



Update on Cardinal – State's Enterprise Resource Planning System

JLARC oversight of Cardinal

- Appropriation Act requires JLARC to oversee Cardinal on a continuing basis
 - Development, implementation, performance, and costs
 - Technology and security
 - Governance

2019 Appropriation Act Item 31(K).

In this presentation

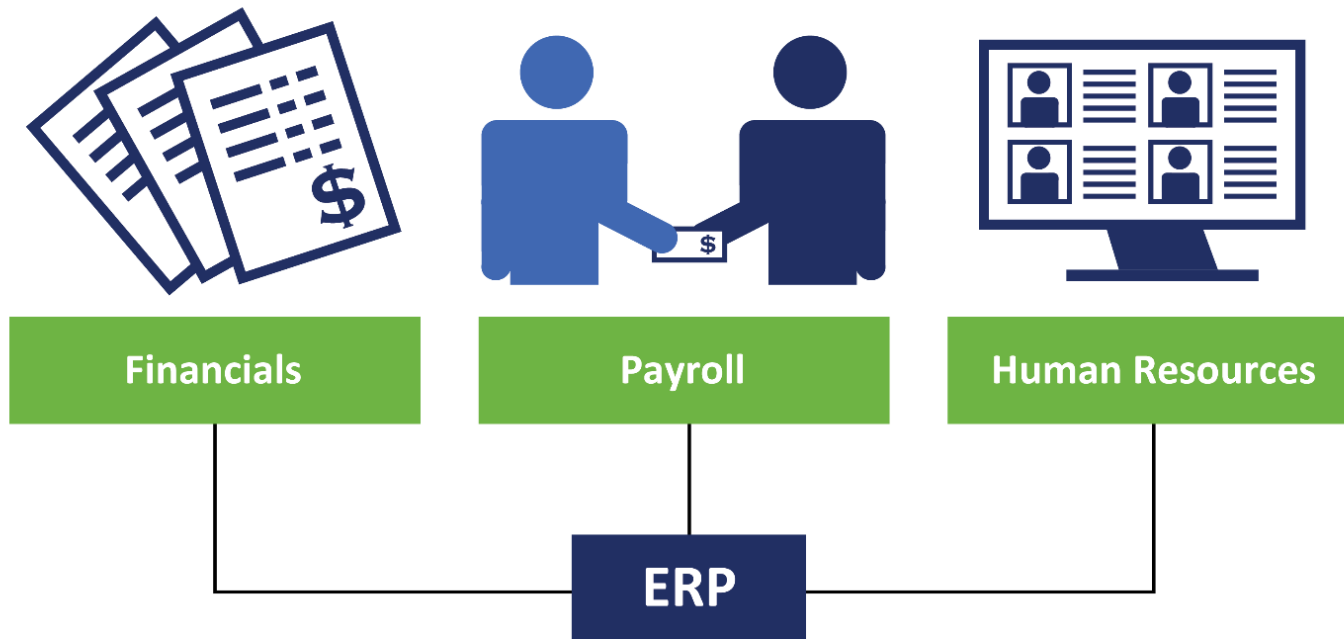
Background

Human Capital Management (HCM) project expansion

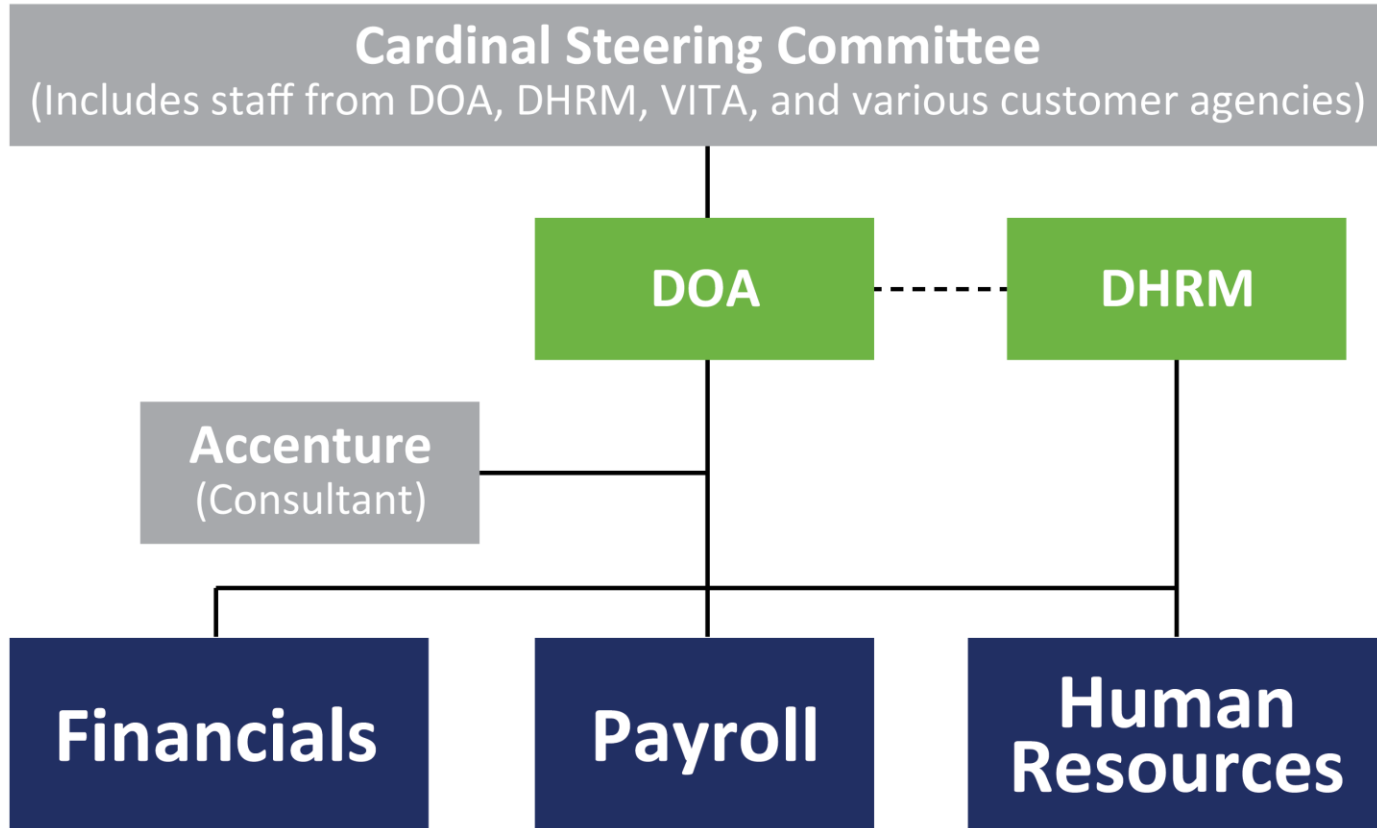
Risks and considerations

What is Cardinal?

