

Item 26



Travis County Commissioners Court Agenda Request

Meeting Date: May 7, 2013

Elected/Appointed Official: Nicki Riley, County Auditor *NR*

County Executive: Leslie Browder, Planning and Budget *LB*

Sponsoring Court Members: County Judge Samuel T. Biscoe

AGENDA LANGUAGE:

Update on SAP (BEFIT) Project Budget and Modules.

BACKGROUND/SUMMARY OF REQUEST: See attached memorandum.

STAFF RECOMMENDATIONS: See attached memorandum.

ATTACHMENTS/EXHIBITS:

Memorandum – Update on SAP (BEFIT) Project Budget and Modules

REQUIRED AUTHORIZATIONS:

N/A



MEMORANDUM

To: Commissioners Court

From: Nicki Riley, County Auditor *NR*
 Leslie Browder, County Executive, Planning and Budget *LB*

Re: Update on SAP (BEFIT) Project Budget and Modules

Date: April 30, 2013

On February 5, 2013, the Commissioners Court received an update on the County's new SAP financial system known as Project BEFIT (Better Enterprise Financial Information for Travis County). The update included information about additional modules that were contemplated during the initial planning and budgeting for the project. During the discussion with the Commissioners Court, it was requested that the project sponsors return to provide a synopsis of each module, including future recommended actions for the Commissioners Court to consider. The purpose of this memo is to provide information about each module that was planned and budgeted separately from the core system, Phase I (Financial Management and Purchasing) and Phase II (Human Capital Management, Employee Self Service and Time Management).

Current Capital Budget

The following table summarizes the capital budget information related to the additional BEFIT modules that was presented in February:

Module	Capital Budget Certificates of Obligation Funding			Recommendation
	Planned	Expended	Balance	
Budget Preparation	\$944,000	\$184,275	\$759,725	Implementation scheduled to begin next year. Cost estimates expected to exceed current budget but available balances from other modules may be used.
Cash, Investment & Debt Management	741,198	11,057	730,141	Implementation not likely to occur in the near future. Much functionality already present in existing systems. Release balance to be used for implementation of other modules.

Capital Budget (continued)Certificates of Obligation Funding				
Module	Planned	Expended	Balance	Recommendation
Cost Accounting	632,840	0	632,840	Potential pilot could occur over next 2-3 years. Release balance to be used for implementation of other higher priority modules that need to be implemented sooner.
Fleet Management	515,318	0	515,318	Reassign funding for SAP fleet module to implement a preferred standalone system, FleetFocus.
Governance, Risk & Compliance	703,720	0	703,720	More cost effective solution found. Release balance.
Inventory Management	599,818	0	599,818	Use portion of available funding for lower cost pilot to determine if usage should be further expanded beyond Health & Human Services. Hold budgeted funds for now.
Contingency	221,810	0	221,810	Hold balance as contingency until projects have been completed.
Total Additional Modules	\$4,358,704	\$195,332	\$4,163,372	
Phases I & II	19,942,820	19,452,412	490,408	Hold balance for closeout, upgrades and other related needs.
Grand Total	\$24,301,524	\$19,647,744	\$4,653,780	

Current General Fund Budget

The BEFIT project has one-time funding of \$454,574 in the Fiscal Year 2013 General Fund budget related to the additional modules. While \$42,973 has been expended, the remainder has not been used pending recommendations regarding future SAP modules. The County Auditor’s Office recently returned \$63,031 to the General Fund Allocated Reserve because it is anticipated that it will not be needed by the end of the year for either Phase I or II. Any additional funds remaining at the end of the year will simply revert to the General Fund ending balance.

The Planning and Budget Office will work with the Auditor’s Office to recommend funding for the 2014 General Fund budget to provide the resources needed for planned implementation and ongoing support. The Transportation and Natural Resources (TNR) department has submitted a request for associated General Fund costs for the new fleet system as part of the 2014 budget development process. TNR staff indicated to the

Commissioners Court that the existing capital budget of \$515,318, together with internal staff resources, is expected to be sufficient for capital expenditures. TNR has submitted an operating budget request for 2014 in the amount of \$56,000 that will cover training and software maintenance related to the new system.

