

Roadmap Agency Advisory Group

10/23/2008 Meeting Materials

Agenda

- **Enterprise Data Definitions / Chart of Accounts Project Update**
- **Next steps in the plan to modernize the state's core financial systems**
- ***Action Item:* Which sequencing options should we evaluate further?**

EDD/COA Update

Final report presented to Roadmap Steering Committee on 10/6/08 – Ann Bruner

http://www.ofm.wa.gov/edd/docs/phase_1/complete.pdf

Highlights from the Roadmap Executive Sponsors – Sadie Rodriguez-Hawkins

- Washington requires modern tools to meet needs for management information
- Comprehensive and sustainable data integration is necessary to take advantage of the state's data and information
 - Two key integration strategies have emerged as possibilities:
 1. Take advantage of the comprehensive integration already built into the SAP system by using SAP for financial system components that meet the state's business requirements
 2. Use service oriented architecture (SOA) principles to achieve more sustainable integration between SAP and non-SAP components
- Improved system integration requires state level data definition standards
- An effective governance structure is necessary to set clear and practical standards for data and common processes

Future Milestones

- **The Roadmap Steering Committee will:**
 - Adopt an implementation plan for modernizing the core financial systems and a budget proposal to support the 2009-11 Biennium portion of the plan
- **The Roadmap Program will:**
 - Complete a project to determine how SAP can best accommodate state master data, the statewide chart of accounts and agency chart of accounts for existing and future SAP implementations in state government
 - Develop a state standard for SAP master data definitions (see slide #5)
 - Develop a standard master data blueprint for sequencing the components of the core financial systems to be modernized whether they are SAP or non-SAP products
- **The Office of Financial Management will:**
 - Support the ISB Enterprise Architecture Committee's data standards initiatives
 - Propose data definitions for financial systems for which OFM is the owner of the system of record
 - Assist in the development of other initiative deliverables

An example of current Chart of Accounts Mappings in Washington’s SAP Instances:

AFRS	DNR SAP	HRMS SAP
Agency Code	Company Code	Business Area
Program Index	Profit Center	Functional Area
Master Index	NA	Cost Object
Fund	Fund	Fund
Approp. Index	Profit Center	Fund
Org Index	Business Area	Cost Center
County Code	Profit Center	NA
Sub Object	GL Account	GL Account
Major Group / Source	Commitment Item	GL Account
Project	Order Number	Custom Field - Project
GL Account	GL Account	GL Account
AFRS Trans Code	Custom Field – AFRS Trans Code	NA
Allocation Code	NA	Custom Field – Allocation

Review: A building-block approach to develop the plan to sequence and schedule the modernization of core financial systems

September meeting

- Confirm which systems/processes are in the scope of this plan
- Confirm agreement on which systems/processes have the highest priority for modernization
- Confirm the characteristics of a successful core financial system modernization sequence, schedule and plan

October meeting

- Review options and best practices related to the implementation sequence for the general ledger and other priority components
- Review the pros and cons of implementing in a sequential fashion over an extended time and full implementation within a shorter period of time
- Confirm components and timing of ERP-related costs
- Confirm any other critical dependencies
- Begin discussion to answer the question, “What modernization sequence makes the most sense give the urgent business priorities and key dependencies?”

First November meeting

- Review answers to questions from October meeting
- Decide the modernization sequence and confirm the portion to be conducted next biennium
- Discuss other issues critical to resolving in order to produce a successful plan

Second November meeting

- Review draft costs of the next-biennium proposal
- Finalize issues and high-level plan components

What is the traditional / best practice approach to sequencing the implementation of the core financial system components?

Recommended or traditional sequence for ERP solutions

1. Implement the base financial modules including:

- **General ledger accounting—including Chart of Accounts, financial reporting**
- Payables accounting, vendor relationship management
- Accounts receivable/collection management, local fund management
- Asset lifecycle management, capital asset accounting
- Cost accounting, project accounting

Why?

All modules “hang on to” these financial modules

- Maximizes the ERP integration advantage – input once for multiple purposes
- Reduces risks of interface error, complexity, rework or failure
- Allows for simplified integration if other instances of the ERP are implemented within the enterprise
- Supports availability of enterprise data at the outset

2. Subsequent modules are added for other core financial activities as needed, including:

- Human resource management tools
- Revenue management/distribution
- Budget tools

3. Next modules are added for other business support activities

What is the traditional / best practice approach to sequencing the implementation of the core financial system components?

Recommended approach for hybrid solutions

1. Design the structure of the GL and Chart of Accounts first

Why?

- Similar to reasons listed for ERP
- Data coding structure would be standardized for better integration other components with the General Ledger
- Reduces risks of interface error, complexity, rework or failure

2. Sequence the implementation other components based on business needs and other dependencies

Are our highest-priority components the same as the components recommended as best to implement first?

