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State of Florida
Department of Management Services

People First Business Case

Jan. 31, 2014

People First
STATE OF FLORIDA HR

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1. Executive Summary

Under the authority of Section 110.116 and Sections 215.93-94, Florida Statutes (F.S.), the Department of Management Services (DMS) has established a Human Resource Information System (HRIS) and an enterprise suite of human resources (HR) services through an HR business process outsourcing (HR BPO) contract with Convergys Customer Management Group, Inc. (now NorthgateArinso, Inc., [NGA]).This contract has been in place since August 2002 but will terminate in August 2016. DMS must determine the future HRIS and HR BPO option that will best serve the employees of the State of Florida.

The People First system is a self-service, secure, Web-based HRIS comprised of traditional human resources modules. This system is primarily based on a SAP ERP (Enterprise Resource Planning) platform with other applications integrated and interfaced with this ERP platform. The human resources HR BPO contract with NGA provides for two People First Service Centers to meet customer needs and support these applications. Some key operational statistics of the People First system include:

- The current People First user base of 213,544 includes the employees of all 34 state agencies, the employees of all 12 state universities, all state retirees who have elected to continue with health or retiree life insurance benefits, and other users (e.g., Legislature).
- The two service centers handle 31,000 calls per month on average, and call volume has decreased by approximately 63 percent as system processes have matured.
- Annual customer satisfaction surveys confirm that 78 percent of respondents are satisfied with the overall performance of People First.
- The People First system supports four payroll cycles and 13 collective bargaining units with a number of work schedule variations.
- Recruiting is supported by the People First system and since May 2003 more than 148,000 State of Florida positions have been posted in People First with more than 10.7 million employment applications submitted for those positions.

The initial business case for the People First initiative included cost savings projections based on moving these HR functions to an outsourced service provider. This business case provided validation for cost savings based on actual and estimated costs of the People First initiative.
We found that the State of Florida is saving money as compared to the cost structure prior to outsourcing, resulting in an estimated direct cost savings for the contract period fiscal year 2002-03 through fiscal year 2015-16 of $60.33 million. Considering assumptions inherit in outsourced cost savings modeling the estimated total cost savings/avoidance for this period is $246.92 million.

A comparison of other entities leveraging HR outsourcing contracts with the People First initiative as part of a benchmarking analysis demonstrated that the State of Florida is receiving good value through its existing contractual relationship with NGA and that, from an overall cost perspective, it is operating the People First platform at a “best practice” level. While no two shared services or outsourcing relationships are identical, the entities used for comparison to the State of Florida were selected based upon their outsourcing model that supports a similar set of HR and payroll processes. Benchmarking is based on the premise that organizations in the same industry tend to face similar market pressures, financial constraints and workforce demographics.

As the stated mission of the DMS People First team is to design and support a user friendly, reliable, online human resource system and related services, the objective of a future HRIS option should be to support this same mission regardless of the service model. KPMG LLP (KPMG) was engaged to assist

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DMS with the development of two recommendations. The objective of the first recommendation requested was to determine whether the state HR functionality should remain on the SAP platform. The objective of the second recommendation was to identify the best operating models available to the state based on the first recommendation, and to identify the best model moving forward.

ERP Platform Recommendation

KPMG recommends that the state HR functionality remain on the SAP platform based on the multiple level analysis contained in this business case. Numerous options were identified with three ERP platforms selected for a more thorough evaluation. SAP scored higher in several key criteria areas including best long-term position, best organizational acceptance, lowest cost of technology alternatives, lowest risk and least staffing impact. This evaluation did not indicate that other options were inferior rather that the state has heavily invested in SAP, including customizations that are aligned with its statutory business requirements. The investment in an ERP industry leader and the increased cost and risk to transition state business requirements to another ERP system made SAP the clear choice.

HR BPO Options and Recommendation

There were four options identified based on the recommendation to retain HR functionality on the SAP platform. These options included:

- **Option 1 - Comprehensive Outsourcing.** This option includes the assignment of all responsibility for the HRIS components and services to a vendor. This vendor would be responsible for the support of key HR functions including infrastructure (servers and networks), software and operating system applications, data warehouse, and all service center functions.

- **Option 2 - Insourcing Infrastructure & Application Support Only.** This option includes the assignment of responsibility for all infrastructure and application support to the State of Florida. The state would be responsible for the support of the infrastructure (servers and networks), software and operating system applications and the data warehouse. In this option the primary service center functions would remain the responsibility of a vendor including associated service center hardware and software.

- **Option 3 - Insourcing Service Centers Only.** This option includes the assignment of responsibility for all service center functions (including associated service center hardware and software) to the State of Florida. A vendor would be responsible for infrastructure and application support including the infrastructure (servers and networks), software and operating system applications and the data warehouse.

- **Option 4 - Comprehensive Insourcing.** This option includes the assignment of responsibility for all the HRIS components and services to the State of Florida. The state would be responsible for the support of key HR functions including infrastructure (servers and networks), software and operating system applications, data warehouse, and all service center functions.

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KPMG recommends that the state continue to utilize a comprehensive outsourcing option for HR services utilizing the SAP platform based on the assessment of some key areas. These key assessment areas include:

- Cost
- Risk
- Scalability
- Customer Satisfaction
- Ease of Implementation
- Stability

The ranking and scores from these assessment areas were totaled to evaluate the differences between these options so that a recommended option could be validated. These total scores clearly established comprehensive outsourcing as the best option for the State of Florida.

Other Supporting Analyses and Recommendations

There was assessment work performed in several other areas as part of this business case to support the pending operating model transition. These other areas included:

- System and Service Center Performance Improvements – Review of current system to identify any gaps in the overall HR business processes, SAP functionality that could be leveraged to address these gaps, and opportunities in a new operating model to potentially address some system and service center improvements
- Shared Services – Review of options to potentially standardize, consolidate, or revise current policies and processes
- Learning Management System – Review of how an enterprise learning management system (LMS) could potentially address an acknowledged functionality gap
- Performance Metric Review – Review of current People First performance metrics and analysis against industry best practices to make recommendations for improvement
- Procurement Timeline – Recommended key project dates for a procurement strategy that will determine the best approach for the People First procurement
- Contingency and Transition Plans – Recommended contingency and transition planning to address contractor nonperformance or disruption of the recommended option, and changes in service provider, operating model or business process

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2. Background

The Department of Management Services engaged KPMG to provide consulting services for the development of a People First business case. This business case includes the following components:

- A detailed analysis of the software and ERP platform upon which People First is built that includes:
  - A determination of both its current and future status in the industry, and
  - A recommendation for its continued or discontinued use.

- An assessment of all options determined to be feasible for the continued operations of People First that provides, for each option:
  - A detailed "current state" operational assessment of People First including recommended enhancements or services,
  - A cost benefit analysis,
  - A risk analysis, and
  - A staffing analysis.

- A recommended option that is clear, detailed, and factually based; and meets the statutory requirements contained in section 287.0571(4), F.S., that requires completion of a business case for any outsourcing project that has an expected cost in excess of $10 million within a single fiscal year.

2.1. People First Description

Section 110.116, Florida Statutes, requires DMS to establish and maintain a HRIS and allows DMS to contract with a vendor to provide this HRIS. Sections 215.93-94, Florida Statutes, direct DMS to be the functional owner of the system. On Aug. 21, 2002, DMS contracted with Convergys Customer Management Group, Inc. (Convergys) to provide the state with a HRIS and an enterprise-wide suite of human resource services known as People First. Since the initial signing of this provider contract in August 2002, there have been three major contract revisions:

- Amendment 6, signed July 14, 2004, extended the contract end date two years to August 2011.
- Amendment 10, signed May 28, 2008, added 135 system enhancements and gave the state license to use and modify all intellectual property and associated documentation.
- Amended and Restated Contract renewal, signed Dec. 8, 2009, extended the contract end date five years to August 2016. It resulted in a $45 million dollar cost reduction, strengthened performance metrics, allocated 5,000 new annual system improvement hours and 22 new system enhancements.

Convergys was acquired by NGA on June 2, 2010, and this contract with NGA expires on Aug. 20, 2016, with no further capacity for extension.

The People First system is a self-service, secure, Web-based HRIS comprised of the following core modules:

- Attendance and leave
- Benefits administration
- Human resources management
- Organizational management
- Payroll preparation
- Performance management

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- Recruitment, and
- Reporting and data warehouse

The primary SAP application supporting People First was successfully upgraded in 2010 from an older SAP HR software version to ECC 6.0 HR on Net Weaver 7.0. This system utilizes a three-tiered architecture (Web, application and database) that operates on a SuSE Linux Enterprise Server 11 with a Sun Solaris operating system. System data of approximately 3.5 terabytes is maintained in an Oracle database and extracted each night to an Oracle data warehouse. The People First data maintained in the data warehouse is approximately 4.5 terabytes including data from the legacy HRIS. The NGA data center is located in Jacksonville, Fla. while the back-up and recovery data center is located in Atlanta, Ga. The following graph depicts SAP's three-tier client/server architecture**:**

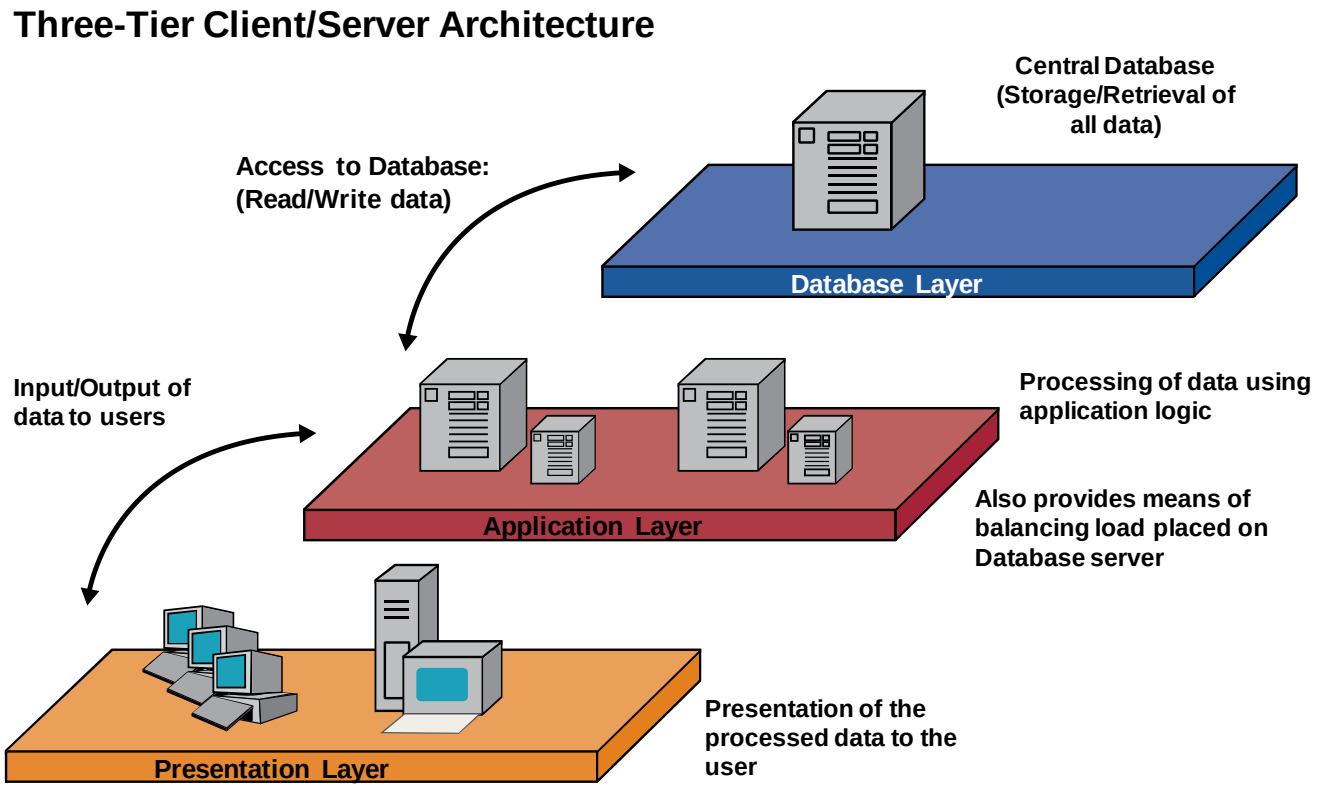

Figure 1: Three Tier Client/Server Architecture

The People First user base includes the employees of all 34 state agencies, the employees of all 12 state universities, all state retirees who have elected to continue with pre-tax health insurance benefits, and other users (e.g., Legislature). A user is defined as an active, former or retired state employee that has personal data and/or work information stored in the People First system and has received a unique user I.D. to log into the system to view, retrieve, or edit personnel information.

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As of Oct. 31, 2013, the People First system users included:

Full Use	Number of Users
State Agencies	100,973
Justice Administrative Commission	9,721
State Court System	4,656
Sub-Total Full Users	115,350
Benefits Only Use	**Number of Users**
Universities	44,924
Retirees	44,970
Others	8,300
Sub-Total Benefits Only Users	98,194
Total Users	**213,544**

Figure 2: People First System Users

These users access the People First system through the main website (https://peoplefirst.myflorida.com). Single sign-on technology is employed to ensure transparency to the user.

The People First system streamlines and automates many of the state's human resource functions, and promotes paperless work processes (e.g., timesheet submission, benefits transactions, and direct deposit). The listing below illustrates functionality that allows employees and managers to complete routine processes online, which was non-existent prior to People First:

Employee Self-Service	Manager Self-Service
• Complete timesheets • View leave balances • Establish and maintain direct deposit authorization • Maintain W-4 elections • Enroll and elect benefits • View and update personal information	• Process timesheets for their employees • Initiate personnel actions (hiring, promoting, separating) • Advertise job vacancies • Execute management reports • View their employees' personnel information

Figure 3: Employee/Manager Self-Service Functionality

The State of Florida HR BPO contract requires NGA to staff two service centers to meet customer needs. These service centers are located in Tallahassee and Jacksonville, Fla. NorthgateArinso service center advisors provide navigational and transactional assistance, issue resolution, and perform other specific duties that state agency HR offices and DMS formerly handled; including, benefits enrollment, appeals, refunds, reinstatements, job postings, and job application assistance. The service centers handle 31,000 calls per month on average. Job applicants search and apply for positions and maintain their applications online. Job applicants do not have to be state employees to view or apply for a job.

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Since May 2003, more than 148,000 State of Florida positions have been posted in People First, and more than 10.7 million employment applications have been submitted for those positions.

The People First team administers an annual customer satisfaction survey each March. The results of the survey provide valuable information on the customers' overall experiences with People First. Results from the March 2013 survey demonstrates that 78 percent of respondents are satisfied with the overall performance of People First. This satisfaction rate is an increase from the 76 percent satisfaction rate from the 2011 and 2012 surveys and 72 percent satisfaction rate from the 2010 survey. Most significantly, the current 78 percent satisfaction rate is a 19 percent increase over the customer satisfaction rate of 2007 (59 percent). Another barometer of customer satisfaction and the reliance on, and comfort in, using the People First website is the number of calls to the service center. Since 2006, calls to the service center have decreased by approximately 63 percent. This positive trend is a result of the many system enhancements and service center improvements over the past few years.

The People First system supports four payroll cycles:

- Bi-weekly with employees paid on the second Friday after the payroll cycle ends
- Bi-weekly with employees paid on the third Friday after the payroll cycle ends
- Monthly with employees paid on the last day of the payroll cycle
- Monthly with employees paid for the period of the 15th day of the prior month through the 14th day of the current month; paid on the last day of the current month

The system also supports 13 collective bargaining units and a number of work schedule variations.

There are 600 system interfaces (120 inbound and 480 outbound) that have been built to exchange data between the People First system and system subcontractors, external parties and other related applications including:

- The Peoplefluent Talent Management product
- The WageWorks, Inc. portal
- Banks supporting lock box services and fringe benefit programs
- Insurance carriers supporting employee benefit programs and the employee assistance program
- Internal state organizations like DFS, State Group Insurance, retirement functions and universities

Major stakeholders such as the Florida Lottery, Justice Administrative Commission, State Court System, and the State Personnel System support personnel systems that have varying business needs. Meeting these business needs has resulted in customized enhancements. Some stakeholders are considered "benefit only" utilizing only the People First benefits administration module to access their insurance information (e.g., Florida State University uses another ERP platform for attendance and leave and other HR modules).

2.2. Department of Management Services People First Team

The objectives of this HR BPO initiative are to provide the state with an employee and manager self-service online tool, to more effectively and efficiently provide services by streamlining and standardizing human resource transactional processes, and to reduce the cost of government. The People First team within DMS is responsible for overseeing the People First Initiative. The People First team mission

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strives, in partnership with NGA, to ensure excellence in human resource services through the development and delivery of a user-friendly, reliable, online system and service center in the most efficient and cost-effective manner. The People First team acts as both the contract manager and project manager over this initiative, which includes the following (see organization chart below):

- **Contract Management** – Monitors service provider compliance with state and federal policies, procedures, statutes, rules, and the service provider's compliance with contract performance requirements. Additional contract management responsibilities include monitoring the service provider's subcontractors' compliance with the contract, all aspects of adequately securing State of Florida production data, the day-to-day functionality of the system, and the operations of the service centers. The team researches best practices, analyzes trends, defines strengths and weaknesses of the current contract, and proactively plans for the future procurement process, which includes a business case, bid development, vendor selection, and contract negotiations (see People First Timeline - Key Milestones below).

- **Project Management** – Oversees the State of Florida HRIS by identifying customer needs, developing requirements for system and data warehouse development, coordinating user acceptance testing, delivering communication documents and training materials, and monitoring production implementation. The team serves as the liaison between the service provider and the state and communicates the state's system design needs to:
    - Prepare accurate and timely payroll to more than 115,000 employees.
    - Administer state-approved benefits to more than 198,000 participants.
    - Oversee the annual Open Enrollment process.
    - Provide accurate and timely data warehouse information to 34 state agencies.
    - Correct People First system and data warehouse deficiencies.
    - Change system functionality based on state policy revisions and union agreements.
    - Implement legislatively-mandated system changes.
    - Deliver contractually-required enhancements to the system and data warehouse.

- **Agency Support** – Provides customer support and delivers services in a prompt, friendly manner. Agency support responsibilities include: coordinating public records requests, handling recurring report requests for various customers (Governor's office, Legislature, and state agencies), coordinating mass data loads into the system, managing agency reorganizations, and providing support to agency report writers and technical assistance on Web portal reports. Since July 2006, the team coordinated 1,082 mass loads for state agencies, and since January 2009, the unit has produced 3,885 reports and responded to 510 public records requests.

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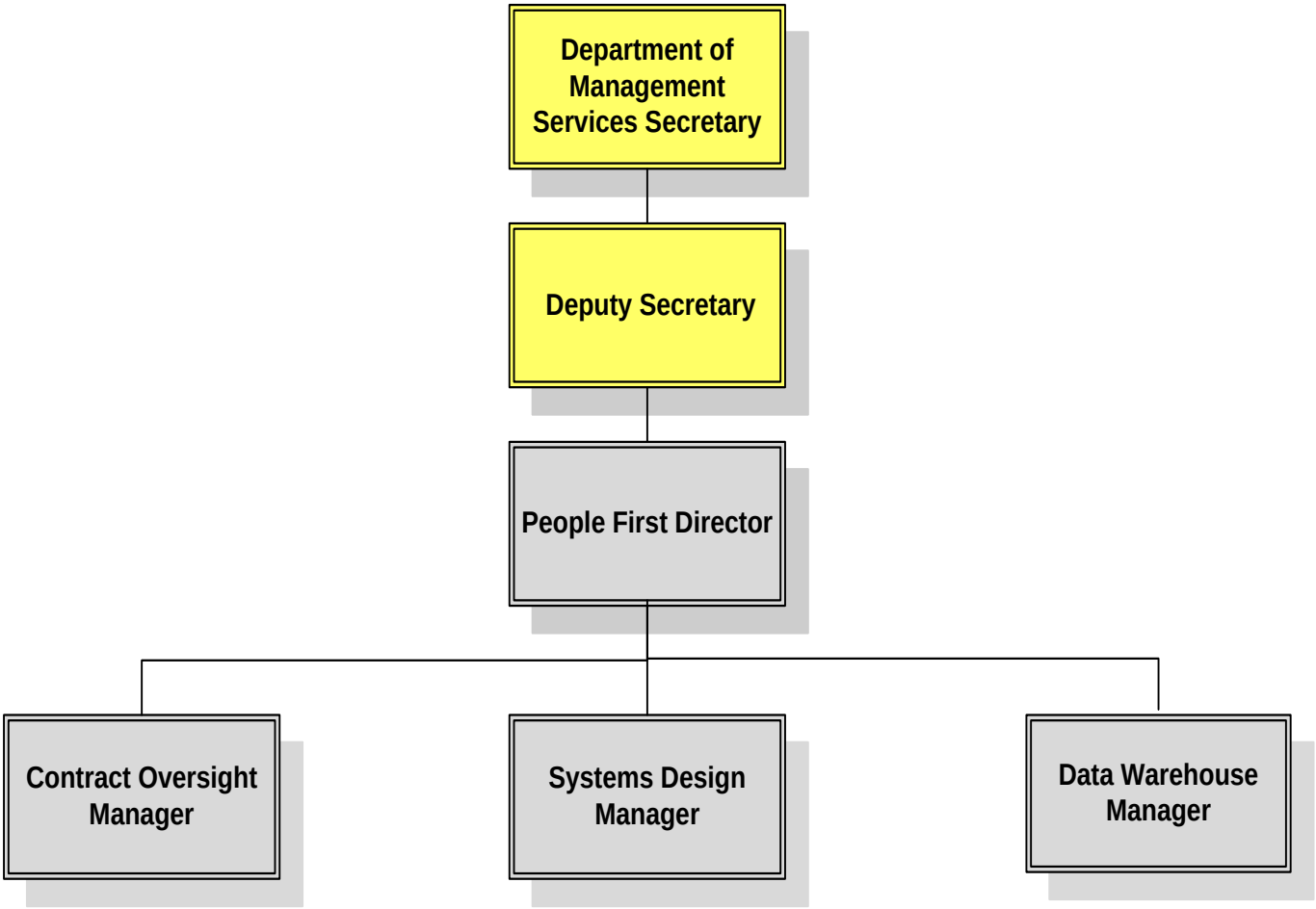

Figure 4: People First Team

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In anticipation of NGA contract expiration on Aug. 20, 2016, the People First team has developed a management plan to guide the state through the HR BPO transition and have maintained a focus on this transition throughout this contract period. The People First team has accomplished several key milestones over the life of the initiative. The illustration below provides a timeline perspective.

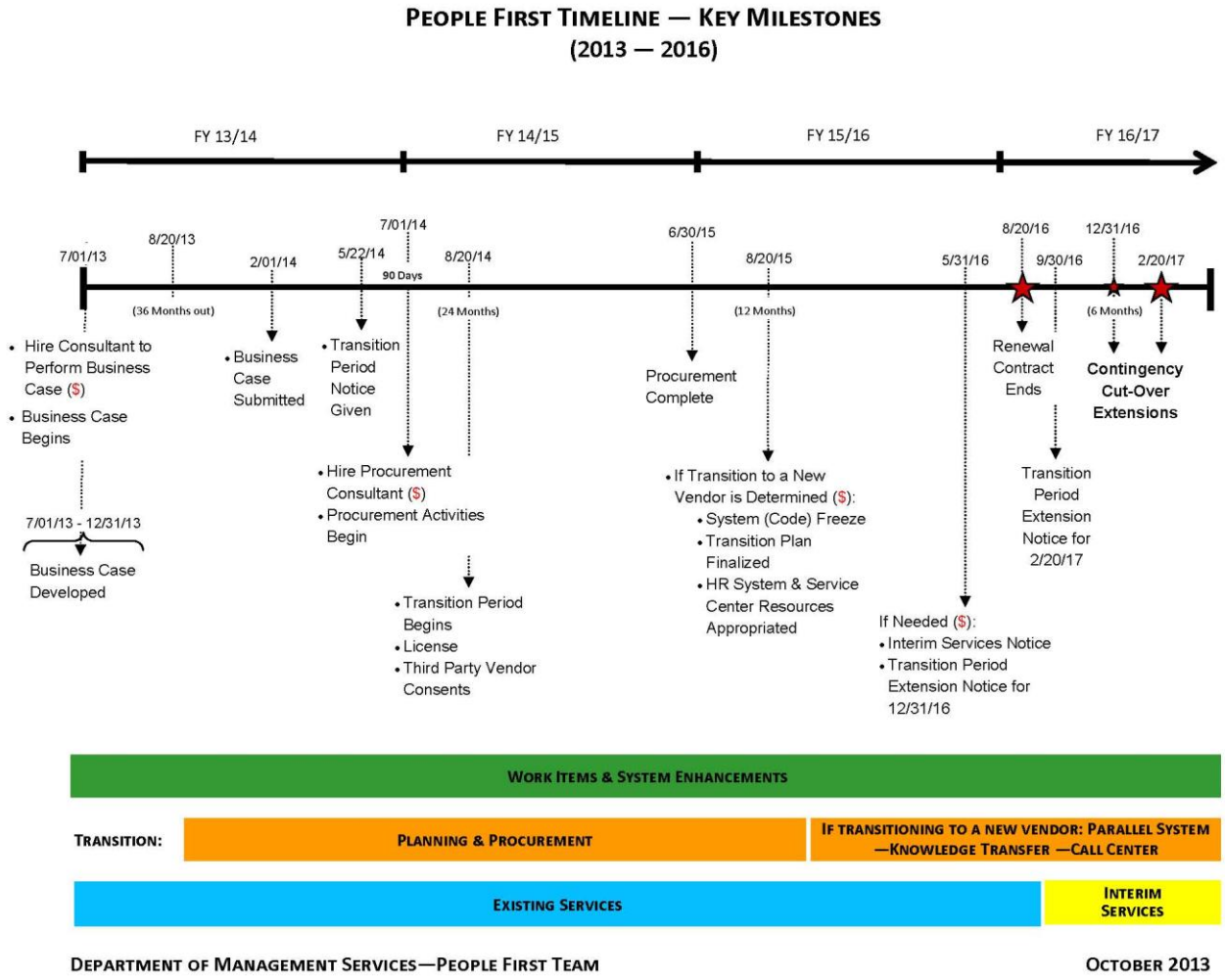

Figure 5: People First Key Milestones Timeline

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2.3. People First Overall Cost Savings

The Department of Management Services maintains and updates a People First spreadsheet to estimate the projected cost of the People First initiative. This spreadsheet also estimates the projected cost savings based on direct cost savings and some assumptions around the need to replace the legacy HRIS.

KPMG reviewed the People First spreadsheet and also evaluated cost savings data based on typical outsourcing business case analyses. **We found that the State of Florida is saving money as compared to the cost structure prior to outsourcing, resulting in a direct cost savings for the contract period fiscal year 2002-03 through fiscal year 2015-16 of $60.33 million.** Considering assumptions inherit in outsourced cost savings modeling the estimated total cost savings/avoidance for this period is $246.92 million.

The cost savings model developed by KPMG (see cost savings summary scenario table below) is based on direct cost savings data included in the DMS spreadsheet and supporting documentation, along with the consideration of some assumptions typically included in outsourcing business case analyses. An explanation of the assumptions used in this model includes:

- **COPES Cost Replacement/Maintenance Avoidance**
  The model includes a savings factor based on the estimated cost avoidance that would have been incurred to replace the 20-year old legacy HRIS system (COPES – Cooperative Personnel Employment Subsystem). According to the Mevatec business plan dated September 2001, "COPES involved significant paper driven processes, interface challenges, and operates in a proprietary mainframe/limited technology environment (not web accessible, limited employee access to data and limited management tools)."[1] A conservative approach would be to use the estimate provided in the Mevatec business plan of $80 million. However, the COPES savings factor should be increased from $80 million to $100 million. This increase is due to the fact that (1) the original business plan only estimated seven years whereas the contract has been extended to 14 years; (2) the January 2009 OPPAGA People First Assessment stated, "there would be a substantial one time investment to build a tailored system for the state with estimates ranging from $50 M to $100 M"; and (3) a similar large system replacement spent over $96.5 million – ASPIRE[2]. The cost savings model assumes $100 million in COPES related savings.

- **DMS People First Team Salary and Benefits Cost**
  The People First team salary and benefits cost and budget was transferred from within another organization budget within DMS and is not additional expense. Therefore it is not considered as a direct expenditure for purposes of this model.

- **Compensation Inflation Impact**
  Although not a direct cost savings, compensation inflation is a significant cost avoidance factor since as a general rule employees are more expensive to employ each year. As a result, the impact from a typical compensation inflation factor is usually included in outsourcing business case analyses.

[1] Mevatec Corporation was contracted by DMS to conduct a thorough business case analysis to determine the feasibility of outsourcing many of the state's HR, payroll and benefits services.
[2] Project ASPIRE estimated costs from fiscal year 2002-03 though fiscal year 2010-11 (Florida Senate Brief 2009-321)

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Compensation inflation for the model is based on actual total compensation figures obtained from the Florida Annual Workforce Reports, fiscal year 2001-02 through 2011-12. The average increase from fiscal years 2006-07 through 2011-12 was used to estimate the likely inflation in fiscal years 2012-13 through 2015-16, since the average compensation increase has been much smaller since 2006-07 and is not expected to return to these rates in the near future. A mix of 81.5 percent Career Service, 18.0 percent Selected Exempt Service and 0.5 percent Senior Management was used to calculate the Total Compensation Index below.

	2002	2003	2004	2005	2006	2007	2008	2009
Average Total Compensation	50,304	52,242	55,584	59,180	61,993	62,596	63,169	62,441
Total Compensation Index	100.0%	103.9%	110.5%	117.6%	123.2%	124.4%	125.6%	124.1%

	2010	2011	2012	2013	2014	2015	2016
Average Total Compensation	63,753	64,103	62,441	62,523	62,606	62,689	62,771
Total Compensation Index	126.7%	127.4%	124.1%	124.3%	124.5%	124.6%	124.8%

Figure 6: Total Compensation Impact

As illustrated in this Total Compensation Index, actual compensation figures show that it cost the State of Florida more to employ personnel during this People First contract period. As an example, this index shows it cost Florida 24.3 percent more this year than in fiscal year 2001-02 for its workforce. To calculate the impact that higher compensation would have had over the life of the contract, the following formula is used: Multiply the number of employees impacted each year by the total compensation index. Multiply this number by the average compensation of the impacted employees. This result estimates what the compensation for those employees would have been for a given year. The impact of the increased compensation is $139.3 million over the 14 years. It should also be noted that total compensation includes all employment costs such as salary, benefit and associated costs.

- **Transaction Volume Impact**
  An annual government growth factor has been included in this model based on Florida's number of State Personnel System employees reported in Florida Annual Workforce Reports, fiscal year 2001-02 through 2011-12. The average decrease in employees from years 2002 through 2012 was used to estimate the likely staffing reductions in 2013 through 2016. The impact of reduced/additional support is reflected in the volume impact adjustment based on the index below.

	2002	2003	2004	2005	2006	2007	2008	2009
State Personnel System Employees	117,561	115,504	113,030	108,706	108,866	112,373	112,459	109,476
Volume Index	100.0%	98.3%	96.1%	92.5%	92.6%	95.6%	95.7%	93.1%

	2010	2011	2012	2013	2014	2015	2016
State Personnel System Employees	109,020	108,761	104,134	102,902	101,684	100,481	99,292
Volume Index	92.7%	92.5%	88.6%	87.5%	86.5%	85.5%	84.5%

Figure 7: Transaction Volume Impact

As illustrated in this Volume Index, the number of state employees has decreased over this People First contract period and as a result it should be assumed that the volume of human resources transactions has also decreased. To calculate the impact that reduced volume would have each year of the contract, the total employee recurring reduction each year is multiplied times one minus the volume index for that year (e.g., one minus 92.7 percent in 2010). Multiply this number by the

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average compensation of the impacted employees. The impact of the decreased transaction volume is a cost avoidance reduction of $52.7 million over the 14 years.