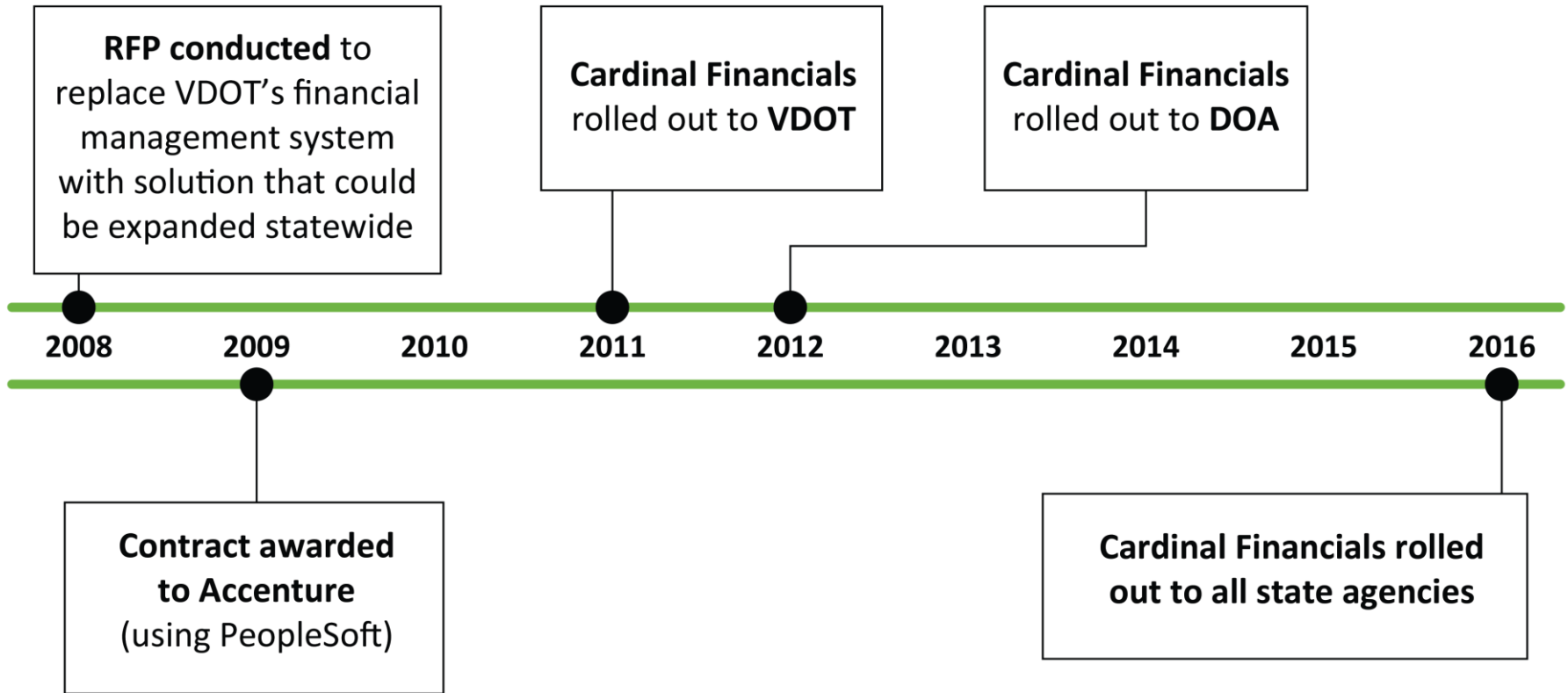
- Cardinal is an Enterprise Resource Planning (ERP) system, designed to integrate state's business functions



Governance of Cardinal Project



Timeline of Cardinal Financials project



Spending and project management of Cardinal Financials

- \$111 million was spent on Cardinal Financials project
 - Working capital advance and VDOT special revenue
- Cardinal financials project was completed within budget and on schedule, according to VITA oversight and third-party review

A Working Capital Advance is a type of borrowing from the State Treasury. Agencies can borrow up to an authorized amount and pay the funds back over a specified period of time.

In this presentation

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Human Capital Management (HCM) project expansion

Risks and considerations

History of HCM project expansion

- In 2015, vendor for state's legacy payroll system (CIPPS) notified DOA it would discontinue support in 2018*
 - DOA later procured an extended limited support agreement with vendor through 2021
- DOA led assessment involving 100+ agencies to replace CIPPS (May 2015 to September 2016)
- In 2016, DOA received executive and legislative approval to expand Cardinal to include payroll functions

*CIPPS = Commonwealth Integrated Payroll/Personnel System.

History of HCM project expansion (cont.)

