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An e-Government Vision for Newfoundland and Labrador

The Accounting Core

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The Center of Excellence

Resources (people)

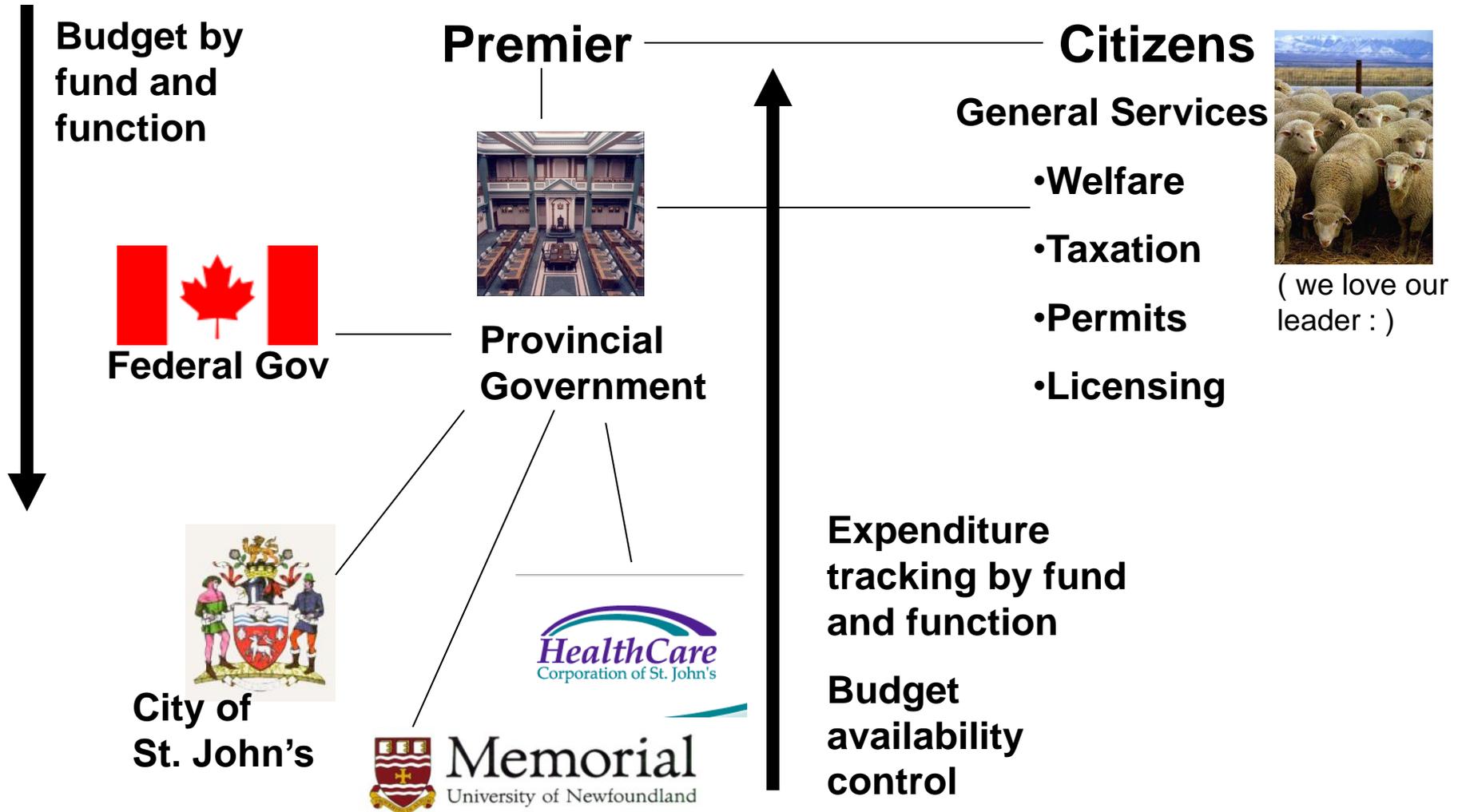
Blueprinting

Provincial Objectives



- Effective service delivery to the public
- Increased financial accountability and audit control
- A sustainable, province-wide platform that will support all governmental departments and agencies including but not limited to school boards, municipalities, health care authorities and crown corporations.

