implementation activities are more complex since they need to include People First and MFMP go-forward plans and contractual requirements (through August 2016 and January 2017, respectively)

Exhibit 2-34: Option 4 Advantages and Disadvantages

2.4 OPTIONS ANALYSIS

In addition to considering the advantages and disadvantages of each option presented in the previous Section of this study, the State must carefully consider other factors in making a selection. The options analysis is structured around the following four elements:

- Option Alignment to Goals and Objectives
- Cost Comparison
- Benefits Comparison
- Risk Analysis

2.4.1 OPTION ALIGNMENT TO VISION, GOALS, AND OBJECTIVES

Chapter 1, Section 1.5 introduced a project vision statement and four solution goals and their associated business value. The vision provides direction on what is trying to be achieved by any potential solution and a basis for future planning; while the solution goals provide a minimum set of capabilities which must be met by any potential solution. Establishing a minimum set of capabilities is critical in order to ensure all options are compared to a common standard. This common base will allow option costs, timelines, and capabilities to be compared in a consistent manner.

As part of the analysis, each option was assessed against the vision statement and four solutions goals. This assessment was qualitative with the alignment presented for each option relative to the other options. The Exhibit below reflects the output of this qualitative assessment:

EVALUATION OF QUALITATIVE CRITERIA	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Vision: Implement a statewide accounting system which enforces standardization, acts as a scalable foundation to evolve as business needs change, and positions Florida for future innovation as it considers a true enterprise-wide solution.	○	○	●	●
Goal #1: Reduce the State’s risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability.	●	●	●	●
Goal #2: Improve state and agency specific decision making by capturing a consistent and an expandable set of data.	●	●	●	●

EVALUATION OF QUALITATIVE CRITERIA	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Goal #3: Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future.	○	○	●	●
Goal #4: Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies.	●	●	●	●
Combined Alignment ⁶⁸	1.6	1.8	2.8	3
Relative Correlation to Stated Solution Goal:	○ Low (1)	● Medium (2)	● High (3)	

Exhibit 2-35: Option Alignment to Vision and Goals

2.4.2 COST COMPARISON

Below is an overview of the results of the cost modeling exercise. For each option described in Section 2.3 of this document, the team modeled costs over a 15 year window starting in July 2014 (FY 14-15). This time frame was selected for a number of reasons, including:

- In all options analyzed, the required minimum capabilities can be achieved during a 15 year window. Benefits are related to implementation of the minimum capabilities and should also begin within this window.⁶⁹
- In each case, a 15 year window provides visibility into not only the costs of implementation but also support costs for the system once it reaches steady state.

It is important to note the selection of a 15 year window is not in any way indicative of the lifespan of the new FLAIR system. In all cases it should far outlive the timelines built into the models.

⁶⁸ The combined alignment score is the average of the alignment of each option to the four goals and vision scored on a scale of 1 to 3 with a 3 having the highest alignment.

⁶⁹ Implementation of the minimum capabilities will be complete by the end of year 15 for Option 1, but some of the enhanced functionality may not be complete.

The Exhibit below summarizes expected total cost of ownership for each option over a fifteen year period starting in July 2014 (FY 14-15).

COST CATEGORIES (IN MILLIONS)	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Implementation Cost	\$467.4	\$219.4	\$224.6	\$383.1
FLAIR Support Costs	\$225.1	\$100.8	\$98.4	\$111.9
New FLAIR (ERP) Support Costs (including Upgrades)	\$131.5	\$329.1	\$344.6	\$354.7
Solution Total Cost of Ownership	\$824.0	\$649.3	\$667.6	\$849.7
Comparative score ⁷⁰	2.5	3	2.9	2.4

Exhibit 2-36: Summary Option Cost Comparison

In the Exhibit above, *the solution total cost of ownership* is the sum of the following components:

- **Implementation Cost:** Internal (employee time) and external (contractors / purchases) expenditures required to design and implement the solution to replace FLAIR
- **New FLAIR (ERP) Support Cost:** Expenses associated with supporting the current FLAIR system prior to its retirement
- **ERP Support Cost:** Expenses associated with supporting the new FLAIR replacement solution during and after its implementation

The Exhibit below compares the total cost of ownership graphically for each of the four options:

⁷⁰ The comparative cost score is calculated on a scale of 1 to 3 with the lowest cost assigned 3 and the other values distributed based on their percentage difference from the lowest cost.



Exhibit 2-37: Option Total Cost of Ownership Comparison

Cost Comparison Summary

Based on both implementation cost and total cost of ownership over a 15 year period, the differences between option 2 and option 3 is less than two percent, making them effectively cost neutral, with Option 4 being the most expensive.

2.4.3 BENEFITS COMPARISON

One of the key differentiators between the four options analyzed is the timeline for the delivery of the expected benefits. The Exhibit below summarizes the expected delivery year for each of the benefits outlined in Section 2.3.2 of this document.

BENEFIT	DELIVERED WHEN...	OPTIONS CONSIDERED			
		OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Reduction of Risk					
Risk of a catastrophic system failure would be significantly reduced by moving to a new or enhanced system.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
System support and maintenance challenges would be significantly reduced because moving to a modern technology platform / off the shelf solution would make identifying and retaining skilled technical staff much easier.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Risk and instability resulting from a lack of documentation within the current system would be resolved during the implementation of the new system.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Business risks associated with the lack of flexibility and scalability of the current system will be reduced or eliminated by enhancing or replacing FLAIR with a modern system.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23

BENEFIT	DELIVERED WHEN....	OPTIONS CONSIDERED			
		OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Operational Improvements					
Encumbrances are interfaced from external systems and tractable on all payable transactions.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Central FLAIR and Departmental FLAIR share a common database and there is no need to reconcile the two.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Inter-agency transfers and eliminations are automatically processed and balanced.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Warrants can be paid from any account combination entered.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
The new system supports the consolidation and scheduling of payments based on due dates and payment terms.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
An accounts receivable system which supports tracking and reporting of monies owed to the state.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23

BENEFIT	DELIVERED WHEN....	OPTIONS CONSIDERED			
		OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
CMS check reconciliation and cash availability functions share data with Central and Departmental transactions removing the need to separately reconcile them.	Agency rollout complete (Central and Departmental FLAIR replaced) or CMS Rollout Complete	FY 26-27	FY 21-22	FY 20-21	FY 21-22
The state maintains two cash balances (book in the new system), and the bank balance, reducing the time spent on cash reconciliation.	Agency rollout complete (Central and Departmental FLAIR replaced) or CMS Rollout Complete	FY 26-27	FY 21-22	FY 20-21	FY 21-22
The system supports workflow processing and electronic document management.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
System support resources have a common skill set and can be easily recruited or contracted from multiple sources.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
The new system incorporates standard functionality to support barcode reading and more efficient inventory processing.	Additional Functionality (Phase 2) complete	FY 29-30	FY 24-25	FY 24-25	FY 26-27
Standard functionality supports basic tracking and accounting for assets, grants, projects, and contracts.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23

BENEFIT	DELIVERED WHEN....	OPTIONS CONSIDERED			
		OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Improved Decision Making					
Financial system data will be available through queries from the information warehouse reducing the need for MS Access and Excel for preparation of the Financial Statements (e.g. CAFR) and management reports.	Information Warehouse Complete	FY 22-23	FY 21-22	FY 21-22	FY 22-23
Aging of accounts payable and accounts receivable as well as other cash forecasting reports will be available directly from the system.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Accounting transactions are captured at a consistent level of detail across the state, leading to better reporting.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Data and reporting tools are available to support statewide reporting of key metrics (e.g. vendor and category spend).	Information Warehouse Complete	FY 22-23	FY 21-22	FY 21-22	FY 22-23
Business users can create and run ad hoc reports and queries as needed without IT resource assistance.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23

BENEFIT	DELIVERED WHEN....	OPTIONS CONSIDERED			
		OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Application maintains a flexible, standardized Chart of Accounts (CoA) structure which supports statewide reporting while giving agencies the ability to categorize expenses at a lower level of detail as needed.	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23
Agencies can forecast financial performance throughout the year (i.e., “what if” analysis).	Agency rollout complete (Central and Departmental FLAIR replaced)	FY 26-27	FY 21-22	FY 21-22	FY 22-23

Exhibit 2-38: Benefits Realization by Option

Benefits Realization Summary

A key assumption of the option analysis is that the identified benefits will be realized upon successful completion of the implementation. The difference is how soon these benefits can be realized. Averaging the number of years it is expected to take to realize each benefit, the following summary comparison shows that there is negligible difference between the time to benefit for options 2 and 3 with option 1 taking significantly longer:

	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Average time to benefit (years)	12.8	8.1	7.9	8.9
Comparative score ⁷¹	1.8	2.9	3	2.7

Exhibit 2-39: Average Time to Benefit by Option

2.4.4 RISK ANALYSIS

All four options being evaluated are complex and challenging. Implementation timelines are measured in years (not weeks or months) and require significant resources invested to achieve successful completion. Because of the complexity and breadth of the options, they share many of the same risks with the difference being the likelihood and severity of impact of each of the risks. The Exhibit below highlights the common risks which may be encountered during the implementation regardless of the selected option:

⁷¹ The comparative time to benefit score is calculated on a scale of 1 to 3 with 3 representing the shortest average time to benefit, and the other benefit times distributed based on the percentage of additional time it takes to achieve benefits.

RISK	POTENTIAL IMPACTS	MITIGATION STRATEGIES
Loss of political / executive sponsorship	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Educate executive leadership on the current risks and challenges faced with current environment ▪ Document go-forward direction and timeline in Statute ▪ Structure implementation to achieve incremental successes
Ineffective governance processes prevent decision making	<ul style="list-style-type: none"> ▪ Increased customizations ▪ Higher support costs ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Define a governance structure denoting authority to make decisions and enforce policy across FFMS ▪ Establish clear definition of decisions which can be made within the project and what decisions/approval need to be raised to a higher level ▪ Clarify/modify Statutes to enforce process standardization ▪ Communicate to agencies at the beginning of the project the expectations related to process standardization and customizations – only customizations required to meet state or federal statutes will be completed ▪ Executive leadership must commit to making hard decisions around agency requests, not every request can be accommodated
Funding not available	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Establish funding mechanisms which are documented in statute ▪ Complete the project in phases to lower fiscal commitments while still moving forward with wins and progress for the State
Third party software developers and / or ERP implementation experts not available	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Ensure adequate budget is available to acquire / retain the appropriate technical resources

RISK	POTENTIAL IMPACTS	MITIGATION STRATEGIES
FLAIR users not able to adapt to new system and processes	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Determine early in project if key resource/skill gaps exist and develop strategies to address (training, strategic hiring, etc.) ▪ Invest significant resources into developing and executing a comprehensive change management and organizational transition plan
Lack of agency buy-in and support	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Educate agency leadership on the risks and challenges faced with current environment ▪ Include agencies in project leadership and include them throughout the process ▪ Use phased implementation approach to build momentum and support ▪ Document go-forward direction and timeline in statute
Agencies do not assign an adequate number of resources to the project	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identify and communicate agency resource needs at the beginning of the project; set expectations of their requirements/time commitment ▪ Escalate resource issues to Project Leadership quickly and address immediately ▪ Define part-time commitments required
DFS may not have the skills, experience or staff to design, develop, test, and roll out the solution	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Establish a strong governance model and project management structure to monitor progress and guide implementation ▪ Supplement DFS staff with an experienced and seasoned SI ▪ Increase pay levels for specific technical positions to ensure recruitment and retention
Business processes not changed	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Conduct business process improvement effort at beginning of project and challenge the status quo

RISK	POTENTIAL IMPACTS	MITIGATION STRATEGIES
Integration issues with existing agency / FFMS systems including managing around contract updates for both People First and MFMP	<ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline ▪ Increased customizations ▪ Higher support costs 	<ul style="list-style-type: none"> ▪ Ensure phased approach to system development and rollout ▪ Build extra time into budgets to support integration challenges as they arise
Sufficient resources are not assigned to perform ongoing system support and upgrades	<ul style="list-style-type: none"> ▪ Higher support costs ▪ Shortened solution life span 	<ul style="list-style-type: none"> ▪ Include upgrade requirements into procurement documents, long term strategic plans, and budgets ▪ Document a strategic plan and enhancement roadmap which is updated annually ▪ Leverage enterprise governance structure to define integration points between FLAIR and all FFMS subsystems

Exhibit 2-40: Summary of Common Implementation Risks

Each of the risks identified in the Exhibit above apply to the four solution options in different ways. Depending on the characteristics of each solution, the likelihood of the risk affecting the implementation will vary from low to high as does the potential impact.

Using the risk rating matrix below, the FLAIR Study Team determined the severity of each risk identified in the Exhibit above for each of the four solution options. These are presented as follows:

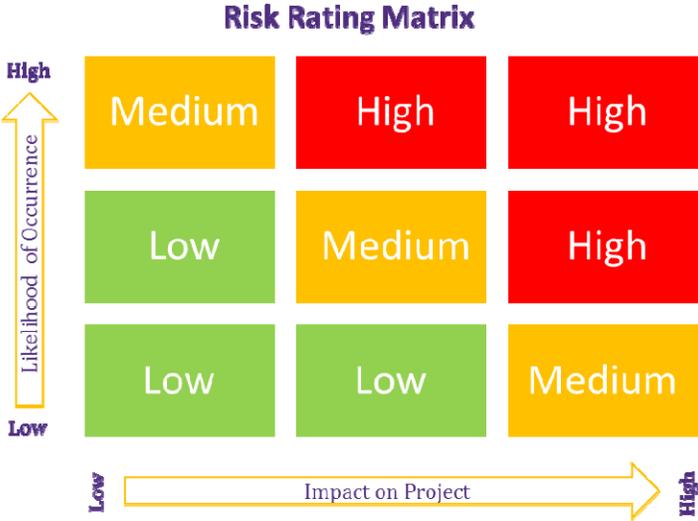


Exhibit 2-41: Risk Rating Matrix

Risk Ratings for Options Considered

The following Exhibit contains risk ratings (R) representing the sum of the likelihood (L) and impact (I) for each of the options considered. Due to the size and complexity of the endeavor, any of the options have significant risk; and some options are higher risk than others.

RISK	OPTIONS CONSIDERED											
	OPTION 1: ENHANCE FLAIR			OPTION 2: REPLACE FLAIR			OPTION 3: REPLACE FLAIR AND CMS			OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST		
	L	I	R	L	I	R	L	I	R	L	I	R
Loss of political / executive sponsorship	H	H	H	L	H	M	L	H	M	M	H	H

L = Likelihood of Occurrence
I = Impact on Project
R = Risk Rating

Risk	OPTIONS CONSIDERED											
	OPTION 1: ENHANCE FLAIR			OPTION 2: REPLACE FLAIR			OPTION 3: REPLACE FLAIR AND CMS			OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST		
	L	I	R	L	I	R	L	I	R	L	I	R
Ineffective project governance processes prevent decision making	L	H	M	L	H	M	M	H	H	H	H	H
Funding not available	H	H	H	M	H	H	M	H	H	H	H	H
Third party software developers and / or ERP implementation experts not available	H	H	H	L	H	M	L	H	M	L	H	M
FLAIR users not able to adapt to new system and processes	L	H	M	M	H	H	M	H	H	M	H	H
Lack of agency buy-in and support	M	H	H	L	H	M	L	H	M	H	H	H
Agencies do not assign an adequate number of resources to the project	M	M	M	L	M	L	L	M	L	M	M	M
DFS may not have the skills, experience or staff to design, develop, test, and roll out the solution	M	H	H	L	H	M	L	H	M	L	H	M
Business processes not changed	H	M	H	M	M	H	M	M	M	L	M	L
Integration issues with existing agency / FFMIS systems including managing around contract updates for both People First and MFMP	L	M	L	L	M	L	L	M	L	M	M	M
Sufficient resources are not assigned to perform ongoing system support and upgrades	H	M	H	L	M	L	L	M	L	L	M	L
Aggregate Combined Risk ⁷²	1.7			2.5			2.5			2.1		
<i>Likelihood / Impact</i>	L = Low			M = Medium			H = High					

L = Likelihood of Occurrence
I = Impact on Project
R = Risk Rating

⁷² The aggregate combined risk is an average of the combined risk for each option using the scale of a low risk being 3, medium risk 2, and a high risk being 1.

RISK	OPTIONS CONSIDERED											
	OPTION 1: ENHANCE FLAIR			OPTION 2: REPLACE FLAIR			OPTION 3: REPLACE FLAIR AND CMS			OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST		
	L	I	R	L	I	R	L	I	R	L	I	R
<i>Combined Risk</i>	Low (3)			Medium (2)			High (1)					

L = Likelihood of Occurrence
I = Impact on Project
R = Risk Rating

Exhibit 2-42: Risk Ratings of Considered Options

2.4.5 SUMMARY ANALYSIS

The table below provides a comparison of the four options across each of the key elements of alignment to goals, cost, benefit achievement, and risk.

REVIEW CATEGORY	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Alignment to Vision and Goals	1.6	1.8	2.8	3
Total Cost of Ownership	2.5	3	2.9	2.4
Achievement of Benefits	1.8	2.9	3	2.7
Risk	1.7	2.5	2.5	2.1
Combined Comparison	1.9	2.6	2.8	2.6

Exhibit 2-43: Summary Option Comparison

2.5 APPENDIX

This appendix contains the following sections:

- Key Themes
- Additional State Research
- Detailed State Profiles
- Minimum Capability Justification
- Risk Details

2.5.1 *KEY THEMES FROM STATE RESEARCH*

This section contains additional detail on the key implementation themes identified from the state interviews and summarized in section 2.2.1. They are:

- Use of ERP Solutions
- Cross-Agency Standardization
- Strong Enterprise and Project Governance
- Business Process Re-engineering Prior to Implementation
- Limit System Customizations
- System Integrator Selection can be as Important as Software Selection
- Phased Implementation Approach
- Focus on Organizational Change Management
- Partner with Key Agencies
- Existence of an Agency Chargeback Costing Model
- Combination of In-house and Outsourced Support

2.5.1.1 *DETAILED INFORMATION*

Use of ERP Solutions

States are adopting ERP software for core statewide financial management including financial reporting as opposed to developing new technologies in-house.

Several states still use custom-built software for business operations, but the majority have opted to make the transition to an ERP solution. All states interviewed have undergone an ERP initiative within the past fifteen years. This trend arose out of the realization that custom systems could not be maintained with the retirement of key workers and the shift in available support for legacy technologies. New employees would likely not have the knowledge necessary to operate this outdated technology. Some states, including

Pennsylvania and Georgia, have achieved statewide rollout and are on the upgrade path while others like Virginia and Texas have only implemented their new solution at a few state agencies.

There are a large number of software vendors in the market, but with state government operations being as large and complex as they are; all states interviewed have chosen top-tier software. These solutions are Oracle's PeopleSoft, SAP, and CGI Advantage. New York, Texas, Virginia, Ohio, and Georgia chose PeopleSoft. Of the states interviewed SAP and CGI Advantage were only chosen by one state each, Pennsylvania and Alabama respectively. However, an expanded scan shows that both of those software packages are in use in other states.

Cross-Agency Standardization

States who were able to mandate and enforce consistent business processes had lower overall support and maintenance costs because of the process standardization as well as the ability to limit agency-specific customizations. Unique agency-specific transactions were required to be interfaced leveraging a standard interface protocol.

Of the states interviewed, most had either completed or had plans to complete rollouts of their new solutions in all state agencies. Pennsylvania was the first to do so when they went live with statewide financials and HR/Payroll functionality by 2004. Ohio was the one state interviewed who did not have an all-agency plan firmly established. While most state agencies in Ohio have made the switch, their Department of Transportation, for example, has not. Concerns over the limitations of project and grants management functionality within the new financial management system have driven them to stay on their legacy system.

New York began with a model whereby larger and more complex agencies maintained their legacy systems, but interfaced transactions into the new PeopleSoft system. In this case, the new system became the statewide system of record, and agencies were required to provide a specific level of transactional detail in the new statewide Chart of Accounts. An unforeseen outcome of the project was many of the smaller agencies ended up banding together and being serviced by a new statewide shared services organization.

Strong Governance

States who successfully implemented new enterprise financial management systems had clearly defined governance structures for statewide policy and system usage including defining decision making processes and a clear project scope.

Steering committees and oversight boards have been established in all interviewed states for leadership and important project decision-making. Without a strong governance structure in place, decisions can take a long time to be made. A key element of successful governance is active participation and cooperation by the governing parties. New York has a similar segregation between executive branch agencies and their comptroller as Florida has between the executive agencies and the CFO. Their implementation was successful after active

participation was established on the steering committee with a decision making member from each control agency.

In Texas, a primary steering committee was assembled at the recommendation of a business case created to assess the feasibility of implementing a statewide ERP solution. This steering committee was tasked with going in front of the legislature to generate the funding for the initiative. Once funds were appropriated, a separate steering committee was built for project decision making. Several states had similar models in place for governance with an added layer underneath. Pennsylvania had sub-committees of functional business area leaders who could voice their needs for the new system. This ensures voices of the end-users are being heard.

Business Process Re-engineering Prior to Implementation

As a way to avoid customization in the new system, many states underwent a period of business process re-engineering (BPR) prior to the implementation phase. States who did not perform process re-engineering had large volumes of customizations and generally had to wait until they performed the re-engineering to achieve expected project benefits.

State agencies often have to deal with unique requirements in their everyday business. To accommodate these needs, they have been building customizations into their legacy systems for years, and have become fully dependent on them. Every state interviewed encountered this issue, and several recommended performing business process analysis and re-engineering prior to system implementation.

Virginia re-engineered its business process in the year prior to software and integrator selection. They formed their business process requirements, and allowed integrators to pitch their services after determining the best-fit software. When asked about lessons learned, Pennsylvania supported the idea of performing business process re-engineering prior to implementation. New York also recommended an alignment of business processes to inherent system capabilities where possible. By mapping out future business processes to fit the out-of-box software capabilities, a state could avoid customization, have higher ease of training, and increasing efficiency. Ohio underwent business process re-engineering subsequent to initial go-live, but did so prior to system upgrades. There will rarely be a perfect fit, making small customizations unavoidable, but they can be dealt with in an upgrade.

Limit System Customizations

A best practice for successful states was to use ERP functionality as designed while keeping customizations for core financial transactions and reporting to a minimum

Most states surveyed placed heavy emphasis on their desire to keep customization to a minimum. Systems with heavy customization present major challenges during the upgrade process. Such has been the case in Pennsylvania, which took on an effort to reverse the customizations within their SAP system to accommodate upgrades. Texas also indicated

several of their larger, more complex agencies have felt the need for customization to accommodate business processes, and they could encounter problems with upgrades.

All states, particularly Virginia, admitted certain customizations will be unavoidable, primarily for the complex agencies. In these cases, they recommended requests for customization be brought in front of a governing body who could assess and give ruling on the necessity of the customization. Only those who are absolutely vital to an agency's unique operations should be allowed. Processes which can be tweaked slightly to fit out-of-box software capability should be adjusted as such.

System Integrator Selection can be as Important as Software Selection

While procurement strategies varied widely (integrator first, software first, combined selection, etc.), almost everyone interviewed stressed the selection of the right integrator is as important as the selection of the right software package.

Every state interviewed stressed the absolute necessity of having strong integration support. They all chose to rely on one of the top integrators in the market. The list includes IBM, Deloitte, Accenture, and CGI (specifically for the CGI software). Virginia has pleased with their implementation partner and has signed a contract with them for operations and maintenance support. In contrast, Texas faced challenges with the initial configuration and rollout of their PeopleSoft implementation and expanded their support for the system and future rollouts to include an additional vendor.

Although each software package has different strengths and capabilities, all the viable software packages have had successes and failures in the public sector. The cause for failure is most often related to the integration approach and support, not the software. The software will only be able to meet a certain percentage of the State's requirements out of the box. The integrator can come up with creative solutions to bridge that gap and enable the system to support business operations. Implementation will take several years, so it is important to have a trusting relationship with the integrator, and be confident they can deliver on their timeline.

Phased Implementation Approach

In general, states have taken a phased approach to the implementation of new enterprise financial management systems, often revamping central systems first before addressing agency concerns.

With the many moving pieces associated with statewide ERP initiatives, most states adopt a phased implementation strategy. With this type of strategy, a single or several lead agencies would successfully implement the new technology before a new wave of agencies made the change. By breaking the overall implementation into pieces, goals become more visible and manageable. Phased implementation might also be the only option for certain states for budgetary reasons, which is why a multi-year phased implementation is often the most realistic model.

In Virginia, the Department of Transportation (VDoT) and the Department of Accounts agreed to lead the effort. VDoT went live with their solution in 2011, followed the next year by DOA. These agencies were the champions for a new system because of business needs that were not being met by their legacy systems. There are two remaining waves to their implementation timeline. The first wave of agencies will be brought onto the system by October 2014 and the second wave by February 2016. Alabama is also following a phased implementation approach with twenty state agencies scheduled to go live on their new CGI Advantage solution by October 2015. The remaining agencies will undergo implementation in several phases over the coming years.

The importance of “getting a win,” as it was put in several state interviews, was a cause for transitioning agencies with simple business processes onto the new system first. Ohio followed this format. This is beneficial for states who are looking to have measurable results before an administration change. Other states, Virginia and Texas for example, tried tackling arguably their most complex agency, their Departments of Transportation, at the outset. If success is achieved for complex agencies, the simpler ones should present less of a struggle adjusting to the new system.

Focus on Organizational Change Management

In nearly every case, organizational change management plays a key role in ensuring a successful implementation.

Whichever option Florida ultimately chooses will lead to changes in the day-to-day jobs of employees across the state. The people side of the transition will be equally important as the technology piece. The project team is likely to face pushback from some of these employees as they are taken out of their routines. The benefits realized will have to be reinforced throughout the duration of this system transformation. To have these state employees buy in to the vision and mission of the project, strong leadership will be necessary.

New York had an entire team dedicated to agency outreach serving as a liaison between the agencies and the project, helping to facilitate project activities and to support individual change leaders at each agency during the transition. Virginia indicated their implementation includes a substantial change management effort. They have been using a combination of web-based and classroom training to teach employees how to interact with the new interface. In Ohio, as is typically the case, the external OCM team was responsible for building training materials and leading strategy. It was also made apparent in the interview with Alabama that change management will be crucial because they will be making a transition from primarily paper-based processes to a near-paperless environment.

Partner with Key Agencies

To ensure success, many states chose to partner with a key agency or agencies as a part of the initial implementation. These partnerships ensured agency needs were considered during the deployment, served as an example of success that made it easier to onboard other agencies in later phases or were vehicles to provide additional sources of funds.

Statewide ERP initiatives sometimes arise out of the business needs of one or several key agencies not being met. In Alabama, for example, its Medicaid Agency was limited by current system functionality. The prospect of a new statewide solution arose out of that need. Virginia and Texas, as previously mentioned, partnered with their Departments of Transportation to lead the implementation. The Department of Accounts in Virginia and the agencies under the Commission of Health and Human Services in Texas also served as leaders for their states' ERP projects.

A successful implementation at a lead agency proves to other state agencies that benefits can be realized from the transition. The rollout at a lead agency serves as a model for subsequent rollouts. Lessons learned from the lead agency can build efficiencies for these subsequent rollouts. Partnering with a lead agency also ensures the voices of end-users are being heard.

Existence of an Agency Chargeback Costing Model

Funding models amongst the states for their ERP initiatives differed in some capacity, but all had some element where an agency was charged directly either for ongoing operations, or for development of special functionality.

Legislative appropriations, agency chargeback, and often a mix of the two seemed to be the most popular options for system funding. Treasury loans represent another source of funding, but were not so commonly used. The challenge with this funding model is it is difficult to get funding for the initial investment from agencies who are not yet seeing benefits. Only once they have made the transition, can the charge be justified. For this reason, the legislature often has had to appropriate funds to kick-start the project. This was the case for several of the states we interviewed including New York, Texas, Pennsylvania, and Georgia.

The agency chargeback model requires a fee a user agency pays to the maintaining agency for use of the system. The rates at which user agencies are charged were based on a formula that takes into account the number of transactions processed or number of users. The level of complexity varied among the states interviewed.

Pennsylvania, Ohio, and Virginia represent a few of the states who utilize a chargeback model. Pennsylvania received initial project funding from appropriations, but supports ongoing system operations through agency chargeback. Virginia got their initial funding from a treasury loan, and then transitioned to a chargeback model for support and to repay the loan. Ohio has used an agency chargeback funding method from the beginning.

Combination of In-House and Outsourced Support

Most states are currently hosting their financial management systems within state-run data centers, but they still leverage consultants to assist with software maintenance and complex system upgrades.

Findings from the state interviews identified a mixture of in-house and outsourced support. Both hardware and people for application support, database administration, and

development are being outsourced at least in part. Many of the software vendors and system integrators promote the use of their resources for system maintenance and provide advantages to implementation pricing if a support model is part of the contract. It can be difficult for states to hire and retain employees with the level of expertise needed to maintain complex systems, which is one reason outsourced support has become fairly popular.

Ohio, a PeopleSoft user, has in large part outsourced IT infrastructure and application support to Accenture. Some states continue to rely primarily on internal state staff for support allowing for staff augmentation as required. New York, for example, does not utilize any form of outsourcing for system maintenance. They used an integrator (IBM) for implementation services, but all other system support is done with state staff. As a hybrid model, Virginia outsources infrastructure support to Northrop Grumman, but has a combination of internal state staff and Accenture contractors who carry out database administration, application support, development, and other maintenance tasks. This is perhaps the most favorable option since contractors provide expertise at a relatively high cost. Internal state staff can handle a portion of the system support at a relatively lower cost than additional contractors, who can be leveraged as needed.

2.5.2 ADDITIONAL STATE RESEARCH

The following Exhibit is a consolidation of basic research on state financial management and HR/Payroll systems. These represent the top 30 states in terms of total expenditures. The Exhibit shows the range of technology solution options chosen as well as the year they were or will be implemented. Finally, the “Additional Comments” column expresses the reasons for selecting New York, Texas, Virginia, Pennsylvania, Georgia, Ohio, and Alabama for more in-depth analysis.

STATE	RANK/ 2013 STATE SPENDING ⁷³ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE	HR/PAYROLL SOFTWARE	ADDITIONAL COMMENTS
CA	1 / \$199,400	PeopleSoft (2012)	Custom Legacy	<ul style="list-style-type: none"> N/A
NY	2 / \$133,500	PeopleSoft (2011)	PeopleSoft (2005)	<ul style="list-style-type: none"> Large state budget and recent ERP implementation success
TX	3 / \$93,000	PeopleSoft (2011)	PeopleSoft (2012)	<ul style="list-style-type: none"> Large state budget and to survey a state that is still in the process of going through an ERP implementation
PA	4 / \$66,900	SAP (2002)	SAP (2004)	<ul style="list-style-type: none"> Comparable state budget to Florida and successful statewide ERP implementation

⁷³ [National Association of State Budget Officers \(NASBO\) Expenditure Report 2011-2013](#)

STATE	RANK/ 2013 STATE SPENDING ⁷³ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE	HR/PAYROLL SOFTWARE	ADDITIONAL COMMENTS
IL	5 / \$65,700	Custom Legacy (SAMS)	(Legacy)	<ul style="list-style-type: none"> Issued RFP for statewide Financial and HR/Payroll (2013)
FL	6 / \$63,000	Custom Legacy (FLAIR)	People First (SAP)	<ul style="list-style-type: none"> N/A
MA	7 / \$59,300	CGI Advantage (2010)	PeopleSoft (2010)	<ul style="list-style-type: none"> N/A
OH	8 / \$57,900	PeopleSoft (2008)	PeopleSoft (2008)	<ul style="list-style-type: none"> Comparable state budget to Florida and outsourcing model
NJ	9 / \$48,600	Custom Legacy (NJCFSS)	Custom Legacy	<ul style="list-style-type: none"> N/A
MI	10 / \$47,300	Custom Legacy (Michigan Administrative Information Network - MAIN) (1994)	Lawson HR/Payroll (1994)	<ul style="list-style-type: none"> Issued RFP for software selection (2012) Issued RFP for software integrator selection (2013)
NC	11 / \$46,600	Custom Legacy (NCAS)	SAP (2008)	<ul style="list-style-type: none"> N/A
VA	12 / \$43,400	PeopleSoft (2014)	PeopleSoft (2014)	<ul style="list-style-type: none"> In-process implementation with unique pilot-agency approach
WI	13 / \$41,300	PeopleSoft (2015)	PeopleSoft (2017)	<ul style="list-style-type: none"> N/A

STATE	RANK/ 2013 STATE SPENDING ⁷³ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE	HR/PAYROLL SOFTWARE	ADDITIONAL COMMENTS
GA	14 / \$41,100	PeopleSoft (1999)	PeopleSoft (1999)	<ul style="list-style-type: none"> One of the first states to implement an ERP solution and has undergone several upgrades
WA	15 / \$35,000	Custom Legacy (Agency Financial Reporting System - AFRS)	SAP (2006)	<ul style="list-style-type: none"> N/A
MD	16 / \$34,900	Custom Legacy (FMIS)	Custom Legacy (State Payroll System)	<ul style="list-style-type: none"> Beginning process to implement Work Day for HR/ Payroll
MN	17 / \$31,300	PeopleSoft (2011)	PeopleSoft (2011)	<ul style="list-style-type: none"> N/A
TN	18 / \$30,400	PeopleSoft (2009)	PeopleSoft (2009)	<ul style="list-style-type: none"> N/A
CO	19 / \$28,800	CGI Advantage (2014)	Custom Legacy	<ul style="list-style-type: none"> N/A
AZ	20 / \$28,500	CGI Advantage (2014)	Lawson HR/Payroll	<ul style="list-style-type: none"> In the process of implementing CGI Advantage
CT	21 / \$27,600	PeopleSoft (2008)	PeopleSoft (2008)	<ul style="list-style-type: none"> N/A
LA	22 / \$27,000	SAP (2011)	SAP (2001)	<ul style="list-style-type: none"> N/A
OR	23 / \$27,000	Custom Legacy (Statewide Financial Management Application - SFMA)	Custom Legacy Payroll System	<ul style="list-style-type: none"> N/A

STATE	RANK/ 2013 STATE SPENDING ⁷³ (MILLIONS)	FINANCIAL MANAGEMENT SOFTWARE	HR/PAYROLL SOFTWARE	ADDITIONAL COMMENTS
IN	24 / \$26,400	PeopleSoft (2009)	PeopleSoft (2009)	▪ N/A
KY	25 / \$25,600	CGI Advantage (2006)	SAP (2011)	▪ N/A
AL	26 / \$24,200	CGI Advantage (2002/2015)	CGI Advantage (2002/2015)	▪ State actively using CGI Advantage and in process of statewide upgrade with extensive process re-engineering
MO	27 / \$23,400	AMS (now CGI) Advantage and Brass (2000)	AMS (now CGI) Advantage and Brass (2001)	▪ N/A
SC	28 / \$22,000	SAP (2010)	SAP (2010)	▪ N/A
WV	29 / \$21,800	CGI Advantage (2014)	CGI Advantage (2015)	▪ N/A
OK	30 / \$20,900	PeopleSoft (2003)	PeopleSoft (2006)	▪ N/A

Exhibit 2-44: Additional State Information

2.5.3 DETAILED STATE PROJECT PROFILES

The following sections contain detailed information gathered from state interviews as well as additional research.

2.5.3.1 NEW YORK

In 2009, New York formed the Statewide Financial System (SFS) Program. Their goal was to implement an integrated statewide enterprise financial management solution to replace their legacy Central Accounting System (CAS) and several existing agency financial systems. They established the Change Control Board, a collaboration of representatives from the Governor's Office and the State Comptroller's Office, to lead project strategy and decision-making around new system capabilities and enhancements. A separate steering committee gathered feedback from state agencies on the impact of the implementation and communicated with the Change Control Board.

Initial and ongoing system funding was appropriated by the legislature. These funds were generated from ten-year bonds obtained by the state. Prior to the selection of an ERP solution, Gartner performed a "build vs. buy" analysis which ultimately supported the state's decision to buy a commercial off the shelf software package. Procurement for software and the system integrator occurred separately with the state selecting PeopleSoft Financials and then subsequently selecting IBM for implementation services. During implementation, New York utilized roughly 160 contractors. The In-scope functionality for the new system included general ledger, accounts receivable, accounts payable, procurement, grants, and billing. There was no legislative mandate for agencies to use the new system, and some continue to integrate legacy systems with the ERP. New York focused on implementing PeopleSoft with as few customizations as possible, and were able to use over 90% out of the box functionality.

The initial rollout was done for the Department of General Services in 2012. There were delays in the timeline, which New York indicated was used to repeat data conversion rehearsals and testing. Ongoing system support is handled by over 100 state employees with outside contractors as necessary.

New York has realized a number of benefits from this initiative including having one source of financial truth, standardized and improved business process, and increased business process automation. Additionally, they provided several lessons learned from their project. They indicated it would have been favorable to procure software and the system integrator in one contract to provide a single point of accountability for software and modifications. In hindsight, the state also would have delayed the data warehouse piece of the project until after initial go-live. They also regretted not having more agency representatives on the

project team during initial design to communicate agency needs. They will continue their effort to bring agencies onto the new system.^{74 75}

2.5.3.2 TEXAS

In 2007, Texas identified its need for a statewide ERP system to streamline processes of many of its major functions. In 2008, the state contracted Salvaggio, Teal and Associates to perform a business case study to determine what the systems needs of the state were and to provide recommendations of possible solutions. By 2010, the state legislature approved an eight year ERP project. Called ProjectONE, the goal was to implement functionality for financials and HR/Payroll with new enterprise software. The implementations of financials and HR/Payroll functionality are being carried out separately.

As a result of the business case, an executive steering committee was formed to promote the need for a new system to the legislature. When funding was appropriated, another steering committee was formed for project decision making. As agencies are being added to the system, the governance structure is expanding.

PeopleSoft was selected as the best-fit software to meet to complex business needs of Texas' more than 150 agencies. The new system will be called CAPPs (Central Accounting and Payroll/Personnel System) and will serve as the State's ERP system going forward. Deloitte was subsequently chosen as the system integrator.

Financial functions to be set in place by the end of the project include general ledger, accounts payable, accounts receivable, procurement, grants, and project costing. HR functionality will include core HR/payroll, time and labor, enterprise learning management, enterprise performance management, and recruiting.

The Department of Information Resources, the Department of Transportation, and the five agencies housed under Health and Human Services Commission emerged as the initial pilot agencies after expressing limitations to their current systems in meeting their needs. When difficulties were encountered with the Department of Transportation, Texas transitioned to a "Hub Model" for implementation, in which the agencies with more complicated business processes were given a copy of the software to form their own instance and make the necessary customizations themselves. Go-live for financial functionality occurred in 2011 for DIR, and is still being rolled out in other agencies. For HR/Payroll functionality, the agencies who are a part of the Health and Human Services commission went live in 2012.

Texas currently has a contract with Xerox to provide system maintenance. Their contract with Deloitte can be used for future deployments at state agencies, but Xerox is also being

⁷⁴ New York Interview, December 10, 2013.

⁷⁵ [New York Statewide Financial System Site](#), 2014.

used in this capacity at this point in time. The state expects it to take another five to ten years before CAPPs is fully implemented statewide.^{76 77}

2.5.3.3 VIRGINIA

In 2006, the Commonwealth of Virginia established the Virginia Enterprise Applications Program (VEAP) to perform a business case on the current state of their financial systems. They also evaluated the feasibility of replacing the current system with new enterprise software. Then in late 2009, the Commonwealth embarked on the Cardinal Project, a statewide ERP effort. The Department of Transportation along with the Department of Accounts agreed to spearhead the project. Project Cardinal is governed entirely under the Department of Accounts with administrative responsibility under the Governor. The Department of Transportation funded fifty percent of the project with the other half coming from a treasury loan.

Before procuring software and an integrator, Virginia underwent a one-year business process re-engineering period, during which they internally developed a list of system requirements. They then presented these requirements to a group of integrators who each selected the best fit software and pitched an implementation plan to Virginia representatives. Accenture was chosen to lead the implementation of PeopleSoft. They, along with a team of state staff, continue to provide application support, database administration, development, and general maintenance. Heavy customization within the system for specific agency needs has caused problems in the past for Virginia. This time around, every customization to the new system has to be approved by the steering committee.

Project scope involved a statewide replacement of a legacy financial management system with the PeopleSoft financial management package. The first phase of the project was to implement new general ledger, accounts receivable, accounts payable, time and attendance, project accounting, and procurement functionality for VDoT. They focused on performing process reengineering and changing business process instead of the system wherever possible resulting in a small percentage (less than 15%) of requirements requiring a customization. In this transition, 5,000 end users were thoroughly trained. Cardinal was successfully deployed at VDOT in 2011 and at DOA in 2012. The remaining state agencies will be brought on through 2016. As agencies are brought on, a chargeback approach will take effect for the continued funding of the system. The rates at which agencies are charged will depend on usage and will be legislatively approved. A portion of the rate is for the repayment of the initial treasury loan. This project will result in improved reporting, decision making, functionality, standardized data, and consistent processes across agencies.⁷⁸

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⁷⁶ Texas Interview, January 15, 2014.

⁷⁷ [Texas ProjectONE Site](#), 2014.

⁷⁸ Virginia Interview, December 4, 2013.

⁷⁹ [Virginia Cardinal Project Site](#), 2010.

⁸⁰ [Virginia Enterprise Applications Division Site](#), 2014.

2.5.3.4 PENNSYLVANIA

In 2001, the Commonwealth of Pennsylvania embarked on a statewide ERP initiative. The initiative, named Imagine PA, was tasked to improve processes for the five key functions of accounting, budgeting, human resources, payroll, and procurement. With one of the nation's largest technology budgets at \$250 million, Pennsylvania took on one of the most robust public sector ERP implementations done in any state to date. The State established the CIO Advisory Council to assist with scoping and planning of this project, and also contracted the Gartner Group to provide their expertise in this area.

Two years prior to project kickoff, Pennsylvania performed the application selection at which time they determined SAP was the best fit for their needs. In the year leading up to official project initiation, BearingPoint was selected for integration services. For all financial functionality, the system had been successfully implemented in three waves for all agencies by summer 2002. The most difficult agencies, including PennDOT, were transitioned in the last phase. Implementation of HR/Payroll capabilities for all agencies was done with a "big-bang" approach by early 2004. The project redefined the financial management and HR/Payroll systems used by 53 of the State's agencies and over 70,000 users. There was a significant focus on Organizational Change Management (OCM) during all phases of the project including engaging a full time OCM team, the development of an extensive ambassador network to each participating agency, and weaving change management into all phases of the project from initial design through final roll-out.

The Commonwealth's Integrated Enterprise Services Bureau was established as the project lead, operating with about 155 employees across its three divisions (1) technical operations (2) business operations (3) program operations and support. Technical operations staff consist of Database administrators, SAP security personnel, developers, and other support staff. The business operations team focuses on the finance, HR/Payroll, and accounting functions. The program operations staff deals with project management, budget management, and other internal matters such as help tickets. Some IES staff were pulled from state agencies for the duration of the project, and returned to their agencies after completion of the implementation.

A steering committee comprised of the Secretary of Administration, the Comptroller, the CIO, and several core business owners (Procurement, HR, & Budget) acted as the lead governing body over the system. During the implementation project, this committee was referred to as the Advisory Committee. There also exists a separate Operating Committee made up of core business representatives which interact with team managers for feedback on day-to-day operations that can then be communicated to the Steering Committee. The existing governance structure is not established in state statute.

The initial project funding was from legislative appropriation. For funding of ongoing operations, a chargeback method is used for all serviced agencies. Cost savings were not realized until after the legacy systems were completely shut off.

Since implementation, Pennsylvania has undergone one significant upgrade. Future upgrades will be done with upgrade packs to avoid more dramatic core system upgrades.

End-user training was done by the system integrator no more than 60 days before go-live.⁸¹
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2.5.3.5 GEORGIA

In 1999, Georgia was one of the first states to go live with an ERP solution for financial management and HR/Payroll functions. PeopleSoft was determined to be the best fit for the State's business needs. The solution has been deployed in all state agencies with the exception of the Department of Labor for a number of years. Modules which are currently in use include core HR/Payroll, time and labor, general ledger, accounts payable, accounts receivable, procurement, and budgeting. In total, there are about 80,000 system users for the various functions.

Georgia uses an agency chargeback model for system funding. At the beginning of each year, a flat-rate estimate for system usage is charged to each user agency. Specific system modifications are requested by individual agencies and are charged separately to those agencies. A steering committee is responsible for system oversight and decision-making. Three and five year plans have been developed and are updated annually by this steering committee.

The system has been upgraded four times. Accenture and Deloitte carried out the first two upgrades, and the two more recent upgrades have been executed by internal IT staff. In the interview with Georgia it was indicated the expertise of external resources made the first two upgrades smoother than the more recent ones.

Georgia made two important points when addressing their lessons learned. They first suggested not to strive to make the new system perform like the old one, and to take advantage of the opportunity to re-design and standardize business processes. They also stressed the extensive change management effort that will result from a project of this magnitude. They were operating on a legacy mainframe system prior to the PeopleSoft implementation, and the dramatic change that occurred from the transition was difficult for many employees.^{84 85 86}

⁸¹ Pennsylvania Interview, December 6, 2013.

⁸² William Wagner Ph.D. and Yvonne Lederer Antonucci Ph.D., [An Analysis of the Imagine PA Public Sector ERP Project](#) (Proceedings on the 37th Hawaii International Conference on System Sciences, 2004) 1-8.

⁸³ ["The Commonwealth of Pennsylvania to Improve State Government Through Partnership with SAP Public Sector and Education."](#) SAP, press release. June 14, 2000.

⁸⁴ Georgia Interview, December 9, 2013.

⁸⁵ ["State of Georgia Implements Oracle's PeopleSoft Applications to Streamline Financial Management and Human Resources Processes,"](#) Oracle Corporation, press release. June 20, 2007.

⁸⁶ ["Georgia State Purchasing Division Improves Statewide Strategic Sourcing with Oracle's PeopleSoft Enterprise Applications,"](#) Oracle Corporation, press release. August 8, 2011.

2.5.3.6 OHIO

In 2003, the state of Ohio performed a business case to assess their need for a new financial management and HR/Payroll system. By 2005, they selected Accenture to implement PeopleSoft for these state functions. The system was given the moniker OAKS, meaning the Ohio Administrative Knowledge System. OAKS was a consolidation of four mainframe legacy systems in operation. Go-live for Human Capital Management (HCM) functions including payroll and benefits occurred in January 2008. The financial functions including general ledger, accounts receivable, and basic procure-to-pay were brought on in June 2008. A custom rewrite of their legacy system was never a serious option for Ohio.

A steering committee consisting of senior leaders of each of the core business areas was responsible for making important project decisions. Smaller-scale decision-making fell under the business advisory leadership groups composed of other Ohio state staff that specialize in the various business functions. The governance structure is not established in state statute.

Ohio outsourced much of its IT support for OAKS in 2009 to Accenture. Some important lessons were learned during the implementation of their new system. Ohio believes it is vital to keep customizations to a minimum by mandating state agencies to move onto the new system and promote standardized processes. They implemented OAKS with a very low instance of customizations. Not all state agencies were required to make the transition, which has been looked back on as a mistake. Currently, one of their more complex agencies, their Department of Transportation, is assessing the feasibility of making the jump to OAKS. Additional grants and project management functionality must be added before this can take place. They also stressed the importance to of strong integration support for building training materials and leading project strategy.^{87 88 89 90}

2.5.3.7 ALABAMA

For the past 25 years, the State of Alabama has run its financial and HR systems with AMS Advantage software. Agency accounting and procurement systems are separate from the core financial and HR systems, but interface via crosswalk tables. All processing is done overnight in batches. Around 2010, they decided to proceed with a statewide ERP implementation of CGI Advantage 3.9, and would subsequently plan for an upgrade to version 3.10. CGI is providing implementation services.

The initiative is a four to five year project to bring all state agencies onto the CGI Advantage solution for financials and procurement. By October 2015, the goal is for twenty agencies to have successfully made this transition. This will completely change the way accounting is

⁸⁷ Ohio Interview, December 23, 2013.

⁸⁸ "[Accenture to Design, Implement, and Support Ohio's New Statewide ERP System.](#)" Accenture, press release. May 4, 2005.

⁸⁹ Hilton Collins and Matt Williams, "[Ohio Shared Services Uses Enterprise System to Consolidate State Financials.](#)" August 31, 2010.

⁹⁰ Ohio Administrative Knowledge System, "[Outsourcing Program Overview.](#)" November 9, 2011.

done in Alabama by moving away from a manual, paper-intensive process to a paperless and streamlined one. Funding for the project is coming from a combination of chargeback and appropriations. When the system is completely up and running, it will be fully funded by agency chargebacks. After all state agencies have implemented full financial management, procurement, and budgeting capabilities by October 2016, HR/Payroll is planned to be addressed within the next year.

A three-tier governance structure was established for this project. An Executive Oversight Committee consisting of the Finance Director, Assistant Finance Director for Operations, the State Treasurer, the Secretary of IT, and one senior agency representative were responsible for establishing the project charter and meet quarterly for project updates. An Executive Steering Committee is designed to be the governing body for the system. The representatives are responsible for making strategic decisions. An additional steering committee has been assembled for day-to-day dealings that get reported to the Executive Steering Committee.^{91 92}
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2.5.3.8 ADDITIONAL STATE RESEARCH

As a part of the market scan, informal interviews were conducted to with the former North Carolina State Comptroller and members of the California Financial Information Systems for California (Fi\$Cal) project to obtain additional information. Due to the status of ERP at both of these states, they were not included as primary references for Florida. Summary notes for each are below.

North Carolina

In 2003, North Carolina initiated Project BEACON, Building Enterprise Access for North Carolina's Core Operating Needs. This initiative was aimed at addressing the need to consolidate and improve the efficiency of their agency HR/Payroll systems. A study conducted by Deloitte provided justification for the investment. Across the State's 34 state agencies, 30 separate HR/Payroll systems were in use resulting in 30 different payroll cycles. In addition, state employees did not have a central portal to access for HR-related issues and questions.

From April 2006 to June 2008, North Carolina, with the help of system integrator BearingPoint, implemented SAP's Human Capital Management solution. By early 2008, North Carolina was able to go live with its new solution. This solution helped them drastically reduce the number of monthly payroll cycles from 30 to 2, and created a central contact authority to address employee questions with the BEACON Enterprise Support Team Shared

⁹¹ Alabama Interview, December 20, 2013.

⁹² Thomas L. White, "[State of Alabama: How an ERP Project became a Segmented Approach.](#)" The National Association of State Auditors, Comptrollers, and Treasurers Annual Conference (Seattle, WA), March 22, 2012.

⁹³ [Get SMART State Business Systems Project Briefing](#), May 29, 2008.

Services organization. An employee portal was also created for an easy-to-use way of updating benefits, payroll, and timekeeping information.

With the success of this portion of the BEACON project, North Carolina plans to move forward with the Budget and Financials Initiative to improve the processes of critical financial functions. This initiative has seen delays due to issues over project funding.^{94 95}

California

The State of California launched the FI\$Cal and MyCalPAYS projects in 2005. Since the initiation, MyCalPAYS, the payroll project, has hit several road bumps. They were forced to terminate an integrator after failure to implement payroll functionality. After this initial attempt, they turned to an SAP system for payroll and almost immediately were struck with major issues regarding incorrect payments being made to employees in the small deployment group. This led to the termination of the contract with SAP.

For financials, California selected PeopleSoft and Hyperion solutions. Hyperion will give California more robust reporting power. The project aimed to advance the State's budgeting, accounting, procurement, and cash management functions. Accenture was selected by the state to integrate their PeopleSoft and Hyperion solutions with minimal customizations. CGI initially won the integration services, but their price was materially higher than Accenture's. Software and integrator procurements were carried out separately.⁹⁶

⁹⁴ Interview conducted with former North Carolina State Comptroller Robert Powell, December 6, 2013.

⁹⁵ [North Caroline Project BEACON Site](#), 2008.

⁹⁶ [FI\\$Cal Project Site](#), 2013.

