

Project Charter: Financial Services Delivery

Problem Statement

Delaware State Agencies have traditionally operated with significant autonomy. As a result, many administrative and financial service functions are duplicated statewide, resulting in unnecessary expenditures for employee and contactor time, software licenses, and computing service costs. Additionally, financial services which have not been benchmarked against in-kind internal processes, or equivalent private sector processes, are unable to assert they operate with optimal effectiveness and/or at the lowest cost point.

The State no longer routinely utilizes the performance budgeting and strategic planning processes.

Opportunity

The State will reduce overall financial process complexity and total cost of operation (TCO) by adopting an enterprise financial services delivery model for selected financial and Treasury functions common to multiple Agencies.

The Performance Budgeting methodology enables budget decisions to be made about the allocation of limited resources based on the performance of services delivered. The methodology improves the government's capacity to assess competing claims to limited resources within the budget process. Additionally, decision makers are provided with better information about the performance of programs and policies — thereby shifting the terms of debate from inputs, to outcomes and results, i.e. achievements or failures.

The Strategic Planning Process is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization/entity does, and why it does it. The process creates a view of, and set of actions planned for, the future. A formal strategic plan will assist the Governor, Legislature, OMB, agencies and citizens to clearly identify what objectives the agencies will accomplish within a one- to three-year horizon.

With a new administration, and new budgeting system, the time and environment are right to reinstitute performance budgeting and strategic planning. With these two processes reinstated, OMB will be able to take key information from agency strategic plans and develop performance dashboard for the Governor. This information will then be used to evaluate resource requests in the context of actual achievements, and thereby allow the preparation of a data-driven budget recommendation for legislative consideration.

Objectives

The program will seek opportunities to consolidate selected Agency financial functions onto common statewide platforms. As an example, the program will identify legacy financial management systems (e.g., Quick Book applications for tracking grants or agencies using separate financial management systems) and recommend the migration of these business processes into FSF, the statewide financial management system.

The Financial Services Delivery program will encourage Agencies to identify opportunities for process improvement in an effort to eliminate bottlenecks currently slowing transaction approvals, reimbursements and related business processes. By documenting and improving critical processes,

financial transparency will be improved such that the public will more be able to more easily observe and understand how their tax dollars are spent.

In relation to the efforts to improve budget-related processes, the Financial Services program will seek to reinstitute performance budgeting and strategic planning with the intent to use outcome data to make budget decisions about the allocation of limited resources.

Additionally, the program will create legislation to support continuing the authorization for the Office of Management and Budget (OMB) -- in consultation with the co-chairs of the Joint Finance Committee -- to sweep Special Fund balances into the General Fund as a measure to both control agency expenditures and clear out unused and underutilized appropriated balances for further use.

Finally, the program team will:

- Develop a prioritized target list of financial process common across Agencies that, if consolidated, will deliver the highest value to the State through measurable service efficiency and effectiveness improvements, service total cost of operations (TCO) reductions, and reductions to contractor support services
- Develop a benchmarking methodology to measure the current state effectiveness of financial processes common to all Agencies within the program scope
- Oversee the progress of projects driving the consolidation of selected financial processes
- Ensure that appropriate levels of financial controls are maintained or improved

Organization

The Financial Services Delivery program will mirror the program management team structures commonly employed by large scale private-sector enterprises.

- *Steering team* – Provides governance oversight to program. Ensures scope and strategic direction remains aligned with goals. Responsible for resolving inter-agency conflicts and resource needs.
 - James Collins, Chief Information Officer (DTI)
 - Rick Geisenberger, Sec. of Finance, Department of Finance (DOF)
 - Mike Jackson, Dir. of the Office of Management and Budget (OMB)
 - Mike Morton, Controller General (CGO)
 - Ken Simpler, Treasurer (OST)
 - R. Thomas Wagner, Auditor of Accounts (AOA)
- *Project teams* – Responsible for successfully executing all project-level defined actions and delivering expected outcomes.

- Accounts Payable/Treasury Process team
- Budgeting and Planning team
- *Key agency contacts* – Project team members residing in agencies within the defined program scope. Contacts include personnel who are accountable or responsible for the project actions executed within the agencies, agency personnel acting as process consultants, and stakeholders needing to be informed of the project’s progress.

