The Florida Senate

Issue Brief 2009-321 *October 2008*

Fiscal Policy and Calendar Committee

FLORIDA FINANCIAL MANAGEMENT INFORMATION SYSTEM (FFMIS) ACT

Statement of the Issue

The Florida Financial Management Information System (FFMIS) Act establishes:

- A "unified information system" providing fiscal, management, and accounting information that is comprised of subsystems for planning and budgeting, accounting information, cash management, purchasing and personnel information.
- The Florida Management Information Board (FMIB) with the overall responsibility for the development, implementation, and operation of the FFMIS; and
- A process for making decisions relating to the unified system as a whole.

In March 2000 the FMIB approved a strategic plan that authorized the replacement of the FFMIS subsystems with an "enterprise-wide financial management system that integrates financial information and standardizes policies and information."[1] To date no such system has been implemented. Subsequent to approving the strategic plan, certain FFMIS subsystems were independently outsourced without a plan for how each subsystem would interact and integrate with other subsystems. The FMIB ceased to meet regularly after approval of the strategic plan and has been inactive since February 2005. No designs or modifications for any subsystem have been brought to the FMIB for review or approval as required by the FFMIS Act, and since 2001-02, there have been a number of high-profile and costly procurement and implementation problems relating to the FFMIS subsystems.

In the near future the state faces significant decisions relating to FFMIS subsystems including whether to:

- Renew, modify or replace the contract for the state's purchasing subsystem. The contract for MyFloridaMarketplace, which began November 2002, will expire in November 2010. $115 million is committed through the current contract period.
- Renew, modify or replace the contract for the state's personnel information subsystem. The contract for PeopleFirst, which began August 2002, will expire in August 2011. $350 million is committed through the current contract period.
- Replace the current accounting subsystem. Project Aspire was intended to replace the accounting and cash management subsystems but was suspended. The total project cost including interest payments from Fiscal Year 2002-2003 through Fiscal Year 2010-11 is estimated to be $96.5 million.
- Replace the current cash management subsystem. The Department of Financial Services is requesting $5 million for Fiscal Year 2009-2010 to replace the state's cash management subsystem.

To ensure that the state is prepared to make informed decisions on further investments in the FFMIS and its subsystems, it is necessary to have an effective governance structure to plan, implement and manage the next generation of enterprise subsystems in a cost effective manner. This Issue Brief examines the state's current enterprise governance capability and attempts to identify problems that have implications for improving enterprise governance prior to making further investment decisions.

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[1] Florida Financial Management Information System (FFMIS) Strategic Plan, 2001/2002 – 2005/2006.

Methodology

The research approach to this issue brief consisted of the following:

- A review of relevant statutes to identify any conflicts or inconsistencies in the existing governance policies relating to the FFMIS subsystems.
- A review of key lessons-learned, recommendations and relevant findings from various sources including audits, reviews and reports.
- A review of other state's statutory and administrative structures and processes relating to implementation and management of centralized administrative and financial subsystems.

Discussion

I. <u>Introduction and Overview of FFMIS Act</u>

The Florida Financial Management Information System (FFMIS) Act, authorized in ss. 215.90 through 215.96, F.S., was established to plan, implement and manage a unified information system which provides fiscal, management, and accounting information. The FFMIS Act established the Florida Management Information Board (FMIB) and the FFMIS Coordinating Council. The FMIB is comprised of the Governor and Cabinet and has overall responsibility for managing and overseeing the development of Florida Financial Management Information System pursuant to s. 215.95, F.S., including establishing financial management policies and procedures for executive branch agencies. The Council is comprised of the members of the Cabinet, the secretary of the Department of Management Services and the director of the Governor's Office of Policy and Budget. Among other duties, the Council is to approve all FFMIS subsystem designs and modifications prior to implementation and to make recommendations to the FMIB on policy alternatives to ensure coordination between the subsystems as defined in ss. 215.93 and 215.96, F. S.

There are five FFMIS subsystems which must be designed, implemented, and operated pursuant to the act. Each has a statutorily-identified functional owner as well as additional statutory requirements as follows:

- *Planning and Budgeting* – The Executive Office of the Governor is the functional owner. The system must also be designed implemented, and operated pursuant to ch. 216, F.S.
- *Florida Accounting Information Resource (FLAIR)* – The Department of Financial Services is the functional owner. The system must also be designed, implemented and operated pursuant to ss. 17.03, 215.86, 216.141, and 216.151, F.S.
- *Cash Management System (CMS)* – The Chief Financial Officer is the functional owner.
- *Purchasing (MyFloridaMarketplace)* – The Department of Management Services is the functional owner.
- *Personnel Information (PeopleFirst)* – The Department of Management Services is the functional owner. The system must also be designed, implemented, and operated pursuant to s. 110.116, F. S.

