BOARD OF REGENTS
BRIEFING PAPER

1. AGENDA ITEM TITLE: <u>iNtegrate 2 Status Update and Budget Request</u>

   MEETING DATE: <u>June 8-9, 2017</u>

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

Executive Steering Committee members Vice Chancellor Robert Moulton and Vice Chancellor Vic Redding, and Project Director Chris Mercer, will provide an update on the iNtegrate 2 finance and human resources enterprise management software system. A budget update and request for final spending authorization of the existing funds allocated by the Board, and related investment income, will also be presented.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Vice Chancellors Robert Moulton and Vic Redding request the following actions:

1. Approval of the final spending authorization for FY 18 and FY 19 for project completion
2. Approval of approximately $315,000 in investment income earned on the project funds and currently unobligated in the project account to be used for post-go live transition activities within the SCS budget.

4. IMPETUS (WHY NOW?):

Existing spending authorization granted by the Board in June of 2015 expires at the end of this fiscal year and, consistent with Board direction at that time, the project team is proving an update and a request for final spending authority.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

1. This authorization represents expenditure of funds already set aside by the Board for this project, and associated interest income, for the completion of the project and post-go live transition activities.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

1. None Noted

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

1. None Noted

Form Revised: 09/21/16

8. COMPLIANCE WITH BOARD POLICY:

❑ Consistent With Current Board Policy: Title #_____   Chapter #_____   Section #_____
❑ Amends Current Board Policy: Title #_____   Chapter #__   Sections #_
❑ Amends Current Procedures & Guidelines Manual: Chapter #_____   Section #_____
❑ Other:_____
❑ Fiscal Impact: Yes_____   No_____
    Explain:_____

John V. White
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MEMORANDUM

DATE: May 9, 2017

TO: Board of Regents, Nevada System of Higher Education

FROM: Bob Moulton, Interim Vice Chancellor for Information Technology
Vic Redding, Vice Chancellor for Finance

COPY: NSHE Presidents
NSHE Business Officers
iNtegrate 2 Project Director

RE: iNtegrate 2 Implementation Update and Budget Authorization

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A presentation and update on the implementation of the iNtegrate 2 project will be provided to the Board at its meeting on June 8/9, 2017 meeting. This memo and the attached PowerPoint is provided to you to inform you of the current status of the project and explain the project expenditure projections and budget authorization requests that will be presented to the Board for approval.

1. **iNtegrate 2 Implementation Status:**
   a. <u>Timeline</u>
      i. Project remains on track to meet the revised final implementation timeframe of October 2017. The implementation will be followed by a brief period of stabilization. The support team will then begin the evaluation of the next Workday release. These releases are scheduled to occur twice each year and will include new features, functionality and fixes for continuous improvement. This process will occur throughout the life cycle of the product.
      ii. The next prototype (P4) is almost complete and will support campus testing beginning June 19th - August 4th.
      iii. Training will begin in early August and will include a combination of classroom, online and self-paced offerings.
      iv. Conversion activities will begin in early September and run throughout the month. The first payroll processed within Workday will be the October 10th semi-monthly.

2. **Implementation Budget:** The attached budget shows our recommendation for the remaining implementation budget for iNtegrate 2, which includes anticipated one-time expenditures through FY 2019. This budget represents the recommended expenditure of the remaining funds previously set aside by the Board for this project. As before, this budget does not include some ongoing operating expenses for permanent positions and related activities to support this project in the SCS and campus operating budgets. The Board previously approved the net expenditure authority as depicted in the attached for FY 2015 to FY 2017, at the June 2015 Regents meeting. We are now requesting final expenditure authority for FY 18 and FY 19 to complete the implementation. **Of particular note, this project does remain within the original budget as approved at the June 2015 Board meeting.** Additional explanation of the specific items are as follows:

   a. Lines 1-10 (Workday) and 11-15 (Sierra Cedar) represent the costs specified in the contracts through the end of the implementation/initial 5-year license term. The totals shown do reflect the concessions negotiated with both the software provider and the implementation consultant as part of the postponement of go-live (as discussed at the June 2016 Board of Regents meeting). The totals shown are consistent with previous estimated costs through go live, net of these concessions.

   b. Lines 16 and 17 depict the funds set aside for training, including dedicated resources for 'train the trainer' activities. As the projected progressed through implementation, we determined that hiring permanent trainers on staff was a better long term solution, and 2 vacant SCS positions were ultimately filled with trainers, reducing the need for contract training or substantial additional training credits.

   c. Lines 18-20 show funds budgeted for backfill; funds to reimburse NSHE institutions for staff resources (salary, fringe, and travel) allocated to the design, implementation, and testing of the Workday System. A total of 117 NSHE staff, representing every institution, will have or had a portion of their time reimbursed to their home institution for FTE dedicated to the project. The initial reimbursement amounts were based on information from Sierra Cedar on internal staff resources needed to inform the design and implementation, and Workday relating to the optimal number of attendees for design sessions. This number did increase substantially with the implementation delay as many of those staff commitments were extended beyond the original timeframe.

