

Attachment A- Excerpts from Shared Services Opportunity Analysis, dated February 2006

**** Analysis has been edited to include only content appropriate for this Request for Proposals.**

I. Executive Summary

In 2005, the Governors' Office of Management & Budget (GOMB) initiated a study to assess the feasibility of statewide shared services models for administrative and support processes and develop potential business plans for implementation. The goals of this assessment were to identify opportunities for the State to achieve meaningful and achievable efficiencies in administrative and support processes, enable the State to retain its focus on quality of service delivery to agencies, and identify benchmarks for performance improvement.

The feasibility assessment was conducted over a period of 14 weeks beginning in late October 2005. This document summarizes the survey results, findings and opportunity analysis from the feasibility assessment and provides a high level implementation plan to achieve the identified benefits.

Opportunity Analysis Summary

Item	Description
High Level Description	<p>There are significant opportunities to improve efficiencies and effectiveness of administrative and support processes at the State of Illinois. The analysis indicates that the State can achieve these efficiencies and meet project goals by undertaking the following tasks:</p> <ul style="list-style-type: none">• Implement Shared Services for back-office, administrative functions such as HR and fiscal: Create shared services clusters focused on providing HR and fiscal processes to customer agencies.• Co-locate Certain Agency Staff into Shared Services Clusters: Develop organization model and structure to support shared services vision, develop workforce transition plan and co-locate certain staff in to clusters to deliver services.• Standardize and Redesign Processes Across Shared Services Clusters: Standardize current processes, identify opportunities for existing leading practices across agencies and develop consistent policies and procedures across clusters.• Implement Leading Practice Processes Supported by Integrated Systems: Identify, select and redesign processes to leverage leading functionality and practices offered by integrated systems in the shared services organization.
Project Duration	• 5 years (plus initial six month planning phase)

Item	Description
Key Qualitative Benefits	<ul style="list-style-type: none"> • Improved and more consistent quality of administrative services • Increased responsiveness to 'front-line' business requirements and operations • Improved management, training and skill sets of administrative functions • Elevates the importance of administrative functions • Allow agencies to focus more closely on core programs • Pooling of administrative knowledge and talent within clusters • More flexible administrative workforce, including improved cross-training and back-up capability • Elimination/reduction of duplicative systems and processes • Improved return on technology investments • Improved data quality and accessibility

Vision

The Shared Services vision for the State of Illinois is to create an environment in which agencies share personnel, technology, and leading practices to enhance customer and citizen services. This approach will:

- Increase levels of efficiency and integration, creating opportunities for cost savings
- Improve the quality and effectiveness of common business functions, allowing agencies to focus on their core programs
- Enable continuous improvement through consistency of process and delivery
- Enhance the State's ability to track and manage performance

The following graphic depicts the vision for shared services for the State of Illinois:

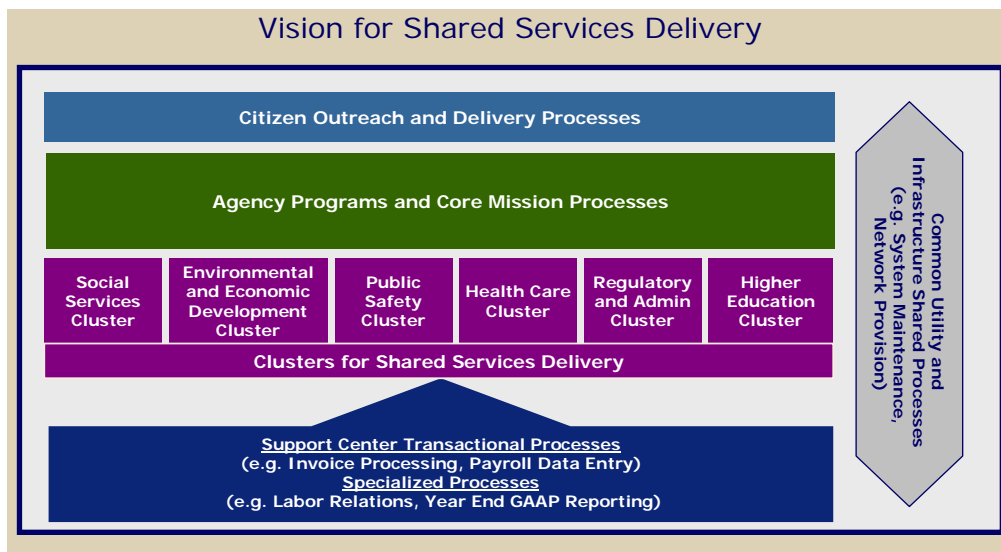


Figure 1

Administrative and support services will be provided to agencies via a cluster delivery model based on the State's core services. Shared services delivered will include cluster specific high volume transactional processes as well as specialized and infrastructure processes.

Scope

The vision for Illinois shared services includes all administrative and support services that are conducive to shared services. This document focuses on the opportunity analysis for the HR and fiscal processes which are a sub-set of administrative and support processes. The costs and benefits described here are specific to HR and fiscal processes. For the purposes of this document, the term administrative and support services is used with reference to HR and fiscal processes only.

Timeline Summary

The State of Illinois shared services implementation plan is based on the five-phased shared services methodology summarized below.

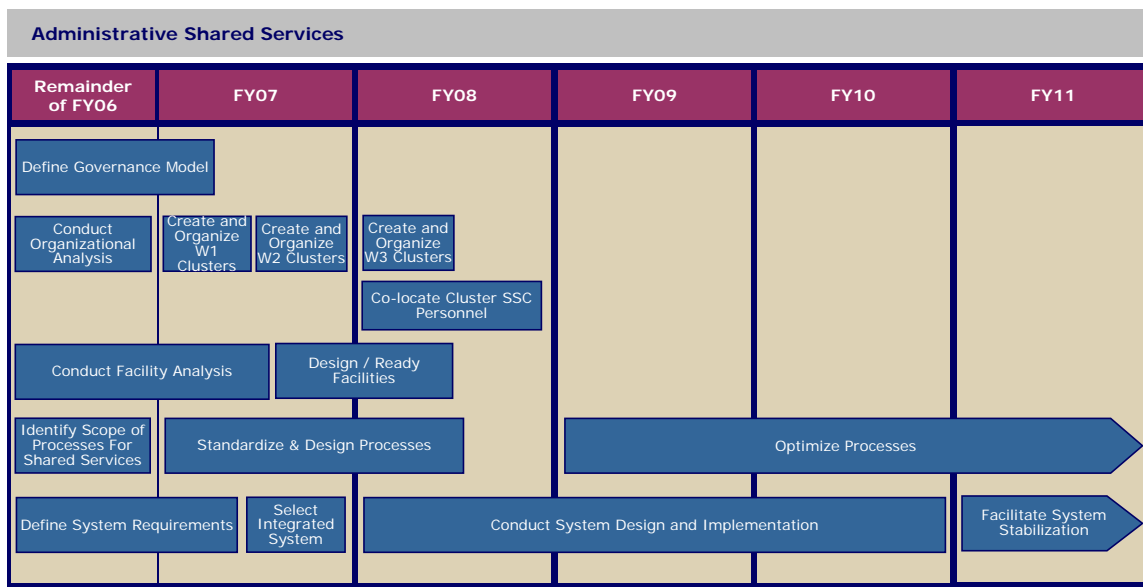


Figure 2

The Assess Feasibility phase of the project, which has just been completed, sets the framework and baseline from which a viable shared services solution can be built.

Over the next 6-12 months, the State will need to undertake specific activities to create the opportunities for benefits that are expected to accrue by moving to shared services. These activities include definition of a clear distinction between agency and shared service responsibilities, opportunities for process improvement, design of the shared services organization and a facilities analysis amongst others. In addition it will be critical to begin defining detailed system and functional requirements, to be able to develop and issue an RFP for an integrated system. Once the system solution has been selected, the State will need to undertake additional activities to develop detailed processes based on the capability of the selected system.

The following implementation plan provides a summary of key activities and possible timing that need to be



undertaken to implement the shared services vision.

