

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0139
(916) 319-3600
FAX: (916) 319-3650

Assembly
California Legislature



ASSEMBLY COMMITTEE ON
ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

COTTIE PETRIE-NORRIS, CHAIR
ASSEMBLYMEMBER, SEVENTY-FOURTH DISTRICT

VICE CHAIR
JIM PATTERSON

MEMBERS
AUTUMN R. BURKE
TOM LACKEY
JOSE MEDINA
SHARON QUIRK-SILVA
CHRISTY SMITH

JOINT OVERSIGHT HEARING
Accountability and Administrative Review
Budget Subcommittee No. 6 on Budget Process, Oversight and Program Evaluation

AGENDA
Wednesday, June 19, 2019
10:30 a.m. State Capitol, Room 437

Update on FISCAL Implementation

Panel 1: Implementation Update and Next Steps

Miriam Barcellona Ingenito, Director, Department of FISCAL
Brian Metzker, Fiscal & Policy Analyst, Legislative Analyst's Office
George Lolas, Chief Operating Officer, State Controller's Office (SCO)
Richard Gillihan, Chief Operating Officer, Department of Finance (DOF)
Francisco Lujano, Branch Chief, California Department of Technology

Panel 2: State Accounting and Oversight

Richard Gillihan, Chief Operating Officer, DOF
George Lolas, Chief Operating Officer, SCO

Public Comment



ASSEMBLY COMMITTEE ON
ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

COTTIE PETRIE-NORRIS, CHAIR
ASSEMBLYMEMBER, SEVENTY-FOURTH DISTRICT

VICE CHAIR
JIM PATTERSON

MEMBERS
AUTUMN R. BURKE
TOM LACKEY
JOSE MEDINA
SHARON QUIRK-SILVA
CHRISTY SMITH

JOINT OVERSIGHT HEARING
Accountability and Administrative Review
Budget Subcommittee No. 6 on Budget Process, Oversight and Program Evaluation

Wednesday, June 19, 2019
10:30 a.m. State Capitol, Room 437

Update on FISCAL Implementation

About FISCAL

The Financial Information System for California (FISCAL) is California's statewide accounting, budget, cash management and procurement information technology system. The State Controller (SCO), the State Treasurer (STO), and the directors of the departments of Finance (DOF) and General Services (DGS) signed a memorandum of understanding in 2007 to formalize the cooperative partnership to support the development of the FISCAL system. In July 2016, FISCAL was formally recognized as a new department that implements, maintains and operates the FISCAL system. The estimated cost of the project is more than \$900 million.

Departments have onboarded to FISCAL in waves beginning about six years ago. Approximately 150 state entities and more than 20,000 people use the system. Accounting for departments, procurement, and budget functions are in place. More than 98,000 suppliers are registered in FISCAL's procurement system and the Governor's Budget has been produced by FISCAL for the past three budget cycles.

Project Governance

The Steering Committee, which includes leaders from DOF, SCO, DGS, STO, California Department of Technology (CDT) and the chair of the Customer Impact Committee, provides governance for the FISCAL project. Key roles and responsibilities of the Steering Committee are to:

- Provide statewide leadership and support for the project
- Establish project goals and priorities

- Participate in coordination and allocation of departmental and project resources
- Review and approve actions by the Change Control Board
- Support the project by communicating the vision externally from the project and working to reduce barriers and mitigating risk
- Facilitate the interdepartmental collaboration of a statewide system
- Provide risk and issue resolution across agencies
- Participate in the identification of issues that have statewide impact and require the Enterprise Leadership Council's review
- Provide advice regarding consistency with statewide strategies, direction and policies
- Adhere to the FI\$Cal Steering Committee Principles as adopted by the membership

As noted above, the Steering Committee includes the chair of the Customer Impact Committee (CIC). The CIC is composed of state entities using FI\$Cal. It provides a mechanism for departments and agencies to express their views to the FI\$Cal team and to provide input to the Steering Committee about their needs.

Project Oversight

Various oversight mechanisms are in place for the FI\$Cal project. State law requires the California State Auditor to independently monitor FI\$Cal and to report at least annually on the project. The FI\$Cal Department also contracts with a consultant for Independent Verification and Validation, which provides oversight of the technical aspects related to the information technology system's products and processes. Additionally, CDT provides Independent Project Oversight (IPO).

The IPO entails an independent review of FI\$Cal to determine if it is on track to be completed on schedule and within budget, and whether it will achieve the project objectives. As part of this review, CDT routinely reports on issues of concern that it has identified, shares lessons learned from other projects, and recommends risk mitigation and issue resolution strategies.

