



Commonwealth of Virginia Cardinal Project

A Briefing for the House Appropriations Committee

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Agenda

- What is Cardinal?
- CARS Limitations and Risks
- Cardinal Project Background
- Parts 1 and 2 Scope
- Part 3 Scope
- Project Costs and Funding Model
- Future Goals



What is Cardinal?

Unprecedented Partnership

- Financials, Procurement and more for VDOT (Part 1)
- Base Financials for Commonwealth, in DOA (Part 2)
- Base Financials for Commonwealth, Statewide Rollout (Part 3)

Critical Near-term Goal

- Risk Reduction
 - VDOT – Replace FMSII, Eliminate risk of FMSII system failure
 - DOA/Statewide – Replace CARS, Address APA recommendations for improved financial system capabilities and controls that threaten Virginia's unqualified audit opinion, AAA bond rating and ranking as Best Managed State



CARS Limitations and Risk

The Commonwealth Accounting and Reporting System (CARS) serves as the current enterprise financial management system. CARS is:

- Lacking in Functionality – Only supports general ledger, vendor payment processing and funds receipting. Functional limitations have driven agencies to implement agency-based systems, decreasing data standardization and corresponding reporting transparency.
- Lacking in User-friendly Integration – Workflow integration between purchasing and finance and other applications is limited or non-existent, impeding workforce efficiency.
- Built on 1970's Technology – 30 year old mainframe application is supported by a few key resources whose skills are not easily replaceable in today's workforce.
- High Risk - Need for a modern statewide financial management system is frequently cited by APA. Inaction risks the Commonwealth's unqualified audit opinion, AAA bond rating and Best Managed State ranking.



Cardinal Project Background

Year	Activity
1978	DOA's CARS implemented
1998	VDOT's FMS II system was implemented
2004 - 2006	VDOT FMS II Upgrade Project planning conducted
2006 - 2007	VDOT joined DOA on the statewide VEAP initiative (Virginia Enterprise Application Program)
2008	Economic downturn resulted in insufficient funding for statewide ERP; VDOT proposes strategy to replace VDOT's FMS II and establish an enterprise base financial system for the Commonwealth; VDOT and DOA partner on initiative
2009	Conducted RFP process for software and services; Accenture and Oracle (PeopleSoft Enterprise License Agreement (ELA)) contracts established for the Commonwealth of Virginia
2011	Go Live Date for VDOT implementation (Part 1) December 5, 2011



Parts 1 and 2 Scope

Part 1 (VDOT)

Functional Areas in Scope:

- General Ledger
- Accounts Payable
- Accounts Receivable
- Project Accounting
- Procurement
- Time and Attendance
- New Statewide Chart of Accounts
- 5,000 End Users Trained
- Retire FMSII

Deployed in December 2011

Part 2 (Enterprise Base Modules- DOA only)

Functional Areas in Scope:

- General Ledger
- Accounts Payable
- Limited Accounts Receivable
(Funds Receipt)
- New Statewide Chart of Accounts
- 10 End Users Trained

Scheduled to Deploy in October 2012



Part 3 Scope

Statewide Rollout of Enterprise Base Financials

- System configuration and testing, user training
- Transition all online CARS agencies to the enterprise Base
 - 87 agencies with less than 1,500 transactions annually go-live on or before FY 2014
 - 49 agencies with more than 1,500 transactions annually go-live on or before FY 2015
- Develop interfaces between Cardinal and the remaining agencies with agency-based financial systems (e.g., DMAS, DMV, higher ed.)
 - 127 agencies must develop interfaces to Cardinal using centrally prescribed file formats. Development costs are not included in estimated Part 3 project costs
 - Staged rollouts over 2 year period prior to FY 2015 with several early “proof of concept” implementations
- Goal is to retire CARS with Cardinal Base Financials becoming the statewide financial management system (system of record) starting in FY 2015