The FFMIS Act identifies each subsystem's general functional requirements but allows each functional owner to establish additional functions unless they are specifically prohibited by the FFMIS Act. Functional owners may not establish or maintain additional subsystems which duplicate any of the FFMIS subsystems.

The FMIB approved a strategic plan in March 14, 2000, that authorized the replacement of the FFMIS subsystems with an enterprise-wide financial management system that integrates financial information and standardizes policies and information. This system has never been implemented. The FMIB has not made any decisions relating to policy or the FFMIS subsystems since February 2001 when it modified the strategic plan to allow the use of outsourcing as a means to replace or enhance the functionality of the FFMIS subsystems.

No subsystem designs or modifications have been brought to the FMIB for review or approval since that time. As a result, the overall governance and management of each FFMIS subsystem has been “unofficially delegated” to each functional owner and each functional owner has autonomously pursued an independent path for development and enhancement of its subsystem. The FMIB has been inactive since February 2005.

Pursuant to s. 215.95(2)(a), F.S., the FMIB is required to adopt rules, policies and procedures; however, no rules have been promulgated and no documentation was found to indicate FMIB issued or adopted any fiscal management policies and procedures or standardized business practices as authorized by the Act.[2]

II. Factors Contributing to the Ineffectiveness of the FFMIS Act

The ineffectiveness of the FFMIS Act has lead to an uncoordinated approach to making decisions for the FFMIS and its subsystems. A review of the statutes relating to FFMIS and FFMIS subsystems identified conflicts, inconsistencies, or deficiencies which have contributed to the ineffective governance structure that currently exists. The following is a list of factors identified in this review:

1. **The FFMIS statute does not clearly define the goal of the Florida Financial Management Information System as being an enterprise system as identified in the 2001 FFMIS Strategic Plan.**

   - While the term “information system” is defined in s. 215.92, F.S., as a group of interrelated information subsystems, it does not sufficiently describe what is meant by unified information system or integrated financial management information system. Additionally, while unified and integrated may imply enterprise, it is not sufficiently clear in statute that the goal is an enterprise system.

   - The FMIB approved a strategic plan that authorized an enterprise integrated financial management system that would replace all of the existing statewide FFMIS accounting, purchasing, human resources, cash management, payroll and budgeting subsystems with integrated financial management software; however, that strategic plan has not been implemented.

   - Although the FFMIS Act provides broad business objectives in s. 215.91, F.S., the FMIB and the FFMIS Coordinating Council have never developed and adopted policies needed to build and operate a unified information system to support the state’s fiscal, management, and accounting information needs.

2. **The FFMIS statute does not provide authority to the FMIB to define, control or limit the business services to be provided by the Florida Financial Management Information System and its subsystems. Leaving the functionality for each subsystem undefined makes it difficult to develop requirements and difficult to estimate the cost of system replacement.**

   - The FFMIS Act does not cite any specific subsystem functionality prohibitions; therefore, FFMIS subsystem owners have established additional functions that they believed to be necessary for their subsystems and as a result subsystems contain duplicate functionality. For example, the system design for the Aspire project included functionality that was duplicative of human resource management functions in PeopleFirst and required extensive and costly system customizations.

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[2] Chapter 43, F.A.C., contained rules promulgated by the Fiscal Accounting Information Board, the predecessor of the FMIB. Both rules were repealed December 12, 1996 prior to the creation of the current entities by Chapter 97-286, L.O.F.

- Although s. 215.91 (7), F.S., provides that the Council shall ensure all executive branch organizations have access to and use FFMIS for collecting, processing, and reporting financial data, this provision has not been adequate to limit the proliferation of "shadow systems" that duplicate or extend the current functionality of certain FFMIS subsystem. The Aspire project team identified approximately over 300 accounting/ financial management agency "shadow" systems in use.

