

IT Project Proposal Report - Detail
Agency: 065 - DEPT OF ADMINISTRATIVE SERVICES
Budget Cycle: 2019-2021 Biennium **Version: AF - AGENCY FINAL REQUEST**

IT Project : Budget software for fuzioN

General Section

Contact Name : Jerry Broz	E-mail : jerry.broz@nebraska.gov	Agency Priority : 1
Address : 1526 K Street Ste 240	Telephone : 402-471-0600	NITC Priority :
City : Lincoln		NITC Score :
State : Nebraska	Zip : 68508	

Expenditures

IT Project Costs	Total	Prior Exp	FY18 Appr/Reappr	FY20 Request	FY21 Request	Future Add
Contractual Services						
Design	0	0	0	0	0	0
Programming	0	0	0	0	0	0
Project Management	1,100,000	0	0	1,100,000	0	0
Data Conversion	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal Contractual Services	1,100,000	0	0	1,100,000	0	0
Telecommunications						
Data	0	0	0	0	0	0
Video	0	0	0	0	0	0
Voice	0	0	0	0	0	0
Wireless	0	0	0	0	0	0
Subtotal Telecommunications	0	0	0	0	0	0
Training						
Technical Staff	1,600	0	0	800	800	0
End-user Staff	0	0	0	0	0	0
Subtotal Training	1,600	0	0	800	800	0

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Expenditures

IT Project Costs	Total	Prior Exp	FY18 Appr/Reappr	FY20 Request	FY21 Request	Future Add
Other Project Costs						
Personnel Cost	182,003	0	0	89,698	92,305	0
Supplies & Materials	10,920	0	0	6,085	4,835	0
Travel	1,200	0	0	600	600	0
Other	316,800	0	0	158,400	158,400	0
Subtotal Other Project Costs	510,923	0	0	254,783	256,140	0
Capital Expenditures						
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Network	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal Capital Expenditures	0	0	0	0	0	0
TOTAL PROJECT COST	1,612,523	0	0	1,355,583	256,940	0

Funding

Fund Type	Total	Prior Exp	FY18 Appr/Reappr	FY20 Request	FY21 Request	Future Add
General Fund	0	0	0	0	0	0
Cash Fund	0	0	0	0	0	0
Federal Fund	0	0	0	0	0	0
Revolving Fund	1,612,523	0	0	1,355,583	256,940	0
Other Fund	0	0	0	0	0	0
TOTAL FUNDING	1,612,523	0	0	1,355,583	256,940	0
VARIANCE	0	0	0	0	0	0

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IT Project: Budget software for fuzioN

EXECUTIVE SUMMARY:

During the 2016 legislative session, Department of Administrative Services (DAS) requested and received legislative appropriation and funding to migrate disparate IT systems individually supporting human resource and benefit management, employee recruiting and development, payroll, and financial functions to a cloud-based single enterprise platform. DAS selected the Oracle Fusion Cloud solution and initiated the migration project (Program fuzioN) during the first fiscal year of the biennium ending June 30, 2019.

DAS' original plan included implementation of a new Planning, Budgeting, Forecasting and Performance Reporting module. However, this module was removed from the 2016 request, with the intention to re-submit a request for its funding to support implementation during the 2019/2021 biennium.

The end state would be the realization of operational, process, and expense synergies by moving to a single enterprise platform while providing a flexible planning application that supports enterprise-wide planning, budgeting and forecasting. This module also provides a secure, collaborative, and process driven service for defining, authoring, reviewing, and publishing financial, management and regulatory report packages.

The issue also includes a request for a new FTE - IT Business System Analyst/Coord. Each of the current fuzioN areas - Financial Capital Management (FCM), Supply Chain Management (SCH) have team members to support those areas and to work with the system's customers.

GOALS, OBJECTIVES, AND OUTCOMES (15 PTS):

This project would continue to receive the support of Program fuzioN and its Guiding Principles listed below to ensure the most efficient and effective solution is implemented.

