

# State of Kansas



## Financial Management System Needs Assessment Project

**Government Efficiency and Technology Committee**

**February 6, 2007**

# Outline

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- Needs Assessment Project Overview
- Findings and Recommendations
  - Business Requirements/Scope
  - Implementation Project
  - Estimated Costs
  - Business Case
  - Pre-Implementation Activities
  - Alternative Solutions
- Project Status
- Next Steps
- Questions

# Project Overview

## Project Drivers/Scope

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- Pursued update of 2001 FMS Needs Assessment due to:
  - Changes in philosophy and approach to execution of State administrative functions since 2001
  - Potential changes in agency business processes since 2001, including additional investments in automation
  - Potential changes in agency plans/direction and cost/benefit
  - Advances in technology and changes in the marketplace for Financial Management System software since 2001.
  
- Needs Assessment Project Scope
  - Update Business Requirements
  - Update and evaluate Business Case (Cost/Benefit)
  - Develop recommendations regarding best practices/roadmap for implementing a new statewide FMS
  - Evaluate impact/options re: Budget System and SHARP

# Project Overview

## Organization/Governance

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- Project conducted from mid-September 2006 through mid-December 2006.
- Engaged Salvaggio, Teal, and Associates (STA) of Austin, Texas as consulting partner. They have performed similar work in six other states.
- Day-to-day direction and support from small internal team from Accounts and Reports, Purchases, and DISC
- Oversight provided by three project sponsors from the Department of Administration
  - Duane Goossen, Secretary of Administration
  - Carol Foreman, Deputy Secretary of Administration
  - Denise Moore, Executive Branch Chief Information Technology Officer

# Project Overview

## Organization/Governance – Steering Committee

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Project oversight also provided by a 13-member steering committee representing all branches of state government. Met approximately monthly, four times during project.

- Chair - Carol Foreman, Deputy Secretary of Administration
- Mary Blubaugh, Board of Nursing
- Alan Conroy, Legislative Research Department
- Gary Daniels, Department of Social & Rehabilitation Services
- Elaine Frisbie, Department of Administration; Division of Budget
- Kathy Greenlee, Department on Aging
- Mike Hayden, Department of Wildlife and Parks
- Lynn Jenkins, State Treasurer
- Deb Miller, Department of Transportation
- Reginald Robinson, Board of Regents
- Howard Schwartz, Judicial Administrator
- Joan Wagnon, Department of Revenue
- Roger Werholz, Department of Corrections

# Project Overview

## *Execution*

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The Needs Assessment Project was composed of:

- Project Management
- Requirements Review and Validation
  - Focus Group meetings
  - Outreach meetings
  - Use of online posting/notification to solicit input
- Business Case Review and Cost Estimates
  - Meetings with Stakeholder Agency CFOs
  - “System” Survey, “Value Pockets” Survey, including follow-up meetings with several agencies
- Analysis to identify options for existing systems (SHARP, BMS, others)
- Communication

# Project Overview

## *Participation/Communication*

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- Over 200+ individuals and 50 agencies participated
- Met individually with 17 stakeholder agencies (agencies with larger budgets, complex accounting needs, and/or significant “shadow” systems) to discuss issues with current systems, FMS needs, and future plans
- Met with stakeholder groups for the system to present information and seek input, including:
  - Agency STARS Rapport Association (ASTRA)
  - Small Agency Group
  - Regents Council of Business Officers (COBO)
  - Regents Controllers
  - Information Technology Advisory Board (ITAB)
- Web site received 3000+ page views since 9/15/06. In the last 30 days, the final report was viewed or downloaded over 600 times, the Executive Summary over 250 times

# Findings and Recommendations

## *Recommended Scope for Implementation*

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- **General Ledger/Budgetary Control**  
*(Includes Budgetary Control, Project/Grant Accounting, Cash Management, and Cost Allocation)*
- **Accounts Payable**
- **Procurement (including eProcurement)**
- **Asset Management**
- **Budget Development Integration (3 options)**
  - 1 - Replace BMS with new budget module
  - 2 - Keep BMS - Acquire new module for agency operating budget creation and maintenance, interface to BMS.
  - 3 - Keep BMS – Continue to interface, similar to what's done now
- **Data Warehouse/Reporting**



# Findings and Recommendations

## *Recommended Scope for Implementation (cont.)*

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### **Systems in scope for replacement:**

- STARS
- STARS Ad Hoc
- Procurement Manager Plus
- All state agency “shadow” systems

