Joint Budget Committee Progress Report

COFRS Modernization Project – Renamed to "CORE"

Colorado Operations Resource Engine

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September 20, 2013

CORE
Colorado Operations Resource Engine

Agenda

- **Background on COFRS**
- **CORE Project**
  - **Vision, Mission, Guiding Principles**
  - **Scope**
  - **Project Organization (Resources)**
  - **Budget**
  - **Schedule and Status**
  - **Deliverables and Benefits**
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Background on COFRS

Implementation

- First used as book-of-record in 1992
- Purchased from AMS (now CGI) 1989 contract
- Used COBOL programming, 1960's state of the art technology

COFRS strong points:

- Stable
- Secure
- Controllable
- Customized (also a weakness)

COFRS Studies identified COFRS weak points

- **1999 Study**
  - COFRS is antiquated
  - Limited by fixed field format
  - Immutable in constantly changing environment
  - Very customized
  - Not based on best business practices
  - Not kept current on upgrades
- **2007 Hackett Benchmark Study**
  - Low technology investment in COFRS drives high personal services cost with low productivity returns
- **2009 Oracle Insight Study**
  - Duplicated subsystems costly to build & maintain
  - Lack of integration within and between systems
  - Complex interfaces required for stand alone and subsystems
  - COFRS skilled workforce aging and retiring
  - Lack of automation and self-service

- **2011 Office of the State Auditor Report**
  - Immediate and significant risks threaten the short-term sustainability of COFRS
  - COFRS has reached the last stage of the software development lifecycle
  - COFRS does not support the State's 21st century business needs
  - Colorado is one of the few states in the nation that has not upgraded its primary financial management system to a more modern, integrated system
  - Replacing COFRS would require a high level of sustained effort and commitment in terms of decision making, time, resources, and funding.

Snapshot of State operations from the 2011 Office of the State Auditor Report

- COFRS processed about $36 billion in state expenditures and $34 billion in state revenues in fiscal year 2010
- Each month, COFRS processed an average of 1.65 million general ledger records and 300,000 financial documents
- About 2,000 state employees use COFRS
- In sum, COFRS has been a workhorse for the State's financial operations
- But the time had come to replace COFRS

COFRS Modernization

- 2012 OIT/OSPB submit 10 year plan for the State's financial systems
- RFI to determine what was in the State's best interest - issued in February 2012
  - Extend existing 50-year license included in contract with CGI

  or
  - Spend a year gathering requirements, preparing RFP, evaluating responses, negotiating a contract
- RFI evaluated in April 2012
- Decision to amend existing contract in June 2012
- Cleared to contract in mid July 2012
- Contract with CGI (formerly AMS) executed on September 28, 2012
  - Maintain existing COFRS
  - Implementation services for Modernization
  - System hosting, software maintenance, and upgrade license

CORE Project – Vision, Mission, Guiding Principles

Project Vision

Create a core financial system that empowers employee efficiency, enables program effectiveness, and ensures elegant interactions with Colorado's customers and residents. The system will support Colorado's long standing commitment to fiscal discipline, financial accountability, government transparency, and cost-beneficial controls.

Project Mission

Rapidly modernize the State's core financial system by optimizing our purchased solution through broad employee engagement, engineering to best business practices, and with a determined focus on essential activities.

Guiding Principals

A set of guiding principles were defined by the State of Colorado Executive Sponsors prior to the kick-off of the Envision Phase. These guiding principles helped to provide a framework for consistency and maintain focus and drive during the Envision Phase and will continue to do so during the remaining phases of the project. The guiding principles are as follows:

- Modernize by Decommissioning Legacy Systems - COFRS and related legacy systems rely on outdated technology and put the State at risk in case of catastrophic failure of one or more systems.

- Leverage Industry Best Practices - Adopt proven, efficient processes to streamline the State's business.

- Avoid Customization - Avoiding customization positions the State to remain with the standard software upgrade progression facilitating staying current with industry best practices and technology.

- Rely on System Configuration - Utilizing system configuration to tailor the system to State to drive and dictate how the system will work.

CORE Project – Vision, Mission, Guiding Principles (cont)

