



**KING COUNTY AUDITOR'S OFFICE**  
**CAPITAL PROJECTS OVERSIGHT PROGRAM (CPO)**

**ACCOUNTABLE BUSINESS TRANSFORMATION PROGRAM**  
**OVERSIGHT REPORT FOR FIRST QUARTER 2009**



**CURRENT RISK RATING** ▼ Attention is needed to address schedule and budget concerns and issues and risks described below.

**PROJECT DESCRIPTION**

The ABT Program will transform King County's operations by consolidating and streamlining business processes and by implementing new financial, human resource, payroll, and budget systems for use by all agencies of county government. Implementation of the ABT Program is led by program staff in the Department of Executive Services.

**PROJECT STATUS** ● = No Current Risks ▼ = Attention Required ◆ = Corrective Action Required

● **Scope**

The baseline scope is in the ABT Detailed Implementation Plan (DIP), approved by council in October 2008. Council added the requirement of a Benefits Realization Plan. ABT has made one minor scope addition. They plan to extend the Performance Management and Reporting effort by one year beyond the planned go live date to enhance and refine reporting capabilities.

▼ **Schedule**

<u>Activity (go live dates)</u>	<u>Approved Schedule</u>	<u>Current Forecast</u>	<u>Comment</u>
Human Capital Management	09/02/09	02/16/10	167-day delay
Payroll (first of three)	01/03/11	02/16/11	43-day delay
Financial	01/01/11	02/01/11	30-day delay
Budget (first of two)	04/01/12	02/28/12	30-day acceleration

▼ **Budget**

	<b>Approved Budget</b>	<b>Expenditures thru March 09</b>	<b>Expenditures as % of Budget</b>	<b>Forecast Cost at Completion*</b>
Planning	\$ 9,032,857	\$ 8,698,665	96%	\$ 9,032,857
Implementation	64,595,037	2,852,800	4%	64,595,037
Contingency	12,919,007	0	0%	12,919,007
<b>Total</b>	<b>\$86,546,901</b>	<b>\$10,547,762</b>	<b>12%</b>	<b>\$86,546,901</b>

\*As reported in ABT Program Annual Report 2009

- ▼ **Issues and Risks:** Strategies are in place but may not be adequate to address the following:
- Costs to prepare agency side system interfaces to the new ABT systems are not budgeted.
  - Preproduction technology environment testing is ongoing to inform the production system needs.
  - Project Review Board and ABT Management approvals have the potential to delay schedule.
  - Project teams are not fully staffed and will need expert functional and technical skills.
  - Active and consistent participation by agency staff is needed for program success.
  - Budget system schedule is dependent upon negotiating contract with CIBER, Inc. in July.

**For detailed information regarding this project, see the following pages.**  
 July 27, 2009

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### ***King County Auditor's Office – Cheryle Broom, County Auditor***

*The King County Auditor's Office was created in 1969 by the King County Home Rule Charter as an independent agency within the legislative branch of county government. Its mission is to promote public trust in King County Government by providing audits and other services that improve performance, accountability and transparency.*

### ***Capital Projects Oversight Program – Tina Rogers, Manager***

*The Capital Projects Oversight Program (CPO) was established within the Auditor's Office by the Metropolitan King County Council through Ordinance 15652 in 2006. Its goal is to promote the delivery of capital projects in accordance with the council approved scope, schedule, and budget; and to provide timely and accurate capital project reporting.*

CPO oversight reports are available on the Auditor's Web site ([www.kingcounty.gov/operations/auditor/reports](http://www.kingcounty.gov/operations/auditor/reports)) under the year of publication. Copies of reports can also be requested by mail at 516 Third Avenue, Rm. W-1033, Seattle, WA 98104, or by phone at 206-296-1655.

**ALTERNATIVE FORMATS AVAILABLE UPON REQUEST  
CONTACT 206-296-1655 OR TTY 206-296-1024**

## **INTRODUCTION**

This is the second quarterly oversight report prepared for and submitted to the Government Accountability and Oversight Committee by the Capital Projects Oversight Program (CPO) on the status of the scope, schedule, budget, and risks for the Accountable Business Transformation (ABT) Program. The King County Auditor's Office (KCAO) was directed to provide independent oversight in September 2006 by Ordinance 15595.

Oversight is conducted through monthly meetings with a working group of staff from the ABT Program, auditor's office, council, and Office of Management and Budget (OMB). We coordinate our oversight efforts by reviewing the reports of the quality management consultant, who reports directly to the program sponsor (the director of the Department of Executive Services), and also the reports to and from the Project Review Board (PRB). We review and conduct independent analysis where appropriate on the formal reports issued by the ABT Program.