e-Gov of Newfoundland



Components of the Vision

- An ERP (enterprise resource planning) system. This covers all functions of the traditional IT department. (accounting, materials management, human resources, etc.)
- A citizen portal where any Citizen with a web browser can securely interact with the government, pay fees, renew licenses, receive statements.
- Tax and Revenue management for collections
- Integrated case management, for a single view of all citizen interactions (welfare, taxation, licensing, child support, etc.)
- A platform for specialized application development, so that antique things like using a modem to upload MCP billings can be eliminated.

Scope of the Vision

- The provincial administration
- Crown corporations: NLC, Hydro etc.
- City of St. John's
- Health Care Corp of St. John's
- Memorial University
- School Boards
- Family Court

- In other words, everything ...

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The Accounting Core

- The accounting core guarantees financial accountability, provides budgetary controls and supports management.
- Anything with a dollar value or liability feeds the core:
 - Procurement and materials management
 - Human Resources
 - Tax and Revenue Management
- The next four slides will give you a feel for what is meant by a “modern, fully integrated accounting system”.

Fully Integrated Accounting

* or what is special about modern systems*

•**Old:** Legacy accounting systems are based on accounting codes. Example: Salary/nursing/pediatrics/HealthSciences = 06100200123. There can be thousands of these codes. All accounting line items contains one of these codes.

•**What is wrong with this ?** Reporting depends on the groupings of thousands of codes. Difficult to audit, maintain, understand and totally inflexible.

✓ **New:** Instead of posting to a single account code, you post to a variety of “dimensions”. Unlike the example above, there is only one code for Regular Salary. However, we also have :

- ✓ Fund (the general fund, or perhaps restricted funds)
- ✓ Function (the purpose, perhaps security)
- ✓ Business Area (water treatment)
- ✓ Grant (federal funds are paying a portion)
- ✓ Organizational unit – (perhaps a maintenance department)
- ✓ Project (if it is part of a project for which costs are being tracked)

Accounting Modules

- **Old:** All accounting functions operate off the same general ledger codes. To satisfy new requirements, you have to explode the number of GL accounts.
- **New:** Each module uses its own “dimensions” for unlimited flexibility. Examples of modules:
 - External accounting (profit & loss, balance sheet)
 - Internal accounting (cost centers, projects, internal management)
 - Grant accounting (for reporting to the Federal Gov or sponsors)
 - Fund accounting (external accounting by fund and function)
 - Budget control (availability control by fund, function, expense type, organization unit)
 - Cash accounting and treasury
 - Asset accounting

A Practical Example of Integration

- A new piece of equipment is required. A grant covers half the cost.
 1. The **asset** is created in asset management, with the cost center and grant specified.
 2. A **purchase requisition** is created. It automatically inherits the accounting info from the asset master. The vendor is sourced using materials management. It is routed for approvals.
 3. A **purchase order** is created from the requisition. The budget is instantly encumbered. It will be blocked if either the provincial or grant budget is exceeded. Costs are automatically split between your general fund and the grant as per the grant agreement.
- At this point, you can instantly see the effect in:
 - **Budget:** Budget / real expenses / encumbrances. Budget is enforced.
 - **Controlling** Expenses hit the cost center immediately
 - **Funds management** Funds are consumed for the correct purpose
 - **Grant accounting** You can bill the sponsor. Only sponsor allowable expenses are permitted.