Figure 3

Governance Model

A Governance model describes how the shared services organization will be structured and organized to promote effective decision making and collaboration across the participating agencies. Leadership structure and reporting relationships govern how day to day operations are conducted and decisions are made.

In summary, the opportunity analysis for administrative and support processes at the State of Illinois indicates significant opportunities for improving efficiencies and gaining economies of scale by moving to shared services; eliminating duplication of systems and functions; and using consistent, standardized processes and systems to deliver services. This document and the supporting financial summaries provide an assessment of the opportunities for the State. This analysis will evolve as the State undertakes further analysis and detailed design of shared services.

II. Vision

The concept of shared services rests upon an underlying focus on customer services driven by four principles: elimination of duplication, consolidation, standardization, and reengineering. In many governments, transaction processing and other support services are carried out from a number of different agencies or locations performing the work in a variety of ways. Shared services allows governments to isolate non-core, back office transaction processing and administrative activities that are common to several agencies and bring them together to be provided as a shared service across agencies. By pooling resources, standardizing processes and using enabling technology solutions, the shared services organization is able to achieve administrative efficiencies and economies of scale that would otherwise be unavailable to individual agencies. In addition, removing administrative tasks from agencies allows them to focus the use of their skills on delivering services to citizens.

State of Illinois Shared Services Vision

Approach for Developing Vision

The State of Illinois strives continually to improve the efficiency of its operations and provide good stewardship for public resources. In 2005, the Governor's Office of Management and Budget (GOMB) formed an advisory steering committee to explore whether using shared services principles could help the State achieve these objectives.

The State of Illinois shared services vision was developed after several regular discussions with the committee, and after research and review of several shared services models adopted by other government entities and businesses in the United States and globally.

At the onset of the Shared Services Assessment initiative, an idea generation session was conducted with committee members and subject matter specialists to generate ideas for processes that should be included in potential shared services models. Approximately 60 processes / services were identified. Through further discussions, these were then prioritized and grouped into five main categories for further review: HR, Fiscal, Customer Services, Licensing & Permitting (Business Portal Expansion) and Grants.

The following diagram depicts the approach used for identifying and prioritizing shared service process ideas. Appendix A provides a listing of all the processes identified through the idea generation sessions.

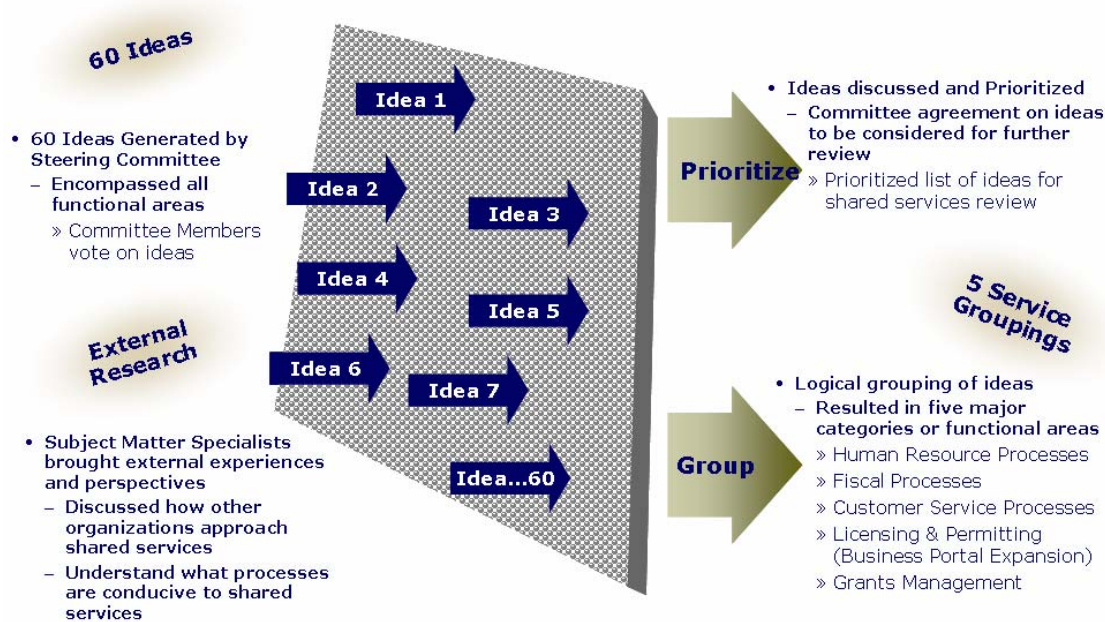


Figure 4: Approach for Identifying Scope of Processes

Shared Services Vision

The vision for the State of Illinois is to create a Shared Services environment in which:

- Customer service is provided in an integrated framework to leverage economies of scale through shared technology, information and processing. This framework will provide:
 - Increased efficiencies and integration, creating opportunities for cost savings
 - Increased effectiveness, creating better service for agencies and allowing agencies to focus on their core business
 - Increased opportunities for continuous improvement through consistency of process and delivery
 - Increased ability to monitor and manage back office productivity
 - Improved customer services, by combining all the above

Scope of Vision

This vision for shared services for the State encompasses all services that are conducive to being provided in a shared services environment from back office, administrative functions such as payroll processing to specific citizen centric services such as licensing. The customers that will be serviced by the shared services organization include:

- Internal customers (agencies) for back-office, administrative services such as HR and fiscal
- External customers (citizens, businesses, etc.) seeking services through Customer Services and the Business Portal Expansion process areas.
- Both internal (agencies) and external (sub-recipients) customers for Grants processes.

In addition, this vision has the potential to include all the services identified by the committee as potential services for a shared services model.

The remainder of this document provides the opportunity analysis for Support and Administrative processes—specifically HR and fiscal processes only. Separate opportunity analysis documents have been developed for the Customer Service, Business Portal Expansion and Grants areas.

Key features of administrative and support shared services vision are:

- Administrative and support services will be provided to agencies via a cluster delivery model. Agencies will be grouped into clusters based on their core mission, delivery of like services and scale considerations. Six (6) clusters are recommended, as listed below. Additional details regarding specific agencies included in each cluster are provided later in this section.
 - Social Services
 - Environmental and Economic Development
 - Public Safety
 - Health Care
 - Regulatory, General & Administrative
 - Higher Education
- Services will be provided along two dimensions within the Shared Services framework:
 - Cluster specific services (also called Support Center Processes in the above chart), which include:
 - » Support Services Centers (SSCs) providing Fiscal and Human Resources / Payroll Services comprising transactional and tactical activities.
Examples: Accounts Payable Voucher processing; Payroll processing (data entry).
 - » Cluster specific Specialized Services (also called Specialized Processes in the above chart) providing Fiscal and Human Resources Services requiring strategic support where appropriate through high-value experience-based activities.
Examples: Cluster Specific training development / delivery; Year end GAAP and Financial reporting.
- Cross Cluster Services which include:
 - Specialized Services (Specialized Processes) providing services requiring specialized skills and experience which are not specific to clusters.
Examples: Benefits Plan Development; Labor Relations
 - Infrastructure Services (also called Infrastructure Processes in the above chart) providing services such as Technology, Network, and Communications support providing the foundation necessary to deliver services. Upon implementation of a single integrated system to support fiscal and HR services across the State, these services will be provided by a single agency or organization.
Examples: System maintenance; network provision and maintenance.

III. Background/Business Issues

Each agency at the State of Illinois is largely responsible for providing its own support and administrative processes including:

- Human Resources (HR) activities that support the employees within an agency (e.g. benefits, payroll, timekeeping, recruiting, labor relations, etc.); and,
- Fiscal activities that support back-office financial services for an agency (e.g. purchasing, accounts payable, accounts receivable and remittance processing, collections, general accounting, budgeting, etc.).

The procedures and technologies used to perform this work vary greatly across agencies. With a few exceptions, agencies do not possess integrated, enterprise-wide systems. Although overall policies may be similar across agencies (i.e. number of approvals required to process purchase orders, number of days to process vouchers etc.), most processes are customized to fit with the individual agencies' specific process requirements, available systems and functionality of these systems. In executive branch agencies, the State currently uses at least 38 systems to support HR business processes, and more than 100 systems to support fiscal business processes.