This report comments on three formal reports submitted by ABT to the council in June: the ABT Quarterly Report June 2009 (covering the quarter ending March 31, 2009); the first annual report required by Ordinance 16275; and a report on the policies and procedures regarding division of duties between consultants and county staff. These reports were delivered to clerk of the council by the executive by the mandated deadlines of June 1 and June 30, 2009. Budget information is based on financial records as of March 31, 2009. Elsewhere in this document, the most current information available at publication date has been used.

## **PROJECT STATUS UPDATE**

### **Major Accomplishments**

Major accomplishments since our previous report are:

- The Human Capital Management (HCM) Project completed 16 fit/gap sessions<sup>1</sup> and received approval from the ABT Management Team at a checkpoint review to proceed to the configuration stage.<sup>2</sup>
- The Payroll/Time Labor (PTL) Project completed over 30 fit/gap sessions and are preparing for checkpoint review by the ABT Management Team in September.
- The Finance Project completed over 70 fit/gap sessions and are preparing for checkpoint review by the ABT Management Team in August.
- The Budget Project selected a consultant for the budget process redesign effort.
- The program established a preproduction technology environment in order to test hardware and software applications; test results are pending.
- The Benefits Realization Project completed the Benefits Realization Plan and submitted it to the council on April 30, 2009 as required by Ordinance 16275. The consultant firm of Pacific Technologies, Inc. was hired to prepare the Benefits Measurement Plan.

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<sup>1</sup> Fit/gap sessions are a step in the discovery stage of the implementation process to: (1) determine the appropriate "fit" of county business requirements with the PeopleSoft and Oracle applications; and (2) identify a viable resolution for any "gaps" in the software.

<sup>2</sup> There are five implementation stages: discovery; configuration; additional development and testing; deployment (go live); and post-production support.

## Scope

The ABT Program is a multi-year effort to standardize and streamline the county's business processes and systems for its human resources, payroll, finance, and budget functions. The program scope consists of five projects described below.

- The Human Capital Management (HCM) Project will implement countywide human resources business processes supported by the PeopleSoft HCM system. In addition, the project will implement an upgrade to PeopleSoft 9.0 for current PeopleSoft users (about one-third of the county).
- The Payroll/Time and Labor (PTL) Project will implement countywide payroll/time and labor business processes and migrate from the legacy system to PeopleSoft Payroll/Time and Labor the portion of the county (about two-thirds) that is currently paid semi-monthly.
- The Finance Project will implement countywide finance business processes supported by Oracle Financials.
- The Budget Project will implement capital and operating budget business processes supported by Cognos capital budget, operating budget, and performance management reporting systems.
- The Benefits Realization Project will identify cost savings that will result from standardizing and streamlining business processes and implementing new software systems.

There have been no changes in scope during this reporting period.<sup>3</sup> The program is proceeding as planned with implementing PeopleSoft HCM, PeopleSoft Payroll/Time and Labor, Oracle Financials, and Cognos Business Intelligence and Planning.

Embedded in the HCM, PTL, finance, and budget system projects are business process redesign efforts (also referred to as business transformation) designed to standardize and streamline business processes and create efficiencies and cost savings. Future oversight efforts will focus on whether the business process changes are occurring and realizing intended benefits.

## Schedule

### Schedule Changes

As reported in the first quarterly oversight report, several delays in go live dates<sup>4</sup> have occurred due to a delay executing the consultant contract with the system integrator (CIBER, Inc.). The contract was executed on February 2, 2009, three months behind schedule. As shown in Table 1, the projects impacted are HCM (a delay of 5-½ months), the first PTL group (a delay of 1-½ months), and finance system (a delay of one month).

Another major change in the schedule has been a six-month delay in the budget business process redesign effort. The original schedule of January to June 2009 is now moved to June to December 2009. The delay occurred because the original consultant selected to perform the work would not agree to the county's contract terms and conditions; negotiation with another consultant is now

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<sup>3</sup> Two scope changes were documented in the first oversight report: the addition of the Benefits Realization Plan mandated by the County Council; and the addition of one year of post deployment support for the performance management and reporting effort.

<sup>4</sup> A go live date is the date upon which an application becomes operational and is ready for use.

underway. The ABT Project Manager does not believe the delay will impact the go live dates for the budget system, which are not planned until 2012.

Schedule Management

The coordinated schedules for all projects within the program have been reset to reflect the delayed implementation start date of February 2, 2009. The ABT Program team has one staff member dedicated to maintaining this coordinated schedule and working directly with the project managers to keep the schedule up to date, record percent complete for each task for the earned value analysis, and highlight areas where projects are behind schedule for accountability and corrective action by the project managers and program management.