   d. Line 21 is the travel and training budget for the dedicated project staff (core team), which is primarily SCS and Chancellor's Office employees.

   e. Lines 22-25 show the amounts set aside and expended for these 4 related software and integration related activities that are a central responsibility for implementation.

   f. Line 26 shows the budget for specialized consulting services related to the project procurement and implementation.

   g. Lines 27-28 allocates funding for positions that were utilized to assist the implementation including backfill at SCS. On a separate note, the majority of the

central NSHE positions supporting Workday post go-live are ongoing and are budgeted in the SCS operating budget and are not part of these implementation funds.

h. Line 29 represented the 5% contingency pool that was originally set aside and ultimately used to fund a portion of the delay. As of this date, it is anticipated that approximately $54,754 will remain at the end of the project (assuming no additional unforeseen issues between now and go-live) and as such we recommend that be held in reserve for future functionality or post go-live support as needed.

i. Line 30 budgeted a pool of implementation funds available for each institution to draw upon for campus specific issues. For instance, each campus had different needs for specialized staff training that was unique to their circumstances. This line provided funds for related, direct implementation expenses.

j. Line 31 represents funds that had been budgeted by SCS, primarily for post go-live support. Due to the project delay, these funds were repurposed for implementation activities.

k. Line 32 misc. expenses includes, but is not limited to, items such as: video recording for playback sessions, hosting expenses for training and playback sessions and meeting, supplies used in training events, computer supplies for iNtegrate 2 personnel, etc.

3. **Accounting of Implementation Costs:** System staff and institutional finance officers continue to administer these funds in a manner that will give the Board a full accounting and provide transparency. As such, both this master account, and each institution's allocation will be budgeted in an easily identifiable self-supporting account.

4. **Requested Authority for Expenditure of Implementation Costs:** As with the previous expenditure authority approval, our recommendation includes providing the Chancellor, Vice Chancellor of Information Technology and the Vice Chancellor of Finance with the total spending authority for FY's 18 and 19 as indicated, up to the total project budget. While we do not anticipate major changes at this point in the project, as before we may have some movement between the individual lines.

5. **Investment Income allocated to iNtegrate 2 project – Request to Expend on Post Go-Live support:** As a separate request, we are submitting for approval a request for the Board's authorization to expend the investment income allocated to the iNtegrate project funds, in the projected 6/30/17 amount of $315,000, to fund transition activities within SCS post-go live as that entity shifts staffing resources to iNtegrate 2 from legacy systems. While it is anticipated that the majority of these costs will be covered in the existing SCS budget, the addition of these one-time funds will provide for a portion of the necessary overlap as the legacy systems are decommissioned and staffing is shifted to Workday support.

We look forward to discussing this project in more detail at the Board meeting.

