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Section 1 Executive Summary

The Executive Summary section of the State of Alaska's Statewide Administrative Systems Replacement Project Business Case includes:

- *Statement of the problem;*
 - *Solution goals;*
 - *Replacement alternatives descriptions;*
 - *Most appropriate alternatives;*
 - *Supporting strategies – data cataloging and portal; and*
 - *Steps for moving forward.*
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1.1. Statement of the Problem

The Office of the Governor and the Departments of Administration and Revenue undertook to evaluate Alaska's statewide administrative systems and to identify alternatives for support and, where appropriate, expansion, of these systems to facilitate the initiatives of Alaska's leadership. MAXIMUS was engaged to assist these agencies in determining the scope of their review, to provide the broadest view of current practices, and to identify alternatives. MAXIMUS was also engaged to develop a decision document, a Business Case, which presents an assessment of existing systems, including an analysis of strategies, risks, and costs for various alternatives.

The document in front of you is the culmination of several months of effort. The Project Steering Committee assembled the vision, goals, and objectives for the Statewide Administrative Systems Replacement Project. The Committee provided a framework for developing a solution to meet short- and long-term state objectives.

MAXIMUS studied the state's existing administrative systems and the state of technologies supporting statewide administrative business processes. Three major findings stand out, supporting the recommendation to move forward, including:

- **Agging Technologies** – Two primary systems, payroll and financial management, have been in service nearly 15 and 20 years, respectively.

The payroll system has been significantly customized with nearly half of the supporting programming code changed to meet Alaska's business needs. The financial management system was custom developed. The supporting architecture of both systems is built with tools, technologies, and a coding style that does not support reasonable methods for making modifications to support changing business needs, sharing data between multiple systems, or migration to newer technologies.

- **Expense of System Modifications** – State administrative systems (specifically the accounting and payroll systems) are maintained and modified by in-house programmers whose skills are hard-sought. Little or no vendor support for these systems is available. Major changes in system structure or function caused, for example, by changes in state and federal mandates, or by collective bargaining agreements, are costly and slow to occur. Also, efficiencies in business processes cannot be realized. The payroll system currently has a 20 person-year backlog of requests for modifications and enhancements, most of which will never be addressed requiring incorporation of manual processes to supplement data collection, calculations, and additional data validation steps. The accounting system has a shorter, but similar backlog of requests.
- **Lack of System Integration** - A lack of integration exists between the administrative systems (e.g., payroll, financial, budget, purchasing, etc.). Some business areas, such as purchasing, have no system to support the business processes. Without integration, duplicate efforts to capture and maintain data in multiple systems requires additional staff and financial resources. There is increased possibility for data discrepancy.

1.2. Solution Goals

The goals of the vision created by the Project Steering Committee include:

- **Business process efficiency and effectiveness** emphasized by capturing transactions in real-time and the elimination of duplicate entry.
- **An environment for state employee self-service that** expands workers' ability to interact and process work through an integrated service organization. Employees are trained to solve problems and equipped with the necessary tools for their jobs.
- **Quality, consistency, and accessibility** of information available to state managers that supports better decision making through real-time distribution of information and consistent application of state accounting code structures.

- **Eliminate redundant data and systems** by implementing integrated system solutions that reduce reliance on batch synchronization and manual reconciliation processes.
- **Automation for areas where there is currently little automation**, including employee self-service features, online procurement activities, time and attendance, and vendor registration.
- **Modern technologies that can migrate to the technologies of tomorrow**, characterized by open standards-based technical platforms, relational database systems, standard reporting capability, tight security and authentication technology, and integration of business processes.
- **Smooth transition to new system through effective change management practices**, merging best practices, contractual and statutory requirements, and capabilities and approaches built into proven implementation strategies, supported by sustained project team commitment.

1.3. Replacement Alternatives Descriptions

The goals of Alaska’s Replacement Administrative System Project, as described in *Section 1.2 Solution Goals*, established guidelines for identifying and evaluating considerations for moving forward. While a number of system and service delivery alternatives are explored in *Section V Analysis of Alternatives*, the project didn’t include detailed exploration of enhancing existing systems, such as payroll and accounting, given the inability of systems to meet the project goals.