- Other statutory provisions relating to FFMIS subsystem functionality conflict with or circumvent the provisions of the FFMIS Act. Section 215.86, F.S., requires each state agency to establish and maintain management systems and controls that promote efficiency and effectiveness, and requires accounting systems to be designed to fulfill the requirements of generally accepted accounting principles with no mention of the FFMIS Act. Sections 24.105 (13) and 570.07(41), F.S., specifically exempt the Departments of Lottery and Agriculture and Consumer Services, respectively, from the FFMIS purchasing subsystem. Sections 287.0571 through 287.0574, F.S., establish the process for completing a proposal to outsource a government service or activity, but do not require the outsourcing proposal to comply with the FFMIS Act.

- Although s. 215.93 (2), F.S., requires standardization of fiscal accounting and management practices provided within the unified system, this was never done. Interfaces for agency shadow systems have been incorporated into FFMIS subsystems which have added greatly to the cost and complexity of subsystem modifications or subsystem replacement estimates.

- The current FFMIS Act does not include all the systems that support the "enterprise" financial and administrative management functions of the state. The state's revenue collection system known as SUNTAX, the legislative appropriation system (LAS), and the state's Payroll system are not included as member subsystems.

3. **The Financial Management Information Board (FMIB) has failed to enforce compliance with FFMIS Act provisions, indicating a lack of executive ownership, sponsorship and responsibility. Section 215.95(2)(b), F.S., authorizes FMIB to issue orders to executive branch agencies to enforce implementation of and compliance with provisions relating to FFMIS.**

   - Work plans for recent FFMIS-related projects (PeopleFirst, MyFloridaMarketPlace, and Project Aspire) have not been annually submitted to and approved by the FFMIS Coordinating Council prior to their implementation as required by s. 215.93 (2), F.S.

   - The work plans for outsourcing certain FFMIS subsystems were not approved by the FFMIS Coordinating Council per s. 215.93 (2), F.S..

   - Mechanisms in the FFMIS Act provided to obtain and maintain consensus on system wide decisions are not being used.

   - The FFMIS data warehouse or warehouse system mentioned in s. 215.91(8), F.S., was never developed.

4. **Each subsystem owner independently requests and controls funding for issues relating to its subsystem's modification or replacement.**

   - FFMIS Act does not require that the FMIB review and/or approve the funding requests for subsystem modifications based on compliance with FFMIS requirements. As a result, funding for subsystems has been provided to functional owners independent of compliance with the FFMIS Act.

- Despite representing more than $600 million in total committed cost and hindered by numerous functional and technical problems, neither the PeopleFirst, MyFloridaMarketplace, FLAIR, cash management or planning and budgeting subsystems, or the Aspire Project, were, or are currently, under the management control of the FFMIS governance structure and processes.

5. **The FMIB and the FFMIS Coordinating Council are not currently staffed to perform the functions required by the FFMIS Act.**

III. Summary of Findings From Relevant Audits, Reviews and Other Reports

In the past seven years, the functional owners of four of the five FFMIS subsystems have initiated substantial upgrades and modifications to their current systems, including the: personnel information subsystem (PeopleFirst); purchasing subsystem (MyFloridaMarketPlace); and cash management and accounting subsystems (Project Aspire). PeopleFirst and MyFloridaMarketPlace have been implemented and Project Aspire was suspended in May 2007. A summary of findings from various audits and reports is included below.

Consolidated Findings from Audits and Report from the Council on Efficient Government
The Office of the Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), and the Council on Efficient Government have issued several reports and audits that identify key findings pertaining to PeopleFirst, MyFloridaMarketplace, and Project Aspire (see Addendum A for a list of reports that were reviewed and a summary of findings by subsystem). Analyzing each report's specific findings revealed common themes among the three projects:

1. ***The planning documents, including the project's business case, were incomplete and lacked key components.*** Possibly the most important component impacting a project's success is proper and complete planning; this includes a business case that clearly documents the cost-benefit and risk analyses, infrastructure needs, project management plan, proposed governance structure, planned scope and main business objectives, and estimated completion timeframes. Additionally, when outsourcing is being proposed, the business case must clearly demonstrate that viable alternatives were completely analyzed. All three projects' planning documents were insufficient and lacked one or more of these key components.

2. ***All three projects were challenged by the lack of business process change and standardization.*** Most large-scale information technology (IT) projects have a goal to improve efficiencies and reduce costs, which is usually achieved through economies of scale and standardized business processes. The state must have the ability to adapt current business processes to incorporate efficiencies that new technologies offer unless specific features or functions are required to meet critical business needs; ERP[3] technologies such as those used in these three initiatives should not be constrained by historical (often inefficient) business processes. The lack of business process change and standardization resulted in over-customization of the off-the-shelf software that required additional costs and time to implement.