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Fiscal Years 2001-2002 Through 2016-2017	Cost Savings
Direct Budget Reductions (Baseline) Impact ($million)	
Recurring Reductions (Salary/Operational Expenses FY 2001-02)	31.79
Recurring Reductions (9 months) (Salary/Operational FY 2002-03)	492.48
Recurring Reductions (Salary/Operational Expenses) -- Total	524.26
Restored back to Agencies due to implementation delays	($23.61)
Recurring Reductions (Annualization - 3 months)	89.54
DSGI Reductions/22 FTE (Based on Conference Report for FY 06-07)	10.39
Total Direct Budget Reductions (Baseline) ($million)	**600.58**
Direct Expenditure (Baseline) Impact ($million)	
Amendments:COPES/Monitoring/Corrections/5% Transfers (Transferred out of Convergys Contract)	($8.35)
Paid/To be Paid to Convergys / NorthgateArinso **	($518.42)
Amendments:COPES (Requested February 2005 LBC) along with $85,571 for Agriculture and DFS Overtime	($4.59)
HRM 3rd Party Monitoring through fiscal year 2004-05 / Project Management Beginning In fiscal year 2005-06	($1.80)
Health Savings Account (HSA) Payment Fees	($0.24)
Per Section 47 (Back of the Bill): a one-time General Revenue appropriation of $450,000 for HRM for costs associated with the DMS plan to outsource human resource services - HRM	($0.39)
Additional Resources (COPES) For July 1 through September 30 for contingency (included in proviso under HRM proviso)	($1.30)
Brandt Information Services, Inc. (COPES Study) - DSGI	($0.04)
BAE - DSGI	($0.23)
Acclaris - Third Party Monitor - DSGI	($0.21)
People First Team Agency Training	($0.11)
Reduction to Project Management budget, with net cost of $225,000 (increase of 1 FTE in HRM)	($2.28)
Off-shoring Audit	($0.50)
ASPIRE Remediation Budget Amendment	($0.35)
People First System Enhancements and ADA Compliance	($0.43)
OPPAGA Study - Next Generation People First	($0.25)
Change Order 1 (08/12/11) -- 168 hour period for Corrections	($0.16)
Change Order 2 (10/07/11) -- 80 hours Fair Labor Standards HSMV	($0.07)
Change Order 3 (06/15/12) -- DACS Interface	($0.02)
People First Business Case 2013	($0.50)
Total Direct Expenditure (Baseline) Impact ($million)	**($540.25)**
Total Direct Cost Savings ($million)	**60.33**

Cost Savings With Impact From Assumptions ($million)	
Total Direct Cost Savings ($million)	**60.33**
COPES Cost Replacement Off-Set/Maintenance Avoidance	100.00
Compensation Inflation Impact/Avoidance	139.27
Transaction Volume Impact/Avoidance	($52.68)
TOTAL SAVINGS ($million)	**246.92**

** Financials in $millions throughout schedule, unless noted*

*** Service Credits were less than $100,000 and therefore do not show in a $million table*

Figure 8: Cost Savings Summary Table

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3. Technology Analysis and Recommendation

The objective of the Technology Analysis and Recommendation section of this business case is to summarize observations, opportunities, and recommendations uncovered through our analysis of the People First baseline implementation and the current SAP platform. The primary activities included:

- Meeting with key People First team members and stakeholders to assess alignment around the goals of the support organization and current support satisfaction as well as gain a better understanding of the People First business strategy.
- Analyzing and documenting detailed project plans and related documentation to understand roles, responsibilities, dependencies, and risks.
- Analyzing the state's historical financials in budget documentation and cost savings work papers to identify major cost and efficiency drivers for the technology and operations components of the People First system.
- Reviewing the current People First system configuration documentation to gain an understanding of what support processes exist and to gauge the completeness of documentation.
- Assessing system performance metric results and specific benchmarking targets to determine the effectiveness of these benchmarking efforts.
- Visiting NGA service centers and interviewing People First support personnel.
- Researching current HR BPO and Information Technology (IT) BPO trends in state government.
- Reviewing current SAP application use in the state's Department of Revenue.
- Researching current HR internal service center trends in state government and commercial entities.
- Comparing the current People First implementation to other completed (similar) projects and identifying better practices from baseline system transformations (size, scope, etc.) that could possibly be leveraged for the People First system.

These activities required coordination between the DMS People First team, the service provider, and the KPMG team to be able to identify potential technology transformation and improvement opportunities.

3.1. Current People First System Assessment

An assessment of the current People First baseline implementation and current SAP platform was conducted in the following key areas:

- People First System Description
- People First System Benchmarking

People First System Description

The People First HR architecture is comprised of modular technologies that support a scope of services ranging from payroll preparation, benefits administration, core HR transaction processing, talent management (recruitment and performance management), attendance and leave, application hosting and data warehouse hosting. The scope of services is delivered to approximately 214,000 users that rely on the People First platform to gather and submit information based on their need. A review of the current People First system identified the following software, hardware, licensing and other technology drivers.

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Architecture Component / Interface	Product Name	Description
Batch Processing	Cronacle (Version M33.58-58052)	Redwood's Cronacle is a software tool designed to schedule batch processing and to monitor status.
Benefits – Document Processing	Readsoft (Version 5.2 SP14)	Input Technologies document processing product, Readsoft, is an optical reader that scans, classifies and routes documents to the right team.
Benefits – Imaged Document Archive	IDA 1.5.01	Intelligent Document Architecture (IDA) is an in-house solution to archive imaged documents and is integrated with the Service Center's call and case tracking tool (eCase).
Case Tracking Tool	eCase	The eCase product is a call and case tracking tool developed by the Service Provider and used by the Service Center to record and manage interactions with state employees and their dependents.
Core Business Application (ERP)	SAP (ECC 6.0)	SAP stands for "Systems Applications and Products" and has evolved over the years to manage financial, asset, cost accounting, human resources/personnel, payroll, workflow modules and other service offerings. The core HR functions for the state run from the SAP ERP application. The ERP version being supported is SAP Enterprise Central Component 6.0 (ECC 6.0).
Data Warehouse	Oracle 11g Enterprise Edition (Release 11.2.0.3.8)	The state has a centralized data repository for historical and current transactional data for state employees.
Facsimile Processing	Faxcom Server 6.5.1.1	Biscom's facsimile server is used to send and receive electronic images of paper documents.
Integrated Development Environment (IDE)	NetWeaver 7.0	Supports the development and runtime environment for SAP business applications and is used to extend code and integrate with other applications and systems. The primary development language used on the platform is ABAP, but other supported languages include C, C++, and Java EE.

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Architecture Component / Interface	Product Name	Description
Integrated Voice Response (IVR)	Avaya Voice Portal 5.1	Customers have a choice of leveraging the self-service features of the system or choosing an agent to assist with a call. The IVR routes calls through the service center and, in some cases, to external service providers such as WageWorks.
Operating System	Linux 11 on VMware (Sun Solaris)	The supporting operating system platform which hosts the application, IDE (Integrated Development Environment), database, web services, and data warehouse.
Oracle Development Environment	Oracle – Application Express 4.2	Is used to support rapid web application development for an Oracle database. Using a web browser, applications are quickly developed and deployed off of the state's data warehouse.
Reports	Business Objects XI (R2) and Crystal Reports XI	Business Objects is used for various reporting functions regarding service center performance metrics.
SAP Database	Oracle 11g Enterprise Edition (Release 11.2.0.3.8)	The SAP transactional database layer.
State University System	State Universities	Backend processes sharing critical personnel data (e.g., benefits selections) are linked through secure file transfer protocol (sftp). Each university or college may vary in its data transfer needs and thus may have an independent sftp connection to the People First system.
System Interfaces	Various Secure File Transfer Protocol (SFTP) mechanisms	There are 600 system interfaces, both inbound and outbound, that have been built to exchange data between the People First system and system subcontractors, external parties and other related applications.
Talent Management	Peoplefluent –Talent Management 11.2	The talent management application is a hosted solution provided by Peoplefluent and is used to support activities around the recruiting and performance management processes.
Testing	LoadRunner (Version 11.0)	Mercury Interactive LoadRunner is an automated software testing tool used for load and stress testing. This application is not required to run the system.

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Architecture Component / Interface	Product Name	Description
Timesheet and Reports Module	Web Dynpro	The state implemented a customized user interface (UI) to accommodate time entry and reporting needs. This product is a part of the SAP framework.

Figure 9: People First Architecture Table

To accommodate Florida Statutes, Florida Administrative Rule, and business requirements, NGA has implemented numerous customizations to SAP ECC 6.0 (the back-end solution) and Web application layers (the front-end solution). The SAP application was heavily customized as part of the initial 2002 implementation based on many of the state process requirements and has continued to be customized.

The table below provides a sample of these SAP customizations by business process/functional area.

Business Process / Functional Area	Summary of Primary Customization(s) Made	Purpose of Customization(s)
Personnel Action Requests (PARs)	• Automated work flow, approval process, and form designed to replace paper forms used by agencies prior to People First. Customizations included numerous personnel actions and reason codes that are not native to SAP	• To standardize and automate a paper-based process with State of Florida business rules
Interagency Transfers And Cross Payroll Area	• Created new processes, functions and screens to handle both concurrent employment and employee movement between agencies (e.g., created a leave balance transfer screen) • Updated security access to combine employee history allowing HR professionals, managers and employees to view combined employee history	• To properly segregate employee data from agency to agency and across payroll areas • To integrate employee's history across all positions held
Security	• Created structural security access to meet agency business needs (e.g., HR liaison roles) • Created the ability to update employee data and process final payouts for 30 to 60 days after employment separation	• To provide various user populations with appropriate data access based on business needs (e.g., statewide, agency-wide, organization restricted – 24 digit org code)

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Business Process / Functional Area	Summary of Primary Customization(s) Made	Purpose of Customization(s)
Benefits Administration Cost Calculations	• Implemented processes to evaluate dual employment, leave without pay, separations, appointments, classification, etc. that can be used to determine the employee's employment status • Implemented a process to evaluate cost in advance of the coverage month based on the employee's status. Note: SAP only gives the option to evaluate cost in the current coverage month • Established expected deductions program to identify retroactive changes within a 24-month period • Developed a program to determine when benefit costs should be moved from agency to agency based on employment changes	• To calculate State of Florida specific employee and employer cost for the health and insurance plans based on the employees total employment status (i.e., dual employment, leave without pay, separations, appointments, classification)
Qualified Status Change (QSC) Benefits Processing	• Implemented logic to create QSCs and define what actions can be taken through the QSC • Implemented eligibility logic for grandfathered plans, grandfathered coverage levels, retirees/survivors, etc. • Implemented logic to prevent employees from enrolling in one medical plan and then switching after being covered for a month	• To implement the State of Florida business rules (cafeteria plan) for when employees can process benefit election changes
Fiscal Administration (Benefits)	• Deactivated standard SAP fiscal processes in the areas of involuntary wage deductions • Implemented processes to automate premium postings for direct bill participants	• To implement the State of Florida's business rules for administering fiscal processes around benefits premium collections and posting
People First Portal Access	• Developed employee self-service (ESS) and manager self-service (MSS) processes to streamline core HR functionality (e.g., PAR, timesheet, employee contact information) • Implemented front-end audit logging to capture user transactions • Created mass change engine to process large volumes of data • Developed access allowing service center agents to navigate as an employee	• To provide a user-friendly and more intuitive customer experience for ESS and MSS processes
Payroll File Outbound Interface	• Developed program to send payment details, master data details and key objects based on complex business rules for each payroll run to the FLAIR accounting system.	• To provide core payroll data to the Department of Financial Services, Bureau of State Payrolls for gross-to-net calculations

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Business Process / Functional Area	Summary of Primary Customization(s) Made	Purpose of Customization(s)
Payroll/Time Employee Timesheet Entry	• Developed separate timesheets based on employee payroll area and FLSA period. Customization examples include defaulting timesheet to the oldest incomplete timesheet, providing timesheet status in an overview section, and providing ability to un-approve/delete the timesheet entries based on FLSA period/pay frequency	• To standardize and automate a paper-based process with State of Florida business rules
Payroll Leave Payout	• Developed new leave payout screen that automates the leave payout business rules by determining eligibility for payouts, adjusting leave balances when a payout is processed, etc.	• To implement the State of Florida business rules for various types of leave payouts (e.g., sub-group, employee, employment status, payroll type, payout type, payment date)

Figure 10: SAP Customization Sample Table

People First System Benchmarking

The People First system was an early demonstration of what is now commonly referred to as a shared services delivery model. In a shared services model, the services and processes that were performed by multiple entities (in this case, HR processes provided within each agency of the State of Florida) is provided by a single organization either through an outsourcing arrangement (the states of Texas and Florida have taken this route) or by the creation of an internal shared services center that becomes an internal service provider. The Commonwealth of Pennsylvania and the State of Utah are two states that have recently taken the approach of an internal service provider.

Whether accomplished through outsourcing or through an internal shared services organization, the shared service center: leverages economies of scale, scope and place; has established service levels; prices its services in alignment with service levels; and is focused on process standardization and best practice deployment. In short, it is “run like a business.”

Comprehensive HR business process outsourcing or shared services, similar to the services provided through People First, have become common in the private sector. As illustrated in the following graphs, shared services has become the delivery model of choice with a growing portion of services delivered through outsourcing.

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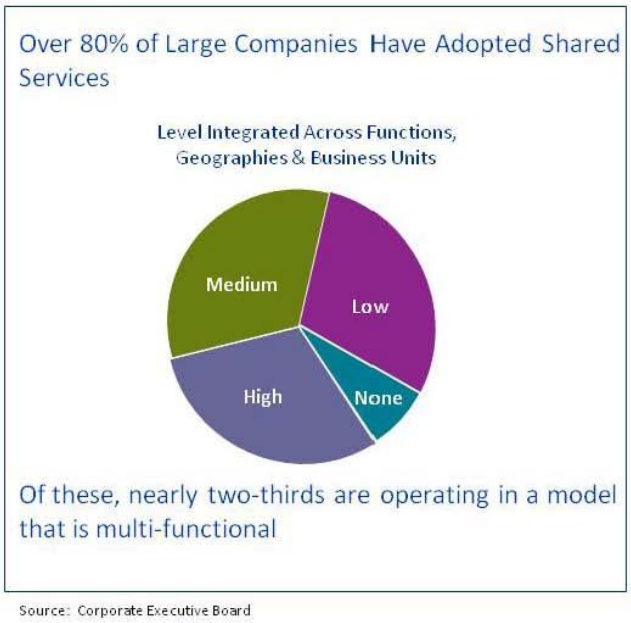

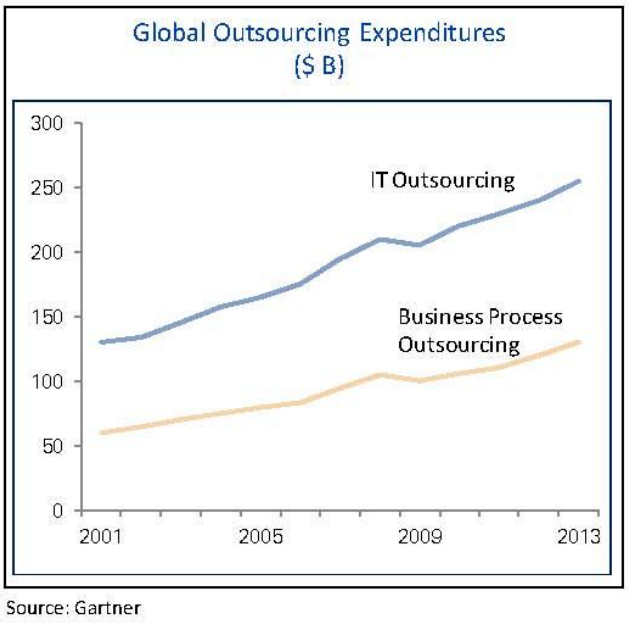

Figure 11: Shared Services Integration

Figure 12: Global Outsourcing Expenditures

The following table contains summary information around how the current outsourcing contract with NGA compares to another state government agency, a federal agency and to market data that has been developed by KPMG. The market data reflects outsourcing costs in different quadrants ranging from lower costs to higher costs based on varying service levels. This data is only comprised of the direct costs associated with the services delivered by the outsourcing service provider (no internal costs have been included).

	State of Florida	State X	State Y	Federal Agency	Market 1Q	Market 3Q
Total Cost of Platform and Services	$36,092,971	$14,435,400	$4,500,000			
Number of FTEs Being Serviced (allocated 20% of FL benefit only users)	136,836	53,000	13,000	11,500		
Estimated Per Employee Per Year Cost For All Services	$263.77	$272.37	$326.92	$546.00	$230.00	$550.00

NOTE: Hosting and infrastructure costs for State X have been estimated and internal organizational costs (staff doing retained work activities and providing vendor governance) have not been included in this data for any of the peer groups

Figure 13: HR Outsourcing Benchmarking Comparisons

The information in this table has been normalized around a common set of services and enabling technology as follows:

- Attendance and leave
- Benefits administration
- Data warehouse

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- HR call center
- HRIS hosting and infrastructure
- Human resource management (ESS/MSS, call center, etc.)
- Organizational management
- Payroll preparation
- Performance management
- Recruitment

Benchmarking is based on the premise that organizations in the same industry tend to face similar market pressures, financial constraints and workforce demographics. By comparing a common metric like per employee per year cost for services, a more focused analysis can be made. However this data should be used as a tool for decision making rather than an absolute standard.

While no two shared services or outsourcing relationships are identical, the entities used for comparison to the State of Florida were selected based upon their outsourcing model that supports a similar set of HR and payroll processes. In this way, KPMG attempted to make the benchmark data shown in the above table as comparable as possible. The Market 1Q and 3Q data contains both private and public sector data and contains many organizations that are significantly larger than the State of Florida. Private sector organizations also usually have much lower outsourcing costs than those found within the public sector due to the high degree of customization required by public sector entities.

Although, there are differences in scope of services between these organizations, we do believe that this assessment demonstrates that the State of Florida is receiving good value through its existing contractual relationship with NGA and that, from an overall cost perspective, it is operating the People First platform at a “best practice” level.

3.2. HR ERP Industry Assessment

This section assesses the overall HR ERP marketplace, followed in subsequent sections by a SAP marketplace analysis that relates this overall information to the People First initiative mission.

Business transaction processing used to be provided by homegrown systems in some instances. These systems seemed comfortable and familiar, but in the current marketplace, chances are that customers will miss out on advanced functionality that could greatly improve business operations, employee productivity, and bottom-line profitability. A leading ERP solution that is focused on true integration with other areas of operations (e.g., finance, customer relationship management) will provide a modern technology environment now, while also offering forward-looking business applications such as business intelligence. Some key reasons why an ERP system provides more advantages and efficiency than a homegrown system include:

1. **Isolation of Knowledge**: Using a homegrown solution can raise serious challenges when resources that developed the original application move on to other projects or roles. These resources may have coded in yesterday's technology (e.g., Mainframes or AS400) and it is hard to find replacement resources competent in those environments which may not be used today. Taking over development of the current system and getting up to speed on the application with new resources does not allow you to take full advantage of the ideas and innovations available in ERP systems.

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2. **Data Management**: Even if you were to successfully reface your homegrown system to a modern graphical user interface and port to a relational database, you will still be technically challenged by the core foundation of a custom system's millions of lines of business code. Moreover, a homegrown solution is unlikely to include some of the advanced data capabilities of modern ERP systems like real time data processing, drilldown functionality and a user friendly interface.

3. **Lack of Vision**: It was fairly common for organizations to write code and build their own business systems up until early 2000, as it was believed this provided a competitive edge. Now, however, technology is evolving at an exponential pace, making it nearly impossible to keep up with the changes in solutions that a business needs to remain competitive. An in-house IT staff for its custom system is actually functioning at a competitive disadvantage today.

4. **High and Hidden Maintenance Costs**: Staying on a homegrown system may appear to be the least risky choice, but there are many underlying challenges associated with homegrown environments and there is often a price tag attached. In-house development can be much more costly than partnering with leading ERP systems. There are additional factors like downtime in user departments during all phases of development, and lost opportunity costs of not putting developers on other worthy projects that would propel businesses forward. Maintenance of homegrown applications is time-intensive, latent, and comes with hidden costs of downtime when outages occur.

5. **Lack of Integration Ability**: A homegrown solution may not "play well with others" (areas like payroll, finance or Customer Relationship Management (CRM)). Leading ERP systems help bring best practices to operations. A business process may have been coded into a system because that was the way it had always been done in that business, but there may be a better process that the organization is missing (and others are using thus giving them an advantage). Before developing a homegrown system, one should consider the interdependencies of a solution and the global nature of businesses today.

When looking at the ERP marketplace it also may be beneficial to understand some key concepts along with the differences between an on-premise ERP system, cloud ERP system and Software as a Service (SaaS).

- An on-premise ERP system is where the ERP application is physically present at the organization (or outsourced vendor) site. The People First system is an on-premise ERP system.
- A cloud ERP system means traditional ERP solutions that are hosted off-site. The system has the capability to access real-time data from anywhere without using complicated and costly remote-access software.
- In a SaaS model, the vendor has full control of the application as opposed to a cloud ERP where the customer controls the data and application on a server. Full control of the application by the vendor also restricts the ability of the customer to customize the application.

SaaS model offerings are typically smaller and normally best for organizations with limited complexity, size and global presence. ERP system providers host the SaaS model on their own infrastructures instead of locating the systems on-premise at the purchasing organization.

There are several tiers of Enterprise Resource Planning (ERP) HR technologies that are generally defined by size and capacity. The following table illustrates a general comparison between the larger organizations providing these ERP technologies. The larger ERP solutions generally focus on complex large businesses, while other ERP products generally fit well with mid-size companies and offer less

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functionality than the larger ERP technologies. The lower level ERP products are generally comprised of basic accounting functionality with some small business tools.

ERP Applications That Service Large Organizations	ERP Applications That Service Mid-Size and Smaller Companies
• The largest ERP market vendors provide ERP products that are typically designed for large organizations with annual revenues in excess of $1 billion that have global requirements with 100 or more enterprise users and/or 1,000 or more linked users. • The comprehensive solutions are generally targeted for organizations which contain several locations, often times global, and with multiple supporting ledgers or parent companies. These solutions offer numerous modules that can be configured to work across the entire enterprise. • These comprehensive ERP products generally have a higher cost of ownership due to more complexity and an increased cost to acquire, implement and support.	• The second level of ERP vendors provide ERP products that are typically designed for midmarket organizations usually ranging in size from approximately $50 million, up to $1 billion in annual revenues with over 50 enterprise users and/or over 200 employees. • These ERP products generally have medium implementation and configuration complexity and address all of the application needs of a larger organization, but are not as customizable as the comprehensive solutions. • These ERP products typically have a lower cost of ownership, and less software or maintenance costs than the comprehensive products • Often these vendors have a vertical industry focus where a comprehensive product may be sold in many vertical markets.

Figure 14: ERP Application Comparison Table

ERP Market Share Observations

- Overall ERP market growth in 2012-2013 was 2.2 percent and the top 10 vendors owned 64 percent of the worldwide ERP market.
- SAP had just over $6 billion in total 2012 ERP software revenue, leading the worldwide market with about 25 percent market share.
- Oracle had $3.12 billion in software revenues for 2012 and market share was about 13 percent.
- Workday grew 114.7 percent in 2012, increasing revenue from $88.6 million in 2011 to $190.3 million in 2012.
- The fastest growing ERP vendors in 2012-2013 include Workday, Cornerstone OnDemand, WorkForce Software, Ventyx and NetSuite which are represented in the “Other ERP Products – 62 percent” category. Although some of these ERP vendors are niche vendors not included in industry assessments, the “other” category includes all ERP products besides SAP and Oracle.

At the close of 2012, the ERP software market's biggest players, Oracle and SAP, saw their long rivalry become a stalemate, while they face a common set of key competitors in the form of upstart ERP vendors based in the cloud, such as Workday and NetSuite.

While newer ERP companies' revenues remain much smaller than those of SAP and Oracle, they are growing at much faster percentage rates, according to Forrester’s latest research on the upstarts. Oracle and SAP, as well as other large players such as Infor, have moved to offer customers some cloud deployment options for ERP.

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While SAP and Oracle's products have the benefit of decades of product development, resulting in deep functionality that cuts across many industries, cloud ERP vendors can offer faster implementations, the promise of painless upgrades and patching, as well as a fresher overall take on the software through features such as social collaboration and analytics.

SAP is positioning its main business suite for large enterprises as an on-premises core ERP system, while offering add-on SaaS applications as well as the Business ByDesign suite for midsized companies and smaller divisions within large companies. Oracle, meanwhile, has highlighted the cloud deployment option for its new Fusion Applications (OFAs) while emphasizing that customers can take an incremental approach to adopting Fusion. OFAs are a new set of open-standards-based business applications developed by Oracle to be able to offer complete business solutions for the entire enterprise in a cloud environment.

ERP Software Vendor Assessment

There are many options in the marketplace for niche players in various functionalities of the HR module (e.g., ADP for payroll processing, SuccessFactors [now SAP owned] for performance management). However, in an environment where most HR functionality is centered in one ERP system, as with the State Florida, we believe consideration should only be given to HRIS platforms with a clear strategic vision and comprehensive current product offerings that can best support the current People First initiative and state business requirements.

Two of the ERP vendors that provide a comprehensive product and one other vendor with a rapidly increasing market share and industry focus meet these criteria (*as illustrated in Figure 15 below*).

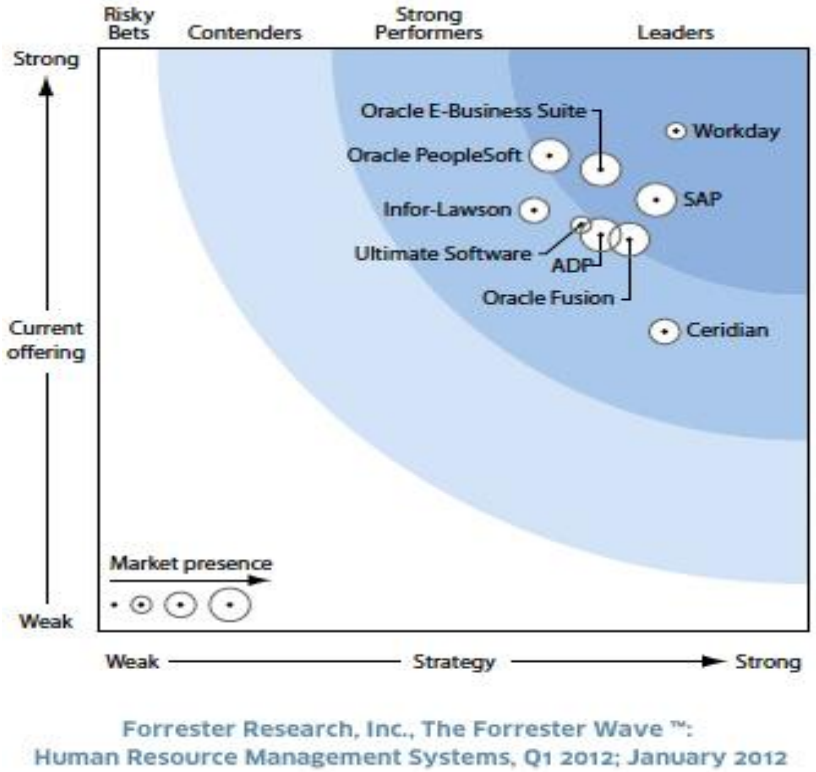

Figure 15: The Forrester Wave for Human Resources Management Systems

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Based on the size of the state, number of state locations, and business process requirements, this ERP technology assessment focused on SAP, Oracle and Workday. The selected comprehensive solutions (e.g., SAP and Oracle) are not the only comprehensive solutions; they represent the two solutions chosen for this study due to their size and profile. These comprehensive software solutions are typically geared towards multibillion dollar complex organizations like the state. Another vendor (Workday) was included due to a rapidly increasing market share and industry focus (*as illustrated in Figure 15 above*).

The industry study below illustrates some differences in these ERP products based on a set of criteria. Much of this criterion is self-explanatory; however, it should be noted that the rate of satisfaction relates to overall organizational user satisfaction, while the executive satisfaction rate relates to executive level (CXO) return on investment feedback for that ERP.

Criteria	SAP ERP	Oracle ERP	Other ERP Products
Market share	25%	13%	62%
Rate of being short listed	38%	32%	30%
Selection rate when short listed	35%	24%	41%
Rate of satisfaction	45%	40%	Varies
Executive satisfaction	75%	25%	Varies
Percentage of customers who realize benefits of business processes alignment with technology in less than one year after implementation	69%	31%	Varies
Business risk factor	45%	55%	Varies
Implementation duration	12-24 Mos.	18-36 Mos.	Varies

***Note: Workday data was not separately identifiable in this industry study*

Figure 16: ERP Software Vendor Application Comparisons

There is a correlation between the SAP market share and appearance on procurement short lists. SAP is still the chosen ERP system by organizations to manage HR operations with Oracle following as a close second.

Overall ERP System Solutions at a Glance

SAP

- SAP is the market leader in the ERP world and is making serious strategic investments and building relationships in areas like NetWeaver, Reporting (Business Objects), and SAP HANA, amongst others.
- SAP acquired SuccessFactors to “beef up” its cloud strategy and is streamlining its solution with manager self-service (to overcome overlap between the two). SuccessFactors is being looked at as the future of Talent Management within the SAP suite of applications.

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- Deployment of SAP NetWeaver Business Warehouse component on SAP HANA enhances visibility and responsiveness of core business processes by delivering big data analytics and reduces information technology ownership costs.
- SAP has the highest executive satisfaction rate (75 percent) and lowest business risk factor (45 percent) among ERPs (*see Figure 16 above*).

Oracle

- Manages HR globally on a single system of record while complying with local laws and regulations with their global core Human Capital Management system.
- Oracle HR applications use the Oracle database as their single source of information, which eliminates data redundancy, reduces the possibility of conflicting data in different databases, and creates a consistent, complete, reliable picture.
- Oracle Human Resource Management System (HRMS) applications make it easy for organizations to change HR practices to reflect changes in business policy, regulations and organization. Changes can be implemented through the rules-based payroll engine, business events defined with workflow functions and flexibility of data access and data entry is ensured for increased organization.

Workday

- Workday is being seen as the Gen Next Enterprise Solution with features like multi-tenancy, superior user experience, high collaboration, powerful mobile capabilities and actionable analytics. Workday establishes a strong business process framework to align with unique organizational requirements.
- Workday benefits from a consumer Internet-like user experience that keeps pace with innovation and evolving user expectations.
- The “newest kid on the block” has claimed to reduce the time, cost, and risk of deploying enterprise applications by leveraging SaaS.
- One of the challenges is that SaaS forces a much more customer centric focus which is relatively easy to manage in the early days. The ability to retain this customer centric focus over the long term has not yet been demonstrated by Workday.
- Workday is a strong competitor in HR and payroll but is still evolving in other areas like Finance, CRM and overall integration. Since it is still “smaller” in size to competitors, there is a risk of being acquired by a larger competitor (like Oracle).

3.3. Business Process Outsourcing (BPO) Industry Assessment

Business Process Outsourcing (BPO) is the concept of moving operational business functions and processes to an external organization. This concept generally includes a set of business process functions being transferred to a vendor that administers these functions under a contract arrangement and responsible to the contracting party through contract provisions such as performance metrics. An effort to move information technology functions such as programming, system administration of a technology platform, desktop computing services, etc., to an external organization is referred to as Information Technology Outsourcing (ITO). Many times organizations will blend BPO and ITO together. Each organization BPO and ITO strategy varies and the main point is to understand that external organizations are providing services back to the originating organization. These types of services are captured in a service level agreement detailing the expectations around the services provided.