Agencies which have already completed a financial services consolidation journey will be asked to provide resources to consult with the program team ad hoc so that prior implementation strategies, which led to a successful outcomes, may be replicated.

- *External Partners* – Project team members from consulting, IT service, or other private-sector service providers. Includes contacts from other States which may have undertaken the process consolidation journey.

Scope

The initial scope of Financial Service Delivery program will be limited to defining, benchmarking, documenting, and overseeing the execution of project activities focused on the reduction of time, resources, and costs for the following two financial processes:

- Accounts Payable (AP) and Treasury processes
- Performance budgeting and strategic planning processes

Additionally, the team will look at opportunities to encourage the adoption of standard reporting templates in support of key auditing functions.

Vision

At the conclusion of the program, State agencies will agree to use a small set of Accounts Payable and key Treasury processes, well documented, and whose efficiency is governed by the use of well-defined operational metrics. The processes will reside mainly within the FSF and related enterprise systems, as all legacy in-kind IT systems will have been withdrawn from use.

Small to medium sized agencies, after having eliminated internally managed financial services better suited for operation as a shared service, will recognize a proportionally higher operational cost savings.

The reinstatement of performance budgeting and strategic planning process will enable data-driven, fact-based policy and budget decision making. From better information will come better decisions about the allocation of scarce State fiscal resources to programs and projects, which in turn will ensure goods and services are delivered to Delaware’s citizens efficiently and effectively.

Accounts Payable/Treasury project

The Accounts Payable/Treasury project consists of two main activity areas: 1) data gathering through agency interviews / voice-of-customer process, 2) refining the project objectives, 3) detailed project planning, and 4) project execution activities.

Data Gathering

The Accounts Payable/Treasury Process project will:

1. Conduct voice-of-customer (VOC) agency interviews

- a. Identify all in-house applicable financial processes
- b. Determine if each identified process is a manual process, or enabled by an IT system
- c. Estimate the number of procedural steps, and resources required to operate each process
- d. Document number of vendors served and total spend managed by each financial process
- e. Determine whether process is unique with cause or a candidate to migrate to a standard process

Timeline: 4QCY17-1QCY18

Milestone: VOC completed for each agency in target list.

2. Identify the high priority agency processes based on standardized criteria

- a. AP processes with large spend volume necessitating significant accounting overhead to meet federal reporting compliance requirements
- b. Treasury-like processes that are duplicative with those operated by the Office of the State Treasurer (OST)
- c. Financial Processes with known efficiency and/or effectiveness issues
- d. Financial processes jeopardized by current or future staffing issues
- e. Informal and/or undocumented AP or Treasury-like processes

Timing: 4QCY17-1QCY18

Milestone: Publish "heat map" of top financial service consolidation opportunities using three categories of importance, i.e. 1) Business Critical, 2) Priority, 3) Future Consolidation Candidate

Refine Project Objectives

3. Refine project scope, deliverables, time line, and resources estimates based on VOC findings

Timeline: 1QCY18

Milestone: Revised Financial Services Delivery project plan published.

Detailed Project planning

4. Map the current state process for each identified process

Timeline: 1-2QCY18

Milestone: Process maps complete for all Business Critical and Priority opportunities.

5. Develop detailed transition plan for migrating non-enterprise financial processes to FSF or OST Treasury systems

Timeline: 1-2QCY18

Milestone: Migration plan published

6. Define outcome success criteria, and project progress metrics

Timeline: 1QCY18

Milestone: Metrics for project status, completeness

7. Work with agencies to assign personnel and resources to project activities, including external partners if required

Timeline: 1-2QCY18

Milestone: Agency-level projects fully staffed, funded, and outside service providers contracted.

8. Create a legislative package to fund the Financial Service Delivery program if projected costs exceed limits of discretionary budget allocations

Timeline: 2QCY18

Milestone: Legislative package created, reviewed, and included in the December GEAR recommendations report.

