Council on Efficient Government

Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire

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I. Executive Summary

Beginning in early 2000, the State of Florida began an effort to upgrade and modernize its core operational software and IT infrastructure, specifically its accounting, cash management, procurement and human resources functions. Prior to this effort the state systems ran on five separate tools.

A state report produced by KPMG in 2000 provided high-level guidance and direction on a possible course of action to accomplish the goal. The core of this recommendation was a comprehensive "best of breed" solution that used specialized applications rated highly in specific functional areas, while still supporting enterprise-wide integration. In following this approach, the report also recommended against significant customization to increase integration and allow for future enhancements and upgrades.

In late 2000, several initiatives began to address portions of the upgrade plan, but without a cohesive integration plan. The end result was three separate projects; MyFloridaMarketPlace for procurement functions, People First for human resource functions and Project Aspire for accounting and financials.

Over the course of the next several years the state began the implementation of these three projects. As of this writing, two of the three projects (MyFloridaMarketPlace and People First) have been deployed. The remaining project (Project Aspire) was suspended prior to deployment. All three projects were impacted by various scheduling, funding, project management and implementation issues during the development process.

Review of these projects found the following areas of focus that impacted the projects execution. These focus areas, as well as additional key learnings from each project, should be considered when initiating projects, and incorporated into future projects implementations:

- Executive sponsorship
- Planning
- Funding
- Stakeholder buy-in

- Business process change
- Project management
- Nature of state governance

This list includes issues of most significance in the execution of large scale projects. The issues highlighted here are those observed across the three projects reviewed, or were of specific concern. Additional issues were identified in each project and are included on this list. Ultimately, success with these types of projects depends on developing holistic approaches to project execution including sponsorship, planning, and execution.

II. Introduction

The Florida Efficient Government Act of 2006 created the Council on Efficient Government (CEG) in response to a growing trend to outsource government services and jobs. Intentions of the Florida Efficient Government Act of 2006 include:

- Reduction of the overall cost to government when outsourcing or contracting to effectively and efficiently provide services
- Evaluation of business cases for feasibility, cost-effectiveness, and efficiency before an agency proceeds with any significant outsourcing of services and reduction of government staff
- Creation of a council that reviews, evaluates, and issues advisory reports on outsourcing, as well as investigates and recommends innovative ideas to increase efficiency and save taxpayer dollars

From its inception, the CEG mission is to review, evaluate and provide advice on agency outsourcing and best practices, as well as to codify lessons learned to improve government accountability.

On February 21, 2007, Governor Crist tasked the newly seated CEG with the duty of conducting reviews of three large state projects; MyFloridaMarketPlace, People First and Project Aspire. The cumulative cost of all three projects is approximately $553 million over a nine-year period (not including subcontractors and consultants).

The objectives of this report are to:

- Review the status of the projects
- Identify key findings
- Identify key lessons learned
- Make recommendations for improvements to future project planning and execution

Scope and Methodology of Review

In preparing this report, Council staff reviewed contract and program documents, Auditor General Reports, Office of Program Policy Analysis and Government Accountability (OPPAGA) reports, and business cases. Additionally, Council staff held interviews with key stakeholders from both state and private entities. Project teams, agency and participating vendors were invited to review and add follow up information where appropriate. The results of this report are limited in scope and based on the resources and materials available for review.

Reviewed documents include:

• Business Cases	• Project Status Reports	• Business Plan
• Project Contracts	• Financial Reports	• OPPAGA Reports
• Contract Amendments	• Corrective Actions	• Auditor General Reports
• Subcontractor Agreements	• Performance Reports	• Other related documents

Historical Perspective
For almost two decades, the State of Florida accomplished its budgeting, cash management, accounting, payroll, human resource and purchasing functions using five stand-alone, legacy information subsystems. Although these subsystems had been maintained and incrementally upgraded, the State of Florida neither modernized nor replaced the subsystems in a structured and coordinated manner to meet its changing and growing needs.

Issues and concerns with these subsystems included:

- Lack of standards
- Lack of integration
- Duplication of data and effort
- Insufficient management level information
- Insufficient reporting capabilities
- Lack of a single chart of accounts
- Complex external interfaces

The State of Florida began preparations to upgrade critical subsystems collectively known as FFMIS, Florida Financial Management Information System (Table 1).

Table 1
FFMIS Subsystems

Function	System	Owner
Accounting	Florida Accounting Information Resource Subsystem (FLAIR)	Department of Banking and Finance [now the Department of Financial Services]
Budgeting	Legislative Appropriation System–Planning and Budgeting Subsystem (LAS/PBS)	Executive Office of the Governor
Cash Management	Cash Management Subsystem (CMS)	Department of Insurance, Treasury and State Fire Marshal [now the Department of Financial Services]
Human Resources	Cooperative Personnel Employment Subsystem (COPES)	Department of Management Services
Procurement	Statewide Purchasing Subsystem (SPURS)	Department of Management Services

A business case study was completed by KPMG in February 2000. The report recommended implementing a best-of-breed option. In this recommendation an integrated enterprise-wide system designed around category leading function specific solutions would replace the state's accounting (FLAIR) and personnel (COPES) subsystems and partially replace the budgeting (LAS/PBS), cash management (CMS) and procurement (SPURS) subsystems versus an enterprise-wide system where many systems (financial, human resource and purchasing) are integrated into one parent program. This system would also allow dual tracks for the state university system and the remainder of state government, eliminating the five stand alone legacy management systems.

At the time of their evaluation, KPMG cited as the primary reason for this recommendation that most enterprise resource planning (ERP) packages had weaknesses in certain modules, and no single system would address all the state's needs. The portions of those subsystems not replaced by the new system could continue to be supported by state developed software and would interface with the new solution[1]. KPMG clarified that although they recommended enhancements (i.e. modifications) to the ERP solution in some areas, the state should exercise care when evaluating those enhancements and consider the effect that any modifications would have on future software upgrades. The KPMG business case estimated annual savings totaling $97 million for replacement of all legacy systems, including $91 million in anticipated budgetary reductions and $6 million in increased efficiencies.

In August 2000, the Governor's Office of Policy and Budget (OPB) issued a memorandum titled "Guidelines for Introducing Competition into Government Services." Agencies were instructed to look at programs, services or activities that could offer benefits and savings by involving private sector providers in the performance of those services, thus reducing costs and improving efficiencies within state government. For fiscal year 2001-2002, agencies were being asked to provide the impact of reducing general revenue and trust fund spending by five percent respectively and directed agencies to examine and provide the impact of reducing the state workforce by twenty-five percent over a five-year period.[2]

In early 2001, the state began acquiring systems individually, without a statewide ERP vision for how each system would interact and integrate with one another. The end result was three separate projects; MyFloridaMarketPlace for procurement functions, People First for human resource functions and Project Aspire for accounting and financials (Table 2). All three programs required significant modifications with a number of custom enhancements and all have had significant development, implementation and performance-related issues.

Though these three projects are commonly referred to as "outsourced projects," only People First is considered a true outsourcing project where the execution of state agency business processes were delegated to a third party outside of state government and jobs were eliminated. Conversely, MyFloridaMarketPlace and Project Aspire are considered IT software integrations, as there was little impact to state employees as a result of their implementation.

Table 2
Resulting Projects

Legacy System Name	Current Project Name	Cost	Primary Vendor
SPURS	MyFloridaMarketPlace	$92 million ← Initial 5-yr cost $114 million ← Revised 8-yr cost (Note: MFMP is a self-generating revenue cost model) Term: August 9, 2002 to November 7, 2010	Accenture, LLP
COPES	People First	$287.6 million ← Initial 7-yr cost $350 million ← Revised 9-yr cost Term: August 21, 2002 to August 20, 2011	Convergys Customer Management Group, Inc.

[1] KPMG. Modernization of State Government Financial Management Business Practices Study. February 15, 2000
[2] Executive Office of the Governor – OPB. Memo #01-015 Guidelines for Introducing Competition into Government Services. August 31, 2000

FLAIR and CMS	Project Aspire	$68 million ← Initial 6-yr cost $100 million ← Revised 6-yr cost [$89 million paid to date, $59.4 million paid to Bearing Point at suspension] Term: August 27, 2003 to October 1, 2009	Bearing Point, Inc.
Note: Contract costs do not include dollars spent on subcontractors and consultants.			

III. MyFloridaMarketPlace

A. Overview

Prior to the implementation of the MyFloridaMarketPlace (MFMP) system, the State of Florida used SPURS as its automated commodity procurement subsystem. SPURS provided an operational system for purchasing goods and services and reporting data associated with purchasing transactions. The subsystem was used by the Executive and the Legislative branches of state government for the creation of requisitions, purchase orders, vendor bid lists, mailing labels and a variety of other standard purchasing functions.[3]

The intent of MFMP was to automate the state's existing order, approval, invoicing and payment process and to make the procurement cycle more cost-effective and timely than the existing system. Additionally, MFMP was to provide electronic tools to support streamlining the development and execution of solicitations, award and management of contracts, online certification of minority vendors, online catalog shopping, and online quoting processes.

The February 2000, the KPMG business case recommended the state move towards a comprehensive replacement of legacy systems including a Web-based e-procurement system. KPMG reported that by changing the state's procurement system, an estimated $22 million in savings could be realized through reengineering of the purchasing process. However, the majority of that cost savings would come from the reduction of positions. The Department of Management Services (DMS) used the high level directional information obtained from the KPMG business case study as the basis for going forward[4]. An independent business case and cost analysis on replacing SPURS alone was not conducted.

Solicitation Methodology

On March 5, 2001, the DMS issued an Invitation to Negotiate (ITN) for an e-procurement solution that would allow the state to purchase goods and services from a Web-based system. On May 15, 2001, the DMS announced its intent to negotiate with the two highest ranked vendors, Accenture and KPMG. The Accenture proposal included an Ariba software solution and KPMG proposed an SAP solution through their integrator, Bearing Point. After an iterative "Best and Final Offer" process, the state selected Accenture and the Ariba solution.

The successful implementation of the Ariba software for similar public sector entities, coupled with consistent market analysis of the software products overall (for both public and private sector clients), provided a benchmark in aiding Florida in the selecting of the Ariba procurement solution. The State of North Carolina completed an analysis in 2000/2001 of procurement software packages and chose Ariba over both SAP and Commerce One. The Commonwealth of Virginia and the State of North Carolina implemented Ariba for statewide e-procurement systems in 2001. The State of California also implemented specialized Ariba applications

[3] KPMG. Modernization of State Government Financial Management Business Practices Study. February 15, 2000
[4] Auditor General. Department of Management Services; MyFloridaMarketPlace Operational Audit, Report No. 2005-116, February 2005

On October 9, 2002, the DMS contracted with Accenture for the development and operation of MFMP with a projected contract value of $92 million over a five-year period. After various contract modifications, change orders, and a three-year contract extension, the contract is now projected to be worth $114 million through November 7, 2010 (see Appendix Exhibit 1 for contract related costs).

A $35 million surety bond was required upon contract execution to guarantee Year 1 performance. Contract language decreased the bond in Year 2 to $20 million, and Year 3 through the balance of the contract term it decreased to $10 million, as risk for non-performance decreased. The bond has subsequently been modified to $5 million. In March 2003, North Highland, a third party monitor was hired, for $1.8 million for 4.5 years of support. The DMS subsequently hired this firm to support staff augmentation on the MFMP project team.

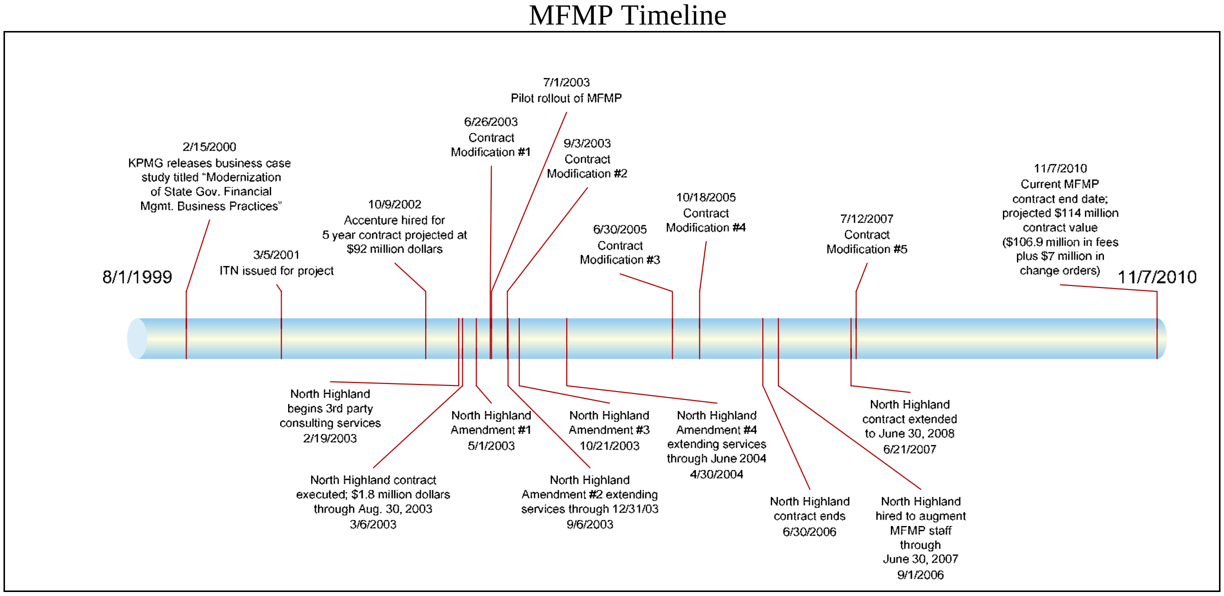
The MFMP project was to be a self-funding enterprise, financed by an existing one percent transaction fee paid by vendors doing business with the State of Florida[5]. Prior to MFMP, the fee was assessed only against state term contracts. With the MFMP project the one percent fee was extended to other state agency contracts. This fee structure covered all costs related to this project other than those associated with contract modifications and change orders. Fees collected through MFMP are first to be used to pay the state's costs associated with managing the program, the Division of State Purchasing and Office of Supplier Diversity. Aggregate fees collected above these costs are then used to pay for Accenture's services.