Schedule Oversight

In addition, three distinct and independent oversight efforts are monitoring the program’s effective use of the schedule tool in their program management activities. These include: PCG, Inc., the quality management consultant who reports to the ABT Program sponsor; the Project Review Board (PRB); and the CPO program. The program team has been responsive to questions and to the need for ongoing refinement of the schedule as recommended by the various oversight entities.

The schedule will continue to be refined as the project progresses. We will monitor the maintenance of the schedule and its use in the earned value analysis to predict potential cost impacts of any future schedule delays. We will recommend mitigation strategies as needed for the program team to consider to more effectively manage the program schedule.

**TABLE 1**  
**Major ABT Program Milestones**

ABT Project	Go Live Schedule			Comments
	Council-approved DIP (Baseline)	ABT Program Current Forecast	Variance +delay or -acceleration	
<b>Human Capital Management (HCM)</b>	09/02/09	02/16/10	+ 167 days	This was due to a three-month delay in start of implementation date. Schedule moved further out to avoid HCM go live during benefits open enrollment period.
<b>Payroll/Time and Labor</b>				
-Group #1	01/03/11	02/16/11	+ 43 days	Delayed due to late implementation start.
-Group #2	07/03/11	07/16/11	+ 13 days	Delayed to more closely coincide with pay period.
-Group #3	01/01/12	01/02/12	+ 1 day	Delayed to more closely coincide with pay period.
<b>Finance</b>	01/01/11	02/01/11	+ 30 days	Delayed due to late implementation start.
<b>Budget</b>				
-Business Process Redesign	06/30/09	12/30/09	180 days	Delayed because consultant would not agree to standard county contract terms. A contract with another consultant is now being negotiated.
-Capital	04/01/12	03/15/12	-15 days	Accelerated for new deadline for the executive’s transmittal of proposed budget to council per November 2008 charter amendment.
-Operating	04/01/12	02/28/12	-30 days	Accelerated for new deadline for the executive’s transmittal of proposed budget to council per November 2008 charter amendment.
-Performance Management	12/31/12	12/31/12	No change	Go live on schedule. Extended by one year by staffing through 12/31/13 to refine and enhance reporting capabilities.
<b>Benefits Realization Plan</b>	04/30/09	04/27/09 (actual)	-1 day	The next deliverable is a Benefits Measurement Plan that is scheduled to be completed in February 2010.

## Budget

### Overview

As shown in the table on the cover page of this report, the ABT Program has a total budget of \$86,546,901 based on current appropriations. Of the \$9,032,857 appropriation made to fund the planning phase of the project, \$344,337 was unspent as of the beginning of the implementation program. However, this represents an overspending of several budget items, which were needed to sustain approximately three months of additional effort to achieve approvals to proceed to the implementation phase.

The remaining unspent funds are insufficient to cover the planned purchase of the budget system software, originally estimated to cost approximately \$600,000. ABT reports optimism at being able to negotiate this software purchase within the remaining available funds, representing a substantial discount from the estimated cost which was based on list prices at the time of the estimate. The actual cost for this component will be known in the second quarter of 2010.

### Forecast Cost at Completion

As recommended in our previous quarterly report, the ABT Program team reviewed the original cost estimate which was the basis for the implementation budget appropriation and provided a revised forecast cost at completion reflecting known changes. This was included in the ABT Program Annual Report 2009. The revised forecast shows the use of the unspent planning phase funds on budget software purchase during the implementation phase.

Table 2 below shows the adjustments in the cost estimate, showing no change in the total forecast program cost. This reflects the plan to be able to cover the costs of the added scope element, the Benefits Realization Plan, without using program contingency.

**TABLE 2**  
**ABT Program Baseline Budget, Forecast Cost at Completion and Expenditures**

	<b>Baseline Budget</b>	<b>Forecast Cost at Completion*</b>	<b>Variance Under / (Over) Baseline</b>	<b>Expenditures through 3/31/09</b>	<b>Percent of Baseline Budget Spent</b>
<b>PLANNING PHASE</b>	<b>9,032,857</b>	<b>9,032,857</b>	<b>0</b>	<b>8,688,520</b>	<b>96%</b>
Financial	29,097,704	29,656,244	(558,540)	2,495,149	9%
Human Capital Management	10,238,471	12,577,542	(2,339,071)	191,420	2%
Payroll/ Time and Labor	20,424,577	17,213,595	3,210,982	141,765	1%
Budget	4,834,285	4,581,122	253,163	0	0%
Benefits Realization	0	566,534	(566,534)	47,208	N/A
Contingency	12,919,007	12,919,007	0	0	0%
<b>IMPLEMENTATION PHASE TOTAL</b>	<b>77,514,044</b>	<b>77,514,044</b>	<b>0</b>	<b>2,875,541</b>	<b>4%</b>
<b>TOTAL</b>	<b>\$86,546,901</b>	<b>\$86,546,901</b>	<b>\$0</b>	<b>\$11,564,062</b>	<b>12%</b>

\*As reported in the ABT Program Annual Report 2009.