With this stated, MAXIMUS believes the alternatives that follow provide a practical and realistic approach to achieve statewide efficiencies, tighter management of business activities, and advancement of business system solutions to the state for its Statewide Administrative Systems Replacement Project. In addition, our research of similar statewide public sector projects supports our recommendation to switch from in-house development of business software and purchase a commercial off-the-shelf (COTS) solution when a solution exists to meet Alaska’s business needs. As shown in *Exhibit 5-1: Alternative Decision Flowchart*, MAXIMUS recommends that the state choose both a system alternative and a service delivery alternative. These alternatives are summarized as follows:

- **System Alternatives**
 - **System Alternative 1 – Enterprise Resource Planning (ERP) Implementation.** Acquire and implement a single, integrated

statewide administrative system solution using a commercially available ERP package in a manner that addresses the common general ledger accounting, budgetary compliance, grant/project accounting, human resource, payroll, procurement, benefits administration, and banking needs for centrally administered systems.

- **System Alternative 2 – Best-Fit Implementation.** Acquire and implement a statewide administrative system solution that integrates functional segments, or business functional components using different commercially available software that best meets the needs of the business function. Examples of functional segments of administrative systems are described above in System Alternative 1.
- **Service Delivery Alternatives**
 - **Service Alternative 1 – Retain in Government Information Technology (IT) Structure.** Provide ongoing support for statewide administrative systems through internal management and staffing within the state’s organization structures.
 - **Service Alternative 2 – Government Service Bureau Outsourcing.** Provide ongoing support for statewide administrative systems through external application services provided by an association of state and local government resources.
 - **Service Alternative 3 – Private Sector (IT) Outsourcing.** Provide ongoing support for statewide administrative systems through external application services supplied by commercially available outsourcing resources.
 - **Service Alternative 4 – Total Business Process Outsourcing.** Provide selected business function(s) (i.e., human resources, payroll, finance, procurement, etc.) services through private sector outsourcing. The state retains decision-making aspects of policy, while the outsourcing vendor provides the business service.

1.4. Most Appropriate Alternatives

MAXIMUS recommends the following strategic approach with respect to Alaska’s statewide administrative systems:

- **System Alternative 1 – ERP Implementation.** Proceed with an integrated Enterprise Resource Planning system approach. Evaluate software solutions for all administrative systems with the intent to select a single solution that best meets the comprehensive needs of the state.

During the evaluation process, flexibility exists to allow for a best-fit software selection, even retention of existing Alaska systems, if it is determined to be in the best interest of the state. The implementation should be phased and decision milestones incorporated into the overall plan to reduce risk and address the most pressing business needs first, as shown in *Exhibit 5-2: Recommended Implementation Phasing*.

- **Service Delivery Alternative 3 – Private Sector Outsourcing.** Issue an RFP with an option to evaluate ongoing IT support for statewide administrative systems through external application services supplied by commercially available outsourcing resources. This process provides the state an opportunity to complete an internal organization assessment for supporting the new systems, while the solicitation process provides data to evaluate costs, service level capabilities, and risks of both approaches. The outcome of the internal evaluation and solicitation of IT outsourcing of support services will determine whether outsourcing the technology service delivery is viable and merits the effort required to develop the relationship based upon principles provided in *Appendix G: Outsourcing IT Services Contracts*. If outsourcing is not viable, or strategically the state through its internal IT organization assessment determines investing in growing the state's IT capabilities best meets the short- and long-term needs of the state, then MAXIMUS recommends Service Delivery Alternative 1 – Retain in Government Structure. This decision should be made no later than November 2003 to provide Alaska's IT organization an opportunity to enhance their skills through training, hiring, or consulting contracts.

The projected costs of the recommended alternatives are summarized in *Exhibit 5-18: Outsource ERP Implementation Budget Projection*.

