

February 12, 2016

Honorable Mark Leno, Chair
Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, CA 95814

Attention: Peggy Collins

Subject: Annual Report to the Legislature for 2015

Dear Senator Leno:

Please find enclosed the Annual Report to the Legislature regarding the activities and progress of the Financial Information System for California for calendar year 2015. This is our fourth submission of the Annual Legislative Report, which [Government Code Section 13300.5](#) requires as an update to the Legislature by February 15 of each year.

The initial report, due February 15, 2013, was to describe the approved project scope. Later reports are to describe any subsequent deviations to the project scope, cost, or schedule.

We trust this information meets your current needs. Please let me know if you have any questions.

Sincerely,



Miriam Barcellona Ingenito
Executive Partner



ANNUAL REPORT TO THE LEGISLATURE FOR 2015

February 2016

In Partnership With:

**Department of Finance
State Controller's Office
State Treasurer's Office
Department of General Services**



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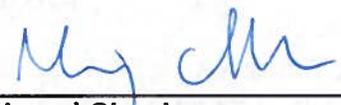
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The FI\$Cal Steering Committee Members by consensus decision approved this Annual Report to the Legislature for 2015 on February 11, 2016.

Project leadership approval/concurrence:



Miriam Barcellona Ingenito
Executive Partner



Neeraj Chauhan
Project Director

LEGISLATIVE MANDATE (LM)

[Government Code Section 13300.5](#) requires the Financial Information System for California (FI\$Cal) to report to the Legislature an update on the FI\$Cal Project (the Project) by February 15 of each year with the following information:

1. An executive summary and overview of the project's status.
2. An overview of the project's history.
3. Significant events of the project within the current reporting period and a projection of events during the next reporting period.
4. A discussion of mitigation actions being taken by the project for any missed major milestones.
5. A comparison of actual to budgeted expenditures, and an explanation of variances and any planned corrective actions, including a summary of FI\$Cal project and staffing levels and an estimate of staff participation from Partner Agencies.
6. An articulation of expected functionality and qualitative benefits from the project that were achieved during the reporting period and that are expected to be achieved in the subsequent year.
7. An overview of change management activities and stakeholder engagement in the project, including a summary of departmental participation in the FI\$Cal project.
8. A discussion of lessons learned and best practices that will be incorporated into future changes in management activities.
9. A description of any significant software customization, including a justification for why, if any, customization was granted.
10. Updates on the progress of meeting the project objectives, including the objectives provided in paragraph (1) of subdivision (c) of Section 15849.22.

The initial report, due February 15, 2013, was to provide a description of the approved project scope. Later reports are to describe any later deviations to the project scope, cost, or schedule.

This report represents the fourth submission of the Annual Legislative Report.

1. EXECUTIVE SUMMARY/OVERVIEW OF PROJECT STATUS (LM #1)

This FI\$Cal Annual Report to the Legislature covers the period from January 1, 2015, through December 31, 2015, and includes projected events for 2016. FI\$Cal is one of the largest information technology undertakings in the history of the State. The FI\$Cal System (FI\$Cal) is intended to enable the State to combine accounting, budget, cash management, and procurement operations into a single financial management system. FI\$Cal is expected to have 15,000 end users and process nearly 40 million financial transactions annually when fully deployed.

Although most Wave 1 functionality for PeopleSoft was released in July 2014, the Hyperion (budget function) implementation took longer than anticipated. Hyperion functionality necessary to develop the Governor's Budget was deployed in 2014-15, while remaining Hyperion functionality will be addressed in future deployments. In June 2015 the Project made a strategic decision to implement Wave 2 in two releases. The Summer Release (August 2015) deployed accounting, budget, and procurement functionality to the Wave 2 State entities, along with new project, grant, and contract functionality to both Wave 1 and 2 State entities. The Fall Release (December 2015) implemented statewide procurement functionality and the Cal eProcure vendor portal. The Department of General Service's (DGS's) Activity-Based Management System (ABMS) functionality, originally planned for release in Wave 2, was moved to the 2016 Release.

In addition, the Wave 3 Analyze and Design Phases consumed a large portion of 2015, including analysis of core accounting and cash management functions for the State Controller's Office (SCO) and the State Treasurer's Office (STO). These phases took longer than planned, primarily because of competing priorities and the extensive analysis and design needed for control agency functions.

The July 2017 Release kicked off in 2015 with activities for SCO and STO. In addition, the remaining State entities identified super users to receive in-depth training on FI\$Cal functionality. (Super users are key subject matter experts in budget, accounting, and procurement.) The FI\$CAL Project (Project) also requested that State entities complete "as-is" documentation related to financial management as a basis for onboarding to FI\$Cal.

The California Department of Technology approved Special Project Report (SPR) 6 for the Project on February 11, 2016¹. SPR 6 changes deployment terminology from "waves" to "releases" and includes the following key elements:

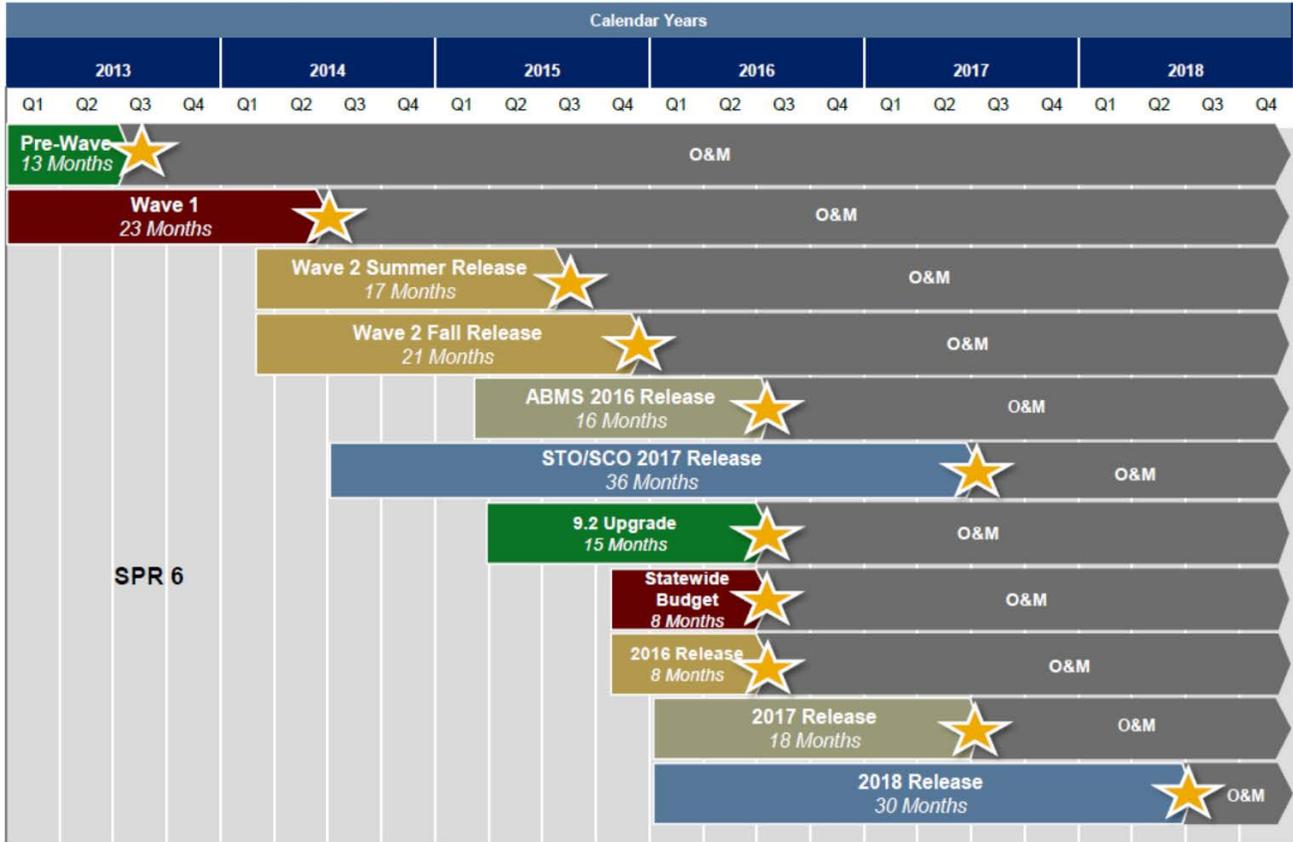
- Provides one additional FI\$Cal release in July 2018, and increases the duration of subsequent Knowledge Transfer to 12 months. These changes create a total schedule extension of two years.
- Implements FI\$Cal in three summer releases: July 2016, July 2017, and July 2018.
- Moves SCO and STO implementation from July 2016 to July 2017.
- Accelerates going live for the rest of Hyperion users from July 2017 to July 2016.
- Completes development of the FI\$Cal transparency website in July 2018 and makes the website available to the public in July 2019. This schedule allows State entities to transact for 12 months in the fully implemented FI\$Cal before the transparency website becomes "public facing."

In addition to the above, the FI\$Cal Project will become the Department of FI\$Cal and will begin moving toward fully assuming Operations and Maintenance (O&M) of the FI\$Cal system on July 1, 2016, if the Governor's 2016-17 proposed Budget and Trailer Bill are approved by the Legislature and signed into law. Figure 1 gives an overview of the Project timeline.

¹ Note that significant changes to the estimated schedule, approach, or project cost described in SPR 6 would be addressed in a future SPR.

FIGURE 1. 2016 PROJECT TIMELINE

FI\$Cal Deployment Timeline



January 15, 2016

FI\$Cal: Transparency. Accuracy. Integrity.

2. PROJECT HISTORY (LM #2)

The following is a summary of major accomplishments since the Project was first conceived in 2005. More detail is provided for accomplishments in 2014, since it is the most recent year of Project history. Previous Annual Reports to the Legislature on the [FI\\$Cal website](#) give more detail for prior years.

TABLE 1. CHRONOLOGY OF SIGNIFICANT EVENTS

Dates	Events	Details
2005	Feasibility Study Report (FSR) developed	The Department of Finance (DOF) developed an FSR that proposed implementing a Commercial-Off-The-Shelf (COTS) Budget Information System (BIS) to meet statewide and departmental budget development and administration needs. High-level discussions brought into focus the need to modernize the State's entire financial management process into a single financial management system.
Dec. 2006	SPR 1 approved by DOF's Office of Technology Review, Oversight, and Security (OTROS)	SPR 1 proposed leveraging the State's then-planned investment of nearly \$140 million to establish an integrated financial and administrative system based on Enterprise Resource Planning (ERP) software rather than continuing to replace each of the State's administrative systems separately.
Dec. 2007	SPR 2 approved by DOF's OTROS	SPR 2 extended the Project schedule by two years for additional planning, legislative reporting activities, and procurement and design phase activities, and increased estimated costs from \$1.3 to \$1.6 billion.
Nov. 2009	SPR 3 approved by the Office of the State Chief Information Officer (now California Dep't. of Technology [CDT])	In January 2009, in response to concerns expressed by the Legislature and other stakeholders, the Project contracted with an ERP expert to review best practices for planning and implementing a large ERP project. SPR 3 resulted from the revised Project strategy, based on this review and subsequent decisions of the Project Steering Committee. This SPR described the Project's activities and costs through the procurement phase and award of the System Integrator (SI) contract.
March 2012	SPR 4 approved by California Technology Agency (now CDT)	SPR 4 updated activities, schedule, and costs through system development and implementation. Total costs including planning, procurement, design, development, and implementation (DD&I), and the first year of O&M were estimated at \$616.8 million. This represented a reduction of about \$1 billion from total costs identified in SPR 2. SPR 4 provided an implementation approach comprised of five waves: a Pre-Wave followed by four implementation waves.
June 2012	SI Contract signed	The SI contract was signed by both Accenture and the Project, and then approved by DGS.
June 2012	Pre-Wave started	Pre-Wave activities commenced, and the onboarding and integration of Accenture began.
July 2012	Statute, etc., analysis completed	Statute, Regulation, and Policy Analysis for 2012 was completed to determine if any statutes might impede implementation of FI\$Cal.

