



KING COUNTY AUDITOR'S OFFICE

CAPITAL PROJECTS OVERSIGHT PROGRAM

ACCOUNTABLE BUSINESS TRANSFORMATION (ABT) PROGRAM OVERSIGHT REPORT FOR FIRST QUARTER 2010



CURRENT RISK RATING ▼ Attention is needed to address schedule 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 Detailed Implementation Plan, approved in 2008. Council added Benefits Realization. ABT extended performance management and reporting efforts one year to enhance capabilities. Revisions to the finance work plan are being considered to meet the schedule forecast.

▼ **Schedule**

Project	Approved Go Live Schedule	Current Go Live Forecast	Comments
Human Capital Mgmt	9/2/09	3/16/10 (actual)	Successful go live occurred during this reporting period.
Payroll/Time & Labor (PTL) Group 1	1/3/11	1/3/11	
PTL Groups 2 and 3	Group 2 - 7/3/11 Group 3 - 1/1/12	1/2/12 1/2/12	Group 2 go live date was delayed to coincide with Group 3.
Finance	1/1/11	1/1/11	Schedule issue noted below
Capital Budget	4/1/12	2/28/12	30-day acceleration

● **Budget** – New forecast cost at completion is \$14.3 million lower than previous reports.

	Approved Budget	Expenditures thru March 2010	Expenditures as % of Budget	Forecast Balance to Complete	Forecast Cost at Completion *
Planning	\$9,032,857	\$8,698,665	96%	0	\$9,032,857
Implementation	64,685,283	14,957,219	23%	43,597,937	58,555,155
Contingency	12,919,007	14,217	0.1%	4,674,651	4,688,868
Total	\$86,637,147	\$23,670,101	27%	\$48,606,779	\$72,276,880

*As reported in ABT Program 2010 Annual Report.

▼ **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.
- 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.
- Adjustments in Finance Project work plan will be necessary to meet scheduled go live date. (NEW)
- Labor negotiations to bargain impacts of PTL implementation are behind schedule. (NEW)

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

June 28, 2010

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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.

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.

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INTRODUCTION

This is the sixth quarterly oversight report prepared for and submitted to the Government Accountability and Oversight (GAO) 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 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 Project Review Board (PRB) and Pacific Consulting Group, Inc. (PCG), the quality management consultant who reports directly to the ABT Program Sponsor (the director of the Department of Executive Services).

This report comments on the ABT Program 2010 Annual Report, which also contains information required for the ongoing ABT quarterly reports. The executive delivered this report to the Clerk of the Council on June 1, in advance of the mandated annual report deadline of June 30 and in compliance with the quarterly report deadline of June 1. This report focuses primarily on 2010 first quarter information contained in the executive's report, although in some cases more current information available at our publication date was used. We will be available to brief the GAO committee at a meeting in August or September.

PROJECT STATUS UPDATE

Major ABT Accomplishments

Major ABT accomplishments since our previous report are:

- The Human Capital Management (HCM) Project's "go live"¹ date of March 16, 2010 was one month behind the original go live date of February 16, 2010. Following go live, CIBER and ABT staff began managing and providing support to the HCM system in accordance with a ninety-day post-production support plan. Support has included a help desk, training, and computer support services. To date, no major issues have been reported. After the ninety-day period, ongoing management and support will be the responsibility of the PeopleSoft System Support and Development group in the Finance and Business Operations Division (FBOD).
- The Finance Project completed 17 conference room pilot sessions.² A second round of sessions was cancelled. Functionality that was planned to be covered in these sessions will be covered in special interim training and user testing sessions. ABT is taking this approach because they believe it to be more effective for getting meaningful input from agencies. This approach also frees up ABT project staff to address tasks that are behind schedule. In response to concerns raised about schedule slippages, the finance project team is conducting an assessment to determine whether all of the finance system functionality can be delivered on schedule and within

¹ "Go live" is when a software application becomes operational and is ready for use.