These combined alternatives best meet the project goals as follows:

- **Business process efficiency and effectiveness** goals are met by incorporating best practices engineered into current COTS software solutions to achieve business efficiencies. The trend among states is to replace their aging administrative systems with an ERP system that integrates information across functional areas.
- **The creation of an environment for state employee self-service** is met by making relevant information and tools available to employees reducing paper intensive processes, providing immediate access to information, and single entry of data affecting multiple business systems.
- **Quality, consistency, and accessibility** of information are provided by common data stores, security administration, and business rules

management. Real-time distribution of information and establishment of common code structures support better decision-making.

- **The elimination of redundant data and systems** is accomplished by capturing data at its source and using a single integrated system, rather than multiple systems which require batch synchronization and reconciliation processes.
- **Automation** creates efficiencies in areas such as procurement, vendor registration, and time and attendance reporting, which are currently burdensome manual processes.
- **Migratable technologies** are supported because vendors are investing in maintaining their software products for continued marketability.

1.5. Supporting Strategies – Data Cataloging and Portal

MAXIMUS believe the state should move forward with the identification and definition of business data maintained in existing systems beginning with financial and payroll data. These activities are the beginning steps toward documenting and understanding business information for use in conversion activities to new systems and creation of a data warehouse to provide access to historical and new information generated replacement systems.

As identified in *Section 5.1.2.1. Data Cataloging*, the major goal for initiating a data cataloging project centers on establishing a base definition of data in the form of a meta data dictionary so that a common understanding of data is available. Through this effort, the state establishes a foundation for understanding the state's enterprise data, which will reduce reliance on the selected implementation vendor to provide services for researching this information required for data conversion activities.

The portal provides the method for accessing information. It is a Web presentation of system elements specifically authorized for each user. The planned evolution of the myAlaska system will support user authentication and specific authorizations for all state employees. This capability is a pre-requisite to the employee self-service functionality described above.

1.6. Moving Forward

Three strategic categories and their corresponding actions require consideration before the next steps for the Statewide Administrative Systems Replacement Project are taken. The categories include:

- Critical Success Factors;

- Immediate Executive Actions; and
- Project Manager and Team Tasks.

Critical Success Factors

Understanding the critical success factors of an initiative allows for planning and preparation. The following identifies critical success factors most prevalent in successful projects and should be used to guide continued decisions, organization, and project development.

- Develop strong and consistent executive support.
- Phase in functions and agencies to the new administrative systems to help manage organization change.
- Commit the appropriate level of resources to match the scope and schedule of the project.
- Maintain strong project management.
- Include broad agency involvement in the configuration, testing, and training of the new systems.
- Invest in proven COTS software that has a high probability of long-term viability. Avoid modifications to allow for application of vendor enhancements and a manageable upgrade path.
- Fully examine the current business process as it relates to the new systems and redesign, or modify them to take advantage of best practices and system efficiencies.
- Make timely decisions and stick to them.
- Make training a high priority. Cut scope before cutting training and cultural change activities.
- Control project scope creep. Establish project scope and do not vary from the set boundary during the first implementation rollout phase.

Immediate Executive Actions

These are the immediate next steps for executive decision makers to support the project:

- Select a system and service support alternative for moving forward.

- Begin the initiative to architect and implement a data warehouse.
- Announce an executive sponsor to champion the project.
- Establish executive leadership with participation from the Office of Management and Budget, and the Departments of Administration and Revenue.
- Maintain the existing project steering committee and project team to lead the state through the next year's project initiation and procurement processes.

Project Manager and Team Tasks

These are the immediate next steps for the project manager and team to support the project:

- Develop an RFP process to acquire the selected system and service support alternative for statewide administrative system replacement.
- Conduct an organization assessment of key subject matter experts for administrative services in areas such as finance, payroll, human resources, purchasing, and budget to determine who can support the project, and who can maintain services during the project.
- Determine the organization, staffing, facilities, and equipment considerations for the project.
- Validate the readiness of the technical organization and architecture to support the new administrative systems.