

Washington State Roadmap Program

Agency Advisory Group

July 30, 2008

Cascade A Conf. Rm, 4th Floor SBCTC

Agenda

Welcome

Roadmap Update:

- **Modernizing the Core Financials – Next Steps**

Other Updates:

- **Enterprise Data Definitions/Chart of Accounts Phase 1 Report**
 - Findings and recommendations
- **A/R Survey**
 - Results
- **Central Accounting Systems Interface Inventory**
 - Findings and conclusions
- **Time and Leave Collection and Labor Distribution Survey**
 - Results
- **Other Positioning Activity Updates**

Modernizing the Core Financials – Next Steps

- **Positioning activities continue to make important contributions to our understanding of the options on how best to proceed**
 - We will discuss one of these key “ahas” today
- **The Roadmap Program governance structure needed to be improved**
 - This work is now complete. The newly restructured Steering Committee first meets on August 4.
- **It is time to set a direction and workplan**
 - The Roadmap Steering Committee will set this direction over the next six meetings—between August and November, 2008.

What is the problem we're trying to solve?

- OFM is required by RCW 43.88.160(1) to maintain "...a modern and complete accounting system for each agency..."
- The current suite of core financial systems is no longer complete or modern

“The core financial system is not modern or complete” – What does this mean?

Why not modern or complete	The impact
<ul style="list-style-type: none">• Systems are built on obsolete technology (e.g. 1970's VSAM etc.)	<ul style="list-style-type: none">• Not very flexible or scalable; it is costly to make system changes as business needs change• Increasing risk over time of finding adequate resources to support the technology• Aging technology adds to the challenge of attracting and retaining top quality staff throughout state government.
<ul style="list-style-type: none">• Not easily possible to integrate data well to meet today's demands for management, analysis and transparency	<ul style="list-style-type: none">• Can't capture performance/results information in context with financial information• Re-keying of data required throughout business processes because systems are not adequately integrated• Lower quality decisions

“The core financial system is not modern or complete” – What does this mean?

Why not modern or complete

- Key subsidiary systems, critical to a complete accounting system, either are not offered to the enterprise, are no longer supported, or do not meet the majority of core enterprise needs (e.g., Accounts receivable, capital asset management, time reporting, cost allocation, performance measure management, etc.)
- Some functionality now considered a standard part of financial systems is not available in current suite of older products (e.g., Activity-based costing or cost accounting, procure-to-pay support, real-time updates, dashboard and management views, web-enabled data query, etc.)

The impact

- More cost to the state than necessary to continue building multiple tools to address fundamental and common financial management needs
- Increased staff training costs and decreased productivity when staff move between agencies and have to learn new systems
- Lower quality decisions
- Difficult to meet industry best practices
- Don't meet management or citizen needs/expectations for information and transparency

What is the Key Decision to be Made?

- **We have posed the question as “either/or”:**
 - “Which approach should we take to modernize the core financial systems—leverage our investment in AFRS or leverage our investment in SAP?”
- **What we’ve learned has helped us reframe the question:**
 - Our positioning-activity research on data integration strategies and service-oriented architecture shows that an either/or decision as a first step is no longer necessary
- **We now believe the question should be:**
 - “What is the recommended approach and sequence for completing the modernization of the core financial systems?”

Previous Assumptions

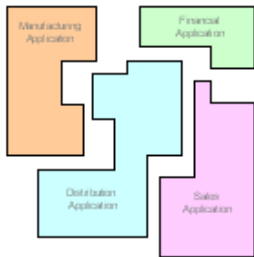
The leverage AFRS option:

- best allows for incremental change, but
- data integration must largely be achieved with a multitude of system-to-system interfaces

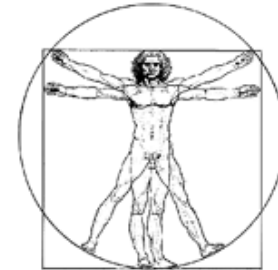
The leverage SAP option:

- best provides for data integration, but
- necessarily meant implementing most of the SAP modules at the same time in order to achieve the benefits

