

JUNE 18, 2019

The Financial Information System for California (FI\$Cal)

PRESENTED TO:

Assembly Accountability and Administrative Review, and
Assembly Budget Subcommittee No. 6 on
Budget Process, Oversight and Program Evaluation
Hon. Cottie Petrie-Norris and Hon. Philip Y. Ting, Chairs



LEGISLATIVE ANALYST'S OFFICE

Summary of the FI\$Cal Project

- **The FI\$Cal Project.** FI\$Cal is an information technology (IT) project currently underway by a partnership of control agencies including the Department of Finance, the Department of General Services (DGS), the State Controller's Office (SCO), and the State Treasurer's Office (STO). FI\$Cal replaces the state's aging and decentralized IT financial systems with a new system that will integrate state government processes in the areas of accounting, budgeting, cash management, and procurement.
 - **Most Recently Revised (February 2018) Estimated Cost.** \$918 million total funds (\$493 million General Fund). The California Department of Technology (CDT) is currently reviewing a further change in the estimated cost of the project.
 - **Most Recently Revised (February 2018) Estimated Completion Date.** July 2019. CDT is currently reviewing a further change in the estimated completion date of the project.
- **Anticipated Benefits.** The FI\$Cal project has several anticipated benefits.
 - Eliminates the need for over 2,500 department-specific applications.
 - Enables the state financial systems and workforce to function in an integrated environment.
 - Automates processes that are currently highly manual.
 - Improves tracking of statewide expenditures and standardizes the state's financial practices.
 - Makes information more readily available to the public and the state's business partners.



Project Has Evolved

- ***Changes to Projects Are Reflected in Special Project Reports (SPRs).*** IT projects often change in cost, schedule, and/or scope from what was initially anticipated because of the complexity of such projects. Significant changes to state IT projects are documented and justified in SPRs. The SPRs are prepared by the project and submitted to CDT for review and approval.
- ***FI\$Cal Currently Operating Under SPR 7.*** Since the project began in 2005, it has changed many times in cost, schedule, and/or scope from what was initially anticipated. The FI\$Cal project is currently operating under its seventh SPR, which was approved by CDT in February 2018. We note that an eighth SPR is currently under review by CDT.



Evolution of the FI\$Cal Project Cost, Schedule, and Scope

(In Millions)

Project Plan	Total Estimated Project Cost	Final Implementation Date	Summary of Project Plan
FSR July 2005	\$138	July 2011	The initial IT project was much more modest in scope than the current project. The Budget Information System, as the project was then known, was envisioned to better meet DOF's budget development and administrative needs.
SPR 1 December 2006	\$1,334	June 2015	The administration realized there was a need to modernize and replace the state's entire financial management infrastructure. SPR 1 proposed increasing the scope of the project to include developing a single integrated financial information system for the state. The project would integrate the budgeting, accounting, cash management, and procurement functions of the state. Four partner agencies were identified—DOF, SCO, STO, and DGS—and the project was renamed FI\$Cal. The SPR extended the schedule by four years and increased the cost by nearly \$1.2 billion.
SPR 2 December 2007	\$1,620	June 2017	SPR 2 analyzed advantages and disadvantages of various FI\$Cal alternatives but proposed maintaining the project's expanded scope to integrate the state's financial management processes. The SPR extended the schedule by two years and increased the cost by nearly \$300 million, relative to SPR 1.
SPR 3 November 2009	Unspecified	Unspecified	SPR 3 established the use of a multistage procurement approach. The multistage procurement strategy would assist the project in eliciting more qualified system integrators and more responsive proposals for building the FI\$Cal system. The total cost and schedule for the project was left unspecified. At the conclusion of the procurement, when the software application and vendor would be selected, the project would submit SPR 4.
SPR 4 March 2012	\$617	July 2016	SPR 4 updated the project cost and schedule based on the contract with the selected vendor. The total project cost for the FI\$Cal system was estimated at about \$620 million, about \$1 billion less than estimated in SPR 2. The cost reduction is attributed to (1) updated estimates and (2) the move to a more phased implementation approach that resulted in lower overall project costs through reduced risk to the vendor and lower state staffing costs. The system would be completely implemented in July 2016.
SPR 5 January 2014	\$673	July 2017	SPR 5 made various changes to the project's implementation approach to reflect lessons learned over the two years since the vendor was selected and the development of the system began. The SPR resulted in a 12-month schedule extension and increased the total project cost by \$56 million, relative to SPR 4.
SPR 6 February 2016	\$910	July 2019	SPR 6 made various changes to the project's implementation approach to reflect lessons learned since SPR 5. SPR 6 resulted in a 24-month schedule extension and increased the total project cost by \$237 million, relative to SPR 5.
SPR 7 February 2018	\$918	July 2019	SPR 7 made various changes to the project's implementation approach, the largest of which was an alternative approach to implementing SCO and STO's accounting and cash management functions in FI\$Cal called the "Integrated Solution." SPR 7 did not extend the schedule for project completion, and only increased the total project cost by \$8 million. (Our office highlighted the project end date and total project costs as two areas of concern in our analysis of SPR 7.)