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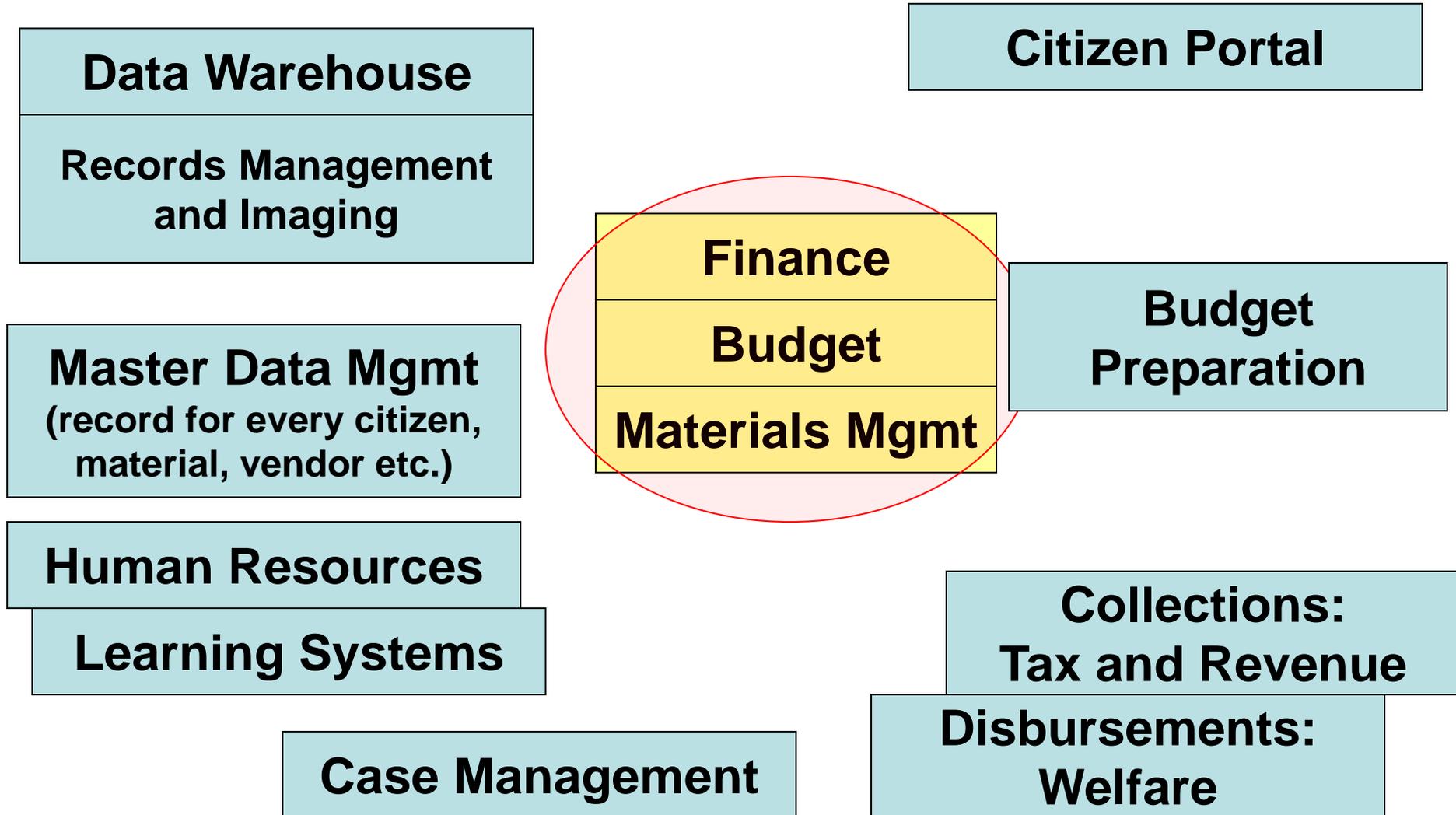
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Now some examples ...

Province wide HR

On-line travel and expense validation



Oops!