Key issues with the State's current HR and fiscal processes and systems include:

- **Paper Based Processes**—Many processes are paper based or require multiple copies of forms, which lead to significant non-strategic, duplicative and potentially error-prone activities (data entry in multiple systems, loss of forms, etc).
- **Inconsistent Process Efficiency Levels**—Significant variation in the cost, efficiency, and quality of fiscal and HR back office delivery, as agencies are operating largely independently with unique organizational structures, processes, and systems.
- **Lack of Strategic Focus**—Across the State, HR and fiscal personnel are significantly more focused on back-office transactions versus more strategic, analytical processes. Ideally, HR and fiscal personnel should be spending more time on developing strategies and improving efficiencies versus data entry, filing and transaction related tasks.
- **Disparate Systems**—There is significant diversity in the functionality of information systems and technology used to deliver fiscal and HR back office services. Many systems do not support high levels of automation or performance management. Most business applications are not integrated, which leads to significant additional copying, routing, data re-entry, discrepancy reporting and reconciliation work.
- **Inaccessible Data & Reporting**—To support HR and fiscal business processes, agencies have deployed more than 140 computer applications, many of which are non-integrated 'standalone' systems. This approach has created pockets of data at every agency, making it very difficult to access, understand and report statewide data on a timely basis. State leadership has limited visibility to back-office activity and efficiencies at the agencies.
- **Outdated Mainframe Technology**—Many of the State's business applications are built on 20+ year mainframe technology and have limited functionality, data integration and reporting capabilities. Specialized technical skills are often required to develop the queries and reports needed to meet operational needs. As legacy systems age, the frequency of breakdown is likely to increase, while the availability of technical resources who have the necessary knowledge and skills to maintain these systems will continue to decrease. Modifying existing systems to provide leading practice functionality, data integration and reporting capabilities would be cost prohibitive.

Some agencies have moved towards a shared services model by providing limited, but consistent services and systems to smaller departments (e.g. DHS and CMS provide limited shared services for processes such as payroll, vouchering, etc.). However, not all agencies have adopted these shared services and most business processes are largely decentralized at the agency level. This situation results in a model which delivers non-strategic, back-office activities through multiple and separate systems, staffing, procedures and processes, creating the likelihood of continued high ongoing costs.

IV. Approach and Scope

Approach

Data for the shared services opportunity analysis was gathered directly from agencies under the Governor through surveys and interviews. Departmental staff were assigned within the agencies to assist with the data collection and coordination efforts. Key elements of data collection included the following:

- **HR and fiscal process survey**—A process survey was sent requesting information on the identification of processes and the estimated Full-Time Equivalents (FTE's) for HR and fiscal processes. While other administrative processes would likely be included in shared services clusters, HR and fiscal are most cost intensive and provide the most readily definable benchmarks for process improvement. Agencies provided data for Central Office FTE's as well as other agency personnel and contractors that spend time on each process.
- **HR and fiscal metrics survey to gather current performance data**—A metrics survey was sent requesting information on selected key metrics for each of the HR and fiscal processes included in the process survey. Examples of metrics collected included number of invoices processed, number of journal entries processed, etc.
- **HR and fiscal technology survey to gather technology costs**—A technology survey was sent requesting cost and platform information for technology used to support HR and fiscal processes. Technology costs included software, hardware, professional services (outsourced), contractors and internal FTE technical support. Follow-up contact was made with most responding agencies to clarify and confirm technology survey data.
- **On site interviews**—Over a two week period, interviews were conducted with HR and fiscal leaders and staff from 14 'key' agencies. These agencies were selected for more in-depth participation based on the scope and scale of their operations (the 14 'key agencies' account for over 90% of the total appropriation for the agencies under the Governor). Approximately 30 interview sessions were conducted with agency personnel across the two functional areas. The interviews focused on specific HR and fiscal business processes. The purpose of this approach was to develop a more in-depth understanding of processes with significant opportunity for improvement. HR and fiscal interviews were held separately by two different interview teams. Over 150 HR and fiscal personnel participated in these interview sessions.
- **Other Sources**—GOMB and CMS personnel provided other data regarding state operations, including agency headcounts and cost information for technology, facilities and personal services.

Scope—Agencies

The scope of this opportunity analysis includes State of Illinois executive branch agencies that report to the Governor. Forty-three agencies with budgeted headcount greater than zero and that report to the Governor were identified to participate in the study through the survey process. These 43 agencies had an employee base of approximately 56,600 FTEs at the time of the study. Thirty-five agencies were able to respond in a timely manner with data that could be used for analysis purposes. All 14 'key' agencies responded to the survey. The employee base of the 35 responding agencies is approximately 54,600, which is **97%** of employees in agencies reporting to the Governor. The 14 'key' agencies, which participated in both the survey and interview processes, represent 91% of the employee base reporting to the Governor.

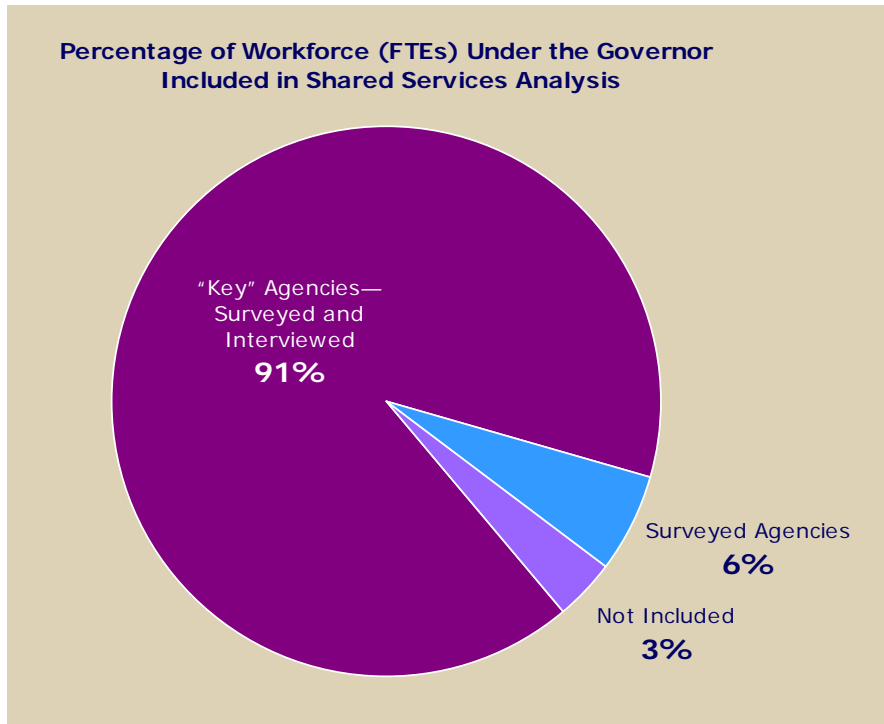


Figure 5: Percentage of Workforce Under the Governor Included in Shared Service Analysis

Please see Appendix B for a listing of agencies that participated in the Shared Services study.

Scope—HR and Fiscal Business Processes

The scope of this opportunity analysis focuses on the following HR and fiscal business processes. Some processes were subject to a more in depth analysis involving both surveys and interviews and others were subject survey analysis only.

Human Resources & Fiscal Processes—In-depth analysis (surveys and interviews)

- **Benefits Administration**—Includes enrollment/life event forms processing for defined benefits, workers compensation, submission to payroll, integration with third parties and confirmation of benefits forms. Defined benefits includes deferred comp, State retirement, health, dental, life, pre-tax deductions, long-term care and long-term/short-term disability
- **Personnel Transactions and Data Maintenance**—Includes classification, position control, processing of personnel transactions, maintenance of personnel files (paper or electronic), tables and reporting.
- **Payroll**—Includes collection of all payroll related data (hourly time and attendance, benefits, etc.), processing of employee changes, transfers, etc., calculating gross pay, processing deductions, net pay and distribution of check.
- **Timekeeping**—Includes time entry, absence/attendance tracking, and submission to payroll
- **Accounts Payable (AP); including travel**—Includes those activities related to processing a supplier invoice including matching to PO/receipt, obtaining required approvals and creating the payment voucher. Travel includes review and processes of expenses that are submitted by employees and reimbursed to facilitate payment
- **Accounts Receivable (AR)/Collections**—Includes activities for generating and sending a bill, posting the original AR, posting adjustments, receiving remittances / payments and posting the entry following

the receipt of payment; sending past due notices and collection letters, monitoring outstanding debts, performing collection activities and writing off bad debts

- **General Ledger (GL)/GAAP/Mgmt Reporting**—Sub-processes include posting manual and automated journal entries, perform allocations, close sub-ledgers, perform reconciliation and close the period; preparation of financial statements for external GAAP reporting purposes; preparation of management reports for analysis purposes
- **Purchasing**—The activities required to facilitate purchases including requisitioning, issuing purchase order (PO), vendor master maintenance, process the PO, submit PO to AP and resolve order issues, etc.

