Selecting an ERP

The State of Idaho’s approach in selecting an ERP software provider and implementer
Overview

- General Background on Idaho Structure
- Background on the Aging Infrastructure
- Overview of how Idaho began our Modernization Journey
- The legal framework and funding model
- Overview of RFP Process and successes
- Lessons Learned to Date
Idaho’s Current System

- Fiscal & Accounting (STARS), purchased in 1988, implemented 1989-94
- HR Payroll (INSCI), purchased in 1989, implemented 1990-92
- Mainframe Systems - used web based front-end systems to extended life into the 2000’s
- HR System under authority of Division of Human Resources, but maintained under Controller’s system.
- Procurement and Budget separate systems under separate authority.
- Began discussing need for a new system with the Legislature in 2000
2015 Modernization Study - Key Findings:

- Key systems > 30 years old that cannot feasibly be upgraded or updated

- Core systems:
  - Fail to meet many customer requirements, resulting in proliferation of agency and “shadow” systems
  - Lack vendor support and compatibility with newer systems
  - Offer limited integration capabilities, resulting in manual workarounds, inefficiencies, and greater opportunity for error
  - Lack flexibility and scalability required to meet changing business requirements

- Web-based add-ons have reached limits of underlying technology

- Loss of technical and business expertise due to retirements and dated technology

- Transaction-based cost recovery method discourages detailed transactions in STARS
Central Services in Idaho

Constitutionally and Statutorily the State Controller only has authority over Financial and Payroll duties. **Engagement of other key stakeholders was deemed essential to success.**

- **State Controller’s Supervision**
  - Accounting
  - Financial Reporting
  - Payroll
  - Computer Services Center

- **Governor’s Supervision**
  - **Procurement** - Department of Administration
  - **Human Resources / Benefits** - Division of Human Resources
  - **Governor’s Budget** - Division of Financial Management

- **Legislature’s Supervision**
  - **Legislative Budget** - Legislative Services Office
  - **Internal Audit** - Legislative Audit Division
Statewide ERP Initiative was born - but what do we do next?

- Determined scope of ERP to include statewide budget development, finance, payroll, human resources, and procurement.

- Request for Information (RFI), released December 2016
  - Engaged software and implementation vendors.
  - Understand different technology options capabilities, software functionality, and gather information on cost and vendor interest.
  - Where is their investment in public sector? In Development?

- This generated more questions, thought, and decision points:
  - Saas v. Paas v. On Premise technology
  - Single or split procurement (Software & System Implementer)
Preparing for Statewide ERP initiative

- Developed functional requirements and As-is/To-be business processes
  - With assistance from consultants and complex agencies (i.e. IDHW)
- State Controller began personal agency outreach to all 90 State agencies and agency directors
- Created a Leadership Council (Governor, Speaker, Pres. Pro-Tempore, and Controller) to provide top down statewide executive support and sponsorship
- Created a Governance Board to gain stakeholder engagement and support across all agencies and functional disciplines and provide sustainment into the future
  - 10 voting members and 3 advisory - acts as the project steering committee and will provide sustainment into the future across all functional areas
  - Voting Members - five functional areas + large agencies with complex functional needs (i.e. ITD, IDHW)
  - Non-voting Members - ISG Consultant, SCO legal, Legislative Audit
Legislation and Funding

- Worked collaboratively with Governor’s Budget Office (DFM), Legislative Services Office, and members of Joint Finance and Appropriations Committee (JFAC) and Legislative Leadership

- Developed a Funding Model using the funds allocated each year under the State’s SWCAP used to pay for centralized services
  - Project life span of 5 years and needed $102 million
  - Redirected approx. $20.5m per year via indirect cost recovery funds to a fund continuously appropriated to the State Controller

- State Controller’s September 2017 budget submission included a separate budget request to fund the 5 year statewide ERP initiative (Idaho HB 493)
STATEMENT OF PURPOSE

