

# Auditor's Summary Report

## Oversight of the Accountable Business Transformation (ABT) Program 1/9/06

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As part of its 2005 work program, the King County Auditor's Office was asked to provide oversight monitoring of the development of the Accountable Business Transformation (ABT) program. ABT grew out of the Financial Systems Replacement Project (FSRP), which was originally intended to replace the county's aging financial and payroll systems but was suspended in 2000.

The County Council requested that the County Executive develop a business case for a new approach to replacing these systems. With the help of an outside consultant, a business case was developed in 2004 that recommended that the county implement a new, integrated countywide financial, human resource, payroll, and budget management system.

The auditor's office subsequently reviewed the costs and benefits associated with the business case and found that the cost estimates were reasonable and that the project has the potential to pay for itself. We concluded that the benefits attributable to the project were likely to be significantly lower than estimated.

We recommended that project costs and benefits be updated and more fully validated. Also, the financial-related and human resource components of the project should be separately itemized for better visibility. Baseline costs, benchmarks, and performance measures should be developed so that the county can accurately track costs and evaluate whether ABT meets the county's vision and goals for the project.

In 2005, the executive presented the council with a recommendation that the county proceed with developing new integrated systems for its finance, human resource, payroll, and budget operations called the Accountable Business Transformation (ABT). The auditor's office continued its oversight of ABT planning efforts in 2005 and monitored the executive's progress towards implementing our management letter recommendations. It also reviewed draft staffing and management plans for ABT, which are still in development.

### 2005 Oversight Activity

Over the course of the year, the auditor's office continued to provide oversight and analysis of the county's efforts to replace its financial, human resource, payroll, and budget systems.

In April, we completed our review of the Quantified Business Case (QBC) developed for the county by Dye Management, Inc. in 2004. The QBC recommended that the county unify its multiple financial systems, and develop new, integrated business

practices for its financial, human resource, payroll, and budget operations.

Based on the results of the QBC, the County Executive presented a recommendation to the council, that the county proceed with an integrated financial, human resource, and budget management system. This recommendation was called Accountable Business Transformation (ABT). With ABT the county is transitioning from the replacement of its financial computer system to a reconfiguration of how it operates its business and human resource functions.

In the latter half of 2005, the auditor's office has assisted with oversight and review of the preliminary ABT program planning efforts.

### *Auditor's 2005 Management Letter*

Our April 2005 management letter concluded that the QBC cost estimates were reasonable, although they needed to be updated. In addition, the project has the potential to pay for itself, although the actual benefits attributed to the project are likely to be significantly lower than estimated by Dye.

We also determined that some technical errors were made by Dye in the cost-benefit analysis and that combining the financial-related project costs with the human resource costs obscured the cost-benefit information of each component.

### *Cost and Benefit Validation*

Our analysis involved general validation of the cost data and benefit assumptions in the QBC. While our review showed the technology and operational costs to be reasonable, some costs proved difficult to verify. Also, county agencies, departments, and divisions self-reported the information, and it was not validated as part of the QBC development. The cost figures should therefore be viewed as estimates.

The QBC's estimated quantifiable benefits are substantial; however, they should be used with some caution. This is because a majority of the benefit estimates are based on limited sources and general research rather than specific analysis of county operations. It is therefore unknown to what extent these savings can actually be realized by King County. This is especially true for the benefits estimated for the human resource area, which make up over 90 percent of the project's lifetime benefits.

### *Recommendations*

We recommended that the implementation costs be updated, the major costs and benefits included in the financial plan be more fully validated, and quantifiable cost savings be formally incorporated into the ABT program plan and schedule.

As county staff update the primary implementation costs, they may wish to further verify the major operations costs that were self-reported by county departments. In addition, the technical approach used to calculate the lifetime costs and benefits of the project should be modified.

In addition, the financial-related and human resource components of the project should be individually itemized. Baseline costs, benchmarks, and performance measures should be developed so that the county can accurately track costs and evaluate whether ABT meets the county's vision and goals for the project. The executive concurred with our recommendations.

### *Follow-up Work*

The auditor's office is communicating with Department of Executive Services (DES) and the Office of Management and Budget to resolve the cost-benefit discrepancies identified in our review. Per the executive's response to our report and the *ABT Recommendation and Business Case* report, the executive intends to resolve these differences and to update the program's estimated costs and benefits.

### *Program Management and Staffing*

The auditor's office was asked to review the executive's draft plans for managing the ABT program. We obtained outside consulting expertise for this review which included an evaluation of the interim program director's draft program management structure, staffing approach, and use of consultants. Our preliminary results were shared with DES management and the new ABT manager hired in September 2005. Completion of our assessment is pending updated plan details from ABT management.

The auditor's office will continue its oversight and follow-up efforts in 2006.

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