TABLE 1. CHRONOLOGY OF SIGNIFICANT EVENTS

Dates	Events	Details
Sept. 2012	Wave 1 started	Wave 1 activities commenced.
Sept. 2012	FI\$Cal Service Center (FSC) Charter approved	The FI\$Cal Steering Committee chartered the FSC to provide ongoing O&M, customer service and support, and internal administrative services for the FI\$Cal Production System.
Oct. 2012	Project Work Plan accepted	State's acceptance of the Project Work Plan established the high-level scope and implementation approach for the Project. This served as the basis for the activities defined in the Project Schedule.
July 2013	Pre-Wave go live	<ul style="list-style-type: none"> • The Project deployed Pre-Wave procurement functionality, including requisitions, purchase orders, and receipts, to seven State entities. • The single, statewide, Master Vendor File was implemented.
July 2013	FSC began operations	The FSC was implemented to support Pre-Wave users.
Jan. 2014	SPR 5 approved by CDT	<ul style="list-style-type: none"> • DGS changed to a Wave 2 State entity by adding its ABMS functions. • SCO and STO control agency functions shifted to Wave 3 with a new go-live date of July 2016. • The majority of State entities shifted to Wave 4 with a new go-live date of July 2017. • A new PeopleSoft upgrade was included in Wave 3. • The Project schedule was extended by one year. Costs were estimated at \$672.6 million, an increase of \$55.8 million over SPR 4.
March 2014	Wave 2 started	Wave 2 activities began.
July 2014	Wave 1 go live	<ul style="list-style-type: none"> • Wave 1 accounting, budgeting, and procurement functionality was deployed to 722 users at 11 State entities. • DOF went live with control budget functions, making FI\$Cal the Budget System of Record, as well as with DOF departmental accounting, budget, and procurement functions. • Wave 1 provided centralized vendor data management and a standard chart of accounts (COA) and budget structure. • User support labs and job aids were made available to end users. • Month-end-close (MEC) reports were developed and deployed to support month-end and post-closing reconciliation processes.
Dec. 2014	SCO onboarded	SCO began transacting in FI\$Cal on December 15, 2014.

3. SIGNIFICANT EVENTS IN 2015 AND FUTURE ACTIVITIES IN 2016 (LM #3)

3.1 Significant Events in 2015

The following significant events occurred in 2015:

- Jan 2015 – DOF prepared the 2015-16 Governor’s Budget of \$164.7 billion using FI\$Cal.
- June 2015 – DOF enacted the 2015-16 Budget of \$167.6 billion using FI\$Cal.
- June 2015 – 50 State entities participated in User Acceptance Testing.
- July 2015 – The Project trained 45 additional State entities for Wave 2 rollout.
- August 2015 – The Project deployed the Wave 2 Summer Release, including departmental accounting, departmental procurement, the State Contract and Procurement Registration System (SCPRS) load to BidSync interface, and capital-outlay phase (budget process) functionality.
- August 2015 – The Project transitioned 54 State entities to Wave 2 functionality.
- December 2015 – The Project released the new vendor portal (Cal eProcure) to Production.
- December 2015 – Statewide implementation of procurement functionality made FI\$Cal the system of record for Procurement.

3.2 Future Activities in 2016

The following activities are scheduled for 2016:

- January 2016 – Release of online solicitations functionality to Production
 - Provides access to bids/solicitations with a new website format for approximately 40,000 suppliers/vendors.
 - Replaces BidSync, the state’s eProcurement system that last year recorded \$15.8 billion in transactions (goods, services, and grants).
- January 2016 – Preparation of proposed 2016-17 Governor’s Budget of \$170.7 billion using FI\$Cal
- June 2016 – Release of purchasing authority modules (additional statewide procurement functionality)
- July 2016 Release:
 - For DGS, implements ABMS departmental accounting functionality as well as budgeting and procurement.
 - Provides redesign and statewide rollout of Hyperion budget system to all remaining budget users.
 - Onboards 10 State entities to FI\$Cal PeopleSoft.
 - Includes technology upgrade to PeopleSoft 9.2 and PeopleTools 8.5.4 (accounting and procurement functionality).
 - Provides hardware and software refreshes, including Hyperion.

4. MITIGATION ACTIONS FOR MISSED MAJOR MILESTONES (LM #4)

For missed major milestones, the Project analyzes each situation and takes appropriate steps to bring any late tasks back on track. In 2015 the Project missed some scheduled go-live dates, which were mitigated as described below.

Per SPR 5, Wave 2 go live was scheduled for July 2015. In June 2015, based on the premise that implementing a quality system is the number one Project priority, the Project made a strategic decision to implement Wave 2 in two releases: Summer (August 2015) and Fall (December 2015). The Summer Release deployed accounting, budgeting, and procurement functionality to Wave 2 State entities, and new project, grant, and contract functionality to both Wave 1 and 2 entities. The Fall Release deployed statewide procurement functionality and the Cal eProcure vendor portal.