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HfS Research (Horses for Sources, or HfS) released its State of the Outsourcing Industry 2013 Executive Findings in April 2013, and KPMG provided support to the collection of data that is presented in this analysis. In terms of market size, the BPO and IT services industry currently has a market value of approximately $952 billion as summarized in the following chart:

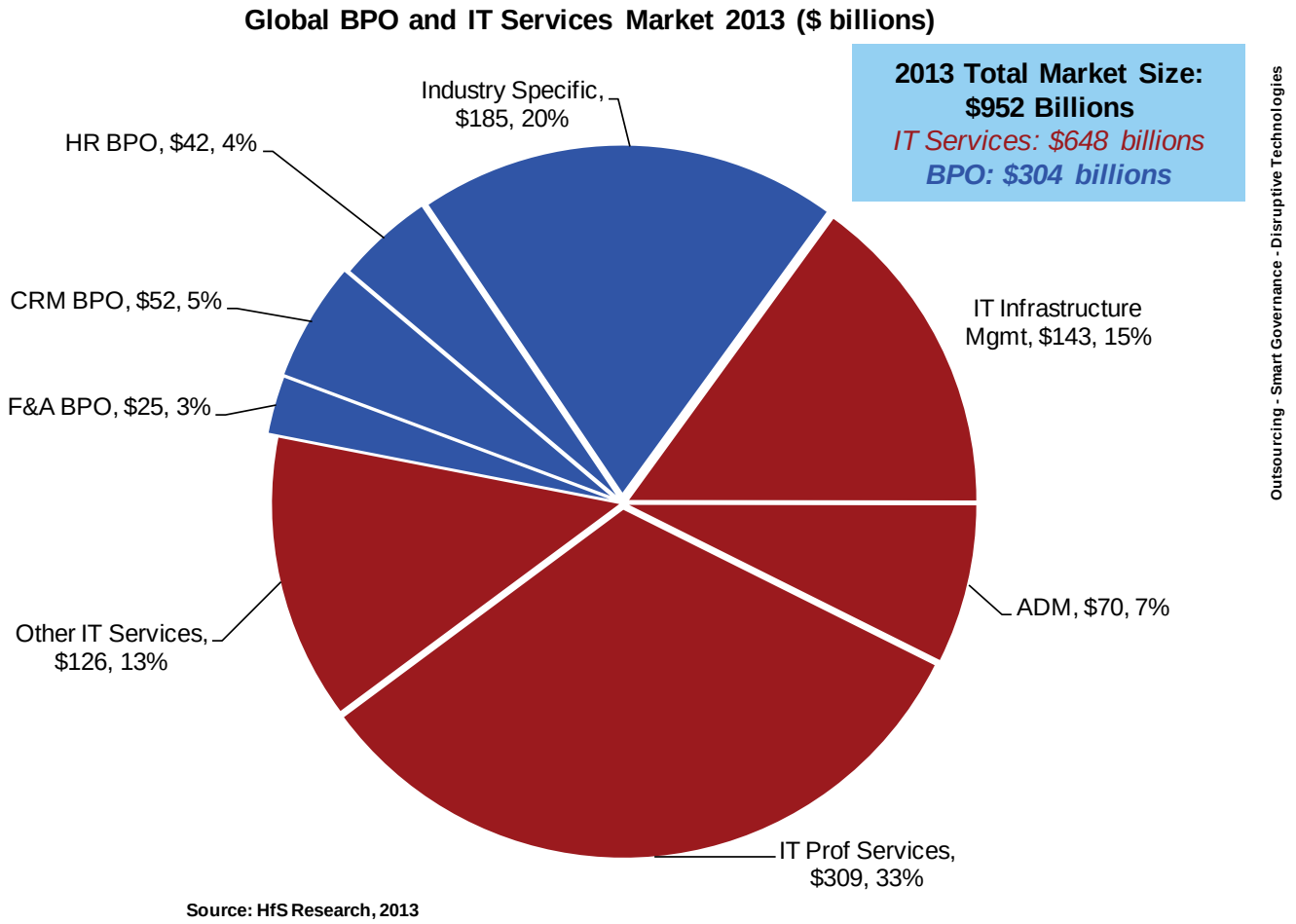

Figure 17: Global Business Process Outsourcing (BPO) and Information Technology (IT) Services Market

The BPO and IT outsourcing industry is predicted to grow at a compounded annual growth rate of approximately 5 percent over the next five years.

Some of the highlights in this State of the Outsourcing Industry report in terms of key findings included the following:

- Enterprises are still focused on achieving operational effectiveness when they outsource: cost reduction (87 percent), greater scalability of operations (82 percent), and process standardization (74 percent) are the key motivations behind IT and business process operations outsourcing.
- Core areas of strategic focus when outsourcing include: accessing better talent (70 percent), gaining access to better technology (62 percent), and improving analytical capabilities (62 percent).

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- Business Process Outsourcing customers are getting what they pay for, with outsourcing performances meeting the “table-stakes” of cost-reduction and standard delivery (88 percent are satisfied) but falling short in strategic areas, such as improving analytical capabilities and achieving innovation.
- Business Process Outsourcing engagements (like the one that the State of Florida has with NGA) notably outperform IT outsourcing engagements for cost reduction effectiveness, process standardization, process transformation and improving analytical capabilities (see chart at end of this section).
- Close to a third of high-end enterprises view Global Business Services as a mission-critical framework for their future operating model – in this context Global is defined as across core business functions.

The following graph from the BPO assessment demonstrates how the BPO market is shifting in terms of strategic objectives:

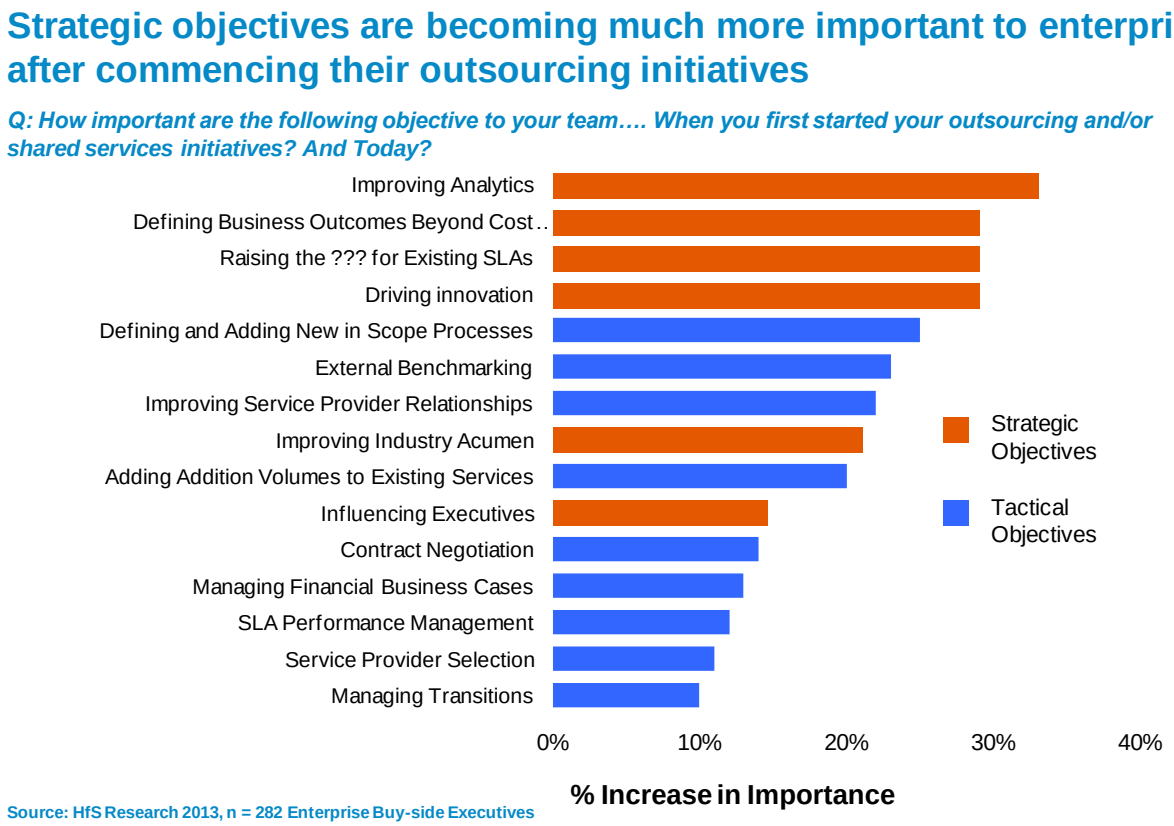

Figure 18: Importance of Strategic Objectives

Finally, the following graph indicates the degree to which IT outsourcing and BPO outsourcing have impacted key strategic and tactical business benefits:

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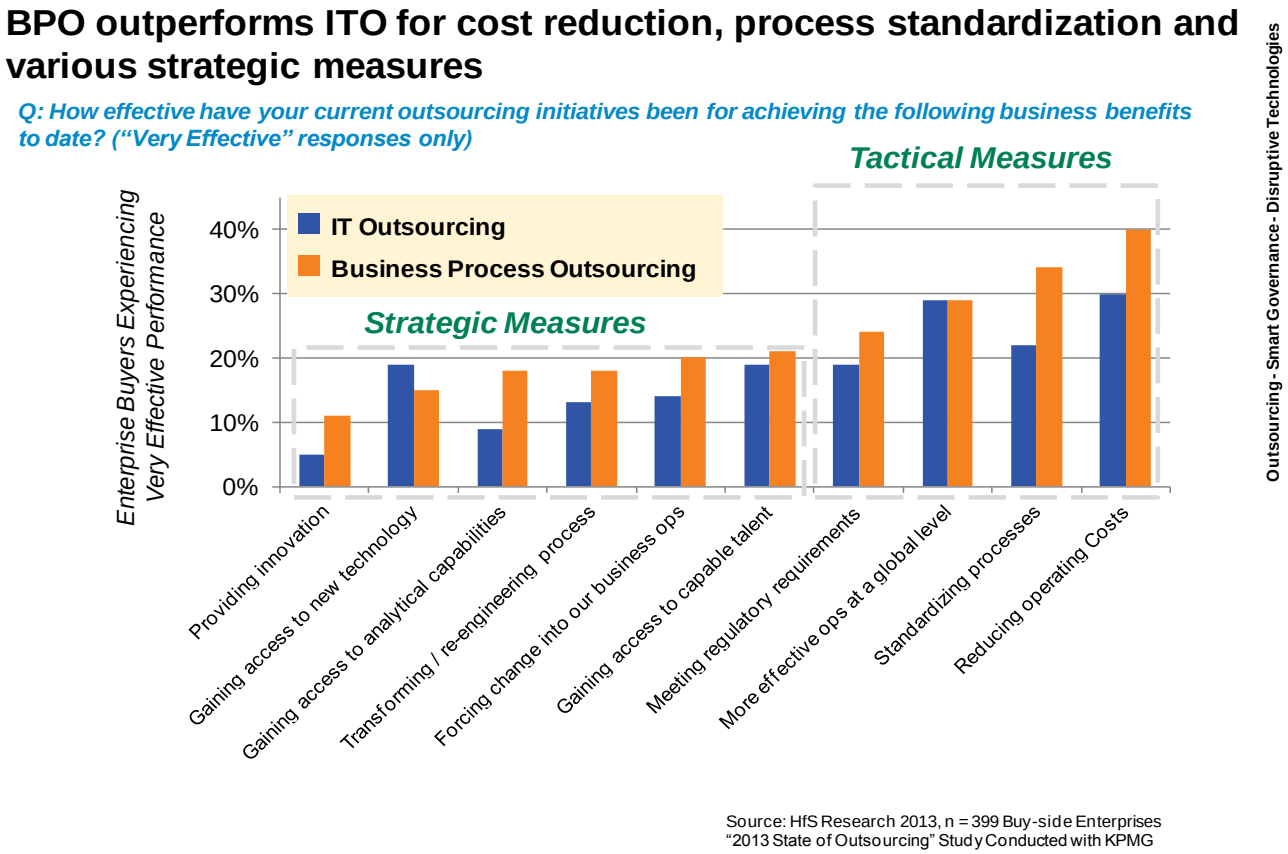

Figure 19: BPO and IT Outsourcing Comparisons

3.4. SAP Marketplace Assessment

SAP is among the world leaders in enterprise applications in terms of software and software-related service revenue. Based on market capitalization reports, SAP is the world's third largest independent software manufacturer after Microsoft and Oracle. Some key facts about SAP include:

- More than 248,500 customers in 188 countries
- More than 65,500 employees – and locations in more than 130 countries
- A 41-year history of innovation and growth as a true industry leader
- Annual revenue (International Financial Reporting Standards) of $22.52 billion

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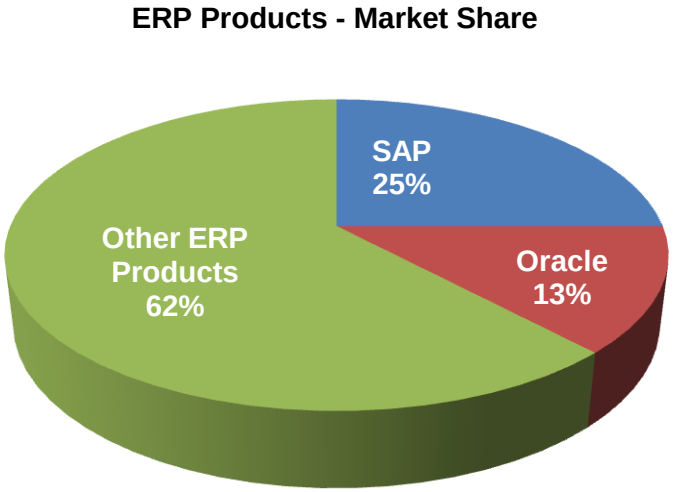

Figure 20: ERP Product Market Share

SAP Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

A review of current literature and industry surveys generally identify the key SAP strengths, weaknesses, opportunities, and threats to be the following:

STRENGTHS

- **Product and Technology Development** – SAP operates 14 interconnected research centers on five continents. These research centers are in close proximity to SAP product and technology development centers in Vancouver, Canada; Dublin, Ireland; and Paris, France. It is the first company to market next generation enterprise service-oriented architecture (SOA), which provides an edge to the company over other players in the market (NetWeaver is SAP's enterprise SOA platform). SAP also has a well-established user network with over 2 million members in their Community Network that is made up of the SAP Developer Network community, the Business Process Expert community, the Business Analytics community, the SAP University Alliances community and SAP EcoHub online marketplace.

- **Global Presence** - A global presence can help an organization minimize risks from any dramatic changes in a specific region, and SAP has that with a wide geographical presence with sales and development centers in more than 50 countries. For fiscal year 2012, the Europe, the Middle East and Africa (EMEA) segment accounted for 31.5 percent of the company's total revenue, followed by the United States with 27.5 percent, Germany with 14.7 percent, rest of Asia Pacific with 11.4 percent, rest of Americas with 10.1 percent, and Japan with 4.9 percent of the company's total revenue.

- **Comprehensive Offerings** - Comprehensive product and service offerings can provide the leverage to increase a customer base and market share, and SAP is one of the leading enterprise application software and software-related service providers. SAP offers a comprehensive range of business software and enterprise applications that are designed for applications, analytics, cloud, mobile, and database and technology operations. SAP also provides a wide range of services that enables its clients to plan, deploy and operate optimally

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through every phase of software life cycle. Such a wide range of products and services enhance its position over its peers and has served to create strong financial returns over time.

WEAKNESSES

- **Decreasing Operational Efficiency** - SAP reported a decrease in operating margins and increase in expenses in 2012. Though the company's revenue increased in 2012 over 2011, its operating income decreased in 2012. The company's operating margin declined to 25.05 percent in 2012, from 34.29 percent in 2011. Its net profit margin decreased to 17.40 percent in 2012 from 24.16 percent in 2011.

OPPORTUNITIES

- **Strategic Acquisitions** – SAP has recently acquired companies that should serve to complement and strengthen existing offerings. Some of these acquisitions include:
    - Ariba, a leading cloud-based business commerce network, October 2012
    - Syclo, a leading provider of enterprise mobile applications and technologies, June 2012
    - SuccessFactors, a market-leading provider of cloud-based human capital management (HCM) solutions, February 2012

  These acquisitions align with company goals to become a leading player in the cloud market.

- **Cloud Computing Market** – SAP should be able to capture growth from its cloud service offerings with growing markets for cloud computing and managed IT solutions. According to industry analysts, the global market for cloud computing is forecast to grow from $37.8 billion in 2010 to $121.1 billion in 2015 at a Compound Annual Growth Rate of 26.2 percent.

- **Leveraging New Business** – In addition to an established market including software and related services where its revenue growth is presently outperforming the market, SAP has the potential to increase business by providing new solutions to existing markets. The company is providing its solutions both on demand and on premise and its solutions are available on a broad range of devices, which eliminate platform dependence. SAP recently introduced the SAP NetWeaver Business Warehouse component powered by SAP HANA, to augment its portfolio of analytics solutions.

THREATS

- **Government Regulation** – Since SAP operations are located in 50 countries on five continents, they have to comply with various domestic and international laws, regulations, and restrictions while performing operations. It can also be affected by administrative actions taken against it under the Foreign Corrupt Practices Act and other anti-bribery laws. The departments and agencies of the United States government investigate the transactions and operations of the company, and this could potentially lead to administrative, civil, or criminal proceedings in cases of non-compliance. These stringent regulations could adversely affect the financial results of the company as it has major contracts with the government.

- **Rapid Technological Changes** – SAP product and service offerings are impacted by rapid technological changes, which could affect its business operations. To be competitive SAP needs to continually introduce new products that meet and exceed customers' requirements. At the same time, the introduction of products using new technologies or the adoption of new industry standards could make existing products, or products under development, obsolete or

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unmarketable.

- **Highly Competitive Environment** – SAP operates in a highly competitive environment and the industry remains fragmented due to improvements in existing technologies and the development of new technologies. Failure to maintain and enhance its competitive position may affect its business and prospects.

Figure 21: SAP SWOT Analysis

Any global ERP vendor organization of a significant size will have strengths and weaknesses as illustrated in the table above. The elements identified through current literature and industry surveys and summarized in this table should not present any more perceived risk to the State of Florida through a continued business relationship than other ERP applications.

3.5. ERP Platform Recommendation

It is **recommended** that the state HR functionality remain on the SAP platform based on an analysis in key criteria areas.

In this analysis, each ERP option considered was weighed against established key criteria. These three ERP options were considered based on their potential to support the People First initiative through a clear strategic vision and comprehensive current product offering. SAP scored higher in several of these key criteria areas including:

- Best long-term position
- Best organizational acceptance
- Cost of technology alternatives
- Lowest risk
- Least staffing impact

The criteria used for this evaluation not only considers the intellectual property customizations developed to date, the required state business rules, costs and risks, but also a long-term view of any move to a different HR ERP system.

The following table summarizes KPMG's assessment of the viable ERP options based upon the defined evaluation criteria. Each of these ERP options was ranked using a rank of three (3), six (6) or nine (9) to denote how that option ranked against the other options. This scale is used to better differentiate between options, as opposed to a one (1) to three (3) ranking. For example in the area of best long-term position, the rank of each option was assessed for the ability of that option to provide an enduring, sustainable solution for enterprise resource planning in alignment with the mission to design and support a user friendly, reliable, online human resource system and related services.

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Evaluation Criteria	SAP	Oracle	Workday
Best long-term position – Ability of the option to provide an enduring, sustainable solution for enterprise resource planning in alignment with the mission to design and support a user friendly, reliable, online human resource system and related services	9	6	3
Best functional capability – Extent and variety of features offered by the option	6	9	3
Best organizational acceptance – Relative willingness of users, DMS staff, and other stakeholders to undertake the option based on the ability to gain project support and buy-in	9	6	3
Cost of technology alternatives – Relative savings of the alternative options compared to the baseline	9	6	3
Lowest risk – Probability of an adverse event occurring and the impact of a risk	9	6	3
Best technical architecture – Modernity of the solution's technological design	6	3	9
Least staffing impact – The impact the determined solution will have on current and future DMS staffing needs	9	6	3
Total	**57**	**42**	**27**

Figure 22: KPMG Assessment Scoring Table

SAP scores higher on several criteria most notably: **Best long-term position**, **Best organizational acceptance, Cost of technology alternatives, Lowest risk, and Least staffing impact.** These higher scores are reflective of the ability of SAP to help customers evaluate the best long-term solution with the closest alignment to business requirements. Oracle scores higher in one criterion, **Best functional capability**. Workday scores higher in **Best technical architecture** and this score reflects its innovation in deployment approach, its use of newer technologies and its use of Cloud technology. These scores do not in any way indicate that Oracle or Workday are inferior ERP systems; they just reflect the fact that the state has heavily invested in SAP including customizations that are aligned with its statutory business requirements. This rating mechanism also considers other important criteria like user acceptance of enhancements, as well as associated impact on training and staffing.

Best Long-term Position

SAP, Oracle and Workday all are viable long-term ERP solutions for the State of Florida. The advantage that SAP has in terms of its long-term position is that the state's HR master data is currently maintained within SAP. Recent additions to delivered functionality such as the performance management process and the capability to add delivered functionality such as the "gross to net" payroll functionality also contribute to the higher rating. Many organizations make substantial investments in order to integrate multiple ERP systems that support their HR operations. It is in the state's best interests to stay on SAP as their long-term ERP system due to the heavy investment already made and the potential of seamless integration with future enhancements and supporting systems or processes.

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Best Functional Capability

In an evaluation of core HR functional capability, Oracle would be first, followed by SAP then Workday. Such an evaluation should be focused on market penetration and the number of functional areas covered by the core product. Even with Oracle as a leader in this category, SAP has been around a long time as an industry leader and has consistently been challenged to improve its solution to keep up with newer and more intuitive technologies like Workday and has done an impressive job. Workday models itself on standardization and is deeply rooted on programming fundamentals as a solution. It is this standardization that would present issues with state business requirements.

Best Organizational Acceptance

Change management is always a big challenge for organizations whether it is a change in policies, organizational structures or supporting systems. Opting for completely new technology brings with it all these known challenges and in the case of the state, regulatory challenges which newer technologies may not have been addressed in current versions. The user population for the state has already accepted SAP and NetWeaver functionality and is familiar working within the current environment. With general acceptance comes greater confidence to deploy new features that are available within the existing technology.

Cost of Technology Alternatives

The two alternatives to SAP (Oracle and Workday) would generally be expected to have higher implementation costs given the investment already made in SAP by the state and the support in place for SAP. To move to another ERP application the state would need to spend more money to replicate these business requirements and configurations. While there may be a continued need for SAP investments to meet certain business requirements, the support network already established for SAP could better support these efforts from a cost of technology perspective.

Lowest Risk

The team applied a common risk management approach of identifying and analyzing risks using the state's risk assessment tool included within Legislative Budget Office Schedule IV-B and overlaying it with an accompanying risk assessment methodology. The tool was used to evaluate the decision to either stay with the current technology platform (Scenario 1 below) or migrate to a new platform (Scenario 2 below). Historically, information technology projects involve a high level of risk. The objective of risk management is to evaluate the unknowns (e.g., captured as risks) against the business objectives (e.g., alignment of objectives and strategy) and apply a value to the unknown risk for decision making purposes.

Risk management is a continuous work stream of identification, analysis, and response. This first iteration assists with the decision to remain with SAP (Scenario 1 below) or move to a different ERP solution (Scenario 2 below). The second iteration of applying the risk model will occur when the options are considered in the latter stages of the Business Case development. [*See Section 4.5. Options Risk Assessment below*]

Risk management in a general sense can be illustrated by looking at its different components (see graphic below).

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Figure 23: Risk Progression

The technology assessment applied the state's risk assessment tool for two scenarios:

- Scenario 1: "Continue with SAP"
- Scenario 2: "Move to Another ERP Platform"

Applying the tool is an exercise of considering 89 risk-related questions covering eight primary areas including Strategy, Technology, Change Management, Communication, Fiscal, Project Organization, Project Management, and Complexity. Any one of the eight areas resulting in a high Level of Project Risk or least alignment of Business Strategy will score an overall high risk value for the area and will also cascade as high for the Overall Project Risk score. A quantitative score is necessary in this risk evaluation to provide additional context.

It is apparent that the state's risk assessment tool was developed to assess risk closer to the actual implementation time frame based on the nature of the questions included in this tool. As an example, one question centers on whether project objectives are clearly documented and understood by all stakeholder groups. Regardless of the application this answer would be in affirmative prior to the actual implementation. For this reason it was decided that the risk assessment tool should be completed with the assumption that these questions are being answered closer to the actual implementation.

The state risk assessment tool provides two risk outputs that reflect the results from this risk assessment:

- Risk Assessment Summary – This traditional four block presentation depicts risk results based on business strategy and level of project risk. While a traditional four block presentation, the risk assessment summary displays the best solution in the upper-left block, rather than the upper-right block as usually depicted in industry presentations (e.g., Gartner). The actual tool output is provided in Figures 24 and 25, while the scale has been revised to incorporate traditional four block scaling in Figure 27.

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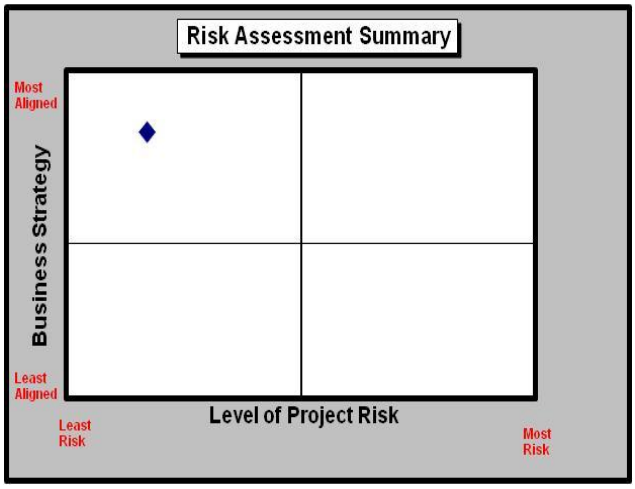

Figure 24: Scenario 1: "Continue With SAP"

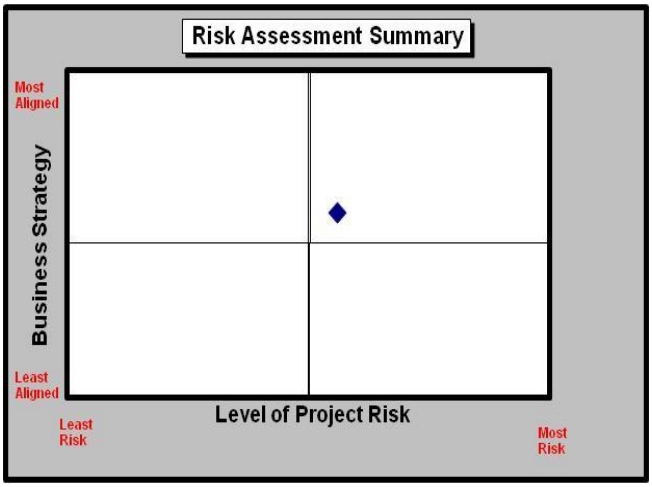

Figure 25: Scenario 2: "New ERP Platform"

- Project Risk Area Breakdown – This table presentation depicts risk results in each of the eight risk assessment areas contained within the tool. The results for these two risk assessments were combined in a common table for this report (*see Figure 26 below*).

Risk Assessment Area	Risk Exposure	
	SAP Platform	Another ERP Platform
Strategic Assessment	Medium	High
Technology Exposure Assessment	Low	High
Organizational Change Management Assessment	Low	High
Communication Assessment	Low	Low
Fiscal Assessment	Low	Medium
Project Organization Assessment	Low	Low
Project Management Assessment	Low	Low
Project Complexity Assessment	Medium	High
Overall Project Risk	Low	High

Figure 26: Breakdown by Risk Assessment Area

Figure 26 above illustrates that a decision to move to another ERP platform has many unknowns and many of these areas scored high as a result. Continuing with the SAP platform (Scenario 1) has fewer unknowns. Six of the areas graded at low risk, which is attributed to the knowledge and experience of the current SAP platform that the state has acquired through the life of the People First initiative.

As described above, the state's risk management tool considers two dimensions around "Level of Project Risk" and "Business Strategy." KPMG extended the state's model by applying a quantitative component to each dimension so that a quantitative score could be evaluated along with the Risk

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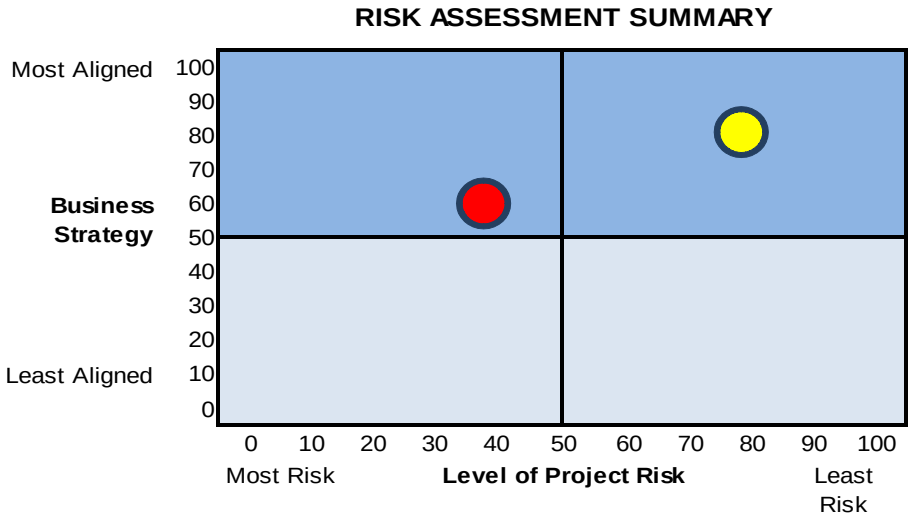
Assessment Summary contained in the tool (*see Figures 24 and 25*). To establish this quantitative component, the "Business Strategy" axis was assigned a range of 0 to 100 points ranging from least aligned (0 points) to most aligned (100 points). The "Level of Project Risk" axis was then assigned a range of 0 to 100 points ranging from most risk (0 points) to least risk (100 points). The purpose of this quantitative component was to facilitate a more effective review of differences in these information technology scenarios.

Extending the state model of the two scenarios by quantifying each axis clearly shows the Scenario 1: "Continue with SAP" option (*see Figure 24*) with the lowest risk (e.g., high score means lower risk profile). 100 points is awarded for the highest alignment and 100 points is awarded for the lowest level of risk. A total score of 200 is the highest possible score. After review of the charts in Figures 24 and 25, the total score supports the decision to continue with SAP as the technology platform (Scenario 1).



QUANTIFYING THE RISK ASSESSMENT RESULTS

Factors	SAP	Non-SAP
Business Strategy Alignment	80	60
Level of Project Risk	80	40
Total Score	**160**	**100**

Figure 27: Quantifying the Scenarios

Best Technical Architecture

Technology enhancements evolve very quickly and this applies to ERP platforms as well. One of the key areas where Workday beats competitors is the approach it has taken to maintaining versions of the software and introducing enhancements and new functionality to its platform. Using planned upgrade schedules and improvements, Workday keeps all customers on the same version of its system, irrespective of industry. This eliminates key issues of system incompatibility and enhances the ability of customers to implement new features in Workday as every customer is supported on the same configuration. The State of Florida has the advantage of a recent upgrade to ECC 6.0 and NetWeaver 7.0 which has eliminated some challenges that customers faced on older versions. Since the state is

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already on advanced versions of SAP and NetWeaver with a significant investment in this upgrade, the impacts around upgrading to newer versions of the system will be minimized for the next 3 to 5 years.

Least Staffing Impact

Implementing new technologies has both good and bad staffing impacts. With technologies like Workday, there are not many trained professionals in the market and providers are also facing a shortage of trained subject matter experts, which will eventually be addressed once the supply in the market increases. Internally as well, the state has trained and experienced subject matter experts that support SAP and NetWeaver, and work in collaboration with the current provider who supports multiple clients on SAP. Costs that the state will incur in training their staff or at the provider end on future enhancements are minimal compared to training staff on brand new systems. Keeping in mind factors like hiring costs, training costs and risks such as subject matter expert attrition rates on new technologies, the state should remain on the SAP platform to minimize staffing impact and lowest staffing risks.

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4. Options and Cost Benefit Analysis

4.1. Current HR BPO and Shared Services Market Trends in State Government

The market for Human Resources Business Process Outsourcing (HR BPO) continues to grow at a substantial pace with several major players in this market projecting double digit growth over the next three to five years. In state government, several states have extended existing HR BPO contracts, developed new outsourcing strategies or have made substantial internal investments in deploying HR shared services organizations.

Extension of Existing Services

- The State of Texas Health and Human Services Commission (HHSC) awarded a contract in April of 2013 to NorthgateArinso for comprehensive Human Resources and Payroll Services very similar to those offered through Florida's People First platform.
- The State of Texas also awarded an eight-year contract in March of 2012 to Xerox State and Local Solutions for infrastructure services, including mainframe, servers, networks and data center operations. This contract includes hosting and application support for HHSC's PeopleSoft HRIS. Under this contract, Xerox will provide data center services to 28 state agencies, including the Texas Health and Human Services Commission.