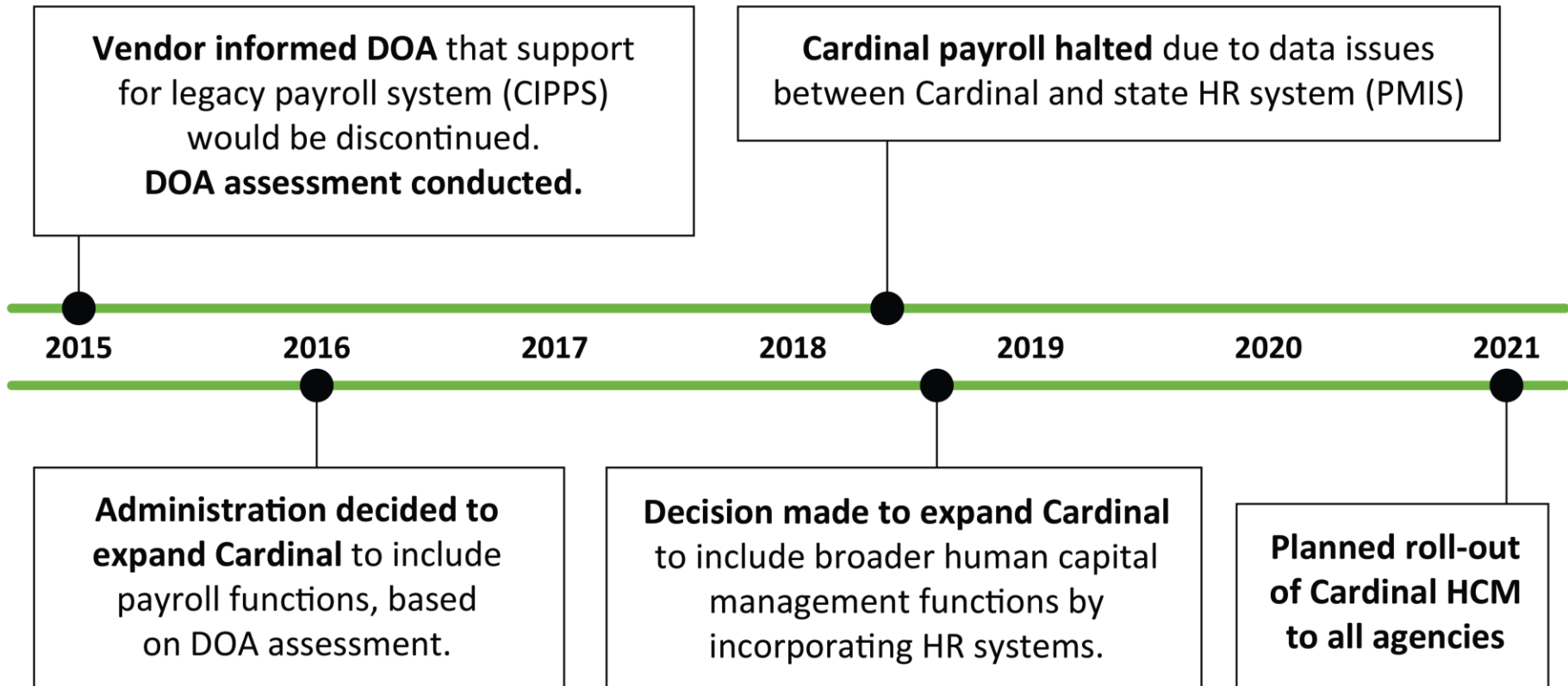
- Problems identified during attempts to convert data from state HR system (PMIS) to Cardinal Payroll
 - Cardinal Payroll project halted in 2018
- Administration decided to expand Cardinal to include broader HCM functions (e.g. human resources)
 - Payroll incorporated into broader project
 - Approved by secretaries of Finance and Administration and VITA's CIO, in consultation with DOA and DHRM
 - Legislative approval in Appropriation Act

PMIS = Personnel Management Information System

Existing contract with Accenture expanded to include HCM

- Administration determined expansion of Cardinal was preferred approach for several reasons
 - Already utilizing PeopleSoft ERP software, which has capability to support HCM
 - Satisfied with Accenture and existing Cardinal team
 - Risk of prolonging reliance on legacy systems
- Original 2009 contract was broad and allowed for expansions to the Statement of Work
- At least 20 other states use PeopleSoft for enterprise-wide systems

Timeline of HCM project



HCM Project Costs (FY15–FY22)

Project	Spending
Payroll project (<i>spending to date</i>)	\$35.9M
Expanded HCM project (<i>estimated</i>)	\$85.9M
Oracle Cloud (<i>estimated</i>)	\$10.0M
Total HCM project costs (<i>estimated</i>)	\$131.8M

Spending for the payroll project and initial phases of HCM and Oracle Cloud has already occurred.