Certain findings around architecture strategies have changed our assumptions



- Human Scale Applications



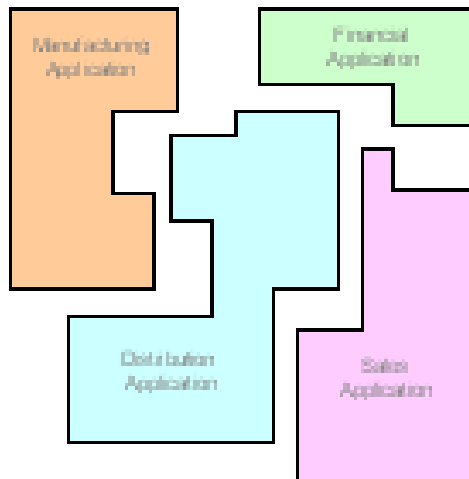
- Loose Coupling

- Promote Reuse



- Incremental Migration

Architecture Strategies



- Loose Coupling



Once upon a time, tightly integrated was the way to go...

But every time a new technology came along (like the eight track tape in this very fuzzy picture), it made the whole hi-fi obsolete.





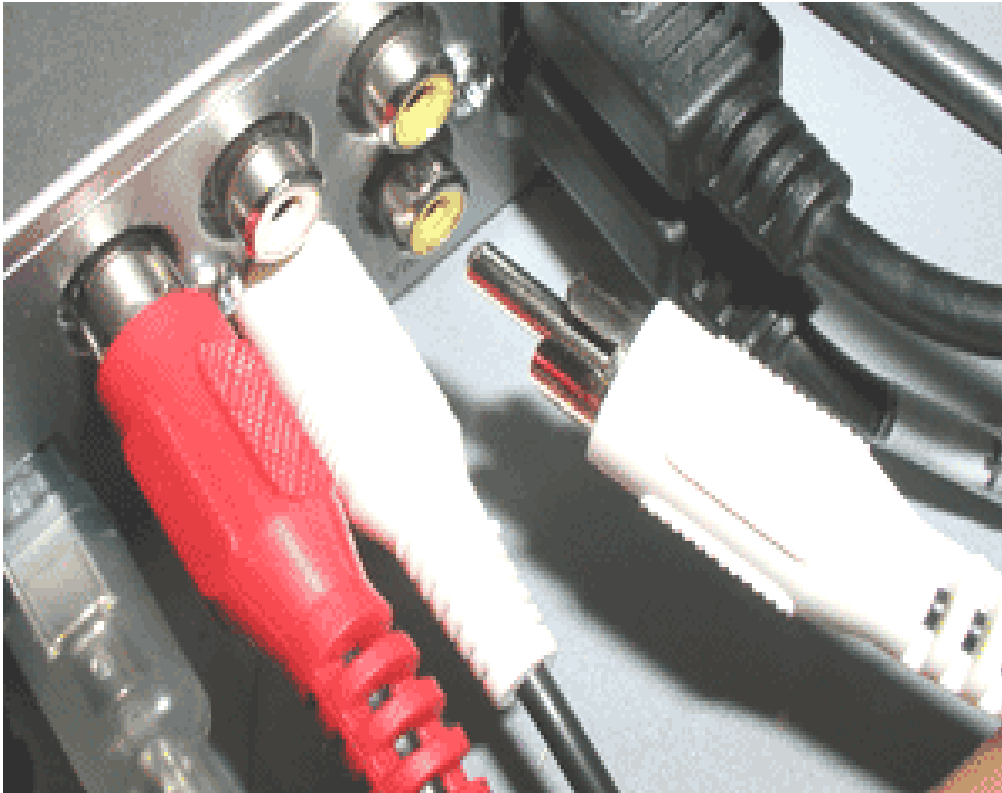
This lead to the birth of
modular systems

or

De-coupled systems

The key to modularity is
standard interfaces





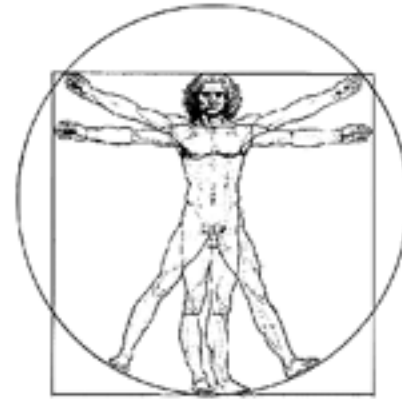
Which allows a wide variety of components from different vendors to be tightly integrated, and yet incrementally upgraded