RS25959

This bill provides the funding source and governance model for the State Controller's statewide initiative to modernize the state's business information infrastructure including the accounting, payroll, human resources, budget, and procurement systems. The current system is 30 years old and quickly approaching its end of supportable life, and the estimated replacement cost is approximately $102 million over a projected five-year project timeline. A consistent and secure funding source is created by redirecting the indirect cost recovery funding collected by the Division of Financial Management pursuant to section 67-3531 Idaho Code from the General Fund into a newly created Business Information Infrastructure Fund. Redirecting these funds will not affect the rates paid by state agencies for centralized services. The Business Information Infrastructure Fund is continuously appropriated to the State Controller to procure and implement a modern statewide system under its authority pursuant to section 67-1021, Idaho Code. Any funds remaining after June 30, 2023 will be reverted to the General Fund, and indirect cost recovery funding will resume flowing into the General Fund at that time. To ensure the modernization of the state's business information infrastructure is successful, this bill provides a statewide governance structure led by a council comprised of the Governor, Speaker of the House, President Pro Tempore, and State Controller. This will create statewide sponsorship and support for the initiative and act as the authority to resolve any issues brought to it by the State Controller.

FISCAL NOTE

There will be a General Fund revenue reduction of $18,517,100 in FY 2018 and $20,760,500 in FY 2019. Estimations of General Fund revenue reduction after FY 2019 are not forecasted at this time, but are expected to be similar through FY 2022.

Co-Sponsors
C.L. "Butch" Otter, Governor
Brandon Woolf, State Controller
Senator Shawn Keough
Representative Maxine Bell
Idaho State Controller’s Autonomy Re: Procurement

As a statewide constitutionally elected official, the Idaho Controller is not subject to the state’s procurement statutes and rules.

**Did NOT have to**

- Allow Division of Purchasing to administer RFP selection process
- Follow DOP administrative rules for selection or “lowest responsive bidder”
- Allow for vendor challenge and appeal process under formal administrative hearing procedures

**DID have to**

- Create our own RFP requirements, selection criteria, and evaluation process
- Create our own vendor challenge or appeal process
- Rules for vendor contact and engagement
Idaho’s RFP Process
RFP Development and Strategy

- **SaaS vs. PaaS vs. On-Premise/hybrid - Idaho chose SaaS**
  - Strategic direction should be based on the long-term goals of the state
  - State Expertise vs Vendor-supported infrastructure and software support
  - Industry Investment and Strategic Direction

- **Single vs Split Procurement - Idaho chose**
  - State wanted to understand the software marketplace separate from integrator relationships
  - Select the software that represented the best fit for Idaho's expected future needs
  - Choose a systems integrator best suited to implement the selected software

- **A true “business transformation” project not a Technology Change**
  - Focused on business transformation via the “To-Be” processes that would be enabled by the software and system integration process.
RFP Development and Strategy

Key Actions

- Get State Leadership engaged early and often
  - Created Charter and Guiding Principles
  - Communicate Vision with all involved agencies/stakeholders

- State Evaluation Committee (SEC) Selected by Module Owners
  - Many of the SEC had multiple subject matter expertise
  - Many of the SEC engaged in Requirements gathering & Business Process Redesign
  - Approved by Governance Board
  - Non-Voting Members (OCM lead, Project Manager, RFP Legal)
RFP Development and Strategy

- **Consensus Scoring**
  - 3 Rounds of Scoring
    - Technical Proposal, Oral Presentations, and RFBAFO
    - Individual Assessment then Group Collaboration
    - Iterative not Additive
  - Set Expectations from Leadership early in the process

- **Scoring Rubric for Evaluation Committee**
  - Created in conjunction with SCO leadership & Industry feedback
  - Adjusted by Governance Board & Approved
  - Based on Goals & Objectives for the Statewide Modernization
    - Long-term investment, commitment to standardization and consolidation
RFP Development and Strategy

- **Software Demonstrations/ System Implementor Oral Presentations**
  - Create demonstration scripts following state processes that truly test functionality of the software.
  - System Implementor scripts should aim to ensure every key member of the team actively engages with evaluation committee.
  - Re-evaluate scores contemporaneous after seeing demos and presentations.

