

# Enterprise System Upgrade Project Overview

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



UNIVERSITY OF MINNESOTA

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# What is an ERP?

## Enterprise Resource Planning

- 2M class registration transactions
- 450,000 billing statements
- 114,000 admissions applications
- Used by 7,000 employees regularly to do their daily job duties
- Distributes \$490M in federal financial aid
- Tracks the \$3.8B budget and all associated transactions
- Maintains regulatory compliance
- 36,000 paychecks per pay period



# UMN ERP History

**1996-1998:** Implementation of Student and HR

**2008:** Implementation of Financials

**2000:** Upgrade to version 8.0

**Today:** Enterprise System Upgrade

1996

2014

**2006:** Upgrade to version 8.9

**1999:** Upgrade to version 7.5

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



What we built



Industry standard



# Operational Efficiency

## Past

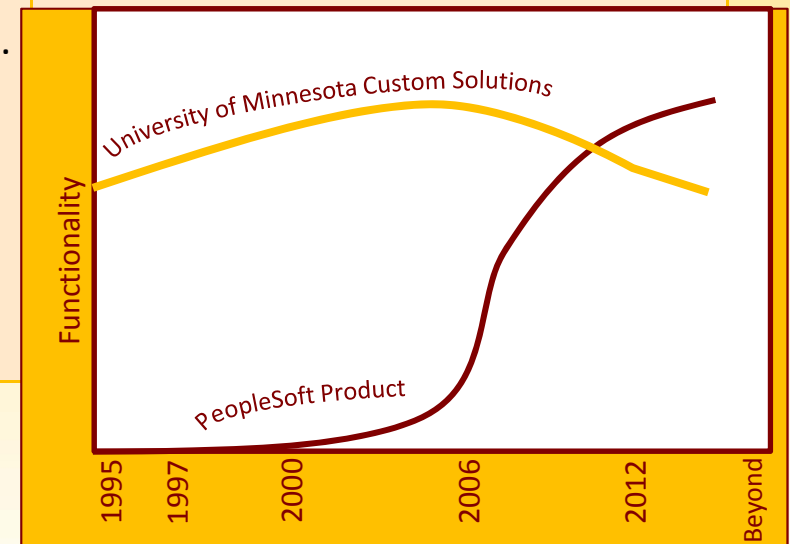
- PeopleSoft product did not meet all needs of the University.
- As a result, we are highly customized.
- Examples:
  - We have the second most customized HR system.
  - We have built our own self-registration system.

## The Challenge

- Vendor is dropping support for existing product.
- Skill set required to maintain customizations is expensive and not readily available.
- In many cases, vendor product is superior or on par with our customizations.

## Future

- Leveraging industry standard in business process design and technology to reduce costs and risks.
- Increased and effective services to users.



# 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
- Implement 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



	Student	HR	Finance	Unified User Experience	Reporting
Scope of change	Moderate	High	Low	Moderate	Moderate
Value of change	High	High	Moderate	High	High
Risk if we do less	Critical	High	Moderate	Moderate	Moderate

*Next: A dive into each area to understand what this change will bring*



# What does the PeopleSoft Student System do?



Student

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
- 114,000 admissions applications
- 80,000 official transcript requests
- 12,000 degrees awarded



# Why is it critical to upgrade the Student system?



Student

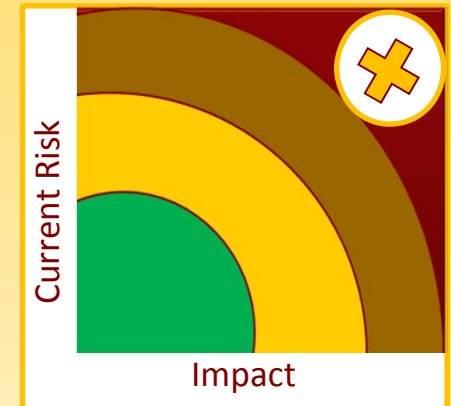
Compliance support is currently set to end 12/2012.