The Project moved implementation of FI\$Cal's replacement functionality for ABMS from Wave 2 (July 2015) to July 2016 because of the complexity of DGS's ABMS system. This complexity resulted in an increase in scope and additional workload. The schedule shift allows the Project to spend more time in design and design validation.

In addition, the go lives for SCO's and STO's control functions, originally scheduled for July 2016, were moved to July 2017. This change acknowledges the complexity of deploying control agency functions (core accounting and cash management) and provides extra validation and testing time, critical to a successful go live for these entities.

5. ACTUAL AND BUDGETED EXPENDITURES (LM #5)

5.1 Expenditures

Figure 2 provides a breakdown of the actual and projected expenditures for 2015-16.

FIGURE 2. FI\$CAL BUDGET AND EXPENDITURES

Project: FI\$Cal				
FY 2015-16 Actuals through December 31, 2015				
	FY 2015-16			
	Authorized Budget	Actuals ^{1/}	Year End Projections	Difference
Project Costs				
Staff (Salaries & Benefits - Project & Partners)	35,421,325	11,556,799	33,594,547	1,826,778
Hardware Purchase	1,184,043	4,672	627,082	556,961
Software Purchase / License	715,397	71,929	1,347,623	(632,226)
Telecommunications	145,620	25,060	141,000	4,620
Contract Services:				
Software Customization	74,447,856	20,300,292	74,447,856	0
Project Management	1,306,000	176,879	1,306,000	0
Project Oversight	424,400	93,800	424,400	0
IV&V Services	1,300,000	0	1,300,000	0
Other Contract Services	26,385,794	3,502,700	23,413,086	2,972,708
TOTAL Contract Services	103,864,050	24,073,671	100,891,342	2,972,708
Data Center Services	2,491,507	298,071	715,371	1,776,136
Agency Facilities	2,341,824	782,006	2,188,520	153,304
Project Other (Standard Comp, Travel, Training)	7,781,234	1,343,247	5,800,000	1,981,234
Total Project Costs	153,945,000	38,155,457	145,305,485	8,639,515

^{1/} Actual expenditures are from SCO Agency Reconciliation reports as of December 31, 2015.

Please Note: Due to the switch from CalStars to the new FISCAL system, detailed expenditure reports are unavailable. The SCO Agency Reconciliation Reports used for the information above only report expenditures at the appropriation level. These amounts have the potential to change as Contracted Fiscal Services performs the month-end-close process.

Explanation of Differences

As identified in Figure 2, the FI\$Cal Project anticipates a total savings of \$8,639,515 for FY 2015-16 based on actual and planned expenditures as of December 31, 2015. This represents a 5% difference between budget and planned expenditures. The Project recognizes that schedule changes or unplanned end-user complexities may require additional Project resources, and that the projected savings may be utilized for these unanticipated costs.

5.2 Staffing

The Project continues to make every effort to recruit and fill all authorized positions with qualified candidates.

- **FI\$Cal Project Positions** – The Project has 288 authorized, permanent/full time positions. As of December 31, 2015, 38 were vacant, representing a 13.19 percent vacancy rate.
- **Hires and Separations** – Since January 2015, the Project has hired a total of 77 staff (61 State and 16 Partner Agency) and had 71 separations (51 State and 20 Partner Agency), for a net gain of 6 staff. The Project has expanded its recruitment efforts to include job fairs and is performing exit surveys and interviews to develop additional strategies for staff retention.

6. ACHIEVED FUNCTIONALITY AND QUALITATIVE BENEFITS FOR REPORTING PERIOD AND SUBSEQUENT YEAR (LM #6)

6.1 Functionality and Benefits Achieved in 2015

In 2015, Wave 2 deployed additional departmental accounting functionality to 54 State entities, including SCO and STO, along with statewide DGS control functions such as procurement. Wave 1 State entities gained the additional Wave 2 functionality, while Wave 2 State entities received both Wave 1 and Wave 2 functionality. Procurement was implemented statewide, allowing for retirement of BidSync. The implementation of DGS control functions made FI\$Cal the State's procurement system/book of record. In addition, DOF was able to produce the 2015-16 Governor's Budget using FI\$Cal.

Specific functionality implemented in 2015 is as follows:

- **Statewide Procurement**
 - Small Business/Disabled Veteran Business Enterprise (SB/DVBE) Certification
 - Solicitations
 - Leveraged Procurement Agreement (LPA) contracts
 - Departmental procurement
 - Items – Direct access for ordering from the State of California Prison Industry Authority
 - Procurement Contracts
 - LPAs
 - Departmental contracts
 - Enhanced Portal (Cal eProcure)
 - Vendor
 - Public Reporting
 - SCO approval of vouchers for Wave 2 State entities
- **Customer Contracts** – Generate bills for customers through customer contract functionality
- **Grants & Project Management**
 - Generate accounting entries and automated bills for customers through project costing functionality
 - Manage the proposal process, including awards to sponsors
 - Create pre-award grants, Federal funds administration, and Federal contract billing
 - Deploy Primavera (a software application) project management
- **Asset Accounting** – Asset stocktaking, which will include the capability for handheld scanning and tagging of inventory for State entities using FI\$Cal

6.2 Functionality and Benefits Planned for 2016

The following functionality is planned for implementation prior to the July 2016 Release:

- **Statewide Procurement**
 - Solicitations Functionality: California State Contracts Register (CSCR) – Advertising, Contractor Ads, Progress Payments (January 2016)
 - SCPRS in FI\$Cal (January 2016)
 - Procurement Billing (prior to July 2016)

The July 2016 Release will include the following functionality and technology as described in SPR 6:

Functionality

- **Budgets 2.0 + Reports:** Includes a partial redesign of the foundational elements of the budget system in the areas of data entry, performance, and security to improve usability, end-user satisfaction, and System responsiveness. This Hyperion 2.0 partial redesign is intended to address the current challenges end-users experience with duplicative data entry, financial controls, performance, and lack of real-time reporting. Programmatic benefits of Hyperion 2.0 include increased stability and performance, streamlined data entry, and additional guardrails to prevent invalid/incorrect data entry.