Tier	State of Washington – Business Need Priorities	Recommended implementation sequence - SAP	Recommended implementation sequence - Hybrid approach
1	<ul style="list-style-type: none"> • Payroll enhancements • Time, Leave and Labor Distribution • Benefits Management 	<ul style="list-style-type: none"> • General Ledger accounting—including chart of accounts, Financial reporting • Payables accounting, vendor relationship management • Accts Receivable/collection, local fund mgmt • Cost & project accounting • Asset management 	<ul style="list-style-type: none"> • General Ledger structure—including chart of accounts
2	<ul style="list-style-type: none"> • Accounts Receivable (includes collection mgmt) 	<ul style="list-style-type: none"> • Human Resource management • Revenue mgmt and distribution • Budget Tools 	<ul style="list-style-type: none"> • Other top priority needs
3	<ul style="list-style-type: none"> • Procure to Pay process (vendor solicitation, vendor relationship, orders mgmt, payables accounting) • Asset management (consumable inventory mgmt, asset lifecycle mgmt, capital asset accounting) • Revenue management (including revenue distribution) 	<ul style="list-style-type: none"> • Other business support needs 	<ul style="list-style-type: none"> • Next priority needs
4	<ul style="list-style-type: none"> • Performance Management capability – cost accounting, performance measurement 		

So . . . are there strategies for implementing our highest priority needs first but still meeting the critical success factors that drive the typical recommended sequence?

What are the options, assuming an ERP approach, for implementing components in business priority order?

A strategy suggested by SAP:

- As a first step, conduct a financial object mapping exercise:
 - High-level business and process requirements and scenario documentation
 - Business organizational structure
 - Object Mapping Structure for the following modules and sub-modules
 - GL-General Ledger
 - CO-Controlling-- Includes cost center accounting, product costing, and profit center accounting, activity-based costing, enterprise controlling, revenue and expenditure accounting, etc.
 - FM-Funds Management
 - PS- Project Systems. Includes support planning, control and monitoring of long term highly complex projects with defined goals.
 - Interface Design Process

This task could replace what was originally planned for the Phase II work of the EDD/COA project.

- Then implement modules and sub-modules necessary to support the highest priority business functionality first.
 - Would include “stub” implementations of some modules, like the general ledger, to ensure business transactions are completed properly within SAP for that business process.
 - In a stub implementation of the general ledger, the SAP general ledger need not be used for all general ledger activity.

- **Key Objectives of This Strategy**
 - Establish statewide general ledger and chart of accounts structure that will be used for the SAP components of the financial system
 - To accomplish, in a different approach, the key success factor that drives the traditional sequence
 - Allows you to then implement financial components without a wholesale move to the SAP general ledger first

- **Has this actually been done before?**
 - Per Gartner Group:
 - Yes
 - Implementing the Labor Distribution module would also require bringing up over 50% of the SAP general ledger
 - The same resources/expertise can be used to design the Chart Of Accounts and then work on the labor distribution project

- **Key Challenges and Risks (we've identified so far)**
 - Mapping exercise is most successful when done with a real implementation in mind
 - A wholly theoretical design of the chart of accounts will likely miss things
 - Increases the number and type of interfaces to manage—with two general ledger coding structures in use—NOT TRIVIAL
 - Risk of having to redesign the chart of accounts structure, with much rework, if it is not done well initially
 - Need an effective integration infrastructure in place

SAP's Initial Thoughts on Implementation in Business Priority Order – Work-in-Progress

1. Time and Labor Distribution	2. Accounts Receivable	3. General Ledger and Accounts Payables
<ul style="list-style-type: none"> • Could be quick win for the state • The majority of structures are present in the HCM environment • Could limit rollout to a few agencies • Financial Object Mapping is critical to maintain core financial foundation • Training and change management is critical to the success of this effort • Would require involvement from DOP and possible rollout of ESS/MSS. • Can leverage existing Business Objects infrastructure framework for Enterprise Reporting • Would require risk compliance processes to be implemented 	<ul style="list-style-type: none"> • Complicated design for the state— seems higher risk and greater effort as a separate implementation • Several agencies have unique requirements. • Vision phase should identify whether Public Sector Collections and Disbursement is required for statewide receivables • Limit initial rollout to a few agencies • Financial Object Mapping is critical to maintain core financial foundation • Training and change management is critical to the success of this effort • Would require risk compliance processes to be implemented 	<ul style="list-style-type: none"> • Obtain tier 3 priorities by also implementing general ledger and related core financials rollout for the state • Core objects defined in mapping step • Can be rolled out expeditiously because OFM has concentrated controls • Interface management and SOA design is crucial in this phase. • Training and change management is critical to the success of this effort • Would require risk compliance processes to be implemented

What are the options, assuming a hybrid approach, for implementing components in business priority order?

