



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

ACCOUNTABLE BUSINESS TRANSFORMATION PROGRAM
OVERSIGHT REPORT FOR SECOND QUARTER 2009



CURRENT RISK RATING ▼ Attention continues to be needed to address schedule concerns and issues and risks described below. One new recommendation is made.

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 Concerns ▼ = Attention Needed ◆ = Corrective Action Needed

● **Scope**

The baseline scope is in the ABT Detailed Implementation Plan, approved by council in October 2008. Council added a Benefits Realization Plan. ABT extended the Performance Management and Reporting effort by one year to enhance and refine reporting capabilities.

▼ **Schedule**

Activity (go live dates)	Approved Schedule	Current Forecast	Comment
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**

	Approved Budget	Expenditures thru Aug 09	Expenditures as % of Budget	Balance to Complete	Forecast Cost at Completion
Planning	\$9,032,857	\$8,698,665	96%	\$334,192	\$9,032,857
Implementation	64,685,283	7,501,452	12%	57,183,831	64,595,037
Contingency	12,919,007	0	0%	12,919,007	12,919,007
Total	\$86,637,147	\$16,200,117	19%	\$70,437,030	\$86,546,901

*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.
 - Close coordination is needed to deliver the production technology systems on time.
 - Project Review Board and ABT management approvals have the potential to delay schedule.
 - Project teams are still not fully staffed and will need expert functional and technical skills.
 - Active and consistent participation by agency staff is needed for program success.
 - Key governance position changes could cause delays in future decisions and the ABT schedule.

For detailed information regarding this project, see the following pages.
 October 16, 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) 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 third 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. We continue to show the risk level for the ABT Program as yellow, indicating that attention is needed to address schedule concerns and issues and risks. We have made a total of four recommendations, two of which have been fully implemented. This report contains one new recommendation (see page 12) to the ABT Program to further address the issue that project teams are not fully staffed and need expert functional and technical skills.

The King County Auditor's Office (KCAO) was directed to provide independent oversight of the ABT Program 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) and through other meetings as needed. We also review and conduct independent analysis where appropriate on the formal reports issued by the ABT Program. In addition, 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 the reports to and from the Project Review Board (PRB).

This report comments on the ABT Program Quarterly Report September 2009 (covering the quarter ending June 30, 2009). The executive delivered this report to the clerk of the council by the mandated deadline of September 1, 2009. Information presented in this document is based on the most current information available at publication date.

PROJECT STATUS UPDATE

Major ABT Accomplishments

Major ABT accomplishments since our previous report are:

- The Human Capital Management (HCM) Project completed a review of the business process for position management in July. The HCM conference room pilot¹ was completed in August.
- The Payroll/Time and Labor (PTL) Project issued its requirements documents for review by county agencies in August; no significant issues were raised by agencies.
- The Finance Project completed its checkpoint review in August and received approval from the ABT Management Team to proceed to the configuration stage² with some outstanding issues to be resolved in the conference room pilot. The Budget Project hired the consulting firms of CIBER, Inc. and Adaptive Solutions in August to facilitate the budget process redesign effort including work with stakeholders.

¹ Conference room pilots are sessions designed to validate the design or solution fit of the software application, by allowing end-user, agency personnel to view and use the configured software carrying out typical or key business processes.

² There are five implementation stages: discovery, configuration, additional development and testing, deployment (go live), and post-production support.

- The Benefits Realization Project hired the consulting firm of Pacific Technologies, Inc. to update estimated cost savings because of ABT implementation.
- ABT and Office of Information Resource Management (OIRM) completed installation of the preproduction technology environments for the HCM, PTL, and Finance Projects and tested software and hardware performance in preparation for production environment purchase and installation.

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 PTL, 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.³ The program is proceeding as planned with implementing PeopleSoft HCM, PeopleSoft PTL, 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.

Schedule

As reported in the first quarterly oversight report, several delays in go live dates⁴ 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).

³ 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.

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

Another major change in the schedule has been a six-month delay in the budget business process redesign and system prototype building efforts. The original schedule of January to June 2009 was moved to June to December 2009. The ABT Program Manager, however, does not believe the delay will impact the go live dates for the budget system, which are not planned until 2012.

The six-month delay occurred because the original consultant selected to perform the work would not agree to the county's contract terms and conditions. A different consultant team of CIBER, Inc. and Adaptive Solutions was hired in July and work began in August. The work, however, is currently behind schedule by about one month due to staff unavailability that was not factored into the project schedule. Table 1 below reflects the additional one-month delay and contains a new completion date of January 31, 2010.

