The Next Generation

FI$Cal

Financial Information System for California

EDMOND G. BROWN JR ■ GOVERNOR

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INTERAGENCY MEMORANDUM

TO: Christy Quinlan
Secretary
California Technology Agency

FROM: Michael M. Reyna
FI$Cal Project Executive Director

DATE: April 11, 2011

SUBJECT: Transmittal for the FI$Cal Special Project Report Addendum (SPR) 3.A

This memorandum transmits the FI$Cal SPR 3.a as approved by the FI$Cal Steering Committee on April 7, 2011. The addendum has been reviewed and approved by the Partner Agencies.

Should you have questions, please contact me at (916) 576-4848, (916) 445-8918 X 3301, or at Michael.reyna@fiscal.ca.gov.

cc: Fred Klass, Chief Operating Officer, Department of Finance
Erika Li, Office of the Legislative Analyst
De Vose, Bureau of State Audits

State of California

In Partnership With:

Department of Finance
State Controller's Office
State Treasurer's Office
Department of General Services

Financial Information System for California

Special Project Report (SPR) Addendum
Project # 8860-30

(SPR 3.A – 2011-04-06)

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Executive Summary

Special Project Report 3 Addendum (SPR 3.A) provides a basis for understanding and agreement among the Financial Information Systems for California (FI$Cal) Partner Agencies (the Department of Finance, the State Controller's Office, the Department of General Services, and the State Treasurer's Office) on the current status of the Project and the proposed milestone changes. The prior SPR (SPR 3) was submitted and approved in November 2009, and was limited to the two-stage procurement phase [i.e., Fit Gap and systems integrator (SI) Procurement]. Prior to executing a contract with a SI and their proposed software solution, the FI$Cal Project will submit SPR 4 to the California Technology Agency detailing project costs, schedule, benefits, and cost savings for the implementation phase. Conditions of SPR 3 approval were provided by the California Technology Agency [formerly Office of the Chief Information Officer (OCIO)] in a SPR 3 Approval Letter, in which it was stipulated that a SPR will be required if during the procurement phase, the (1) costs increase by $5 million or more, (2) project methodology is modified, (3) scope is expanded, (4) procurement phase experiences a 20% or greater schedule delay, or (5) significant issues are identified during the course of performing project oversight.

To date, none of the five conditions listed above have occurred which require the FI$Cal Project to submit a SPR at this time. However, to maintain transparency and to ensure the most accurate information is being reported, this SPR 3.A is submitted to describe the current project status and accomplishments. Additionally, the purpose of SPR 3.A is to gain California Technology Agency approval of schedule changes through the procurement phase and the submittal timeframe of the subsequent SPR. This Addendum does not propose any changes to the scope, resources, or costs through the Project's procurement phase as approved in SPR 3. The Project will submit a subsequent SPR (detailing FI$Cal implementation costs, schedule, benefits, and cost savings) as stipulated in SPR 3 to the California Technology Agency and a report to the Legislature as required per Government Code Section 15849.21 prior to awarding a contract to a SI to implement their proposed commercial-off-the-shelf (COTS) enterprise resource planning (ERP) software.

The business case and viability remain strong for the FI$Cal system, and the vision, goals, and objectives of the Project are written in California Government Code Section 15849.22, as follows:

> 15849.22. (a) (1) To serve the best interest of the state by optimizing the financial business management of the state, the Department of Finance, the Controller, the Treasurer, and the Department of General Services shall collaboratively develop, implement, utilize, and maintain the FI$Cal system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and funds in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset accounting, project accounting, and grant accounting.
>
> (2) (A) Except as specified in subparagraph (B), the FI$Cal Project Office in the Department of Finance shall implement the requirements of paragraph (1).
>
> (B) Upon the establishment of an Office of the Financial Information System for California, the Office of the Financial Information System for California shall implement

the requirements of paragraph (1), and the FI$Cal Project Office in the Department of Finance shall no longer implement those requirements.

(b) (1) All state departments and agencies shall use the FI$Cal system, or, upon approval from the office, a department or agency shall be permitted to interface its system with the FI$Cal system. The FI$Cal system shall replace any existing central or departmental systems duplicative of the functionality of the FI$Cal system.