Implications for the CORE Project

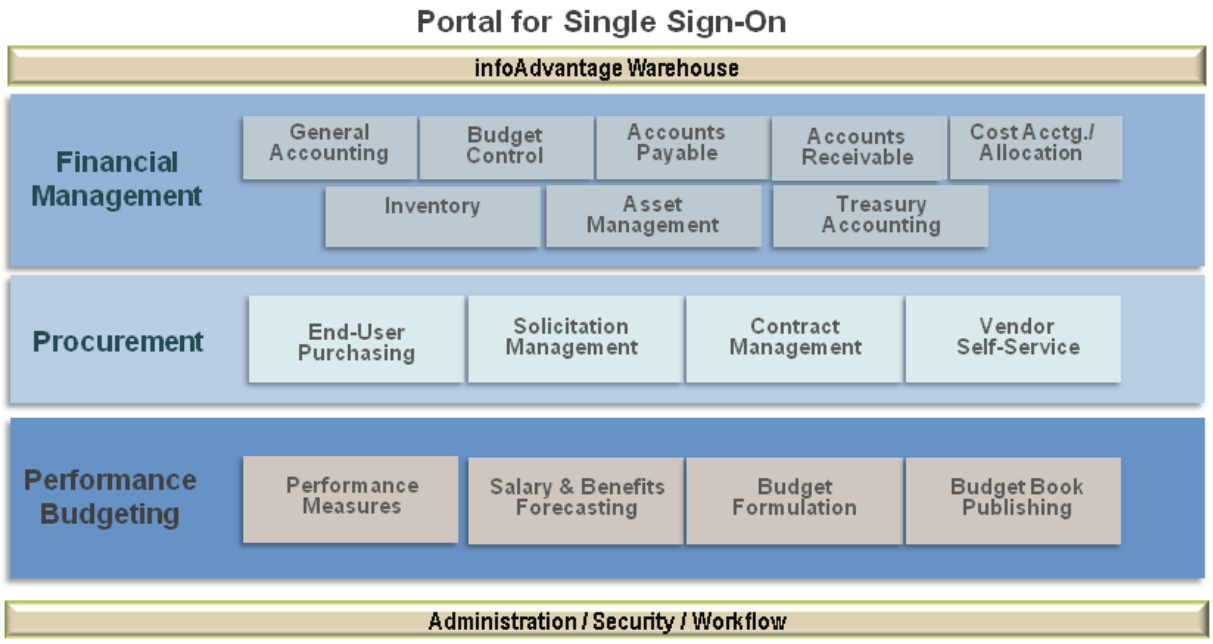
- **Standardized Statewide Best Practices**
  - Processes done one way statewide, rather than different processes for each department
  - Best practice based on industry standards and CGI's functionality
  - Business Process Re-engineering (BPR)
    - Top 10 BPR items
    - About 200 other procedures
    - Outcome: Statewide policy and procedures to be used by all departments using best practices
- **Minimal Modifications**
  - Modifications approved include:
    - Labor Data Collection
    - PERA retirees contribution
    - Five Budget Structures
      - Appropriation Budget, Bottom Line Funded, Department Expense, Grants, Projects
  - Implications of Minimal Modifications
    - High degree of change management
    - Challenges in decentralized culture that has used highly customized COFRS for past 21 years
- **Eliminate legacy systems**
  - COFRS, BIDS, COMPASS
  - Department "home grown" systems to handle functions that could not be handled well by COFRS but can be done with CORE. Examples:
    - Asset Management
    - Cost Allocation
    - Accounts Receivable
    - Requisition/Procurement

CORE Project – Scope

CORE includes the following functions which will be implemented in the scope of the CORE Project:

- **Accounting** (Financial Management) - General accounting, budget control (implementation), accounts payable, accounts receivable, cost accounting and cost allocation, inventory, asset management, and treasury accounting
- **Procurement** – End-user purchasing, solicitation management, contract management, and vendor self-service,
- **Budget** (Performance Budgeting)- Budget formulation, performance measures, salary & benefits forecasting, budget book publishing

The system also includes a data warehouse, called infoAdvantage, which uses an industry-leading Business Intelligence Enterprise Application Suite to support enterprise reporting and data integration and management.