[3] An ERP system is multi-module software that integrates activities across business functions in an organization to improve and streamline resource planning, management control and operational control processes. In the context of FFMIS, an ERP system would include modules that integrate the state's financial and administrative functions, e.g., accounts payable and receivable, general ledger, revenue collection, cash management, purchasing, and human resource management. Implementation of an ERP system usually requires reengineering current business processes to achieve expected improvements and efficiencies.

3. ***Deficiencies were identified in the executed contracts.*** Designing, negotiating, and implementing a fair contract with realistic and well-defined terms is another key requirement for successful projects. A complete business case with benchmarking of current conditions, risks, and costs is essential to developing a sound contract that should include provisions for performance measurement and monitoring; comprehensive service-level agreement(s); remediation of necessary remaining legacy systems; and intellectual property ownership issues. All three projects experienced problems that were traced back, in some part, to incomplete or unrealistic contract provisions.

4. ***Maintaining the appropriate level of executive sponsorship was difficult.*** An important characteristic of successful projects is the designation of an executive sponsor with authority to make key business decisions and enforce conformance with these decisions. Without an executive sponsor's long-term commitment, project risks increase. All three projects experienced problems with retaining the appropriate level of executive sponsorship engagement.

5. ***Projects lacked stakeholder buy-in.*** Stakeholder input is vital to any successful project; it allows the stakeholders to voice their needs in the development and implementation stages so they have buy-in and understand changes that need to occur. Additionally, stakeholder buy-in builds cooperation and consensus which are essential to project success. All three projects lacked significant stakeholder buy-in which impacted their ability to achieve any level of business process standardization.

Gartner, Inc – Project Aspire Evaluation – May 17, 2007

In May 2007, Gartner, Inc., conducted an evaluation of Project Aspire at the request of the Chief Financial Officer who subsequently terminated the project. Key findings relating to governance from the evaluation included:

- There is a lack of executive governance process to provide discipline, executive guidance and decision making.
- There is no statewide enterprise resource planning vision and strategy.
- The Aspire project lacks key success components found in enterprise resource planning system projects of similar scope, complexity and size.

The evaluation stated:

> The State of Florida has not adhered to accepted industry best practices with respect to funding, planning and implementing Aspire. Consequently, Gartner believes that there is a strong possibility that the State will not succeed in replacing the current financial system (FLAIR) and transforming its business, to effectively process and analyze financial information in the future.

2007 Senate Interim Report on IT Governance

In January 2007, the Senate published the results of a comprehensive study on enterprise information technology (IT). Among its major conclusions, the Senate study found that absent specific policy in law which established enterprise IT decision-making responsibilities, IT decisions were focused on individual agency operations rather than on maximizing the overall value of IT to the state. More specifically, the study found that five decision areas, known as domains, identify "what [in IT] needs to be governed" and that each decision domain requires a different level of decision-making and decision-maker. The five decision domains identified were: (1) IT Policy, (2) IT Investment, (3) Business Applications, (4) IT Architecture and (5) IT Infrastructure.

For example, while the responsibilities for making decisions on Business Applications and IT Infrastructure requires participation from business and IT decision makers, the governance structure needs to recognize that the decision-maker is different in each of these domain areas. In the case of the Business Applications domain, the appropriate decision maker is some combination of elected official, agency head, or line of business owner because decisions would likely be related to accounting, human resources or procurement policy and agency business requirements and functionality in the case of a FFMIS subsystem. In the IT Infrastructure domain, the decision-maker would need to be a technology expert such as a chief information officer, chief technology officer, applications developer, or data center manager because this domain requires expertise in specific IT disciplines such as application development, project management, IT security, or data center operations. The governance structure would need to accommodate necessary input from IT experts when needed in the Business Applications domain (e.g., to understand technical constraints or other technology specifics issues). In the same way, the IT Infrastructure decision-maker would need to accommodate necessary input from the Business Applications decision-makers when needed to understand business requirements or limitations (e.g., such as those related to funding model, budget constraints, business processes, reengineering, functionality, etc.)

As a result of this interim report, the Agency for Enterprise Information Technology (AEIT), headed by the Governor and Cabinet, was assigned responsibilities for IT strategic planning, enterprise IT policies and standards, enterprise IT security, and the management of enterprise IT services that would be defined in law. The first enterprise IT service subsequently assigned to AEIT was the statewide data center system initiative established in Senate Bill 1892, which passed in the 2008 legislative session.