New Services

- The State of Georgia Community Health Departments outsourced all benefits administration processes to ADP in June 2013.
- The State of Nebraska implemented the Workday HCM system in May 2012 to provide HR and benefit administrative services.
- The Commonwealth of Pennsylvania created an in-sourced Human Resources Shared Service Center in March 2010 consolidating HR, benefit administration and payroll services that had been delivered within each agency. The primary driver for the establishment of this service center was cost. The commonwealth had a deficit of approximately $3 million in fiscal year 2008-09, and they were able to eliminate about 70 positions throughout the commonwealth while providing a higher level of service through consolidation.
- The State of Illinois is presently pursuing a multi-year statewide initiative to improve fiscal and human resources service delivery through a shared services program. The state plans to create a distinct shared services center for each major "policy area" of state government (five distinct policy areas), and to date the state has created two shared services centers (SSCs): the Public Safety SSC to serve the designated "public safety" agencies and the Administrative and Regulatory SSC to serve the designated "administrative" agencies.

There has certainly been a softening of opposition to the outsourcing of public sector activities over time. Revenue shortfalls and severe budget constraints have forced state governments to reduce expenses as well as find a more effective way to deal with IT infrastructure that is often rapidly becoming old and obsolete.

Outsourcing has enabled some state governments to access upgraded technology and processes without large upfront investments and to reduce operational expenses. At the same time, there are also outsourcing constraints that state governments must often work around. Such examples include the

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political need to locate a service center in a particular location (e.g., within the contracting state) or the prohibition of offshore operations that limits significant cost savings for state governments.

4.2. Options Identification and Evaluation

The initial effort of this business case was focused on the current People First SAP application and whether this would be the recommended application moving forward. This assessment resulted in a recommendation that the state HR functionality remain on the SAP platform. This recommendation forms the foundation for consideration of the various HR BPO options available for continued operations. There were four options identified for further review and consideration:

- **Option 1 - Comprehensive Outsourcing.** This option includes the assignment of all responsibility for the HRIS components and services to a vendor. This vendor would be responsible for the support of key human resource functions including infrastructure (servers and networks), software and operating system applications, data warehouse, and all service center functions.

- **Option 2 - Insourcing Infrastructure and Application Support Only.** This option includes the assignment of responsibility for all infrastructure and application support to the State of Florida. The state would be responsible for the support of the infrastructure (servers and networks), software and operating system applications and the data warehouse. In this option, the primary service center functions would remain the responsibility of a vendor, including associated service center hardware and software.

- **Option 3 - Insourcing Service Centers Only.** This option includes the assignment of responsibility for all service center functions (including associated service center hardware and software) to the State of Florida. A vendor would be responsible for infrastructure and application support including the infrastructure (servers and networks), software and operating system applications and the data warehouse.

- **Option 4 - Comprehensive Insourcing.** This option includes the assignment of all responsibility for the HRIS components and services to the State of Florida. The state would be responsible for the support of key human resource functions including infrastructure (servers and networks), software and operating system applications, data warehouse, and all service center functions.

These options were determined to be the most viable alternatives available to the State of Florida based on a thorough current state assessment of the People First initiative. While there could be numerous permutations of these options, further segregation of individual human resources support processes would elevate risk and cost to the point they should not be seriously considered.

The methodology used for the review and consideration of these options included:

- The scalability, customer satisfaction, ease of implementation, and stability comparison factors
- A comprehensive cost benefit analysis
- A risk assessment

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4.3. Scalability, Customer Satisfaction, Ease of Implementation, and Stability

As part of any business case assessment of this scale it is important to review other factors that may have an impact on the decision. Such a significant investment of state resources will require that this option be contracted for many years in the future and these factors could certainly impact the future success of any particular option. The factors evaluated in this section included:

- Scalability
- Customer Satisfaction
- Ease of Implementation
- Stability

The assessment in these areas is provided in the following table and includes a ranking based on the best option for that particular factor. Each option was ranked in the major assessment components using a rank of either three (3), six (6), nine (9) or twelve (12) to denote how that option ranked against the other options. This scale is used to better differentiate between options, as opposed to a one (1) to four (4) ranking. For example in the area of scalability, the relative rank of each option was assessed for the ability of that option to be scalable and provide the opportunity to best meet client demands when demand and activities change. The option that was most scalable received a ranking of twelve while the option least likely to be scalable received a ranking of three.

Future State Option	Scalability	Customer Satisfaction	Ease of Implementation	Stability
	Option Rank	Option Rank	Option Rank	Option Rank
Option One – Comprehensive Outsourcing	Outsourcing vendors typically leverage infrastructure and IT support staff across multiple clients giving them the ability to scale up and down to meet varying client demands.	Outsourcing vendors place a high degree of focus on balancing customer service measures with cost. This results in their service model typically focusing on "forcing" utilization of self-service tools.	Mature vendors have a well-defined set of processes around transitioning clients into their service model. The client will be required to "conform" to the implementation process and this usually results in a shorter implementation timeframe.	Because mature outsourcing vendors have large investments in infrastructure (including multiple backup locations), they normally can offer a very high degree of stability and availability to their customers.
	12	9	12	12
Option Two – Insourcing Infrastructure and Application Support Only	The degree to which the state can provide a high level of scalability under this option will depend upon the use of a shared IT infrastructure for all services or a specific People First ERP	Customer satisfaction should be similar to Option One since the outsourcing vendor will be the primary point of contact for all services. There may still be customer satisfaction issues	This option will require the integration of two major work streams managed by an external vendor and the state and this implementation is likely to be more complex and lengthy	The degree of stability experienced under this option will be directly related to the investments that the state will make to create an infrastructure providing for alternate back up

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Future State Option	Scalability	Customer Satisfaction	Ease of Implementation	Stability
	Option Rank	Option Rank	Option Rank	Option Rank
	infrastructure. In either case, any state funding constraints could limit scalability especially in the case of an ERP infrastructure developed only for People First.	related to the underlying ERP technology issues since the customer service center will rely on the state to resolve any infrastructure issues.	than implementing Option One. An ERP infrastructure implementation is typically the driving force in determining the overall timeline completion of the transition.	sites and duplication or redundancy for service center operations in multiple locations. This option will likely require increased investments over Option One.
	6	3	9	9
Option Three – Insourcing Service Centers Only	This option includes the outsourcing of ERP infrastructure as in Option One, and these vendors typically leverage infrastructure and IT support staff across multiple clients giving them the ability to scale up and down to meet varying client demands. In this option; however, service centers would be staffed internally, and scalability would be dependent on the ability to leverage other state service centers to balance peak loads or accept increased staff costs and service center infrastructure costs during peak periods.	Internal service centers can lead to high levels of customer satisfaction but this will be largely determined by the degree to which the state will invest in staffing requirements aligned with desired service levels. Under this option, customer satisfaction will also be substantially impacted by the ability of the state to build knowledge base tools and case management systems that drive overall customer satisfaction.	Since the implementation process for this option will also require integration of two major work streams managed by an external vendor and the State of Florida, implementation is likely to be more complex and take longer than implementing Option One. Under this option, the length of the timeline will be driven by requirements around staffing the service centers and building the necessary service center infrastructure.	Under this option, stability of the ERP infrastructure should be high however, since the State of Florida will be responsible for the service center infrastructure, stability will be dependent upon the ability of the state to build redundancy into the IT supporting model provided by the vendor.
	9	6	6	6
Option Four – Comprehensive Insourcing	Under this option, the State of Florida will be responsible for the entire People First operation so the ability to scale the operation up or down	Organizations that are willing to make large “up front” investments in an internal shared services delivery model have been	Moving to an internal HR/payroll shared services model typically requires from 18 months to three years. Successful	Under this option, stability will be driven by the ability of the State of Florida to build redundancy into both the infrastructure (for the

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Future State Option	Scalability	Customer Satisfaction	Ease of Implementation	Stability
	Option Rank	Option Rank	Option Rank	Option Rank
	will be dependent on the degree to which the state operates under a shared services model for both information technology and service center operations. If these internal shared services operation are in place (and are robust) then scalability may not be an issue. In the absence of a robust shared services model, scalability will be dependent upon the ability of DMS to obtain resources and capital on a short term basis to react to changes in demand for People First services.	able to deliver very high levels of customer satisfaction. Similar to Option Three, the degree of customer satisfaction will be dependent upon the state's ability to operate more holistically across all agencies and departments since the highest customer satisfaction levels are experienced when there is truly a single point of contact for all services driven by a well-defined service model across all service channels.	implementation also requires that there is internal staff driving the implementation with specific SAP ERP skills, service center technology skill and shared service center operational experience. This option will also require determining staffing requirements, hiring staff and then training them prior to implementation.	ERP solution and service center) and into the service center operational model. After a transition period, most internal shared service centers operate in a stable fashion and are then prepared to broaden services offered through the model. The challenge will be for the state to maintain stability while moving from the transition period to the operational period.
	3	12	3	3

Figure 28: Scalability, Customer Satisfaction, Ease of Implementation, and Stability Comparison

4.4. Cost Benefit Analysis

A comprehensive cost benefit analysis was conducted as a key component of the option evaluation process. In this cost benefit analysis, there are certain assumptions that must be made so that costs for certain elements can be estimated. Until DMS completes an actual competitive procurement process, rough order of magnitude cost estimates must be utilized in the cost modeling. The assumptions for the cost benefit analysis performed for these four options are described below along with supporting cost tables that formed the foundation for the cost models.

- **Procurement and Implementation Schedule** – These cost models were based on the procurement and implementation schedule developed by DMS that incorporates state requirements such as the legislative calendar, solicitation guidelines and annual fiscal year cycle.

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- **Current Contract Cost Baseline** – Baseline costs for this model are assumed to be the current NGA contract costs of $36,092,971 per year for outsourcing services and support ($180,464,855 for a five-year contract period). Although the projected average annual NGA cost over the 14 years of the contract is $40,354,228, the best comparison for savings calculations would be the final, optimized state, as represented in current contract pricing.

- **New Service Provider Fees** – These are the projected new service provider costs based on the staffing and infrastructure required to deliver the current People First functionality for each option. The projected amount was determined through a review of these staffing and infrastructure requirements based on KPMG's database of market rates as well as the overall HR benchmarking data that is included in this business case. This estimate is made with the understanding that some of the services that would typically be handled by a service provider or shared services organization are being performed in the agencies today.

- **Employee and Contractor Compensation** – Annual compensation for internal staffing components of these cost models includes compensation for state employee positions and internal contractor positions. State employee compensation is based on employee classifications and rates published in the fiscal year 2011-12 Florida Annual Workforce Report, while contractor compensation is based on hourly contractor rates presently paid by the Florida Department of Revenue within the internal SAP application support team.

Employee Class	Monthly	Annual
Career Service	$ 4,750	$ 57,000
Exempt Service	$ 7,037	$ 84,442
Senior Management	$ 13,104	$ 157,253

Internal Contractors	Hourly	Monthly	Annual
Contractor - High	$ 200	$ 32,000	$ 384,000
Contractor - Low	$ 125	$ 20,000	$ 240,000

Figure 29: Employee and Contractor Compensation Rates

To be consistent with typical outsourcing cost modeling, there were two factors applied to annual compensation: an annual compensation inflation factor and an annual productivity factor. Compensation in the cost models was increased annually by 2.2 percent based on the average total compensation increase experienced over the last 10 years for Florida employees as documented by the Florida Annual Workforce Reports. In addition, compensation was reduced annually by 1.2 percent based on two factors. First, industry practice is to recognize that with continued business process improvement and the extended use of technology, employee productivity will improve each year. Second and more specific to the State of Florida, the number of state employees has been reduced over the past few years therefore productivity is based on a smaller number of employees doing more work. The impact of productivity should result in a reduction of baseline spending, and this impact should occur beyond the HR organization. Productivity improvements should be expected outside of the HR organization based on the self-service tools within the HR system and other improvements to the HR systems and processes.

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Using the compensation adjustment formula listed below, an illustration of how these factors were applied to monthly compensation for each year is provided in Figure 30 below.

[Annual Compensation + (Annual Compensation X Annual Inflation Factor) - (Annual Compensation X Annual Productivity Factor)]

Employee Class	Annual Compensation	Adjusted for Compensation Inflation	Adjusted for Productivity Factor	Adjusted First Year Compensation
Career Service	$ 57,000	$ 1,254	$ (684)	**$ 57,570**
Exempt Service	$ 84,442	$ 1,858	$ (1,013)	**$ 85,286**
Senior Management	$ 157,253	$ 3,460	$ (1,887)	**$ 158,826**

Internal Contractors	Annual Compensation	Adjusted for Compensation Inflation	Adjusted for Productivity Factor	Adjusted First Year Compensation
Contractor - High	$ 384,000	$ 8,448	$ (4,608)	**$ 387,840**
Contractor - Low	$ 240,000	$ 5,280	$ (2,880)	**$ 242,400**

Figure 30: Employee and Contractor Compensation Calculation Illustration

The annual compensation inflation and annual productivity factors were then applied to each successive year to estimate the expected future compensation and employee related costs for these positions.

- **Supplemental Resources** - Supplemental resources are assumed to be necessary to support the optimal operational personnel for Options 2 – 4 during the first five years. Supplemental resources are assumed to be 25 percent of employees and contractors in years 1 and 2, 20 percent in year 3, 10 percent in year 4 and 5 percent in year 5, and are included in the Internal Cost category of both summary tables (*See Figure 44 and Figure 45 below*). These resources comprise the supplemental build up of positions required in the initial years of a new operating model used to address potential risks.

- **Employee Related Expenses** - Employee related expenses are the cost to support each employee position. The employee related expenses are applied to all employees and supplemental resources in the cost models, and are based on the standard Expense and Human Resource Services Assessments Package contained within the state fiscal year 2014-15 Legislative Budget Request Instructions (*See Figure 31 below*). This cost package provides for two categories of employee related cost: a nonrecurring cost and a recurring cost. The nonrecurring cost is used only for the initial year that a position is added, and the recurring cost is used for each year that a position is budgeted. As an example, the budgeted cost of a professional position in the first year would be $10,034 with a recurring amount of $6,261 in each year after that. These cost packages provide an allowance for furniture, fixtures, equipment and facility rental so a separate cost is not included for these items in the insourced options.

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Expense / Human Resources Services Assessments	Professional Budget Costs			Non Professional Budget Costs		
	Nonrecurring	Recurring	Total	Nonrecurring	Recurring	Total
Telephone, line/use	$ 99	$ 526	$ 625	$ 99	$ 332	$ 431
Telephone, purchase	$ 134		$ 134	$ 284		$ 284
Postage		$ 132	$ 132		$ 100	$ 100
Printing & Reproduction		$ 121	$ 121		$ 121	$ 121
Repair & Maintenance		$ 121	$ 121			
Office Supplies		$ 385	$ 385		$ 385	$ 385
File cabinet						
2 drawer/36" wide/w/lock	$ 450		$ 450	$ 450		$ 450
Bookcase, 4 shelf/48" high	$ 355		$ 355			
Desk	$ 625		$ 625	$ 614		$ 614
Chair						
Executive	$ 607		$ 607			
Secretarial				$ 607		$ 607
SideArm	$ 298		$ 298	$ 298		$ 298
Building Rental		$ 3,866	$ 3,866		$ 3,007	$ 3,007
Software and Training	$ 423	$ 428	$ 851	$ 423	$ 428	$ 851
Data Communications		$ 682	$ 682		$ 682	$ 682
Computing Equipment	$ 782		$ 782	$ 782		$ 782
Total	**$ 3,773**	**$ 6,261**	**$ 10,034**	**$ 3,557**	**$ 5,055**	**$ 8,612**

Figure 31: Employee and Contractor Related Expenses

- **Service Center Staffing Models** – The anticipated internal staffing models for both the outsourced and internal service centers were developed from a review of comparable HRO service centers and the number of employees served by those centers. The current NGA contract does not provide the ability for the People First management team to access vendor staffing and as a result the current service center staffing could not be leveraged for comparison.

  Using the comparable data with the knowledge of the functions supported by the People First system, an internal staffing model was developed for use in these cost models (*See Figure 32 below*). This internal staffing model represents the resources required for steady state operations, and supplemental resources would be required as these operating models are implemented. The compensation in this internal staffing model was based on the employee and contractor rates, and recurring and nonrecurring employee expenses described above.

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Service Center - HR / Payroll / Benefits		Cost Assumptions				
Service Center Category and Positions	**Projected Positions**	**Annual Position Compensation**	**Annual Comp. Inflation**	**Annual Comp. Productivity**	**Nonrecurring Employee Expense**	**Recurring Employee Expense**
Tier 1 (Call Center)						
Customer Service Representatives	68	$ 57,000	2.2%	1.2%	$ 3,557	$ 5,055
Supervisors	5	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Managers	1	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
	74					
Tier 2 (Case Management / Issue Resolution Team / Transaction Services)						
Case Managers / Research Specialists	58	$ 57,000	2.2%	1.2%	$ 3,557	$ 5,055
Staffing Specialists	20	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Supervisors	5	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Manager	1	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
	84					
TOTAL SERVICE CTR STAFFING	**158**	**Service Center - HR / Payroll / Benefits**				

Internal Support Services		Cost Assumptions				
Service Center Category and Positions	**Projected Positions**	**Annual Position Compensation**	**Annual Comp. Inflation**	**Annual Comp. Productivity**	**Nonrecurring Employee Expense**	**Recurring Employee Expense**
HRIS Analysts (Process Redesign)	4	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Quality Assurance Specialists	3	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Trainers	3	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Manager	1	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Service Center Senior Manager	1	$ 157,253	2.2%	1.2%	$ 3,773	$ 6,261
TOTAL SUPPORT STAFFING	**12**	**Internal Support Svs (Business Analysis, QA, Process, Training)**				

HRIS Support		Cost Assumptions				
Service Center Category and Positions	**Projected Positions**	**Annual Position Compensation**	**Annual Comp. Inflation**	**Annual Comp. Productivity**	**Nonrecurring Employee Expense**	**Recurring Employee Expense**
SAP Application Support / Internal	11	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
SAP Application Support / Contractor	8	$ 384,000	2.2%	1.2%	N/A	N/A
Computer Operations	5	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Computer Operations / Contractor	3	$ 240,000	2.2%	1.2%	N/A	N/A
Database Support	4	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Database Support / Contractor	2	$ 384,000	2.2%	1.2%	N/A	N/A
Service Center Tools Support	3	$ 84,442	2.2%	1.2%	$ 3,557	$ 5,055
Service Center Tools Support / Contract	2	$ 240,000	2.2%	1.2%	N/A	N/A
Manager	1	$ 157,253	2.2%	1.2%	$ 3,773	$ 6,261
TOTAL HRIS STAFFING	**39**	**Human Resources Information Technology Support**				

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Internal Staffing Model Summary		
Service Center	158	Support of HR, Payroll and Benefits
Internal Support Services	12	Support of Business Analysis, QA, Business Process and Training
HRIS Support	39	Support of HR Technology, Applications, Databases and Reporting
TOTAL	**209**	

Figure 32: Proposed Internal Staffing Model

- **Software** – Under the present outsourcing contract the vendor owns the software licenses, and any insourcing option would need to include software license acquisition and maintenance costs. These software applications would include SAP and NetWeaver as well as Peoplefluent and other supporting software applications. The total software acquisition cost included in the cost models is $7,000,000 with an annual maintenance cost of 20 percent. Software upgrade costs are projected at $4,500,000 in the contract renewal period, as a software upgrade would not be expected in the initial contract term. These costs are based on SAP license fees paid by the Florida Department of Revenue along with industry data for SAP software acquisition and maintenance costs. Employee software costs are captured in the nonrecurring set up expenses budgeted for new state positions (*see Figure 31: Employee and Contractor Related Expenses*).

  The cost of HRIS related hardware and software such as telephony software, case management/CRM tools, and a knowledge management system been included in HRIS costs and therefore are not reflected in the Transition Cost Summary (*see Figure 35: Transition Cost Summary).*

- **Hardware** – The projected number of servers for insourcing options is 35 and is based on the number of current vendor servers. There is an initial hardware investment required in two options, and these estimated costs are captured in transition costs (see *Figure 35: Transition Cost Summary).* Ongoing hardware costs are assumed at 25 percent of purchase price for maintenance starting in the fourth year after purchase. A complete refresh of these 35 servers at $20,000 each is assumed in the contract renewal period as a hardware upgrade would not be expected in the initial contract term. These costs are based on industry data. Employee hardware costs are captured in the nonrecurring set up expenses budgeted for new state positions (*see Figure 31: Employee and Contractor Related Expenses*).

- **Hosting Facilities** – Facilities costs for hosting servers are currently assumed at $200 per server per month based on industry data. KPMG was unable to secure specific State of Florida rates in time for inclusion in this business case however it is suggested that this data be secured for the procurement process.

- **Facilities Build-Out** – Facilities build-out is assumed to be $112.50 per square foot for 200 square feet per employee based on current DMS facility estimates. The ongoing facility rent cost is captured in the nonrecurring set up expenses budgeted for new state positions (*see Figure 31: Employee and Contractor Related Expenses*).

- **Consultants (Sourcing)** – Consultants to assist with the sourcing effort are currently budgeted for $234,000 and this is the cost included in the cost models. KPMG believes this number to be low based on similar sourcing support projects that have ranged from $400,000 to $800,000, but People First anticipates performing much of the work internally. A full range of sourcing consultant support

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would generally include assistance with procurement processes and procurement document development, vendor forums and conferences, evaluation criteria, and contract negotiation.

- **Counsel (Sourcing)** – The DMS People First team expects the sourcing legal counsel support cost to be similar to the sourcing consultant cost of $234,000. Legal counsel support would generally include assisting with any legal challenges, and providing the appropriate contractual language addressing offshoring, data security, intellectual property, performance guarantees, liability, and termination and default.

- **Consultants (Transition)** – Consultants will be needed to support the design, build, testing and deployment of a new operational model (all four options). This consulting support would also need to include four months of after go-live support along with independent testing and validation of service provider systems.

  The level of consulting support included in the cost models is based on the support anticipated to stand up these new operating models. As an example, Option 1 would require less consulting support since the new service provider would be responsible for most of the process design work. On the other hand, Option 4 would require more consulting support since the new operational model would require the implementation of all new processes.

Transition Consultants	Option 1	Option 2	Option 3	Option 4
Average Consultants per month	1.8	8.4	10.4	14.2
Hours per month	160.0	160.0	160.0	160.0
Number of months	18.0	32.0	34.0	37.0
Hourly Rate	$ 195.00	$ 195.00	$ 195.00	$ 195.00
Total ($Thousands)	**$1,007.12**	**$8,424.00**	**$10,982.40**	**$16,380.00**

This table uses rounded financial estimates, and as a result the rounded totals may not accurately sum.

Figure 33: Transition Consultant Details

The blended hourly rate for process consultants was calculated by estimating the percentage of consultant categories and using the fiscal year 2012-13 state contract rates.

Position	Rate Amount	Ratio	Adjusted Amount
Principal Consultant	$ 275.00	40%	$ 110.00
Senior Consultant	$ 175.00	40%	$ 70.00
Junior Consultant	$ 75.00	20%	$ 15.00
		Blended Rate	$ 195.00

Figure 34: Consultant Blended Rate Calculation

- **Service Provider Transition** – Transition costs for the new service provider is assumed to be 35 percent of one year of the new service provider ongoing costs, based on KPMG experience with similar transitions. Generally a new service provider may seek transition funding for items like system and service center knowledge transfer, the customization of provider processes, and customization of proprietary service provider tools.

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- **Internal State of Florida Costs** – These costs represent the on-going internal state costs for staffing (both state positions and contractor staff augmentation positions), hardware and software maintenance, facilities, any supplemental resources and other internal expenses after transition.

- **Transition** – These costs represent the overall transition costs for consultants, service providers, facilities, hardware, software and other costs that would be needed to get the new operating model in place and operational. Generally these costs can range from about 10 percent to 50 percent of the new contract depending on scope and these estimated costs could fluctuate based on some specific state requirements for extended parallel testing. (*See Figure 35 – Transition Cost Summary*).

  These cost assumptions were used in the development of the cost models and establishment of the projected transition costs that would be necessary to implement each of these operating models.

Transition Cost Summary ($K)	Option 1	Option 2	Option 3	Option 4
Consultants - Sourcing	$234.0	$234.0	$234.0	$0.0
Consultants - Transition	$1,007.1	$8,424.0	$10,982.4	$16,380.0
Counsel - Sourcing	$234.0	$234.0	$234.0	$0.0
Service Provider Transition (35%)	$8,967.4	$6,539.2	$3,029.8	$0.0
Facilities Build Out	$0.0	$1,096.9	$4,781.3	$5,900.6
Hardware	$0.0	$700.0	$0.0	$700.0
Software	$0.0	$7,000.0	$0.0	$7,000.0
Totals	**$10,442.5**	**$24,228.1**	**$19,261.4**	**$29,980.6**

This table uses rounded financial estimates, and as a result the rounded totals may not accurately sum.

Figure 35: Transition Cost Summary

The current outsourcing contact was established with a seven-year term, and a seven-year extension option, based on the understanding that these operating models require a long-term investment and should be retained for a longer-term so that savings goals can be achieved. There were several cost models used to evaluate the projected costs and related cost savings for these four options:

- Schedule IV-B Cost Benefit Analysis Tool
- Five-Year Cost Model
- 10-Year Cost Model

It is important to evaluate these options over a representative period of time, and these cost and savings models are presented below for each option. These differences are illustrated over a projected contract period of five years and also on a 10-year period should a five-year renewal option be utilized in an outsourcing contract.

The initial cost models were developed leveraging the Cost Benefit Analysis Tool included within Legislative Budget Office Schedule IV-B however this tool presented several challenges given the long-term assessment required for projects of this nature:

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- The tool currently available only considered fiscal years 2014-15 through 2018-19 and the current outsourcing contract does not terminate until fiscal year 2016-17. So this tool only presents an initial view of potential cost savings in a period when a significant investment would be required in some options to be able to move to a new operating model.
- The tool contained some formula errors that prevented the accurate calculation of net present value (NPV) and internal rate of return (IRR).

Even though the Schedule IV-B projected cost savings view was not leveraged for this business case it still reflected the similar financial differences between the options and validates the option ranking in the five-year and 10-year cost models.

Option 1 – Comprehensive Outsourcing

The cost model for this option was developed by estimating the staffing and infrastructure required by a service provider to deliver the current People First functionality and by reviewing market rates to determine the projected amount of a new comprehensive outsourcing contract for current functionality. In addition, any transition costs that would be needed to move current operations to a new vendor were included in the cost model. The projected transition costs for Option 1 would include some service provider transition costs and transition consultants to assist with the new operating model (*See Figure 33 – Transition Consultant Details and Figure 35 – Transition Cost Summary).* These transition costs are also based on the projected implementation timeline developed for this option (*See Figure 52 – Projected Implementation Timeline for Option 1*). The actual amount of a new contract will certainly depend however on the effectiveness of a competitive procurement process and efficient contract negotiations.

The annual costs and savings for Option 1 are depicted in Figure 36 below. Annual savings for Option 1 start in fiscal year 2016-17, with a project breakeven forecast in fiscal year 2017-18.

SUMMARY TABLE - TEN YEAR CONTRACT VIEW ($Millions)														
Projected Cost Of Transition and Operation of Option 1 - Comprehensive Outsourcing														
Cost Component	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**Ten Year Contract Plus Transition**
Transition	$0.5	$8.5	$1.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$10.4**
New Service Provider	$0.0	$0.0	$23.5	$25.6	$25.6	$25.6	$25.6	$25.6	$25.6	$25.6	$25.6	$25.6	$2.1	**$256.2**
Internal State of Florida Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$0.0**
Total Projected Cost	**$0.5**	**$8.5**	**$25.0**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$25.6**	**$2.1**	**$266.7**
Current Contract Cost Baseline	$0.0	$0.0	$33.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$3.0	**$360.9**
Projected Cost Savings	**($0.5)**	**($8.5)**	**$8.1**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$10.5**	**$0.9**	**$94.3**

This summary table uses rounded financial estimates to millions, and as a result the rounded totals may not accurately sum or compare to estimates rounded to thousands.

Figure 36: Option 1 Yearly Detail

Based on the level of effort to move to the new operating model in this option, the funding of transition costs is projected to be required over a specific timeframe as reflected in the cost models. The timing of the transition costs that is included in the Option 1 cost model is depicted in Figure 37 below.

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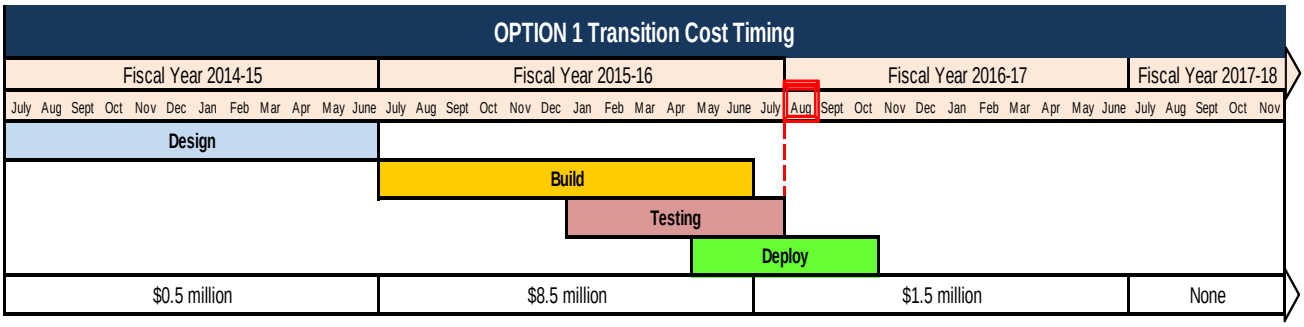

This transition cost graphic uses rounded financial estimates, and as a result the rounded totals may not accurately reconcile to more detailed transition cost summaries

Figure 37: Option 1 Transition Cost Timing

The red highlight box and vertical line is used in all timeline figures to illustrate the current contract termination date of August 2016.

Option 2 – Insourcing Infrastructure and Application Support Only

The cost model for this option was developed by estimating the staffing and infrastructure needs for a service provider based on the current People First operating model and reviewing market rates to determine the projected amount of a new outsourced service center contract. In addition, any transition costs that would be needed to move current operations to this new operating model were included in the cost model. Projected transition costs for Option 2 would include some service provider transition costs and transition consultants to assist with the new operating model, along with the investment required to establish an internal data center (*See Figure 33 – Transition Consultant Details and Figure 35 – Transition Cost Summary).* These transition costs are also based on the projected implementation timeline developed for this option (*See Figure 53 – Projected Implementation Timeline for Option 2*). Again, the actual amount of a new service center contract will certainly depend on the effectiveness of a competitive procurement process and the ability to integrate the new internal infrastructure and application support processes with the outsourced service center.

The annual costs and savings for Option 2 are depicted in Figure 38 below. Annual savings starts in fiscal year 2016-17, with project breakeven forecast in fiscal year 2021-22.

SUMMARY TABLE - TEN YEAR CONTRACT VIEW ($Millions)														
Projected Cost Of Transition and Operation of Option 2 - Insourcing Infrastructure and Application Support Only														
Cost Component	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**Ten Year Contract Plus Transition**
Transition	$3.9	$13.9	$6.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$24.2**
New Service Provider	$0.0	$0.0	$7.8	$18.7	$18.7	$18.7	$18.7	$18.7	$18.7	$18.7	$18.7	$18.7	$10.9	**$186.8**
Internal State of Florida Costs	$1.6	$4.4	$9.8	$9.9	$9.9	$9.9	$9.6	$9.5	$14.9	$9.5	$9.6	$9.7	$5.7	**$114.0**
Total Projected Cost	**$5.6**	**$18.3**	**$23.9**	**$28.6**	**$28.6**	**$28.5**	**$28.3**	**$28.2**	**$33.6**	**$28.2**	**$28.3**	**$28.3**	**$16.6**	**$325.1**
Current Contract Cost Baseline			$15.0	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$21.1	**$360.9**
Projected Cost Savings	**($5.6)**	**($18.3)**	**($8.9)**	**$7.5**	**$7.5**	**$7.6**	**$7.8**	**$7.9**	**$2.5**	**$7.9**	**$7.8**	**$7.7**	**$4.5**	**$35.9**

This summary table uses rounded financial estimates to millions, and as a result the rounded totals may not accurately sum or compare to estimates rounded to thousands.