- Benefits Management (pension, vacation, leave)
- Learning Management (workers compensation training etc.)
- Payroll, direct deposits
- Recruiting

Human Resources Collective agreements
Master Data
Payroll, Time and attendance, Expenses

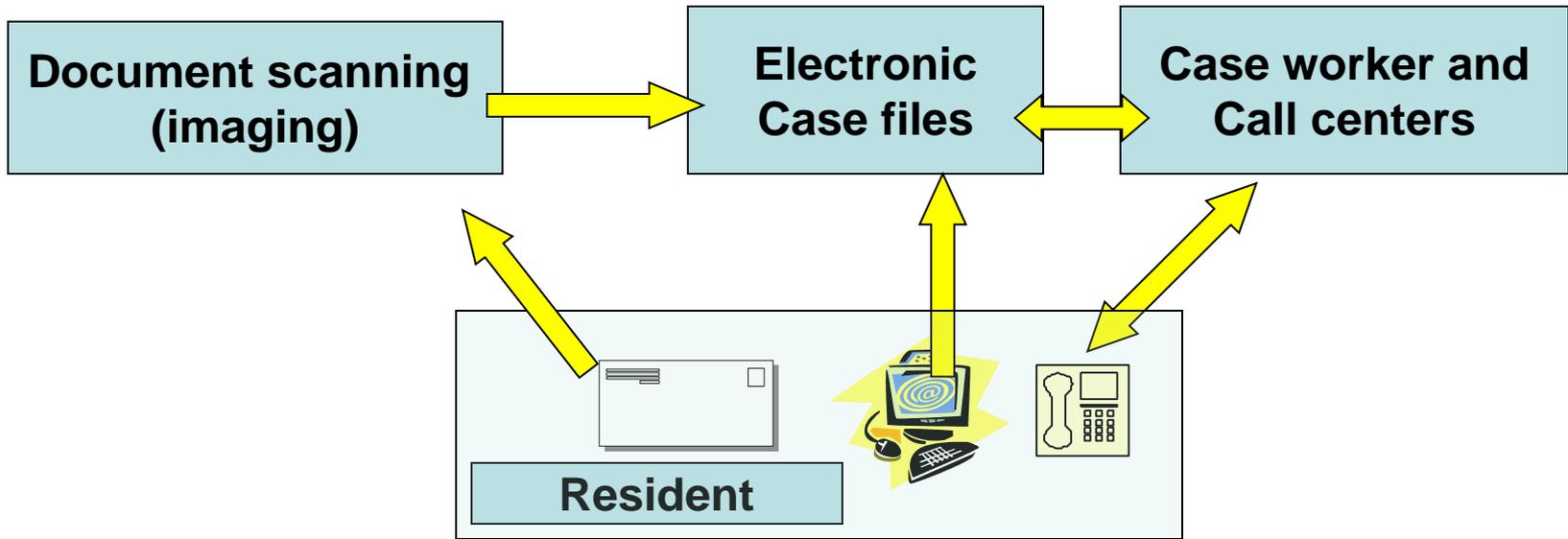
Instant update!

Controlling (cost centers, Projects, orders, other cost collectors)

Budget (consumption, data for budget preparation)



Integrated Case Management



For Mr. Orwell, say or press 1984. This conversation is being monitored for quality purposes.

Your **workers comp** cheque for total disability is on its way. Congratulations on scoring the winning goal last night – great performance. For your convenience we have automatically deducted:

- Three outstanding **parking tickets**
- Child support** and your **Canada student loan** default.
- Would you like to charge your **moose license** and **vehicle registration** renewal to VISA or MasterCard today ?
- You've been living in and paying taxes in Ontario for 12 months now so you can't use your **MCP** card anymore – we are sorry about that. Apply to OHIP.

Well maybe not ...

- Of course, just because you can do these things, doesn't mean you should. We have to consider:
 - Privacy legislation
 - The politics of aggressive enforcement (child support, defaults, collecting on behalf of other provinces, hardship etc.)
 - A balance between operational efficiency and quality of services. This is especially critical in health care. Doctors and Administration have different goals.
- However, it should be possible to do these things when necessary and appropriate.

Tangible Benefits for Citizens

- **No waiting.** All government services are available on the web. 
- **Great service.** Customer service and integrated case management cover everything from welfare and taxation to vehicle and hunting permits.