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



Student

- Split from the HR system, increasing organizational flexibility
- Retool integration by utilizing delivered functionality with other systems
- Reduce the risk of our homegrown 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?



Human  
Resources

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



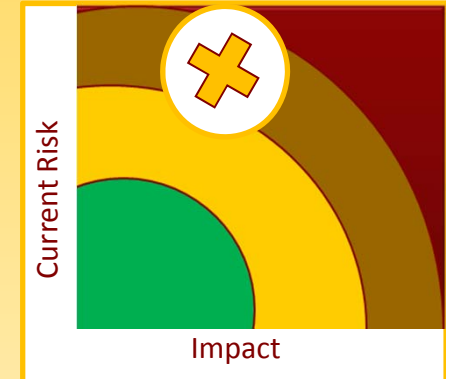
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# Why is it important to upgrade the HR system?



Human  
Resources

- 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.



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# Benefits to upgrading the HR System



Human  
Resources

- 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



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# What does the Financial system do?



Financial  
Management

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



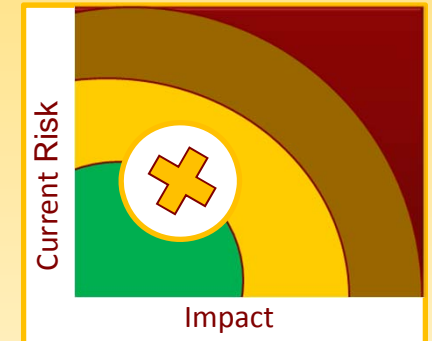
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# Why are we upgrading the Financial system?



Financial  
Management

- 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



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# Benefits to Upgrading the Financial System



Financial  
Management

- 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



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# Project Structure

Approved 3/6/2012

## Executive Oversight Committee

*Chair: Vice President Tim Mulcahy; Members: Vice President Kathy Brown, Vice President Richard Pfutzenreuter, 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); Brittany Lloyd (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