### **Systems that may be replaced or augmented:**

- Budget Management System (BMS)

### **Systems not replaced as part of implementation:**

- SHARP
- SOKI3+
- Kansas Debt Recovery System (Setoff)
- Regents Institutions systems

# Findings and Recommendations

## *Implementation Project – What's Included?*

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### **A Financial Management System Project includes:**

- Pre-Implementation Activities
- Project Management / Independent Project Oversight
- Organizational Change Management (Communication)
- Software Installation, Configuration & Process Reengineering
- Custom Development, including:
  - Automated Interfaces
  - Software Modification / Enhancements / Workflow Configuration
  - Report Development
  - Data Conversion / Loading
- Technical Platform Build and Testing
- Software Testing (including Data Conversion, Reports, etc.)
- Data Warehouse Implementation
- End User Training and Documentation
- Post-Implementation Support

# Findings and Recommendations

## *Implementation Project – Approach/Timeline*

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- **Implementation Approach**

  - Big Bang (all agencies go-live simultaneously)

- **Project Length** - 21 months

- **Go-live Approach**

  - Study recommends FY-end go-live. However, survey results from numerous states are included in the study and show diverse approaches. Decision to be made as part of pre-implementation.

- **Project Timeframe**

  - Proposed 18 months of pre-implementation activities with implementation phase beginning October 1, 2008 and go-live on July 1, 2010. Actual dates dependent upon decision on mid-year vs. FY-end go-live and duration of pre-implementation phase.

- **Project Staffing**

  - Project estimated to require 50 state staff and 33 consultants at peak.

# Findings and Recommendations

## *Project Organization and Governance*

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- Recommended Sponsors
  - Governor's Office
  - Secretary of Administration
  - Executive Branch Chief Information Technology Officer
  - Agencies that contribute major funding to effort
- Steering Committee
  - Continue existing steering committee approach and membership
- Organization
  - Establish as an independent enterprise project office separate from the Department of Administration to reflect statewide nature of project

# Findings and Recommendations

## *Estimated Implementation Costs*

Category	Amount
Consulting Fees	\$ 27,371,600
Cost of State Employee "Backfilling"	\$ 5,265,246
Software License Fee	\$ 4,000,000
Software Maintenance Fees (1st year)	\$ 800,000
Facilities/Other (incl. bar-coding equip. for Asset Mgmt)	\$ 1,250,000
Technical Platform/Infrastructure ( <i>during implementation</i> )	\$ 2,040,000
<b>Total Cost of Implementation</b>	<b>\$ 40,726,846</b>

**Key Assumptions:** \$210/hr average consulting rate, 100% backfill of 50 state staff at \$33.85/hr (\$50,000 salary; 30% benefits; 1,920 hours per year), total cost of implementation accurate to within +/-10%; the figures above do not include an amount for contingency.

# Findings and Recommendations

## *Estimated Ongoing Costs*

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- Infrastructure
  - Estimate of \$1,200,000 per year
- Annual software maintenance fees
  - Estimate of \$824,000 in FY2011 and assumes 3% increase each year thereafter
- Staffing
  - Estimate of \$1,820,000 per year to provide ongoing support, training, and operations
- Upgrades
  - Assumes an application software upgrade will be required in Year 7 and Year 11 at an estimated cost of \$5,053,134 for each upgrade.

# Findings and Recommendations

## *Funding Approach*

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- Addressed in Governor's Budget 2008  
Recommendations
- Proposed Funding Components
  - Ongoing Appropriation for Department of Administration
  - One-time contributions from state agencies in Fiscal Year 2009 and 2010
  - Ongoing Cost Recovery Fee charged to agencies upon implementation to cover ongoing maintenance and upgrades

# Findings and Recommendations

## *Business Case - Estimated Benefits*

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### ■ System Savings

- Total of approximately \$27,600,000 in estimated annual systems cost savings reported over 11-year estimating period
- Represents avoidance of maintenance/upgrades to existing shadow systems, as well as avoidance of investments in new/replacement shadow systems

### ■ Process Improvement Benefits

- FTE-based benefits estimated at \$3.5 million annually after discounting (*79.1 FTE annually*)
- Non-FTE-based benefits estimated at \$3 million annually (procurement and postage savings)