As shown in Table 2, the major changes to the forecast anticipate higher costs for the HCM and Finance Projects (\$2.3 million and \$558,540, respectively) and the Benefits Realization Project (\$566,534). These are primarily in staff and consultant costs. These increases are offset by \$3.2 million in savings on some software and hardware purchases and a lower level of effort anticipated on the Payroll/Time and Labor Project due to advance work done as part of the HCM Project. At this early stage of the implementation, the ABT Program team is reluctant to forecast a cost at completion that is below the baseline budget. We agree that it is too early in the program for such a projection.

#### Software Cost Savings

The ABT Program Annual Report 2009 cited savings related to the purchase of Oracle financials software licenses for \$2.2 million during the fourth quarter of 2008. This expenditure was accelerated in order to take advantage of Oracle pricing at the time. We estimate that the purchase will return a present value savings of approximately \$2.7 million over a seven-year period. This is lower than the savings referenced in the ABT Program Quarterly Report March 2009, but still represents a substantial savings and a sound business decision.

#### Expenditures to Date

Table 2 shows the implementation spending through March 2009 of \$2,875,541 or 4 percent of the implementation budget. This represents two months of expenditure plus a major software purchase made during the planning phase. Expenditures of \$1,018,244 and \$709,990 occurred in April and May, respectively, representing another 2 percent of the budget.

#### Contingency

The implementation budget created a separate project for the \$12,919,007 contingency funding. This represents a 20-percent contingency. To date, no formal requests to use contingency have been made. However, the requirement to provide a Benefits Realization Plan added a significant body of work to the scope of the project, estimated to cost over \$566,534. The ABT Program team originally anticipated the need to use \$185,000 of the contingency fund to cover the costs of this work, but the revised forecast cost shows this new work element anticipated to be covered through cost savings on other projects. If those savings are not realized, there will be a need to draw from the contingency budget.

#### Earned Value Analysis

As recommended by our oversight activities, and also discussed in the schedule section above, the ABT Program has developed and will be conducting an earned value analysis as an additional project management tool to use for cost control. It provides an ongoing assessment of the performance of the program team as compared to the planned schedule and budget. It can help forecast cost overruns.

The ABT Program conducted their earned value analysis based on both the baseline and the reset schedule and expenditure plan and reported the findings in the ABT Program Annual Report 2009. The reset plan reflects the February 2009 actual start date for implementation activities.

Our preliminary review of the analysis indicates that the analytic tool should provide a good indication to the ABT team and to various oversight providers of project delivery problems. A rigorous process has been created to assure that project managers provide current, task-level estimates of percentage of work complete. The schedule and documentation of work progress is maintained by one ABT staff member who provides regular reporting to the ABT Program Manager of any work elements that are

falling behind schedule. This reporting provides an accountability element and opportunity for early corrective action that will be important to the successful use of this project management tool.

The earned value analysis of the ABT Program progress through the end of March 2009 was reported in the ABT Program Annual Report 2009. This is a very early look, reflecting just two months of implementation work in this multi-year implementation plan. The analysis has been adjusted to reflect actual cost figures that were verified through the IBIS county financial system and are shown in Table 3 below at the aggregate program level with an explanation of what the measurement means. Future reports will show the trends in these measurements.

**TABLE 3**  
**Earned Value Analysis**  
**ABT Program implementation phase performance through 3/31/09**

Measurement	Baseline Plan	Reset Plan	Comments
Start Date	11/03/08 (plan)	02/03/09 (actual)	
Budget at Completion (BAC)	\$64,595,037	\$64,595,037	Implementation budget not including contingency.
Actual Cost (AC)	\$2,858,994	\$2,858,994	Actual implementation phase expenditures (source IBIS).
Earned Value (EV)	\$1,817,857	\$1,813,424	Work accomplished as calculated by the percent completed of individual tasks.
Planned Value (PV)	\$4,640,408	\$2,202,725	Value of the work that should be done according to the plan.
Cost Variance (CV)	\$(1,057,685)	\$(1,062,118)	Places a dollar value on how far over budget the program is.
Schedule Variance (SV)	\$(2,822,551)	\$(389,300)	Places a dollar value on how far behind schedule the program is.