Options are fairly wide-open. We could build on what we have today, for example:

- Maintain AFRS and existing core financial systems for now
- Select best-of-breed solutions that meet WA state highest priority needs in the order of those needs
- Manage integration with other applications using a Service Oriented Architecture approach to reduce future costs and risks of change and maintenance
- Pursue EDD/COA recommendations, as appropriate
- Defer replacing the GL until it is the highest priority need

Key Objectives of this Strategy

- Maximize the state's flexibility in sequencing and scheduling the modernization of the core financials systems

Has This Been Done Before?

- The reality is that we already operate in a hybrid environment (e.g. AFRS, TRAINS, ERP, best-of-breed)

Key Challenges and Risks

- Greater dependency on internal staff for knowledge of application and integration among applications
- Could lead to a longer time frame for achieving a critical mass of modernized functionality as there are fewer requirements that functionality be implemented simultaneously
- Requires standardized data definitions across components to ensure data consistency
- Integration issues
- Risks of rework or future integration challenges if substantial changes are made in the chart of accounts when the General Ledger is ultimately replaced

What does research tell us about options for the timeframe for implementing core financial systems?

Timeframe must take many variables into consideration, for example:

- Try to cause the least disruption to business cycles (e.g., don't implement at peak business times)
- Avoid concurrent implementation projects and systems upgrades or new releases
 - Most commercial financial packages upgrade every 5 years, although some are responding to customer requests for consideration of longer release cycles
- Settle on a deployment strategy - is it to be in waves (groups of agencies), by functionality for all agencies, or a combination of both?
- Timeframe – haven't found one recommended timeframe
 - Quickest time was 45 days for a tiny company with few users and a vanilla implementation
 - Multi-national companies may implement new core financials over 5-10 years through planned successive global deployments
 - State government core financials implementation timelines range from 20-24 months to 10 years. This may not include the project preparation and blueprinting phases

Ohio OAKS	Started project in 2002, implemented by function over 1.5 years in 2007 and 2008
Pennsylvania Executive Project	Started project in 2001, implemented by wave 2002-2004; big bang for HR Payroll 2004
Tennessee EDISON	Started project in 2002, implementing by wave/by function from Dec 2008 – Mar 2009
Oregon	2008 Plan shows implementation by agency/by function in 2012
California FI\$CAL	Started in 2006, 2008 Plan shows implementation by agency/function - 2012-17

What does research tell us about possible phasing strategies?

Implementation Type	Benefits	Challenges
“Big Bang”	<ol style="list-style-type: none"> 1. Faster return on investment 2. Best for organizations of < 200 employees 3. Project team motivation high 4. Only one test cycle required 5. Few interfaces (message buses) between legacy systems and the new application are needed 6. Usually do not have to upgrade software or hardware during project life 7. Lower cost if delivered on time 	<ol style="list-style-type: none"> 1. Greater complexity due to increased need for coordination and integration 2. Resource intensive over a short period of time 3. Higher employee and team stress 4. Organizational and business changes must be limited to overcome resistance to change 5. High degree of consulting support needed 6. Higher risk than phased implementation 7. Higher impact and visibility of failure
Phased	<ol style="list-style-type: none"> 1. Implementing base modules first allows for reduced complexity of coordination, controlling and organizing the project and resources 2. More time for agency employees to adapt to change 3. Product quality usually higher because project members have more time to increase their knowledge and skills; they learn from earlier implementations. 4. Costs and resources are spread over a longer period of time 5. Lower impact and visibility of failure 6. Implement modules that add value first (vs. support modules) to reap benefits earlier 	<ol style="list-style-type: none"> 1. Longer time to implement 2. User business needs may be delayed 3. Interfaces (message buses) must be developed to maintain existing systems 4. Longer return on investment 5. Must design entire system to ensure future phases will integrate correctly 6. Multiple and redundant testing cycles required 7. Project team and user enthusiasm may wane 8. May have to upgrade system software or hardware during project life 9. Higher cost

What does research tell us about possible phasing strategies?

Phasing Can Be Accomplished In a Number of Ways

- By system component or groups of components
- By groups of agencies
- By components and agency groups

Criteria Often Used To Determine the Best Phasing Approach

- Degree of integration, existing or required, between components
- Striking the right balance between meeting urgent needs and maximizing long-term benefits
- Capacity for managing complexity
- Timing of fiscal periods and other work process peaks and milestones
- Degree of homogeneity in agency business processes and data standards
- Cash flow requirements and constraints
- Timing of product upgrades
- Avoiding risk of re-work from early partial implementations
- Capacity for change management and knowledge transfer
- Total cost of implementation

What are we learning about other key tasks and task dependencies?