Architecture Strategy – Loose coupling

- The goal should be to build a standard interface between systems
- Then plug in new systems as needed without impacting the rest of the solutions

Architecture Strategies

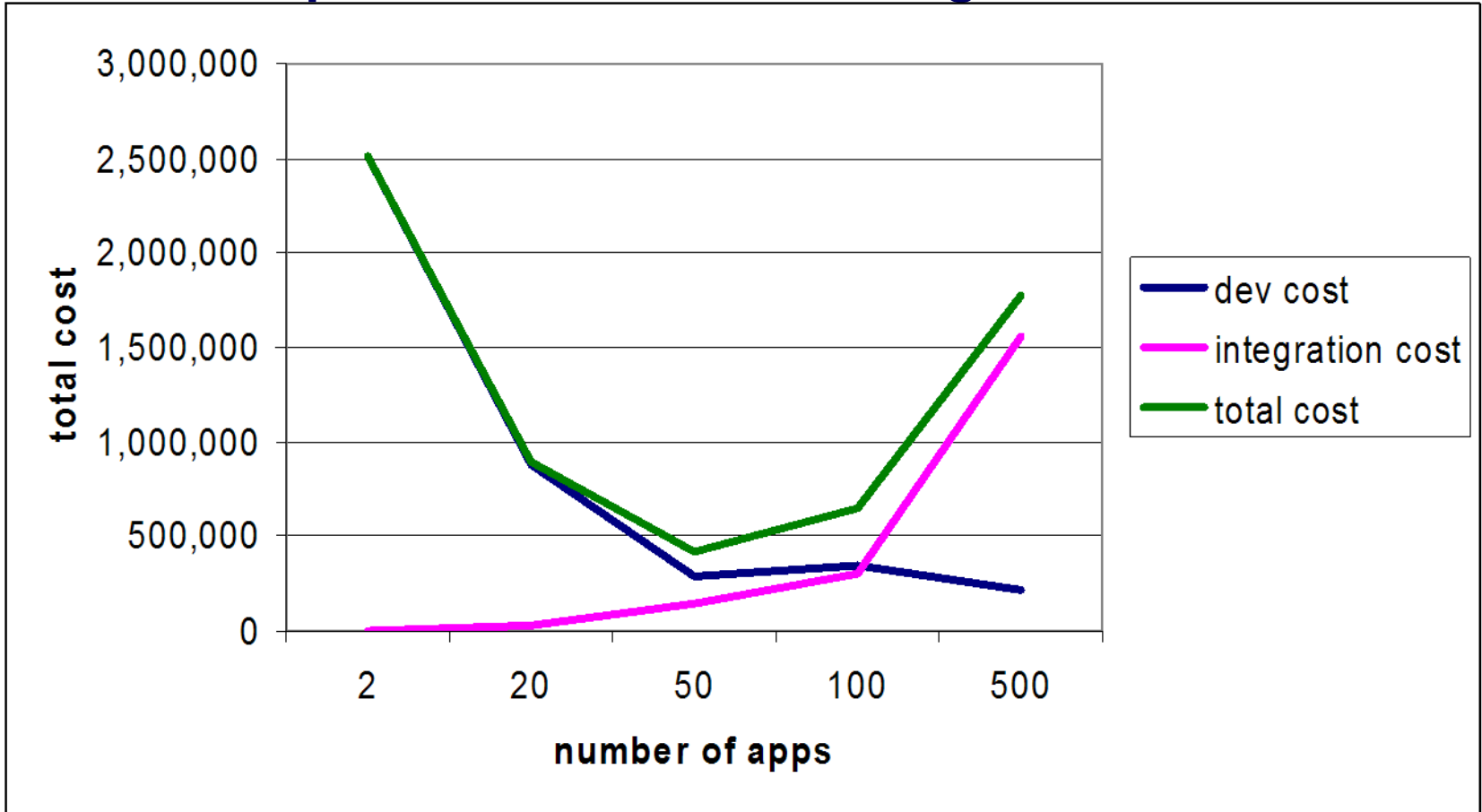
- Human Scale Applications



Two Forces

- Cost of Complexity as the size of applications increase
- Cost of Integration as you have more things to integrate

