Enterprise Systems Upgrade
Project Overview

Presentation to the Regents Finance and Operations Committee
July 11, 2012

University of Minnesota
Driven to Discover℠
What is an ERP?
Enterprise Resource Planning

- 2,000,000 class registration transactions
- 450,000 billing statements
- 114,000 admissions applications
- Used by 7,000 employees regularly to do their daily job duties
- Distributes $490,000,000 in federal financial aid
- Tracks the $3,800,000,000 budget and all associated transactions
- Maintains regulatory compliance
- 36,000 paychecks per pay period
In the past UMN has performed “technical only” upgrades.
• We have bolted on many new features.
• We have never upgraded the core of Student and HR.
The Challenge

• PeopleSoft 8.9 runs out of support 12/2012.
• We have negotiated “best effort” support through 12/2014.
• Without support we:
  – Will not get tax updates for payroll
  – Will not get any student updates
  – Will not get security updates
## Operational Efficiency

<table>
<thead>
<tr>
<th>Past</th>
<th>The Challenge</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PeopleSoft product did not meet all needs of the University.</td>
<td>• Vendor is dropping support for existing product.</td>
<td>• Leveraging industry standard in business process design and technology to reduce costs and risks.</td>
</tr>
<tr>
<td>• As a result, we are highly customized.</td>
<td>• Skill set required to maintain customizations is expensive and not readily available.</td>
<td>• Increased and effective services to users.</td>
</tr>
<tr>
<td>• Example:</td>
<td>• In many cases, vendor product is superior or on par with our customizations.</td>
<td></td>
</tr>
<tr>
<td>• 2\textsuperscript{nd} most customized HR system</td>
<td></td>
<td></td>
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<tr>
<td>• We have built our own self-registration system.</td>
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![Diagram showing Functional Improvement over time from 1995 to 2012](image_url)
Plan for the Future

Plan

• Split HR and student systems
• Re-implement core HR data
• Upgrade and streamline student experience
• Upgrade finance
• Unify user experience
• Electronic workflow

Future

• Efficiency
• Reduced risk
• Improved student service
• Increased end user functionality
• Positioning for future (mobile, cloud)
• Data-based decision making
## Value from the Upgrade

<table>
<thead>
<tr>
<th></th>
<th>Student</th>
<th>HR</th>
<th>Finance</th>
<th>Unified User Experience</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope of change</strong></td>
<td>Moderate</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td><strong>Value of change</strong></td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Risk if we do less</strong></td>
<td>Critical</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Next: A dive into each area to understand what this change will bring.
What does the PeopleSoft Student System do?

The system is the cornerstone of how we track course offerings, student financial information and academic life.

• Tracking and billing for $1B in tuition and fees
• $490M in federal financial aid processing
• 50M student online interactions to find classes and pay fees
• 2M class registration events
• 1M+ reports/audits to prepare students for graduation
• 114K admissions applications
• 80K official transcript requests
• 12K degrees awarded
Why is it critical to upgrade the Student system?

Compliance support is currently set to end 12/2012.

Without this support:
• No financial aid
• No Federal Regulatory updates
• No Federal tax updates (1098T)
• No Federal SEVIS/Visa updates

This support, if lost, would result in sanctions such as:
• Losing money allocated for federal research investment
• Inability to receive and pay financial aid to students
Benefits of upgrading the Student System

- Split from the HR system, increasing organizational flexibility
- Retooling integration by utilizing delivered functionality with other systems
- Reducing the risk of our home grown self-registration system
- Provide a single place for students to go for information
- Improve communications with students
- Improve efficiency of faculty administrative processes
- Improve consistency in data reporting
- Prepare for the future (e.g. mobile device support)
- Provide better access to real-time data for decision making
What does the PeopleSoft HR system do?

Addresses the core university needs in the areas of employment records management, benefits administration and payroll processing.

• 36,000 paychecks per pay period
• 136,000 entries to maintain appointments
• 12,000 position changes
• 105,000 benefits-related changes in the system
Why is it important to upgrade the HR system?

• We are currently operating on a system that was implemented in 1998 and has had only minimal technical upgrades since.
• Business processes that drive data into the system are complex and applied inconsistently across the colleges and units.
• In some cases the data quality is suspect, e.g. 7,500 corrections to data that were submitted by end users.
• The system is heavily customized and does not take full advantage of PeopleSoft-delivered capabilities.
• Users want and need more functionality from the system to support decision making, eliminate manual tasks and improve efficiency.
Benefits to upgrading the HR System

• Ability to continue to process payroll by maintaining tax and regulatory updates
• Addresses requests from end users for enhanced functionality and ease of use
• Implement consistent business processes
• Make staff and managers more efficient:
  – Replace paper-based processes for tracking work hours and vacation/sick leave
  – Improved reporting functionality enabling more self service from staff and managers to make decisions
  – Provide greater access to data for workforce trend analysis
• Self service will enable unit HR staff to be less clerical and more value added
What does the Financial system do?

The system is used to manage and track our annual budget.

