



STATE OF NORTH CAROLINA
OFFICE OF THE STATE CONTROLLER

NASCIO State IT Recognition Awards – 2024

*“The Financial Backbone is Connected to...
Everything!”*

Category: Enterprise IT Management Initiatives

Project Title: North Carolina Financial Backbone Replacement

Project Dates: 2019-2023

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EXECUTIVE SUMMARY:

In 2019, the North Carolina Office of the State Controller launched a multi-year project to replace the State's aging financial system or financial backbone which connects to every other operation within state government. The State of North Carolina had been using two separate COBOL-based legacy systems, which did not provide adequate security safeguards or sufficient functionalities and required duplicative work by staff. In a successful, on-time, and on-budget transition, OSC replaced these two aging systems with a single, responsive, adaptive and future-ready financial system that benefits from the product innovations of three vendors. The modern, secure North Carolina Financial System, launched in October 2023, is now used by more than 3,500 employees in almost every North Carolina state agency, entity, and university. It provides a model for other state governments to modernize legacy systems and to complete massive government IT projects on time and on budget with the right vision, planning and leadership structure.

IDEA:

In 2019, the North Carolina Office of the State Controller (OSC) embarked on a journey to replace the State's aging financial system or financial backbone which connects to every other operation within state government. The State of North Carolina had been using the North Carolina Accounting System (NCAS) and Cash Management Control System (CMCS) since 1989 and both systems were among the oldest systems in the State's application portfolio and on their last legs of effective service. OSC understood both archaic COBOL (Common Business Oriented Language)-based systems would no longer be supported after 2023. Additionally, the state employees who were maintaining the aging systems either had reached retirement age or were quickly approaching retirement.

The older systems also did not provide adequate security safeguards required for today's world.

Key stakeholders, such as agency leaders and state legislators, found the systems' reporting functionality insufficient. The two systems also required employees to enter data twice, doubling the time required for many routine tasks.

After several years of preliminary research and exploration, the Office of the State Controller officially launched the Financial Backbone Replacement Project in 2019. OSC's research indicated this project would last 3-4 years and cost between \$90 and \$110 million. This project affected more than 3,500 employees throughout almost every State of North Carolina agency, entity, and university. To replace this aging system, OSC selected Oracle Fusion Cloud Financials – the first state government to do so. This successful on-time and on-budget transition from COBOL to Oracle serves as an example for other state governments around the country and demonstrates:

- Government agencies don't have to be stuck with COBOL.

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- On-time and on-budget massive government IT projects are possible with the right vision, planning and leadership structure.

IMPLEMENTATION:

There was much preliminary work even before the official project launch in 2019. OSC's legislative team began explaining the critical need for funding to lawmakers early in the process while developing executive sponsors at the Office of State Budget and Management (OSBM) and the Department of Information Technology (NCDIT). As a result, the NC Legislature appropriated funding in 2016, 2017, 2018, and 2021 so the project could begin.

In 2017, the Financial Backbone Replacement (FBR) team began by holding 37 workshops with 190 individuals from agencies across the state to form the Future State Vision for the new system. In those workshops, they identified needs and pain points in the current system to gain a clearer understanding of what was needed in a new system. In 2018, this same team began software selection and development with the assistance of ~100 individuals from across state government.

In 2019 the integrator was selected, the software procured, and the project officially began, naming the new system NCFS (the **N**orth **C**arolina **F**inancial **S**ystem).

The FBR Team quickly grew, combining permanent, limited time, and contract employees focused solely on this project. The divisions of the team included:

- **Steering Committee** – Responsible for setting and maintaining priorities to achieve the overall project vision. This team was also responsible for driving buy-in from their respective agencies.
- **Security** – Responsible for ensuring the security of the new system including developing security roles for proper access in the new system.
- **Technical** - Responsible for ensuring a successful connection to our existing infrastructure, hardware, external apps, and more.
- **Communications** - Responsible for sending and responding to the routine drumbeat of messages to targeted groups of employees to affect successful organizational change management.
- **Training** – Responsible for developing and training for the initial 3500+ new users of the system. Additionally, employees were assigned required training to obtain security role(s) in the new system.
- **Purpose Areas**
 - Inventory
 - Intercompany
 - Order to Cash
 - Procure to Pay
 - Cash Management
 - General Ledger

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- Grants Management

The herculean project tasked with replacing the state’s financial system started with an assessment of the current system. The team quickly realized that this move would impact:

