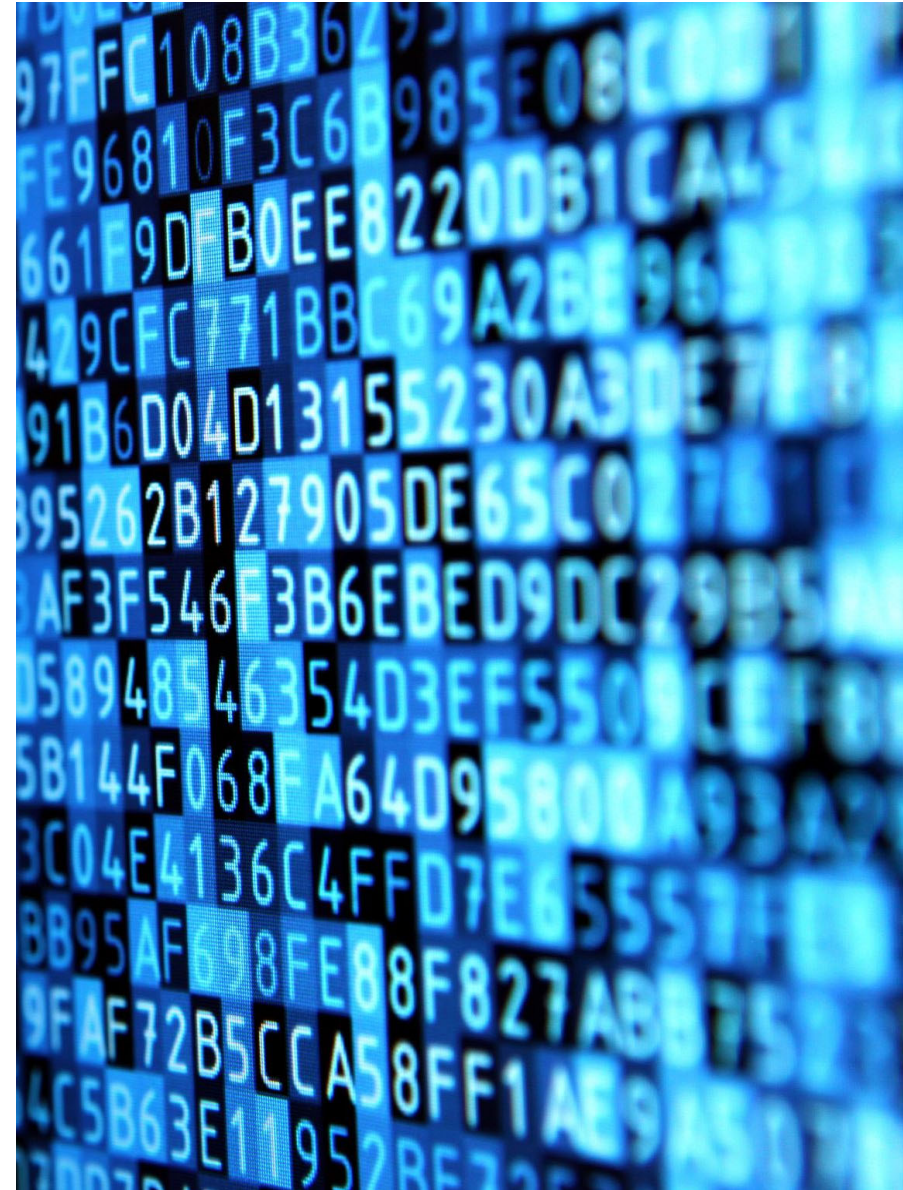# Enterprise Resource Planning System Replacement

ERP Overview

WHAT IS ERP?

Enterprise resource planning (ERP) systems facilitate the flow of information across multiple financial units. It allows for the seamless integration of systems and creates a comprehensive view of the enterprise to support decision making.

