Enterprise Resource Planning (ERP)
Presentation to the Civil Service Commission

July 17, 2015

Topics for today

Transition team findings

ERP Vision

Challenges foreseen

Timeline

Governance

The state is currently facing significant administrative challenges

Competitive disadvantage	Illinois **lags large U.S. states in leveraging technology to improve administrative services** (e.g., 1 out of 10 major States without a statewide ERP platform, ranked in bottom group of States with best technology) and **citizen services** (e.g., worst result of all US States in citizen experience survey)
Funding and transparency risk	**Negative Auditor General** reports on the timeliness and accuracy of financial reporting (e.g., Illinois has ranked 49th, 41st, 49th, 50th, and 49th in releasing its CAFR in last 5 years) put significant funding at risk (e.g., federal grants) at a time when the State faces massive budgetary challenges
Lack of control	**Difficult to manage and monitor** financial, procurement and personnel activity in real time (e.g., GAAP compliant financial report completed almost a year after end of fiscal year), hindering executive decision-making and timely detection of any major issues
Redundancy	Over **400 IT solutions with overlapping functionality** that ineffectively support administrative services along with **numerous manual and duplicative processes** indicate strong potential to streamline administrative functions
Operational risk	Outdated and sub-optimal IT solutions are difficult and costly to maintain, **require difficult-to-find and retiring legacy skills, and do not meet State's needs**

The Auditor General's report highlighted 5 main findings with important implications

Findings

> "Agencies reported using **263 different financial** reporting systems"

> "Agencies reported that **only 16 percent of the systems are compliant** with Generally Accepted Accounting Principles (GAAP)."

> **"Half of the financial reporting systems** in use at State agencies are more than 10 years old"

> **"Fifty-three percent of the financial reporting systems are not interrelated** which consequently requires manual intervention to convert data from one system so it can be used in another."

> **"The total estimated cost of maintaining the systems in fiscal year 2010 was not determinable.** Agencies provided cost estimates totaling $24 million which covered only 56 percent of the systems."

Implications

- The late release of the State's CAFR has an **adverse effect on State financial management/ oversight** and is a negative factor affecting **bond ratings**

- The late release of the Statewide Single Audit leads **to non-compliance of Federal requirements**, hampers oversight and adds costs and could have a **negative impact on federal Funding**

Auditor General's recommendation: "The Governor's Office and the Office of the Comptroller should develop and implement a plan to correct problems with the current financial reporting process and begin overhauling the State's financial reporting system"

