

Legislative Directive

SECTION 7.1.(b) Funds appropriated to the Information Technology Fund for enterprise resource planning (ERP) shall be used by the State Chief Information Officer, in conjunction with the North Carolina Government Efficiency and Reform Initiative (NC GEAR) and the State Controller, to develop a strategic implementation plan for a statewide ERP. By December 15, 2014, the State Chief Information Officer shall submit the plan to the Joint Legislative Oversight Committee on Information Technology. At a minimum, the plan shall address all of the following:

1. Project management
2. Project scope
3. Specific project requirements
4. Timeline
5. Cost by State fiscal year
6. Potential funding sources
7. Quality control
8. Change management
9. Risks associated with the project
10. Stakeholder management

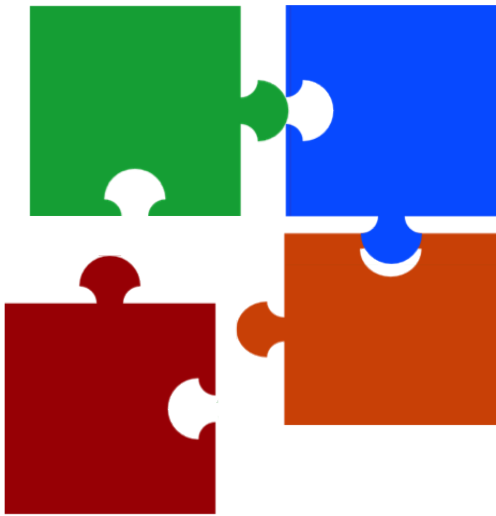


Enterprise Resource Planning

*to Improve Effectiveness, Efficiency
and Citizen Satisfaction*

Introduction:

Managing the business of State government in North Carolina is a \$50 billion operation. Efficiency is critical to managing a business of this size. In 2013, the Governor launched North Carolina Government Efficiency and Reform (NC GEAR), a program focused on efficiency across State government. This program examined the State's current business operations, including business processes and information systems. An Enterprise Resource Planning (ERP) system integrates processes and functions across an organization to effectively manage operations and consolidate information. Implementing an ERP system can improve effectiveness and efficiency of government operations by:



- Enabling multiple, cross-organizational teams and divisions to operate as a single, cohesive unit
- Increasing the consistency and accuracy of information shared by agencies
- Enabling effective objective setting and monitoring progress
- Automating and streamlining many of the important day-to-day tasks, allowing staff to focus on higher-value activities
- Improving responsiveness to shifts in the market, emerging strategies, and changing customer demands

Current Landscape:

The State currently manages its core financial operations on a 30 year-old legacy system and is unable to modernize financial capabilities. Additionally, business operations across State agencies are disjointed and do not interact with each other well.

- Thousands of different processes and systems are used to run State government
- Activities involve numerous workflows and procedures; many manual and some automated
- Hundreds of agency and departmental specific applications and databases handle similar functions

Collecting data from these disparate systems to provide accurate and consistent information is a highly manual and challenging process. However, collection of this data is required for the State's Comprehensive Annual Financial Report. Delays could put the State at risk of losing its AAA bond rating and increase its cost to borrow. These complex processes make it difficult to provide the Governor and the General Assembly with timely and accurate information to support effective decision making.

Planning Approach:

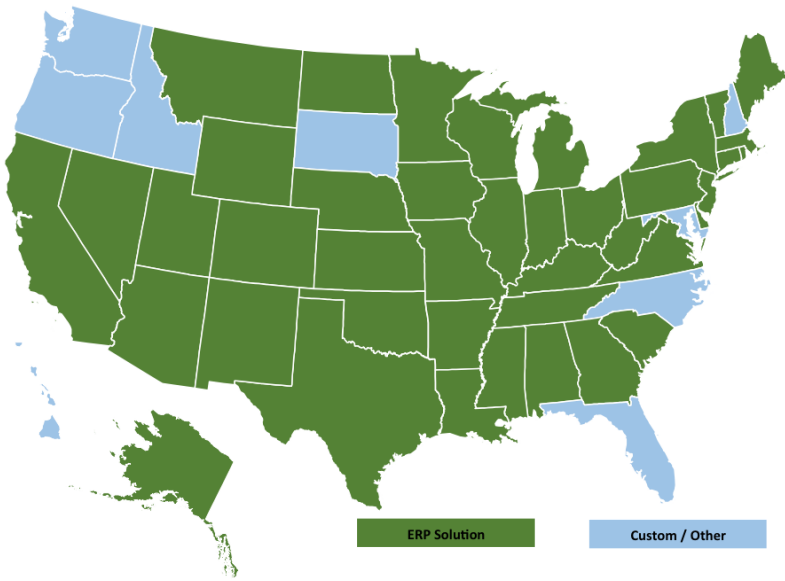
In 2014, the General Assembly directed the State Chief Information Officer (SCIO) to work with the NC GEAR initiative and collaborate with the State Controller and State Budget Director to develop a plan for a statewide ERP solution. To generate a budgetary estimate, the assessment assumed an expansion of the State's existing SAP platforms. To ensure the necessary business inputs, global consultancy Deloitte collaborated with representatives from many of the 26 agencies that use the current legacy financial system on the following business functions:

- | | | |
|-------------------|---------------------|--------------------------------|
| • Finance | • Asset Management | • Inventory Management |
| • Budget | • Fleet Management | • Procurement |
| • Human Resources | • Grants Management | • Data Analytics and Reporting |

Transforming State Operations:

North Carolina is one of the few states that has not yet moved to an integrated ERP solution to support the State's financial and administrative management needs. The State operates multiple, independent systems across agencies to manage essential business functions like Finance and Human Resources. These systems, and the people who operate them, were not designed or built to work together. Implementing an ERP system is a business transformation project that is enabled through technology and requires a full commitment from leadership. By integrating core business functions the state will be able to:

- Standardize processes and access to information across organizational boundaries
- Consolidate to a grants management system
- Track full lifecycle of an asset
- Manage inventory across the enterprise
- Centrally manage fleet
- Integrate HR with ERP financial system



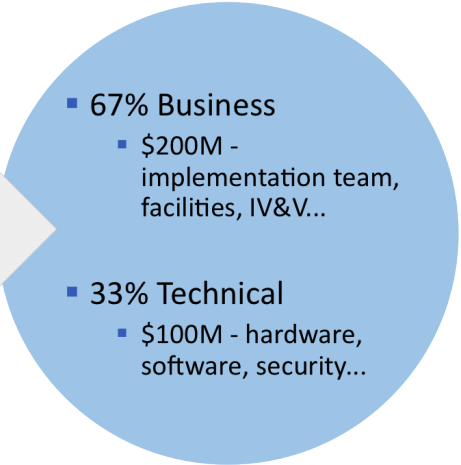
Budgetary Estimates:

Deploying an ERP system is a significant undertaking and requires commitment that will span across multiple administrations. Based on information collected through the planning process, the implementation of a

statewide ERP solution is expected to take at least seven years from the time the budget is approved. The funding requirement is estimated at \$301M and includes 3rd-party assistance, dedicated State business staff, facilities and infrastructure required for a successful deployment.

- **7 years**
 - from approved budget
 - 3 years for core financials
- **\$301 Million**
 - \$50.4 next Biennium
 - Average \$97.2 following biennia

Note: Percentages and biennia numbers are approximate values.



Next Steps:

With support from the General Assembly and the Administration, the next steps toward realizing benefits of a statewide ERP solution are:

- Secure agreement from the Administration and General Assembly to adequately fund an ERP
- Establish a new governance structure
- Establish a business transformation office
- Write an RFP for an Independent Verification & Validation (IV & V) vendor
- Conduct inventory and document existing business processes across organizational boundaries