

Washington State Roadmap Program

Briefing for new Agency
Advisory Group members

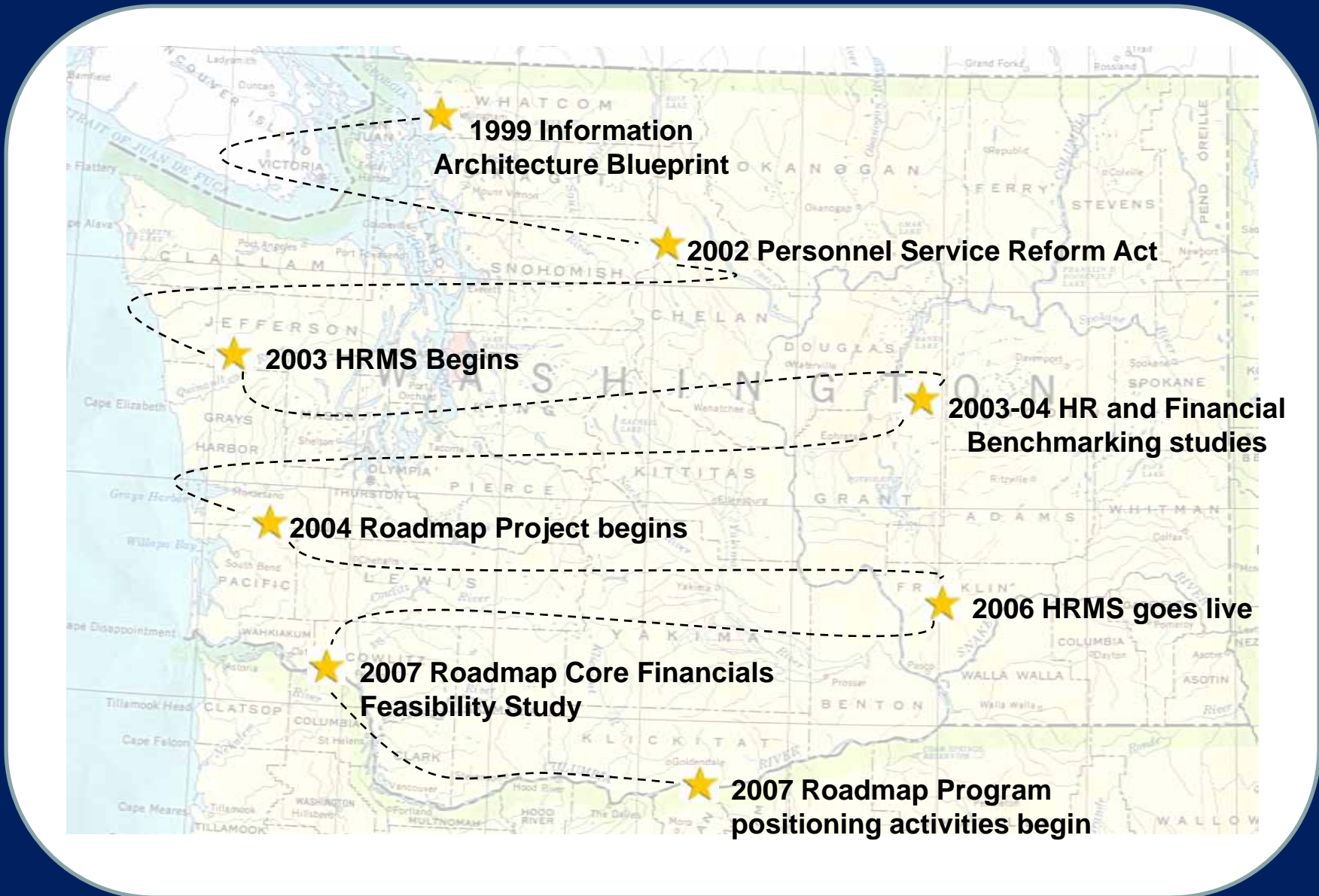
May 19, 2008

- Welcome/introductions
- Roles and responsibilities
- What is the *Roadmap*?
- Where we've been
- What's happening now?
- Where we're going



Roles and Responsibilities

- Provide advice on the impact of changes on agencies
- Give the agency perspective
- Provide agency business content experts
- Review deliverables and make recommendations
- Identify, validate, prioritize and scope common business problems and solutions
- Communicate the *Roadmap* within their own agencies

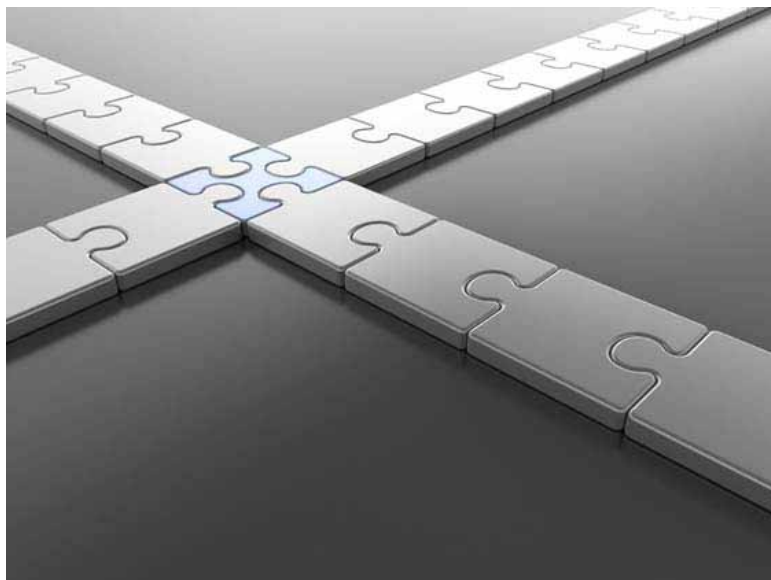


Sets the future direction for state finance and administration

- Solves today's common business problems
- Takes an enterprise approach
- Transforms policies, processes, systems and data
- Increases citizen's visibility into the day-to-day workings of their government



Washington State at a Crossroads



- Washington State has a decentralized governance approach
- We are also exploring the benefits of an enterprise approach



April 2004 – June 2009

Milestone 1

- Common business problems & opportunities
- Project scope
- High-level business case