IT Solution Guiding Principles:

- Executive Governance – Business decisions regarding operational processes as well as underlying IT solutions supporting those business processes are agreed upon by an Executive Leadership team (e.g. Director of DAS, OCIO, CHRO, and State Budget Officer), then planned, budgeted, and implemented. These governance decisions would include strategy and performance objectives, enterprise-wide operating practices, and IT architecture standards & practices.
- Holistic and Integrated Functionality – IT solution decisions driven by support of broad cross-functional and enterprise-wide requirements vs needs for a particular operating unit. Preference is given to a solution that competently addresses a wide array of functional areas and uses than a solution that address a narrow band or few functional areas. For example, an integrated solution would provide a more precise view of the enterprise workforce that would assist in its optimization.
- Maximum Security and Data Integrity Capabilities – Integration with other Program fuzioN solutions (i.e. Human Resource Management (HRM), Financial Capital Management (FCM) and Supply Chain Management (SCM)) which are aligned with internal and best practice security capabilities ensures the State's data remains as secure and as accurate as possible. For example, the State's data is not co-mingled with any other entity's data and has multiple levels of application protection as well as multiple levels of physical protection. The cloud solution also will insure almost instantaneous cutover and recovery of the state's enterprise systems as our data will be in production in one 3rd party data center but replicated in real-time to three other geographically separated data centers.
- Flexible and Efficient Operational Support –Integration with other Program fuzioN solutions will also enable access to enterprise business processes with the configuration and daily processing flexibility meeting State defined business processes and operating needs. For example, coordinating system upgrade timing within an agreed upon

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timeframe (vs a requirement to upgrade at a static point in time along with 100s or 1,000s of other customers) to reduce business disruption risk.

- Leveraging these Guiding Principles, the State of Nebraska should realize a significant reduction in the total cost of ownership of its technology portfolio while simultaneously experiencing major improvements in functional support of the Planning and Budgeting module, as well as the HRM/FCM/SCM operations, and substantial reduction in IT operational risk and complexity.
- Some of the ways that this technology migration and integration will achieve its desired results are:
 - This cloud-based system will be unified and seamlessly integrated with the HCM/FCM/SCM platform data
 - Significant reduction in number of specialized skill IT staff required to support the platform
 - Optimization of end-to-end processes
 - Dramatic increase in COOP availability, redundancy, and reliability
 - Enhanced ability to standardize operational budgeting processes and procedures state-wide by lines of business, if necessary
 - Ability to create standard management reports through collaboration that combine the what (data) with who, when, why and how (narrative) information

PROJECT JUSTIFICATION / BUSINESS CASE (25 PTS):

The migration of the planning, budgeting and reporting module from the legacy mainframe system to a single unified cloud-based platform will result in greater efficiency in analysing, budgeting, and forecasting use of State resources and lines of business. For example, it will facilitate both enterprise level and departmental level planning processes by providing both Excel-based and web-based Excel-like modelling, planning and approval capabilities within one collaborative scalable solution. Operational and strategic goals can be linked to long-term and near-term financial plans. This solution provides the ability for the enterprise to react to volatile business environments through modelling and predictive analytical techniques based on fast changing assumptions and to report on them using intuitive management reporting.

This migration is aligned with and will be integrated with DAS's current Project fuzioN wherein disparate IT systems individually supporting human resource and benefit management, employee recruiting and development, payroll, and financial functions are being migrated to a cloud-based single enterprise platform, Oracle Fusion Cloud Solution. While other alternatives and the status quo were analysed, this course of action was selected because it provides a fully integrated opportunity to realize benefits in a strategic manner while also allowing for the greatest improvement in efficiency at both the operational and tactical levels.

The legacy system is a custom-developed system maintained on the OCIO mainframe. On an on-going basis, elimination of annual legacy system operational and maintenance costs do not offset the costs of new subscription fees and the addition of a new Business Analyst to manage upgrades and support the new module. However, this person would free up existing resources to fully utilize the capabilities of the module. Savings will be realized over time as the enterprise engages in use of the tool to easily and quickly access data and information from the fuzioN solution and use that information to analyse, plan and forecast operational improvements. Maintaining the status quo, or legacy solution, would require software re-programming costs to change and align legacy data fields with new data elements within Project fuzioN, as well as re-programming an interface between the legacy main frame and Project fuzioN.

Please see the Financial Analysis and Budget section for projected 2019/2021 biennium costs.

TECHNICAL IMPACT (20 PTS):

This integration project capitalizes on all of the technical benefits provided by Project fuzioN through the adoption of industry-leading business software and processes in a cloud service environment maintained and supported off-premise. These benefits were fully identified and discussed in the "2016 HRM-ERP Business Case and Justification", a copy of which is attached.

Also, please see comments previously made in the Goals, Objectives, and Outcomes; and, Project Justification/Business Case sections, above.

Milestones and deliverables will be defined and coordinated with our current Program fuzioN implementation partner, KPMG.

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Training and staff development requirements will be included in the overall project plan and scope.

Attachments:

Enterprise Resource Management Consolidation-Business Case.docx

PRELIMINARY PLAN FOR IMPLEMENTATION (10 PTS):

The project to migrate and integrate the Planning, Budgeting, and Reporting module with the Program fuzioN platform will be led by our current implementation partner, KPMG. A preliminary plan would kick off in July, 2019 with design, validation, and solution finalization during August, 2019 through September, 2019, coming fully online by no later than February, 2020.