The statewide ERP program will streamline administrative functions and lay the foundation for efficient government
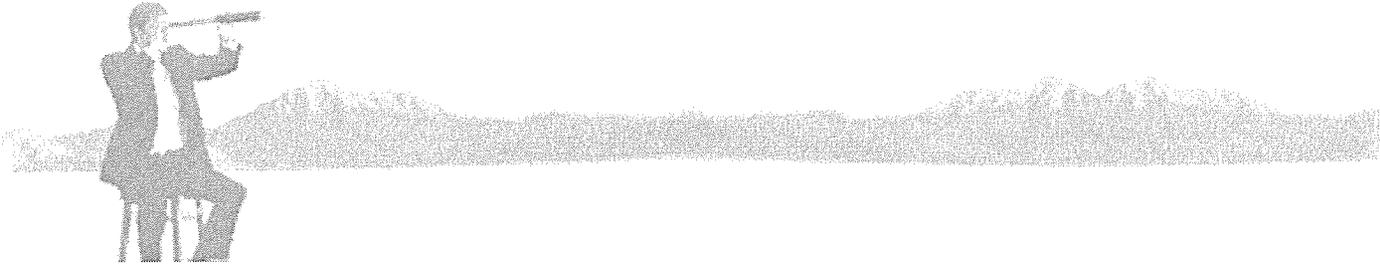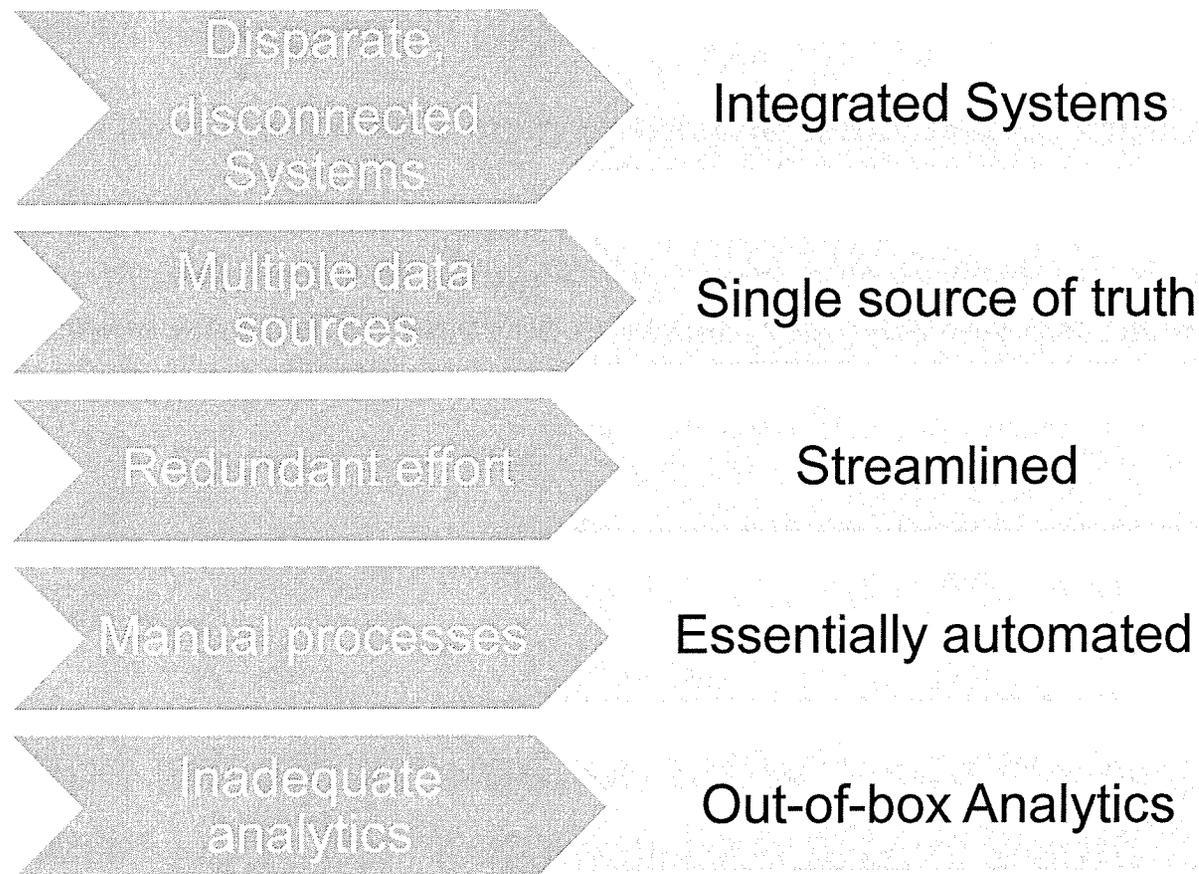

Vision of the ERP Program:

Rapidly implement an industry-leading software (SAP) that will **deliver a modern, integrated IT platform across finance, human capital management, and procurement** for all agencies within the State of Illinois to

❑ Drastically **improve the efficiency of administrative and citizens services**

❑ Consistently deliver **financial statements in a timely manner**

❑ Enable statewide **transparency, access to information, and swift decision-making**

❑ Enable State operations to receive a **clean audit** from the Auditor General

❑ Be a catalyst for **statewide transformation of _all_ administrative services**

Enterprise Resource Planning (ERP)

A suite of applications that are tightly integrated to help Organizations manage their Business; including Finance, Human Resources, Procurement and Operations

Current and Future States of Business

Disparate, disconnected Systems	Integrated Systems
Multiple data sources	Single source of truth
Redundant effort	Streamlined
Manual processes	Essentially automated
Inadequate analytics	Out-of-box Analytics

Challenges : Move each Agency that currently works in silos to a common shared platform

- Engages 70+ agencies under the jurisdiction of the Governor and Constitutional offices of Comptroller and Treasurer

- Involves modernization of software and infrastructure

- Involves consolidation of data and streamlining of processes

- Each agency will go through changes in:
  - Business processes (optimization)
  - Policies and procedures
  - Workflows and automation
  - Reporting and compliance
  across Finance, HR, Procurement and General Administration
  - It will require change enablement related to personnel; roles / responsibilities / training / alignment & transition