² 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.

budget. The project team expects this assessment to be completed by June 30, 2010 for review and approval by the ABT Management Team.³

- The Payroll/Time and Labor (PTL) Project continued configuration design sessions with FBOD, conducted meetings with agencies to define side system⁴ interface requirements, and completed three conference room pilots on labor distribution. Configuration, development, and testing activities began in April. In addition, the project, in conjunction with labor relations, began conducting meetings with agencies to review pay practices in preparation for automation of pay rules in PeopleSoft.
- The Budget Project published a Request for Proposal (RFP) for new budget and performance management system software and for implementation services on schedule on May 27, 2010. Responses to the RFP are due on July 1 and the goal is to sign a contract with a vendor by the first week in September.
- The Benefits Realization Project completed its 2010 update of the Benefits Realization Plan (BRP) and obtained approval for the plan from the ABT Leadership Committee.⁵ The BRP team will continue to provide annual updates. In addition, the team will produce “project completion reports” following each go live event to, among other things, verify that key functionalities impacting benefits were fully implemented. The information from these reports will also be reflected in ABT quarterly and annual reports.

Scope

There have been no changes in scope during this reporting period. The Finance Project, however, is assessing whether work plan adjustments are necessary to meet the scheduled finance system go live date of January 1, 2011.

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 the portion of the county (about two-thirds) that is currently paid semi-monthly from the legacy system to PeopleSoft bi-weekly payroll.
- The Finance Project will implement countywide finance business processes supported by Oracle Financials. As noted above, revisions to the finance work plan are being considered to meet the schedule forecast which could potentially involve some scope changes.
- The Budget Project will implement capital and operating budget business processes supported by new capital budget, operating budget, and performance management reporting systems, to be selected in second quarter 2010.

³ The ABT Management Team is the governance entity responsible for ABT implementation.

⁴ A side system is an Excel spreadsheet, Access database, or other third party software application that is required by an agency to support its business processes.

⁵ The ABT Leadership Committee is a subset of elected officials on the Strategic Advisory Council, the county's information technology policy-making body. The role of the Leadership Committee is to review and approve major policy documents related to ABT.

- The Benefits Realization Project will identify cost savings that could result from standardizing and streamlining business processes and implementing new software systems.

Embedded in the HCM, PTL, finance, and budget 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

Schedule Changes

The council-approved schedule for the ABT Program is contained in the ABT Detailed Implementation Plan. Any changes to the schedule are reviewed and approved by the ABT Management Team. No schedule changes occurred during this reporting period. The following schedule changes were reported in previous quarterly reports.

- **ABT Program Initiation.** The start of the program was delayed by three months (from November 2008 to February 2009) due to a three-month delay executing the consultant contract with the system integrator (CIBER, Inc.). The contract was executed on February 3, 2009.
- **Budget Project.** The 2012 go live dates for both the capital and operating budget systems were accelerated by one month. In addition, there was a six-month delay in the budget business process redesign and system prototype building efforts. The original six-month schedule of January to June 2009 was moved to June 2009 to January 30, 2010. Some of the work was completed in February 2010 and will continue when budget system implementation begins, scheduled for August 2010.
- **PTL Project.** Payroll Group 2 was delayed from July 3, 2011 to January 2, 2012. The delay occurred so that go live will coincide with the beginning of the calendar year. Recent concerns with this schedule have been identified by ABT and the quality management consultant related to a late start on labor negotiations to bargain the impacts of the new payroll system. It is possible that some agencies may be shifted from Group 1 (2011 go live) to the 2012 go live date, depending on the timing of necessary labor negotiations.
- **HCM Project.** The go live date was postponed for one month, to March 16, 2010. Successful go live occurred on that date.

These schedule changes are reflected in Table 1.