Development Costs and Integration Costs



This is based on industry averages and some pretty arbitrary assumptions, but the point is: you need to avoid each of the extremes. —Source: Semantic Arts

Architecture Strategy – human scale applications/projects

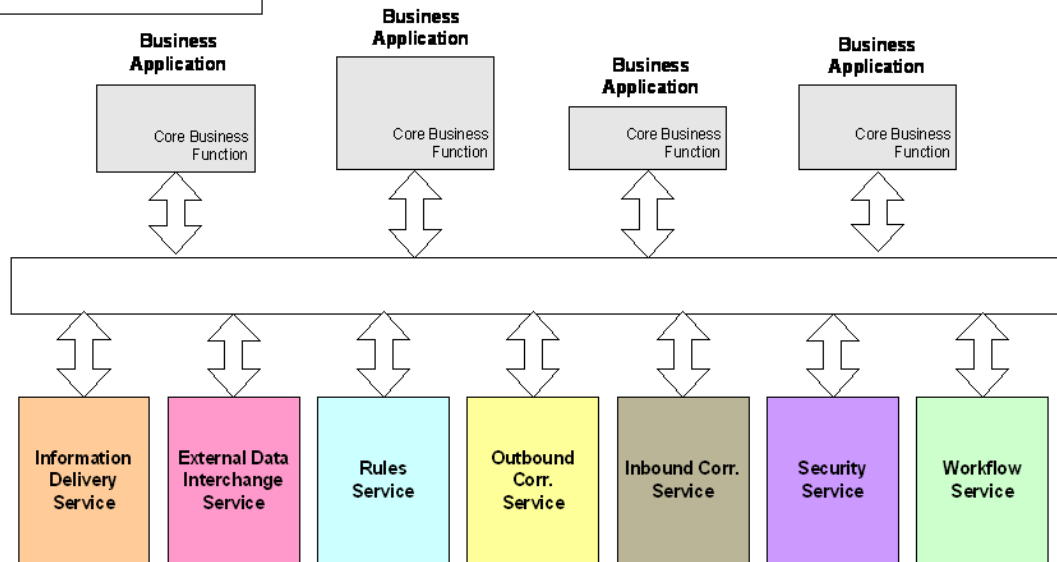
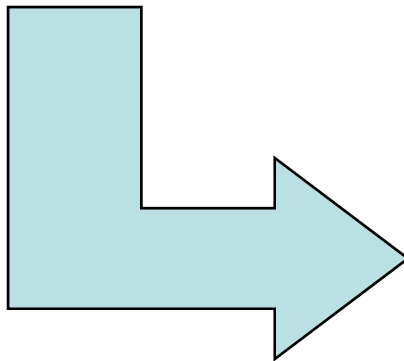
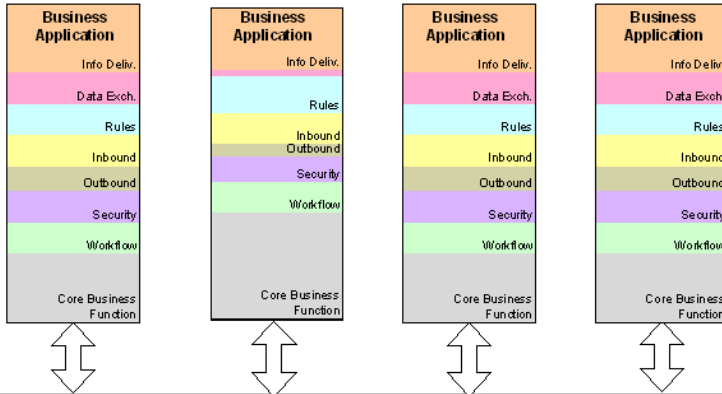
- The goal should be neither extreme
 - Complete integration not feasible by collapsing all your applications into one
 - The cost of integrating hundreds or thousands of applications is going to be prohibitive
- Aim for a manageable number of medium sized applications
 - Also known as “human scale applications”

Architecture Strategies

- Promote Reuse



Find functions that would benefit from sharing



Architecture Strategy – promote re-use

- The goal should be to identify and build components that are common to all applications
- Then re-use the common components as your create new applications

