



Financial Management System (FMS) Project

Information Technology Investment Board (ITIB) Meeting

April 17, 2008

Project Purpose

Implement a COTS ERP financial management system to replace VDOT's FMS II application AND establish a base ERP solution for the Commonwealth

- **VDOT has significant system failure risks due to unsupported software, operating system and database**
- **Financial risk of a \$4B agency is a financial risk to the *entire* Commonwealth**
- **VDOT Business Plan requires supported financial management system**
- **VDOT has resources to continue to move forward on agency based solution**
- **Provides “go forward” strategy for Virginia Enterprise Applications Program (VEAP) despite current lack of funding**

Project Scope

- **Part 1: Replace VDOT's FMS II System**
 - General Ledger, Accounts Payable, Accounts Receivable, Purchasing (full functionality, integrate with eVA), Project Accounting, Time Entry
 - VDOT continues use of existing Budgeting and Fixed Assets systems until VEAP enterprise solutions are available (originally part of FMS Upgrade scope)
 - Additional functionality such as iSYP (Integrated Six-Year Program), Inventory management, HR functions are out of scope
 - Implement financial management data standards defined by Department of Accounts, Department of Planning and Budget, Department of General Services and Department of Human Resource Management per Item 460#1s of the pending 2008 Appropriations Act
- **Part 2: Implement VEAP "Base" Solution**
 - General Ledger and Accounts Payable only
 - Replaces existing CARS Functionality
 - Rolled out as statewide pilot (VDOT)
 - Reduces need for VDOT modifications to work with CARS (batch types/transaction codes)
 - Implement new statewide Chart of Accounts
 - Implement financial management data standards defined by Department of Accounts, Department of Planning and Budget, Department of General Services and Department of Human Resource Management per Item 460#1s of the pending 2008 Appropriations Act
 - Implement Business Intelligence "BI" for VEAP Financials
 - Establish a cross-agency committee to support communication/change readiness for applicable executive branch agencies

Project Sponsors

- **VDOT Chief Deputy Commissioner, Greg Whirley, will serve as Project Sponsor**
 - **VDOT Management (IT Investment Committee & FMS Steering Committee) has approved project to move forward**
- **Virginia Enterprise Applications Program (VEAP) Director, Peggy Feldmann, has the authority to direct the Commonwealth's efforts to modernize central administrative systems**
 - **Per item 54.10 of the 2006 Appropriation Act**
 - **Ensure goals and objectives of enterprise vision are met/require redirection if needed**
- **Approach will require significant statewide support and must have “enterprise” capability**
 - **Office of the Secretary of Transportation**
 - **Virginia Enterprise Applications Program (VEAP)**
 - **Office of the Secretary of Finance**
 - **Department of Accounts (DOA)**
 - **Virginia Information Technologies Agency (VITA)**
 - **Auditor of Public Accounts (APA)**
 - **IT Investment Board (ITIB)**