2.5.4 REQUIRED SYSTEM CAPABILITY JUSTIFICATION

The following Exhibit contains additional detail and explanation around the required system capabilities:

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
<p>1. Single system of record for statewide financial transactions and cash balances</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> necessary to provide efficient reporting of statewide expenditures. ▪ <i>Section 215.93, F.S.:</i> No agency shall establish/maintain systems which duplicate any of the information systems of FFMS. ▪ <i>Section 216.141, F.S.:</i> Financial information must be contained within FLAIR. The CFO shall use FLAIR in the performance of and accounting for all of his or her constitutional and statutory duties and responsibilities. ▪ <i>Limitations of Existing System:</i> At any given time, Treasury and the agencies are monitoring four different cash balances resulting from lack of real-time integration of Central and Departmental FLAIR. ▪ <i>Guiding Principles:</i> Implement a statewide finance and accounting system enforcing process standardization, promotes economies of scale, and enables comprehensive, accurate financial information to be produced. ▪ <i>Goals and Objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Agency Research:</i> Multiple agencies, including DEP, DFS, DOT, and DMS indicated they spend significant time reconciling and managing their available cash. ▪ <i>State Research:</i> Many states, including GA, NY, OH, and PA are using their ERP systems as the statewide system of record. ▪ <i>Market Research:</i> ERP systems provide a single database for transactions, programmatically enforcing one value for any given transaction.
<p>2. General Ledger (G/L)</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> Core to CFO’s role to manage the accounts of the State. ▪ <i>Section 216.141, F.S.:</i> Financial information must be contained within FLAIR. ▪ <i>Limitations of Existing System:</i> Central FLAIR does not have a G/L, requiring additional reconciliation with double entry transactions made in Departmental FLAIR. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>State Research:</i> Each state interviewed was using a standard double-entry G/L inherent in their ERP system. ▪ <i>Market Research:</i> G/L functionality is an inherent feature in all state level commercial ERP software.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
3. Accounts Payable (A/P)	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> necessary to provide efficient control and reporting of statewide expenditures. ▪ <i>Goals and objectives:</i> Improve the State's financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Limitations of Existing System:</i> FLAIR lacks the ability to schedule payments based on payment terms and does not automatically generate liabilities with procurement transactions. ▪ <i>Agency Research:</i> DEP, DOR, and DOT have significant manual process and external systems to address limitations with the current A/P functionality in FLAIR. ▪ <i>State Research:</i> All states who implemented a new financial management system included A/P functionality. ▪ <i>Market Research:</i> A/P functionality is an inherent feature in all commercial software which was considered.
4. Basic Accounts Receivable (A/R)	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> Core to CFO's role to manage the accounts of the State. ▪ <i>Goals and objectives:</i> Improve the State's financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Limitations of Existing System:</i> FLAIR cannot record invoice information and track AP for agencies. ▪ <i>Agency Research:</i> Every agency interviewed had the need to track accounts receivable and 23 of the 31 agencies in the system inventory have systems to manage A/R. ▪ <i>State Research:</i> All states who implemented a new financial management system included the A/R function. ▪ <i>Market Research:</i> A/R functionality is an inherent feature in all commercial software considered.
5. Bank Reconciliation	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> Core to responsibility to manage the accounts of the State. ▪ <i>Limitations of the Existing System:</i> Bank reconciliation has been built into CMS, but only for some banks and transactions. ▪ <i>Goals and objectives:</i> Improve the State's financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Agency Research:</i> Treasury and all of the agencies spend significant time reconciling between the four current cash balances. DOT expressed their desire for an improved cash reconciliation process. ▪ <i>Market Research:</i> Account reconciliation is standard in most ERP systems.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
<p>6. Payroll Calculation, Verification and Payment</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> necessary to provide efficient validation, control, and reporting of statewide expenditures. ▪ <i>Limitations of Existing System:</i> The payroll system currently records cash in Central FLAIR, but does not make entries for payroll into Departmental FLAIR, causing the potential for out of balance entries. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Agency Research:</i> DOT and DCF explained the complex process which take place and the flow of data in and out of FLAIR for payroll processing. ▪ <i>State Research:</i> Texas, Pennsylvania, Georgia, Ohio, and Alabama have implemented or plan to implement the payroll functionality within their commercial software package.
<p>7. Budget and Encumbrance Management</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> necessary to provide efficient validation, control, and reporting of statewide expenditures. ▪ <i>Limitations of Existing System:</i> FLAIR can record an encumbrance, but its structure will not permit this to be easily interfaced. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Agency Research:</i> DOT identified FLAIR’s inability to encumber funds over more than one year as a hindrance on their operations. ▪ <i>Agency Research:</i> DCF struggles through a manually intensive process to transfer budget data from LAS/PBS to FLAIR. ▪ <i>State Research:</i> Pennsylvania and Georgia included the budgeting function when they implemented new systems. Alabama plans to do so. ▪ <i>Market Research:</i> Budgeting and encumbrance functionality is an inherent feature in all commercial software which was considered.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
<p>8. Real-time or near real-time transaction processing</p>	<ul style="list-style-type: none"> ▪ <i>Limitations of Existing System:</i> Proliferation of agency unique processes and “shadow” systems 1) increases the difficulty in managing the State’s finances, 2) exposes the State to operational risk, 3) increases the State’s administrative and support costs, and 4) decreases operational efficiency and effectiveness. These shadow systems often communicate with FLAIR on a once-daily basis meaning action is not always being taken on the most accurate data. ▪ <i>Limitations of Existing System:</i> At any given time, Treasury is monitoring four different cash balances that result from lack of real-time integration of Departmental and Central FLAIR. ▪ <i>Limitations of Existing System:</i> Nightly batch processing delays some transactions with multiple steps up to three days before they are finalized. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>State Research:</i> Other states implementing ERP have either real time transactions, or where there are batches, multiple runs per day. ▪ <i>Market Research:</i> All of the commercially available ERP packages have real-time or limited batch processing for core transactions.
<p>9. Warrants paid from multiple account combinations</p>	<ul style="list-style-type: none"> ▪ <i>Section 215.91, F.S.:</i> FFMS subsystems shall be designed to incorporate the flexibility needed to respond to the dynamic demands of State Government. ▪ <i>Limitations of Existing Systems:</i> FLAIR requires only one fund and account code for each warrant, necessitating manual allocations instead of the ability to enter distribution fully on the payment instrument. ▪ <i>Goals and objectives:</i> Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies. ▪ <i>Agency Research:</i> DOT, DEP and DCF noted this as a cause for considerable effort to allocate disbursements to all appropriate accounts.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
10. Electronic workflow and routing	<ul style="list-style-type: none"> ▪ <i>Section 215.93, F.S.:</i> FFMIS shall be upgraded as necessary to ensure efficient operation and to provide necessary information for the effective operation of State Government. Workflow is necessary for efficient and effective operation in business today. ▪ <i>Limitations of Existing Systems:</i> FLAIR lacks any interactive workflow to rout or approve transactions. ▪ <i>Goals and objectives:</i> Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies. ▪ <i>Agency Research:</i> DEP identified FLAIR’s lack of workflow as a system limitation which hinders efficiency. ▪ <i>State Research:</i> The majority of the states interviewed are implementing electronic workflow and pushing toward limiting paper processing where practical. ▪ <i>Market Research:</i> Workflow functionality is an inherent feature in all commercial software studied.
11. Effective dating of transactions	<ul style="list-style-type: none"> ▪ <i>Mission of CFO:</i> Provides accurate audit trails for key transactions. ▪ <i>Limitations of Existing Systems:</i> FLAIR cannot effective date transactions or static data, causing reconciliation issues. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>State Research:</i> All of the states interviewed use systems that effective-date their transactions. ▪ <i>Market Research:</i> Current ERP systems have effective dating of transactions as a standard capability.
12. Support for industry standard communication / system integration protocols	<ul style="list-style-type: none"> ▪ <i>Section 215.91, F.S.:</i> FFMIS shall be a unified information system. ▪ <i>Section 215.92, F.S.:</i> FFMIS shall ensure the efficient operation of an integrated financial management information system. ▪ <i>Limitations of Existing System:</i> Lack of integration is one of the Key Challenges the State faces with FLAIR. ▪ <i>Goals and objectives:</i> Reduce the State’s risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability. ▪ <i>Guiding Principles:</i> Implement a solution which supports a true statewide, unified information system. ▪ <i>State Research:</i> All of the interviewed states have extensive interfaces between their ERP systems and external agency systems. ▪ <i>Market Research:</i> All current ERP systems have tools and capabilities to interface easily and in a standard manner with external systems and processes.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
<p>13. Use of modern programming languages and database technologies</p>	<ul style="list-style-type: none"> ▪ <i>Goals and objectives:</i> Reduce the State’s risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability. ▪ <i>Limitations of Existing System:</i> FLAIR is a fragile system and is exposing the State to operational risk. With an outdated programming language, the availability of resources with proper knowledge to maintain it is sparse. ▪ <i>State Research:</i> All of the interviewed states were looking to make use of modern technology. ▪ <i>Market Research:</i> Available ERP software is written using modern tools, and is kept up to date by the software companies.
<p>14. Multiple environments to support testing and migration</p>	<ul style="list-style-type: none"> ▪ <i>Section 215.93, F.S.:</i> FFMIS shall be upgraded as necessary to ensure efficient operation to provide necessary information for the effective operation of the State Government. To meet this obligation when performing upgrades, a testing environment will be necessary. ▪ <i>Limitations of Existing System:</i> Due to the current architecture, there is no test instance of FLAIR, meaning any changes can only be made directly into the production system. ▪ <i>Goals and objectives:</i> Reduce the State’s risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability. ▪ <i>State Research:</i> All of the states interviewed have multiple environments to support development, testing and production instances of their financial management system.
<p>15. Minimize or eliminate use of the mainframe and take advantage of a multi-tier application architecture</p>	<ul style="list-style-type: none"> ▪ <i>Limitations of Existing System:</i> FLAIR is a fragile system and is exposing the State to operational risk. Mainframe technology is outdated, and there are better alternatives. ▪ <i>Goals and objectives:</i> Reduce the State’s risk exposure by harnessing modern financial management technology built on the premises of scalability, flexibility, and maintainability. ▪ <i>State Research:</i> All of the states interviewed have moved off of mainframes for their financial systems. ▪ <i>Market Research:</i> Available ERP software is developed to run on modern architecture; none of the newer systems are written to work on a mainframe system.
<p>16. Flexible database architecture which supports multiple fields</p>	<ul style="list-style-type: none"> ▪ <i>Section 215.91, F.S.:</i> FFMIS subsystems shall be designed to incorporate the flexibility needed to respond to the dynamic demands of State Government. ▪ <i>Limitations of Existing System:</i> FLAIR is inflexible and not meeting the State’s finance and accounting needs. ▪ <i>Goals and objectives:</i> Improve state and agency specific decision making by capturing a consistent and an expandable set of data. ▪ <i>Market Research:</i> Available ERP software is developed with a flexible data structure.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
<p>17. Ability to report on a standardized set of data</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO.</i> Required to provide accurate statewide reporting of expenditures. ▪ <i>Limitations of Existing System:</i> Statewide reporting is currently limited by availability of data and the fact agencies can use the same field within Departmental FLAIR for differing purposes. ▪ <i>Agency Research:</i> Every agency who was interviewed identified issues with the reporting capabilities of FLAIR. ▪ <i>Goals and objectives:</i> Improve state and agency specific decision making by capturing a consistent and an expandable set of data. ▪ <i>Agency Research:</i> Agencies current have multiple external systems they use for reporting because they cannot get desired reports from FLAIR. ▪ <i>Market Research:</i> Reporting against multiple data elements is standard functionality in all of the commercial ERP systems.
<p>18. Storage of developed queries, views, and reports</p>	<ul style="list-style-type: none"> ▪ <i>Limitations of the Existing System:</i> FLAIR lacks the ability to save and store user generated reports, creating a proliferation of extra reports. ▪ <i>Goals and objectives:</i> Improve state and agency specific decision making by capturing a consistent and an expandable set of data. ▪ <i>State Research:</i> All states interviewed either have or are implementing this capability with their ERP implementations. ▪ <i>Market Research:</i> All commercial software packages in consideration have these abilities.
<p>19. Modern set of reporting tools for export and analysis of data</p>	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO.</i> Required to provide accurate statewide reporting of expenditures. ▪ <i>Limitations of Existing System:</i> Users cannot export data in a format which can be easily manipulated in a secondary tool, (e.g. MS Excel) ▪ <i>Goals and objectives:</i> Improve state and agency specific decision making by capturing a consistent and an expandable set of data. ▪ <i>Agency Research:</i> All of the agencies interviewed have their own tools and processes to address limitations with exporting formatted data into Excel. ▪ <i>State Research:</i> All states interviewed had a data analysis capability with some using tools within their software, and others using external Business Intelligence (BI) reporting tools. ▪ <i>Market Research:</i> All commercial software packages in consideration have these abilities.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
20. Self-service reporting	<ul style="list-style-type: none"> ▪ <i>Limitations of Existing System:</i> All agencies interviewed developed separate reporting capabilities because the data available from FLAIR reports could not be used by average employees. ▪ <i>Goals and objectives:</i> Improve state and agency specific decision making by capturing a consistent and an expandable set of data. ▪ <i>Agency Research:</i> Agencies spend significant time and resources establishing reporting tools because they cannot get desired data from FLAIR. ▪ <i>State Research:</i> All of the interviewed states have some user query and reporting capabilities within their ERP tools. ▪ <i>Market Research:</i> All of the ERP systems have the ability for users to generate reports, queries, and export data as needed for external analysis.
21. Asset, Project, Contract and Grants Accounting	<ul style="list-style-type: none"> ▪ <i>Mission of the CFO:</i> Accounting for all these items is part of managing the accounts of the State. ▪ <i>Limitations of Existing Systems:</i> FLAIR lacks this functionality, requiring agencies to use external systems for tracking key information. ▪ <i>Goals and objectives:</i> Improve the State’s financial management capabilities to enable more accurate oversight of budget and cash demands today and in the future. ▪ <i>Agency Research:</i> DEP and DOT noted the limitations of FLAIR’s grants management capabilities and have implemented their own systems and processes to track their grants. ▪ <i>State Research:</i> New York, Texas, and Ohio have added specific grants management applications in addition to their core financial management system. ▪ <i>Market Research:</i> Some level of this functionality is standard in all of the available ERP packages.

REQUIRED SYSTEM CAPABILITY	REASON FOR INCLUSION
22. Modern, user-friendly interfaces	<ul style="list-style-type: none"> ▪ <i>Limitations of Existing System:</i> FLAIR has a text based interface which is limited and has not been changed in over twenty years. ▪ <i>Goals and objectives:</i> Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies. ▪ <i>Agency Research:</i> All agencies interviewed expressed a desire for a modern web interface with DEP indicating they created a data entry application specifically so their employees would not have to use the FLAIR interface. ▪ <i>Agency Research:</i> In an exercise conducted in the Visioning Session on 12/4/2013, many participants from DIS agreed a new web interface should be a part of the New FLAIR. ▪ <i>State Research:</i> New York, Ohio, and Virginia were able to use web-based training to teach users how to use basic functions of the new system without needing classroom training. ▪ <i>Market Research:</i> This is an inherent feature in all commercial software which was considered.
23. Electronic document storage and attachments	<ul style="list-style-type: none"> ▪ <i>Mission of CFO:</i> Records management is part of maintaining the accounts of the State. ▪ <i>Limitations of Existing System:</i> FLAIR cannot maintain any attachments for workflow or online record management. ▪ <i>Goals and objectives:</i> Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies. ▪ <i>Agency Research:</i> DEP and DOT recognized electronic document storage as a capability which would improve their operations. ▪ <i>State Research:</i> Document attachment helps the efficiency of business processes and is in use in NY, TX, and VA. ▪ <i>Market Research:</i> This is an inherent feature in all commercial software which was considered.
24. Direct interface with productivity tools such as Microsoft Excel	<ul style="list-style-type: none"> ▪ <i>Limitations of Existing System:</i> Users can access some FLAIR data from the repository, but it is not formatted. There is no ability to import data from spreadsheets into a transaction screen. ▪ <i>Goals and objectives:</i> Improve staff productivity, reduce operational complexity and increase internal controls by enabling standardization and automation of business processes within and between DFS and agencies. ▪ <i>Agency Research:</i> DOT and DEP would like the new system to export reports and data into Excel so they can build and manipulate pivot tables. ▪ <i>Market Research:</i> This is an inherent feature in all commercial software which was considered.

Exhibit 2-45: Required System Capability Justification

2.5.5 RISK JUSTIFICATIONS

This section contains additional detail explaining the likelihood and impact ratings given to each risk in Section 2.4.4.

Option 1: Enhance FLAIR

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Loss of political / executive sponsorship	Loss of executive sponsorship could impact support for funding, staffing, and decision making with impacts including: <ul style="list-style-type: none"> Failed implementation Benefits not realized 	<ul style="list-style-type: none"> Long timeline for project implementation and slow benefits delivery timeline makes it more likely the project will lose executive support over time than with other options.
Ineffective governance processes prevent decision making	Ineffective decision making during the implementation process could have impacts to all facets of the project including: <ul style="list-style-type: none"> Increased customizations Higher support costs Benefits not realized Budget overruns Failure to meet implementation timeline 	<ul style="list-style-type: none"> FLAIR is controlled by a single department making cross-agency governance less of an issue than with other alternatives.
Funding not available	If funding is not made available, it may be impossible to complete key aspects of the project. Because the elements of FLAIR are tightly interconnected, missing one piece of functionality has a domino effect on the rest of the system and could prevent implementation resulting in: <ul style="list-style-type: none"> Failed implementation Benefits not realized 	<ul style="list-style-type: none"> Long implementation time frame and high costs could result in problems funding the project.
Third party software developers and / or ERP implementation experts not available	The right skilled resources are critical to successful completion of the project with impacts including: <ul style="list-style-type: none"> Failed implementation Budget overruns Failure to meet implementation timeline 	<ul style="list-style-type: none"> The development of a new enterprise financial management system will require high level architects which may not be available to the state.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
FLAIR users not able to adapt to new system and processes	<p>If users do not adapt and use the system, there will be significant negative downstream impacts that could result in:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ There will be a significant change in business process and system functionality impacting users' day to day lives.
Lack of agency buy-in and support	<p>Positive agency participation will greatly improve the implementation, but DFS can update FLAIR and force changes on the state. Potential impacts are:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ If FLAIR is modified in a way which is unpopular with the agencies, they may slowly reduce their reliance on the system.
Agencies do not assign an adequate number of resources to the project	<p>Agency resources (including DFS) are necessary to complete the project. Some resources can be contracted if necessary. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ The long time frame and the potential for lack of support at both executive and agency level could result in an inadequate number of resources being assigned to the project.
DFS may not have the skills, experience or staff to design, develop, test, and roll out the solution	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ The development of a new enterprise financial system will require high level architects which may not be available to the state.
Business processes not changed	<p>Business process change is required to achieve any of the identified benefits. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Custom building software increases the likelihood the system will be built to existing requirements rather than making process improvements.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Integration issues with existing agency / FFMS systems including managing around contract updates for both People First and MFMP	Interfaces are required for FLAIR to function and will be an important part of the new system architecture. Impacts include: <ul style="list-style-type: none"> Failed implementation Budget overruns Failure to meet implementation timeline Increased customizations Higher support costs 	<ul style="list-style-type: none"> Integration with other systems should improve with the development of a new system. Similar to the governance issue, FLAIR is controlled by a single department making integration issues with other agencies less likely than with other alternatives.
Sufficient resources are not assigned to perform ongoing system support and upgrades	Ongoing maintenance is necessary to enable the system to support business operations. Impacts include: <ul style="list-style-type: none"> Increased support costs Shortened solution life span 	<ul style="list-style-type: none"> With custom built software, the development of all bug fixes, upgrades and research and development must be handled internally. As was the case with the original FLAIR, these upgrades are often not performed and over time systems become out of date and need to be replaced.

Exhibit 2-46: Option 1 Risk Explanations

Option 2: Replace FLAIR

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Loss of political / executive sponsorship	Loss of executive sponsorship could impact support for funding, staffing, and decision making with impacts including: <ul style="list-style-type: none"> Failed implementation Benefits not realized 	<ul style="list-style-type: none"> Phased approach to project including pre-implementation work limit exposure to loss of political / executive sponsorship.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Ineffective governance processes prevent decision making	<p>Ineffective decision making during the implementation process could have impacts to all facets of the project including:</p> <ul style="list-style-type: none"> ▪ Increased customizations ▪ Higher support costs ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ FLAIR is controlled by a single department making cross-agency governance less of an issue than with other alternatives.
Funding not available	<p>If funding is not made available, it may be impossible to complete key aspects of the project. Because all of the elements of an ERP are interrelated, missing one piece of functionality has a domino effect on the rest of the system.</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Phased approach to project including pre-implementation work limits exposure to loss of funding.
Third party software developers and / or ERP implementation experts not available	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement / support any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
FLAIR users not able to adapt to new system and processes	<p>If users do not adapt and use the system, there will be significant negative downstream impacts that could result in:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ There will be a significant change in business process and system functionality impacting users' day to day lives.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Lack of agency buy-in and support	<p>Positive agency participation will greatly improve the implementation, but DFS can update FLAIR and force changes on the state. Potential impacts are:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Reduces exposure to pushback by other agencies is limited given FLAIR is controlled by a single department.
Agencies do not assign an adequate number of resources to the project	<p>Agency resources (including DFS) are necessary to complete the project. Some resources can be contracted if necessary. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ The compact implementation timeline and limited scope reduce the likelihood that resources assigned by the agencies will be an issue with this option.
DFS may not have the skills, experience or staff to design, develop, test and rollout the solution	<ul style="list-style-type: none"> ▪ The right skilled resources are critical to successful completion of the project with impacts including: ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
Business processes not changed to increase efficiencies	<p>Business process change is required to achieve any of the identified benefits. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Given only FLAIR will be replaced in this option, it is possible the organization will not look to modify existing business processes or take advantage of new capabilities.
CMS maintenance takes additional resources or maintenance is not kept up and CMS becomes obsolete		<ul style="list-style-type: none"> ▪
Integration issues with existing agency / FFMS systems including managing around contract updates for both People First and MFMP	<p>Interfaces are required for FLAIR to function and will be an important part of the new system architecture. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline ▪ Increased customizations ▪ Higher support costs 	<ul style="list-style-type: none"> ▪ Integration with other systems should improve with the development of a new system. ▪ Since FLAIR is controlled by a single agency, it reduces the risk of integration issues.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Sufficient resources are not assigned to perform ongoing system support and upgrades	Ongoing maintenance is necessary to enable the system to support business operations. Impacts include: <ul style="list-style-type: none"> Increased support costs Shortened solution life span 	<ul style="list-style-type: none"> Research and development of upgrades are handled by ERP software vendors, thereby reducing the number of state employees required to support this task and limiting risk.

Exhibit 2-47: Option 2 Risk Explanation

Option 3: Replace FLAIR and CMS

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Loss of political / executive sponsorship	Loss of executive sponsorship could impact support for funding, staffing, and decision making with impacts including: <ul style="list-style-type: none"> Failed implementation Benefits not realized 	<ul style="list-style-type: none"> Phased approach to project including pre-implementation work limit exposure to loss of political / executive sponsorship.
Ineffective governance processes prevent decision making	Ineffective decision making during the implementation process could have impacts to all facets of the project including: <ul style="list-style-type: none"> Increased customizations Higher support costs Benefits not realized Budget overruns Failure to meet implementation timeline 	<ul style="list-style-type: none"> Some governance issues may arise integrating FLAIR with CMS.
Funding not available	If funding is not made available, it may be impossible to complete key aspects of the project. Because all of the elements of an ERP are interrelated, missing one piece of functionality has a domino effect on the rest of the system. <ul style="list-style-type: none"> Failed implementation Benefits not realized 	<ul style="list-style-type: none"> Phased approach to project including pre-implementation work limits exposure to loss of funding.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Lack of agency buy-in and support	<p>Positive agency participation will greatly improve the implementation, but DFS can update FLAIR and force changes on the state. Potential impacts are:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ By replacing only FLAIR and CMS, systems which are controlled by a single agency, exposure to pushback by other agencies is reduced.
Third party software developers and / or ERP implementation experts not available	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement / support any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
FLAIR users not able to adapt to new system and processes	<p>If users do not adapt and use the system, there will be significant negative downstream impacts that could result in:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ There will be a significant change in business process and system functionality impacting users' day to day lives.
Agency staff unable to support new solution	<p>If unable to support the new system, additional resources will be required, or key functionality may not function properly. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to support any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk. ▪ Existing staff does not have exposure to the solutions available and will need to be re-trained, thereby increasing risk.
Agencies do not assign an adequate number of resources to the project	<p>Agency resources (including DFS) are necessary to complete the project. Some resources can be contracted if necessary. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ The compact implementation timeline and limited scope reduce the likelihood resources assigned by the agencies will be an issue with this option.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
DFS may not have the skills, experience or staff to design, develop, test and rollout the solution	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
Business processes not changed to increase efficiencies	<p>Business process change is required to achieve any of the identified benefits. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Because of the limited scope of implementation with this option, it is possible the organization will not look to modify existing business processes which integrate it to take advantage of new capabilities.
Integration issues with existing agency / FFMS systems including managing around contract updates for both People First and MFMP	<p>Interfaces are required for FLAIR to function and will be an important part of the new system architecture. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline ▪ Increased customizations ▪ Higher support costs 	<ul style="list-style-type: none"> ▪ Integration with other systems should improve with the development of a new system. ▪ Since FLAIR and CMS are controlled by a single agency it reduces the risk of integration issues.
Sufficient resources are not assigned to perform ongoing system support and upgrades	<p>Ongoing maintenance is necessary to enable the system to support business operations. Impacts include:</p> <ul style="list-style-type: none"> ▪ Increased support costs ▪ Shortened solution life span 	<ul style="list-style-type: none"> ▪ Research and development of upgrades are handled by ERP software vendors, thereby reducing the number of state employees required to support this task and limiting risk.

Exhibit 2-48: Option 3 Risk Explanation

Option 4: Replace FLAIR, CMS, MFMP and People First

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Loss of political / executive sponsorship	Loss of executive sponsorship could impact support for funding, staffing, and decision making with impacts including: <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Extended project timeline and the all-encompassing project scope increase the likelihood of loss of political / executive sponsorship.
Ineffective governance processes prevent decision making	Ineffective decision making during the implementation process could have impacts to all facets of the project including: <ul style="list-style-type: none"> ▪ Increased customizations ▪ Higher support costs ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ This option will replace multiple systems controlled by different departments – therefore governance issues may arise when addressing the competing demands of each agency.
Lack of agency buy-in and support	Positive agency participation will greatly improve the implementation, but DFS can update FLAIR and force changes on the state. Potential impacts are: <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Since this option requires the replacement of key systems controlled by multiple departments, there is a risk one of the agencies will not support the new system if their particular demands are not met.
Funding not available	If funding is not made available, it may be impossible to complete key aspects of the project. Because all of the elements of an ERP are interrelated, missing one piece of functionality has a domino effect on the rest of the system. <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ High cost and extended implementation time frame increase exposure to funding issues.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Third party software developers and / or ERP implementation experts not available	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement / support any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
FLAIR users not able to adapt to new system and processes	<p>If users do not adapt and use the system, there will be significant negative downstream impacts that could result in:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ There will be a significant change in business process and system functionality impacting users' day to day lives.
Agencies do not assign an adequate number of resources to the project	<p>Agency resources (including DFS) are necessary to complete the project. Some resources can be contracted if necessary. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ The extended implementation timeline and all-encompassing project scope increase the likelihood resources assigned by the agencies will not be sustained and will become an issue with this option.
DFS may not have the skills, experience or staff to design, develop, test and rollout the solution	<p>The right skilled resources are critical to successful completion of the project with impacts including:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline 	<ul style="list-style-type: none"> ▪ Identifying and hiring resources to implement any of the major public-sector ERP packages should not be a challenge, thereby minimizing exposure to this risk.
Business processes not changed to increase efficiencies	<p>Business process change is required to achieve any of the identified benefits. Impacts include:</p> <ul style="list-style-type: none"> ▪ Failed implementation ▪ Benefits not realized 	<ul style="list-style-type: none"> ▪ Because this option replaces all key FFMS systems, it is unlikely business process changes will be remain unaddressed.

RISK	IMPACT EXPLANATION	LIKELIHOOD EXPLANATION
Integration issues with existing agency / FFMS systems including managing around contract updates for both People First and MFMP	Interfaces are required for FLAIR to function and will be an important part of the new system architecture. Impacts include: <ul style="list-style-type: none"> ▪ Failed implementation ▪ Budget overruns ▪ Failure to meet implementation timeline ▪ Increased customizations ▪ Higher support costs 	<ul style="list-style-type: none"> ▪ Integration with other systems should improve with the development of a new system. ▪ Some integration issues may arise integrating systems controlled by multiple agencies.
Sufficient resources are not assigned to perform ongoing system support and upgrades	Ongoing maintenance is necessary to enable the system to support business operations. Impacts include: <ul style="list-style-type: none"> ▪ Increased support costs ▪ Shortened solution life span 	<ul style="list-style-type: none"> ▪ Research and development of upgrades are handled by ERP software vendors, thereby reducing the number of state employees required to support this task and limiting risk.

Exhibit 2-49: Option 4 Risk Explanation

2.5.6 LIST OF SOURCES

2.5.6.1 MARKET RESEARCH

General Market

Gartner analyst reference call, December 9, 2013.

PeopleSoft

Oracle PeopleSoft Applications Overview.

<http://www.oracle.com/us/products/applications/peoplesoft-enterprise/overview/index.html>.

Meeting with PeopleSoft Representatives, December 17, 2013.

SAP

SAP for Public Sector Overview. <http://www.sap.com/solution/industry/public-sector.html>.

Meeting with SAP Representatives, December 11, 2013.

CGI Advantage

CGI Advantage ERP Overview. <http://www.cgi.com/en/solutions/cgi-advantage>.

CGI Managed Advantage Overview. <http://www.cgi.com/sites/default/files/brochures/cgi-managed-advantage-erp.pdf>.

Meeting with CGI Representatives, December 17, 2013.

2.5.6.2 STATE RESEARCH

General

National Association of State Budget Officer's Expenditure Report: Examining Fiscal 2011-2013 State Spending.

(<http://www.nasbo.org/sites/default/files/State%20Expenditure%20Report.pdf>)

PN Narayan, Martin Benison, and Naomi Wyatt, "The State of ERP in the States," The National Association of State Chief Information Officers 2008 Annual Conference (Milwaukee, WI), September 2008.

(<http://www.nascio.org/events/2008Annual/presentations/StateOfERP.pdf>)

Massimiliano Claps and Ivy I. Anderson, "Trends in Statewide ERP Implementations," Gartner, October 5, 2009.

(http://starproject.wi.gov/Documents/Trends_StatewideERP_Implementations_GartnerIndustr_ResearchReport2009.pdf)

New York

New York Interview, December 10, 2013.

New York Statewide Financial System Project Site. <http://www.sfs.ny.gov/>.

Texas

Texas Interview, January 15, 2014.

Texas ProjectONE Site. <http://www.txprojectone.org/>.

Pennsylvania

Pennsylvania Interview, December 6, 2013.

William Wagner Ph.D. and Yvonne Lederer Antonucci Ph.D., *An Analysis of the Imagine PA Public Sector ERP Project* (Proceedings on the 37th Hawaii International Conference on System Sciences, 2004) 1-8.

(http://pdf.aminer.org/000/248/644/an_analysis_of_the_imagine_pa_public_sector_erp_project.pdf)

“The Commonwealth of Pennsylvania to Improve State Government Through Partnership with SAP Public Sector and Education,” SAP, press release. June 14, 2000.

(<http://global.sap.com/press.epx?pressID=167>)

Ohio

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“Accenture to Design, Implement, and Support Ohio’s New Statewide ERP System,” Accenture, press release. May 4, 2005.

(http://newsroom.accenture.com/article_display.cfm?article_id=4213)

Hilton Collins and Matt Williams, “Ohio Shared Services Uses Enterprise System to Consolidate State Financials,” August 31, 2010. (<http://www.govtech.com/featured/Ohio-Shared-Services-Uses-Enterprise-System.html>)

Ohio Administrative Knowledge System, “Outsourcing Program Overview,” November 9, 2011.

(http://www.devoutsourcing.com/app/assets/files/pdf/Rob%20%20Nov_110911_OI_Deck_v102111.pdf)

Virginia

Virginia Interview, December 4, 2013.

Virginia Cardinal Project Site. <http://www.cardinalproject.virginia.gov/>.

Virginia Enterprise Applications Division Site.
<http://www.vita.virginia.gov/EAD/default.aspx?id=9976>.

Georgia

Georgia Interview, December 9, 2013.

“Despite Odds, Georgia Hits It Big With ERP System” Computerworld, October 9, 2000.

“State of Georgia Implements Oracle’s PeopleSoft Applications to Streamline Financial Management and Human Resources Processes,” Oracle Corporation, press release. June 20, 2007. (http://www.oracle.com/us/corporate/press/015542_EN)

“Georgia State Purchasing Division Improves Statewide Strategic Sourcing with Oracle’s PeopleSoft Enterprise Applications,” Oracle Corporation, press release. August 8, 2011. (<http://www.oracle.com/us/corporate/press/453595>)

Alabama

Alabama Interview, December 20, 2013.

Get SMART State Business Systems Project Briefing, May 29, 2008.
(http://www.google.com/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=10&cad=rja&ved=0CHsQFjAJ&url=http%3A%2F%2Fwww.sbs.alabama.gov%2Fppt%2F052908_-_SMART_Business_Systems_-_Briefing.ppt&ei=BnvdUrTpBqTisATq0IC4Dw&usq=AFQjCNEIdVj75ykZjU9s8XrgJobHkUDIfA)

Thomas L. White, “State of Alabama: How an ERP Project became a Segmented Approach,” The National Association of State Auditors, Comptrollers, and Treasurers Annual Conference (Seattle, WA), March 22, 2012.
(http://www.nasact.org/conferences_training/nasc/conferences/AnnualConferences/2012AnnualConference/PresentationsHandouts/white.pdf)

North Carolina

Interview with former North Carolina State Comptroller, December 6, 2013.

North Carolina Project BEACON Site. <http://www.ncosc.net/beacon/>.

“State of North Carolina: Standardizing the Process of Delivering Government Services,”
August, 2008.

([http://global.sap.com/japan/industries/publicsector/pdf/State_of_North_Carolina -
Business Transformation Study \(A4\)%5b1%5d.pdf](http://global.sap.com/japan/industries/publicsector/pdf/State_of_North_Carolina_-_Business_Transformation_Study_(A4)%5b1%5d.pdf))

California

California FI\$Cal Project Site. <http://www.fiscal.ca.gov/>.

CHAPTER 3 RECOMMENDATION

Key Takeaways From This Chapter

An inadequate system architecture and lack of necessary functionality to meet the mission of the CFO necessitate that action is initiated to replace the State's aging financial management system.

Based on the analysis completed in Chapter 2 Options Analysis, the recommendation is the State of Florida should replace FLAIR and CMS with an ERP solution (Option 3).

Four options were required to be analyzed and the recommended option was selected based on information collected from the market conditions and trends and the analysis of both qualitative and quantitative factors, including:

- Alignment to Goals and Objectives
- Cost Comparison
- Benefits Comparison
- Risk Analysis

Option 3 has an estimated total implementation cost of \$224.6 Million and can be fully implemented within 7 years. The solution's estimated 15-year total cost of ownership is \$667.6 Million.

3.1 SUPPORT FOR TAKING ACTION NOW

Although modifications to CMS have been made in recent years, significant modifications have not been made to the core FLAIR environment over its 30 plus year life. Action should be initiated now to avoid the serious risks of obsolescence that faces any solution of this age. There are two primary categories of risks the State must begin now to mitigate:

- System Architecture
- Lack of Necessary Functionality

3.1.1 SYSTEM ARCHITECTURE

Although impossible to accurately measure, the risk of a catastrophic failure increases significantly in systems the age of FLAIR – these failures can source from multiple points within the solution. The system has been extensively patched over the past 30 years and lacks adequate system documentation to fully evaluate the impact of any revisions.

The current FLAIR and CMS architecture is neither flexible nor adaptable. The “siloes” design between FLAIR components presents challenges in making modifications and there currently is not a robust testing environment.

3.1.2 LACK OF NECESSARY FUNCTIONALITY

Without a flexible and adaptable solution, agencies continue to develop their own business systems to meet their needs. The Inventory (see Attachment 2) documents and categorizes the over 400 such systems which currently exist (approximately 300 systems were in place when last inventoried in 2000). Among the other business processes supported, the agency business systems include additional reporting, cost allocation support, asset management, accounts receivable, and mid-year forecasting and scenario planning functionality currently not available through FLAIR. The true total cost required to maintain agency business systems is not currently compiled. The total cost is distributed, and in many cases duplicative, across agencies. The agency system inventory also identified a wide range of system functionality supporting similar business processes. The lack of standardization for the large number of different application types results in further inefficiencies and risk. Multiple disparate systems also introduce additional risk to the State since they have been developed without an enterprise master data management plan.

Basic information on State spending, including both historical and trend data, is not readily available. The lack of a single integrated platform also necessitates the extensive use of manual reconciliation procedures (e.g., cash balances, payroll processing). Moving to a single integrated platform would also eliminate the current inherent system limitations (e.g., lack of automated workflow and cash reconciliation tools).

3.2 RECOMMENDATION – OPTION 3: REPLACE FLAIR AND CMS WITH AN ERP SOLUTION

Proviso language included in the 2013 GAA required DFS to analyze four potential future options for FLAIR and related subsystems. The required options evaluated included:

1. Enhance FLAIR
2. Replace FLAIR
3. Replace FLAIR and CMS
4. Replace FLAIR, CMS, MFMP and People First

Based on the analysis documented in Chapter 2, the recommendation is to replace FLAIR and CMS with an ERP solution (Option 3). The cost analysis in Chapter 2, Section 2.4 represents that Option 3 can be fully implemented for \$224.6 Million. The estimated implementation costs for all options range from \$219.4 - \$467.4 Million (to deliver the same level of functionality).

The recommendation of Option 3 factors the information gathered and analyzed in Chapter 2 from trends in public sector, interviews with other states, interviews with select state agencies, an interview with a market analyst specializing in public sector ERP and included the review and analysis of a number of reports completed on Project Aspire and previous large scale IT projects attempted by the State over the last decade. The analysis also included a cost comparison of each option.

In Chapter 2, Section 2.4.5, each option was ranked against a qualitative and quantitative framework which considered the following dimensions:

- Alignment to Vision and Goals
- Total Cost of Ownership
- Achievement of Benefits
- Risk

The rating utilized a 3.0 scale, with 3.0 representing the highest and positive correlation.

REVIEW CATEGORY	OPTIONS CONSIDERED			
	OPTION 1: ENHANCE FLAIR	OPTION 2: REPLACE FLAIR	OPTION 3: REPLACE FLAIR AND CMS	OPTION 4: REPLACE FLAIR, CMS, MFMP, AND PEOPLE FIRST
Alignment to Vision and Goals	1.6	1.8	2.8	3.0
Total Cost of Ownership	2.5	3.0	2.9	2.4
Achievement of Benefits	1.8	2.9	3.0	2.7
Risk	1.7	2.5	2.5	2.1
Combined Comparison	1.9	2.6	2.8	2.6

Exhibit 3-1 Summary Option Comparison

In addition to the analysis completed in Chapter 2, there are observations that further support the recommendation of Option 3. There was no evidence to support that additional investment in enhancing or rewriting FLAIR (Option 1) would be in the best interest of the State. The implementation costs in Chapter 2 for Option 1 were the highest of the four options at \$467.4 Million and were limited to capturing the development of the described functionality. The analysis did not attempt to measure the amount of research and development investment that current ERP vendors annually make to meet customer demands and a similar investment would be necessary for the State to prevent a recurrence of the current FLAIR environment.

Option 4 presents the best alignment with established vision and goals; and, the governance required to successfully manage a true statewide “enterprise” solution needs to be well

established across the enterprise and working effectively before this should be attempted. The contractual commitments for MFMP and People First also preclude Option 4 from being viable at the present time.

A key differentiating factor in favor of Option 3 over Option 2 is the reduction in complexity, risk of errors and enhanced cash management resources resulting from the single book balance for statewide cash that Option 3 provides.

The actual timing and scope of implementing payroll will depend on the impact of decisions anticipated when the People First contract is scheduled to renew in August 2016. The activities and estimated resources assume the replacement of the current payroll functions. This could be further modified by DFS based on other factors including other implementation activities currently scheduled for the same timeframe as the payroll implementation.

The recommended phased implementation strategy is a central component of managing the overall project risk. Similarly, each phase in the project lifecycle contributes an important part in achieving the expected results. A brief description of each phase is described below while additional detail on the implementation approach and timeline can be found in Chapter 4 Implementation Strategy.

- **Pre-Design, Development, and Implementation (Pre-DDI) Phase:** This phase is the catalyst and foundation for the future success of the project. It includes such activities as:
 - Establishing the PMO and Project Governance structure
 - Conducting Business Process Re-Engineering (e.g., establishing baseline and target performance metrics, current and future state process flows, updated functional requirements)
 - Defining organizational transition and change management scope and approach
 - Developing the Systems and Data Strategy (e.g., agency business system interface strategy, master data management plan, and data conversion plan)
 - Developing and procuring the “right” ERP solution and implementation services provider to achieve the desired end result of the program. Additional detail on the procurement strategy can be found in Chapter 5 Procurement and Contract Management
- **DDI Phase 1: Implement ERP Solution:** This phase is focused on implementing the procured ERP solution and deploying the Information Warehouse (IW). It includes such activities as:
 - Continuing BPR activities to align with procured software
 - Executing Organizational Change Management strategies (including ERP training)
 - Designing core functionality
 - Configuring and testing the solution
 - Interfacing/integrating the solution with external systems
 - Piloting and rolling out the solution to remaining agencies

- **DDI Phase 2: Expand ERP Functionality:** The focus of this phase is to identify the next phase of beneficial functionality and implement the enhancements across the user base.
- **Post-DDI: Operations and Maintenance:** The focus of this phase involves:
 - Continuing to monitor and adjust target performance metrics established during the Pre-DDI phase
 - Supporting the existing FLAIR and CMS solution (until retired)
 - Supporting the new ERP solution
 - Performing ERP upgrades
 - Re-evaluating the continuing need for agency business systems

3.3 PROJECT CRITICAL SUCCESS FACTORS

With a project of this scale, there are critical success factors to monitor closely and adhere to throughout the project. Consideration was given to the lessons learned from Project Aspire and the information summarized in Chapter 2, Section 2.2 Market Conditions and Trends. Six key factors are identified to support the successful replacement of FLAIR and CMS with an ERP solution:

1. Establish a Comprehensive Multi-Tiered Governance Model
2. Confirm Project Funding Source
3. Manage System Customizations
4. Initially Deploy a Limited Scope of Functionality
5. Utilize a Controlled Pilot to Validate the Solution
6. Leverage Phased Rollout to Agencies

Items 1, 2, and 3 should be completed – or agreed to – before proceeding with the procurement for the replacement solution.

3.3.1 ESTABLISH A COMPREHENSIVE MULTI-TIERED GOVERNANCE MODEL

Each operating environment contains unique characteristics such that there is no “one-size-fits-all” governance solution, and every effective governance model should consider the following elements:

- Establish decision making authority for each level of governance
- Develop project vision, mission, and values
- Secure funding for both implementation and operations
- Define core business processes impacted
- Develop data governance standards
- Define and enforce standard IT architecture and environments
- Define issue escalation and issue resolution
- Identify and provide for necessary organizational change management

3.3.1.1 EXISTING GOVERNANCE CHALLENGES

As reviewed in Chapter 1, the existing enterprise governance is defined through the FFMS Act established in Section 215.90-.96, F.S. This existing governance framework provides for a governing board and council; however, both bodies have been inactive since February 2005. As a result, no operational plans, policies and procedure, or FFMS subsystem modifications have been reviewed at an enterprise level as anticipated in the governing statute. There have been, and continue to be, decisions made at the subsystem functional owner level further fragmenting the enterprise accounting and reporting capabilities of the State.

A project of the size and magnitude of the FLAIR and CMS replacement will require strong governance across three dimensions:

- **Enterprise** – responsible for establishing and enforcing the overall vision of the project, securing project funding throughout the project lifecycle, making overall policy decisions and resolving issues between jurisdictions.
- **Overall Project** – a focused project governance team will make project resource, scope, budget, and timeline decisions along with addressing and resolving project issues.
- **Functional Project Areas** – both during and after the implementation, many of the decisions required by the project are related to how specific business functions are performed. An example of a functional area governance team would be a statewide accounts payable working group who provide recommendations and input to the project steering committee on what data should be in a vendor file, or how to record and manage vendor payment terms.

3.3.1.2 ENTERPRISE GOVERNANCE RECOMMENDATIONS

The following modifications to the FFMS Act (Section 215.90-96, F.S.) should be considered to strengthen and to enhance the governance model over FFMS:

- Develop a vision and mission for enterprise processes and their management for the State.
- Define the intent of the FFMS Act to more clearly align with the development and operation of an enterprise solution for the State.
- Provide the FFMS Board with the authority to add and remove processes and/or systems they determine serve an enterprise purpose.
- Shift the overall enterprise governance focus to oversight of business processes vs. underlying FFMS subsystems and ensure all responsible parties are represented (See Exhibit 3-3, Proposed Enterprise Governance Model).
- Preclude overlapping members between the FFMS Board and Council.
- Require agencies to obtain approval from the FFMS Council for requests for any new financial or related systems or modifications to existing financial systems.
- Establish an achievable timeline for mandatory adoption of the new ERP solution by all agencies.
- Develop a statutory requirement requiring charters for all levels of FFMS governance. The charters would include procedures for how they will operate.
- Identify a recurring funding source for staffing and supporting FFMS Council activities.

An illustration of the proposed Enterprise Governance Model is in the Exhibit below:

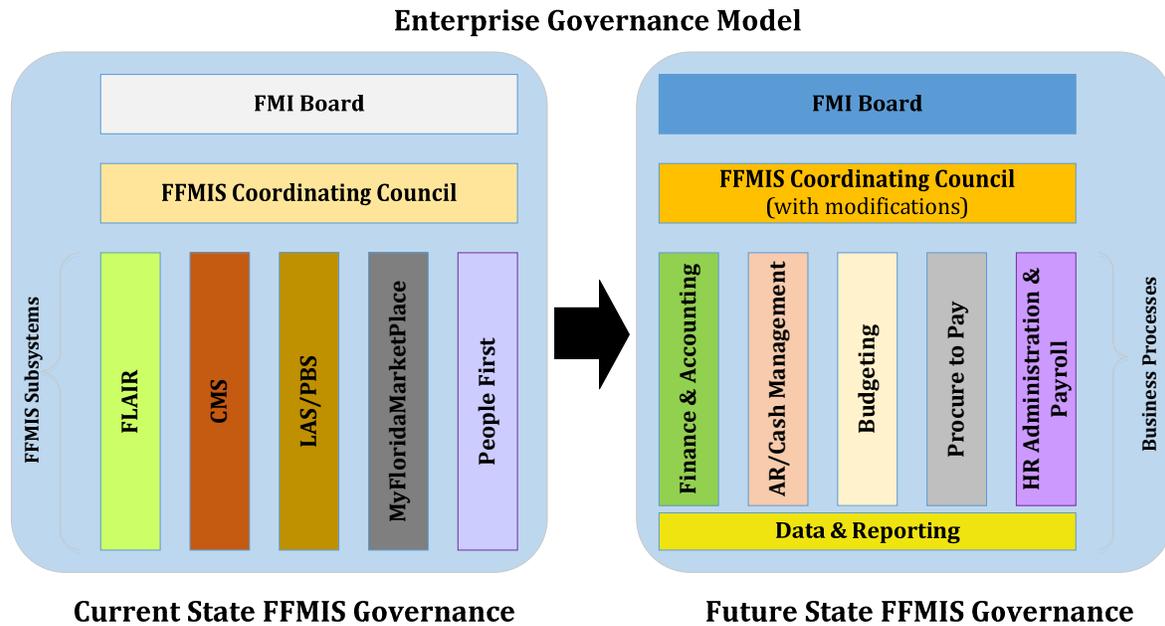


Exhibit 3-3: Proposed Enterprise Governance Model

3.3.1.3 FLAIR AND CMS REPLACEMENT OVERALL PROJECT GOVERNANCE RECOMMENDATIONS

The overall project governance structure cannot stand alone and must fit within the broader Enterprise Governance framework. This is critical since decisions being made at the project levels could have near and long-term impact on how the other FFMS subsystems operate and are managed. To ensure coordination, the proposed Overall Project Governance structure established for the FLAIR and CMS replacement must have a direct connection to the FFMS Council. The FFMS Council must be kept apprised of the project (i.e., progress towards major milestones and deliverables, major issues and risks, key decisions made or needed, etc.). The FFMS Council can, in turn, provide project updates and raise issues, risks and decisions to the FFMS Board for awareness and guidance. An illustration of the proposed Overall Project Governance structure is in the Exhibit below:

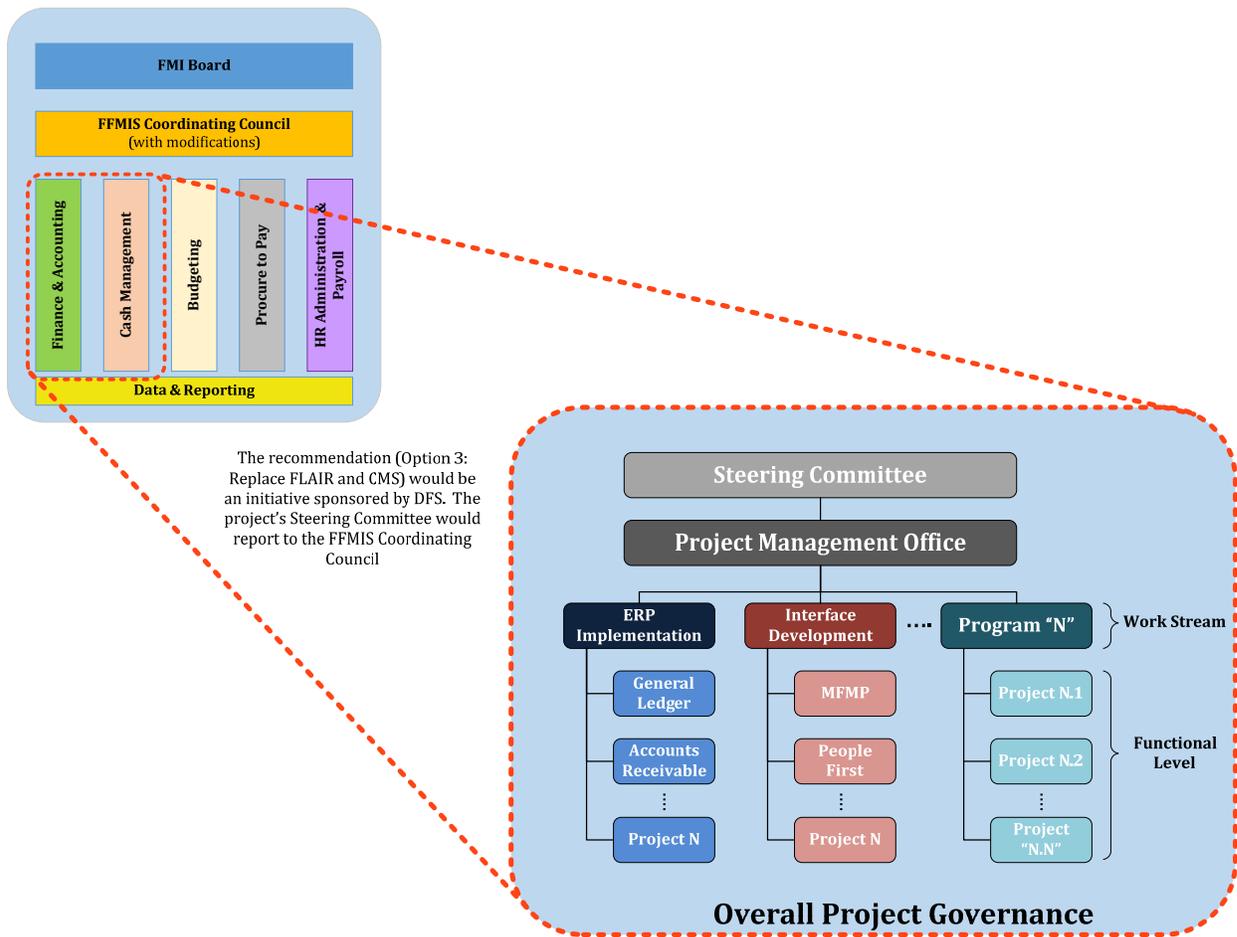


Exhibit 3-4: Proposed FLAIR and CMS Replacement Overall Project Governance

Specific recommendations for the required Overall Project Governance include:

- Assign and dedicate a single executive leader from DFS to be the full time Project Director.
 - This cannot be a part-time role. This person is accountable for the overall project, including functional project areas.
 - This person should be a senior leader and have an understanding of, and experience with, the business functions being replaced by the ERP solution.
 - This person should have the respect of key agencies and stakeholders and have demonstrated the ability to manage difficult situations.
- Include senior representatives from agencies involved in the current wave of implementations as members of the Steering Committee overseeing the FLAIR and CMS replacement project. This will force engagement, facilitate awareness around design decisions and implementation timelines, and enable agencies to provide input on decisions prior to them being made or presented to the FFMS Council or FFMS

Board. Agency involvement is critical to achieving “buy-in” and realizing the expected benefits of undertaking this initiative.

- Establish a common and consistent foundation for the oversight and management of the project, work streams and functional project teams.
 - Establish a consistent framework and cadences for how project status and progress are reported and how issues, risks and decisions are identified, tracked and managed.
 - Use a common set of tools and templates for all project documents (e.g., project charters, financial tracking, business requirements document, etc.) – no exceptions.
 - Leverage a singular repository for all project documentation.
 - Define a consistent hierarchy and organizational structure for work streams (Project Tracks) and projects to conform to and work under.
 - Maintain a single, comprehensive issues, risks, and decisions log to provide maximum visibility.
 - Classify all issues, risks, and decisions as enterprise-level, overall project-level, or functional project area level depending on the nature of their impact. The level and corresponding status (e.g., high probability/high impact, etc.) will dictate at what level the issue, risk or decision is reported and resolved.
 - Determine a consistent method for scoring issues as low, medium and high and the timeframe each are required to be resolved.
 - Document a consistent definition for how probability and impact will be determined for all risks and the timeframe for risk mitigation plans to be developed.
 - Document a consistent definition of how decisions will be evaluated/categorized and determine the timeframe in which decisions have to be made.
- Clearly define and document the roles, responsibilities, and expectations of each level of the enterprise/project governance structure (i.e., involvement, decision making authority, etc.).
 - Identify a single leader (business or technical) for each functional project area to promote accountability. Project leaders must speak to any significant open project or functional area-level issue, risk or decision.

Overall Project Governance must be established from the outset to provide structure and discipline and ensure a strong start to the project. The Project Governance Framework will be developed and executed as part of the Project Management Office activity under the Pre-DDI phase (Chapter 4 Implementation Strategy).