Figure 38: Option 2 Yearly Detail

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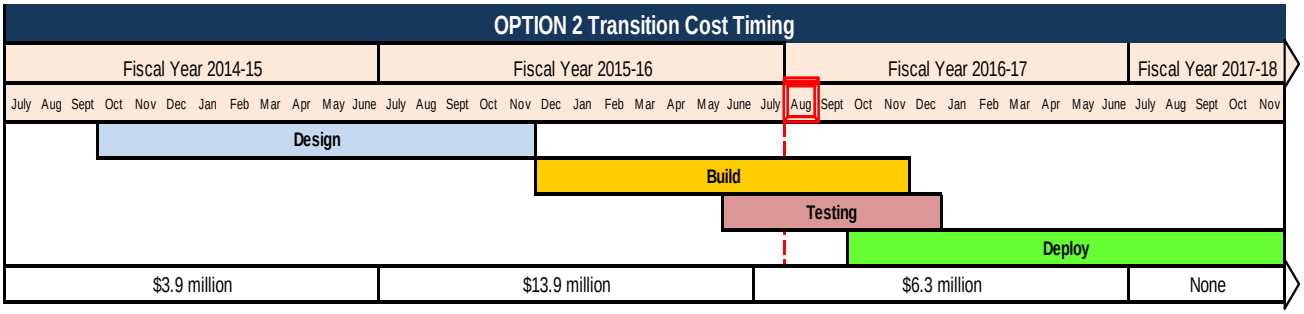
Based on the level of effort to move to the new operating model in this option, the funding of transition costs is projected to be required over a specific timeframe as reflected in the cost models. The timing of the transition costs that is included in the Option 2 cost model is depicted in Figure 39 below.



This transition cost graphic uses rounded financial estimates, and as a result the rounded totals may not accurately reconcile to more detailed transition cost summaries

Figure 39: Option 2 Transition Cost Timing

Option 3 – Insourcing Service Centers Only

The cost model for this option was developed by estimating the staffing and infrastructure needs for a service provider based on the current People First operating model and reviewing market rates to determine the projected amount of a new outsourced infrastructure and application support contract. In addition, any transition costs that would be needed to move current operations to this new operating model were included in the cost model. Projected transition costs for Option 3 would include some service provider transition costs along with a significant level of supplemental resources and transition consultants to shift to this new internal service center operating model (*See Figure 33 – Transition Consultant Details and Figure 35 – Transition Cost Summary).* These transition costs are also based on the projected implementation timeline developed for this option (*See Figure 54 – Projected Implementation Timeline for Option 3*). Again, the actual amount of a new infrastructure and application support contract will depend on the effectiveness of a competitive procurement process and the ability to integrate the new internal service center support processes with the outsourced infrastructure and application support processes. The annual costs and savings for Option 3 are depicted in Figure 40 below. Annual savings starts in fiscal year 2017-18, with project breakeven forecast in fiscal year 2019-20.

SUMMARY TABLE - TEN YEAR CONTRACT VIEW ($Millions)														
Projected Cost Of Transition and Operation of Option 3 - Insourcing of Service Centers Only														
Cost Component	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**Ten Year Contract Plus Transition**
Transition	$3.4	$5.0	$10.7	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$19.3**
New Service Provider	$0.0	$0.0	$2.2	$8.7	$8.7	$8.7	$8.7	$8.7	$8.7	$8.7	$8.7	$8.7	$6.5	**$86.6**
Internal State of Florida Costs	$0.0	$0.0	$9.3	$18.8	$18.7	$17.8	$16.9	$16.3	$16.0	$16.2	$16.4	$16.6	$12.6	**$175.7**
Total Projected Cost	**$3.4**	**$5.0**	**$22.1**	**$27.6**	**$27.3**	**$26.5**	**$25.5**	**$25.0**	**$24.7**	**$24.9**	**$25.1**	**$25.3**	**$19.1**	**$281.5**
Current Contract Cost Baseline			$9.0	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$27.1	**$360.9**
Projected Cost Savings	**($3.4)**	**($5.0)**	**($13.1)**	**$8.5**	**$8.8**	**$9.6**	**$10.6**	**$11.1**	**$11.4**	**$11.2**	**$11.0**	**$10.8**	**$8.0**	**$79.4**

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Figure 40: Option 3 Yearly Detail

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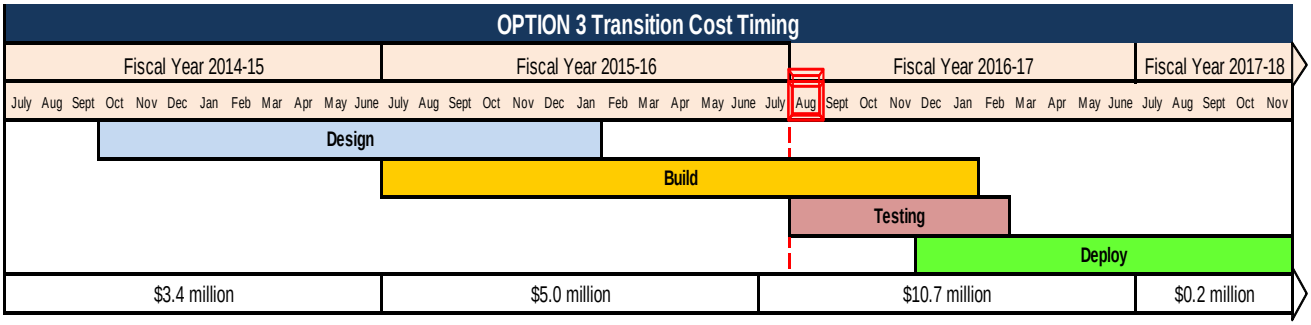
Based on the level of effort to move to the new operating model in this option, the funding of transition costs is projected to be required over a specific timeframe as reflected in the cost models. The timing of the transition costs that is included in the Option 3 cost model is depicted in Figure 41 below.



This transition cost graphic uses rounded financial estimates, and as a result the rounded totals may not accurately reconcile to more detailed transition cost summaries

Figure 41: Option 3 Transition Cost Timing:

Option 4 – Comprehensive Insourcing

The cost model for this option was developed by estimating the staffing and infrastructure costs that would be required for the state to insource both the technology platform and the service center components of the People First platform. Any transition costs that would be needed to move current operations to this new operating model were included in the cost model. Projected transition costs for Option 4 would include transition consultants to assist with the new operating model, along with the investment and supplemental resources required to establish an internal data center (*See Figure 33 – Transition Consultant Details and Figure 35 – Transition Cost Summary).* These transition costs are also based on the projected implementation timeline developed for this option (*See Figure 55 – Projected Implementation Timeline for Option 4*). The annual costs and savings for Option 4 are depicted in Figure 42 below. Annual savings starts in fiscal year 2016-17, with project breakeven forecast in fiscal year 2023-24.

SUMMARY TABLE - TEN YEAR CONTRACT VIEW ($Millions)														
Projected Cost Of Transition and Operation of Option 4 - Comprehensive Insourcing														
Cost Component	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**Ten Year Contract Plus Transition**
Transition	$10.1	$13.3	$5.6	$0.9	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$30.0**
New Service Provider	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	**$0.0**
Internal State of Florida Costs	$2.1	$4.8	$13.7	$28.6	$28.9	$28.3	$26.8	$26.1	$30.9	$25.8	$26.0	$26.3	$26.3	**$294.7**
Total Projected Cost	**$12.2**	**$18.1**	**$19.3**	**$29.6**	**$28.9**	**$28.3**	**$26.8**	**$26.1**	**$30.9**	**$25.8**	**$26.0**	**$26.3**	**$26.3**	**$324.7**
Current Contract Cost Baseline				$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	$36.1	**$360.9**
Projected Cost Savings	**($12.2)**	**($18.1)**	**($19.3)**	**$6.5**	**$7.2**	**$7.8**	**$9.3**	**$9.9**	**$5.2**	**$10.3**	**$10.1**	**$9.8**	**$9.8**	**$36.2**

This summary table uses rounded financial estimates to millions, and as a result the rounded totals may not accurately sum or compare to estimates rounded to thousands.

Figure 42: Option 4 Yearly Detail

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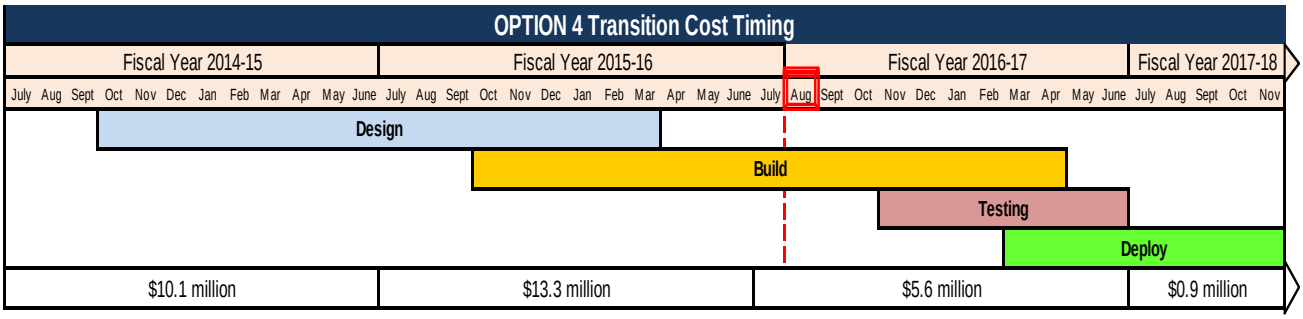
Based on the level of effort to move to the new operating model in this option, the funding of transition costs is projected to be required over a specific timeframe as reflected in the cost models. The timing of the transition costs that is included in the Option 4 cost model is depicted in Figure 43 below.



This transition cost graphic uses rounded financial estimates, and as a result the rounded totals may not accurately reconcile to more detailed transition cost summaries

Figure 43: Option 4 Transition Cost Timing

10-Year View

We also developed a 10-year view to demonstrate the financial impact of extending the contract for another five years after the initial five-year term. The 10-year contract view includes five years of operations from the service provider go-live date along with a subsequent five years of continued operations.

This 10-year cost model shows Option 1 to be the best financial alternative. Option 3 also provides significantly more projected cost savings than Options 2 and 4 and it is understandable that insourcing some operations like a service center would yield greater benefits over a longer period of time. These financial projections should be considered with other criteria such as risk before the best option can be determined for the State of Florida.

SUMMARY TABLE - TEN YEAR CONTRACT VIEW ($Thousands)

Projected Cost of Implementation and Transition to New Operating Model				
Cost Component	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Transition	$10,442.5	$24,228.1	$19,261.4	$29,980.6
New Service Provider	$256,212.2	$186,835.3	$86,565.4	$0.0
Internal State of Florida Costs	$0.0	$113,994.3	$175,700.0	$294,728.0
Total Projected Cost	$266,654.8	$325,057.7	$281,526.9	$324,708.6
Current Contract Costs	$360,929.7	$360,929.7	$360,929.7	$360,929.7
Projected Cost Savings	$94,274.9	$35,872.0	$79,402.8	$36,221.1

This summary table uses rounded financial estimates, and as a result the rounded totals may not accurately sum.

Figure 44: 10-Year Summary

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Five-Year View

The five-year view would be the recommended decision model as this period is assumed to be the initial contract period and it may be unrealistic to assume the contract would be extended or renewed past this point. The five-year contract view includes five years of operations from the go-live date plus the transition period from July 2014. Option 1 is expected to provide the most savings with a five-year contract, as depicted in Figure 45 below.

For options 2, 3, and 4, the transition period would require an extension (six months, eight months, and 11 months, respectively at the current monthly contract cost) based on the projected level of effort to design and build these new operating models. To be able to make a valid comparison across the entire transition and five-year operational period of all four options, any contract extension costs with the current service provider would also need to be included in the current contract cost baseline. As a result, there would be no net impact to projected cost savings and these costs are not presented in the five-year or ten year contract view.

This five-year cost model shows Option 1 to be the best financial alternative; however, these financial projections should be considered with other criteria such as risk before the best option can be determined for the State of Florida (see Exhibit A – Supplemental Cost Benefit Tables).

SUMMARY TABLE - FIVE YEAR CONTRACT VIEW ($Thousands)

Projected Cost of Implementation and Transition to New Operating Model				
Cost Component	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Transition	$10,442.5	$24,228.1	$19,261.4	$29,980.6
New Service Provider	$128,106.1	$93,417.6	$43,282.7	$0.0
Internal State of Florida Costs	$0.0	$60,703.7	$93,789.1	$159,373.5
Total Projected Cost	$138,548.7	$178,349.5	$156,333.3	$189,354.1
Current Contract Costs	$180,464.9	$180,464.9	$180,464.9	$180,464.9
Projected Cost Savings	$41,916.2	$2,115.4	$24,131.6	($8,889.2)

This summary table uses rounded financial estimates, and as a result the rounded totals may not accurately sum.

Figure 45: Five-Year Summary

4.5. Options Risk Assessment

For each option listed below the team applied a common risk management approach of identifying and analyzing risks using the state's risk assessment tool included within Legislative Budget Office Schedule IV-B and overlaying it with an accompanying risk assessment methodology. The tool was used to evaluate the differences in risk between the four options. Historically, information technology projects involve a high level of risk. The objective of risk management is to evaluate the unknowns (e.g., captured as risks) against the business objectives (e.g., alignment of objectives and strategy) and apply a value to the unknown risk for decision making purposes.

- Option One – Comprehensive Outsourcing
- Option Two – Insourcing Infrastructure and Application Support Only
- Option Three – Insourcing Service Centers Only

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- Option Four – Comprehensive Insourcing

The result of each assessment is provided in individual sections by option with a summary Project Area Risk Breakdown that illustrates these results for all four options.

It is apparent that the state's risk assessment tool was developed to assess risk closer to the actual implementation time frame based on the nature of the questions included in this tool. As an example, one question centers on whether project objectives are clearly documented and understood by all stakeholder groups. Regardless of the application, this answer would be in affirmative prior to the actual implementation. For this reason, it was decided that the risk assessment tool should be completed with the assumption that these questions are being answered closer to the actual implementation.

Option One – Comprehensive Outsourcing

In this option all of the key human resources components would be supported by an outsourced service provider under a contract with DMS. As the contract with the current service provider will terminate in August 2016, a state procurement effort will be required to select a service provider for these outsourced services.

Criteria Dimension	Option One - Evaluation Rationale	Risk
Strategy Criteria Summary: Clarity of vision, degree of visibility, alignment with stakeholders and business processes	The current DMS vision around comprehensive delivery of a broad range of HR and payroll preparation services (branded as People First) has a high degree of alignment with this option. Business processes have been developed and refined over several years utilizing the People First service model. The overall vision for this option has been well documented and communicated to all stakeholders. External and internal visibility around executing this option would be minimal.	**LOW**
Technology Criteria Summary: Experience with supporting technology platform, internal staff knowledge of the system, degree of change to existing technology, capacity requirements defined	The DMS People First support team has multiple years of experience with supporting the comprehensive outsourcing option and internal knowledge around both the People First servicing model and the underlying SAP technology platform is high. This option would require minor changes to existing technology and the definition of capacity requirements mainly related to potential expansion of services to include "gross to net" payroll processing and the potential introduction of a learning management system. There will be risks with any vendor or model change related to ensuring that all modifications to the core system are retained and that any potential SAP licensing fees are resolved.	**LOW**
Change Management Criteria Summary: Degree of change required, impact on current business processes, employee impact	Execution of this option will require minimal changes to DMS's organizational structure, staff skills or business processes. The number of internal employees and external contractors required to execute this option should not change significantly from current staffing levels. Note: There will likely be additional staff required to support potential additional areas of service; e.g., end to end payroll processing and learning management but these changes will be similar across all options being evaluated. The change impact on internal and external stakeholders will be minor.	**LOW**
Communication Criteria Summary: Complexity of communication messages, requirement to define impacted stakeholders, requirement for identification of key messages	Since this option builds on communication plans and strategies that have been developed over several years, the complexity of communicating this option to key stakeholders would be minimal. Stakeholders are already identified and ongoing communication channels and messages around the People First delivery model are already in place. Broadening the existing communication strategies to include any new services related to payroll processing and learning management would be relatively straight forward.	**LOW**
Fiscal (Cost Benefit Analysis) Criteria Summary: Estimated total cost over project lifecycle and cost degree of accuracy	In assessing this option in terms of the fiscal impact our focus has been on evaluating the transition costs of implementing the option. Since this option anticipates full outsourcing of the People First platform, DMS can develop cost estimates that are detailed and rigorous using their experience with prior People First contracting events. The estimated costs of transition under this option should be lower than the other options being evaluated and the payback period will likely be shorter as well.	**MEDIUM**
Project Organization Criteria Summary: Project integration complexity, project scale,	This option offers a relatively lower level of project integration complexity since the technology, the core business processes and the servicing staff will all be provided by a single vendor. Internal DMS staffing requirements are well known and documented and DMS has the required existing	**LOW**

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Criteria Dimension	Option One - Evaluation Rationale	Risk
staffing requirements known and documented, existing skill sets on board	skill sets in place today to execute this option.	
Project Management Criteria Summary: Requirement definition complexity, design complexity, degree of project risk and mitigation strategies	Under this option, the majority of requirements are well defined, processes are well documented and project deliverables and acceptance criteria are in place and reviewed by the existing People First team within DMS. Because the DMS has executed very similar sourcing projects within the last five years, the degree of project risk is seen as low.	**LOW**
Project Complexity Criteria Summary: Complexity of the solution, number of external contractors involved, impact on state operations, success with similar projects	Even though the complexity of this project would still be high, this option would seem to offer the lowest project complexity level since DMS has successfully deployed People First utilizing this delivery model for more than 10 years; however, this project is still complex and, from a risk perspective, remains high. This option is expected to have a low impact on state operations. The Department of Management Services has successfully completed similarly-sized projects within the last three to five years.	**HIGH**
Overall Project Risk		**MEDIUM**

Figure 46: Risk Assessment Summary for Option 1

Option Two – Insourcing Infrastructure and Application Support Only

In this option the system infrastructure and SAP application support would be insourced to a state entity. While the other key human resources components would be outsourced, there are some components where support would be divided between an outsourced service provider and the insourced state entity due to the processes within these components such as Attendance and Leave, Absence Management, Data Warehouse Reporting, Learning Management, Performance Management and Portal (ESS and MSS). This state entity could be a state shared resource center or an internally developed center for the express purposes of providing this system infrastructure and SAP application support.

Criteria Dimension	Option Two - Evaluation Rationale	Risk
Strategy Criteria Summary: Clarity of vision, degree of visibility, alignment with stakeholders and business processes	Separating the infrastructure from the processes performed by a third party creates additional complexities related to strategy implementation. It will usually take longer to get a third party to align with strategy changes and re-engineer their processes accordingly to better align with these new strategies.	**HIGH**
Technology Criteria Summary: Experience with supporting technology platform, internal staff knowledge of the system, degree of change to existing technology, capacity requirements defined	The Department of Management Services does not currently have the deep technology skills needed to manage the infrastructure required by People First and, since it has been over 10 years since the HR infrastructure was outsourced, recruiting new skills or any plans around transferring employees over from the current vendor could be challenging. This option will also likely require DMS to contract for external consultants to assist with the transition and to provide support during major upgrades of the People First platform.	**HIGH**
Change Management Criteria Summary: Degree of change required, impact on current business processes, employee impact	This option calls for a major shift in the way agencies and DMS operate today with minimum levels of state technical resources. The State of Florida will have to add technical resources with SAP experience and also develop a new organizational structure to support the People First platform. A new governance model will need to be developed that recognizes the complexities associated with a hybrid operating model.	**MEDIUM**

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Criteria Dimension	Option Two - Evaluation Rationale	Risk
Communication Criteria Summary: Complexity of communication messages, requirement to define impacted stakeholders, requirement for identification of key messages	Employee communications related to the People First service model should not be dramatically changed under this model since customer support will remain with an external vendor that is providing comprehensive customer service support. Since the infrastructure will be provided by the State of Florida, there will be new requirements related to communicating with selected stakeholders (IT, Facilities, etc.) that will be involved in building the internal infrastructure required by this option.	LOW
Fiscal (Cost Benefit Analysis) Criteria Summary: Estimated total cost over project lifecycle and cost degree of accuracy	In accessing this option the key cost element came out to be the decision to "buy" versus "lease" hardware and how SAP license fees would be amortized. Using the State of Florida risk model gives us a rough estimate of cost which we believe would be higher than the comprehensive outsourcing option.	HIGH
Project Organization Criteria Summary: Project integration complexity, project scale, staffing requirements known and documented, existing skill sets on board	Even though this option offers a medium risk level, the project execution team will need additional skills beyond procurement and contracting. The State of Florida has not managed a project with this level of complexity in recent years and DMS will need to contract with external parties to successfully complete the transition and ensure that a successfully steady state is achieved.	MEDIUM
Project Management Criteria Summary: Requirement definition complexity, design complexity, degree of project risk and mitigation strategies	Under this option, the majority of requirements are well defined for service center processes but technology related documents and processes are maintained by the current vendor. The People First governance team within DMS will need to develop deliverables and acceptance criteria for this option aligning the service center deployment to the new external vendor with the build out of the internal supporting IT infrastructure.	MEDIUM
Project Complexity Criteria Summary: Complexity of the solution, number of external contractors involved, impact on state operations, success with similar projects	This option is highly complex due to all the points mentioned above and achieving a steady state could take three years or more requiring the use of supplemental resources. Through proper risk mitigation planning such option becomes a viable option over a period of time.	HIGH
Overall Project Risk		HIGH

Figure 47: Risk Assessment Summary for Option 2

Option Three – Insourcing Service Centers Only

In this option the service center would be insourced to a state entity. The core SAP HR platform that supports the existing People First platform would be outsourced to an external vendor while service center technology components including call handling systems, service center desktop technology (knowledge base systems, call/case tracking systems, etc.) would be provided by the State of Florida. This would result in a service model that will have processes supported across the internal service and the external vendor functions.

This state entity could be an existing state service center or an internally developed center for the express purposes of providing this human resource transaction support.

Criteria Dimension	Option Three - Evaluation Rationale	Risk
Strategy Criteria Summary: Clarity of vision, degree of visibility, alignment with stakeholders and business	Alignment on strategy will require that components provided by the external vendor (specifically around self-service) are tightly integrated with components provided by the internal service center; e.g., Tier 1 call center support. For each supported process or service, a detailed process flow will need to be developed and aligned with the overall	HIGH

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Criteria Dimension	Option Three - Evaluation Rationale	Risk
processes	strategy ensuring ownership clarity.	
Technology Criteria Summary: Experience with supporting technology platform, internal staff knowledge of the system, degree of change to existing technology, capacity requirements defined	Under this option, the State of Florida will need to develop detailed requirements for all service center technology requirements including: telephony, case management or customer relationship management (CRM) software, knowledge base solutions, etc. Developing these requirements will require internal staff and/or external resources that have knowledge of the system components and skills around developing solicitation documents for needed technology, and then selecting and implementing needed service center infrastructure.	**HIGH**
Change Management Criteria Summary: Degree of change required, impact on current business processes, employee impact	This option will have a substantial change management component since it will require the state to implement an internal shared services operating center to support the People First platform. The internal service model will need to be developed, staffing requirements defined, hiring of 100-200 employees completed, training of the new employees developed and delivered and a detailed implementation plan developed and executed.	**HIGH**
Communication Criteria Summary: Complexity of communication messages, requirement to define impacted stakeholders, requirement for identification of key messages	The State of Florida will need to develop an overall communication strategy around execution of this option and make key decisions related to how transparent it wants the change to be in terms of messaging the move to an internal service center model. This will include decisions related to retaining the People First brand.	**MEDIUM**
Fiscal (Cost Benefit Analysis) Criteria Summary: Estimated total cost over project lifecycle and cost degree of accuracy	In accessing this option the key cost elements will be around assessing required staffing levels and costs of acquiring key service center technology components. Our cost benefit analysis model contains detailed estimates related to executing this option but, it is believed that the cost of executing this option (getting to an operational state) will be higher than the comprehensive outsourcing option and that getting to a higher degree of cost accuracy will be more difficult.	**HIGH**
Project Organization Criteria Summary: Project integration complexity, project scale, staffing requirements known and documented, existing skill sets on board	Even though this option offers a medium risk level, the project execution team will need additional skills beyond procurement and contracting. The State of Florida has not managed a project with this level of complexity in recent years and DMS will need to contract with external parties to successfully complete the transition and ensure that a successfully steady state is achieved.	**MEDIUM**
Project Management Criteria Summary: Requirement definition complexity, design complexity, degree of project risk and mitigation strategies	This option is highly complex due all the points mentioned above and achieving a steady state could take three years or more. Through proper risk mitigation planning this option does become a viable option over a period of time.	**MEDIUM**
Project Complexity Criteria Summary: Complexity of the solution, number of external contractors involved, impact on state operations, success with similar projects	This option would be complex in that a new internal call center would need to be developed and a knowledge management system established. Even though a call center has been deployed for more than 10 years this would be a major change. This option is expected to have a significant impact on state operations based on the direct interaction with state employees. The Department of Management Services has successfully completed similarly-sized projects within the last three to five years; however, these projects did not include the complexity of an insourced service center.	**HIGH**
Overall Project Risk		**HIGH**

Figure 48: Risk Assessment Summary for Option 3

Option Four – Comprehensive Insourcing

In this option all of the key human resources components would be supported by State of Florida internal resources and would need to be transitioned from the current service provider.

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Criteria Dimension	Option Four - Evaluation Rationale	Risk
Strategy Criteria Summary: Clarity of vision, degree of visibility, alignment with stakeholders and business processes	This option will require some substantial work around developing the overall vision for an internally deployed People First platform. It will require getting stakeholder alignment with the internal model, consideration around any changes in branding of the services, and significant work efforts around documenting processes aligned with an internal delivery model. External and internal visibility around executing this option will be substantial.	**HIGH**
Technology Criteria Summary: Experience with supporting technology platform, internal staff knowledge of the system, degree of change to existing technology, capacity requirements defined	Executing this option will require DMS to acquire and develop internal IT staff with detailed knowledge of the SAP platform. It will also require DMS to develop system requirements and to execute project transition components related to acquiring the infrastructure to run SAP internally. The Department of Management Services will also need to work through the complexities associated with obtaining SAP licenses for the internally deployed system and also work through the issues to ensure that all modifications made over the past several years to align the base SAP system with State of Florida requirements are maintained within the internal SAP platform.	**HIGH**
Change Management Criteria Summary: Degree of change required, impact on current business processes, employee impact	Execution of this option will require substantial changes to DMS's organizational structure, staff skills and business processes. The number of internal employees and external contractors required to execute this option will be significantly greater than current staffing levels. Note: There will likely be additional staff required to support potential additional areas of service; e.g., end to end payroll processing and learning management but these changes will be similar across all options being evaluated. The change impact on internal and external stakeholders will be significant.	**HIGH**
Communication Criteria Summary: Complexity of communication messages, requirement to define impacted stakeholders, requirement for identification of key messages	Since this option is a significant change to the current operating model, the complexity of communicating this option to key stakeholders will be substantial. Stakeholders will need to be identified and substantial work will need to take place around developing communication strategies and change management strategies aligned with the new internal delivery model. Broadening the existing communication strategies to include any new services related to payroll processing and learning management would also need to be incorporated into the change messages.	**MEDIUM**
Fiscal (Cost Benefit Analysis) Criteria Summary: Estimated total cost over project lifecycle and cost degree of accuracy	In assessing this option in terms of the fiscal impact our focus has been on evaluating the transition costs of implementing the option. Since this option anticipates full insourcing of the People First platform, DMS will need to develop cost estimates that are detailed and rigorous and this will require a substantial effort since it will include costs for infrastructure, licensing costs, cost for additional staff and costs related to process transition. The estimated costs of transition under this option will be higher than the other options being evaluated and the payback period will be longer as well.	**HIGH**
Project Organization Criteria Summary: Project integration complexity, project scale, staffing requirements known and documented, existing skill sets on board	This option offers a relatively lower level of project integration complexity since the technology, the core business processes and the servicing staff will all be provided by DMS. However, internal DMS staffing requirements will need to be developed and they will be substantial. The Department of Management Services does not have the required skill sets to execute this option in place today so significant work will need to be done determining the specific skill sets needed as well as the number of resources that will be required to complete the transition to an internal People First platform.	**MEDIUM**
Project Management Criteria Summary: Requirement definition complexity, design complexity, degree of project risk and mitigation strategies	Under this option, the majority of requirements are not well defined; processes will need to be documented. Project deliverables and acceptance criteria will need to be developed and the existing People First governance and operational team within DMS will need to be substantially expanded. The Department of Management Services has not executed a project of this scale and complexity within the last five years, so the degree of project risk is seen as medium to high.	**MEDIUM**

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Criteria Dimension	Option Four - Evaluation Rationale	Risk
Project Complexity Criteria Summary: Complexity of the solution, number of external contractors involved, impact on state operations, success with similar projects	This option offers a very high level of project complexity since DMS has used an outsourced delivery model for more than 10 years. This option is expected to have a significant impact on state operations. The Department of Management Services has successfully completed similarly-sized projects within the last three to five years however these projects did not include the complexity of an insourced service center or insourced infrastructure and application support.	HIGH
Overall Project Risk		HIGH

Figure 49: Risk Assessment Summary for Option 4

The state Schedule IV-B Risk Assessment Tool creates a summary Project Risk Area Breakdown that depicts risk results in each of the eight risk assessment areas contained within the tool. The results for these option risk assessments were combined in a common table for this report (*see Figure 50 below*):

Risk Assessment Area	Risk Exposure			
	Option 1	Option 2	Option 3	Option 4
Strategic Assessment	Low	High	High	High
Technology Exposure Assessment	Low	High	High	High
Organizational Change Management Assessment	Low	Medium	High	High
Communication Assessment	Low	Low	Medium	Medium
Fiscal Assessment	Medium	High	High	High
Project Organization Assessment	Low	Medium	Medium	Medium
Project Management Assessment	Low	Medium	Medium	Medium
Project Complexity Assessment	High	High	High	High
Overall Project Risk	Medium	High	High	High

Figure 50: Risk Assessment Area Summary for All Options

The state Schedule IV-B Risk Assessment Tool also creates Risk Assessment Summary charts in a traditional four block presentation. These charts depict risk results based on two dimensions, “Level of Project Risk” and “Business Strategy.” KPMG extended the state’s model by applying a quantitative component to each dimension so that a quantitative score could be evaluated along with the Risk Assessment Summary contained in the tool. To establish this quantitative component, the “Business Strategy” axis was assigned a range of 0 to 100 points ranging from least aligned (0 points) to most aligned (100 points). The “Level of Project Risk” axis was then assigned a range of 0 to 100 points ranging from most risk (0 points) to least risk (100 points). The purpose of this quantitative component was to facilitate a more effective review of differences in these different options as the traditional four block presentation does not always provide clear distinction between alternatives.

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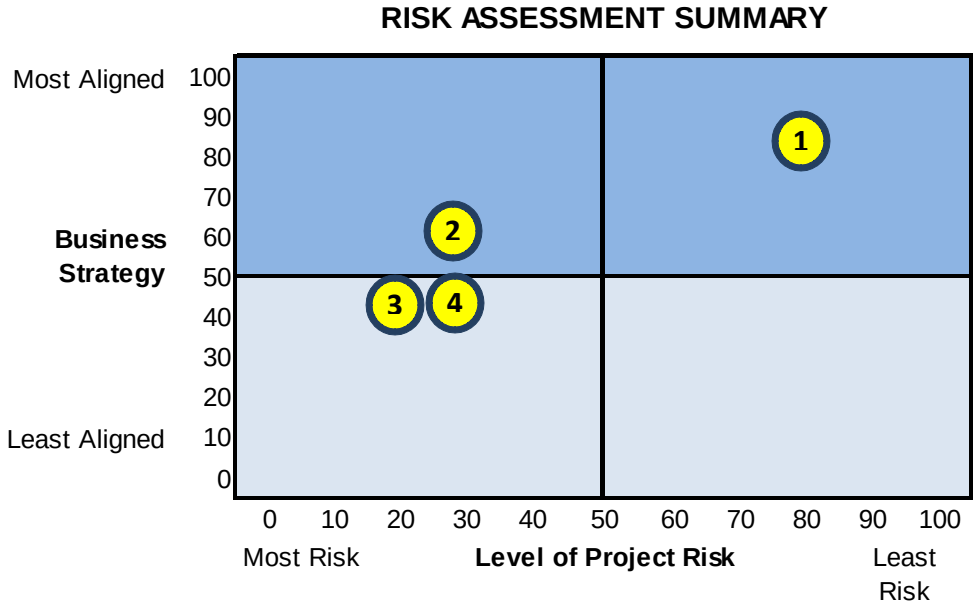

QUANTIFYING THE RISK ASSESSMENT RESULTS

Factors	Option 1	Option 2	Option 3	Option 4
Business Strategy Alignment	80	60	45	45
Level of Project Risk	80	30	20	30
Total Score	**160**	**90**	**65**	**75**

Figure 51: Risk Assessment Summary Quantification

This risk assessment clearly distinguishes some key differences between the four options. The results illustrate that Option 1 is the least risky of the four options considered.

