

FY 2014-15 Supplemental IT Budget Request

Office of Information Technology Colorado Financial Reporting System (COFRS) Modernization

Motion:

Approve the supplemental request from the Office of Information Technology for the Colorado Financial Reporting System (COFRS) Modernization project (\$4,463,642 GF and \$616,962 CF).

GENERAL INFORMATION

2013-004

1. Which supplemental criterion does the request meet?

Unforeseen Contingency

The Office of Information Technology (OIT), in concert with the Department of Personnel and Administration (DPA), is requesting funding in FY 2014-15 for ongoing configuration and implementation of the Colorado Operations Resource Engine (CORE), which replaces financial, procurement, and budget functions from the Colorado Financial Reporting System (COFRS) and other legacy systems.

2. Which projects will be restricted to fund the supplemental request?**3. Has the request been approved by OSPB and CCHE?**

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: HB 14-1336

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
GF	\$0	\$4,463,642	\$0	\$4,463,642
CF	\$0	\$616,962	\$0	\$616,962
RF	\$24,306,975	\$0	\$0	\$24,306,975
	\$24,306,975	\$5,080,604	\$0	\$29,387,579

REASON FOR SUPPLEMENTAL REQUEST

OIT says funding is necessary for on-going configuration and implementation of existing and new system components related to CORE. OIT says this additional work will maximize interoperability and efficiency of the overall system and help ensure a successful close to its first year of operation. OIT states that if these additional modules are approved, it is important that work begin as early in January 2015 as possible. CGI, the vendor contracted by OIT to assist with the implementation of CORE, has maintained several critical specialized staff members to continue work on the project through June 2015. If this emergency supplemental request is not approved, it is likely these individuals will be reassigned to other CGI projects around the country. OIT says that without these staff members in place, the ability of CGI to efficiently deliver the requested tasks will be jeopardized. The need for additional development was not fully known until after the July 2014 launch of CORE.

SUMMARY OF PROJECT

This project has been funded in each year from FY 2012-13 through FY 2014-15. In July 2014, the state transitioned past financial, procurement, and budget function from COFRS to CORE. CORE specifically includes: accounting, budget control, accounts payable, accounts receivable, cost accounting, cost allocation, inventory, asset

FY 2014-15 Supplemental IT Budget Request

Office of Information Technology

Colorado Financial Reporting System (COFRS) Modernization

Motion:

Approve the supplemental request from the Office of Information Technology for the Colorado Financial Reporting System (COFRS) Modernization project (\$4,463,642 GF and \$616,962 CF).

management, treasury accounting, end-user requisition, solicitation management, contract management, vendor self-service, budget formulation, performance measures, salary/benefits forecasting, and budget book publishing. CORE also includes a data warehouse, called INFOAdvantage, for both standard and ad hoc reports.

For this emergency supplemental request, OIT is requesting one-time funding for CGI to provide support to implement and augment the existing CORE modules, as well as to develop and implement new CORE modules. OIT says existing on-going configurations in need of streamlining include:

- General Accounting Support, necessary to complete the Comprehensive Annual Financial Report (CAFR) (\$423,077 GF);
- Security and Workflow, necessary to avoid the compromise of confidential data (\$278,481 GF);
- Procurement, necessary for improving the vendor self-service (VSS) system (\$616,962 CF);
- Technical Support, necessary for overnight cycle processing (\$165,291 GF); and
- Labor Data Collection/Colorado Labor Allocation System, necessary to allocate employees' costs to grants using payroll costs (\$278,481 GF).

OIT is also requesting one-time funding to implement several additional modules for CORE. OIT says the following components are necessary to enhance the efficiencies of the previously purchased modules:

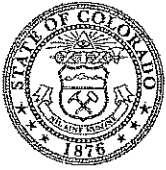
- Accounts Receivable, necessary to determine the best approach to statewide implementation (\$614,103 GF);
- Grants Management, necessary to track grants from award to close-out (\$1,398,154 GF);
- Interface Support, necessary to allow departments to upload data using spreadsheets (\$282,051 GF);
- Business Intelligence, necessary to identify key performance indicators for state agencies (\$211,538 GF);
- Training Environment, necessary to adequately train employees to use CORE (\$246,026 GF);
- Network Enhancement, necessary to increase network speed between OIT's data center and CGI's data center (\$10,000 GF);
- Invoice Numbers on Electronic File Transfer (EFT), necessary to improve EFT payments to vendors (\$25,000 GF); and
- Project Management and General Support, necessary for CORE project meetings, status reports, guidance, project plans, and maintenance (\$531,440).