Milestone 2

- Solutions Framework
- Agency urgent business needs strategy

Milestone 3

- Business process modeling
- Vision for the future

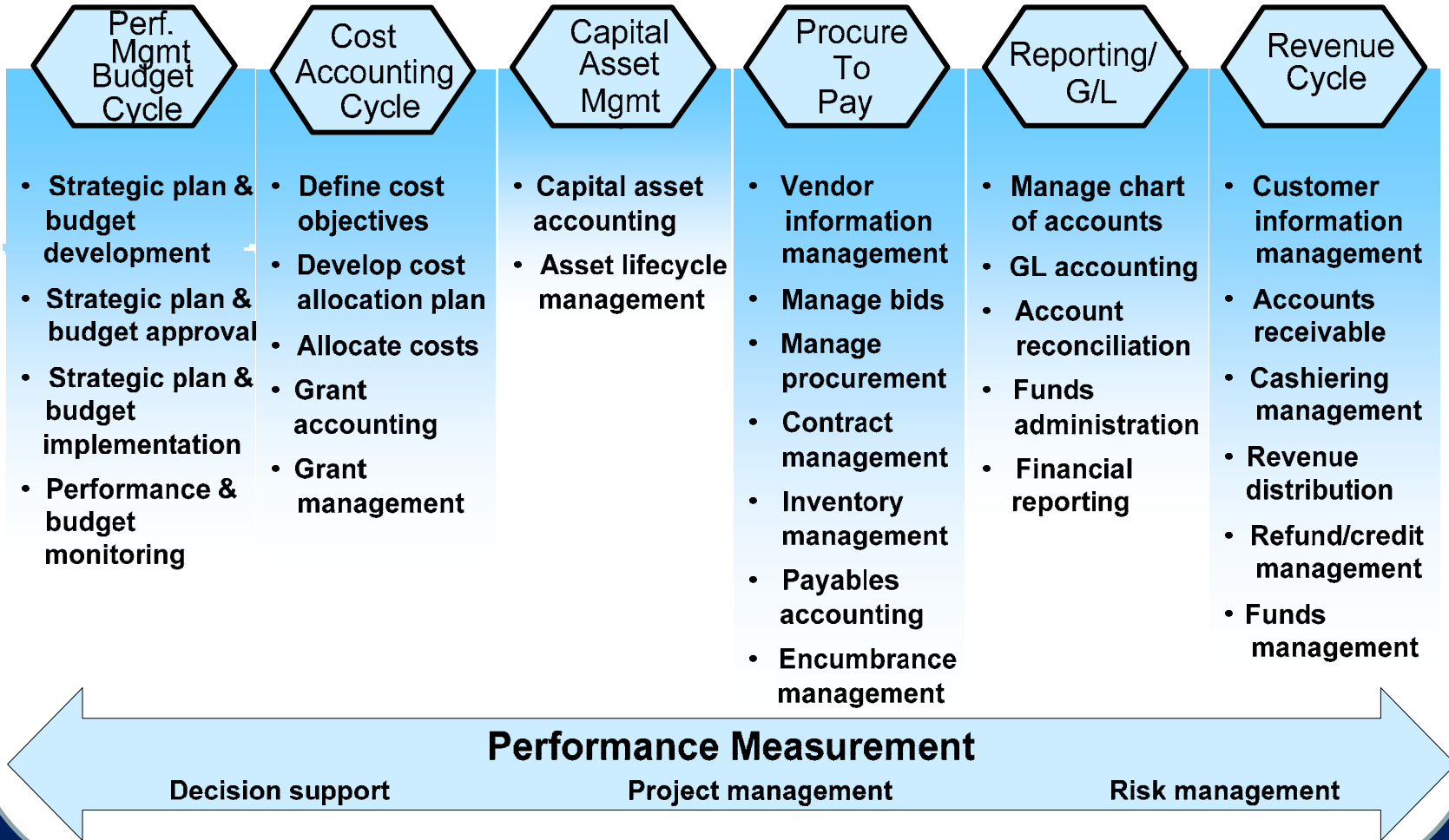
Milestone 4

- Core Financials Feasibility Study

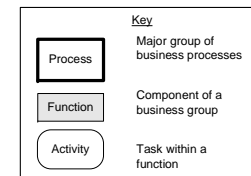
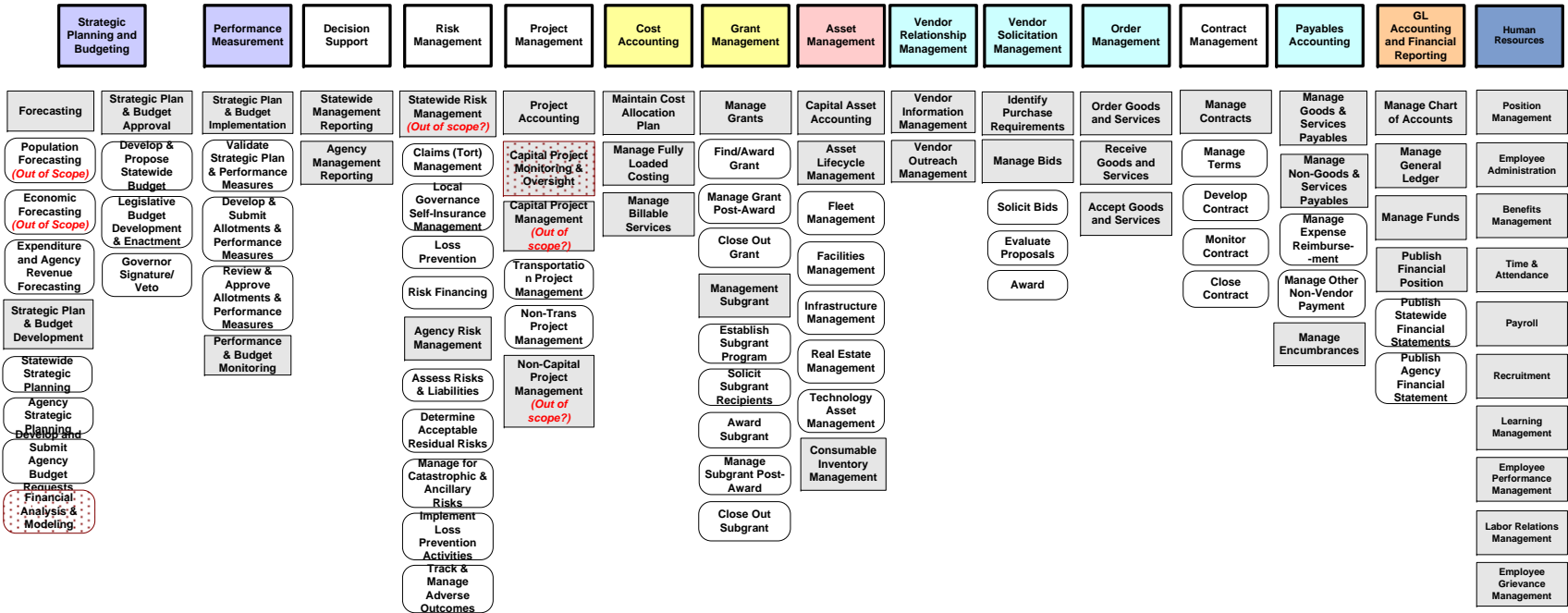
Milestone 5