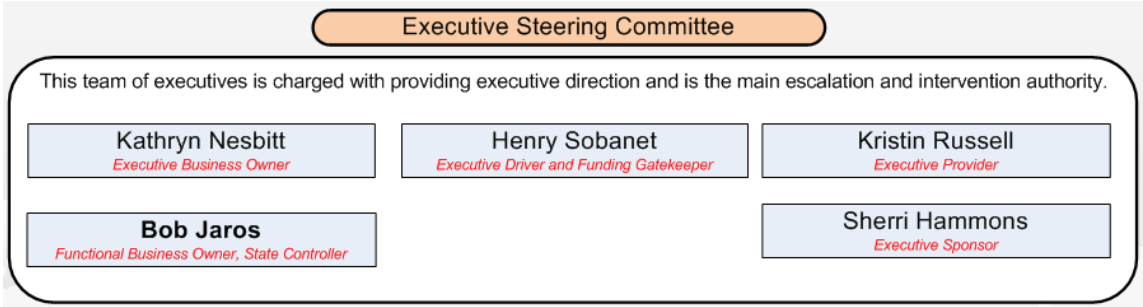


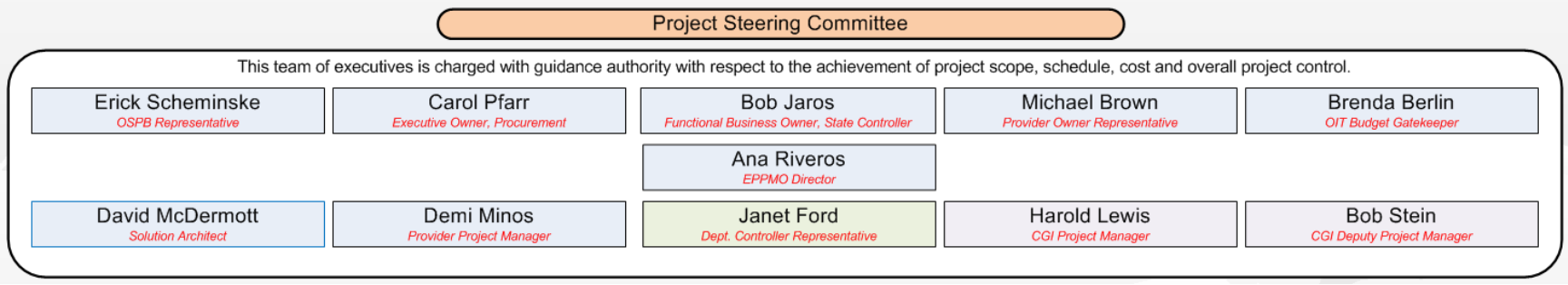
CORE Project – Scope

Modification - June 2013

- **Grants Lifecycle Management – Incoming** (for example, grants from federal government) deferred to post Go Live
- **Grants Lifecycle Management for both Incoming and Outgoing** (for example, grants from the State to political subdivisions) will be implemented together post Go Live.
    - Broad interest in grants management
    - Better use of resources to focus on grants post Go Live
    - The implementation of outgoing grants is not included in the original project budget.
- **Accounts Receivable –** For Go Live, the State will implement the CORE A/R module only for departments currently using COFRS A/R module or have a limited number of customers. A broader implementation of CORE A/R module will occur post Go Live.

CORE Project – Project Organization (Resources)





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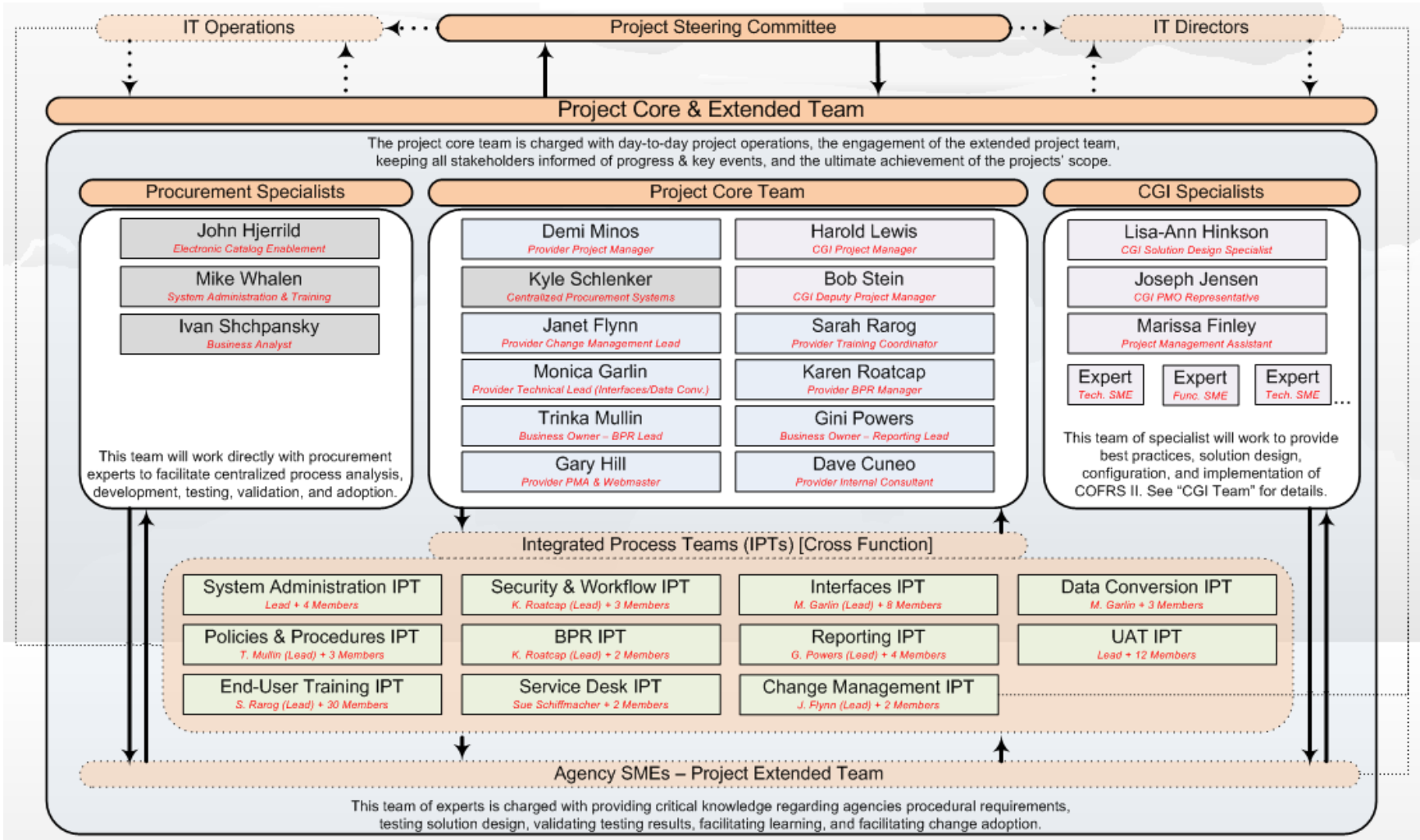