Human Resources & Fiscal Processes—High-level analysis (surveys only)

- **Recruiting and Hiring**—Includes job postings, job fairs, campus recruiting, advertising, affirmative action, interviewing, background checks, hiring, submission to HR/Payroll and orientation
- **Performance Management**—Includes program development, competencies, evaluations, training, logistics, tracking and reporting
- **Labor Relations**—Includes union negotiations and grievance processing
- **EEO Processing, Approval and Reporting**—Includes tracking EEO data, regulations of performance against EEO standards and approving candidate selections
- **Travel and Expenses**—Travel and expense costs that are submitted by employees and reimbursed. Includes review of submission and all activities required to facilitate payment; does not include management approvals
- **Cost Allocation Plans**—Includes development, negotiation, implementation of the plan, indirect cost rates for the allocation of indirect costs to grants
- **Fixed Asset Accounting**—Refers to capital assets that you track for accounting purposes. It supports processes such as: creating asset master, posting invoice, capitalizing leased asset, maintaining asset master data, depreciating asset, retiring asset.
- **Inventory Accounting**—Inventory refers to consumable items that are stored in relatively large quantities and which you track for accounting and replenishment purposes. Inventory accounting involves transaction processing / posting that occurs directly related to inventory
- **Budgeting**—Perform revenue forecasting and planning, establish position / personnel budgets, prepare operational budget, review budget, approve budget, consolidate budget at department, agency and State level
- **Audit Liaison**—Conducting audit activities that evaluate and monitor the organization's risk management, reporting and control practices and make suggestions for improvement
- **Sourcing**—Develop strategy for commodities and services, develop goods and services procurement policies, determine commodity and service grouping procurement strategy, propose changes to statutes or regulations, develop sourcing plans, group categories, negotiate volume contracts, maintain and evaluate suppliers, and spend management
- **Grant and Contract Monitoring**—Review standard / specific terms and conditions with supplier, create contract, and maintain contract pricing and products (Note: Only include employees associated with fiscal work, not compliance activities)
- **Strategic Planning**—Develop the strategic planning for the organization. Assess the external and internal environment, develop vision, goals and performance measures, develop strategic, operational and financial plans, and develop capital plans

Other Processes—Opportunity for shared services (no data analysis)

The following processes were not included in the scope of data analysis, however, these should be kept in consideration while planning for the shared services reorganization and implementation:

- Information Technology (IT)
- Legal

- Legislative
- Print shop
- Facilities management
- Intergovernmental communications
- Regulatory adjudication
- Records management and imaging

As discussed above, the scope of the shared services vision for Illinois includes a broad array of administrative and support processes. The proposed model has been designed such that it can be expanded to support other processes that the State may choose to bring in to the shared services organization at a future date. This is illustrated in the following diagram.

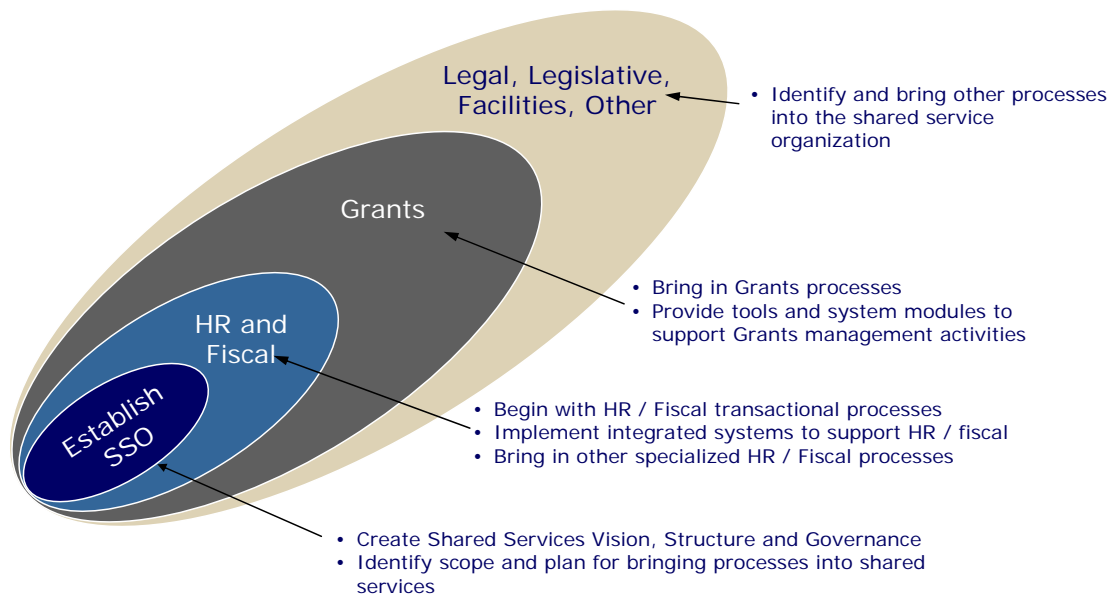


Figure 6: 2 Shared Services Model—Designed for Expansion and Growth

VI. Qualitative Benefits

Moving to shared services will allow the State to achieve qualitative improvements in processes and functions. These include benefits such as sharing innovative practices across clusters, enhancing productivity through pooled knowledge and talent, improved accuracy and accessibility of management information, and increased transparency and accountability.

The benefits described below are not quantified in the opportunity analysis either because of the difficulty in attaching meaningful dollar values to such broad, transformational achievements or because baseline information was not available.

Benefit	Description
Pooling of knowledge and talent within clusters	<ul style="list-style-type: none"> • Enables knowledge sharing across agency resources to leverage leading practices and experiences • Enhances ability to more evenly balance work load between resources, especially for agencies which are currently under-resourced • Provides more options to have back-up resources during peak times • Improves institutional ability to capture and operationalize extensive knowledge of experienced employees. This will be especially important over the next several years as the state workforce ages and retirement rates increase.
Cross-Functional, Cross-Agency Resources	<ul style="list-style-type: none"> • Increased workforce mobility as a result of the cross-functional, cross-agency nature of clusters • Increased skills and experience across all agencies • Enhanced career opportunities • Opportunity for personnel to work in a different work culture, with a more customer service focus
Improved Technology Leverage	<ul style="list-style-type: none"> • Easier coordination of technology initiatives and implementation of new technology • Enhanced IT integration • Increased automation of key processes through better technology • Greater flexibility to adapt to changing technology environment • Shared technology support resources
Improved Data Quality and Accessibility	<ul style="list-style-type: none"> • Single point of data access • Data is consolidated • Enhanced data quality, reliability, and integrity • Improved ability to leverage common information • Improved comparability, consistency, timeliness, and accuracy of information through greater control and standardization • Better access to enterprise-wide information
Improved Decision Making	<ul style="list-style-type: none"> • Improved and more timely decision making through easy access to accurate information • Increased value through segregating non-core processes and shifting focus in agencies to core activities such as agency program efforts • HR and fiscal personnel in the agencies spend less time on transaction processing and more time on analysis and decision support
Consistent Service Quality	<ul style="list-style-type: none"> • Consistent level of service across agencies • Providing a one-stop shop for internal customers for most of their HR and fiscal processing needs (single face to customer) • A defined set of policies and procedures followed by agencies, resulting in service consistency and better quality • Ability to leverage specialist skills and increase skill levels, resulting in better quality and customer service