**TABLE 1
Major ABT Program Go Live and Other Milestones**

ABT Project	Council-approved Baseline⁶	ABT Program Current Forecast	Variance: +delay or -acceleration	Comments
HCM	9/2/09	3/16/10 (actual)	+ 195 days	The ABT Program postponed the previous February 16, 2010 go live date by one month pending correction of data conversion issues. HCM went live on March 16 in accordance with the updated forecast.
PTL				
• Group #1	1/3/11	1/3/11	No change	Restored to original schedule to save mid-year implementation cost impacts. Moved ahead 43 days from previous report. (Group 1 contains 9,385 employees.)
• Group #2	7/3/11	1/2/12	+ 161 days	Delayed to coincide with a calendar year. (Group 2 contains 5,227 employees.)
• Group #3	1/1/12	1/2/12	+ 1 day	Delayed to coincide with pay period. (Group 3 contains 2,431 employees.)
Finance	1/1/11	1/1/11	No change	Restored to original schedule to save mid-year implementation costs. Moved ahead 30 days from earlier reports.
Budget				
• Process Redesign	6/30/09	TBD		Delayed seven months because of consultant negotiations and staff unavailability. Work will continue during system implementation. No new target date for completion has been determined.
• 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	There is no change in the go live schedule, but some staffing has been extended for one year beyond the go live date, to refine and enhance reporting capabilities.
Benefits Realization				
• Benefits Realization Plan (BRP)	4/30/09	4/27/09 (actual)	-3 days	Plan was published three days early.
• Benefits Measurement Plan (BMP)	2/28/10	2/28/10 (actual)	No change	Schedule was met.
• 2010 BRP Update	None	4/5/10 (actual)	See comment	The update was approved by the ABT Leadership Committee on April 5, contingent upon resolution of one issue. The issue was resolved in late April/early May.

⁶ The council approved baseline schedules for the HCM, PTL, Finance, and Budget projects as part of the ABT Detailed Implementation Plan in October 2008 (Motion 12863). The council established a baseline schedule for the Benefits Realization Plan in October 2008 (Ordinance 16275).

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 project delivery performance 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 three previous quarters.

TABLE 2 Earned Value Analysis ABT Program Implementation Phase - Schedule Performance						
Measure	Through 2nd Q 2009	Through 3rd Q 2009	Through 4th Q 2009	Through 1st Q 2010	Trend	Comments
Schedule Variance	\$(1,373,083)	\$(1,626,517)	\$(660,944)	\$(1,684,868)	↓	Places a dollar value on how far (behind) or ahead of schedule the program is. Positive values are desired.
Schedule Performance Index	0.89	0.92	0.98	0.95	↓	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 first quarter. As reflected in the table, trends this quarter are negative and show declining indicators. Therefore, the cover page for this report continues to indicate a "yellow" rating for the schedule status for ABT, indicating "attention is needed."

The schedule indicators, however, are within a range that shows the schedule can still be met with project management attention and action to address project progress issues. ABT Program staff, however, reports that more recent schedule reviews show a continued negative trend for some schedule performance indicators.

ABT is currently undergoing a revision to the Finance Project work plan, responding to a recommendation from the quality management (QM) consultant to address escalating concerns about the schedule. Based on our communication with ABT and the QM consultant, CPO believes that meeting the scheduled go live date is not likely unless the current efforts to revise the work plan by adding resources, streamlining development processes, and/or deferring scope are successful. The Finance Project's lagging schedule performance is predominately because the complexity and amount of work required to complete some key project work tasks is much greater than was estimated in the project plan.

Budget

Overview

The 2010 Annual Report forecasts a cost at completion that is \$14.3 million lower than previous reports. Table 3 shows project-level data for the ABT baseline budget approved by the council. The total baseline budget is \$86.5 million and through March the ABT Program has reported expenditures totaling 28% of the baseline budget, including the first use of contingency funds, consistent with previous council notification and PRB approvals. Monthly expenditures during the first quarter of 2010 have averaged \$965,608, down from an average of approximately \$1.1 million per month during the fourth quarter of

2009. The expenditures for the months of April and May were approximately \$1.7 and \$1.3 million, respectively.

Table 3 also shows forecast costs at completion for the planning phase and each project in the implementation phase. The forecast cost of approximately \$9 million for the planning phase equals the baseline budget, although no additional planning costs are expected. The forecast cost at completion for the implementation phase is \$63.2 million, or \$14.3 million under the baseline budget of \$77.5 million. Based on recent communication with ABT program staff, and as noted in ABT's 2010 Annual Report, the forecast does not include additional resources that may be needed to mitigate schedule risks on the Finance and PTL projects. A risk assessment and mitigation plan is in development and will be completed by the end of the second quarter. The impact on the program implementation costs will be clearer at that time; however, it is not realistic to expect that the forecast \$14.3 million surplus can be sustained.