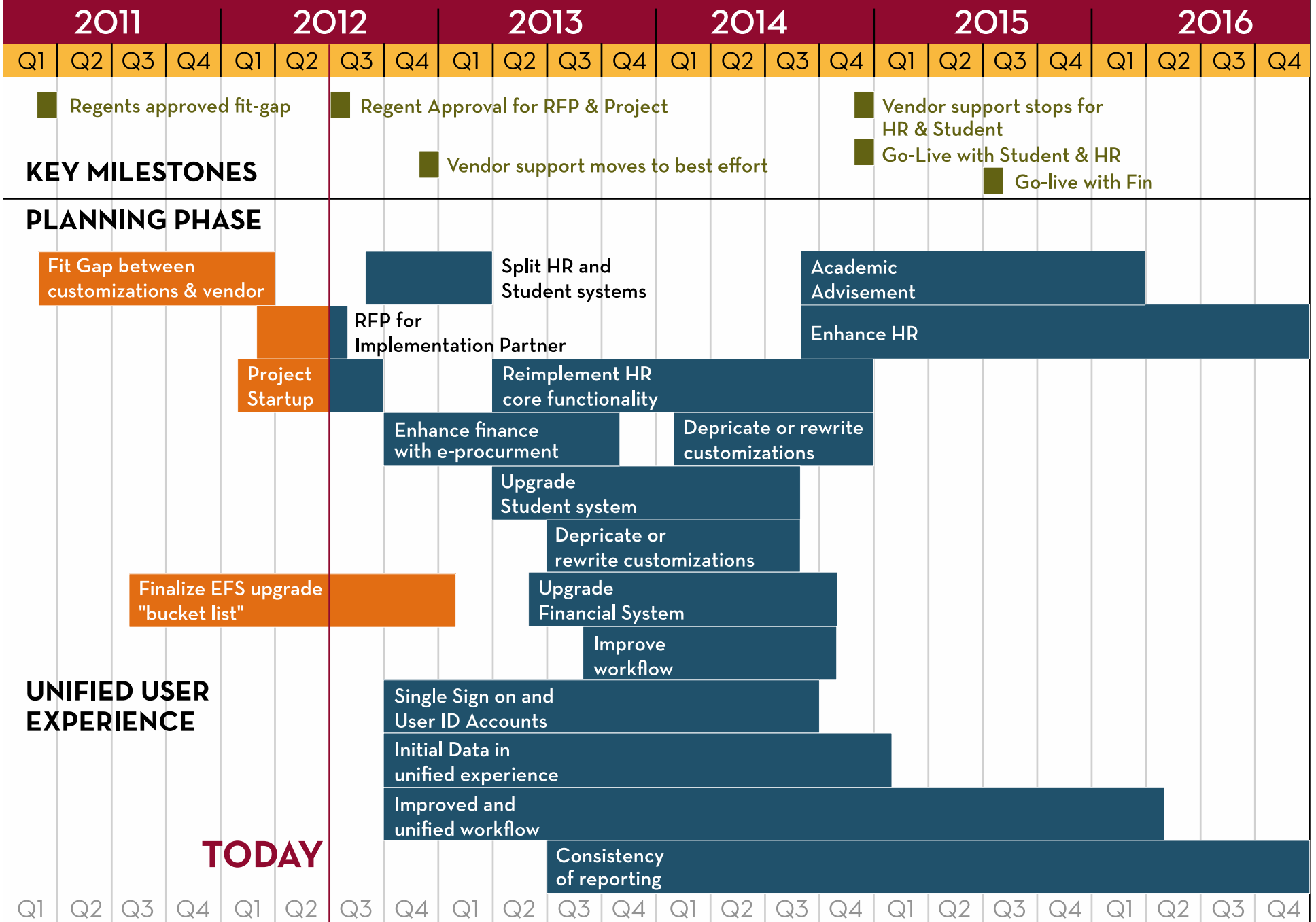
*Chair: Lori Lamb; Business Owner: Kelly Krattiger; Functional Tech Manager: Kris Hause; OIT Tech Owner: Sharon Ramallo*

*End users*

## Student Functional Steering Committee

*Chair: Sue Van Voorhis; Business Owner: Grant Clavelle; Functional Tech Manager: George Hudachek; OIT Tech Owner: Sharon Ramallo*

*End Users*



**TODAY**

# Management Plan: Lessons from EFS

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



# Key Risks and Mitigation Strategies

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



# 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

	Finance Specific	HR Specific	HR & Student	Student Specific	Total	With Contingency
Hardware	-	-	\$4,917,000	-	\$4,917,000	\$6,155,000
Software	\$700,000	\$250,000	\$2,264,000	\$200,000	\$3,414,000	\$4,275,000
Implementation Partner	\$4,823,000	\$9,081,000	\$4,528,000	\$10,957,000	\$29,389,000	\$29,389,000
UMN Staffing	\$4,877,000	\$6,279,000	\$13,490,000	\$7,994,000	\$32,641,000	\$40,863,000
Space/network/etc	-	-	\$2,287,000	-	\$2,287,000	\$2,863,000
<b>Total</b>	<b>\$10,400,000</b>	<b>\$15,610,000</b>	<b>\$27,487,000</b>	<b>\$19,151,000</b>	<b>\$72,648,000</b>	<b>\$83,545,000</b>