Line	Vendor	Description	Comments	Initial TOTAL Budget Submission	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Actuals to Date (4/19/17)	FY 2017 Remaining Planned	FY 2018 Planned	FY 2019 Planned	Project Totals
1	Workday	Order Form #1: Subscription Fee	Invoiced upon Order Effective Date	$ 2,997,900	$ 2,997,900	$ -			$ -	$ -	$ 2,997,900
2	Workday	Annual anniversary of Order Term Start Date	Annual anniversary of Order Term Start Date	$ 11,991,600	$ -	$ 2,997,900	$ 2,997,900	$ -	$ 2,997,900	$ 2,997,900	$ 11,991,600
3	Workday	Workday Investment	Workday Investment in Future Subscription Fees	$ -	$ -	$ -		$ -	$ -	$ (750,000)	$ (750,000)
4	Workday	Order Form #2: Training Fees	Invoiced upon Order Effective Date	$ 401,577	$ 401,577	$ -		$ -	$ -	$ -	$ 401,577
5	Workday	Annual anniversary of Order Term Start Date	Annual anniversary of Order Term Start Date	$ 185,108	$ -	$ 46,277	$ 46,277	$ -	$ 46,277	$ 46,277	$ 185,108
6	Workday	Order Form #3: Consulting Fees	Delivery Assurance Checkpoint Reviews and Project Management Reviews	$ 225,117	$ -	$ 24,359	$ 17,858	$ 14,972	$ 100,379	$ -	$ 157,568
7	Workday	Workday PD and EM for PMO and Testing	New SOW for Strategic Advisory Services (Engagement Manager & Project Director)	$ -	$ -	$ -	$ 269,355	$ (13,260)	$ 28,139	$ -	$ 284,234
8	Workday	Workday Investment	Workday Investment in Future Consulting Fees	$ -	$ -	$ -			$ -	$ -	$ -
9	Workday	Workday Project Assessment	Contract to provide for overall project assessment				$ 49,505	$ -	$ -	$ (250,000)	$ (200,495)
10	**WORKDAY SUBTOTAL**			$ 15,801,302	$ 3,399,477	$ 3,068,536	$ 3,380,895	$ 1,712	$ 3,172,695	$ 2,044,177	$ 15,067,492
11	Sierra-Cedar	SOW 001: Deploy Workday HCM/Payroll/Financial Business applications	Estimated billable hours - over course of project	$ 10,691,830	$ 139,770	$ 5,355,715	$ 3,091,572	$ 1,916,949	$ 2,237,596	$ -	$ 12,741,602
12	Sierra-Cedar	SCI Investment	SCI Investment to Reduce Consulting Fees	$ -	$ -	$ -	$ (952,772)	$ -	$ (293,229)	$ -	$ (1,246,001)
13	Sierra-Cedar	SOW 002: deploy Use Cases using Workday's Big Data functionality	Planned Consultant Resources and Pricing	$ 176,220	$ -	$ -		$ -	$ -	$ -	$ -
14	Sierra-Cedar	Travel for WD resources	Travel for WD Resources	$ 180,000	$ -	$ -		$ -	$ -	$ -	$ -
15	**SIERRA-CEDAR SUBTOTAL**			$ 11,048,050	$ 139,770	$ 5,355,715	$ 2,138,800	$ 1,916,949	$ 1,944,367	$ -	$ 11,495,601
16	Workday	Additional Training Credits		$ 893,000	$ 100,000	$ 63,800		$ 100,000	$ -	$ -	$ 263,800
17	Contract	Contract Training Resources		$ 300,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18	NSHE	Payroll Offset: Designees		$ 1,491,301	$ -	$ 1,491,301	$ 1,390,132	$ 126,354	$ 379,063	$ -	$ 3,386,851
19	NSHE	Payroll Offset: Eligible Sub Matter Experts		$ 2,780,000	$ -	$ 2,780,000	$ 2,216,420	$ -	$ -	$ -	$ 4,996,420
20	NSHE	Campus Staff Travel & Training		$ 550,000	$ 11,823	$ 240,433	$ 105,573	$ 144,427	$ 62,500		$ 564,757
21	NSHE	Core Team Implementation Travel & Training		$ 825,000	$ 13,548	$ 164,184	$ 138,416	$ 161,584	$ 25,000	$ -	$ 502,732
22	NSHE	Software Identity Management	OKTA Purchase and Subscription	$ 1,000,000	$ -	$ 247,023	$ 166,590	$ 83,332	$ 249,922	$ 249,922	$ 996,789
23	NSHE	Software Integration -System-wide	Software Integration -System-wide Grant-In-Aid (Moran Technology)	$ 400,000	$ -	$ 1,500	$ 9,158	$ 190,843	$ 50,000	$ 50,000	$ 301,501
24	NSHE	Software Integration -System-wide	JIRA Subscription	$ -	$ -	$ 9,450		$ 9,450	$ 9,450		$ 28,350
25	NSHE	Financial Data Warehouse Migration and Software Expenses	Oracle Portal and WebLogic Server for DW to store legacy financial info	$ 261,381	$ -			$ 150,000	$ 57,624	$ -	$ 207,624
26	NSHE	Consulting	Tambellini/Goldstein/Yackira/Huron/Moran	$ 500,000	$ 255,934	$ 224,080	$ 446,470	$ 185,147	$ 220,420	$ -	$ 1,332,051
27	NSHE	Central Implementation Positions	NSHE Data Management Lead; HCM Lead; Business Process, Policy Lead, and Communications Lead	$ 990,000	$ -	$ 421,921	$ 470,580	$ 154,762	$ 121,611	$ -	$ 1,168,874
28	NSHE	Staff Salaries		$ -	$ -	$ 141,841	$ 53,982	$ 23,600	$ 19,500	$ -	$ 238,923
29	NSHE	Future Functionality/Contingency 5%		$ 2,050,000	$ -	$ -		$ -	$ -	$ 54,754	$ 54,754
29	NSHE	Use of Contingency		$ -	$ -	$ -	$ -	$ -	$ -		
30	NSHE	General Campus Implementation	(amt. based on $100,000/institution/ year)	$ 2,025,000	$ 225,000	$ 900,000	$ 900,000	$ -	$ -	$ -	$ 2,025,000
31	NSHE	Cost Recovery from SCS		$ -	$ -	$ (1,748,849)	$ -	$ -	$ -	$ -	$ (1,748,849)
32	NSHE	Miscellaneous Expenses		$ -	$ -	$ -	$ 23,865	$ 8,500	$ -	$ -	$ 32,365
33	**OTHER EXPENDITURES SUBTOTAL**			$ 14,065,682	$ 606,305	$ 4,936,684	$ 5,921,187	$ 1,337,999	$ 1,195,090	$ 354,676	$ 14,351,941
34	**GRAND TOTAL**			$ 40,915,034	$ 4,145,552	$ 13,360,935	$ 11,440,882	$ 3,256,660	$ 6,312,152	$ 2,398,853	$ 40,915,034

