



KING COUNTY AUDITOR'S OFFICE

CAPITAL PROJECTS OVERSIGHT PROGRAM

ACCOUNTABLE BUSINESS TRANSFORMATION (ABT) PROGRAM OVERSIGHT REPORT FOR THIRD 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 county operations by consolidating and streamlining business processes and by implementing new financial, human resource, payroll, and budget systems. 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 Changes**

Project	Approved Schedule (go live dates)	Current Forecast	Comment
Human Capital Mgmt	9/2/09	TBD	Anticipate one-month delay beyond previous forecast of 2/16/10
Payroll (first of three)	1/3/11	1/3/11	Restored to original schedule
Payroll (second of three)	7/3/11	1/2/12	161-day delay
Finance	1/1/11	1/1/11	Restored to original schedule
Budget (first of two)	4/1/12	2/28/12	30-day acceleration

▼ **Budget**

	Approved Budget	Expenditures thru Nov 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	10,723,735	17%	53,961,548	64,595,037
Contingency	12,919,007	0	0%	12,919,007	12,919,007
Total	\$86,637,147	\$19,422,400	22%	\$67,214,747	\$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:

- The schedule could be delayed if side system interfaces are not funded or completed on time.
- Close coordination is needed to deliver the ABT systems on time.
- Project Review Board and ABT Management approvals have the potential to delay ABT schedule.
- The ABT schedule is dependent upon keeping project teams fully staffed with the required skills.
- Active and consistent participation by agency staff is needed for ABT program success.
- Key governance position changes could cause delays in future decisions and the ABT schedule.

For detailed information and recommendations regarding this project, see the following pages.

February 9, 2010

TABLE OF CONTENTS

INTRODUCTION 1

PROJECT STATUS UPDATE..... 1

 Major ABT Accomplishments..... 1

 Scope 2

 Schedule 3

 Budget..... 5

 Issues and Risks 8

OTHER OVERSIGHT RESPONSIBILITIES FOR CPO 10

 Benefits Realization Project..... 10

 Expenditure Restrictions..... 11

 Stakeholder Participation..... 11

RECOMMENDATIONS 11

ACKNOWLEDGEMENTS 12

DISTRIBUTION..... 12

King County Auditor’s Office – Cheryle Broom, County Auditor

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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.

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INTRODUCTION

This is the fourth 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 of the ABT Program in September 2006 by Ordinance 15595.

We continue to show the risk level for the ABT Program as yellow, indicating that attention is needed to address schedule and budget concerns and to address issues and risks identified and described in more detail in this report.

We conduct our oversight through monthly meetings with a working group of staff from the ABT Program, KCAO, 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 December 2009 (covering the quarter ending September 30, 2009). The executive delivered this report to the clerk of the council by the mandated deadline of December 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 its conference room pilot¹ in August and completed critical items in preparation for the go live² date of February 16, 2010, and began user testing and training. In preparing for the third and final parallel test, however, some data conversion issues were uncovered. As a result, the implementation date has been postponed for one month until the issues can be corrected. On March 2, the ABT Management Team, the governance entity with responsibility for ABT implementation, will make an official go/no go decision and set a new go live date.
- The Finance Project completed its checkpoint review³ in October, completed its first round of conference room pilot sessions in September and October, continued system configuration, and continued developing specifications and code to meet county system requirements.

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

² A go live date is the date upon which an application becomes operational and is ready for use.

³ The checkpoint review is conducted by the ABT Management Team, the governance entity with responsibility for ABT implementation, to ensure that a project is ready to proceed to the next phase of implementation.

- The Payroll/Time and Labor (PTL) Project completed its checkpoint review in August, began business process redesign efforts on time capture processes in October, and began preparing for conference room pilot sessions beginning in January 2010.
- The Budget Project completed gathering system requirements and conducting a fit/gap analysis, defined current and future states, and completed a prototype to display to county agencies in January 2010.
- The Benefits Realization Project completed refining ABT benefits baselines and began meeting with county agencies to establish target benefits at the agency level.

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.

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.

There have been no changes in scope during this reporting period.⁴ The program is proceeding as planned with implementing PeopleSoft HCM, PeopleSoft PTL, and Oracle Financials. Although Cognos Business Intelligence and Planning is being used for prototype purposes, a final decision on the budget system will be made during 2010.

⁴ 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.