An ERP system:

➢ **Automates** processes

➢ **Integrates** multiple functional areas

➢ **Centralizes** reporting

Financial Management	Budget Development
ERP	
Human Capital Management	Materials Management

History

- ❑ The State of South Dakota is operating with a 35-year-old mainframe accounting system

- ❑ BFM has discussed the need to modernize for many years

- ❑ This critical system is at risk of failure from:
  - ✓ Lack of Vendor Support
  - ✓ Obsolete Technology
  - ✓ Staffing Challenges

Annual Volume and Usage

300,000 Invoices / 530,000 Lines	4.2 Million Accounting Transactions	>170,000 Payments
$3.3 Billion in Payments	22,000 Vendors	150,000 General Ledger Balances

Fragmented Financial Systems

- Mainframe

- Client/Server

- Disjointed agency-level "shadow systems"

- Disparate cloud-based systems

- Stove-piped business practices

- Redundance and duplication of data

State of SD - Overview of BFM Financial Systems Integration
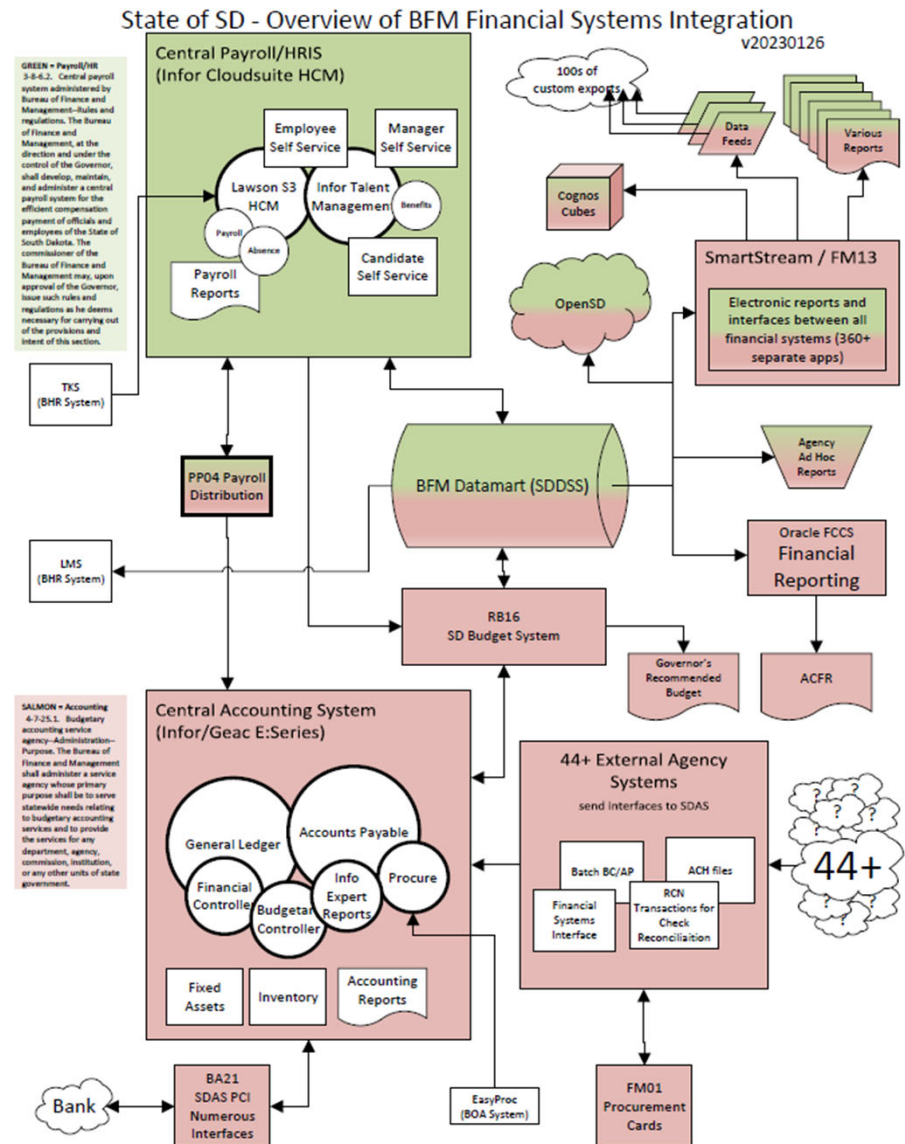
Opportunities and Efficiencies

Many of our business processes are also 35 years old	Opportunity for improvement across state government	Set the foundation of how the state conducts business for decades into the future
Implement "Best Practices"	Move to a modern, secure, cloud-based solution	Software-as-a-Service ensures systems remain current

Funding Phases

2021 Session
- Creation of the IT Modernization Fund
- Funding appropriated for an ERP Feasibility Study ($608K)
- Feasibility Study completed in January of 2022

2022 Session
- Funding appropriated for the optimization and upgrade of our Human Capital Management system ($3.0M)
- Funding provided to continue planning for ERP replacement ($1.1M)