Benefits for Administration

- **Accuracy and Accountability:**
 - Fully integrated, consolidated, real-time accounting. Financial, controlling, project, grant, fund, treasury and asset accounting are always reconciled. Federal cost sharing by transaction, financial statements by fund, etc.
- **Control:**
 - Budgets are prepared with fund, functional area and organization units. All expenditures post to this level of detail. Purchase orders blocked if no budget is available. Sophisticated budget preparation.
- **Decision Support:**
 - It becomes possible to compare governmental functions such as cardiology across hospital systems, educational program cost by school board, financial statements by area of business (policing, healthcare, transportation). Many things previously not practical or possible which enable vastly better planning.

Public Sector Initiatives

Canadian examples

- **Canadian Federal Government:** commitment and payment budgetary control.
- **British Columbia:** case management for tax and revenue collections
- **Nova Scotia:** Health Administrative Systems Project (for all health care authorities) has standardized financial accountability and reporting, human resources, payroll, budgeting, procurement and inventory management.

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How to Make it Happen

The following slides are an overview of how to make this happen ...

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The Master Plan

- Develop a long term budget to fund the plan.
- The directive for a centralized, comprehensive solution must come from the premier's office.
- Agree on a software platform. The best fit is often SAP. SAP doesn't do everything well, so things like SCT Banner (for MUN's campus management) would stay.
- Negotiate a provincial license for unlimited use. Make this the standard going forward for all new projects.
- Start with the accounting core. Then move out to the areas most in need (perhaps the healthcare corporation or the school boards).
- **Create a center of excellence. This is very important. You do not want to outsource this to IT vendors.**

The Master Plan

- Allocate budget for a permanent Center of excellence staffed with government employees.
- Break the initial projects into phased roll outs.
- Own the project and the PMO (project management office). Insist on stakeholder involvement.
- Consulting firms and software vendors may provide experts, but insist that they mentor and train a designated employee.
- Pay special attention to change management.
- Learn from others. Nova Scotia maintains a center of excellence. The Federal Government publishes lessons learned at user group conferences like ASUG. British Columbia will share experiences.
- **Just do it !**

Common Shortcomings (that hurt master plans)

- Limited Scope: Specific systems are replaced, rather than setting up a core infrastructure for a larger master plan. Example: A single health authority (like Winnipeg Regional) is considered in isolation, or a tax and revenue system (British Columbia) is separate from the accounting system of record.
- Lack of budget to directly fund projects encourages alternate arrangements: long-term profit sharing (such as getting a cut of tax collections in lieu of up front costs) or outsourcing deals (taking over existing budget in return for outsourcing) When things go poorly, it is hard to get out of the contract.

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Why a center of excellence ? (or the problem with the big consulting model)

- The “Big” consulting model, where hundreds of smart people descend, learn the business for a year, and then work on a solution for another year or two – is inappropriate. It can cost a hundred million dollars to do this.
- Large vendors do not guarantee success despite the costs. They are “selling machines” that staff projects using a “body shop” model. The U.S. Dept. of the Interior and Michigan Tax and Revenue have recently had to terminate large consulting partners that failed to deliver.



Why do it internally ?

- Government employees understand the management issues.
- Software functionality training is affordable, the same training that a big consulting firm would send its junior workers to at your expense.
- You have to maintain the systems forever, and the vision is long term. You don't want your experts to leave when the project is done.
- It is cheaper to do it yourself.

Hire Individual Experts not Consulting Firms

- Initially, your staff will receive overview training. A few experts will be hired permanently to build the center of excellence.
- Where there are knowledge shortages, hire highly experienced individual consultants with specific skills. Have them mentor your staff and prepare written material for knowledge transfer.
- It does not matter where they come from, the software vendor, independent experts, a local body shop. It is the individual that counts, not the company that they working for.

Create a Provincial Data Center

- The old NLCS was a good idea. It should never have been disbanded.
- The equipment use today requires little space, so this could be a small facility.
- You do not want to outsource the data center because:
 - Vendors like EDS don't know much about governmental software, and you would have to write their procedures for them. British Columbia has these issues now.
 - Privacy Act. Provincial data should stay in NL and not be in the hands of US based personnel subject to the US Patriot Act.