B. *Chronology*

Project chronology is listed below (Table 3):

Table 3

MFMP Timeline



C. *Projected versus Actual Results*

Projected Results

Implementation of MFMP was designed to allow the State of Florida to move from an aging mainframe-based procurement program to a state of the art Web-based procurement tool that reflected today's current business needs. The new software was expected to give state purchasing enterprise-wide visibility and

[5] Auditor General. Department of Management Services; MyFloridaMarketPlace Operational Audit, Report No. 2005-116, February 2005

provide a foundation for decision-makers and contract managers to leverage the state's buying power and negotiate better purchasing contracts. The Ariba platform would provide an Internet-based system that would required no special software to be added to buyers' or vendors' computers.

MFMP was designed to be a self-funded program to streamline interactions between vendors and state government agencies in the purchase of goods and services. The system would provide an Internet link where vendors could register, receive information on upcoming solicitations, post information on products and services, and electronically receive purchase orders. Specifically, MFMP was procured to achieve the following:

- Develop a Web-based e-procurement system for the day-to-day processes of state buying. The Web-based e-procurement system would allow purchasing agents access to electronic requests for quotes, electronic purchase orders and sourcing, and the invoicing of goods and services

- Improve state strategic sourcing by creating the functionality to allow state agencies to consolidate and integrate selected vendors seeking to increase the best value to the state within the e-procurement system

- Develop Internet catalogs that list commodities and services to provide easy access to state purchasing agents for common goods and services procured

- Establish a vendor enrollment system that allows vendors to electronically enroll as a state-qualified vendor. The enrollment system would also serve as a performance reporting tool for purchasing agents on vendor products and services

- Develop an integrated centralized customer support service center dedicated to e-procurement. Both vendors and state purchasing agents would have access to application support, problem resolution, and general procurement service questions

- Achieve time and money savings to enable state agencies to direct more resources toward their core, citizen-centered goals

- Automate and simplify the entire purchasing process, saving state and local government agencies time and money

- Effectively train state end users on how to best leverage the new tools available within MFMP through a "train the trainer" approach

Actual Results

The state was successful in developing and implementing a Web-based e-procurement system. MFMP allows buyers access to electronic purchase orders, invoicing of goods and services, electronic vendor registration, e-quotes and electronic bidding/sourcing. The MFMP project team reports that state agencies experienced a reduction in paperwork, faster processing time due to online approvals, expedited transaction times, and vendors benefited from having a centralized source of procurement information. The program is self-funded and supported by the one percent transaction fee. To date, forty percent of the revenue generated from MFMP pays for the DMS's Division of State Purchasing and Office of Supplier Diversity legislative budget requirements.[6]

[6] Department of Management Services. 10/5/07 Follow-Up Questions to OEG MFMP Review of 9/19/2007. October 5, 2007

Implementation of this project ran closely to originally projected "go-live" dates. Original and actual deployment dates are listed in Appendix Exhibit 2.[7]

The contract was executed between the state and Accenture in October 2002. Vendors began registering online in April 2003 and the first state buyers began using the system in July 2003. Today, 29 state agencies, over 13,000 state users and 90,000 vendors use MFMP.[8]

MFMP created an Internet-based system where vendors can register online as a state qualified vendor, receive information on upcoming bids from all participating agencies and electronically receive purchase orders. The system also serves as a performance reporting tool for state buyers on vendor performance in providing products and services (see Appendix Exhibit 3 for current MFMP statistics).

The project team implemented Web-based catalogs for state term contracts created by the DMS State Purchasing Office. The Ariba catalogs list commodities and services on contract with a general description of the good or service, contract price, unit of measure, vendor and contract number.

The DMS's State Purchasing group is the primary user of strategic sourcing, in association with MFMP, in an effort to consolidate and integrate selected vendors to increase the best value to the state. From November 2004 through June 2007 DMS's State Purchasing saved approximately $71 million through six state term contracts developed by leveraging the strategic sourcing methodology as a part of the MFMP project.

The state developed the MFMP customer service center that provides dedicated e-procurement customer support for both vendors and state employees. Services include application support, problem resolution, and general procurement service questions.

The project reduced the need for paper processing of purchase orders and invoices across state agencies. With MFMP, requisitions are created and routed electronically within agencies while SPURS required agencies to rely on paper processing up to the point of purchase order creation. The state improved accountability for the expenditure of state funds and provided better insight into its purchasing patterns.

The state reduced requisition to purchase order cycle time by approximately 44 percent since project inception and reduced invoice to check cycle time by approximately 29 percent. Overall system usage has grown from 38,000 transactions in FY04 to over 402,000 transactions in FY07.[9]

A "train the trainer" approach to educate agency staff on the MFMP program was largely unsuccessful. The approach proved to be unrealistic due to the scale and complexity of the training, itself. Additionally, due to attrition and turnover of key staff, internal agency knowledge on the program was lost. Recently, in association with system upgrades, the MFMP project team initiated and continues to provide training to all agency staff.

To improve standardization and communications between agencies, the MFMP project team hired two experienced process analysts from other state agencies to look at ways to standardize work flow processes. These purchasing, finance and accounting subject matter experts bring with them a real-world, agency MFMP user perspective. Also, in 2006 the MFMP project team established a Change Review Board representing 13 agencies to assess and evaluate changes made to MFMP.

Today only three agencies still use SPURS versus MFMP. The Florida School for the Deaf and Blind, the Division of Administrative Hearings, and the legislature continue to use, or have access to use SPURS

[7] Department of Management Services. 10/5/07 Follow-Up Questions to OEG MFMP Review of 9/19/2007. October 5, 2007
[8] MyFloridaMarketPlace Project Team. MyFloridaMarketPlace Summary. August 2007
[9] MyFloridaMarketPlace Project Team. MyFloridaMarketPlace Summary. August 2007

to accomplish procurement related activities. The Department of Agriculture is exempt both constitutionally and statutorily from Executive branch requirements and has chosen not to use the MFMP system, as they have their own internal procurement system.

Today there is somewhat limited agency use of the MFMP Sourcing and Analysis modules. Furthermore, there are twelve agencies that continue to use the FLAIR system either partially or fully for invoicing and payment versus MFMP.[10]

All twenty-nine MFMP agencies (excluding Florida School for the Deaf and Blind, Division of Administrative Hearings, legislature, and Department of Agriculture) reflect some level of usage of the MFMP invoicing feature. However, for the first two months of the current fiscal year (July-August 2007) the following agencies show no invoices paid through MFMP:

- Department of Citrus
- Department of Law Enforcement
- Parole Commission (invoicing is accomplished through the Department of Corrections)
- Public Service Commission

Currently, the DMS is the only agency using the Sourcing (electronic bidding) Module. Additionally, several agencies have continued to use "shadow" procurement systems that work parallel with the MFMP program.

The MFMP team reports focusing on further standardizing usage of the core purchasing and invoicing features of MFMP and maximizing the use and benefits of other Ariba modules, including Sourcing and Analysis. The project team's goal is to ultimately help agencies decommission alternative systems and increase usage of all modules within MFMP.

D. Current and Future Project Related Activities

The MFMP project team recently completed a series of program upgrades including Ariba Buyer module (Buyer 8.2.2), Ariba Sourcing module (Sourcing 4.4) and Ariba Analysis module (Analysis 3.1.2). The project team also deployed several upgrades to the Buyer, Sourcing and Analysis modules. Currently, agencies use only some of the MFMP functions and there still remains a gap for one hundred percent utilization of the system. The project team is currently developing enhanced awareness and training to encourage increased use of these analytical reporting tools to increase usage and improve the state's overall spend management.

The team implemented a Quality Improvement Plan to serve as the overall guiding document for future MFMP enhancements and customer service initiatives. This plan serves as a status report for the initiatives undertaken within MFMP with the following focus:[11]

- Procurement business process improvement
- Invoicing business process improvement
- System performance management
- Reporting (both analytical spend management and operational transaction management)
- Sourcing improvement
- Agency productivity measurement program (Scorecard)
- Customer service focus
- Enhanced vendor support
- Other state initiatives such as data center transition

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[10] Department of Management Services. 10/5/07 Follow-Up Questions to OEG MFMP Review of 9/19/2007. October 5, 2007
[11] Department of Management Services. Quality Improvement Plan Status Update. April 30, 2007

To support continuous business process improvement within agencies, the project team created the MFMP balanced scorecard. As part of a strategic initiative for the MFMP program, the team defined a set of key performance metrics to help agencies identify additional opportunities for improvement in their business processes. These metrics are presented in an agency scorecard, initially evaluating four key MFMP metrics for each agency. The MFMP Scorecard program is in its third quarter of a pilot phase. During the pilot phase, the project team is working with agencies to adjust metric levels, review the current measurements, and identify areas for improvement across the enterprise.

The project team reports that during the latest customer survey in August 2007, overall end user satisfaction with MyFloridaMarketPlace was at 91 percent, which reflects a 5 percent improvement in customer satisfaction with the purchasing functions and 17 percent improvement in customer satisfaction in the finance and accounting area, as compared to the previous survey from late 2006.[12]

The project team is focused on consistent and full usage of MFMP by all state agencies. In May 2005, SPURS was primarily shut down for most agencies, further solidifying wider adoption of the purchasing functionality within MFMP. The current outstanding obstacle preventing the Florida School for the Deaf and Blind and the Division of Administrative Hearings from adopting MFMP is scheduled to be addressed by the Level 2 integration change to the interface between MFMP and FLAIR in the 2007-2008 fiscal year.

While adoption of the MFMP purchasing functionality is broad and relatively consistent, there are opportunities for increased usage of the invoicing functionality. The FLAIR invoice processing system remained available since the MFMP project inception. Standardizing the use of the MFMP invoicing module is a joint focus by the DMS and the DFS for the 2007-2008 fiscal year.

Current Risks

The MFMP project management team reports[13] that they continue to identify, assess, and mitigate potential risks associated with the project on a monthly basis. The team uses the risk management process of identifying risks and opportunities established as the standard by the Project Management Institute. Currently, the potential risks being managed are:

- A heavily customized software product
- Continued lack of standardization in business process among agencies
- Future integration with FLAIR replacement program
- Negative media exposure
- Management and organizational changes
- Billing and collection system funding may run out or not be re-appropriated
- Renewable existing agency contracts exempt from fee (grandfather contracts) and other statewide procurement exemptions
- Protracted payment cycle time
- Inappropriate use of attachments within the MFMP program
- Sub-optimized definition and structure of electronic catalog types
- Current encumbrance lock down challenges
- Deciding future of program; contract expires 2010

E. Findings

Executive Sponsorship

Strong executive sponsorship is fundamental to the leadership of large projects such as MFMP. Executive sponsorship sustains vision of the project objectives and provides guidance for stakeholder input and

[12] Department of Management Services email, Walt Bikowitz, January 09, 2008 8:20 AM
[13] Department of Management Services. Office of Efficient Government MFMP Information Request, October 11, 2007

decision-making processes. For most of MFMP development and implementation periods there was no identified executive sponsorship external to the project team. The project team operated independently from most existing state purchasing organizations. High turnover on the project team also impacted development and implementation. External subject matter experts were added to the team after implementation to improve communication and input on procurement processes. A change review board was also implemented to aid the decision-making process related to system changes.

Dedicated Project Team

From the inception of MFMP there has been a high level of turnover on the project management team in multiple positions including the department secretary, MFMP project managers and MFMP team members. Team members did possess specific IT, accounting and project management knowledge, but, team members involved with the decision making related to procurement processes were not subject-matter experts. Stakeholder input and participation was limited. Over the course of the project procurement experts and external resources were needed for project monitoring and staff augmentation.

Business Process Standardization

A key element of the MFMP e-procurement system is the potential for business process standardization. However agencies resist changing their existing procurement processes. While the MFMP implementation was generally collaborative across state agencies and addressed enterprise needs, each agency was allowed to mimic their existing approval processes in the new system, without taking advantage of the opportunity to streamline their procurement process. This required the DMS to heavily customize the Ariba commercial, off the shelf e-procurement product with approximately 400 modifications in an attempt to satisfy the various agency needs. The result is that the Ariba software contains a large amount of proprietary code and less effective standardization of business processes than otherwise could have been obtained. Although the MFMP project team actively engaged in several initiatives to maximize standardization, the initial agency-by-agency customization may now present higher risks and potential integration problems with existing and future systems. These agency-specific modifications to MFMP made it inherently more difficult for the project team to train individual agency staff in the use of this tool.

Funding

In the original contract, Accenture assumed the financial risk of building and operating the e-procurement program for the State of Florida. The contract stipulated that Accenture would be reimbursed by a one percent transaction fee paid by vendors doing business in the state after certain state obligations were met.