Nevertheless, over time, FI\$Cal has changed in scope or deviated from the schedule and/or cost that was established during the approval process. These changes are documented and justified in Special Project Reports (SPRs) that are submitted to CDT for its review and approval. CDT's approval of an SPR constitutes a new agreement between FI\$Cal and CDT. This process resets the scope, schedule, and cost from which the project's progress and performance are assessed. FI\$Cal is currently operating under SPR 7. The most recent Independent Project Oversight Report on FI\$Cal was issued by CDT in April 2019.

Next Steps

While many functions of the system are in place and most large state entities are using FI\$Cal, additional functionality is still pending. One major remaining element is the book of record conversion for overall state government financial reporting. The FI\$Cal Department is working with the SCO and STO on an integrated solution to synchronize FI\$Cal with the SCO's legacy

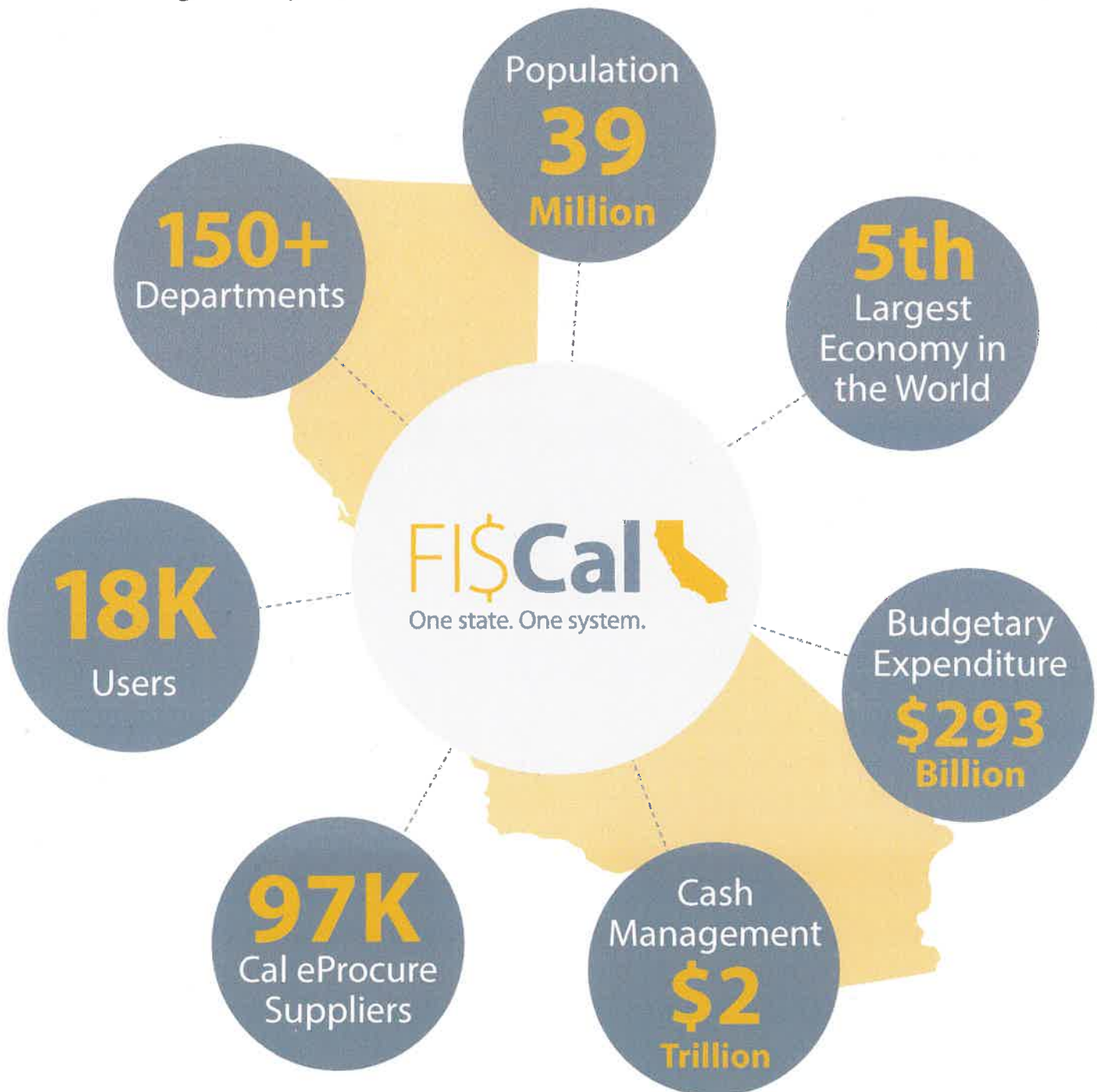
systems to allow both to function at the same time. The goal is to ensure accuracy of financial reporting before fully switching from SCO's legacy system to FI\$Cal.