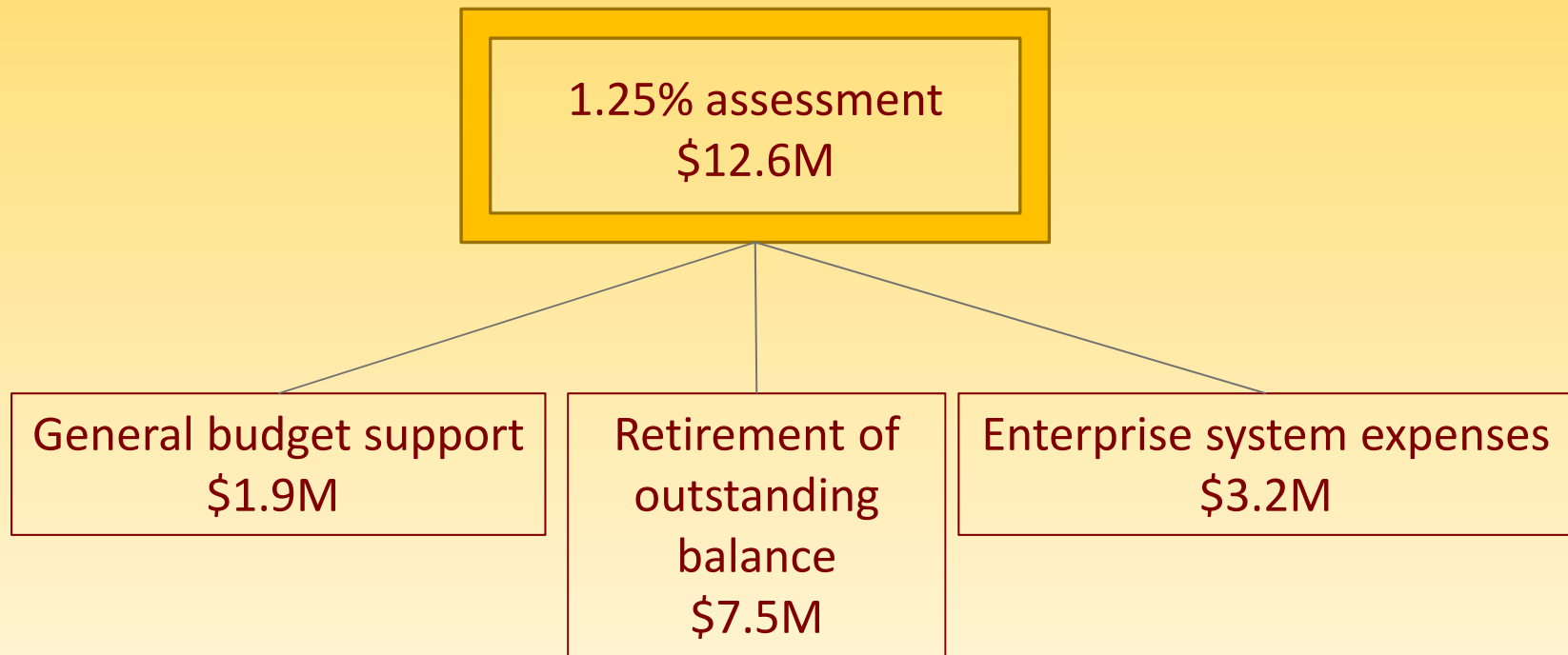
# Assessing Units for Institutional Business Systems “Enterprise Assessment”

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 \$12.6M and are tracked in a unique central account.