In 2002, the Florida Legislature passed legislation altering the state’s procurement process.[14] The legislation gave DMS the ability to create exemptions via rule for commodities and services to the one percent transaction fee required by law. In the spring of 2003, the DMS completed the rule making process required by the e-procurement legislation. The level of one percent transaction fee exemptions (including grandfathered contracts) and the state’s inability to complete a one percent auto deduction process, made the minimum yearly revenue targets unachievable. In an effort to stabilize the MFMP project, the DMS and Accenture jointly pursued a contract modification in order to address the state’s ability to allow exemptions and Accenture’s need to recover its investment.

According to the MFMP team, the original total contract value for five years was $108.2 million. As of August 2007, the project team reported $51.6 million actual contract value with a projected contract value for the five-year term of $53.6 million. By Accenture and the DMS extending the MFMP contract for an additional three years through modification #4, Accenture is projected to receive $114 million over the eight year life of the contract.

[14] Laws of Florida. Chapter 2002-207. House Bill No. 1977

Over the course of the contract, there have been additional work requirements that were not included in the original scope of work. Accenture completed this work based on mutual agreement and modifications executed against the contract. These additional services amounted to $4.9 million. $1.7 million funded by the one percent transaction fee, $2.6 million funded by excess funds in DMS's Grants & Donations Trust Fund and $600,000 funded through general appropriations to support the Aspire Project overruns. An additional $2.1 million will be spent between now and 2010 to address billing and collection support.

Project Savings

The DMS combined the use of strategic sourcing best practices (process to leverage demand and select vendors that offer the best value) with the new suite of e-procurement tools to develop solicitations that maximize value for the state. To date, the DMS reports $71 million in savings through six state term contracts.

Despite the $71 million in savings, the financial savings projected to be gained through operational and efficiency savings as a result of implementing the MFMP program cannot be determined. The initial KPMG analysis concluded that the state could save an estimated $22.3 million annually by reducing 280 full time equivalent positions and reengineering the business processes of the procurement system.[15] It is assumed that Florida was successful in achieving additional monetary savings through eliminating the need for paper processing of purchase orders and invoices and the reduced requisition to purchase order and invoice to check cycle times. However, there is no known dollar amount attributed to work efficiencies and time savings resulting from the MFMP project. No process, metric or benchmark were established prior to launching the project to measure and report savings and successes. Additionally, the project team reports that no full time equivalent positions were displaced as a result of implementing this program.

Training

The initial training plan used by the MFMP project team was a "train the trainer" approach. This approach entailed training lead agency personnel who in turn would train each of their respective agency colleagues. The "train the trainer" approach assumes agency personnel become subject matter experts with the ability to continuously train their colleagues on the new system and to train new personnel in the agency. The end result was that MFMP training did not meet the project team's expectations. This lack of training and awareness led to several valuable MFMP modules not being fully utilized by state agencies. With an understanding of the shortcomings of the prior training approach, and an eye towards continuous improvement, the MFMP project team recently developed and deployed training directly for those who use the system.

IV. People First

A. Overview

In 1997, steps were taken to replace payroll functions and the state's Cooperative Personnel Employment Subsystem (COPES) which operated as the statewide personnel information system.[16] A pilot program was implemented to test the possibility of replacing COPES but was discontinued due to cost and the challenges associated with meeting functional and technical requirements. At the time, COPES was a twenty year old program that required significant manual paper-driven processes and operated in a proprietary mainframe. COPES offered limited accessibility to personnel information and management reporting. Human resource processes for the state were provided by staff in each individual agency and supported by seven different personnel-related information systems (Table 4).

[15] Department of Management Services. Memorandum to Secretary Cynthia Henderson, Projected e-Procurement Savings. August 2, 2001

[16] OPPAGA. While Improving, People First Still Lacks Intended Functionality, Limitations Increase State Agency Workload and Costs. Report No. 06-39. April 2006

Table 4
Systems Replaced By People First[17]

Function	System to be Replaced
Staff Administration	1. JobsDIRECT
Human Resource Administration and Payroll Administration	2. COPES_HR 3. COPESview 4. COPESDIRECT 5. TimeDIRECT
Training Administration	6. TrainingDIRECT
Benefits Administration	7. COPES Insurance

The 1997 pilot program was followed by a 2000 KPMG business case study which recommended replacing Florida's five stand-alone 'stove-pipe' legacy management systems with one integrated accounting and personnel system and using an ERP-type system to partially replace the budgeting, cash management and purchasing subsystems[18].

During this period the governor directed all state agency heads to explore public-private partnerships to identify best practices and determine their applicability to state government. As part of this directive the DMS explored the feasibility of outsourcing the state's human resource services.[19]

In 2001, the Department of Management Services hired Mevatec Corporation to prepare a business case study to determine the feasibility of outsourcing many of the state's human resources, payroll administration and benefit services. Mevatec Corporation concluded that Florida would save $24.7 million a year, $173 million over a seven-year period through an outsourcing program that would eliminate as many as 1287.5 full time positions[20], eliminate the cost of re-building COPES (estimated at $80 million) and achieve savings through additional efficiencies.[21]

Upon execution of the contract, DMS and participating agencies were given nine months to implement the new human resource system. Schedule slippage occurred during the initiative as a result of the overly aggressive timeline. A bid protest delayed the execution of the contract which prevented work from beginning while target "go-live" dates remained fixed. Most agencies went live in 2004. The state experienced implementation related problems due to poorly defined service requirements, lack of proper agency training, attempting to implement a system that was not fully functional and a compressed implementation schedule (Appendix Exhibit 4).

Since 2005, the People First project team deployed 330 system releases including, but not limited to, an SAP upgrade, Internet Explorer 7 compatibility, Hiring Manager Interface, new benefits screens, online job application enhancements, direct deposit enhancements, firefighters incentive pay process, enhanced timesheet approval process, leave balance overview screen, new state holiday hours type and changes for Fair Labor Standards Act (FLSA) for International Union of Police Association (IUPA) employees. Implementation and operation of People First still has had a variety of issues, included among them were dropped benefits and breaches in security related to confidential employee data.

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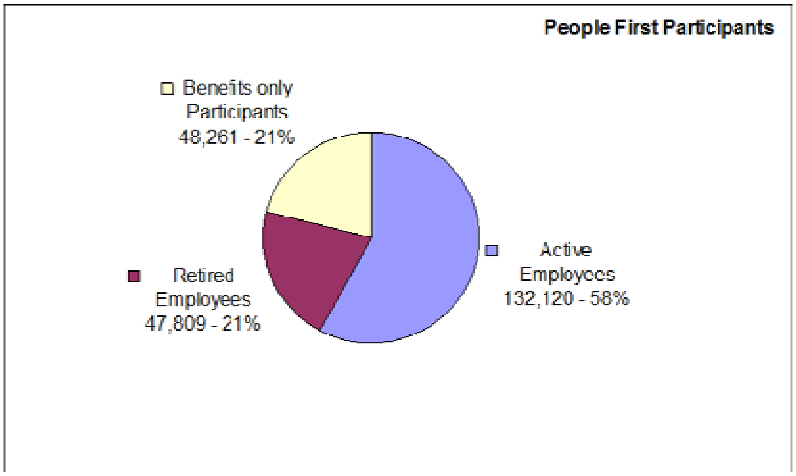
[17] Department of Management Services. People First Fact Sheet. April 2007
[18] KPMG. Modernization of State Government Financial Management Business Practices Study. February 15, 2000
[19] Department of Management Services. Section 2: Evolution of People First,. February 20, 2007
[20] Mevatec Corporation. Human Resources Outsourcing Initiatives, Business Plan. September 2001 (pg 20)
[21] Mevatec Corporation. Human Resources Outsourcing Initiatives, Business Plan. September 2001

Presently, 228,190 current and retired state employees use People First; 132,120 active employees, 48,261 benefits-only employees, and 47,809 retired employees (Table 5). Over fifty agencies and entities use the People First system in some way, with thirty-one agencies using all of the modules.

Table 5
People First Participants



The People First system is currently designed to support the following six personnel systems.

1. State Personnel System
2. Justice Administrative Commission
3. State Courts System
4. State University System
5. Lottery
6. Legislature

Solicitation Methodology

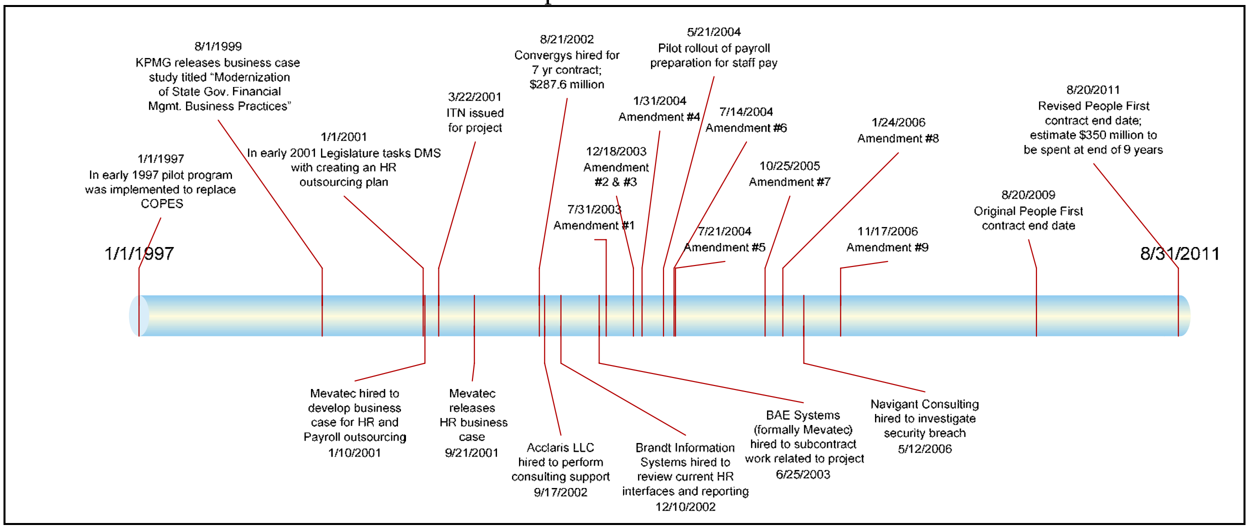
In March 2001, the DMS released an ITN for the People First initiative. Twelve responses were received and the agency negotiated with four firms, Convergys Customer Management Group, Inc., IBM, CSC and EPIX. The project team reported that potential vendors estimated a project of this size to take between twenty-four to thirty-six months. After an extended procurement protest period only nine months remained on the original timeline to implement the system. The implementation date was not modified to accommodate the time lost to the protest period and the project was expected to go live in approximately nine months.

The DMS selected Convergys Customer Management Group, Inc. and their SAP software product and entered into a seven-year contract valued at $278.6 million effective from August 21, 2002 to August 20, 2009. A $30 million surety bond was obtained to ensure vendor's performance. The contract was subsequently amended to extend scope and length, which increased the total cost. The revised term of the contract is now August 21, 2002 to August 20, 2011, at a cumulative cost of $350 million (see Appendix Exhibit 5 for contract related costs). Systems outsourced included human resources, payroll, staffing and benefits.

B. Chronology

People First chronology is listed below (Table 6):

Table 6
People First Timeline



C. *Projected versus Actual Results*

Projected Results

People First was developed to streamline and automate the state's human resource functions. The goal was to create a Web-based system that consolidated the current seven personnel related information systems into one. The intent of the People First initiative was to replace COPES by creating an online, self-service human resource application and outsource many of the functions of full time state employees to a private vendor. The new system was intended to be easy to use, employee interactive, and able to offer process efficiencies as well as significant monetary savings. The purpose of People First was to outsource human resource, payroll administration, staffing, and benefits functions. Historically, functions were provided by HR staff within each agency and supported by the seven different personnel related IT systems.

The DMS set the following goals for this initiative:[22]

- Improve the quality of personnel services
- Reduce the costs of providing these services
- Increase employee self-service and access to information
- Redirect savings to other areas of need within the state

The DMS would be the functional owner of the People First personnel information system and would:

- Act as a liaison between the department, customer groups and the vendor
- Provide issue resolution and technical assistance ensuring that customers receive answers to their unique questions and issues
- Develop and provide business requirements for system modifications and improvements
- Test systems releases prior to production
- Coordinate, develop and provide training to user groups on an on-going basis

Actual Results

People First was a successful migration from COPES to a Web-based system with commercially available SAP software.

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[22] Department of Management Services. Section 2: Evolution of People First. February 20, 2007

As a result of favorable financing terms offered by the vendor, the People First system provided a functional interactive platform with little initial capital outlay. Additionally, the state saved $12 million from the initial staff reduction, $80 million from the cost avoidance of rebuilding COPES and other efficiencies gained through the elimination of duplicative services between agencies. Agencies use some or all of the modules of People First (Appendix Exhibit 6). Current components of the People First system include:[23]

- Attendance and leave
- Staffing
- Benefits
- Payroll administration
- Human resources
- Organizational management
- Data warehouse

The self-service functions of this system transferred the responsibility of time and leave input from human resource staff to the employee as well as providing the employee tools to access and modify their personal information and benefits.