RISK ASSESSMENT (10 PTS):

Both the legacy and new module will be run in dual during migration and for a reasonable period of time after migration to ensure stability of the integration of the new module with Program fuzioN.

If the proposal isn't approved the current system that is being used for the Biennial Budget submission will require resources - time and financial to make the necessary programming changes to interface with fuzioN in order to pull over historical data as well as the amounts requested. fuzion will be using a new Chart of Accounts (COA). The current budget software uses the current EnterpriseOne Subprogram/Object Code coding.

FINANCIAL ANALYSIS AND BUDGET (20 PTS):

Contractual Services – Other: Includes design, programming, project management, data conversion and technical/end-user training.

Other Operating Costs – Other: SaaS (software as a service) subscription fees for operating software, support, maintenance, and disaster recovery. A new FTE - IT Business System Analysis/Coord is requested to support this new module.

DAS BUSINESS CASE JUSTIFICATION

Enterprise Resource Management Consolidation

1. Executive Summary

The objective of the State of Nebraska is to minimize the number of disparate Human Resource Management (HRM), Enterprise Resource Planning (ERP), Budget, and eProcurement technology platforms which will optimize and support the states operations in the most holistic and integrated framework possible. The end state would be the realization of operational, process, and expense synergies by moving to one enterprise resource management platform at the end of this migration. The Department of Administrative Services is requesting a one-time appropriation of \$14.9M for a cloud-based enterprise system and an additional \$2.3M in recurring annual appropriation to cover the annual enterprise subscription fee for the hosting services.

2. Problem Statement

The State of Nebraska, with more than 18,000 employees; has currently deployed a total of five disparate IT human resource (HRM), budgeting, and accounting (ERP) systems that provide different functionality – including both third party vendor packages as well as internally developed applications – to enable State HR, payroll, benefits, budgeting, objectives, and related operational processes. HR systems owned and / or deployed by the State include Workday (for core HR records management and benefits), NeoGov (for recruiting), Cornerstone (for employee training and development), a state-built and maintained system called Nebraska Budget Request and Reporting System (NBRRS), and JD Edwards EnterpriseOne (full HR functional support, Payroll, and Time and Labor). In addition to these third party vendor systems the State has purchased, the State has also developed and deployed numerous HR support capabilities internally, including Kronos Time & Labor (four separate instances) for specific Time and Labor scheduling and leave calculation for the agencies that have staff working 24-hour shifts. Additionally, the state is one, of six remaining states; that manually processes contracts and local purchases of commodities and services.

Buying and developing multiple IT solutions to meet the various HR and ERP functional requirements resulted from the State’s historically “point solution” approach – one that allowed individual departments and agencies autonomy to select technology solutions without a holistic State IT strategy or vision being in place.

This approach has led to several challenges for the State:

1. Duplicative HRM technology solutions

Chosen solutions have some overlapping capabilities. For example, Workday core HR capabilities overlap with JDE EnterpriseOne core HR capabilities. While Workday was acquired to be the “system of record” for all state personnel records, the JD Edwards system, which had originally been the states “system of record” had to be kept active to process all payroll functions – as the Workday payroll functionality was not available upon implementation. This has resulted in the state, for the last six years, to pay for two HRM systems while only partially using both to conduct day-to-day operations.

2. Broader staff skill sets, experience to support those solutions

Each given IT platform solution requires a specific set of skills, expertise, and experience for the State's support staff because these platforms are not built using the same underlying technology. For example, JDE EnterpriseOne, Workday, Cornerstone, NBRRS, and NeoGov each require specific but different skills and expertise to support efficiently and effectively.

3. Complex data integrity, integration, and identity management

Because multiple HRM IT platform solutions are in place, data must be shared across those platforms as well as with other platforms (e.g. Financials, Purchasing) to accomplish various business tasks. For example, core employee data from the Workday solution must be shared with JDE EnterpriseOne for Time and Labor as well as Payroll functions. Because of the five disparate enterprise systems, the state is currently required to maintain over 176 individual data interfaces in order to share data to complete daily business operations. Additionally, users accessing these systems must have an ID and password for each one, currently resulting in users having 5-7 user IDs and passwords to remember. To summarize, in addition to the costs associated with maintaining data integrity and integration, access security becomes a major risk (as many users write down IDs and passwords and keep them near their computers for quick systems access).