The following Exhibit 3-5 is an example of the different Overall Project Governance levels, their responsibilities, and recommended members:

GOVERNANCE LEVEL	DESCRIPTION	RESPONSIBILITIES	RECOMMENDED MEMBERS
Executive Steering Committee	Provides overall leadership and direction for the project	<ul style="list-style-type: none"> ▪ Establishes project direction ▪ Responsible for developing and supporting necessary budget requests ▪ Ensures adequate resources are provided throughout all project phases ▪ Guides overall scope and ensures project remains on track to meet objectives ▪ Serves as an escalation point for overall and functional area projects issues, risks and decisions (including design decisions, resource needs, etc.) ▪ Holds the Project Director, PMO, and functional project teams accountable for project progress ▪ Promotes information sharing ▪ Acts as final approver on all major project deliverables (e.g., selected software, go/no-go, etc.) ▪ Provides project updates to FFMS Council and FFMS Board, as needed ▪ Approves change requests, as needed 	<ul style="list-style-type: none"> ▪ CFO or Designee (Executive Sponsor) ▪ Project Director ▪ DFS Leadership (A&A, DIS, Treasury, HR, etc.) ▪ 5-6 Senior Leaders from Agencies currently scheduled for implementation ▪ Other Key Stakeholders (e.g., Auditor General, OPB, Agency for Enterprise IT) ▪ IV&V Representative (Advisory role) ▪ Software Vendor (Advisory role)

GOVERNANCE LEVEL	DESCRIPTION	RESPONSIBILITIES	RECOMMENDED MEMBERS
Overall Project Management Office	Develops the structure, processes, and tools to complete the project	<ul style="list-style-type: none"> ▪ Establishes the infrastructure and common set of tools, templates and processes to complete the project ▪ Facilitates functional area information sharing ▪ Monitors and reports on functional area project progress (e.g., scope, schedule, budget, and quality) ▪ Produces project related reports (status, budget tracking, issue log, etc.) ▪ Ensures contracted deliverables are appropriately met ▪ Manages issue, risk and decision making processes and supports functional area teams in resolving issues, risks and open decisions ▪ Develops materials to support Steering Committee, FFMIS Council and FFMIS Board meetings ▪ Supports all project execution related communications ▪ Serves as an escalation point for project issues, risks and decisions (including design decisions, resource needs, etc.) ▪ Manages change request process 	<ul style="list-style-type: none"> ▪ DFS Project Director ▪ DFS Contract Manager ▪ DFS Project Manager ▪ DFS Team Leads ▪ Key agency representatives ▪ Organizational Change Management Lead ▪ Communications Lead ▪ Software Vendor/Systems Integrator (Advisory Role)

GOVERNANCE LEVEL	DESCRIPTION	RESPONSIBILITIES	RECOMMENDED MEMBERS
<p>Various Functional Project Area Teams</p> <p>Note: A functional project area can be one or more similar work efforts which are best managed together</p>	<p>Manages and coordinates overall functional area activities and delivers project within the project constraints (e.g., scope, schedule, budget, and quality)</p>	<ul style="list-style-type: none"> ▪ Provides oversight and direction to the functional area ▪ Monitors progress of functional area projects, including timeliness of resolving issues, risks and open decisions ▪ Coordinates project activities within functional area ▪ Ensures appropriate agency and stakeholder representation on functional area projects and activities ▪ Communicates functional area information to the overall PMO ▪ Ensures functional area projects are executed using prescribed tools, templates and processes ▪ Submits functional area updates to leadership ▪ Develops required project deliverables and artifacts ▪ Present and approve change requests, as needed ▪ Develops, executes and manages project work plan to achieve project scope and quality ▪ Manages and tracks project budget ▪ Engages key stakeholders in developing project deliverables and work products ▪ Manages and coordinates project activities and tasks ▪ Identifies dependencies on other functional areas ▪ Communicate project status and submit accurate weekly status reports - highlighting progress, issues, risks, open decisions, etc. 	<ul style="list-style-type: none"> ▪ Functional Project Area Team Lead ▪ System Integrator Lead (for the respective functional area) ▪ Functional Project Area Staff (as needed)

Exhibit 3-5: Various Levels of Project Governance

3.3.2 CONFIRM PROJECT FUNDING SOURCE

It is necessary to secure the commitment of a funding source(s) which adequately address both the implementation and ongoing operations and maintenance.

Implementation Costs - Implementation costs for this project include and are not limited to:

- Contractual services
- State personnel supporting the project
- Hardware
- Software
- Training

Operations and Maintenance - O&M costs consider the ongoing operations once the system has been implemented and can include:

- Staffing
- Hardware hosting and maintenance
- Software licensing
- Contractual services

Key funding goals for both implementation and O&M include:

- Funding sources must be secured for the entire project
- Funding should be structured so that unspent funds can be preserved and carried forward to support future upgrades and enhancements

3.3.2.1 FUNDING OPTIONS AND MODELS

Some states have opted to utilize financing vehicles to pay for the implementation costs for projects of this magnitude. Although provided for in statute, there is currently no support to consider financing the FLAIR and CMS replacement.

Eliminating a financing strategy from consideration, the remaining funding options include securing funds from General Revenue resources or through the use of Trust Funds.

Funding Options

General Revenue Fund – Unless specifically exempted, agencies are currently assessed an 8% service charge on certain income and trust funds pursuant to Section 215.20, Florida Statutes. These funds – referred to as the general revenue service charge (GRSC) – are designed to share the costs of general government activities and are deposited into the General Revenue Fund. Although currently not adequate to cover the anticipated

implementation costs, GRSC could be increased and used to support O&M. Any annual amount not satisfied through the GRSC would be directly appropriated.

Trust Funds – An upfront assessment for anticipated implementation costs could be secured by sweeping eligible agency trust funds. Utilizing this method and identifying and increasing an existing trust fund mechanism (e.g., Treasury Administrative and Investment Trust Fund and/or 1% MFMP Transaction Fee) could contribute to the necessary implementation and O&M funding.

Funding and Allocation Models

The two funding and allocation models outlined below compare approaches for allocating the costs for both implementation and O&M for the replacement of FLAIR and CMS.

Internal Service Fund - Internal Service Funds are established to accumulate costs, invoice, and collect for services provided to other governmental units. The basis for charges varies and can range from a straight cost recovery method to actual costs plus a factor for historical expenditures and future upgrades and enhancements.

Direct Appropriation - Direct appropriation refers to an appropriation made directly to DFS to cover the costs of implementing and operating the FLAIR and CMS replacement.

FUNDING MODEL	ADVANTAGES	DISADVANTAGES
Internal Service Fund (Charge Back or Cost Recovery Method)	<ul style="list-style-type: none"> ▪ Can be structured to better respond to agency needs ▪ Established properly, this method best aligns the cost with the service provided ▪ More representative of private sector models 	<ul style="list-style-type: none"> ▪ Could take multiple years to develop and implement the allocation methodology (e.g., may require statutory consideration and specific appropriation for the transfer of funds) ▪ Establishing a predictable model for assessing usage can make agency budgeting a challenge ▪ Requires an impact analysis on the Statewide Cost Allocation Plan
Direct Appropriation	<ul style="list-style-type: none"> ▪ No resulting transition issues when compared to the existing model ▪ Faster implementation time (when compared to the Internal Service Fund Option) 	<ul style="list-style-type: none"> ▪ Agencies are not required to share in the cost of implementing and operating the state financial accounting system

Exhibit 3-6: Funding Model Comparison

Funding Recommendation

Due to the time required to develop and obtain approval for a cost allocation methodology, it is recommended the Pre-DDI activities (approximately first two years) are funded through a direct appropriation to DFS from General Revenue.

This approach will allow for the additional analysis required to evaluate the feasibility of administering a cost recovery method for either (or both) the project implementation and operations and maintenance cost.

3.3.3 MANAGE SYSTEM CUSTOMIZATIONS

Managing system customizations is one of the most challenging areas when implementing an ERP solution. Today's ERP solutions contain highly integrated processes meeting a large portion of the core transactions of the State without modification. The states interviewed for this project which established an approach to minimize customizations reported that more than 80% of their needs could be met out of the box with the provided functionality. The states that did not establish this goal – and allowed for significant solution customization – are now going through the difficult process of removing the customizations so they can return to regular and lower risk software upgrades. Customizations also tend to be both time consuming and expensive, and they introduce cost and complexity to necessary upgrades over the life of the software.

To limit customizations this recommendation includes Business Process Re-engineering efforts would be initiated early in the Pre-DDI phase – see the detailed implementation plan in Chapter 4 Implementation Strategy. Customizations should be limited to those required by:

- State statute
- Federal regulation
- Unique business process not contemplated by the software

The risks associated with system customizations can be best mitigated by:

- Align both the enterprise and overall project governance to support standardization of business processes
- Modify state statutes wherever possible to support standardized business processes
- Require agencies to justify reasons for not conforming to standard processes

3.3.4 INITIALLY DEPLOY A LIMITED SCOPE OF CORE FUNCTIONALITY

The required minimum set of functionality identified earlier in Chapter 2 was specifically limited in scope to help reduce the overall risk and contribute to a successful implementation. It is recommended that additional functionality be introduced only after the limited scope of core functionality has been successfully proven.

3.3.5 UTILIZE A CONTROLLED PILOT TO VALIDATE THE SOLUTION

In addition to initially limiting the scope of functionality, a controlled pilot is recommended to assist in further proving the solution viability. The implementation plan in Chapter 4 identifies the pilot to encompass an entire fiscal year and year end close out cycle.

3.3.6 LEVERAGE PHASED ROLLOUT TO AGENCIES

It is recommended the rollout to additional agencies only be initiated upon the completion of a successful pilot. To further reduce the overall risk to the State, there are up to four phases of agency migrations identified in the implementation plan to better manage the overall impact within agencies and on the State as a whole.

3.4 CHANGES IN STATUTE AND FINANCIAL BUSINESS PRACTICES

Section 3.3.1.2 Enterprise Governance Recommendations outlines specific modifications to the FFMIS Act (Section 215.90-96, F.S.) which should be considered to provide the necessary governance over the State's enterprise financial systems and processes. The recommended strengthening of both the enterprise and overall project governance structure provides the foundation to support the necessary standardization of statewide business processes. A primary goal of business process standardization is the reduction in the required customization of the selected ERP solution – and a corresponding reduction of overall project cost and risk. The extent of modifications to the existing financial business practices will not be known until both the business process re-engineering and the solution design tasks are complete.

3.5 OUTSOURCING CONSIDERATION

At the present time, there are no services or activities which have been identified for outsourcing. Once the base functionality has been successfully deployed, future consideration should be given to outsourcing the payroll processing function.

CHAPTER 4 IMPLEMENTATION STRATEGY

Key Takeaways From This Chapter

The replacement of FLAIR and CMS with an ERP solution is a large, multi-year, complex project (The FLAIR Replacement “Project”). A comprehensive implementation strategy and approach must be developed prior to executing any implementation activities. This Chapter presents a timeline and the implementation phases necessary to implement the new solution successfully.

The FLAIR Replacement Project is a very large, vastly complex initiative. It involves changes to long standing business practices, affects employee duties, job functions and roles and involves multiple organizations. Effective organizational change management (OCM) requires a carefully planned implementation which is collaborative and highly leveraged with state resources in each agency. The OCM Strategy presented in this Chapter is one model to use to ensure agency participation and effective management of the employees’ journey throughout the life of the project.

The FLAIR Study adopted the business case requirements of Chapter 287 of the Florida Statutes. The exhibit below provides those statutes which apply to Chapter 4 Implementation Strategy.

FLORIDA STATUTE	
287.0571(4)(n)	A state agency’s transition plan for addressing changes in the number of agency personnel, affected business processes, employee transition issues, and communication with affected stakeholders, such as agency clients and the public. The transition plan must contain a reemployment and retraining assistance plan for employees who are not retained by the state agency or employed by the contractor.

Exhibit 4-1: Florida Statute Description

The general assumption for this implementation strategy is DFS and agency resources are retrained and redeployed during the overall transition from the existing legacy FLAIR and CMS environment to the new ERP FLAIR and CMS environment.

The implementation approach presented within this Chapter is founded on addressing four critical dimensions: process, people (organization), technology, and project management (governance). Each dimension must be addressed to realize the new solution’s business objectives and expected outcomes. Strong project management creates the common foundation for the entire project. The following graphic, Exhibit 4-2, depicts the four dimensions along with examples of the associated activities.

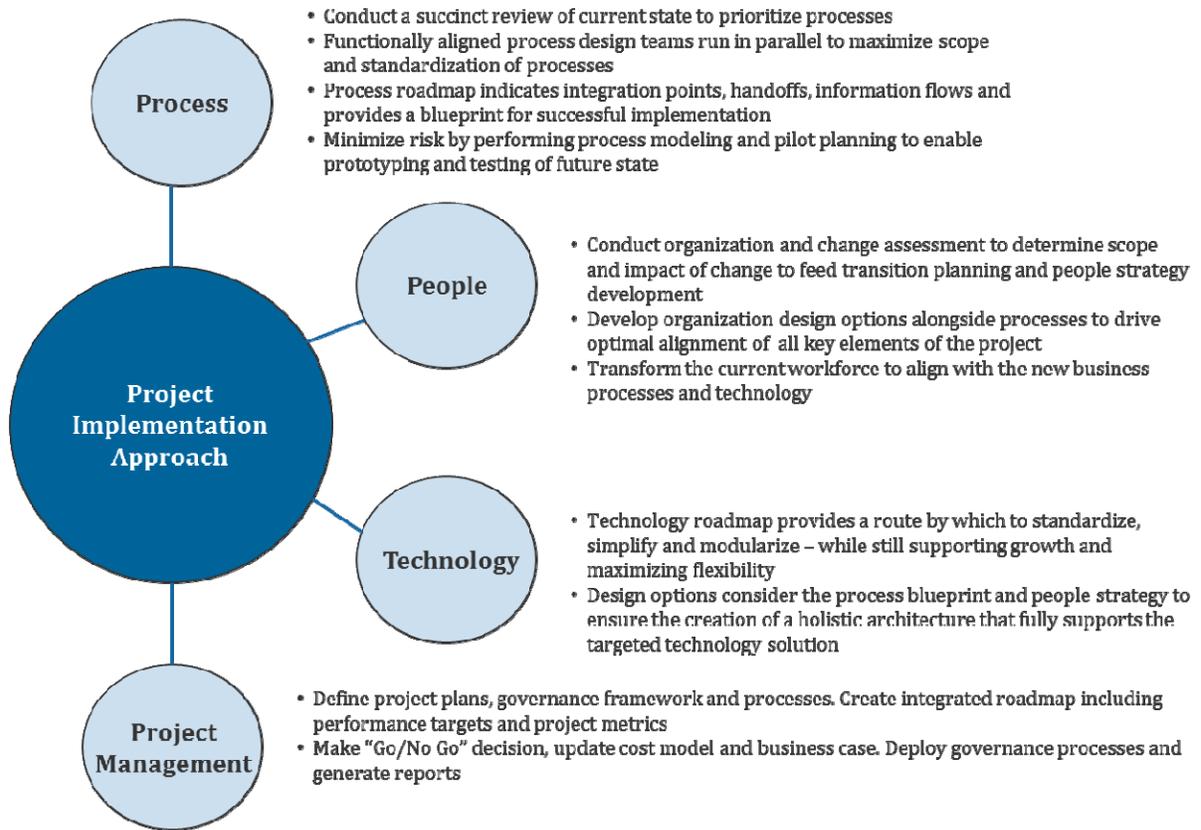


Exhibit 4-2: Implementation Framework Dimensions

The overall implementation framework across the different dimensions includes the following five implementation stages:

- Plan and Assess
- Design
- Develop
- Implement
- Post – Implement (Operations and Maintenance)

Each implementation stage has activities across each of the implementation dimensions as outlined in the graphic, Exhibit 4-3 below:

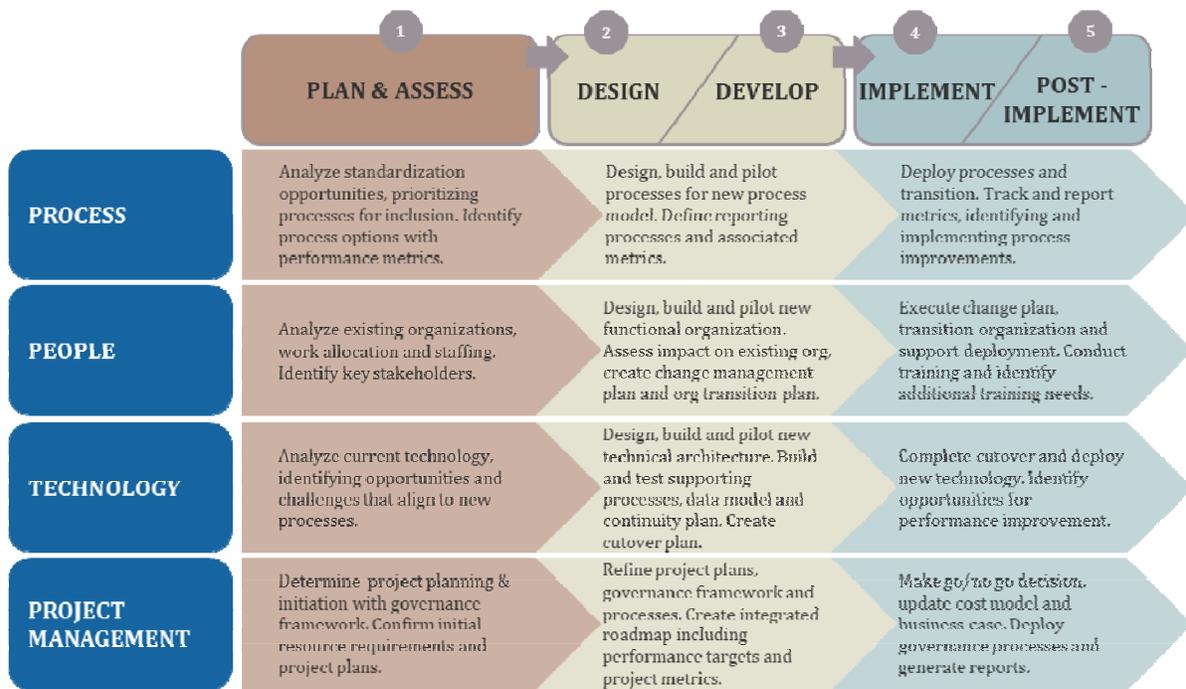


Exhibit 4-3: Implementation Stages and Dimensions

Key activities across the four implementation dimensions for each implementation stage are illustrated in Exhibit 4-4 below:

STAGE	DIMENSION	KEY ACTIVITIES
Plan & Assess	Process	<ul style="list-style-type: none"> Analyze current state processes (review 1100 existing functional requirements) Review industry standards (agencies and other states) Identify opportunities for improvement Prioritize targeted business processes Identify future performance metrics and levels
	People	<ul style="list-style-type: none"> Analyze current state organizations (DFS Only) Analyze current staffing levels and work allocation (DFS Only) Identify key stakeholders Establish organizational change management plan
	Technology	<ul style="list-style-type: none"> Identify current state technology and architecture Identify external interfaces in-scope for replacing the legacy technology solution Perform quality assessment of the legacy data to be converted Procure new technology solution and system integrator

STAGE	DIMENSION	KEY ACTIVITIES
	Project Management	<ul style="list-style-type: none"> ▪ Define and confirm initial project governance structure and framework ▪ Clarify and modify statutes to enforce process standardization ▪ Establish Project Management Office (PMO) ▪ Determine on-boarding requirements ▪ Create and review project charter ▪ Perform stage gate “Go/No Go” decision
Design	Process	<ul style="list-style-type: none"> ▪ Define process re-engineering guidelines ▪ Design future state processes ▪ Identify integration points ▪ Identify gaps (current and future) ▪ Define future state functional requirements
	People	<ul style="list-style-type: none"> ▪ Define future organization guidelines (DFS Only) ▪ Define future organization structure (DFS Only) ▪ Identify impact on existing organization ▪ Identify gaps (current and future) (DFS Only) ▪ Perform OCM activities ▪ Define resource plan ▪ Design a business plan for readiness
	Technology	<ul style="list-style-type: none"> ▪ Design future state architecture ▪ Define future state technology requirements ▪ Identify gaps (current and future) ▪ Design initial technology solution and processes ▪ Design data model and interface requirements ▪ Design analytics and reporting strategy ▪ Design test strategy
	Project Management	<ul style="list-style-type: none"> ▪ Build project performance dashboards ▪ Update project governance framework and processes ▪ Review and provide Quality Assurance (QA) project deliverables and artifacts ▪ Monitor and report project performance and progress ▪ Review and confirm risk mitigation strategy and escalation procedures ▪ Perform stage gate “Go/No Go” decision
Develop	Process	<ul style="list-style-type: none"> ▪ Define detailed processes (including analytics and reporting) ▪ Build and run simulation cases and models ▪ Define and update procedures ▪ Pilot processes ▪ Confirm metrics and reporting processes ▪ Define and confirm transition plan (user support plans) ▪ Define business readiness plan

STAGE	DIMENSION	KEY ACTIVITIES
	People	<ul style="list-style-type: none"> ▪ Confirm organization model (DFS Only) ▪ Define new job description (DFS Only) ▪ Identify impact on existing organization ▪ Update resource plan (DFS Only) ▪ Perform OCM activities ▪ Build training strategy ▪ Create organization transition plan ▪ Develop business readiness plan
	Technology	<ul style="list-style-type: none"> ▪ Build technical processes ▪ Build data model ▪ Build technology solution (infrastructure and applications) ▪ Test technology solution (unit, system, performance, etc.) ▪ Test data conversion and interfaces ▪ Create cutover plan
	Project Management	<ul style="list-style-type: none"> ▪ Monitor and report project performance ▪ Continue PMO and governance processes and escalation events ▪ Review and update risk mitigation strategy ▪ Review and QA project deliverables ▪ Perform stage gate “Go/No Go” decision
Implement	Process	<ul style="list-style-type: none"> ▪ Confirm performance indicators and metrics ▪ Deploy business processes ▪ Establish user support (help desk) ▪ Conduct user acceptance testing (UAT) ▪ Complete transition and cutover ▪ Track and report process metrics
	People	<ul style="list-style-type: none"> ▪ Implement business readiness plan ▪ Perform OCM activities ▪ Execute organization transition plan ▪ Execute training plan ▪ Support ERP deployment ▪ Identify additional training needs
	Technology	<ul style="list-style-type: none"> ▪ Implement user support (help desk) ▪ Execute final testing ▪ Complete transition to new technology solution ▪ Complete cutover to new technology solution ▪ Monitor and report performance
	Project Management	<ul style="list-style-type: none"> ▪ Provide “Go/No Go” decision on implementation ▪ Update business case if needed ▪ Transition to production ▪ Implement “Go Live” governance processes ▪ Complete review of all project deliverables and artifacts ▪ Conduct lessons learned ▪ Perform stage gate “Go/No Go” decision

STAGE	DIMENSION	KEY ACTIVITIES
Post – Implement (Operations and Maintenance)	Process	<ul style="list-style-type: none"> Generate performance analytics and reports on key process indicators and metrics Identify process improvement opportunities Design and develop process improvements Implement process improvements
	People (DFS Only)	<ul style="list-style-type: none"> Collect feedback from employees (lessons learned) Update organization development and required skills Develop succession plan for key roles Conduct follow-up training to close skill gaps
	Technology	<ul style="list-style-type: none"> Generate performance analytics and reports on technology solution indicators and metrics Identify opportunities for technology solution improvements Implement technology solution improvements Perform vendor upgrades to technology solution as needed
	Project Management	<ul style="list-style-type: none"> Generate final project reports and update project repository Update business case if needed Continue transition to production Continue to implement “Go Live” governance structure and processes Review next phase (Phase-2) of project

Exhibit 4-4: Key Activities by Implementation Stages and Dimensions

4.1 IMPLEMENTATION TIMELINE

The following preliminary, high-level project timeline, Exhibit 4-5 was developed and is based on the recommended technology solution Option 3: Replace FLAIR and CMS with an ERP Solution.

The technology solution is defined as the ERP system and any other technology tools (i.e., Information Warehouse) and products which are needed to render a complete technology solution platform.

Activities	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Pre-DDI															
Planning, Re-engineering, and Procurement															
DDI Phase 1: Implement ERP Solution															
Implement and Rollout ERP Solution															
DDI Phase 2: Expand ERP Functionality															
Add Expanded Functionality in All Agencies															
Operations and Maintenance															
Support Existing FLAIR															
Support ERP FLAIR															
Upgrade ERP															

Exhibit 4-5: Implementation Summary Timeline

The implementation timeline is structured around the sequencing of Project Phases to support the overall Design, Develop and Implementation (DDI) of the recommended technology solution. Each Project Phase is comprised of a number of Project Tracks which define the key activities and roles needed to complete the Phase. The number of resources for each Project Track is defined by the labor assumptions included in Attachment 1 and is based on the numbers presented in Chapter 2 Section 2.3.3.3 “Option 3: Replace FLAIR and CMS”. Exhibit 4-6 below describes the four key implementation phases.

PHASES	DESCRIPTION
Pre-DDI	<p>The Pre-DDI Phase includes activities which support the initiation of the program as well as activities providing on-going control, monitoring and support for the overall project. The Project Tracks included in this Phase are:</p> <ul style="list-style-type: none"> ▪ Business Process Re-Engineering (BPR) – Develop future business process models from analyzing current business processes and identify process gaps (inefficiencies) which need to be addressed. Create an initial set of functional requirements which supports the future business process models. ▪ Procurement – Execute procurement and contract management strategy and activities to identify, evaluate and select both the technology solution and System Integrator (SI) to implement the technology solution. ▪ Organizational Change Management – Develop an overall change management strategy for the entire life-cycle of the project. Execute the requisite change management activities across the appropriate project phases and tracks covering organizational impact. ▪ Project Management Office – Establish the overall project governance framework, structure and activities across all project phases and tasks. Perform on-going monitoring, controlling, and issue resolution and escalation activities for the project. ▪ Workforce Transition – Map current workforce (Functional and Technical) into the future business operating model which includes the future business processes and technology solutions. This includes the mapping of roles and the required skill set needed. Develop strategy for handling and addressing existing system interfaces and data quality issues. ▪ Systems & Data Strategy – Assess system interfaces which need to be addressed with the replacement of FLAIR/CMS with ERP solution and develop overall strategy and plan to address. Perform assessment of legacy FLAIR/CMS Data and develop Master Data Management (MDM) plan to address major data issues.

PHASES	DESCRIPTION
DDI Phase-1	<p>DDI Phase-1 covers the changes to the the existing in-scope business functions based on the replacement of the legacy FLAIR/CMS platform with the new technology solution. The new technology solutions may include additional functions such as workflow and document management based on the BPR outcomes and the corresponding set of functional requirements. This phase also addresses the deployment of the new technology solution across the existing FLAIR, CMS and IW communities. The Project Tracks included in this Phase are:</p> <ul style="list-style-type: none"> ▪ Implement ERP for FLAIR (Central and Departmental)/CMS - Design, Develop and Implement ERP to replace legacy FLAIR and CMS platforms to enable future business processes and functions. ▪ Implement Information Warehouse (IW) - Design, Develop and Implement new Data Warehouse tool to replace legacy IW platform to enable future analytic and reporting processes and functions. ▪ DFS Pilot - Pilot the new ERP FLAIR, CMS, and IW solution with DFS and select agencies. ▪ Migrate (Roll out) Agencies to ERP/IW - Support the migration of agencies to the new ERP/IW technology solution and future business processes and functions. ▪ Migrate (Roll out) Agencies to CMS in ERP - Migration of agencies to the new cash management system business process and functions built within the ERP. ▪ Implement Payroll in ERP - Implement payroll business processes and functions within the new ERP. ▪ PeopleFirst (PF) Integration - Develop interface strategy between PF and ERP for the eventual disconnect of PF from legacy FLAIR ▪ MFMP Integration - Develop interfaces between MFMP and ERP for the eventual disconnect of MFMP from the current FLAIR. ▪ LAS/PBS Integration - Develop interface between LAS/PBS and ERP for budget, appropriation, and encumbrance tracking. ▪ OCM - Team responsible for ensuring organizational acceptance of business process and technology system changes. ▪ Workforce Transition (WFT) - Conduct end-user FLAIR/CMS training and measure outcomes. Deploy organization and user roles alignments. ▪ PMO - Project management team who will manage other resources are a part of this phase of the project. ▪ Independent Verification & Validation (IV&V) - Independent team of contractors assigned to evaluate the work product of the System Integrator to minimize risk.

PHASES	DESCRIPTION
DDI Phase-2	<p>DDI Phase-2 addresses the future assessment of additional ERP modules or functions which can be leveraged by the State to further improve operations. This phase follows the same five implementation stages as DDI Phase-1:</p> <ul style="list-style-type: none"> ▪ Plan & Assess – Analyze standardization opportunities, prioritizing processes for inclusion and identify process options with performance metrics. Analyze existing organizations, work allocation and staffing. Analyze current technology, identifying opportunities and challenges aligned to new processes. ▪ Design – Design processes based on new process model and define reporting and associated metrics. Design new functional organization and assess impact on existing organization, create change management plan and organizational transition plan. Design updated technical architecture. ▪ Develop – Build and pilot processes and system based on new process model and build reporting processes and associated metrics. Build new functional organization and assess impact on existing organization, create change management plan and organizational transition plan. Build updated technical architecture. ▪ Implement - Deploy processes and transition. Track and report metrics, identifying and implementing process improvements. Execute change plan, transition organization and support deployment. Conduct training and identify additional training needs. Complete cutover and deploy new technology. Identify opportunities for performance improvement.
Operations and Maintenance	<p>The Operations and Maintenance Phase covers the on-going operations and support of both the legacy FLAIR/CMS platform and the new ERP FLAIR/CMS platform:</p> <ul style="list-style-type: none"> ▪ Operations and Maintenance Legacy FLAIR/CMS - Support legacy FLAIR/CMS & IW infrastructure (hardware and software) until retirement. ▪ Operations and Maintenance New ERP/IW Solution - Support ERP FLAIR/CMS infrastructure (hardware and software) and support new IW Infrastructure. Perform ERP/IW upgrades as needed.

Exhibit 4-6: Implementation Phase Description

Each of the Project Tracks within the Phases noted above has its own timeline with key activities and resource roles from the labor assumptions in Attachment - 1. Additional examples of Project Track activities are reflected in this Chapter’s Appendix. The Pre-DDI activities are included in this Section while the remaining DDI work streams are addressed in Section 4.2 Systems Development and Implementation.

4.1.1 PRE-DDI PHASE & PROJECT TRACKS

The key Pre-DDI Project Tracks and associated timeline are described below in Exhibit 4-7:

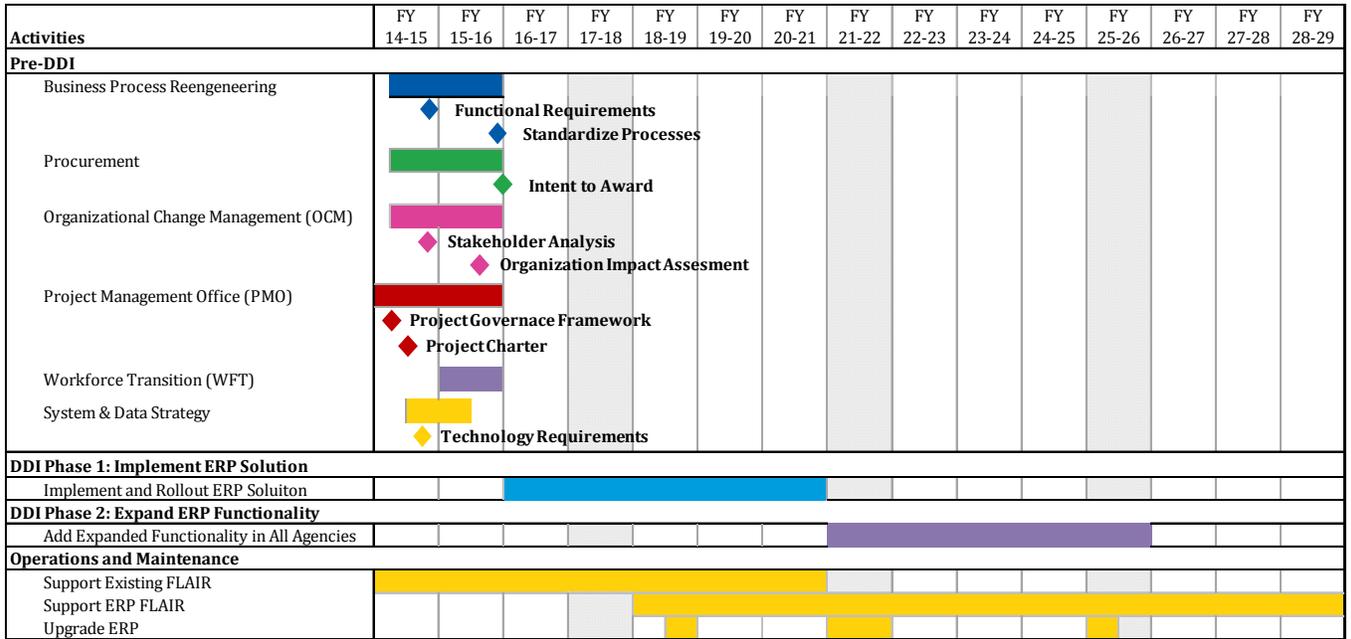


Exhibit 4-7: Pre-DDI Project Track Timelines

The Pre-DDI Project Tracks and associated resource roles are noted below in Exhibit 4-8. The estimated number of resources for each role can be found in Attachment – 1 Section 1.3.4.1.

TRACK	KEY TASKS	KEY OUTCOMES
Business Process Re-Engineering	<ul style="list-style-type: none"> Establish working DFS and Agency Advisory Group for business impact and feedback Update current state (CS) process maps Establish baseline process metrics Review industry standards for targeted processes Define future state (FS) processes and metrics Perform gap analysis between CS and FS processes Develop initial set of use cases Assess reporting and analytic requirements for Information Warehouse Prioritize Process Improvements (PIs) Update and confirm functional requirements 	<ul style="list-style-type: none"> Updated CS process maps and metrics FS process maps and metrics List of PIs Use cases Updated functional requirements
Resource Role: Business Process Re-Engineering		

TRACK	KEY TASKS	KEY OUTCOMES
Procurement Resource Role: Procurement	<ul style="list-style-type: none"> ▪ Reference Chapter 5 	<ul style="list-style-type: none"> ▪ ITN ▪ Vendor selection
Organizational Change Management Resource Role: Organizational Change Management	<ul style="list-style-type: none"> ▪ Assess change management needs and efforts ▪ Develop and conduct stakeholder analysis ▪ Develop and implement project vision and goals ▪ Develop and implement communication strategy and plan ▪ Develop and implement organization impact analysis and management plan ▪ Develop and implement training plan ▪ Develop and implement change readiness plan and management plan 	<ul style="list-style-type: none"> ▪ Change program charter ▪ Project vision ▪ Change management assessment ▪ Stakeholder analysis ▪ Change management strategy plan ▪ Communication plan ▪ Change readiness plan ▪ Organization impact analysis ▪ Training strategy plan
Project Management Office Resource Role: Project Management Office	<ul style="list-style-type: none"> ▪ Establish initial governance framework including process and Structure ▪ Provide project oversight as needed ▪ Facilitate issue resolution ▪ Develop and monitor detail project plan and schedule ▪ Perform initial project risk assessment with risk mitigation ▪ Perform QA on project deliverables ▪ Establish program planning framework ▪ Support project start-up activities ▪ Set-up project logistics (facilities, system access, administrative support, etc.) ▪ Develop on-boarding process for stakeholders, team members, contractors ▪ Establish initial project governance and PMO structure ▪ Develop project charter ▪ Maintain project artifacts 	<ul style="list-style-type: none"> ▪ Governance structure ▪ Governance processes and escalation ▪ Detail project plan ▪ Risk assessment ▪ Governance reporting ▪ Project planning workbook ▪ Define project support ▪ On-boarding process ▪ Initial PMO plan and processes ▪ Project charter

TRACK	KEY TASKS	KEY OUTCOMES
<p>Workforce Transition</p> <p>Resources Role: Workforce Transition</p>	<ul style="list-style-type: none"> ▪ Assess Information Technology (IT) readiness for migration to new ERP platform and infrastructure ▪ Identify new IT skills and knowledge requirements ▪ Establish IT as key business advisor and partner in collaboration with FLAIR stakeholders in leveraging the new ERP platform ▪ Assess financial management readiness for migration to new ERP platform and infrastructure ▪ Identify new financial management skills and knowledge requirements ▪ Establish financial management as key business advisor and partner in the pursuit of operational improvements across all stakeholders using FLAIR ▪ Leverage the transition to new ERP FLAIR/CMS to attract, develop, and retain key IT resources 	<ul style="list-style-type: none"> ▪ IT transition strategy ▪ IT skill and knowledge profile matrix ▪ Talent development program ▪ Financial management transition strategy ▪ Financial management skill and knowledge profile matrix
<p>System and Data Strategy</p> <p>Resource Roles: System & Data Strategy</p>	<ul style="list-style-type: none"> ▪ Confirm inventory of State agency financially-related systems and interfaces to FLAIR ▪ Perform initial data quality assessment of existing data in legacy FLAIR ▪ Determine changes in FLAIR system architecture, infrastructure, data structures and any data conversion requirements ▪ Develop data conversion plan to migrate required legacy FLAIR/CMS data 	<ul style="list-style-type: none"> ▪ Agency system and interface strategy ▪ Master data management plan ▪ Data conversion plan

Exhibit 4-8: Pre-DDI Project Tracks with Key Tasks and Outcomes

4.1.2 PRE-DDI INTEGRATION WITH DDI PHASE

Three of the six Project Tracks within the Pre-DDI Phase continue through the lifecycle of the project. The four Project Tracks which continue through Phase-1 DDI ERP FLAIR/CMS Core Functionality and potentially continue on through Phase-2 Expand ERP Functionality are:

- Organizational Change Management
- Project Management Office
- Workforce Transition
- Business Process Reengineering

The remaining Project Tracks have inputs to the Design stage for certain Phase-1 DDI Project Tracks. These hand-offs (outputs with corresponding inputs between phases) between the Pre-DDI Project Tracks to the Phase-1 DDI Project Tracks are noted in the following Exhibit 4-9:

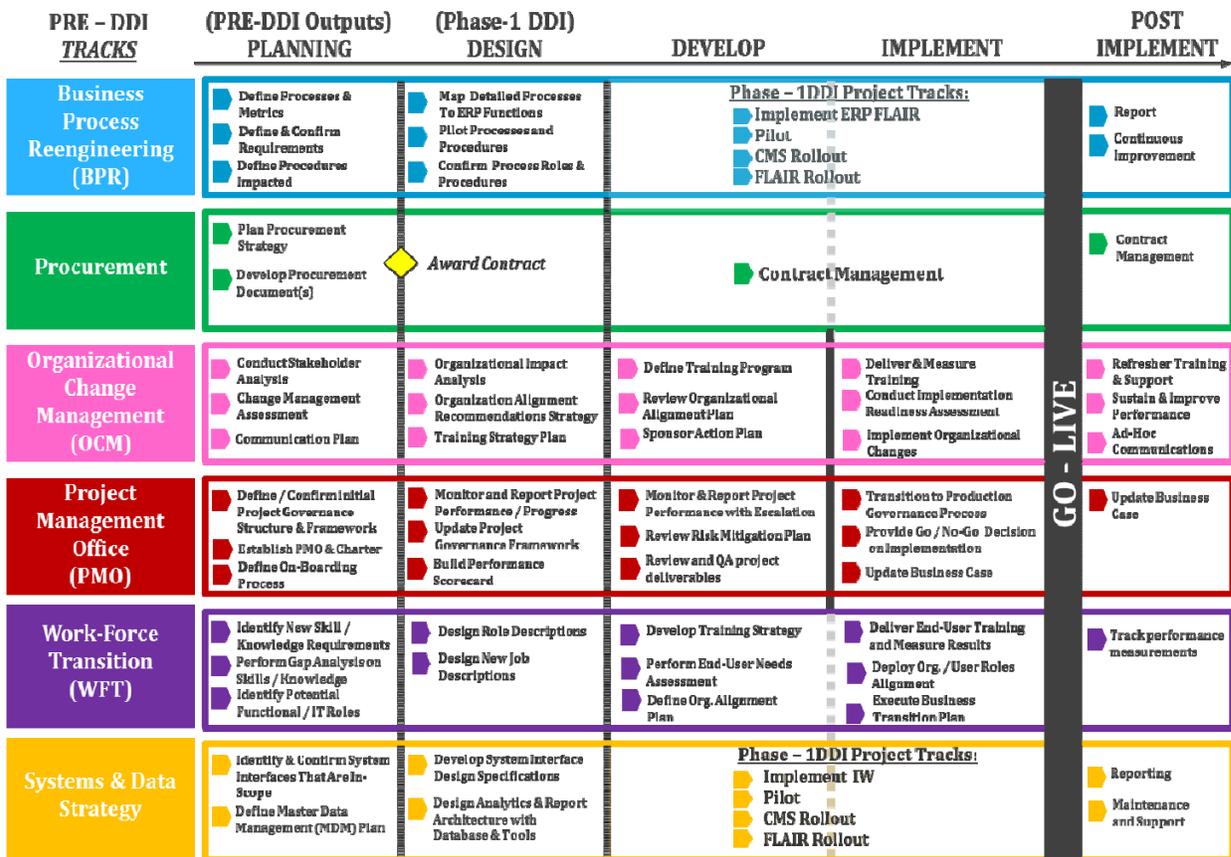


Exhibit 4-9: Integration of Pre-DDI Project Tracks with Phase-1 DDI

4.2 SYSTEM DEVELOPMENT AND IMPLEMENTATION

4.2.1 DESIGN, DEVELOP AND IMPLEMENT - PHASES

Phase-1 DDI focuses on FLAIR's core processes and select CMS functions with a transition of those processes and functions from the legacy FLAIR environment to the new ERP and IW technology platform. The FLAIR core processes and CMS functions which are in-scope for Phase-1 DDI (as referenced in Chapter 2 Section 2.3.1) are:

- Implement Central FLAIR Functions in ERP
 - Interface with existing Departmental FLAIR and bring all transactions to new ERP platform
 - Cash Ledger
 - Electronic Fund Transfer (EFT)
 - Warrants
 - Interfaces with LAS/PBS, MFMP and PF
 - Interface with new Information Warehouse platform
- Implement Departmental FLAIR Functions in ERP
 - General Ledger (GL)
 - Departments will continue to use existing Departmental FLAIR until transitioned over to the ERP
 - Since transactions are all sent to the new ERP it will effectively be the GL for the state even before all departments are transitioned to the new ERP
 - Accounts Receivables (AR)
 - Accounts Payables (AP)
 - Project Accounting
 - Asset Accounting
 - Grants Accounting
- Build CMS Functions in ERP
 - Verifies
 - Receipts
 - Chargebacks
 - Trust Fund Accounting
 - Disinvestments
 - Bank Accounts
 - State Accounts

- Consolidated Revolving Account
- Agency Repository (document and reporting management)
- Warrant Processing
- Investment Accounting
- Interfaces with Investments Trading and Special Purpose Investment Accounts
- Build Payroll Functions in ERP

Phase-2 DDI focuses on expanding ERP functionality to use more of the capabilities of the ERP system and improve business operations. Potential processes in-scope for Phase-2 DDI (as referenced in Chapter 2 Section 2.3.3) are:

- Transition from Grant Accounting to full Grant Management functionality
- Transition from Project Accounting to full Project Management functionality
- Transition from Asset Accounting to full Asset Management functionality
- Implement Contract Management functionality
- Other Functionality based on business process reengineering

The overall timeline for the DDI Phase to address FLAIR’s core processes and CMS functions, in addition to expanded ERP functionality, are noted below in Exhibit 4-10. Sections 4.2.1.1 – 4.2.1.15 highlight the key activities associated with each Project Track in Exhibit 4-10.

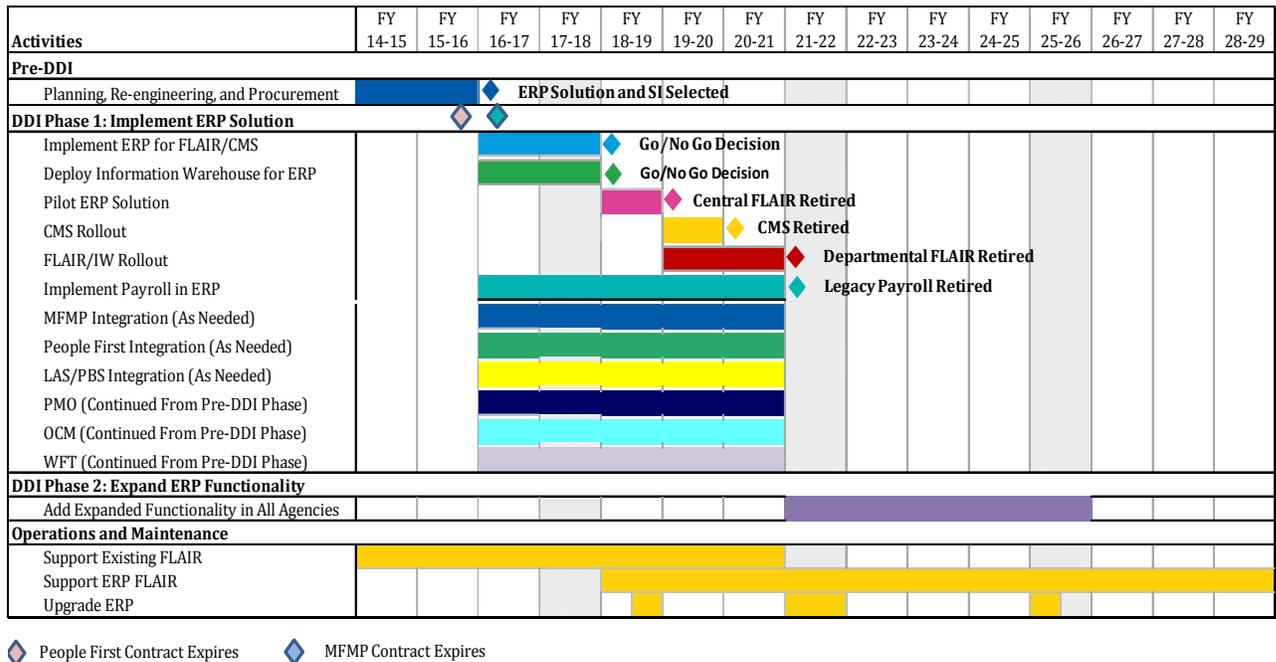


Exhibit 4-10: DDI Project Track Timelines

4.2.1.1 IMPLEMENT FLAIR/CMS ERP PROJECT TRACK

The key Implement FLAIR/CMS ERP Project Track activities and associated timeline are described below in Exhibit 4-11:

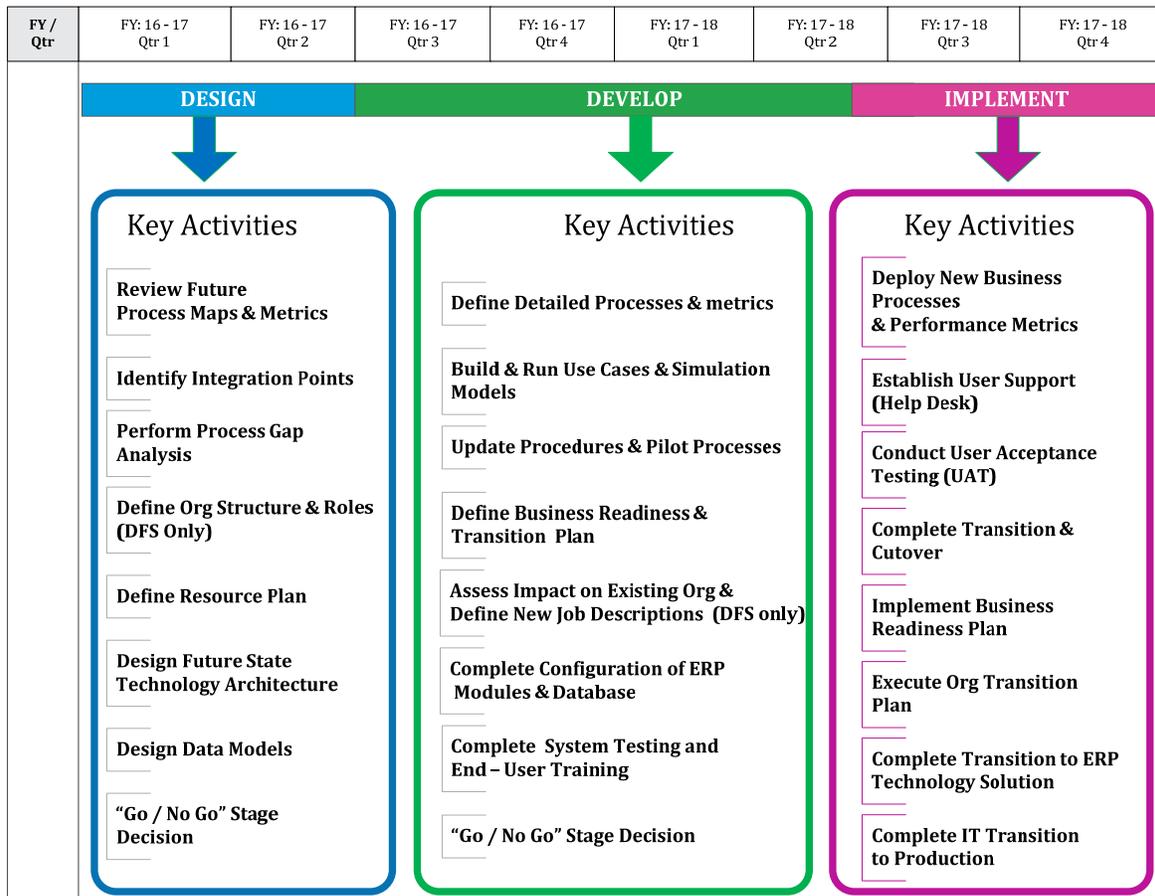


Exhibit 4-11: Implement FLAIR ERP Timeline and Activities

The expected resource roles, with associated timeframes for Implement FLAIR/CMS ERP Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Implement FLAIR in ERP (Central & Departmental) - Functional
- Implement FLAIR in ERP (Central & Departmental) - Technical
- Implement CMS in ERP
- FFMS System Integration
- Testing and quality assurance

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.1)

4.2.1.2 IMPLEMENT INFORMATION WAREHOUSE (IW) PROJECT TRACK

The key Implement IW Project Track activities and associated timeline are described below in Exhibit 4-12:

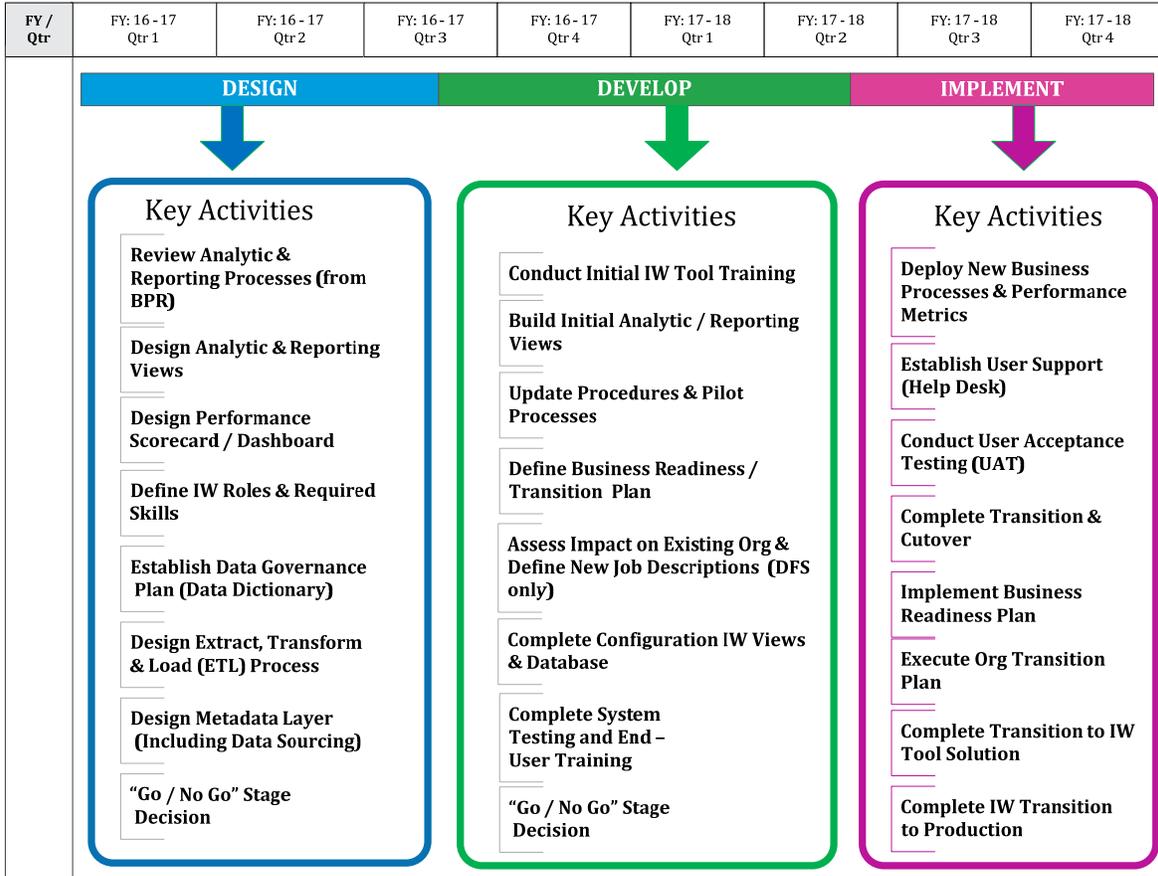


Exhibit 4-12: Implement IW Timeline and Activities

The expected resource roles, with associated timeframes for Implement Information Warehouse (IW) Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Implement Information Warehouse (IW)

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.2)

4.2.1.3 PILOT - FLAIR/CMS REPLACEMENT PROJECT TRACK

The key Pilot - FLAIR/CMS Replacement Project Track activities and associated timeline are described below in Exhibit 4-13:

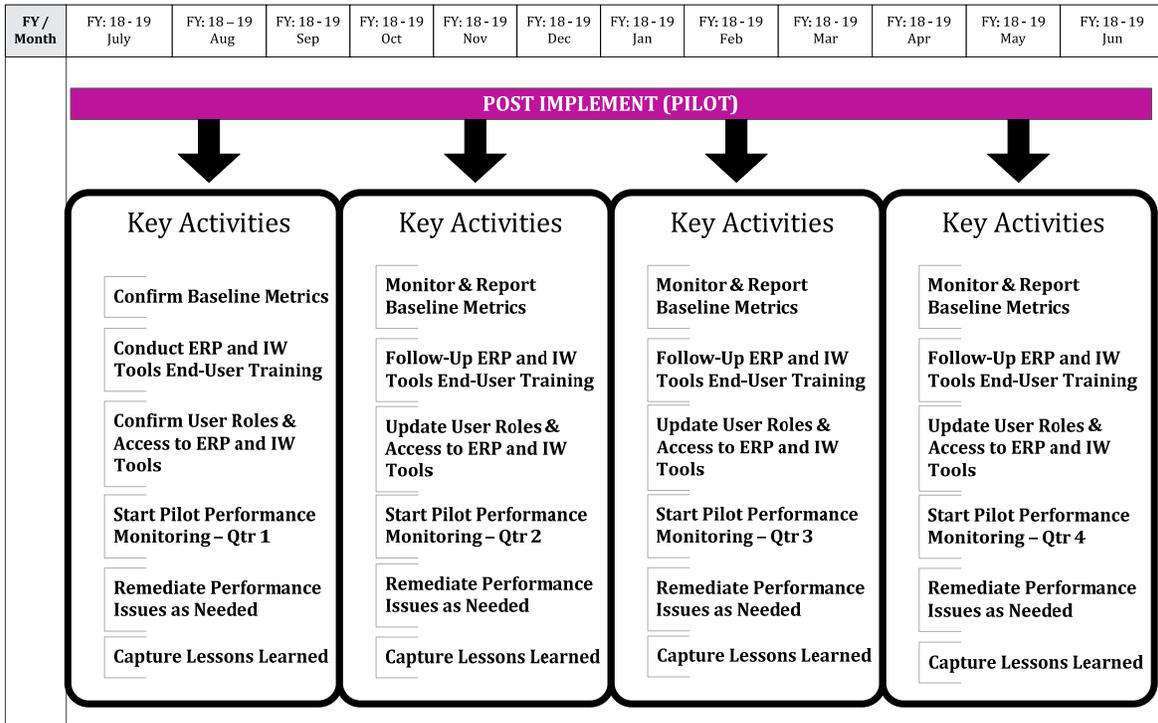


Exhibit 4-13: Pilot (FLAIR/CMS Replacement) Timeline and Activities

The expected resource roles, with associated timeframes, for Pilot (FLAIR/CMS Replacement) Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Implement FLAIR in ERP (Central & Departmental) - Functional
- Implement FLAIR in ERP (Central & Departmental) - Technical
- Implement CMS in ERP
- Implement Information Warehouse (IW)
- Testing and Quality Assurance

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.3)

4.2.1.4 CMS ROLLOUT PROJECT TRACK

The key CMS Rollout Project Track activities and associated timeline are described below in Exhibit 4-14:

FY / Month	FY: 19 - 20 Jul	FY: 19 - 20 Aug	FY: 19 - 20 Sep	FY: 19 - 20 Oct	FY: 19 - 20 Nov	FY: 19 - 20 Dec	FY: 19 - 20 Jan	FY: 19 - 20 Feb	FY: 19 - 20 Mar	FY: 19 - 20 Apr	FY: 19 - 20 May	FY: 19 - 20 Jun
	POST IMPLEMENT (CMS Rollout)											
	<p style="text-align: center;">Key Activities</p> <ul style="list-style-type: none"> Confirm CMS functionality via Pilot – FLAIR/CMS Replacement Conduct CMS End-User Training for Agencies Confirm User Roles & Access to ERP CMS Functions and Interfaces Confirm CMS Performance Remediate Performance Issues as Needed Conduct “Go / No Go” Decision on Rollout 			<p style="text-align: center;">Key Activities</p> <ul style="list-style-type: none"> Monitor & Report Baseline CMS Performance Metrics Follow-Up ERP and CMS End-User Training Update User Roles & Access to ERP CMS Functions and Interfaces Start CMS Rollout Performance Monitoring – Qtr 2 Remediate Performance Issues as Needed Conduct “Go / No Go” Decision on Rollout 			<p style="text-align: center;">Key Activities</p> <ul style="list-style-type: none"> Monitor & Report Baseline CMS Performance Metrics Follow-Up ERP and CMS End-User Training Update User Roles & Access to ERP CMS Functions and Interfaces Start CMS Rollout Performance Monitoring – Qtr 3 Remediate Performance Issues as Needed Conduct “Go / No Go” Decision on Rollout 			<p style="text-align: center;">Key Activities</p> <ul style="list-style-type: none"> Monitor & Report Baseline CMS Performance Metrics Follow-Up ERP and CMS End-User Training Update User Roles & Access to ERP CMS Functions and Interfaces Start CMS Rollout Performance Monitoring – Qtr 4 Remediate Performance Issues as Needed Conduct “Go / No Go” Decision on Rollout 		

Exhibit 4-14: CMS Rollout Timeline and Activities

The expected resource roles, with associated timeframes CMS Rollout Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Roll out CMS ERP to Agencies

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.4)

4.2.1.5 FLAIR/IW ROLLOUT PROJECT TRACK

The FLAIR/IW Rollout Project Track will consist of four waves to stagger the roll out of FLAIR ERP and the new IW platform to the department and agencies. The assignment of a particular agency to one of the four waves is determined during the Pre-DDI Phase.