For example:
- Consolidation of 75% of approximately 400 agency legacy computer systems
- Currently, for Finance alone, each agency relies on it's own solution (often multiple software components) that adds up to 200+ systems and about 650 business processes. These will be consolidated into a single State-wide Finance SAP solution

Statewide Personnel Involvement:

State Leadership team:
- Governor's office (Deputy Governor, CIO, CFO, CTO)
- Comptroller
- Treasurer (pending budget confirmation)
- CPO
- Key Stakeholders across agencies

Consulting Resources:
- McKinsey team (up to 10 resources)
- SAP software team (up to 10 resources)
- Accenture team (50+ resources)
- Deloitte team (50+ resources)

State ERP team resources (today's subject of the Exemptions request)
- 21 Leadership roles with responsibilities to manage personnel, solution configuration, change enablement, compliance and policies
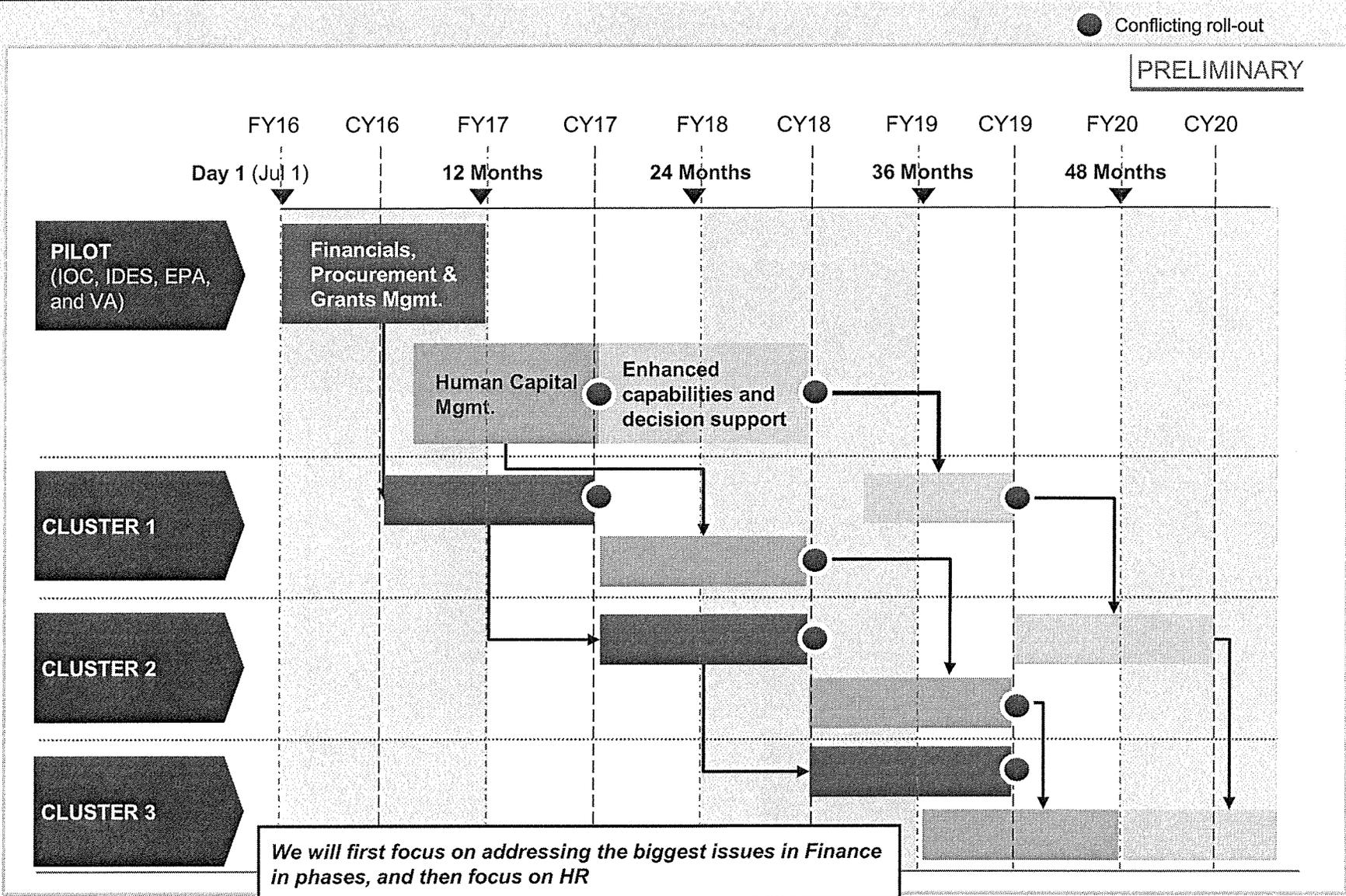
Rest of the State Agency Resources
- 100+ personnel from 70+ agencies from across Finance, HR, Procurement