Benefit	Description
Improved management of business process	<ul style="list-style-type: none"> • Decreased non-compliance risk • Flexibility to adapt to changing business requirements • Greater span of enterprise control • Increased focus and control of fiscal and HR processes • Efficient integration of divisions or departments that shift from one agency to another

Table 1

IX. Shared Services Components

Three of the key components to effective shared services are:

- Reorganizing staff
- Process redesign, and
- Integrated systems

Although shared services can be implemented and function without all three components, all three components are necessary to realize full benefits. For the State of Illinois, moving to shared services will entail:

- **Reorganizing staff** into a rationalized number of locations associated with clusters. Co-locating staff allows the realization of economies of scale and a reduction in FTE's required to process the same number of transactions as processed under a distributed model. It is critical to identify staff who have the necessary skills (e.g. knowledge of the process, ability to process transactions customer service oriented, etc.) to move to the shared services center. The ability of the individual agencies to identify high performing staff in each of the shared service process areas will help them define the level of service that can be provided by the center.
- **Process re-design** is necessary to create standardized processes that are streamlined, efficient and effective. Redesigning processes to be more streamlined and efficient will reduce burden throughout the organization and result in real cost savings in the shared service focus areas. An integrated system is key to effectively redesigning processes to support all agencies.
- **The implementation of integrated systems** to support administrative processes. The implementation of a leading practice technology provides the foundation to effectively implement shared services. Moving to a new system will provide greater automation and self-service benefits. In addition, it will reduce the need for agencies to continue to develop and maintain their own systems, specifically in areas where synergies can be realized through common processes and systems across agencies.

Reorganizing Staff

A considerable amount of planning must take place prior to beginning the reengineering of processes and implementation of an integrated system. Based on the priorities expressed by the State and prior to implementing an integrated system, the State will reorganize and co-locate certain staff into the cluster model using a phased approach.

Implementation Project Team

In addition to moving staff into the appropriate clusters, project teams of high performing leaders and staff with subject matter experience in HR and fiscal functions will need to be mobilized as soon as possible. These teams can be mobilized to undertake the initial project activities including:

- Conducting process analysis to determine scope of processes for shared services and defining the process design improvements and standardization that can be accomplished with the initial re-organization.

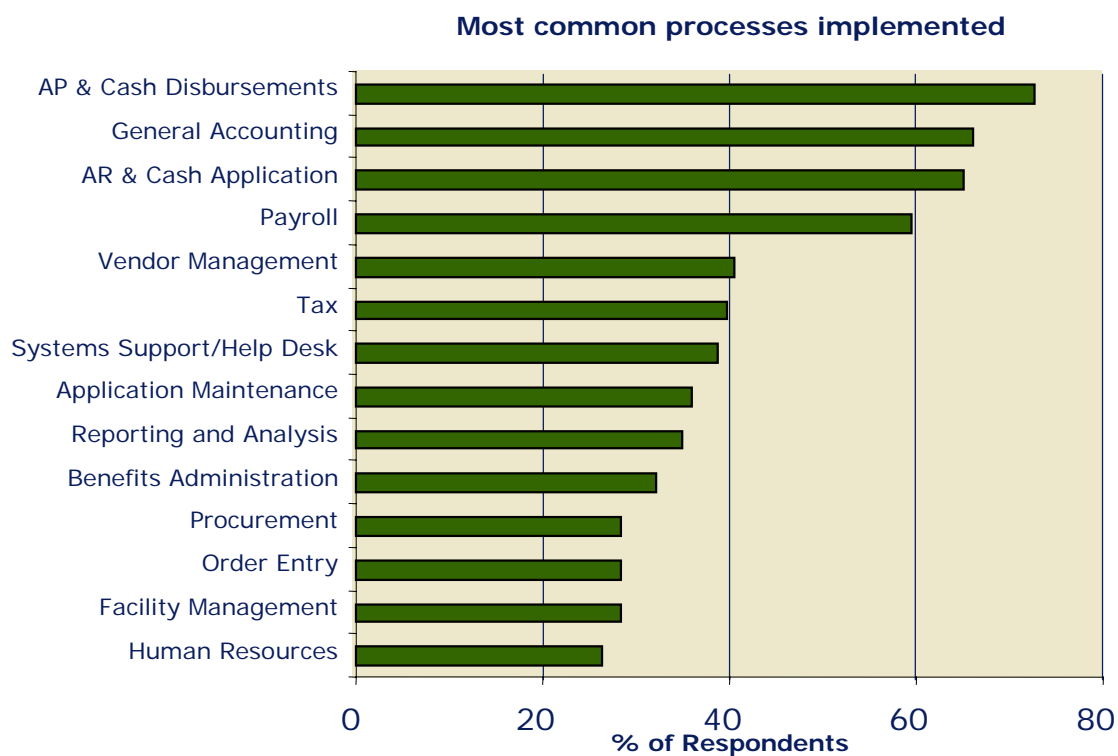
- Conducting organizational analysis to identify staff to move to shared services clusters, developing a workforce transition plan etc.
- Creating redesigned processes and building requirements for an integrated system to meet agency needs and move the State towards achieving the targets.

Upon completion of the above activities, these teams will be involved in the implementation of the system, including the process re-design sessions, testing and training end-users within the clusters and other State employees on how to use the system.

Process Redesign

The move to the shared services organization using enabling tools and technology drives the need to redesign processes to make them effective and consistent across clusters. As a first step, the State needs to conduct a detailed analysis of processes and identify the scope of processes and sub-processes that will be performed by the shared services organization and the processes that will continue to be performed at the agencies.

As depicted in the following diagram, HR and fiscal processes typically conducive to shared services include the following*:



**Based on a 2005 Deloitte Consulting Shared Services Study of ~ 120 organizations*

Appendix E provides some guiding principles for determining how processes could be handled within a cluster model, as well as some suggested break-down of processes within the responsibility areas (i.e. Agencies, SSC, etc).

It is difficult to undertake significant process re-design without implementing enabling technology. However, to the extent possible, processes need to be standardized within clusters and the State needs to leverage existing agency leading practices (if any) for initial improvements.

As the shared services structure evolves and new technology is selected, processes must be re-designed to make better use of technology to move the State towards leading practices within the in-scope process areas.

Appendix F provides additional detail on changes to each process that was reviewed for the State of Illinois.

Once processes have been redesigned, the roles and responsibilities of the cluster staff must be redefined in a manner that is consistent with the new approach to service delivery. This can be a significant undertaking but is a critical component of organization design and implementation.

Implementation of Integrated Systems

Having multiple HR and fiscal systems in the shared services organization for the longer term will be inefficient and ineffective. This would seriously limit the benefits available from aggregation and existing systems are not able to sufficiently support leading practices and standard process designs.

The use of an integrated system also provides the opportunity to extend the scope of functions supported (e.g. asset management, inventory and grants management, etc.) from the single, integrated platform. Maintaining standard processes, systems and functionality across the clusters will be critical in promoting consistency and standardization among clusters.

The following diagram provides a sample view of current vs. integrated HR and fiscal systems for the State of Illinois.