The key FLAIR/IW Rollout Project Track activities and associated timeline are described below in Exhibit 4-15 below:

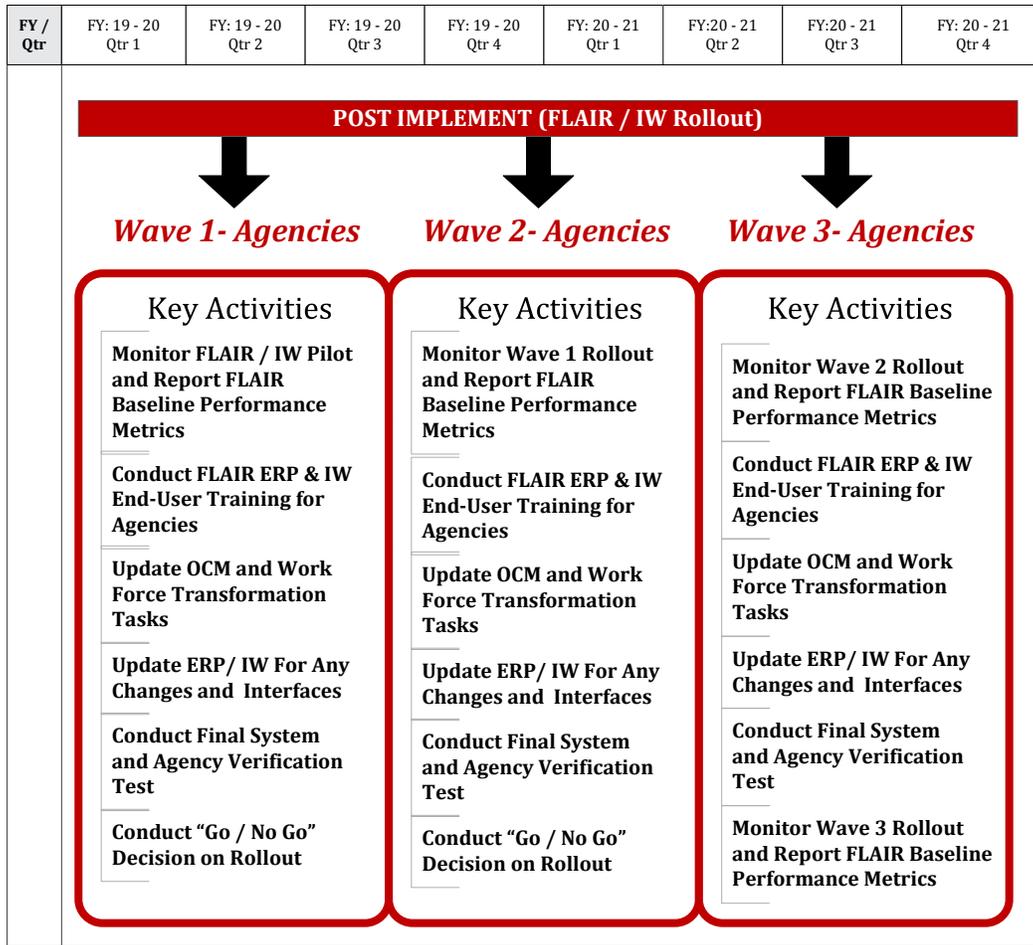


Exhibit 4-15: FLAIR/IW Rollout Timeline and Activities

The expected resource roles, with associated timeframes for FLAIR/IW Rollout Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Roll out FLAIR ERP/IW to Agencies

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.5)

4.2.1.6 IMPLEMENT PAYROLL ERP PROJECT TRACK

The key Implement Payroll ERP Project Track activities and associated timeline are described below in Exhibit 4-16:

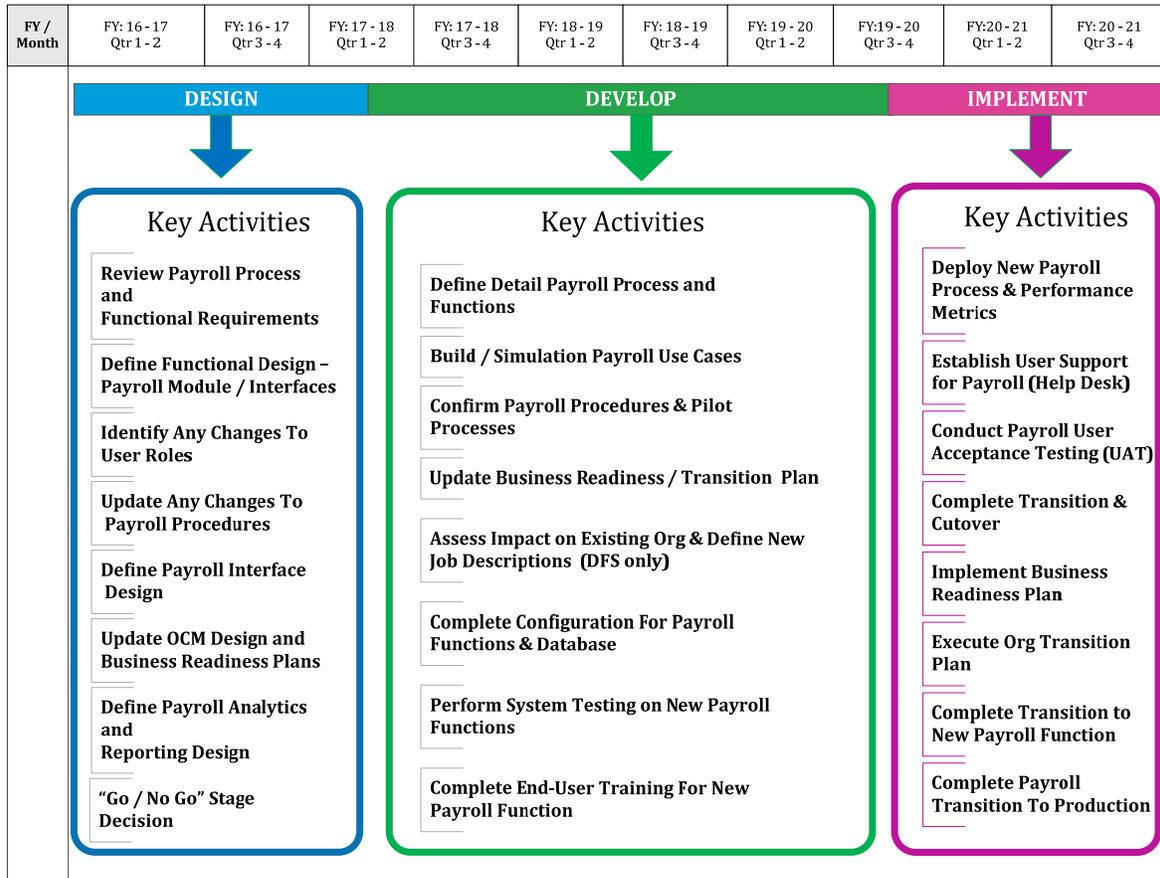


Exhibit 4-16: Implement Payroll ERP Timeline and Activities

The timing of the Implement Payroll Track will depend on decisions made for the People First contract renewal in August 2016. The activities and estimated resources assume the replacement of the current payroll functions. If People First take on any additional payroll functions these activities and resources will need to be reviewed and updated. The expected resource roles, with associated timeframes for Payroll Implementation Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Plan, Design, and Implement Payroll in ERP
- Testing and Quality Assurance

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.7)

4.2.1.7 MFMP INTEGRATION PROJECT TRACK

The key MFMP Integration Project Track activities and associated timeline are described below in Exhibit 4-17:

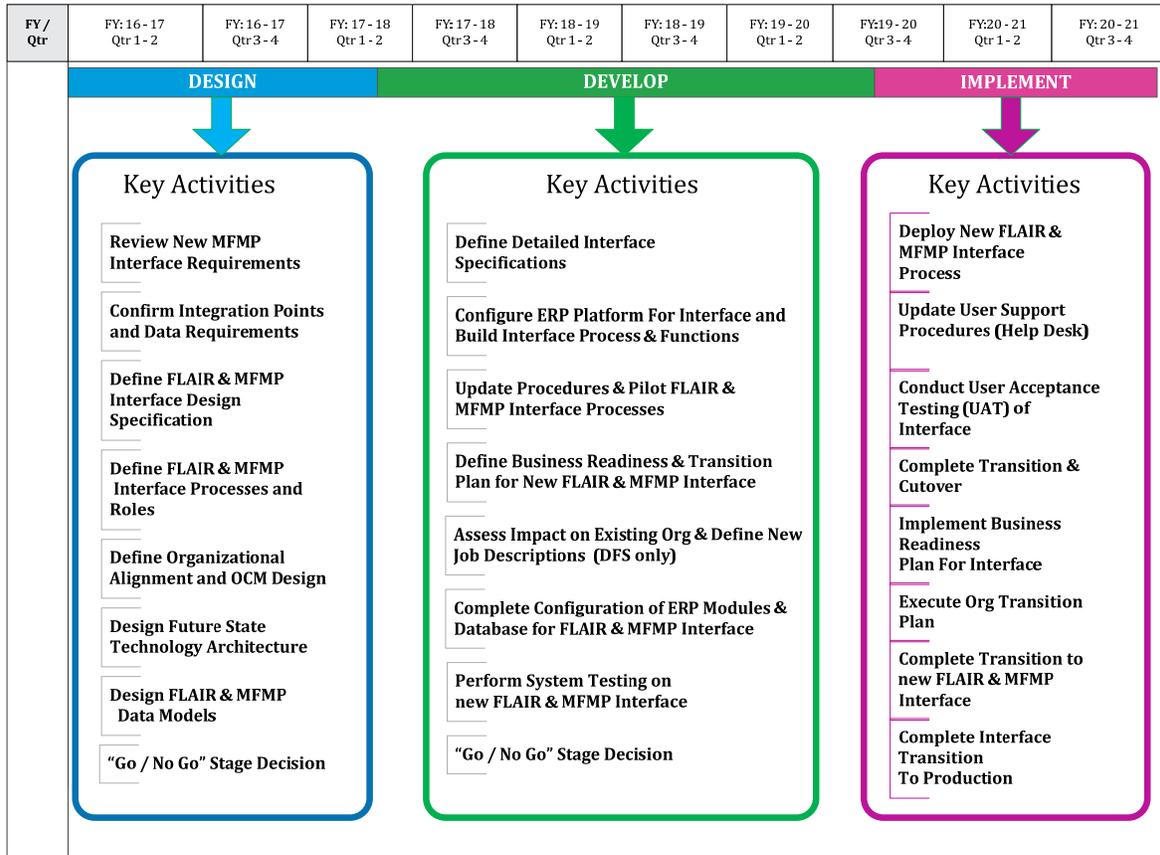


Exhibit 4-17: MFMP Integration Phase Timeline

The expected resource roles, with associated timeframes for MFMP Integration Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- MFMP Liaison

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.6)

4.2.1.8 PEOPLE FIRST (PF) INTEGRATION PROJECT TRACK

The key PF Integration Project Track activities and associated timeline are described below in the Exhibit 4-18:

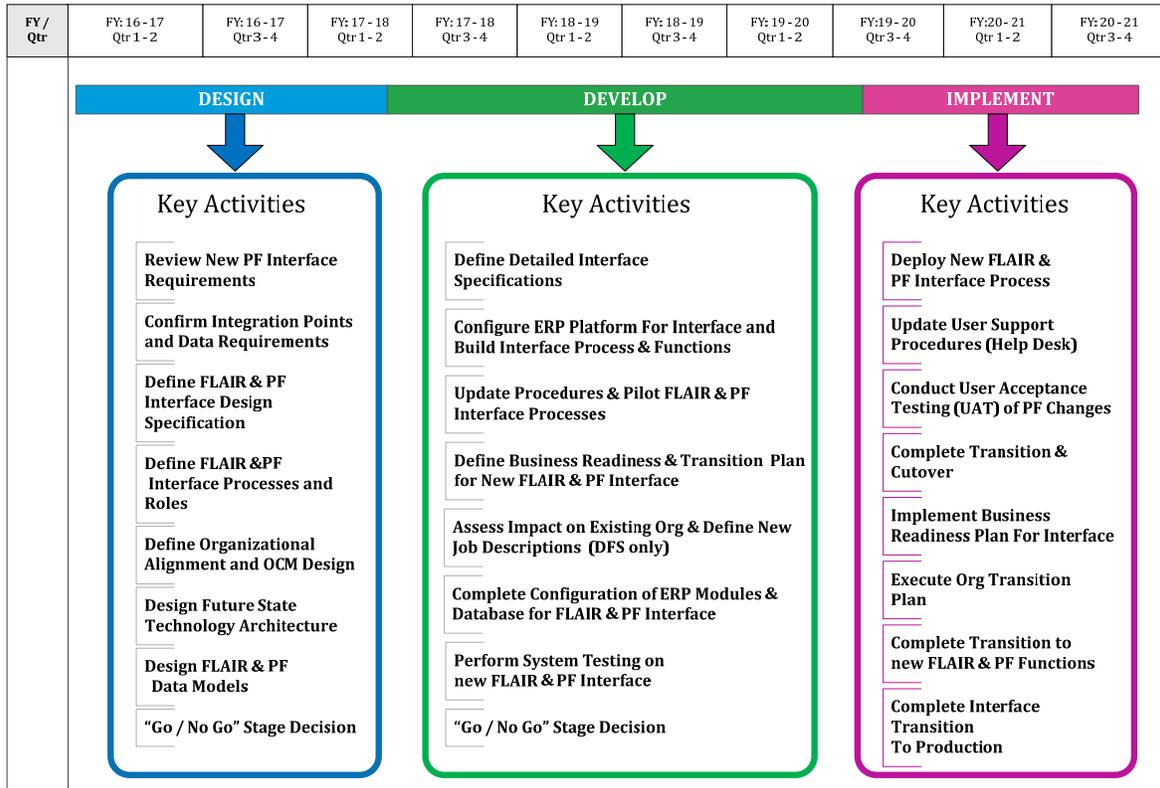


Exhibit 4-18: PF Integration Timeline and Activities

The expected resource roles, with associated timeframes for Payroll Implementation Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- People First Liaison

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.7)

4.2.1.9 LAS/PBS INTEGRATION PROJECT TRACK

The key LAS/PBS Integration Project Track activities and associated timeline are described below in Exhibit 4-19:

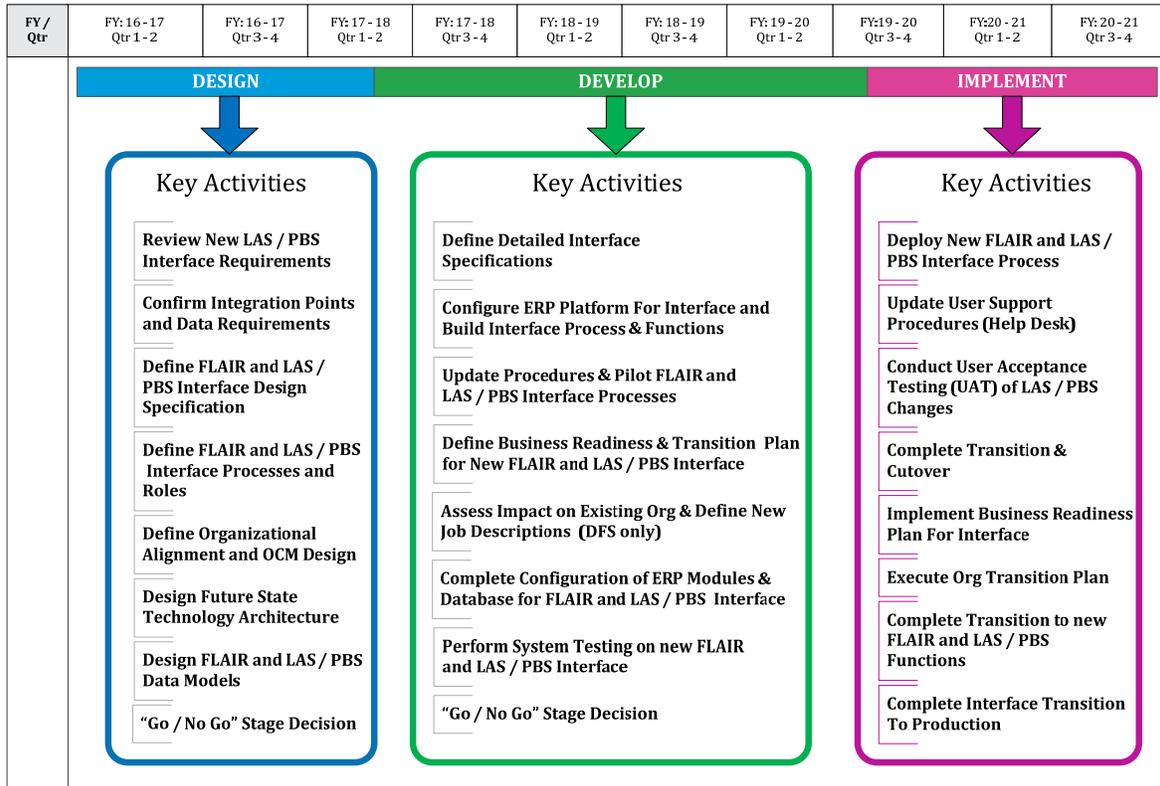


Exhibit 4-19: LAS/PBS Integration Timeline and Activities

The expected resource roles, with associated timeframes for LAS/PBS Integration Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- LAS/PBS Liaison

4.2.1.10 INDEPENDENT VALIDATION AND VERIFICATION PROJECT TRACK

The key IV&V Project Track activities and associated timeline are described below in Exhibit 4-20:

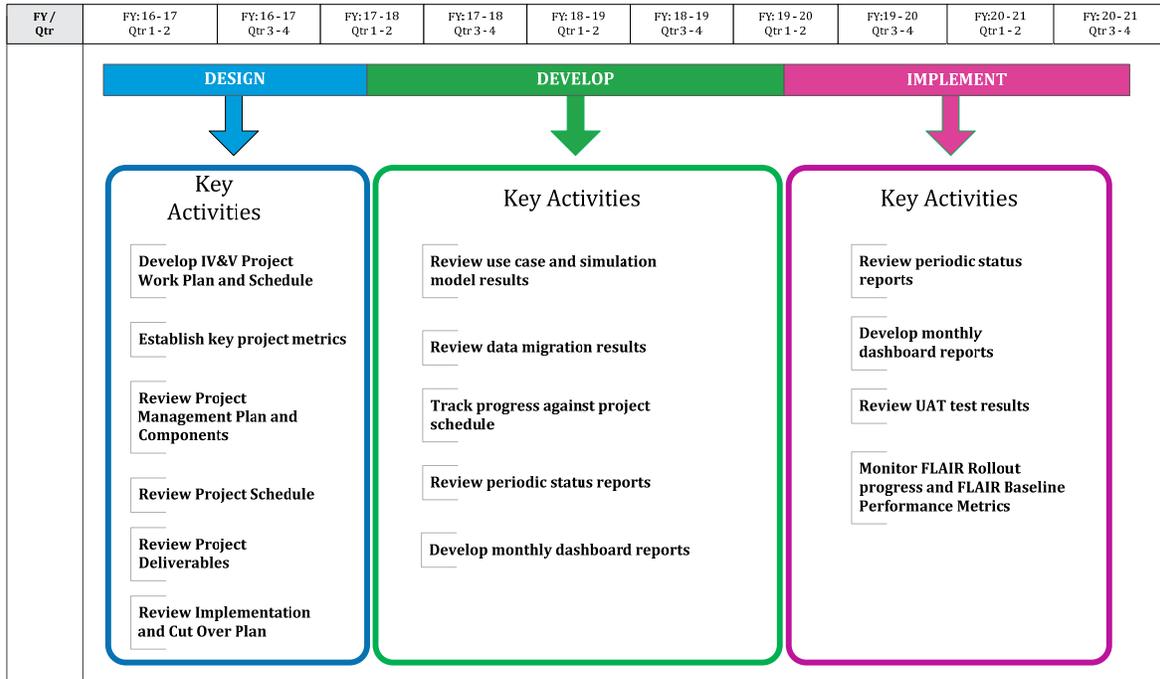


Exhibit 4-20: IV&V Timeline and Activities

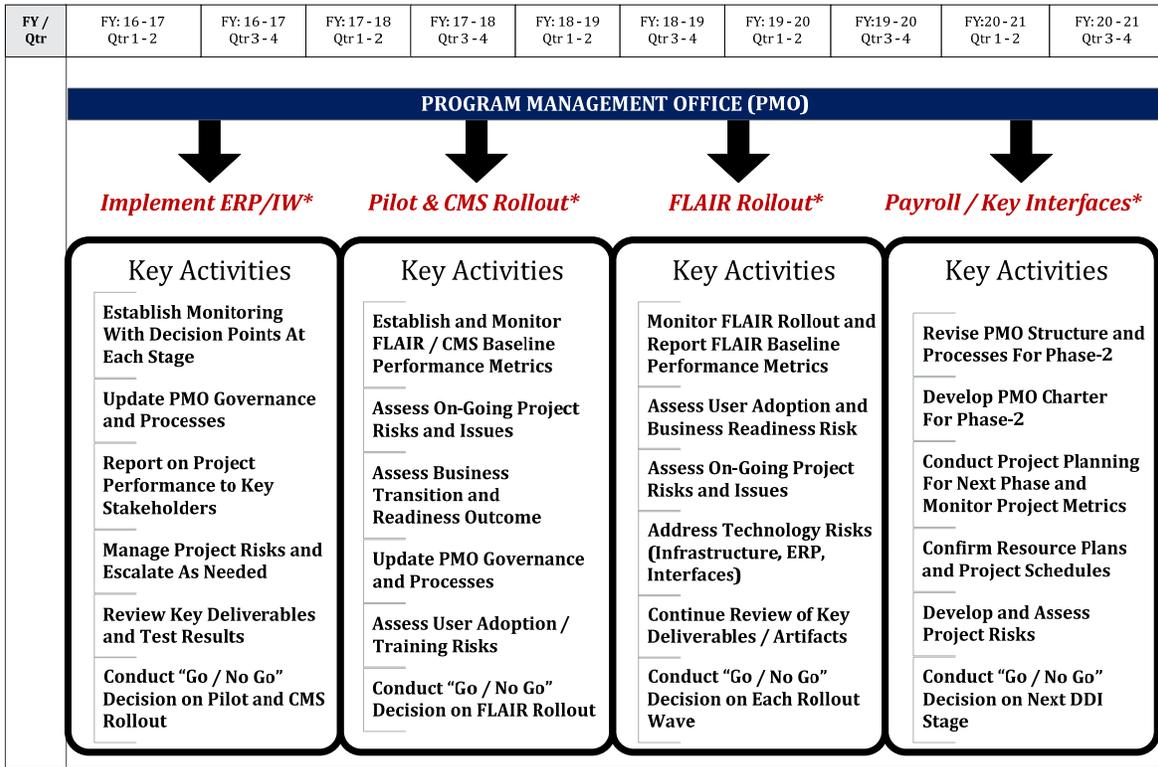
The expected resource roles, with associated timeframes for IV&V Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Independent Validation & Verification

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.8)

4.2.1.11 PROJECT MANAGEMENT OFFICE PROJECT TRACK

The key PMO Project Track activities and associated timeline are described below in Exhibit 4-21:



** Major Milestones (Key Interfaces are MFMP, PF & LAS / PBS)*

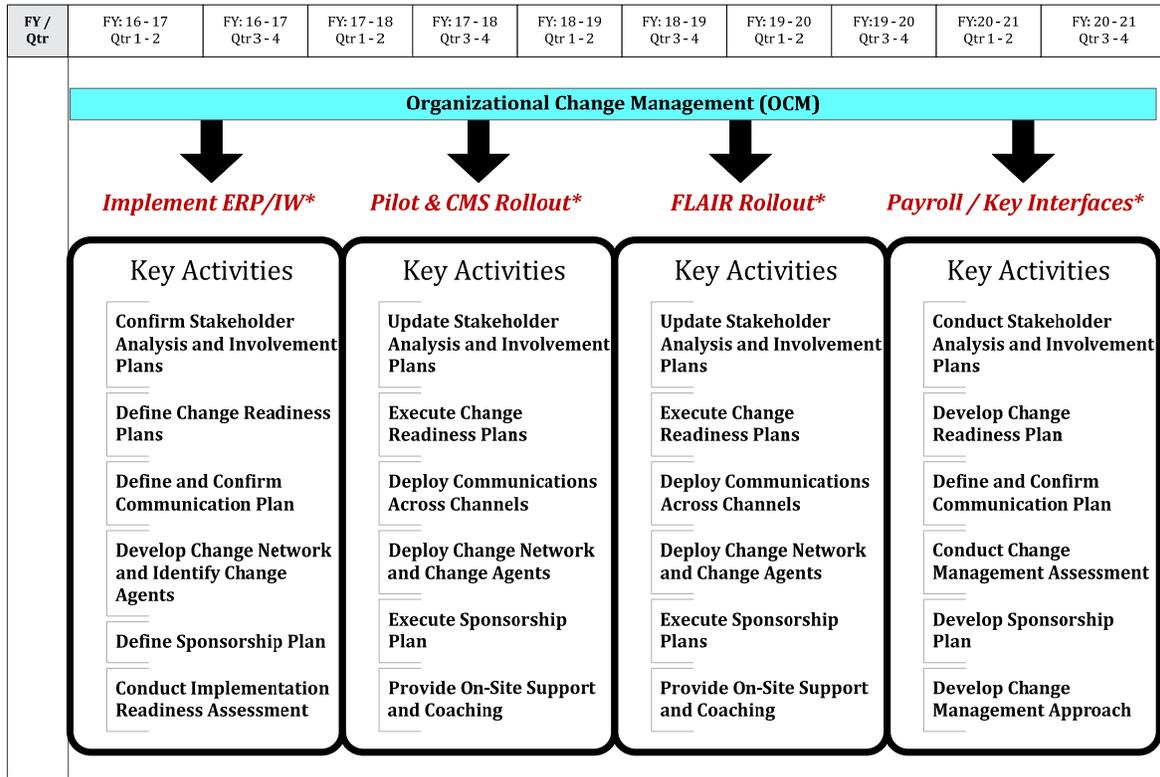
Exhibit 4-21: PMO Timeline and Activities

The expected resource roles, with associated timeframes for PMO Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Project Management Office

4.2.1.12 ORGANIZATIONAL CHANGE MANAGEMENT PROJECT TRACK

The key OCM Project Track activities and associated timeline are described below in Exhibit 4-22:



** Major Milestones (Key Interfaces are MFMP, PF & LAS / PBS)*

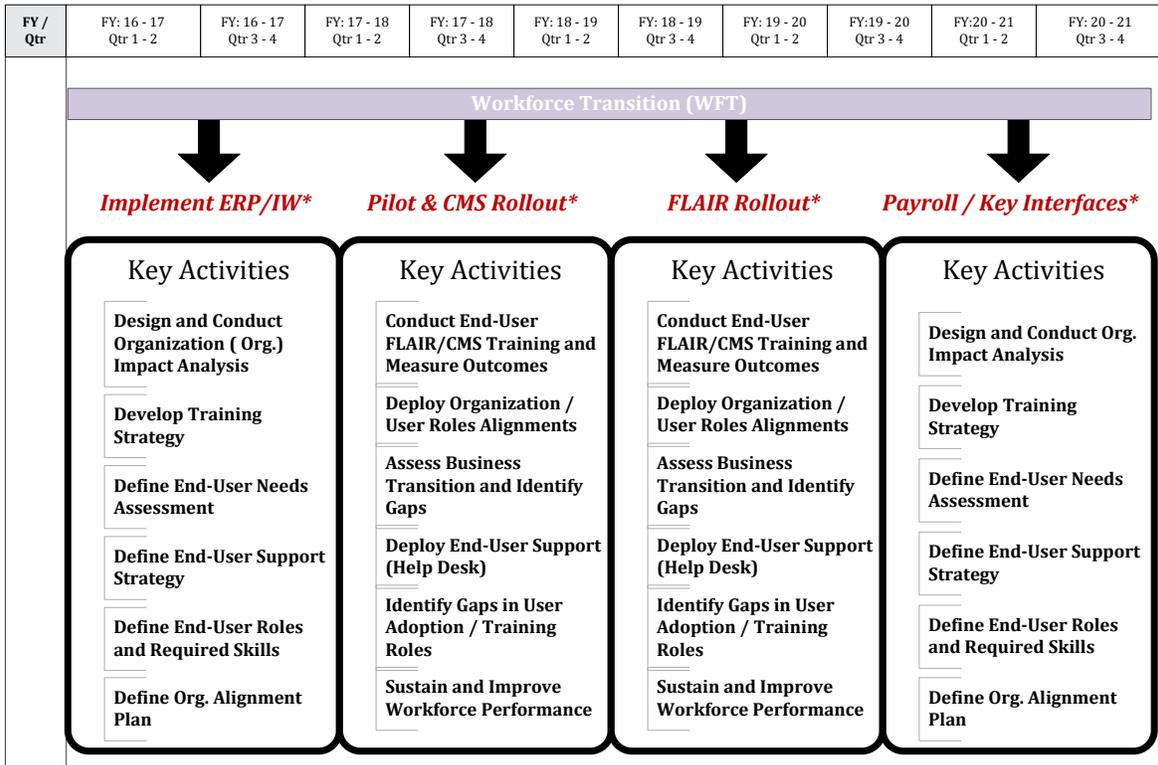
Exhibit 4-22: OCM Timeline and Activities

The expected resource roles, with associated timeframes for OCM Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Organizational Change Management

4.2.1.13 WORKFORCE TRANSITION PROJECT TRACK

The key WFT Project Track activities and associated timeline are described below are in Exhibit 4-23:



**Major Milestones (Key Interfaces are MFMP, PF & LAS / PBS)*

Exhibit 4-23: WFT Timeline and Activities

The expected resource roles, with associated timeframes for WFT Project Track, are mapped directly to Attachment 1 Section 1.2.4.2 and consist of:

- Workforce Transition
- End-User Training

4.2.1.14 PHASE-2 EXPANDED ERP FUNCTIONALITY PROJECT TRACK

The key Phase-2 DDI activities and associated timeline are described below in Exhibit 4-24:

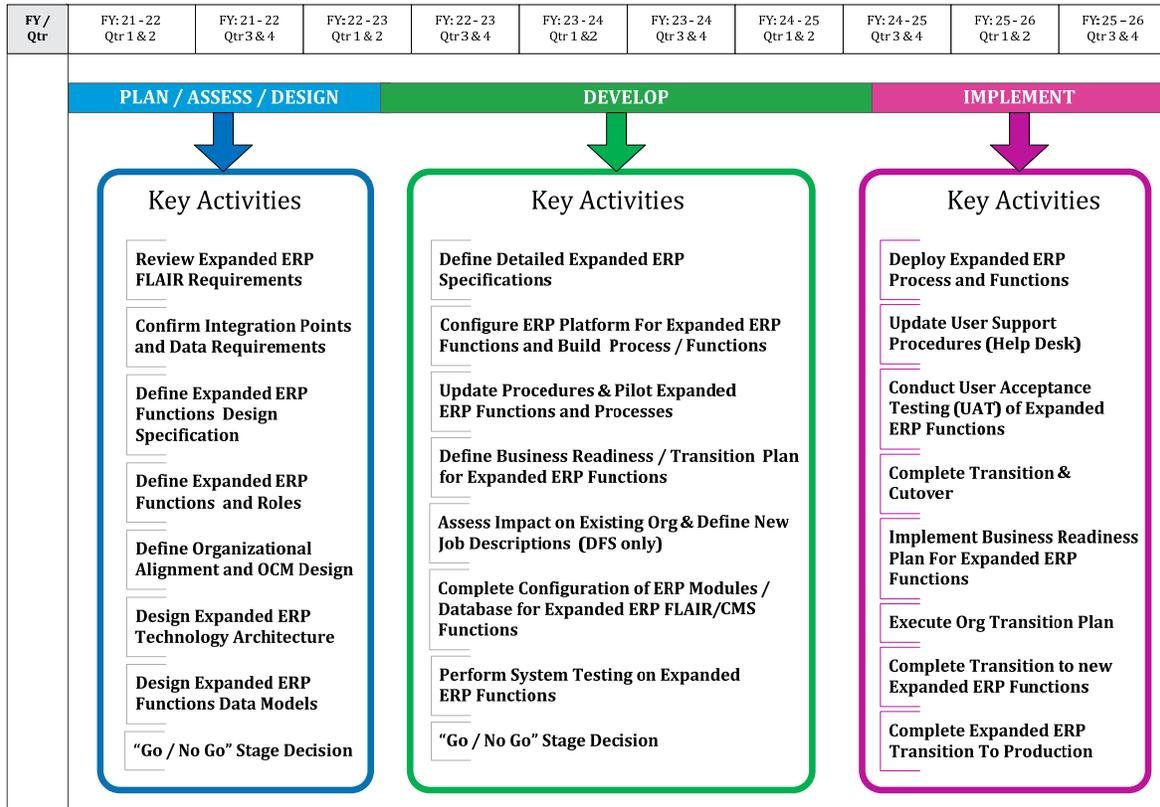


Exhibit 4-24: Phase-2 DDI Timeline and Activities

The expected resource roles, with associated timeframes for Phase-2 Expanded ERP Functionality Project Track, are mapped directly to Attachment 1 Section 1.2.4.3 and consist of:

- Plan & Assess Expanded ERP Functionality
- Design, Develop & Implement –Expanded ERP Functionality
- Roll out Expanded ERP Functionality to Agencies
- End User Training

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.9)

4.2.1.15 OPERATION & MAINTENANCE PROJECT TRACK

The key Operations & Maintenance Project Track activities and associated timeline are described below in Exhibit 4-25:

FY / Qtr	FY: 16 - 17 Qtr 2	FY: 16 - 17 Qtr 3 - 4	FY: 17 - 18 Qtr 1 - 2	FY: 17 - 18 Qtr 3 - 4	FY: 18 - 19 Qtr 1 - 2	FY: 18 - 19 Qtr 3 - 4	FY: 19 - 20 Qtr 1 - 2	FY: 19 - 20 Qtr 3 - 4	FY: 20 - 21 Qtr 1 - 2	FY: 20 - 21 Qtr 3 - 4	
Operate & Maintain											
<p><i>Implement ERP/IW*</i> <i>Pilot & CMS Rollout*</i> <i>FLAIR Rollout*</i> <i>Payroll / Key Interfaces*</i></p>											
<p>Key Activities</p> <ul style="list-style-type: none"> Continue Support of Legacy FLAIR/IW/CMS Environments Install New ERP / IW Infrastructure and Environments Maintain Existing Interfaces Perform Technical Training on New ERP / IW Environment Conduct Performance Testing on New ERP / IW Environment Conduct "Go / No Go" Decision on New ERP / IW Environment 			<p>Key Activities</p> <ul style="list-style-type: none"> Monitor ERP Performance and Report FLAIR Baseline Metrics Assess System Performance and Remediate any Issues Conduct Database Tuning as Needed Update ERP / IW For Any Changes and Interfaces Conduct Final Systems and User Acceptance Test (UAT) Conduct "Go / No Go" Decision on Retire Legacy Central FLAIR/CMS 			<p>Key Activities</p> <ul style="list-style-type: none"> Monitor ERP Performance and Report FLAIR Baseline Metrics Assess System Performance and Remediate any Issues Conduct Database Tuning as Needed Update ERP / IW For Any Changes and Interfaces Conduct Final Systems and User Acceptance Test (UAT) Conduct "Go / No Go" Decision on Retire Legacy Dept. FLAIR / CMS 			<p>Key Activities</p> <ul style="list-style-type: none"> Perform ERP Upgrades As Needed Configure ERP Modules For Expanded EDP Functions Update Data Models For Expanded ERP Functions Update ERP / IW For Any Interface Changes Conduct Final System and User Acceptance Test Conduct "Go / No Go" Decision on Expanded ERP Functions 		

****Major Milestones (Key Interfaces are MFMP, PF & LAS / PBS)***

Exhibit 4-25: Operations & Maintenance Phase Timeline

The expected resource roles, with associated timeframes for Operations & Maintenance Project Track, are mapped directly to Attachment 1 Section 1.2.4.5.

Additional examples of detailed activities for this particular Project Track can be found in the Appendix (Reference Section 4.4.10)

4.3 ORGANIZATIONAL CHANGE MANAGEMENT AND WORKFORCE TRANSITION

When any change occurs within an organization, stress and loss of productivity is fully expected. The greater the change, the longer it takes to regain stability within the new environment. Extensive research proves a structured and proactive approach to change management will minimize the reduction in productivity and enhance results faster than if change management is not engaged. Migrating DFS and state agencies to an ERP solution for FLAIR/CMS replacement will ultimately benefit the State of Florida; the transition represents a significant change to the State and will certainly be challenging.

A combination of a robust OCM and WFT framework and strategy is designed to proactively transition DFS staff and other state agency employees through these changes. This consolidated strategy provides a comprehensive approach to preparing for, managing, and reinforcing the impact of the changes which will occur in the transition to a new ERP platform and standardized processes. Development of this strategy into an executable communication plan, escalation process and clearly articulated stakeholder analysis will promote successful and timely implementation and sustainment of the State's transition to an ERP solution for FLAIR core processes and select CMS functions.

4.3.1 ORGANIZATIONAL CHANGE MANAGEMENT

Organizational Change Management is a comprehensive set of practical and proven strategies, tools and tactics designed to mitigate the business and human risks associated with major organizational changes. It is the process of aligning people with changes in strategy, business processes, and technology to help an organization achieve goals associated with a particular change initiative. Effective OCM is associated with an improved probability of project success, increased management buy-in, and higher end-user acceptance than if OCM were not applied.

Exhibit 4-26 below demonstrates how performance declines with the implementation of any change and how well-managed change decreases both the depth and duration of productivity loss.

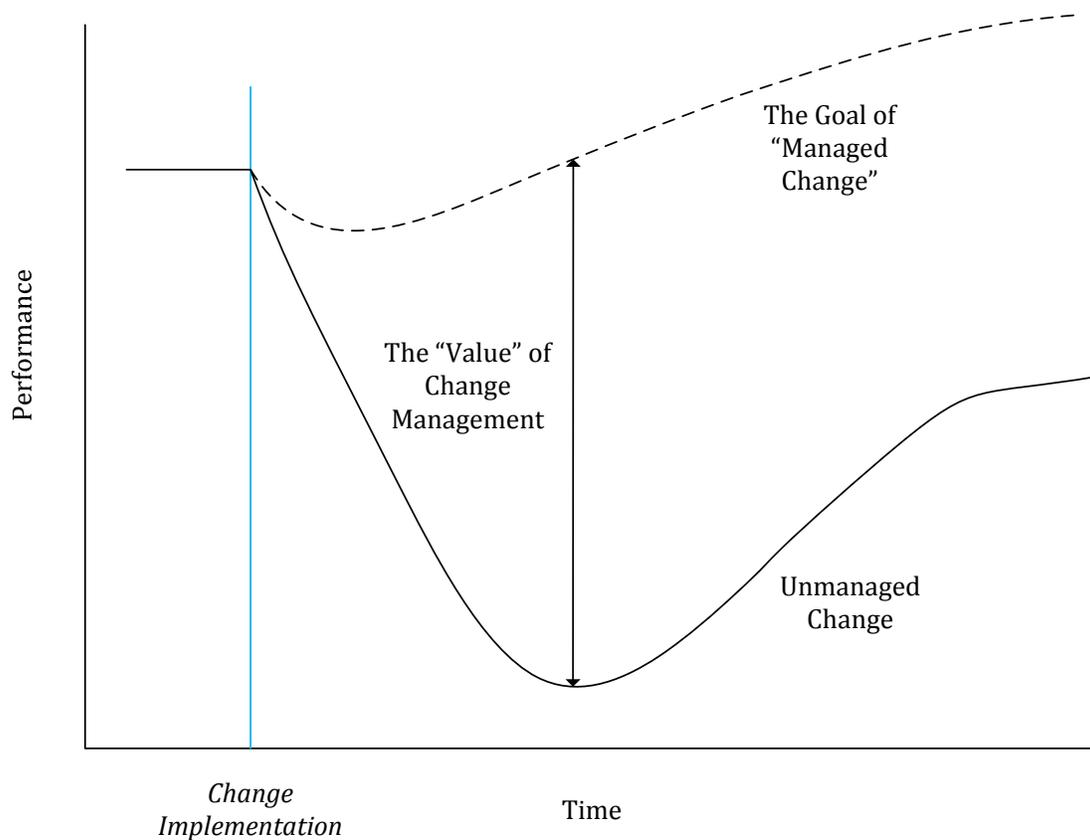


Exhibit 4-26: Productivity Improvement with Managed Change

The concept that change can be effectively managed is based on the assumptions certain strategies can be applied to influence human and organizational behavior. These strategies include such things as ongoing two-way communication, visible and consistent leadership commitment, and involvement from people impacted by the change. Activities often associated with OCM include:

- Clearly stating the vision and articulating benefits of the change
- Identifying and coaching key leadership and management sponsors to support and sanction the change
- Identifying stakeholder groups impacted by the change
- Planning and executing communications to support key stakeholder needs
- Identifying and proposing opportunities for stakeholder involvement
- Planning for and executing an education and training program for stakeholders based on new system, processes, policies and procedures, and responsibilities
- Assessing the impact of process, organization and job changes and aligning the organization through performance measures, incentives, management policies and internal processes
- Assessing and managing resistance to change

4.3.1.1 OCM FUNCTIONAL MODEL

The FLAIR Replacement Project is a very large, vastly complex change initiative. It will involve changes to long standing business practices, will affect employee duties, job functions and roles and will involve multiple organizations, each working to achieve different missions. Effective change management requires a carefully planned implementation which is collaborative and highly leveraged with state resources in each agency. The Organizational Strategy presented below in Exhibit 4-27 is one model to use to ensure agency participation and effective management of the employees' journey throughout the life of the project.

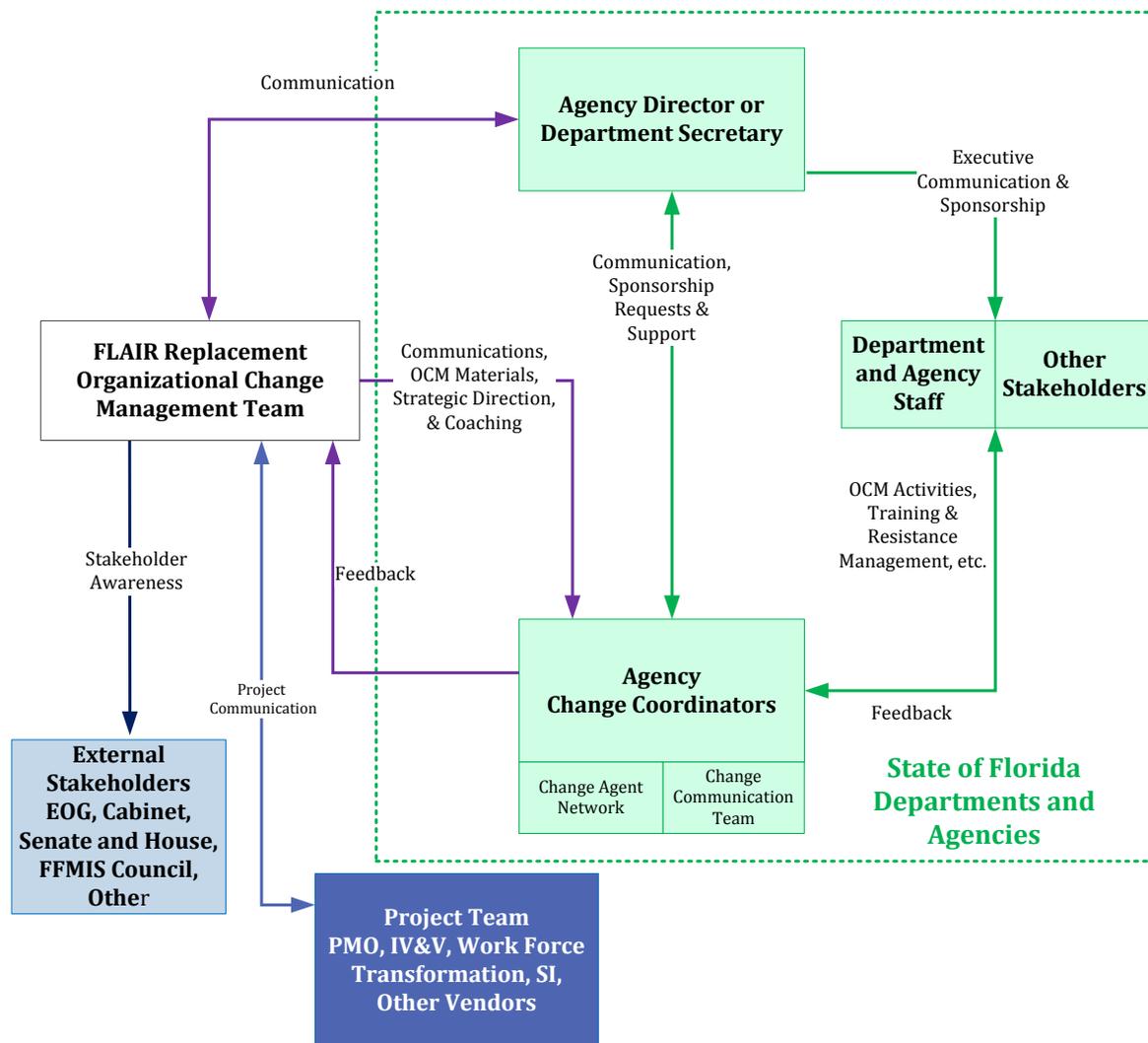


Exhibit 4-27: OCM Functional Model

The OCM strategy can be used to drive successful change and communications for the FLAIR Replacement Project and achieve the following objectives:

- Establish a scalable structure to support change management for the FLAIR Replacement Project and provide for the ability to prioritize and manage communications and change across multiple agencies.
- Create consistent, efficient messaging and communication for system end users regarding the FLAIR Replacement Project and the role they will play in the transition.
- Create awareness and understanding among system end users regarding new policies and procedures and long-term benefits of converting to an ERP.
- Communicate the project plan for the FLAIR Replacement Project implementation, overall timing for deployment, and the impact to staff.
- Ensure all agency leadership and staff are aware of program and policy changes occurring with the implementation of FLAIR Replacement Project.
- Secure buy-in from agency leadership to ensure they are supportive of the project and provide resources needed to achieve end user acceptance and adoption of the changes.

Change Management objectives are accomplished by:

- Establishing a Strategic OCM Team consisting of representation from all of the affected areas and stakeholders.
- Establishing an Organizational Change Management and Communication (OCM & C) Change Agent Team across the agencies. These agency-based OCM & C teams are responsible for direct communication to agency staff and other agency stakeholder groups.
- Empowering the OCM & C team with the ability to manage FLAIR Replacement Project related message content, senders, receivers and timing. Providing consistent communications, tools and resources to Change Agents.
- Addressing issues and setting priorities for matters arising as the project progresses.
- Leveraging existing structures and communication channels while identifying new approaches to maximize communications.

4.3.1.2 OCM AND WFT FRAMEWORK AND DELIVERABLES

The OCM and WFT strategy and associated framework should align with the overall implementation strategy and the associated implementation stages as described in the beginning of this Chapter under Implementation Strategy.

The following Exhibit illustrates the five key stages with their associated OCM and WFT deliverables and tasks.

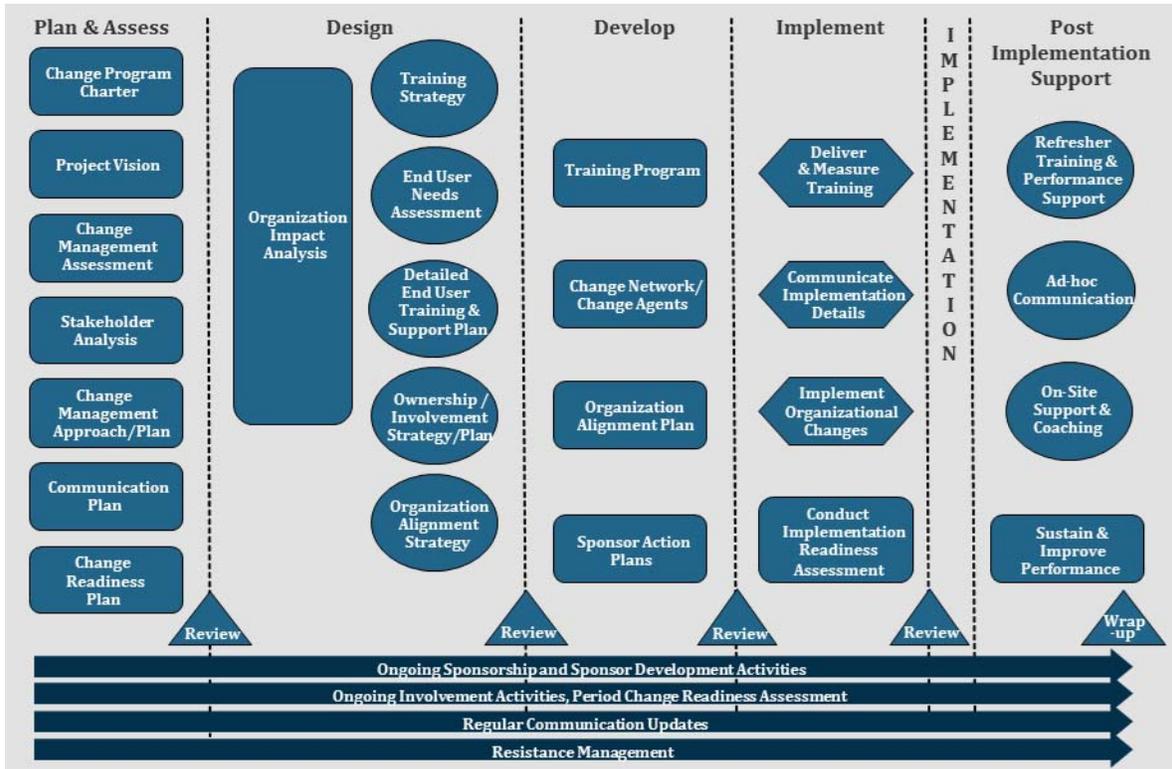


Exhibit 4-28: Consolidated OCM and WFT Framework

It is important to note, to execute projects right the first time, change management must play a coordinated role within the project management team. To have a successful transition, synchronization between the OCM activities and other work streams is imperative.