The integrated solution is intended to have the capability to produce the state's Comprehensive Annual Financial Report (CAFR), which contains the state's audited financial statements, in 2020. The first CAFR produced from the FI\$Cal system is scheduled to be published in 2022. This represents a one-year delay from earlier plans.

Key Questions and Areas for Discussion

- 1) What is the current status of FI\$Cal? What functions are active and which are still pending?
- 2) Describe FI\$Cal's major challenges over the last year. In what areas have there been improvements? How were they made? What issues still remain? What lessons have been learned and how does this inform future plans?
- 3) What does FI\$Cal's future look like?
- 4) What are the benefits and drawbacks to standardizing accounting practices, through the use of FI\$Cal, across state departments?
- 5) Are current state policies and procedures providing the right amount of detail for state financial information and oversight?
- 6) How can the Legislature ensure that state accounting practices and reports are evolving to provide transparency and effective oversight of State entities?

The FI\$Cal system is one of the largest and most dynamic IT undertakings in California's history. It eliminates the need for hundreds of independent legacy systems by combining the state's accounting, budgeting, cash management, and procurement operations into a single financial management system.



California's State Controller's Office (SCO) and State Treasurer's Office (STO) control functions are essential to maintaining an accurate Book of Record for state government finances.

FI\$Cal worked with SCO and STO on an integrated solution that will synchronize the FI\$Cal system with SCO legacy systems and bring cash management functionality into FI\$Cal. By July 2019, the use of temporary interfaces will allow for replication of the ledger without duplicate work for department users. Following July 2019, the FI\$Cal system will run in tandem with legacy systems, will have the necessary data and functionality to complete the Comprehensive Annual Financial Report, and will produce a statewide ledger.

Book of Record conversion began in July 2018 and will continue through July 2019 on the following milestone schedule:

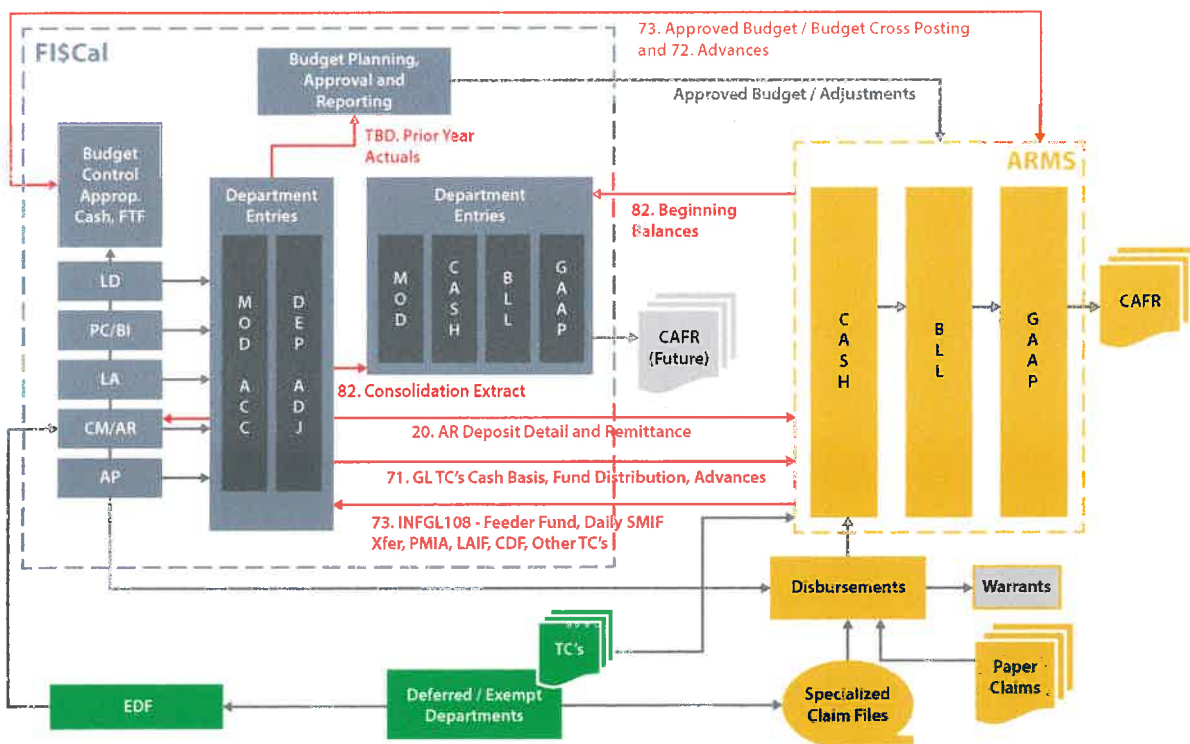
Milestone 1 – Deploy SCO security features required for Integrated Solution and Appropriation Ledger Conversion for STO go live. July 2018