Schedule

Schedule Changes

As reported in the first quarterly oversight report, several delays in go live dates 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. The projects impacted were HCM (a delay of 5 -½ months), the first PTL group (a delay of 1-½ months), and finance (a delay of one month).

Another major change in the schedule reported in the second quarterly report was 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 2009 to January 2010. 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.

During this reporting period, the ABT Management Team approved changes to the schedules for the finance and PTL projects. The change for the finance project was to restore the January 1, 2011 go live date originally approved in the Detailed Implementation Plan (DIP) instead of allowing the previously reported 30-day delay. This schedule change was made so that implementation will take place at the beginning of a fiscal year, thereby simplifying many tasks and avoiding increased costs.

In addition, the PTL schedule was changed to accelerate the first payroll group to go live on January 3, 2011 (instead of February 16, 2011) to avoid mid-year implementation cost impacts. The second go live event originally scheduled for July 3, 2011 was cancelled and consolidated into the third payroll group to go live on January 2, 2012. While this represents a delay for implementation of the new payroll system for approximately 5,000 employees (out of a total of 17,000), avoiding the costs of mid-year implementation and consolidating efforts in two events rather than three appears to be a prudent cost avoidance strategy. These changes to go live dates were designed to keep newly discovered cost increases discussed below as low as possible. These schedule changes, as well as others that have occurred to date, are reflected in Table 1.

Most recently, ABT announced a one-month postponement of the February 16 go live date for the HCM project. As noted earlier, in preparing for the third and final parallel test, some data conversion issues between PeopleSoft and MSA were uncovered. These issues must be corrected prior to the third parallel test to ensure that the information in the new system (PeopleSoft 9.0) is consistent with the information in the two old systems (MSA and PeopleSoft 8.9). On March 2, the ABT Management Team is scheduled to make a go/no go decision based on further testing results and to set an official new go live date.

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)	9/2/09	TBD		The ABT Program has postponed the previous February 16, 2010 go live date by one month pending correction of data conversion issues. On March 2, the ABT Management Team will make a go/no go decision and set an official new go live date at that time.
Payroll/Time and Labor				
-Group #1 (9,385 employees)	1/03/11	1/3/11	No change	Restored to original schedule to save mid-year implementation cost impacts. Moved ahead 43 days from previous report.
-Group #2 (5,227 employees)	7/3/11	1/1/12	+161 days	Delayed to align with Group # 3 to avoid mid-year implementation cost impacts.
-Group #3 (2,431 employees)	1/1/12	1/2/12	+ 1 day	Delayed to more closely coincide with pay period.
Finance	1/1/11	1/1/11	No change	Restored to original schedule to save mid-year implementation costs. Moved ahead 30 days from previous report.
Budget				
-Business Process Redesign	6/30/09	1/31/10	+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. On schedule to meet current forecast.
-Capital	4/1/12	3/15/12	-15 days	Accelerated for new deadline for the executive's transmittal of proposed budget to council per November 2008 charter amendment.
-Operating	4/1/12	2/28/12	-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.
ABT Project	First Published Schedule	ABT Program Current Forecast	Variance: +delay or -acceleration	Comments
Benefits Realization				
-Benefits Realization Plan	4/30/09	4/27/09 (actual)	-3 days	
-Benefits Measurement Plan	2/28/10	2/28/10	No change	

Earned Value Analysis - Schedule

As recommended by our oversight activities, the ABT Program conducts earned value analysis as an additional project management tool 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 schedule delays and cost overruns. Table 2 shows schedule performance indicators from this analysis at the program level for the current and two previous quarters.

TABLE 2
Earned Value Analysis
ABT Program Implementation Phase - Schedule Performance

Measure	Through 1 st Q 2009	Through 2 nd Q 2009	Through 3 rd Q 2009	Trend	Comments
Schedule Variance	\$(389,300)	\$(1,373,083)	\$(1,626,517)	↓	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	0.92	↑	A ratio dividing the value of work completed by the value of work planned to be completed. Values greater than one are desired.

Note: "Q" means quarter.

The earned value analysis continues to show schedule performance indicators that all four projects are behind schedule when comparing actual progress through the end of the third quarter to the reset program schedule. Therefore, the cover page for this report indicates a "yellow" rating for the schedule status for ABT, indicating "attention is needed."