TABLE 3					
ABT Program Baseline Budget, Forecast Cost at Completion, and Expenditures					
	Baseline Budget *	Forecast Cost at Completion **	Variance Under/(Over) Baseline	Expenditures through 3/31/10 ***	Percent of Baseline Spent
PLANNING TOTAL	9,032,857	9,032,857	0	8,688,520	96%
Finance	29,097,704	28,119,763	977,941	8,124,112	28%
HCM	10,238,471	7,799,590	2,438,881	4,349,766	42%
PTL	20,424,577	17,286,389	3,138,188	1,795,247	9%
Budget	4,834,286	4,834,286	0	455,723	9%
Benefits Realization	0	515,127	(515,127)	348,460	n/a
Contingency	12,919,007	4,688,868	8,230,139	46,010	0%
IMPLEMENTATION TOTAL	77,514,045	63,244,023	14,270,022	15,119,318	20%
GRAND TOTAL	86,546,902	72,276,880	14,270,022	23,807,838	28%

*Does not include supplemental appropriation for oversight costs. The budget table on the cover page of this report shows the implementation budget higher by \$90,246 because of this supplemental appropriation made in 2009.

**From ABT 2010 Annual Report.

***Reports from the IBIS financial system show life to date expenditures lower by \$137,737. IBIS expenditure reports through March 31, 2010 were used for the budget table on the cover page of this report.

Earned Value Analysis – Cost

Table 4 shows the cost performance results of the earned value analysis conducted for the current and three previous quarters. Beginning in the third quarter of 2009, two numbers are shown for the cost performance indicators: the top number is as calculated by ABT and the bottom number is based on a refined calculation by CPO.

CPO made a number of refinements in the earned value calculations to produce cost performance indicators that we believe are more representative of the current performance. The refinements include: (1) accounting for the value of consultant work completed but not yet paid, including the 12-percent retainage that is held until project completion; (2) basing the Budget Project earned value appropriately on the project plan for the first phase of the work; and (3) using IBIS financial records of actual expenditures, including contingency fund use.

CPO-calculated cost performance indicators, although they are lower than the ABT calculations and show a downward trend for this past quarter, remain very favorable with a cost variance of \$7.3 million and a cost performance index of 1.39. These results indicate that the project is completing work more efficiently (at lesser cost) than planned. The ABT figures would appear to support its revised lower forecast cost at completion provided in their 2010 Annual Report, while CPO calculations indicate that the forecast may be somewhat overly optimistic. ABT is incorporating changes to its earned value analysis in the future to provide improved project management information.

TABLE 4 Earned Value Analysis ABT Program Implementation Phase - Performance						
Measure	Through 2 nd Q 2009	Through 3 rd Q 2009	Through 4 th Q 2009	Through 1 st Q 2010	Trend	Desirable Values
Cost Variance	\$1,750,678	\$9,099,966 \$5,914,165	\$14,283,906 \$10,712,354	\$15,784,538 \$7,340,254	↑ ↓	Places a dollar value on how far (over) or under budget the program is to date. Positive values are desired.
Cost Performance Index	1.31	2.04 1.50	2.17 1.68	2.05 1.39	↓ ↓	A ratio dividing the value of work completed by the actual costs incurred. Values greater than one are desired.

Notes:

(1) "Q" means quarter.

(2) The measures for the last two quarters for 2009 and the first quarter for 2010 show two different values. The top numbers show the results as calculated by the ABT Program. The bottom numbers show the CPO calculation revised to more accurately reflect the cost performance.

With the continued favorable cost performance indicators, the budget status on the first page of this report remains as "green" indicating "no current concerns" about the budget. We will continue to monitor cost performance in light of recent information that the Finance Project work plan is being revised and it is anticipated that additional resources will be needed to meet the project schedule.

Issues and Risks

Our previous oversight report included five issues or risks that might impact the successful delivery of the ABT Program consistent with the council-approved scope, schedule, and budget. Ongoing oversight and 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 five issues from the previous report. In addition, two new issues are added.