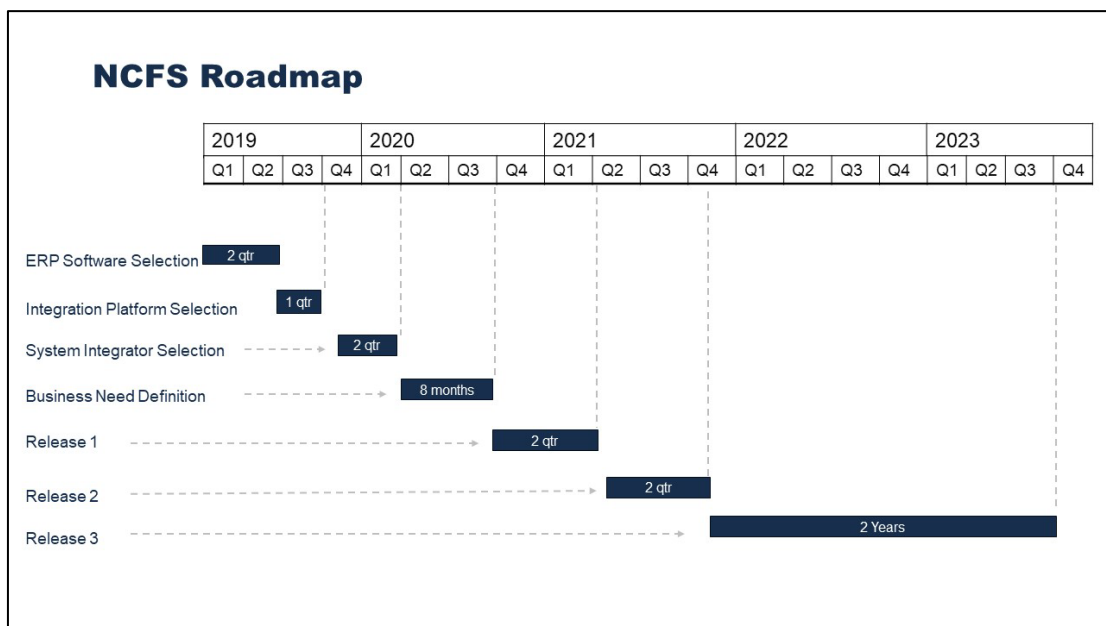
- 28 state agencies & six boards who use NCAS as their primary financial transactional system
- 52 state agencies and boards who use CMCS as their primary cash management system
- 21 state entities who interface summary level financial information
- 126 state entities who submit financial information for ACFR compilation and,
- Over 3500 state employees

As a promise to the NC Legislature and the citizens of North Carolina, the project team began with a mandate to finish the project on time and within budget. After countless hours of work by everyone involved, the following milestones were realized:

2021 | Release 1 of 3 - The Cash Management Control System was replaced by NCFS, affecting 1,500+ users.

2021| Release 2 of 3 – This release replaced a collection of spreadsheets and data bases with a purpose-built financial consolidation and reporting tool, improving the efficiency of assembling the ACFR (Annual Comprehensive Financial Report).

2023 | Release 3 of 3 (ON TIME AND ON BUDGET) - NCFS fully launched in October 2023, replacing NCAS. The launch was preceded that year by System Integration Testing (SIT), User Acceptance Testing (UAT), and 100% Virtual Training of ~3,500 affected employees. Following the launch, the team provided a time of “Hypercare” support to ensure agencies and employees had the assistance needed to be successful in this new environment.



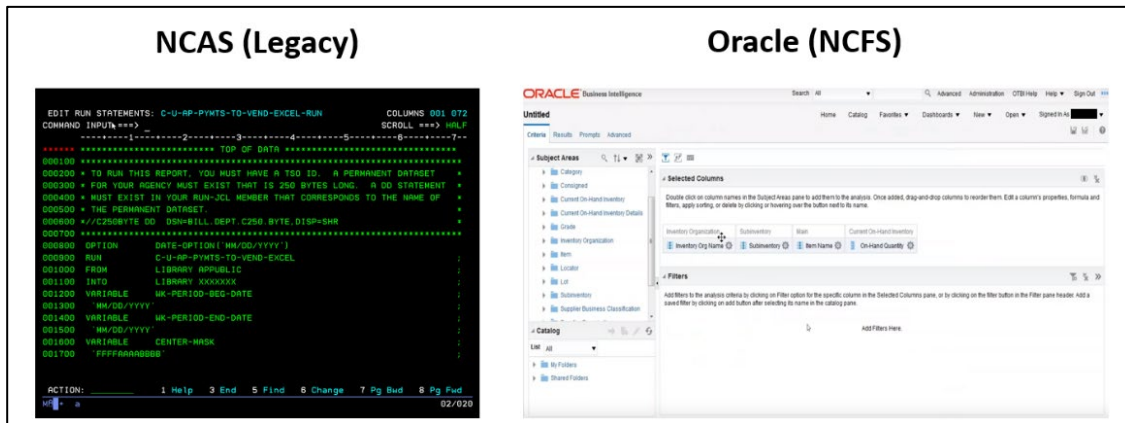
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The architecture was composable ERP. The State picked best-of-the-breed products to create a loosely coupled architecture; Oracle SaaS for core ERP, Boomi Platform as a Service (PaaS) for application integration, and GoAnywhere Managed File Transfer for Batch file transfers. This architecture lays a foundation of a responsive and adaptive future-ready approach. It takes advantage of the product innovation from these vendors as they incorporate AI to enable the State to support its evolving business needs.