TABLE 1
Major ABT Program Milestones

ABT Project	Go Live Schedule			Comments
	Council-approved DIP (Baseline)	ABT Program Current Forecast	Variance +delay or -acceleration	
Human Capital Management (HCM)	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 going live during benefits open enrollment period.
Payroll/Time and Labor				
-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.
Finance	01/01/11	02/01/11	+ 30 days	Delayed due to late implementation start.
Budget				
-Business Process Redesign	06/30/09	01/31/10	210 days	Delayed by six months because consultant would not agree to standard county contract terms. A contract with another consultant was negotiated. Then delayed by another month due to staff unavailability.
-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 staffing one year, through 12/31/13, to refine and enhance reporting capabilities.
Benefits Realization Plan	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.

The September 2009 ABT Program Quarterly report indicates that all four projects are behind schedule based on the earned value analysis conducted to compare actual progress to the reset program schedule. The details of the earned value analysis are discussed in greater detail below in the Budget section of this report. ABT reports that this is mainly because of delays in hiring staff, and some work tasks being out of sequence in program schedule. Major tasks that are anticipated to be completed later than shown on the plan are the acquisition and installation of production technology environments. ABT is now planning a "just in time" approach to purchasing and installing the system software and computer equipment, making the identified risk related to the technology environment an important one to monitor.

The ABT Program Manager is using the schedule performance indicators from the earned value analysis to help identify problem areas and to ensure that project managers are taking corrective actions to address the schedule performance concerns.

Budget

Overview

As shown in the table on the cover page of this report, the ABT Program has a total budget of \$86,637,147 based on current appropriations. The planning phase ended in January 2009 leaving \$344,337 available for expenditure in the implementation phase. Through August, approximately 12 percent of the implementation budget has been spent. Monthly expenditures since April have averaged approximately \$930,000 up from \$335,000 in the first quarter of 2009.

Council Action this Quarter

Council took action on appropriations for ABT with the passage of Ordinance 16564 in June. This ordinance corrected an earlier appropriation which had erroneously placed the \$12,919,007 ABT contingency funds into the wrong project number (377219). The funds are now correctly appropriated to the ABT Contingency, project number 377222. This ordinance also appropriated an additional \$90,246 to ABT project number 377142 to cover the balance of estimated 2009 costs for the independent project oversight by the auditor's office. The budget table on the cover page of this report reflects this additional appropriation. The ABT Program will need to consider the project oversight costs when they next update the forecast cost at completion.

Forecast Cost at Completion

As discussed in our previous report, the ABT Program has provided an updated estimate of the forecast cost at completion estimate. The major changes to the forecast anticipate higher costs for the HCM and Finance Projects and the addition of the Benefits Realization Project. These are offset by savings on some software and hardware purchases and on the PTL Project. The total forecast cost at completion is equal to the baseline budget.

Table 2 below shows the adjustments in the cost estimate, and the breakdown of expenditures by project through June 2009, as reported by ABT.

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

	Baseline Budget	Forecast Cost at Completion	Variance Under/ (Over) Baseline	Expenditures through 06/30/09	Percent of Baseline Spent
PLANNING TOTAL	\$9,032,857	\$9,032,857	\$0	\$8,688,520	96%
Financial	29,097,704	29,656,244	-558,540	4,014,836	14%
Human Capital Management	10,238,471	12,577,542	-2,339,071	989,330	10%
Payroll/ Time and Labor	20,424,577	17,213,595	3,210,982	690,477	3%
Budget	4,834,285	4,581,122	253,163	0	0%
Benefits Realization	0	566,534	-566,534	90,837	n/a
Contingency	12,919,007	12,919,007	0	0	0%
IMPLEMENTATION TOTAL	77,514,044	77,514,044	0	5,785,481	7%
TOTAL*	\$86,546,901	\$86,546,901	\$0	**\$14,474,001	17%

*Does not include supplemental appropriation for oversight costs

**From ABT September 2009 Quarterly Report- IBIS June accounting shows \$11,466 higher expenditure

Expenditures to Date

Table 2 shows the implementation expenditures through June 2009 of \$5,875,481 as seven percent of the implementation budget. Expenditures of \$735,584 and \$1,002,000 occurred in July and August, respectively, representing another two percent of the budget. As required by Ordinance 16275, the ABT Quarterly report shows the expenditure during the second quarter of 2009 compared to the approved spending plan that was presented with the Detailed Implementation Plan, and explains the variance of approximately \$1.8 million. This reflects the three-month late start on implementation.