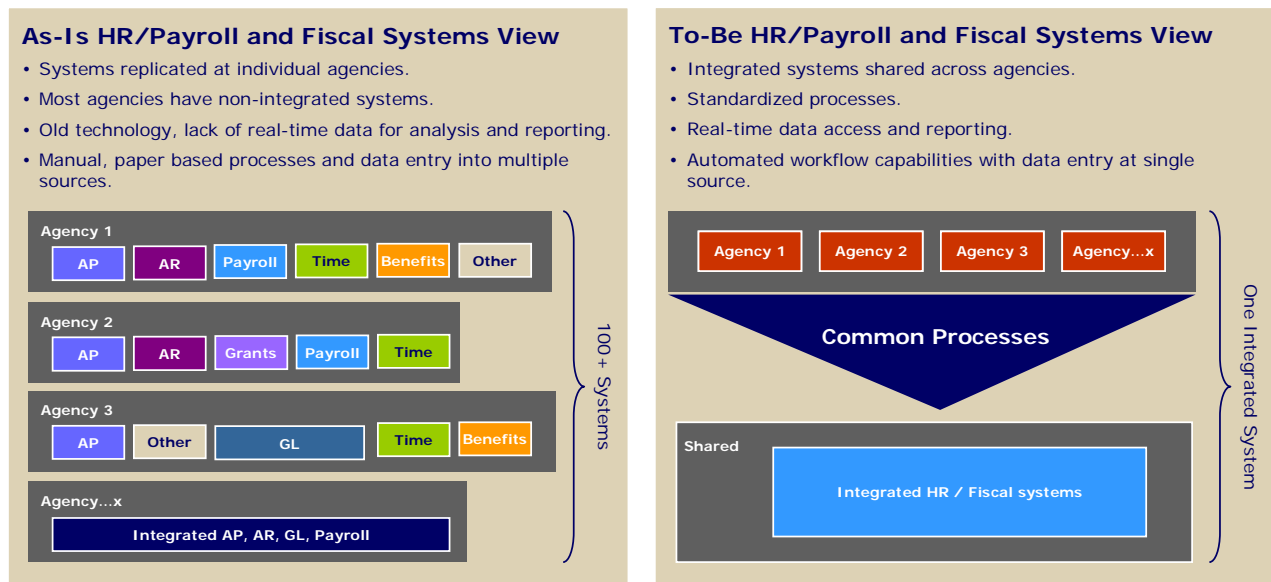


Figure 7: Sample As-Is and To-Be Systems View

X. High-Level Implementation Plan

The implementation of shared services at the State of Illinois will involve significant change for a number of stakeholders, both internal and external to the state. It is imperative that the needs of the internal customers (agencies) are considered of prime importance both in designing the co-location strategy for clusters, as well as the process redesign and implementation of systems. In addition, a critical success factor for the state is to solicit, obtain and maintain continued involvement and buy-in from entities such as the Auditor General, the Comptroller, the agencies themselves and the labor unions.

Based on a draft implementation plan, the detailed planning and design of clusters and business requirements for technology selection is expected to begin immediately following the conclusion of this assessment in Q3 Year 0 (Fiscal 2006). For the purposes of this opportunity analysis, the Years 0-5 of the design and implementation and cost-benefit analysis of the shared services organization are defined as follows:

- Year 0—Fiscal Year 2006
- Year 1—Fiscal Year 2007
- Year 2—Fiscal Year 2008
- Year 3—Fiscal Year 2009
- Year 4—Fiscal Year 2010
- Year 5—Fiscal Year 2011

The State of Illinois shared services implementation plan is based on the shared services methodology shown below. The methodology uses a five phases, six threads approach to conduct project activities.

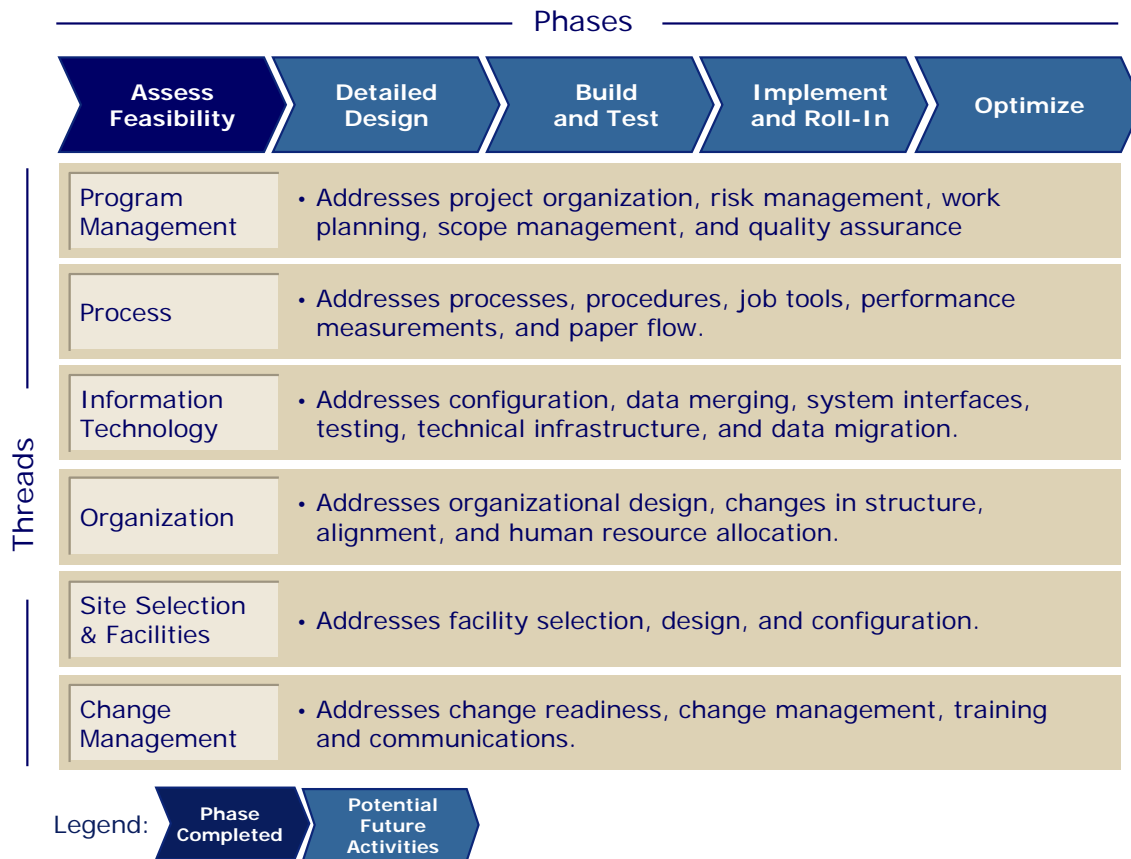


Figure 8: Shared Services Implementation Plan Methodology

The Assess Feasibility phase of the project, which has just been completed, sets the framework and baseline from which a viable shared services solution can be built. A summary of the Assess Feasibility phase goals and recommendations is provided below as a reference for the go-forward implementation plan provided later in this section.



Figure 9: Assess Feasibility Phase Recommendations

Detailed Design



Figure 10

Over the next 6-12 months, the State will need to undertake the next phase of activities to create the opportunities for benefits that are expected to accrue by moving to shared services. These activities are geared towards a more in-depth assessment of existing agency processes, organization and systems and design of the shared services organization and the path to get there. The activities include defining detailed system and functional requirements, developing and issuing RFP for integrated system solution and evaluating viable facilities for shared services clusters. Once the system solution has been selected, the State will need to undertake additional activities to develop detailed process and system design to prepare for system configuration and testing over a period of approximately 6 months.

Build and Test



Figure 11

In this phase, the State will configure and test processes and software, complete interfaces and enhancements and reports, finalize the plan for implementation and build training materials. During this phase, the State will also begin co-location of staff into the identified clusters. The cluster reorganization will be rolled out in three stages, with the selected employees from each agency moving to their designated cluster.

Reorganization Stages

- C1: Regulatory/G&A, Public Safety and Higher Education clusters will be formed (beginning July 1, 2006)
- C2: Healthcare cluster will be formed (beginning January 1, 2007)
- C3: Social Services and Environ/Economics clusters will be formed (beginning July 1, 2007)

Implement & Roll-In



Figure 12

The technology will be rolled out using a wave approach. HR and fiscal processes will be rolled out in separate waves that are staggered. Considering the size and number of agencies that will be impacted, a staggered approach will provide for easier management of implementation activities and timelines. Key processes targeted for implementation in the HR waves are benefits, payroll, personnel and timekeeping. Fiscal processes targeted are AP (including travel), AR/collections, GL and purchasing. Additional processes may be incorporated (e.g., fixed assets, grant accounting) but will be determined by the State during the Detailed Design phase.

Optimize



Figure 13

Once systems are implemented and the shared services organization is operational, the State will need to monitor and manage shared services performance to identify opportunities for continuous improvement.

The overall plan and timeframe for implementation of the shared services organization is depicted in the diagram below. Appendix G also provides additional details of the implementation plan activities by each phase of the shared services methodology.