Finally, OIT says this emergency supplemental request will provide improved performance outcomes for state agencies, reduce risks (e.g., providing more complete and accurate reporting), and increase efficiencies (e.g., automating spreadsheet uploads) statewide.

The source of cash funds for this project is the Supplier Database Cash Fund. Revenues for this fund are generated through a one-percent rebate that the state is given from businesses interested in providing goods and services to the state based upon statewide price agreements. As of July 1, 2014, the balance of the fund is \$3.35 million.

QUESTIONS / OUTSTANDING ISSUES

None.



COLORADO
Office of Information Technology

John W. Hickenlooper
Governor

Suma Nallapati
Executive Director

FY 2014-15 Information Technology Emergency Supplemental | December 3, 2014

Suma Nallapati
Signature

12/2/2014
Date

**Office of Information Technology Emergency Supplemental
CORE Enhancements and Ongoing Configuration**

Summary of Capital Construction Request	Total Funds	General Fund	Cash Funds
FY 2014-15	\$5,080,604	\$4,463,642	\$616,962

Request Summary:

The Office of Information Technology, in concert with the Department of Personnel & Administration, requests \$5,080,604 for ongoing configuration of the CORE system and the implementation of new critical modules that will help to maximize the benefits of the previously purchased modules. The Department's request includes \$616,692 in cash fund appropriations from the Supplier Database Cash Fund for additional Vendor Self Service functionality, in addition to \$4,463,642 in General Fund for ongoing configuration and implementation of system components.

Project Description:

In July 2014, the State of Colorado transitioned its financial, procurement and budget functions from the Colorado Financial Reporting System (COFRS) and other legacy systems to the Colorado Operations Resource Engine (CORE). CORE specifically includes the following functions:

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

CORE also includes a data warehouse, called InfoAdvantage, for standard reports and for ad hoc reports.

Ongoing Configuration of CORE

The Department requests one time funding to provide continued support through June 2015 from CGI, the vendor that assisted in the implementation of CORE, to maximize the efficiencies realized with the implementation of CORE. Specifically, the Department will engage the vendor to provide support to implement and augment the existing modules, thereby maximizing the interoperability and efficiency of the overall system and helping to ensure a successful close to its first year of operation.

A primary challenge, the State must keep confidential information in CORE secure. When departments identify situations where confidential information can be accessed, then the State needs to immediately address those situations. For instance, for the Judicial Department, the names of jurors are confidential, and CGI and the State are working together to keep this information confidential both in CORE as well as in InfoAdvantage.

Without additional support, compromise of confidential data could occur, leading to potential lawsuits against the State for the breach of security. Additionally, inefficient workflow in the departments will result in extra work for those departments.

- Procurement (\$616,962 paid from the Supplier Database Cash Fund):

The procurement module included substantial changes to the workflow for procurements by automating the requisition process. The State also automated the way it evaluates responses to solicitations and issues awards. With these changes, the State did not attempt to implement catalogs for go live. The State needs assistance for both technical and functional aspects of this implementation of punch out catalogs. The State also needs assistance on the payment process for punch out catalogs, which are how users of VSS make web purchases from vendors. Without punch out catalogs, the State will continue its inefficient process of ordering from the vendor's website, receiving an invoice, and inputting this invoice into CORE for payment. For vendor self-service (VSS), the State has implemented VSS that has replaced the old system, BIDS, and enables vendors to bid on State solicitations. The State needs assistance to expand VSS to include the financial portal so that vendors can view the status of their financial transactions with the State online. This includes the ability for the vendors to view and print notices of award for State orders, submit electronic invoices for their State orders, view and print their invoices, view State scheduled payment information for their invoices, and view their year-end 1099 processing information.

Without additional support, there will be a continuation of inefficient process for ordering and paying for items purchased by the State from vendors' websites. Additionally, vendors will not be able to check the status of payments without calling the State to check on the status, which is an inefficient process for both the State and Vendors.

- Technical Support (\$165,291):

The State needs assistance to support the nightly cycle processing. The State and CGI need to identify ways to reduce the overnight cycle processing so that CORE will be up and available for users for more hours than it is today (presently 8 am to 6 pm).

Without this additional support, inefficient nightly cycle processing will continue and there will be reduced hours of operation for CORE users.