4.6 Mitigation Plans for Addressing the Risks in Each Option

As described in the Options Risk Assessment section above, each of the options considered carries with it certain risks. There are several methods generally used in mitigation plans to limit risk:

- Training – Sufficient user training can decrease risk.
- Parallel processing – Running both the legacy system and the new system in parallel for a short time will provide assurance that the new system is operational.
- Testing – Thorough testing, such as unit and integration testing, will significantly reduce implementation risk.

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- Contingency planning – Anticipating the worst case scenario even if it appears unlikely that an actual massive failure will occur, the inclusion of contingency plans in operating model strategies and testing will partially mitigate this risk.

Given the differences in the new operating models required by each option, the mitigation plan for these options would include:

- **Option 1 - Comprehensive Outsourcing.** This option is defined as a medium risk in the Options Risk Assessment section with a significant risk exposure in project complexity (*See Figure 46 – Risk Assessment Summary for Option 1*). Shifting the existing operating model to a new vendor is complex and would require some mitigation steps that should include:
    - User training – Limited training would be required since much of the transition would be transparent to many users.
    - Transition consultants – Consultants should be leveraged over 18 months to assist in the transition.
    - Testing – Testing includes unit, integration, user acceptance, performance, stress and disaster recovery testing.
    - Parallel processing – A minimum of a three-month parallel processing period would assist in risk mitigation.

- **Option 2 - Insourcing Infrastructure and Application Support Only.** This option is defined as a high risk in the Options Risk Assessment section with a significant risk exposure in strategy, technology exposure, fiscal and project complexity (*See Figure 47 – Risk Assessment Summary for Option 2*). Moving t*o* a new operating model and establishing an internal process for supporting the infrastructure and application would be a significant change and would require significant mitigation steps that should include:
    - User training – Training and coordination would be required in the areas of new internal infrastructure and application support processes.
    - Transition consultants – Consultants should be leveraged over 32 months to assist in the transition.
    - Supplemental resources – These resources would be needed during the first five years to address potential risks before steady state operations can be attained.
    - Testing – Testing includes unit, integration, user acceptance, performance, stress and disaster recovery testing.
    - Parallel processing – A minimum of a three-month parallel processing period would assist in risk mitigation.

- **Option 3 - Insourcing Service Centers Only.** This option is defined as a high risk in the Options Risk Assessment section with a significant risk exposure in strategy, technology exposure, organizational change, fiscal and project complexity (*See Figure 48 – Risk Assessment Summary for Option 3*). Moving to a new operating model and establishing an internal process for the service center would be a significant change and would require significant mitigation steps that should include:
    - User training – An increased level of training would be required in the areas of new internal service center processes.
    - Transition consultants – Consultants should be leveraged over 34 months to assist in the transition.
    - Supplemental resources – These resources would be needed to the transition during the first five years to address potential risks before steady state operations can be attained

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  - Testing – Testing includes unit, integration, user acceptance, performance, stress and disaster recovery testing.
  - Parallel processing – A minimum of a three-month parallel processing period would assist in risk mitigation.

- **Option 4 - Comprehensive Insourcing.** This option is defined as a high risk in the Options Risk Assessment section with a significant risk exposure in strategy, technology exposure, organizational change, fiscal and project complexity (*See Figure 49 – Risk Assessment Summary for Option 3*). Moving to a new operating model and establishing an internal process for supporting the infrastructure and application would be a significant change and would require significant mitigation steps that should include:
  - User training – An increased level of training would be required in the areas of new internal infrastructure and application support and service center processes.
  - Transition consultants – Consultants should be leveraged over 37 months to assist in the transition.
  - Supplemental resources – These resources would be needed during the first five years to address potential risks before steady state operations can be attained.
  - Testing – Testing includes unit, integration, user acceptance, performance, stress and disaster recovery testing.
  - Parallel processing – A minimum of a three-month parallel processing period would assist in risk mitigation.

4.7 Implementation Timelines

Projected implementation timelines were developed for each of these four options based on the time required in similar implementation efforts for the individual components within the design, build, testing and deploy stages.

Some assumptions related to the high-level tasks presented in these implementation timelines include:

- Each task duration is based on the expected time to complete these project steps, and is not initiated until funding could be secured through the state budget process.
- Business Process Review tasks include complete process documentation, complete knowledge base, SAP customization for each function, clarity on all interfaces, existing volumes and performance data.
- Any internal staffing requirements will be included within State of Florida budgets.
- Project end is defined as a month beyond Go Live.

The current contract expiration date of August 2016 is also highlighted on these proposed implementation timelines.

4.7.1 Option 1 Timeline – Comprehensive Outsourcing

This projected timeline illustrates that the implementation of a comprehensive outsourcing option could be completed within the time period that contract ends given the availability of the extension within the contract. For this option, there would be a need for transition assistance and possibly the initial contract extension already provided for within the current contract.

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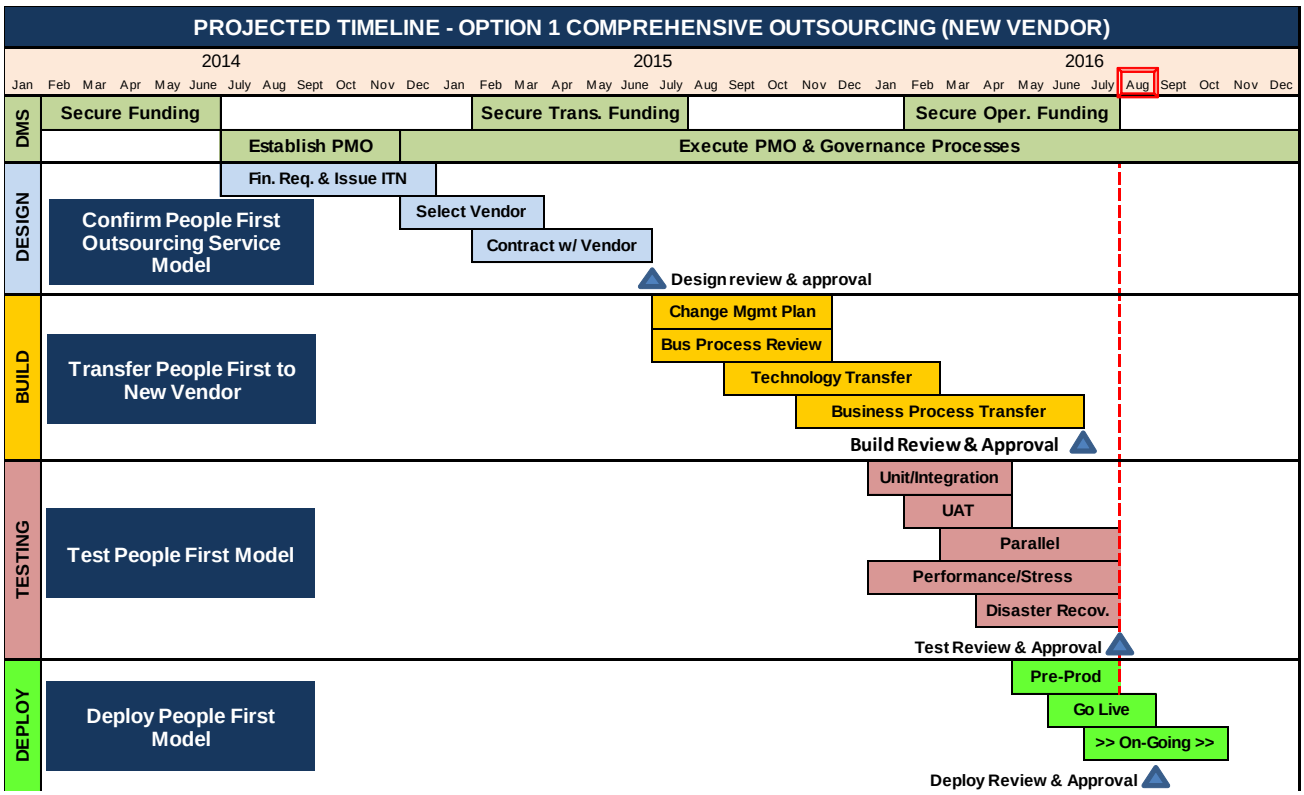

Figure 52: Projected Implementation Timeline for Option 1

4.7.2 Option 2 Timeline – Insourcing Infrastructure and Application Support Only

This projected timeline illustrates that the implementation of an insourced infrastructure and application support option would not be completed in advance of the contract end date. For this option, there would be a need for transition assistance and for at least one of the contract extensions already provided for within the current contract.

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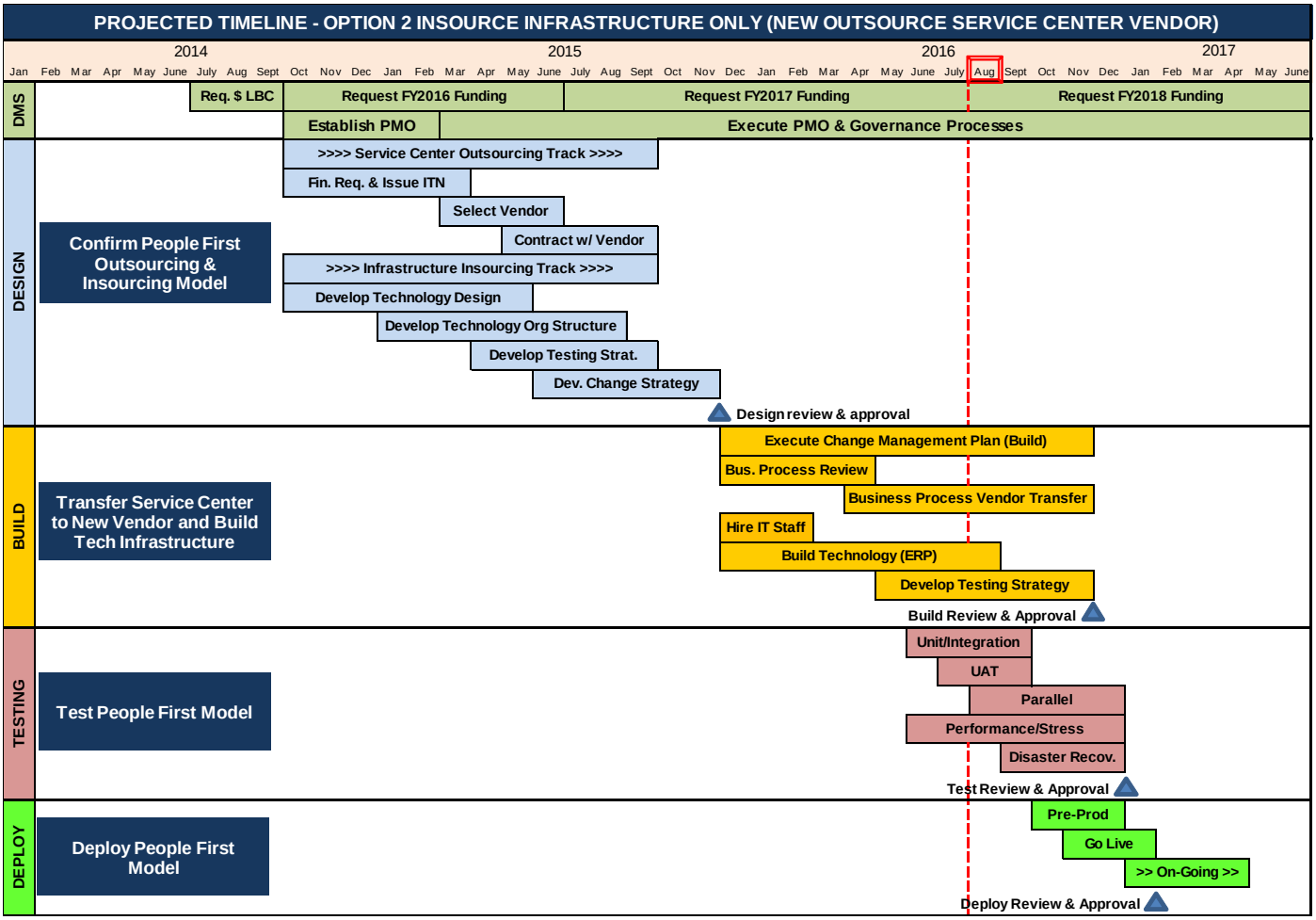

Figure 53: Projected Implementation Timeline for Option 2

4.7.3 Option 3 Timeline – Insourcing Service Centers Only

This projected timeline illustrates that the implementation of an insourced service center option would not be completed in advance of the contract end date. For this option, there would be a need for transition assistance and for at least one of the contract extensions already provided for within the current contract.

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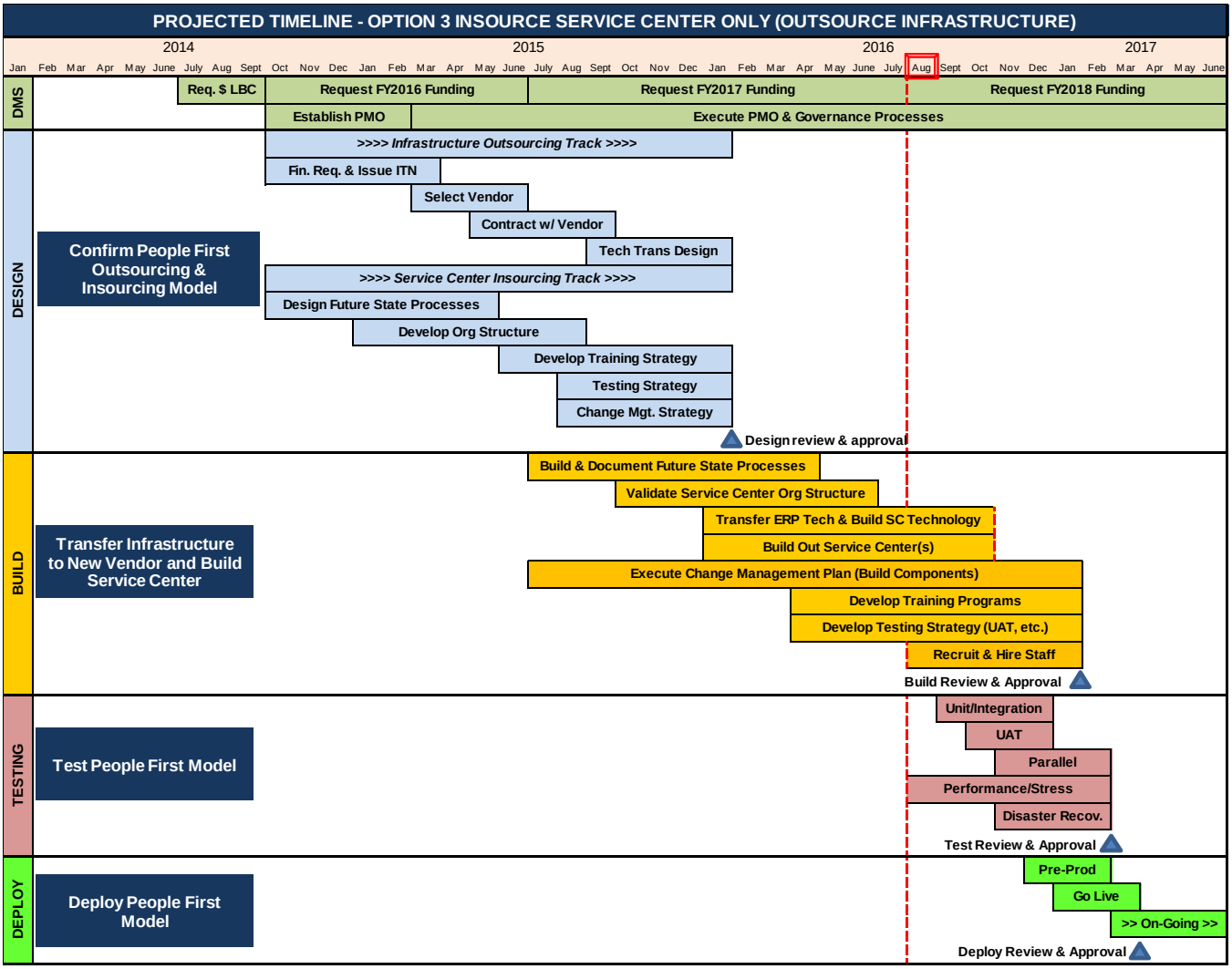

Figure 54: Projected Implementation Timeline for Option 3

4.7.4 Option 4 Timeline – Comprehensive Insourcing

This projected timeline illustrates that the implementation of a comprehensive insourcing option would not be completed in advance of the contract end date. For this option there would be a need for major transition assistance to redefine business processes and for a contract extension beyond the contract extensions already provided for within the current contract.

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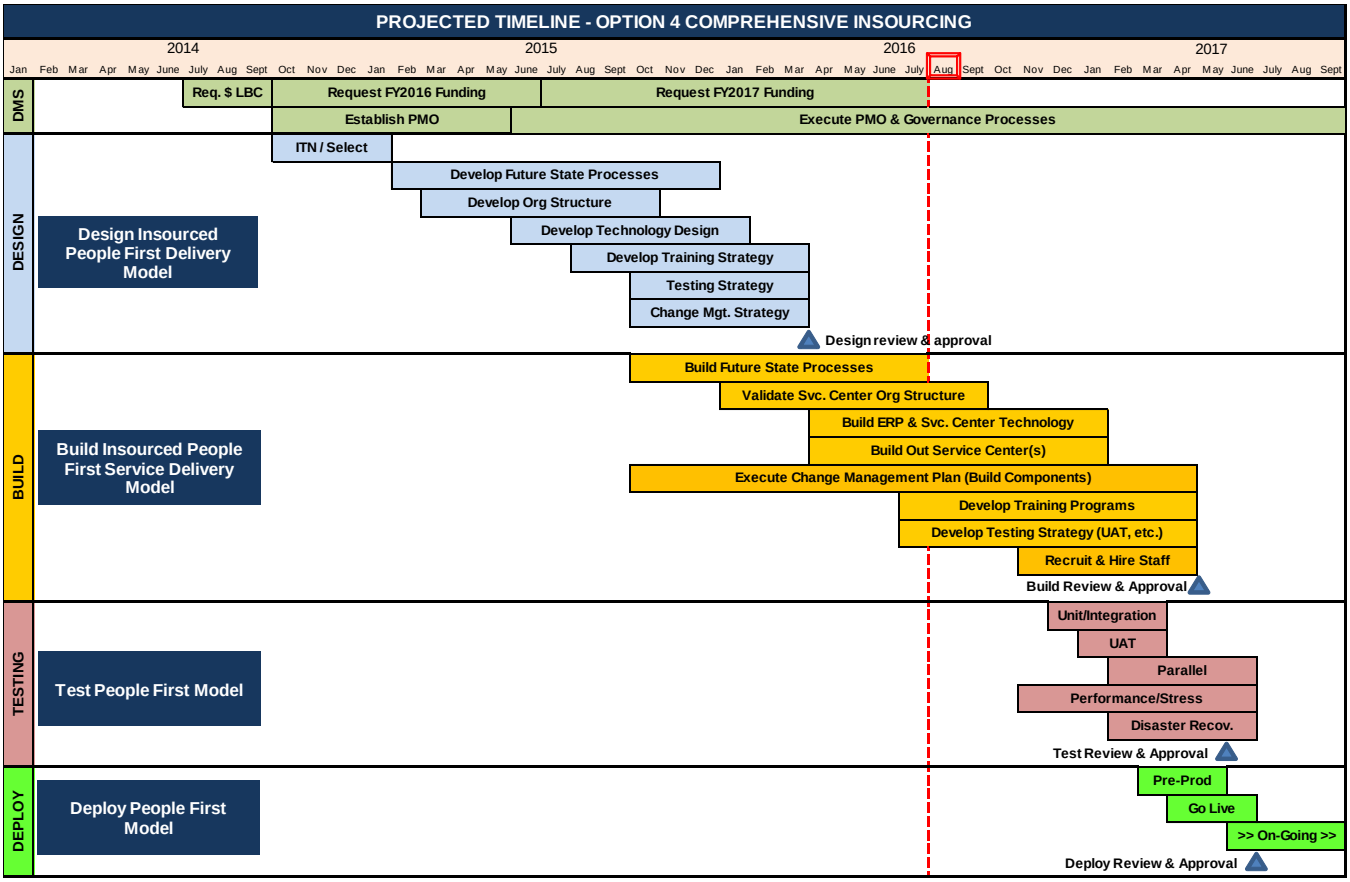

Figure 55: Projected Implementation Timeline for Option 4

4.8 Potential System and Service Center Performance Improvements

Based on the SAP platform recommendation and regardless of which future operating model is recommended, there are gaps in the overall HR business processes and SAP functionality as implemented. Additionally, there is available functionality that could be leveraged to address these gaps. After reviewing the identified gaps and assessing leading practices, the following recommendations are being made to improve and/or enhance the current People First baseline implementation and current SAP platform. These recommendations can be considered in the period until the contract termination in August 2016, or may possibly be considered for any HRIS procurement moving ahead at the end of this contract period. The implementation of any enhancements however should be scheduled after the new operating model has been stabilized and there can be sufficient focus on these enhancements from both internal and vendor resources. Recommendations in the area of potential expansion of HR shared services are provided in a later section (*6. Standardization of State Business Processes and Policies*).

1. **Re-standardization.** There are a high number of inadequately documented customizations in the current SAP implementation that are not fully aligned with HR leading practices. In addition, DMS personnel have limited visibility into the specific categorization and nature of these customizations. Although there should be some specific detailed assessments performed first, there certainly appears to be some key areas where core SAP functionality could be leveraged rather than further

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development of customized functionality that is in some cases layered on previous customizations. These areas were discussed with the People First team and NGA at a high level and include:

- SAP core personnel number functionality would be adequate with minor changes to rules and conditions to accommodate the business requirements accommodating dual employment.
- SAP core organization management functionality would be sufficient to handle state job branding (class and broadband) business requirements through the potential use of Job Family and Group Objects functionality.
- SAP core functionality can be configured to map and align Position and Organization accounting smart codes within its standard numbering range.

A key objective of an effective HRIS is to support business requirements with standard application functionality where possible, and only supplemented by interfaces to legacy systems and customizations when it is not possible to meet standard or statutory business requirements within the delivered system functionality. Customization can be useful for user look and feel, but custom code should only be used when standard functionality fails to be achievable. An increased level of customization usually requires additional support levels and planning efforts during system changes and upgrades.

A leading ERP industry practice is to continually assess the ability of application release upgrades and business process optimization to allow core functionality to be used ("re-standardization"). An industry performance analysis of 1,300 SAP installations in 15 different industries showed:

- Up to 45 percent of all SAP system programs were custom code
- Over 40 percent of all custom code was not being used
- More than 70 percent of standard SAP functionality already available in these installations was not in use

This industry data simply illustrates the potential that a shift to core SAP functionality would allow for a more efficient SAP application.

There are several reasons why the state would benefit from validating their business needs and aligning them with the standard functionality that SAP has to offer and will continue to offer in future upgrades (re-standardization).

- Leading Practice – The greatest benefit of standard SAP functionality is embracing leading practices in the HR and the ERP world. These leading HR practices have been designed to meet industry-specific needs and provide predefined business scenarios that focus on the areas of customer relationship management and HR operations. They are complete with documentation and pre-configuration with user roles that can be leveraged for SAP's NetWeaver business client.
- Cost of Customizations – Industry research and experience has shown that custom code could be replaced by SAP standard functionality already available in the system, often with no additional licensing or maintenance fees. Over a period of time, if statutory business requirements change, over 40 percent of custom code could be rendered unused. By securing a detailed understanding of current SAP customizations, the state will be in a position to perform a cost benefit analysis of de-customization.
- Harmonization or Optimization of Disparate Systems – The use of SAP standard functionality will position the state to be more successful with seamless harmonization across systems (e.g., today, Peoplefluent for talent management and the supporting interfaces) regardless of system

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size. In addition, extensive customization may not necessarily work seamlessly with SAP's future upgrades, an area which is fast evolving through a continued focus on cloud strategy.
- Risk of Error – With less customizations, fewer technical resources are needed to support the HRIS. This results in cost savings for both parties.

Recommendation: It is recommended that the state assess the opportunity for "re-standardization" within the current SAP installation. The steps in this assessment would generally include:

- A functional analysis facilitated through detailed design validation workshops. These workshops can serve as a good vehicle for both DMS and service provider personnel to gain a thorough understanding of these customizations. An independent workshop moderator and SAP core functionality subject matter expert in the specific discussion areas would also serve to improve the effectiveness of the workshops. The objectives of these initial workshops would be to document the particular cause of the customizations (e.g., core functionality weakness, state statue, state administrative rule, agency business requirement).
- A re-standardization strategy based on the outcome of the functional analysis and the review of requirements driving these customizations will facilitate the need to modify code for these requirements. As an example, some customizations may be able to be addressed through the streamlining of current business processes while others may require legislative change. In addition, some re-standardization may require state-wide change while other re-standardization could possibly only impact a few agencies.
- An implementation strategy for selected re-standardization efforts that can be integrated into short-term application modifications and for future upgrades. This implementation strategy could include the parallel running of new core SAP functionality within a specific area to replace the customizations without rewriting existing code.

Although a re-standardization effort could be lengthy, moving through the initial step of gaining specific detail regarding current customizations should be considered as part of the initial procurement effort to set requirements and establish a more complete system description. The ability to understand these customizations and the requirements that drive them can enhance the service provider procurement process and assist in any provider transition effort.

2. **SAP/NetWeaver Upgrade.** The state is currently running the NetWeaver 7.0 platform which was initially released in 2005. While this has been a stable platform for the People First initiative there is functionality that is unavailable in this version such as expanded browser support and mobility features. The latest version is currently NetWeaver 7.4 and it includes many features expected in today's technology (e.g., exposure to cloud, mobility, and big data).

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The following diagram illustrates the NetWeaver 7.4 platform and the services available:

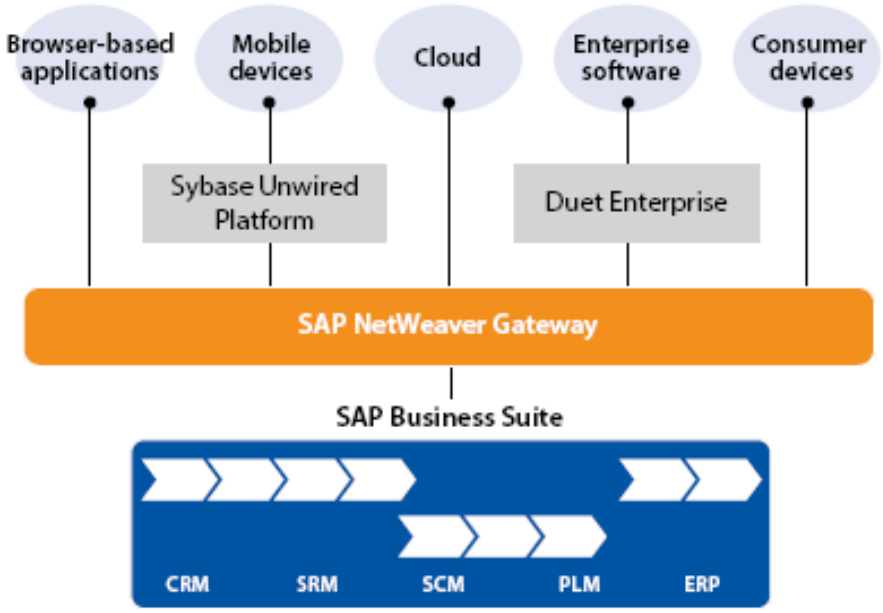

Figure 56: SAP NetWeaver 7.4 Diagram

Recommendation: It is recommended that the state develop a strategy for upgrading to NetWeaver 7.4 (or the most current version available). The NetWeaver upgrade will require some thoughtful planning and strategic thinking. Many considerations will need to be explored and a solid mix of subject matter experts in both business process and technology needs to be included in strategy sessions. A NetWeaver upgrade would address some current gaps such as mobility and browser compatibility.

3. **Mobility.** The state has recognized a need to offer services through a mobile platform. An opportunity to support smart technology should be leveraged to meet the demand of the current market such as Apple iOS and Google Droid devices (i.e., mobile phones and tablets).

   Recommendation: As part of a NetWeaver upgrade strategy, it is recommended that the state evaluate the opportunity to provide applications for smart devices. Services considered as part of this strategy should include functions such as timesheet entry, timesheet approval, leave request, and benefits administration. Additional research should be considered to determine the resources necessary to build and maintain a true People First mobile application.

4. **Browser Support.** At present People First Web support is limited to specific releases of Internet Explorer and Firefox. Many browsers exist today and the state needs to modernize its approach to supporting all browsers, including the most current release of Internet Explorer and Firefox. The demand of accessing information through the Web should be browser agnostic, especially with the inclusion of manager self-service and employee self-service functionality in the People First system.

   Recommendation: As part of a NetWeaver upgrade strategy, it is recommended that the state collaborate with their service provider to determine a short-term tactical path to address the browser limitation. Strategically thinking (long-term), both the state and the service provider should explore the potential of a NetWeaver upgrade to resolve the browser issue, expand access to all browsers,

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and offer a browser agnostic view into the People First portal. The state should also consider a related service level clause that the most popular browsers will function correctly within 120-180 days of a version release.

5. **Data Reporting Upgrade.** Reporting is segmented between the SAP system of record and a separate data warehouse. SAP data is uploaded to the data warehouse nightly that also houses the COPES legacy data. The data warehouse provides the primary reporting functionality, especially for the COPES data. The decision to utilize a data warehouse solution rather than SAP during the initial system implementation centered on SAP response time, the need to house COPES legacy data, and the extensive mapping effort that would have been required at that time.

   Recommendation: It is recommended that the state consider moving all reporting functionality to the primary system application (in this case SAP). Accessing all report data from the primary system application database should be a long-term target even though additional resources would be required for the mapping effort and conversion of the COPES legacy data. It is recommended that the state evaluate "decommissioning" the data warehouse once all COPES reports are transported into the SAP reporting solution.

   A long-term recommendation would be for the state to further explore reporting options such as SAP HANA. HANA is SAP's new in-memory computing platform that could help the state dramatically accelerate analytics, business processes and data processing, and develop predictive capabilities. HANA deployment is at an early stage in most organizations. In January 2013, SAP reported that it had 1,000 customers; however, there were a limited number of these customers that had actually installed HANA. The state evaluation of SAP HANA as a long-term option for data analytics and reporting needs should center on three key criteria: cost of ownership, performance, and scalability. SAP HANA is a relatively new, up and coming technology by SAP, and therefore the state is advised to thoroughly evaluate the functionality for reporting and analytics to make an informed strategic decision on their reporting requirements. Since SAP appears anxious to gain traction for HANA with existing clients, there may be a current opportunity for the state to determine if this reporting platform would address some of these reporting objectives.

6. **SAP Business Objects**. The state has requirements for reporting, query and analysis and enterprise information management that are presently supported by a combination of People First team support and direct application interaction. Self-service access is limited and information is stored in multiple databases.

   As a company, Business Objects was acquired by SAP in October 2007 and has been operating as a SAP company since January 2008. Currently, some People First reports are run out of SAP and some out of the data warehouse. With the recommendation to have reporting run from the system of record, the state would benefit from building reports once and reusing functionality using interactive "drag and drop" methods of pulling complex data together rather than hard coding multiple queries or reports.

   Potential benefits of SAP Business Objects include:

   - Greater self-service ability to access and analyze data faster and more collaborative decision making
   - Improved performance metric tracking
   - More accountability, with visibility into key performance indicators by line of business

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- Faster response times when exceptions and events occur

Recommendation: It is recommended that the state explore the use of SAP Business Objects 4.0 (or the latest version) to better meet reporting requirements. Using SAP Business Objects may be a sound alternative since it offers minimum risk and cost and is an SAP offering.

7. **Learning Management System.** There is not an enterprise learning management system (LMS) presently deployed and this functionality gap has been identified within DMS and through enterprise surveys across all agencies. There are individual LMS solutions and manual training efforts leveraged within state agencies to provide some form of LMS functionality; however, process standardization and learning compliance would be greatly improved with an enterprise system.