- **Terms and Conditions as part of the Evaluation**

- **Cost Proposals**
  - Keep them separate and consider not giving them to the evaluation committee
  - After second round of scoring, RFP Lead open Cost Proposals and provide a calculated cost score, not dollar amounts
RFP Development and Strategy

- Always employ a Best and Final Offer (BAFO) stage
  - Usually only the top 2-3 scoring vendors
  - Seek clarifications of proposals, ask questions, and use as an opportunity to negotiate contract terms

- Governance Board Review and Approval
  - Review and approve the evaluation process and recommendation from evaluation committee of the “Apparent Successful Offeror.”
  - Acceptance and Recommendation sent to State Controller (Lead Sponsor) for approval.
  - Controller’s selection of vendor then publicly released.
RFP Development and Strategy

Key Points from RFP Process

- Evaluation process must be collaborative to achieve change
- Iterative approach allowed Committee to learn and adjust with new information
- No matter how good your questions in the RFP are, vendors will interpret them differently than intended to some degree.
- Provide ability for Vendors to clarify through fair communication strategies
- Debrief with Vendors
  - Systematic and logical decision document (write up) that provides clarity into the evaluation process and scoring of evaluation committee
Lessons Learned ...

1. Establish a governance structure early in the process.
   - Ensure decision makers with proper authority are at the table
   - Representative of statewide authority, funding, and executive sponsorship
     - Include Legislative, Executive, and Functional experts/users
   - Create a charter for governance members to take responsibility for and refer back to it.

“Acquire, implement, and sustain a statewide enterprise system that modernizes and transforms the way the State of Idaho does business, improves transparency, and provides a core foundation for the future.”
Lessons Learned...

2. Ensure representation and broad expertise of functional areas from across the state during requirements building.
   - Request the super-users of the state and complex agency needs to build requirements
   - Have multiple workshops for agency input and review (include all agencies)
   - “As Is” to “To Be” Business Process Maps

3. Assign strong and respected leader(s) with deep understanding of State organizational dynamics that can fully facilitate collaboration during evaluation.
   - Credibility of lead sponsor can overcome difficulties in achieving vision
   - Herding Cats…Respect of the Selection Committee leadership is highly important
Lessons Learned...

4. Engage skilled RFP writers who know public sector needs (i.e. consultants).
   - Accurately capture the needs (requirements) of the state within the construct of the industry best practices
   - Provide insight into industry trends

5. Governance Board should delegate authority to the State Evaluation Committee during the evaluation process.
   - Ideally, a subject matter expert from governance board member’s agency sits on the evaluation committee.
   - Have regular monthly meetings to keep Governance Board members apprised of the evaluation process.
Lessons Learned...

6. Work with legal to include important public sector (state) contract terms and conditions, and assign points to them.
   - Recommend having a streamlined, but fair, administrative challenge/appeal procedure.

7. Full engagement and involvement/collaboration of lead sponsor, program director, legal counsel (RFP lead), and project team.
   - Chief Deputy was evaluation committee chair; legal counsel was RFP lead
   - Additionally, State Project Manager & OCM Manager also attended every session
   - Idaho State Controller was briefed almost daily

8. Have a systematic and logical decision document (write up) to ensure clarity into the process, how the evaluation committee scored, and award was made.
Lessons Learned...

9. Stick to your process, but allow some flexibility to vendors. Be equal in that flexibility.
   - Allow for some structured, but informal, dialog with vendors to allow them to Q&A both before and during the process. Promote understanding and reducing risk.
   - Allow personal/face-time for vendors with evaluation committee and lead agency (Controller’s Office)
   - Provide vendors the opportunity for a personal de-briefing (over the phone is fine)

Understand that procurement activities are extremely complex and time consuming, build in/ensure sufficient time for prospective vendors to respond to your RFP.
Questions......

Josh Whitworth - Chief Deputy Controller
Idaho State Controller’s Office
Phone: (208) 334-3100
Email: jwhitworth@sco.idaho.gov

Brian Benjamin - Deputy Chief of Staff & Counsel
Idaho State Controller’s Office
Phone: (208) 334-3100
Email: bbenjamin@sco.idaho.gov