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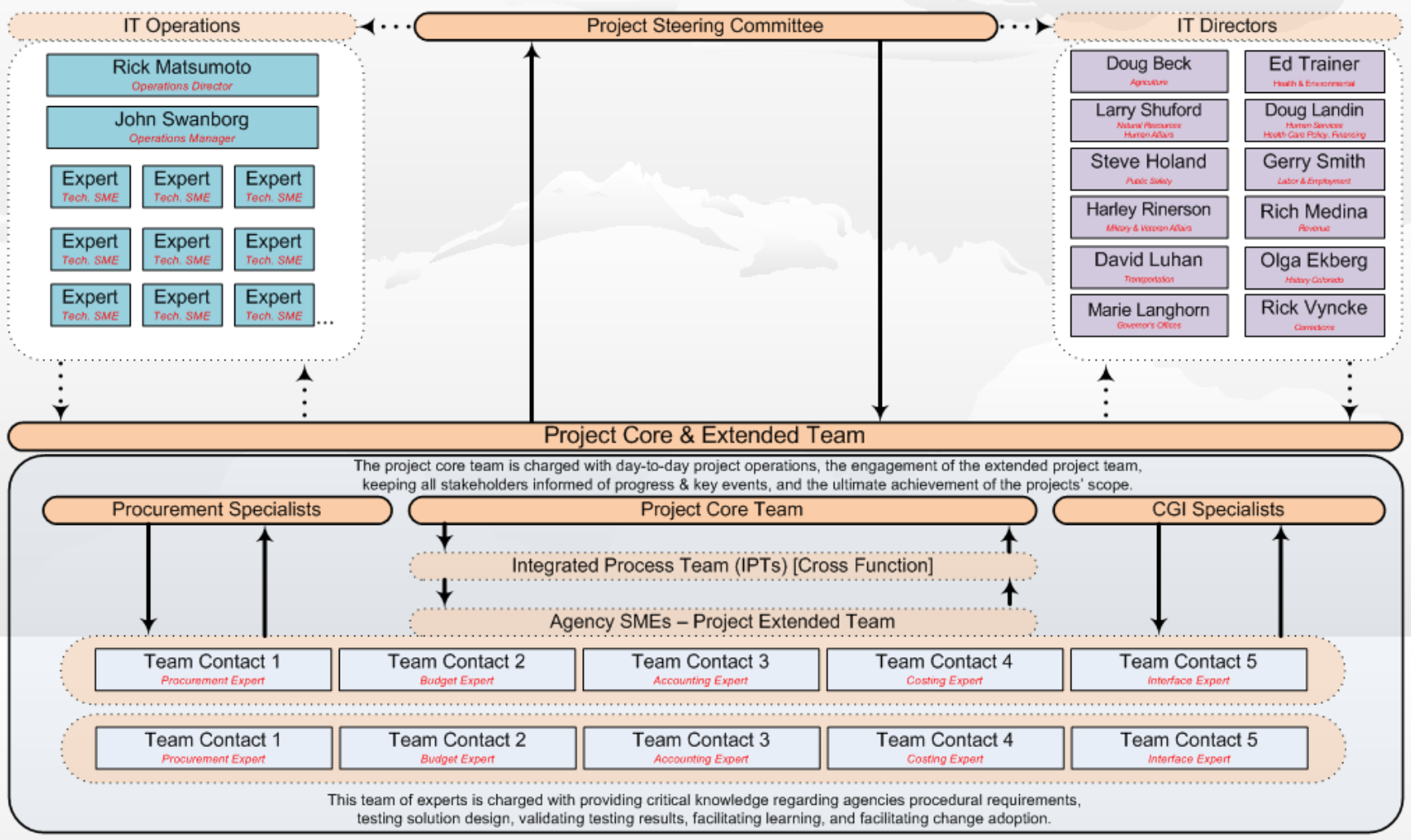


CORE Project – Extended CORE Team

- Initiated in June 2013
- Includes Functional and Cross Functional Teams
- Functional -10 functional leads and over 100 department employees
    - General Accounting
    - Accounts Payable
    - Accounts Receivable
    - Cost Accounting
    - Cost Allocation
    - Asset Management
    - Inventory
    - Procurement
    - Performance Budgeting
    - Budget Control
- Cross Functional – 10 CORE team members plus additional OIT employees as needed
    - Security & Workflow
    - Data Cleansing and Conversion
    - Interfaces
    - Reports and Forms
    - Training
    - Testing
    - Labor Data Collection
    - Business Process Re-engineering
    - Change Management

CORE Project – Budget

Appropriation

	FY13	FY14	FY15 and Beyond
Existing and Planned Appropriations	8,626,790	8,666,770	TBD
Federal Unavailable during implementation	1,793,123	1,970,529	TBD
Available Appropriation	6,833,667	6,696,241	TBD

The Executive Branch will submit the FY 2014-15 request for ongoing CORE Project funding as part of the regular budget cycle. This submission may vary from earlier projections based on several factors:

- the required payment on the Certificate of Participation for the project, issued pursuant to __=_____;
- required system design modifications that have occurred as part of the project's "envision" phase;
- a more detailed assessment of required ongoing staffing changes in both DPA and OIT;
- a clearer understanding of how the costs of the system can be appropriately recovered from federal funding sources; and
- a more defined division between capital acquisition costs and ongoing programmatic support.