   Recommendation: It is recommended that the state cooperatively build a LMS strategy that considers enterprise business requirements and provides a transition path for any existing LMS functionality. This strategy should support the implementation of a comprehensive, Web-based learning management system that includes functionality to support key elements such as authoring, training, registration and interactive online courses. *[See Section 6. Standardization of State Business Processes and Policies for additional discussion of a LMS]*

8. **Org Charting Solution.** The state does not leverage a common organization charting and modeling solution that is integrated within the People First system. The state has a business requirement to generate detailed organization charts for their workforce visualization needs, and providing a standard tool for capturing agency organization structures would streamline information such as job titles, class codes, and organization codes into templates. The Department of Management Services is responsible for reviewing and ensuring that all agency organization structures are accurate and adhere to policy.

   Recommendation: It is recommended that the state consider adding a common organization charting and modeling solution available within the selected talent management vendor's solution. Two options for the state to consider for integration within People First are OrgPublisher and Visualization Solutions by Nakisa (VSN).

   OrgPublisher provides an opportunity for the state to leverage its existing relationship with Peoplefluent who is a strategic partner with SAP to implement this functionality, especially due to the seamless integration with SAP. OrgPublisher is a product of Aquire which is a wholly owned operating subsidiary of Peoplefluent. OrgPublisher has the ability to extract data from SAP HCM and Talent Management systems.

   The SAP connector for OrgPublisher allows users to gather data directly from SAP and publish it automatically in pre-defined, visually-rich org charts and workforce reports. Benefits of OrgPublisher integration include:

   - OrgPublisher is a Web-based technology that lets you access and report on easily searchable employee information, including critical workforce data related to headcounts, diversity, compensation figures and more, all in the context of span of control.
   - OrgPublisher also allows users to combine data from multiple enterprise sources into a single report.
   - Workforce information is kept safe using multiple layers of security controls to ensure that only appropriate people access sensitive information.

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- Organization charts can be easily transferred to Microsoft products and localized language support is also available.

VSN is SAP's suite of Web-based workforce management solutions for visualizing data in ERP systems. Some of the benefits of Nakisa integration include the robust modules available such as recruiting, learning, talent management. Further conversation with the People First vendor would be necessary to explore a road map for utilizing the Nakisa (VSN) suite.

9. **End-to-End Payroll Processing.** The state payroll process is currently de-coupled and runs in two separate systems although full payroll functionality is available within the SAP module presently used for attendance and leave functionality. The processing of preliminary payroll calculations (e.g., gross pay, leave without pay, gross overtime pay, miscellaneous payments, benefit deductions, supplemental pay, awards) is presently performed in the People First SAP application. This data is then transmitted to the Bureau of State Payrolls within the Department of Financial Services (DFS) for all gross to net calculations, gross salary charge calculations, and further payroll processing such as warrant production and payment transmission.

   The Bureau of State Payrolls also performs other payroll support activities including:

   - Wage garnishments
   - Backpay/Settlement/Retroactive/Beneficiary payments
   - Employee Records Maintenance/salary refunds
   - Miscellaneous Deduction Codes maintenance/payments to vendors
   - Federal tax forms processing (W-2, 941, 1099-misc) and employment tax deposits
   - Retirement deductions and remittances
   - Warrant/EFT processing (Bureau of Vendor Relations)

   Payroll processing and support is sometimes segregated between finance and human resources organizations due to Generally Accepted Accounting Principles (GAAP), potential tax implications, compliance and reporting issues. That does not remove the potential risk from this segregation especially when two separate and distinct applications are used to transmit data.

   Recommendation: It is recommended that the state consider the development of a business case to determine the value of leveraging the existing SAP payroll module within the People First system for all payroll processing and calculations. This business case should include an end to end cost analysis that encompasses all of the state payroll processes.

10. **Governance Structure.** Although governance has been effectively used in the past, there is not currently a formal governance board or committee. There have been informal governance efforts including agency visits, recurring meetings with other DMS functions such as DSGI and HRM and this input is integrated into People First plans and initiatives.

    The benefit of establishing a more formal governance model (e.g., steering council, change management board, executive committee) would be as follows:

    - The state will be in a better position to focus on the right issues and properly prioritize its limited time and resources.
    - In addition, a framework will provide the state with a structured way to collaborate with provider/s on specific issues the organization faces with minimal risk of confusion and loss of productivity.

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- For business process owners, there will be a reduction of IT risk over time as well as a potential reduction in the cost of delivering IT service over time.
- Future enhancements undertaken in close collaboration with service provider will be aligned with operations in the organization. As the state starts implementing formal governance, more benefits will be realized and can be measured to track overall effectiveness.

Recommendation: It is recommended that DMS develop a common governance framework that can provide oversight and leadership of the state HR strategy, related policies, and program results. This governance framework should be set up in a board structure to better enable the HR operating model through the establishment of roles, responsibilities, and accountabilities for all stakeholders. The governance board should focus on strategies that reflect relevant industry economics, state requirements, shifting workforce dynamics, and leadership preferences. It will be important for the governance board to understand the various HR risks facing the state to examine the ability of management priorities, policies, and practices to respond to strategic, regulatory, and operational needs. In addition, a governance board could prioritize system enhancements, and plan, track and allocate system improvement hours. The board should ideally plan and meet as a group at a predetermined time of the year to discuss and brainstorm opportunities and innovative ways to make the management of HR processes more streamlined and robust. The board could focus on comprehensive shared services operating models (whether delivered through in-house or through outsourcing), and should be much broader than just looking at IT issues although IT would be a part of the model.

11. **Additional Recommendations.** In addition to the above recommendations, there were additional improvement opportunities identified for further consideration:

    a) Link approved leave requests to the employee's timesheet. Also, a calendar feature in the leave request process is a functionality the state does not currently have. This calendar feature would allow employees to see their leave and their teammates leave, as well as allow managers to see the leave for all direct reports and all who report to their direct reports.
    b) Utilize system generated surveys to acquire user experience with recruitment, on-boarding, termination (i.e., exit interview) while the employee is using/completing those processes. This immediate feedback could increase survey participation and drive more complete results.
    c) Enhance the Applicant Tracking System to include robust, intuitive, and embedded applicant assessments into the system.
    d) Expand the current single sign-on capabilities to an enterprise-wide single sign on for human resource applications that would include People First applications as well as DFS paycheck interface and the DMS retirement portal.
    e) Develop a single automated on-boarding process like SAP NetWeaver Business Process Management (BPM) functionality to coordinate all of the activities necessary to hire a new employee and finalize details within SAP.
    f) Establish a reliable and well administered system document repository between the state and the service provider (like Microsoft SharePoint) to enable more effective access to critical system documents. This would facilitate better version control when these documents are updated.

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5. Recommended Option and Detailed Discussion

It is **recommended** that the state continue to utilize a comprehensive outsourcing operating model for human resources services utilizing the SAP platform based on the assessment of key areas listed below.

There are many elements that should be considered to develop and support a recommendation for the best and most appropriate world class human resource model moving forward. An initial step would be to evaluate high level advantages and disadvantaged for each option that would include considerations of key elements including:

- **Cost Analysis** – Lowest cost based upon a projected five-year cost summary developed for each option to identify costs for each cost component and the projected cost savings that would result from that option
- **Risk Assessment** – The degree of risk as assessed through the application of a common risk management approach of identifying and analyzing risks and leveraging an accompanying risk assessment methodology
- **Scalability** – The degree to which the option supports requirements around quickly adapting to increases or reductions in service demand
- **Customer Satisfaction** – The degree to which employees and managers are satisfied with the services received through People First
- **Ease of Implementation** – The degree of difficulty in moving from the current People First platform to the selected option
- **Stability** – The degree of certainty that the "future state" People First platform will deliver a high degree of stability to the users of People First

These key elements were evaluated for each option in Section 4, Options and Cost Benefit Analysis.

Advantages and Disadvantages of Each Option

In the following table, the high-level advantages and disadvantages for each option have been summarized. In general, these advantages and disadvantages relate to the degree to which a specific option is seen as being one that:

- Provides an opportunity in terms of short-term and long-term savings.
- Limits the level of risk in the transition to a new operating model
- Addresses state and agency business requirements
- Limits any impact that this transition may have on customer service
- Leverages proven experience the state has in terms of successfully implementations
- Provides the most stable operating model

Using this analysis, the option that provides the best advantage for a particular criterion was identified, as well as the option that provides the highest disadvantage.

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The summary table below visually depicts the results of this analysis:

Criteria	Option One – Comprehensive Outsourcing	Option Two – Insourcing Infrastructure and Application Support	Option Three – Insourcing Service Centers Only	Option Four – Comprehensive Insourcing
Cost Analysis	↑	↔	↔	↓
Risk Assessment	↑	↔	↓	↔
Scalability	↑	↔	↔	↓
Customer Satisfaction	↔	↓	↔	↑
Ease of Implementation	↑	↔	↔	↓
Stability	↑	↔	↔	↓

↑ Provides Best Advantage
↔ Neither An Advantage nor Disadvantage
↓ Provides Highest Disadvantage

Figure 57: Summary Advantages and Disadvantages of All Options

A summary of the rationale for determining the assessment contained in the summary table:

Best Advantage	Highest Disadvantage
Assessment Component: Cost Analysis	
Option 1 Comprehensive Outsourcing: Option 1 offers the lowest cost over the evaluation period and it also offers a high degree of predictability over the fiscal timeframes being measured since the vendor will be bound by a contract specifying cost by year.	**Option 4 Comprehensive Insourcing:** Option 4 is the most costly option over the evaluation period and, because it relies upon internal resources and infrastructure, offers the highest level of uncertainty in terms of future cost predictability.
Assessment Component: Risk Assessment	
Option 1 Comprehensive Outsourcing: Utilizing the Schedule IV-B, Option 1 was clearly the lowest risk option. The existing People First platform has been in place for many years, has a high degree of stability, and has a high current customer satisfaction rating.	**Option 3 Service Center Insourcing Only:** Utilizing the Schedule IV-B, Option 3 was seen as the highest risk option. Setting up an internal service center for People First will require skills and technologies that are not in place within DMS today.

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Best Advantage	Highest Disadvantage
Assessment Component: Scalability	
Option 1 Comprehensive Outsourcing: Outsourcing vendor will be providing similar services to multiple clients and will be able to leverage resources across these clients where appropriate. The vendor will have infrastructure in place to quickly meet sharp demands for increases in services. The contract with the outsourcing vendor can also scale services (when appropriate) to large shifts in State of Florida demand.	**Option 4 Comprehensive Insourcing:** Ability to scale up or down quickly will be difficult since it will depend upon the ability and willingness of the state to quickly make significant investments required to meet increases in demands or requirements. It will also be difficult for the state to lower infrastructure expenses since there will have been a large investment made in these areas that the state may not be able to recover.
Assessment Component: Customer Satisfaction	
Option 4 Comprehensive Insourcing: There will be integrated ownership of both the technology infrastructure as well as the service center components. This option is seen as an advantage, since the customers of People First (employees and managers) will be obtaining their services from a fellow employee.	**Option 2 Infrastructure Insourcing Only:** Since the state will provide the system while the vendor provides services, there is the potential for employees to be passed between two servicing entities whenever issues cross over both service components.
Assessment Component: Ease of Implementation	
Option 1 Comprehensive Outsourcing: Since the selected vendor will be working with an existing People First service model with defined processes and underlying technology, this option is seen as having the highest ease of implementation. The timeline for implementation is also the shortest of the four options.	**Option 4 Comprehensive Insourcing:** Since the implementation of this option will require building out required infrastructure (technology & facilities) and staffing for both technology support and for the service centers, it is seen as the most difficult from an implementation perspective. It also will require the longest period of time to complete resulting in requirements to extend the current vendor.
Assessment Component: Stability	
Option 1 Comprehensive Outsourcing: Since the selected vendor will be providing similar services to multiple customers, the time required to reach a steady state should be minimal. They will already have back up sites established as well comprehensive disaster recovery plans in place to support both the infrastructure and service centers should the normal operations of either platform component become inoperable.	**Option 4 Comprehensive Insourcing:** Since the State of Florida will be building new infrastructure to support both the technology and service centers required by People First, it is likely that several months will be required to achieve stability. Also the state will need to determine specific requirements around disaster recovery and continuity of operations.

Figure 58: Major Advantages and Disadvantages of All Options

While there were multiple assessment components that were part of this option evaluation, there were two elements that could quantified: the risk assessment and the cost benefit analysis. These elements

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are usually considered to be two of the most significant evaluation elements; however, the other key elements were also ranked based on the review performed in Section 4, Options and Cost Benefit Analysis.

Each option was ranked in the major assessment components using a rank of either three (3), six (6), nine (9) or twelve (12) to denote how that option ranked against the other options. This scale is used to better differentiate between options, as opposed to a one (1) to four (4) ranking. The option with the lowest risk would receive a ranking of twelve while the highest risk option received a ranking of three. The option with the lowest total cost for the five-year contract analysis period received a ranking of twelve with a ranking of three assigned to the option with the highest total cost. Based on this scoring system, a higher total score would indicate the option that would be a better fit as to cost and risk than the other options.

Risk Assessment Summary

Using this ranking scale the options were ranked based on the least risk identified through the Schedule IV-B Risk Assessment Model.

Score	Risk Score	Option Description
12	160	Option 1 - Comprehensive Outsourcing
9	90	Option 2 - Insourcing Infrastructure & Application Support Only
6	75	Option 4 - Comprehensive Insourcing
3	65	Option 3 - Insourcing Service Centers Only

Figure 59: Risk Assessment Rankings

Cost Benefit Analysis Summary

The cost benefit analysis was developed for three scenarios, one using the Schedule IV-B model that included approximately three operational years, a five-year model that assessed potential cost savings after an initial contract period, and a 10-year model that assessed potential cost savings if a five-year contract renewal was exercised. Since several of the options require a significant investment, a longer term view is often necessary to contrast options against each other. Using this ranking scale, the options were ranked based on the most savings provided to the State of Florida over a five-year contract period. These rankings would have been identical had the Schedule IV-B or the 10-year extended cost benefit analysis models been used.

Score	Cost Savings ($K)	Option Description
12	$41,916.2	Option 1 - Comprehensive Outsourcing
9	$24,131.6	Option 3 - Insourcing Service Centers Only
6	$2,115.4	Option 2 - Insourcing Infrastructure & Application Support Only
3	($8,889.2)	Option 4 - Comprehensive Insourcing

Figure 60: Cost Savings Analysis Rankings

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The results from these two assessment areas that could be quantified, along with the subjective rankings for the scalability, customer satisfaction, ease of implementation, and stability of each option, were totaled in a combined scoring table to evaluate the differences between these options so that a recommended option could be validated.

Combined Scoring Table

Assessment Component	Option 1 - Comprehensive Outsourcing	Option 2 – Insourcing Infrastructure & Application Support Only	Option 3 – Insourcing Service Centers Only	Option 4 – Comprehensive Insourcing
Cost Analysis	12	6	9	3
Risk Assessment	12	9	3	6
Scalability	12	6	9	3
Customer Satisfaction	9	3	6	12
Ease of Implementation	12	9	6	3
Stability	12	9	6	3
TOTAL SCORE	69	42	39	30

Figure 61: Combined Evaluation Rankings

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6. Standardization of State Business Processes and Policies

6.1. Human Resources Shared Services

6.1.1 What are Shared Services?

Organizations of all sizes, industries, and sectors rely on a Human Resources team to provide various services to its workforce. The State of Florida has been evolving to a shared services model for many years and the evolution continues. The employee's need for information and services related to benefits, payroll, and various other human resource functions such as professional development, coaching, mentoring, and conflict resolution among other activities is a core component of all public and private sector organizations. Through the years, HR departments have centralized and decentralized staff, insourced and outsourced components, with the goal of providing high quality services to its employees and achieving cost efficiencies of providing HR functions. Shared services is the concept of configuring an organization's HR functions to align with budget, cost, and expected service levels for its internal customers, the employees.

A traditional HR shared services delivery model consists of payroll, recruiting, onboarding, benefits, service center and a technology platform (e.g., data center management, business solutions such as ERP). The decision to outsource and insource HR core components and processes are a strategic decision that should align with the organization's mission and vision. The State of Florida is frequently engaging employees to assess satisfaction and seek opportunities for continuous improvement.

6.1.2 Examples of Shared Services Models

Many examples where other states have shifted to a shared services model through integrated solutions focus on combining people and change, HR service delivery, and enhanced HR technology. Finding a "best fit" is the challenge and each model will vary, but the core components and the underlying HR transactional activities related to people and change, service delivery, and technology are similar. The variance across the functions and services is within the approach to operate the HR shared service model. Some factors to consider when implementing a shared service delivery model include:

- The evaluation and analysis of centralizing or decentralizing services.
- Mechanisms to leverage agency resources efficiently across multiple agencies.
- Strategically aligning the HR shared service to internal and external administrative programs and policies.

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The following chart (Figure 62) illustrates the advantages and disadvantages of both outsourced and insourced delivery models:

Managed Services (Outsourced)		Client Staff (Insourced)	
Advantage	**Disadvantage**	**Advantage**	**Disadvantage**
Steeped in method, toolsets, and consulting skills leveraging global delivery model	No direct stake in operational success (unless contractually)	Direct stake in operational success	Lesser knowledge of method, toolsets, and consulting skills
Costs may be shared across multiple clients on an as-needed or as-used basis	May lack single client focus	Single client focus is assured	Costs are not flexed according to usage
More extensive experience with product			Shallow product experience
Better exposure to industry best practices	Not deeply oriented to client business context and organization	Fully oriented to client business context and organization	Less exposure to industry best practices
Greater experience and method for application consolidation and harmonization	Only few managed services integrators have capacity/skills to manage a mix of enterprise and legacy applications	Greater experience with own legacy applications	Tendency to rely upon legacy applications rather than SAP
Deeper knowledge of business process design			Shallow knowledge of business process design

Figure 62: Shared Services Summary

The Commonwealth of Pennsylvania successfully implemented an HR shared services center and as a result reduced costs by $3.8 million per year and achieved high accuracy and customer satisfaction scores. Specifically, the commonwealth developed a new organization structure for the HR shared services center. In addition, the commonwealth revamped the recruitment and hiring processes for the HR shared services center by developing standard job descriptions with interview questions and criteria for all the HR shared services positions. A key outcome of the initiative was the development of an on-going governance structure to effectively manage the new HR shared services organization.

Utah is another example of leveraging a shared services model to implement technology to standardize the process for designing the overall organizational structure and ensuring that the recruitment and hiring processes are in alignment with the desired organization structure. The development of standard job descriptions and qualifications across agencies has led to improvements in the organization's selection and hiring process. Like the Commonwealth of Pennsylvania, Utah implemented a series of metrics and dashboards to give an accurate and real-time view of the workforce which is instrumental in the annual legislative and budgeting process to ensure that the workforce is funded properly. The initial results of Utah's shared services model yielded high levels of customer satisfaction, better consistency of application, and high levels of accuracy.

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The Health and Human Services Commission (HHSC) of the state of Texas provides a broad suite of HR and payroll services for approximately 55,000 employees. Since 2004, their shared service model has evolved and matured. They have developed and implemented strategies to continuously improve the model to align services between their technology platform (i.e., PeopleSoft 9.1) and business practices. The automation of key HR and payroll processes was shown to be successful and validated that users would not want to go back to "paper-based" approaches. The Health and Human Services System Plan 2013-17 specifically includes an objective to support all health and human service programs through strengthening and supporting the workforce, infrastructure, technology, and integrity in business processes. The plan to meet this objective includes recruiting high quality employees, investing in employees with high-levels of performance, providing opportunities for professional development and advancement, and using technology to maximize work efficiency. The state's investment to continuously improve their shared services model will increase the probability of meeting the stated objectives within the strategic plan.

6.1.3 Current Scope of BPO State of Florida Model

All of the HR functions in the State of Florida's delivery model are either fully or partially outsourced to a vendor or insourced across the agencies within today's environment. The State of Florida embarked on an HR Shared Services Initiative in June 2012. A cross-section of agencies came together to form a task force focused on seeking ways to further expand the shared services concept by identifying additional HR activities that would provide cost savings and improved business practices if moved to the shared services provider. The task force identified HR transactional activities and tasks (i.e., functions) and grouped them into one of 15 categories (*see Figure 63*), but please note that further study and analysis are required for each of the functions/processes to assess the feasibility and cost of transforming into a common shared service. In addition, implementation of any new shared services processes should not be considered until after the new operating model has been stabilized and there can be sufficient focus on these enhancements from both internal and vendor resources. The following table provides a high level overview of the various HR categories that are currently in, or could be in a shared services model:

HR Category / Component	Description
1. Appointments and Status	Activities required to on-board (appointment action, paperwork, new employee orientation, etc.) and off-board (separation action, exit interview, etc.) employees
2. Attendance and Leave	Timesheet and leave management processes
3. Benefits Administration	Processes required to administer the state group insurance benefit plans enrollment (qualified status changes and open enrollment) and fiscal administration (premiums posting, under payment collections, etc.) processes
4. Classification and Organization Management	Key functions for this section include position description maintenance, position classification, organization management activities, as well as organizational charting and modeling
5. Employee Relations	Veterans' preference complaints and employee disciplinary activities

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HR Category / Component	Description
6. Equal Employment Opportunity / Civil Rights	Ancillary services such as affirmative action plan, sexual harassment, investigations, auditing, federal compliance and reporting
7. Labor Relations	Agency activities to administer union agreements and handle union related labor grievances
8. Pay Administration	All fiscal transactions related to an employee's wages
9. Performance Management	The annual employee performance expectation setting and evaluation process
10. Policy Formulation and Administration	Supports employee questions by pointing them to the correct resource on standard policy language
11. Records and Documentation Management	Each agency is subject to Florida Sunshine laws and responding to public record requests and audits is a key human resources category. This category also includes creating and managing electronic personnel files to ensure enterprise wide practices are in place.
12. Recruitment	Recruitment covers various functions for soliciting, screening, interviewing, communicating with and hiring applicants, as well as, promoting and transferring active employees
13. Reports	Agency specific reports and statewide/enterprise reports covering various canned reporting needs and ad hoc information needs
14. Training	The training category covers the need for an Enterprise Learning Management System, course development for mandatory topics, and overall training administration
15. Other	Includes the need for managing knowledge assets, automating features of Employee Employment Verification, supporting the process associated with Reemployment Assistance Claims, supporting the annual FDLE audit functions, supporting the State's Telework Program, and supporting the functions related to the Workforce Transition Plan Implementation, etc.

Figure 63: Summary of HR Service Categories

Additional services are embedded in many transactional processes and policy functions within the state agencies. Hundreds of human resource positions still exist in the State Personnel System (SPS) to facilitate the transactional services in whole or in part. The processes and functions do not necessarily follow a standard practice and a wide degree of variance in interpretation is expected when further analyzing these processes. One of the major benefits of implementing all or part of these services into the model will be a reallocation of HR professionals to the goals of their respective agencies.

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The timing of performing the cost/benefit of each of the cataloged functions is critical in the overall approach to transitioning the current People First platform. The task force cited a step in their January 2013 recommendation to include additional human resource activities in the People First Invitation to Negotiate. In most cases, the department recommends investing further resources to analyze and study each of the business needs.

KPMG evaluated the task force recommendations and, based on the benefit of standardizing a practice, complexity of implementing a new solution, and reducing overall risk, we recommend that the department consider the following HR agency activities to be performed in the current HR shared services model:

1. Each of the agencies is required to maintain an accurate Organization Chart illustrating the proper organization codes, budget codes, job descriptions, class type, and chain of authority (i.e., supervisor/manager links). Agencies would continue maintaining their organization chart using the recommended new org charting software. However, a shared services center could manage organization changes/position moves on behalf of agencies impacted by reorganizations, divestitures, and legislative mandates. Packaging these functions as a shared service would ensure consistency in how agencies are configured and adapt to the policies set forth by the state. Today's business practice and disparate technology require manual effort that could be reduced as a shared service.
2. Currently, agencies maintain their own position descriptions and there is no consistency across agencies. The state could develop a repository for all agency position descriptions within SAP whereby the history of a position description could be maintained, and a search across positions could be performed enabling collaboration and best practice sharing across agencies. The HR shared services representatives would manage this process for the agencies and would eventually drive toward consistent classification of like positions. The repository would benefit the HR agency staff in their internal classification and organization modeling efforts.
3. The processes to resolve conflicts and labor disputes are potentially high risk activities because standards are difficult to ensure across the disparate practices applied at the agency level. An incorrectly handled grievance may result in potentially high legal fees to protect both the State's and the employee's interest. An automated process for filing a grievance or a dispute would allow the HR personnel to reallocate their efforts to study the claim and ensure that the grievance is handled following a consistently applied workflow.
4. Employee questions about HR policies and administration requires a knowledgeable liaison to accurately direct the employee to the information source. As a shared service, all employees across the agency would be ensured of accessing the same information source and would eliminate the need for the HR liaison to be directly involved in this process.

Even while additional shared services would provide value there would be more value yielded through implementation of system performance improvements since these improvements would provide enhanced business processes. The subsequent implementation of additional shared services functions could then build on these enhanced processes.

6.2. Learning Management System

There is not an enterprise Learning Management System (LMS) presently deployed in People First and this functionality gap has been identified within DMS and through enterprise surveys across all agencies. There are individual LMS solutions and manual training efforts leveraged within state

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agencies to provide some form of LMS functionality; however process standardization and learning compliance would be greatly improved with an enterprise system.

Recommendation: It is recommended that the State cooperatively build an LMS strategy that considers enterprise business requirements and provides a transition path for any existing LMS functionality. This strategy should support the implementation of a comprehensive, Web-based learning management system that includes functionality to support key elements such as authoring, training, registration and interactive online courses.

6.2.1 Learning Management Systems as a Shared Service

A Learning Management System (LMS) is a collection of components supporting the professional development of a group of students or in this case the State of Florida employees. The current state of learning management is disparate across the agencies. Some of the state programs such as those associated with the Department of Children and Families, Department of Education, or Florida Department of Law Enforcement have varying levels of certifications. Each of these agencies also sets the professional standard for those in the field supporting the mission of each of those agencies. Learning management as a shared service presents an interesting opportunity to the state.

Logically, the shared service components would include:

- Course Management
- Course Registration
- Course Roster
- Course Builder
- Student Profile
- Student Transcript
- Computer Based Testing
- Professional Assessment
- Professional Development Plan
- Continuing Education Units (CEUs)
- Interactive Learning Tools (e.g., Online Tutorials, Chat, Discussion Board)

Implementing LMS as a shared service is a business initiative. The technology to support an integrated LMS with the current ERP platform is explored in the next section. The state would need a strong leadership council across the key agencies leveraging various LMS solutions to pave the way for an Enterprise Learning Management System that would be shared across the agency enterprise.

6.2.2 LMS Options

The LMS marketplace is wide and varied. The Gartner Magic quadrant from March 2013 (See Figure 64 below) demonstrates the competitiveness of the marketplace. The recommended approach is to clearly match defined functional and nonfunctional requirements to the various solutions and evaluate the options based on the following factors:

- Compatibility Level to Current ERP Architecture
- Implementation Costs
- Ongoing Maintenance Costs (i.e., Operational Costs)
- Extensibility of the LMS Framework

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The three options presented in this section were considered based on current landscape (e.g., a component is already integrated into the existing platform), compatibility with SAP, or market position (i.e., seen as leaders in the marketplace).

Option 1: SAP-SuccessFactors

The State may have access to SAP-SuccessFactors in future versions of SAP. Currently, the SAP-SuccessFactors is not integrated into the SAP platform; however, the state is anticipating that a future enhancement to the SAP architecture could include an integrated SuccessFactors module. The timing of implementation is a strategic decision to be aligned with the future SAP migration of SuccessFactors into the SAP architecture.

Option 2: Peoplefluent

The Peoplefluent Learning Management solution, which is a different component from the Peoplefluent Talent Management solution, supports efficient and reliable implementation with preconfigured user groups, reports and notifications, thus minimizing configuration and customization costs. Key features of the LMS include easy access to learning, content management, skills and compliance management, social learning, reports, and e-Commerce functions to deliver courses for fees. The major consideration in this choice for the State of Florida is the compatibility to SAP.

Option 3: SAP Learning Solution (LSO)

LSO offers a comprehensive, blended learning environment for the state's training needs by removing barriers like lack of time, space, or resources that are traditionally associated with training employees across agencies via Web-based training as well as virtual learning sessions.

This technology allows the state to identify training requirements, manage trainings across the extended enterprise, track completion and measure its impact to help ensure compliance with regulatory requirements. LSO can be an advantage to the other options because LSO is a part of the current SAP offering. LSO is shown as SAP ERP in Figure 64 below.

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Figure 64: Gartner Magic Quadrant for Learning Management Systems

Cost Considerations

The costs will vary depending on the scope. The State of Florida should go through a formal requirements gathering phase to capture the requirements necessary to accurately estimate the costs of implementing an Enterprise Learning Management System. The table below outlines the cost components for each option.

Option	ERP Compatibility	Implementation Costs Components	Operational Costs Components	Extensibility
SAP-SuccessFactors	Low-Medium	• $0 hardware acquisition • Cost of hiring SuccessFactors consultant	• Per user on a subscription basis per year	Medium-High
Peoplefluent	Low	• Decision for onsite installation vs. cloud is a key decision that impacts cost.	• Onsite vs. cloud will vary in cost.	Medium-High
SAP-LSO	High	• Potential hardware	• Perpetual basis	Low

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Option	ERP Compatibility	Implementation Costs Components	Operational Costs Components	Extensibility
		acquisition • Cost of hiring large team of consultants	for a one-off license fee • Annual Maintenance Fee	

Figure 65: Cost Components of LMS Options

6.2.3 Approach

Adopt the same approach to be followed with the HR shared service initiative. Defining clear business requirements is necessary to make an informed decision. The marketplace will help to drive this information based on SAP as the recommended platform. Introducing LMS requirements prior to post-transition of the current platform has increased risks, many unknowns, and increased costs.
A structured approach of transitioning the current platform as is and then asking the vendor to include the costs of implementing the additional shared services as a post-transition phase will decrease the risk profile and provide controls to the state in terms of the decision making of when to implement each of the activities.

6.3. Electronic Time Clocks

Electronic time collection devices have been used for years to assist with the time and attendance process. These devices have matured from a punch card machine to traditional card readers such as barcode, magnetic stripe, and proximity devices. Today vendors offer the opportunity to use a mixture of time collection devices including these traditional devices as well as Web-based time clocks, hand geometry time clocks, and mobile devices. The functionality that can be provided through these time collection systems vary from basic clocking in and out to extended employee self-service (ESS) and manager override capabilities.

There is a mixture of electronic time collection devices and home grown timekeeping systems currently in place within the State of Florida including:

- Department of Children and Families – This department is using a mixture of card swipe devices and retina scan devices only to record employee time at work.
- Department of Veteran Affairs – Some time collection devices have been installed in Veterans Administration hospitals.
- Department of Transportation – This department is using a home grown system for road crew timekeeping (MMS).
- Department of Corrections – This department is using a home grown scheduling system (Roster Management).

Whether employees post their time through ESS feeding into the SAP electronic timesheet or use an electronic time collection device, all attendance and leave information is still being routed through the People First system. For the third-party electronic time collection systems, business rules are in place and a standard file record layout is used for data transmittal. People First is the system of record for

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attendance and leave, and this data is collected state-wide and is used to generate gross pay for transmittal to the Bureau of State Payrolls.

There are some distinct challenges to an enterprise solution for time collection systems within the State of Florida:

- Varied time recording requirements ranging from salaried to hourly employees.
- Different types of state facilities that range from restricted access facilities like hospitals and prisons to traditional office space.
- Itinerant employees that work outside a traditional office such as some employees in the Fish and Wildlife Conservation Commission.
- Consideration of federal vs. state budget dollars when positions are funded by multiple sources
- Documenting the time between the check-in and check-out.

As illustrated in these challenges, there would be some closed/controlled facilities, such as mental health institutions, correctional facilities, and veteran's hospitals where electronic time collection devices would provide value; however, these devices would not provide that same value in traditional office environments. Identifying a single system that would accommodate salary conditions, accountability expectations, employee deductions, and accurate recordkeeping would be a major task and would potentially be a costly and complex project. For agencies with an identified business need, those individual agencies should conduct a cost benefit analysis to determine whether or not to interface with the People First system using the existing file transfer layout and process.

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7. Performance Metrics Review

The approach for the Performance Metrics Review included the following KPMG steps:

- Reviewed People First contractual documents
- Compared People First performance metrics to KPMG's comparable databases as well as the HROA (Human Resources Outsourcing Association) recommended Service Level Agreement (SLA) structure for completeness of metrics – Are current metrics comprehensive and how do they compare with typical performance expectations?
- Performed analysis of current SLA structure to typical HR outsourcing structures – Is the current metrics/SLA structure comparable to current contracting practices?