- Positioning Activities

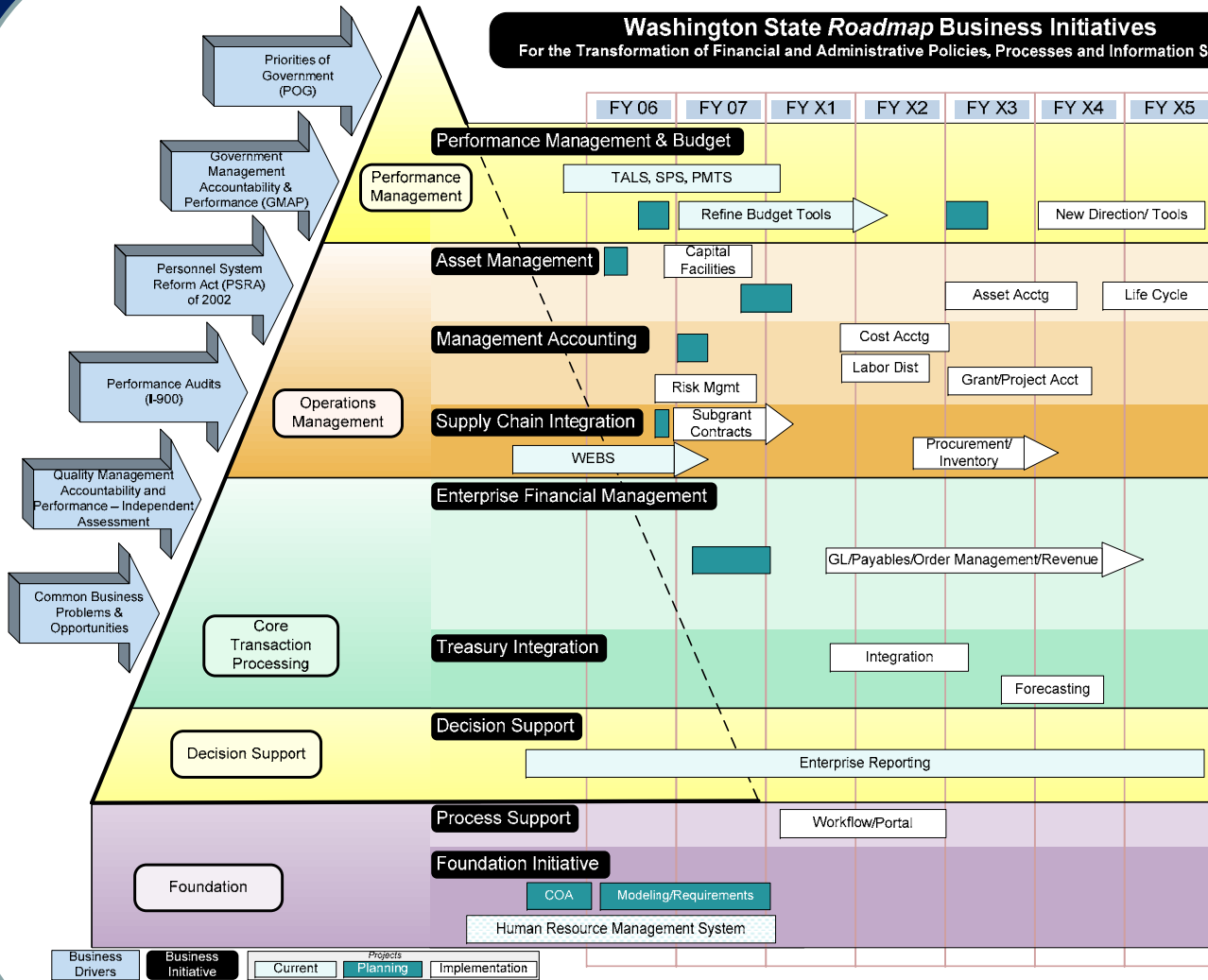
(This scope picture does not include HR business cycles)



Priority Order	Common Business Problems and Opportunities
1	Improve access to information
2	Streamline budget
3	Organize data to support all perspectives
4	Enable data-driven decisions
5	Streamline procure-to-pay
6	Empower managers with decision tools
7	Streamline invoice-to-cash
8	Make it easy for customers to pay
9	Provide flexibility for innovative budgeting
10	Optimize purchasing power
11	Protect federal and local funding
12	Improve accountability for assets
13	Put cash in bank, not on shelf
14	Maximize return on capital assets
15	Increase investment revenues



Washington State Roadmap Business Initiatives
For the Transformation of Financial and Administrative Policies, Processes and Information Systems



Business Value

- Better information, better results
 - Enterprise-wide financial information to support priorities of government
 - Increased accountability to citizens
 - Flexibility to respond to new business needs

- Better information, better results
 - More strategic asset management
 - Improved accountability for state assets
- Optimized return on investments

- Better information, better results
 - Real costs of government services
 - Improved accountability for state assets

- More economical government
 - Lower cost of goods & services
 - Reduced inventories - less cash on the shelf
- Better business relationships

- More economical government
 - Faster, better, cheaper business processes
 - Reduced number/costs of "shadow" systems

- Better information, better results
- Better business relationships

- Optimized return on investment

- Better information, better results
 - Access to the right information at the right time
 - Richer data stores (budget, HR, procurement, operations, performance)

- Shared agreement on enterprise best business practices
 - Policies
 - Business processes
 - Chart of Accounts and data
- Strategy to support integration of current environment with future initiatives

Business Initiative Chart
Last Updated: August 9, 2006

Systems approval process evaluation criteria:

- Use an existing central system
- Be flexible in meeting your agency needs
- Modify a central system
- Extend a central system
- Partner to create new, shared solution



Objectives:

- Reach concurrence on future business processes and data
- Establish value proposition and measures
- Identify business policy issues and recommendations

Approach:

- “As-is” models to understand what we do today and why
- “Could-be” models based on industry best practices and lessons learned from other states
- Value proposition
- Bold ideas for change

Milestone 3: Vision for the Future

Today, we are very good at:

But, we also need to get better at:

So that we can:

Monitoring the direct costs of each agency program against its authorized budget, once a month

Counting inputs and outputs

Reporting past performance based on historical or manually compiled data

Producing award-winning annual financial statements

Providing access to and reporting financial data through reports and ad hoc queries

Focus on Results

Proactively preparing for POG, GMAP, performance audits and Independent Assessments

Evaluating which strategies are achieving results

Identifying:

- Service gaps/overlaps
- Programs that can be outsourced
- Low value roles/functions
- Opportunities to cut costs

Making timely, priority-driven course corrections

- ✓ Ensure taxpayers get the results they expect
- ✓ Better inform citizens about the value of government
- ✓ Answer and act quickly on key questions such as:
 - What is the most cost effective strategy for putting injured workers back to work?
 - What is the economic impact of various levels of traffic congestion?
 - How do we best protect vulnerable children or people at risk?

Solving business problems independently

Finding errors and preventing fraud

Complying with financial and compliance audit requirements

Agency Collaboration and Best Practices

Collaborating on enterprise best practices, data standards and solutions that can be shared by many agencies

Adapting to new expectations (e.g. "Sarbanes-Oxley level" internal controls when/if required)

Sharing the cost of systems with common administrative and financial functions

- ✓ Deliver services more effectively
- ✓ Keep improving customer service
- ✓ Make it easier for vendors and service providers to do business with the state
- ✓ Be competitive and stay competitive

Examples of Potential Business Change

Payee, Order, Payables

Use statewide vendor identifiers?

Electronically enter orders and receipts?

Implement risk-based approval?

Centralize payables management?

Process electronic invoices and pay electronically?

Automatically audit invoices for tax compliance?

Automatically take discounts and schedule payments?

Do statewide 1099 reporting?

Customer, Revenue, Receipts

Use statewide customer identifiers?

Receive electronic payments via a portal?

Translate checks received into electronic transactions?

Have statewide revenue distribution?

Offset receivables and payables?

Manage collections centrally?

Do statewide 1099 reporting?

General Ledger, Financial Reporting, Cost Accounting

Meet statewide and agency objectives with Chart of Accounts?

Integrate cash and accounting transactions?

Include budget, actual and projections?

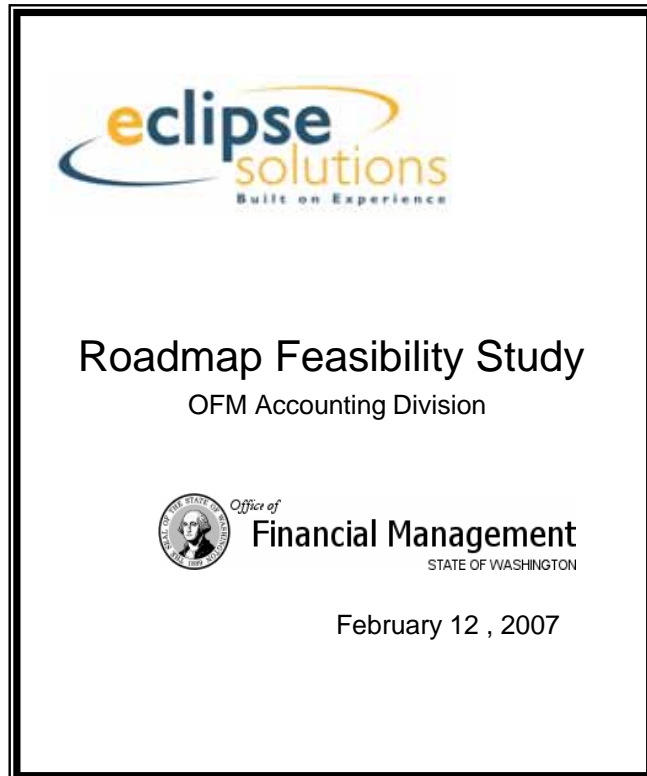
Adopt standard cost accounting framework, treating administrative costs consistently?

Include financial transaction detail in the statewide general ledger?

Establish rules based fund, labor and cost distribution?

"See" sources and uses of funds across agencies?

Core Financials Feasibility Study – Results



- **Two options were found to be viable**
 - Leverage the state's existing suite of financial systems and
 - Leverage the state's current investment in SAP
- **Identified twelve Positioning Activities to prepare the state for the future**
 - Positioning Activities will benefit the state, regardless of next steps
- **Put gates in implementation approach to ensure each next step is complete**

Core Financials Feasibility Study Recommended Implementation Approach

- Phase 1 – Positioning Activities – July 2007 through June 2009

Before entering Phase II, the Enterprise Program Office (EPO) will validate the readiness and capacity of the enterprise and individual agencies to move into Phase II and seek approval from the Roadmap Steering Committee to proceed.

- Phase 2 – Design and Configuration Activities - July 2009 through June 2011

Before entering Phase III, the EPO will validate the readiness and capacity of the enterprise and individual agencies to move into Phase II and seek approval from the Roadmap Steering Committee to proceed.

- Phase 3 – Agency Migration Activities – July 2011 through June 2012

- 1** Upgrade the Human Resource Management System
- 2** Further define the enterprise and state direction
- 3** Review the *Roadmap* governance structure
- 4** Complete a chart of accounts review and common data definition analysis
- 5** Review state procurement rules, policies and procedures
- 6** Continue providing leadership and necessary project oversight
- 7** Move agencies toward established standards and approaches
- 8** Examine and document existing interface/integration processes or issues
- 9** Implement a strong Change Management Program
- 10** Incorporate lessons learned from other states and the HRMS
- 11** Establish an Enterprise Program Office
- 12** Develop detailed requirements

Upgrade the Human Resource Management System

The upgrades will be applied in two stages:



June 2, 2008

Upgrades to the HRMS Portal and to the Business Warehouse

November 10, 2008

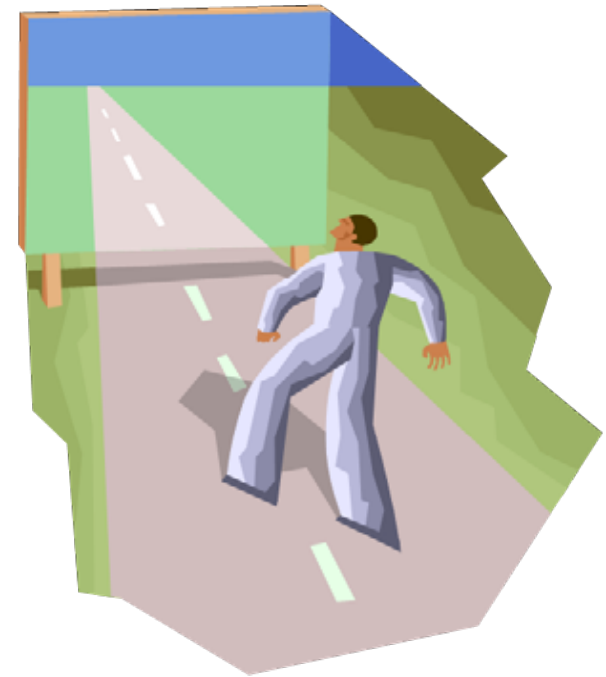
Technology upgrades to the HR/Payroll system

<http://www.dop.wa.gov/HRMS/HRMSUpgrade/>

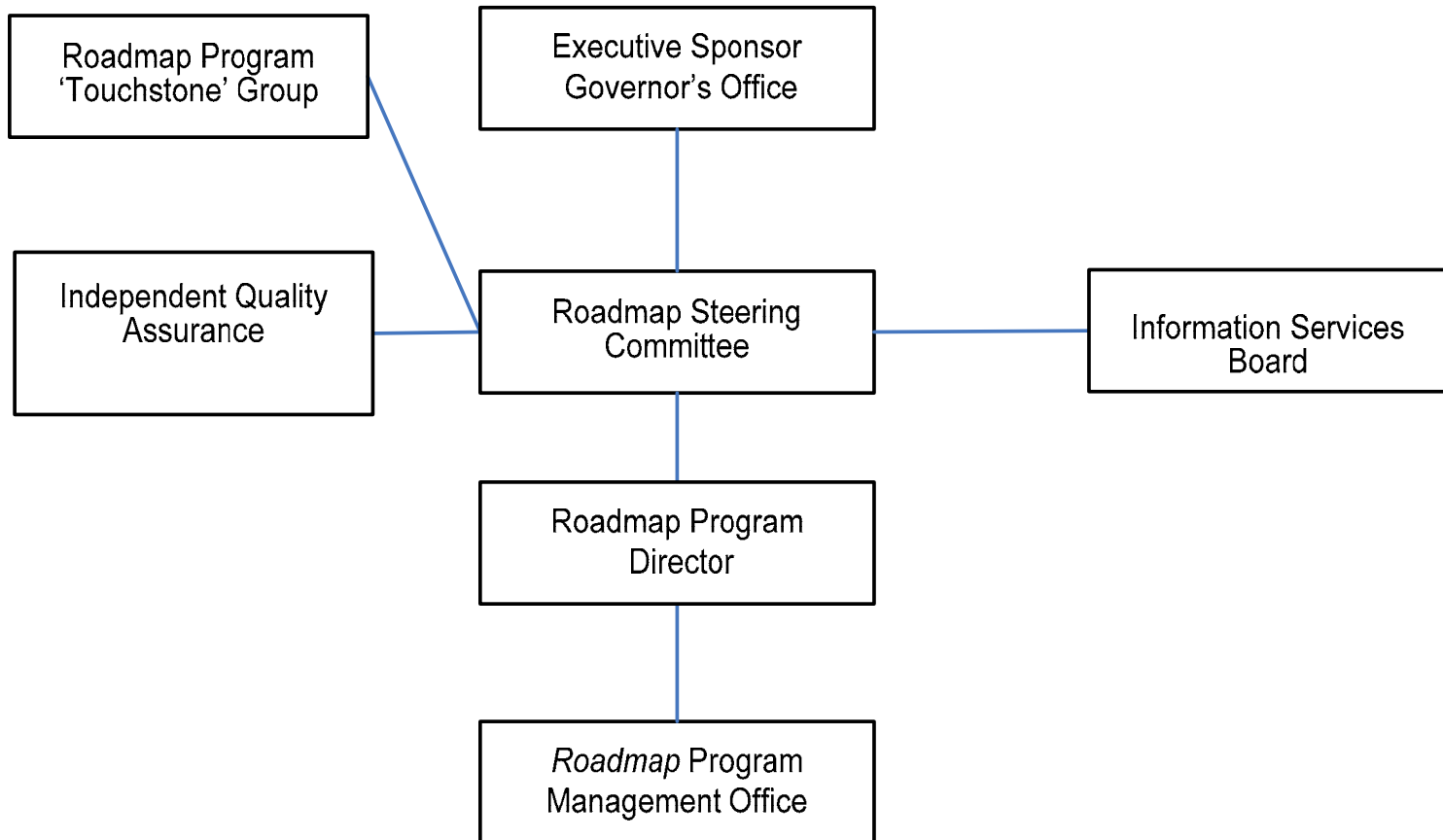
Further define financial and administrative enterprise and state direction

Roadmap Realities

- The impact on agencies will be huge, no matter which path we take
- The Legislature and the Governor will continue to ask agencies for more
- Washington State agencies value their “uniqueness”



Current Roadmap Program Governance



Enterprise Data Definition/Chart of Accounts Review

Phase I

- Validate unmet enterprise data needs
- List enterprise data and a recommended a data standards program
- Quantify the business value of meeting the unmet enterprise information needs
- Go/no go recommendation for Phase 2

Key dates

- | | |
|---------|--|
| July 16 | Final Phase I Recommendation to project sponsors |
| July 23 | Final Phase I Recommendation to Roadmap sponsors |
| Aug 4 | Decision on Phase I Recommendation |
| Sept 11 | Report to ISB on Phase I Recommendation |

Review state procurement rules, policies and procedures

Current initiatives:

- Establish one place for vendors to find state procurement opportunities
- Adopt a new State Standard commodity code:



National Institute of Government Procurement

Continue providing leadership and necessary project oversight

Projects:

- HRMS Upgrade
- Enterprise Data Definitions/Chart of Accounts
- Procurement Rules Review
- Grants, Contracts and Loans Management
- Constituent Relationship Management
- Common Infrastructure
- Central Accounting System Interface Inventory
- Roadmap Program Office

Move agencies toward established standards and approaches

Projects:

- Dept. of Transportation
- Utilities and Transportation Commission
- Fish and Wildlife

Standards and technology examples:

- Enterprise Active Directory
- Exchange mail service
- State Government Network

Examine and document existing interface/integration processes or issues

Central Accounting Systems Interface Inventory

- Identify undocumented interfaces
- Eliminate unused interfaces
- Understand systems that send or receive data from OFM statewide financial systems
- Identify business functionality of agency systems
- Help prepare for move to future financial solution

9. Implement a strong Change Management Program
10. Incorporate lessons learned from other states and HRMS
11. Establish an Enterprise Program Office

When other positioning activities are substantially complete:

12. Develop detailed requirements

Questions?