Hyperion will also be deployed to all remaining budget users. While additional reports will be developed and deployed to end-users, no additional budget-related functionality will be rolled out in 2016. Rather, the remaining functionality will be deployed in 2017.

- **Oracle Business Intelligence:** Includes deployment of the business intelligence, data warehouse, and reporting capabilities.
- **Deployment of Statewide Budgeting:** Includes the deployment of Hyperion to all remaining State entities.
- **DGS/ABMS** – Includes implementing DGS's departmental accounting in FI\$Cal, replacing ABMS, as well as budgeting and procurement. Note that, to address the complexity of DGS's real property leasing and project costing, real property leasing modules and additional Primavera functions will be deployed in February and June 2017 minor releases.

Technology

- **PeopleSoft 9.2 and PeopleTools 8.5.4 Upgrades:** Includes a PeopleSoft 9.2 upgrade and additional PeopleTools 8.5.4 functionality. These upgrades will allow the State to be on the latest, generally accepted versions of PeopleSoft and PeopleTools to facilitate long-term application support and maintenance.
- **Hyperion Upgrade:** Includes upgrading Hyperion software to Release 11.1.2.4 as the latest, generally accepted version.

State Entities

The July 2016 Release will onboard 10 State entities (1 large, 2 medium, and 7 small) to FI\$Cal PeopleSoft, along with budget functionality for all State entities. Note that the large entity is only implementing procurement functionality with this release.

7. CHANGE MANAGEMENT / STAKEHOLDER ENGAGEMENT (LM #7)

7.1 Change Management Methodology

The Change Management Office (CMO) has continued to use the change management methodology provided by Accenture. However, in an effort to refine processes in remaining releases, the Project is streamlining State-entity readiness activities related to configuration and end-user role mapping, and expanding business process reengineering.

End-user roles: Existing transactional roles will be reconfigured to include supporting roles such as reporting and viewing. This approach will yield fewer roles that a State entity must understand and assign to its end users.

Configuration: Each State entity will review and validate its configuration data, providing correct data as needed. This approach will allow State entities to review and validate end-user roles and configurations rather than expecting State entities to provide data from a blank slate. This process is expected to benefit both State entities and the Project by reducing the number of task submissions needed from State entities, the time required for State entities to submit their responses, and the rework associated with multiple submissions.

Business process reengineering: The Project will be expanding efforts related to business process reengineering. Since each State entity has options for *how* to implement FI\$Cal business processes, each entity implements unique procedures and therefore needs its own super users with a strong understanding of FI\$Cal.

The Project will provide State-entity super users for future releases with early access to FI\$Cal. State entities have already identified their super users, and the Project has given them the current training curricula. In addition, the Project has already begun to provide hands-on access through Model Office environments. State entities will gain experience using FI\$Cal and learn how to identify changes to their as-is processes much earlier than before. In addition, State entities can opt to have their super users participate in train-the-trainer activities so they are equipped to train their end users. This training will involve the mutual understanding that these super users provide their end users with support after FI\$Cal is implemented, in addition to the support provided by the Project.

Business process modeling: To assist State entities, the Project has invested in staff training for business process modeling. Project resources will be available to assist State entities with drafting their new procedures early. These can be updated as super users gain more expertise via FI\$Cal Solution Walkthroughs, Model Office, User Acceptance Testing, and FI\$Cal System training.

7.2 FI\$Cal Service Center

The FSC, composed of staff from both Accenture and the State, provides operations support and 24-hour customer service, including on weekends and State holidays. Response timing is based on the urgency of the request. For example, system restoration is addressed immediately, while service requests are logged in but may be responded to during normal business hours.

Currently, Accenture has primary responsibility for managing and operating the FSC with a few exceptions. State staff are responsible for activities related to Centralized Business Services (CBS). CBS consists of functions that are managed centrally by the FSC, including vendor management file (VMF) support, project costing tracking for non-FI\$Cal State entities, decentralized payment card (P-card) account administration, processing and support for 1099 federal tax forms, chart of accounts management, and approval of access requests and new/changed user roles.

Additionally, State staff broadly participate in FSC activities for skill building and knowledge transfer. Support services are provided to FI\$Cal customers and stakeholders through the use of a service desk and incident tracking. FSC customers include vendors, State entities using FI\$Cal, and control agencies. Customer-reported incidents include functional questions, application issues, and end-user training needs.

During 2015, FSC activities included regular conference calls, site visits, and weekly status reports involving multiple control agencies and State entities, as well as production support services for Wave 1 and Wave 2 State entities.

The FSC's support of Wave 2 Summer go live began on August 12, 2015. The user base grew from approximately 879 to 1,924 users, and participating State entities grew from 9 to 54. The FSC built on lessons learned from the Wave 1 go live in July 2014 to significantly improve State entity support, and users widely reported satisfaction with these improvements. Enhancements included the following:

- Assigning dedicated Department Support Teams to each participating State entity
- Providing End-User Support Labs and MEC Support Labs onsite, which reduced the number of tickets
- Making Project staff available to State entities for evening and weekend support
- Establishing an FSC Command Center

During 2015, FSC interacted with end users about 86% of the time through email, 12% through voice, and 2% through web contacts. Interaction types consisted of approximately 90% Service Requests and 10% Service Restorations.