(2) The FI$Cal system shall first be developed and used in partnership with a select number of departments, including the officers and departments identified in subdivision (a). Once the FI$Cal system has developed end-to-end processes that will meet the financial management needs of all state departments and agencies and have proven to be effective, operationally efficient, and secure, the FI$Cal system shall be implemented, in phases, at all remaining state departments and agencies, or, upon approval of the office, a department or agency shall be permitted to interface its system with the FI$Cal system.

(c) The Legislature intends that the FI$Cal system meet the following objectives:

(1) Replace the state's aging legacy financial management systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. For purposes of this paragraph, "financial management" means accounting, budgeting, cash management, asset accounting, vendor management, and procurement.

(2) Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.

(3) Maintain a central source for financial management data to reduce the time and expense of vendors, departments, and agencies collecting, maintaining, and reconciling redundant data.

(4) Increase investment returns through timely and accurate monitoring of cash balances, cash-flow forecasting, and timing of receipts and disbursements.

(5) Improve fiscal controls and support better decision-making by state managers and the Legislature by enhancing the quality, timeliness, consistency, and accessibility of financial management information through the use of powerful data access tools, standardized data, and financial management reports.

(6) Improve access and transparency of California's financial management information allowing the implementation of increased auditing, compliance reporting, and fiscal accountability while sharing information between the public, the Legislature, external stakeholders, state, federal, and local agencies.

(7) Automate manual processes by providing the ability to electronically receive and submit financial management documents and data between agencies, departments, banks, vendors, and other government entities.

(8) Provide online access to financial management information resulting in a reduction of payment or approval inquiries, or both.

(9) Improve the state's ability to preserve, access, and analyze historical financial management information to reduce the workload required to research and prepare this information.

(10) Enable the state to more quickly implement, track, and report on changes to financial management processes and systems to accommodate new information such as statutory changes and performance information.

(11) Reduce the time, workload, and costs associated with capturing and projecting revenues, expenditures, and program needs for multiple years and scenarios, and for tracking, reporting, and responding to legislative actions.

(12) Track purchase volumes and costs by vendor and commodity code or service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.

(13) Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods and services available from existing sources, including, but not limited to, using leveraged procurement agreements.

(14) Streamline the accounts receivable collections process and allow for offset capability which will provide the ability for increased cash collection.

(15) Streamline the payment process and allow for faster vendor payments that will reduce late payment penalty fees paid by the state.

(16) Improve role-based security and workflow authorization by capturing near real-time data from the state's human resources system of record.

(17) Implement a stable and secure information technology infrastructure.

Project Approval Transmittal

The FI$Cal Steering Committee Members by consensus decision approved this SPR 3.A on April 7, 2011.

Fred Klass
Chair
FI$Cal Steering Committee

Veronica Chung-Ng
Program Budget Manager
Department of Finance

Karen Finn
Program Budget Manager
FI$Cal Project

Jim Butler
Deputy Director
Procurement Division
Department of General Services

Teresa Bierer
Deputy Director
Administration Division
Department of General Services

John Hiber
Chief Operating Officer
State Controller's Office

Jim Lombard
Chief Administrative Officer
State Controller's Office

Mark Hariri
Director, Cash Management
State Treasurer's Office

Jill O'Connell
Chair, Customer Impact Committee

Project leadership approval/concurrence:

Michael M. Reyna
Project Executive/Director
FI$Cal Project

Information Technology Project Request

Special Project Report

Executive Approval Transmittal

Department Name			
Department of Finance: In partnership with the State Controller's Office, State Treasurer's Office and Department of General Services			
Project Title (maximum of 75 characters)			**Project Acronym**
Financial Information System for California			FI$Cal
FSR Project ID	**FSR Approval Date**	**Department Priority**	**Agency Priority**
8860-30	7/26/05	1	N/A

APPROVAL SIGNATURES

I am submitting the attached Special Project Report (SPR) in support of our request to continue development and/or implementation of this Project.

I certify that the SPR was prepared in accordance with the State Administrative Manual Sections 4945-4945.2 and that the proposed project changes are consistent with our information management strategy as expressed in the California Information Technology Strategic Plan.

I have reviewed and agree with the information in the attached SPR.

State Chief Information Officer[1]		**Date Signed**
		4/13/11
Printed name:	Adrian Farley (Chief Technology Officer)	
Project Administration Director		**Date Signed**
		4/12/11
Printed name:	Jan Rosman	
Department Director		**Date Signed**
		4/12/11
Printed name:	for Ana Matosantos Fred Klass	
Agency Secretary		**Date Signed**
N/A		
Printed name:	N/A	

[1] The FI$Cal Project proposed in this SPR is consistent with and supports Goal 2: Implement Common Business Applications, of the State's Information Technology Strategic Plan.