Contingency

The contingency budget appropriation of \$12,919,007 is to a separate project and represents a 20-percent contingency. To date, no formal requests to use contingency have been made. The current forecast shows that the addition of the Benefits Realization work, estimated to cost \$566,534, can 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 is conducting an earned value analysis as an additional project management tool to use for cost and schedule control. It provides an ongoing assessment of the performance of the program team as compared to the planned schedule and budget and can help forecast cost and schedule overruns.

As part of our oversight, we directed PMA Consultants to review the ABT earned value analysis and comment on the appropriateness of the analysis. They provided the following observations:

- The majority of the activities in the schedules were of short duration allowing for a relatively unbiased measurement of progress when rolled up.
- Measuring performance against the baseline plan rather than the plan reflecting the actual start date seems to serve no useful purpose.
- Additional calculations can be performed using the existing data to provide an independent estimate at completion based on an assessment of past performance and remaining risk on the project. By making different assumptions about whether past performance problems will continue or whether performance will be improved, a range can be provided for an independent opinion of the forecast cost at completion that is likely to bracket the final project cost.
- The Schedule Performance Index of less than one indicates that the project is proceeding at less than the planned rate.
- Project manager's attention to identify the causes for poor performance and make appropriate adjustments as early as possible can result in a more favorable outcome.
- The lower in the program and individual projects that the performance measurements are calculated, the easier it will be for the project managers to identify the portion of the various projects that are contributing to the unfavorable performance.

Both this input from PMA Consultants and our review of two quarters of earned value analysis shows that this tool is providing a good ongoing indication of project delivery progress and early identification of problems. This reporting provides an accountability element and opportunity for early corrective action that is proving to be an effective project management tool. Like the observation from PMA Consultants, we see no value in continuing to report the earned value analysis against the baseline plan, and would recommend that ABT focus their attention and analysis on the reset plan alone.

The earned value analysis from the most recent ABT Program quarterly report shows cost progress through the end of June 2009 and schedule performance through August as compared to the current plan and baseline plan at the project and program level. Earned value performance indicators for the current and previous quarters and trends are shown in Table 3 at the program level along with explanations of the measurements. No earned value comparisons to the baseline plan are shown, as these measurements are no longer meaningful indicators of progress.

TABLE 3
Earned Value Analysis
ABT Program Implementation Phase Performance

Measurement	Through First Quarter 2009	Through Second Quarter 2009	Trend	Comments
Report Period	2/3/09 - 3/31/09	2/3/09 - 6/30/09		Schedule analysis is more current, based on work accomplished through August 7, 2009.
Cost Variance	\$(1,062,118)	\$1,750,678	↑	Places a dollar value on how far (over) or under budget the program to date. Positive values are desired.
Cost Performance Index	0.63	1.31	↑	A ratio dividing the value of work completed by the actual costs incurred. Values greater than one are desired.
Schedule Variance	\$(389,300)	\$(1,373,083)	↓	Places a dollar value on how far (behind) or ahead of schedule the program is. Positive values are desired.
Schedule Performance Index	0.82	0.89	↑	A ratio dividing the value of work completed by the value of work planned to be completed. Values greater than one are desired.

The negative Schedule Variance and the Schedule Performance Index less than one show that there is a deficit in the value of the work completed (earned) from what was expected to have been earned at this point in the schedule and indicates that the project is not moving along according to plan. The cover page for this report indicates a “yellow” rating for the schedule status for ABT, indicating that “attention is needed.” The improvement of the Cost Variance to a positive value and the Cost Performance Index greater than one likely indicates that the project is completing work more efficiently (at lesser cost) than planned. With the cost performance indicators now in the desirable range, we have changed the budget status shown on the cover of this report to a “green” indicating there are “no current concerns” about the budget status.

Issues and Risks

Our previous oversight report included six issues or risks that might impact the successful delivery of the ABT Program consistent with the council-approved scope, schedule, and budget. Ongoing oversight monitoring of the ABT Program's mitigation strategies to minimize the risks is conducted to assess whether the strategies are effective and adequate. We have developed recommendations for improvement where needed.

Provided below is an update on the six issues from the previous report. One is now closed, as noted below. In addition, a new issue related to ABT Program governance has been added.