The negative Cost Variance (CV) and Schedule Variance (SV) values indicate that the project is not moving along according to plan. As would be expected, due to the three-month delay in the start of implementation, this analysis shows program performance both behind schedule and over budget compared to the original plan. Analysis based on the reset schedule which reflects the actual start date for the work provides a more meaningful measure. This analysis also shows the program as behind schedule and over budget, but to a lesser degree. The negative CV value quantifies \$1,062,118 has been spent over the value of the work that has been earned at this point. The negative SV value quantifies \$389,300 as the deficit in the value earned from what was expected to have been earned at this point in the schedule.

We will be tracking the key earned value measurements of CV and SV over time to show the trend for the program delivery performance. Ideally these numbers would be at or above zero, forecasting on time and on budget project delivery. These negative variances, although not unexpected given the delay in start up, point to the need for continued vigilance to successfully deliver the program to meet the reset schedule within the existing budget. The cover page for this report indicates a “yellow” rating for both the schedule and budget status for ABT, indicating that “attention is needed.” Future reports will not change the status to “green” representing “no current risks” until the earned value analysis shows a positive trend with CV and SV approaching zero.



## Issues and Risks

The previous oversight report included a description of six issues or risks that might impact the successful delivery of the ABT Program consistent with the council-approved scope, schedule, and budget. While the ABT Program has developed mitigation strategies to minimize the risks, it is not clear at this time whether they will be adequate. Ongoing oversight activities will monitor the effectiveness of the risk management strategies, develop recommendations for improvement where needed, and identify new or emerging risks that need attention.

The council-mandated ABT annual report is required to discuss any new roadblocks to program implementation that have arisen over the prior year. The report includes a status update on an extensive list of “perceived roadblocks” that were derived from the 2001 Dye Assessment Report, which documented the issues on the earlier unsuccessful attempt to implement a similar program (the Financial Systems Replacement Project, or FSRP). It is interesting to compare the current risks and issues to those roadblocks from the previous effort. Two of the current risks described in detail below are directly related to a past roadblock: #3 (an efficient governance process) and #5 (active involvement in the program by county agencies). Provided below is an update on all six of the current issues.

### 1. **The resources for ensuring that side systems retained in agencies continue to function and interface with new ABT systems (PeopleSoft, Oracle, and Cognos) are not included fully in the ABT Program scope or budget.**

**Summary:** Agency resources for ensuring that side systems interface with the new ABT systems are not included in the ABT Program implementation scope or budget. If agencies are not able to fund interfaces for necessary side systems, a delay to the ABT implementation schedule or an impact to an agency’s business processes could result. The ABT Program has processes in place to identify existing side systems, resolve issues around the decision to retire or continue use of side systems, and to assist agencies in identifying the resources needed to develop new interfaces for their retained side systems. In coordination with OMB, agencies have been given guidance on developing budget requests for these resources.

**Issue Status:** Open. CPO staff will continue to monitor the disposition of side systems and the identification of agency interface costs.

**Background:** Today, many agencies, in addition to using King County enterprise mainframe systems, operate “side systems” in the form of Excel, Access, or other technologies when the functionality of the county’s current software systems does not meet its needs. Many of these side system needs will be met by the new human resources/payroll, finance, and budget systems the county is implementing. In these cases, side systems, such as the Project Financials Management Tracking (PFM), can be retired, and cost savings and efficiencies can be achieved.

Some side systems, however, will need to be retained if the new systems do not meet an agency’s specialized business needs or when a system customization is not deemed warranted. Some of the side systems that are retained will require an interface to the new systems, such as the Department of Adult Detention’s (DAJD) Roster Management System (RMS).

Agency resources for ensuring that side systems interface with the new systems, however, are not included in the ABT Program implementation scope or budget. If agencies cannot fund alignment of their existing interfaces on necessary side systems, a delay to the ABT

implementation schedule or an impact to an agency's business processes could result. The budget office expects to see some requests for funding in agency budget requests for 2010.

**Recommendation:** CPO recommends that the ABT Program compile agency interface costs and report them in its 2010 annual report, along with a status report on disposition of side systems and agency progress on meeting schedule deadlines for side system interface readiness.

**2. There is a risk that the technology environments to support the ABT Program may not be available to support ABT Program activities on a timely basis. However, ABT has taken steps in the last few months to mitigate that risk, and testing is in progress.**

**Summary:** In order to mitigate this risk and to compensate for a delay in the development of preproduction technology environments, ABT engaged a vendor to establish a preproduction technology environment in order to test hardware and software applications, particularly those needed to support the HCM and Finance Projects in meeting their implementation dates. Testing environments were established; test results are pending.