Architecture Strategies



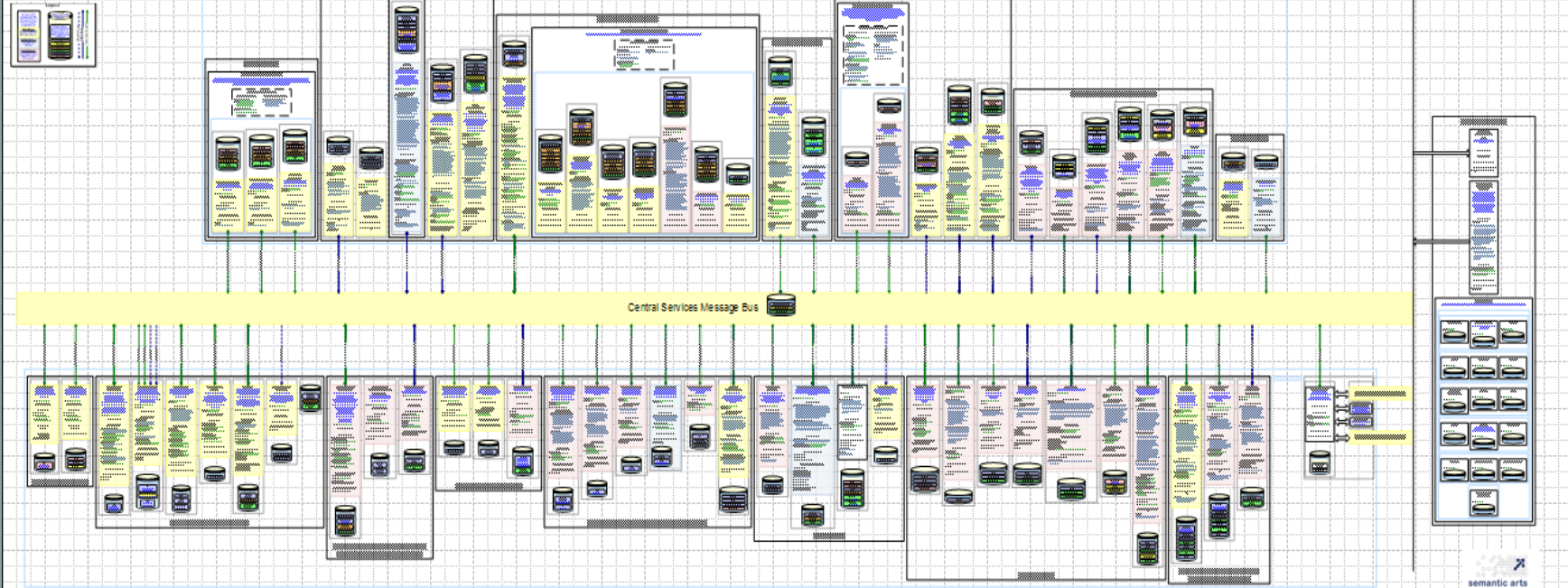
- Incremental Migration

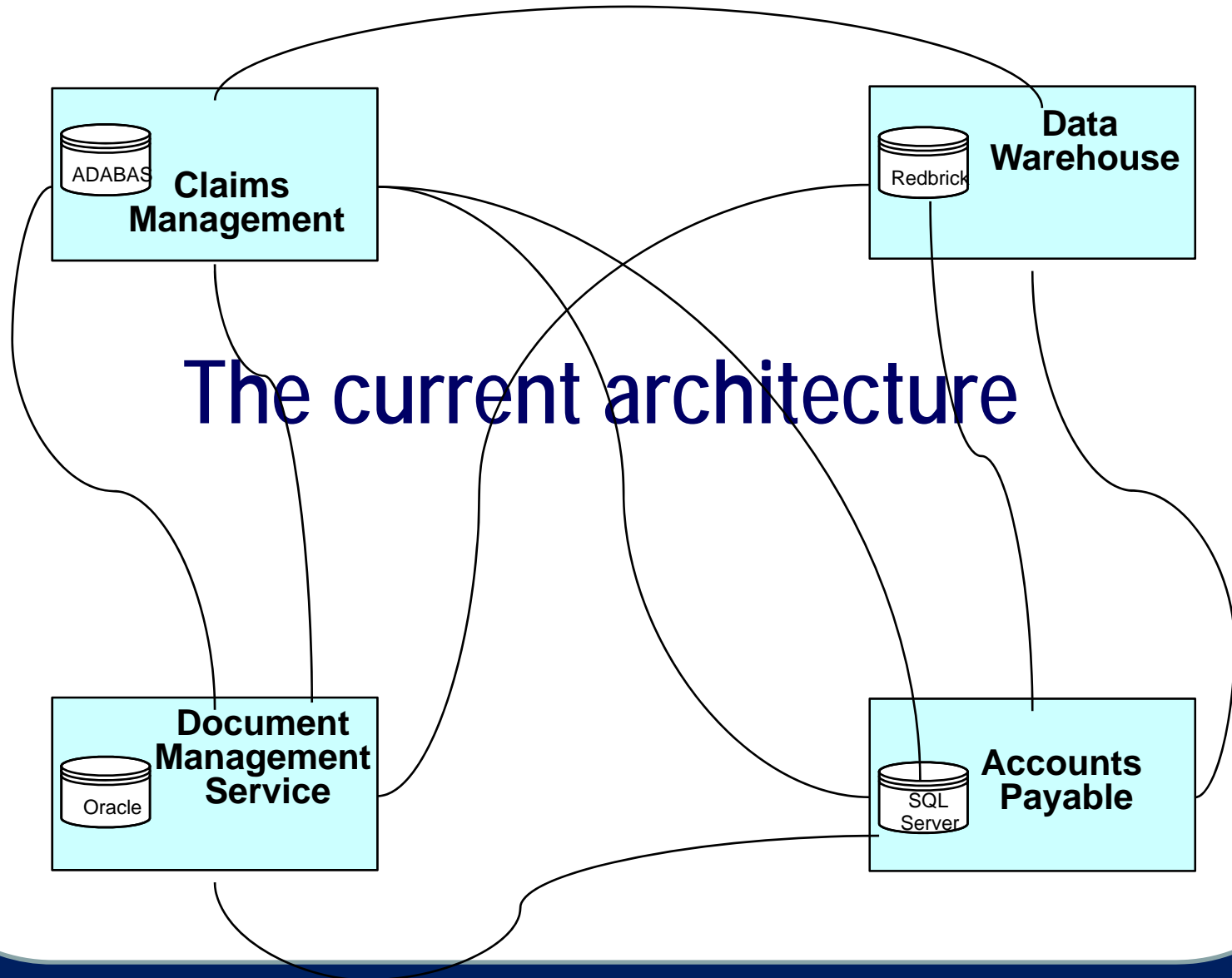
Migration Alternatives

- The right architecture should allow for alternative incremental migration approaches:
 - Existing applications can be provided with a common interface to the rest of the applications
 - Many old and new of the applications can be run in parallel to make conversion easier
 - Applications can use multiple versions for different purposes

Recommended Target Architecture

Washington State – Roadmap Architecture
Target Application Architecture – Draft
www.csl.wa.gov





How would this benefit the state?

- **Reduced time to market for systems** – Reusing system components reduces the level of effort to build applications
- **Cost of maintenance and operation is reduced** – Fewer, more standardized solutions to integration will reduce the effort to learn, maintain and operate systems
- **Cost of change is reduced** - As we replace systems, the impact on other system is minimized or eliminated. If the old and new system use the same XML interface, the sending and receiving applications are not impacted
- **Simplifies the implementation of enterprise data standards** – Everyone maps their data to the message standards for the integration processes. Standard message formats and validation programs will enforce the data standards
- **The cost of data reconciliation is reduced** - OFM's enterprise data collection role is simplified when agencies can submit data to OFM in XML messages. Formats can change without impacting existing systems

The target architecture supports the state's direction

Washington State Strategic IT Plan

- **Goal 1: Invest in Common Systems**

Adopt a common system approach for the state's back-office systems such as the Office of Financial Management's Roadmap project

- **Goal 2: Promote Data Sharing**

Allow for the sharing of data through common data standards and management, data archiving, and the adoption of common platforms and infrastructure

IT Workgroup Recommendation

- **Recommendation #10:**

- *The state should adopt a common systems approach for “back office systems” in state agencies, such as state e-mail, Enterprise Active Directory, and user authentication services. Common e-mail convention standards should be adopted for all state agencies*
- *In addition, the state should adopt a common set of data standards and a common approach to data management and archiving to allow state agencies to share*

How would this help the roadmap plan to modernize financial systems over time?