- 1. The resources for ensuring that side systems retained in agencies continue to function and interface with new ABT systems 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 (finance, human resources, payroll, finance and budget) 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 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. Strategies are in place for addressing side system interface costs. 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, ABT has made available up to \$1 million from ABT contingency. Proposals for use of contingency funds were solicited from agencies in accordance with a process and criteria approved by the ABT Management Team. ABT staff is in the process of verifying the estimated costs developed by agencies. ABT's next quarterly report will contain an update on how much of the contingency has been allocated. 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. 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 of these strategies, especially in light of the potential for changes in personnel in key positions within the governance structure (see issue #5 below).

Issue Status: Open. No major delays occurred with the governance reviews that took place during this reporting period. In fact, a potential delay in the ABT Leadership Committee's final approval of the 2010 update to the Benefits Realization Plan was avoided. The committee approved the update on April 5, contingent upon successful resolution of one issue. The issue was resolved. Recognizing that it might not be possible to schedule another committee meeting in a timely manner, the ABT Program sought and received final approval from the committee through email. The experience, however, did reinforce the importance of anticipating issues and resolving them prior to key milestones. CPO will continue to monitor.

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

Summary: Recent hiring efforts have taken longer than anticipated.

Issue Status: Open. As of mid-June, hiring processes are underway to fill three vacant positions. There are nine additional positions that are vacant. Of these, seven are on hold pending determination of need. There are plans to fill the remaining two vacancies within the next few months. ABT management has continued to demonstrate diligence in filling vacant positions and effectively orienting new staff to the ABT Program.

4. 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, conference room pilot sessions, and other venues, such as the new “lunch and learn” sessions, continues to be strong.⁷ We have seen continued diligence by ABT staff to conduct outreach to agencies when needed. CPO will continue to monitor the level and quality of agency participation by observing website updates, reviewing written communications and other written products, and attending selected meetings.

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

Summary: Turnover in key ABT governance positions could create uncertainty in continued support for the ABT Program and/or the ability to make informed decisions in a timely manner.

Issue Status: Open. The current Deputy ABT Program Sponsor will retire at the end of June. A current county employee has been selected to fill the position. The new deputy sponsor will be relieved of some current duties as Senior Policy Analyst in the Office of Strategic Planning and Performance Management to allow her to devote half-time to the deputy sponsor duties. Transition activities are underway allowing the current deputy sponsor to orient the new deputy sponsor before the end of June.

There is a process underway to fill the vacant Chief Information Officer (CIO) position. The position of CIO has two important roles in the governance process, both as the chair of the Project Review Board, which approves releases of funding for technology projects, and the ABT Management Team.

While turnover has occurred in several key governance member positions since the ABT Program began in 2008, we have observed over time that there have been effective transitions in each case. New members are briefed and oriented quickly.

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.

6. Adjustments in Finance Project work plan will be necessary to meet scheduled go live date. (NEW)

Summary: CPO has been carefully monitoring schedule performance indicators and has noted that indicators show all four ABT projects behind schedule. At the same time, the QM consultant has noted concerns that many project tasks have been lagging behind schedule and has recommended that the project conduct an assessment prior to the end of June to determine what resources are needed to keep the project on schedule.

⁷ The OCM is a group of high-level agency personnel that meets monthly with ABT management and staff to receive project updates, discuss and resolve issues, and share information.

Status: The Finance Project team has indicated that the assessment will not be completed until June 30. Under consideration are options to defer scope elements. In the meantime, the project has taken steps to reduce the risk of missing the scheduled go live date of January 1, 2011, including adding resources to the project, streamlining agency work sessions, locking down further changes to interface specifications, and increasing scrutiny of design changes identified by agencies.

7. Labor negotiations to bargain impacts of the PTL Project on represented employees are behind schedule. (NEW)

Summary: Implementation of countywide biweekly payroll (based on actual hours worked) will impact the county employees who are currently paid semimonthly (based on averaged hours). In addition, business process changes and efficiencies may impact the duties of employees who support the county's payroll functions. ABT is conducting meetings with county agencies to identify issues to be that need to be bargained. This work effort, involving approximately 170 meetings, is significant and is lagging behind schedule.

Status: ABT has conducted approximately half of the necessary meetings and is in the process of developing a negotiation schedule in order to meet the January 2011 go live date for payroll groups 1 and 2.