**Issue Status:** Open. CPO staff will continue to monitor testing results reported by ABT.

**Background:** ABT and OIRM established a technology team to develop and implement a plan to install the technology environments to support the ABT Program. The first step in the process was to establish a preproduction technology environment for configuration, development and testing of PeopleSoft and Oracle Financials system modules. ABT contracted with a vendor, Mercury Technology Group, to acquire temporary hosted technology environments as specified by ABT and OIRM, beginning March 2009. The HCM and Finance development environments were turned over to ABT in mid- and late May. The testing facility became operational in June 2009 when ABT fully installed and configured the HCM and Finance development servers.

The Finance Quality Assurance/Testing environment will not be installed until after the Data Center move scheduled for mid-July. Planning activities for the production technology environment are now in process.

**3. Future Project Review Board and ABT Management reviews, checkpoints, and decisions could impact the ABT Program schedule and budget if not completed in a timely manner.**

**Summary:** As noted in the CPO Quarterly Oversight Report March 2009 on ABT, the governance structure of ABT requires various levels of approval and monitoring. While ABT has employed a mitigation strategy to facilitate communications and resolve issues, CPO staff will continue to monitor PRB concerns over the project and any potential effect those concerns may have on the schedule.

**Issue Status:** Open. CPO will continue to monitor.

**Background:** The PRB and the ABT Management Team are two elements in a complex governance structure of the ABT Program. The PRB controls funding releases and also has a monitoring role. The primary roles of the ABT Management Team is to provide senior management level planning and operational leadership, to resolve issues, and to monitor program progress with respect to scope, schedule, and budget. The PRB and the ABT Management Team have overlapping membership.

The ABT Management Team recently established a new oversight process called "checkpoint reviews" for each of the four systems projects. The checkpoint review occurs at the conclusion of

the discovery stage and results in a “go – no go” decision by the management team for the project to proceed to the configuration stage with an approved set of business requirements. The HCM Project had its checkpoint review on June 9 and received a “go” decision from the management team without any delay.

Recently, the PRB gave conditional approval to release funding but acknowledged the need to see more information in future months. PRB staff have expressed concerns over the schedule and programmatic details, and they have required ABT to use MS Project for managing the schedule. Use of the required software may require more ABT staff work than was originally planned.

We will continue to monitor whether the ABT mitigation strategies are effective and whether PRB and ABT Management Team concerns are being addressed in a timely manner. We will also monitor the ABT Management Team’s response to a recent recommendation from the program’s quality management consultant to consider making some changes to the governance structure.

**4. Although ABT has filled key positions needed to begin the Implementation Phase, project teams are not fully staffed and will require expert functional and technical skills.**

**Summary:** ABT has revised their staffing plan to adjust for the reset schedule. They have been successful recruiting and filling key positions on the schedule established.

**Issue Status:** Open. CPO will monitor ABT’s progress in filling new positions compared to the program staffing plan which has been reset to the new schedule. We will observe the performance of the project managers and other key team members and the progress on projects, and alert the program manager to any areas where we believe that additional skills are needed. We will also be monitoring staff retention.

**Background:** The staffing plan shows the need for 34.5 FTEs in February and 38.4 in March with continued growth in the next quarter. Payroll records were used to verify the progress towards hiring. The records show that ABT was at or slightly ahead of their hiring schedule.

Recruitment of key positions has been aided by the weak employment market. Staff retention may become more challenging when the IT employment market improves. The program has already lost a key staff member, the HCM project manager, during this quarter and the hiring process for a permanent replacement took several months.

**5. Subject matter experts from all agencies of county government must be available to attend ABT business sessions for business requirements development, business process reviews, and user system testing. Inadequate participation may impact the quality of the system integration and delay implementation.**

**Summary:** ABT implementation relies heavily on meaningful and active participation by county agencies during ABT business sessions and other meetings. Inadequate participation by agencies may impact the quality of ABT systems and delay implementation. The ABT Program has developed a number of communication strategies for informing agencies of the importance of the ABT Program, increasing agency participation in ABT business sessions and other meetings, identifying the right individuals to attend ABT business sessions, and enhancing the quality of information obtained from agencies.

**Issue Status:** Open. CPO will continue to monitor the level and quality of agency participation by observing Web site updates, reviewing written communications and other written products, and attending selected meetings.

**Background:** The ABT Program is currently completing the discovery stage of implementation for the human capital management (HCM), payroll, and finance system projects. The discovery stage for the budget system will begin later in July. The quality of information gathered from agencies and the quality of decisions made during this time significantly impacts the quality and timing of program implementation. This applies to both the software system integration and the changes to business processes that will be needed.