Completeness of Metrics

The 29 current performance metrics are comprehensive and cover all of the major metric areas for HR BPO. Of the 29 metrics, 23 meet or exceed typical performance expectations for HR BPO SLAs. The remaining six did not have sufficient comparable data.

Measurement	People First SLA	Typical SLA
I. Customer Satisfaction		
Customer Satisfaction Score	> 4.01	85 percent target/80 percent minimum
II. Service Center		
Service Level Percentage	Greater than or equal to 80 percent in 20 seconds	85 percent target/80 percent minimum in 45 seconds
Forced Disconnect Percentage	Less than or equal to 1 percent	Not Found In Industry Metrics
Abandon Rate Percentage	Less than or equal to 3 percent	3 percent target/5 percent minimum
First Call Resolution Percentage	Greater than or equal to 95 percent	85 percent target/80 percent minimum
Call Quality Accuracy Percentage	Greater than or equal to 95 percent	95 percent target/90 percent minimum
Case Investigation Resolution Percentage	Greater than or equal to 98 percent in five business days	96 percent target/93 percent minimum
Escalation Resolution Timeliness Percentage	Greater than or equal to 95 percent in one business day	Not Found In Industry Metrics
III. Benefits		
Benefits Premium Posting Accuracy Percentage	Greater than or equal to 99 percent	99.5 percent target/99 percent minimum
Benefits Premium Posting Timeliness Percentage	Equal to 95 percent in two business days and 100 percent within three business days	99.5 percent target/99 percent minimum

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Measurement	People First SLA	Typical SLA
Benefits Premium Refund Accuracy Percentage	Greater than or equal to 99 percent	99.5 percent target/99 percent minimum
Benefits Premium Refund Timeliness Percentage	Equal to 100 percent in five business days	99.5 percent target/99 percent minimum
Health and Dental Insurance Reinstatement Timeliness Percentage	Greater than or equal to 99 percent within one business day and 100 percent within two business days	99.5 percent target/99 percent minimum
COBRA Eligibility Notification Percentage	Equal to 100 percent in ten calendar days	99.5 percent target/99 percent minimum
Benefits Fulfillment Timeliness Percentage	Greater than or equal to 99 percent in three business days	99.5 percent target/99 percent minimum
Level I Benefits Appeals Processing Timeliness Percentage	Equal to 100 percent in five business days	99.5 percent target/99 percent minimum
Disability Claims Processing Timeliness Percentage	Equal to 100 percent in five business days	99.5 percent target/99 percent minimum
Benefits Eligibility Files Accuracy Percentage	Equal to 100 percent	99.5 percent target/99 percent minimum
Benefits Eligibility Files Timeliness Percentage	Equal to 100 percent	99.5 percent target/99 percent minimum
IV. Payroll		
Payroll Administration Files Accuracy Percentage	Equal to 100 percent	99.95 percent target/99.5 percent minimum
Payroll Administration Files Timeliness Percentage	Equal to 100 percent	100 percent target/99.5 percent minimum
V. Recruitment		
Job Requisition Posting Timeliness Percentage	Greater than or equal to 97 percent in one business day	95 percent target/90 percent minimum
Job Applicant Processing Timeliness Percentage	Greater than or equal to 97 percent in two business days	95 percent target/90 percent minimum

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Measurement	People First SLA	Typical SLA
VI. Other		
System Availability Percentage	Greater than or equal to 99 percent	99.9 percent target/99 percent minimum
Mass Load Processing Timeliness Percentage	Equal to 100 percent	99.9 percent target/98 percent minimum
Authorized System Login Percentage	Greater than or equal to 99 percent	Not Found In Industry Metrics
Security Profile Timeliness Percentage	Greater than or equal to 99 percent in one business day	Not Found In Industry Metrics
Organizational Management Processing Timeliness Percentage	Greater than or equal to 97 percent in five business days	Not Found In Industry Metrics
Disaster Recovery Timeliness Percentage	Greater than or equal to 99 percent	Not Found In Industry Metrics

Figure 66: Performance Metric Comparison

Structure of Metrics

The current People First performance standards are sufficient, when met, to ensure adequate performance. However, the People First SLA structure lacks four typical elements found in outsourcing agreements throughout many industries. A description of these four elements as well as typical contract language follows:

1. Typical SLA Penalty Structure – The maximum at-risk amount of approximately 5 percent is well below the standard industry range of 10-15 percent. The effective at-risk pool percentage is 100 percent. Typical outsourcing at-risk pool percentages are usually 200-250 percent which provides for greater attention when problems arise.

   Example: SLA Structure Definitions Used In Standard Approaches to SLA Penalties:

   Allocation of Pool Percentage means the portion of the pool percentage that is specified for any particular SLA to be applied in the event of a service level default for such service level.

   At-Risk Amount means, for any month during the term, 12 percent of the monthly base charges for such month, which is the amount that Service Provider shall have at risk for all service level credits in such month.

   Pool Percentage means 250 percentage points (250 percent) of the at-risk amount. For avoidance of doubt, the 250 percentage points shall be apportioned by client across the SLAs such that the individual pool percentages shall total an amount not greater than 250 percent.

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Example SLA Clause:

(a) Service Level Credit Calculation. For each target service level default or minimum service level default, Service Provider shall accrue to client a service level credit that shall be computed in accordance with the following formula:

Service Level Credit = A x B, where A is the At Risk Amount and where B is the Allocation of Pool Percentage for the applicable SLA.

For example only, assume that Service Provider fails to meet the Minimum Service Level for an SLA, the At Risk Amount is 12 percent of the monthly Base Charges (a typical amount), and the monthly Base Charges (invoice amount) for the month in which the Service Level Default occurred were $1,000,000. Additionally, assume that the Allocation of Pool Percentage for such SLA is 10 percent. The Service Level Credit due to Client for such Service Level Default would be computed as follows:

- A (the At Risk Amount) is $120,000 ($1,000,000 * 12 percent);
- Multiplied by B (the Allocation of Pool Percentage for such SLA), which is 10 percentage points;
- Yields a Service Level Credit = $12,000

2. Continuous Improvement – People First SLAs do not automatically increase each year if performance was consistently improving in the previous year for all SLAs (with the exception of People First SLA #1- Customer Satisfaction Score). Continuous Improvement clauses are found in many outsourcing agreements, especially complex contracts.

Example: Continuous Improvement Methodology Clause:

(a) For service levels available for continuous improvement, upon each service level improvement date each (i) target service level will be reset to the lowest of the nine highest monthly actual results (e.g., 99.6 percent is higher than 99.4 percent) at or above such target service level during the previous 12 months; provided that, if fewer than nine monthly actual results exceeded the target service level, the target service level will not be reset; and (ii) minimum service level will be reset as mutually agreed or to 10 percent below the lowest actual result that was above the minimum service level during the previous 12 months.

(b) Notwithstanding the foregoing, no single increase in a service level for any 12-month period may exceed 10 percent of the difference between 100 percent (or perfection) and the then-current target service level or minimum service level, as applicable. For example, if the target service level being adjusted were 99.6 percent, the maximum increase for that reset would be 0.04 (with an adjusted annual cap of 99.64 percent).

(c) Automatic continuous improvement adjustments will cease (i) when the applicable service level has reached 99.99 percent; or (ii) the parties mutually agree that continued improvement of such service level no longer provides a material benefit to customer or is justified as compared to the cost of achieving further improvement.

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3. Inclusion of Target and Minimum Service Levels – While these contract terms can increase contract management workload, they facilitate the use of earn back clauses also found in many standard outsourcing contracts.

   Example: Definitions Used for Target and Minimum Service Levels:

   Minimum Service Level means the minimum level of performance as stipulated in the contract with respect to each SLA.

   Minimum Service Level Default means a failure to meet the applicable Minimum Service Level for a specific SLA in the applicable measurement window (e.g., a monthly failure of a SLA).

   Target Service Level means the general target level of performance as stipulated in the contract.

   Target Service Level Default means the failure in any measurement window to meet the Target Service Level for the same SLA (i) three times (and each subsequent failure) within a rolling 12-month period.

4. Earn Backs – The People First structure lacks the ability to reduce or eliminate service level credits if the service provider shows improvement in service delivery after a service level default.

   Example: Earn Back Clause:

   For any given service level credit generated from a target service level default for an SLA with a monthly measurement window, service provider shall have the ability to earn an "Earn Back" associated with such failure if during the nine-month period immediately following the measurement window of the failure that generated the service level credit, either

   (a) Service provider meets the required target service level metric for each of the nine monthly measurement windows; or

   (b) Service provider does not generate a service level default, and the average monthly performance for the service level metric during the total nine-month period meets or exceeds the target service level.

Conclusion and Recommendations

As outlined above, there are 29 current performance metrics in place for the People First initiative and these metrics are both comprehensive and cover all of the major metric areas for an HR BPO. This performance metric review determined that these SLAs are in alignment with or exceed typical market SLAs and are sufficient, when met, to ensure adequate performance; however, SLA flexibility could be improved in future contracts by changing the contract structure for SLAs.

The following recommendations are made to enhance the performance metrics included in the current outsourcing contract:

- Evaluate the number of SLAs to ensure they are still effective
- Restructure the SLA penalty structure
- Consider a continuous improvement clause for SLAs

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- Consider using both a minimum and target service levels in the SLA
- Consider adding an earn back structure to contract

These recommended performance metric enhancements should be considered as part of the procurement strategy for potential inclusion in the procurement document. It should be noted; however, that while the current contract administration process is more simplistic it is driving good outcomes in relation to this contract.

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8. Procurement Process Timeline

The procurement process timeline should be part of an overall procurement strategy for the recommended option. The ability to achieve true market costing will be dependent on a strategy driven by the following elements:

- Statute requirements for state procurements that provide the guidelines
- Legislative budget schedule that drives funding for the transition and the new contract
- Proposed implementation schedule that sets key project dates

DMS Procurement Strategy

After reviewing requirements and schedules, the DMS management team should incorporate these requirements and key project dates into a procurement strategy that will determine the best approach for this particular procurement. This procurement strategy should define the following key components:

- Procurement objective – The objective should clearly define the state objective for the procurement and support the People First objective of ensuring excellence in human resource services through the development and delivery of a user-friendly, reliable, online system and service center in the most efficient and cost-effective manner.

- Current operating model – The key attributes and operating performance of the current People First operating model should be documented including:
    - Architecture
    - Hardware and supporting components
    - Application software
    - System interfaces
    - System customizations
    - Functionality
    - Description of users and operational environment
    - System performance and volume history

- Future system requirements – As part of the procurement development process, there should be a review of current system requirements to determine if these requirements remain valid and whether additional requirements will be needed in the future system. In addition, any desired enhancements or planned upgrades should be identified.

- Contract structure – The requested contract term and any contract requirements should be identified. The present outsourcing contract was based on an initial seven-year contract and this contract was extended. We would recommend consideration of a minimum five-year contract with an available five-year contract renewal term to allow the state to accrue anticipated contract savings.

- Procurement timeline – A procurement timeline and key dates should be established to guide the procurement.

- Potential vendor communication – Opportunities for potential vendors to interact with DMS management should be identified. Due to the long-term service period of the current vendor, we

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would recommend a vendor forum in addition to the traditional vendor conferences and question and answer processes.

Procurement Timeline

As defined by Florida Statute the procurement process extends from the beginning of the procurement process through the expiration of a contract. The key dates for the components of this full procurement process for the recommended option would include:

- Solicitation Period
  - July 2014 through September 2014 – Develop the procurement strategy and the procurement document
  - October 2014 through November 2014 – Develop the criteria for the evaluation of vendor proposals
  - December 2014 - Hold vendor forums
  - January 2015 - Release solicitation; hold vendor question and answer sessions
  - February 2015 through March 2015 – Evaluate vendor responses and hold vendor conferences
  - April 2015 through June 2015 – Select vendor and negotiate final contract

This solicitation period is illustrated below, and would span 12 months. There is no slack built in this solicitation period. For example it is not known whether a protest may occur impacting this schedule, and the resolution of a vendor protest could take 72 hours to several months.

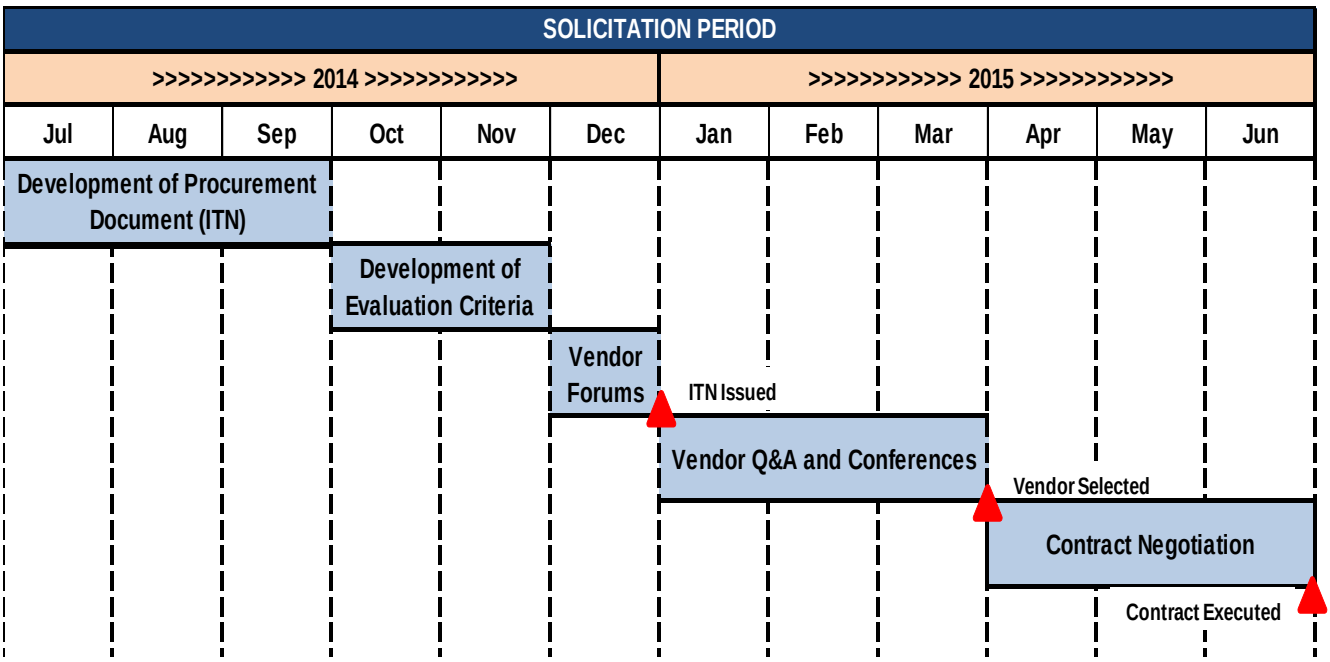

Figure 67: Contract Solicitation Period

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- Transition Period
    - July 2015 through November 2015 – Documentation of business processes, knowledge base, SAP customizations, and interfaces, along with existing volumes and performance data
    - July 2015 through November 2015 – Development of the change management plan
    - September 2015 through June 2016 – Transfer of technology and business processes to new vendor
    - January 2016 through July 2016 – Testing to include unit and integration testing, user acceptance testing, parallel testing, performance testing, and disaster recovery testing
    - August 2016 – Go live of new operating model with new vendor
- Operational Contract Period
    - August 2016 through August 2021 – After go live, the new vendor would provide contract services for the anticipated five-year contract.

These three procurement components would create a full procurement period that begins in July 2014 and ends in August 2021.

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9. Contingency Plan

The objective of a contingency plan should be for the new service provider to support continuity of the People First processes. The ability to provide business continuity should certainly be an integral part of the HR BPO contract. This contingency plan should be cooperatively developed by DMS and the new service provider as part of the contingency and transition planning efforts. A contingency plan would be necessary when (i) the service provider demonstrates an inability to support People First processes; or (ii) there is a disruption of People First support outside of service provider control, such as a natural disaster (this would be addressed in the Business Continuity Plan).

The outsourcing contract should address the potential risk of poor service provider performance in several key requirement areas:

- Service description or schedule
- Service levels and credits
- Termination rights

These key contract areas should clearly establish how the outsourced People First processes will work in practice, and how any transfer to an insourced operating model or replacement service provider would be managed in a non-performance situation.

To address the contingency plan objective, there are several key decision points that should be considered to improve the ability to maintain business operations:

- Decide what would require the contingency plan to be put into place (triggers)
- Establish the work that would be needed immediately upon execution of the contingency plan, and determine if it would be necessary to prioritize any operations
- Determine how the state could function under the contingency plan if functionality is diminished through the plan
- Decide what specific steps would be needed to successfully return to full functionality

The tasks and costs involved with the implementation of a contingency plan would be developed by DMS and the new service provider as part of the planning efforts.

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10. Transition Plan

With any change in service provider, operating model or business process, a transition plan is needed to communicate anticipated changes, establish transition responsibilities and bridge the gap between the current and future operation. This transition plan should be cooperatively developed by DMS and the new service provider as part of the transition planning effort that begins immediately after the contract award.

In the recommended option for a continuance of a comprehensive outsourcing model, this transition plan would address the following key operational components:

- System Documentation – This documentation should be reviewed with the new service provider so there is a complete understanding of the following system components:
    - Applications and infrastructure that make up the People First system landscape
    - System customizations made within People First applications
    - Existing system interfaces
    - Service center processes employed to support the People First system
    - Service center volume and performance data
- Business Processes – Moving from an existing comprehensive outsourcing model to that same model (even with a different service provider) would not impact business processes unless DMS elects to request enhancements or business process modifications as part of the procurement process. The new service provider should be provided with business process documentation.
- Knowledge Transfer – This institutional knowledge transfer should be addressed in three areas:
    - DMS internal support – The knowledge existent within the current People First team would be sufficient to support the new operating model. This team is experienced and very knowledgeable of the operating model, and would just need to establish a working relationship with the new service provider.
    - State employees – A change to a similar operating model with a new service provider would not impact the system knowledge required by either the employees that support human resource functions within agencies or those who simply leverage the system for individual transactions.
    - IT support – There will be a need to transfer the infrastructure and application support knowledge developed through the current outsourcing contract to a new service provider. A key knowledge element will be the SAP customizations and the documentation supporting these customizations.
    - Service center operations – There will be a need to transfer the knowledge base developed through the current outsourcing contract to a new service provider. While the ability to retain that knowledge base has been contractually established, the specific details of such a transfer should be determined by DMS.
- Impact To State Positions and Any Related Employee Transition – This impact should be addressed in two areas:
    - DMS internal support – There is no impact to the current People First team anticipated in a move to a new service provider.
    - State employees – There is no impact anticipated to the employees that support human resource functions within agencies in a move to a new service provider.

  Given there would be no significant impact to state positions or employees, there is no need for any employee transition efforts as part of this transition plan.
- Communication – The move to a new service provider should be communicated in several areas:

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- State employees – There should be general communications developed for state employees to make them aware of this change. These communications should emphasize that there will be no change in how employees access the People First system or process individual employee transactions. Since the impact to employees would be minimal, the communication vehicle leveraged might be existing notification methods and newsletters.
- State retirees – A similar general communication should be developed for state retirees; however, the message should be tailored to meet the needs of this specific audience.
- Legislative staff – Legislative staff are both system users and the funding authority, so they should receive communication in two areas. First, they should receive the same communication provided to all state employees as system users. Second, there should be a communication message developed for legislative staff providing a summary of the new contract and any anticipated changes and savings.
- General public – A general public announcement through current media channels may be advisable to communicate this change in a very brief summary. This announcement would provide both transparency and acknowledgment of anticipated changes and savings.

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11. Public Records and American Disabilities Act Plans

Florida Statute contains some specific requirements that will need to be included in a solicitation and the resulting contract. These statutes include:

- Section 287.0571(4)(l) requires state agencies that maintain contracts for services with private companies to have in place a “plan to ensure compliance with the public records law.”
- Section 287.0571(4)(o) requires a “plan for ensuring access by persons with disabilities in compliance with applicable state and federal law.”
- Chapter 119 that addresses the following general requirements:
    - Access to all state, county, and municipal records must accommodate personal inspection and copying by any person
    - Access must still be provided even with the automation of any public records
    - Exempt or confidential records cannot be disclosed except as otherwise permitted by law
    - Any operating system design must consider whether such system is capable of providing data in some common format
    - This contract should require creation or maintenance of a public records database if the contract provisions would impair the ability of the public to inspect or copy the public records of the agency. This access should be provided for public records that are online or stored in an electronic recordkeeping system used by the agency
    - The use of proprietary software must not diminish the right of the public to inspect and copy a public record (subject to the restrictions of copyright and trade secret laws and public records exemptions)
    - Access to public records through remote electronic means is an additional method of access that would be desirable, and such access should be provided in the most cost-effective and efficient manner available
    - Any public records stored in an electronic recordkeeping system shall be provided to any person unless exempted by law from public disclosure. An agency must provide a copy of the record in the medium requested if the agency maintains the record in that medium, and the agency may charge a fee in accordance with this chapter.

Chapter 119 provides an extensive set of definitions and detailed requirements; however, these general provisions summarize the contractual requirements that should be included in a comprehensive outsourcing contract.

The primary driver for ensuring access by persons with disabilities is the Americans with Disabilities Act (ADA). This act prohibits discrimination on the basis of disability in employment, state and local government, public accommodations, commercial facilities, transportation, and telecommunications. Title II of the ADA applies to state and local government entities, and, in subtitle A, protects qualified individuals with disabilities from discrimination on the basis of disability in services, programs, and activities provided by state and local government entities. So that a new outsourcing services agreement can be compliant with ADA provisions, the agreement should address the following general requirements:

- Establish an ADA coordinator as a primary contact for state employees and ensure that this coordinator is familiar with applicable ADA requirements of the ADA.

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- Provide information to all interested parties regarding Title II rights and protections and specifically information about the applicability of Title II requirements to these human resource processes.
- Build an ADA grievance procedure into DMS processes that will effectively resolve any grievances arising under Title II.
- Conduct a self-evaluation that includes a comprehensive review of current policies and practices and a compliance review of facilities.
- Develop a transition plan to address accessibility should there be structural changes to existing transition.
- Provide for effective communication with individuals with disabilities, leveraging auxiliary aids and services if necessary to provide equal access that promote effective communication.

These general Title II requirements may already be addressed within current DMS policies and procedures; however, any outsourcing contact should also include acknowledgment of these requirements so that there is sufficient emphasis on them.

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Exhibit A – Supplemental Cost Benefit Tables

To supplement the cost benefit analysis detailed in Section 4.4, Cost Benefit Analysis, a Five-Year Contract View is presented below for each option.

SUMMARY TABLE - FIVE YEAR CONTRACT VIEW ($Thousands)

Projected Cost Of Transition and Operation of Option 1 - Comprehensive Outsourcing

Cost Component	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
Transition									
Consultants - Sourcing	$234.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Consultants - Transition	$0.0	$275.3	$731.8	$0.0	$0.0	$0.0	$0.0	$0.0	$1,007.1
Counsel - Sourcing	$234.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Service Provider Transition	$0.0	$8,220.1	$747.3	$0.0	$0.0	$0.0	$0.0	$0.0	$8,967.4
Facilities Build-Out	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Hardware	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Software	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Sub-Total for Transition	$468.0	$8,495.4	$1,479.1	$0.0	$0.0	$0.0	$0.0	$0.0	$10,442.5
New Service Provider Fees	$0.0	$0.0	$23,486.1	$25,621.2	$25,621.2	$25,621.2	$25,621.2	$2,135.1	$128,106.1
Subtotal for New Service Provider Fees	$0.0	$0.0	$23,486.1	$25,621.2	$25,621.2	$25,621.2	$25,621.2	$2,135.1	$128,106.1
Internal State of Florida Costs									
State Employee Compensation	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Employee Related Expenses	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Contractor Compensation	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Supplemental Resources	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Hardware	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Hosting Facilities	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Software	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal for Internal State Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Projected Cost	$468.0	$8,495.4	$24,965.2	$25,621.2	$25,621.2	$25,621.2	$25,621.2	$2,135.1	$138,548.7
Current Contract Cost Baseline	$0.0	$0.0	$33,085.2	$36,093.0	$36,093.0	$36,093.0	$36,093.0	$3,007.7	$180,464.9
Projected Cost Savings	($468.0)	($8,495.4)	$8,120.0	$10,471.7	$10,471.7	$10,471.7	$10,471.7	$872.6	$41,916.2

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SUMMARY TABLE - FIVE YEAR CONTRACT VIEW ($Thousands)

Projected Cost Of Transition and Operation of Option 2 - Insourcing Infrastructure and Application Support Only

Cost Component	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
Transition									
Consultants - Sourcing	$175.5	$58.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Consultants - Transition	$2,527.2	$3,369.6	$2,527.2	$0.0	$0.0	$0.0	$0.0	$0.0	$8,424.0
Counsel - Sourcing	$146.3	$87.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Service Provider Transition	$0.0	$2,724.7	$3,814.6	$0.0	$0.0	$0.0	$0.0	$0.0	$6,539.2
Facilities Build-Out	$1,096.9	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1,096.9
Hardware	$0.0	$700.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$700.0
Software	$0.0	$7,000.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$7,000.0
Sub-Total for Transition	$3,945.8	$13,940.5	$6,341.8	$0.0	$0.0	$0.0	$0.0	$0.0	$24,228.1
New Service Provider Fees	$0.0	$0.0	$7,784.8	$18,683.5	$18,683.5	$18,683.5	$18,683.5	$10,898.7	$93,417.6
Subtotal for New Service Provider Fees	$0.0	$0.0	$7,784.8	$18,683.5	$18,683.5	$18,683.5	$18,683.5	$10,898.7	$93,417.6
Internal State of Florida Costs									
State Employee Compensation	$374.9	$950.3	$2,214.5	$2,263.2	$2,313.0	$2,363.9	$2,415.9	$1,440.3	$14,335.9
Employee Related Expenses	$67.6	$246.0	$255.1	$257.6	$248.9	$243.5	$229.2	$131.4	$1,679.2
Contractor Compensation	$1,163.4	$2,452.0	$5,089.8	$5,089.8	$5,089.8	$5,089.8	$5,089.8	$2,969.1	$32,033.4
Supplemental Resources	$0.0	$241.8	$771.2	$778.8	$721.0	$503.1	$254.0	$94.5	$3,364.5
Hardware	$0.0	$0.0	$0.0	$0.0	$58.3	$175.0	$175.0	$102.1	$510.4
Hosting Facilities	$0.0	$28.0	$84.0	$84.0	$84.0	$84.0	$84.0	$49.0	$497.0
Software	$0.0	$466.7	$1,400.0	$1,400.0	$1,400.0	$1,400.0	$1,400.0	$816.7	$8,283.3
Subtotal for Internal State Costs	$1,605.9	$4,384.8	$9,814.5	$9,873.4	$9,915.0	$9,859.3	$9,647.9	$5,603.0	$60,703.7
Total Projected Cost	$5,551.7	$18,325.3	$23,941.1	$28,556.9	$28,598.5	$28,542.8	$28,331.4	$16,501.7	$178,349.5
Current Contract Cost Baseline			$15,038.7	$36,093.0	$36,093.0	$36,093.0	$36,093.0	$21,054.2	$180,464.9
Projected Cost Savings	($5,551.7)	($18,325.3)	($8,902.4)	$7,536.0	$7,494.5	$7,550.2	$7,761.5	$4,552.5	$2,115.4

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SUMMARY TABLE - FIVE YEAR CONTRACT VIEW ($Thousands)

Projected Cost Of Transition and Operation of Option 3 - Insourcing of Service Centers Only

Cost Component	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
Transition									
Consultants - Sourcing	$175.5	$58.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Consultants - Transition	$3,088.8	$4,118.4	$3,603.6	$171.6	$0.0	$0.0	$0.0	$0.0	$10,982.4
Counsel - Sourcing	$146.3	$87.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$234.0
Service Provider Transition	$0.0	$757.4	$2,272.3	$0.0	$0.0	$0.0	$0.0	$0.0	$3,029.8
Facilities Build-Out	$0.0	$0.0	$4,781.3	$0.0	$0.0	$0.0	$0.0	$0.0	$4,781.3
Hardware	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Software	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Sub-Total for Transition	$3,410.6	$5,022.1	$10,657.2	$171.6	$0.0	$0.0	$0.0	$0.0	$19,261.4
New Service Provider Fees	0	0	$2,164.1	$8,656.5	$8,656.5	$8,656.5	$8,656.5	$6,492.4	$43,282.7
Subtotal for New Service Provider Fees	$0.0	$0.0	$2,164.1	$8,656.5	$8,656.5	$8,656.5	$8,656.5	$6,492.4	$43,282.7
Internal State of Florida Costs									
State Employee Compensation	$0.0	$0.0	$6,384.8	$14,263.5	$14,427.2	$14,593.5	$14,762.6	$11,200.9	$75,632.5
Employee Related Expenses	$0.0	$0.0	$1,265.6	$1,118.5	$1,080.5	$1,057.2	$994.8	$725.4	$6,242.0
Contractor Compensation	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Supplemental Resources	$0.0	$0.0	$1,664.9	$3,394.9	$3,142.8	$2,192.8	$1,107.2	$412.0	$11,914.6
Hardware	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Hosting Facilities	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Software	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal for Internal State Costs	$0.0	$0.0	$9,315.3	$18,777.0	$18,650.5	$17,843.5	$16,864.6	$12,338.2	$93,789.1
Total Projected Cost	$3,410.6	$5,022.1	$22,136.6	$27,605.1	$27,307.0	$26,500.1	$25,521.2	$18,830.7	$156,333.3
Current Contract Cost Baseline			$9,023.2	$36,093.0	$36,093.0	$36,093.0	$36,093.0	$27,069.7	$180,464.9
Projected Cost Savings	($3,410.6)	($5,022.1)	($13,113.4)	$8,487.9	$8,786.0	$9,592.9	$10,571.8	$8,239.1	$24,131.6

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SUMMARY TABLE - FIVE YEAR CONTRACT VIEW ($Thousands)

Projected Cost Of Transition and Operation of Option 4 - Comprehensive Insourcing

Cost Component	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total
Transition									
Consultants - Sourcing	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Consultants - Transition	$4,212.0	$5,616.0	$5,616.0	$936.0	$0.0	$0.0	$0.0	$0.0	$16,380.0
Counsel - Sourcing	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Service Provider Transition	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Facilities Build-Out	$5,900.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$5,900.6
Hardware	$0.0	$700.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$700.0
Software	$0.0	$7,000.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$7,000.0
Sub-Total for Transition	$10,112.6	$13,316.0	$5,616.0	$936.0	$0.0	$0.0	$0.0	$0.0	$29,980.6
New Service Provider Fees	0	0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal for New Service Provider Fees	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Internal State of Florida Costs									
State Employee Compensation	$813.8	$1,369.0	$4,495.6	$16,526.7	$16,740.1	$16,957.4	$17,178.5	$17,403.6	$91,484.8
Employee Related Expenses	$113.0	$253.0	$1,238.3	$1,372.3	$1,347.9	$1,338.1	$1,242.8	$1,198.0	$8,103.5
Contractor Compensation	$1,163.4	$2,452.0	$5,089.8	$5,089.8	$5,089.8	$5,089.8	$5,089.8	$5,089.8	$34,154.2
Supplemental Resources	$0.0	$241.8	$1,381.4	$4,173.8	$4,144.8	$3,263.4	$1,647.8	$795.9	$15,649.0
Hardware	$0.0	$0.0	$0.0	$0.0	$58.3	$175.0	$175.0	$175.0	$583.3
Hosting Facilities	$0.0	$28.0	$84.0	$84.0	$84.0	$84.0	$84.0	$84.0	$532.0
Software	$0.0	$466.7	$1,400.0	$1,400.0	$1,400.0	$1,400.0	$1,400.0	$1,400.0	$8,866.7
Subtotal for Internal State Costs	$2,090.3	$4,810.5	$13,689.2	$28,646.6	$28,864.9	$28,307.7	$26,818.0	$26,146.2	$159,373.5
Total Projected Cost	$12,202.9	$18,126.5	$19,305.2	$29,582.6	$28,864.9	$28,307.7	$26,818.0	$26,146.2	$189,354.1
Current Contract Cost Baseline				$36,093.0	$36,093.0	$36,093.0	$36,093.0	$36,093.0	$180,464.9
Projected Cost Savings	($12,202.9)	($18,126.5)	($19,305.2)	$6,510.4	$7,228.0	$7,785.3	$9,275.0	$9,946.7	($8,889.2)

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