



## *Transforming the Way Ohio Does Business*

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The Ohio Department of Administrative Services (DAS), Office of Budget and Management (OBM), Auditor of State (AOS) and Treasurer of State (TOS) have assessed the state's current central administrative computer systems and have determined that an Enterprise Resource Planning (ERP) system would be a better tool for performing the state's critical central business functions.

An ERP system is a type of computer system that handles administrative functions, such as finance and human resources, that cut across an entire organization, or enterprise. This project, named the Ohio Administrative Knowledge System (OAKS), views Ohio's state government as an enterprise. ERPs are widely used in private industry and are becoming increasingly common in the public sector.

### **Scope**

OAKS will integrate the functions of five major statewide business functions: capital improvements, financials, fixed assets, human resources and procurement. When implemented, OAKS will replace the Central Accounting System, Capital Improvement Project Tracking System, Fixed Assets Management System and the human resources system (HR2K).

### **Participants**

The OAKS project is sponsored by Thomas W. Johnson, Director, OBM; Scott Johnson, Director, DAS; Kate Bartter, Chief Policy Advisor, Office of the Governor; and Mary Carroll, interim Chief Information Officer, State of Ohio. DAS, OBM, AOS, and TOS are currently involved in project efforts. However, the systems and processes administered by these organizations affect all state agencies, including those of the legislative and judicial branches. More than 500 individuals from 83 state agencies, boards, commissions, universities and other organizations participated in a series of requirements gathering sessions held between March and April 2002 to define nearly 2,100 business requirements for OAKS.

Continued participation from agency staff is essential during this project. When OAKS is functional, state agencies, state employees, vendors and citizens will be able to benefit from its advanced technology, such as "self-service" applications on the World Wide Web.

### **Activities to Date**

During the planning and analysis phases of the project, DAS and OBM worked with several project management professionals who helped direct the project using an industry-standard methodology. Assisted by Deloitte Consulting, for example, the OAKS project team conducted a business needs analysis to identify the costs and benefits of this project and to define requirements for a statewide ERP system. Overall, the business needs analysis found that the state can achieve significant financial and operational benefits by implementing OAKS.

Earlier this year the state launched a business transformation architecture project to build upon the findings and recommendations of the business needs analysis. Led by consultants from Maximus, deliverables from business transformation architecture project include a strategic plan, a change readiness assessment and an enterprise-wide impact statement.

### **Benefits**

In addition to describing a number of intangible benefits related to improved decision making, process efficiencies, and improved service levels, numerous tangible benefits have been identified that could achieve more than \$251 million in savings over a five-year period. These include a variety of hard dollar savings related to:

- Leveraging the state's purchasing power to save up to \$45 million



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- Increasing the use of vendor payment discounts to save up to \$26.2 million
- Reducing arbitrage rebate payments to save up to \$18.6 million
- Eliminating payments to non-eligible participants of benefits plans to save up to \$3.1 million

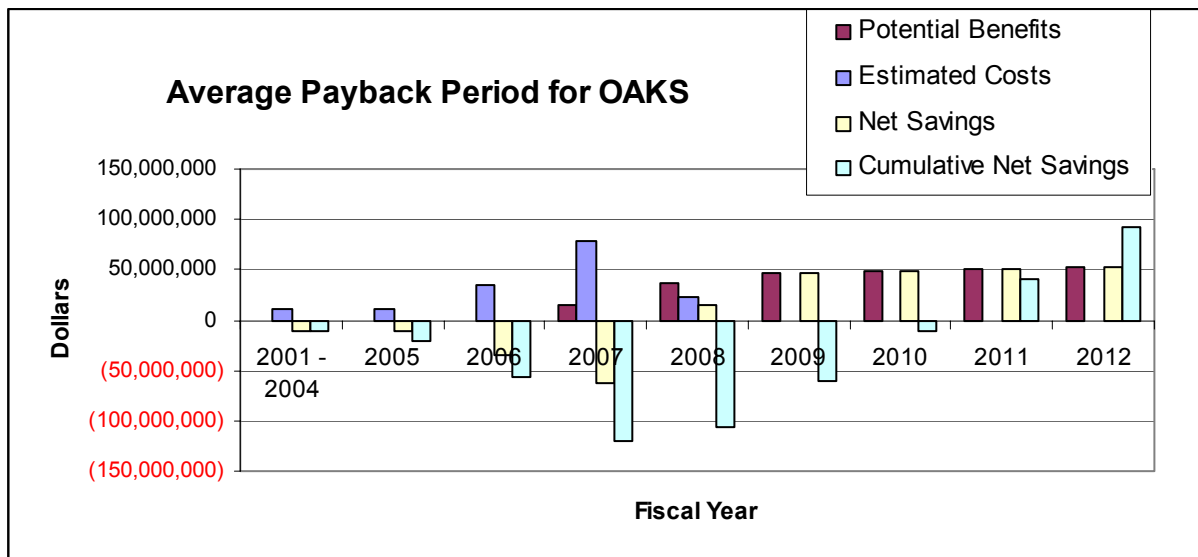
Additional benefits stem from the opportunity to replace a number of stand-alone computer systems. For example, more than 25 separate asset management systems are currently in use by various agencies around the state. OAKS will provide the opportunity to have a single integrated solution.

## Estimated Costs

The cost to implement OAKS is approximately \$158 million. Included in these costs are project management consultant staff, the OAKS Program Management Office, ERP hardware and software, and ERP integrator services.

## Further Returns on Investment

Through a survey administered to state agencies, it was estimated that the state could save up to an additional \$195 million in maintenance and replacement costs for current, redundant systems by implementing OAKS. When coupled with projected savings from the identified tangible benefits, OAKS represents significant direct and indirect savings over a five-year period. Full payback should occur within four years after all software modules have been implemented. To better determine the state's return on investment, the OAKS project office will work closely with agencies to track and document savings.



## Funding Strategies

The state clearly cannot afford to pay cash for the cost of this system. It is common for such systems to be debt-financed so that the costs can be paid once savings are realized. Initial funding for the OAKS project will come from proceeds of the sale of Certificates of Participation (COPs). COPs are a form of tax-exempt debt issued by a third party agent other than the state. The state will make lease payments to the debt issuing authority in order to support the debt maintenance payments associated with COPs. Just as is currently the case with the operating costs of the personnel and fiscal systems, funds for the OAKS lease payments and operations will come from charges to state agencies. Generally speaking, these charges will be less than the savings achieved by the agency due to OAKS implementation. Agency charges will begin in July 2006 when the system goes live. The estimated statewide breakdown of agency funds that will be used for the OAKS project is 47% from the General Revenue Fund, and 53% from Non-General Revenue



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funds. The 53% of Non-General Revenue funds includes federal funds that will also be charged for the use of the system.

### **Implementation Timeline**

Last October the state awarded PeopleSoft USA a contract to provide ERP software for the OAKS project. In December the state released an RFP for system integration services. Design and development work on OAKS will begin in early June 2005, with the financial modules scheduled for implementation in July 2006. The remaining modules are slated for implementation in 2007 or early 2008. See [www.oaks.ohio.gov](http://www.oaks.ohio.gov) for more information about OAKS.