IV. Other States' Enterprise IT and Business Services Governance

A review of other states[4] was completed to identify those states that have statutory policy that authorizes the implementation of an enterprise or integrated financial management information system. Of the states reviewed, only Texas has such legislative policy.

The Texas Legislature enacted legislation in 2007 that: (1) defines enterprise resource planning;[5] (2) provides the Comptroller of Public Accounts or CPA (statewide elected position) with clear standard-setting authority for implementation of enterprise resource planning; (3) authorizes the CPA to require state agencies to modify, delay, or stop the implementation of individual enterprise resource planning systems so that those systems are compatible with the statewide system known as the Uniform Statewide Accounting System; and (4) establishes an Enterprise Resource Planning Advisory Council to develop a plan that contains key requirements, constraints, and alternative approaches for the CPA's implementation of enterprise resource planning standards, including related core functionality and business process reengineering requirements.

A majority of the reviewed states either have implemented or are in the process of implementing statewide ERP systems[6] without specific statutory policy or governance mechanism. Most of these initiatives involve some type of collaboration between various executive branch entities. For example, the four agencies (business owners) that have authority over California's financial management (Department of Finance, State Controller's Office, State Treasurer's Office, and the Department of General Services) executed a Memorandum of Understanding that provides the framework for the FI$CAL business transformation project. In New York, the project sponsors (Joint Governance Board) for the NYFMS (New York Financial Management System) project include the Office of the Chief Information Office/Office for Technology, the Office of the State Comptroller, and the Division of the Budget. It is unclear whether these collaborative

[4] The following states were included in this review: Texas, California, Washington, North Caroline, New York, Georgia, Michigan, Virginia, Colorado, Ohio, and Pennsylvania.

[5] Texas defines "enterprise resource planning" to include the administration of a state agency's: general ledger, accounts payable, accounts receivable, budgeting, inventory, asset management, billing, payroll, projects, grants, and human resources, including administration of performance measures, time spent on tasks, and other personnel and labor issues.

[6] As used in this section, ERP system or systems means the use of commercially available software that includes the relevant financial and administrative functions of an organization, such as general ledger, accounts receivable and payable, purchasing and human resources.

structures will be sufficient to provide needed governance to ensure success of these large projects.

Ohio and Pennsylvania have implemented ERP systems to support their administrative and financial functions. The OAKS (Ohio Administrative Knowledge System) project integrated the following major statewide business functions: *capital improvements, financials, fixed assets, human resources, and procurement.* The project began in 2002 and was completed in July 2008, with a total cost of approximately $158M. It was sponsored by the Department of Administrative Services, the State Auditor, the Office of Budget and Management, the Office of Information Technology, and the State Treasurer.

Imagine PA is the Pennsylvania's statewide ERP system which took 33 months to implement and was completed in 2004. The system supports *accounting, budgeting, payroll, human resources, and procurement*. The state limited software customizations, and successfully adopted 92% of SAP's suggested best practices for these business functions. All agencies agreed to participate in Imagine PA except for the Auditor General's Office and the Legislature. The total project cost was approximately $167M for the software and consulting fees.

The Washington State Roadmap Project completed a Core Financial Feasibility Study, which concluded that the state government was not yet ready to undertake a large IT project such as replacing or modernizing the statewide financial systems. The study identified several steps that must be completed before identifying the detailed requirements for a new ERP system:

- **Policies –** further define enterprise, strategic direction, and procurement reform.
- **Processes –** identify governance structure, common infrastructure, change management program, and program office.
- **Data –** define enterprise data definitions and chart of accounts and detailed requirements.
- **Systems –** decide to replace, decommission, or remediate Human Resource Management System and Central Accounting System Interface Inventory.

The Washington Legislature provided funding for a number of these recommendations in the FY 2007-09 biennial budget.

V. Recent Legislative Initiatives Relating to FFMIS Subsystems and Enterprise Governance

Agency for Enterprise Information Technology (AEIT)

The AEIT was established in 2007 by CS/SB 1974, to address the need for an effective and sustainable governance structure of IT services that should be delivered based on an enterprise model. The executive director of the agency reports to the Governor and Cabinet and is the chief information officer for the state. The responsibilities of the agency include:

- Planning and establishing policies for managing enterprise IT services that are statutorily created by the legislature. In 2008, the first IT service, the state data center system, was established as an information enterprise technology service in section 282.201, Florida Statutes.
- Monitoring the delivery and management of authorized enterprise IT services.
- Defining standards and implementation approaches for enterprise IT architecture.
- Developing an enterprise IT strategic plan that identifies strategies for using information technology to improve the effective and efficient delivery of government services and operation of state agencies.