Total actuals FY15, 16, 17 $ 32,204,029

Remaining from initial budget submission $ 8,711,005
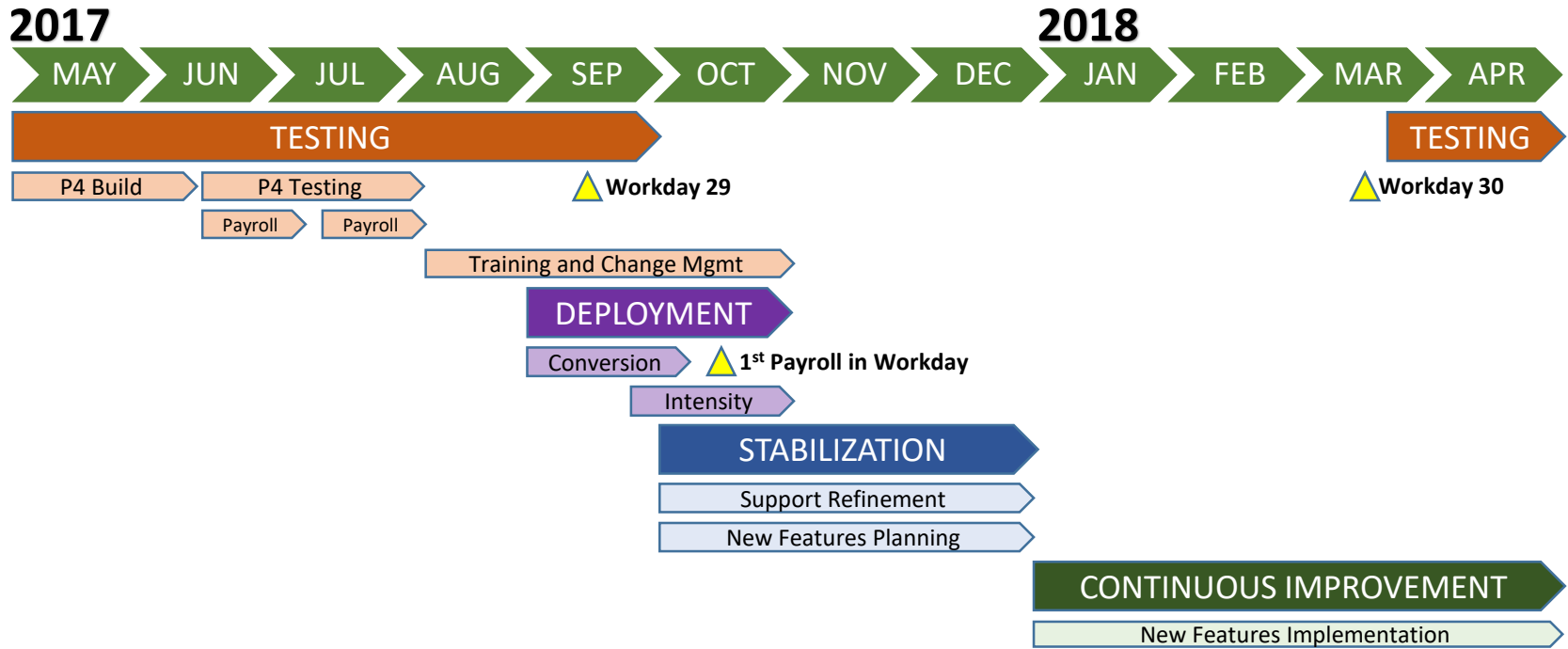
Total requested spend for FY18 - FY19 $ 8,711,005

iNtegrate 2 Project Update

NSHE Board of Regents Meeting

June 2017

Milestone Timeline and Status

2017 **2018**

MAY · JUN · JUL · AUG · SEP · OCT · NOV · DEC · JAN · FEB · MAR · APR

TESTING

P4 Build
P4 Testing

Payroll
Payroll

⚠ **Workday 29**

⚠ **Workday 30**

TESTING

Training and Change Mgmt

DEPLOYMENT

Conversion
⚠ **1st Payroll in Workday**

Intensity

STABILIZATION

Support Refinement

New Features Planning

CONTINUOUS IMPROVEMENT

New Features Implementation

workday
iNtegrate 2
NSHE

Questions?

- Thank you!
  - iNtegrate2@nshe.Nevada.edu