Initial plan:
To rollout "Wave 1" to pilot agencies by the end of fiscal year 2016

● Conflicting roll-out

PRELIMINARY

| FY16 | CY16 | FY17 | CY17 | FY18 | CY18 | FY19 | CY19 | FY20 | CY20 |

Day 1 (Jul 1) 12 Months 24 Months 36 Months 48 Months

PILOT
(IOC, IDES, EPA,
and VA)

Financials,
Procurement &
Grants Mgmt.

Human Capital ● **Enhanced**
Mgmt. **capabilities and**
decision support

CLUSTER 1

CLUSTER 2

CLUSTER 3

We will first focus on addressing the biggest issues in Finance
in phases, and then focus on HR

ERP Organization structure and Governance
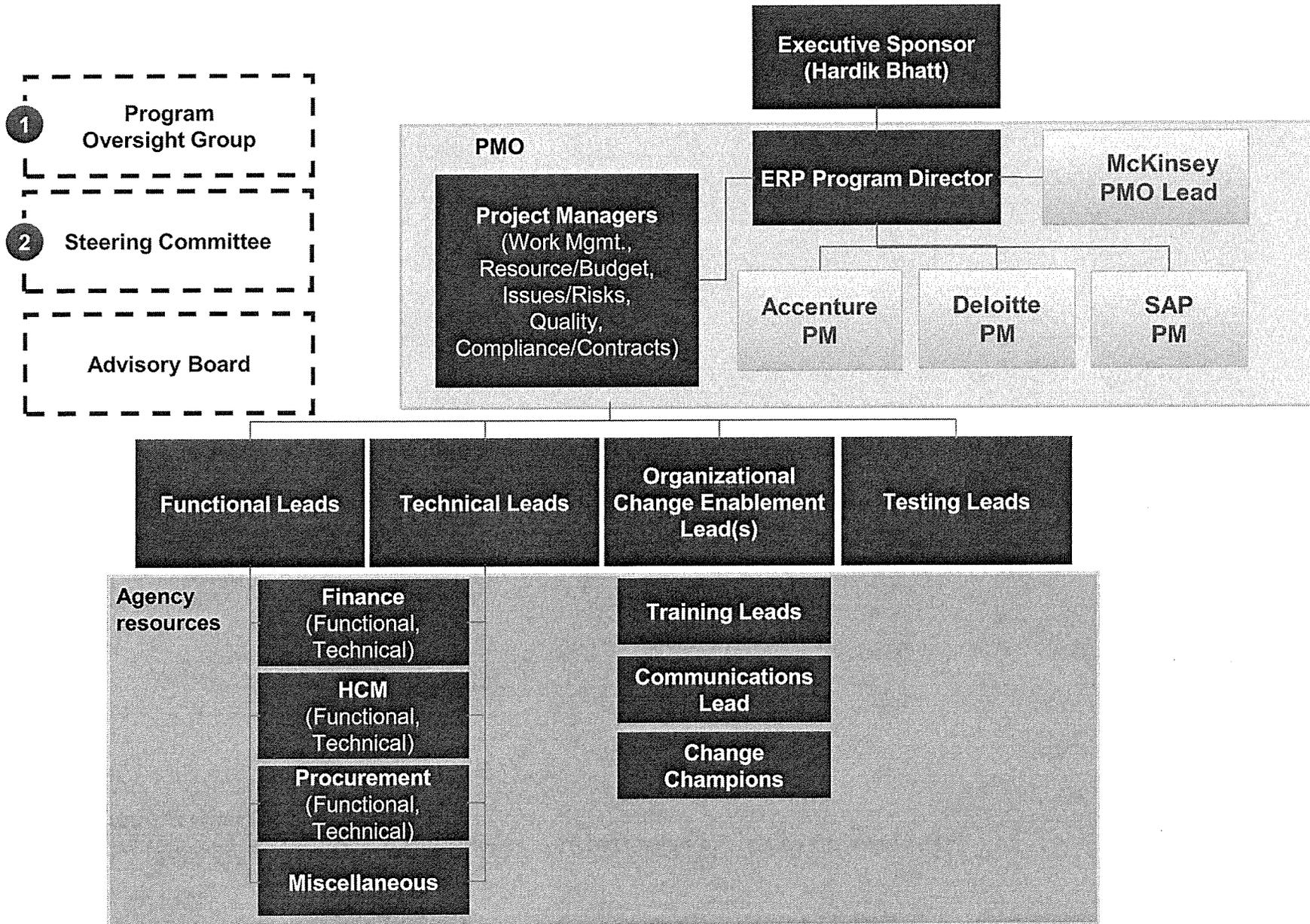
① Program Oversight Group