- Labor Data Collection/Colorado Labor Allocation System (\$278,481):

The labor data collection/Colorado labor allocation system (LDC/CLAS) has been the most challenging module to implement of the CORE project. This module allocates employee labor cost to grants and other funding sources by using the employee's salary in the Colorado Personnel & Payroll System (CPPS) and the employee's timesheet in a timekeeping system. Modern systems include labor allocation in the payroll module. The State initially tried to use the LDC module in COFRS but this was not feasible because of the additional coding needed for CORE. The State, together with CGI and PeopleStrategy, the vendor for the Colorado Personnel & Payroll System (CPPS), have built CLAS. The Colorado Labor Allocation System uses additional screens in CPPS

and the CGI Payroll Accounting Management (PAM) to allocate employees' costs to grants and other programs using timekeeping and payroll costs. Because of the number of steps involved in the chain of CPPS-CLAS-HRM/PAM-CORE, and the short development timeline, departments have had to fix errors while the systems were being built. The State needs CGI's assistance to further refine the labor allocation process so that the time required to allocate labor is completed in a matter of days and not weeks.

Consequences of not implementing the LDC/CLAS support items include the inability to accurately report expenditures to its grantors, such as the federal government. This could put future reimbursements and awards in jeopardy. In addition, the State will not be able to close its financial statements timely and could fail to meet its statutory deadlines for preparing the basic financial statements.

Implementation of New Modules

As noted above, the Department proposes the implementation of several additional modules for the CORE system that will enhance the efficiencies of the previously purchased modules of the system. These six components are outlined below:

- Accounts Receivable (\$614,103):

The Department proposes the statewide implementation of the Accounts Receivable module. With the initial implementation of CORE, the State decided to implement accounts receivable at only a few departments due to the added complexity of adding customers. State departments presently use spreadsheets or other systems to track accounts receivable, which occur when the State sells goods or performs services. The State needs assistance to determine the best approach in a statewide implementation including replacement of existing department accounts receivable systems, modification of these systems, or interfacing with these systems. The State will evaluate the ongoing efficiencies associated with the Accounts Receivable model to determine if additional requests are necessary.

Consequences of not implementing statewide accounts receivable include the continuation of disparate accounts receivable systems in the State, and a lack of integration with the vendor/customer database resulting in duplicate workload.

- Grants Management (\$1,398,154, including \$500,000 for customization):

Due to the number of program staff that will be involved in this implementation, the State decided to defer the implementation of Grants Management to post "go live." The State presently does not have a system to identify and target incoming grants. The incoming grants portion of the grants management module will enable State agencies to identify potential grants on grants.gov, target particular grants, apply for these grants, and track the grants in the financial system from award to close out. The outgoing grants portion of the grants management module allows departments to solicit responses, track those responses, award grants, and track performance from award to grant close out. The grants management module will be a statewide system that will cover all grants. Based on discussions with departments, it is anticipated that the module will need to be modified to fit the State's needs, but these modifications will apply statewide and not grant-by-grant. CGI's assistance is required to conduct fit-gap and prototyping sessions with the departments and to implement both the incoming and outgoing portions of grants management statewide.

Consequences of not implementing grants management include missed grant opportunities for State departments. The State will continue to be unable to track its statewide success rate in applying for competitive grants. Finally, continued use of disparate grant systems or spreadsheets to track outgoing grants will result in additional workload, cost, and inefficiencies.

- Interface Support (\$282,051):

This module expands the ability of the state to upload critical data from spreadsheets, rather than through individual event transactions. For spreadsheet uploads, the State is presently inputting this information by hand. The State needs CGI's assistance to allow departments to upload data into CORE using spreadsheets, which will reduce workload and improve data integrity. Additionally, State needs CGI's assistance to develop interfaces between CORE and the new transparency website for ongoing reporting, which is currently being built by OIT.

Without this funding, the State will experience continued inefficiency of uploading data into CORE without spreadsheet uploads. Additionally, the state will struggle to be in compliance with the transparency statute, CRS 24-72.4-101, et seq.

- Business Intelligence (\$211,538):

The Business Intelligence module will provide the state with enhanced reporting tools to manage the State's business. With Business Intelligence, the State will identify the key performance indicators for top management and develop reports that are easily accessible and understandable. The State needs assistance to develop these reports and reporting tools.

Consequences of not implementing business intelligence include a continued lack of focus on the key performance indicators which can lead to sub-optimal decision making.

- Training Environment (\$246,026):

Implementation of a permanent training environment that has the same functionality as the production environment is critical for the ongoing training of CORE users. The State needs two environments that are comparable to the production environment, one for testing and the second for training. The original contract included only one such environment. The State will continue to implement additional modules, upgrades, patches, and enhancements to CORE and these changes will require testing in a separate testing environment. CORE has over 4,000 users and these users will continue to need training. Due to the size of the training needs, the State needs a separate training environment. It is not feasible to share the testing and training needs in one environment. The State needs CGI's assistance to set up the training environment and to put procedures in place so that the training environment is kept in sync with the production environment and is refreshed periodically so that the data for the training exercises is deleted but the exercises remain.