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Reference Slides

- Agency Advisory Group decision-making principles
- Building a vision - business process modeling results

Agency Advisory Group
Decision-making principles

Natural boundaries principle

- *Should be designed around natural boundaries
(adopted by the ISB November 2004)*
 - Rationale:
 - Achieving the ability to view state government as a single enterprise requires the ability to effectively integrate systems as needed. Systems with well defined, natural boundaries aid in integration.
 - Implications:
 - In order to meet its mandate in a timely manner, the state will need to leverage and use all of its available resources including the existing environment.
 - Within the boundaries of an "Information System", tight coupling streamlines business processes.
 - Between "Information Systems", loose coupling allows open, plug and play approach.
 - Requires definitions of what is in and out of scope of statewide "Information Systems".
 - Requires enterprise-level business and data modeling.

Logical Sequence Principle

- Should sequence projects based on information needs
 - Rationale:
 - Reduces risk of missing key functionality and rework
 - Captures the data needed for operations and performance management as part of the original transactions
 - Implications:
 - May have to model lower-value business processes before potentially higher-value processes
 - Examples:
 - HRMS would have included financial requirements earlier

Business Sponsorship Principle

- Should select projects with business sponsors for significant change
 - Rationale:
 - Significant process change requires leadership and sponsorship at the highest levels
 - Implications:
 - We should not proceed with new ideas if a committed business sponsor can't be identified
 - Examples:
 - Identify business sponsor for using state credit cards for all travel expenses

Value Proposition Principle:

- Should have a measurable value proposition for change
 - Rationale:
 - Difficult to achieve change without a clear business return
 - Implications:
 - We should not promote policy, process, systems or information changes without a notable value for the enterprise
 - Example:
 - Prioritize process modeling work around valued projects such as TEMS, Enterprise Grants and Loans Management

Building a vision

2005-06 Business process modeling

Business process modeling purpose:

- Better understand what we do today and why
- Compare current processes to proven best practices
- Propose a vision for how we could do better and measure results

Identify opportunities to:

Step 1: Streamline laws and policies

Step 2: Standardize processes & data, find organizational efficiencies

Step 3: Automate processes / implement systems

Modeling results are:

- Based on agency focus group input and proven government and industry best practices
- Intended as a starting point for discussion

Additional research and extensive stakeholder involvement will be required to:

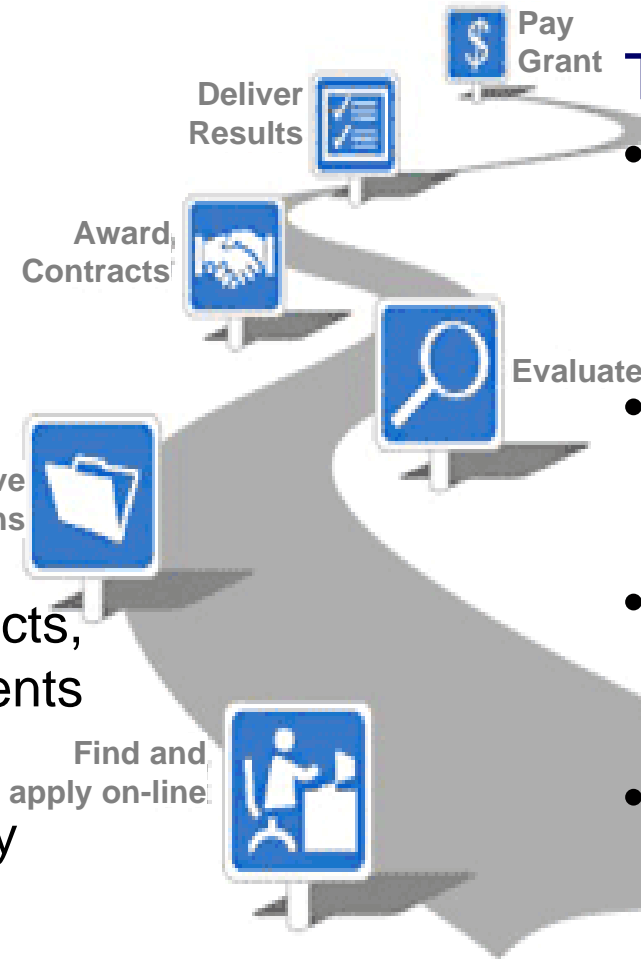
- Make sure the results are feasible
- Identify policy revisions if necessary
- Support an executive level decision about whether or not to move forward

Best Practice	Value	Where it's working?
Simplify and standardize business processes, risk-based approvals	Speed, consistency, efficiency and more time for analysis	Pennsylvania, British Columbia, federal govt. private sector
Receive cash and pay the bills centrally (shared services)	More focus on core missions, less redundancy, faster improvements	Federal government, Australia, Europe
Enable self-service, at convenient times and places	Better customer service, lower costs	Pennsylvania, federal govt., private sector
Capture data early, as part of the business process	Speed, efficiency, accuracy	Pennsylvania, federal govt., private sector
Activity based costing	Calculate and compare full cost of services	Texas, federal govt.
Aggregate vendor, commodity and customer across the enterprise	Make it easier to do business with the state, get better value for taxpayers	Pennsylvania, Florida, Illinois, Ohio, Texas, federal govt.