Description

- **Oversight and decision-making body** on program scope, funding, and implementation priorities
- **Small group** of very senior executives
- **Chaired by the State CIO**
- **Exists until the end of implementation** at which time responsibilities of this body will be transitioned to a different body providing operational governance

Rules of engagement

- **Maintaining a Statewide perspective** rather than advocating for a specific agenda
- **Collaborative decision making** based on fact-based tradeoffs provided by the PMO
- **Decisions will require unanimous support** from members that are present
- Attendance at **meetings cannot be delegated**
- **Membership will not transfer to new office holders;** other members must unanimously approve replacement in the event of a new office holder
- **Additional members may be added based on unanimous agreement**, not to exceed 7

Members

- Leslie Geissler Munger (IOC)
- Trey Childress (Dep Gov)
- Tim Nuding (Budget)
- Donna Arduin (State CFO)
- Ellen Daley (State GS CPO)
- Hardik Bhatt (State CIO) - *Chair*

Meeting cadence

- **Quarterly, at a minimum**
- At key milestones
- As needed and initiated by the Chair

② Steering Committee

Description

- **Guidance body** comprised of senior state leaders from variety of agency and constitutional offices
- **Reviews progress and provides input** to the Program Team
- **Chaired by the State CIO**
- **Exists until the end of implementation** at which time responsibilities of this body will be transitioned

Rules of engagement

- **Maintaining a Statewide perspective** rather than advocating for a specific agenda
- **Advocating for the ERP program** with a broad group of stakeholders
- **Formulating input and guidance** to program team based on fact-based analysis provided by the PMO
- **Providing subject matter expertise** based on functional area or agency mission being represented
- **Facilitating issue resolution and risk mitigation** within own offices as well as with peers
- Attendance at **meetings cannot be delegated**
- **Meetings facilitated by ERP Program Director**

Members

- Tom Tyrrell (CMS)
- James Joseph (IEMA)
- Felicia Norwood (HFS)
- Connie Beard (IDOR)
- Randy Blankenhorn (IDOT)
- Lisa Bonnett (IEPA)
- Jim Dimas (DHS)
- Scott Harry (GOMB)
- Steve Valasek (IOC)
- Hardik Bhatt (State CIO) - *Chair*
- Prasad Alavilli (Program Director) - *Facilitator*