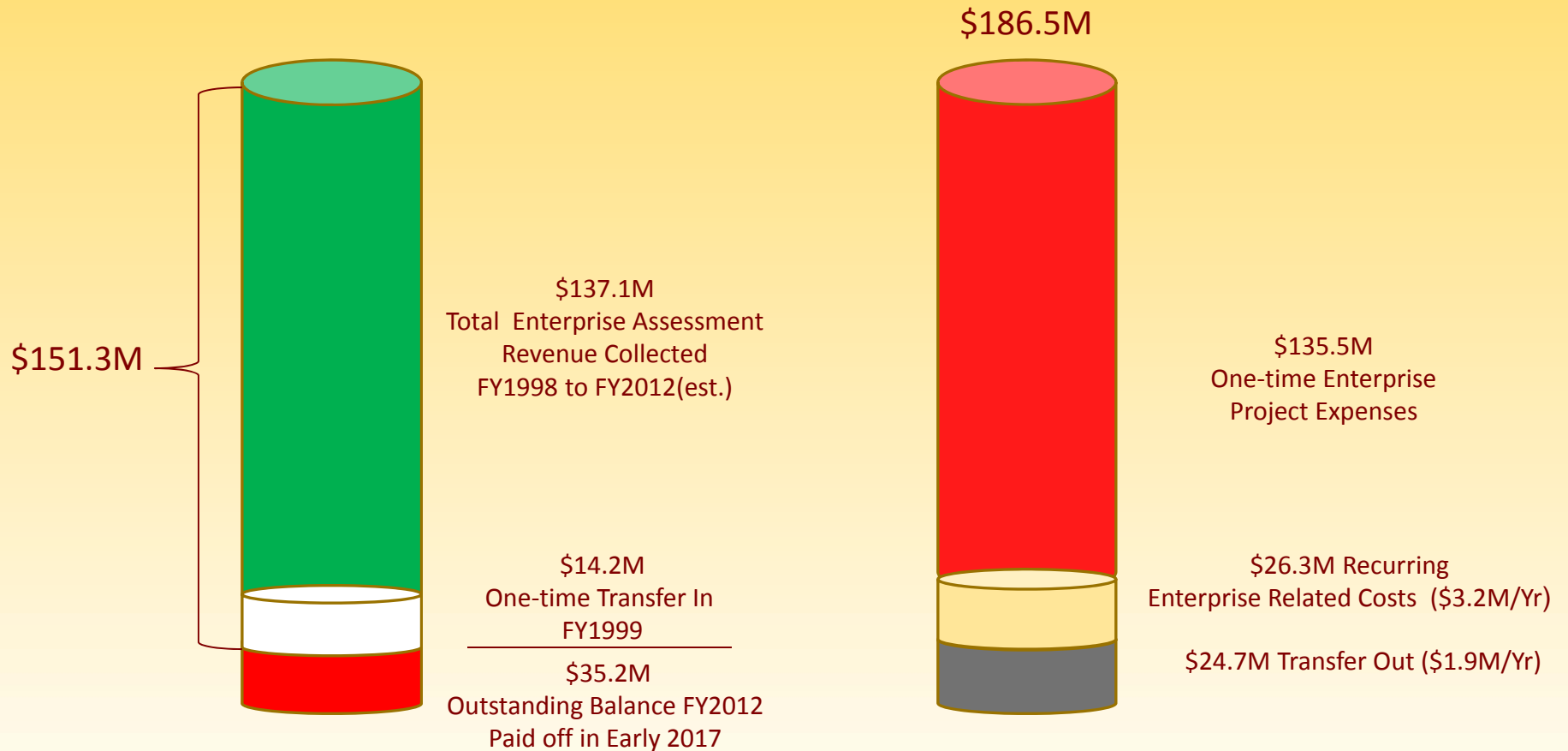
# 1.25% Enterprise Assessment FY2012 (est.)