CS/SB 1974 also created s. 216.023(4)(a)10, F.S., requiring all projects that exceed $10 million in total costs to provide the current or proposed statutory policy for the project with the legislative budget request. The policy must define the project's governance structure, planned scope, main business objectives, and estimated completion timeframe.

Selected FFMIS Subsystem Reviews

The 2008 Legislature authorized initiatives that involve reviews of the FFMIS subsystems relating to personnel, purchasing, accounting, and cash management.

PeopleFirst and MyFloridaMarketPlace (MFMP) Studies

The Department of Management Services' (DMS) contract with Accenture for the development, implementation, and operation of the MFMP system expires in November 2010. Its contract with Convergys for the PeopleFirst system expires in August 2011. Proviso included in the 2008 General Appropriations Act authorized up to $500,000 to be transferred to OPPAGA for independent studies to be conducted on the PeopleFirst and MFMP systems. The results and recommendations from each study are to be provided to the legislature by February 1, 2009. To complete these studies, OPPAGA has contracted with separate vendors for the People First study and the MFMP study. In addition to requiring each vendor to analyze the effectiveness and efficiency of each system's current services, OPPAGA is also requesting that each vendor analyze the following post-contract options available to the state, including:

1. Continuing the contract with the current vendors (Accenture and Convergys).
2. Transferring all operations and support in-house to the state with DMS assuming responsibility for all work currently performed by its contractor.
3. Soliciting a competitive bid from another vendor to support the current system.
4. Insourcing some activities to the state and outsourcing other activities to contractor. DMS would assume responsibility for some work currently being performed by its contractor, with the remaining work performed by one or more contractors.
5. Soliciting a competitive bid from a vendor to build a new system.

Strategic Business Plan for Successor Financial and Cash Management System

HB 5043 authorizes the State Chief Financial Officer (CFO) to be the head of and appoint members to a task force established to develop a strategic business plan for successor financial (FLAIR) and cash management (CMS) subsystems. The task force is required to submit the plan along with draft legislation to implement a standardized statewide financial and cash management system by February 1, 2009. In addition to other appointed members, the law requires the Agency for Enterprise Information Technology (AEIT) Executive Director and the Governor's Office of Policy and Budget Director to be task force members. As stated in the law, the strategic business plan must:

1. Permit proper disbursement and auditing controls consistent with the respective constitutional duties of the State CFO and the legislature.
2. Promote transparency in the accounting of public funds.
3. Provide timely and accurate recording of financial transactions by agencies and their professional staffs.
4. Support executive reporting and data analysis requirements.
5. Be capable of interfacing with other systems providing human resource services, procuring goods and services, and providing other enterprise functions.
6. Be coordinated with the information technology strategy development efforts of the AEIT.
7. Be coordinated with the revenue estimating conference process as supported by the Office of Economic and Demographic Research.

Addendum A

The following reports and documents were reviewed in order to compile a comprehensive, integrated list of the high-level findings for the People First, MFMP, and Project Aspire projects:

- Auditor General Report 2005-116, MyFloridaMarketPlace Operational Audit
- Auditor General Report 2006-015, DMS MyFloridaMarketPlace IT Audit
- Auditor General Report 2007-076, DMS MyFloridaMarketPlace IT Audit
- Auditor General Report 2007-071, DMS – Selected Administrative Functions and Follow-Up on Selected Prior Audits
- Auditor General Report 2005-047, People First Operational Audit
- Auditor General Report 2007-087, People First Operational Audit
- OPPAGA Report 1999-01, Policy Analysis: Bringing Administrative and Support Functions Under Performance-Based Program Budgeting
- OPPAGA Report 2004-02, The Legislature Could Strengthen State's Privatization Accountability Requirements
- OPPAGA Report 2005-35, More Uniform Methodology is Needed for State Agencies' Unit Cost Information
- OPPAGA Report 2006-39, While Improving, People First Still Lacks Intended Functionality, Limitations Increase State Agency Workload and Costs
- OPPAGA Report 2008-31, DMS Has Improved People First, But Some System Components Are Still Not Fully Implemented
- OPPAGA, Report 2008-43, The Legislature and Department of Management Services Have Taken Steps to Improve Acquisition Management
- Council on Efficient Government Report to the Governor on MyFloridaMarketPlace, People First, and Project Aspire