The schedule indicators are within a range that show the schedule can still be met, with project management attention and action to address project progress issues. As reflected in the table, trends are mixed in showing whether the schedule performance is improving. We have observed diligent attention to schedule performance and accountability from the program manager and the entire management team and believe that the schedule performance indicators are less than optimal predominately because of delays in hiring staff, and additional time being devoted to assuring that agency concerns are understood and addressed. If schedule performance indicators consistently trend toward improvement, and are in the desirable range, a change in the schedule status to "green" or "no current concerns" will be considered.

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 \$344,192 available for expenditure out of the original \$9,032,857 budgeted for the implementation phase. Through November, approximately 22 percent of the implementation budget has been spent. Monthly expenditures during the third quarter have averaged approximately \$990,000, up from \$970,000 per month in the second quarter of 2009

Forecast Cost at Completion and Expenditures

Table 3 below shows the estimated forecast cost at completion at the project level as reported in the ABT Program Annual Report 2009. The total forecast cost at completion is equal to the baseline budget. Table 3 also shows the implementation expenditures by project, as reported in the ABT December 2009 report through September 2009, at 14 percent of the implementation budget.

TABLE 3
ABT Program Baseline Budget, Forecast Cost at Completion and Expenditures

	Baseline Budget	Forecast Cost at Completion	Variance Under/ (Over) Baseline	Expenditures through 09/30/09	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)	5,429,849	19%
Human Capital Management	10,238,471	12,577,542	(2,339,071)	2,050,579	20%
Payroll/ Time and Labor	20,424,577	17,213,595	3,210,982	1,029,797	5%
Budget	4,834,285	4,581,122	253,163	28,879	1%
Benefits Realization	0	566,534	(566,534)	208,881	n/a
Contingency	12,919,007	12,919,007	0	0	0%
IMPLEMENTATION TOTAL	77,514,044	77,514,044	0	8,747,985	14%
TOTAL*	*\$86,546,901	\$86,546,901	\$0	**\$17,436,505	20%

*Does not include supplemental appropriation for oversight costs

**From ABT December 2009 Quarterly Report- IBIS reports show life to date expenditures lower by \$11,467

Contingency

The contingency budget appropriation of \$12,919,007 is to a separate project number and represents a 20-percent contingency. In November the ABT Management Team approved the use of \$4.7 million (36%) of the contingency over the life of the project to: (1) address schedule changes for the Payroll/Time and Labor and the Finance projects; (2) increase resources for change management activities; (3) increase resources for year-end activities for the Finance and Business Operations Division (FBOD); (4) increase resources for bargaining the impacts of ABT; and (5) provide a contingency for side system readiness costs.

On November 23, the executive notified the council in writing as required by Ordinance 16725 of his intent to use \$4.7 million of the \$12.9 million appropriated contingency. A plan to spend 36 percent of the contingency at a time when 22 percent of the project funds have been spent causes some concern that the contingency funds will not be adequate to support the remaining implementation activities. We analyzed the executive's proposal and found that the justification for the additional resources appeared to be reasonable, and that there were sufficient details supporting the cost estimates. Accordingly, the CPO manager sent written notification to the council that the executive's approach to defining needs and estimating costs was reasonable, and that planned use of contingency is advisable. No councilmember responded to the contingency use notice within the timeframe established in the ordinance.

Some of the planned contingency fund use is to address issues and risks identified through our oversight and documented in our quarterly reports, as well as issues identified by the executive's quality management consultant. Some of the topics have also been discussed by the Project Review Board. However, some of the additional resources drawing from contingency are planned to address new issues identified by the ABT Program team, demonstrating their proactive and prudent planning for emerging risks.

Earned Value Analysis - Cost

Table 4 shows the cost performance results of the earned value analysis conducted for the current and two previous quarters. The third quarter 2009 measurements show two different values. The top numbers show the results as conducted by the ABT program. The bottom numbers show our calculation revised to account for the estimated value of consultant work completed but not yet paid.

TABLE 4
Earned Value Analysis
ABT Program Implementation Phase - Performance

Measure	Through 1 st Q 2009	Through 2 nd Q 2009	Through 3 rd Q 2009	Trend	Comments
Cost Variance	\$(1,062,118)	\$1,750,678	\$9,099,966 \$5,914,165	↑ ↑	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	2.04 1.50	↑ ↑	A ratio dividing the value of work completed by the actual costs incurred. Values greater than one are desired.

Note: "Q" means quarter.