Meeting cadence

- **Every 6 weeks, starting in July**
- At key milestones
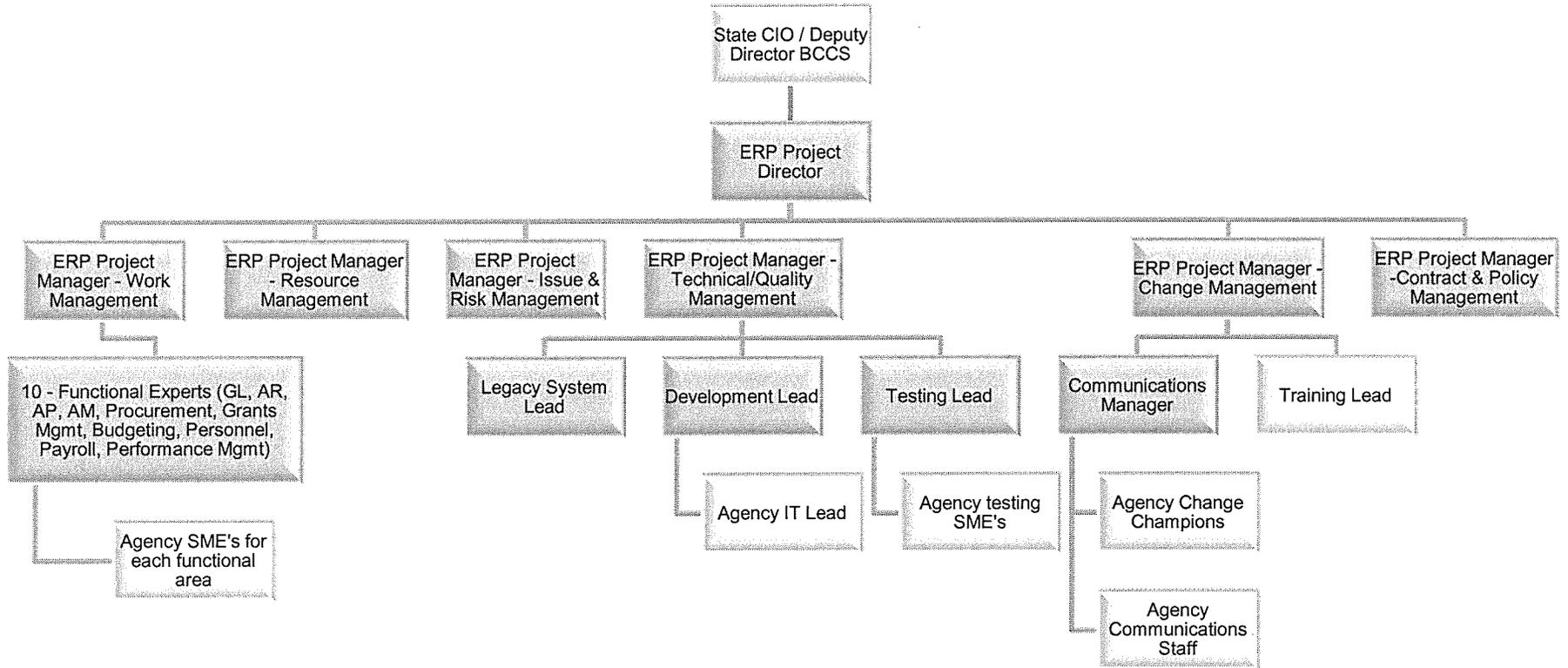- As needed and initiated by the Chair