Without the implementation of a permanent training environment, the State will be unable to meet its training and testing needs. Employees will not be adequately trained leading to sub-optimal use of CORE. Modifications, upgrades, patches will not be fully tested, putting the system performance at risk.

- Network Enhancement (\$10,000):

The original contract for the connection from OIT's data center and CGI's Phoenix data center includes one T1 line with 3 gigs (the network pipe). The State has experienced several hours of nightly cycle processing time and reduced speeds in system performance. This request doubles the

size of the network pipe to two T1 lines with 6 gigs. The State needs assistance to enhance the network to improve network speeds and data processing..

Consequences of not implementing network enhancement include continued long processing time of nightly cycle, slowdown of system performance, user frustration with CORE, and lost time.

- Invoice Numbers on EFT (\$25,000):

When the State pays vendors electronically via electronic file transfer (EFT), the electronic record does not contain sufficient information for the vendor to identify the reason for the payment. Vendors who receive a large volume of payments are unable to determine where a payment should be directed and are discontinuing use of EFT payments due to the difficulties this causes. The State uses paper warrants that have remittance advice with the warrant. The proposed process will add specific information about the transaction, including the vendor's name, bank account number, dollar amount, check description, and vendor invoice numbers. With this information, vendors will be able to associate a payment on a bank statement with an invoice. The State will be able to expand the use of EFT and reduce payments with paper warrants.

- Project Management (\$289,163) and General Support (\$242,277):

The Department requires general vendor participation in meetings, creation of status reports, guidance on best practices and processes, project plan and work breakdown structure, identification of risks and issues, logging decisions, and maintenance of the project repository. These "behind-the-scenes" items are vital to all the other items described in this request. Project Management is needed for both ongoing configuration of CORE and new projects. The Department requires general assistance in resolving support tickets and resolving production incidents as they arise. Help ticket volumes are still high, particularly for general accounting and accounts payable. Timely resolution of tickets is essential for the efficient implementation of CORE and the identification of software bugs in the system that require resolution. General support is needed for both ongoing configuration of CORE and new projects.

Consequences of not implementing the project management and general support items include putting all the items in this request at risk of not being implemented timely and accurately.

Cost Savings and Improved Performance Outcomes

The Department's request includes several components, all of which have the opportunity to provide improved performance outcomes for State agencies. In general, enhancements to existing components of CORE and implementation of new components will reduce risks, improve reporting, and increase efficiencies statewide. Specific opportunities for improved outcomes are delineated within the Background and Justification section of this request.

Consequences if not Funded:

The one-time funding requested within this document will support both the ongoing configuration of the CORE system and the implementation of several new modules that will enhance modules already purchased and implemented by the State. In addition to the specific consequences outlined in the Background and Justification section, failure to provide ongoing configuration will limit the benefits to the State of implementing the CORE system. Additionally, the new modules identified for implementation enhance existing efficiencies. Failure to implement these systems will also serve to limit efficiencies that the State could achieve through its use of the CORE system.

Operating Budget Impact:

The Office of Information Technology, in combination with the Department of Personnel & Administration, will present a coordinated plan and related supplemental and budget amendment for the ongoing operating support of the CORE system. The coordinated plan and associated funding request was, in part, identified in the original COFRS Modernization Request, and the scope and scale of the operating request are not impacted directly by the resources requested within this document.

Assumptions and Calculations:

The following table provides the calculations for this request, which were established by the Department in concert with CGI, the vendor who will provide the continued configuration and implementation of new modules:

Table: Assumptions and Calculations			
	General Fund	Cash Fund	Total
Ongoing Configuration			
General Accounting	\$ 423,077	\$ -	\$ 423,077
Security and Workflow	\$ 278,481	\$ -	\$ 278,481
Procurement	\$ -	\$ 616,962	\$ 616,962
Technical Support	\$ 165,291	\$ -	\$ 165,291
LDC/CLAS	\$ 278,481	\$ -	\$ 278,481
Sub-Total Ongoing Configuration	\$ 1,145,330	\$ 616,962	\$ 1,762,292
New Projects			
Accounts Receivable	\$ 614,103	\$ -	\$ 614,103
Grants Management	\$ 1,398,154	\$ -	\$ 1,398,154
Interface Support	\$ 282,051	\$ -	\$ 282,051
Business Intelligence	\$ 211,538	\$ -	\$ 211,538
Training Environment	\$ 246,026	\$ -	\$ 246,026
Network Enhancement	\$ 10,000	\$ -	\$ 10,000
Project Management	\$ 289,163	\$ -	\$ 289,163
Invoice Numbers	\$ 25,000	\$ -	\$ 25,000
General Support	\$ 242,277	\$ -	\$ 242,277
Total New Projects	\$ 3,318,312	\$ -	\$ 3,318,312
Grand Total	\$ 4,463,642	\$ 616,962	\$ 5,080,604