IMPACT:

The new system now provides the State of North Carolina with:

- A modern, secure financial system that attracts new employees and will serve the State of North Carolina well into the future.



- **Single entry of transactions** – removing the need for dual entry, which was required in the old systems.
- **Robust reporting** - resulting in better fiscal planning by agencies and lawmakers alike.
- **Ad-hoc Analytics for transactional data and self-service reporting enablement across the state.** Agency users can build reports independently or with minimal IT support. The self-service reporting is a lot easier than the legacy (NCAS). The user does not need to log in another reporting system (I.E.) to do the report language coding. This reporting tool replaced over 700+ legacy reports in NCAS.
- **Highly formatted delivered reports leveraging out-of-the-box capabilities for operational and management users.** Over 200+ statewide custom reports that are accessible for state agencies' users across various processes like General Ledger, Budgeting, Inventory Management, Fixed Assets, Purchasing, Accounts Payables etc.

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Report outputs can be used as files for downstream processing as well as analysis / decision making.

- **Self-service inquiry of real time data.** Legacy systems did not provide access to real time data (batch processes) and robust self-service inquiry.
- **Easier access, analysis, and review of source data for the Annual Comprehensive Financial Report (ACFR) into one system, Financial Consolidation and Close (FCCS). Improves financial reporting processes and is universally applicable for all GAAP required documentation.** Transferred General Ledger data to FCCS making report easier to process with fewer steps and less human intervention. This results in a smoother process and better data integrity. Storing data in FCCS, as opposed to linked Excel files stored on network drives, improves analysis, consolidation, and final report package generation. Provides simple online review and data entry for certain points of view. Streamlines entry and tracking of one-time and recurring adjustments.
- **Reduced enterprise risk**
 - Complete electronic audit trail of each transaction
 - Completeness of audits, transaction populations
 - More transparency into user access privileges, automated segregation of duties reporting, exception overrides and other process variances.
 - Completion of higher percentage of annual internal audit plan
- **Increased accountability**
 - Faster response to audit issues
 - Timelier audit and availability of data
 - Fewer and more timely corrections following audit
- **More timely audit reports to legislature**
- **More balanced audit effort**
 - More effective controls supports more compliance testing, less year-end substantive testing
 - Less time understanding systems and user access to plan audit
 - Enhanced value-add from audit function – operational audits, special audits and analyses.

While training and support are ongoing as agencies begin the process of mastering the new system and processes, great testimonials are rolling in.

“This is a historic step to modernize how we conduct business and to also reduce statewide risk by replacing obsolete systems.”

Nels Roseland, NC State Controller and NCFS Executive Committee Lead.

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“Other cities and government sectors are using the Oracle Fusion Cloud Applications that NCFS is built on, but we are the first state to incorporate this technology.”	Jim Dolan, Chief Deputy State Controller and NCFS Steering Committee Lead.
“Digital transformation projects like this are not easy, and we owe the successful launch of NCFS to the remarkable drive and determination of dedicated project teams across the state whose unparalleled expertise in accounting, technology, project management, and state government helped to get us over this finish line.”	Clayton Darnell, Deputy State Controller and NCFS Business Leader.
“System has good features.” “Great we get reports in Excel now!”	Dept of Commerce CFO
“Supplier registration is very quick.” “System adjustment going really well”	Dept of Insurance CFO
“We don’t have to reinvent the wheel to get AP information.”	Dept of Justice
“Reporting function has been great; much cleaner trail on where things are going when they come from IBIS (the budgeting system).”	Office of Budget and Management
“Training has been great!”	Office of Administrative Hearings

Thank you for considering the North Carolina Office of the State Controller (OSC) for this award. We are still in the first year of using the new system. End user acceptance and proficiency are growing throughout the state agencies which are already seeing the benefits of this cutting-edge technology.

While this effort was driven by OSC, this was a herculean effort which benefited from great leadership not only on the FBR Team, but throughout state government. Every affected agency had champions to help expedite the process changes. Partner agencies (North Carolina Department of Information Technology and the North Carolina Office of State Budget and Management) played a critical role in ensuring this project was successful. Without those teammates, this project would not have been possible.