CPO staff attended five fit/gap business sessions (two for human resources/payroll, one for purchasing, and two for Oracle projects and grants) and observed agency participation. Staff observed that agency representatives were, for the most part, actively listening to the presentation and asking detailed questions about the new systems. The moderators made lists of agency questions and concerns. A quick scan of selected attendance logs showed that attendance rates were very high (in the 80 to 90 percent range).

In April 2009, a benchmark survey of county employees on the effectiveness of communication strategies showed a high rate of understanding and utilization of communication tools.

**6. The schedule for the budget business process redesign and the budget system implementation is dependent upon successfully concluding negotiations with Neubrain, LLC, the vendor selected as the budget system integrator for Cognos.**

**Summary:** The county and Neubrain were not able to reach agreement. As of July 2009, the county is negotiating a contract with another contractor for a reduced scope of work that includes business process redesign and prototype, but not budget system implementation. The budget system schedule remains dependent upon successful and timely negotiation of a contract for the reduced scope of work and upon successful and timely negotiation in the future of a contract for the remaining scope of work.

**Issue Status:** The issue remains open, but is modified to read “The schedule for the budget system is dependent upon successful and timely negotiations of two contracts; one for business process redesign and prototype development beginning in July 2009 and one for budget system implementation beginning in early 2010.” CPO will monitor the county’s progress in negotiating a contract for the business process redesign and prototype development, in addition to monitoring a request for proposal process and contract negotiations that will take place in early 2010 for the budget system implementation.

**Background:** The county and Neubrain were not able to reach agreement on terms and conditions for the system integrator contract, which includes a scope consisting of business process redesign, prototype development, and implementation of Cognos software. As a result, in May the county cancelled the procurement process. In June, the county issued a work order for a scope reduced just to business process redesign and prototype development. A request for proposal process to select a contractor for implementation of the budget system will occur in early 2010.

In June, the county received three responses to the work order. ABT staff deemed two as nonresponsive. A committee of county subject matter experts reviewed and evaluated the

responsive proposal, conducted reference checks, and interviewed the finalist. As of July 2009, the county is negotiating a contract for CIBER, Inc to serve as the project manager, and it will partner with Adaptive Solutions for the scope of work.

The original schedule for business process redesign and prototype development was from January to June 2009; the revised schedule is June 2009 through January 2010. Because the go live dates for the three components of the budget system (capital, operating, and performance management) will not occur until March, February, and December 2012, respectively, the ABT Program believes that go live dates will not be impacted. Cost implications of both the revised schedule and the decision to split the scope of work into two parts are unknown at this time, although the ABT Program does not anticipate any increase in costs.

## **OTHER OVERSIGHT RESPONSIBILITIES FOR CPO**

### **Benefits Realization Project**

The Due Diligence Report on the Cost Benefit Analysis for ABT recommended that ABT should provide an annual report to the council documenting its success and progress in achieving the program's estimated dollar savings, consistent with the eight-step methodology included in council Motion 12356. Ordinance 16275, which appropriated funds to implement ABT, included a proviso requiring the submittal of a benefits realization plan. The plan was submitted to the council in April 2009.

Although the original cost benefit analysis for ABT assumed there would be savings in 2009 totaling \$186,000, as of the end of June 2009, with the submittal of the ABT Program Annual Report 2009, there were no reported benefits resulting from any of the four projects in the ABT Program. Given the fact that the current plan does not anticipate initiating and monitoring benefits realization until March 2010, the original assumption about early savings was overly optimistic. The 2010 budget proposal may provide the first opportunity to see any savings.

Current efforts to meet the March 2010 target to begin benefits realization monitoring include finalizing the savings baseline, developing a benefits mapping strategy, and completing the benefits measurement plan. The consultant firm of Pacific Technologies Inc. is assisting in these efforts, and is currently in the process of revising and finalizing the costs savings baseline that was originally developed by the Hackett Group.

We are currently monitoring this process and will be evaluating the reasonableness of any revisions. While we understand that there may be a need for some technical changes, it will be important, for purposes of accountability, to maintain the linkages to the original dollar and FTE assumptions, and to track the reasons for any changes. It is also important to ensure that any significant, nontechnical changes to the baseline targets, such as modifying the Hackett benchmarks, be the subject of an explicit policy decision by the appropriate elements of the ABT governance structure.

