
POP 102: CASH MANAGEMENT MODERNIZATION

\$ 1,192,728 Other Funds

6 Positions (6.00 FTE) adjusted to 7 Positions (5.8 FTE)

- Cash Management Renewal Manager (Project Manager 3)
- 2 Cash Management Business Analysts (Operations and Policy Analysts 3)
- Senior Cash Management Accountant (Accountant 4)
- LGIP Accountant (Accountant 2)
- 2 Cash Management Business Application Specialists (ISS 8 and ISS6)
- NO FUNDS REQUESTED FOR SYSTEM DEVELOPMENT OR SYSTEM PURCHASE YET!

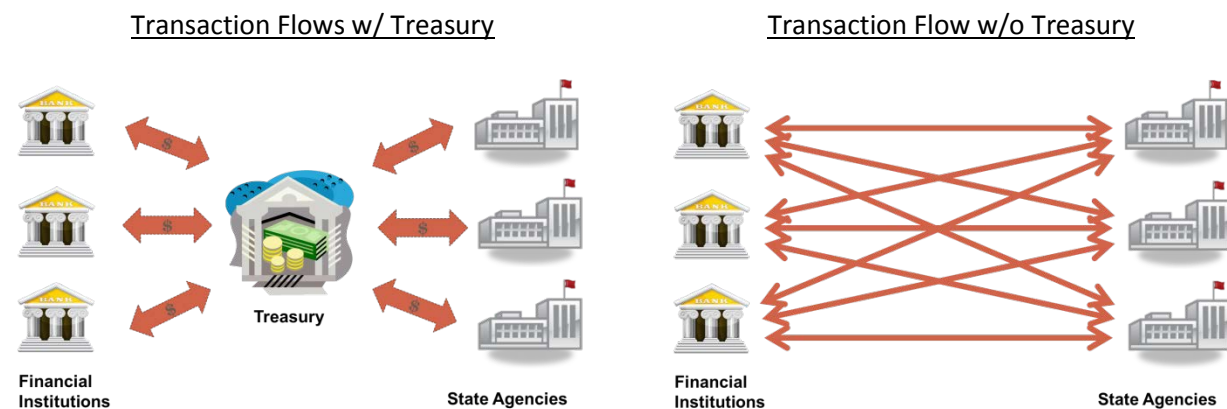
What is the Cash Management Program?

The Oregon State Treasury Cash Management Program focuses on optimizing the use of cash for Oregon state agencies and local governments. We do this by:

- Providing depository, check redemption, and electronic payment services for state agencies
- Protecting public funds by ensuring compliance with regulatory and industry requirements.
- Maintaining and reporting customer account information
- Facilitating cash management transactions via secure technology infrastructure
- Operating the Short Term Fund (OSTF) and Local Government Investment Pool (LGIP) as a short-term cash investment vehicle for state agencies and roughly 1,000 local government

Notably, Treasury manages nearly 20 million financial transactions annually with over \$172 billion flowing in and out of the division in 2012 including payments for: Unemployment Insurance, PERS benefits, child support, DHS benefits, education distributions, provider payments, tax collections and refunds, state and university payrolls, and much, much more.