CORE Project – Budget (cont)

Payments to CGI

Component I – COFRS Maintenance and Support Services

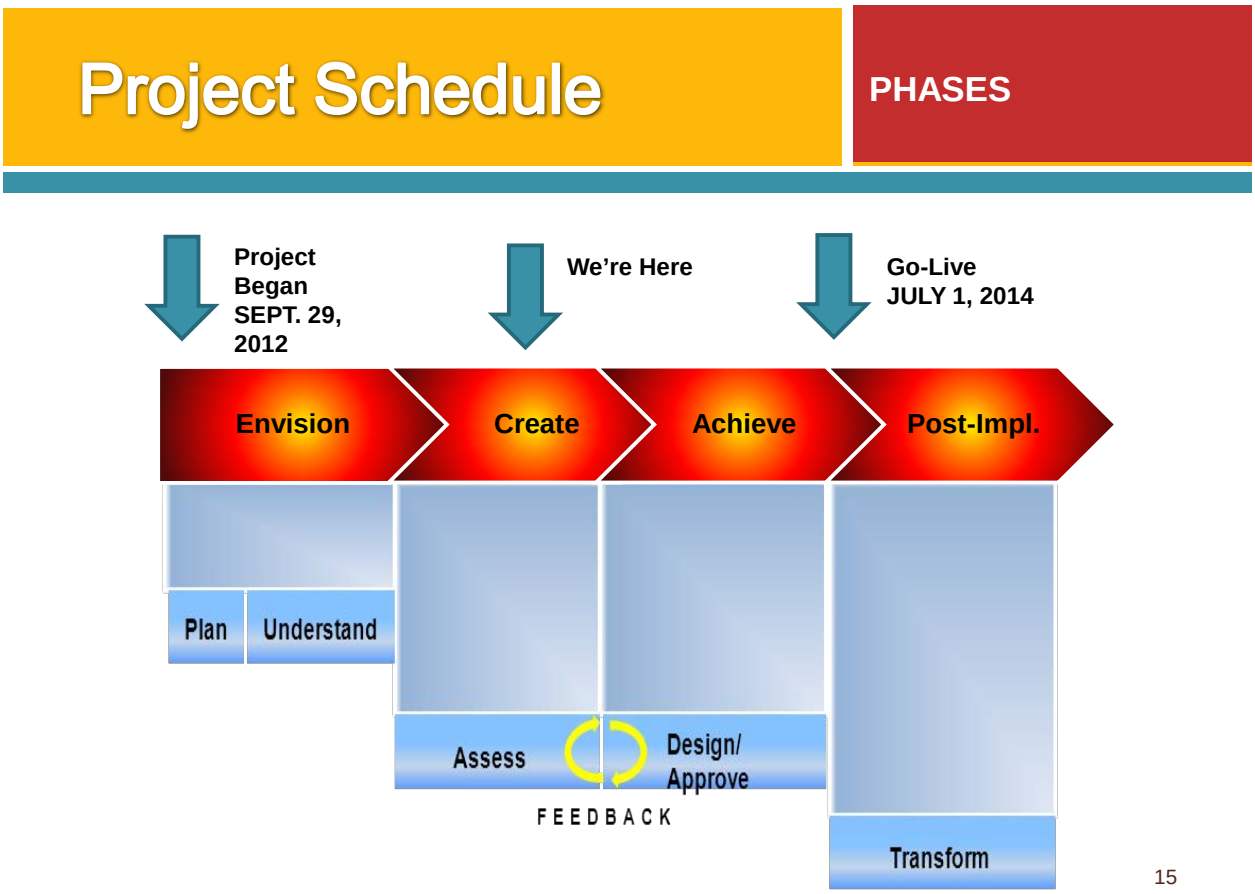
Component II – COFRS Modernization

Component III – Managed Services and Advantage Software Maintenance Services

Payments to CGI in Contract Table G8				
Fiscal Year	**Component I**	**Component II**	**Component III**	**Total**
FY 13	$1,108,059.08	$13,431,917.14	$3,057,506.49	$17,597,482.71
FY 14	$404,156.90	$13,834,669.17	$3,669,007.79	$17,907,833.86
FY 15	$410,725.52	$1,328,399.67	$3,864,500.00	$5,603,625.19
FY 16	$417,622.57		$3,864,500.00	$4,282,122.57
FY 17	$424,864.46		$3,864,500.00	$4,289,364.46
FY 18			$3,864,500.00	$3,864,500.00
FY 19			$3,864,500.00	$3,864,500.00
FY 20			$3,864,500.00	$3,864,500.00
FY 21			$3,864,500.00	$3,864,500.00
FY 22			$3,864,500.00	$3,864,500.00
FY 23			$3,864,500.00	$3,864,500.00
FY 24			$3,864,500.00	$3,864,500.00
SUBTOTAL	$2,765,428.53	$28,594,985.98	$45,371,514.28	$76,731,928.79
Contingency		$1,900,000.00		$1,900,000.00
TOTAL	$2,765,428.53	$30,494,985.98	$45,371,514.28	$78,631,928.79