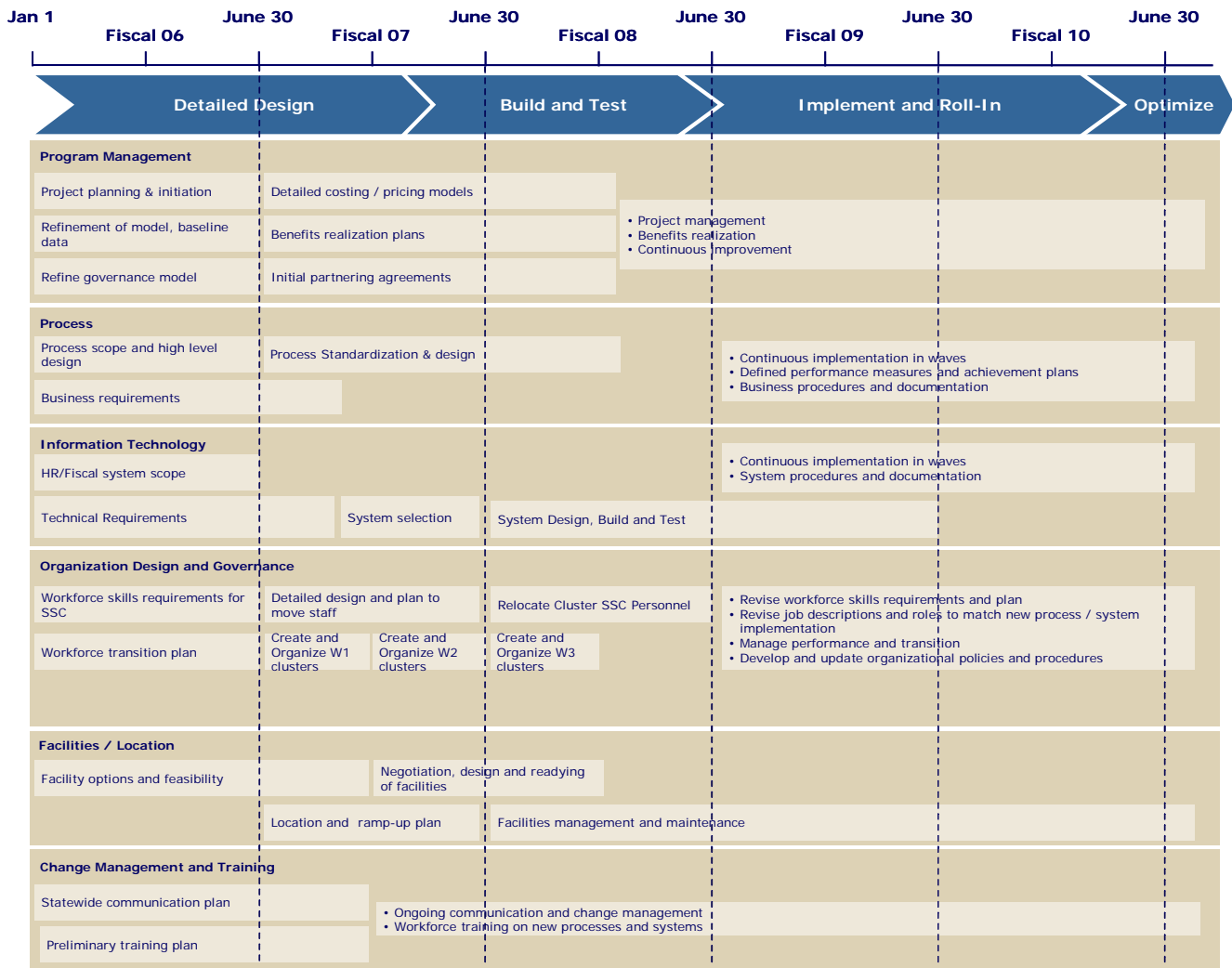


Figure 14: Implementation Plan for State of Illinois Shared Services

XI. Governance Model and Organization Structure

This section provides a preliminary governance and organization structure to support the shared services vision outlined. It is important to note that this is preliminary and will evolve as the State moves forward with implementation. The diagram that follows provides a high level view of this initial governance (strategic direction) and reporting (operating) model for shared services in the State of Illinois.

- Shared services centers in the State are referred to as Support Services Centers (SSC)
- The leaders of those centers are referred to as Support Services Directors
- The State-wide Support Services Board (single) and the Cluster Boards (one for each cluster) provide strategic direction to the SSCs and a decision making forum for critical issues
- The Head of Shared Services (may be the COO) has overall responsibility for the SSCs in the State. The Support Services Director for each cluster reports directly to the Head of Shared Services and has responsibility for day to day operational decisions

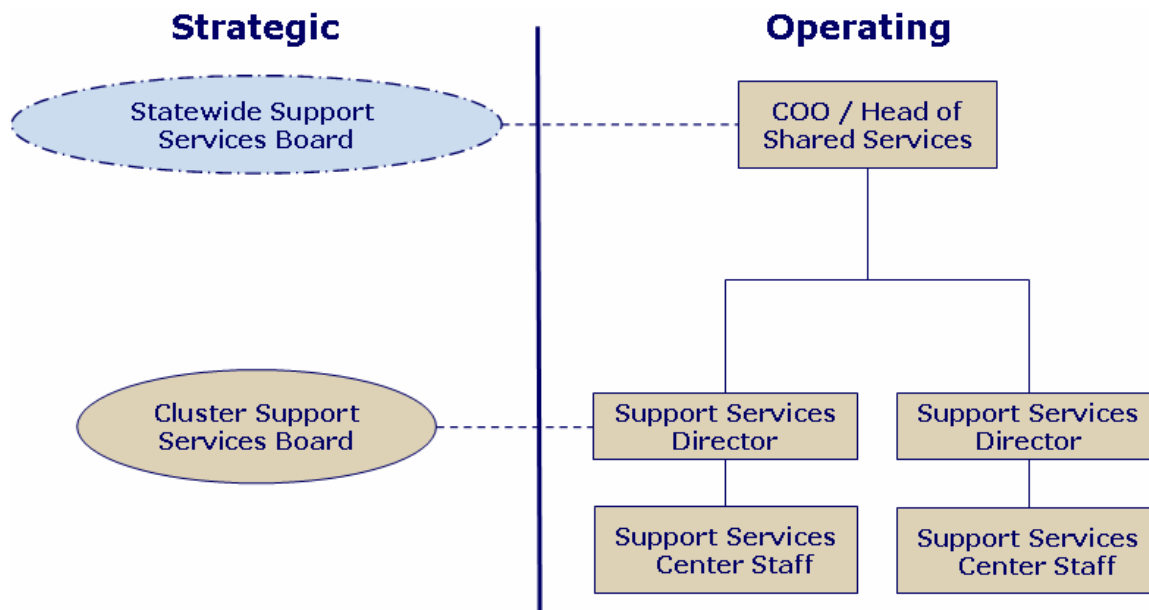


Figure 15: Initial Governance and Reporting Model

Governance Model

The governance model is supported by the key principles below and represented in the diagram that follows:

- Each cluster has a Support Services Center (SSC) that provides services to all agencies in that cluster
- Each SSC is a discrete organizational unit focused on performance and customer service
- Each cluster has a “host agency” that acts as the employing authority
- The host agency has an allocated budget for the SSC based on contributions from the customer agencies
- The Support Services Director is responsible to the cluster board that is chaired by an agency director or their designee
- The chair from each cluster sits on a State-wide Support Services Board and represents the agencies in its cluster
- The host agency may or may not be the same as the chair agency