Proposed Project Change

Project Status and Accomplishments

The Project is currently 15% behind schedule as compared to the schedule approved in SPR 3. However, per the SPR 3 Approval Letter, the Project is not required to submit a SPR unless the procurement phase experiences a 20% or greater schedule delay. Further, the 15% delay is based upon the procurement phase in its entirety, and does not reflect the Project achieving milestones ahead of schedule. As shown in table 1, the Project has been effective in managing to the approved SPR 3 schedule, and has completed all milestones (to date and near term) ahead of schedule.

Table 1: SPR 3 Milestone Schedule

SPR Milestones	SPR 3 Approved Date	SPR 3 Addendum Date	Actual Completion	Variance (Days)
Special Project Report #3	12/23/09		11/19/09	25 Days Early
Release RFP	05/07/10		04/21/10	13 Days Early
Award Stage 1 Contracts	09/03/10		06/30/10	49 Days Early
Pre Fit Gap Activities (Begin Fit Gap)	09/13/10		07/01/10	54 Days Early
Execute Fit Gap (Finish)	05/27/11	05/06/11		
Stage 2 Acquisition (Bid Eval Complete)	12/30/11	11/14/11		
Award Stage 2 Contract	12/30/11	04/09/12		

Since the approval of SPR 3, the Project has completed several key project activities to ensure the two-stage procurement is successful and also to prepare the Project to succeed during the implementation phase. Key accomplishments include:

- Request for Proposal (RFP) – In April 2010, the Project published a bundled (system integrator with software) RFP to solicit bids from vendors.
- Bidder Library – In April 2010, the Project created an electronic Bidder Library to publish materials requested by bidders' throughout Stage 1. To date, nearly 1,200 documents and artifacts have been published for the bidders to reference.
- Project Communication – By April 2010, the Project began to conduct quarterly FI$Cal Forums to update state department stakeholders of project status and upcoming milestones. Also chartered during this time period was the FI$Cal Customer Impact Committee (CIC). This committee is comprised of various state department representatives, and is intended to ensure departments have input (i.e., a voice) on issues of concern.

- Stage 1 Contract Awards – By June 2010, all bids were evaluated and scored with contracts awarded to three bidders to perform a Fit Gap Analysis of their proposed software solutions to the state's requirements and expectations. Contracts were awarded to:
    - Accenture – proposing Oracle Peoplesoft software
    - CGI – proposing AMS Advantage software
    - IBM – proposing SAP software
- Project Facility – In June 2010, the Project secured an interim facility to conduct Stage 1 of the procurement.
- Enterprise Architecture (EA) – In July 2010, the Project defined a series of Enterprise Architecture goals and standards which are aligned to the California IT Strategic Plan. Many of these EA principles have been communicated to the Stage 1 contractors as requirements that will need to be satisfied throughout the systems development lifecycle.
- FI$Cal As-Is Business Processes and Legacy Systems (FABALS) – In August 2010, the Project completed the evaluation and documentation of a representative sampling of state department financial (Accounting, Budgeting, and Procurement) business processes and legacy systems. This effort resulted in over 3,000 pages of documentation. The documentation resulted from the following evaluations:
    - Business Process Documentation was compiled from conducting 71 interview sessions with 350 subject matter experts in 34 departments.
    - Legacy System Documentation was compiled from conducting 96 interview sessions in 29 departments for 147 legacy systems (excluding spreadsheets).
- Organizational Change Management – By September 2010, the Project conducted 78 face-to-face outreach sessions with administrative and IT leadership teams of 134 organizations which represented every department identified in SPR 2.
- Fit Gap Presentations and Confidential Discussions – By November 2010, the Project addressed more than 1,800 questions from the Stage 1 contractors in 78 Fit Gap presentations and 72 confidential discussions. These sessions focused on providing information to the contractors to:
    - Understand Project assumptions.
    - Accurately estimate the size and complexity of the FI$Cal Project.
    - Interact with the Project team to gain understanding of:
        - Project governance.
        - Responsibilities of constitutional/statutory roles.
        - Project scope.
        - System requirements.
        - As-Is business processes.
        - Legacy systems.
        - Organizational Change Management.