Component I for FY15, FY16, and FY17 are optional by the State

CORE Project – Schedule and Status



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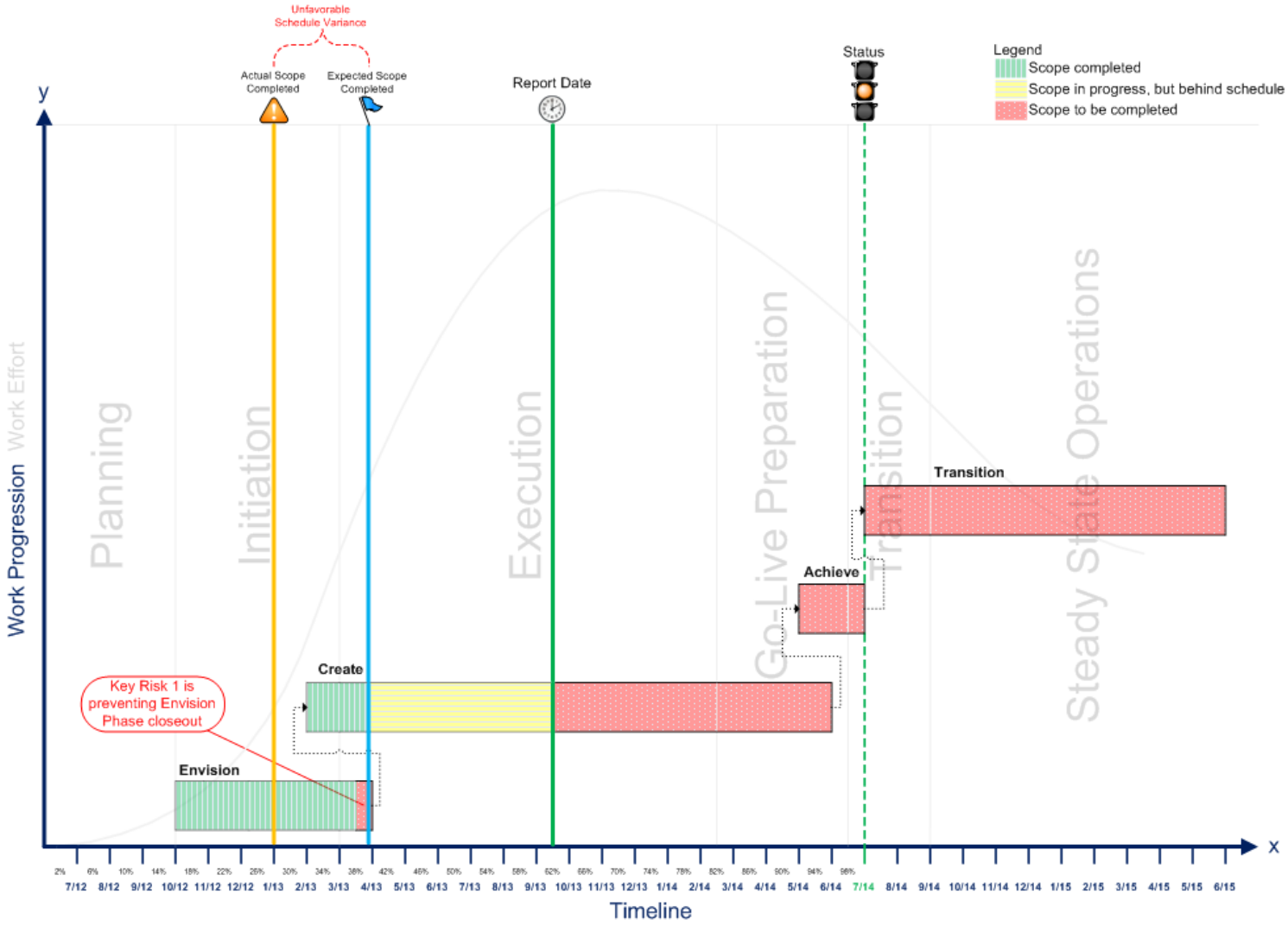
CORE Project Health