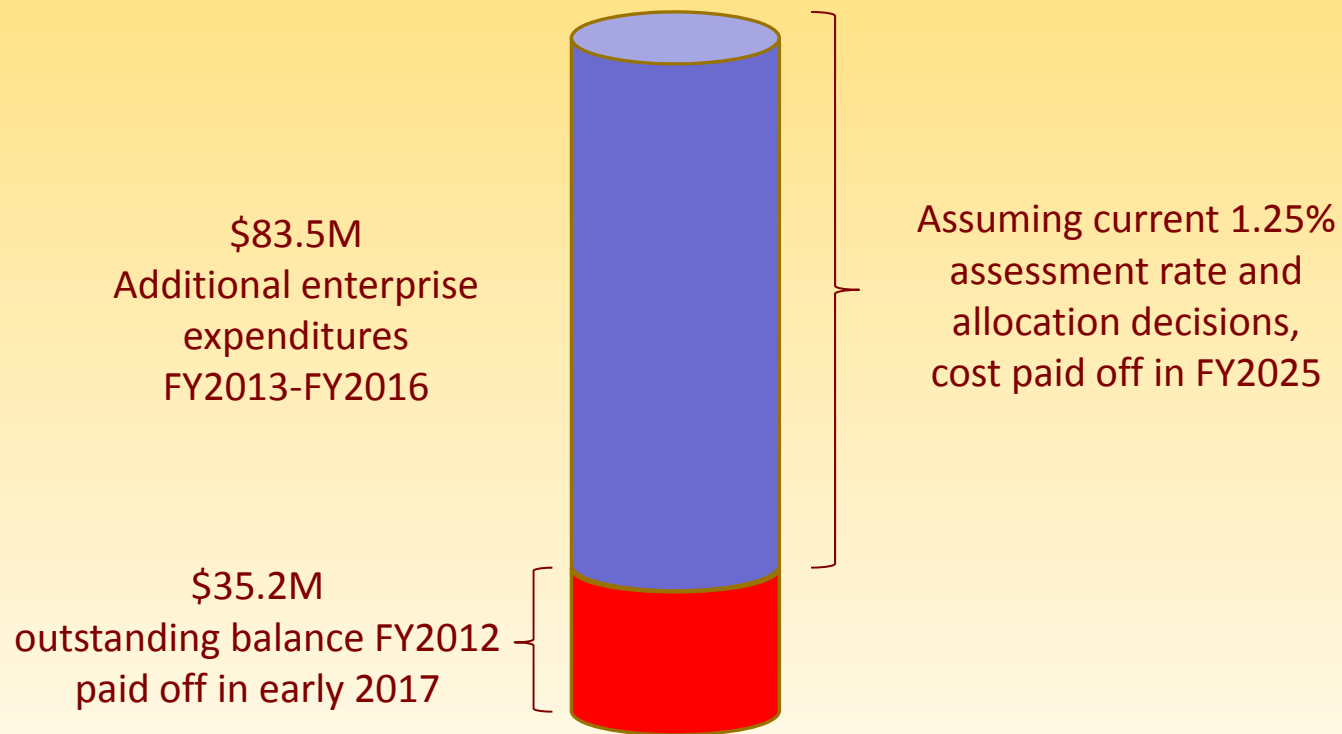
# Enterprise System Funding Strategy

## FY1998 to FY2012(est.)

### \$151.3M Revenues/\$186.5M Expenses



# Enterprise System Funding Projection Assuming Current Collection Practices FY2013 to FY2025



# Enterprise System Funding Strategy

## Conclusions and Next Steps

- Enterprise assessment strategy is reliable and well established.
- Additional \$83.5M 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