- $3.8B budget
- 4,062 employees who regularly use the Financial system to perform job functions
- 4.5M yearly financial transactions
- 150,000 purchase orders
Why are we upgrading the Financial system?

- Maintain consistency and support across ERP pillars while staying current with vendor support
  - Maintain alignment with HR and Student as they go through major upgrades.
- Address users’ pain points and priorities:
  - Chart of Accounts – improved budget checking and unit-level control over chart strings
  - Transaction “workflow” – increased flexibility moving transactions through the system
  - Purchasing card – changes to improve efficiency and add functionality
  - Electronic imaging – expand and improve
Benefits to Upgrading the Financial System

Maintain integration with HR and Student systems

Continued support for strategic initiatives

- Improved e-procurement technology
  - Improved “procure to pay” processes
  - Leverage strategic purchasing initiatives
- New features to support sponsored project post-award requirements
- Simplified equipment capitalization processes; increase in capitalization threshold
- Continue improvements to financial reporting and data management
Project Structure

Executive Oversight Committee

Chair: Vice President Tim Mulcahy; Members: Vice President Kathy Brown, Vice President Richard Pfunzenreuter, Vice President R. Scott Studham, Vice Provost Bob McMaster

Integration Steering Committee

Chair: Lisa Warren (OVPR); Members: Rob Super, Mike Volna, Dan Hemauer (EFS); Lori Lamb, Kelly Krattiger, Kris Hause (HRMS); Sue VanVoorhis, Grant Clavelle, George Hudachek (Student); Bill Decker (OIT); Andy Hill (Program Director)

Program Director

Andy Hill

EFS Functional Steering Committee

Chair: Rob Super; Business Owner: Mike Volna; Functional Tech Manager: Dan Hemauer; OIT Tech Owner: Sharon Ramallo

End users

HRMS Functional Steering Committee

Chair: Lori Lamb; Business Owner: Kelly Krattiger; Functional Tech Manager: Kris Hause; OIT Tech Owner: Sharon Ramallo

End users

Student Functional Steering Committee

Chair: Sue Van Voorhis; Business Owner: Grant Clavelle; Functional Tech Manager: George Hudachek; OIT Tech Owner: Brittany Lloyd

End Users
**Key Milestones**

- **2011**: Regents approved fit-gap
- **2012**: Regent Approval for RFP & Project
- **2013**: Vendor support moves to best effort
- **2014**: Vendor support stops for HR & Student
- **2015**: Go-Live with Student & HR
- **2016**: Go-live with Fin

**Planning Phase**

- **2011**: Fit Gap between customizations & vendor
- **2012**: Split HR and Student systems
- **2013**: RFP for Implementation Partner
- **2014**: Reimplement HR core functionality
- **2015**: Deplicate or rewrite customizations
- **2016**: Academic Advisement

**Unified User Experience**

- **Today**: Single Sign on and User ID Accounts
- **Initial Data in unified experience**
- **Improved and unified workflow**

**Consistency of reporting**
## Management Plan: Lessons from EFS

<table>
<thead>
<tr>
<th>Lessons Learned</th>
<th>Action</th>
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<tbody>
<tr>
<td>Up-front engagement with end users</td>
<td>End users are imbedded in and chairing working committees</td>
</tr>
<tr>
<td>Project team</td>
<td>Establish clear membership and backfill existing positions to ensure focus on the project and consistent transfer of knowledge</td>
</tr>
<tr>
<td>Implementation partner</td>
<td>Bring necessary skills and best practices to the project</td>
</tr>
<tr>
<td>Executive engagement</td>
<td>All executives sponsors meet weekly to ensure ownership and accountability</td>
</tr>
<tr>
<td>Attention to reporting and user interface</td>
<td>Build this into the project from the start – hold prototyping sessions before project starts to ensure an approved, common vision</td>
</tr>
<tr>
<td>Organizational willingness to change</td>
<td>Formal Change Management plan and dedicated team to ensure that all aspects of the organization understand the project and engage</td>
</tr>
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## Key Risks and Mitigation Strategies

<table>
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<tr>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational readiness</td>
<td>Change Management team and user-driven requirements</td>
</tr>
<tr>
<td>Timeframe to make key decisions</td>
<td>Executive engagement and governance structure</td>
</tr>
<tr>
<td>Technical skill sets</td>
<td>Implementation partner</td>
</tr>
<tr>
<td>Timeframe to maintain vendor support for compliance</td>
<td>Aggressive schedule</td>
</tr>
<tr>
<td>Organizational funding</td>
<td>Establish a correct baseline of reoccurring ERP funding including future upgrade projections</td>
</tr>
<tr>
<td>Organizational pride in customizations</td>
<td>Vendor review of customizations to recommend path forward</td>
</tr>
<tr>
<td></td>
<td>End users will help establish requirements rather than technologists or business units</td>
</tr>
<tr>
<td>Lack of common policies and shared services</td>
<td>Discuss when and how to share services and business practices</td>
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</table>
Proposed Implementation Partner Selection