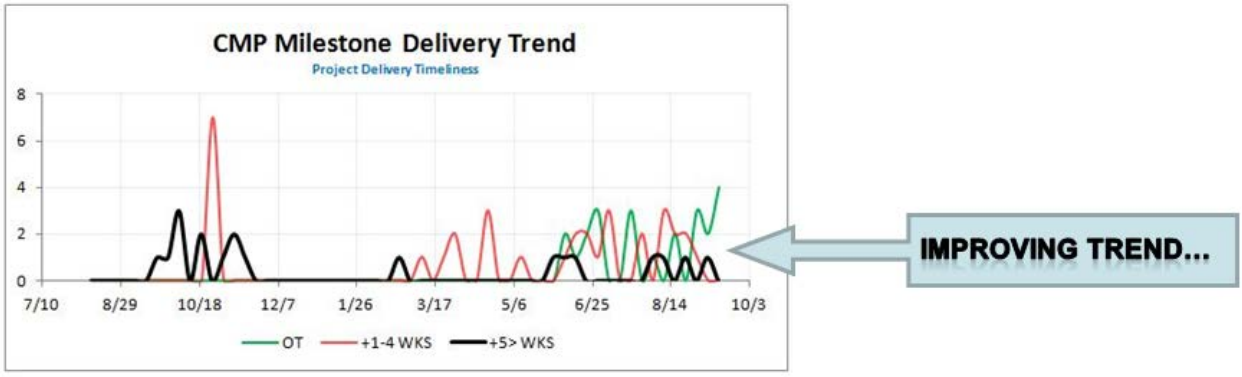


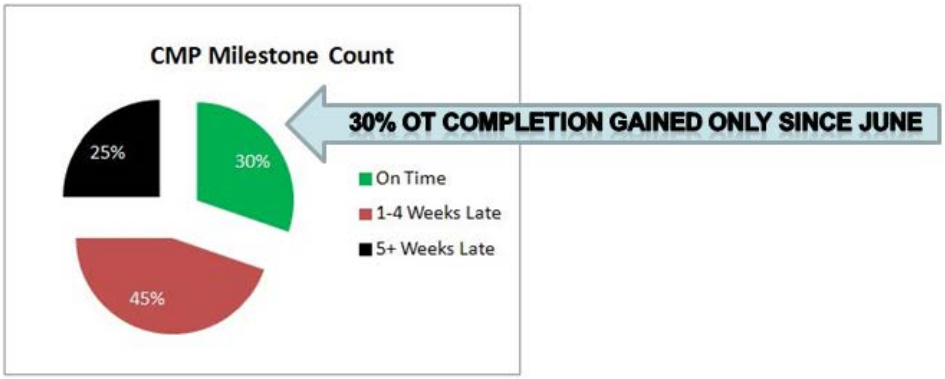
Project Delivery

The project has encountered some difficulty, and the project team has largely worked through that difficulty, and we still expect to deliver the system on July 1, 2014 within the scope of our existing appropriations.

Due primarily to resource constraints and project timing, there was no milestone that was delivered on time before June 2013. Since then, the project has been able to enjoy a recent reversal of these trends. This was the result of organizing functional and cross functional teams and adding over one hundred department employees to the extended project team. These employees are working on the project while also continuing to have responsibilities for their full-time positions in the departments.

Since June 2013, fully 30% of milestones have been completed on time – a significant improvement. Project Management is working with the Project Steering Committee to add additional personnel to continue to drive this improvement.





Work Plan

COFRS II PROJECT WORK		954 days?	1/13/11 8:00 AM	9/30/14 5:00 PM
PLANNING & MANAGEMENT		527 days	9/4/12 8:00 AM	9/30/14 5:00 PM
Project Planning		31 days	9/4/12 8:00 AM	10/16/12 5:00 PM
Project Management		527 days	9/4/12 8:00 AM	9/30/14 5:00 PM
Change Management and Communication		523 days	9/10/12 8:00 AM	9/30/14 5:00 PM
Change Management Plan		53 days	9/10/12 8:00 AM	11/21/12 5:00 PM
Execute Change Management Plan		471 days	11/21/12 8:00 AM	9/30/14 5:00 PM
Develop BPR Strategy/Plan		321 days	9/10/12 8:00 AM	12/13/13 5:00 PM
Project Repository		1 day	10/1/12 8:00 AM	10/1/12 5:00 PM
ENVISION PHASE		155 days	9/10/12 8:00 AM	4/22/13 5:00 PM
Prototype Environment		20 days	9/10/12 8:00 AM	10/5/12 5:00 PM
Business Scenarios		25 days	9/24/12 8:00 AM	10/26/12 5:00 PM
Prototyping/Functional Analysis		148 days	10/1/12 8:00 AM	5/2/13 5:00 PM
COA and Budget Design		76 days	12/10/12 8:00 AM	3/29/13 5:00 PM
Software Analysis		57 days	2/1/13 8:00 AM	4/22/13 5:00 PM
Implementation Assessment		115 days	1/7/13 8:00 AM	6/14/13 5:00 PM
CREATE PHASE		457 days?	9/3/12 8:00 AM	6/23/14 5:00 PM
Non-Prod Environments		243 days	3/18/13 8:00 AM	2/28/14 5:00 PM
Project Team Training		129 days	3/19/13 8:00 AM	9/16/13 5:00 PM
Application Table Configuration		176 days	6/19/13 8:00 AM	3/1/14 5:00 PM
Application Software Customizations		257 days	3/4/13 8:00 AM	3/6/14 5:00 PM
Data Conversion		446 days	9/4/12 8:00 AM	6/6/14 5:00 PM
System Interfaces		335 days	9/3/12 8:00 AM	1/2/14 5:00 PM
Reports, Data Warehouse and Forms		396 days?	9/3/12 8:00 AM	3/28/14 5:00 PM
Security & Workflow Configuration		450 days?	9/6/12 8:00 AM	6/16/14 5:00 PM
Testing		436 days?	9/3/12 8:00 AM	5/23/14 5:00 PM
Polices & Procedures		382 days?	9/4/12 8:00 AM	3/10/14 5:00 PM
COFRS II Documentation		158 days	7/24/13 8:00 AM	3/10/14 5:00 PM
Trainer & End User Training		450 days	9/3/12 8:00 AM	6/12/14 5:00 PM
Readiness Assessment		289 days	5/6/13 8:00 AM	6/23/14 5:00 PM
VSS Website HTML Changes		1 day?	9/4/12 8:00 AM	9/4/12 5:00 PM
Vendor Communication		1 day?	9/4/12 8:00 AM	9/4/12 5:00 PM
Develop Operations Processes / Batch Processing		56 days	10/30/13 8:00 AM	1/23/14 5:00 PM
ACHIEVE PHASE		954 days	1/13/11 8:00 AM	9/30/14 5:00 PM
Setup Production Environment (Managed Advantage)		20 days	12/2/13 8:00 AM	1/2/14 5:00 PM
Mock Conversion		888 days	1/13/11 8:00 AM	6/27/14 5:00 PM
Production Cutover		87 days	3/5/14 8:00 AM	7/4/14 5:00 PM
Post-Implementation Support		65 days	7/1/14 8:00 AM	9/30/14 5:00 PM