Key Takeaways – Part 3

- Business process and technology changes will be significant for current CARS end-users but VDOT/DOA pilot of Base and phased implementation approach reduces overall project risk
- Commitment to proceed with Part 3 is **urgent**. Without Part 3:
 - \$19 million invested since 2006 on the enterprise financial management software procurement and system development will be lost
 - VDOT will incur \$5.1 million in Cardinal re-work costs to remove previously developed statewide functionality included in Part 1 – resulting in Cardinal becoming simply an agency-based financial system for VDOT
 - Statewide cost sharing opportunities are eliminated – resulting in VDOT bearing the entire cost of Cardinal support and maintenance indefinitely
 - The momentum and continuity of the Cardinal Project Team and the focus of the partnering agencies are lost
- Enterprise Financials funding model (WCA, Internal Service Fund) is in introduced budget



Project Costs and Funding Model

Parts 1 and 2

- Development and implementation costs totalled \$58 million over 4 years (FY 2009-12)
- Funded primarily by VDOT with some Base system costs funded by a portion of existing Working Capital Advance (WCA) – \$7.3 million
- Operating costs currently entirely funded by VDOT

Part 3

- Development and implementation costs estimated at \$57 million over 4 years (FY 2012-2015). Final estimates subject to contract negotiations
- Project funding provided through additional WCA (Item 260, HB 30)
- Operating cost and WCA repayment through agency Internal Service Fund (ISF) charges
- Agency ISF charges imposed upon conversion based on agency transaction counts
- Agency ISF charges begin in FY 2014



Cardinal Operating Costs (est.)

	Part 1 VDOT Only Go Live 12/5/11	Part 2 DOA and Part 3 Agency Rollout	Part 3 Agency Rollout	Rollout Complete CARS Retired	
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015 *</u>	<u>FY 2016</u>
Base Modules	\$ 7,826,346	\$ 9,535,289	\$ 10,706,446	\$ 10,408,640	\$ 10,929,073
WCA Repayment	-	-	-	6,644,387	6,644,387
Total Estimated Base Costs	\$ 7,826,346	\$ 9,535,289	\$ 10,706,446	\$ 17,053,027	\$ 17,573,460
Non-base Modules (VDOT Only)	4,440,654	5,410,437	6,074,966	5,905,843	6,201,135
Total Estimated Operating Costs	<u>\$ 12,267,000</u>	<u>\$ 14,945,726</u>	<u>\$ 16,781,412</u>	<u>\$ 22,958,870</u>	<u>\$ 23,774,595</u>
* Working Capital Advance (WCA) repayment begins in FY 2015 - \$6.6 million annually/ 10 years					



ISF Charges (est.) – Base Modules

Secretarial Area		FY 2014		FY 2015		FY 2016	
		<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
Education		\$ 156,822	\$ 91,704	\$ 293,653	\$ 2,380,578	\$ 302,615	\$ 2,453,230
Health and Human Resources		16,763	3,452	651,685	2,081,498	671,573	2,145,022
Transportation	VDOT	-	9,234,310	-	5,524,102	-	5,692,690
	Other	-	16,520	7	1,626,213	8	1,675,843
All Other Secretarial Areas		526,259	246,856	1,065,004	2,015,347	1,097,506	2,076,853
Legislative		328,231	56,063	19,797	2,431	20,402	2,505
Judicial		-	29,466	1,079,977	68,509	1,112,936	70,600
Independent		-	-	-	244,226	-	251,677
Total Estimated ISF Charges – Base Modules		<u>\$ 1,028,075</u>	<u>\$ 9,678,371</u>	<u>\$ 3,110,123</u>	<u>\$ 13,942,904</u>	<u>\$ 3,205,040</u>	<u>\$ 14,368,420</u>



Future Goals

Expand Base Financials

- Specific functionality, scope and timelines to be determined based on business need and resources available (examples)

Accounts Receivable

Project Accounting

Time, Attendance and Labor

Inventory and Asset Management

Procurement

Modern technology platform provides an essential first step towards:

- Powerful reporting capabilities to facilitate better decision-making, optimize transparency, meet complex new federal reporting demands and improve performance
- Standardized data and more efficient business processes through better integration between administrative systems and with mission-critical agency systems
- Providing needed functionality to agencies so that select agency-based systems can be retired and systems support cost savings can be realized
- Consistent processes across agencies to improve efficiency and facilitate shared services