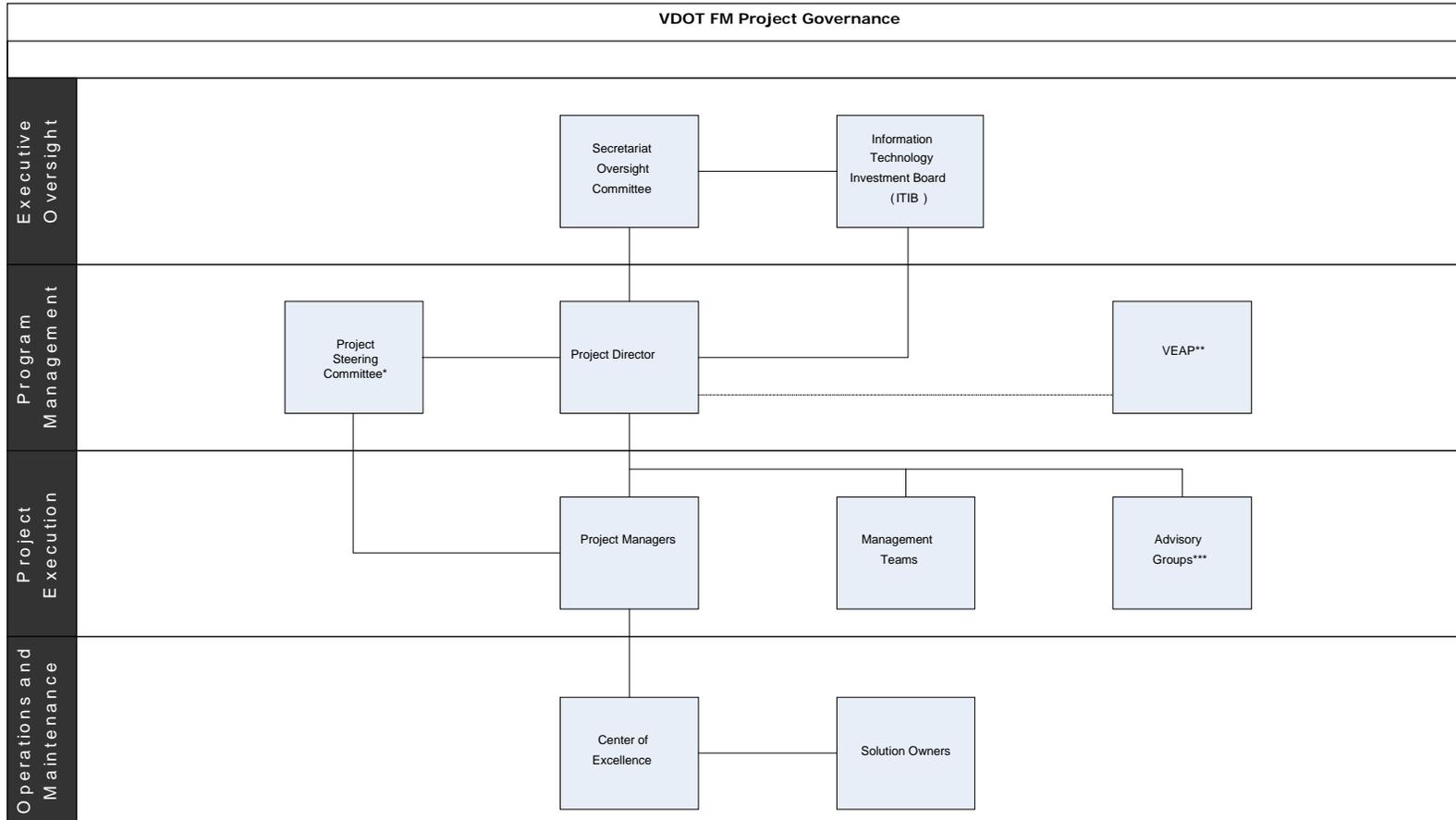
VDOT Impact - Summary

- **FMS is the foundation system for VDOT operations – any changes to FMS will have a rippling effect on most VDOT systems and processes**
- **VDOT has committed the significant and sufficient capital and human resource investments needed for this project to be successful**
- **There is broad support from both Central Office and District leadership for this project**
- **VDOT is prepared for significant business process and organizational change as a result of limiting software modifications**
 - **Most VDOT systems will need to build access points to the new FMS**
 - **Some VDOT systems will need to be modified to handle functionality that is removed from the financial system**
 - **Bolt on solutions will be developed to meet critical requirements**
- **VDOT is carefully assessing how much change it can undertake**
 - **Ability to implement new financial management business processes**
 - **Ability to effectively deliver future systems while FMS is being developed**
 - **Ability to support IT projects currently in development**
 - **Ability to support systems (including FMS II) currently in production**