The cost performance indicators have shown significant improvement since the first quarter of implementation work. As calculated by ABT, the cost variance increases to a positive value of over \$9 million and the cost performance index increases to 2.04. These results appear to indicate that the project is completing work much more efficiently (at lesser cost) than planned. We reviewed ABT's calculations to verify that the significant improvement in cost performance indicators reflected the actual performance. This review resulted in lower earned value cost performance calculations.

We found that there is a lag between the time some of the consultant costs, are incurred and the time when they are considered "earned." This lag occurs for two reasons. First, the consultant contracts for ABT are structured so that payments are made only when contract milestones are 100 percent complete and payments on these milestones could lag by several months. Second, 12 percent of the "earned value" on completed milestones does not show as an actual cost because it is retainage, and as such, it is not paid until the satisfactory completion of the entire scope of the contract work.

For these reasons, we believe the earned value analysis conducted by ABT reflects performance indicators that are artificially high. We recalculated the cost performance indicators, adjusting for the lagging consultant payments, and adding more than \$3 million to the actual cost figures used in the analysis. With that change, we found that all projects continue to show cost performance indicators well within the desirable range. These results are shown on the bottom numbers for third quarter 2009. The recalculated cost variance of \$5,914,165 and the cost variance index of 1.5 continue to represent positive trends, but at a more modest rate.

We will be monitoring to see if positive cost performance trends can be sustained another quarter while continuing to monitor the impact of lagging payments on the earned value analysis. If all cost indicators continue to show values in the desirable range next quarter, a change in the budget status to a "green" indicating "no current concerns" about the budget status may be considered.

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. Provided below is an update on the six issues from the previous report.

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. Three agencies received funding in the 2010 adopted budget for side system integration. Other agencies will be expected to absorb costs. In the event costs cannot be absorbed, the ABT Program is in the process of defining criteria to be used to allocate up to \$1 million from ABT contingency. CPO will be reviewing the process and the criteria that will be used to allocate funding. An open issue exists with regard to how the ABT Program will track interface costs. CPO staff will work with ABT staff to resolve this issue during the next reporting period. In addition, CPO staff will continue to monitor the disposition of side systems, and agency interface costs through reporting from ABT in accordance with our recommendation in previous reports.

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: ABT developed a technology testing environment for the HCM project. Current tests involve loading real transactions into the system and then evaluating accuracy. Final readiness testing occurred in January 2010. The ABT Quality Management consultant believes that the HCM pilot testing is no longer an issue to be tracked further.

Issue Status: Open. CPO staff will continue to monitor ABT progress on testing and implementation of the technology environments to support each project system.

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 previous reports, 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

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.

of these strategies, especially in light of the potential for changes in personnel in key positions within the governance structure (see issue #6 below).

Issue Status: Open. CPO will continue to monitor.

4. The ABT schedule is dependent upon keeping staffing project teams fully staffed with the required expert functional and technical skills.

Summary: Recent hiring efforts have taken longer than anticipated.

Issue Status: Open. Our previous quarterly report noted eight vacant ABT positions and as of this writing ABT has people working in all of the positions. Four were filled by hiring new employees, two were filled with loan-in employees from other county agencies and two were filled by a contractor. ABT continues to recruit for one of the contractor-filled positions. ABT has needed to employ additional mitigation strategies to fill new positions in a timely manner. Backup plans to use contract employees have been implemented. Recent experience has highlighted the importance of initiating hiring processes with adequate lead time to allow for unanticipated delays and enhanced outreach efforts to provide an ample candidate pool. This is especially applicable for positions requiring expertise that is in short supply in the current market. In addition to new positions, ABT has needed to fill unanticipated vacancies created because of staff turnover. 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.

Issue Status: Open. Agency participation through the Operational Change Management (OCM) Committee continues to be strong. (The OCM is a group of high-level agency personnel who meet monthly with ABT management and staff to receive project updates, discuss and resolve issues, and share information.) 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 recent transition to the new County Executive, which could impact turnover at management levels and to the impact of any 2010-budget cuts on agencies' abilities to fully participate in ABT. No ABT-related management-level turnover related to the transition has occurred to date, although the transition occurred only very recently (November 23, 2009).

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

Summary: In September, former county Budget Director, Bob Cowan, became the interim director of the Department of Executive Services and thus the ABT Project Sponsor. Bob Cowan had familiarity with ABT from his past position as Director of Office of Management and Budget.