HCM Project funded through Working Capital Advance (WCA)

- DOA has requested that 2020–2022 governor’s budget increase WCA to \$142.7 million
 - HCM project costs (\$131.8 million)
 - Initial operating costs (\$10.9 million)
- \$60.3 million above WCA amount approved in 2019 Appropriation Act for initial project costs
- WCA will be paid off over 10 years through Cardinal Internal Service Fund

Management of HCM project

- Payroll project was within budget and schedule until project halted in 2018
 - Independent review indicated strong project governance and management practices for payroll project
- HCM project is currently within budget and schedule overall

Potential impacts to HCM schedule and budget related to Oracle Cloud

- Recent schedule delays related to VITA's Oracle Cloud implementation
 - Schedule contingencies utilized and project tasks adjusted to minimize impact on overall HCM project schedule
 - HCM project must utilize Oracle Cloud by mid-January to ensure project is not delayed
- Additional HCM project costs to address Oracle Cloud implementation issues
 - Estimated to be at least \$570,000* (within overall HCM project contingency funding of \$9.3 million)

*Additional costs for consulting resources, temporary storage, and hardware/software.

In this presentation

Background

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Risks and considerations

Risks related to HCM project

- Highly complex project incorporating multiple systems
 - Complex and varied agency needs
- Schedule slippage and costs due to unanticipated problems
- First major system in the Commonwealth's Oracle Cloud
 - Already experienced schedule slippage and increased costs
- Move from VITA data center also occurring in 2021
 - Requiring significant effort on behalf of agencies and VITA

Risks related to HCM project (cont.)

- Legacy payroll and HR systems are end of life and have experienced problems
- Adequate preparation of 200+ agencies and hundreds of localities to go live
 - Training needed for 200K+ users (includes HR/finance staff, state and local employees, and retirees)

Future considerations of Cardinal HCM project

- Governance structure needed to reflect all agencies' business needs
 - Future decisions on modules or functions to add
 - Appropriation Act directs DOA and DHRM to establish a structure
- Open procurement for Cardinal support in 2022
- Technology solutions to replace Cardinal in future (10+ years out)

JLARC staff for this report

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Appendix: Total Cardinal Project Spending

Project (since FY08)	Spending
Financials (<i>Actual</i>)	\$111.3M
2017 PeopleSoft Upgrade (<i>Actual</i>)	\$13.4M
Initiatives considered (<i>Actual</i>)	\$1.7M
HCM (<i>Estimated</i>)	\$131.8M
Total Project Costs	\$258.2M

Project costs were generally paid with a Working Capital Advance or VDOT Special Revenue. Several additional initiatives were considered by VDOT and for eVA but were never implemented. In addition to the project costs, \$123.4 million was spent on post production support for Cardinal between FY11 and FY19.