The initial expectations were to reduce the workforce by 1287.5 full time positions. Based on this initial projection, Mevatec estimated that People First would save the state $173 million over a seven-year period. Of that savings, it was projected that $80 million would be saved simply by avoiding the cost to rebuild COPES. DMS subsequently revised the projection to reduce the state's HR-related workforce by 971.5 positions[24].

After the system was implemented, the DMS found the estimated $173 million cost savings to be incorrect due to a Mevatec calculating error and the adjusted number of positions to be eliminated. As of today, 862 positions, out of the revised 971.5 positions, have been eliminated resulting in a 70 percent reduction in the state's HR-related workforce (Appendix Exhibit 7). No additional position cuts associated to the People First initiative are scheduled. COPES was in operation until June 29, 2007 in a limited data storage capacity.

D. Current & Future Project Related Activities

Since 2005, the People First team worked actively as the liaison between the DMS, customer groups, and the vendor. The team is responsible for providing ongoing system and process issue resolution and often uses this as the basis for developing business requirements to enhance and/or fix the system. The team tests system releases and provides communication and training to agencies.

Currently, most of the service functions of People First are operational, and those that are not completely functional have stabilized. Significant customization to the off-the-shelf software and lack of process standardization among agencies has complicated the implementation and performance of the program.

The People First team is working to define current system requirements to facilitate future enhancements to improve system performance and customer satisfaction. To date, the team identified the top ten enhancements that will improve the functionality of People First for its users:

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[23] Department of Management Services. People First Fact Sheet. April 2007

[24] Mevatec Corporation. Human Resources Outsourcing Initiatives, Business Plan. September 2001 (pg 20)

- Audit Trail – Enhancing the audit trail to ensure all actions, changes, views, etc. made within the People First system are tracked. This enhancement is critical to ensure proper security of the data contained within the system
- User Role Code Security Matrix – Modifying the user role codes that exist in the People First system to ensure all state users (active, terminated, retiree and benefit only users) have the appropriate access to perform their job responsibilities and update their information as appropriate
- Interagency Movement Process – Correctly manage the transition for an employee who moves from one agency to another agency, regardless of pay area changes
- Key Service Dates – Addressing corrections for current deficiencies within the Key Service Dates screen and the coding that is in place for the dates within this screen
- System Updates and Availability – Ensuring the People First system is operating on updated platforms/software/etc., using the latest technology available, and is accessible with all Internet browsers
- Report Modifications and Data Warehouse Priorities – Correcting existing defects and implementing reports that will enable decision making by appropriate state management
- Defect Resolution and Clean-Up Issues – Correcting defect items that do not function in accordance with State or Federal law, statutes, rules, guidelines, business requirements, etc
- Redesign Sign-In and Home Pages – Redesigning the People First Sign-In and Home pages to include additional functionality and information, as well as present both screens in compliance with ADA requirements
- Timesheet & Timesheet Approval Screen Enhancements
- Extend Availability of Timesheets and Leave Balance Overview to 36 Months – Showing 36 months of history for timesheets and leave balance overview statement

While the DMS identified these enhancements as key to improving the overall functionality of People First, funding of the enhancements and the unknown future direction of the program are current barriers to achieving these modifications.

The People First team reports having deployed 330 system releases including, but not limited to SAP updates, Internet Explorer 7 compatibility, Hiring Manager Interface, new benefits screens, online job application enhancements, direct deposit enhancements, firefighters incentive pay process, enhanced timesheet approval process, leave balance overview screen, new state holiday hours type and changes to special and FLSA compensatory leave for IUPA employees.

To date, the project team has onsite visits to 29 agencies and universities to assess their needs and issues concerning the People First system. From these visits the People First team established a takeaway log to track issues, determine trends and set priorities. The remaining 17 entities will be visited by the end of fiscal year 2007-2008. In addition, the project team has trained 86 employees from 23 agencies on use of the data warehouse. Staff has completed new curriculum for Data Warehouse/Impromptu training courses with planned training deployment scheduled that began in the fall of 2007.

This past year the DMS conducted the first comprehensive survey of the People First system to assess the level of satisfaction users of People First experience. The target survey population was 73,000 active state employees. The survey asked employees to rate on a five-point scale their satisfaction with the People First Web site, service center overall satisfaction and how they predominantly use the system. The results showed that 59 percent of the employees surveyed said that People First met or exceeded expectations. Overall, the service center received the best reviews with 70 percent of the respondents saying they were satisfied or extremely satisfied. Most notable, 82 percent of respondents said service center staff were friendly.

The DMS evaluated various strategies for evolving People First after the current contract expires. The proposed solutions range from hiring a new service provider to in-sourcing specific components to changing software platforms entirely (Table 7).

Table 7

People First Alternatives[25]

No.	Description
1.	Outsource application and call centers to a new company
2.	In-source application and call centers
3.	Outsource application to a new company and in-source the call centers
4.	Outsource application, human resources, payroll, and staffing call centers and in-source benefits call center
5.	Migrate to PeopleSoft (owned by Department of Financial Services) and in-source call centers

Current Risks

- Uncertainty concerning utilization of software, hardware and intellectual property after the current contract ends
- Obtaining approval and funding for future system enhancements
- A heavily customized software product
- Continued lack of standardization in business process among agencies
- Deciding future of program; contract expires 2011. Steps are now being taken by the project team to evaluate future opportunities and risks.

E. Findings

Executive Sponsor

The original driving force behind outsourcing was the Executive Office of the Governor that deferred the responsibility for implementing the outsourcing to the sitting DMS secretary, despite this position having no authority over other agencies to enforce compliance in the initiative. Due to the lack of strong executive sponsorship with commensurate authority the implementation team incurred many challenges when attempting to institute a standardized business process. Agencies were resistant to change and to move away from existing business processes.

Dedicated Project Team

A full-time project team was not established for the People First project until 2005 and since inception the program has had three project managers. Some of the early problems associated with the initiative may potentially be attributed to the lack of a dedicated team to ensure success. The current People First team at the DMS is well organized, employee focused, and committed to continual improvement, which will be important in moving forward.

Business Process Standardization

One of the biggest challenges affecting the initiative is related to customization to the off-the-shelf software due to the lack of process standardization among agencies. This has complicated the implementation and performance of the system. The currently deployed SAP application has a significant

[25] Department of Management Services. Exit Strategy Options for People First, March 2007

number of customizations developed due to the lack of standardization and implementation of business process changes.

The DMS found that outsourcing of services may require amendment of laws and statutes prior to implementation in order to achieve a standardized business process. There are six different personnel systems being supported. This problem led to intra-agency inconsistencies, such as different policies, procedures, pay cycle types (biweekly, monthly, biweekly offset by seven days, and monthly - 15^{th} to the 14^{th}) and pay dates. Additionally, the lack of standardization has caused complexities within the system, which led to excessive customization of the People First system, resulting in the creation of over 200 interfaces required to support the various business rules. Statewide standardization to a single business process would alleviate some of the trouble of software customization and additional workload issues associated with the divergent business processes.

Stakeholder Buy-In

Several factors during the initial development and implementation phase of People First resulted in limited interactions between the project team and agency users. Stakeholder buy-in was not fully obtained in the beginning of the process resulting in a certain level of participant dissatisfaction. It is critical that a project team conduct regular and frequent customer surveys with stakeholders to identify and measure their level of satisfaction. Until the recent DMS survey, no independent customer service satisfaction survey had been taken. Communication with agency users was limited. In January 2005, DMS outlined a number of actions to improve interaction with the agencies including better coordination with key stakeholders. Additionally, users groups and a change review board were established to make system improvements.

Infrastructure

Prior to launching People First, an internal assessment of hardware and software at each agency was not conducted. Incompatibilities between the various infrastructures resulted. Implementation and performance issues arose as a result of not establishing this initial equipment baseline and reconciling it into the project plan. Insufficient focus by the project team was placed on how to establish the infrastructure environment it will be working with, what upgrades will be needed in the future, how to secure funding, and to ensure needed staff are appropriately qualified to maintain the systems.

Implementation

Agencies experienced several challenges during the development and implementation of People First. These challenges appeared before and after deployment. The initial challenge arose from the compressed timeline for initial deployment related to the extended protest period. Most agencies went live in 2004 but were instructed to make staff reductions prior to that between fiscal year 2002-2004. Consequently due to system related limitations and the elimination of most HR staff, agencies saw an increase in workload which negatively impacted the agencies. After the initial roll-out agency staff members were not properly trained on the new systems, or their new roles and responsibilities. Leadership did not communicate changes well within their agencies, and untrained staff members were required to work and train in a system that was not fully functional.

The Department of Management Services' project team reports that the People First application is stabilizing and can be made more effective by implementing proposed enhancements. Potential integration problems exist as it is uncertain how People First will integrate with the future FLAIR replacement system.

Call Centers

Convergys supports People First customers through two service centers, one located in Jacksonville, one in Tallahassee. The Tallahassee call center is responsible for payroll administration and benefit issues; the Jacksonville call center handles staffing and organizational management issues. Staff turnover in call centers resulted in inexperienced service agents lacking essential support knowledge. The initial result was a decrease in service levels and dissatisfied state customers.

Conditions and turnover in the call centers has ultimately stabilized. The People First team has seen a positive trend of decreasing number of calls to the service centers since 2005, which may be attributed to state staff and employees being trained on the system and call center staff becoming more knowledgeable about state programs.

The number of calls received is a key indicator used to monitor issues and concerns. Per month, the two call centers handle 80,000 calls, process an average of $400,000 in refunds, post 16,000 benefits premiums and process 9,000 manual timesheets. During the 2006 Benefits Open Enrollment period, the Service Centers handled over 45,000 open enrollment calls.[26]

Security Issues

During the deployment of People First several issues arose relating to information security and data access. In one instance data containing potentially sensitive employee personnel data was transferred out of the country by the vendor. It was also initially reported that data access was not properly controlled and vendor staff had access to personal records of top government staff. While the state found that no personal information was compromised, and stronger security protocols were installed, the level of trust in the People First system was negatively impacted. In 2006, DMS established a statewide security guideline manual to ensure the integrity of system data free from unauthorized access.

Contracting

As a true HR outsource project the People First contract was written such that the state turned over its entire HR operations to the vendor. As a result the state would not control or own software or hardware during nor at the end of the nine-year contract. Additionally, the state would not have contractual rights to the "As Built" documentation that details the system's architecture that has resulted from the customization of the software required to meet the states needs.

V. Project Aspire

A. Overview

As of 1998, the State of Florida accomplished budgeting, cash management, accounting, and payroll related functions using various stand-alone legacy systems. In 1999, the Florida Legislature passed legislation to carry out a business case study on enhancing or replacing Florida's legacy financial software systems. KPMG was hired and published the business case study entitled 'Modernization of State Government Financial Management Business Practices Study' in 2000. The study recommended eliminating the five stand-alone "stove-pipe" legacy management systems with an enterprise-wide system. The accounting and personnel systems were to be integrated into one program with a separate enterprise resource planning (ERP) system to partially replace the budgeting, cash management and purchasing subsystems[27].

In early 2001, the DMS released solicitations for MFMP (purchasing) and People First (personnel). Florida's Department of Banking and Finance commissioned KPMG to complete a follow up study to the original 2000 business case to determine the risks, benefits and success criteria required to implement an accounting solution without incorporating human resource, procurement and budgeting modules[28]. KPMG's report titled "FLAIR Replacement Report-Final" defined the key risks and success factors for

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[26] Department of Management Services, People First Fact Sheet. April 2007
[27] KPMG. Modernization of State Government Financial Management Business Practices Study. February 15, 2000
[28] KPMG Consulting. FLAIR Replacement Report-Final. March 8, 2001

the proposed project that subsequently became known as Project Aspire.

The project was intended to replace the State of Florida's 25 year old legacy accounting and cash management systems known as FLAIR (Florida Accounting Information Resource) and CMS (Cash Management Subsystem) with a streamlined accounting system capable of serving thirty-six separate state agencies that have vastly different core missions. The new system was to track all financial transactions in a state government that spends approximately $71 billion a year. The state's goal for this project was to create a comprehensive statewide financial management system that uses one database to manage the state's financials including accounts receivable, billing, accounts payable, general ledger, fixed assets, purchasing, contracts, projects and grants.

Solicitation Methodology

In May 2002, the Department of Banking and Finance, later known as the Department of Financial Services (DFS), embarked on the project through an Invitation to Negotiate (ITN) titled "FLAIR & CMS Replacement Project" but that ITN was subsequently canceled.

A second attempt to bid the project occurred in November 2002, when the DFS issued an Invitation to Negotiate titled "FLAIR & CMS Replacement Project Software & Implementation Services". Top bidders were Bearing Point, Inc. bidding an SAP solution, and PeopleSoft bidding their own product with Accenture acting as their subcontractor. After dealing with a lengthy bid protest, the DFS chose to award the contract to the Bearing Point team with the condition that they implement the PeopleSoft product, not SAP. Subsequently the state purchased a full suite of products with their PeopleSoft software purchase including applications for financial management, human resources and procurement and currently owns 285,000 user seats.

The DFS awarded the contract to Bearing Point (formally KPMG[29]) for a fixed price of $68 million. The contract term was for six years from August 27, 2003 to October 1, 2009 and a $52 million dollar surety bond was obtained from the vendor as project security (see Appendix Exhibit 8 for contract related costs). The DFS reports that the original budget for Project Aspire was $100 million, not including debt services. When the CFO halted the project the state had spent $89 million on the project with $59.4 million of that paid to Bearing Point.

