

PROJECT OVERVIEW

North Carolina State Government is a large, multi-faceted organization with broad and diverse responsibilities. It must provide a variety of services to its citizens and be accountable for multiple and complex programs. The State is experiencing continuing challenges from budgetary constraints, public desires for expanded services, and taxpayer demands for more effective and efficient operations.

With an annual budget of \$26 billion and over 265,000 employees, the State would be a Fortune 50 company, if it were a private organization. An absolute prerequisite for the State to meet the public's expectations for cost-effective operations and accountability for program performance is the superior management of its fiscal and personnel resources. Robust financial and human resource systems, employing modern technology and linked together electronically, are necessary for meeting this need.

The State's current core business systems are not up to this task. They are old, rely on outdated technology, do not communicate well with each other, are difficult to change for new operational requirements, and are expensive to operate and maintain. Moreover, they do not provide information needed for management decision making under today's much more demanding needs, and they are at risk of failure due to old age, withdrawal of vendor support, and being run by a workforce that is rapidly reaching retirement age.

These concerns prompted the State to identify the need for further analysis of its current business systems and determine the feasibility of developing and implementing a new financial business infrastructure. The need for an infrastructure inventory and analysis was further reinforced by the Report of the Governor's Commission to Promote Government Efficiency and Savings on State Spending, which recommended that the State move this specific process forward in an effort to reduce duplication, redundancy and inefficiencies.

In the 2001 session of the General Assembly, legislation was enacted to authorize a State Business Infrastructure Study. Session Law 2001-491 directed the Office of the State Controller (OSC) to determine the feasibility of

developing and implementing a new business infrastructure for the State. Session Law 2002-126 directed the Legislative Research Commission to conduct a State Human Resources and Retirement Systems Information Technology LRC Study. After some delay due to funding constraints, these two studies were combined under the direction of the OSC with assistance from the Office of State Budget and Management (OSBM), the Office of Information Technology Services (ITS), and the Office of State Personnel (OSP).

The systems included in the State Business Infrastructure Study support the following business functions: financial management, cash management, payroll, human resources, budget management, procurement, treasury, retirement, and revenue accounting. For these core systems, a range of data was required to be collected, specifically:

- Core System Purpose and Capabilities;
- Planned System Enhancements;
- System Interfaces;
- Costs Associated with Existing Systems Operation;
- Industry Best Practices;
- Functional Gaps / Operational Risks.

SUMMARY FINDINGS

The findings listed below resulting from the State Business Infrastructure Study, Phase I - Inventory and Assessment project, further emphasize the State's current technology environment. These are consistent for most, if not, all of the systems reviewed. In addition, many of these universal findings also align very closely with the Governor's Commission to Promote Government Efficiency and Savings on State Spending. At a high level, these findings are as follows:

- **The State's administrative systems do not easily and routinely communicate with each other (i.e., lack of integration)** - This oftentimes results in duplicative system maintenance, operation, data entry functions, and databases.
- **The core business systems were developed using what is now dated technology** - They can not satisfy present and future needs for collecting, managing, and reporting information and meeting

operating requirements for self-service features. They are at risk of failure due to systems that are in danger of losing vendor support. Also, the workforce maintaining them is reaching retirement age. In addition, they are becoming very expensive to operate and keep running.

- **At the present time, the State does not have a documented core business systems enterprise (statewide) strategy** – While each individual application accomplishes specific work tasks and processes, the greatest benefit to the State accrues from the instantaneous electronic exchange of information among them and the ability to easily obtain data collected and maintained by each for comprehensive reporting and analysis. Without a master plan that prescribes how these interrelations will be achieved, the value of comprehensive and integrated financial and human resources systems cannot be realized. Agencies continue to develop core business solutions in lieu of an approach that is coordinated and planned from a statewide perspective. The more core systems that are developed independently without the benefit of an overall plan, the more difficult the long-term enterprise solution will be to achieve.
- **A general lack of employee, employer or customer self-service exists within today's business systems infrastructure** – As a result, information from the systems is difficult to obtain and often late. More important, extra costs are incurred due to the additional staffing required to input data, often the same data, to multiple systems.

- **The current business systems and processes available to support business functionality and management fail to meet industry best practices or efficient processing standards** - The State currently lacks the ability to gather consistent, consolidated statewide information in a timely manner, resulting in information not available when and in the manner needed (and many times not available at all).
- **The inability of the core systems to meet agency business requirements results in the development and ongoing maintenance for a host of agency-based systems** – While it was noted that the core business systems provide much of the functionality that is required by the State's central control agencies, there is a lack of functionality required by the State's operating agencies. As the agency business requirements continue to be unmet by the core systems, many individual agencies have been and will be forced to implement agency specific solutions resulting in redundant data stores, redundant data entry, and redundant maintenance and operations costs.
- **The current systems are generally paper based and signature driven and do not provide automated workflow, which would route documents electronically for review and approval** - This requires users to circulate paper and obtain written approvals often resulting in needless delays and inefficiencies.

In order to achieve efficiencies and cost savings that can be realized from a system enterprise approach, the State must move forward to address the issues identified from a statewide perspective. While this report provides an inventory of the core business systems and the related agency business systems and an assessment of the current status of each of the core systems, it is clear that the State should move forward with Phase 2 of the project. Phase 2, which will include developing a Blueprint for Selecting an Improvement Approach, is a necessary next step to determine viable options, approach, and timeframe for implementing an integrated enterprise business infrastructure solution.