8. LESSONS LEARNED AND BEST PRACTICES (LM #8)

Wave 2 lessons learned sessions were conducted with all Project teams. The table below represents a summary of the lessons learned from Wave 2 implementation.

TABLE 2. LESSONS LEARNED – WAVE 2 IMPLEMENTATION

Lesson Learned	Recommendation for FI\$Cal Project
Communication	
<p>Project communications were often overly complicated, unclear, and delivered late.</p>	<ul style="list-style-type: none"> • Modify the task communications template to clearly identify what needs to be done, by whom, and by when. • Adjust the communication review process to improve the quality of the communications. • Plan Project activities to allow for development and review of communications to be disseminated with ample time for State entities to respond.
Planning	
<p>Need to effectively manage scope changes and resulting impacts to the Project schedule. In Wave 2, not enough time was allotted to complete scheduled tasks. Changes identified during design and build made it impossible to keep the schedule on track. Overlapping waves caused key resources to be allocated to concurrent tasks, which resulted in delays and reduced quality.</p>	<ul style="list-style-type: none"> • Estimate task durations with more detail and analysis. Ensure one schedule reflects the work for each release. • Include more contingency time in the Project schedule in anticipation of scope and design changes. • Increase internal collaboration during development and validation of the schedule by having Accenture and the State work together to develop the schedule. • Limit the number of changes introduced during design and build by improving the planning process that involves full participation by State entities. • Improve assessment of future schedule and resource impacts resulting from scope change decisions by enforcing inclusion of this information in Change Request documentation.
Processes	
<p>Instructions for MEC/Year-end-close (YEC) lacked clarity, and State entities were inadequately trained to perform MEC/YEC processes in the System. This resulted in late YEC reports for Wave 1 State entities.</p>	<ul style="list-style-type: none"> • Improve communication to State entities, job aids, and the training provided to State entity users. • Develop State entity super users (see Training Lessons Learned below) to help State entities accurately set up their configurations and result in fewer errors needing correction in MEC. • Provide better validation of converted data to alleviate MEC/YEC problems. This was the source of many of the reconciling items that gave State entities trouble.
<p>Too much emphasis on project status vs. project management. The Project needs more dedicated project managers (PMs) driving the work.</p>	<ul style="list-style-type: none"> • Assign a State PM to oversee each future Project "release." These PMs will drive the work of the Project team. • PMs will facilitate team member accountability by reporting progress and elevating issues to Project Leadership.

Lesson Learned	Recommendation for FI\$Cal Project
<p>The current role-mapping processes are confusing and inefficient, and result in users being unable to perform their jobs. This requires extra resources and time to resolve.</p>	<ul style="list-style-type: none"> • Identify and implement improvements to role-mapping procedures that will simplify the process for end users. • Assign more resources dedicated to working with State entities for role-mapping development and troubleshooting/support. (Note that the Budget Change Proposals for FY 2016/17 requested these additional resources.) • Simplify communications regarding role mapping, start them earlier in the Project lifecycle, and have follow-ups as State entities move through the process. • Identify and train State-entity super users, as this will also help resolve the issue of role mapping.
<p>Staffing</p>	
<p>The Project's resources were assigned to concurrent and often conflicting tasks. Because of overlapping activities from different waves, Project tasks were competing for resources with Production tasks.</p>	<ul style="list-style-type: none"> • Request adjustments to staffing levels necessary to meet Project goals and schedules. (Note that the Budget Change Proposals for FY 2016/17 requested these additional resources.) • Ensure that FSC staffing levels are adequate, and that Production resource needs don't impact Project resource usage. (Note that the Budget Change Proposals for FY 2016/17 requested these additional resources.) • Adjust Project schedules to minimize overlapping and concurrent activities.
<p>Testing</p>	
<p>Late changes to testing methodology resulted in inadequate preparation for testing and delays to testing start.</p>	<ul style="list-style-type: none"> • Establish a priority order of scripts and of State entities to test each script. • Make sure that requirements are mapped to test scripts before testing begins. • Improve the breadth of testing by a combination of testing the same scripts with different data, testing different scripts with the same data, and testing sets of scripts with converted data. • Improve quality of testing environments to ensure everything is ready when testing starts.
<p>Lack of early engagement with State entities and insufficient understanding of the goals of each testing cycle: In Wave 2, this resulted in State entity staff utilizing User Acceptance Testing (UAT) and Unscripted User Acceptance Testing (UUAT) as training sessions instead of testing sessions.</p>	<ul style="list-style-type: none"> • Develop State entity super users (see Training Lessons Learned below). • Implement a Train/Test/Train approach. Better upfront training will improve State entity understanding of UAT, reduce the need for extended UAT and UUAT, and achieve the goal of providing a better UAT experience for State entities. • Plan UAT so that State entities see the entire end-to-end process. Develop scripts with this goal in mind. This will require devoting additional time to test planning and script development. • During testing, include the use of production job aids, information, and references.