Appendix: Projected Cardinal Operating Costs

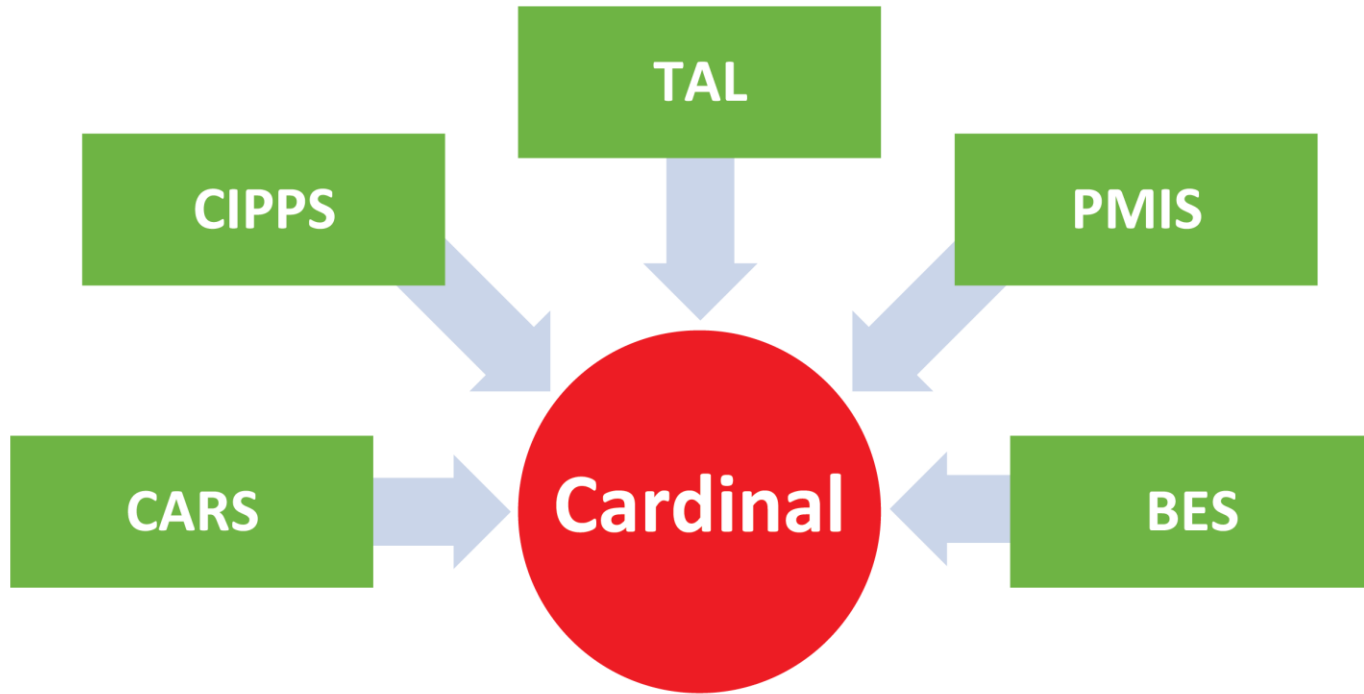
	FY21	FY22	FY23	FY24
Financials	\$23.1M	\$20.9M	\$20.6M	\$21.3M
HCM	7.0M	15.7M	19.4M	20.0M
Total	\$30.1M	\$36.6M	\$40.0M	\$41.2M

Cardinal operating costs will be paid through the Cardinal Internal Service Fund.

Appendix: Timeline of Cardinal project

- 2008 – RFP conducted to replace VDOT’s financial management system with solution that could be used statewide
- 2009 – Contract awarded to Accenture for Cardinal Financials using a PeopleSoft solution
- 2011 – Cardinal Financials rolled out to VDOT
- 2012 – Cardinal Financials rolled out to DOA
- 2015 – Vendor for state’s legacy payroll system (CIPPS) notified DOA it would discontinue support in 2018. DOA conducted replacement assessment.
- 2016 – Cardinal Financials rolled out to all state agencies, officially replacing CARS as of FY17
- 2016 - DOA received administration and legislative approval to expand Cardinal to include payroll functions as a result of DOA assessment
- 2018 - Problems identified during attempts to convert data from state HR system (PMIS) to Cardinal Payroll
- 2018 – Administration halted Cardinal payroll project and approved 10-month planning phase for Cardinal HCM expansion
- 2019 – Legislature approved funding for initial project costs, and administration approved full budget and implementation phase for Cardinal HCM project
- 2021 – Planned rollout of Cardinal HCM to all agencies

Appendix: Major enterprise systems replaced by Cardinal



CARS - Commonwealth's Accounting and Reporting System

CIPPS - Commonwealth Integrated Payroll/Personnel System

TAL - Time Attendance and Leave

PMIS - Personnel Management Information System

BES - Benefits Eligibility System