While several of these reports and documents may have included information on one or more of the summary findings, the report(s) with the most prominent information has been included in ***bold italics*** below by subsystem**.**

People First

Key Findings

1. ***The business case and planning documents for the People First initiative were incomplete and lacked key components.*** The People First final business case did not include complete and objective cost-benefit and risk analyses, infrastructure assessments, and project management plans; thus DMS could not demonstrate that viable sourcing alternatives had been fully considered prior to making the decision to outsource. DMS did not establish a mechanism for identifying, capturing, and tracking all statewide costs incurred in the implementation of People First which has prevented the accurate measurement of any actual cost savings. Absent a validated business case and planning documents, DMS has struggled to meet the projected costs, cost savings, and deliverables; this has resulted in several contract amendments and a re-assessment of costs and cost savings. ***(Auditor General Report #2005-047, OPPAGA Report #06-39, OPPAGA Report #08-31, Council on Efficient Government Report #R08-002)***
2. ***Lack of business process standardization resulted in a significant amount of customization to the off-the-shelf software.*** The state does not have standardized business processes for personnel/payroll (i.e.,

different payroll procedures define bi-monthly or monthly payroll cycles). As a result when Convergys attempted to deploy an off-the-shelf software product (which was predicated on using standardized business processes), it encountered many challenges and problems. This resulted in excessive customization of the commercial software; specifically over 200 interfaces needed to support the state's ***different business processes. DMS subsequently determined that prior to outsourcing a government service, the Legislature m****ay* need to statutorily define and prescribe the appropriate substantive and/or fiscal policy needed to operationalize the outsourcing initiative. ***(OPPAGA Report #06-39, Council on Efficient Government Report #R08-002)***

3. ***The People First contract contained contract deficiencies.*** The original contract failed to include sufficient provisions addressing such issues as (a) definition of "material obligation", (b) identification of the state's legal requirements for records retention, (c) requirement that DMS has content authority over new or changes in subcontractors utilized in the People First project, and (d) requirement for subcontractors to have background checks. DMS was encouraged to take steps to mitigate these contract deficiencies and to en***sure that future contracts did not contain similar deficiencies. (Auditor General Report #2005-047, Council on Efficient Government Report #R08-002)***
4. ***Inadequate DMS contract monitoring.*** Although DMS hired a consultant to provide performance monitoring of the project, certain administrative provisions of the contract were not monitored. To rectify this, DMS instituted policies and procedures to ensure that contract managers are fully informed of their responsibilities and to take immediate steps to ensure that any performance deficiencies are timely and adequately addressed. ***(Auditor General Report #2005-047, Council on Efficient Government Report #R08-002)***
5. ***Communication plan for stakeholder buy-in not completed.*** Several factors during People First's initial development and implementation resulted in limited interactions between the project team and agency users. As a result, stakeholder buy-in was not fully obtained; causing a high level of customer dissatisfaction. ***(OPPAGA Report #06-39, Auditor General Report #2007-087, Council on Efficient Report #R08-002)***

MyFloridaMarketPlace

Key Findings

1. ***No business case or project planning documents were developed for the MFMP initiative.*** While statute allows DMS to contract for equipment and services necessary to develop and implement an online procurement system, DMS did not develop a business case (to include cost-benefit and risk analyses, infrastructure assessments, and project management plans) that demonstrated viable alternatives had been fully considered prior to making the decision to outsource. Therefore, any financial savings projected to be gained through operational and efficiency savings as a result of outsourcing MFMP cannot be determined. ***(Auditor General Report #2005-116, Council on Efficient Government Report #R08-002)***
2. ***Lack of business process standardization resulted in a significant amount of customization to the off-the-shelf software.*** A key element of the MFMP system was the potential for business process standardization; however, many agencies resisted changing their agency-specific procurement processes. As a result, the commercial software was heavily customized with approximately 400 modifications. This has resulted in the software containing a large amount of proprietary code and less business process standardization than otherwise could have been obtained. ***(Auditor General Report #2006-015, Council on Efficient Government Report #R08-002)***
3. ***The fee and revenue share models had to be adjusted to account for problems incurred with their original structure.*** State law allows DMS to collect fees for the use of MFMP which may be imposed on an individual transaction basis or as a fixed percentage of the cost savings generated. At a minimum, the fees must be set in an amount sufficient to cover the projected costs of the system, including administrative and project service costs. DMS established the transaction fee not to exceed 1%; however,

they did not document how it was determined that a 1% transaction fee would be sufficient.[7] In 2002, the Legislature passed legislation[8] that gave DMS the ability, via rule, to create exemptions from the 1% transaction fee for certain commodities and services. The amount of the 1% fee exemptions (coupled with the state's inability to complete a 1% automated deduction process) made yearly revenue targets unachievable. In an effort to stabilize the MFMP project, the contract was modified to address the state's ability to allow exemptions and Accenture's need to recover its investment. ***(Auditor General Report #2005-116, Auditor General Report #2006-015, Auditor General Report #2006-015, Auditor General Report #2007-076, Council on Efficient Government)***