Lesson Learned	Recommendation for FI\$Cal Project
Training	
<p>Project staff are not the expert users of the System. Staff knowledge has been limited to staff members' specific areas of focus.</p>	<ul style="list-style-type: none"> • Invest in a program to develop and retain a team of super users within the Project who understand the FI\$Cal System and associated business processes from end to end. • Manage the workload of Project staff to ensure that staff are given the time and resources necessary to focus on developing their end-to-end knowledge without sacrificing task deadlines. • Leverage DOF, DGS, and SCO, who use the System, to provide hands-on experience with the System to rapidly increase Project staff knowledge.
<p>State entities do not have expert users (super users) who thoroughly understand how to use FI\$Cal and their own business processes.</p>	<ul style="list-style-type: none"> • Provide State entity super users full access to the FI\$Cal training curriculum. • Provide super users with clearly defined expectations of their roles. • Provide super users with hands-on experience early in the engagement through the Model Office. <ul style="list-style-type: none"> ▪ Provide super users with the ability to participate in the train-the-trainer program to prepare them for providing training to their end users. ▪ Provide super users with an understanding of potential go-live issues and how they can assist end users. • Provide Project subject matter experts at onboarding activities to further expand the knowledge base of State entity super users. • Provide business-process-modeling support sessions to State entities to assist with developing their new business processes. • Provide "crosswalk" documentation to assist State entities with understanding the difference between how they do business now and how they will do business in FI\$Cal. • Provide user support labs at go live that are available for at least three months. • After go live, communicate known issues to super users along with how super users can assist their end users.

9. SIGNIFICANT SOFTWARE CUSTOMIZATION (LM #9)

The Project is committed to implementing FI\$Cal with minimal customizations. However, to ensure the State's ability to meet its business needs, the Project approved the following significant software customizations in 2015:

ABMS

- Customize PeopleSoft Project Costing by adding several pages of specified attributes and fields. This will allow DGS and other State entities to assign Project attributes for reporting purposes and will accommodate multiple current ABMS reports.
- Provide DGS with the ability to track a Project's funding by Individual Funding Agreement.

Accounts Payable (AP)

- Process the State's critical payments by recording warrants and electronic funds transfers for specialized departmental payment systems within FI\$Cal; however, leverage existing SCO processes for large payment batches (payroll, Medi-Cal, retirements, etc.). This design reduces the risk to the State of California by using proven processes designed for large volumes of payments.
- Create a budget attribute to identify vouchers needing payment as registered warrants.

Audits

- Customize prepayment audit process to provide the SCO Audit Division the ability to validate that payments generated by FI\$Cal are legal and proper.
- Create confidentiality for selection criteria on vouchers identified by the Audit Tool so that this information is only available to SCO Audits staff.
- Allow SCO Audits Workflow Administrators to route vouchers to audit staff at any time, to monitor each auditor's workload in real time, and to identify and assign vouchers that are unassigned.

Cash Management and Accounts Receivable (AR)

- Provide custom functionality to facilitate (1) associating deposits with both Demand Bank Accounts and Centralized Treasury System (CTS) Bank Accounts and (2) reconciling transactions in both bank account types to System transactions.
- Create a custom process in PeopleSoft to notify STO of pending federal deposits and to release deposit entries to the General Ledger (GL).
- Leverage existing customization to allow Wave 3 and 4 State entities to reconcile Zero Balance Accounts (ZBA) and CTS accounts in FI\$Cal, to create an audit trail, and to allow account reconciliation at all three levels (Demand, CTS, and ZBA).
- Replace Electronic Deposit Forms system that generates deposit slips so State entities can associate AR deposits with bank and demand accounts.

General Ledger

- Fully automate/integrate the cash validation process. Includes budget checking during AP processing and in the Treasury module. Customizes budget checking process to validate cash transactions at Fund level only.

Loan Accounting

- For internal loan transactions, enhance System to generate accounting entries with validation prior to journal generation.
- Enhance System so SCO can review/approve loan transactions before entries are posted to affected loans and in the GL.
- Import loan-related accounting entries generated in the AP and AR modules into the accounting entry table (Modified Accrual and Cash Basis entries) to provide a complete history of these entries.
- Automate investment accounting by transmitting investment transaction details to SCO using an interface from STO's New Data Delivery System, which will systematically generate the necessary Modified Accrual accounting entries.

10. PROJECT OBJECTIVES PROGRESS (LM #10)

Table 5 shows progress updates on actions taken during 2015 that bring the Project closer to meeting Project objectives. The table headings give a brief summary of each objective. For a complete list of Project objectives, see the [Appendix](#).

TABLE 3. SUMMARY OF PROJECT OBJECTIVES AND PROGRESS

2015 Project Milestones that Contribute towards Meeting the Project Objectives	Project Objectives (Shortened)																
	1. Replace State's aging financial systems	2. Increase competition through bidding & vendor functions	3. Maintain central source for data	4. Increase investment returns through cash flow monitoring & forecasting*	5. Improve fiscal controls and support better decision making & transparency	6. Automate exchange of financial documents & data	7. Online access to financial management information	8. Improve system for historical management information**	9. Reduce time, workload, costs for financial reporting/tracking to increase management	10. Track purchase volumes/costs to increase strategic sourcing time	11. Streamline procurement cycle	12. Streamline AR collections	13. Improve vendor payments	14. Implement stable & secure IT infrastructure			
Rolled out departmental accounting to 43 Wave 2 entities, including SCO and STO.	✓				✓	✓	✓		✓		✓			✓		✓	
Rolled out Wave 2 functionality to 11 Wave 1 State entities.	✓				✓	✓	✓		✓		✓			✓		✓	
Implemented FI\$Cal as procurement book of record for the State, which will allow retirement of BidSync.	✓	✓	✓								✓	✓					
Enabled DOF to produce the Governor's Budget using FI\$Cal.	✓		✓		✓	✓	✓		✓								
Implemented statewide DGS control functions including centralized procurement.		✓			✓	✓	✓				✓	✓					
Deployed automated grants & project management functions.			✓		✓		✓				✓						
Implemented asset stocktaking with handheld inventory scanning and tagging.											✓						
Made enhanced functionality available through the Vendor Portal.	✓	✓			✓	✓	✓										
The statewide VMF will grow by an additional 10,000 to 15,000 vendors.			✓								✓			✓			
Deployed additional reporting capabilities to support Wave 2 and Wave 1 functionality.					✓	✓		✓		✓	✓						