2023 Session
- Recommending one-time funding to move forward with replacing ERP ($70.0M)

Recommended Appropriation

$70 Million In General Funds

- Feasibility study estimated $64.4M
- Inflated forward to account for increased costs

45.0 Full-Time Equivalents

- Used across all agencies as they participate
- Backfill existing resources with current budget

Estimated Costs

ERP Project Inflated Forward to FY24	Year 0	Year 1	Year 2	Year 3	Total
Pre-Implementation (Already Appropriated)	FY21 & FY22 Appropriations				
Systems Integrator - Implementation		$14.60	$21.92	$9.72	$46.24
Software and Facilities		$3.23	$2.93	$1.44	$7.60
Third Party Integration Support			$1.24	$0.18	$1.42
Project Oversight		$1.97	$1.97	$1.22	$5.16
State Team Members		$2.80	$4.50	$2.28	$9.58
Total		$22.60	$32.56	$14.84	$70.00

Note: Estimates are in millions

Recommended State Staffing

Maximum Total = 45 FTEs
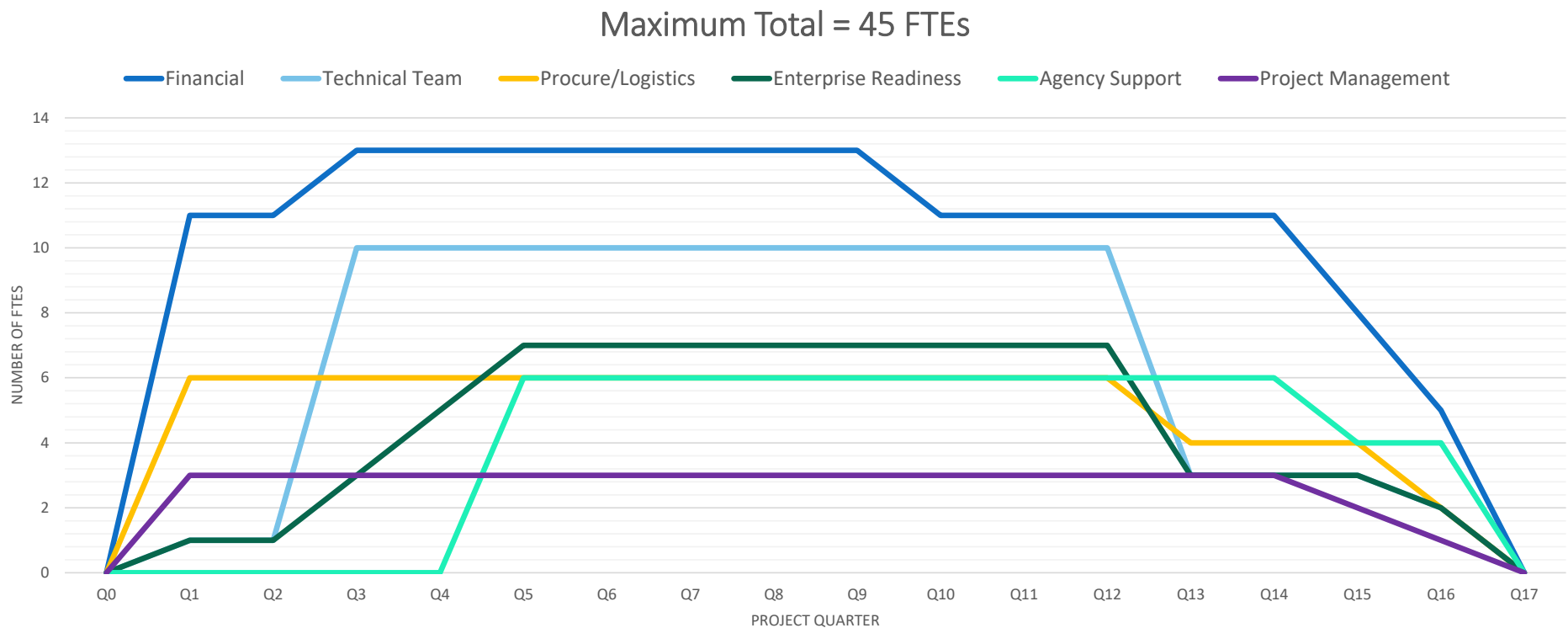
Note: Excludes staff from project vendors