- Existing systems would continue to integrate utilizing their current approach, and convert to the new approach when there is a upgrade / replacement / rewrite opportunity.
- Allows for incremental systems implementations and incremental transition to new modern architecture model utilizing human scale human scale projects, such as AR and Time Reporting/Labor Distribution.
- We would add translations for existing systems (such as AFRS) to receive data the old way and the new way.
- New systems would use the new approach to integration.
- We can begin to move toward the to-be model while continuing to support the as-is model.
- Gives us time to learn the skills needed for the new architecture project-by-project.

Why we think this information helps change the question

- Allows for incremental migration
 - Can conduct requirements and evaluation of options on individual components
 - Data messaging ensures data is transferred between old and new components
- Architecture readily accommodates leverage AFRS, leverage SAP or a combination of both
- Reduces risk of any option

We will recommend to the Steering Committee that we now focus on the new question:

“What is the recommended approach and sequence for completing the modernization of the core financial systems?”

The plan to make these decisions

- The Steering Committee has 5 meetings scheduled between now and early November
- At a minimum, the following questions will be posed to Steering Committee membership

What questions/decisions will the steering committee make to develop the plan for how to sequence & schedule the modernization of the core financials?

- What is the “scope” of core financials?
- What are the most urgent business needs?
- When/how does and/or must the GL modernization take place?
 - This idea of turning on pieces of financials; what does that mean for the timing of the choice to modernize the GL?
 - Does the master data element definition make this more of a moot issue?
- What modernization sequence makes the most sense given the urgent business needs and key dependencies?

More questions/decisions for the steering committee

- What portion do we propose to do next biennium? What will it cost?
- The EDD/COA identified 23 unmet information needs; some can be met now in AFRS – should we do this too?
- What policy/authority is needed to ensure standard messages are created for financial/administrative systems?
 - What standards for SAP master data elements need to be established right away in order to improve integration with existing and future instances of SAP?
- As we look at modernizing each component of the core financials
 - Do we commit to looking at SAP first as the possible enterprise solution given our investments thus far?
- Others?

How we hope the Advisory Group will help

Advisory Group meetings will proceed these meetings by 1-2 weeks to:

- Preview content to be presented to the Steering Committee
- Provide recommendations for improvement, help identify gaps

Other Updates

- **Enterprise Data Definitions/Chart of Accounts Phase 1 Report**
 - Findings and recommendations
- **A/R Survey**
 - Results
- **Central Accounting Systems Interface Inventory**
 - Findings and conclusions
- **Time and Leave Collection and Labor Distribution Survey**
 - Results
- **Other Positioning Activity Updates**
 - HRMS upgrade
 - Purchasing Rules Review update
 - Grants, Contracts and Loans Management
 - Common Infrastructure projects

7/08 Time and Leave Collection Survey Results

Responses: 102 from 68 agencies

- 42 agencies reported having existing internal Time and Leave Collection (TLC) systems
 - 12 agencies reported more than one TLC system
- Most (26) systems were developed between 2000 and 2008
- 18 agencies are currently building / buying / upgrading a TLC system
- 3 agencies reported plans to purchase or replace a TLC system in the future

7/08 Labor Distribution Survey Results

- 21 agencies have existing internal Labor Distribution (LD) systems
 - 4 agencies have more than one LD system
- Implementation date:
 - 11 systems were implemented between 2000-2008
- 8 agencies are currently building / buying / upgrading a LD system
- 2 agencies reported plans to purchase or replace a LD system in the future

Invitation

We are arranging a demonstration of DNR's SAP - *Natural Resource Enterprise System* or *NaturE*

DNR staff will share the successes they achieved and the lessons they learned while implementing:

- Customer, contracts, and sales and leasing business processes and
- Cash receipts, receivables management, cash application and more

Are you interested in attending?

Process check

Suggestions for improvement?

Next meeting – August 27, 2008

1:30 - 3:30pm

Location TBD