- RFP issued in April 2012 for implementation partner based on 2011 fit-gap analysis project recommendations
- RFP team consisted of diverse membership from business areas
- RFP team evaluated vendor proposals and performed reference checking with peer universities
- Selection of Cedar Crestone based on consistent scoring rubric
## Projected Costs

<table>
<thead>
<tr>
<th></th>
<th>Finance Specific</th>
<th>HR Specific</th>
<th>HR &amp; Student Specific</th>
<th>Student Specific</th>
<th>Total</th>
<th>With Contingency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td>-</td>
<td>-</td>
<td>$4,917,000</td>
<td>-</td>
<td>$4,917,000</td>
<td>$6,155,000</td>
</tr>
<tr>
<td>Software</td>
<td>$700,000</td>
<td>$250,000</td>
<td>$2,264,000</td>
<td>$200,000</td>
<td>$3,414,000</td>
<td>$4,275,000</td>
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<tr>
<td>Implementation Partner</td>
<td>$4,823,000</td>
<td>$9,081,000</td>
<td>$4,528,000</td>
<td>$10,957,000</td>
<td>$29,389,000</td>
<td>$29,389,000</td>
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<tr>
<td>UMN Staffing</td>
<td>$4,877,000</td>
<td>$6,279,000</td>
<td>$13,490,000</td>
<td>$7,994,000</td>
<td>$32,641,000</td>
<td>$40,863,000</td>
</tr>
<tr>
<td>Space/network/etc</td>
<td>-</td>
<td>-</td>
<td>$2,287,000</td>
<td>-</td>
<td>$2,287,000</td>
<td>$2,863,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,400,000</strong></td>
<td><strong>$15,610,000</strong></td>
<td><strong>$27,487,000</strong></td>
<td><strong>$19,151,000</strong></td>
<td><strong>$72,648,000</strong></td>
<td><strong>$83,545,000</strong></td>
</tr>
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Assessing Units for Institutional Business Systems “Enterprise Assessment”

Enterprise funding strategy in place: predictable and reliable – long term/well established practice

- Enterprise assessment was first established in FY1998
- Enterprise assessment was created to recognize that all units should share in providing resources to meet institutional business system needs
- Account is structured as a long-term, self financing program to provide a mechanism for financing enterprise projects
- Total salary amounts were chosen as the appropriate basis for the assessment
- Assessment started at 0.7% in FY1998, was suspended in FY1999, raised to 1.0% in FY2000 and then raised to 1.25% in FY2001 and continues at that rate today
- FY2012 assessment projected to raise roughly $12.6 million and are tracked in a unique central account
1.25% Enterprise Assessment FY2012 (est.)

- 1.25% assessment $12.6M
  - General budget support $1.9M
  - Retirement of outstanding balance $7.5M
  - Enterprise system expenses $3.2M
Enterprise System Funding Strategy
FY1998 to FY2012 (est.)
$151.3M Revenues/$186.5M Expenses

$151.3M

$137.1 Million
Total Enterprise Assessment Revenue Collected FY1998 to FY2012 (est.)

$14.2 Million
One-time Transfer In FY1999

$35.2 Million
Outstanding Balance FY2012 Paid off in Early 2017

$26.3 Million Recurring Enterprise Related Costs ($3.2M/Yr)

$24.7 Million Transfer Out ($1.9M/Yr)

$135.5 Million
One-time Enterprise Project Expenses

$186.5M
Enterprise System Funding Projection
Assuming Current Collection Practices
FY2013 to FY2025

$35.2M
outstanding balance FY2012
paid off in early 2017

$83.5M
Additional enterprise expenditures
FY2013-FY2016

Assuming current 1.25% assessment rate and allocation decisions, cost paid off in FY2025
Enterprise System Funding Strategy
Conclusions and Next Steps

- Enterprise assessment strategy is reliable and well established
- Additional $83.5 million in new expenditures will stretch current financing strategy
- Combination of adjustments to current assessment rate and review of existing recurring allocation decisions will need to be made for FY2014 operating budget
- FY2014 financing strategy will take into account a 12 year projection of enterprise systems expenditure requirements
- Current enterprise assessment level will not support additional long range financial needs of enterprise systems
Planning Scenario
2013 - 2024

Drivers

• Current Outstanding Balance: $35.2M
• Additional Upgrade Expenditures: $83.5M
• Generating positive revenue flow for future investment

Parameters

• Restructuring Current $5.0M Recurring Allocations
• Modest Change in Assessment Rate
Planning Scenario
Restructuring $5.0M recurring allocation
Plus 0.50% increase in assessment (1.75%)
Modeling 2012 – 2024 (when we anticipate the next shift in technology)
Summary

• The ERP is critical to all parts of UMN operations.
• We must upgrade to maintain vendor support and regulatory compliance.
• We have a project plan that addresses lessons learned from EFS and is based on a 2011 “fit gap” analysis.
• The upgrade will bring operational efficiencies along with reducing risk.
Discussion and Board Resolution