
MEMORANDUM

TO: CATHERINE BENHAM, CHIEF FISCAL OFFICER, JOINT FISCAL OFFICE

FROM: LISA M GAUVIN, IT CONSULTANT FOR THE JOINT FISCAL OFFICE

SUBJECT: ASSESSMENT OF IT PROJECTS IN FY23 GOVERNOR'S RECOMMENDED BUDGET

DATE: APRIL 20, 2022

Executive summary

The FY23 Governor's Recommended Budget included requests for the following projects:

- Department of Motor Vehicles Core System Modernization (\$20.25 Million)*
- Unemployment Insurance: Phase 2 Mainframe Replacement (\$30 Million)
 - Recommendation: fund with the caveat this project receives a full JFO IT review before implementation contracts are finalized
- Enterprise Resource Planning: Financial Management Module (\$11.8 Million)
 - Recommendation: fund with the caveat this project receives a full JFO IT review before implementation contracts are finalized
- Department of Buildings and General Services: Workplace Information Management System (\$1.8 Million)
 - Recommendation: approve funding
- Department of Public Safety, Division of Fire Safety Records Management System Modernization (\$960 Thousand)
 - Recommendation: approve funding

*Department of Motor Vehicles Core System Modernization project has undergone a full review. This review and recommendation can be found at the following location:

https://ljfo.vermont.gov/assets/Subjects/Independent-Memos-and-Reports-Other/5c23885fd5/DMV_Feb_2022.pdf

Because work on the Unemployment Insurance Mainframe Replacement and Enterprise Resource Planning Financial Management module has not started, there was not enough information to conduct a full review. Instead of a full review, I assessed the project justification, the proposed approach, and cost estimates. As a result of this review, I recommend these two projects, the Unemployment Insurance Mainframe Replacement, and the Enterprise Resource Planning Financial Management Module, be funded, with the caveat that they undergo a full JFO IT review before the implementation contracts are finalized. This review should occur after the proposed vendors are selected and the Agency of Digital Services independent reviews are complete.

The Buildings and General Services: Workplace Information Management Information System project is currently underway. The budget request covers costs the Department of Buildings and General Services

had expected to fund using excess operating dollars, which were not realized. After assessing the current project's status, I recommend the funding for this project be approved.

Department of Public Safety, Division of Fire Safety Records Management System Modernization project is currently in the initiation phase. The cost estimate is based on information gathered using a Request for Information (RFI) process. After a review of the project justification and planned approach using common platforms already in use by the State, I recommend funding for this project be approved.

The detailed findings for all three projects are described below.

Unemployment Insurance modernization: Phase 2 Mainframe Replacement

This project will replace all mainframe processes for the unemployment insurance system. The budget request for this project is \$30 million. The \$3.5 million for the project's first phase was approved in the FY22 budget. Phase 1 includes the implementation of outward-facing claimant and employer portals.

There is a strong justification for this project. The current Vermont Department of Labor unemployment system uses a 50-year-old mainframe and 30 to 40-year-old applications. The proposed approach developed by ADS aligns with the State's priorities of leveraging common platforms and licensing.

The cost estimate for phase 2 was developed using information from a similar unemployment insurance modernization effort in the State of Connecticut. This is a reasonable approach. There are no additional details available to assess this estimate.

I recommend this project be approved, with the requirement of a full JFO IT review and approval by the Joint Information Technology Oversight Committee before the State executes the contract for the mainframe replacement project.

Enterprise Resource Planning: Financial Management Module

The Agency of Administration seeks \$11.8 million to implement the Financial Management module for Vermont's designated Enterprise Resource Planning (ERP) solution, WorkDay. WorkDay is a subscription-based Software-as-a-Service solution hosted by the vendor. This project will also replace the State's current VISION system and legacy financial systems at the VT Department of Transportation (STARS system) and the VT Department of Labor (FARS system). Two other Workday projects, the Human Capital Management module, and the Budget module, have already been funded and are underway by the State of Vermont. Because subscriptions costs go down when purchased in bulk, funding the Financial Management module project at this time will save \$2.5 million in fees.

I believe this project is justified. The State's current financial system (VISION) is approaching its end of life. The approach proposed by the Agency of Digital Services aligns with the State's priorities of leveraging common platforms and licensing. Moving to a software-as-a-service will eliminate the costs of future upgrades, as the software is kept updated several times a year by WorkDay as part of the subscription services.

Although the WorkDay solution is in use in 8 states, most use the Human Capital Management module. I determined that only the Iowa Department of Transportation uses the financial management module in production, but Iowa and Washington are currently implementing the financial management module

statewide. Because these two states are far along in the implementation, and Vermont staff has vetted the Financial Management module, I conclude the risk that this module will not meet Vermont's needs as low.

To estimate costs, the Agency of Digital Services used information from WorkDay projects in the states of Maine and Iowa. In my opinion, the cost estimates might be low for the following reasons:

- Maine implemented the Human Capital Management module, not the Finance Module.
- Vermont is also replacing the STARS and FARS systems; this adds a degree of uncertainty to the estimate.
- The Maine and Iowa projects both used WorkDay as the implementation vendor. The Maine project was on the verge of failure, which Maine attributed to the poor performance of WorkDay's implementation approach. (Note: this is not a reflection of the software but how the WorkDay team approached the implementation.) The State of Washington is currently implementing the WorkDay financial management module at the cost of \$20 million, but they contracted with a third-party implementation vendor (not WorkDay). If Vermont also chooses a third-party implementation vendor to avoid the challenges experienced in Maine, the estimated budget may fall short.

I recommend this project be approved, with the requirement of a full JFO IT review and approval by the Joint Information Technology Oversight Committee before the State executes the implementation contract with the selected vendor.

Buildings and General Services: Workplace Information Management System

This system will allow staff to track space management, capital projects, and building operations. This project is well underway, and the business case is compelling. This system will allow central management to track information currently tracked by local staff via primarily manual processes.

To assess the project's status, I reviewed the most recent status reports and logs tracking issues encountered by the project team. I did not find any abnormalities or concerns. The project has strong leadership who successfully manages problems as they arise, and I do not have any concerns about the current state of this project.

I recommend this project receive funding.

Fire Safety Records Management System Modernization

This system would replace a vendor provided solution first purchased in 1985. The only major upgrade occurred in 2001, to add point and click functionality. In addition to the functionality included in the old system (permitting, inspections, violations, hazards, etc.), the new system will include an online portal, and the ability to manage continuing education. The State plans on leveraging existing platforms already in use by the State for this project. The project will be staffed by experienced Agency of Digital Services personnel and has the full support of the business experts at the Division of Fire Safety.

I recommend this project receive funding.