When the project was launched, specific project objectives were defined. The state's intent was to use the latest Web technology to[30]:

- Develop an effective statewide budget and financial management system
- Provide timely, accurate, complete and integrated financial data
- Automate and standardize reporting mechanisms
- Provide information to support decision making
- Improve cash management/interest earnings

The lack of modern financial management tools caused existing users to establish shadow systems to manage their financial needs and created interfaces with FLAIR to meet financial responsibilities that were not available in FLAIR[31]. State agencies receiving federal funds found themselves increasingly unable to satisfy federal grant and other reporting requirements. The existing subsystems could not adequately conduct the high volume day-to-day data transactions required by their users. These subsystems and business practices no longer met the state's needs.[32]

Project Aspire was a huge undertaking that required evaluation of existing processes, policies, procedures,

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[29] Big4. About Bearing Point. O:/Aspire/Bearing Point Consulting.htm
[30] Department of Financial Services. Aspire Overview. April 24, 2006
[31] DOT Office of Inspector General. Advisory Memorandum 05I-0003. June 23, 2005
[32] Department of Financial Services. About Project Aspire, Overview. http://aspire.dfs.state.fl.us/About_Project_Aspire/Overview/index.asp

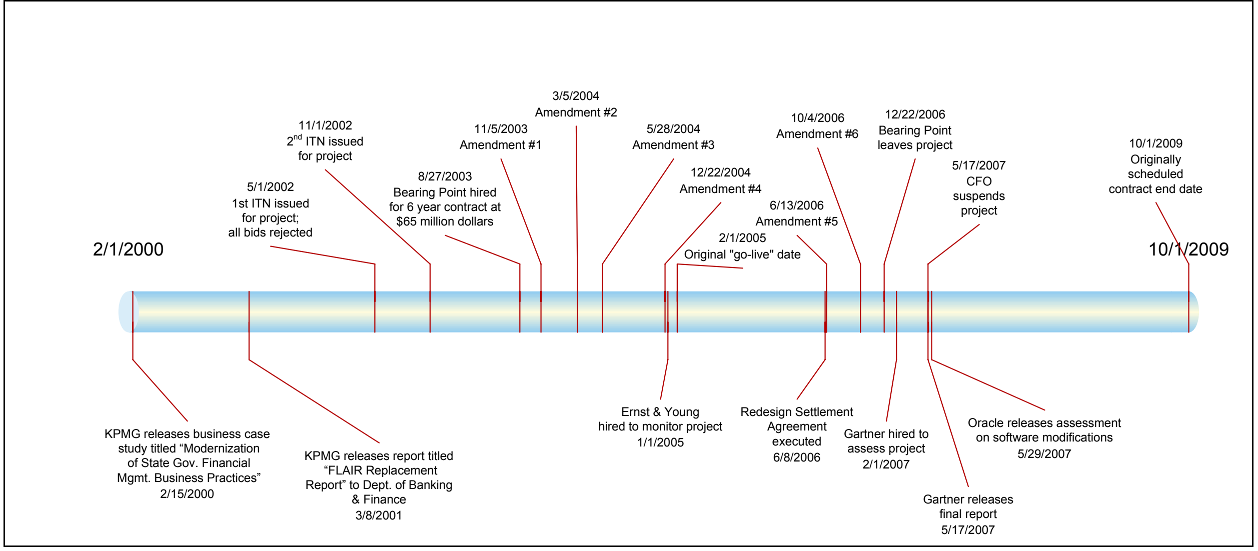
shadow systems, state and federal compliance, workforce transformation, technical requirements, cash management, investment opportunities and an assortment of additional areas. The program required interfacing with many other systems including People First, MFMP, FLAIR Payroll, LAS/PBS and other agency business systems. The level of complexity on this project was extremely high and the number of agencies and employee participants numerous.

On May 17, 2007, the State Chief Financial Officer halted work on Project Aspire[33] and today Project Aspire is suspended. The program was halted in its testing phase, unfinished, over budget and past its originally scheduled completion date. At the time of suspension, the vendor left the project, the application was still not fully developed and $89 million out of the $100 million budgeted had been dispersed to various vendors with no exact completion date known. The CFO asked staff to document and preserve the existing work products developed. The state will retain ownership of the hardware and PeopleSoft software associated with Project Aspire, for possible incorporation into a future project. [34]

B. *Chronology*

Project chronology is listed below (Table 8):

Table 8
Project Aspire Timeline



C. *Projected versus Actual Results*

Projected Results

The implementation of Project Aspire represented a significant investment in the financial future of Florida. The final product was to support current and anticipated growth, budget interfacing and effective financial management. Project Aspire was expected to better position the state to deploy Web-based applications for e-commerce and e-government services that are tightly coupled to the state's financial management system.

A set of benefits were defined and expected had Project Aspire been successfully implemented. Among these was a Web-based technology from PeopleSoft Financials that would "…provide wide access to the state's financial information, as well as, provide that information in a timelier manner. The technology

[33] Department of Financial Services. CFO Sink Suspends Project Aspire", May 17, 2007. http://myfloridacfo.com/pessoffice/ViewMediaRelease.asp?ID=26662
[34] Department of Financial Services CFO Sink Suspends Project Aspire. May 17, 2007

would provide the flexibility for changes in code structures and the addition of new functionality with minimal impact on users. Through enhanced technology, agencies could better manage the financial assets of the state and therefore provide more effective services to citizens.” [35]

The project would include the creation of a new, unified account code structure and chart of accounts that would allow for access to financial management information by program and activity, even across state agency and government branch lines. Through integration of state agency accounting and cash management functions and the adoption of enterprise financial management policies, Project Aspire was expected to create a reliable source of financial management information. The improved integration of data between the various state systems would allow users to perform more detailed analysis and reporting that is not previously possible.

The PeopleSoft software was expected to reduce the number of shadow systems, thus eliminating sources of out of sync, out of date, incomplete, and erroneous data. With improved integration, the PeopleSoft Financials software was expected to reduce the number of reconciliations, and thus the staff effort assigned to reconciliation activities. Additionally, Project Aspire was expected to provide enhanced accounting for contracts, grants and projects in order to better manage those funds that comprise a significant portion of the state's budget. Project Aspire was expected to serve all thirty-six state agencies (see Appendix Exhibit 9 for current FLAIR statistics).

Actual Results

After the initial business case was published, the DFS sent out an ITN. The top two respondents were Bearing Point and PeopleSoft. The Bearing Point bid included a SAP solution; the PeopleSoft bid included their own PeopleSoft software with Accenture subcontracting as the integrator. As a result of a bid protest, Bearing Point was awarded the contract with the stipulation that they would use PeopleSoft software. As Bearing Point had not initially bid the PeopleSoft solution, they assembled a new team that would be required to properly execute the project. By the time of the project award, DMS had already contracted with Convergys to implement SAP software statewide for the People First human resources project.

The contract was executed in August 2003, and was scheduled to end October 1, 2009. Project teams from both DFS and Bearing Point incurred significant staff turnover, including project leaders. On December 22, 2006 Bearing Point suspended work on the project**.** The final amount paid to Bearing Point was $59.4 million.

After the execution of the contract, one of the first major milestone deliverables of the project was the delivery of the project design. Both parties actively worked together to define, develop, review and approve this work product. The state accepted a project design that was later found not to meet project expectations. Accepting this work product laid the foundation for future problems, delays and multiple design changes. Over the course of the project the state modified or “froze” the project design three times. Additionally, Bearing Point reports that the changes requested by the state were significant in number. In June 2006, the DFS paid the vendor over $5 million for significant design changes and re-work activities to correct system design related problems.

The original “go-live” date for Project Aspire was consistently pushed back due to project delays, scope changes and re-prioritization of activities. All changes affected the schedule and continued to cause delays in other key activities, downstream. Once the first implementation phase was delayed, it pushed all subsequent phases further off schedule.

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[35] Department of Financial Services. About Project Aspire, Benefits Summary of Aspire Solution. http://aspire.dfs.state.fl.us/About_Project_Aspire/Overview/benefits.asp

As the project deployment dates slipped, it became necessary to revise the project timeline. State and vendor project teams collaboratively reassessed the project and developed a more conservative strategy for project implementation. The revised strategy cost a significantly larger amount of money and elongated the schedule. The project teams, however, continued to work towards creating a workable end-product.

The state accelerated testing to complete the project. After the vendor left the project, the state project team continued with the system testing phase without the vendor participation. System testing started without completed test scripts on a system with on-going development and configuration issues. This action resulted in testing problems and a higher risk for re-testing due to inaccurate testing results.

Project Aspire was halted in May 2007, when the CFO suspended the project indefinitely. Currently, the state has the incomplete PeopleSoft financial program with approximately 250 modifications to the original software. At the time of the project suspension the proposed system has not been implemented at any agency. After the project was halted, staff documented and preserved existing work products that had been developed. The state will retain ownership of the hardware and PeopleSoft software for possible resumption at a later date.

D. Current and Future Project Related Activities

The program was halted in its testing phase, unfinished and past its originally scheduled completion date. Staff completed the review and preservation of existing work products and is now completing an internal "project lessons learned" report. The state will retain ownership of the hardware and PeopleSoft software associated with Project Aspire, for possible resumption at a later date.

Over the course of Project Aspire, four separate entities played a role in reviewing and/or monitoring this project: KPMG, the Legislature's Technology Review Workgroup (TRW), Ernst & Young and Gartner.

Gartner, the last third party consultant hired by the DFS assessed the project and recommended the actions below (also see Appendix Exhibit 10):

- Assess the value of the current software assets, including the ability to leverage these assets in the future, the level of rework required, etc.
- Facilitate a favorable resolution of any disputes between the state and the previous vendor.
- Develop and secure contractually, a viable path for ERP implementation.
- Develop a road map for meeting other future system and integration needs with HR, Procurement, etc.
- Completion of actions in an expedited manner in order to realize the benefits of an ERP solution, mitigate risks in maintaining a legacy system and to minimize loss of value to the PeopleSoft software purchased by the state.

Gartner proposed various strategies for moving forward with Project Aspire (Table 9). The proposed solutions ranged from stopping the project, modifying what we currently have to completely starting over with new software and service provider.

Table 9
Gartner Alternatives

Alternatives	Low Risk	Medium Risk	High Risk
A – Stop Project Aspire; remain on FLAIR			

B – Continue with Project Aspire and implement software without a 3rd party system integrator			
C – Continue with Project Aspire and implement software with a modified project organization			
D – Continue with ASPIRE; implement software with a new system integrator			
E – Start over and conduct a new solicitation for new software and service provider			

Yellow = medium risk. Orange = medium to high risk. Red = high risk

Gartner concluded that "the State of Florida has not adhered to accepted industry best practices with respect to funding, planning and implementing Aspire and consequently there is a strong probability that the state will not succeed in replacing the current financial system and transforming its business, to effectively process and analyze financial information in the future."

In addition, the Aspire project team asked the Oracle Corporation, parent company to PeopleSoft, to independently assess the customizations made to the software. It was a limited assessment of modifications, interfaces and configurations that the project team considered a high priority. Some of the report findings included[36]:

- The operation of the system could be greatly enhanced with a reduction in the number of customized environments. It appears that state laws/requirements are the reason for most of the complexity.
- Recommended upgrading tools to version 8.48 which should offer more flexibility and improved performance.

Current Risks

As a result of the project being suspended the state may be exposed to several risks. FLAIR, the state's current financial system, is over 25 years old, is developed in an obsolete language and database (Natural and ADABAS), and takes approximately 80 staff members to meet operational needs. Industry-wide there are few, if any, companies with staff knowledgeable enough to work in this computer language. Currently, the DFS is dependent on key internal staff to support the FLAIR system. Although staff retention is high within this agency, key staff will reach retirement age in the very near future.

Time, resources and knowledge will be lost as the department develops a new project strategy, works to obtain new funding and re-bids this project. This process will take many months if not several years, during which time, momentum will be lost and knowledgeable resources will be reassigned to new projects or leave state service entirely.

At this time it is not known if any of the PeopleSoft work products developed as a result of Project Aspire can be utilized or built upon in the future program. The longer the delay to implement, the higher the risk that the design will become outdated. In addition, the PeopleSoft software will continue to evolve and change through new releases that will add additional challenges and complexities to the design through its parent company, Oracle.

E. Findings

Executive Sponsorship

Florida's CFO acted as the top executive sponsor for this project through the DFS. The project's Board of Directors was created to act as the governing project sponsor body to maintain momentum and support for this complicated project. The board consisted of representation from:

[36] Oracle Corporation. State of Florida Aspire Project Assessment.

- Chief Financial Office
- Department of Financial Services
- Executive Office of the Governor
- House Financial Responsibility Council
- Legislative Appropriations System/Planning and Budgeting Subsystem
- Office of the Auditor General
- Senate Appropriations Committee
- State Technology Office (STO)
- Technology Review Workgroup (TRW)

The project also had an executive committee and agency liaisons. The executive committee was comprised of agency level senior financial leadership who provided sponsorship and agency representation to the project and advised the state project director to promote the successful implementation of Aspire[37]. Agency liaisons routinely met and provided input to the project team from their various agencies.

In 2004, various representatives on the project's Board of Directors disengaged and left the project. Top level sponsorship was no longer actively participating in the creation of Florida's new financial system. Loss of this executive project sponsorship from the three bodies of government was another major issue negatively impacting the project's success.