OTHER OVERSIGHT RESPONSIBILITIES FOR CPO

Benefits Realization Project

The first annual update to the Benefits Realization Plan was approved by the ABT Leadership Committee on April 5, 2010.⁸ The update reflects the work that ABT has done with county agencies over the past year to develop ABT Program objectives and benefits and establish how the benefits will be measured, monitored, and reported. Approval of the update signifies agreement that the benefits and measures are "reasonable and achievable" while acknowledging that decisions to reduce FTEs as a result of operational efficiencies gained from ABT, or to reinvest FTEs in a new or higher level task, will be dependent upon decisions made in future annual budget processes.

The BRP update defines the following ABT Program objectives, which are based on the high-level goals approved by the council in 2003 as part of the ABT Vision and Goals Statement:

1. Improved operational cost efficiency of business functions countywide.
2. Improved effectiveness in conducting business functions countywide.
3. Improved accountability and transparency.
4. Improved delivery of county services.
5. Improved county planning, decision-making, and management of county services.

The BRP update also establishes a list of benefits and metrics to measure achievement of ABT objectives. Appendix A to this report is a compilation of several charts from the BRP update showing benefits and metrics for each ABT project.

Although all of the ABT objectives are important in achieving the intended transformation of county business practices, the first objective related to cost efficiency is one of the more tangible and quantifiable justifications for ABT. A cost benefit analysis conducted by ABT in 2008 concluded that ABT would be a financially favorable program, resulting in a positive net present value that showed a

⁸ The committee reaffirmed its approval in May following a minor adjustment to the plan.

significant savings to the county over a fifteen-year period, with most of the savings coming from a reduction of 147 FTEs phased in over time (2 in 2009, 42 in 2010, 8 in 2011, 57 in 2012, and 38 in 2013).

The BRP update estimates potential ongoing annual cost savings in 2008 dollars of \$14.2 million once the ABT Program is fully implemented, considering both software and labor cost savings. Approximately \$11.2 million of that amount is estimated to be labor savings, made possible through reduction in labor hours needed to perform county human resource, payroll, finance, and budget business functions. The estimate is based on potential reduction of 129 FTEs phased in over time (17 in 2012, 59 in 2013 and 53 in 2014). The adjustments from the previous estimate of 147 FTEs were due to consultant and stakeholder feedback. Two metrics are used to measure the benefit: (1) FTE reductions and (2) FTE cost avoidances (when an FTE identified for reduction is reinvested in a new or higher level task).

The 129 FTEs is a target for reduction and does not represent a number that county agencies have collectively committed to achieve. Appendix E of the BRP update includes a variety of agency comments on the targets. Some agencies are in agreement with the targets, but others either did not comment or raised varying levels of concerns about the targets.

Our previously reported caveats about the feasibility of ABT achieving estimated savings, first highlighted in 2008 in the auditor's Due Diligence Report on ABT's cost benefit analysis, still apply. The estimates of labor cost savings are based on potential, fractional FTE reductions or FTE cost avoidances (which are difficult to capture). Although the recently-adopted BRP update formally documents the culmination of a reasonable process to gain agency acceptance to labor cost savings targets, realization of these cost savings is ultimately subject to decisions made in the annual budget process.

Future annual updates to the BRP will document how actual savings compare to these targets. It may be too early to use these targeted savings with confidence in fiscal policy decisions until the county's ability to perform on achieving the targeted labor savings has been proven. The potential labor savings should also be considered in a larger context (as explained in the auditor's Due Diligence Report):

- In the sensitivity analyses conducted by the auditor's office, ABT showed a positive net present value (indicating savings to the county over the long run) under nearly all scenarios. For example, even when estimated FTE reductions were cut in half, ABT still appeared to be a financially favorable project.
- Many of the potential benefits resulting from implementation of the ABT Program are not directly quantifiable as cost savings and, therefore, were not reflected in the earlier Cost Benefit Analysis. They will be measured as savings in the future. These include achievement of benefits related to the comprehensive list of objectives listed on the previous page.

The ABT benefits realization effort, which has involved extensive collaboration with stakeholder agencies, provides a comprehensive set of benefits that can be directly or indirectly related to the outcomes and changes anticipated as a result of ABT implementation. This effort has also kept a county-wide focus on the need to achieve and sustain ABT benefits, to identify and overcome barriers, and to gauge performance against meaningful measures. It appears to satisfy the council-mandated requirement.