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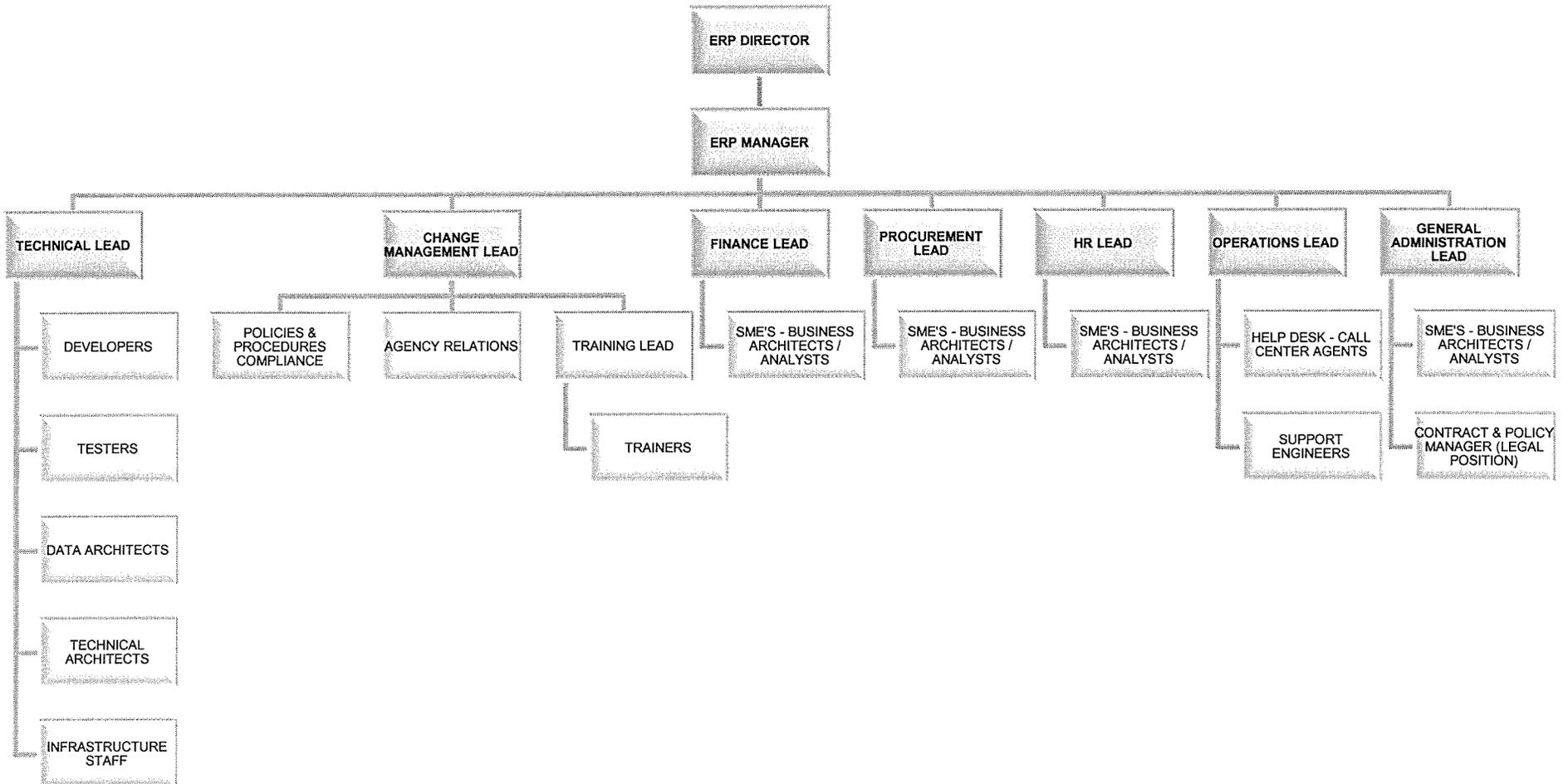## State-wide Management and Resource Transformation

SEAL OF THE STATE OF ILLINOIS

AUG. 26TH 1818

Appendix

Team during ERP deployment

State CIO / Deputy Director BCCS

ERP Project Director

- ERP Project Manager - Work Management
  - 10 - Functional Experts (GL, AR, AP, AM, Procurement, Grants Mgmt, Budgeting, Personnel, Payroll, Performance Mgmt)
    - Agency SME's for each functional area
- ERP Project Manager - Resource Management
- ERP Project Manager - Issue & Risk Management
  - Legacy System Lead
- ERP Project Manager - Technical/Quality Management
  - Development Lead
    - Agency IT Lead
  - Testing Lead
    - Agency testing SME's
- ERP Project Manager - Change Management
  - Communications Manager
    - Agency Change Champions
    - Agency Communications Staff
  - Training Lead
- ERP Project Manager -Contract & Policy Management

Steady-State team

Several states have undertaken large ERP programs

State	Project Codename	Financials	Procure-ment	HCM	Status	Estimated Cost, $M	Population M
Illinois	----	✓	✓	✓	Plan	~200	13
Pennsylvania	IES / Imagine PA	✓	✓	✓	Live	170	13
Wisconsin	STAR	✓	✓	✓	Implementation	139	6
South Carolina	SCEIS	✓	✓	✓	Live	64	5
California	Fi$cal	✓	✓		Implementation	673	39
New York	SFS	✓	✓		Implementation	170[1]	20
Ohio	OAKS	✓		✓	Live	134[1]	12

Extrapolating estimates from Pennsylvania, Wisconsin and New York and adjusting for scope of functionality and size, State of IL implementation cost estimate is approximately $200M