The potential deliverables associated with the overall OCM effort are detailed in Exhibit 4-29 below. The OCM framework is suited to the FLAIR/CMS Replacement Project and should be considered as a general guide and starting point, supplemented with additional toolkits and best practices as needed.

Deliverables marked with an asterisk (*) identify items requiring a high degree of coordination and collaboration across the OCM work streams. Some of these deliverables are driven by individuals in the other work streams and they are included to show how they coordinate with the overall OCM efforts.

DELIVERABLE	PURPOSE
PLAN & ASSESS STAGE	
Change Program Charter	<ul style="list-style-type: none"> Confirm the scope and objectives of the change management effort Ensure the project team shares a common understanding of the change management effort
Project Vision	<ul style="list-style-type: none"> Lay the groundwork for moving forward Ensure all stakeholders know the organization’s change goals

DELIVERABLE	PURPOSE
	<ul style="list-style-type: none"> ▪ Provide a basis for consistent communication regarding the change
Change Management Assessment	<ul style="list-style-type: none"> ▪ Identify barriers to change ▪ Learn from change history ▪ Determine major change management focus areas ▪ Begin developing buy-in and involvement ▪ Serve as an input to the Change Management Plan
Stakeholder Analysis	<ul style="list-style-type: none"> ▪ Ensure understanding and inclusion of all impacted stakeholders; stakeholders include anyone impacted by or with a vested interest in the change ▪ Plan training ▪ Serve as the basis for change management, communication, involvement, and an input into development of specific individual stakeholder lists for training, communication, and involvement purposes
Change Management Strategy Plan	<ul style="list-style-type: none"> ▪ Guide change management activities, incorporating overall change management objectives and approach ▪ Serve as a basis for communication among change leaders
Communication Plan *	<ul style="list-style-type: none"> ▪ Serve as a guide for planning, developing, and delivering communications to stakeholders ▪ Build commitment and buy-in through keeping stakeholders informed ▪ Provide a mechanism to communicate and celebrate successes
Change Readiness Plan, Periodic Change Readiness Assessment	<ul style="list-style-type: none"> ▪ Develop the approach for gauging affected stakeholder readiness for the upcoming change as the project progresses ▪ Ensure the organization is prepared for the change ▪ Proactively identify areas of risk or where readiness development is off track and adjustments to the change management approach is warranted

DESIGN STAGE

Organization Impact Analysis *	<ul style="list-style-type: none"> ▪ Understand the effects of the change on the organization and communicate those impacts ▪ Act as input to training strategy, involvement plan, and organization alignment plan ▪ Provide recommendations to serve as the basis for development of the Organization Alignment Strategy and Plan
Organization Alignment Recommendations Strategy *	<ul style="list-style-type: none"> ▪ Serve as a guide for planning, developing, and delivering organization alignment activities ▪ Ensure all elements of the organization support performance of the desired behaviors
Training Strategy Plan *	<ul style="list-style-type: none"> ▪ Serve as a guide to training development and delivery activities ▪ Provide detailed information regarding training needs, audiences, courses, delivery methods, etc. ▪ Serve as the basis for planning training logistics, acquiring and preparing training and support resources
Involvement Plan & Summary Chart *	<ul style="list-style-type: none"> ▪ Provide the basis for building buy-in and commitment to change through involvement in the change process ▪ Ensure stakeholders are appropriately involved in change and project activities ▪ Provide stakeholders a voice in the change process

DELIVERABLE	PURPOSE
DEVELOP STAGE	
Training Program *	<ul style="list-style-type: none"> ▪ Develop a training program and support materials to enable effective skill and knowledge acquisition required for successful job performance and achievement of change goals ▪ Prepare instructors and coaches for their training and user support roles
Develop Change Network and Change Agents	<ul style="list-style-type: none"> ▪ Create an internal network of respected resources who can assist in implementing and integrating the change into their areas ▪ Build credibility and commitment to the change through delivery of change messages and activities by known and respected internal resources ▪ Gain additional insights into requirements for change success by those who are living with the change long-term and are representatives of the impacted stakeholder groups
Organization Alignment Plan *	<ul style="list-style-type: none"> ▪ Serve as a guide in implementing specific organization alignment activities ▪ Serve as a communication tool to resources who must be involved in organization alignment activities
Sponsor Action Plans	<ul style="list-style-type: none"> ▪ Provide a guide for sponsors to effectively execute their roles ▪ Ensure appropriate sponsorship is occurring to support project and change management implementation needs and achievement of the change goals ▪ Provide each sponsor with a specific set of activities and defined time schedule to enable their planning and participation
IMPLEMENT STAGE	
Deliver & Measure Training *	<ul style="list-style-type: none"> ▪ Prepare stakeholders to perform effectively following implementation ▪ Ensure stakeholders have developed the skills and knowledge required to successfully perform their jobs following implementation
Communicate Implementation Details *	<ul style="list-style-type: none"> ▪ Ensure all stakeholders know what will happen during the implementation process ▪ Ensure resources know their specific roles and responsibilities during implementation ▪ Prepare for a smooth change implementation ▪ Ensure managers and sponsors are prepared for their roles and know what to expect during and following implementation
Implement Organizational Changes *	<ul style="list-style-type: none"> ▪ Begin implementation of appropriate changes identified in the organization alignment plan to enable and sustain effective performance following implementation
Conduct Implementation Readiness Assessment	<ul style="list-style-type: none"> ▪ Ensure the organization and resources are prepared for the implementation ▪ Ensure everyone knows their roles and event timing during implementation ▪ Ensure all people, process, and technology elements are prepared for implementation
POST IMPLEMENTATION STAGE	
Refresher Training & Performance Support *	<ul style="list-style-type: none"> ▪ Provide support to help stakeholders continue to develop their skills and knowledge with regard to the changed environment

DELIVERABLE	PURPOSE
	<ul style="list-style-type: none"> ▪ Provide organizational support for continued refinement and continuous improvement
Ad Hoc & Follow-on Communication *	<ul style="list-style-type: none"> ▪ Ensure stakeholders are informed regarding implementation progress, status, successes, and next steps ▪ Provide ongoing updates related to the change
On-Site Support & Coaching	<ul style="list-style-type: none"> ▪ Provide hands-on support during and following implementation to assist sponsors and stakeholders in working through issues they encounter with the change ▪ Ensure sponsors and managers are able to effectively handle issues which arise
Sustain & Improve Performance	<ul style="list-style-type: none"> ▪ Ensure the desired change goals are being achieved ▪ Implement additional refinements to further promote effective performance and the ability to sustain and exceed target goals

Exhibit 4-29: Organizational Change Management Deliverables

4.3.1.3 COMMUNICATION PLANNING & IMPLEMENTATION

Frequent and open communication which establishes clear and compelling reasons for change is a critical success factor in change management initiatives. Communicating change requires the audience to understand their role in the change, the impact of the change, and what to expect from the change. When this is accomplished, users transition to the new processes and technology associated with the project with less resistance and disruption to normal operations.

Core messages must demonstrate how the project is aligned with agency strategy, be easy to understand, and fit consistently with DFS’ values and culture. Messages are best received when they focus on the benefits for each stakeholder group and relay the benefits of the change for the organization.

To maximize the effectiveness, the communication strategy focuses on the following objectives:

- Promote ownership and acceptance of the process, technology, and organizational changes which will accompany the project
- Guide project sponsors and leaders in the communication development and delivery process
- Ensure stakeholders receive appropriate communication regarding the project
- Promote consistent and regular communication
- Reduce fear and resistance
- Communicate wins
- Ensure people receive and understand the messages sent
- Promote two-way communication regarding the project

The communications approach includes three overlapping phases: Prepare to Communicate, Develop the Plan, and Implement and Assess the Plan. Exhibit 4-30 is a representation of this communication approach. It is important to realize the phases of the communication approach are interdependent and iterative.

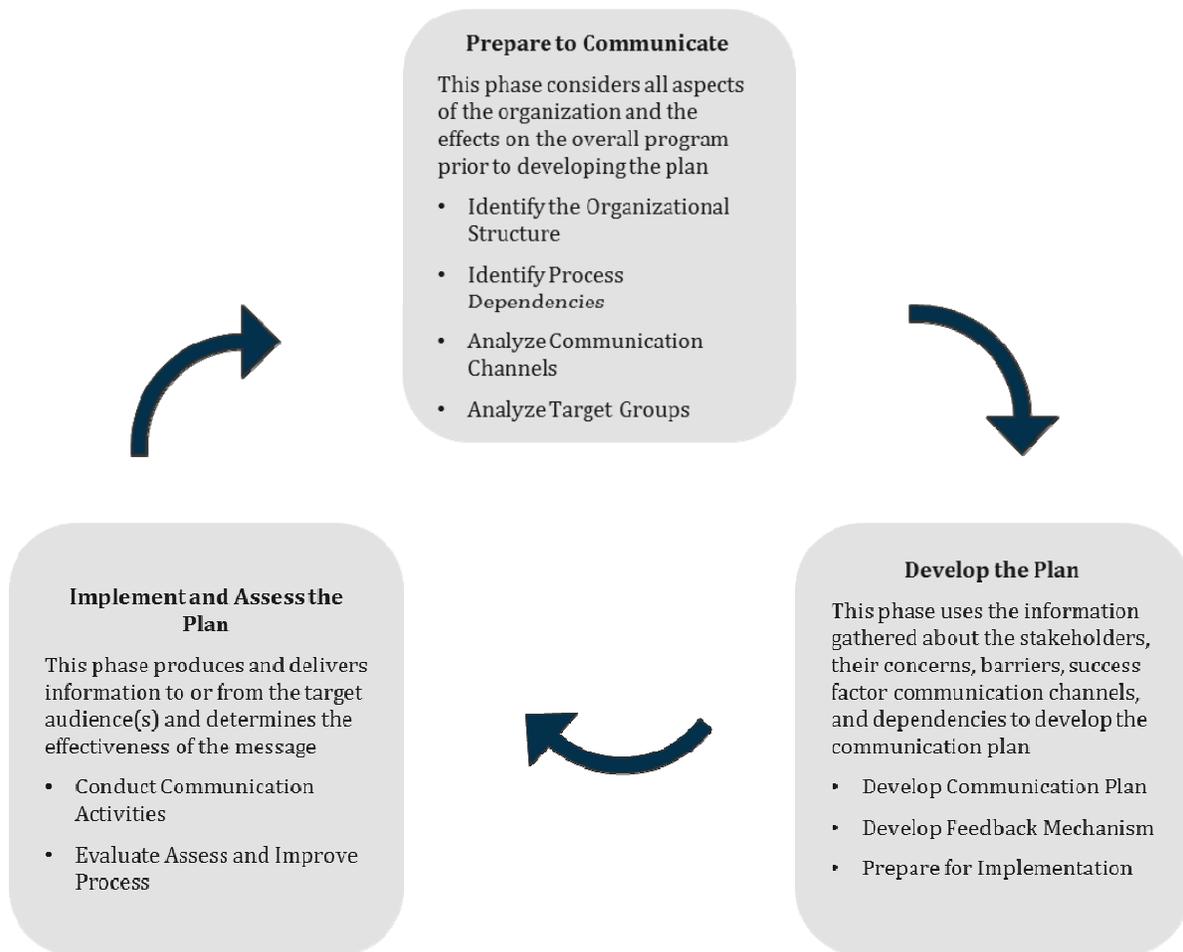


Exhibit 4-30: Communication Approach

Prepare to Communicate

This phase involves identifying stakeholders and analyzing the environmental and organizational aspects prior to developing the communication plan. It is tightly integrated with change management.

Understanding who is impacted and the degree of impact enables communications to meet the needs of individual stakeholders. Starting with the organizational structure, and analyzing the targeted groups, a stakeholder analysis identifies the impacted groups, including those outside the organization such as vendors or customers. In addition, the stakeholder analysis identifies the work stream(s) impacting the group, level of impact (high, medium or low), type of change, anticipated reaction and actual reaction to the change (positive or negative), and anticipated change management needs.

Communications must take into account the channels used. The communications team will analyze the Agency's channels already in place to effectively take advantage of the existing channels where possible. Additional targeted communication may also be required to support the communication needs of the affected stakeholders.

Develop the Plan

A communication plan is created to define and coordinate the various communications which will take place relating to the initiative. The communication plan is a matrix outlining the objectives, key messages, timing of messages, audience and communication vehicles. This matrix provides an action plan for communication events, and supports coordination of key message dates with the major project phases. Then this plan is tracked and managed so the various pieces of communication are developed and delivered to the appropriate stakeholder groups in accordance with the delivery of the project.

The communication plan outlines the following elements:

- Objective – the goal of the message and/or why it is being conveyed
- Key Points – the major message points to be covered in the communication
- Audience – the specific group to whom the communication event is targeted
- Schedule – approximate timing for when the message is delivered
- Dependencies – dependencies which may affect when and how a message is communicated
- Owner – the communicator who delivers the message and ensure its delivery
- Vehicle – the delivery methods
- Status/Comments – progress of communications; other notes or information regarding the communication event

The deliverer of the message is an important consideration of communications: impacted employees prefer to receive personal messages of change from their immediate supervisor, and they prefer to receive business messages of change from leadership. The “owner” is defined as the person who ensures messaging is successfully transmitted to the appropriate audiences; however, the owner is not necessarily the creator of the communication message.

During this phase, the communications team also develops feedback mechanisms. This important tool is used during the implementation for measuring the effectiveness of communications and allows feedback to be incorporated back into the plan.

Implement and Assess the Plan

This phase produces and delivers information to or from the targeted audiences. The communication plan provides a road map for communicating with the various audiences. Several steps take place in order to carry out the communication plan.

To track communication activities for the project, a communications tracking tool (Communication Event Log) is used. A thorough record of communications is essential to managing future phases of project implementations.

Utilizing the feedback mechanisms developed during the “Develop the Plan” phase, the audience and means of communication is reviewed periodically to ensure messages convey the necessary information in the most appropriate format. Checkpoints act as a mechanism to gauge the effectiveness of communications and direct improvement activity. Following the strategy, implementing the plan, and monitoring the communication effectiveness offers the best opportunity for the change effort to succeed.

The Detailed Plan for supporting the Department’s communication during the transition period is referenced in Appendix 4.5.14.

4.3.2 WORKFORCE TRANSITION

A powerful differentiator of high performing organizations is they leverage their people. A detailed Workforce Transition Plan helps DFS remain focused on aligning its people with its business strategy, managing, developing, and motivating its talent and ensuring any major business and technology changes effectively serves its business needs and supports its employees through the implementation of the FLAIR/CMS Replacement Project and beyond.

Workforce Transition should be used to inform the development of a work plan to identify the steps necessary to align and update the future business processes with the new functional model and organization chart. The plan should define the priority, sequence and dependencies of the transition to the new operating model. In other words, consider the priority and sequence of the transition to the new business processes in order to minimize the impact to the organizational unit, department, or agency. This allows the completion of each organizational and workforce transition activity to align with the larger FLAIR/CMS Replacement Project implementation activities with the goal of achieving a smooth transition for impacted stakeholders.

Examples of criteria for prioritizing the transition of functional activities within the organizational unit are (1) having a low impact on the current operating processes and job positions, (2) engaging in high volume transactions, (3) supporting systems sunset, (4) requiring a substantial degree of re-engineering due to the implementation of new technology, and (5) requiring a substantial change in roles and competencies.

4.3.2.1 WORKFORCE TRANSITION STRATEGY

This approach coordinates closely with agencies and associated human resource staff to create organizational designs appropriate for DFS to deliver on the desired process and functional outcomes of the project. Organizational design also ensures alignment with goals and processes to ensure the change is sustainable long-term. It has been shown the sooner the human resources group is engaged, the more likely the new design will be implemented. The approach also brings in legal teams and other key stakeholders during the design process to ensure any organizational shifts are both fully understood and permissible. This approach

allows the agencies to bring together the right group of stakeholders to address the particular needs of any organizational design effort.

The organizational design is a formal, guided process. At its best, it integrates how people work together to solve problems with the available technology and process definition in a way which maximizes delivery on the strategic goals of the business. This level of integration requires participation from the organizational members during the design process – without participation, any design will most likely fail. However, it is also a highly sensitive process, as discussions about jobs, roles, and organizational goals are required to determine the optimal design.

The suggested approach includes five core steps, as outlined below:

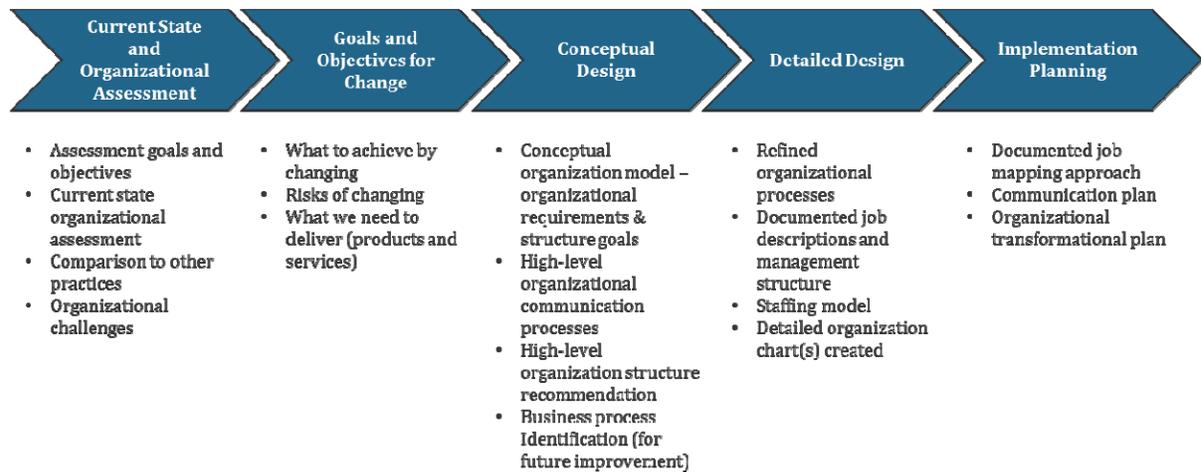


Exhibit 4-31: Workforce Transition Approach

The first two steps, the *Current State & Organizational Assessment* and *Goals and Objectives for Change*, are often performed in tandem with process and technology change programs which are being developed and delivered.

The *Conceptual Design* phase requires DFS to determine their organizational priorities, in particular relative to their customers. It includes identifying the customers and determining how to best provide them with services. If necessary, the conceptual design phase also includes coming to agreement regarding what services are delivered by the organization.

- **Conceptual Design Challenges:** It can be difficult for individuals who are accustomed to jumping directly to ‘moving boxes’ on organizational charts to work in conceptual design. The conceptual work has the potential to be frustrating when individuals do not understand its purpose.
- **Conceptual Design Success Criteria:** The conceptual design is most successful when the people who are involved in the design effort understand the tradeoffs being made and why the conceptual design developed is right for the organization at this time.

Upon completion of **Conceptual Design**, the **Detail Design** phase begins. During **Detail Design**, the current organizational structure is compared to the agreed upon conceptual design, and gaps are identified. Within the **Detail Design** phase, a new DFS and agency organizational chart is built and a design developed which will determine priorities for successful delivery. Additionally, the detail design work establishes scope and scale for the organization. This helps determine how many people are needed to support organizational objectives given the proposed alignment and structure. Finally, job descriptions are drafted with enough detail to ensure the human resource team can work with the business unit to create documentation which aligns with the internal standards.

- **Detail Design Challenges:** Within the **Detail Design** phase, it is important to focus on the design aspects of the organizational structure and resist the temptation to design jobs for certain individuals. It can be inherently challenging for facilitators to help impacted individuals work through this process without focusing on their own jobs or those of their friends and colleagues.
- **Detail Design Success Criteria:** The **Detail Design** is successful when the output includes agreed upon detailed organizational charts, job descriptions, and sizing estimates for targeted staffing.

The **Implementation Planning** phase is the point at which the leadership of the organization must commit names to identified roles, and issue job openings for positions where an internal person is not available. During the **Implementation Planning** phase, the Department's staff, other stakeholder representatives and human resources groups help define the approach to mapping jobs to staff including identifying the needed skills, planning the transition, and determining training for individuals to prepare them for their new roles. However, the Department's leadership team and human resources staff have the final responsibility for assigning staff to roles.

Once the detail design is completed, rushing into implementation can be tempting. However, there are often requirements relative to human resources policies and guidelines and even legal review, depending on the scope of the changes.

- **Implementation Planning challenges:** Within the **Implementation Planning** phase, there are a few critical weeks where confidentiality is important but also difficult to maintain. During this period, the final design is populated with resource names and role levels. Also during this time, the human resources department may be working on activities like re-leveling of staff, compensation packages, and other staff-impacting components of the job definitions.
- **Implementation Planning Success Criteria:** The **Implementation Planning** phase is successful if the Department's team, including business unit leaders and human resource staff, is able to move forward with implementing the new organizational design in a thoughtful, effective, and impactful way.

4.3.2.2 WORKFORCE TRAINING

Based on the scope and needs of the individual initiative, the project will indicate which roles are able to move forward with: training leads, training developers, trainers and/or training

coordinators. On many projects one individual will perform more than one training role during the project lifecycle.

Specialized training and coaching is essential to close any performance, knowledge, skill, cultural, or competency gaps which could prevent a successful implementation of a new system, organizational redesign, or process change. There is a close tie between training and communications. Both work streams strive to increase awareness and understanding of the change. This approach ensures collaboration among the change management work efforts exists and provides consistent messaging and performance support.

The training approach starts with developing the training strategy to ensure when the training is delivered, it meets the needs of the project.

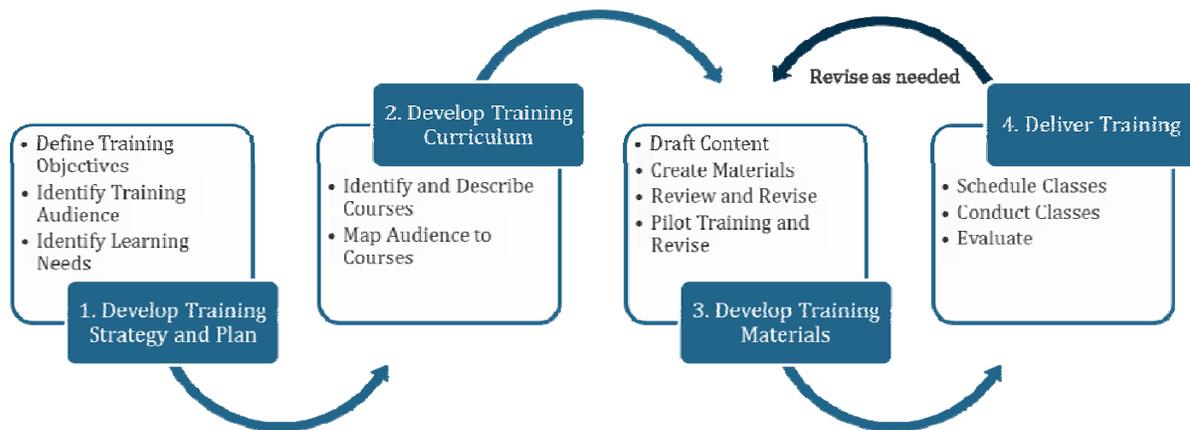


Exhibit 4-32: Workforce Training Approach

The design and delivery solutions should consider computer based or web based training, online meetings, facilitated workshops, instructor lead training, train the trainer, audio recordings, job aids, experiential exercises and strategy gaming.

Another key element is identifying training metrics to determine training effectiveness and creating a training scorecard. Evaluations and surveys conducted during and after the training capture the metrics applied against this scorecard, and training can be revised and improved as needed.

See the Appendix 4.5.13 for more details on training and performance support activities and deliverables.

4.3.2.3 DETAILED DEPARTMENTAL IMPACTS AND TRANSITION IMPLEMENTATION PLANS

The following Transition Framework and Plan outlines the key components to address a potential re-deployment of resources. These components consist of key Inputs, Tools, Processes and Related Activities:

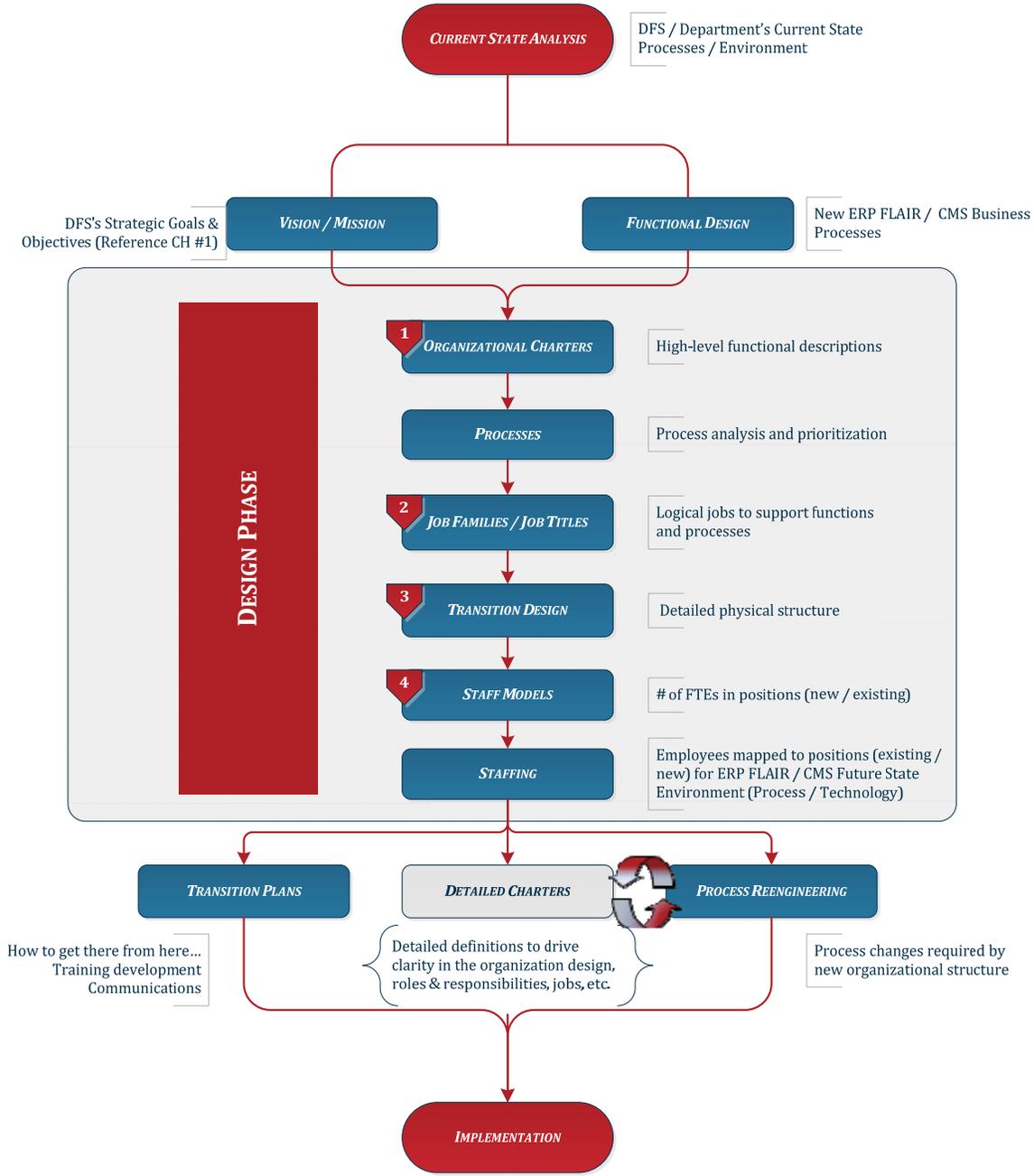


Exhibit 4-33: Transitional Implementation Plan

ID	INPUTS/TOOLS:	PROCESS:	RELATED ACTIVITIES:
1	<ul style="list-style-type: none"> High-level organizational design Charter template Draft charters Mission facilitation guide 	<ul style="list-style-type: none"> Develop organizational unit mission 	<ul style="list-style-type: none"> Future State Process design Map existing organization units to FS process design Identify gaps
	<ul style="list-style-type: none"> High-level organizational design Charter template Draft charters 	<ul style="list-style-type: none"> Identify key business functions 	<ul style="list-style-type: none"> Identify and resolve business function issues with other units
	<ul style="list-style-type: none"> Charter template Draft charters Process inventory spreadsheet 	<ul style="list-style-type: none"> Identify key processes and activities for each function 	<ul style="list-style-type: none"> Develop process inventory Gather existing process documentation Identify process impacts Prioritize process impacts for reengineering
2	<ul style="list-style-type: none"> Existing Florida job families 	<ul style="list-style-type: none"> Analyze charters for logical job designs 	<ul style="list-style-type: none"> Identify overlap and reuse opportunities with other units
		<ul style="list-style-type: none"> Develop job families and titles for new unit 	<ul style="list-style-type: none"> Identify and develop and update job families and titles with HR Identify reuse opportunities across units
3	<ul style="list-style-type: none"> Current organizational charts High-level organizational design Charter Guiding principles 	<ul style="list-style-type: none"> Develop organizational structure to the lowest levels 	<ul style="list-style-type: none"> Develop new detailed organizational charts Transition Charters (Moving existing positions to different functions)
4	<ul style="list-style-type: none"> Staff mapping process and tool set Job posting and interview process Required staffing levels 	<ul style="list-style-type: none"> Identify staff for jobs through mapping or posting 	<ul style="list-style-type: none"> Identify HR impacts – titles, pay grades Identify skill gaps and the need to hire new staff Employee communications and coaching

Exhibit 4-34: Transitional Implementation Activity

4.4 APPENDIX

4.4.1 PHASE – 1 DDI IMPLEMENT ERP FOR FLAIR/CMS (EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Install ERP Environments (Software/Hardware/Database) & Confirm Set-up Including New Data Model	<ul style="list-style-type: none"> ▪ Prepare site for delivery of ERP related hardware and system connectivity ▪ Perform set-up of hardware with connectivity, run initial diagnostics and remediate ▪ Perform initial set-up of database, run initial diagnostics and remediate ▪ Load ERP package with selected modules onto server and run set-up diagnostics ▪ Configure database based on the ERP modules and data model developed during Pre – DDI Information management ▪ Establish and test required connectivity points ▪ Establish ERP initial instances and environments for development, testing and training 	<ul style="list-style-type: none"> ▪ Operational ERP infrastructure ▪ Configured database ▪ ERP platform with selected modules
Perform Initial Configuration of ERP Platform & Perform Stress Testing of Platform/Connectivity	<ul style="list-style-type: none"> ▪ Perform initial set-up configuration of the selected ERP modules ▪ Run initial test scripts to confirm configurations ▪ Perform initial performance and stress testing of ERP platform 	<ul style="list-style-type: none"> ▪ Selected ERP modules are configured based on System Integrator’s specifications

ACTIVITY	KEY TASKS	KEY OUTCOMES
<p>Review FS Process Maps, Process Improvements and Functional Requirements & Perform Initial Mapping To Initial Configuration for FLAIR/CMS</p>	<ul style="list-style-type: none"> ▪ Conduct walk-throughs of FS process flows, PIs and functional requirements for mapping to initial module configurations ▪ Configure in-scope modules based on initial mapping outcomes ▪ Conduct simulation sessions using the configured in-scope use case scripts and collect feedback ▪ Update configurations based on simulation feedback ▪ Conduct follow-up simulation session as needed to confirm changes 	<ul style="list-style-type: none"> ▪ Simulation (conference room pilot) scripts and results ▪ 1st iteration of configured in-scope modules
<p>Conduct Internal ERP Training of DFS/DIS resources assigned to support ERP Platform & Assign ERP Teams (DFS/SI) for FLAIR/CMS</p>	<ul style="list-style-type: none"> ▪ Develop training materials based on in-scope business processes and supporting ERP modules ▪ Develop training use cases for each of the in-scope ERP modules ▪ Pilot training sessions for general ERP and particular process model knowledge delivery ▪ Conduct training sessions and confirm required knowledge and skill ▪ Provide feedback on training sessions ▪ Conduct any follow up training sessions as needed ▪ Develop use case scripts for in-scope modules 	<ul style="list-style-type: none"> ▪ Document training materials ▪ On-line training scripts for ERP platform and in-scope modules ▪ Support on-demand ERP training for in-scope modules in training instance
<p>Develop Baseline Test Scripts from BPR Use Cases & Execute Initial Regression Test (Resolve Exceptions)</p>	<ul style="list-style-type: none"> ▪ Update initial test scripts from simulation sessions ▪ Establish testing of inbound and outbound interfaces to test agencies ▪ Automate test scripts to support regression testing 	<ul style="list-style-type: none"> ▪ Updated ERP test scripts ▪ Initial inbound and outbound interfaces

ACTIVITY	KEY TASKS	KEY OUTCOMES
<p>Conduct End user ERP Training for Targeted Processes/Functions within FLAIR/CMS for Pilot</p>	<ul style="list-style-type: none"> ▪ Develop end user training materials for in-scope ERP modules and business processes ▪ Develop online end user training scripts for in-scope ERP modules ▪ Update training instance with training data ▪ Conduct end user training for in-scope ERP modules and business processes and assess results ▪ Collect feedback on end user training sessions and remediate as needed ▪ Conduct any follow-up end user training sessions as needed 	<ul style="list-style-type: none"> ▪ End user training on in-scope ERP modules and business processes
<p>Perform Initial Iteration of End User ERP Testing of Targeted Processes/Functions Within FLAIR/CMS</p>	<ul style="list-style-type: none"> ▪ Update ERP test scripts ▪ Update data in test instance ▪ Update configuration of interface testing for inbound and outbound interfaces ▪ Conduct 1st iteration of end user testing and collect results ▪ Collect needed configuration, data or business process changes 	<ul style="list-style-type: none"> ▪ 1st iteration of end user testing for in-scope business process, ERP modules and interfaces
<p>Based on 1st Iteration Test Results Update Configurations/Environment, Confirm Remediation & Update Test Scripts</p>	<ul style="list-style-type: none"> ▪ Update configurations and business processes based on results from 1st iteration of end user testing ▪ Update test scripts ▪ Update interface scripts ▪ Establish production instance ▪ Migrate test to production instance 	<ul style="list-style-type: none"> ▪ 2nd iteration of ERP and interface configurations for pilot

ACTIVITY	KEY TASKS	KEY OUTCOMES
Conduct User Acceptance Testing of ERP for Targeted Processes/Functions Within FLAIR/CMS & Determine “Go/No Go” Decision on Pilot	<ul style="list-style-type: none"> ▪ Confirm production instance (data and configurations) ▪ Final update to UAT scripts ▪ Conduct UAT and collect results on performance and exceptions ▪ Perform review of UAT results for “Go/No Go” decision on pilot 	<ul style="list-style-type: none"> ▪ UAT for pilot
Update Project Artifacts (Process, Training, Testing, Technology) From UAT Results	<ul style="list-style-type: none"> ▪ Update all project documentation 	<ul style="list-style-type: none"> ▪ Updated project documentation
Assess Organizational, Communication and Change Management Impacts From UAT Results & Pilot Decision	<ul style="list-style-type: none"> ▪ Assess impact of UAT on pending pilot organizations ▪ Perform communication check-point ▪ Update OCM plan and activities 	<ul style="list-style-type: none"> ▪ Assess pilot readiness

Exhibit 4-35: Implement ERP for FLAIR/CMS Replacement Track Examples

4.4.2 IMPLEMENT INFORMATION WAREHOUSE (IW) PROJECT TRACKS (EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Install IW Environments (Software/Hardware/Database) & Confirm Set-up	<ul style="list-style-type: none"> ▪ Confirm technical (hardware and software) requirements for selected IW tool ▪ Install selected IT tool into DFS’s environment ▪ Confirm set-up of IW tool 	<ul style="list-style-type: none"> ▪ Install new IW tool
Establish Metadata Level for New Reporting & Analytics Requirements from BPR and Develop ETL Rules	<ul style="list-style-type: none"> ▪ Based on FLAIR/CMS report and analytic requirements and BPR outcomes develop metadata layer for new IW tool ▪ Develop initial Extract, Transform and Load (ETL) Rules for new IW ▪ Test ETL Rules and Model 	<ul style="list-style-type: none"> ▪ Configure New IW tool

ACTIVITY	KEY TASKS	KEY OUTCOMES
Review FLAIR/CMS Reporting and Analytics requirements & perform preliminary mapping of required data sourcing	<ul style="list-style-type: none"> ▪ Map data sources to metadata model ▪ Confirm metadata attributes (frequency) ▪ Develop any source interfaces needed to complete data sourcing 	<ul style="list-style-type: none"> ▪ Initial source data mapping to IW tool
Perform data assessment and QA key data elements in –scope for FLAIR/CMS	<ul style="list-style-type: none"> ▪ Perform data assessment of the required data elements and attributes for in-scope IW data ▪ Highlight data quality issues with key data elements to be used within the new IW tool 	<ul style="list-style-type: none"> ▪ IW data assessment
Remediate data quality issues from data assessment and QA results	<ul style="list-style-type: none"> ▪ Correct key data quality issues at source or within the new ETL process 	<ul style="list-style-type: none"> ▪ Clean IW data
Develop 1st Iteration of IW Reports and Analytic Views based on FLAIR/CMS requirements	<ul style="list-style-type: none"> ▪ Develop 1st iteration reporting and analytic views based on requirements ▪ Establish test data for IW tool ▪ Develop IW test scripts ▪ Conduct initial test of the IW view 	<ul style="list-style-type: none"> ▪ 1st iteration IW prototype (reports and analytics)
Conduct Simulation Sessions using 1st Iteration IW Reports and Analytic Views for Pilot Participants d on feedb Views	<ul style="list-style-type: none"> ▪ Conduct simulation sessions of IW prototype ▪ Collect feedback and IW changes 	<ul style="list-style-type: none"> ▪ IW simulation session using IW prototype
Based on feedback from Simulation Session perform 2nd Iteration of IW Reports & Analytics Views perform 2n Iteration of IW Reports & Analytics Views	<ul style="list-style-type: none"> ▪ Using 1st iteration feedback to make changes to IW tool (metadata, ETL rules, reports) ▪ Review IW changes and test 2nd iteration of IW tool 	<ul style="list-style-type: none"> ▪ 2nd iteration IW tool
Conduct IW Tool Training	<ul style="list-style-type: none"> ▪ Develop IW tool training materials ▪ Develop IW tool training scripts ▪ Conduct IW tool training for pilot participants ▪ Collect feedback on IW training and remediate as needed 	<ul style="list-style-type: none"> ▪ IW tool training for pilot participants

ACTIVITY	KEY TASKS	KEY OUTCOMES
Conduct UAT on IW Tool based on FLAIR/CMS Reporting & Analytics Requirements	<ul style="list-style-type: none"> ▪ Update IW test environment ▪ Update IW test scripts ▪ Conduct IW UAT ▪ Assess results and decide on pilot 	<ul style="list-style-type: none"> ▪ IW UAT for pilot
Migrate IW Tool to Production & Deploy to Pilot Users	<ul style="list-style-type: none"> ▪ Migrate IW environment to production instance ▪ Provide end user access to pilot participants 	<ul style="list-style-type: none"> ▪ IW production for pilot

Exhibit 4-36: Pilot – FLAIR/CMS Replacement Project Track Activities - Examples

4.4.3 PILOT – FLAIR/CMS REPLACEMENT PROJECT TRACK (EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Conduct Pilot Participant Training for ERP FLAIR/CMS	<ul style="list-style-type: none"> ▪ Update ERP training environment and documentation ▪ Identify pilot participants for training ▪ Conduct training ▪ Assess results and remediate as needed 	<ul style="list-style-type: none"> ▪ Trained pilot participant on ERP and business process
Conduct Pilot Participant Training for IW - Tools	<ul style="list-style-type: none"> ▪ Update IW training environment and documentation ▪ Identify pilot participants for training ▪ Conduct training ▪ Assess results and remediate as needed 	<ul style="list-style-type: none"> ▪ Trained pilot participant on IW reporting and analytics
Confirm End User Access & Roles for ERP & IW	<ul style="list-style-type: none"> ▪ Confirm all user roles and access rules for pilot participants using ERP/IW 	<ul style="list-style-type: none"> ▪ Confirmed user roles and access for ERP/IW
Conduct Change Readiness	<ul style="list-style-type: none"> ▪ Assess organizational unit readiness for FLAIR/CMS Replacement deployment and report the results to the OCM & C Team ▪ Report project OCM and deployment readiness; including the status, progress and results of all local change management activities 	<ul style="list-style-type: none"> ▪ Change readiness assessment

ACTIVITY	KEY TASKS	KEY OUTCOMES
Start Pilot monitor 1st Quarter ERP/IW Performance & Remediate As Needed	<ul style="list-style-type: none"> Confirm ERP/IW Support teams Conduct kickoff of pilot and review how performance and results are to be monitored Schedule weekly feedback sessions 	<ul style="list-style-type: none"> 1st Quarter monitoring results with key exceptions
Monitor 2nd Quarter ERP/IW Performance & Remediate As Needed	<ul style="list-style-type: none"> Update ERP/IW support teams Continue pilot and review how performance and results are to be monitored Schedule weekly feedback sessions 	<ul style="list-style-type: none"> 2nd Quarter monitoring results with key exceptions
Monitor 3rd Quarter ERP/IW Performance & Remediate As Needed	<ul style="list-style-type: none"> Update ERP/IW Support teams Continue pilot and review how performance and results are to be monitored Schedule weekly feedback sessions 	<ul style="list-style-type: none"> 3rd Quarter monitoring results with key exceptions
Monitor 4th Quarter ERP/IW Performance & Remediate As Needed	<ul style="list-style-type: none"> Update ERP/IW support teams Continue pilot and review how performance and results are to be monitored Schedule weekly feedback sessions 	<ul style="list-style-type: none"> 4th Quarter monitoring results with key exceptions
Review Lessons Learned From Pilot for 1st Agency Group	<ul style="list-style-type: none"> Document key lessons regarding process, organization or technology from pilot 	<ul style="list-style-type: none"> Key lessons learned From Pilot

Exhibit 4-37: Pilot Phase Activity Description

4.4.4 CMS ROLLOUT PROJECT TRACK (ACTIVITY EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Confirm CMS Functionality Tested in ERP	<ul style="list-style-type: none"> Review UAT results for implement ERP and pilot Re-confirm CMS functionality via a sample of CMS users 	<ul style="list-style-type: none"> Confirmed CMS ERP functionality
Confirm CMS Interfaces Tested for Inbound/Outbound Traffic	<ul style="list-style-type: none"> Review UAT results for CMS interface and pilot Re-confirm CMS interfaces via a sample of CMS users 	<ul style="list-style-type: none"> Confirmed CMS interfaces
Assess Performance Results of CMS Functionality in Pilot for “Go/No Go” Decision on CMS Rollout	<ul style="list-style-type: none"> Assess performance of CMS functionality and interfaces during the Pilot and note any potential risks Based on demonstrated performance and risk assessment make final decision on CMS rollout 	<ul style="list-style-type: none"> Assessment pilot performance of CMS functionality and interfaces CMS rollout decision

ACTIVITY	KEY TASKS	KEY OUTCOMES
Conduct ERP CMS Training for All CMS End Users	<ul style="list-style-type: none"> Update CMS ERP training materials and scripts from pilot Update ERP training environment Identify all CMS users across all CMS users 	<ul style="list-style-type: none"> Trained CMS users across all CMS users
Conduct CMS UAT Across All In-scope CMS users	<ul style="list-style-type: none"> Update CMS UAT scripts from pilot Update ERP and interface test environment Conduct CMS UAT for all non-pilot CMS users Assess CMS UAT results for “Go/No Go” decision on CMS rollout 	<ul style="list-style-type: none"> Completed UAT for CMS rollout
Cutover From Legacy CMS to ERP CMS	<ul style="list-style-type: none"> Transition all current and required historical CMS records and transactions Cutover from legacy CMS to ERP CMS 	<ul style="list-style-type: none"> CMS functionality on ERP CMS
Monitor CMS Performance	<ul style="list-style-type: none"> Monitor CMS performance for 6 months after cutover 	<ul style="list-style-type: none"> CMS performance report

Exhibit 4-38: CMS Rollout Phase Activity Description

4.4.5 FLAIR/IW ROLLOUT PROJECT TRACK (ACTIVITY EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Monitor FLAIR Pilot	<ul style="list-style-type: none"> Determine FLAIR performance during the pilot Assess any impacts to FLAIR rollout schedules 	<ul style="list-style-type: none"> Finalize FLAIR rollout schedule
Perform the following for all 3 ERP FLAIR rollouts		
Perform BPR Updates	<ul style="list-style-type: none"> Determine any changes to in-scope business processes for a particular Agency need Update any change in roles and positions for in-scope business processes Note any future process improvements for current or future rollouts 	<ul style="list-style-type: none"> BPR updates Process improvements

ACTIVITY	KEY TASKS	KEY OUTCOMES
Update ERP Configurations/Interfaces	<ul style="list-style-type: none"> ▪ Determine any ERP module configuration changes based on BPR updates ▪ Determine any interface changes based on BPR updates ▪ System test any changes 	<ul style="list-style-type: none"> ▪ Updated ERP configurations and interfaces
Apply Change Management Process	<ul style="list-style-type: none"> ▪ Assess each agency and determine overall readiness for moving to ERP platform ▪ Confirm coverage for all required users roles to operate ERP platform ▪ Establish initial performance goals for user adoption to ERP platform 	<ul style="list-style-type: none"> ▪ Change management plan by agency
End User Training with UAT (if needed)	<ul style="list-style-type: none"> ▪ Update FLAIR training materials and scripts ▪ Refresh FLAIR training environment ▪ Identify all end user participants by agency ▪ Schedule and conduct ERP end user training ▪ Collect training feedback and conduct remediation as needed ▪ Update FLAIR UAT scripts ▪ Refresh UAT ERP and interface test environments ▪ Perform UAT by agency if needed 	<ul style="list-style-type: none"> ▪ Trained ERP end users ▪ ERP validation if needed
Deploy FLAIR	<ul style="list-style-type: none"> ▪ Confirm user roles and access to ERP FLAIR by agency ▪ Confirm migration of legacy FLAIR data as needed ▪ Determine cutover schedule for ERP FLAIR ▪ Cutover to ERP FLAIR ▪ Close out access to legacy FLAIR 	<ul style="list-style-type: none"> ▪ Cutover to ERP FLAIR

Exhibit 4-39: FLAIR Rollout Phase Activity Description

4.4.6 MFMP INTEGRATION PROJECT TRACK (ACTIVITY EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Determine MFMP upgrade/future direction and potential impact with ERP FLAIR	<ul style="list-style-type: none"> ▪ Review with MFMP project team to confirm future direction of MFMP ▪ Determine the interface high-level requirements between MFMP and ERP FLAIR based on future direction ▪ Identify scheduling and timing requirements for the new MFMP/ERP FLAIR interface to be operational 	<ul style="list-style-type: none"> ▪ Determine business needs for MFMP/ERP FLAIR interface
Analyze MFMP future requirement needs for ERP FLAIR Interface	<ul style="list-style-type: none"> ▪ Analyze detail requirements required for the MFMP interface 	<ul style="list-style-type: none"> ▪ MFMP interface requirements
Design MFMP Interface to FLAIR	<ul style="list-style-type: none"> ▪ Design new MFMP interface based on the detail requirements ▪ Confirm key data elements 	<ul style="list-style-type: none"> ▪ MFMP interface design
Develop MFMP Interface to FLAIR	<ul style="list-style-type: none"> ▪ Develop MFMP interface based on design 	<ul style="list-style-type: none"> ▪ Developed MFMP interface
Test MFMP Interface to FLAIR	<ul style="list-style-type: none"> ▪ Perform system and integration testing on interface ▪ Review with MFMP Project Team and obtain sign-off on test results 	<ul style="list-style-type: none"> ▪ Tested MFMP interface
Prepare to Deploy MFMP Interface to FLAIR as needed	<ul style="list-style-type: none"> ▪ Coordinate with MFMP project team to determine implementation date for MFMP interface 	<ul style="list-style-type: none"> ▪ Deploy MFMP interface

Exhibit 4-40: MFMP Integration Phase Activity Description

4.4.7 PF INTEGRATION/IMPLEMENT PAYROLL IN ERP PROJECT TRACK (ACTIVITY EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Determine PF upgrade/future direction and potential impact with ERP FLAIR	<ul style="list-style-type: none"> ▪ Review with PF project team to confirm future direction of PF ▪ Determine potential Payroll impacts and future requirements based on future direction ▪ Identify scheduling and timing requirements for the new Payroll process and any other enhancements 	<ul style="list-style-type: none"> ▪ Determine future business needs for PF and Payroll process

ACTIVITY	KEY TASKS	KEY OUTCOMES
Analyze PF future requirement needs and any BPR for Payroll Process	<ul style="list-style-type: none"> Analyze detail requirements for the PF and Payroll process 	<ul style="list-style-type: none"> PF/Payroll process requirements
Design ERP FLAIR for new Payroll Process	<ul style="list-style-type: none"> Design new PF enhancements and Payroll process based on the detail requirements Confirm key data elements 	<ul style="list-style-type: none"> PF/Payroll process design
Configure ERP FLAIR & Modify Interfaces to support new Payroll Process	<ul style="list-style-type: none"> Configure ERP FLAIR for any PF enhancements and Payroll process Develop interfaces as required 	<ul style="list-style-type: none"> Developed PF enhancements/Payroll process
Configure ERP FLAIR & Modify Interfaces to support new Payroll Process	<ul style="list-style-type: none"> Configure ERP FLAIR for any PF enhancements and Payroll process Develop interfaces as required 	<ul style="list-style-type: none"> Developed PF enhancements/Payroll process
Test new Payroll Process in ERP FLAIR and Interfaces	<ul style="list-style-type: none"> Perform system and integration testing on PF enhancements and Payroll process Conduct UAT for PF enhancements and Payroll process 	<ul style="list-style-type: none"> Tested PF enhancements and Payroll process
Deploy new Payroll Process and Interfaces per PF Project Plan	<ul style="list-style-type: none"> Coordinate with PF project team to determine implementation date for PF enhancements and Payroll process 	<ul style="list-style-type: none"> Deploy PF Enhancements and Payroll process

Exhibit 4-41: PF/Payroll Implementation Phase Activity Description

4.4.8 PHASE – 1 DDI INDEPENDENT VERIFICATION AND VALIDATION

ACTIVITY	KEY TASKS	KEY OUTCOMES
Develop IV&V Project Work Plan and Schedule	<ul style="list-style-type: none"> Work with project sponsors and PMO to plan and conduct IV&V project kick-off meeting Facilitate a meeting with PMO to define project management plan for IV&V project Update IV&V project schedule 	<ul style="list-style-type: none"> IV&V project plan IV&V project schedule
Establish key project metrics	<ul style="list-style-type: none"> Conduct a meeting with project sponsors and PMO to establish key project metrics Document key project metrics 	<ul style="list-style-type: none"> Key project metrics

ACTIVITY	KEY TASKS	KEY OUTCOMES
Review Project Management Plan and Components	<ul style="list-style-type: none"> ▪ Review PMO project management plan ▪ Provide comments to PMO 	<ul style="list-style-type: none"> ▪ Revised project management plan
Review Project Schedule	<ul style="list-style-type: none"> ▪ Review PMO project schedule ▪ Provide comments to PMO 	<ul style="list-style-type: none"> ▪ Revised project schedule
Review Project Deliverables	<ul style="list-style-type: none"> ▪ Review project deliverables <ul style="list-style-type: none"> ○ Requirements documents ○ Test Plans ○ Design Documents ○ Training Plans ○ Implementation and Cut Over Plan 	<ul style="list-style-type: none"> ▪ Revised project deliverables
Review use case and simulation model results	<ul style="list-style-type: none"> ▪ Review use case and simulation model results 	<ul style="list-style-type: none"> ▪ Input for monthly dashboard report
Track progress against project schedule	<ul style="list-style-type: none"> ▪ Monitor project progress against project schedule 	<ul style="list-style-type: none"> ▪ Input for monthly dashboard report
Review periodic status reports	<ul style="list-style-type: none"> ▪ Review PMO status reports ▪ Identify additional recommendation and findings 	<ul style="list-style-type: none"> ▪ Provide additional recommendation and findings to project sponsors and PMO
Develop monthly dashboard reports	<ul style="list-style-type: none"> ▪ Track data on key project metrics ▪ Document monthly IV&V activities ▪ Produce monthly project dashboard report 	<ul style="list-style-type: none"> ▪ Monthly dashboard report
Review UAT test results	<ul style="list-style-type: none"> ▪ Review UAT test reports 	<ul style="list-style-type: none"> ▪ Input for monthly dashboard report
Monitor FLAIR Rollout progress and FLAIR Baseline Performance Metrics	<ul style="list-style-type: none"> ▪ Review FLAIR Rollout progress reports 	<ul style="list-style-type: none"> ▪ Input for monthly dashboard report

Exhibit 4-42: Independent Verification and Validation Examples

4.4.9 PHASE – 2: EXPANDED ERP FUNCTIONALITY (FLAIR/CMS) PROJECT TRACK

ACTIVITY	KEY TASKS	KEY OUTCOMES
Perform BPA/BPR Assessment of State’s Financial Business Processes & Develop Functional Requirements	<ul style="list-style-type: none"> ▪ Review with DFS management to confirm future direction of State’s financial processes ▪ Determine potential ERP modules and functions based on future direction 	<ul style="list-style-type: none"> ▪ Determine future business needs for ERP FLAIR and State’s financial business processes
Map BPR Results to Potential ERP Functions	<ul style="list-style-type: none"> ▪ Analyze BPA/BPR results to perform preliminary mapping to additional ERP functions 	<ul style="list-style-type: none"> ▪ Preliminary mapping of FS financial processes and functional requirement
Conduct Simulation Session with Targeted ERP Functions	<ul style="list-style-type: none"> ▪ Design new FLAIR enhancements and processes based on FS requirements ▪ Confirm key data elements 	<ul style="list-style-type: none"> ▪ Phase-2 FS financial process design
Confirm Future State (FS) Business Process Design	<ul style="list-style-type: none"> ▪ Configure ERP FLAIR for any Phase-2 FS financial processes and enhancements ▪ Develop interfaces as required 	<ul style="list-style-type: none"> ▪ Developed Phase-2 ERP – FLAIR enhancements and FS financial processes
Configure ERP Modules & Develop Interfaces As Required To Support FS Business Process Design	<ul style="list-style-type: none"> ▪ Perform system and integration testing for Phase-2 ERP FLAIR enhancements and financial processes ▪ Conduct UAT for Phase-2 ERP FLAIR enhancements and FS financial processes 	<ul style="list-style-type: none"> ▪ Tested Phase-2 ERP FLAIR enhancements and FS financial processes
Conduct Phase- 2 ERP Modules/BPR Training	<ul style="list-style-type: none"> ▪ Develop training material and Scripts ▪ Refresh Phase-2 ERP FLAIR training environments ▪ Conduct Phase-2 ERP FLAIR training ▪ Assess Phase-2 ERP FLAIR training results 	<ul style="list-style-type: none"> ▪ Complete Phase-2 ERP FLAIR training
Conduct Phase-2 Testing	<ul style="list-style-type: none"> ▪ Develop testing material and scripts ▪ Refresh Phase-2 ERP FLAIR testing environments ▪ Conduct Phase-2 ERP FLAIR system and integration testing ▪ Assess Phase-2 ERP FLAIR testing results 	<ul style="list-style-type: none"> ▪ Complete Phase-2 ERP FLAIR testing ▪ Complete UAT
Conduct OCM Support	<ul style="list-style-type: none"> ▪ Provide ongoing OCM support for Phase-2 ERP FLAIR enhancement and FS financial processes 	<ul style="list-style-type: none"> ▪ OCM support plan for Phase-2 ERP FLAIR

ACTIVITY	KEY TASKS	KEY OUTCOMES
Deploy Phase-2 ERP FLAIR	<ul style="list-style-type: none"> Deploy Phase-2 ERP FLAIR as needed 	<ul style="list-style-type: none"> Deploy Phase-2 ERP FLAIR

Exhibit 4-43: Phase-2 DDI Phase Activity Description

4.4.10 OPERATIONS AND MAINTENANCE PROJECT TRACK (EXAMPLES)

ACTIVITY	KEY TASKS	KEY OUTCOMES
Supporting Legacy FLAIR	<ul style="list-style-type: none"> Support legacy FLAIR/CMS and IW infrastructure (hardware and software) 	<ul style="list-style-type: none"> Supported legacy FLAIR/CMS/IW
Support ERP FLAIR/CMS & New IW Tools	<ul style="list-style-type: none"> Support ERP FLAIR/CMS infrastructure (hardware and software) Support new IW Infrastructure 	<ul style="list-style-type: none"> Supported ERP FLAIR/CMS Supported new IW tool
ERP Upgrades	<ul style="list-style-type: none"> Perform ERP upgrades 	<ul style="list-style-type: none"> Upgraded ERP platform

Exhibit 4-44: Operations & Maintenance Activity Examples

4.4.11 OCM MODEL

OCM activities are all structured to reach individuals. This is because change happens one person at a time. The ADKAR⁹⁷ model is just one framework for managing individual change management. It outlines the five building blocks of successful change, whether the change occurs in behaviors at home, in the community or at work. The name "ADKAR" is an acronym based on the five building blocks illustrated below.