2015 Project Milestones that Contribute towards Meeting the Project Objectives	Project Objectives (Shortened)																
	1. Replace State's aging financial systems	2. Increase competition through bidding & vendor functions	3. Maintain central source for data	4. Increase investment returns through cash flow monitoring & forecasting*	5. Improve fiscal controls and support better decision making & transparency	6. Automate exchange of financial documents & data	7. Online access to financial management information	8. Improve system for historical management information**	9. Reduce quicker financial reporting/tracking for financial time, workload	10. Track purchase volumes/costs to increase strategic sourcing time	11. Streamline procurement cycle	12. Streamline AR collections	13. Improve vendor payments	14. Implement role-based security infrastructure	15. Implement stable & secure IT	16.	17.
Deployed strategic sourcing in Wave 2. This will create opportunities for the State to review statewide contracts and consolidate its purchasing power to reduce expenditures.		✓										✓	✓				
Deployed Leveraged Procurement Agreements and delegated purchasing authority functionality in Wave 2.		✓										✓	✓				
Deployed customer contracts and enhanced collection processes.														✓			
Implemented role-based security and workflow authorizations for FI\$Cal.															✓		
Installed additional software to provide the capability of data loss prevention on certain servers that run in the Production Environment.																	✓
SCO now audits all Wave 1 and 2 department vouchers in FI\$Cal. This control agency function was augmented with the release of the custom Pre-Payment Audit Tool in Wave 2.			✓		✓	✓	✓										
Developed and deployed MEC reports to support month-end and post-closing reconciliation.					✓		✓			✓	✓						

* To be addressed by functionality scheduled for 2017-18.

**To be addressed by implementation of Legacy Data Repository in July 2017.

DEVIATIONS TO THE PROJECT SCOPE, COST, OR SCHEDULE (LM REPORT REQUIREMENT)

The following changes were approved in 2015 via the Project's Change Control Process:

- DGS ABMS transition to FI\$Cal moved from Wave 2 (July 2015) to July 2016.
- The Department of Aging moved from Wave 1 (July 2014) to Wave 2 (July 2015), and the Board of Equalization and Department of Justice moved from Wave 1 to July 2018.
- Added upgrade to PeopleTools 8.5.4 to the already planned PeopleSoft 9.2 upgrade.

In February 2016, CDT approved SPR 6 for the Project. The SPR includes the following changes to scope, cost, and schedule:

- Provides one additional FI\$Cal release in July 2018 and increases the duration of subsequent Knowledge Transfer to 12 months. These changes create a total schedule extension of two years.
- Deploys statewide budgeting one year early, accelerating access to the FI\$Cal budget system for all remaining State entities. (Moves implementation from July 2017 to July 2016.)
- Upgrades the Hyperion software in 2016, allowing partial redesign and statewide deployment, and implements of all remaining budget-related functionality in 2017.
- Moves SCO and STO control functionality implementation from July 2016 to July 2017. This provides extended design validation and testing for complex SCO and STO control functions.
- Onboards the remaining State entities with FI\$Cal accounting functions in three summer releases: July 2016, July 2017, and July 2018
- Shifts the development of the Transparency Website from July 2017 to July 2018 with public-facing deployment in July 2019.
- The changes listed above result in an increase in Project expenditures of \$110.3 million compared to SPR 5.

Appendix: FI\$Cal Project Objectives

This appendix lists the overall objectives for the FI\$Cal Project. California Government Code Section 15849.22 codifies these objectives as follows:

- (1) Replace the state's aging legacy financial management systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. For purposes of this paragraph, "financial management" means accounting, budgeting, cash management, asset accounting, vendor management, and procurement.
- (2) Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.
- (3) Maintain a central source for financial management data to reduce the time and expense of vendors, departments, and agencies collecting, maintaining, and reconciling redundant data.
- (4) Increase investment returns through timely and accurate monitoring of cash balances, cash flow forecasting, and timing of receipts and disbursements.
- (5) Improve fiscal controls and support better decision making by state managers and the Legislature by enhancing the quality, timeliness, consistency, and accessibility of financial management information through the use of powerful data access tools, standardized data, and financial management reports.
- (6) Improve access and transparency of California's financial management information allowing the implementation of increased auditing, compliance reporting, and fiscal accountability while sharing information between the public, the Legislature, external stakeholders, state, federal, and local agencies.
- (7) Automate manual processes by providing the ability to electronically receive and submit financial management documents and data between agencies, departments, banks, vendors, and other government entities.
- (8) Provide online access to financial management information resulting in a reduction of payment or approval inquiries, or both.
- (9) Improve the state's ability to preserve, access, and analyze historical financial management information to reduce the workload required to research and prepare this information.
- (10) Enable the state to more quickly implement, track, and report on changes to financial management processes and systems to accommodate new information such as statutory changes and performance information.
- (11) Reduce the time, workload, and costs associated with capturing and projecting revenues, expenditures, and program needs for multiple years and scenarios, and for tracking, reporting, and responding to legislative actions.
- (12) Track purchase volumes and costs by vendor and commodity code or service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.

- (13) Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods and services available from existing sources, including, but not limited to, using leveraged procurement agreements.
- (14) Streamline the accounts receivable collections process and allow for offset capability which will provide the ability for increased cash collection.
- (15) Streamline the payment process and allow for faster vendor payments that will reduce late payment penalty fees paid by the state.
- (16) Improve role-based security and workflow authorization by capturing near real-time data from the state's human resources system of record.
- (17) Implement a stable and secure information technology infrastructure.