Create a Coherent Organizational Structure for IT

- It is ok to have multiple IT sites, but they must function as a single entity.
- Conflicts will be resolved at a high level (the premiers office). For example, fighting over whether to standardize on a chart of accounts, or Human Resource Systems, or Centralizing purchasing.
- A hierarchy is needed. There are likely many vested interests that will fight the strategy.
- The premier must be involved. Example, we need a single record for each taxpayer but departments cite privacy issues. You have to make a decision to compromise the IT architecture or change the law to something that makes sense (e.g. British Columbia needed this).

Chose a Core Product

The analysis has been done before

- SAP can do everything this province needs now and in the future.
- Don't waste time and money on another study. Read the studies performed for Nova Scotia (they used Deloitte), or talk to IT leaders in Ottawa, British Columbia, City of Toronto, University of Toronto, etc. There is no need to repeat these studies – the needs of NL should be virtually identical to provinces like Nova Scotia.
- Negotiate an unlimited license. Compare notes with other provinces to ensure a fair deal.

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The Resource Problem

- Newfoundland needs a core group of highly skilled resources in its “Center of Excellence”.
- Experts in large scale Public Sector systems (such as SAP) are scarce. Across North America, there are perhaps a few hundred such people.

The Resource Solution

Train your Best People

- From each department or institution, take a few people – those with the best business knowledge. Computer knowledge is not necessary – excellent analytical skills are. These people need to be full time.
- From the IT departments, find a few technical types. They would need cover the operating system, database and business software technical needs. (most likely Linux and mySQL since it is free, and SAP)
- This core group would receive two weeks of overview training in the basic functionality to get them started.
- Based on their assigned areas, additional courses would be offered. Many courses are not available as “e-learning”. No need to travel to Toronto.

Resource Solution

Hire an Architect and Leader

- The group needs an architect and leader. The only way to get this is as follows:
 - Hire someone who knows the chosen product as the integration manager and system architect. This would be a permanent leadership position.
- Setup a virtual network of experts around the world that are willing to review, advise and help out as needed. This is not as far fetched as it sounds.

Resource Solution

Network

- The Public Sector software industry is very tight-knit. We all know each other. I have asked numerous past and present colleagues what they think of this vision for Newfoundland, and this is the typical reply:
 - That sounds excellent. I would definitely be interested in helping you out in any way I can. Obviously, I have lots of templates from past SAP HR projects for blueprinting, BPPs, technical specs, etc. More importantly, I know what is value added and what is not when implementing SAP HR and Payroll. I have been through this with large companies, small ones, organizations with unlimited budgets, and public sector ones with fixed limited budgets so these are the prime drivers for what ultimately can and should be done when implementing any ERP solution. Craig L. Selstad, PMP | Senior Manager - Public Services SAP Solutions | Atlanta, GA

Resource Solution

Create a Virtual Team

- Put together a virtual team of SAP developers, independent consultants and other provincial employees (like British Columbia or Nova Scotia or the Federal Government, or Corner Brook).
- These people would be available to fill in the gaps, provide advice, and share ideas.
- The fees for remote participation by the independent consultants would be very reasonable (avoiding most travel expenses).
- Much of the work would be free – or a “user group” situation where the benefits are mutual.

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Blueprint

- The first phase of a project like this is called the blueprint. All business activities would be analyzed (to-be analysis). Typically it would last a year. In parallel with this, the following would be done in parallel to speed things up:
 - Standardization of the provincial chart of accounts
 - Master data cleanup
 - Set up of the data center, installation of systems
 - Change Management and Communications activities

Example: Business Process Cleanup

Simplify the Future State

- **Problem:** A health authority reimburses staff for mileage when traveling to remote areas.
 - Reimbursement is requested: in person, via telephone, paper forms, FAX forms, e-mail or on-line
 - Payment methods: petty cash, cheque, included with payroll, separate direct deposit
- **Solution:** It is agreed to enter all expenses on-line, including mileage. Reimbursement will be via direct deposit, separate from payroll. Receipts when necessary would be mailed to a central imaging center.

This would become a Government-wide directive