A - Awareness of the need for change

D - Desire to participate and support the change (the WILL)

K - Knowledge on how to change

A - Ability to implement required skills and behaviors (the SKILL)

R - Reinforcement to sustain the change

The five building blocks are sequential. Successful change begins with awareness. After awareness comes the personal decision to participate (desire). After desire comes the

⁹⁷ : <http://www.prosci.com/adkar-model/overview-3/>

knowledge and ability to make the change. And finally, for the change to stay in place, reinforcement is needed.

When the ADKAR elements are achieved, employees become engaged and motivated. The change is adopted faster. Employees contribute ideas and seek out new ways to support the change. Employees have the knowledge and ability to implement the change so the business goals are realized or exceeded.

Well-structured OCM programs employ many tools and techniques to guide people along their journey from the current state, through the transition state and into the future state. Most often managers rely on five basic plans to manage and influence change. These plans include the Communications Plan, Sponsor Roadmap, Training Plan, Resistance Management Plan and a Coaching Plan. These five tools support different elements of the ADKAR model as noted in Exhibit 4-45 below.

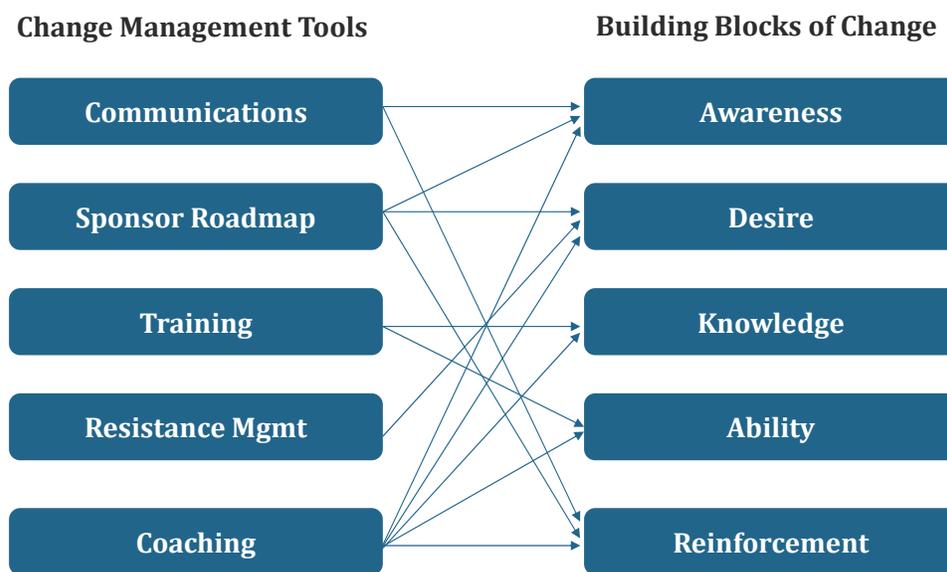


Exhibit 4-45: Change Management Tools Used to Manage Change

4.4.12 OCM FUNCTIONAL MODEL ROLES & RESPONSIBILITIES

In addition to the specific roles and responsibilities outlined below, each member brings subject matter expertise to the change process. Pending input, discussion and decision making among the team members, the change management strategy may be customized or modified to fit the needs of the Department.

The OCM Functional roles and responsibilities are usually developed based on the following assumptions:

- OCM activities occur throughout the Project’s lifecycle
- Resources are allocated to conduct these activities during the entire Project

- Due to the high degree of interdependency, delays and/or changes to project activities and schedules impact OCM activities and schedules
- Project team and other key stakeholder resources are available for input to the OCM Team in a timely manner to allow execution of the OCM activities
- Critical Project sponsors and stakeholders are identified to support the OCM Plan

The following Exhibit outlines potential DFS OCM roles and responsibilities.

FLAIR REPLACEMENT DFS OCM RESPONSIBILITIES	
OCM & C ROLE	RESPONSIBILITIES
DFS Project Director	<ul style="list-style-type: none"> ▪ Actively and visibly sponsors the FLAIR Replacement Project ▪ Delivers senior executive level statements about the Project objectives and outcome ▪ Chairs the OCM & C Team and advises the work stream for the development of Content and Knowledge Transfer. Provides direction when necessary ▪ Actively participates in the identification, crafting, and approval of project OCM messages and work products wherever appropriate ▪ Updates the Executive Sponsor on OCM & C activities; communicates directly with senior executive stakeholders, when appropriate and necessary, regarding project OCM & C matters
Agency Sponsors	<ul style="list-style-type: none"> ▪ Actively and visibly supports agencies OCM strategies and practices ▪ Represents the interests of the agencies at the OCM & C team meetings ▪ Actively participates in the identification, crafting and approval of project OCM & C messages and work products, wherever appropriate ▪ Reviews OCM & C messages, tutorials and techniques, delivers feedback to the Project OCM & C Team and requests additional materials on other topics ▪ Contributes and advises to the work stream responsible for distribution of OCM & C materials and messages
OCM Deputy Project Director	<ul style="list-style-type: none"> ▪ Ensures coordination of OCM & C messaging with functional and technical directors ▪ Actively participates in the identification, crafting and approval of project OCM & C messages and work products, wherever appropriate ▪ Provides leadership and support to the Project OCM & C Strategic Team ▪ Actively participates in the identification, crafting, and approval of project OCM messages and work products wherever appropriate ▪ Assists with project OCM & C stakeholder analysis and communications planning ▪ Actively supports departments and agency OCM strategies and practices ▪ Represents the interest of the external stakeholders

FLAIR REPLACEMENT DFS OCM RESPONSIBILITIES

OCM & C ROLE	RESPONSIBILITIES
DFS Functional Deputy Project Director	<ul style="list-style-type: none"> ▪ Ensures coordination of OCM & C messaging with DFS program policy, procedures and training ▪ Actively participates in the identification, crafting and approval of project OCM & C messages and work products, wherever appropriate ▪ Assigns project staff as needed to develop message content consistent with policy and procedures ▪ Actively supports DFS & agency OCM strategies and practices
DFS Technical Deputy Project Director	<ul style="list-style-type: none"> ▪ Ensures coordination with and awareness of other DFS projects ▪ Actively participates in the identification, crafting and approval of Project OCM & C messages and work products, wherever appropriate ▪ Actively supports Change Management strategies and practices ▪ Provides input regarding technical aspects of the Project
DFS/Agency Change Agents	<ul style="list-style-type: none"> ▪ Takes a lead role in exploring and managing change resistance issues among coworkers ▪ Refers widespread and particularly challenging resistance issues to the Project OCM & C Team to be formally addressed on a broader scale by DFS and Agency executives ▪ Sponsors and fully supports an organizational change management effort at their organization ▪ Ensures DFS and Agency staff are fully prepared to transition to the new Technology Solution when deployed ▪ Holds in-scope staff accountable for preparing for Project transition, including working through change resistance issues and completing all available user training ▪ As the project progresses, assembles a team of change agents of sufficient size to reach every in-scope staff member ▪ Reviews and applies OCM & C messages, tools and techniques, provides feedback to the OCM & C Team and requests additional materials on other topics, if needed ▪ Assesses organizational unit readiness for FLAIR/CMS Replacement deployment and reports the results to the OCM & C Team ▪ Serves as a primary liaison between their Department or Agency and the Project team ▪ Serves as a strong and visible Project Champion and primary change agent within their department and location ▪ Coordinate support to department management on matters concerning Project OCM and deployment readiness; including the status, progress and results of all local change management activities ▪ Receives, reviews and makes use of all relevant Project OCM & C messages, tutorials and techniques provided by the Project OCM & C Team; provides timely and candid feedback on the quality and usefulness of each
Project OCM & C SME	<ul style="list-style-type: none"> ▪ Coordinates and participates in the activities of the OCM & C Team ▪ Coordinates the creation and delivery of Project OCM & C

FLAIR REPLACEMENT DFS OCM RESPONSIBILITIES

OCM & C ROLE	RESPONSIBILITIES
	<p>messages and content</p> <ul style="list-style-type: none"> ▪ Provides OCM strategies and tools to the DFS/Agency Champions; leads Change Management activities ▪ Hosts and facilitates conference calls, webinars on FLAIR/CMS Replacement Project OCM & C matters ▪ Responds to inquiries and Project OCM support requests by DFS/Agency Champions ▪ Collaborates with DFS and Agency staff and Project SMEs to ensure Project OCM information is correct and current ▪ Collaborates with the systems integrator to ensure efforts on the Project are mutually supportive and there is a steady flow of accurate and current information between parties
System Integrator Implementation Manager	<ul style="list-style-type: none"> ▪ Represents the SI at the OCM & C Team meetings ▪ Provides an update on SI OCM and training activities ▪ Facilitates coordination between SI and the OCM & C Team ▪ Oversees the planning, development and execution of the SI OCM and training tasks, including: <ul style="list-style-type: none"> ○ System Change Readiness ○ System Change Impact Analysis ▪ System User Training
Project Communications Lead	<ul style="list-style-type: none"> ▪ Actively participates in the crafting and delivery of project OCM & C messages and work products ▪ Participates in and contributes to Project OCM & C Team meetings ▪ Solicits stakeholder feedback and addresses stakeholder questions ▪ Establishes and maintains FAQs to provide standard planned responses to common questions ▪ Ensures project OCM & C messages and materials are high quality, consistent, aligned with other messages from the organization, properly branded, and department policies ▪ Coordinates communication with State agency partners ▪ Acts as the OCM & C team liaison between project and other teams and parties

Exhibit 4-46: FLAIR Replacement DFS OCM Responsibilities

The following Exhibit outlines potential Agency OCM roles and responsibilities.

FLAIR REPLACEMENT AGENCY OCM RESPONSIBILITIES

OCM & C ROLE	RESPONSIBILITIES
Agency Project Director	<ul style="list-style-type: none"> ▪ Actively and visibly sponsors the Project ▪ Participates in and contributes to Project OCM & C Strategic Team meetings ▪ Provides subject matter expertise and knowledge transfer ▪ Actively participates in identifying message content, audiences and vehicles for communication; provides support, guidance, and review of Project OCM & C messages and work products,

FLAIR REPLACEMENT AGENCY OCM RESPONSIBILITIES

OCM & C ROLE	RESPONSIBILITIES
	wherever appropriate <ul style="list-style-type: none"> ▪ Assigns Project staff to assist with the development of OCM & C Team message content, as needed
Agency OCM Lead	<ul style="list-style-type: none"> ▪ Participates in and contributes to Project OCM & C Strategic Team meetings ▪ Advises on agency operations issues
Agency OCM/DFS SME	<ul style="list-style-type: none"> ▪ Helps ensure OCM & C content and messaging is consistent with department policies ▪ Provides knowledge transfer to the Project staff as needed
DFS/Agency Change Agents	<ul style="list-style-type: none"> ▪ Takes a lead role in exploring and managing change resistance issues among coworkers ▪ Refers widespread and particularly challenging resistance issues to the Project OCM & C Team to be formally addressed on a broader scale by DFS and Agency executives ▪ Sponsors and fully supports an organizational change management effort at their organization ▪ Ensures DFS and Agency staff are fully prepared to transition to the new Technology Solution when deployed ▪ Holds in-scope staff accountable for preparing for Project transition, including working through change resistance issues and completing all available user training ▪ As the project progresses, assembles a team of change agents of sufficient size to reach every in-scope staff member ▪ Reviews and applies OCM & C messages, tools and techniques, provides feedback to the OCM & C Team and requests additional materials on other topics, if needed ▪ Assesses organizational unit readiness for FLAIR/CMS Replacement deployment and reports the results to the OCM & C Team ▪ Serves as a primary liaison between their Department or Agency and the Project team ▪ Serves as a strong and visible Project Champion and primary change agent within their department and location ▪ Coordinate support to department management on matters concerning Project OCM and deployment readiness; including the status, progress and results of all local change management activities ▪ Receives, reviews and makes use of all relevant Project OCM & C messages, tutorials and techniques provided by the Project OCM & C Team; provides timely and candid feedback on the quality and usefulness of each
Agency Partner	<ul style="list-style-type: none"> ▪ Attends OCM & C Team meetings as needed to facilitate communication and coordination with DFS regarding FLAIR/CMS Replacement implementation ▪ Receives materials and content created by the OCM & C Team for use by the Agency Partner, as needed ▪ Provides Agency Partner perspectives to the OCM & C Team as needed
Agency Professional Development SME	<ul style="list-style-type: none"> ▪ Provides status on the Project and related policy and procedural training activities

FLAIR REPLACEMENT AGENCY OCM RESPONSIBILITIES

OCM & C ROLE	RESPONSIBILITIES
	<ul style="list-style-type: none"> ▪ Represents professional development and training at the OCM & C Team meetings as needed
Agency Liaisons for Project	<ul style="list-style-type: none"> ▪ Communicates Project progress and status ▪ Helps ensure OCM & C content and messaging is consistent with the Project goals and objectives ▪ Transfers Knowledge to the Project staff as needed

Exhibit 4-47: FLAIR Replacement Agency OCM Responsibilities

4.4.13 TRAINING AND PERFORMANCE SUPPORT ACTIVITIES

The training and performance support activities and deliverables are outlined in the Exhibit below:

STEPS	TRAINING AND PERFORMANCE SUPPORT	DELIVERABLES
1. Develop Training Strategy and Plan	<ul style="list-style-type: none"> ▪ Define the training objectives through discussions with project sponsor, change management lead, key stakeholders, and impacted business end-users ▪ Identify the training audience ▪ Assess the training needs for the roles through review of impacts, existing documentation, and interviews ▪ Document training needs assessment ▪ Assess design and delivery options (e.g., instructor lead, web-based training) ▪ Identify success criteria 	<ul style="list-style-type: none"> ▪ Training Strategy ▪ Training Scorecard ▪ Training Plan ▪ Training estimates for development effort and budget
2. Develop Training Curriculum	<ul style="list-style-type: none"> ▪ Develop curriculum recommendations for training in the areas of brand, business, culture and any job specific training ▪ Determine the most effective delivery methodologies ▪ Develop learning objectives for each role 	<ul style="list-style-type: none"> ▪ Curriculum outline including course descriptions and delivery methods ▪ Course Objectives ▪ Course Audience
3. Develop Training Materials	<ul style="list-style-type: none"> ▪ Document the training content, specific delivery method, timing and schedule, supporting materials and end-user evaluation methods ▪ Compare inventory of existing materials with the curriculum for job-specific, brand, culture, business training and identify gaps ▪ Design, develop, and draft training content and incorporate measurement plan ▪ Conduct pilot training course ▪ Update training based on pilot and SME feedback ▪ Review and revise the curriculum recommendations ▪ Review and revise training content 	<p>Training Materials include, but are not limited to (depending on delivery method):</p> <ul style="list-style-type: none"> ▪ Student guide ▪ Facilitator guide ▪ Training lesson plan ▪ Training modules ▪ Evaluation survey ▪ Training scorecard template ▪ Training presentation ▪ CBT content

STEPS	TRAINING AND PERFORMANCE SUPPORT	DELIVERABLES
		<ul style="list-style-type: none"> ▪ Presenter script (if recorded) ▪ Train-the-trainer guide ▪ Job Aids
4. Deliver Training	<ul style="list-style-type: none"> ▪ Training Schedule ▪ Train-the-trainer session ▪ Conduct classes ▪ Conduct training evaluation ▪ Review and revise the training content based on student feedback 	<ul style="list-style-type: none"> ▪ Class schedule ▪ Evaluations ▪ Training Scorecard ▪ Action plan based on feedback ▪ Revised training materials

Exhibit 4-48: Workforce Training and Performance Support Activities

4.4.14 COMMUNICATION PLAN

The Department along with the System Integrator will implement a Communication Plan which identifies and addresses the concerns of all key stakeholders during the Transition period and the life of the contract. The Communication Plan outlines the following:

- Communication purpose and objective
- Key points of the communication
- Stakeholder audience
- Delivered by
- Communication vehicle

The purpose of the Communication Plan is to document identified communication needs and the structured process to address those needs. The overall goal of the communication effort is to provide all stakeholders, internal and external to the project, with the information they need in a timely, effective manner. The communication objectives are to:

- Identify key stakeholder audiences
- Communicate in ways and on a schedule which meets each audience’s unique needs
- Provide feedback mechanisms, with measures where possible, to determine the effectiveness of the communications delivered to each audience
- Adjust the communication plan and strategies to better meet stakeholder needs, based on feedback

The Exhibit below is a potential Communication Plan which may be implemented.

COMMUNICATION EVENT	PURPOSE/OBJECTIVE	KEY POINTS	AUDIENCE	DELIVERED BY	VEHICLE
Throughout Pre-DDI	<ul style="list-style-type: none"> Determine the degree of project change readiness Determine the degree of resistance likely Provide input to classifying and prioritizing business units for rollout 	<ul style="list-style-type: none"> Determine level of awareness of the project Determine general employee receptivity to change 	Project Team	DFS Management	Conversations and Steering Committee Presentations
Project Kick-off	<ul style="list-style-type: none"> Kick off the revised project Create awareness of the project, its purpose, goals, approach, and timelines Gain buy-in to implementation schedule (and order of agencies to be rolled out) 	<ul style="list-style-type: none"> Share program scope, goals, and objectives Create and share a compelling case for change Share a picture of the solution (ERP Baseline) Set expectations for project participation and support Review project approach, roll out order, and high-level timelines 	Steering Committee, Advisory Group, Project Team, Agencies	Steering Committee (Executive Sponsor)	<p>Face-to-Face Meeting (Support Project/Agency Kickoff Meetings)</p> <p>Follow up with periodic newsletters (e-mail) reinforcing the message and expectations for support</p>
Process Impact Working Sessions	<ul style="list-style-type: none"> Ensure the Project deliverables are being completed Assist with deliverable completion Remove roadblocks to project success Demonstrate continued management support and commitment to project success 	<ul style="list-style-type: none"> Create Project name and identity helping people identify and remember the project; 	DFS/Agency employees	Project & OCM Team	Face-to-Face Meetings (Process Impact Working Sessions)

COMMUNICATION EVENT	PURPOSE/OBJECTIVE	KEY POINTS	AUDIENCE	DELIVERED BY	VEHICLE
Project/Phase Kick-off	<ul style="list-style-type: none"> Create awareness of the project, its purpose, goals, approach, and timelines within each Support Center Share expectations for project participation Generate project interest Identify candidates for new roles Prepare employees for the change process 	<ul style="list-style-type: none"> Share program scope, goals, and objectives Share the compelling case for change and picture of the solution Set expectations for project participation in the implementation Acknowledge issues involved with major change and what is required for success Review project approach and high-level timelines Identify issues or roadblocks Review project roles and responsibilities Ask employees to consider taking on these roles 	DFS/Agencies	BPR Team/OCM	Face-to-Face Meeting (Support Project/Agency Kickoff Meetings)
Project/Phase Kick-off	<ul style="list-style-type: none"> Provide overview of Process Impact Sessions (BPR) Identify participants for Process Impact Sessions 	<ul style="list-style-type: none"> Share Process Workshop schedule Identify criteria for participants Share Workshop goals and agenda Provide initial logistics information 	BPR Workshop Participants	BPR Team/OCM	Face-to-Face Meeting (Support Project/Agency Kickoff Meetings) Follow up with periodic newsletters (e-mail) reinforcing the message and expectations for support

COMMUNICATION EVENT	PURPOSE/OBJECTIVE	KEY POINTS	AUDIENCE	DELIVERED BY	VEHICLE
Process Impact Working Sessions	<ul style="list-style-type: none"> Communicate training information, schedules and participation expectations 	<ul style="list-style-type: none"> Provide additional logistics information Communication preparation required 	BPR/OCM/Pilot Participants	Project Team	Face-to-Face Meetings (Process Impact Working Sessions)
Project Phased Rollout	<ul style="list-style-type: none"> Provide support as the IW Tool and associated process is implemented Build comfort with the tool and process 	<ul style="list-style-type: none"> Show management interest and support in project and workshop success Share expectations for workshop participation and outcomes 	BPR/OCM/Pilot Participants	Project Team/PMO	E-mail, with potential follow-up phone calls
Throughout Project	<ul style="list-style-type: none"> FLAIR Project-specific messages Communicate ad hoc messages 	<ul style="list-style-type: none"> Provide education on Project background and goals Emphasize criticality of ownership and participation in deliverable development 	DFS/Agency employees	DFS/Agency Management	E-mail with follow-up phone calls
Throughout Project	<ul style="list-style-type: none"> Gain and maintain support, buy-in, and participation from all levels of Financial Management 	<ul style="list-style-type: none"> Highlight accomplishments, celebrate successes Share progress through the implementation plan Outline next steps 	DFS/Agency (through Team Lead level)	OCM Champion and Project Team	Face-to-Face discussions with workshop participants from their Department

COMMUNICATION EVENT	PURPOSE/OBJECTIVE	KEY POINTS	AUDIENCE	DELIVERED BY	VEHICLE
Project Phased Rollout	<ul style="list-style-type: none"> Provide end users with the opportunity to see the system Provide end users with the opportunity to contribute to and provide feedback on the process and tool Build end user comfort with the new processes and tool 	<ul style="list-style-type: none"> Reinforce importance of Knowledge Management initiative Reinforce the benefits to be achieved Emphasize the importance of management participation and support Share, clarify, and reinforce management roles and responsibilities throughout the project Reinforce need for culture change and their role in achieving it Emphasize accountability for success 	All In-Scope Participants	OCM Champion, PMO, Project Team	Face-to-face through Knowledge Workshops; possibly one-on-one with very small centers

Exhibit 4-49: Communication Plan

4.4.14.1 STAKEHOLDERS

Key stakeholders include the Department of Financial Services, agencies, the Legislature, the Governor’s Office, and the System Integrator team members.

4.4.14.2 COMMUNICATION EVENT

A communication event is a topic the Department and System Integrator address in order to inform the stakeholders. A communication event can be a one-time occurrence or a regularly scheduled event. The frequency of the communication is dependent upon the topic, audience being addressed, and the vehicle of communication.

4.4.14.3 VEHICLES OF COMMUNICATION

A communication vehicle is the method used to deliver the communication. Several communication vehicles should be used: formal presentations, meetings, brown bag lunches, and email. Dependent upon the communication event, the appropriate communication vehicle should be determined and implemented. This includes newsletters and websites.

4.4.14.4 MANAGEMENT OF COMMUNICATIONS

To ensure effective communication, the Department and service provider identifies communication leads. The communication leads are responsible for creating communication templates and reviewing and approving all communications prior to distribution. The communications should be delivered frequently at all levels in the organization.

CHAPTER 5 PROCUREMENT AND CONTRACT MANAGEMENT

Key Takeaways From This Chapter

Based on lessons learned, guiding principles, goals, and risks, the FLAIR Study Team recommends a procurement strategy allowing for the independent selection of software before making a final selection on the system integrator. DFS will determine the method of procurement once planning begins for the FLAIR replacement project. DFS has the following goals:

- One ITN and one contract

- A procurement process giving DFS the ability to choose the software first

- The ability to work directly with the software vendor

- Fixed price contract

DFS has a procurement and contract management process documented in its Contract Management Lifecycle and Procurement Guide. This guide is followed when developing solicitations.

In the event the contractor does not meet the performance standards throughout the project lifecycle, contract language has been developed allowing DFS the ability to collect costs needed to either re-procure the project or allow DFS to take over the project.

The FLAIR Study adopted the business case requirements of Chapter 287 of the Florida Statutes. The exhibit below provides those statutes which apply to Chapter 5 Procurement and Contract Management.

FLORIDA STATUTE	
287.0571(4)(j)	A description of the specific performance standards that must, at a minimum, be met to ensure adequate performance.
287.0571(4)(k)	The projected timeframe for key events from the beginning of the procurement process through the expiration of a contract.
287.0571(4)(l)	A plan to ensure compliance with the public records law.
287.0571(4)(m)	A specific and feasible contingency plan addressing contractor nonperformance and a description of the tasks involved in and costs required for its implementation.
287.0571(4)(o)	A plan for ensuring access by persons with disabilities in compliance with applicable state and federal law.

Exhibit 4-50: Chapter 5 Florida Statutes

5.1 SUMMARY OF THE FLAIR/CMS REPLACEMENT PROJECT

Based on the analysis completed in Chapter 2, the recommendation in Chapter 3, and the implementation strategy presented in Chapter 4, Chapter 5 discusses potential procurement approaches, performance standards and measures, and contracting language as well as a response to the requirements of the Florida Statutes in Exhibit 5-1 above.

When dealing with a project of this magnitude, there are various activities needed for success in the replacement of FLAIR and CMS. Many of these activities are specific to the Pre-DDI, DDI, and Post-DDI phases which are discussed in Chapter 4. Exhibit 5-2 illustrates those top level phases with the specific tracks of work required for the FLAIR and CMS replacement project.

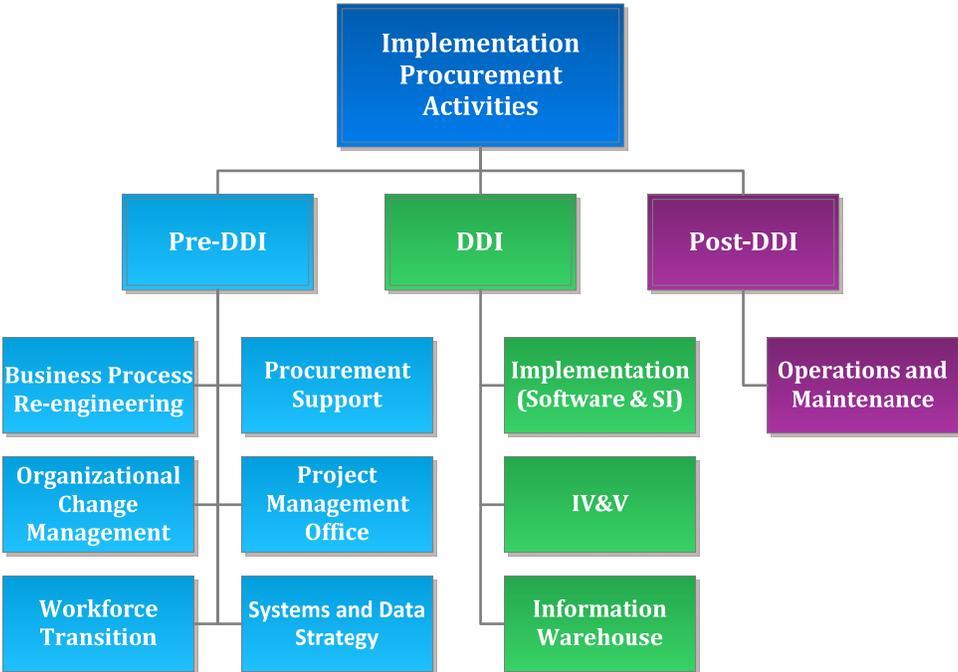


Exhibit 5-51: ERP Implementation Tracks with Procurements and Contracts

In the sections to follow, the FLAIR Study Team discusses current procurement processes and looks at the procurement approach, key events, performance standards, and contractual language needed to support the Pre-DDI, DDI, and Post-DDI phases.

5.2 GENERAL TIMELINE WITH PROCUREMENTS INDICATED

Exhibit 5-3 below provides the timeline of the phases and the procurement tracks associated with each phase. This graphic provides the timeframe the tracks begin over the course of the FLAIR/CMS replacement project. Some of the Pre-DDI tracks extend into the DDI phase as discussed in more detail in Chapter 4.

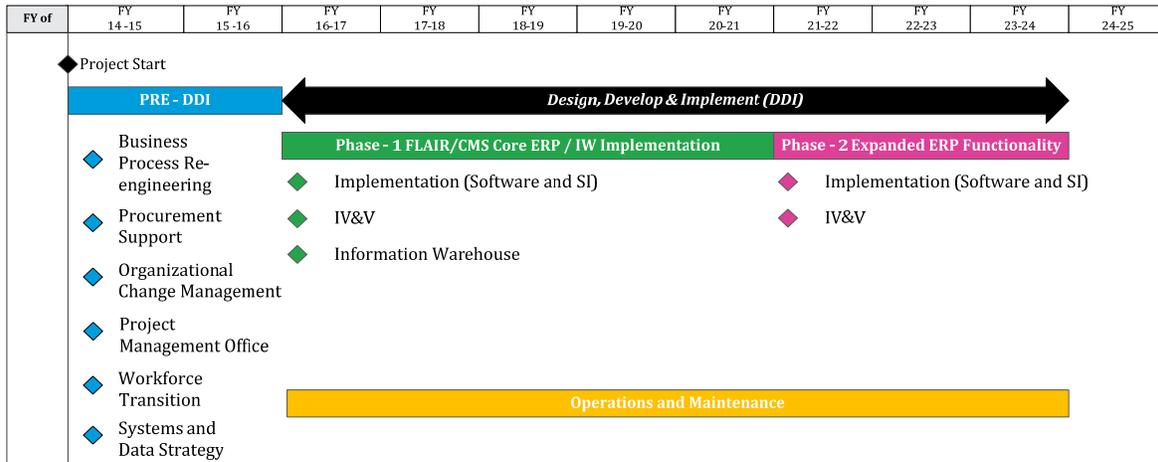


Exhibit 5-50: Procurement Approach

5.3 GENERAL PROCUREMENT DISCUSSION

DFS maintains a procurement and contract management process documented in the Contract Management Lifecycle and Procurement Guide (DFS Guide), last modified November 2013. This guide describes a disciplined process for the Department when procuring for services and managing contracts.

The DFS Guide outlines a clear process when planning the procurement with the goal of selecting a solution to help DFS achieve its goals and objectives. This study focuses on additional recommendations to support the processes described within the DFS Guide.

Once the goals and objectives of the potential project are determined, the Department conducts a risk assessment and includes the following contract specific planning elements:

- Review prior contracts
- Identify funding source
- Determine provider type
- Prepare business needs analysis
- Conduct technology assessment
- Conduct build or buy analysis
- Determine contract type

Based on the business needs analysis, listed in the planning elements above, DFS performs a purchasing assessment on the following procurement approaches illustrated in Exhibit 5-4 to determine the procurement approach to use for a potential project.

PROCUREMENT APPROACH	DEFINITION
Informal Quote (Informal Solicitation)	<ul style="list-style-type: none"> ▪ When a purchase is under \$35,000, the price is considered plus the vendor's ability to deliver: <ul style="list-style-type: none"> ○ Up to \$2,499 - minimum of 2 written quotes (discretionary) ○ \$2,500-34,999 – minimum of 3 written quotes (informal quote)
Request for Quote (RFQ)	<ul style="list-style-type: none"> ▪ A request for pricing from a State Term Contract vendor for a good or service (contracts with vendors who have been approved by the Department of Management Services)
Invitation to Bid (ITB) (Formal Solicitation)	<ul style="list-style-type: none"> ▪ Used when it is known what is wanted and there is the willingness to select a vendor based on price, the responsiveness to ITB specifications, and ability to deliver ▪ Used when specifications are well-defined and firm ▪ The least flexible of the formal solicitation processes
Request For Proposal (RFP) (Formal Solicitation)	<ul style="list-style-type: none"> ▪ Used when there is not a defined scope and there are general specifications of what is needed ▪ Used when asking vendors to propose or recommend a commodity or service to meet stated needs ▪ Contract must not materially differ from the specifications in order to maintain fairness and equity throughout procurement ▪ More flexible than ITB because consideration can be made based on vendor price, responsiveness to RFP specifications and the vendors ability to deliver
Invitation to Negotiate (ITN) (Formal Solicitation)	<ul style="list-style-type: none"> ▪ Use when there is a desired outcome and it is not known how to explain the need ▪ Used when it may be necessary to negotiate to receive the best value ▪ Allows for greater negotiation flexibility than the ITB or RFP
Single Source	<ul style="list-style-type: none"> ▪ Can be used ONLY when product or service is necessary or unique. For example, where the deliverable is copyrighted, patented or proprietary (e.g., technology) (See section 838.22, F.S.) ▪ Posting is required if the total cost is over \$35,000 ▪ Requires the attestation of no conflict of interest be signed by all DFS program area participants in the vendor evaluation/selection process for all non-competitive purchases \$35,000 or greater (see section 287.057(19))

Exhibit 5-51: Procurement Types

The FLAIR Study Team took the above procurement approaches into consideration when selecting the procurement approach for all projects needed to complete the replacement of FLAIR and CMS. Two procurement approaches were identified to use during the FLAIR/CMS replacement project. The procurement approach for the projects procured will use either an ITN or RFQ as these approaches best meet the needs of the Department. Sections 5.5.1, 5.5.2,

and 5.5.3 discuss the identification of the procurement approach for the Pre-DDI, DDI, and Post-DDI phases.

5.3.1 PROCUREMENT RISKS

When considering the procurement approach, the FLAIR Study Team identified the below as potential risks to the replacement of FLAIR and CMS:

- Inadequate staffing to support the procurement process due to poor planning would cause project delays
- Aggressive timeframe for procurement increasing the risk of poor decisions and cutting corners leading to an unsuccessful procurement and implementation
- Deficient procurement processes leading to exposure to potential protests and delaying the process or jeopardizing the entire procurement event
- Receipt of poor responses and the procurement of a bad product due to insufficient procurement process
- Weak contract with insufficient controls and procedures leading to poor partnerships between the software vendor, system integrator and DFS

The following are mitigation strategies for the risks listed above:

- Begin the establishment of a PMO early during the Pre-DDI phase
- Establish clear timelines and quality guidelines for each step in the procurement process
- Obtain the support of procurement subject matter experts, such as a consultancy firm, throughout the procurement process
- Begin governance at the onset of the project

5.4 GENERAL CONTRACTING INFORMATION

To comply with the Florida Statutes in Sections 287.0571(4)(j), 287.0571(4)(l), 287.0571(4)(m) and 287.0571(4)(o) general contracting language is used within the contract and is supported by the DFS Guide. The sections below outline the language which supports each of these statutes.

5.4.1 PERFORMANCE STANDARDS

Performance standards for the Pre-DDI, DDI and Post-DDI phases are discussed in Sections 5.5.1.1, 5.5.2.5 and 5.5.3.1. All contracts will contain financial consequences appropriate for specific tracks within each phase along with general acceptance criteria for each deliverable. The contract will require both DFS and the contractor to develop a well-defined deliverable expectation document for each deliverable containing a list of minimum acceptance criteria.

5.4.2 PUBLIC RECORDS POLICY

The DFS ITN and RFQ templates include the language required for the contract. The contract will clearly state any and all records produced are subject to Chapter 119 of the Florida Statutes or the “Public Records Law”. This law requires any records made or received by any public agency in the course of its official business are available for inspection, unless specifically exempted by the Florida Legislature. The service provider shall allow the Department access to all documents, papers, letters, or other material subject to Chapter 119, F.S. for which public record requests are made or received by the Department.

5.4.3 PERSONS WITH DISABILITIES COMPLIANCE

There is specific language within the Department’s current ITN (October 2013) and RFQ (July 2013) template acknowledging accommodations for those with disabilities. The language can be found in Section 1.5 of each template and states the following:

- Any person requiring a special accommodation due to a disability should contact the Department’s *(language completed at contract)*. Requests for accommodation for meetings must be made at least five workdays prior to the meeting.
- This is standard practice used by DFS and DFS understands and complies with Section 287.0571(4)(o), F.S. in all procurements.
- The Americans with Disabilities Act (ADA) prohibits discrimination on the basis of disability in employment, State and local government, public accommodations, commercial facilities, transportation, and telecommunications. To ensure compliance with State and Federal ADA laws, the contract will request the service provider outline a detailed plan to identify and address any ADA concerns.

5.4.4 CONTRACTOR NON-PERFORMANCE CONTINGENCY PLAN

A plan is outlined for all contracts, subject to the negotiation process, to address contractor non-performance. Appropriate contract language is drafted in consultation with DFS legal counsel and DFS procurement and contract management staff. A contingency plan is developed to allow the Department the ability to effectively continue operations due to nonperformance.

5.4.4.1 NON-PERFORMANCE COSTS

Specific language should be included within the contract for contractor non-performance. The language will state the contractor will reimburse DFS for any costs incurred due to non-performance by the contractor. DFS will incorporate language allowing DFS to step in and take control of all work and deliverables until the contractor is able to show they are able to correct their performance deficiencies. During this time, the contractor will reimburse DFS for any costs incurred to cover such deficiencies and perform the work of the contractor.

If it is determined the contractor is unable to meet the performance standards within the contract, DFS will either complete the work internally or re-procure the work to another contractor. In either case, the contract language will hold the contractor accountable for any

costs incurred as a result of the contractor non-performance. The contractor is solely responsible to cover any transitional costs to DFS as well as any costs associated with re-procurement of the project.

5.4.4.2 NON-PERFORMANCE, TERMINATION AND FINANCIAL CONSEQUENCES

The contract should contain provisions to address the termination for cause in the event of non-performance by the contractor. In addition to remedies in the contract, a default remedy for non-performance by a contractor is also available in Rule 60A-1.006, F.A.C.

Provisions in the contract for financial consequences in the event the contractor does not meet measured expectations are provided below. The provisions should provide incentives for a contractor to cure any problems with performance before an event of default occurs.

- Suggested Remedies for Default and Obligations upon Termination for the State of Florida:
 - Terminate the contract by providing the contractor with an appropriate written notice of the effective date of termination
 - Seek Equitable Relief and/or institute legal proceedings against the contractor to collect payment of any money owed including, but not limited to re-procurement costs, system replacement costs, and financial consequences. The Department should also initiate proceedings to have the contractor placed on the Suspended Vendor list
 - Once placed on the Suspended Vendor list, State agencies are advised not to do business with the contractor without written approval from State Purchasing until the State receives reimbursement for all re-procurement costs
 - Upon prior notice to the contractor, after the expiration of any cure periods, perform any term, condition, or covenant which have been breached by the contractor at the reasonable expense of the contractor
- Termination rights for Software Vendor and System Integrator:
 - All right, title and interest in the FLAIR and CMS replacement are transferred to the State
 - Transfer all licenses obtained from subcontractors and suppliers for all intellectual property, technology, and software developed, acquired, or utilized for the system to the State
 - The contractor will license to the State the non-exclusive perpetual use of all intellectual property, technology, and software developed, acquired, or utilized
 - The contractor will transfer all right, title, and interest in the hardware, equipment leases, and real property leases used for FLAIR and CMS replacement and are necessary for the State to continue to operate and maintain the system

- All rights, titles, interests and licenses transferred to the State must be used for the exclusive benefit of the State of Florida
- Provide the ability to terminate individual service areas to allow the Department to insource components when they are able to perform those duties
- The contractor must provide termination assistance services, detailed below
- Language is included stating the contractor is responsible up to a certain time, as determined within the contract, to provide the termination assistance services following the termination of the contract. Below are the recommended termination assistance services for the Software Vendor and System Integrator:
 - Contractor must cooperate fully with the State of Florida and any contractor to perform the services
 - All processes and procedures performed by the contractor to operate the system must be documented
 - Provide a list of equipment, proprietary software, and software licenses used to operate the system and provide services, if applicable
 - Return all State-owned materials being used by the contractor
 - Transfer all property referred to in the General Termination Rights and the documentation to use the equipment
 - Answer questions related to the migration and transition of services and the system
 - Termination Assistance Services rendered prior to the termination date of the contract are at no additional cost to the State. Services rendered after termination of the contract are at a reasonable rate and established in writing.
- Financial Consequences Suggestion for the Software Vendor and System Integrator:
 - Financial consequence language including damage amounts should be included in the ITN and awarded contract. This language should be developed in consultation with the DFS legal counsel and DFS Purchasing and Contract Management staff.
 - Should the contractor fail to achieve initial operational acceptance by the transition timeframe prescribed in the contract, as a result of factors directly within the contractor's control, then the contractor shall pay an appropriate amount for each calendar day after such date until initial operational acceptance is achieved
 - Should the contractor fail to achieve the performance metrics prescribed in the contract, as a result of factors directly within contractor's control, then the contractor shall pay DFS financial consequences for each performance metric not met

5.4.4.3 PHASE GATE REVIEWS

A phase gate review process will be conducted when specific milestones occur throughout the entire implementation of the new ERP system, including the roll out and migration to participating agencies.

During contract development, acceptance criteria is developed for each of the contractor's deliverables to determine if the deliverables meet the expectations of DFS and if the project should move on to the next phase. It is imperative to establish multiple go/no-go decision points tied to development and testing phases of the project instead of relying on a final decision shortly before the planned go-live date. An example of a phase gate review can be found in Section 5.5.2.8. This phase gate review is specific to the implementation of the new ERP for FLAIR (Central and Departmental) and CMS functions.

5.5 FLAIR/CMS REPLACEMENT PROJECT AND PROCUREMENT APPROACHES

The sections following describe those activities occurring within each phase listed above in Exhibit 5-2. Each track within each phase is discussed and the procurement approach along with some potential performance standards and performance measures is listed. Some of the tracks within the Pre-DDI phase will cross over into the DDI Procurement and Post-DDI phases. For the purposes of this Chapter, the activities are only discussed where they first begin, whether it be in the Pre-DDI phase, the DDI Procurement Phase or Post-DDI. Descriptions on those tracks which cross over into other phases are discussed in Chapter 4.

5.5.1 PRE-DDI PROCUREMENT

The FLAIR Study Team held sessions to discuss lessons learned and procurement goals based on previous attempts to replace FLAIR. The team identified those activities needed to support the next phase, DDI. Some of the activities are needed to support the ITN document and prepare the Department for the procurement of a Software and System Integrator. Also, some of the activities will continue into the DDI phase as discussed in Chapter 4. This section contains those Pre-DDI activities which support the FLAIR/CMS replacement project.

Pre-DDI includes the activities to complete prior to the procurement for the ERP software and services and those activities which begin and continue into the DDI Procurement phase. Planning activities are conducted by the Project Management Office once the project is approved and continue through the Pre-DDI Phase. The PMO activities will then move into the DDI phase until completion of the project.

Procurement Support activities begin and end in Pre-DDI. The procurement support is needed through the evaluation and negotiation phases which occur during Pre-DDI.

The Business Process Re-engineering portion of Pre-DDI provides the functional and technical requirements which become part of the procurement documentation. The development of the procurement documentation for the selection of the software and systems integrator is part of the Pre-DDI activities. A market analysis and market scan showing the software(s) ability to meet the needs of DFS and a scan showing those

integrators qualified to implement the new ERP system is part of the procurement planning. This information helps DFS determine the procurement option for the FLAIR and CMS replacement. BPR will then be handed off to the system integrator, in the DDI phase, where a validation of the requirements will occur by the integrator.

Based on the need to move towards a new ERP system, current staff and their future capabilities are evaluated. To complete the changes effectively, Organizational Change Management and Workforce Transition is conducted early in the process, throughout the project and into Post-DDI. And finally, an important Pre-DDI activity to occur early in the project is the completion of an assessment of the existing data in FLAIR and CMS (the Systems and Data Strategy).

Exhibit 5-5 below lists all the suggested Pre-DDI activities needed to support the replacement of FLAIR and CMS. The activities are broken down by staff sourcing needs, the procurement approach and a brief scope description of each activity.

PRE-DDI				
ID#	ACTIVITY	STAFFING SOURCE	PROCUREMENT APPROACH	SCOPE DESCRIPTION
1	Business Process Reengineering	Internal and / or Contracted Services	<ul style="list-style-type: none"> ▪ RFQ 	<ul style="list-style-type: none"> ▪ Update current state process maps ▪ Establish baseline process metrics ▪ Review industry standards for targeted processes ▪ Define future state processes and metrics ▪ Perform gap analysis between current state and future state processes ▪ Develop initial set of use cases ▪ Assess reporting and analytic requirements for Information Warehouse ▪ Collect functional requirements from past assessment / projects ▪ Update functional requirements from BPR ▪ Prioritize functional requirements ▪ Coordinate/lead meetings and document function and technical requirements
2	Procurement Support	Internal and / or Contracted Services	<ul style="list-style-type: none"> ▪ RFQ 	<ul style="list-style-type: none"> ▪ Provide support in the development of the ITN ▪ Provide procurement support through the evaluation and negotiation phases
3	Organizational Change Management	Internal and / or Contracted Services	<ul style="list-style-type: none"> ▪ RFQ 	<ul style="list-style-type: none"> ▪ Provide a structured methodology, process, and set of tools for leading the people side of change during implementation ▪ Conduct communication activities

PRE-DDI

ID#	ACTIVITY	STAFFING SOURCE	PROCUREMENT APPROACH	SCOPE DESCRIPTION
4	Project Management Office	Internal and / or Contracted Services	<ul style="list-style-type: none"> ▪ RFQ 	<ul style="list-style-type: none"> ▪ Establish project planning and management framework ▪ Provide overall independent project management services ▪ Conduct overall project management monitoring and reporting ▪ Develop project charter, detailed project management plan and project schedule ▪ Document risks, issues, action items and decisions ▪ Perform initial project risk assessment with risk mitigation ▪ Maintain project artifacts ▪ Set-up project logistics (facilities, system access, administrative support, etc.) ▪ Develop on-boarding process for stakeholders, team members, contractors ▪ Establish initial governance framework with process and structure ▪ Facilitate governance processes & escalation including reporting ▪ Coordinate, lead, analyze and document the definition of implementation strategies and approaches ▪ Coordinate and document the development of required RFQ's/ITN's including preparation of draft versions of pertinent documents ▪ Support the evaluation and negotiation phases of the ITN

PRE-DDI				
ID#	ACTIVITY	STAFFING SOURCE	PROCUREMENT APPROACH	SCOPE DESCRIPTION
5	Workforce Transition	Internal and / or Contracted Services	<ul style="list-style-type: none"> RFQ 	<ul style="list-style-type: none"> Assess DFS readiness for migration to new ERP platform & infrastructure Identify new skills / knowledge requirements Assist DFS in developing and aligning strategic initiatives with the Department's vision Facilitate collaboration sessions with DFS staff to define functional alignment and clarify accountabilities and responsibilities Assist DFS in defining operating processes, interfaces and governance among staff Define organizational structure Develop competency models, career paths, learning and development opportunities for staff Assist as a liaison between DIS, Finance, CMS and DFS Human Resources
6	Systems and Data Strategy	Internal and / or Contracted Services	<ul style="list-style-type: none"> RFQ 	<ul style="list-style-type: none"> Confirm inventory of state agency financially related systems and interfaces to FLAIR Assess data health in legacy FLAIR Determine changes in FLAIR system architecture, infrastructure and data structures

Exhibit 5-52: Pre-DDI Procurement Activities

5.5.1.1 PRE-DDI PERFORMANCE STANDARDS

Exhibit 5-6 contains a description of those standard deliverables for consideration for the Pre-DDI tracks (shown in bullets below), along with performance measures, Exhibit 5-7, for each of the tracks.

- Business Process Re-Engineering
- Procurement Support
- Organizational Change Management
- Project Management Office
- Workforce Transition
- Systems and Data Strategy

As all of the above tracks are deliverable based, the performance measures consider quality and timeliness of the deliverables. The performance measures for each of the deliverables listed and any other deliverables developed at a later date are listed within the table. The remaining deliverables for each track are developed as the procurement documentation is completed.

REF#	DELIVERABLE	DESCRIPTION	PERFORMANCE STANDARD
1	Status Reports	Comprehensive Status Reports on project progress	<ul style="list-style-type: none"> Submitted weekly for all procurement types Contains overall project health; risks, action items, issues, decisions, change log, accomplishments to date, accomplishments for next period, percent complete on project milestones
2	Project Management Plan (PMP)	Management Plan for the project describing how the vendor plans to manage the project	<ul style="list-style-type: none"> PMP is delivered timely and early based on agreed upon time within contract PMP contains all material requested within contract
3	Project Schedule	The schedule lists the project milestones, activities and deliverables with an intended start and finish date	<ul style="list-style-type: none"> Created in Microsoft Project Includes all tasks, durations, resources (is resource loaded) and dependencies Schedule is delivered timely based on agreed upon time within contract

Exhibit 5-53: General Performance Standards

PERFORMANCE MEASURE FOR DELIVERABLES	
MEASURE DESCRIPTION	MEASURE METRIC
<ul style="list-style-type: none"> 80% of the Project's deliverable documentation shall be approved based on the quality of the content within the first iteration of a standard review cycle The remaining 20% of the Project's deliverable documentation shall be approved based on the quality of the content within the second iteration 	<ul style="list-style-type: none"> Calculated as "[(Number of deliverables approved within the first iteration of standard review cycle) / (Total number of deliverables submitted)] * 100%"
<ul style="list-style-type: none"> 100% of the Project's deliverable documentation shall be approved based on the timeliness of the deliverable 	<ul style="list-style-type: none"> Calculated as having met the predetermined time standards for submission of the deliverable

Exhibit 5-54: Performance Measures

Additional knowledge, skills and abilities to consider when developing the contracts for each Pre-DDI track is provided in the Chapter 5 Appendix below.

5.5.2 DDI PROCUREMENT

Before determining the potential procurement approaches, the FLAIR Study Team held sessions to discuss lessons learned and procurement goals based on previous attempts to replace FLAIR. This section contains recommended procurement needs and formulates the approach and strategy for the FLAIR/CMS replacement project.

5.5.2.1 PREVIOUS PROCUREMENT LESSONS LEARNED

When developing the procurement process, the FLAIR Study Team considered the lessons learned from previous projects. Lessons learned help prevent repeatable mistakes and call out those activities worth repeating and those activities and outcomes to avoid. In this case, the following are those activities where DFS can avoid pitfalls and realize benefits when moving forward with the replacement of FLAIR:

- Develop a clear and precise procurement process and do not veer or go “off script”
- Do not use language allowing for an unbundled approach between the software vendor and system integrator during the procurement process
- Develop a requirements compliance and traceability tool
- Refer to previous Aspire processes on how the vendor identifies how their software fits with functional and technical requirements (e.g., out of the box, customizations, configurations, inability to meet requirements)
- Plan and schedule site visits to other states who implemented ERP financial solutions

5.5.2.2 PROCUREMENT GOALS

The FLAIR Study Team developed procurement goals based on lessons learned from the previous FLAIR replacement project and they are as follows:

- Develop a procurement process which follows Florida’s procurement laws
- Develop and conduct a clearly written document and transparent procurement process to minimize the risk of protest
- Develop a sound procurement process giving DFS the ability to choose the right software and system integrator who form the right partnership resulting in the implementation of a successful FLAIR and CMS replacement
- Complete the procurement process in a reasonable timeframe to allow DFS the ability to select the software vendor who meets the needs of DFS as well as a system integrator who will successfully implement the software
- Develop a procurement process containing the proper tools to facilitate the Department’s ability to manage a high volume of responses from the vendor community

- Negotiate strong performance measures which can indicate when the project is on a path to success or to failure
- Consider the functionality of the software and how the software meets the Department's requirements during the evaluation phase of the procurement
- Secure one contract with both the software vendor and the system integrator while retaining the ability to have direct contact with the software vendor to include:
 - Obtaining direct input from the software vendor when there is a discrepancy between what the software integrator represents the software can do and what DFS understands the software can do
 - Creating separate contract requirements for the software vendor to confirm required customizations
 - Accessing the software vendor's training toolkits
 - Leveraging economies of scale the system integrator can bring for software licensing
 - Requiring the software vendor to confirm their products meet the Department's requirements
- Require the system integrator to conduct the demonstration and or presentation of the software proposed and show their ability to modify the software
- Develop a fixed price contract with checkpoints to evaluate the vendors progress and optimal protection to the State

5.5.2.3 SOFTWARE AND SYSTEM INTEGRATOR PROCUREMENT APPROACH

DDI Procurement is the phase where the selected vendor begins implementation activities with the selected ERP software. The solicitation of an Independent Verification and Validation (IV&V) vendor who provides quality checks of the system during the development lifecycle occurs during this phase. The decision on when to develop and procure the IV&V services will be determined by the Department once the project moves into the Pre-DDI phase. If the Department chooses to solicit services for the Information Warehouse, these services are also being procured during the DDI procurement phase.