Budget Preparation Module

The budget preparation module is a key component of the transition of the County's budget and financial information from the legacy HTE system to a new integrated enterprise resource planning solution. The new SAP budgeting module will allow departmental budget staff to submit target budgets and budget requests, as well as other related forms, directly to the Planning and Budget Office through an integrated web interface. The new budget module is expected to accommodate more complex compensation calculations and allocations through linkage to personnel data. The module will also have the capability to provide more automated budget publication capability using a related software package. In summary, the budget module will present a custom and unified interface for creating the upcoming year's budget and modifying the current year's budget.

While it was planned that implementation of the budget module would begin shortly after Phase II was completed, system upgrades that are required for the new software need to be completed this summer, and the BEFIT team needs a break from the fast pace and long hours associated with the core implementation. The revised schedule moves the implementation back by one budget cycle and is now anticipated to be fully functional to prepare the Fiscal Year 2016 budget. This revised schedule will also give County staff more time to become comfortable utilizing the core SAP system.

Recommendation:

Funding designated for budget implementation is \$944,000. \$184,275 was expended for the software itself, which was purchased in 2012 at a 90% discount based on contract guarantees. The remaining \$759,725 is not expected to be sufficient for implementation costs. The balance needed can be funded from savings and/or funding that is recommended for release from other additional modules within the overall BEFIT capital project. Staff will return to the Commissioners Court as part of the 2014 budget process with more refined cost estimates, as well as an internal staffing plan, for implementation of this module.

Cash, Investment & Debt Management Module

This SAP module was intended to support cash/investment and debt management activities. LSI representatives have previously outlined the potential benefits and functionality associated with the implementation of this module in a PowerPoint presentation, and the SAP licenses have been acquired at a deeply discounted price to enable implementation at a future date. It is expected to be at least two to three years before adequate BEFIT staffing resources become available to fully implement this module. A cost benefit analysis will need to be completed, after seeing a demonstration of the product in action, to ensure that the functionality provided outweighs what is present in the current cash and investment management software applications currently

in use. Debt-related transactional and analytical activities could be improved through automation that is expected to be available in this module.

Recommendation:

The balance of funding designated for this implementation is \$730,141. Since it is not anticipated that this will occur in the next two to three years, any associated funds may be reallocated to higher priority modules.

Cost Accounting Module

The cost accounting module was envisioned to assist departments with a tool to better assess the cost of providing County services, and to assist management regarding effective use of available resources. TNR management has expressed the most interest in gaining this functionality, but they recognize that the internal resources needed to implement such a system will likely be focused on ensuring the success of a new fleet system in 2014.

Recommendation:

The amount of funding designated for this implementation is \$632,840. This module can be revisited after the fleet system has been fully implemented. Any associated funding may be recommended for reallocation towards the implementation of higher priority modules, such as the budget system, as part of the 2014 budget process.

Fleet Management

HTE has a fleet module that is still in use by TNR staff. Since this module is part of HTE, the initial plan called for SAP fleet management to be part of the BEFIT implementation. After discussion with TNR staff regarding business needs and system requirements, the decision was made that fleet management should not be part of the core financial implementation (Phase I). During the fall of 2012, TNR staff evaluated the SAP fleet management module and found that the integration benefits did not outweigh the benefits offered by a standalone fleet-specific system. TNR recommended, and the Commissioners Court approved the future purchase of a fleet information management system, FleetFocus, which is available from AssetWorks.