Benefits to Commonwealth

- Provides solution for mitigating VDOT risks
- Allows VEAP and DOA to move forward despite current lack of funding
- Procurement process will satisfy both VDOT and VEAP needs and result in statewide “open to buy” contracts for software and system implementer
- Establishes enterprise standard for ERP software
- Costs can be shared between VDOT and VEAP
- VDOT project staff can transition to enterprise implementation project
- DOA staff participation on VDOT project would build necessary project skills (not available today)
- VITA Infrastructure established in manageable phases
- Enterprise Applications Center of Excellence established
- Foundation for Shared Service Bureaus will be established (roll out will be part of statewide ERP implementation)
- VEAP Base developed and tested in lower risk environment
- Approach allows for steady progress (lower risk, tied to available funding)

Governance



* Project Steering Committee includes participation from Department of Accounts (DOA), Virginia Enterprise Applications Program (VEAP), Virginia Information Technologies Agency (VITA - non-voting) and Auditor of Public Accounts (APA - non-voting)

**Per Item 54.10 of the 2006 Appropriations Act, the VEAP Project Office Director has authority to direct the Commonwealth's efforts to modernize central administrative systems through the Enterprise Applications Public-Private Partnership.

***Advisory groups include Cross-Agency Committee, Technical Oversight and VDOT Business Advisory. Others groups TBD.

Governance Bodies

Secretariat Oversight Committee - Transportation	
Pierce Homer	Secretary of Transportation (Chair ex officio)
Ralph Davis	Deputy Secretary of Transportation (Chair)
Mike Sandbridge	CIO Representative (VITA Associate Director of Project Management)
Scott Cummings	Secretary of Finance Representative (DPB Budget Analyst)
Gary Allen	Proponent Agency Head or designated substitute
Others	As appointed by the Chair and CIO
Steering Committee	(Internal Agency Oversight Committee)
Greg Whirley	Deputy Commissioner (Chair)
Reta Busher	Chief Financial Officer
Gary Allen	Chief Information Officer
Mal Kerley	Chief Construction Engineer
Garrett Moore	District Administrator
Peggy Feldmann	Director, Virginia Enterprise Applications Program
Randy McCabe	Assistant Comptroller, Department of Accounts
Wanda Wells	Inspector General (non-voting)
Patrick Reynolds	VITA Project Management Division (non-voting)
Karen Helderman	Auditor of Public Accounts representative (non-voting)
VDOT Business Advisory Group	
<i>Comprised of functional leaders with a vested interest in the project</i>	
<i>Ensure system meets business requirements and support business process reengineering efforts</i>	
Cross Agency Committee	
<i>Comprised of functional leaders from agencies impacted by the project</i>	
<i>Support communication and change readiness efforts</i>	
Technical Oversight Group	
<i>Comprised of technical experts with a vested interest in the project</i>	
<i>Determine the technical, system engineering and architectural solutions for the project</i>	

Preliminary Schedule Milestones

- **Project Planning:**
 - **Development Approval: April 2008**
- **Project Development:**
 - **RFP for Software and System Implementer: April – December 2008**
 - **Part 1 Project Execution: Feb 2009 – January 2011**
 - **Part 1 Post Production Support: February 2011 – January 2012**
 - **Part 2 Project Execution: February 2011 – October 2011**
 - **Part 2 Post Production Support: November 2011 – February 2012**
 - **Project Close out: March 2012 – June 2012**
- **Schedule subject to change based on input from implementation vendor**

Cost/Benefit

- **Total Costs FY08-FY18: ~\$83m**
- **Tangible Benefits FY08-FY18: ~\$93m**

- **Net Present Value of Benefit/Cost: ~\$280k**
- **Return on Investment (ROI): 12%**
- **Pay Back Period: 10 years**

- **Key Intangible Benefit: *Risk reduction of total system failure***

Discussion

Recommendation in the form of a Motion

That the IT Investment Board grant development approval for the Virginia Department of Transportation Financial Management System (FMS) Project.

