



King County

# KING COUNTY AUDITOR'S OFFICE

## Capital Projects Oversight



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

**CURRENT RISK RATING** ▼ Attention is needed to develop a realistic forecast cost estimate and reset schedule and to meet the reset schedule within the available budget, given the issues and risks described below. Two new recommendations are included.

**PROJECT STATUS** ● No Current Concerns ▼ = Attention Needed ◆ = Corrective Action Needed

#### ▼ Scope

In September 2010, Finance Project scope was increased to address business needs for cash management, capacity charge billing, and side system integration. Payroll, Time and Labor (PTL) Project scope was changed to reduce the degree of automating pay rules.

#### ▼ Schedule

Schedule reflects new go live dates for PTL and finance projects approved in September 2010.

System Projects	Council-Approved Go Live Schedule	Current Go Live Forecast	Comments
Human Capital Mgmt	9/2/09	3/16/10 (actual)	Go live occurred 6 ½ months late
PTL Group 1	1/3/11	1/1/12 (all groups)	Group 1: One-year delay
PTL Groups 2 and 3	Group 2 - 7/3/11		Group 2: Six-month delay
	Group 3 - 1/1/12		Group 3: No delay
Finance	1/1/11	1/1/12	One-year delay
Operating/Capital Budget	4/1/12	2/28/12	30-day acceleration
Performance Management	12/31/12	12/31/12	No Change

#### ▼ Budget

Budget Category	Approved Budget	Expenditures thru September 2010*	Expenditures as % of Budget	Forecast Cost at Completion **
Planning	\$9,032,857	\$8,688,520	96%	Under development
Implementation	64,685,283	22,592,744	35%	Under development
Contingency	12,919,007	766,998	6%	Under development
Total	\$86,637,147	\$32,048,262	37%	Under development

\*From ABT Program December 1, 2010 Quarterly Report.

\*\*ABT is developing new forecasts, but they will not be completed until after the publication of this report.

#### Issues and Risks

- Side system readiness is critical for successful implementation of ABT projects.
- Governance structure reviews could impact ABT project schedules and costs if decisions are not made in a timely manner.
- Project schedules depend on keeping project teams fully staffed with the required expert functional and technical skills.
- Successful ABT implementation relies heavily on meaningful input and active participation by county agencies during all ABT meetings and review processes.
- Success in meeting new go live schedules will require adherence to new project plans.

January 21, 2011

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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 and improve performance, accountability, and transparency in King County government through conducting objective and independent audits and services.*

### ***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 website ([www.kingcounty.gov/auditor/reports](http://www.kingcounty.gov/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 eighth quarterly oversight report prepared for and submitted to the Government Accountability and Oversight Committee by the Capital Projects Oversight Program 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 develop a realistic forecast cost estimate and reset schedule and to meet the reset schedule within the available budget, given the issues and risks identified and described in more detail in this report.

This report comments on the ABT Program's December 1, 2010 report covering third quarter 2010. The executive delivered this report to the Clerk of the Council on time on December 1. This report focuses on 2010 third quarter information contained in the executive's report, although in some cases more current information available at our publication date was used. We are available to brief the Government Accountability and Oversight Committee at a meeting in February 2011.

## **PROJECT STATUS**

### **Staffing Updates**

Significant turnover occurred within ABT management positions in October 2010 with the resignation of the ABT Program Manager and the appointment of Mike Herrin, the ABT finance project manager, to assume the program manager position. In December, a new finance project manager, Kevin Anderson, was hired. In addition, there is some concern about recent turnover at the staff level, as four key staff needed for critical path development and implementation work on the PTL and finance projects have left to take positions in the private sector.

### **Project Updates**

**Finance and PTL Projects** – Project implementation activities have continued while new project plans and cost estimates that reflect recent scope and schedule changes were prepared. That work has been completed. ABT is currently briefing governance bodies and is planning to announce the new costs during the week of January 24.

**Budget Project** – The preplanning phase of project implementation began on October 21, 2010 when the Business Technology Resource Group, Inc. began work to implement Oracle's Hyperion Planning as the county's new budget system. The preplanning phase is complete. The requirements analysis phase began in January and will run through February.