FSR = Feasibility Study Report; IT = information technology; DOF = Department of Finance; SPR = Special Project Report; SCO = State Controller's Office; STO = State Treasurer's Office; and DGS = Department of General Services.



Current Project Plan—SPR 7

- The current project plan—SPR 7—implements the following major changes relative to the previously approved project plan.
 - ***Implements SCO and STO Functions Through “Integrated Solution.”*** To deploy SCO and STO accounting and cash management functions in FI\$Cal, SPR 7 introduces an interim solution called the Integrated Solution. Under the Integrated Solution, SCO will run the FI\$Cal system and its existing legacy accounting systems in tandem. (The plan in previous SPRs was to have SCO fully transition to FI\$Cal at a single point in time.) The Integrated Solution develops interfaces between FI\$Cal and SCO’s legacy systems so that data is entered only once (in either system) but then both systems share the data. This way, each system can perform the accounting and cash management functions for the state.
 - ***Implementation of Integrated Solution Requires Completion of Five Milestones.*** To implement the Integrated Solution, the FI\$Cal project identified five major milestones with a number of functionalities to develop and deploy within each milestone. (A sixth milestone—the eventual closeout of SCO’s legacy system—will take place outside of the project scope.)
 - ***Implements Most Remaining Departments in July 2018.*** SPR 7 also implemented a large number of remaining departments onto FI\$Cal in July 2018. The FI\$Cal project considers any departments not implemented by July 2018 to be outside of project scope. These departments would have to submit their own requests for funding through the budget process to cover the cost of their transition.
 - ***Establishes July 2019 as End Point for Project Completion.*** SPR 7 establishes July 2019 as the project’s end point. The project would end on this date even though some originally planned functions will not be complete and not all originally anticipated departments will have transitioned onto FI\$Cal.



Project Status

- ***Project Delayed in Implementation of Integrated Solution.*** The FI\$Cal project will not be able to implement the Integrated Solution by July 2019. The FI\$Cal project is also continuing to stabilize and support some parts of the Integrated Solution that were deployed, but that contained some functional defects or led to system performance issues.
- ***Project Implemented for Most Departments in July 2018.*** Of the 64 departments that implemented in July 2018, 41 departments fully implemented FI\$Cal. The remaining departments were allowed to use some combination of FI\$Cal and their legacy systems. It is anticipated that most of these departments will stop using their legacy systems and fully transition to FI\$Cal by the end of June 2019.
- ***Continued Challenges Closing Month- and Year-End Financial Statements.*** Departments using FI\$Cal continue to face challenges closing their month- and year-end financial statements on time.
 - At least 15 departments (out of 89 that were implemented by July 2017) submitted estimated (as opposed to actual) financial statements for 2017-18, with a number still unable to close 2017-18 and begin 2018-19.
 - Based on its experience with departments' performance closing their financial statements, FI\$Cal is projecting that at least 45 departments (out of 152 that were implemented by July 2018) will submit estimated year-end financial statements for 2018-19.
- ***Departments Continue to Request Additional Resources to Implement FI\$Cal.*** Departments submitted, and the Legislature approved, at least 12 requests for additional funding and/or staff to implement FI\$Cal through the 2019-20 budget process. A number of similar requests were approved by the Legislature in prior fiscal years. Other arrangements—such as agencies hiring contracted resources on behalf of departments and departments sharing resources—have also been used by departments to implement FI\$Cal.



Project Status

(Continued)

- ***SPR 8 Under Review by CDT.*** CDT is currently reviewing the project's eighth SPR, which will update the cost, schedule, and scope of the project primarily to reflect the delays in the implementation of the Integrated Solution. However, the Legislature did approve a budget request from the Department of FI\$Cal through the 2019-20 budget process to complete the Integrated Solution and assist departments with closing their month- and year-end financial statements. Below is the approved funding from that request.
 - 2019-20: \$31 million total funds (\$17.7 million General Fund).
 - 2020-21: \$24.7 million total funds (\$14.1 million General Fund).
 - 2021-22: \$2.4 million total funds (\$1.4 million General Fund).