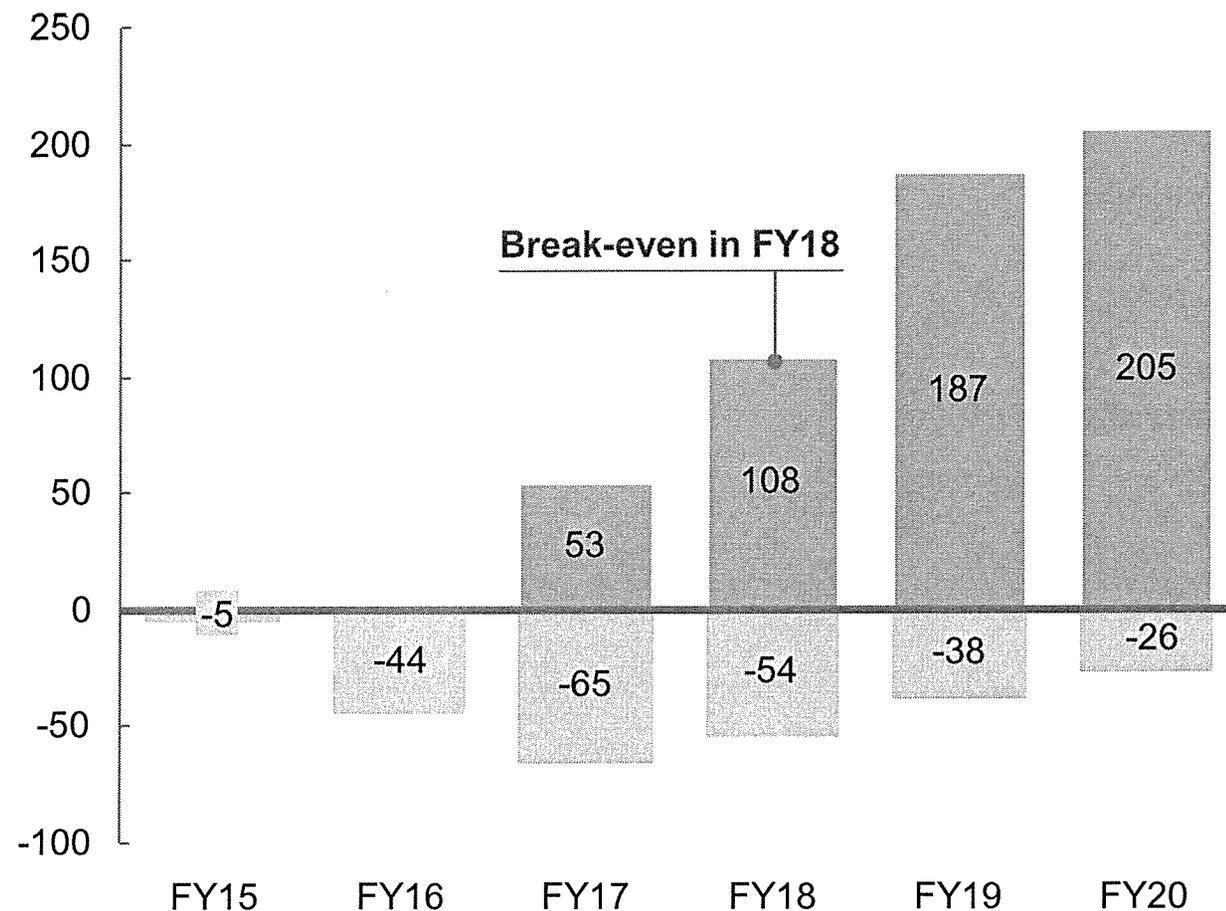1 Based on cost of System Integrators and adjusted using a 0.75 SI/Total Cost ratio

Source: State Government websites, Accenture oral presentations, Census Bureau

Yearly benefits generated by the ERP program will offset costs starting FY18 and reach steady state by FY21

Estimated FY cost[1] and benefit of ERP program over time

■ FY Benefits   ■ FY Costs

$M, FY15-20

Break-even in FY18

Year	Benefits	Costs
FY15	-5	
FY16		-44
FY17	53	-65
FY18	108	-54
FY19	187	-38
FY20	205	-26

Key considerations

- Under a **moderate benefits scenario break-even** will be achieved in **FY18**

- The program benefits will reach a **steady state in FY21** unlocking benefits of $235M per year

Impact of **Grants are NOT included** in the benefits (additional $225M)

1 Includes cost for software vendor, system integrators, PMO, hosting, and full-time State resources in PMO and core team

Source: Interviews with State SMEs, team analysis, industry benchmarks