**Performance Management Project** – A request-for-proposal process will be initiated in mid-2011 to select a performance management system to be integrated into the budget system. Work is underway in close collaboration with the executive's Office of Performance, Strategy, and Budget to define system requirements.

**Benefits Realization Project** – Having established benefit outcomes in the April 2010 Benefits Realization Plan, the project has moved to conducting ongoing activities to monitor and evaluate achievement of outcomes. Current work consists of measuring early outcomes of the Human Capital Management system, either through a user survey or through interviews, evaluating how PTL and finance project scope and schedule changes will impact achievement of planned benefits, and preparing the 2011 update to the benefits realization plan.

## Scope

Project scopes remain unchanged from our last quarterly report. The Finance Project scope was increased to accommodate critical business needs for cash management, capacity charge billing in the wastewater program, and side system integration. In addition, minor scope reductions were made. PTL Project scope related to the automation of certain manual activities was refined through detailed review and coordination with the Office of Labor Relations. The extent of payroll automation at go live will be significant, but less than originally planned in order to reduce risk and ensure a smooth transition.

## Schedule

Project schedules remain unchanged from our last quarterly report, when we reported that the PTL and finance project schedules were reset. As shown on the cover page to this report, the Finance Project was delayed by one year. This was done to accommodate new scope and provide additional time for data conversion and testing. The delay in the Finance Project caused a one-year delay in the PTL Project, because the two systems are integrated through labor distribution and cannot be implemented separately without additional cost and risk. Go live for both projects will now occur at the same time, on January 1, 2012.

New resource-loaded project plans have recently been completed and are being used to guide ABT's work. Our next report will contain our review of those plans. We will be focusing on see how work by the PTL and finance system integrator, CIBER, Inc. (CIBER), and labor negotiations tasks for the Office of Labor Relations are integrated into the overall project plans and how the project teams plan to manage the critical paths to go live.

In our next report, we plan to resume our earned value analyses for both schedule and cost variance performance indicators. We did not perform the analyses for this reporting period because the quality of the results depend on detailed and accurate resource-loaded project plans, which have only recently been completed. ABT's quarterly report did, however, contain results of its earned value analyses based on the new go live dates, reporting a schedule performance indicator of .98 and a cost performance indicator of 1.57, indicating the project is nearly on schedule and likely to be completed significantly under budget.<sup>1</sup> The indicators may not be valid, however, because they are based on previous resource-loaded project plans that are no longer being followed to guide the work.

## Budget

Table 1 shows expenditures reported by ABT through September 2010. Of the \$86.6 million appropriated by the council for ABT planning, implementation, and contingency, \$32 million (or 37%) has been spent.

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<sup>1</sup> These indicators measure whether a project is on schedule and within budget. Values greater than one are desired.

**Table 1. ABT Program Approved Budget and Expenditures**

Budget Categories	Approved Budget	Expenditures thru 9/30/10*	Percent of Budget Spent
<b>PLANNING TOTAL</b>	9,032,857	8,688,520	96%
<b>IMPLEMENTATION:</b>			
Finance	29,097,703	11,407,517	39%
HCM	10,238,471	7,501,756	73%
PTL	20,424,577	2,632,263	13%
Budget	4,834,286	665,569	14%
Benefits Realization	-	385,639	-
Oversight	90,246	-	0%
<b>IMPLEMENTATION TOTAL</b>	64,685,283	22,592,744	35%
<b>CONTINGENCY TOTAL</b>	12,919,007	766,998	6%
<b>GRAND TOTAL</b>	<b>\$ 86,637,147</b>	<b>\$ 32,048,262</b>	<b>37%</b>

\* This column reflects expenditures through September 2010 as shown in ABT's December 2010 quarterly report. Expenditures in the IBIS financial system are lower by a total of \$191,821.