4. Increased IT solution licensing, maintenance, and support costs

With multiple HR solutions implemented, overlapping capabilities in some of those solutions, integration required across those solutions as well as with other systems, licensing, maintenance, and support costs are significantly higher than they should be for the State.

5. Labor intensive manual processes where IT solution support does not exist

Even with the multiple HRM IT solutions chosen and implemented, functional gaps exist within business intelligence, process flows, reporting, and analytics functions. To close these remaining gaps, Departments and Agencies typically engage in labor intensive manual processes to complete these activities. For example, HR ad hoc reports are typically accomplished by users exporting data from various systems into Excel, manipulating it, and then creating charts or other presentation elements as needed. Other ad hoc reports are also used to manage data changes, which then have to be manually re-input into the various systems. The NeoGov, Cornerstone, and Workday systems do not have the capability to share data between each of the systems, so in the case of our Agency HR departments completing recruiting and onboarding activities for potential and new employee's, a new employee's critical information must be entered in all three systems manually – causing time delay's and data integrity issues between the three systems. Conversely, disabling of terminated employee's access to various systems in the current environment requires multiple manual processes to assure access is removed in a timely manner. Risk of a disgruntled terminated employee creating system issues is greatly mitigated in a single platform environment.

6. Lack of a specialized IT staff pool in State to effectively support current HRM/ERP platforms

The State of Nebraska does not currently meet the minimum requirement of staff with the proper platform expertise to support our infrastructure. The State, at minimum; should have 12 CNC staff, 13 business analysts, and 30 developers (a total of 55 staff) supporting our current production HRM/ERP platforms. The state currently staffs at 6 CNC staff, 13 business analysts, and 1 developer.

7. Lack of fully functional Disaster Recovery Capabilities in support of current ERP platform

The state of Nebraska currently has one dedicated AS400 that operates the states payroll and payables functions (over \$944,756,106 in average monthly financial activity processed through this system to include 204,255 vendor payments, aid payments to 261,823 state recipients, tax refund payments, and payroll payments for over 17,500 state employee's for \$44,669,136 in salary). The states recovery infrastructure is one 12-year old AS400 located at the University of Nebraska Medical Center data center in Omaha, NE that has never been exercised to see if the states production ERP system can be restored. For every day that the states ERP system is offline, net 45 day invoice payments will become delinquent and generate an additional daily interest cost of \$75,007 until the system is fully restored.

Recipient aid average monthly participant counts and payment values:

- Medicaid and CHIP Eligible – all ages: 232,795 recipients / \$158,763,444
- Aid to Dependent Children (ADC) families: 5,710 recipients / \$2,288,262
- Child care recipients: 18,143 recipients / \$8,333,059
- Developmental Disabilities Clients: 4,665 Recipients / \$16,596,285
- Veteran's Homes Monthly Census: 510 Recipients / \$1,903,814

Other delays or deferments:

- Court mandated garnishments (child support, alimony, tax levies, etc.)
- Delays on construction projects if contractor payments are delinquent
- Vendor penalties and fees for interrupted services and payments on contracts
- State Treasurer would be unable to accurately clear previously issued warrants from banks
- State Treasurer would be required to manually record all deposits to banks
- Unable to perform budget checks for payments that could be made outside of system (credit card, handwritten warrants, wire transfers, etc.)
- Payments to vendors and recipients participating in Federal grant programs, for which reimbursement is received through the Delay of Draw Federal Letter of Credit program, would be deferred for the period of a system interruption.

3. Anticipated Outcomes

This justification is supported by the Guiding Principles listed below, ensuring the most efficient and effective enterprise IT solutions are implemented in the future.

HRM and ERP IT Solution Guiding Principles:

- **Executive Governance** – Business decisions regarding operational processes as well as underlying IT solutions supporting those business processes are agreed upon by an Executive Leadership team (e.g. Director of DAS, OCIO, CHRO, and State Budget Officer), then planned, budgeted, and implemented. These governance decisions would include strategy and performance objectives, enterprise-wide operating practices, and IT architecture standards & practices.
- **Holistic and Integrated Functionality** – HRM and ERP IT solution decisions driven by support of broad cross-functional requirements (e.g. HR needs plus financial integration requirements plus State Security requirements, etc.) vs single functional needs (e.g. HR needs only). Additionally, preference is given to solutions that competently address more functional areas (e.g. core HR, recruiting, on/off-boarding, benefits, time & labor, payroll, performance, compensation, learning, workforce administration, succession planning, reporting and analytics) than solutions that address fewer functional areas. An integrated system would also provide more precise HR management metrics that would assist in identification and optimization of the workforce.
- **Maximum Security and Data Integrity Capabilities** – HRM, ERP, and eProcurement IT solution decisions aligned with internal and best practice security capabilities to ensure the State's data remains as secure as possible and as accurate as possible. For example, the State's data is not co-mingled with any other entity's data and has multiple levels of application protection as well as multiple levels of physical protection. The cloud solution also will insure almost instantaneous cutover and recovery of the state's enterprise systems as our data will be in production in one 3rd party data center but replicated in real-time to three other geographically separated data centers.
- **Flexible and Efficient Operational Support** –HRM and ERP IT solutions enabling configuration and daily processing flexibility to meet State defined business processes and operating needs. For example, coordinating system upgrade timing within an agreed upon timeframe (vs a requirement to upgrade at a static point in time along with 100s or 1,000s of other customers) to reduce business disruption risk.