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 systems⁵ 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 agency interface costs through reporting from ABT in accordance with our earlier recommendation.

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.

Summary: The preproduction technology environment was in place somewhat late but is fully functional and testing continues. The production technology environment for the HCM and PTL systems is installed and is being used to test the HCM applications moving towards the first HCM go live date in February 2010. Work is proceeding to analyze data needed to properly size and refine cost estimates for the production technology environment for the Finance system. Procurement will occur when needed to receive, install, and test "just in time" to meet the scheduled go live dates. This additional pre-procurement time allows for more informed final technology specifications and potential cost savings. However, ABT's strategy to procure the production technology environments later, along with dependence upon staff resources from OIRM will require effective ongoing coordination.

Issue Status: Open. CPO staff will continue to monitor ABT progress on production technology environment design, procurement, and installation.

⁵ A side system required by a department or agency to support its business processes especially those directly integrated by system interface or by other data dependencies including Excel spreadsheets, Access database, or other third party software applications.

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 for the first quarter of 2009, the governance structure of ABT requires various levels of approval at key milestones of the program. While ABT has employed a mitigation strategy to facilitate communications and resolve issues, CPO staff will continue to monitor the effectiveness of these strategies, especially in light of the potential for changes in personnel in key positions within the governance structure (see issue #7 below).

Issue Status: Open. CPO will continue to monitor.

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 been successful recruiting and filling many key positions on schedule. As of this writing, however, there are eight vacant positions. Recent hiring efforts have taken longer than anticipated. A countywide hiring freeze recently delayed some of ABT's hiring efforts. We encouraged ABT to confirm whether the freeze was intended to apply to their temporary limited term positions. They have confirmed that temporary limited term positions do not require County Executive approval and can be filled upon receiving DES Director and OMB approvals only. This is a streamlined process compared to their experience immediately following the institution of the hiring freeze. Recent efforts to fill critical positions requiring Oracle programming experience have been delayed because three of the desired candidates needed H-1B visa⁶ status review.

Issue Status: Open. ABT has needed to employ additional mitigation strategies to fill new positions in a timely manner. Recent experience has highlighted the importance of initiating hiring processes with adequate lead time to allow for unanticipated delays and outreach effort to provide an ample candidate pool. This is especially applicable for positions requiring expertise that is in short supply in the current market. Backup plans to use contract employees may need to be implemented. In addition to new positions, ABT has needed to fill unanticipated vacancies created because of staff turnover. We make a new recommendation below to address this issue.

In addition to numbers of employees, 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.

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 input and active participation by county agencies during all ABT meetings and review processes. Inadequate participation by agencies may impact the quality of ABT systems and delay implementation. The ABT Program has employed a number of strategies for monitoring and insuring adequate agency involvement.

⁶ The H-1B visa is a non-immigrant visa (under the Immigration & Nationality Act, section 101(a)(15)(H)) that allows U.S. employers to temporarily employ foreign workers in specialty occupations.

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. We will pay particular attention to the transition to the new county executive, which could cause turnover at management levels and the impact of any 2010-budget cuts on agencies' abilities to fully participate in ABT.

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. The county selected another contractor for a reduced scope of work that includes the business process redesign and prototype development, but not budget system implementation.

Issue Status: Closed. The county negotiated a contract with CIBER, Inc. for the reduced scope of work. ABT signed the contract in July and work is scheduled to be completed in January, one-month behind schedule.

7. Changes in key governance positions could erode support for the program and or cause delays in future decisions and schedule.

Summary: The current Project Sponsor retired in mid-September, and there could be additional turnover of other top governance positions with the change in the county executive after the November election. Lack of continuity in the ABT governance structure creates uncertainty in continued support for the ABT Program and the ability to make informed decisions in a timely manner.

Issue Status: New. CPO will monitor any future changes in the membership of ABT governance structure and the effectiveness of the ABT program's mitigation activities to prepare new members to assume the responsibilities of their ABT governance roles. We will closely monitor any impacts to the program scope, implementation plan, and schedule that are related to changes in the governance structure membership.

Background: The ABT Project Sponsor is the director of the Department of Executive Services (DES) and the county's Chief Administrative Officer. Director Jim Buck retired from the county in mid-September. Bob Cowan, director of the Office of Management and Budget has been appointed by County Executive Kurt Triplett to replace Mr. Buck. Because Mr. Cowan is a long-time member of both the ABT Management Team and the Project Review Board, he has a substantial understanding and background on the ABT program and implementation plan. Necessary transition activities have been very limited. There have been other recent changes within the governance structure which have been filled by county employees with some level of background knowledge of the ABT program. No delays have been observed because of these changes.

