

MEMORANDUM

To: Chair Kathleen James, House Energy and Digital Infrastructure Committee

From: Commissioner Kendal Smith, Vermont Department of Labor
Secretary Denise Reilly-Hughes, Vermont Agency of Digital Services

Date: April 28, 2026

Subject: FARS/ERP Update

The Vermont Department of Labor (VDOL) operates an accounting system outside of VISION as its accounting system of record. This system is known as the “Financial Accounting and Reporting System” (FARS). We have been allowed to continue using this system to manage our federal awards and reporting requirements, in compliance with the complex and varied regulations that govern each award. VDOL is currently 50% federally funded, and this number fluctuates year by year. Over the past decade, at a high, VDOL’s programs and services were 80% Federal funds, and at a low of 50%.

VDOL has been using FARS for nearly 40 years (FARS was brought online at VDOL in 1987), and we have been semi-exempt from switching to VISION because of FARS’ allocation capabilities. The only time that VDOL uses the State’s VISION system is to reconcile in aggregate (big picture, lump sums) to meet state requirements; this means that FARS excels at applying indirect, overhead, and allocated costs across a multitude of projects based upon office location, time charged to the various awards, floor space usage, etc. The function is required by VDOL’s yearly certified and approved Cost Allocation Plan with the USDOL. These cost-allocation functionalities are what FARS was created for, and at one time, it was considered the ideal cost-allocation program for federal accounting.

However, due to the system’s age and advances in technology, FARS, while still functional, has become increasingly clunky and is nearing the end of its life. It is written in COBOL, which requires specialized expertise to maintain and repair. Only a small number of individuals possess the combined knowledge of COBOL, general accounting, and the nuances of cost allocation needed to understand the system’s functions, why they exist, and how to reconcile outputs when issues arise, ensuring accuracy.

Multiple attempts to gather requirements and modernize or replace FARS have fallen short, largely because the system’s full scope and complexity only became evident during the process. The latest attempt was made in late 2022/early 2023, when BerryDunn's help was used to capture



functions and requirements. About 75% of functionality and requirements were documented; however, the effort was suspended without being fully completed.

The Administration is now undergoing an ERP modernization, replacing VISION/VTHR/Vantage with another system (Workday) that is more in tune with the modern world of government accounting. We are hopeful that FARS will also be replaced at this time and have been actively attending Project Management Team, Project Leadership Team, and Executive Sponsor Committee meetings weekly over the past year.

FARS is old, clunky, and written in an obsolete language. It needs to be replaced as soon as possible. The ERP project has been planned for a July 2028 go-live, and VDOL would not recommend extending beyond that date for replacement, as it would put the FARS system replacement in jeopardy. VDOL's participation in the ERP effort has been critical, and it is recommended that engagement not be reduced. As the project moves from a phased go-live to a single, unified go-live, we anticipate VDOL playing a much more active role in the day-to-day project work.