        - Master building blocks [Chart of Accounts (COA), Master Vendor File (MVF), and state IT standards].
        - Legal statutes affecting system requirements.
        - Stage 2 Statement of Work.
        - Stage 2 Proposal Requirements.
    - Understand the Stage 2 scope in order to prepare an accurate cost estimate for the Proposed Solution.

- Terms & Conditions (T&C) – By December 2010, the Project had completed preliminary negotiations of the T&C with all three Stage 1 contractors. Because of the nature of the two-stage procurement, T&C negotiations are being performed prior to the three contractors (Stage 2 Bidders) submitting their Stage 2 Final Bids. Best and Final Offer (BAFO) will be conducted during Stage 2.

- Project Governance – In December 2010, per the recommendations by the Executive Team, IV&V, and IPO, the Project Charter document was updated and approved to include a Steering Committee Executive Working Group comprised of Partner Steering Committee Executives and the California Technology Agency. This working group meets monthly or more frequently as needed to carefully review and consider major Project issues and make recommendations to the full Steering Committee. This new governance role has been effective since being introduced to ensure that Project decisions are being made at the lowest level, and are escalated when necessary.

- Project Leadership – Even though the Project experienced turnover of key leadership positions (i.e. Project Executive and Director) within a three-month span in late 2010, by February 2011 the Project Steering Committee appointed the interim Project Director into a dual role as the permanent Project Executive/Director to improve leadership and decision-making for the Project.

- Stage 1 Deliverables – By March 2011, the Project received, reviewed, and accepted deliverables from each of the three Stage 1 contractors. These deliverables were:
    - Deliverable 1 – Functional Architecture Document
    - Deliverable 2 – Technology Architecture Document
    - Deliverable 3 – Implementation Approach Document
    - Deliverable 4 – Business Process Reengineering Document
    - Deliverable 5 – An interactive Pilot designed around validation of the software application against the state's business processes.

- RFP Addendums – Throughout Stage 1 of the procurement, the Project has released multiple RFP Addendums to reduce ambiguity, so that each Stage 2 bidder is more able to accurately estimate the size and complexity of the FI$Cal Project.

- Chart of Accounts (COA) – A COA Workgroup was chartered to define a statewide COA structure that will support the state's financial management processes. To date, the COA Workgroup documented the existing Uniform Codes Manual (UCM)

structure including current issues and problems. This workgroup also made a presentation to all three vendors on the state's vision of a general design of the coding structures and proposed recommendations of additional elements and structures to be considered for inclusion in defining a new COA during the implementation phase.

- Vendor Management File (VMF) – A Vendor Management File (VMF) Workgroup was chartered to identify critical data elements to support a central source of vendor information which will be used by all departments. To date, this workgroup developed a vendor management and reporting data template to provide a description and states the purpose for each data element/field, as required by control agencies and departments for proper vendor reporting. To ensure the proper design and development of a single enterprise-wide vendor management file, the VMF Workgroup presented this information to contractors using cross-cutting data flow charts of the state's view of the current "As-Is" decentralized and redundant vendor processes as well as the state's vision of a "To-Be" process reflecting a self-service web portal to allow approved vendors to manage information online and make payments through a centralized payee data record.

- Pre-Implementation Readiness – The Project has identified and initiated several sub-projects to prepare the state team for the implementation phase prior to a contract being awarded to a SI. These major work efforts were not planned for at the time of SPR 3 approval, and include:
    - Benchmarking – The Project is in progress of procuring a vendor to assist the state in conducting a benchmarking study that will be used by the Project to categorize financial business processes and transactions into measurable business functions that can be compared and contrasted to similar public sector organizations. This benchmarking study will be used to provide the Legislature, California Technology Agency, and other stakeholders fact-based analytical data to support any operational improvement initiative.
    - Common Business Process Reengineering (BPR) – The Project is in progress of identifying several common opportunities for business process reengineering from all three Stage 1 contractors in their BPR deliverables. The Project is planning to begin BPR activities to support the implementation of an ERP solution regardless of the SI and proposed solution selected prior to SI contract award.
    - Data Management – One type of activity which has been identified from discussions and lessons learned from other state IT projects is to begin data conversion as early as possible. The Project is using the initial documentation gathered from the FABALS to begin the categorization and cleansing of data now.
    - System Interfaces – Develop a legacy system interface strategy to determine how different systems will exchange/process data with the FI$Cal system.