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 in 2010 (\$3 million), 2011(\$2 million), and 2012 (\$1 million) contingent upon CPO certifying by October 1 of each year that open communication between ABT and CPO has occurred.

Funding to reimburse the auditor's office for CPO costs has also been restricted or specifically appropriated totaling \$417,768 to date.

Stakeholder Participation

A CPO analyst from the auditor's office, separate and apart from this oversight effort, 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 monitoring and legislative oversight of the county's capital improvement programs in the future.

RECOMMENDATIONS

We make no new recommendations at this time, noting however, that ABT is developing a plan to address the schedule concerns for the Finance Project. We will review the plan, monitor its effectiveness, and may have new recommendations to improve the plan in future reports.

A previous recommendation we made in 2009 to include in ABT annual reports an updated forecast of ABT Program costs at completion has been implemented. Below are status updates on two recommendations contained in our previous quarterly reports.

1. 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 will report on interface costs and side system disposition in its 2010 second quarter report, which is due September 1. We will use this information and updates to track this issue. A plan is in place to track interface costs. ABT has devoted additional resources to monitor and support agency readiness for upcoming go live dates and specifically address the readiness for interface of necessary side systems.

2. 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; and (2) identifying county employees who possess the required skills and who can be "loaned out" or transferred to ABT. As of this writing, hiring processes are underway to fill three vacant positions, and plans are in place to fill two additional positions within the next few months. CPO will continue to monitor to determine whether these and 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 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. 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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Appendix A
ABT Project Prioritized Benefits, Metrics, and Ongoing Performance Measures

Prioritized Benefits	Metrics/Ongoing Performance Measures	High Level Benefit
All Projects		
Reduction in labor hours needed to perform Human Resources, Payroll, Time and Attendance, Finance, Procurement, and Budget Processes	<ul style="list-style-type: none"> • FTE reductions • FTE cost avoidances 	Cost Reduction
Improved performance measurement	<ul style="list-style-type: none"> • Percentage of programs that have a full family of measures that captures: outputs, outcomes/results, customer satisfaction, and efficiency* 	Transparency
Human Capital Management		
Reduced staff time spent preparing reports and responding to requests from HRD	<ul style="list-style-type: none"> • Number of days to complete BOW review • Percentage of data elements in Vacancy Report that can be automatically populated 	Cost Reduction
Reduction in IT support and maintenance costs	<ul style="list-style-type: none"> • Labor and non-labor cost of supporting side systems • Number of side systems related to HCM 	Cost Reduction
Improved level of oversight	<ul style="list-style-type: none"> • Frequency of performing body of work (BOW) review 	Effectiveness
Increase effectiveness in the delivery of human resource activities resulting in reduced processing time	<ul style="list-style-type: none"> • Number of days to approve new position* • Number of days to reclass vacant position* • Percentage of employees enrolled in new employee orientation (NEO) within 7 days • Percentage of new employees entered into system on first day of hire 	Service Delivery
Empower employees to access and maintain their own human resource information where appropriate	<ul style="list-style-type: none"> • Number of page views of self-service data • Percentage of transactions conducted using self-service* 	Transparency
Payroll Time and Labor		
Reduced manual work processes	<ul style="list-style-type: none"> • Number of manual checks cut out of total payments • Percentage of employees manually recording time* 	Cost Reduction
Reduction in IT support and maintenance costs	<ul style="list-style-type: none"> • Labor and non-labor cost of supporting side systems • Number of side systems related to Payroll Time and Labor. 	Cost Reduction
Empower employees to access their payroll data where appropriate	<ul style="list-style-type: none"> • Percentage of employees receiving W2 requests online • Percentage of employees updating direct deposit information online • Percentage of transactions conducted using self-service* 	Decision Support
Improved management of employee resources (absence mgmt, project staffing etc.)	<ul style="list-style-type: none"> • TBD 	Decision Support
Increased capture of errors earlier in the payroll process	<ul style="list-style-type: none"> • Number of manual checks cut out of total payments* • Number of time collection errors submitted after central payroll load* 	Effectiveness

Note: See last page for Appendix notes.