Dedicated Project Team

During the course of the project's development the project team suffered turnover and leadership changes. New and remaining team members had minimal experience with a project of this scope and significance, and the project team skill level was not commensurate with the project objectives. It appears that the project team ultimately developed a sound methodology and approach on paper despite turnover in key staff. The state project team:

- Created a well developed project organization structure
- Created a project Board of Directors to act as the project sponsor body
- Identified agency, internal employee count, agency rollout phase, agency governance structure research on said agency's financial responsibilities
- Established a comprehensive web site that documented business processes and project status
- Established role-specific training
- Established a quarterly operational work plan which described the status and plans of the project and was intended as a performance report
- Issued monthly status reports from the state project director to House and Senate Appropriations committees, the OPB, the TRW and the STO
- Negotiated with PeopleSoft during an Oracle buy-out and negotiated an impressively low price for 285,000 PeopleSoft licenses

Business Process Standardization

Aspire was a significantly complex project that required a willingness of state employees and leadership to change existing business processes for more effective and efficient processes found in the proposed new technology. The goal should not be to simply automate existing processes, but to use technology to improve current business processes. However, a resistance existed to making such changes.

A major challenge has been the lack of standardization of business rules among state agencies and the resistance to change to a uniform process. Attempting to replicate existing functionality by modifying the new software added additional risk to the project. The lack of standardization has caused complexities

[37] Department of Financial Services. Aspire Newsletter, Volume 1, Issue 36. October 20, 2006

within the proposed system that have ultimately led to a heavily over-customized PeopleSoft system.

Funding

Project Aspire was expected to be a significant system deployment lasting several years. The state faces funding barriers to large project success due to current business processes within state government. In the case of Project Aspire, during the final year the project team was required to request funding on a quarterly basis. Critical resources were taken away from the project in order to handle administrative, funding related tasks. Structural changes in state government, including the elimination of specific laws and processes, may be necessary to improve state IT management, procurement and project implementation.

Stakeholder Buy-In

Agency involvement was strong. Individual requirements were collected from agencies in the development of the system. Additionally, each agency was represented through an agency liaison and an agency advocacy group that met routinely.

The project team established strong mechanisms for communicating project related information including:

- Development and distribution of a Project Aspire newsletter to communicate project news to participants
- Routinely scheduled project meetings with agency liaisons
- Release of a quarterly operational work plan (status report)
- A comprehensive project web site

Contracting

Several issues that occurred during the project can be traced back to the original contracting phase. After the initial ITN, and protest period, the state and the top two vendors negotiated a contract where one bidder was awarded the project but agreed to deploy the software application offered by the competing bidder. This agreement resulted in the vendor needing to assemble a team experienced in PeopleSoft in order to meet the project objectives thus further complicating the deployment.

Due to contracting issues and misalignments between work schedules and funding cycles the vendor worked “at risk” for a portion of time with no allocated funding tied to the work product. The vendor continued to perform services for the state with no specific contract or funding approved. This did not follow accepted state procurement protocols and exposed the state to possible risk.

Project Related Decision 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 of Florida was impacted by the investment in a new system for which agencies had not adequately planned, and which ended up not being deployed. The DFS staff reports a key lesson learned was that after the software was selected, a considerable amount of time should have been allocated to train state staff on the program and creating internal subject matter experts, prior to proceeding with project.

Additionally, over the course of the project, project management deliverables became the lead measure of progress. Many of these deliverables did little to further the objectives of the project. As a result, issues developed as a result of accepting incomplete or flawed work products and testing of an incomplete system design.

Use of Best Practices

The state did not incorporate third party advice to change existing internal business processes and not over-customize the best of breed software selected. The project team did not follow industry best practices to enforce standardization in order to minimize customizations. Ongoing design changes created a situation where the agency was unable to place a completion date on the project and continued schedule slippage occurred as a result of project design issues. The software design was changed or frozen three times which resulted in significant delays and additional "re-work" costs to not only this project but to other projects such as People First and MFMP.

Integration
Project Aspire impacted many agencies. State agencies were required to re-engineer systems that currently interfaced with FLAIR along with associated business processes. Both People First and MFMP projects incurred integration costs and program-related delays associated to interfaces created in preparation for the migration to PeopleSoft. These modifications were difficult, time-consuming and expensive to the agency. The financial management system is the heart of Florida government. This project has a high level of complexity because of the numerous programs it integrates with. Potential integration problems still exist today as it is uncertain how the next system will integrate with future versions of current key operating systems.

VI. LESSONS LEARNED

By analyzing the key findings of the research from the MFMP, PeopleFirst, and Project Aspire projects (Appendix Exhibit 11), the CEG hopes to provide insight about improving the overall execution of state projects. This insight, or lessons learned, can be applied to projects of all sizes, and are fundamental to effective and efficient project execution.

After reviewing the research, several common issues emerged:

- Executive sponsorship
- Planning
- Funding
- Stakeholder buy-in
- Lack of business process change
- Project management
- Nature of state governance

Each project significantly struggled to achieve success with only two out of the three actually succeeding in some level of deployment, but with mixed results. Below are common "lessons learned" taken from the three project reviews that can be applied to any future project.

Executive Sponsorship
An important characteristic of successful solutions is the designation of an executive sponsor with enforcement and conformance authority. A strong sponsor advocates for the project during its entire life cycle. Additionally, the sponsor builds consensus and attains stakeholder buy-in during conceptualization.

Projects of this nature require strong sponsorship to advocate the vision of the project, the "Project Champion." The executive sponsor must build consensus among diverse groups and staff levels, with the authority to resolve disputes and ensure cooperation. This person is usually a senior member of the project team, and on larger projects, a senior executive in state government. For Florida's largest and most complex projects this would correspond to the governor, cabinet member or agency head. The executive sponsor may also be a group, such as the Florida Cabinet, though a single individual is preferred. Loss of, or weak executive sponsorship can negatively impact the success of the project.

Throughout the life of the project the executive sponsor generally maintains overall supervision of the project, but not direct project management. The role serves as the spokesperson for the project and provides the overall vision of what the project is to accomplish. The executive sponsor is also actively engaged in championing the project internally and externally, ensuring proper resources are available, approving high level project plans and timelines, and resolving issues related to the project. They have complete responsibility for the project and must have full authority to ensure its success.

Because of the responsibilities of the executive sponsor it is important that they are committed for the life of the project and remain engaged through out. Without this long term commitment, the project risks increase. This includes diverting from the original goal, changing scope, losing funding, cost overruns, and failing full implementation.

In the three projects reviewed, executive sponsors, where they could be identified, did not remain engaged at the appropriate levels required to marshal the project to completion. The lead factor with this issue is changes resulting from election cycles and shift in political priorities.

Planning

Possibly the most important element in the success of a project is proper planning. Planning includes defining the scope of work, allocating resources, developing project workflows, and ensuring adherence to the project plan. Generally the largest share of the project implementation process should be invested in the planning phase. Sufficient planning and proper execution to that plan significantly increases the probability for achieving project success. Appropriate time must be given to proper planning and development of the project concept and the resulting project schedule must be realistic and achievable. Proper planning will ensure that the project drives the schedule, not that the schedule drives the project.

Planning also involves the design, negotiating and implementation of fair contracts with realistic and well-defined requirements. Contract terms must reflect a careful balancing of risks between the government and the vendor. The project must have access to resources required for planning, negotiating and managing increasingly complex contracts.

Realistic and well-defined performance metrics are required to measure success and failures in project performance including customer satisfaction metrics. Defining baseline data prior to implementation ensures that performance metrics are realistic and achievable so that performance can be accurately measured to determine success levels.

Though a significant amount of time was invested in these projects, the time was not well spent. In some cases more time was spent on the solicitation, negotiation and protest phases than on the actual project planning phase. The net result of this being a weak project plan that had a low likelihood of success. Projects were rushed to the implementation phase before important planning was completed.

The state needs to be vigilant to avoid scope creep and design changes. The state can reduce risk and enhance manageability by discouraging large, big-bang projects, and encourage incremental, phased-in approaches. The state should consider dividing acquisitions of a major system into several smaller increments that are easier to manage individually than would one comprehensive acquisition. The agency can address complex IT objectives incrementally in order to enhance the likelihood of achieving workable solutions. The federal government's Clinger-Cohen Act suggests that "incremental acceptance provides for delivery, implementation and testing of workable systems in discrete increments, each of which comprises a system or solution that is not dependent on any subsequent increment in order to perform its principal functions; and provides an opportunity for subsequent increments of the acquisition to take advantage of any evolution in technology or needs that occur during the conduction of earlier increments."[38]

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[38] Office of Efficient Government. Clinger-Cohen Act of 1996 White Paper. July 30, 2007

Funding

Proper funding is a basic requirement of all projects. Many large-scale projects similar to those discussed here commonly span several years and state budget cycles. As is the case in Florida, project funding is dependent on the annual budget cycle, and currently projects are funded based on an annual appropriation model. There is the risk that a project may be “defunded” or funding will be reduced within any of the cycles for a variety of reasons potentially unrelated to the project. Contracts for these projects are based on the full product life cycle and proper execution is predicated on a steady funding stream for both internal staff and external vendors.

Due to this incongruity, vendors often encounter significant issues relative to payments during the project life. Changes to original scope often require increases in contract commitments that are not comprehended in the original funding model. Exceptions and exemptions generated subsequent to the project inception also often impact revenue expectation and funding stream. Additionally, some projects are dependant on funding releases based on third party approvals and pay process changes that have not been incorporated into the original project plan or schedule. Vendors often continue to work at risk to sustain the project while the governmental process works itself out. These risks often result in costly litigation to resolve.

To properly sustain the development, operation, maintenance and migration of projects, consideration should be given to developing secured recurring funding for multi-year large projects. A reliable multi-year funding model must be created to enable proper execution of the project life cycle and reduce risks to the state associated with unforeseen changes to the funding model.

Stakeholder Buy-In

Stakeholder input is vital to any successful project. This aspect allows stakeholders to voice their opinions in the development and implementation stages, so that they have buy-in and understand changes as they occur. This also builds cooperation and consensus which are essential for the initiative to succeed.

Key to successful implementation of a project is the commitment to the project of key stakeholders. Stakeholders include those that can affect and are affected by the project. Within state projects stakeholders can be system designers, users, agency or department heads, state employees, or even citizens. Input from key stakeholders is essential to building consensus and user acceptance. When stakeholders are included in the project they are more likely to remain engaged and support the projects objectives.

Stakeholders should be engaged early in the planning process and input should be obtained and considered prior to implementation of a project. Ongoing communication is also required to assure stakeholders that their input is being appropriately considered and included in the project plan. Consultation with stakeholders should also occur regarding major decisions impacting the project. Failure to include these individuals and processes will build resistance and distrust among agencies and employees.

Business Process Change

One of the goals of most large-scale projects is to improve efficiencies and reduce costs. The expectation is that these goals will likely be achieved through economies of scale and streamlining of processes delivered through the project implementation. Achieving these economies of scale usually require some business process change and standardization of work flows within the organization. This change and standardization of key systems is often aligned with best practices in project implementations. The need for these changes should be addressed early in the project plan. Stakeholder input should be received and incorporated into the project plan to the extent that it does not lead to over customization and multiple parallel systems running concurrently.

Government must have the ability to adapt processes to incorporate efficiencies that new technology offers. Care must be given to changing business process to take advantage of the capabilities of new systems and not encumber the new system with processes that conforms to historical business methods. Project managers can communicate a change management plan through effective training and ensure that users and clients adapt to the new processes. Focusing on stakeholder education supports successful change management. Managers must be able to educate stakeholders on the value of new methods and procedures to reduce resistance to necessary changes.

Stakeholders must understand that compromises must be made and that they may be asked to reconfigure old processes to achieve future efficiencies. The projects reviewed have generally gone against industry best practice by over-customizing vendor systems. These customizations often require additional costs to implement and render the system sub-optimal. Research by three private sector firms warned about this pitfall, KPMG in 2000, Ernest & Young in 2005 and Gartner in 2007. Federal government (Clinger-Cohen) recommends a phased in approach over a longer period of time to allow for changes in process, technology advances, etc.

Project Management

Project management is the planning, monitoring and control of all aspects of a project. It also includes influencing the motivation of all those involved in a project to achieve the project objectives on time and to the specified cost, quality and performance. Though this sounds fundamental, many projects fail due lack of following this basic guideline. Strong project management skills sets are needed on large project teams to ensure proper project execution.

The project manager must be skilled at providing accurate data about the project, managing and resolving conflicts between internal and external stakeholder groups while keeping the project on schedule and within budget thus eliminating future issues further into the project. Major projects fail when managers do not deal effectively with stakeholders' hidden or conflicting agendas and fail to properly communicate with stakeholders.

For a project to increase its likelihood for success, detailed project plans, clear scope definitions, specific deliverables, timelines, performance metrics and measurements, change management and transition planning, and budget management must be in place. Continuity of management on projects to maintain vision and mission success is essential. Historically, significant turnover in project staff, both state and vendor has occurred on all three projects reviewed. Numerous leadership changes results in lost momentum on the project and risks potential project re-direction from original concept.

To ensure successful project execution a properly funded and resourced Project Management Office (PMO) should be established. The PMO is responsible for the ongoing management and maintenance of the project.