4. ***Effectiveness of MFMP is limited because it does not contain records of all state agency procurements.*** Although MFMP serves as the primary state procurement system, not all state agency procurements are executed by and accounted for within MFMP[9]; some agencies are exempt from using MFMP while others are only utilizing a few of the MFMP functions. For example, statute exempts the Department of Agriculture and Consumer Services from using MFMP to record its purchases; the agency uses its own purchasing system to manage acquisitions.[10] In addition, construction-related purchases, including professional architectural and engineering services, are not required to be documented in MFMP. Moreover, state agencies are required to record only non-construction related goods and services through MFMP if made through a purchase order. As a result, the state's ability to strategically purchase goods and services remains limited. ***(OPPAGA Report #06-35, OPPAGA Report #08-43, Auditor General Report #2007-076, Auditor General Report #2007-076, Council for Efficient Government)***
5. ***Lack of training and awareness led to several MFMP functions not being fully utilized by state agencies.*** The initial training plan was a "train the trainer" approach which entailed training lead agency personnel who in turn trained their respective staff. This approach assumed that the lead agency personnel would become subject matter experts and thus be a continuous resource within their agencies. However the constant and frequent changes to MFMP made this approach difficult to execute. ***(Council on Efficient Government)***

Project Aspire

Key Findings

1. ***Executive governance structure was not sustainable.*** Since the project's scope impacted legislative and executive branch entities/agencies, the project's governance structure included a Board of Directors comprised of representatives from both branches; however, this type of governance structure was not sustainable. The organization of Florida state government presents challenges to enterprise IT project governance. In addition to the constitutional separation of powers among the three branches, Florida's executive branch includes an elected Cabinet with both constitutional and statutory duties that further subdivides (or apportions) governance responsibilities. This structure is unique among all 50 states. ***(Senate 2006 Interim Information Technology – Review and Study)***
2. ***Lack of business process standardization resulted in significant amount of customization to the off-the-shelf software product.*** Project Aspire was a significantly complex project that required changing existing business processes; the project's goal was not to simply automate existing processes, but to use the software to improve the current processes. However, the lack of standardization of the state's business processes and rules (and agencies' resistance to change to a uniform process/rule) caused complexities that ultimately led to heavily customizing the commercial software. ***(Council on Efficient Government)***

[7] Historically there had been, by law, a 1% surcharge on users (generally state agencies and other governmental entities) of state term contracts in order to fund the costs, including overhead, of DMS' procurement function.
[8] Laws of Florida, Chapter 2002-207.
[9] For FY 2006-07, agencies placed $1.2B in purchase orders in MFMP, or 41% of the $2.9B applicable agency purchases.
[10] As specified in s. 570.07(41), F.S.

3. ***The acceptance of a deficient system design deliverable plagued the project.*** Over the years, agencies have developed "agency shadow systems" to provide financial management functionality not available through FLAIR. It was anticipated that many of these systems would be replaced by Aspire because the functionality that was missing in FLAIR would have been provided by Aspire. However, only after DFS accepted the system design deliverable did it determine that the deliverable did not meet all required functional and business requirements. Therefore, many agencies decided they would not be able to replace their shadow systems with Aspire but instead would need to retain these systems and build new interfaces to Aspire. The deficient, but accepted system design deliverable, presented numerous problems that was preventing the attainment of Project Aspire's most important goal: the replacement of agency shadow systems. ***(Council on Efficient Government, House and Senate Committee materials)***
4. ***Inadequate project-related decisions making.*** Insufficient attention was given to proper planning and the improvement of existing business processes before investing in the IT solution to support them. The state was significantly impacted by investing in a new system for which agencies had not adequately planned, and which ultimately ended up not being deployed. The DFS staff stated that a key lesson learned was that after the software was selected, a considerable amount of time should have been allocated to training state staff on the software product and creating internal subject matter experts prior to proceeding with the project. ***(Council on Efficient Government)***