Appendix A (continued)

Prioritized Benefits	Metrics/Ongoing Performance Measures	High Level Benefit
Finance/Procurement		
Reduced staff time spent reconciling, updating and auditing multiple data systems	<ul style="list-style-type: none"> • Number of handoffs in transaction approval process • Number of manual cash transfers related to straddle funds • Number of steps to create an asset 	Cost Reduction
Reduce number of vendor contracts	<ul style="list-style-type: none"> • Number of duplicative vendor contracts (contracts for like goods) 	Cost Reduction
Reduced cost of county purchases	<ul style="list-style-type: none"> • Value of a sample basket of goods adjusted for inflation* • Percentage of orders receiving early pay discounts* 	Cost Reduction
Reduced manual work processes	<ul style="list-style-type: none"> • Number of P-Card transactions • Percentage of purchases that are auto-sourced 	Cost Reduction
Reduction in IT support and maintenance costs	<ul style="list-style-type: none"> • Labor and non-labor cost of supporting side systems • Number of side systems related to Finance 	Cost Reduction
Easier access to financial information	<ul style="list-style-type: none"> • Number of web based reports generated • Volume of paper reports generated 	Decision Support
Improved timeliness of financial data	<ul style="list-style-type: none"> • Number of days to close month end* • Number of days to close year end* 	Decision Support
Improved accuracy of financial transactions	<ul style="list-style-type: none"> • Number of errors sent back to agencies for correction 	Effectiveness
Improved oversight of county expenditures	<ul style="list-style-type: none"> • Number of State Auditor hours spent on financial statement audits • Percentage of FBOD site visits conducted during the first two quarters of the year • Percentage of State Auditor hours spent of financial statement audits • Percentage of State Auditor hours spent on performance audits 	Effectiveness
Increased compliance of county contracts	<ul style="list-style-type: none"> • Percentage of invoices that don't match • Percentage of purchases on county contracts • Percentage of purchases performed with I-Supplier 	Effectiveness
Improve cycle time for orders	<ul style="list-style-type: none"> • Number of days from order to payment for goods* 	Service Delivery
Improve timeliness of payment to vendors	<ul style="list-style-type: none"> • Number of early pay discounts per all payments 	Service Delivery
Improve transparency by enhancing general reporting capabilities countywide	<ul style="list-style-type: none"> • Number of ad hoc reports generated 	Transparency

Appendix A (continued)

Prioritized Benefits	Metrics/Ongoing Performance Measures	High Level Benefit
Budget		
Reduced data entry for OMB	<ul style="list-style-type: none"> • TBD 	Cost Reduction
Reduced number of days to complete budget administrative tasks	<ul style="list-style-type: none"> • TBD 	Cost Reduction
Reduction in IT support and maintenance costs	<ul style="list-style-type: none"> • Labor and non-labor cost of supporting side systems • Number of side systems related to Budget 	Cost Reduction
Enhanced knowledge management and reporting	<ul style="list-style-type: none"> • TBD 	Decision Support
Improve the county's ability to budget and measure program success based on performance metrics	<ul style="list-style-type: none"> • Percentage of programs that have a full family of measures that captures: outputs, outcomes/results, customer satisfaction, and efficiency 	Decision Support
Improved alignment of budgets with strategic goals	<ul style="list-style-type: none"> • TBD* 	Decision Support
Increased accuracy of expenditure and revenue projections	<ul style="list-style-type: none"> • TBD* 	Decision Support
Increased transparency of budget decisions and support data	<ul style="list-style-type: none"> • TBD 	Transparency

SOURCE: ABT Benefits Realization Plan (BRP) 2010 Update, Tables 4-9 & 18

Notes:

1. The metrics for Human Capital Management (HCM), Payroll Time & Labor (PTL), Finance/Procurement, and Budget projects are identified as “draft” in the BRP 2010 Update. These metrics will be refined as the projects near their respective go live dates.
2. Asterisks (*) indicate the metrics that are identified as potential on-going performance measures in the BRP 2010 Update (Table 18). These will be used to monitor sustainability of achieved benefits and improvements that are expected from the ABT Program.