Ideas for grant management

If we could:

- Simplify and standardize language, forms and processes
- Do electronic applications, contracts, invoices and payments
- Manage recipient information centrally
- Link payments with results



Then we can:

- Make it much easier for our partners to find, apply for and account for grants
- Better target grant dollars where they are needed most
- Better coordinate services across agencies
- Deliver more value for the \$10 billion of grant dollars

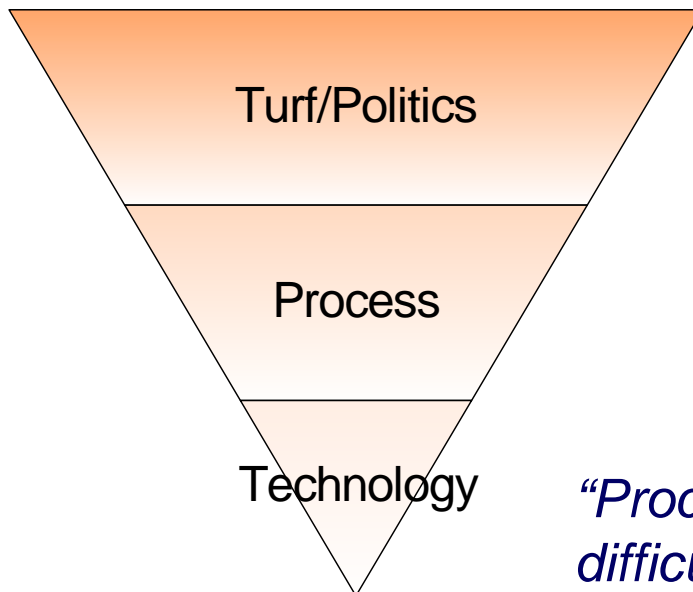
If we could:

- Streamline our procurement laws
- Use standard product and service descriptions

Then we can:

- Make it easier to do business with the state
- Increase competition
- Get goods and services faster
- Simplify the process enough to automate it
- Collect better data about what we buy
- Pay lower prices

Difficult



Easy

“Procurement reform is politically difficult, but it is worth the trouble.”

- Gartner, Inc.

Ideas for G/L, financial reporting & cost accounting

If we could:

- Collect all the financial information the state and agencies need to make decisions
- All calculate the costs of programs and services the same way
- Link program results to the source of the money
- All share good, flexible reporting tools

Then we could:

- Better inform citizens about what they're getting for their tax dollars
- Better understand the full costs of government services
- Better target funding to the most cost effective programs
- Manage the state as an enterprise

Best  value

If we could:

- Get the goods and services we need every day much more easily
- Use sensible, risk-based approval rules
- Make it fast and easy to write contracts that get results



Then we can:

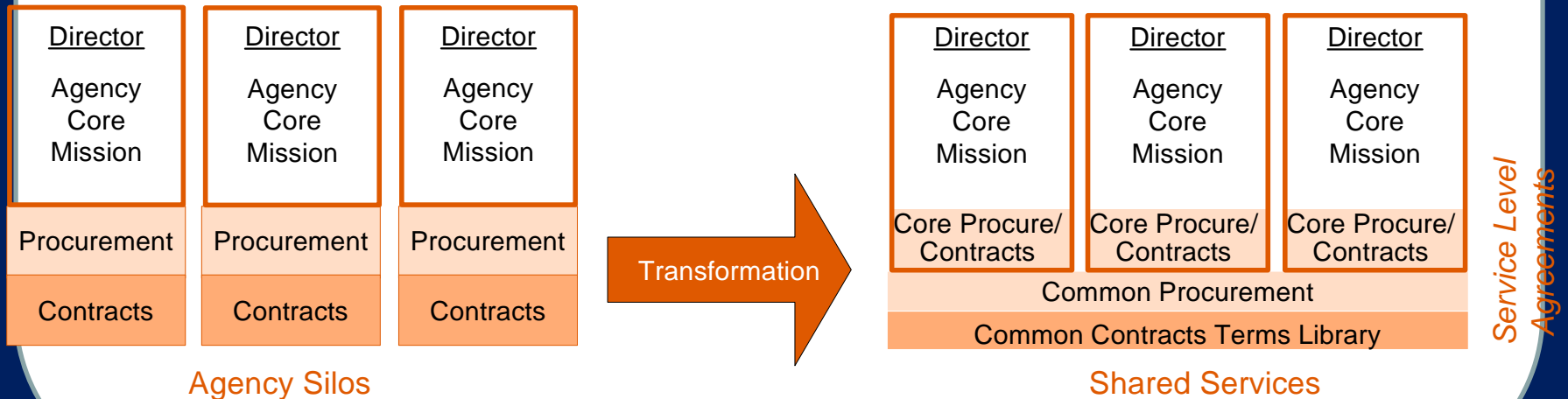
- Make it easier to do business with the state
- Improve service delivery
- Get better value for the taxpayer's dollar

If we could:

- Buy common goods and services centrally
- Really understand what the state is buying
- Get a system for the whole process

Then we can:

- Make better long-term strategic buying decisions
- Get better value for the taxpayer's dollar
- Free up more time for core missions



Ideas for vendor information Vendor information management

If we could:

- Share one record for each vendor
- Have vendors self-register to do business with the state
- Only do business with registered vendors
- Do electronic bids, contracts, invoices, payments
- Track vendor performance

Then we can:

- Make it easier to do business with the state
- Improve sales tax compliance
- Stop doing business with vendors that don't perform



Ideas for payables

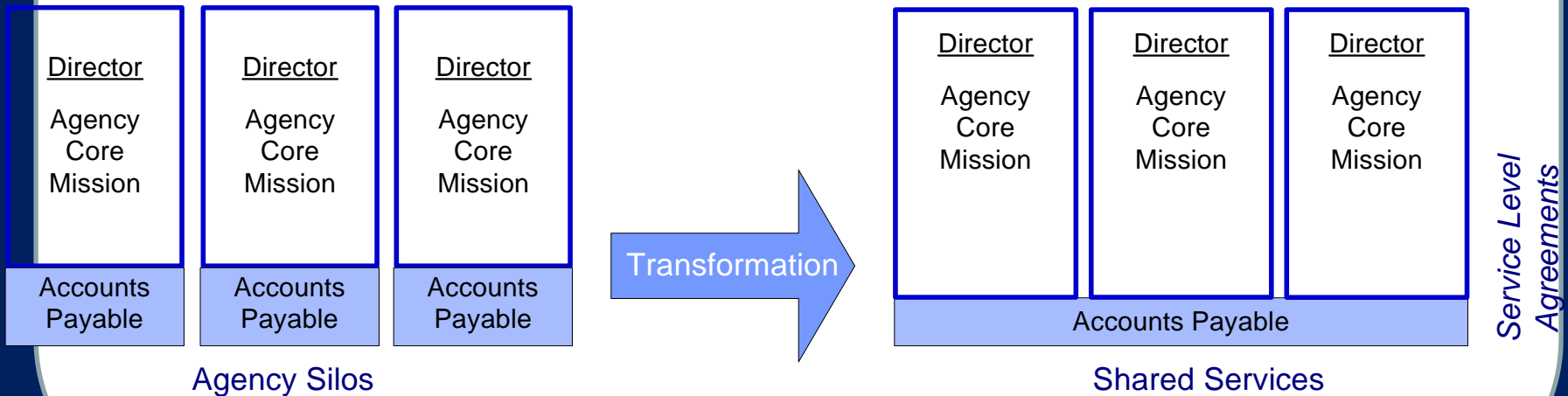
Payables shared services

If we could:

- Pay all the bills centrally
- Use sensible, risk-based approval rules
- Get a system for the whole process

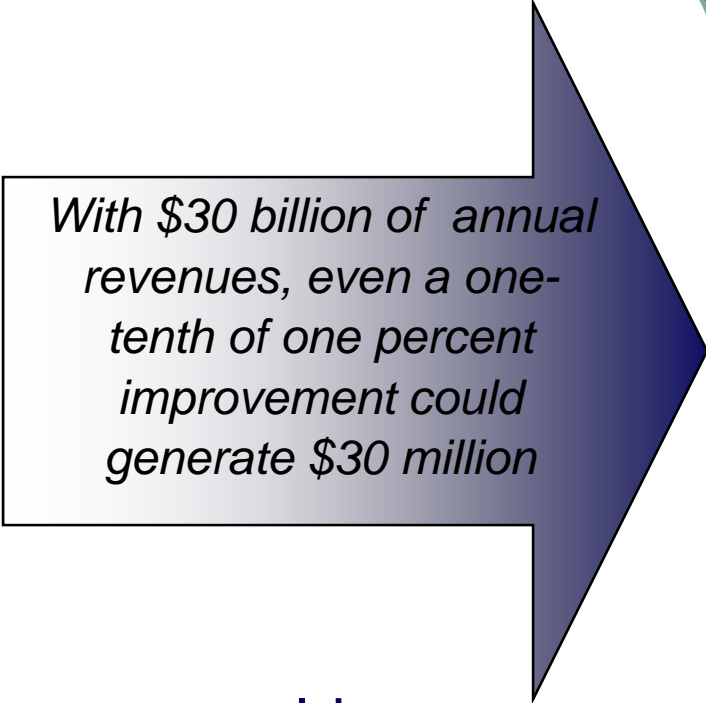
Then we can:

- Pay vendors more timely
- Free up more time for core missions
- Earn more interest and payment discounts



If we could make it legal to:

- Accept all forms of payments and absorb fees
- Charge enough to cover collection costs
- Charge interest on amounts overdue from other governments
- Not pay customers that owe money to the state
- Withhold services until payment is received



With \$30 billion of annual revenues, even a one-tenth of one percent improvement could generate \$30 million

Then we could:

- Make it easier for customers to pay the state
- Increase revenues

If we could:

- Bill customers electronically
- Encourage customers to pay their bills electronically
- Link the receipt to agency systems so program managers and other stakeholders will know when the money comes in



Then we can:

- Make it easier for customers to pay the state
- Reduce cashiering effort
- Keep everyone informed and put the money to work fast

Ideas for revenue accounting

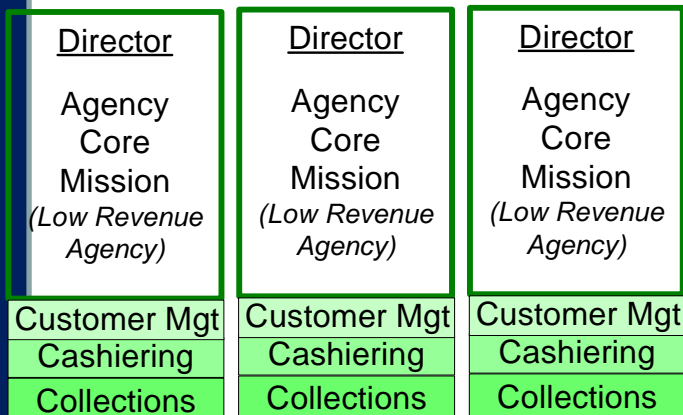
Revenue center of expertise

If we could:

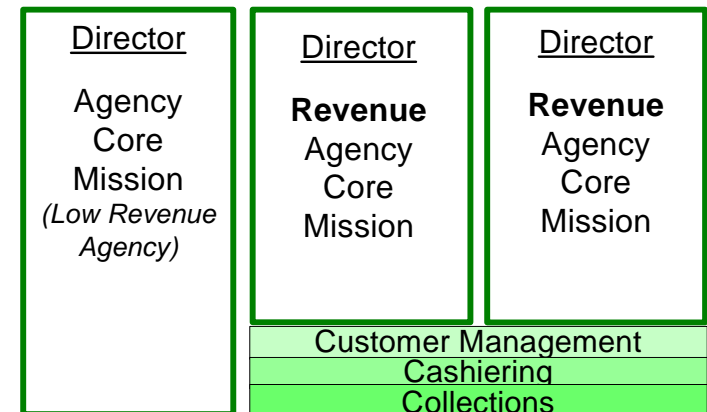
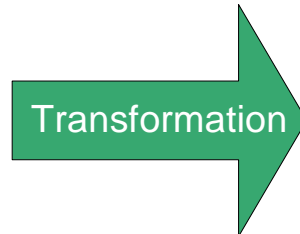
- Let the experts collect revenue
- Manage customer information centrally
- Collect and receive money centrally
- Ask customers to pay electronically
- Get a system for the whole process

Then we can:

- Better coordinate services across agencies
- Improve customer service
- Free up more time for core missions
- Increase revenue collections



Agency Silos



Revenue Center of Expertise

- **Priorities of Government**

- High level, summary information available through Performance Measure Tracking (PMT) system, keyed by agencies
- Ongoing assessment of activity inventory performance measures

- **Government Management Accountability and Performance (GMAP)**

- Meeting GMAP needs has been labor intensive for many agencies
- Data needs are still evolving

- **Emerging enterprise decision support needs**

- Collective bargaining
- Performance Audit (I-900)
- RCW 43.17.390 - Independent assessment
- Competitive contracting
- Strategic sourcing
- Legislative inquiries (grants, capital projects, administrative/IT costs)

- Increasing demands for enterprise perspective
- Shortage of analytical skills
- Chart of accounts
 - 2004 survey recommended only minor changes (contract, grant, project and support for actual cost of activities)
 - Business modeling revealed the need for more significant changes to support emerging enterprise needs and provide cost accounting functionality
 - Need for change must be balanced with the impacts
- HRMS
 - Labor costs represent about 50% of non-grant program costs
 - Starting to see the need for an enterprise approach and solution for labor distribution
- Need for integrated systems and data