Exhibit 5-8 below lists the suggested DDI procurement activities needed to support the replacement of FLAIR and CMS. The activities include staff sourcing needs, the procurement approach, and a brief scope description of each activity.

DDI				
ID#	ACTIVITY	STAFFING SOURCE	PROCUREMENT APPROACH	SCOPE DESCRIPTION
1	Procurement (Software and SI)	Contracted Services	<ul style="list-style-type: none"> ITN 	<ul style="list-style-type: none"> Implement enterprise software selected during procurement Support the State in the design, configuration, and implementation of the selected software
2	Independent Verification and Validation	Contracted Services	<ul style="list-style-type: none"> RFQ 	<ul style="list-style-type: none"> Validate project is adhering to good project management processes Verify the new system is well engineered Validate the software meets user needs Provide quality checks during the software lifecycle
3	Information Warehouse	Contracted Services	<ul style="list-style-type: none"> ITN 	<ul style="list-style-type: none"> Provide technical toolset and infrastructure to support the IW Support design, development, and rollout support for the new IW including IT and end user training

Exhibit 5-55: DDI Procurement Activities

The FLAIR Study Team recommends the formal solicitation of an ITN when selecting the software and system integrator services for the new ERP system. This recommendation is due to the complexity and costs associated with the procurement as well as the need to have flexibility during negotiations with the goal of negotiating best value when selecting a vendor.

The Team also recommends DFS follow the DFS Guide when developing the solicitation process for both the IV&V and Information Warehouse procurements. For the purposes of this section, a more in-depth discussion is provided as to the approach when procuring the software and system integrator.

When preparing for the procurement of services for the new ERP system as well as the resulting contract via an ITN, a multi-stage, disciplined procurement process should be followed. This chapter touches on some of the proposed procurement phases shown in Exhibit 5-9 below as this chapter does not describe the procurement processes which are contained within the DFS Guide.

The Exhibit below summarizes the phased procurement and contract processes used during the ITN process. These processes complement and support the DFS Guide.

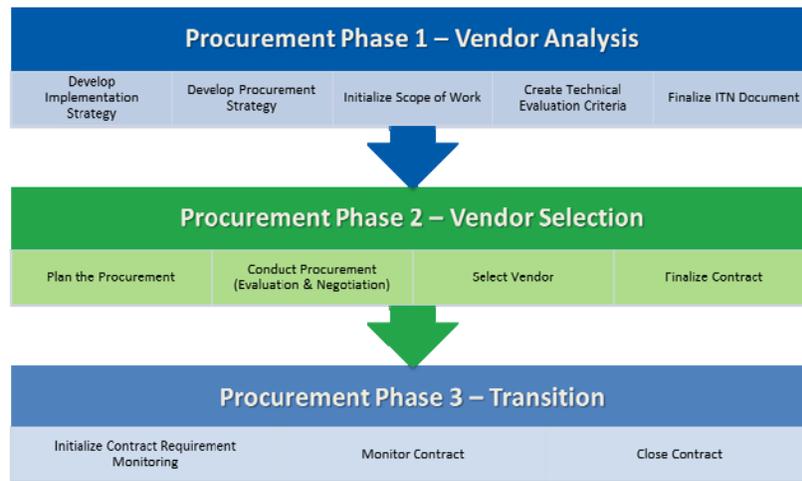


Exhibit 5-56: Procurement/Contract Phases

The development of the implementation strategy is discussed within Chapter 4. This section focuses on the FLAIR Study Team’s recommended procurement approach for the selection of the software and system integrator services for the new ERP system.

Several options were considered when looking at how the solicitation for both the software and the systems integrator would be procured. Based on market scans and lessons learned with other states, Gartner analysis, analysis of other agency procurements, and procurements within DFS, informed discussions were held and the FLAIR Study Team determined to consider two procurement approaches: (1) Separate procurement for software and implementation services (2) Single procurement for software and implementation services.

Option 1 – Unbundled

The unbundled option, shown in the process flows in Exhibit 5-11 and 5-13 below, involves the solicitation of two separate ITN’s including one for the selection of the software and one for the selection of a system integrator for implementation services. The ITN process shown in the Exhibits below follow what is considered the norm when completing the evaluation and negotiation phases within an ITN and is described in detail within the DFS Guide. Both the software ITN and the system integrator ITN will contain mandatory requirements which must be met to move into the evaluation phase.

The unbundled option provides DFS the ability to first select the software which meets the desired technical and functional needs of the new ERP system. Once the software has been selected, an ITN would follow with the inclusion of the selected software. The ITN would specify language stating the integrator would provide a proposal for implementation services to support the selected software. Below are some pros and cons with the unbundled approach:

- Pros:
 - Allows a pure selection of the software (this meets the Department’s goal of selecting the software first)
 - Ensures DFS has the ability to work directly with the software vendor throughout the solicitation process
 - Provides cost transparency between software and services
- Cons:
 - There are two contracts to manage
 - Multiple procurements increase timeline for selection
 - Significant increase in resource bandwidth requirements
 - Removes the ability to leverage the system integrators negotiating position with software company
 - There is no contractual connection between software capabilities and the system integrator solution

Option 1-A: Software Selection

Exhibit 5-10 describes the activities in the selection of an unbundled software procurement strategy. Each activity described below in the Exhibit corresponds to a process step in Exhibit 5-11.

#	ACTIVITY	DESCRIPTION
1	ITN	<ul style="list-style-type: none"> ▪ ITN developed containing clear evaluation and negotiation language
2	Initial Post	<ul style="list-style-type: none"> ▪ The ITN is posted on the State’s public website ▪ 72 hour protest period (Chapter 120)
3	Evaluation Phase	<ul style="list-style-type: none"> ▪ The evaluation of software only ▪ Represents the scoring phase of the procurement
4	Q&A	<ul style="list-style-type: none"> ▪ Represents the vendor conference and Question and Answer (Q&A) period ▪ 72 hour protest period (Chapter 120)
5	Vendor(s) Submit Response(s)	<ul style="list-style-type: none"> ▪ Responses are received from the vendor(s)
6	Evaluate Response(s)	<ul style="list-style-type: none"> ▪ Responses are evaluated ▪ DFS evaluates the software capabilities against functional and technical requirements by conducting Fit-Gap Analysis ▪ Potential demos with the software
7	Short List	<ul style="list-style-type: none"> ▪ Those vendor(s) existing in the competitive range are selected to move to the negotiations phase ▪ 72 hour protest period
8	Negotiation Phase	<ul style="list-style-type: none"> ▪ Negotiations are held with vendor(s)

#	ACTIVITY	DESCRIPTION
9	Software Vendor(s) Presentations	<ul style="list-style-type: none"> Software vendor(s) will present their software capabilities
10	Negotiation Sessions	<ul style="list-style-type: none"> Iterative negotiation sessions could be held Interim Revised Responses may be requested
11	BAFO	<ul style="list-style-type: none"> Best and Final Offer is requested Best and Final Offer is received from vendor
12	Intent to Award	<ul style="list-style-type: none"> The intent to award with selected vendor is posted 72 hour protest period
13	Contract Award	<ul style="list-style-type: none"> Contract signed with selected software vendor

Exhibit 5-57: Procurement Option 1-A Description

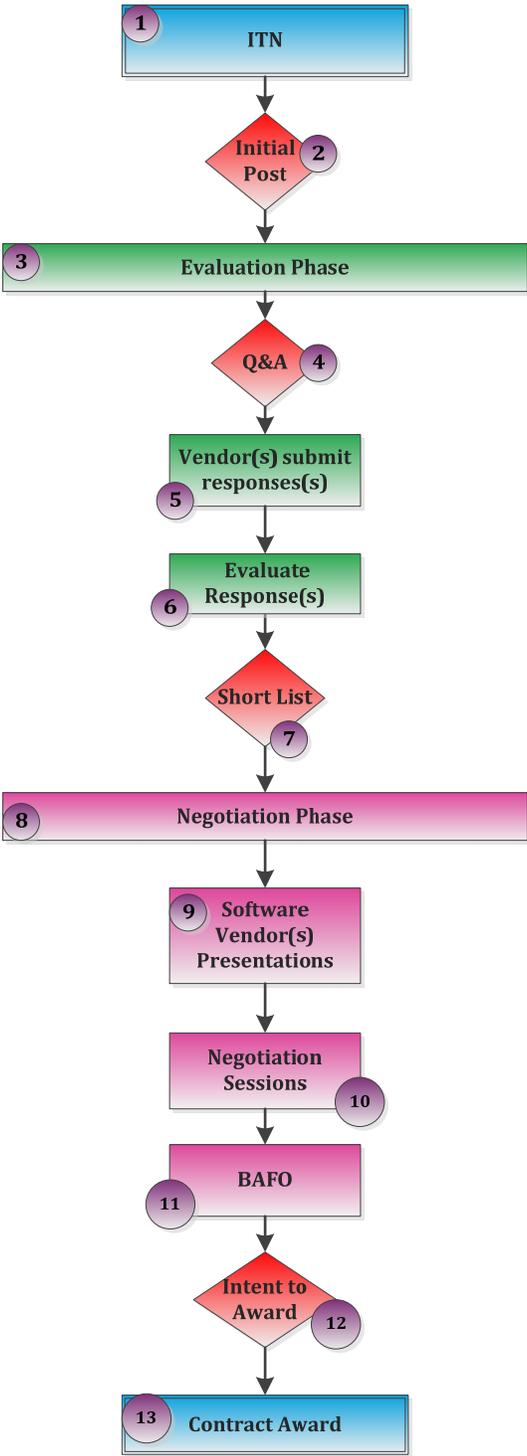


Exhibit 5-58: Procurement Option 1-A – Software Selection

Option 1-B: System Integrator Selection

Below is a description of those activities occurring in Procurement Option 1-B. Each activity described below is depicted in Exhibit 5-13. Once the software is selected in Option 1-A, the system integrators will present their proposals based on their ability to implement the software chosen by DFS. The procurement process ends with the selection of the system integrator.

#	ACTIVITY	DESCRIPTION
1	ITN	<ul style="list-style-type: none"> ITN developed containing clear evaluation and negotiation process language and includes requirement to use selected software from Option 1-A
2	Initial Post	<ul style="list-style-type: none"> The ITN is posted on the State’s public website 72 hour protest period (Chapter 120)
3	Evaluation Phase	<ul style="list-style-type: none"> The evaluation of the system integrator with the DFS selected software Represents the scoring phase of the procurement
4	Q&A	<ul style="list-style-type: none"> Represents the vendor conference and Question and Answer (Q&A) period 72 hour protest period (Chapter 120)
5	Vendor(s) Submit Response(s)	<ul style="list-style-type: none"> Responses are received from the vendor(s)
6	Evaluate Response(s)	<ul style="list-style-type: none"> Responses are evaluated DFS evaluates the system integrator(s) capabilities to implement the software Potential Demos with vendor
7	Short List	<ul style="list-style-type: none"> Those vendor(s) existing in the competitive range are selected to move to the negotiations phase 72 hour protest period
8	Negotiation Phase	<ul style="list-style-type: none"> Negotiations are held with vendor(s)
9	Software Vendor(s) Presentations	<ul style="list-style-type: none"> Key staff who represent the team Day 1 are present System integrator(s) conduct presentations with selected software Software vendor is present
10	Negotiation Sessions	<ul style="list-style-type: none"> Iterative negotiation sessions could be held Interim Revised Responses may be requested
11	BAFO	<ul style="list-style-type: none"> Best and Final Offer is requested Best and Final Offer is received from vendor
12	Intent to Award	<ul style="list-style-type: none"> The intent to award with selected vendor is posted 72 hour protest period
13	Contract Award	<ul style="list-style-type: none"> Contract signed with selected system integrator

Exhibit 5-59: Procurement Option 1-B Description

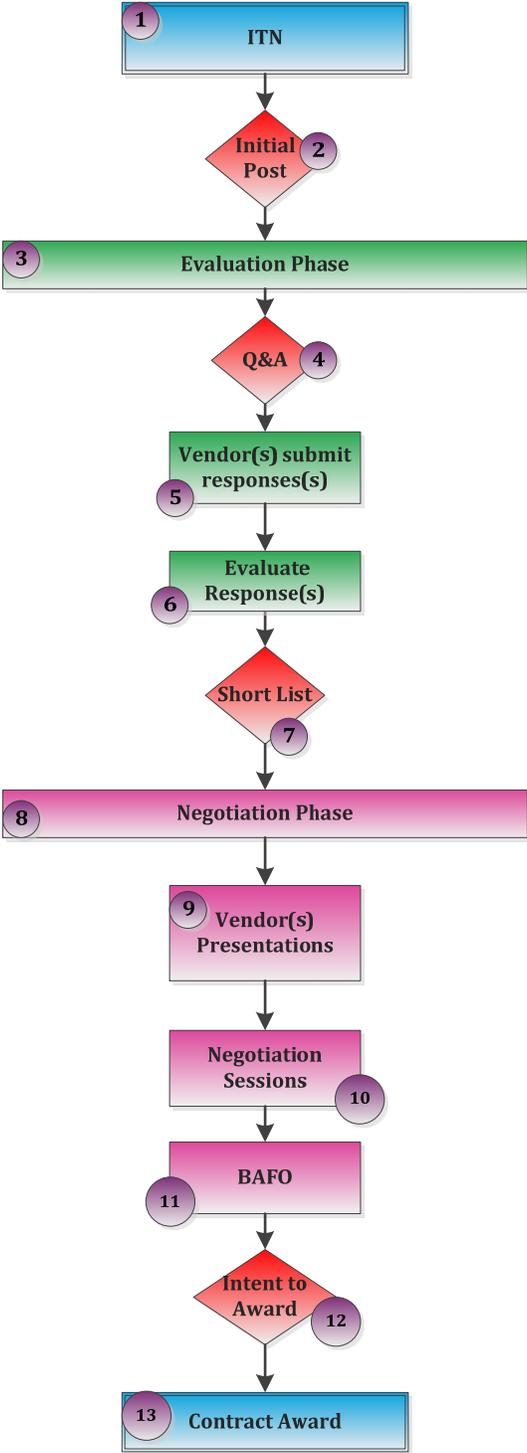


Exhibit 5-60: Procurement Option 1-B – System Integrator Selection

Option 2 – Bundled

The bundled option considers a single procurement to select the software and the system integrator. Within this scenario, the system integrator has the ability to propose more than one software, by submitting multiple proposals. The bundled option has two parts within the evaluation phase. Part one considers only the technical response (along with the technical cost response). This meets the Department’s goal to choose the software first. Part two of the evaluation phase considers the management response and the remaining cost response. The software and system integrator ITN will contain mandatory requirements which must be met in order to move into the evaluation phase.

Pros and cons considered with the bundled approach include:

- Pros:
 - Provides DFS with a single contract with only one vendor to manage and therefore only one vendor to apply financial consequences to
 - Allows DFS to choose the desired software meeting both functional and technical requirements
 - Provides the ability for the system integrator to present the software
 - There is a contractual connection between software capabilities and the system integrator solution
- Cons:
 - May restrict number of responses as software companies may elect to choose to partner with a single system integrator
 - May restrict number of responses as integrator may elect to respond with only one software
 - DFS could potentially prefer one software and not prefer the system integrator proposing the software

#	ACTIVITY	DESCRIPTION
1	ITN	<ul style="list-style-type: none"> ▪ ITN developed containing clear evaluation and negotiation language
2	Initial Post	<ul style="list-style-type: none"> ▪ The ITN is posted on the State’s public website ▪ 72 hour protest period (Chapter 120)
3	Evaluation Phase	Evaluation phase will have two parts: <ul style="list-style-type: none"> ▪ Evaluation of Technical Response; leads to selection of software ○ Cost of software are part of technical response score ▪ Evaluation of Management Response and the remaining costs
4	Q&A	<ul style="list-style-type: none"> ▪ Represents the vendor conference and Question and Answer (Q&A) period ▪ 72 hour protest period (Chapter 120)

#	ACTIVITY	DESCRIPTION
5	Bundled Response	<ul style="list-style-type: none"> ▪ Responses received from software integrators and software vendors (bundled response) ▪ More than one response can be received from system integrator proposing more than one software
6	Analyze Requirements (Fit Gap)	<ul style="list-style-type: none"> ▪ Response contains a response to DFS requirements (Fit Gap) based on degree of fit as follows: <ul style="list-style-type: none"> ○ Cannot support requirement ○ Customization required ○ Configuration required ○ Included in base product ▪ Analysis of requirements are conducted prior to software presentations
7	Software Presentations	<ul style="list-style-type: none"> ▪ Software presentations held and scored ○ Based on scripts prepared by DFS include presentations of minimum functional and future functional requirements ▪ Systems integrator conducts presentation
8	Technical Response Scored	<ul style="list-style-type: none"> ▪ Technical response (software and technical costs) is scored
9	Software Selection	<ul style="list-style-type: none"> ▪ The software(s) meeting the scoring criteria moves forward ▪ Those system integrator(s) who proposed the software(s) are asked to present their proposal based on the management section of the proposal and remaining cost section of the proposal ▪ 72 hour protest period
10	Team Presentations	<ul style="list-style-type: none"> ▪ Key staff who represent the team Day 1 are present ▪ Software vendor(s) present
11	Evaluators Complete Scoring	<ul style="list-style-type: none"> ▪ Final score is completed by evaluators based on technical score, management score and cost score ▪ Total score is based on an established criterion within the ITN
12	Short List	<ul style="list-style-type: none"> ▪ Those vendor(s) existing in the competitive range are selected to move to the negotiations phase ▪ 72 hour protest period
13	Negotiation Phase	<ul style="list-style-type: none"> ▪ Negotiations are held with vendor(s)
14	Negotiation Sessions	<ul style="list-style-type: none"> ▪ Iterative negotiation sessions could be held ▪ Interim Revised Responses may be requested
15	BAFO	<ul style="list-style-type: none"> ▪ Best and Final Offer is requested ▪ Best and Final Offer is received from vendor
16	Intent to Award	<ul style="list-style-type: none"> ▪ The intent to award with selected vendor is posted ▪ 72 hour protest period
17	Contract Award	<ul style="list-style-type: none"> ▪ Contract signed with selected vendor

Exhibit 5-61: Option 2 Description

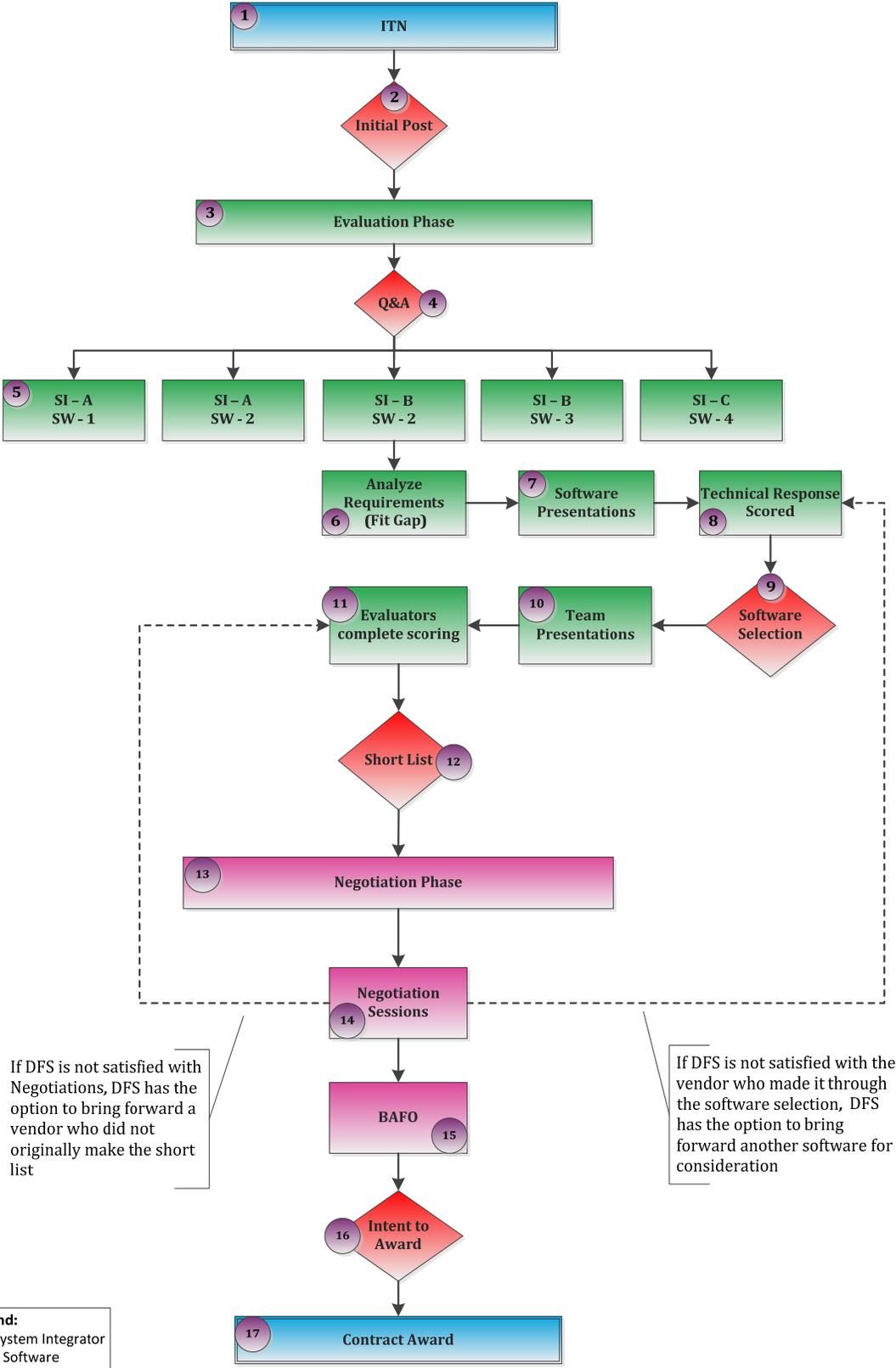


Exhibit 5-62: Procurement Option 2

Procurement Approach Recommendation

The FLAIR Study Team developed a procurement timeline based on the assumption of the selection of Option 2 – Bundled as this approach best meets the needs of the Department. However, the Department reserves the right to modify or change the procurement approach once the project begins and may opt to choose a different procurement approach moving forward.

5.5.2.4 PROCUREMENT TIMELINE

The FLAIR Study team estimated the Department will need 21 months to draft the procurement document (ITN) through the execution of the contract. This is based on the assumption of the selection of procurement Option 2 – Bundled and will include the following activities:

- ITN Development
 - ITN pre-release preparation
 - ITN Solicitation Document Development
- Evaluation and Negotiation
 - ITN Release and Q&A activities
 - ITN Replies Received
 - Evaluation/Demonstrations/Negotiations
 - Vendor Selection/Further Negotiations
- Contract Development
 - Final Contract Approval

Exhibit 5-16 shows key activities occurring during the procurement of the FLAIR and CMS replacement. This assumes the selection of Option 2. The final selection of the procurement approach will occur during the development of the procurement document.

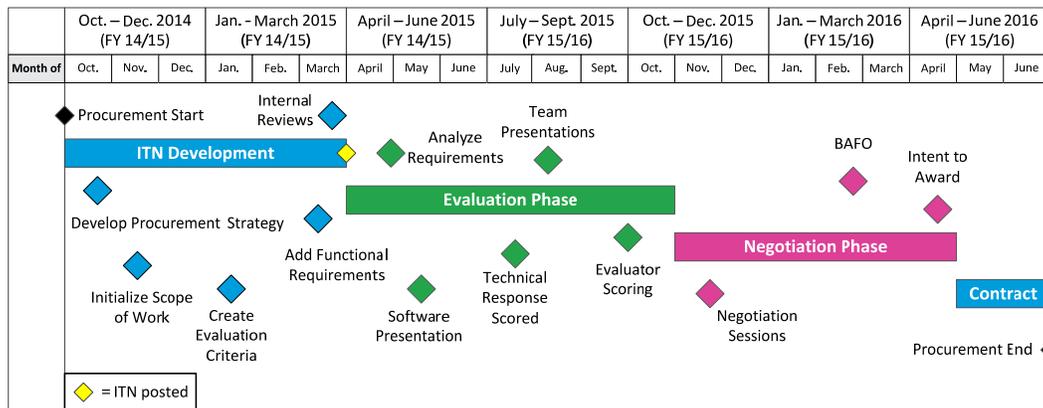


Exhibit 5-63: Procurement Timeline

5.5.2.5 DDI PERFORMANCE DELIVERABLES AND PERFORMANCE STANDARDS

The below, Exhibit 5-17, are general deliverables to be considered for DDI Procurement along with performance standards for those deliverables. The remaining deliverables for DDI procurement contracts are developed as the procurement documentation is completed. The sample performance measures for DDI procurement (Software Vendor and SI, IV&V and Information Warehouse) are listed in Section 5.5.2.6 below.

REF#	DELIVERABLE	DESCRIPTION	PERFORMANCE STANDARD
1	Status Reports	Comprehensive Status Reports on project progress	<ul style="list-style-type: none"> ▪ Submitted weekly for all procurement types ▪ Contains overall project health; risks, action items, issues, decisions, change log, accomplishments to date, accomplishments for next period, percent complete on project milestones
2	Project Management Plan (PMP)	Management Plan for the project describing how the vendor plans to manage the project	<ul style="list-style-type: none"> ▪ PMP is delivered timely and early based on agreed upon time within contract ▪ PMP contains all material requested within contract
3	Project Schedule	The schedule lists the project milestones, activities and deliverables with an intended start and finish date	<ul style="list-style-type: none"> ▪ Created in Microsoft Project ▪ Includes all tasks, durations, resources (is resource loaded) and dependencies ▪ Schedule is delivered timely based on agreed upon time within contract

Exhibit 5-64: General Performance Standards

5.5.2.6 DDI PERFORMANCE MEASURES

Performance standards used during the DDI phase are described in the sections which follow.

Software Vendor and SI Performance Measures

Based on the market scan performed with various states and research on performance measures used in similar solicitations within Florida, the following are detailed examples of performance measures considered during the development of the ITN. These performance measures are specific to the performance of the SI.

REF#	MEASURE DESCRIPTION	MEASURE METRIC(S)	FREQUENCY OF MEASUREMENT
IMPLEMENTATION			
1	<p>80% of the Project's deliverable documentation shall be approved based on the quality of the content within the first iteration of a standard review cycle</p> <p>The remaining 20% of the Project's deliverable documentation shall be approved based on the quality of the content within the second iteration</p>	<p>Calculated as "[(Number of deliverables approved within the first iteration of standard review cycle) / (Total number of deliverables submitted)] * 100% "</p>	Quarterly
2	<p>100% of the functional and non-functional requirements shall be traceable throughout the software development life cycle (i.e. Requirements Validation, Functional Design, Technical Design, Coding, Unit Testing, System Integration Testing, User Acceptance Testing, Implementation)</p>	<p>Calculated as "[(Number of requirements included in the life cycle phase) / (Number of requirements scheduled for the life cycle phase)] * 100% "</p>	At the end of each phase within the system development lifecycle (SDLC)
SYSTEM CUTOVER			
3	<p>100% of any data needed from the legacy systems databases shall be converted and loaded accurately into the new system.</p> <p>Data converted shall be mutually agreed upon.</p>	<p>Calculated as "[(Number of records converted from the legacy systems and loaded into the new system) / (Total number of records converted within the legacy systems)] * 100%]"</p>	Prior to implementation during final mock conversion and at final load prior to implementation
4	<p>99.5% of the converted data from the legacy system shall be available to the users within the new system on the day of go-live.</p> <p>Remaining 0.5% of the converted data from the legacy system shall be available to the users within the new system within 10 business days of go-live.</p> <p>Data converted shall be mutually agreed upon.</p>	<p>Calculated as "[(Number of converted records available in the new system) / (Total number of converted records)] * 100%]".</p>	<p>Prior to go-live during final mock conversion</p> <p>Remaining data - after go-live</p>

REF#	MEASURE DESCRIPTION	MEASURE METRIC(S)	FREQUENCY OF MEASUREMENT
5	<p>The Solution shall have 0 (Zero) “Fatal” defects for entering “go-live”. The assignment of defect type shall be mutually agreed upon.</p> <p>Note: For “Severe” and “Trivial” defects, the decision for entering “go-live” shall be mutually agreed upon.</p>	Calculated as “Total number of defects classified as Fatal”	Prior to go-live
ONGOING SYSTEM SUPPORT			
6	<p>100% of Solution Support requests classified as “High” shall be resolved or an agreed upon plan of action is in place (i.e. fixed, closed, ready for implementation) within 4 business hours.</p> <p>For issues not resolved within 4 hours of such outage, status updates shall be provided every 2 business hours until resolved and a Root Cause Analysis shall be provided within two (2) business days.</p>	Calculated as $[(\text{Number of “High” issues resolved within the stipulated time}) / (\text{Total number of “High” issues})] * 100\%$	Monthly
7	<p>100% of Solution Support requests classified as “Medium” shall be resolved or have an agreed upon plan of action in place within 1 (one) business day.</p> <p>For issues not resolved within 1 (one) business day of such outage, status updates shall be provided every 4 hours until resolved and a Root Cause Analysis shall be provided within three (3) business days.</p>	Calculated as $[(\text{Number of “Medium” issues resolved within the stipulated time}) / (\text{Total number of “Medium” issues})] * 100\%$	Monthly
8	<p>100% of Solution Support requests classified as “Low” shall be resolved or have an agreed upon plan of action in place within five (5) business days.</p>	Calculated as $[(\text{Number of “Low” issues resolved within the stipulated time}) / (\text{Total number of “Low” issues})] * 100\%$	Monthly

REF#	MEASURE DESCRIPTION	MEASURE METRIC(S)	FREQUENCY OF MEASUREMENT
9	<p>95% of Solution Support requests classified as “Trivial” shall be resolved within eight (8) business days or on an agreed upon plan of action.</p> <p>Remaining 5% of Solution Support requests classified as “Trivial” shall be resolved within two (2) additional business days (after the 8 business days above or agreed upon plan of action)</p>	<p>Calculated as [(Number of “Trivial” issues resolved within the stipulated time)/(Total number of “Trivial” issues)]*100%</p>	Monthly

Exhibit 5-65: Software/SI ITN Performance Measures

The following are stipulations included in the contract and financial consequences will be applied if they are not adhered to by the contractor:

- The software vendor and system integrator will confirm and validate the customizations and their ability to develop said customizations
- The software vendor will validate the software based on the requirements “fit gap” conducted during procurement
- The key team is present at the presentations and the expectation is the proposed key team begins work on Day 1. If the contractor switches any of the proposed key team members, financial consequences are applied
- DFS has the right to recommend and approve in writing the initial assignment or proposed reassignment or replacement of key staff
- The contractor shall not remove any key staff from their assigned roles or the project without the prior written consent of DFS

IV&V Performance Measures

Exhibit 5-19 below contains a description of performance measures to be considered for the procurement of an IV&V vendor.

As stated above with the Pre-DDI tracks, the IV&V solicitation is deliverable based and the performance measures listed below consider quality and timeliness of the deliverables.

PERFORMANCE MEASURE FOR DELIVERABLES	
MEASURE DESCRIPTION	MEASURE METRIC
<ul style="list-style-type: none"> 80% of the Project’s deliverable documentation shall be approved based on the quality of the content within the first iteration of a standard review cycle The remaining 20% of the Project’s deliverable documentation shall be approved based on the quality of the content within the second iteration 	<ul style="list-style-type: none"> Calculated as “[(Number of deliverables approved within the first iteration of standard review cycle) / (Total number of deliverables submitted)] * 100% ”
<ul style="list-style-type: none"> 100% of the Project’s deliverable documentation shall be approved based on the timeliness of the deliverable 	<ul style="list-style-type: none"> Calculated as having met the predetermined time standards for submission of the deliverable

Exhibit 5-66: Performance Measures

Additional knowledge, skills and abilities to consider when developing the contract for IV&V is provided in the Chapter 5 Appendix below.

Information Warehouse Performance Measures

Exhibit 5-20 below contains a description of performance measures to be considered for the procurement of an Information Warehouse vendor.

As stated above with the Pre-DDI tracks, the Information Warehouse solicitation is deliverable based and the performance measures listed below consider quality and timeliness of the deliverables.

PERFORMANCE MEASURE FOR DELIVERABLES	
MEASURE DESCRIPTION	MEASURE METRIC
<ul style="list-style-type: none"> 80% of the Project’s deliverable documentation shall be approved based on the quality of the content within the first iteration of a standard review cycle The remaining 20% of the Project’s deliverable documentation shall be approved based on the quality of the content within the second iteration 	<ul style="list-style-type: none"> Calculated as “[(Number of deliverables approved within the first iteration of standard review cycle) / (Total number of deliverables submitted)] * 100% ”
<ul style="list-style-type: none"> 100% of the Project’s deliverable documentation shall be approved based on the timeliness of the deliverable 	<ul style="list-style-type: none"> Calculated as having met the predetermined time standards for submission of the deliverable

Exhibit 5-67: Performance Measures

Additional knowledge, skills and abilities to consider when developing the contract for the Information Warehouse is provided in the Chapter 5 Appendix below.

5.5.2.7 DDI PHASE GATE REVIEW

As mentioned in Section 5.4.4.3, phase gate reviews are developed to determine the readiness of the contractor throughout the implementation of the new ERP system. Exhibit 5-21 shows a phase gate review process for the new ERP for FLAIR (Central and Departmental) and CMS functions phase. The same phase gate process would be followed for all implementation tracks. It is noted; the software solution for the new ERP system may or may not include the IW and reporting/analytics software.

The first phase gate review begins with DFS conducting a go/no-go decision based on the release of the procurement documentation. Prior to releasing the procurement, DFS will determine if the Pre-DDI activities needed to move forward have been successful. This includes the establishment of governance, the receipt of proper project funding and the functional requirements needed to support the procurement documentation.

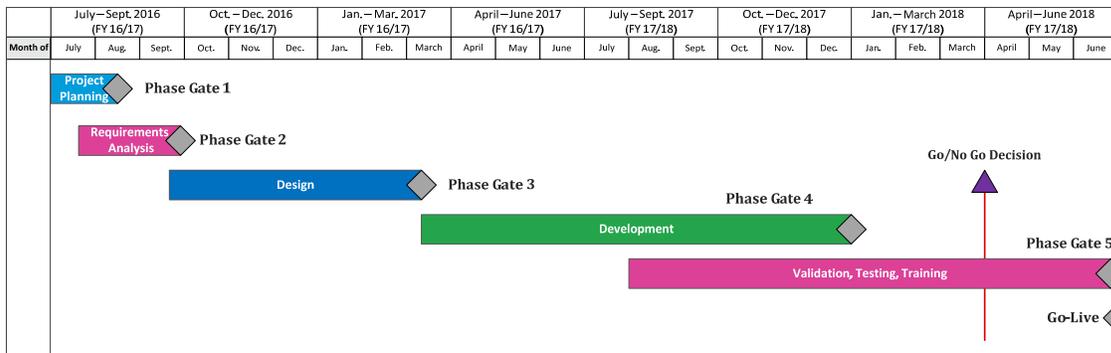


Exhibit 5-68: Phase Gate Review Process

At the conclusion of each phase, a formal review is completed with the contractor to review the deliverables, discuss any risks and make a go/no-go decision as to the ability to move into the next phase. Prior to Go-Live, a specific go/no-go decision is made during the testing phase to determine if the contractor’s proposed Go-Live date is reasonable based on testing results within the system.

5.5.3 POST-DDI PROCUREMENT

Post-DDI reflects the operations and maintenance support needed for the new ERP system. DFS will conduct the operations and maintenance services after receiving knowledge transfer from the contractor. The contractor will continue to provide services as agreed upon during the warranty period and further language is defined as to any desired support from the contractor. For example, the contractor shall provide support for future upgrades to stay in sync with future releases. There is also the option for DFS to procure some of this support or all of the support.

Exhibit 5-22 below shows the Post-DDI activity performed to support the replacement of FLAIR and CMS. The activity is broken down by staff sourcing needs, the procurement approach, and a brief scope description of the activity. This Exhibit is being provided to show the procurement approach for operations and maintenance should DFS decide to procure some or all of the services.

POST-DDI				
ID #	ACTIVITY	STAFFING SOURCE	PROCUREMENT APPROACH	SCOPE DESCRIPTION
1	Operations and Maintenance	Internal and / or Contracted Services	<ul style="list-style-type: none"> ITN 	<ul style="list-style-type: none"> Support ongoing operations and maintenance

Exhibit 5-69: Post-DDI Procurement Activities

5.5.3.1 POST-DDI PERFORMANCE

Exhibit 5-23 is the general deliverables and performance standards for consideration should DFS procure services for operations and maintenance. Exhibit 5-24 is those performance measures for consideration for measuring the deliverables in Exhibit 5-23.

REF#	DELIVERABLE	DESCRIPTION	PERFORMANCE STANDARD
1	Status Reports	Comprehensive Status Reports on project progress	<ul style="list-style-type: none"> Submitted weekly for all procurement types Contains overall project health; risks, action items, issues, decisions, change log, accomplishments to date, accomplishments for next period, percent complete on project milestones
2	Project Management Plan (PMP)	Management Plan for the project describing how the vendor plans to manage the project	<ul style="list-style-type: none"> PMP is delivered timely and early based on agreed upon time within contract PMP contains all material requested within contract
3	Project Schedule	The schedule lists the project milestones, activities and deliverables with an intended start and finish date	<ul style="list-style-type: none"> Created in Microsoft Project Includes all tasks, durations, resources (is resource loaded) and dependencies Schedule is delivered timely based on agreed upon time within contract

Exhibit 5-70: General Performance Standards

PERFORMANCE MEASURE FOR DELIVERABLES	
MEASURE DESCRIPTION	MEASURE METRIC
<ul style="list-style-type: none"> 80% of the Project’s deliverable documentation shall be approved based on the quality of the content within the first iteration of a standard review cycle The remaining 20% of the Project’s deliverable documentation shall be approved based on the quality of the content within the second iteration 	<ul style="list-style-type: none"> Calculated as “$[(\text{Number of deliverables approved within the first iteration of standard review cycle}) / (\text{Total number of deliverables submitted})] * 100\%$”
<ul style="list-style-type: none"> 100% of the Project’s deliverable documentation shall be approved based on the timeliness of the deliverable 	<ul style="list-style-type: none"> Calculated as having met the predetermined time standards for submission of the deliverable

Exhibit 5-71: Performance Measures

Exhibit 5-18 above, under ongoing system support, provides further potential performance measures for operations and maintenance support. These measures are used if the decision is made to procure services for operations and maintenance.

5.6 CHAPTER 5 APPENDIX

The following are potential knowledge, skills and abilities for tracks in the Pre-DDI phase and for the IV&V and the Information Warehouse tracks which are both discussed in the DDI Procurement Phase. They can be used for consideration when developing procurement documents.

5.6.1 BUSINESS PROCESS RE-ENGINEERING KNOWLEDGE AREAS

- Demonstrated ability to correctly select processes for consideration
- Identified proper team to conduct BPR with the ability to lead and focus the team and properly facilitating the as-is and to-be processes
- Facilitated correct identification of core processes
- Submitted deliverables timely
- Submitted documentation is accurate and clearly presented, free of spelling errors or clerical defects

5.6.2 PROCUREMENT SUPPORT KNOWLEDGE AREAS

- Experience with applicable procurement laws within the State of Florida
- Experience with and ability to include lessons learned from other states and agencies
- Tools and sample content to create a clear, definitive solicitation
- Facilitated correct identification of key stakeholders to support procurement

- Developed a framework for project work products
- Coordinated with the Department an appropriate procurement strategy
- Assisted with the management of the proposal evaluation phase
- Supported vendor selection and award
- Archived project artifacts

5.6.3 ORGANIZATIONAL CHANGE MANAGEMENT KNOWLEDGE AREAS

- Provided an organizational change management plan which includes and contains all required contractual requirements
- Completed well documented stakeholder analysis
- Identified specific activities completed for the implementation, and scheduled completion dates
- Equipped the “agents of change” with timely information and the tools needed to prepare for the implementation

5.6.4 PROJECT MANAGEMENT OFFICE PERFORMANCE AND KNOWLEDGE AREAS

- Initiation of the Project
 - Defined the project and secured authorization to start; establishing overall scope
- Planning the Project
 - Established the total project scope, setting objectives, developing the plan to achieve the goals (includes re-planning, iterative, and other forms of planning)
- Executing the Project
 - Executing the work defined in the project management plan and the project schedule to achieve the project objectives
- Monitoring and Controlling the Project
 - Ability to oversee the progress and performance of the project, adapting the plan as needed
- Project Close
 - Finalizing all project activities; creating lessons learned; applying knowledge transfer
- Integration Management
 - Project's work elements are coordinated – this area includes project planning & execution processes
- Scope Management

- Processes which limit and control the work included in a project are followed; the work included in the statement of work is included; scope creep is not allowed and change orders are handled properly
- Time Management
 - Processes required ensuring timely completion of the project, including activity (task) definition and sequencing processes are followed
- Cost Management
 - Planning, estimating, and controlling costs are conducted so the project can be completed within the approved budget; includes resource planning and cost budgeting
- Quality Management
 - The results of the project meet the needs for which the project was executed; includes quality planning, assurance, and control
- Human Resource Management
 - Organizing and managing the project team; includes training, aligning on project objectives and goals, defining roles in the project and assigning project team members to those roles
- Communications Management
 - Using proper communications to link people (including team members and stakeholders), ideas, and information throughout the project life cycle; includes timely generation and collection of information along with its proper dissemination and archival
- Risk Management
 - Identifying, analyzing, and properly responding to project risks (opportunities and threats)

5.6.5 WORKFORCE TRANSITION KNOWLEDGE AREAS

- Provide tools necessary to complete organizational diagnostics clarifying what DFS is trying to achieve; linking vision and priorities to a high level functional design
- Facilitate collaboration sessions to define the 'how' behind the functional alignment
- Facilitate collaboration among teams
- Define accountabilities and responsibilities within the DFS workforce and plan the workforce transition.
- Design the competency model, career paths, and learning and development curriculum to operate in line with industry good practices
- Serve as a bridge between the workforce (business and IT) and human resources

5.6.6 SYSTEMS AND DATA STRATEGY KNOWLEDGE AREAS

- Knowledge and understanding of Florida Agency systems with relation to FLAIR
- Provide tools to conduct inventory validation
- Provide tools to conduct data health assessment

5.6.7 IV&V KNOWLEDGE AREAS

- Correct identification of critical system functions to enable focusing on areas which benefit the most from IV&V, especially critical for rapid application development
- Staff demonstrates domain knowledge
- Rigorous implementation of well-defined analysis processes and procedures
- Structured and thorough assessments
- Clear and timely communication of IV&V results
- Senior staff with industry certifications in the appropriate subject matter
- Contributed to the reduction of risk, identified risks, and formulated risk mitigation plans
- Identified and applied resources required to meet schedule requirements
- Assigned responsibility for tasks/actions as expected
- Provided best practices or lessons learned
- Documentation is accurate and free of spelling errors or clerical defects
- Reports delivered either on or ahead of schedule
- Program planning/management adequate – assignment of personnel, recognition of critical problem areas, cooperative and effective working relationships, effective resource use, response to new tasks, and notification of personnel changes was adequate
- IV&V personnel interact professionally with stakeholders, including State personnel

5.6.8 INFORMATION WAREHOUSE (IW) KNOWLEDGE AREAS

- Develop tools necessary and infrastructure needed to support the information warehouse
- Provide proper design and development of the information warehouse
- Ability to provide knowledge transfer to DFS staff
- Ability to provide training to DFS staff

ATTACHMENT 1 ASSUMPTIONS

This Attachment contains the cost assumptions used for calculation of cost for the four options within the FLAIR study. It also includes a user's guide to the Excel cost model built using the assumptions.

1.1 METHODOLOGY

Building detailed cost-benefit models for a project of this scale and complexity is an inexact science. There are hundreds of variables to consider when pricing and the lengthy project timeline means unforeseen organizational and industry changes are likely to occur possibly impacting the final result.

To address these challenges, the FLAIR Study Team defined a basic four step methodology to guide the construction of the cost benefit models:

1. Understand current state, base cost structures, and ongoing initiatives
2. Estimate costs of the new solution
3. Identify costs avoided by implementing the new solution
4. Describe quantitative and qualitative benefits of the new solution

The team made representative assumptions for each of these steps based on the needs of the State of Florida as well as information obtained from industry and other states who have recently implemented enterprise financial management systems.

1.2 COST MODEL ASSUMPTIONS

1.2.1 GENERAL SUPPORTING ASSUMPTIONS APPLICABLE TO ALL OPTIONS

The following general assumptions apply to all four of the options analyzed:

Analysis Timeline

For the options analysis, the FLAIR Study Team modeled costs over a 15 year window starting in July 2014 (FY 14-15). This time frame was selected for a number of reasons, including:

- In all options analyzed, the required minimum capabilities can be achieved during a 15 year window.⁹⁸

⁹⁸ Implementation of the minimum capabilities will be complete by the end of year 15 for Option 1, but some of the enhanced functionality may not be complete.

- In each case, a 15 year window provides visibility into not only the costs of implementation but also support costs for the system once it reaches a steady state.

It is important to note that the selection of a 15 year window is not in any way indicative of the lifespan of the new system. In all cases it should far outlive the timelines built into in the models if properly maintained and upgraded.

Payroll Replacement Approach

All four options assume that the legacy FLAIR payroll functionality will be replaced. There are multiple options for upgrading Payroll, including custom development (option 1), configuration of payroll functionality within the ERP system used to replace the rest of FLAIR (for options 2, 3 and 4), or the possibility of implementing payroll functionality as part of the People First upgrade, and interfacing the financial data back into FLAIR. For purposes of the option analysis, this study assumes that payroll functionality will be implemented in the same system as the rest of FLAIR. A decision point has been included in each timeline to correspond with the People First contract renewal. DFS should work closely with DMS during the Pre-DDI Phase to determine the best approach for implementing the payroll replacement.

General Cost Model Assumptions

- This study estimates the costs for DFS related to each option. There may be additional costs incurred by agencies to make changes to their systems as well as the other FFMIS systems to integrate with the new FLAIR solution. These costs cannot be estimated until after a detailed design has been created.
- The study estimates only DFS costs related to each option. For purposes of comparing each option, the study assumes Department of Management Services will continue to operate People First and MFMP and those operational support costs are not considered in the cost model.
- An average hourly rate for contracted consultants has been set at \$160 (\$6,400 / week). This rate is based on Department of Management Services State Term Contract for IT Consulting Services rates. As part of the procurement solicitation, actual contract rates may be lower than these assumptions.⁹⁹
- There is generally a 1:1 relationship between the number of internal employees and external employees required to execute a Project Track. This ratio may change for the actual implementation based on staffing decisions made by DFS and project

⁹⁹ This rate is generally based on ERP configuration consulting support (for options 2-4). This rate is also a valid aggregate for Option 1, as there will be a requirement for a few highly skilled (and expensive) architects required, but their cost will be offset by a lower cost for general developers.

management. The project staffing plan will be developed during the Pre-DDI Phase and evolve as the project progresses.¹⁰⁰

- For every eight external employees assigned to the project, an external project manager will be required to perform oversight and coordination at a rate of \$225 / hour (\$9,000 / week). This rate is based on Department of Management Services State Term Contract for IT Consulting Services rates. As part of the procurement solicitation, actual contract rates may be lower than these assumptions.
- Current internal employee costs have been estimated at \$37.50 / hour. This was calculated assuming an average annual salary of \$60,000, adding 30% to cover benefits and overhead resulting in a cost of \$1,500 / week.
- Labor costs for internal employees supporting the **new** system are expected to increase to \$76,000 / year because of the expanded skill-set required. After adding 30% to cover benefits and overhead, this results in a cost of \$1,900 / week.
- An annual inflation rate of 1.5% has been included for both internal and contracted resources.
- In the models, existing FLAIR operational support, FLAIR technical support and CMS operational support resources represent a combination of employees working for DFS.
- To derive labor related costs, the models estimate the number of resources required for each task during a given year as well as the number of weeks per year those resources will be required.
- In general, resource estimates are derived from a combination of research into projects completed by other states and the professional experience of the FLAIR Study Team in evaluating similar projects in the public sector.
- It is important to note the resource requirements represented in the model are 'pure' – meaning they represent the amount of work to perform the identified activity annualized over a 52 week year, and do not address the how people are assigned to the activity and where the people come from.
- The budgetary resource requirements may not directly match staff requirements due to timing and mix of staffing assignments. DFS may be required to hire or arrange to allocate additional people from external sources to meet the actual demand of effort.
- Software pricing was estimated using a bottom-up approach with a simplified version of a 'per user' pricing model. The model ignores existing or past purchases and other factors that may ultimately impact the final price. The resulting costs the model produced are comparable to those seen in other similar states and should serve as a reasonable proxy to the price the State pays.

¹⁰⁰ The 1:1 ratio is a conservative estimate for projects of this size and complexity. As such, it is assumed that any internal project managers, executive leadership or other resources required to execute the project will be included in the matched internal employee.

1.2.2 OPTION 1: ENHANCE FLAIR COST ASSUMPTIONS

1.2.2.1 OPTION 1: LABOR ASSUMPTIONS – PRE-DDI

The Exhibit below contains the labor assumptions used to generate the Pre-DDI costs for Option 1. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	4 (1) ¹⁰¹ 5	Y1Q2 – Y1Q4 Y2Q1 – Y2Q4
Workforce Transition	Team responsible to identify required organizational changes within the Finance and IT departments to support the new system mapping of current technology staff into future roles supporting the new system	2* ¹⁰²	Y2Q1 – Y2Q4
Systems & Data Strategy	Team responsible to confirm inventory of State agency financially related systems and interfaces to FLAIR Responsibilities include performing data quality assessment of existing data in legacy FLAIR, migrating required legacy FLAIR & CMS data (transactions / records) Includes determining changes in FLAIR system architecture, infrastructure, data structures, and any data conversion requirements	5*	Y1Q3 – Y2Q2
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	3	Y1Q1 – Y2Q4
Business Process Re-engineering	Team responsible for analyzing existing business process and recommending new future state processes to maximize benefits and minimizing software customization within the new system	6 (2)	Y1Q2 – Y2Q4
Procurements	Team responsible to coordinate selection of software, system integrator, PMO and information warehouse contractors required to support future project phases	3	Y1Q2 – Y2Q4

Exhibit A1-1: Option 1 Pre-DDI Labor Assumptions

Additional Notes and Assumptions

- It will require two internal resources a total of six weeks over the first quarter of FY14-15 to manage the procurement of Pre-DDI resources.

¹⁰¹ The resources presented in parenthesis for the Organizational Change Management and Business Process Re-engineering could potentially be needed and pulled in to the project, but are not initially planned for. Adding these resources to these tracks would increase FY 14-15 and FY 15-16 modeled costs. The planned contingency could be used to cover this cost increase.

¹⁰² An asterisk * denotes half time resources

- Research into similar projects large scale public enterprise software projects in other states and the federal government the procurement phase (scope clarification, technology platform selection, and SI selection) typically takes between 12 and 24 months to complete.
- If this option is chosen, the Workforce Transition track of the Pre-DDI phase will require more resources than the other options because it will include the evaluation and selection of future state technology platforms as well as organizational re-design.