Supplemental Justification:

The need for this additional funding, particularly related to support from CGI for ongoing configuration of existing modules, was not known until the summer and fall of 2014. The need for this additional assistance became apparent in the first several months after the July 2014 launch of CORE.

It is important that, if these additional modules are approved, that work begin as early in January 2015 as possible. At this time, CGI has maintained several critical staff members to continue work on the project. If funding does not continue in January, it is likely that these individuals will be reassigned to other CGI projects around the country. Without these staff members in place, the ability of CGI to efficiently deliver the requested tasks will be jeopardized.

ADDITIONAL REQUEST INFORMATION	
Please indicate if three-year roll forward spending authority is required.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Date of project's most recent program plan:	
Please provide the link to the program plan or attached the first page of the analysis to this document:	
Request 6-month encumbrance waiver?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
New construction or modification?	<input type="checkbox"/> New <input type="checkbox"/> Renovation <input checked="" type="checkbox"/> Expansion <input type="checkbox"/> Capital Renewal
Total Estimated Square Footage	ASF GSF
Is this a continuation of a project appropriated in a prior year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If this is a continuation project, what is the State Controller Project Number?	P1202

ESTIMATED PROJECT TIME TABLE		
Steps to be completed	Start Date	Completion Date
Ongoing System Configuration	January 2015	June 2015
Implementation of Additional CORE components	January 2015	June 2015

CASH FUND PROJECTIONS			
Cash Fund name and number:	Supplier Database Cash Fund, Fund 281		
Statutory reference to Cash Fund:	24-102-202.5, C.R.S. (2013)		
Describe how revenue accrues to the fund:	Revenues are generated through a one-percent rebate that the State is given based upon statewide price agreement total spend.		
Describe any changes in revenue collections that will be necessary to fund this project:	None.		
If this project is being financed, describe the terms of the bond, including the length of the bond, the expected interest rate, when the agency plans to go to market, and the expected average annual payment (delete row if unnecessary):	N/A		
FY 2013-14 Actual Ending Fund Balance	FY 2014-15 Projected Ending Fund Balance	FY 2015-16 Projected Ending Fund Balance with Project Approval	FY 2016-17 Projected Ending Fund Balance with Project Approval
\$3,350,615	\$3,869,827	\$2,802,865	\$3,307,843

**CORE
Emergency Supplemental
Capital Request
Hours**

	<u>Dollars</u>	<u>Hours</u>	<u>Person Months</u>	<u>Vendor Staffing</u>	<u>Months to Complete</u>
<u>Ongoing</u>					
General Accounting	423,077	2,418	14.0	1.5	9.3
Security and Workflow	278,481	1,591	9.2	1.1	8.4
Procurement	616,962	3,525	20.4	2.5	8.2
Technical Support	165,291	945	5.5	0.7	7.8
LDC/CLAS	<u>278,481</u>	<u>1,591</u>	<u>9.2</u>	<u>1.1</u>	8.4
Ongoing Configuration	1,762,292	10,070	58.2	6.9	8.4
<u>New Projects</u>					
Accounts Receivable	614,103	3,509	20.3	2.5	8.1
Grants Management	1,398,154	7,989	46.2	5.0	9.2
Interface Support	282,051	1,612	9.3	1.2	7.8
Business Intelligence	211,538	1,209	7.0	0.9	7.8
Training Environment	246,026	1,406	8.1	1.0	8.1
Network Enhancement	10,000	57	0.3	0.1	3.3
Project Management	289,163	1,652	9.6	1.5	6.4
Invoice Numbers	25,000	143	0.8	0.1	8.3
General Support	<u>242,277</u>	<u>1,384</u>	<u>8.0</u>	<u>1.0</u>	8.0
Total New	3,318,312	18,962	109.6	13.3	8.2
 Grand Total	 5,080,604	 29,032	 167.8	 20.2	 8.3
 Hourly Rate:		175			
Hours in Month			173		