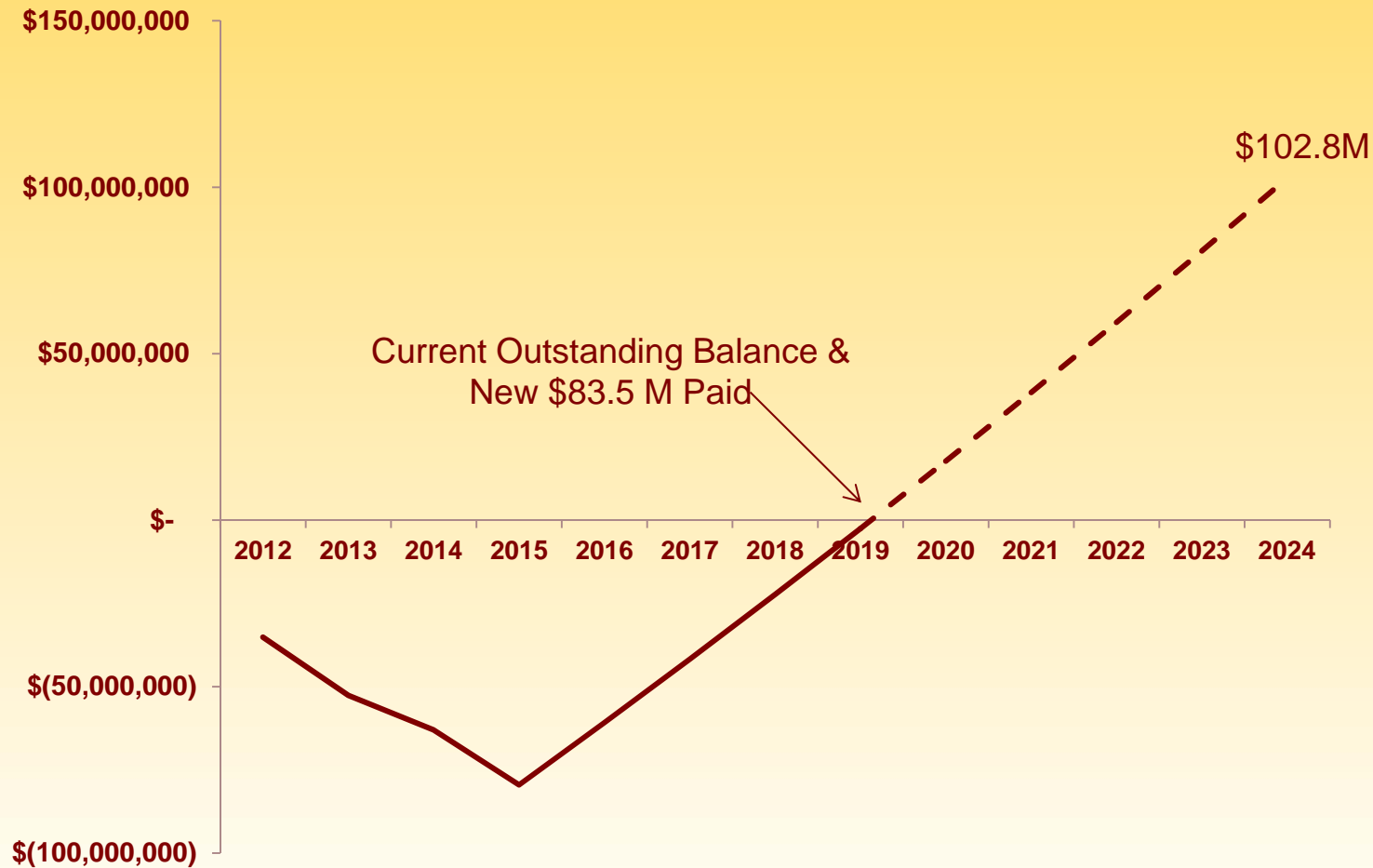
### Parameters

- 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



**WHEREAS**, the purpose of the Enterprise Systems Upgrade Project is to continue to contribute to the University's goal of establishing itself as a leading higher education institution by providing best in class enterprise business systems; and

**WHEREAS**, vendor support for the University's current enterprise application software officially ends in December 2012 and can be extended to at least December 2014; and

**WHEREAS**, the Enterprise Systems Upgrade Project will include replacement of the University's current student and human resource systems, require significant system integration activities between enterprise systems, and upgrades to the existing enterprise financial system; and

**WHEREAS**, the objective of the Enterprise Systems Upgrade Project is to improve overall administrative business processes, utilizing the latest PeopleSoft application architecture, re-evaluating previous implementation decisions with a focus on reducing the number of unsupported modifications, and to add value through increased system functionality and user friendliness; and

**WHEREAS**, the University recently completed a project planning phase to help scope the implementation phase and to provide high level documentation outlining opportunities for business process redesign.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Regents hereby approves a multi-year enterprise upgrade project budget in an amount not to exceed \$83,500,000 through June 30, 2016 and directs the administration to provide, not less than annually, an update and status report to the Finance & Operations Committee of the Board of Regents. The report must include an 1) analysis of budget to actual expenditures, 2) progress and milestones toward accomplishing improvements in overall administrative business processes and associated expenses and 3) accomplishments to date to provide increased functionality to end users.