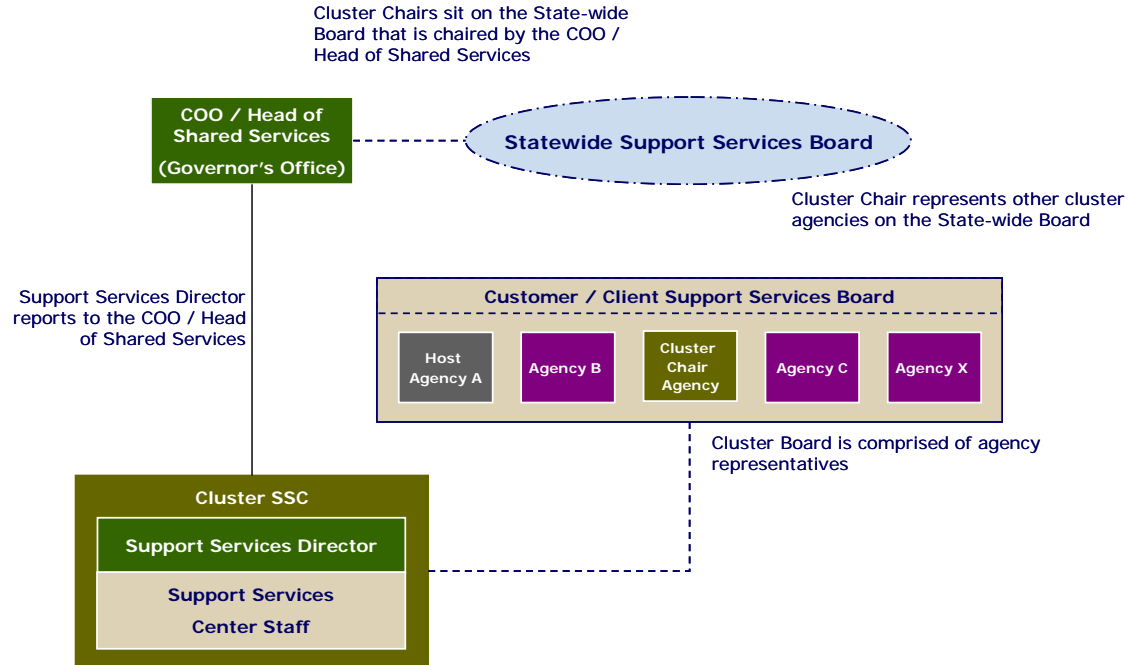


Figure 16: Initial Governance Model

The roles and responsibilities of the key entities represented in the governance model are described in the following table.

Entity	Roles and Responsibility
State-wide Support Services Board	<ul style="list-style-type: none"> Responsible for strategic planning and performance measurement Chaired by COO Includes cluster chair agency representatives Sets government-wide strategies, policies and standards for support services Addresses issues / opportunities brought forward by executive team / clusters Initiates audits and performance reviews in individual clusters if necessary Supported by the SSC Directors
COO / Head of Shared Services	<ul style="list-style-type: none"> Leader of shared services across the State Overall accountability for implementation of shared services across the State and for achievement of outcomes (benefit realization) Authority to make decisions regarding the management of the implementation, budget and resources
Cluster Support Services Board	<ul style="list-style-type: none"> Permanent board in each cluster Chaired by agency director (or designee) in cluster Includes select customer agency representatives Oversees agencies transition to support services arrangements Implements agreed strategies, policies and standards in cluster Monitors SS Cluster Performance against partnership agreements and performance of Support Services Director Resolves customer service delivery issues Recommends improvement opportunities and raises issues to Support Services Director (may be elevated to SS Board) Supported by Support Services Director (SSD) and key senior staff as determined by SSD

Entity	Roles and Responsibility
Customer Agency	<ul style="list-style-type: none"> Multiple agencies in a cluster that receive services provided by the Support Services Center (SSC) under a Partnership Agreement (service level agreement) Authorizes payments to SSC for services provided (provides funds to SSC) Agrees upon Partnership Agreements with SSC Participates in Cluster Board
Support Services Center	<ul style="list-style-type: none"> SSC located in a particular cluster that is part of an overall support services organization Provides agreed services to customer agencies in cluster under a Partnership Agreement Implements approved standard processes that adhere to State-wide policies
Host Agency	<ul style="list-style-type: none"> "Houses" all the employees associated with the Cluster SSC Has an allocated budget for the SSC based on contributions from customer agencies May or may not be the same agency that has the cluster chair

Table 2

SSC Organization Structure

The chart below provides an initial view of the potential organization structure for a Cluster SSC.

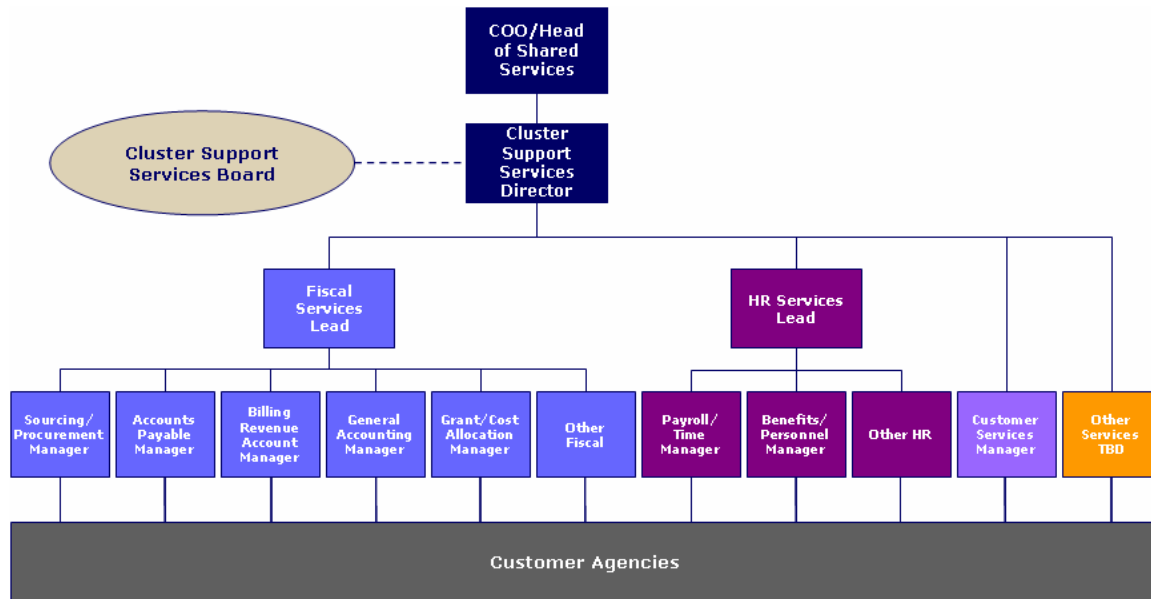


Figure 17: Support Services Organization Structure for Sample Cluster

The core organizational components in this chart include Fiscal services, HR Services, Client Services and Other Services. The fiscal and HR services are depicted in the chart and the sub-processes included in each area are provided in the table below. The client services manager will be responsible for client relationship management and will also have responsibility for the contact center to answer customer inquiries. The contact center will be supported by staff from the fiscal and HR functional areas. The other services are not fully defined but could include services such as legal, legislative, grants management and facilities management.

For each of the fiscal and HR areas listed above the processes included are outlined in the following table:

Fiscal Processes					HR Processes			
Accounts Payable	Sourcing/ Procure	Billing/ Rev Acct	General Acct	Grants/ Cost Alloc	Specialized Fiscal	Payroll/ Time	Benefits/ Personnel	Specialized HR
<ul style="list-style-type: none"> • Accounts Payable • Travel Expenses 	<ul style="list-style-type: none"> • Sourcing • Purchasing 	<ul style="list-style-type: none"> • Accounts Receivable (including Remittance Processing) • Collections 	<ul style="list-style-type: none"> • General Ledger • GAAP Report • Mgmt Report • Fixed Asset Acct • Inventory Acct 	<ul style="list-style-type: none"> • Cost allocation plans • Grant / Contract Monitoring • Grant Reporting 	<ul style="list-style-type: none"> • Audit Liaison • Budgeting 	<ul style="list-style-type: none"> • Payroll • Time keeping 	<ul style="list-style-type: none"> • Benefits admin • Personnel file / data maint. 	<ul style="list-style-type: none"> • EEO • Labor relations • Recruiting & hiring

Table 3

The Governance model and design of the organization will continue to evolve as the State moves towards its goal of implementing the shared services structure and redesigns processes and systems.