Contracting

Designing, negotiating, and implementing a fair contract with realistic and well-defined terms reflects a careful agreement between the state and the vendor. Specifically, a sound business case with benchmarking of current conditions, risks and costs are essential to a successful project. A well developed contract that includes performance measures, monitoring, a comprehensive service level agreement and a plan for remediation is key to success. Special consideration should be given to ownership issues related to intellectual property, work products, hardware, software and infrastructure, data security and application licenses both during the project as well as at its conclusion.

A sound business case provides the basis for a good contracting phase. Performance metrics are required to measure success in the project, without them, there is no way to tell whether or not the project is operating at a satisfactory level. Additionally, there should be a mechanism for independent monitoring, so that an objective party can aid in identifying problems and solutions. Finally, a plan for remediation, should something go wrong, must be written into the contract.

Nature of State Governance

Of special consideration to government projects is the transient nature of public governance. Due to the periodic changes in personnel and agendas, state and agency priorities often do not remain constant. Many state projects have historically suffered from these changes. New administrations shift the priority list to align with their goals. New appointments are made throughout agencies and trickle down to multiple levels. In many cases large portions of projects teams, including key stakeholders, are impacted. With these changes comes project knowledge loss, resources are re-allocated, skill sets are adjusted, and the level of commitment is reduced.

Public policy changes related to changes in the administration and legislatures as well as political pressure from internal and external sources are difficult if not impossible to build into any project plan. The original desire to achieve stated project goals may no longer exist or the environment may change that no longer fosters the initial project vision. Additionally, the dependence of these projects on the annual funding cycle that is driven by diverse political agendas also contributes to the difficulty in successful execution.

VII. CONCLUSION

The State of Florida spends almost $2 billion a year on IT infrastructure, products, systems, and services.[39] Additional funds are spent on various projects within the state agencies. The magnitude of these expenditures warrants accountability of their performance and value. In current frameworks, IT costs are explicit, but true value and costs can be difficult to define and quantify. Every year the State of Florida initiates hundreds of projects in an effort to improve citizen services and reduce cost. Many times these projects fall short of expectations in either service levels delivered or planned budget costs. Often time, poor execution on these projects leads to sub-optimal results. In most of these cases the causes can be traced back to failure in executing generally accepted best practices in project planning and implementation. The analysis of these three projects indicates that the State of Florida has generally not followed industry best practices when initiating and implementing multi-million dollar, complex projects.

Based on this project review and the relationship between the three projects, it appears that the state does not have one consistent long-term strategic plan for key internal technology and infrastructure systems. There is no significant high-level vision or sponsor. An original business case concept was based on implementing an enterprise wide system but the state implemented three separate systems with extensive customizations made within each project in order to achieve desired outcomes. These outcomes did not relate back to any specific enterprise wide vision or objective.

The process of creating a sound business case that accurately documents risks and benefits should be an integral step of any large-dollar project, prior to the solicitation process. This process will provide better decision making, oversight and accountability for all large projects. In conjunction with this, agencies should develop strong internal policies and procedures that require objective analysis and added time and emphasis on the planning component of the project. Industry best practices show that the planning phase should be one of the longest and more complex processes of the project, not the shortest. It is critical that agencies seek and incorporate advice from subject matter experts, key stakeholders and be willing to modernize government processes to match current technology, not force technology through expensive customizations to accommodate age-old and potentially antiquated processes.

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[39] Pew Internet & American Life and estimate based on actual expenditures for FY 2003-2004.

The difficulties in funding large multi-year, complex projects with extended timelines and multiple vendors must also be comprehended. Legislative budgetary cycles and processes do not always align with the complex and quickly changing nature of large projects. In depth analysis on the cost and funding sources for the entire project life cycle needs to be completed and validated prior to the inception of any expenditures. On going review is also required to ensure that adequate funds are available to execute and maintain the projects as well as ensure the state receives expected value for dollars spent.

Significant cost-analysis data should be collected, reviewed and evaluated before, during and after implementation to determine if the project is meeting specified savings and efficiencies that initially justified the decision to proceed with the project. If the project is not meeting expectations, then difficult decisions need to be made at that time regarding the future of that project. State government must be accountable for making smart business decisions and being financially accountable for those decisions to the citizens of Florida.

The need for high-level project management and planning are fundamental. Florida's Legislature is driving change down to agencies through implementation of negotiation and project management training requirements. Individuals with specific certifications are now required to participate on high-dollar project teams. The legislature allocated funds to train qualified agency staff with the expectation that knowledge will offer higher likelihood of success on large complex projects.

State government will continue to heavily rely on information technology in the future. Poorly executed IT-related projects highlight some of the long-standing, systemic problems seen in the State of Florida process. Key examples of what must be done correctly in order to implement a successful IT solution include the importance of source selection, the critical need for strong and engaged executive sponsorship, proper planning, well executed project management and the acceptance of only correct and complete work products.

In 2001, KPMG's report titled "FLAIR Replacement Report-Final" highlighted the following key critical success factors in project execution:

<u>Sponsorship</u>

- Formal commitment from all key stakeholders within the state
- Clearly defined and realistic goals, approach and success criteria
- Appropriate level of resources (i.e. funds and people)
- A mandate to use the new system in all agencies and branches of government statewide

<u>People</u>

- Have experienced, knowledgeable integrators familiar with both the technology chosen and the state's various government entities
- Unified project team that incorporates both external consultants and experienced and empowered state resources
- Building and maintain support in the user community
- Comprehensive change management and user training program

<u>Technology</u>

- Selection of an ERP software package that has demonstrated the capability to meet the functional and technological requirements of the state

<u>Process</u>

- Clearly define and effectively manage project scope
- Strong emphasis on adaptation of state processes to fit the ERP-based best practices rather than

the implementation of customizations to the software
- Effective, rapid and even-handed identification and resolution of issues
- Early focus on interfaces, data conversions, enhancements and reports
- Utilization of an independent project management consultant

The best practices recommended here align with those recommended to the state almost eight years ago. However, executing these ‘best practices’ seems to be the area where the state has experienced the most difficulty. The nature of state governance makes this a significant but not impossible challenge. If success is to be achieved in future projects, fundamental business processes and best practices must be adhered to for significant projects such as those discussed in this report.

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IX. APPENDIX EXHIBITS

Exhibits from Section III, MFMP:

Appendix Exhibit 1
MFMP Contract Costs

Item	Description	Contract Value
Original Contract October 9, 2002	State contract signed for a Web-based e-procurement system from Accenture, LLP. Term: October 9, 2002 to November 8, 2007. (A base compensation of $59.8 million with an opportunity to achieve $92 million before revenue split with state). This contract is funded through a revenue based compensation model using the 1% transaction fee. Contract is currently projected to have a value of $114 million ($106.9 million plus approx. $7 million in change orders) by contract's end	$59.8 to $92 million
Modification #1 June 26, 2003	• Extended the implementation schedule by 2 months • Modification to functional requirements to include DFS Audit functionality	$192,104
Modification #2 September 3, 2003	• Redefines how transaction fees and billing and collection from vendors will occur since FLAIR will not be modified to automatically deduct fees owed from vendor payment • Reduces the auditing performance requirements for MFMP project • Creates a contingency account in the amount of $1,650,000 for modifications made to MFMP	$3,988,128
June 24, 2004	Settlement Agreement between DMS and North Highland	$41,665
Modification #3 June 30, 2005	• Aligns the 1% transaction fees to the vendor with Florida law as defined by Chapter 2005-59. The fees collected from the vendors flows through a state DMS controlled bank account and Accenture is paid by the state once all monthly LBR obligations are satisfied • Establishes the revenue share to be paid to Accenture based on Legislative Budget Commission approval	No recorded cost
Modification #4[40] October 18, 2005	• Extended contract for an additional 3 years. New term is October 9, 2002 to November 7, 2010 predicated on vendor consistently meeting performance metrics. New contract projected total is $114 million (including change orders) for 8-years • Original 13 performance metrics supplemented by new and more stringent metrics with stronger penalties • Base compensation to vendor for original 5-year term lowered to approximately $54 million • DMS and Accenture will jointly 1) use best efforts to review select fee exemptions implemented in the past and consider removal of some portion of those exemptions 2) work to maximize the enforcement of fee collections, and 3) evaluate opportunities for minimizing LBR costs that are covered by the transaction fees	No recorded cost
June 2006	Aspire remediation funding was appropriated (up to $865,000) by the legislature to pay for out of scope efforts by MFMP project team related to Project Aspire. Actual cost was less ($592, 948)	$592,948
Modification #5 July 12, 2007	• Transfer of the hardware running MFMP from a third party data center in Miami to the State Resource Center in Tallahassee • Defines hosting arrangement with Accenture and DMS	$16,018 – paid by 1% transaction fee

[40] Modification No. 4 To The Contract Between Accenture LLP and the Department of Management Services for Web-Based eProcurement System. October 8, 2005

	• Redefines qualifications of a previous Performance Metric	
FY 2007	• Aspire remediation funding was approved by Legislature to pay for out of scope efforts by MFMP project team related to Project Aspire	$865,000
	Primary Vendor, Subcontractors and Consultants	
Accenture	Primary vendor	$114 million
North Highland[41]	Hired as 3rd party monitor. Term: March 6, 2003 to September 5, 2007 for $1.8 million. Contract value increased through contract modifications for additional services not included in original scope of work. Contract ended in July 2006 when the legislature failed to fund the appropriation	$2.3 million
North Highland	Hired to provide consulting / staff augmentation services in support of MFMP (paid by the 1% transaction fee). Original Term: September 1, 2006 – June 30, 2007. Revised Term: September 1, 2006 – June 30, 2008	$483,000

Appendix Exhibit 2
MFMP – Projected versus Actual Go-Live Dates

Task	Projected Go-Live Date	Actual Go-Live Date
State Procurement Portal and Vendor Registration System	January 2003	March 31, 2003
Development Phase End Date	April 2003	June 2003
Pilot Implementation and Deployment Phase Start Date	May 2003	July 1, 2003 (MFMP goes live at two pilot agencies, DMS and DOT)

Appendix Exhibit 3
MFMP Statistics

Current Operational Statistics	
Purchase Orders Created	>470,000
Invoices Created	>640,000
Registered Vendors	>90,000
Minority (MBE) Vendors	>28,000 (approx. 31%)
Total Spend Through System	>$4.1 billion
Total State Users	>13,000
Catalogs Loaded	>830
Customer Inquiries fielded (via help desk- July 2003 to present)	>206,000
*Statistics cumulative from July 2003 to August 31, 2007	

[41] Department of Management Services. Office of Efficient Government MFMP Information Request. October 11, 2007

Exhibits from Section IV, People First:

Appendix Exhibit 4

People First – Projected versus Actual Go-Live Dates

Function	Proposed Go-Live Date	Actual Go-Live Date	Replaced System
Staffing Administration	May 1, 2003	May 5, 2003	JobsDIRECT
Human Resource Administration and Payroll Administration	June 1, 2003	May 21, 2004 through October 29, 2004	COPES_HR COPESview COPESDIRECT TimeDIRECT
Training Administration	September 1, 2003	July 1, 2006	TrainingDIRECT
Benefits Administration	January 1, 2004	January 1, 2005	COPES Insurance

Appendix Exhibit 5

People First Contract Costs

Item	Description	Contract Value
Original Contract August 21, 2002	State signed contract for COPES replacement system with Convergys Customer Management Group, Inc. for 7 years Term: August 21, 2002 – August 20, 2009	$278.6 million
Amendment #1 July 31, 2003	• Modified to use only 2,715 of 8,300 Virtual Center of Excellence (VCE) consulting hours. Monetary equivalent to be used by BAE Systems for performing independent user acceptance testing and other implementation services	$543,000
Amendment #2 December 18, 2003	• Vendor re-credits 2,330 of VCE hours	(credit $465,960)
Amendment #3 December 18, 2003	• Modified to use only 2,330 of 7,463 VCE hours. Monetary equivalent to be used by BAE Systems for performing independent user acceptance testing and other implementation services	$465,960
Amendment #4 January 31, 2004	• Exhibit 1 (4a) - BAE Systems Letter of Understanding • Exhibit 2 (4b) – BAE Systems Contract	$875,000
Amendment #5 July 21, 2004	• Modified to use only 758 of 5,133 VCE hours; monetary equivalent to be used by BAE Systems for performing independent user acceptance testing and other implementation services	$151,600
Amendment #6 July 14, 2004	• Amended contract language “Failure to meet due dates” contract language • Renewed contract for 2 additional years. New Term: 9 years from August 21, 2002 – August 20, 2011. • Updated Exhibit F, Payment Schedule • Service provider offers credit for 2-year renewal (credit $10.3 million) • Service provider offers waiving of fees/costs incurred by Florida (credit $6.7 million) • Change in post implementation fees for months 16-36	$88.3 million
Amendment #7 October 25, 2005	• Modified performance metrics section including: Sections 2.8.2 Performance Credits, 2.8.3. Reporting and 2.8.5. Performance Metrics • Modified Continuous Performance Default section	No recorded cost

Amendment #8 January 24, 2006	• Added administrative services for healthcare savings accounts (HSA's)	$95,000
Amendment # 9 November 17, 2006	• System modifications in order to interface with Aspire	$350,000
	Primary Vendor, Subcontractors & Consultants	
Convergys	Primary vendor	$350 million
Acclaris, LLC	3rd party monitor. Amount paid to vendor includes $185,000 for the project management tool that all DMS funds paid their pro rata share for	$2.5 million
BAE Systems	Provided monthly status reports related to change management. BAE purchased Mevatec in March 2003	$583,574
Brandt Information Systems	Provided professional services analyzing current human resource interfaces and reporting requirements of users	$122,547
Consulting Solutions	Testing and consulting services related to the human resource program. Faulkenberry Consulting Group was paid under Consulting Solutions International	$800,317
Mevatec	Business case analysis; acquisition assistance; later hired by Acclaris LLC to act as subcontractor	$678,495
Navigant Consulting	Investigated potential security breach	$553,336
ThinkCreative	Section 508 Compliance Review. ThinkCreative was paid under Marsiglio & Murphy Design Group	$158,785

Appendix Exhibit 6
People First – Partial Use of People First Modules

Below are agencies that use some, but not all, of the functions of People First:	
Benefits Module Only	**Payroll Administration Module Only**
• Florida Legislature • Florida Board of Bar Examiners • Florida Inland Navigation • Auditor General • State Board of Administration • Tri-Rail • West Coast Inland Navigation • All State Universities *****	• Justice Administrative Commission • State Courts System • Florida A & M University
***** Note: State universities use only the benefits module within the People First system. In 2002, state universities were given the authorization to "devolve" from using State of Florida's information technology systems and given authority to create their own agency specific systems.[42] Today, eleven universities have moved off the state platform for payroll processing. Currently, Florida A & M is the only university still dependent upon state payroll processes.	