Approach
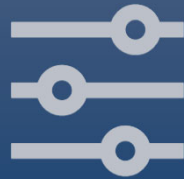
Estimated Timeline

Project Phases/Component	Year 0	Year 1	Year 2	Year 3
Preparation/Planning				
Legislative Appropriation				
RFP Issuance				
Software/Services Selection				
System Implementation				
System Configuration and Validation				
Deployment and Post Go-Live Sustainment				

| State	Financials/Procurement		Duration	
	Agency Timing	Module Timing	Implementation	Post Go-Live
Alaska*	All	All	24 months	Extended
Arizona*	All	All	24 months	15 months
Arkansas	All	All	15 months	3 months
Idaho*	All	All	24 months	6 months
Louisiana*	Phased	All	27 months	3 months
Minnesota	All	All	24 months	6 months
Mississippi*	All	All	30 months	6 months
Tennessee	Phased	All	24-33 months	6 months
Washington*	All	Phased	20-33 months	6 months
*Planned implementation duration				

Project Milestone	Status
Senate Bill 64 (funding received to pursue ERP feasibility study)	Complete (2021 Session)
ERP Feasibility Study (recommendation to implement modern ERP system)	Complete (January 2022)
Senate Bill 60 (funding received for further ERP planning/preparation efforts)	Complete (2022 Session)
Senate Bill 23 (appropriation request to implement new ERP system)	In Progress
RFI (Request for Information - insight on system offerings and capabilities)	In Progress
Current systems/process mapping	In Progress
Establishment of project structure/governance plan	In Progress
RFI vendor software demonstrations	April - May 2023
Refinement of RFP requirements/project scope	April - June 2023
RFP issuance and vendor responses	July - September 2023
RFP Review/Evaluation/Award	August - November 2023

Please Support SB 23
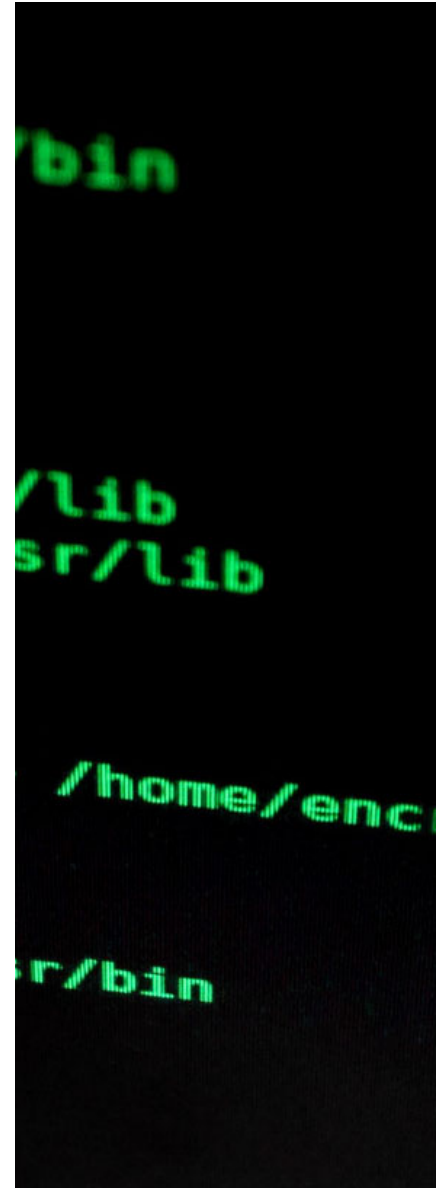
What if we maintain status quo?

Unrealized Improvement Opportunities

Costs WILL Escalate

- Custom Vendor Support
- Mainframe Costs
- Outsource All Operations
- Loss of Vendor Support

System could crash

- Failure to Pay Bills
- No Recorded Financial Transactions
- No Tracking of Spending or Revenue Collection
- No Financial Reporting
- State Government Operations would halt

Escalating Staffing Difficulties

- Accounting Operations
- Mainframe Data Center
- Agency Finance

Look at Southwest Airlines

Example Project Phases

Potential Efficiencies

➤ Integration of multiple financial systems (e.g., accounting and procurement)

➤ Replace batch processing with real-time transactions

➤ Robust reporting with drill-down capabilities

➤ Electronic workflow (approvals and notifications)

➤ Contract and Grant Management capabilities

➤ What-if budgetary scenarios – ability to perform multiple projections

➤ Single sign-on capabilities

➤ Automation in asset tracking from procurement to retirement/surplus/sale

➤ Increased end-user functionality