



M E M O R A N D U M

Date: March 25, 2021

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Subject: Item 8(b) – Addition of Funds to the Epicor 10 Financial System Contract

ISSUE

The California State Lottery (Lottery) is requesting to add \$630,000 to support a project schedule extension for implementation of the Epicor 10 (E10) financial system upgrade and supporting applications. These funds would support moving the project go live date from May 2021 to September 2021.

BACKGROUND

The Lottery entered the current contract with Epicor Software Corporation (Epicor) in December 2018 for the implementation of the E10 financial system and supporting applications. This contract supports an upgrade of the Lottery's current on-premise Epicor 7.4 financial system to the cloud-based Epicor 10 system. The project also includes the replacement of the Lottery's procurement system and the addition of several key business enhancement applications, including a retailer payment and collections system, a budget and financial reporting tool, and an electronic document retention system. In addition, the Lottery is updating critical financial reports with new software that supports dashboards and business activity queries.

One main scope objective was for Epicor to evaluate Lottery business processes and suggest recommendations to increase efficiency and streamline staff work within E10. This business process transformation has been a continual evolution as each task is designed and reviewed with the stakeholders with time/work improvements in mind.

Since the implementation phase of the project began, Epicor and the Lottery project team have diligently worked to maintain progress per the project schedule. However, the project requires additional time in the following areas:

- Complete design and testing of Lottery business processes during the current proof of concept phase
- Complete application and process design work
- Solidify end user procedures and perform process walk-throughs in the E10 test system. This includes staff across multiple divisions who are re-designing joint processes and procedures to maximize communication and workflow efficiency.

This schedule extension will allow for completing the design and proof of concept stages and supporting a thorough “stress test” of E10 and the associated applications during two planned user acceptance testing periods before the system launch.

DISCUSSION

The risk of completing a project on time is inherent in most large-scale projects involving multiple systems and integrations, unique business processes, a customized chart of accounts, and many users. Since the start of the E10 project, the project team identified the risk of completing the project on time due to the complexities of moving Epicor 7.4, an outdated (i.e., not fully supported) and significantly customized system, to a modern cloud-based financial system, while also transforming business processes for increased efficiency. Based on earlier discussions with the Epicor consultants, the previous goal was to go live in May 2021; however, as the work streams progressed, it became apparent that more time was needed to conduct thorough analysis and testing of the new coding structures and sample transactions. Adjusting the project milestones and the go live date to September 2021 is the optimal way of ensuring more robust system testing and user training, thereby mitigating the inherent risk in transitioning to a new financial system.

To help ensure the deadline of September 2021 is reached with no further delays, Epicor has brought in an additional resource to assist their main consultant with the implementation workload. This risk mitigation strategy increases the probability of success by eliminating the single consultant resource risk. The roughly four-month delay in the go-live date as well as this additional consultant for the E10 project implementation will result in total costs exceeding the \$4.6 million included in the Epicor contract.

There are several factors and challenges the project has faced which support this schedule extension and associated dollar increase. Epicor and Lottery project sponsors discussed and approved updating the Lottery’s chart of accounts design to a level that offered more streamlined and granular accounting, budgeting, and reporting for Lottery staff. Although modifying the chart of accounts was not in the original scope of the project, doing so offers a clear benefit to the Lottery and it was advised by the consultants that the E10 upgrade offered the best transitional opportunity to change the chart of accounts versus a later time. This is not an easy task since the Lottery’s current account coding has been in effect for 20 years. However, it was advised that modifying the Lottery’s chart

of accounts after E10 was already implemented would considerably increase the complexity, time, and associated cost.

Also, there were process and data integration complexities not detailed by Epicor in the business planning system review document during the requirements phase, which has required further design and review time. Other factors contributing to the schedule extension arose from the pandemic and include transitioning to a teleworking environment and resource constraints arising from staff/stakeholders taking PLP days each month.

Another key factor is the simultaneous upgrades of the gaming system (Aurora) and the Epicor system. These critical projects have had their respective design and implementation phases run concurrently. Both projects utilize similar stakeholders and have needed to manage resource time and availability for project work with normal job duties. This is particularly true for the Finance Division, which has numerous staff as critical stakeholders for both the Aurora and E10 processes. This has made it very challenging for staff to devote quality time to the needed project work in addition to performing regular duties.

Note that this is a request to increase the contract dollars only. The term of the contract runs through December 23, 2023 and reflects time for requirements gathering, design, development, implementation, and a period of cloud services and support following implementation. Because implementation is now taking longer than originally projected, this will simply reduce the time allotted for cloud services and support.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve an increase of \$630,000 to support a September 2021 go live date for E10 implementation. This will increase the total contract amount to \$5,230,000.