The deputy program sponsor is Caroline Whalen, Program Project Director in DES. The council mandated this position in Ordinance 15595 to "provide redundancy and succession planning in the day-to-day operations" of the ABT Program. This career service position is key to maintaining stability within the program governance structure during a change in administration. The deputy program sponsor has been performing the necessary orientation to new ABT governance

members. If a large number of personnel changes occur in the ABT governance structure or if new members with limited knowledge about county business requirements and the ABT implementation plan are appointed, additional time and effort will need to be devoted to an effective transition plan to prepare new members.

The new County Executive will take office on November 24 and will have the authority to retain or to replace current department directors and other key management personnel. Those personnel appointments could significantly affect the continuity of the governance of ABT, and it could potentially delay the program if a new program sponsor, leadership team or management team members, or project review board members need additional time to consider critical decisions.

OTHER OVERSIGHT RESPONSIBILITIES FOR CPO

Benefits Realization Project

As we discussed in our oversight report for first quarter 2009, ABT anticipates that the process for capturing cost savings resulting from ABT implementation will begin in March 2010. A process to validate any savings claimed in 2009 and early 2010 is planned.

The consultant firm of Pacific Technologies Inc. (PTI) has recently assisted ABT in reviewing, revising, and finalizing the cost savings baseline that was originally developed by the Hackett Group in 2008. The baseline refers to the number of full-time equivalent (FTE) positions and associated personnel costs related to functions that will be affected by ABT implementation. It is from this baseline that potential savings were estimated by the Hackett Group based on their experience and judgment.

PTI made some technical adjustments to the original baseline assumption, primarily related to the calculation of FTEs that work within processes within the ABT scope. An early draft report of these adjustments showed an increase in the fully implemented annual savings target from the original \$12.9 million (in today's dollars) in the Hackett analysis. However, we have learned that a final report from PTI is available that will show a target that is approximately \$900,000 lower than the original target. We will review and comment on the final target in our next report.

It should be noted that all of the original caveats about the feasibility of achieving savings, noted both by the Hackett Group and the auditor's office, September 2008, Due Diligence Report, still apply. These caveats relate to the facts that: (1) the estimates of savings are based on potential, fractional FTE reductions or cost avoidances (which are difficult to capture); and (2) the county agencies that would be subject to the FTE reductions or cost-avoidances have not yet agreed to any specific targets or staffing reduction estimates. Success will depend on the degree to which business transformation is carried out, and on the cooperation and agreement of multiple agencies, including those agencies under the authority of separately elected officials.

According to the timeline for the Benefits Management Plan, ABT will be negotiating savings targets with the affected agencies in late November 2009, and will finalize agency action plans and the method for on-going measurement in late 2009 and early 2010. This process is scheduled to be finished by the end of February 2010. The extent of agency agreement with cost savings targets will not be known until that time.

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. Because we recently provided the council with written certification of compliance with this proviso, we expect that the \$4 million restricted in 2009 will be released.
- Funding to reimburse the auditor's office for CPO costs has also been restricted. To date the funds restricted for oversight total \$280,002.
- The \$12.9 million contingency for the ABT program was placed in a separate project number with notification required for any major⁷ use. The CPO Manager will receive a copy of the required notification providing an opportunity to review and comment. None of the contingency project budget has been used to date.

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. 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 in the future.

RECOMMENDATIONS

Below are status updates on the three recommendations contained in our previous quarterly reports and a new recommendation aimed at addressing the staffing issue.

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

2. The original recommendation was addressed and was replaced with recommendation #3 below in our previous report.

⁷ Notification is required for a single use or combination of uses within a month exceeds \$1,937,851. The notification threshold will decrease as the balance in the contingency project decreases.

3. The ABT Program should 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.

Status: The ABT Program plans to provide a monthly status update in accordance with a recommendation made in the August 2009 report from the ABT Program quality management consultant. We will use this information and updates to track this issue.

4. The ABT Program should review their past experiences with filling vacant positions and update their approach to address the current and potential future challenges for recruiting and hiring staff needed to meet project schedules.

Status: New

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 based on our previous quarterly report was presented to the Government Accountability and Oversight Committee at their September 1, 2009 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

King County Government Accountability and Oversight Committee

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