Leveraging these Guiding Principles, the State of Nebraska should realize a significant reduction in the total cost of ownership of its technology portfolio while simultaneously experiencing major improvements in functional support of HRM/ERP operations and substantial reduction in IT operational risk and complexity.

4. Recommendation

Various options and alternatives were analysed to determine the best way to leverage technology to improve the business processes and reduce the overhead costs for the State of Nebraska's enterprise HRM/ERP system. The approach described herein allows us to meet our operational objectives of continuously improving efficiency and processes, reducing costs, and capitalizing on technology.

The enterprise migration and consolidation of platforms would occur over two phases with Phase I beginning in August 2017 and Phase II starting in August 2018 with all system modules coming fully online by no later than November 2019. Phase I would cover the consolidation of all HCM functions onto one platform and phase II would migrate the current JDE E1 system to a cloud-based platform that would include ERP, eProcurement, and State Budget modules.

Some of the ways that this technology migration and consolidation will achieve its desired results are:

- The selected cloud-based system will provide a unified, seamlessly integrated HRM, ERP, Budgeting, and eProcurement platform
- Single sign on capability for all state employee's
- Unified reporting and data analytics
- Significant reduction in number of specialized skill IT staff required to support the platform
- Optimization of end-to-end processes
- Dramatic increase in COOP availability, redundancy, and reliability
- Automate the states procurement and contracting processes
- Improvements in the recruiting and on boarding of new employee's
- Enhanced ability to standardize operational procedures for all modules state-wide

5. Justification

The migration of human resource lifecycle activities, payroll, payables, budgeting, and other administrative functions from the legacy mainframe system to the cloud-based platform will result in greater efficiency with regards to company resources and business processes. This platform migration is also aligned with state strategy and objectives centered on the Process Improvement Center of Excellence where we will have a more agile technology platform to improve the way we do business. While other alternatives and the status quo were analysed, this course of action was selected for proposal in this business case because it provides the best opportunity to realize benefits in a strategic manner while also allowing for the greatest improvement in efficiency and cost reduction. Other alternatives assumed greater risk, provided less benefits, were too difficult to define, or were not suitably aligned with current state strategy, IT capabilities, and/or objectives.

Displayed at the top of the next page is the summary of biennium and annual costs and savings. For additional details that detail the summary numbers included, please refer to "Attachment 1 – Cloud Migration Budget Analysis" spreadsheet.

6. Business Case Analysis Team

The following individuals comprise the business case analysis team. They are responsible for the analysis, creation of the project business case, and the execution of the project if funding is approved.

Role	Description	Name/Title
Executive Sponsor	Provide executive support for the project	Byron L Diamond, Director - DAS
Technology Support	Provides all technology support for the project	Karen Hall – DAS IT Manager
Process Improvement	Advises team on process improvement techniques	Matt Singh – Process Improvement Director
Project Manager	Manages the implementation project plan and IT project team	Lacey Pentland – DAS CNC Supervisor
HRM System Support	Provides all software/process support for the project	Margie Bell – DAS CHRO/State Personnel Director
ERP System Support	Provides all software/process support for the project	Jerry Broz – DAS CFO/State Accounting Administrator
eProc System Support	Provides all software/process support for the project	Bo Botelho – DAS COO/Materiel Administrator
Budget System Support	Provides all software/process support for the project	Gerry Oligmueller – State Budget Director

7. Approvals

The signatures of the people below indicate an understanding in the purpose and content of this Business Case by those signing it. By signing this document you indicate that you approve of the proposed project outlined in this business case and that the next steps may be taken to create a formal project in accordance with the details outlined herein.

Approver Name	Title	Signature	Date
Byron Diamond	DAS Director		
Gerry Oligmueller	State Budget Director		
Pete Ricketts	Governor – State of Nebraska		