# Findings and Recommendations

## *Business Case (Payback Analysis)*

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- Approximately \$5.7 million annually in benefits beginning with second full year of implementation
- Payback in Year 12 (Go-live in Year 4)
- STA found that process improvements and system savings are significantly understated:
  - Most agencies reported no significant investment in new and existing systems in next 10 years if no statewide FMS is implemented.
  - Numbers not included in calculations, but STA estimated another \$11.3M in potential shadow system acquisitions if no statewide FMS implemented. This would move payback to 9 or 10 years.
  - Potential under-reporting of process-improvement benefits based on comparison to other states
  - FTE-based benefits/savings have been significantly discounted

# Findings and Recommendations

## *Pre-Implementation Activities*

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### **Highlights from Implementation Best Practices section of report:**

- Formalize pre-implementation governance structure and organization as a project and then staff appropriately
- Perform organizational change readiness assessment
- Develop/initiate staffing approach for implementation
- Document State's "As Is" business processes
- Perform data cleansing activities
- Review/evaluate existing chart of accounts
- Conduct analysis to determine how to best address SHARP time and effort functionality
- Decide on procurement approach, then execute RFP development, evaluation, award for software/services

# Findings and Recommendations

## *Alternative Solutions*

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- Status quo (do nothing)
- Custom development
- Implement a “best-of-breed” solution to address immediate needs (e.g., eProcurement system)
- Enhance existing systems and processes
- Outsourcing
  - Outsourced hosting
  - Outsourced business processes
  - Some combination of above

# Findings and Recommendations

## *Overall Recommendation from FMS Study*

- The State should proceed with a project to acquire and implement a statewide Financial Management System:
  - The State could realize a significant financial return on its investment in a new FMS—Payback in Year 12, \$5.7 million annual net savings beginning in Year 5
  - A new FMS would provide significant intangible benefits to the State not addressed by the financial calculations performed in this Study, such as better decision-making resulting from better information, improved level of service to internal and external customers, etc.
  - Agencies continue to spend, and have plans to spend, significant amounts on enhancing their existing agency-specific legacy systems or purchase their own agency-specific integrated systems – this funding could be applied toward the implementation of a single, statewide FMS
  - Redundant, manual work continuing to proliferate, along with smaller custom shadow systems
  - Previously existing shadow systems getting older, with even less technical support available
  - Increased retirements in next decade will provide more risk around custom/non-standard approaches, but also increase opportunity to capture savings through process standardization and automation

# Project Status

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- All project deliverables completed and approved by State
- Presented results to sponsors and steering committee for approval
- Final report posted to public project Web site at <http://da.ks.gov/ar/fms/>
- Filed final project reports with Kansas Information Technology Office (KITO)
- Present results of study to stakeholder groups:
- Since the completion of the project in December, results have been presented to the House Appropriations Committee, Joint Committee on Information Technology (JCIT), the Regents Council of Business Officers, Regents Controllers, Small Agency Group, ITEC, and to a “reunion” of agency Focus Group participants

# Next Steps

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- Continue to present study results to stakeholder groups and obtain feedback.
- Continue to work with Legislature to obtain approval
- Use Web site to continue to provide updates and other pertinent information as available

# Ongoing Project Information



For more information, please contact:

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The State of Kansas recently completed a study to assess agency and central needs for a statewide financial management system (FMS). The goal of the study was to identify and evaluate the cost-benefit of various alternatives for meeting those needs, including the possibility of acquiring a new statewide FMS. The study was facilitated by Department of Administration staff, assisted by the consulting firm of Salvaggio, Teal, and Associates from Austin, Texas and completed on December 15, 2006.

*This web site provides historical information about the project, including a copy of the final report. Please check back for periodic updates!*

**New!** [Focus Group Project Wrap-up/Appreciation Presentation \(MS Powerpoint\)](#) (January 29, 2007)

**Agency Feedback**  
We are currently soliciting formal/informal feedback from state agency staff and managers on both the execution of the project and results of the Statewide FMS Needs Assessment. Please use the form below to submit feedback. Responses are due by February 9, 2007.

- [FMS Needs Assessment Agency Feedback Form \(posted January 22, 2007\)](#)  
[\[Word format\]](#) [\[pdf format\]](#)

**Final Report**  
The final report from the Needs Assessment Study is now available.

- [Executive Summary \[pdf\]](#)
- [Statewide Financial Management Needs Assessment Study Update \(includes Executive Summary\) \[pdf\]](#)
- [Appendices \[pdf\]](#)

**Project Steering Committee**

- [Steering Committee Minutes - January 4, 2007 \(.pdf\)](#)
- [Steering Committee Presentation - January 4, 2007 \(MS Powerpoint\)](#)

<http://da.ks.gov/ar/fms/>

# Questions/Comments

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