Reason for Proposed Change

The Project is proposing to change the milestone dates approved in SPR 3 as a result of continuous schedule planning, monitoring, and controlling efforts. The major factors which have contributed to the Project re-planning the Project schedule with proposed schedule changes are:

- Statewide Hiring Freeze Directive – In August 2010, a statewide hiring freeze was directed by Governor Schwarzenegger. This directive constrained the Project from hiring staff, eliminated overtime, and impeded the Project from acquiring contract resources with specialized skills. The immediate results from this directive included:
    - Extending the Fit Gap presentation schedule by 30 days.
    - Modifying the Stage 1 deliverable review (by state staff) to occur sequentially rather than concurrently because of resource constraints.
    - Redistributing staff resources to complete existing scheduled work without the ability to authorize overtime pay.
- Schedule Refinement – At the time of SPR 3 approval, planned work for major efforts such as Fit Gap Requirements Review and SPR 4 were not fully decomposed to the task level with assigned resources. The Project has updated duration and effort estimates for these major work efforts as part of the schedule refinement process.
- Automated Schedule Processes – After SPR 3 approval, the Project initiated an effort to implement Microsoft Project Server to automate schedule processes and improve the Project's ability to manage schedule dependencies between interrelated Project schedules for major work efforts. The Project is near completion of implementing the enterprise scheduling software.
- Legislative Review – At the time of SPR 3 being written, Government Code Section 15849.22 called for a Legislative Pause; "...the FI$Cal system shall be limited to Wave 1 implementation and subsequent implementation will proceed only after Legislative approval". Since SPR 3 was approved, the Legislative Analyst's Office (LAO) reviewed the merits of the Legislative Pause to determine the best timing for allowing for a review by the Legislature. As a result of this review, the Project is now required per Government Code Section 15849.21 to submit a Legislative Report after approval of SPR 4 for a 90 day review. The project schedule has been updated to reflect the 90 day review period which was not anticipated at the time SPR 3 was approved.

Proposed Project Change

This SPR 3 Addendum updates the Project Schedule to reflect more accurate milestone dates as a result of continuous schedule planning, monitoring, and controlling; it is intended to enable the Project to report the most accurate schedule progress of when the FI$Cal Project will complete the two-stage procurement of a systems integrator (SI) and their proposed commercial-off-the-shelf (COTS) enterprise resource planning (ERP) software. This Addendum does not propose any changes to the scope, resources, or costs through the Project's procurement phase as approved in SPR 3.

Special Project Report 3 Addendum

The Project proposes to report progress against the following milestones throughout the remainder of the procurement phase.

- SPR 3 – 11/19/2009 (complete)
- Release RFP – 04/21/2010 (complete)
- Award Stage 1 Contracts – 06/30/2010 (complete)
- Begin Stage 1 (Fit Gap) – 07/01/2010 (complete)
- Complete Stage 1 – 05/06/2011
- Stage 2 Final Bids Due – 06/17/2011
- Stage 2 Bids Evaluation Complete (includes BAFO negotiations) – 11/14/2011
- SPR 4 Approved – 01/09/2012
- Submit Legislative Report – 01/10/2012
- Stage 2 Contract Award – 04/09/2012

The strategy and timeline in this SPR 3.A are based on the following assumptions:

- Partner Agency and departmental staff participating on the FI$Cal Project are empowered to make decisions on behalf of their respective organizations in a timely manner so as to not impact the Project schedule.
- FI$Cal Project staff will effectively communicate Project needs in a timely manner to provide Partner Agency and departmental staff reasonable timeframes for making decisions.
- The FI$Cal Project, Partners, and participating departments are able to obtain sufficient state staff and contract resources to execute the Project.
- Significant budget delays or administrative policies do not prevent the Project from acquiring state staff and contract resources needed to execute the Project.
- The Department of General Services will expedite procurement reviews and approvals in accordance with the Project schedule.
- The California Technology Agency will conduct its review of SPR 4 in parallel to the FI$Cal Project Steering Committee in accordance with the Project schedule.
- The California Technology Agency will allow submission and will process SPR 4 in December 2011 – January 2012; this timeframe is outside of the normal SPR submittal timelines as outlined in IT Policy Letter 10-07.
- The Legislature will complete their review of the Legislative Report within 90 days of receipt and provide approval for FI$Cal to award an SI contract.