When the new County Executive finalizes top management appointments, there is a chance for turnover of ABT governance positions. Lack of continuity in the ABT governance structure could create uncertainty in continued support for the ABT Program and the ability to make informed decisions in a timely manner. As noted above, no ABT-related management-level turnover related to the transition has occurred to date, although the transition occurred only very recently (November 23, 2009).

Issue Status: Open. 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. We will assess the potential impact of any personnel appointments by the new county executive that may affect the continuity of the governance of ABT and/or the project's schedule.

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, following the completion of the Benefits Measurement Plan (the final deliverable) on February 28, 2010. Meanwhile, the Benefits Realization Project (BRP) has surveyed agencies to identify if any resource reductions have already occurred in anticipation of efficiencies from the implementation of the ABT Program. As detailed on pages 19-20 of the ABT December 2009 Quarterly Report, agencies have reported approximately \$967,000 in staff reductions.

An analysis of these savings estimates will be included as part of the process now underway, during which ABT will negotiate savings targets with agencies. A criterion to be used in evaluating whether an FTE reduction should be attributed to ABT is whether the reduction was made in a business process area impacted by ABT and the consequent service level reduction is expected to be restored by the implementation of ABT. ABT intends to extend the survey and analysis for any similar reductions made in the 2010 budget process.

We asked BRP about the process by which savings targets will be set for affected agencies. We were particularly interested in learning how differences between BRP and the agencies would be resolved. The process described to us is as follows:

- A team consisting of the BRP manager, a representative of the Office of Management and Budget (OMB), and a representative of the program sponsor will meet with each agency to go over the revised benefit targets completed in September 2009.
- Agencies will have the opportunity to disagree or suggest modifications to the targets.
- Unless the team agrees that there is a clear and convincing reason for modification, the target will remain as previously determined.
- If the team does agree with any suggested modification, they will document the specific rationale for the decision.
- If there is a difference between the team and the agency, the only appeal the agency will have will be to ABT governance, where a formal decision will be made.

In Motion 12356 (October 10, 2006), the council approved the eight-step methodology submitted by the executive for identifying, validating, capturing, and reporting on cost savings opportunities from information technology efficiency projects. This methodology was created prior to the council's approval of the ABT Program, and in our opinion the development of the BRP has generally adhered to the methodology.

There may be some areas, however, in which the methodology did not anticipate a project of the complexity of ABT, which involves multiple agencies headed in some cases by separately elected officials. We have asked BRP and the OMB to prepare a crosswalk that will describe ABT's benefits realization process in comparison to the council-approved methodology, note any differences and lessons learned, and include possible modifications to the methodology if appropriate. BRP and OMB have agreed to produce such a crosswalk following completion of the Benefits Measurement Plan.

Expenditure Restrictions

Through the various appropriations for the ABT Program, council has placed expenditure restrictions on the ABT budget totaling nearly \$40 million. Of these, the ABT Program appears to have satisfied nearly \$34 million of the expenditure restrictions. The remaining \$6 million is scheduled to be released in increments over the next three years.

Funding to reimburse the auditor's office for CPO costs has also been restricted or specifically appropriated totaling \$280,002 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.

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 November 23, 2009 contained an updated forecast of program cost at completion.

2. 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 has designed a monthly status update on side systems 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. An open issue exists with regard to how the ABT Program will track interface costs. CPO staff will work with ABT staff to resolve this issue during the next reporting period.

3. 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: ABT reviewed their past experiences and found that filling vacant positions requiring specific functional or technical expertise were the most troublesome. Because competition for these skills will continue, ABT has initiated mitigation efforts for these types of positions, including: (1) using local contractors with the required skills to fill the positions while at the same time initiating standard recruitment processes; (2) reducing the requirement for extensive Oracle experience for the finance system trainers by hiring the trainers earlier than planned and co-locating them with the finance project team, so they can gain the required expertise on the job; and (3) identifying county employees who possess the required skills and who can be “loaned out” or transferred to ABT.

As of this writing, all eight positions previously reported as vacant have been filled with a new employee, loan-in employee from another county agency or a contractor. CPO will continue to monitor to determine whether future vacancies are filled in a timely manner.

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 is tentatively scheduled to be presented to the Government Accountability and Oversight Committee in March. Should you have questions or comments on the report, please contact Tina Rogers, Capital Projects Oversight Manager or Ron Perry, Deputy County Auditor.

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