Project Execution

9. Execute project plans to migrate Business Critical AP and Treasury financial process to enterprise solutions.

Timeline: 2QCY18-4QCY18

Milestone: 100% Business Critical target migrated to FSF

10. Execute project plans to migrate Important AP and Treasury financial process to enterprise solutions.

Timeline: 2QCY18-4QCY18

Milestone: 100% Business Critical target migrated to FSF

11. Participate in GEAR-supported project management office activity

Performance Budgeting and Strategic Planning Project

1. Establish a dashboard of metrics for goods or services which are major budget drivers

- a. Identify the major budget cost drivers for Delaware's operating budget (education, health/Medicaid, and State employment).
- b. Identify the metrics associated with the cost drivers and the sources of the data for these metrics. Will need for OMB to work with the agencies and their staffs on the collection of this data.
- c. Assemble the performance metrics data into a readable dashboard format for presentation to Executive and Legislative Branch policy and budget process decision makers. This dashboard may also be released to the public (yet to be determined).

Timeline: 2QFY18 – 4QFY18

Milestone: Cost drivers and associated metrics identified and dashboard created and published.

2. Revise the Governmental Accountability Act (29 Del. C. c. 105), a statute that codifies required information to be presented in budget documents prepared by OMB for use by the Joint Finance Committee in the State's budget process. The revision would go beyond specifying what information is to be included in the budget books to addressing how and when that information is to be used in the budget process.

- a. Identify which sections of the current Act can be kept in place and which should be amended or removed.
- b. Confirm existing and identify new types of information that should be included in the Act. The newly created dashboard should be added to this Act.
- c. Identify the approaches, means and methodologies of using the performance data to be specified by the revisions to this Act.

- d. Identify those organizations, positions/roles and persons who are to be using the performance metrics and the selected approach(s), means and methodology(s) in the budget process.
- e. Convene a working group composed of OMB, CGO and other agency members to craft the amended Governmental Accountability Act for legislative sponsorship and gubernatorial approval.

Timeline: 2QFY18 - - 4QFY18

Milestone: Amended Governmental Accountability Act drafted, passed by the Legislature and signed by the Governor.

3. Develop a new strategic planning process that will emphasize the development of meaningful performance targets and metrics that will be used to support performance budgeting.

- a. Review previous State of Delaware strategic planning processes, what can be kept and what needs to be revised or removed?
- b. Review strategic planning process methodologies and formats from other states and from other organizations (e.g., Malcom Baldrige National Quality Award, LEAN, etc.). Which if any of these could best support the purposes for State strategic planning.
- c. Convene a working group composed of OMB, CGO and other agency members to craft the new strategic planning process. Elements to consider include when strategic planning should be undertaken (i.e., is it part of the budget process?), should it be legislatively mandated (if so, what are the incentives to participation or disincentives for noncompliance?), and the extent of stakeholder participation.
- d. Finalize a strategic planning process, communicate the process to State organizations required to undertake the process, and develop resources for assisting State organizations.

Timeline: 3QFY18 – 1QFY19

Milestone: Implementation of a revised strategic planning process and the production of meaningful performance metrics for policy and budget decision making.

4. Implementation of performance budgeting in which performance metrics are used by budget decision makers to allocate the State's scarce resources among competing programs and projects.

- a. Per revised Governmental Accountability Act require State organizations to report performance metrics in their budget requests and to use performance metrics to justify requested enhancements.
- b. Ensure that State staffing resources in State organizations (especially OMB and CGO) have sufficient skill sets and knowledge to analyze performance metrics presented in the budget process.
- c. Use performance metrics when making allocation decisions during the Governor's Recommended Budget and Legislative Mark Up phases of the budget process.

- d. Following budget decision and the implementation of the final budget, monitor State organization performance using the metrics from the dashboard and strategic plans.

Timeline: 1QFY19 – 4QFY19

Milestone: Use of performance metrics is the budget process to make allocation decisions.

Duration

It is expected the Financial Services Delivery program will become a standing team within GEAR, and remain in operation through fiscal years 2018-2020.

Current planning requires the Accounts Payable/Treasury project to commence 4QCY17, and conclude with the migration of all identified Business Critical process by 4QCY18. It is expected that Priority financial processes will be migrated by 3QCY19.

It is anticipated that the Performance Dashboard will be operational by the end of the 2QFY18, the revision to the Governmental Accountability Act passed by the end of the 4QFY18 and the new strategic planning process and performance budgeting process will begin in the 1QFY19 for allocation decisions to be made for Fiscal Year 2020 budget.