Key Accomplishments

1. Envision Phase Completed – solution conceptualization
2. Completed Solution Prototyping
3. Minimized customizations to a mere 7 – near complete dedication to a standard solution
4. Initial hosted assets brought online (development and test environments)
5. Centralized Charts of accounts structure developed, including labels
6. Confirmed data conversion targets for go live cutover
7. Substantially completed base system configuration
8. Decentralized chart of accounts structure developed, including labels
9. Interfaces development underway, 2 development iterations complete
10. Report development underway, 3 development iterations complete
11. Conceived future operations model to drive organization transformation
12. Engaged all departments and agencies in a variety of change management events

CORE Project – Project Deliverables and Benefits

Issues with current COFRS	CORE Benefits
Heavily customized system	1. Built specifically for state and local governments hence utilizes "industry Best Practices" 2. Composed of several tightly integrated components that serves full spectrum of government ERP needs 3. Minimize customizations through table-driven configuration 4. Administration tools for security and workflow
Based on obsolete technology	1. Latest web technology 2. Increase efficiency with real-time transactions, electronic workflow and approvals 3. Industry standards and best practice compliance
Multiple sub systems and interfaces	1. Comprehensive system will reduce number of current stand-alone subsystems 2. Streamlined business processes eliminates redundant data entry and maintenance of multiple systems 3. Enhances access to information via integration across finance, procurement and budgeting 4. Single sign on for all ERP modules
Significant resource and financial limitations on COFRS maintenance	1. CGI is responsible for hosting and maintaining the application , mitigating implementation risk, technical staffing needs, and interdependencies. 2. System stays current with technology via new releases applied on a State prescribed basis.
Does not meet latest business needs of transparency and accountability	1. The solution's backbone is a robust fund accounting model that is fully compliant with GAAP as prescribed by GASB. 2. Accounting journal (equivalent of COFRS general ledger) provides a central repository for financial information and supports the automated generation of financial reports. 3. Accounting journal gives access to information using decision support tools such as drill down capability
Significant risk for failure, A failure would have significant financial, operational, and political ramifications	1. Minimized risk as new stable system managed by CGI 2. SLA's and disaster recovery options are built in the contract 3. CGI provides 24/7 support and monitoring

CORE Project – Project Deliverables and Benefits

Overall

1. Opportunity to re-engineer processes and utilize best practices
2. Built specifically for State and local governments to serve complete government ERP needs
3. Comprehensive system will reduce number of current stand-alone subsystems
4. Eliminates redundant data entry
5. No more green screens or 3270 emulators
6. Info available in the system in real time
7. Context specific help and training functions
8. Workflow
9. Approvals in system rather than by paper
10. System remains current because of upgrades
11. Move to electronic filing and away from paper files

Accounting

1. Conform to GASB and GAAP
2. Reduce risk in present preparation process of Comprehensive Annual Financial Report
3. Central repository supports automated financial reporting and decision support tools
4. Freedom from complex "smart" coding
5. Transaction level transfer and AR/AP balancing
6. No more off-the-system post-closing entries
7. Additional information available for remittance advices, leading to increased use of electronic payments (EFTs).

Procurement

1. Requisitions in CORE, no more paper processes
2. Integrated and automated procure-to-pay.
3. Standardized NIGP commodity-based purchasing provides opportunity to conduct spend analysis on the amount of State spending, the nature of the items/services purchased, and the vendors who provided the items/services.
4. Automated assignment of requisitions to procurement buyer teams.
5. Electronic purchase orders issued to vendors
6. Ability to attach contracts and store those contracts in the electronic content management software
7. Vendor self service provides vendors with more visibility to their payments and ability to manage their information

Budget

1. Streamlined budget processes and controls
2. Automated budget preparation with option of multiple iteration management

CORE Project – Project Risks

Key Risk 1: Implementation of a statewide system in a decentralized and autonomous organization

Mitigation Plan: Collaborate with Department/Agency leaders to agree to BPR standards and gather buy-in (underway)

Key Risk 2: Overall schedule risk

Mitigation Plan: Break the project into phases (e.g. Phase 1, Phase 2, etc.) and control scope for Phase 1. Bring on additional personnel to address the workload. Note: Phase 1 deadline is aggressive, reducing a 48 month project to 22 months.

Key Risk 3: Electronic content solution delivery timeliness

Mitigation Plan: As above for key risk 2. The need for ECM was not originally identified but state leaders (post contract signing) insisted upon delivery of this functionality as a prerequisite for solution adoption. Therefore, some items, such as full Accounts receivable implementation have been moved to Phase 2 to accommodate this need. Review of this effort is ongoing.

Key Risk 4: Timely completion of Interface Development, including CPPS and LDC solution

Mitigation Plan: As above for key risk 2, with heavy emphasis on adding additional staff to the project. The project core team before June 2013 was merely a dozen people. The State Controller, with support from State departments, has augmented the team to well over one hundred staff members thus accounting for the overall turn-around in the project health thus far.

Key Risk 5: Lack of dedicated CORE trainers to conduct end-user training

Mitigation Plan: Either consider outsourcing this work to our vendor/partner (CGI), assuming the cost is not too great or reaching out to other state agencies for additional personnel. CGI is preparing a quote to take on this work.

Key Risk 6: Lack of organization transformation preparedness

Mitigation Plan: Part one of this mitigation includes working with project management to develop an organization model. Part two involves working with the executive leaders of DPA, OIT, OSPB, as well as the project sponsors to determine a future organizational vision of the State. Part of one of the mitigation plan is complete. The leadership team is now working on part two.