### **Expenditure Restrictions**

Through the various appropriations for the ABT Program, council has placed expenditure restrictions totaling nearly \$40 million. Of these, the ABT Program appears to have satisfied \$29,590,000 of the expenditure restrictions. The remaining restrictions include:

- \$10 million remain as imposed by Proviso 15 of Ordinance 16275. This proviso requires certification by the CPO Manager by October 1 of each year that CPO had access to program

files in a timely manner, received annual and quarterly reports in compliance with the appropriation requirements, and that CPO maintained open communication with the ABT Program management. The expenditure restriction is removed in increments each year \$4 million with certification in 2009, \$3 million in 2010, \$2 million in 2011, and the final \$1 million in 2012.

- Funding to reimburse the auditor's office for CPO costs has also been restricted. The estimated costs of oversight have been included in the ABT Program forecast cost at completion shown in the ABT Program Annual Report 2009.

The contingency for this project has been placed in a separate project number with separate restrictions imposed on its use. No single expenditure that would exceed 15 percent of the remaining balance can be expended or encumbered until (1) the executive notifies the council of the proposed use; (2) ten days have elapsed since transmittal of the written notification; and (3) within the ten-day period, no councilmember has objected in writing. The CPO Manager will receive a copy of any executive notification to satisfy this proviso. None of contingency project budget has been used to date. This notification is needed if contingency use for a single expenditure or a combination of all expenditures within one month exceeds \$1,937,851. The notification threshold will decrease as the balance in the contingency budget decreases.

## **Proviso Response**

Ordinance 16275 (the appropriation ordinance for ABT), Proviso 13, requires, by June 30, a report from the executive on the "policies and procedures that have been implemented in the ABT office discussing the reporting and program management duties between county employees and contractors and a certification that program employees have been trained regarding these policies and procedures." The report titled "ABT Program Business Relationship Between Employees and Consultants Report" was submitted to the clerk's office on time on June 30.

The approach the executive took in responding to the proviso was very thorough and exceeded the proviso requirements by including ethics code training, along with the required training on county/contractor respective roles and responsibilities, and by taking an extra step in issuing formal policies and procedures.

## **Annual Report**

Ordinance 16275 also requires the executive to submit, by June 30, 2009, an annual ABT report and specifies the contents therein. The report was submitted to the council on time on June 30. The contents of the report comply with the requirements outlined in the ordinance and responded to a recommendation from the previous oversight report. Information contained in the report was used, among other things, to prepare this quarterly oversight report.

## **Stakeholder Participation**

A CPO Analyst in the auditor's office, separate and apart from oversight activities, is participating as an agency stakeholder in the ABT Program implementation activities. He attended financial system fit/gap sessions, will review and provide input through the single point of contact representing the County Council on the financial system business requirements document, and will participate in budget process redesign related to the capital budget system. Participation as an agency stakeholder is important to ensure that the financial and capital budget systems track costs and provide reporting in a way that is useful for capital project oversight purposes.

## **RECOMMENDATIONS**

The following recommendations were contained in the ABT Program Quarterly Report March 2009:

1. Beginning with the June 2009 annual report and in each annual report thereafter, the ABT Program should provide an updated forecast of program cost at completion. This estimate should include any known savings as well as any anticipated cost increases and anticipated schedule changes based on the current program status.

**Status:** The ABT annual report submitted on June 30, 2009 contained an updated forecast of program cost at completion.

2. Agencies should track their costs for developing interfaces for their retained side systems and should report these costs and their progress on meeting schedule deadlines to ABT. Side system interface costs, including those incurred by the agencies, should be included as an additional implementation cost when conducting the post-project cost/benefit analysis.

**Status:** Agencies will be submitting budget requests for side system costs as part of the 2010 proposed budget. The ABT Program has provided agencies with work plans and schedules.

The following is a new recommendation to replace recommendation #2:

3. CPO recommends that the ABT Program compile agency interface costs and report them in its 2010 annual report, along with a status report on disposition of side systems and agency progress on meeting schedule deadlines for side system interface readiness.

## **ACKNOWLEDGEMENTS**

We appreciate the collaborative efforts of the staff from the ABT Program, OMB, and council for their input to effective oversight of the ABT Program consistent with council intent. We also appreciate the assistance from the PCG, Inc. and the staff of the PRB towards coordinated oversight of this important countywide program. This report was prepared by Ron Perry, Tina Rogers, Bob Thomas, and Shelley Sutton. A briefing of this quarterly report and our findings to date will be presented to the Government Accountability and Oversight Committee at the September 1, 2009 committee meeting. Should you have questions or comments on the report, please contact Tina Rogers, Capital Projects Oversight Manager or Ron Perry, Deputy County Auditor.

## **DISTRIBUTION**

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