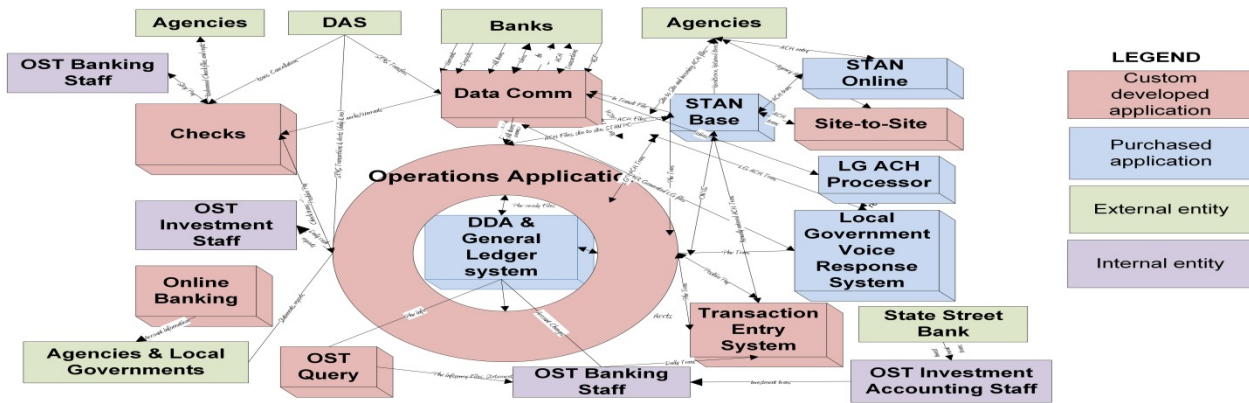
Treasury is the interface between all state agencies and universities and roughly 20 banking institutions.



What does the infrastructure look like supporting these processes?

The current infrastructure is a highly interfaced mix of purchased and internally built systems in its fifteenth year of service. The Windows platform is on a single database standard and is a mix of web and client-server applications. The systems must interact with each other, other state systems (SFMS), partner financial institutions, and other vendors. Data passing through the systems is time sensitive, often batch-oriented, and has high security demands.

Cash Management System Overview

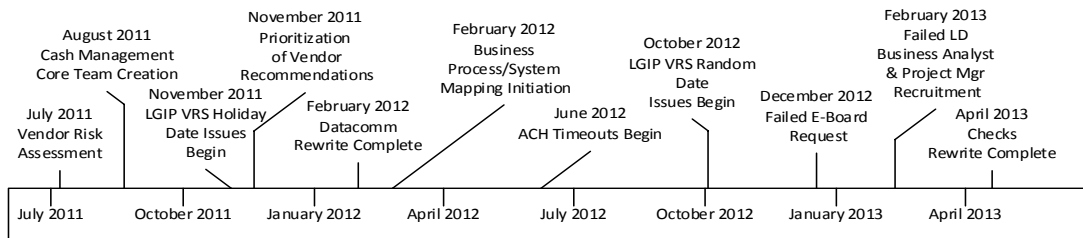


Why is additional investment necessary now?

With billions of dollars moving through Treasury annually, the state simply cannot afford for these systems to fail. Unfortunately, the existing systems are aging. Some are no longer supported by their vendor(s). Some cannot be moved off of aging hardware. Technology standards and tools continue to evolve. Customer needs and security requirements are increasing as industry innovation and the regulatory operating environment have grown significantly complex. Failing systems, work-arounds, and ad hoc problem solving consistently draw staff resources away from routine daily operations and limits Treasury’s ability to enhance services. At the same time, cash management staffing at Treasury is the leanest that it has been in 13 years. Many agencies have also reduced their own staff due to budget restraints, requiring additional services from OST. Now is the time to act.

What actions have been taken to date?

In 2011, Treasury hired a vendor to help assess the technology-related risks to these systems, including: the future viability of system architecture and underlying technology, the ability of OST to continue to support existing applications, provide additional services, implement regulatory changes, or adapt to changing business requirements within the existing systems infrastructure. The assessment recommended a complete business process mapping exercise for the purpose of better understanding and, ultimately, replacing, refining, or validating use of core technology. Treasury used one-time savings to initiate that project. A brief look at other recent actions to date is provided below:



What needs to happen next?

Approval of POP 102 will bolster critical daily operational needs, allow for continuation of the business mapping project, support a more detailed business case development for process and system replacement projects (starting with LGIP-related systems due to high-risk of infrastructure failure), and allow for development of a permanent “renewal” program, rather than continuing to wait for that critical “end-of-life” state for future systems – as by that point, urgency and short-term requirements can add risk and cost to such projects. Treasury will continue to use industry best practices and standards through all phases of the renewal program.