- **Project Prerequisites**

- Resource commitments are secured
 - Funding
 - Required skills, knowledge, experience and expertise can be available in the quantities needed
- Authority (executive and legislative) for making the kinds of decisions—particularly around standardization—required for project success is secured
- Vision is defined
- Strategy for implementation is clear
- Technology infrastructure needed is in place or can be obtained
- Executive, management and legislative support—an understanding of , and agreement to, the government bandwidth that must be committed to ensure project success
- Standard data definitions or structures/processes to obtain them
- Chart of Accounts definition / financial object mapping
- Other?

- **Project Definition and Set Up (Overall and by Phase)**

- Workplan development
- Establishing project management and project team
- Education planning and set up
- Establish change management function
- Establish governance/advisory structure and groups
- Technical architecture planning
- Interface definition—information and requirements definition
 - ✓ CASII
- Consider how to implement low-cost activities to address immediate business needs
 - For example, recommendations from the EDD/COA report
- Establish communication plan

- **Operations Analysis (By Phase)**

- Business process analysis
- Requirements definition and confirmation
- Evaluation of product options against requirements
 - Evaluate SAP offering first?
- Product selection
- Business requirements mapping and “gapping” with selected product
- Functional application team and technical training
- Set up application environments (development, QA, training, production)

- **Solution Design (By Phase)**
 - Make decisions on solutions for “gaps” identified in operations analysis phase
 - Perform initial functional design and configuration
 - Create specifications for data conversion
 - Create detailed design specifications for integration (data messages, adaptors, queues, interfaces)
 - Initiate change management and readiness efforts
 - Begin system application and acceptance test plans

- **Build (by Phase)**
 - Set up/build application environment
 - Develop conversion/interface program; reconcile and cleanse data
 - Configure security, user menus
 - Execute system application test plans
 - All interfaces programmed and tested
 - End user training and procedure documentation developed
 - End user reports developed

- **Transition (by Phase)**
 - Install, configure and migrate to final test and production environments
 - Perform final application acceptance testing, simulating live environment
 - Perform formal training of end users
 - Execute conversion routines and reconcile data
 - Final interface testing
 - Set up help desk and post production support

- **Production (by Phase)**
 - Deploy applications into organization, based on system model
 - Cut-over of production systems to end users
 - End-user and technical support activities of production system
 - Post-production tasks to review implementation process
 - Initiation of end-user operational support (help desk)

- **Stabilization (by Phase)**
 - Diagnose stabilization issues
 - Prioritize fixes
 - Establish proper post-live environment

Which sequencing options should we evaluate further?

We operate in multiple financial environments, including SAP and AFRS. Any consideration for modernizing core financial business processes and systems will consider SAP as an option. Therefore, it is essential that a financial object mapping of a SAP General Ledger be done to ensure the alignment of our current and potential future business needs.

Option 1 – Traditional Recommended Sequence	Option 2 – Modified Traditional Sequence	Option 3 – Business Needs Priority Order	Option 4 – Modified Business Needs Priority Order
Implement core financial functionality*	Implement core financial functionality* <u>concurrent with</u> Time and Leave Collection and Labor Distribution in HRMS	Time and leave collection, labor distribution, payroll enhancements, benefits management, position management (<i>tier 1 priority</i>)	
Implement any functionality “missing” from the core identified as high priority	Implement next highest priority business functionality	Accounts Receivable (<i>tier 2 priority</i>)	Implement core financial functionality*
Implement other functionality	Implement other functionality	Procure to Pay, Asset Management, Revenue Management (<i>tier 3 priority</i>) Performance Management (<i>tier 4 priority</i>)	Implement remaining high priority business needs

* Core financial functionality: General ledger accounting—including chart of accounts, financial reporting, Payables accounting, vendor relationship management, Accounts receivable/collection management, local fund management, Asset lifecycle management, capital asset accounting, Cost accounting, project accounting (see slide #7)

Roadmap Meeting Schedule for November

<u>Date</u>	<u>Time</u>	<u>Location</u>	<u>Who</u>
11/3	3:30-5:00	DIS Forum Boardroom	Steering Committee
11/12	1:30-3:30	“ “ “	Advisory Group
11/20	3:30-5:00	“ “ “	Steering Committee
11/26	1:30-3:30	“ “ “	Advisory Group

Contact Information

Sadie Rodriguez-Hawkins

Roadmap Program Director

- Sadie.Hawkins@ofm.wa.gov
- 360.664.7650

Kathy Rosmond

Roadmap Program Coordinator

- Kathy.Rosmond@ofm.wa.gov
- 360.664.7771