

# Financial Information System for California Project

## Status Letter

### REPORT NUMBER 2012-039, ISSUED APRIL 2012

This letter report provides an update on recent events related to the Financial Information System for California (FI\$Cal) project. Pursuant to California Government Code, Section 15849.22(e), the California State Auditor (state auditor) is required to independently monitor the FI\$Cal project throughout its development, as deemed appropriate by the state auditor. FI\$Cal is a business transformation project for state government in the areas of budgeting, accounting, procurement, and cash management. The independent monitoring shall include, but is not limited to, monitoring the contracts for independent project oversight (IPO) and independent verification and validation (IV&V) services, assessing whether concerns about the project raised by the IPO and IV&V contractors are appropriately addressed by the FI\$Cal steering committee and the FI\$Cal project office within the Department of Finance or its successor entity, and assessing whether the FI\$Cal project is progressing timely and within budget. We are required to report on the project's status at least annually and this is the seventh report we have issued since we began our monitoring in April 2007.

The project released its fourth Special Project Report (SPR) on March 1, 2012, to update information in prior SPRs regarding FI\$Cal's costs, schedule, benefits, and cost savings, and to announce that the project is ready for implementation. The project also announced that Accenture plc was the project's winning fit-gap vendor and is its selected systems integrator, with a proposed five-year contract for \$213.1 million. Statute requires the project to submit a report to the Legislature with specified information about the selected system integrator and alternative implementation approaches, 90 days before entering a contract with the system integrator. The project submitted the FI\$Cal legislative report on March 2, 2012. The remainder of this letter report provides our review of selected information in the fourth SPR, including FI\$Cal's updated cost estimates and proposed funding option, projected benefits, revised project schedule and implementation approach, and envisioned risks and assumptions. This letter report also provides status updates on topics that we have previously reported on.

In the letter report, the state auditor made the following recommendations to the Legislature. The state auditor's determination regarding the current status of recommendations is based on legislative action as of December 2012.

#### **Recommendation 1—See page 2 of the letter report for information on the related finding.**

To ensure that the cost to implement FI\$Cal accurately reflects the effort needed, the Legislature should require the project to track the cost of department subject matter expert staff and include this cost in the total cost for FI\$Cal.

#### ***Legislative Action: Unknown.***

The state auditor is not aware of any action taken by the Legislature as of December 18, 2012.

#### **Recommendation 2—See page 4 of the letter report for information on the related finding.**

To monitor the benefits that FI\$Cal is projected to provide based on a benchmarking study, the Legislature should require the project to track projected benefits as they are achieved and to report annually on the total benefits achieved, any changes in total projected benefits, and actual and project benefits as compared to actual and projected FI\$Cal costs.

*Legislative Action: Unknown.*

The state auditor is not aware of any action taken by the Legislature as of December 18, 2012.

**Recommendation 3—See page 5 of the audit report for information on the related finding.**

The Legislature should require the project to report annually on the cost and reasons for any significant customizations it makes to the software that were not anticipated at the onset of FI\$Cal implementation.

*Legislative Action: Unknown.*

The state auditor is not aware of any action taken by the Legislature as of December 18, 2012.