[42] Florida Legislature. SB 20E, July 2002

Appendix Exhibit 7

People First Results – Projects versus Actual Savings

Category	Projected	Actual
Cost Savings:	$173 million	$93.5 million by FY10-11
Staff Reduction:	971.5 (full time equivalent position)	862 (full time equivalent position)

Exhibits from Section V, Project Aspire

Appendix Exhibit 8

Project Aspire Contract Costs

Item	Description	Contract Value
Original Contract August 27, 2003	State signed contract for FLAIR replacement system with Bearing Point, Inc for 6 years. Term: August 27, 2003 to October 1, 2009	$68 million
Amendment #1 November 5, 2003	• Requires vendor to provide a $52 million surety bond guaranteeing performance	No recorded cost
Amendment #2 March 5, 2004	• Modified the project rollout plan and schedule	$2,928,281
Amendment #3 May 28, 2004	• Requires vendor to purchase 3rd party software and sublicense it to the department (Mercury Performance Management and Testing product) • Upgrade PS User Productivity/Training kits from version 8.4 to version 8.8 and vendor will obtain a modification to its software license with PeopleSoft in regards to the revised training kits • Purchasing of an additional 700 additional training unit hours	$1,038,425
Amendment #4 December 22, 2004	• Requires vendor to purchase e-Settlement software and first year's annual maintenance fee • Requires vendor will obtain a modification to its software license with PeopleSoft in regards to new software	$34,980
Design Settlement Agreement June 8, 2006	• Payment to the vendor for design changes and re-work activities not contemplated in the original project design that was previously officially accepted by the state project team	$5,422,718
Amendment #5 June 13, 2006	• Lease extension for vendor's rental of facilities • Vendor to provide 1 year's annual maintenance for the e-Settlement software • Vendor agrees to engage Oracle to perform independent confirmation of the results of the installation conducted by vendor regarding installation of Financials, Portal and EPM upgrades • Revised project detail design specifications	$8,122,846.75

	• Update to revised detail design specification • Vendor to provide annual maintenance for 12 developer licenses for one year • Vendor to purchase additional Mercury Performance Management and Testing products	
Amendment #6 October 4, 2006	• Releases existing $52 million dollar bond • Requires vendor to provide $5 million surety bond in replacement • Vendor agrees to transfer ownership of all project artifacts associated with Project Aspire to the department • Vendor agrees to release personnel from non-compete agreements • Vendor agrees to maintain work efforts through December 31, 2006	No recorded cost
	Primary Vendor, Subcontractors & Consultants[43]	Disbursements
Bearing Point, Inc.	Primary vendor	$59.4 million
Consulting Solutions, Inc.	Consultant Services - Technical & Functional	$1,849,280
Docuvantage	Consultant Services - Agency Functional Issues	$210,208
Ernst & Young	Independent Project Monitor	$549,400
Florida State Univ.	State Staff Augmentation - Technical & Functional Teams	$2,476,639
Gartner	Independent Assessment	$455,172
Global Information Services	Consultant Services - Technical	$139,994
Global Knowledge Training, LLC	Consultant Services - Technical	$2,295
IBM Corporation	Consultant Services - Technical & Functional	$466,016
Isocorp, Inc.	Consultant Services - Technical & Functional	$1,895,715
Insight Public Sector, Inc.	Consultant Services - Program Manager Project Activities	$82,800
Integrated Technology	Consultant Services - Functional	$427,069
Infinity Software Development, Inc.	Consultant Services - Functional & Technical	$1,831,390
KPMG LLP	Independent Project Monitor	$226,665
Maximus, Inc.	Independent Project Management for State	$1,942,931
Management of America	Consultant Services - Implementation & Deployment	$2,360,509
Moore Integrated Solutions	Consultant Services - Technical & Functional; Agency Issues	$505,966
Oracle	Independent PeopleSoft software consultant	No Cost
The Presidio Corp.	Consultant Services - Network & Citrix Support	$201,917

[43] Department of Financial Services. Project Aspire-LTD Payments.xls. October 10, 2007

FLAIR's current financial statistics:

Appendix Exhibit 9
FLAIR STATISTICS

Current Operational Statistics (per year)[44]	
Annual State Expenditures	Approximately $71 billion
Average Number of Payrolls Run	376
Average Number of Payroll Adjustments Run	290
W2 and Information Statements Printed	183,405
Cancellation and Adjustment Transactions	78,577
Collection Deductions and Payments	16,775
FLAIR Payment Count	10,676,947
Average Number of 1099 Forms Created	20,200
Average Number of Mainframe Jobs (CA7)	740,114
Number of Records in FLAIR Production on 686 Files	194,286,466
Departmental Accounting Transactions	60,771,657
Number of Rows of Data in the FLAIR IW on 199 Tables:	1,169,538,569

Appendix Exhibit 10
Gartner's Findings on Project Aspire

Finding
On May 17, 2007, Gartner released its final report on Project Aspire where they listed the following key findings:[45]
No. 1 - There is a lack of an executive governance process to provide discipline, executive guidance and decision making. Consequently: • Software has been customized beyond normally accepted limits • Process standardization has not been addressed • Expectations of financial leaders throughout state departments and agencies are not consistent • Project milestones have not been met, resulting in a lack of credibility in the success of the implementation project • A command and control environment (statewide process standardization mandate) was never established for the Aspire project by an executive-level sponsor; this fact has greatly complicated the implementation and has led to requirements definition failures that have gone on to negatively impact subsequent phases of the implementation • System success criteria have not been formally defined, vetted and approved by key stakeholders. No formal metrics for measuring business benefits have been established • The key stakeholders at the senior level within agencies and departments do not appear to be engaged in the implementation, and the ability to operationalize Aspire lacks credibility across the state
No. 2 - There is no statewide ERP vision and strategy • The scope of Project Aspire is limited to financial management within the state; consequently, complex interfaces and product modifications are required to enable end-to-end processing of financial transactions with current systems • High and increasing cost and effort levels are required to develop and maintain integration and different technologies • Project Aspire is dependent on funding of other state initiatives which, if not adequately funded, may

[44] Department of Financial Services. Office of Efficient Government Information Request. September 27, 2007
[45] Gartner. Project Aspire Evaluations – Final Report. May 17, 2007

negatively impact on necessary work being completed for Aspire (e.g., remediation work)
No. 3 - External environment changes may critically affect the long-term viability of the PeopleSoft application for the State of Florida • A comprehensive statewide ERP and Enterprise Architecture strategy would better align the technical solution with business objectives and investment • Unclear and dated mapping of business requirements to the technical solution • Opportunity to follow best practices and reduce customization of the technical solution through BPR. • The PeopleSoft upgrade path (Version 9 or Fusion) may be a better technical solution alternative, in light two primary concerns: Aging of the current software platform Oracle's future product strategy
No. 4 - Project Aspire lacks key success components found in ERP system projects of similar scope, complexity and size • Oversight and governance • Thought leadership • Leverage an Implementation Partner's subject matter expertise • Proven implementation methodology • Established implementation experience with ERP system projects • The Aspire project does not have an experienced PeopleSoft system implementation manager • PeopleSoft technical and functional resources are in high demand within the State; a high risk exists that it will be difficult to retain key resources using existing position classifications
No. 5 - Current funding model is an inhibitor to progress • State legislature has requested Project Aspire team to test the functional modifications in order to determine the value of the current software asset • Recently, the Aspire project management team has focused primarily on system tests, which has resulted in decreased focus on other areas of the implementation, including communications; the messages being communicated have been negatively impacted by the implementation issues and failures during the course of the project • The existing project plan does not address phases following the system test phase; current project planning approach does not mandate that each prior implementation phase is completely finished prior to the next phase being started • Budget uncertainty exists and is dependent on the successful outcome of the system test phase. • The current budget allocation continues to constrain and limit the ability for Project Aspire to adopt a best-practices approach • The current budget only allows for a "keep on the lights" approach; continues the status quo • Limits the ability of the stakeholders address critical and necessary strategic changes • Delays course-correction activities, increasing risk and aging the technical solution
No. 6 - The Aspire project does not have an up-to-date, authoritative project plan and master schedule. • The Aspire implementation team does not have an up-to-date, and relevant, application operational plan that stipulates the number or resources, roles and skill-sets that will be necessary to maintain and enhance the application • Schedules and plans for interrelated projects and agency interfaces have not been integrated with the Aspire master schedule; therefore, it is difficult to coordinate the critical interdependencies
No. 7 - The testing team has consistently failed to meet its internally set milestones. A very high degree of testing failures has occurred because the testing approach does not adhere to best-practice application testing; in fact, many serious deviations have been observed • A lack of completion of code development prior to initiating unit test for many ADMLs (application customizations); this is an extremely serious practice that severely undermines the unit test effort, and the coming system test effort. It is not possible to successfully test code, and all dependent/interfacing code, that is still under development • The current testing team has confirmed that it is not performing both positive and negative testing (tests

are essentially a 'proof of concept' exercise rather than an attempt to 'break the system'). This practice greatly diminishes the value of the entire testing exercise and will in no way enable the Aspire team to understand if it is prepared for a true system test of the application

- The testing team was able to forward only minimal basic testing documentation (such as a testing approach and test scripts) to the Gartner team prior to the unit testing phase. The testing team had indicated that past unit testing did not involve the use of scripts and was therefore ad hoc
- A rushed testing timeline that has forced the testing team to address merely a portion of the developed code; the testing team is seriously considering postponing the upcoming system test phase due to the high level of uncertainty around the unit test phase
- Poor measurement and reporting management—the testing team does not report testing results in a structured manner, causing senior management to receive conflicting messages that are extremely frequent

Exhibit from Section VI, Lessons Learned

Appendix Exhibit 11

Comparison of Projects

Key Questions	MFMP	People First	Aspire
Project Function	Procurement	Human Resource	Finance/Accounting
Vendor	Accenture	Convergys	Bearing Point, Inc.
Current Project Status	On-going	On-going	Suspended
Original Project Cost	$92 million	$287.6 million	Originally $65 million
Revised Project Cost	$114 million	$350 million	$89 million paid to date ($59 million of that reported to be paid to Bearing Point)
Original Project Term (i.e. contract amendments and contract extensions)	5 years; October 9, 2002 to October 8, 2007	7 years; August 21, 2002 to August 20, 2009	6 years; August 27, 2003 to October 1, 2009
Revised Project Term (through contract extension)	8 years; October 9, 2002 to November 7, 2010	9 years; August 21, 2002 to August 20, 2011	N/A
Contract End Date	November 7, 2010	August 20, 2011	N/A
Were additional funds spent to hire subcontractors or consultants in relation to this contract?	Yes	Yes	Yes
Software Application	Ariba	SAP	PeopleSoft
Original Solicitation Method	ITN	ITN	ITN
Was a bid protest threatened or filed during solicitation process?	Yes	Yes	Yes
Performance bond required?	Yes; originally $35 million; now $5 million as provided for in Mod. #2	Yes; $30 million	Yes, originally $52 million; Amend #6 modified bond to $5 million
Was a project specific business case created **PRIOR** to launch of project that justified business decision to proceed with	No; Utilized information from KPMG 1999 ERP	No; Mevatec was hired to prepare a business case/report	Partially; Utilized information from KPMG 1999 ERP

project?	study	but it was not completed until after launch of solicitation.	study and hired KPMG one year later to conduct a follow-up report on FLAIR
Is the current contract in litigation?	No	Yes; in connection with Qui Tam (False Claim Act) litigation concerning the handling of data	No; however the vendor does have a dispute regarding unfunded work that was performed
Was the software customized beyond industry best practice?	Yes	Yes	Yes
Number of customizations?	approx. 400	approx. 200	approx. 250
Was standardization of business process among all agencies a problem in this project?	Yes	Yes	Yes
Did original contract include performance measures?	Yes; later revised further via contract amendment	Yes; later revised further via contract amendment	Yes
Did the project have strong, participatory executive sponsorship by top state leaders?	No	No	No
On-time implementation?	No; however only slightly delayed by a few months	No	No
Was a project management team assigned upon commencement of project?	Yes	No; not until 2005	Yes
Did the project have an effective communication plan in place from inception?	No; developed later in project.	No; more fully developed in 2005	Yes

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