1.2.2.2 OPTION 1: LABOR ASSUMPTIONS – DDI PHASE 1

The Exhibit below contains the labor assumptions used to generate the DDI Phase 1 costs for Option 1. Please note the estimated number of resources in the table below represents expected external subject matter experts only. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 1 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Independent Validation & Verification	Independent team of contractors assigned to evaluate the work product of the system integrator to minimize risk	2	Y3Q1 – Y13Q2
Rewrite FLAIR (Central and Departmental): Functional Design	Resources required to create functional system requirements and design future state business processes Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y3Q1 – Y5Q4
Rewrite FLAIR (Central and Departmental): Tech Design	Resources required to create technical system requirements Resources required to design the technology infrastructure necessary to support an enhanced version of FLAIR Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y3Q1 – Y5Q4
Rewrite FLAIR (Central and Departmental): Tech Build	Software development team required to build a system to support the technical and functional requirements identified during their respective design phases Includes the development of new interfaces with existing systems Includes the build out of all technology infrastructure required to support the enhanced version of FLAIR Includes the development of a prototype deployment to be used for functional testing prior to the pilot Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	24	Y5Q3 – Y10Q2

DDI PHASE 1 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Rewrite FLAIR (Central and Departmental): Functional Build	Functional team required to work with Tech Build team to support prototype testing Responsibilities also include documenting and implementing changes to existing business processes in support of the enhanced system, completing unit and functional testing and the development of test scripts Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y5Q3 – Y10Q2
Agency Onboarding: Pilot and Updates	Combination of technical and functional resources required to support the pilot Responsibilities include making code or business process modifications in response to issues identified during the pilot Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y10Q1 – Y11Q2
Agency Onboarding: Rollout	Combination of technical and functional resources required to support the phased rollout of the enhanced FLAIR system to different agencies Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y11Q1 – Y13Q2
Enhance Payroll: Tech Design	Resources required to build technical system requirements for adding enhanced functionality to Payroll Resources required to design the technology infrastructure required to support an enhanced Payroll	6	Y9Q1 – Y9Q4
Enhance Payroll: Functional Design	Resources required to build functional system requirements and design future state business processes for the newly enhanced Payroll	6	Y9Q1 – Y9Q4
Rewrite FLAIR (Central and Departmental): Tech Build	Software development team required to build a system to support the technical and functional requirements identified during their respective design phases Includes the development of new interfaces with existing systems Includes the build out of all technology infrastructure required to support the enhanced version of FLAIR Includes the development of a prototype deployment to be used for functional testing prior to the pilot Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	24	Y5Q3 – Y10Q2

DDI PHASE 1 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Rewrite FLAIR (Central and Departmental): Functional Build	Functional team required to work with Tech Build team to support prototype testing Responsibilities also include documenting and implementing changes to existing business processes in support of the enhanced system, completing unit and functional testing and the development of test scripts Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y5Q3 – Y10Q2
Agency Onboarding: Pilot and Updates	Combination of technical and functional resources required to support the pilot Responsibilities include making code or business process modifications in response to issues identified during the pilot Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y10Q1 – Y11Q2
Agency Onboarding: Rollout	Combination of technical and functional resources required to support the phased rollout of the enhanced FLAIR system to different agencies Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	12	Y11Q1 – Y13Q2
Enhance Payroll: Tech Design	Resources required to build technical system requirements for adding enhanced functionality to Payroll Resources required to design the technology infrastructure required to support an enhanced Payroll	6	Y9Q1 – Y9Q4
Enhance Payroll: Functional Design	Resources required to build functional system requirements and design future state business processes for the newly enhanced Payroll	6	Y9Q1 – Y9Q4
Enhance Payroll: Tech Build	Software development team required to build an application to support the technical and functional requirements identified during the design phase Includes the build out of all technology infrastructure required to support the enhanced Payroll Includes the development of a prototype deployment to be used for functional testing prior to the pilot	12	Y10Q1 – Y11Q4

DDI PHASE 1 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Enhance Payroll: Functional Build	Functional team required to work with Tech Build team to support prototype testing Responsibilities also include documenting and implementing changes to existing business processes in support of the enhanced application, completing unit and functional testing and the development of test scripts	6	Y10Q1 - Y11Q4
Enhance Payroll: Pilot and Updates	Combination of technical and functional resources required to support the payroll pilot Responsibilities include making code or business process modifications in response to issues identified during the Payroll pilot	6	Y12Q1 - Y12Q4
Enhance Payroll: Rollout	Combination of technical and functional resources required to support the payroll rollout Responsibilities include making code or business process modifications in response to standard practices from the pilot	6	Y13Q1 - Y13Q2
Upgrade Information Warehouse to Support New FLAIR	Resources required to update the existing information warehouse to support the enhanced FLAIR Specific tasks include data loading, conversion and validation, report development, etc. Note: Task is associated with the enhancement of Central FLAIR, Departmental FLAIR and Payroll	6	Y5Q3 - Y9Q2
FFMIS System Integration	Technical and functional resources required to ensure smooth integration of enhanced FLAIR with the other FFMIS components	8	Y8Q1 - Y10Q2
People First Liaison	Contractor responsible for overcoming the challenges interfacing with People First for employee payments, G/L data, etc., and the eventual disconnect of PF from current Central FLAIR	1	Y3Q1 - Y13Q2
MFMP Liaison	Contractor responsible for overcoming the challenges interfacing with MFMP for vendor payments, G/L data, etc. and the eventual disconnect of MFMP from the current Central and Departmental FLAIR	1	Y3Q1 - Y13Q2
LAS / PBS Liaison	Contractor responsible for overcoming the challenges interfacing with LAS/PBS for budget, appropriation, encumbrance tracking and the eventual disconnect of PBS from the current Central FLAIR	1	Y3Q1 - Y13Q2

DDI PHASE 1 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Testing and Quality Assurance	Combination of technical and functional resources responsible for various test activates associated with the implementation of the enhanced FLAIR system Tasks may include unit testing, functional testing, test script development as well as data loading, conversion and validation	8	Y5Q3 – Y13Q2
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	5	Y3Q1 – 13Q2
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	5	Y3Q1 – Y13Q2
Workforce Transition	Team responsible to monitor FLAIR / IW pilot and report FLAIR baseline performance metrics Functional resources who conduct FLAIR / IW end user training for agencies and perform OCM and workforce transition tasks Also responsible to conduct final system and user acceptance testing and support the “Go/No Go” decision for rollout	2	Y3Q1 – Y13Q2
End User Training (DDI Phase-1) (Trainers and Consultants)	Team responsible for creation of training materials and other documentation Also responsible for teaching internal trainers who will perform end-user training	4 ¹⁰³	Y10Q1 – Y13Q2

Exhibit A1-2: Option 1 DDI Phase 1 Labor Assumptions

¹⁰³ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

Additional Notes and Assumptions

- Project Team Training
 - For the maximum number of internal employees on the project team (~100), assume four classes per year for Y1 – 2 and one class per year through Y15 (\$1,500 / class with a 1.5% annual inflation factor)
- End-User Training
 - Assume twelve full-time trainers will be required to teach new system (Start in Y10)
 - Assume four consultants will be required to build training materials during all build / test phases
 - Assume three weeks of training will be required for each employee using the new system
 - Assume one-day of annual training will be required for each employee using the system once on-boarded
- For this Option, the model assumes “user-based” software licenses will not need to be purchased to support the future technology platforms selected.

1.2.2.3 OPTION 1: LABOR ASSUMPTIONS – DDI PHASE 2

The Exhibit below contains the labor assumptions used to generate the DDI Phase 2 costs for Option1. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 2 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Enhance Upgraded FLAIR: Functional Design	Resources required to create functional system requirements and design future state business processes for the newly upgraded FLAIR	6	Y10Q1 – Y12Q4
Enhance Upgraded FLAIR: Tech Design	Resources required to create technical system requirements for adding enhanced functionality to the newly upgraded FLAIR Resources required to design the technology infrastructure necessary to support an enhanced version of FLAIR	12	Y10Q1 – Y12Q4

DDI PHASE 2 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Enhance Upgraded FLAIR: Tech Build	<p>Software development team required to build a system to support the technical and functional requirements identified during the design phase</p> <p>Includes the build out of all technology infrastructure required to support the enhanced version of FLAIR</p> <p>Includes the development of a prototype deployment to be used for functional testing prior to the pilot</p>	12	Y12Q1 - Y15Q4
Enhance Upgraded FLAIR: Functional Build	<p>Functional team required to work with Tech Build team to support prototype testing</p> <p>Responsibilities also include documenting and implementing changes to existing business processes in support of the enhanced system, completing unit and functional testing and the development of test scripts</p>	6	Y12Q1 - Y15Q4
Enhance Upgraded FLAIR: Pilot and Updates	<p>Combination of technical and functional resources required to support pilot</p> <p>Responsibilities include making code or business process modifications in response to issues identified during the pilot</p>	4	Y15Q1 - Y15Q4
Enhance Upgraded FLAIR: Roll out	<p>Combination of technical and functional resources required to support roll out to agencies</p> <p>Responsibilities include making code or business process modifications in response to standard practices during the pilot</p>	0	Would occur after Y15
Enhance Upgraded FLAIR: End User Training (DDI Phase-2)	<p>Team responsible for creation of training materials and other documentation of new features from the upgrade</p> <p>Also responsible for teaching internal trainers who will perform end-user training</p>	4	Y15Q1 - Y15Q4
Project Management Office	<p>Group responsible to establish and maintain appropriate governance structures to support the project</p>	2	Y13Q3 - Y15Q4

Exhibit A1-3: Option 1 DDI Phase 2 Labor Assumptions

Additional Notes and Assumptions

- Time-frame and resource estimates for individual projects during this phase have been derived based on a combination of experience with large scale software development and research into similar projects completed in the public sector.

- Formal estimation models, such as COCOMO, SLIM, SEER-SEM, etc. were not used to develop the estimates because these models require data elements that are not available until more detailed requirements are developed during the Pre-DDI phase of the project.

1.2.2.4 OPTION 1: REQUIRED PURCHASE ASSUMPTIONS

- Approximately \$2.5 million in hardware will be required to support the new system
 - This includes all test and development environments
 - This includes all disaster recovery environments
 - This includes 3rd party installation costs
 - This hardware will be refreshed every 5th year (applied to ongoing support)
 - There will be a onetime 20% hardware support and maintenance contract cost the year the hardware is refreshed
- Approximately \$5.0 million of infrastructure related software will be required to support the new system
 - Examples: Operating System / SQL licenses; Directory Services; Security Software; etc.
 - This software will be refreshed every 5th year (applied to ongoing support)
 - There will be a onetime 20% infrastructure software support and maintenance contract cost the year the hardware is refreshed
- Data Center Facilities and Equipment
 - The equipment required to support the enhancement of FLAIR is estimated to require ten data racks of equipment within an enterprise class data center
 - In industry, the average cost to support one data rack – including power, cooling and floor space – is \$1,500 / month
 - In addition to rack space, costs will be incurred for network connectivity – both WAN and Internet – from the data center housing the new system back to the State’s network. These costs are estimated at \$2,000 / month for the WAN connection and \$1,500 / month for the internet connectivity

1.2.2.5 OPTION 1: ONGOING SUPPORT ASSUMPTIONS

- It will require the same number of technical support employees to manage the enhanced FLAIR system as it does the current FLAIR system
- It will require the same number of operational support employees to manage the enhanced FLAIR system as it does the current FLAIR system
- It will cost approximately the same amount to administer the infrastructure supporting the enhanced ERP as it does to administer the infrastructure supporting the current FLAIR system

- End user training costs after implementation are assumed as part of support. Employee staff time to participate in training at 1 day per year is explicitly included for every system user.

1.2.3 OPTION 2: REPLACE FLAIR WITH AN ERP SOLUTION COST – BENEFIT MODEL

1.2.3.1 OPTION 2: LABOR ASSUMPTIONS – PRE-DDI

The Exhibit below contains the labor assumptions used to generate the Pre-DDI costs for Option 2. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	4 (1) ¹⁰⁴ 5	Y1Q2 – Y1Q4 Y2Q1 – Y2Q4
Workforce Transition	Team responsible to identify organizational changes within the Finance and IT departments required to support the new system Also maps current technology staff into future roles supporting the new ERP system	2	Y2Q1 – Y2Q4
Systems & Data Strategy	Team responsible to confirm inventory of State agency financially related systems and interfaces to FLAIR Responsibilities include performing data quality assessment of existing data in legacy FLAIR, migrating required legacy FLAIR & CMS data (transactions / records) Includes determining changes in FLAIR system architecture, infrastructure, data structures, and any data conversion requirements	2	Y2Q3 – Y2Q2
Project Management Office	Establish appropriate governance structures to support the project	3	Y1Q1 – Y2Q4

¹⁰⁴ The resources presented in parenthesis for the Organizational Change Management and Business Process Re-engineering could potentially be needed and pulled in to the project, but are not initially planned for. Adding these resources to these tracks would increase FY 14-15 and FY 15-16 modeled costs. The planned contingency could be used to cover this cost increase.

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Business Process Re-engineering	Team responsible for analyzing existing business process and recommending new future state processes to maximize benefits and minimizing software customization within the new system	6 (2)	Y1Q2 - Y2Q4
Procurements	Team responsible to coordinate selection of software, system integrator, PMO and information warehouse contractors required to support future project phases	3	Y1Q2 - Y2Q4

Exhibit A1-4: Option 2 Pre-DDI Labor Assumptions

Additional Notes and Assumptions

- It will require two internal resources a total of six weeks over the first quarter of FY14-15 to manage the procurement of Pre-DDI resources
- Research into similar projects in other states shows the procurement phase typically takes between 12 and 24 months to complete (e.g., NY, TX, PA)

1.2.3.2 OPTION 2: LABOR ASSUMPTIONS – DDI PHASE 1

The Exhibit below contains the labor assumptions used to generate the DDI Phase 1 costs for Option 2. Please note the estimated number of resources in the table below represents subject matter experts only. The resource total does not include the matching internal resource expected to perform the task or the associated external project managers.

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Independent Validation & Verification	Independent team of contractors assigned to evaluate the work product of the system integrator to minimize risk	2	Y3Q1 - Y7Q4
Implement FLAIR in ERP (Central & Departmental) - Functional	Functional team responsible for various tasks including business process implementation and documentation, report generation, functional testing and test script development	12 8	Y3Q1 - Y4Q4 Y5Q1 - Y5Q4
Implement FLAIR in ERP (Central & Departmental) - Technical	Technical implementation team responsible for infrastructure deployment, system configuration, development of interfaces with other applications and any required software customizations	8 6	Y3Q1 - 4Q4 Y5Q1 - Y5Q4
Implement Information Warehouse in ERP	Technical team responsible for the development of a new information warehouse, data conversion and loading, and report generation	4 2	Y3Q1 - Y4Q4 Y5Q1 - Y5Q4

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Roll Out FLAIR ERP / IW (Central & Departmental) to Agencies	Combination of technical and functional resources required to support the migration of agencies to the new ERP system. Specific tasks could include system and security configuration, interface development, functional testing and test script development, and software customization	6	Y6Q1 - Y7Q4
People First Liaison	Contractor responsible for overcoming the challenges interfacing People First with ERP for employee payments, G/L data, etc. and the eventual disconnect of People First from current Central FLAIR	1	Y3Q1 - Y7Q4
Plan, Design and Implement Payroll in ERP	Combination of technical and functional resources for the configuration of payroll within the new ERP	1* ¹⁰⁵ 2 3	Y3Q1 - Y4Q4 Y5 Q1 - Y6Q4 Y7Q1 - Y7Q4
FFMIS System Integration	Technical and functional resources required to ensure smooth integration of the ERP system with the other FFMIS components	10	Y4Q1 - Y4Q4
MMFP Liaison	Contractor responsible for overcoming the challenges interfacing MFMP with ERP for vendor payments, G/L data, etc. and the eventual disconnect of MFMP from the current Central and Departmental FLAIR	1	Y3Q1 - Y7Q4
LAS / PBS Liaison	Contractor responsible for overcoming the challenges interfacing with LAS/PBS for budget, appropriation, encumbrance tracking and the eventual disconnect of PBS from the current Central FLAIR	1	Y3Q1 - Y7Q4
Testing and Quality Assurance	Combination of technical and functional resources responsible for various test activates associated with the implementation of the new ERP Tasks may include unit testing, functional testing, test script development as well as data loading, conversion and validation	4 8* 4*	Y3Q1 - Y3Q4 Y4Q1 - Y5Q4 Y6Q1 - Y7Q4
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	5	Y3Q1- Y7Q4
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	5 5*	Y3Q1 - Y5Q4 Y6Q1 - Y7Q4

¹⁰⁵ An asterisk * denotes half time resources

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Workforce Transition	Team responsible to monitor FLAIR / IW pilot and report FLAIR baseline performance metrics Functional resources who conduct FLAIR / IW end user training for agencies and perform OCM and workforce transition tasks Also responsible to conduct final system and user acceptance testing and support the "Go/No Go" decision for rollout	2 2*	Y3Q1 – Y5Q4 Y6Q1 – Y7Q4
End User Training (DDI Phase-1)	Team responsible for creation of training materials and other documentation Also responsible for teaching internal trainers who will perform end-user training	4 ¹⁰⁶	Y5Q1 – Y7Q4

Exhibit A1-5: Option 2 DDI Phase 1 Labor Assumptions

Additional Notes and Assumptions

- One internal employee will be required part time to plan and scope Payroll through Y3 – 7
- Project Team Training
 - For the maximum number of internal employees on the project team (~50), assume four classes per year for Y3 – 4 and one class per year through Y7 (\$1,500 / class with 1.5% annual inflation factor)
- End-User Training
 - Assume full-time trainers will be required to teach new system (4 in Y5 and 12 in Y6 – Y7)
 - Assume four consultants will be required to build training materials in Y5 – 7
 - Assume three weeks of training will be required for each employee using the new system
 - Assume one-day of annual training will be required for each employee using the system from Y8 and beyond

1.2.3.3 OPTION 2: LABOR ASSUMPTIONS – DDI PHASE 2

The Exhibit below contains the labor assumptions used to generate the DDI Phase 2 costs for Option 2. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not

¹⁰⁶ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 2 TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Plan and Assess	Resources dedicated to determining system enhancement requirements	4	Y8Q1 – Y8Q4
Design, Develop, and Implement	Resources required to deploy the enhanced functionality in the new ERP system	8	Y9Q1 – Y10Q4
Roll Out Expanded ERP Functionality	Resources required for agencies to take advantage of the enhanced functionality built into the system	4	Y10Q1 – Y12Q4
End User Training (DDI Phase-2)	Team responsible for creation of training materials and other documentation of new functionality Also responsible for teaching internal trainers who will perform end-user training	4	Y10Q1 – Y12Q4
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	2 ¹⁰⁷	Y8Q1 – Y12Q4

Exhibit A1-6: Option 2 DDI Phase 2 Labor Assumptions

1.2.3.4 OPTION 2: REQUIRED PURCHASE ASSUMPTIONS

- ERP software licenses are assumed at an inflation adjusted cost of \$1500 per user with an annual maintenance cost of 20% of the license cost
- Approximately \$2.5 million in hardware will be required to support the new system
 - This includes all test and development environments
 - This includes all disaster recovery environments
 - This includes 3rd party installation costs
 - This hardware will be refreshed every 5th year (applied to ongoing support)
 - There will be a onetime 20% hardware support and maintenance contract cost the year the hardware is refreshed
- Approximately \$1.25 million of infrastructure related software will be required to support the new system
 - Examples: Operating System / SQL licenses; Directory Services; Security Software; etc.
 - This software will be refreshed every 5th year (applied to ongoing support)

¹⁰⁷ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

- There will be a onetime 20% infrastructure software support and maintenance contract cost the year the hardware is refreshed
- Data Center Facilities and Equipment
 - The equipment required to support the replacement of FLAIR with an ERP solution is estimated to require 8 data racks of equipment within an enterprise class data center
 - In industry, the average cost to support a one data rack – including power, cooling and floor space – is \$1,500 / month
 - In addition to rack space, costs will be incurred for network connectivity – both WAN and Internet – from the data center housing the new system back to the State of Florida’s network. These costs are estimated at \$2,000 / month for the WAN connection and \$1,500 / month for the internet connectivity

1.2.3.5 OPTION 2: ONGOING SUPPORT ASSUMPTIONS

- Software maintenance will cost ~20% of total purchased license cost
- It will require the same number of technical support employees to manage the new ERP system as it does the current FLAIR system (~ 100 today)
- It will require the same number of operational support employees to manage the new ERP system as it does the current FLAIR system (~ 60 today)
- Technical and operational support for FLAIR will be ramped down during Y5 – 7 with costs declining at 25%, 50% and 75% respectively; Support for FLAIR will be discontinued during Y8
- Technical and operational support for the new ERP system will ramp up during years Y3 – 5 at 25%, 50% and 75% of total costs respectively
- It will cost approximately the same amount to administer the infrastructure supporting ERP as it does to administer the infrastructure supporting FLAIR
- End user training costs after implementation are assumed as part of support. Employee staff time to participate in training at 1 day per year is explicitly included for every system user.

1.2.3.6 OPTION 2: UPGRADE ASSUMPTIONS

- A minor upgrade of the system will be performed during Y5 of the project requiring a team of approximately ten external contractors (and their internal counterparts) to execute
- A major system upgrade will be performed in Y8 in conjunction with the planning for the Phase-2 implementation requiring a team of approximately 12 external contractors (and their internal counterparts) to execute
- A second minor upgrade will be performed during Y12 of the project requiring a team of approximately ten contractors (and their associated internal counterparts) to execute

1.2.4 OPTION 3: REPLACE FLAIR AND CASH MANAGEMENT SYSTEMS WITH AN ERP SOLUTION COST – BENEFIT MODEL

1.2.4.1 OPTION 3: LABOR ASSUMPTIONS – PRE-DDI

The table below contains the labor assumptions used to generate the Pre-DDI costs for Option 3. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The ‘Track’ column corresponds to the specific implementation track outlined in Chapter 4 where these activities are described in greater detail. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio (unless otherwise indicated), or the associated external oversight, both of which are included in the cost model.

PRE-DDI TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED
Organizational Change Management	Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	4 (1) ¹⁰⁸ 5 Y1Q2 – Y1Q4 Y2Q1 – Y2Q4
Workforce Transition	Workforce Transition	Team responsible to identify organizational changes within the Finance and IT departments required to support the new system Also maps current technology staff into future roles supporting the new ERP system	2 Y2Q1 – Y2Q4

¹⁰⁸ The resources presented in parenthesis for the Organizational Change Management and Business Process Re-engineering could potentially be needed and pulled in to the project, but are not initially planned for. Adding these resources to these tracks would increase FY 14-15 and FY 15-16 modeled costs. The planned contingency could be used to cover this cost increase.

PRE-DDI TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Systems & Data Strategy	Systems & Data Strategy	Team responsible to confirm inventory of State agency financially related systems and interfaces to FLAIR Responsibilities include performing data quality assessment of existing data in legacy FLAIR, migrating required legacy FLAIR & CMS data (transactions / records) Includes determining changes in FLAIR system architecture, infrastructure, data structures, and any data conversion requirements	2	Y1Q3 – Y2Q2
Project Management Office	Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	3	Y1Q1 – Y2Q4
Business Process Re-engineering	Business Process Re-engineering	Team responsible for analyzing existing business process and recommending new future state processes to maximize benefits and minimizing software customization within the new system	6 (2)	Y1Q2 – Y2Q4
Procurements	Procurement	Team responsible to coordinate selection of software, system integrator, PMO and information warehouse contractors required to support future project phases	3	Y1Q2 – Y2Q4

Exhibit A1-7: Option 3 Pre-DDI Labor Assumptions

Additional Notes and Assumptions

- It will require two internal resources a total of six weeks over the first quarter of FY14-15 to manage the procurement of Pre-DDI resources
- Research into similar projects in other states shows the procurement phase typically takes between 12 and 24 months to complete (e.g., NY, TX, PA)

1.2.4.2 OPTION 3: LABOR ASSUMPTIONS – DDI PHASE 1

The Exhibit below contains the labor assumptions used to generate the DDI Phase 1 costs for Option 3. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The ‘Track’ column

corresponds to the specific implementation track outlined in Chapter 4 where these activities are described in greater detail. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 1 TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Independent Validation & Verification	Independent Validation & Verification (IV&V)	Independent team of contractors assigned to evaluate the work product of the system integrator to minimize risk	2	Y3Q1 - Y7Q4
Implement FLAIR in ERP (Central & Departmental) - Functional	Implement ERP for FLAIR / CMS	Functional team responsible for various tasks including business process implementation and documentation, report generation, functional testing and test script development	12	Y3Q1 - Y4Q4
	Pilot FLAIR / CMS Replacement		8	Y5Q1 - Y5Q4
Implement FLAIR in ERP (Central & Departmental) - Technical	Implement ERP for FLAIR / CMS	Technical implementation team responsible for infrastructure deployment, system configuration, development of interfaces with other applications and any required software customizations	8	Y3Q1 - Y4Q4
	Pilot FLAIR / CMS Replacement		6	Y5Q1 - Y5Q4
Implement Information Warehouse	Implement Information Warehouse (IW)	Technical team responsible for the development of a new information warehouse, data conversion and loading and report generation	4	Y3Q1 - Y4Q4
	Pilot FLAIR / CMS Replacement		2	Y5Q1 - Y5Q4
Roll Out FLAIR ERP / IW (Central & Departmental) to Agencies	FLAIR / IW Rollout	Combination of technical and functional resources required to support the migration of agencies to the new ERP system and the new IW. Specific tasks could include system and security configuration, interface development, functional testing and test script development, reapportionment generation and software customization	6	Y6Q1 - Y7Q4
Implement CMS in ERP	Implement ERP for FLAIR / CMS	Combination of technical and functional resources for the implementation of existing cash management system functions within the new ERP.	3	Y3Q3 - Y4Q4
	Pilot FLAIR / CMS Replacement		1	Y5Q1 - Y5Q4

DDI PHASE 1 TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Roll Out CMS in ERP to Agencies	CMS Rollout	Combination of technical and functional resources for the migration of agencies to the new cash management system built within the ERP	2	Y6Q1- Y6Q4
Plan, Design and Implement Payroll in ERP	Implement Payroll in ERP	Combination of technical and functional resources for the configuration of payroll within the new ERP	1*109 2 3	Y3Q1 - Y4Q4 Y5 Q1 - Y6Q4 Y7Q1 - Y7Q4
FFMIS System Integration	Implement ERP for FLAIR / CMS	Technical and functional resources required to ensure smooth integration of the new FLAIR system with the other FFMIS components (MFMP, People First LAS / PBS, etc.)	8	Y4Q1 - Y4Q4
People First Liaison	People First Integration	Contractor responsible for overcoming the challenges interfacing People First with ERP for employee payments, G/L data, etc. and the eventual disconnect of People First from current Central FLAIR	1	Y3Q1 - Y7Q4
MFMP Liaison	MFMP Integration	Contractor responsible for overcoming the challenges interfacing MFMP with ERP for vendor payments, G/L data, etc. and the eventual disconnect of MFMP from the current Central and Departmental FLAIR	1	Y3Q1 - Y7Q4
LAS / PBS Liaison	LAS / PBS Integration	Contractor responsible for overcoming the challenges interfacing with LAS/PBS for budget, appropriation, encumbrance tracking and the eventual disconnect of PBS from the current Central FLAIR	1	Y3Q1 - Y7Q4

¹⁰⁹ An asterisk * denotes half time resources

DDI PHASE 1 TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Testing and Quality Assurance	Implement ERP for FLAIR / CMS	Combination of technical and functional resources responsible for various test activates associated with the implementation of the new ERP Tasks may include unit testing, functional testing, test script development as well as data loading, conversion and validation	4	Y3Q1 – Y3Q4
	Pilot FLAIR / CMS		8	Y4Q1 – Y4Q4
	Replacement		8*	Y5Q1 – Y5Q4
	Implement Payroll in ERP		4* ¹¹⁰	Y6Q1 – Y7Q4
Organizational Change Management	Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	6 6*	Y3Q1 – Y5Q4 Y6Q1 – Y7Q4
Project Management Office	Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	5	Y3Q1 – Y7Q4
Workforce Transition	Workforce Transition	Team responsible to monitor FLAIR / IW pilot and report FLAIR baseline performance metrics Functional resources who conduct FLAIR / IW end user training for agencies and perform OCM and workforce transition tasks Also responsible to conduct final system and user acceptance testing and support the “Go/No Go” decision for rollout	2 2*	Y3Q1 – Y5Q4 Y6Q1 – Y7Q4
End User Training (DDI Phase-1)	Workforce Transition	Team responsible for creation of training materials and other documentation Also responsible for teaching internal trainers who will perform end-user training	4 ¹¹¹	Y5Q1 – Y7Q4

Exhibit A1-8: Option 3 DDI Phase 1 Labor Assumptions

Additional Notes and Assumptions

- One internal employee will be required part time to plan and scope Payroll Y3 - Y7
- Project Team Training

¹¹⁰ The testing and QA time during years 6 and 7 is to support the Payroll build and rollout.

¹¹¹ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

- For the maximum number of internal employees on the project team (~50), assume four classes per year for Y3 – 4 and one class per year through Y7 (\$1,500 / class with a 1.5% annual inflation factor)
- End-User Training
 - Assume four full-time internal resource will be required to teach the new system in Y5, and twelve in Y6-Y7
 - Assume four consultants will be required to build and support training materials in Y5 – Y7
 - Assume three weeks of training will be required for each employee using the new system
 - Assume one-day of annual training will be required for each employee using the system from Y8 and beyond

1.2.4.3 OPTION 3: LABOR ASSUMPTIONS – DDI PHASE 2

The Exhibit below contains the labor assumptions used to generate the DDI Phase 2 costs for Option 3. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The ‘Track’ column corresponds to the specific implementation track outlined in Chapter 4 where these activities are described in greater detail. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 2 TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED
Project Management Office	Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project	2 Y8Q1 – Y12Q4
Plan and Assess	Expanded ERP FLAIR Functionality	Resources dedicated to determining system enhancement requirements	4 Y8Q1 – Y8Q4
Design, Develop, and Implement	Expanded ERP FLAIR Functionality	Resources required to deploy the enhanced functionality in the new ERP system	8 Y9Q1 – Y10Q4
Roll Out Expanded ERP Functionality	Expanded ERP FLAIR Functionality	Resources required to agencies take advantage of the enhanced functionality built into the system	4 Y10Q1 – Y12Q4

DDI PHASE 2 TASKS / ROLES	TRACK	DESCRIPTION	EXTERNAL RESOURCES REQUIRED
End User Training (DDI Phase-2)	Workforce Transition	Team responsible for creation of training materials and other documentation of new functionality Also responsible for teaching internal trainers who will perform end-user training	4 ¹¹² Y10Q1 – Y12Q4

Exhibit A1-9: Option 3 DDI Phase 2 Labor Assumptions

1.2.4.4 OPTION 3: REQUIRED PURCHASE ASSUMPTIONS

- ERP software licenses are assumed at an inflation adjusted cost of \$1500 per user with an annual maintenance cost of 20% of the license cost
- Approximately \$2.5 million in hardware will be required to support the new system
 - This includes all test and development environments.
 - This includes all disaster recovery environments.
 - Included within this \$2.5 million are 3rd party installation costs.
 - This hardware will be refreshed every 5th year (applied to ongoing support).
 - There will be a onetime 20% hardware support and maintenance contract cost the year the hardware is refreshed
- \$1.25 million of infrastructure related software will be required to support the new system
 - Examples: Operating System / SQL licenses; Directory Services; Security Software; etc.
 - This software will be refreshed every 5th year (applied to ongoing support).
 - There will be a onetime 20% infrastructure software support and maintenance contract cost the year the hardware is refreshed
- Data Center Facilities and Equipment
 - The equipment required to support replacement of FLAIR and CMS with an ERP solution is estimated to require 10 data racks of equipment within an enterprise class data center.
 - In industry, the average cost to support a one data rack – including power, cooling and floor space – is \$1,500 / month.
 - In addition to rack space, costs will be incurred for network connectivity – both WAN and Internet – from the data center housing the new system back to the

¹¹² The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

State of Florida's network. These costs are estimated at \$2,000 / month for the WAN connection and \$1,500 / month for the internet connectivity.

1.2.4.5 OPTION 3: ONGOING SUPPORT ASSUMPTIONS

- Software maintenance will cost ~20% of total purchased license cost
- It will require the same number of technical support employees to manage the new ERP system as it does the current FLAIR system (~100 today)
- It will require the same number of operational support employees to manage the new ERP system as it does the current FLAIR system (~60 today)
- Technical and operational support for FLAIR will be ramped down during Y5 – 7 with costs declining at 25%, 50% and 75% respectively; Support for FLAIR will be discontinued during Y8
- Technical and operational support for the new ERP system will ramp up during years Y3 – 5 at 25%, 50% and 75% of total costs respectively
- It will cost approximately the same amount to administer the infrastructure supporting ERP as it does to administer the infrastructure supporting FLAIR
- End user training costs after implementation are assumed as part of support. Employee staff time to participate in training at 1 day per year is explicitly included for every system user.

1.2.4.6 OPTION 3: UPGRADE ASSUMPTIONS

- A minor upgrade of the system will be performed during Y5 of the project requiring a team of approximately ten external contractors (and their internal counterparts) to execute
- A major system upgrade will be performed in Y8 in conjunction with the planning for the Phase-2 implementation requiring a team of approximately 12 external contractors (and their internal counterparts) to execute
- A second minor upgrade will be required during Y12 of the project requiring a team of approximately ten contractors (and their associated internal counterparts) to execute

1.2.5 OPTION 4: REPLACE FLAIR, CMS, MFMP AND PEOPLE FIRST WITH AN ERP SOLUTION COST MODEL ASSUMPTIONS

1.2.5.1 OPTION 4: PRE-DDI LABOR ASSUMPTIONS

The Exhibit below contains the labor assumptions used to generate the Pre-DDI costs for Option 4. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

PRE-DDI TASKS / ROLES	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes	4 (1) ¹¹³ 5	Y1Q2 – Y1Q4 Y2Q1 – Y2Q4
Workforce Transition	Team responsible to identify organizational changes within the Finance and IT departments required to support the new system Also maps current technology staff into future roles supporting the new ERP system	2	Y2Q1 – Y2Q4
Systems & Data Strategy	Team responsible to confirm inventory of State agency financially related systems and interfaces to FLAIR Responsibilities include performing data quality assessment of existing data in legacy FLAIR, migrating required legacy FLAIR & CMS data (transactions / records) Includes determining changes in FLAIR system architecture, infrastructure, data structures, and any data conversion requirements	2	Y1Q2 – Y2Q2
Project Management Office	Establish appropriate governance structures to support the project	3	Y1Q1 – Y2Q4
Business Process Re-engineering	Team responsible for analyzing existing business process and recommending new future state processes to maximize benefits and minimizing software customization within the new system	8	Y1Q2 – Y2Q4
Procurements	Team responsible to coordinate selection of software, system integrator, PMO and information warehouse contractors required to support future project phases	3	Y1Q2 – Y2Q4

Exhibit A1-10: Option 4 Pre- DDI Labor Assumptions

Additional Notes and Assumptions

- It will require two internal resources a total of six weeks over the first quarter of FY14-15 to manage the procurement of pre-DDI resources
- Research into similar projects in other states shows the procurement phase typically takes between 12 and 24 months to complete (e.g., NY, TX, PA)

¹¹³ The resources presented in parenthesis for the Organizational Change Management and Business Process Re-engineering could potentially be needed and pulled in to the project, but are not initially planned for. Adding these resources to these tracks would increase FY 14-15 and FY 15-16 modeled costs. The planned contingency could be used to cover this cost increase.

1.2.5.2 OPTION 4: LABOR ASSUMPTIONS – DDI PHASE 1

The table below contains the labor assumptions used to generate the DDI Phase 1 costs for Option 4. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

DDI PHASE 1 TASKS	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Independent Validation & Verification	Independent team of contractors assigned to evaluate the work product of the system integrator to minimize risk.	2	Y3Q1 – Y12Q2
Implement ERP for FLAIR and Procurement (Central & Departmental) - Functional	Functional team responsible for various tasks including business process implementation and documentation, report generation, functional testing and test script development.	16 10	Y3Q1 – Y5Q4 Y6Q1 – Y6Q4
Implement ERP for FLAIR and Procurement (Central & Departmental) - Technical	Technical implementation team responsible for infrastructure deployment, system configuration, development of interfaces with other applications and any required software customizations.	12 8	Y3Q1 – Y5Q4 Y6Q1 – Y6Q4
Implement Information Warehouse in ERP	Technical team responsible for the development of a new information warehouse, data conversion and loading and report generation.	4 2	Y3Q1 – Y4Q4 Y5Q1 – Y5Q4
Roll Out FLAIR ERP, Procurement, and IW (Central & Departmental) to Agencies	Combination of technical and functional resources required to support the migration of agencies to the new ERP system. Specific tasks could include system and security configuration, interface development, functional testing and test script development, reapportion generation and software customization.	8	Y7Q1 – Y9Q2
Implement CMS in ERP	Combination of technical and functional resources for the implementation of existing cash management system functions within the new ERP.	3 1	Y3Q3 – Y4Q4 Y5Q1 – Y5Q4
Roll Out CMS in ERP to Agencies	Combination of technical and functional resources for the migration of agencies to the new cash management system built within the ERP.	2	Y5Q1 – Y6Q4
Design HR and Payroll in ERP	Resources required to build technical system requirements for adding the HR and Payroll functions to the new ERP system. Resources required to design the technology infrastructure required to support this function in the new ERP system.	8	Y8Q3 – Y10Q2

DDI PHASE 1 TASKS	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Add HR and Payroll Data to Information Warehouse	Technical team responsible for transferring necessary HR and Payroll data to the information warehouse.	8	Y8Q3 – Y10Q2
Pilot HR and Payroll in ERP	Combination of technical and functional resources required to support implementation of the HR and Payroll functionality in the new ERP system for pilot agencies. Responsibilities include making code or business process modifications in response to issues identified during the pilot.	4	Y10Q3 – Y11Q2
Roll Out HR and Payroll to Agencies	Combination of technical and functional resources required to support rollout to agencies. Responsibilities include making code or business process modifications in response to standard practices during the pilot.	4	Y11Q3 – Y12Q2
FFMIS System Integration	Resource required to ensure smooth integration of the new FLAIR system with the other FFMIS components left outside the ERP system.	1	Y5Q1 – Y5Q4
People First Liaison	Contractor responsible for overcoming the challenges interfacing People First with ERP for employee payments, G/L data, etc. and the eventual disconnect of People First from current Central FLAIR.	1	Y3Q1 – Y7Q4
MFMP Liaison	Contractor responsible for overcoming the challenges interfacing MFMP with ERP for vendor payments, G/L data, etc. and the eventual disconnect of MFMP from the current Central and Departmental FLAIR.	1	Y3Q1 – Y7Q4
LAS / PBS Liaison	Contractor responsible for overcoming the challenges interfacing with LAS/PBS for budget, appropriation, encumbrance tracking and the eventual disconnect of PBS from the current Central FLAIR.	1	Y3Q1 – Y7Q4
Testing and Quality Assurance	Combination of technical and functional resources responsible for various test activities associated with the implementation of the new ERP. Tasks may include unit testing, functional testing, test script development as well as data loading, conversion and validation.	6 10 6	Y3Q1 – Y3Q4 Y4Q1 – Y5Q4 Y6Q1 – Y12Q2
Organizational Change Management	Team responsible to support and ensure organizational acceptance of business process and technology system changes.	8	Y3Q1 – Y12Q2
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project.	5 2	Y3Q1 – Y9Q2 Y9Q3 – Y12Q2

DDI PHASE 1 TASKS	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Workforce Transition	Team responsible to monitor FLAIR / IW pilot and report FLAIR baseline performance metrics. Functional resources who conduct FLAIR / IW end user training for agencies and perform OCM and workforce transition tasks. Also responsible to conduct final system and user acceptance testing and support the "Go/No Go" decision for rollout.	2	Y3Q1 – Y12Q2
End User Training (DDI Phase-1)	Team responsible for creation of training materials and other documentation.	4	Y5Q1 – Y8Q4
		4	Y9Q1 – Y10Q4
	Also responsible for teaching internal trainers who will perform end-user training.	4	Y11Q1 – Y11Q4
		4 ¹¹⁴	Y12Q1 – Y12Q4

Exhibit A1-11: Option 4 DDI Phase 1 Labor Assumptions

Additional Notes and Assumptions

- Project Team Training
 - For the maximum number of internal employees on the project team (~60), assume four classes per year for Y3 – 4 and one class per year through Y7 (\$1,500 / class with 1.5% annual inflation factor)
- End-User Training
 - Assume four full-time trainers will be required to teach the new system in Y5, and twelve in Y6-Y12
 - Assume four consultants will be required to build training materials in Y5 – Y12
 - Assume three weeks of training will be required for each employee using the new system
 - Assume one-day of annual training will be required for each employee using the system from Y8 and beyond

1.2.5.3 OPTION 4: LABOR ASSUMPTIONS – DDI PHASE 2

The table below contains the labor assumptions used to generate the DDI Phase 2 costs for Option 4. Please note the estimated number of resources in the table below represents expected external subject matter experts only for ease of review. The resource total does not include the matching internal resource expected to perform the task, estimated at a 1:1 ratio, or the associated external oversight, both of which are included in the cost model.

¹¹⁴ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

DDI PHASE 2 TASKS	DESCRIPTION	EXTERNAL RESOURCES REQUIRED	
Plan and Assess	Resources dedicated to determining system enhancement requirements	4	Y9Q1 – Y10Q4
Design, Develop, and Implement	Resources required to deploy the enhanced functionality in the new ERP system	8	Y10Q1 – Y11Q4
Roll Out Expanded ERP Functionality	Resources required for agencies to take advantage of the enhanced functionality built into the system	4	Y11Q1 - Y12Q4
End User Training (DDI Phase-2)	Team responsible for creation of training materials and other documentation of new functionality Also responsible for teaching internal trainers who will perform end-user training	4 ¹¹⁵	Y9Q3 – Y12Q4
Project Management Office	Group responsible to establish and maintain appropriate governance structures to support the project.	2	Y10Q1 – Y12Q4

Exhibit A1-12: Option 4 DDI Phase 2 Labor Assumptions

1.2.5.4 OPTION 4: REQUIRED PURCHASE ASSUMPTIONS

- ERP software licenses are assumed at an inflation adjusted cost of \$1500 per user with an annual maintenance cost of 20% of the license cost
- Approximately \$2.5 million in hardware will be required to support the new system
 - This includes all test and development environments
 - This includes all disaster recovery environments
 - This includes 3rd party installation costs
 - This hardware will be refreshed every 5th year (applied to ongoing support)
 - There will be a onetime 20% hardware support and maintenance contract cost the year the hardware is refreshed
- Approximately \$1.25 million of infrastructure related software will be required to support the new system
 - Examples: Operating System / SQL licenses; Directory Services; Security Software; etc.
 - This software will be refreshed every 5th year (applied to ongoing support)
 - There will be a one-time 20% infrastructure software support and maintenance contract cost the year the hardware is refreshed

¹¹⁵ The end user training team is planned for 4 consultants and 12 internal training resources during the roll out phase.

- Data Center Facilities and Equipment
 - The equipment required to support the replacement of FLAIR, CMS, MFMP, and People First with an ERP solution is estimated to require 14 data racks of equipment within an enterprise class data center.
 - In industry, the average cost to support a one data rack – including power, cooling and floor space – is \$1,500 / month.
 - In addition to rack space, costs will be incurred for network connectivity – both WAN and Internet – from the data center housing the new system back to the State of Florida’s network. These costs are estimated at \$2,000 / month for the WAN connection and \$1,500 / month for the internet connectivity.

1.2.5.5 OPTION 4: ONGOING SUPPORT ASSUMPTIONS

- Software maintenance will cost ~20% of total purchased license cost
- It will require the same number of technical support employees to manage the new ERP system as it does the current FLAIR system (~100 today)
- It will require the same number of operational support employees to manage the new ERP system as it does the current FLAIR system (~60)
- Technical and operational support for FLAIR will be ramped down during Y5 – 7 with costs declining at 25%, 50% and 75% respectively; Support for FLAIR will be discontinued during Y8
- Technical and operational support for the new ERP system will ramp up during years Y3 – 5 at 25%, 50% and 75% of total costs respectively
- It will cost approximately the same amount to administer the infrastructure supporting ERP as it does to administer the infrastructure supporting FLAIR
- End user training costs after implementation are assumed as part of support. Employee staff time to participate in training at 1 day per year is explicitly included for every system user.

1.2.5.6 OPTION 4: UPGRADE ASSUMPTIONS

- A minor upgrade of the system will be performed during Y9 of the project requiring a team of approximately 12 external contractors (and their internal counterparts) to execute
- A major system upgrade required in Y9 of the project requiring a team of approximately 14 external contractors (and their internal counterparts) to execute
- A second minor upgrade will be required during Y12 of the project requiring a team of approximately 12 contractors (and their associated internal counterparts) to execute

1.3 USER GUIDE: BUSINESS CASE MODELS

This guide provides an overview of the Excel model used to create the cost models for each of the options. It is meant to provide readers with an understanding of the model’s design and an explanation of the inputs for generating the model’s results. Changes should be made with caution due to the extensive linkage of data in the spreadsheet. The values in variable fields feed the cost model for the various project phases (Pre-DDI, DDI Phase-1, DDI Phase-2, and upgrades) as well as the 15 – Yr. Cost Summary graphic.

- **Note 1:** For an overview of the model’s construction, please refer to Exhibit A1-14
- **Note 2:** Cell references refer to Option 3. Some small discrepancies in cell location may exist between different options

1.3.1 MISCELLANEOUS VARIABLE DEFINITIONS

The following Exhibit provides the definitions for variables used throughout the business case. There is some variation in the rows included by option, so the row reference may change, but the cell names remain constant.

CELL # ¹¹⁶	CELL NAME	DEFINITIONS
LABOR RATES		
D7	Internal Rate (Weekly) - FLAIR	Hourly cost for State of Florida employees involved with supporting the existing solution multiplied by a 40 hour work week
D8	Internal Rate (Weekly) - ERP	Hourly cost for State of Florida employees involved with supporting the new solution multiplied by a 40 hour work week
D9	Consultant Rate (Weekly)	Average hourly rate for consultants working on the new solution multiplied by a 40 hour work week
D10	Project Management Rate (Weekly)	Average hourly rate for external project managers working on the new solution multiplied by a 40 hour work week
FACILITIES RATES		
D11	Facilities Space: Year One Cost Per Resource	Average total cost per resource for the first year the resource is rolled onto the project. Takes into account purchases of new furniture, supplies, moving costs, etc.
D12	Facilities Space: Additional Cost Per Resource (Yr. One)	Calculated field. The startup (non-recurring) cost for a resource which covers purchase of new furniture, moving costs, etc.

¹¹⁶ Please note that the cell references identified in this section correspond to the Option 3 model. The cell names are consistent between the models, but the column or row reference may vary slightly between the four models.

CELL # ¹¹⁶	CELL NAME	DEFINITIONS
D13	Facilities Space: Cost Per Resource	Average facility cost per resource
D14	Facilities Space: Internal Resources Cost	Average additional overhead cost for internal State resources
SYSTEM USERS		
D15	ERP System Administrators	Estimated number of systems administrators for the new system
D16	ERP Admin Delta	Calculated field. Number of NEW system administrators added each year
D17	ERP System Users	Estimated number of users of the ERP system
D18	ERP System Users (NEW)	Calculated field. Number of new users each year
D19	ERP CMS Users	Estimated number of ERP CMS users
D20	ERP CMS Users Delta	Calculated field. Number of NEW ERP CMS users added each year
SYSTEM SUPPORT		
D21	FLAIR Operational Support	Estimated number of operational resources required to support the existing system
D22	FLAIR Technical Support	Estimated number of technical resources required to support the existing system
D23	CMS Operational Support	Estimated number of resources required to support the existing CMS system
D24	Total Support Resources – Existing Systems	Calculated field. Sum of estimated number of resources required for FLAIR Operational Support, FLAIR Technical Support, and CMS Operational Support
D25	ERP Operational Support	Estimated number of operational resources required to support the new system
D26	ERP Technical Support	Estimated number of resources required to support the new system
D27	ERP CMS Operational Support	Estimated number of resources required to support the ERP CMS functions in the new system
D28	Total Support Resources – ERP	Calculated field. Sum of estimated number of resources required for ERP Operational Support, ERP Technical Support, and ERP CMS Operational Support
PROJECT TEAM		
D29	Internal Project Team (Person Years)	Total internal resources required for overlapping project work streams during the different project phases are in line with those inputs from the Variables: Resources Section. (i.e. if a resource is only needed for ½ year, this row would show 0.5)
D30	External Project Team (Person Years)	Calculated field. Estimated number of required consultant project team members
D31	External Project Managers (Person Years)	Calculated field. Estimated number of oversight resources required for functional consultants
D32	Total Implementation Effort (Person Years)	Calculated field. Sum of Internal Project Team members, External Project Team members and Project Managers

CELL # ¹¹⁶	CELL NAME	DEFINITIONS
STAFF PLANNING		
D33	Total Internal Resources (Roles)	The total number of individual staff roles identified. (i.e. if a resource is only needed for ½ year, this row would show a full internal resource regardless of the fraction of use)
D34	Project Team Members Borrowed From Existing Staff	Blank field. Can be updated with number of internal project team members to be pulled from existing positions
D35	Total OPS Resources	Blank field. Can be updated with number of OPS staff to be used for the project team
D36	Additional Person Years Required	Calculated field. Sums the total resources required less the number of OPS Resources
D37	Baseline Support Team Effort (Person Years)	The baseline effort in technical and operational resources required to support the FLAIR system
D38	Total Support Team Effort (Person Years)	The total effort in technical and operation resources required to support FLAIR and the new system as both are in use
D39	Support Delta	Resource effort required for support of both systems over Baseline Support Team Effort
D40	Support Delta (New Resources)	Annual incremental new resource effort required to support both systems over the Baseline Support Team Size
D41	Internal (Not Borrowed)	Calculated field. Internal Project Team less Project Team Members Borrowed From Existing Staff
D42	Internal (Not Borrowed) - New	Incremental Internal (Not Borrowed) Project Team effort required from the previous year
D43	External Total	Calculated field. Sum of External Project Team and External Project Managers
D44	External Total - New	Incremental External Project Team resource required from the previous year
TRAINING		
D45	Technical Training Class Cost	Cost of one day of technical ERP software
D46	Technical Classes Per Project Team Member Per Year	Number of classes required by each technical team member each year
D47	Weeks of Training Per Non-Technical User Per Year	Number of weeks of training required each year for users of the new system
D48	Weeks of Training Per Non-Technical User Per Year (NEW)	Number of weeks of training required each year for users of the new system who are new resources
SOFTWARE LICENSES		
D49	Average User License: ERP	Average cost per license for core ERP functionality
D50	Average CMS License: ERP	Average cost per license for the CMS functionality in ERP

CELL # ¹¹⁶	CELL NAME	DEFINITIONS
D51	Total Software License Fees	Calculated field. Sum of the license cost above

Exhibit A1-13: Miscellaneous Variable Definitions

1.3.2 VARIABLES: RESOURCES (ROWS 52 – 150)

This section of assumptions prescribes the number of resources required for each work stream at different phases of the project. These numbers are linked to cost calculations throughout the model. Making alterations to these numbers will change the total cost of the option and impact the different cost breakdowns that have been provided in the model.

1.3.3 VARIABLES: WEEKS (ROWS 151 – 250)

This section of assumptions displays the number of weeks during the specified year during which all project resources will be engaged. Internal and external project resources will be applied across the various work streams of the different project phases. These numbers are linked to resource cost calculations throughout the model. Making alterations to these numbers will change the total cost of the option and impact the cost breakdowns provided in the model.

1.3.4 REQUIRED PURCHASES (ROWS 251 – 258)

This section outlines the required purchases in a given year for the operation of the new system. The components of this cost are:

- Software Licenses: FLAIR in ERP – Calculated by multiplying the ERP Users Delta data of a specific year, which is the number of new license purchases required for that year, by the Average User License: ERP data for the same year.
- Software Licenses: CMS in ERP – Calculated by multiplying the ERP CMS Users Delta data of a specific year, which is the number of new license purchases required for that year, by the Average CMS License: ERP data for the same year.
- Computer Hardware – Calculated based on assumptions.
- Supporting Infrastructure Applications – Calculated based on assumptions.
- Data Center Facilities and Equipment – Calculated based on assumptions.

1.3.5 COST TAGGING (COLUMN E)

Hidden in Column E, there are many rows tagged with an identifier to indicate which cost bucket to accumulate costs related to a particular activity. The cost buckets are:

- Implement – Other
- Implement – External

- Implement – Internal
- Maintain – FLAIR
- Maintain – ERP
- Upgrades

These cost buckets are then totaled for each year to calculate the total annual cost. The annual costs of each cost bucket item and the total annual cost are plotted on the 15 – Yr. Cost Summary graph. The points on these graphs are linked with the data in the model. Making changes to data in the model will result in changes to the 15 – Yr. Cost summary graph.

1.3.6 INFLATION RATES

In Row 3, the inflation rates for both internal and external resource costs are identified. The model currently assumes a 1.5% inflation rate for internal resources and a 1.5% inflation rate for external resources and other recurring costs. To alter costs to reflect different inflation rates, simply make the changes to cell I3 for the internal rate and/or J3 for the external rate.

Hidden in Column F, there is a multiplier for the differing inflation rates applied to internal and external resource costs. It is linked to Cells I3 and J3, and is used for the inflation calculation of applicable costs.

1.3.7 OPTION DESCRIPTION

The Excel based models used to create cost estimates for each of the options is depicted below, Exhibit 14, with all rows unhidden. Explanations for each component of the model are given to aid a user in making adjustments to the model as assumptions change.

- Hidden sections of the model are colored in **GREY**

		Inflation Rate		Variable that sets the rate at which wages increase annually																
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Cost Breakdown <i>Note: Hidden "Totalers" calculate costs based on variables input above which are then summed in the un-hidden sections</i>	Misc Variables Number of Resources Required # of Weeks per Year Resources are Required	Ongoing System Support	Upgrades	Upgrade Totaller	DDI P2	DDI P2 Totaller	DDI P1	DDI P1 Totaller	Pre-DDI	Pre-DDI Totaller	Required Purchases	Variables: Upgrades	Variables: DDI Phase 2	Variables: Weeks	Variables: Upgrades	Variables: DDI Phase 2	Variables: Resources	Variables: Misc	Assumptions include: <ul style="list-style-type: none"> Internal and external employee costs Facilities Costs Number of new system users Number of resources required for FLAIR and new ERP technical and operational support Project team size (Internal, External, OPS) Training costs Number of required software licenses and associated costs 	
		Implement / Support / Upgrade Tag: Individual Line Items are tagged with code words to determine which summary functions below that they should be included in																		
		Inflation Rate: Applies the appropriate inflation rate for internal resources or external resources and other costs																		
		4B Crosswalk Tag: Maps each cost component to the appropriate cost bucket in the 4B																		
		Existing / New? Tag: Tag to label whether costs components are existing or new for purposes of the 4B																		
		Details the costs per year for software licenses, hardware, supporting infrastructure applications, and data center facilities and equipment																		
		Details the costs per year for all components of the Pre-DDI phase																		
		Details the costs per year for all components of DDI Phase 1																		
		Details the costs per year for all components of DDI Phase 2																		
		Details the costs per year for required system upgrades																		
Details the costs per year for ongoing system support																				
TOTAL																				
Cumulative Costs		Details costs per year with the following breakdown: <ul style="list-style-type: none"> Implement - Other Implement - External Implement - Internal Implement - Total Maintain - FLAIR Maintain - COTS Upgrades Using the SUMIF command, costs with the appropriate tags are totaled here and used to create the graph below																		
Details costs per year for:		<ul style="list-style-type: none"> Maintaining FLAIR w/ inflation Additional Required Expenditures for Project 																		

Exhibit A1-14: Model Overview

1.3.8 SCHEDULE IV-B CROSSWALK

For Option 3, hidden in Column F, the associated Schedule IV-B terminology is labeled for the applicable cost components to align with the Schedule IV-B requirements.

Cost components of the model are mapped to one of the following the Schedule IV-B cost components:

- A-1.a. State FTEs (Salaries & Benefits)

- A-1.b. State FTEs (#FTEs)
- A-2.a. OPS FTEs (Salaries)
- A-2.b. OPS FTEs (#FTEs)
- A-3.a. Staff Augmentation (Contract Cost)
- A-3.b. Staff Augmentation (# of Contract FTEs)
- B. Data Processing – Costs
 - B-1. Hardware
 - B-2. Software
 - B-3. Other
- C. External Service Provider – Costs
 - C-1. Consultant Services
 - C-2. Maintenance & Support Services
 - C-3. Network / Hosting Services
 - C-4. Data Communications Services
 - C-5. Other: Non-SI Consulting
- D. Plant & Facility – Costs (including PDC services)
- E. Others – Costs
 - E-1. Training
 - E-2. Travel
 - E-3. Other

1.3.9 EXISTING / NEW

For Option 3, hidden in Column G, the cross-walked cost components are labeled as existing or new costs to align with the Schedule IV-B requirements.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

FLAIR STUDY

ATTACHMENT 2: AGENCY BUSINESS SYSTEM INVENTORY



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