Milestone 2 – Deploy STO Operations and Bank Integration. October 2018

Milestone 3 – Deploy Integrated Solution that builds FI\$Cal System to Legacy system interfaces and Legacy to FI\$Cal System interfaces. November 2018 – March 2019

Milestone 4 – Deal Management and SCO Ledger Conversion July 2019

Milestone 5 – Implementation of statewide financial reporting functionality, bond accounting and loan accounting. The Comprehensive Annual Financial Report will be generated using data from the FI\$Cal System. July 2019 – July 2020



Special Project Report (SPR) 8 for the Financial Information System for California (FI\$Cal) updates the schedule for the final piece of project implementation, the State Controller's Office (SCO) Integrated Solution.

The integrated solution uses interfaces to enable complete transaction integration and reconciliation between FI\$Cal and the SCO legacy system which contains the state's book of record.

Schedule:

- In late March 2019, the FI\$Cal Steering Committee approved extending the project schedule by one year.
- When the integrated solution is complete in 2020, the system will have the functionality to produce the Comprehensive Annual Financial Report. (CAFR)
- The first CAFR produced from the FI\$Cal system will publish in 2022.

Cost

- The decision to delay the schedule for one year results in the mandatory display of an additional year of M&O costs. The true increase in Project costs is \$6M.

Total Costs From Inception (\$ in millions)	
One-Time Project Costs	\$ 575.7
Continuing Departmental Costs	\$ 505.0
Total	\$ 1,080.7

Fiscal Year	19/20	20/21
One-Time Project Costs*	\$ 19.9	\$ -
Continuing Departmental Costs	\$ 111.9	\$ 118.4
Total	\$ 131.8	\$ 118.4

*of the \$19.9M shown in Project Costs, only \$6M is new, \$13.9M was already included in SPR 7's Total Costs.

Benefits:

- The additional timeline will help FI\$Cal stabilize functionality that is already in production and provide time for testing and feedback on new releases before they go live.
- FI\$Cal is a true accounting system that requires significant user training, as well as expertise in accounting concepts. This is a fundamental shift for many state departments and their employees. FI\$Cal will be able to provide new training environments and in-person help.
- There are some processes that require more detail, take additional steps, or will continue to take more time until the final piece of the system is complete. SPR 8 sets a realistic project schedule for system completion.

To date, the focus has been on integrating the functions of our four control agencies Department of Finance, Department of General Services, State Treasurer's Office and the State Controller's Office, onboarding 152 state entities, and standardizing business processes across the state. The Department of FISCAl (FISCAl) is now shifting its primary focus to improving the day to day experience for our end users.

Budget Request:

- FISCAl requests funding of \$31 million (\$17.7 million General Fund [GF]) in 2019-20, \$24.7 million (\$14.1 million GF) in 2020-21, and \$2.4 million (\$1.4 million GF) in 2021-22. These resources will enable FISCAl to offer additional departmental training and support that are outside FISCAl's current scope.
- FISCAl requests \$6 million GF in 2019-20 for additional resources that will enable the project to complete the remaining State Controller's planned cash management functionality and Comprehensive Annual Financial Report (CAFR).

Justification:

- We now have 152 state entities transacting in the System and 64 departments completing year-end close activities for the first time during 2018-19. This request will provide enhanced support for month-end close/year-end close activities as well as helping departments utilize the System as a whole. This is one time in nature, because the skill set for end users is still developing and we have learned that the learning curve is about 3 years.
- These resources will help to develop timely mission critical reports for end-users, additional self-service tools, and customer relationship management tools for FI\$Cal to better identify issues for speedy resolution.
- This request will allow improvements to the system with artificial intelligence, training and testing environments, better reporting capabilities and enhancements.
- This request will provide funding to complete the final SCO Milestones of the Project.

Goals and Measuring Success:

- Provide enough support for every end-user and client departments to close month-end and year end activities using the FI\$Cal System no later than October 2
- Resolve 90% of all service requests in five days or less
- Enhance system training for departments and provide more testing (opportunities) environments
- Improve overall System Performance
- Complete the remaining SCO Milestones by July 2020.