Outstanding Issues:

TNR management informed the Court that FleetFocus will be expected to interface with SAP. It is currently unclear if this is feasible, but initial discussions with AssetWorks appear promising. TNR staff is working to more clearly define interface requirements and will continue to work with the appropriate parties to ensure that any issues are addressed during the early planning stages. The integration that must be in place for audit purposes must keep each vehicle in the fleet management system linked to a specific record in the SAP asset management system. A vehicle should never exist in the fleet management system without an accompanying record with the same status in the SAP asset management system. This integration existed within HTE for over twenty years and an interface was built as part of the Phase 1 SAP implementation to keep this integration in place with the HTE fleet module. The new fleet system from AssetWorks must include this same type of interface. At a minimum, the information that needs to be maintained in the fleet management system, and consistent with data from the asset

management system, is: equipment number, asset number, vehicle identification number, tag number, cost center, and status.

Recommendation:

The Planning and Budget Office and the County Auditor's Office recommend that the existing funding of \$515,318 be allocated for the implementation of the FleetFocus system. This existing funding should also include the cost of developing the basic interface, and the feasibility of achieving the interface should be thoroughly researched upfront. Any savings after implementation could be released for other eligible system costs. TNR staff will be responsible for managing the FleetFocus implementation, and will coordinate with the BEFIT team and Information Technology Services as needed during planning and execution.

Governance, Risk & Compliance Module

The Governance, Risk and Compliance module in SAP has the ability to provide preventive, real-time access to risk and compliance objectives within the financial system. At the time that SAP was purchased, this functionality was very appealing to the Auditor's Office, as it could possibly enhance and monitor internal controls within the financial system. Currently, the Auditor's Office is in the process of purchasing audit software that contains extensive risk management functionality that would be redundant with the SAP module, and is also more cost effective. The Auditor's Office is also reviewing data analytics software that would obtain data files directly from the SAP financial system. This would allow for real-time auditing of many SAP functions, eliminating another need for this module.

Recommendation:

The Governance, Risk and Compliance module should not be implemented. This will release \$703,720 that could be reallocated within the BEFIT project for other costs, such as the additional funding expected to be needed for the budget module or other improvements related to the procurement function.

Inventory Management Module

The need for an inventory system for consumables was identified during the requirements gathering process for a new financial system, although the extent of the need could not be fully researched at that time. Nevertheless, vendors responding to the financial system RFP were asked to include the cost of a typical inventory system implementation with the understanding that it might proceed after the core system was in place. During the RFP process, Health and Human Services (HHS) was the department most strongly expressing the need for an inventory system for its weatherization program. After contacting other County offices/departments maintaining inventories of consumables, none expressed strong interest in an inventory system integrated with the procurement and financial system.

Outstanding Issues:

HHS has indicated that they may need additional one-time General Fund resources for this project, probably funding for temporary staffing to help manage workload during implementation.

Recommendation:

The amount of funding designated for this implementation is \$599,818. Limiting inventory management to a pilot for the weatherization program could be accomplished at a lower cost than the current budget. If successful, the possibility of expanding to other areas could be explored after the learning curve has been surmounted. Any resulting savings would not be released until the pilot is fully implemented and a decision is made regarding whether the County should further expand its use of the inventory module.

The current understanding between the Auditor's Office and HHS is that the BEFIT team will provide the technical SAP knowledge during implementation, while HHS will need to have resources available to define business requirements and to assist with testing. Implementation is tentatively expected to begin in the fall of 2013 or early calendar year 2014.

Contingency

All contingency funds will be held for implementation of any additional modules that are proceeding and could potentially be used for the budget module, which is anticipated to cost more than the funding current allocated in the capital budget.

Phases I & II Closeout:

There are several outstanding issues that are currently being addressed. These include:

- SAP application upgrade underway
- Concurrent implementation of new procurement functionality (available as part of SAP application upgrade)
- Implementation of new functionality for invoice management
- Implementation of interface with County's online recruitment system (NeoGov)
- Implementation of vendor and contractor interface with County's electronic bid system BidSync

The remaining funds for Phases I and II total \$490,408. These funds should be kept in place for the purposes listed above. These funds may also need to be used for additional hardware to improve the performance of the reporting system. If additional funds are needed to fully execute Phases I and II, the BEFIT team would need to tap a portion of the budgets for the additional modules outlined previously that are not expected to be fully implemented in the near future.

xc: Tanya Acevedo, Information Technology Services
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