Appendix

Key Assumptions

- **Schedule and cost estimates have 80% confidence level and will be finalized as part of vendor contract negotiations**
- **RFP will result in statewide contracts for software and implementation services that can be used by other governmental bodies**
- **Department of Accounts (DOA) will provide 4 FTEs to the VDOT project to develop expertise with the software solution and to prepare for the VEAP Base implementation**
- **The software selected for the VDOT and VEAP Base projects will be deemed the enterprise standard for financial management systems**
- **Commonwealth/NG Partnership will be able to provide the technical infrastructure within the time frames agreed to with the System Implementer**
- **VDOT will pay for the VDOT Project; VEAP will pay for DOA staff on the VDOT project and for the VEAP Base Project**
- **DOA will make the business decisions regarding the configuration of the VEAP Base; VDOT will determine the configuration for its application, adhering to DOA policies and procedures**
- **The Commonwealth team will be comprised of employees as much as possible, and will be supplemented by contractors as needed**
- **Business processes will be modified as much as feasibly possible to meet the delivered software capabilities; software modifications will be done only when no feasible workaround exists; software modifications will be done such that there is minimal impact to future upgrades**
- **Other systems development work at VDOT may be curtailed to dedicate the necessary resources to the FMS Project**

Risks and Constraints

- **Implementation date may not coincide with a fiscal year, requiring additional data conversion**
 - **Mitigation:** Data conversion analysis has already begun to allow for what-if scenarios regarding implementation schedule
- **Business processes delivered with COTS product may invoke resistance from end users**
 - **Mitigation:** Comprehensive change management effort is being used to address potential resistance to change
- **There are a limited number of staff with the expertise to implement the business process/system changes required**
 - **Mitigation:** Evaluating resources from both Central Office and field locations to leverage extensive workforce. Using contractors (strategically) to shore up internal teams
- **Funding for VEAP Base (Part 2) is dependent on an Enhanced Tax Collections revenue stream**
 - **Mitigation:** Lack of VEAP funding does not affect Part 1 (VDOT Project). VEAP tracking progress against plan for revenues to ensure sufficient funding is in place.
- **Driving force is risk mitigation of VDOT system failure, user expectations about enhanced functionality could impact system acceptance**
 - **Mitigation:** Comprehensive Change Management effort is being used to address potential system acceptance issues; Currently analyzing functional scope to identify all impact areas
- **Software “Gaps” may exist even after business process reengineering (BPR)**
 - **Mitigation:** Detailed fit/gap process as part of RFP evaluation will allow for Total Cost of Ownership (TCO) analysis and allow for sufficient lead time regarding BPR and implementation options (bolt-on solution, third party product, customization)
 - All customizations must be approved by Steering Committee

Measures of Success

- **Data standardization and modern, leading-practice financial management business processes implemented across the enterprise**
- **Robust financial management system capable of supporting Transportation specific requirements and production of the FHWA Federal Bill**
- **Efficient financial reporting processes to support the preparation of financial statements in conformance with GAAP, GASB**
- **Compliance with Agency Risk Management and Internal Control Standards (ARMICS)**
- **Seamless integration with other enterprise applications (Business Intelligence, Performance Budgeting, etc.) through compliance with Enterprise Architecture standards**
- **Improved transparency through powerful reporting capabilities, including a financial data warehouse, management reporting tools and standard reports and queries**
- **Modern technology solution employing service-oriented architecture, capable of being upgraded to current releases and supported by internal agency staff and the vendor community to maximize return on investment (ROI)**

Next Steps

- **Project Approval Process**
 - ITIB Presentation – Request for Development Approval (4/17)
- **RFP Development**
 - Conduct Evaluation Team kickoff
 - Finalize updates to RFP based on final scope and requirements
 - Release targeted for May
- **Governance**
 - Engage Advisory and Oversight groups
 - Conduct next FMS Project Steering Committee meeting (mid-May)