Monthly expenditures as reported in IBIS during the third quarter have averaged \$1.2 million per month, down from an average of \$1.5 million per month during the second quarter. Expenditures for the months of October and November continue this downward trend - \$861,518 and \$1 million, respectively. The lower rate of expenditures in recent months reflects patterns in consultant billings and lag in payments.

Project scope and schedule changes will increase the cost of the ABT Program because ABT positions, in addition to the contract with the system integrator, CIBER, require extensions to continue work to meet the new go live dates. In addition, replanning efforts have identified new resources that are required, including new positions devoted to cash management and treasury functionality in the new finance system. Finally, the new ABT Program Manager has assessed staffing needs and has identified the need for additional resources to manage risks and complete the work on schedule.

ABT has prepared preliminary estimates showing increased costs can be absorbed within the existing ABT appropriations, but additional use of the contingency appropriation may be needed.<sup>2</sup> Final project cost estimates, along with forecast costs at completion, were still under development at the time this report was published. We will be reviewing the level of rigor used to develop the new cost estimates, with particular attention to whether assumptions are reasonable and reflect lessons learned to date and whether the work breakdown structure in the project plans adequately supports the estimates.

### Benefits Realization

PTL and finance project scope reductions and schedule delays will reduce benefits realization. The April 2010 update to Benefits Realization Plan reported annualized savings of 128.6 FTEs and \$11.2 million resulting from staffing efficiencies. ABT is re-evaluating these numbers based on the new scope and schedules for the PTL and finance projects. ABT's preliminary estimates show a 10% reduction in both FTE and dollar savings. This analysis is being validated by ABT, and we will report the results when available.

<sup>2</sup> To date, the executive has notified the council of the intent to use \$4.7 million of the approved contingency budget of \$12.9 million. Use of additional contingency may require another notification to the council, depending upon the amount of contingency that is needed.

## Issues and Risks

The overall risk profile for the ABT Program has increased, now that the implementation schedule for the PTL Project is a “big bang”<sup>3</sup> approach rather than a phased approach. This approach was considered risky by the executive, an assessment confirmed by ABT External Advisory Committee,<sup>4</sup> in 2007 when the executive proposed and the council approved the original phased approach to PTL implementation. Further adding to this risk is the simultaneous go live for the Finance Project, followed by the Budget Project two months later.

According to ABT, the new PTL and finance schedules are achievable, but they are very tight with little room for slippage. This means that when a deadline is missed, there is little or no room in the schedule to make up time before the next deadline arrives, potentially resulting in another missed deadline, and so on. Similarly, the budget project schedule is tight, although it does have some amount of schedule contingency.

The issues and risks below take on even more importance in this context of these tight project schedules. They are based on our observations, along with those of ABT management and ABT’s quality management consultant. As part of our identification of risks, we also report on and assess the ABT Program’s mitigation strategies to determine whether they are effective. We have modified some of the issues and risks below from our previous reports to reflect changing circumstances. Issue # 5 is new.

### 1. Side system readiness is critical for successful implementation of ABT projects.

**Summary:** Eighty-two side systems in 12 county agencies need modifications to interface with the new PTL and finance systems. The effort involves work by both ABT and agencies. The agencies may need to make modifications to their side systems and their part of the interface. ABT will need to construct the enterprise side of the interfaces and ensure they function properly with the PeopleSoft and Oracle systems. ABT’s work must be completed prior to PeopleSoft PTL and/or the new Oracle Financial system go live dates. If an agency has not completed its work prior to go live on any particular interface, then that agency would not have access to the automated functionality supported by the interface. In that case, the agency would either defer certain transactions and/or enter data until the required work was completed.

**Status:** Open. ABT’s enhanced efforts to mitigate this risk have been prudent. First, in June 2009 ABT placed a moratorium on new side systems. Second, as a way of managing workload and reducing risk, ABT assigned impact ratings to each side system. As of January 11, 2011, 10 of the 82 side systems are rated with the highest impact rating (“difficult to easily recover, loss of life or major revenue loss, fix required in 24 hours”). These 10 side systems are considered mandatory to be in place prior to go live date. While work is underway on all side systems, ABT has added project management resources to ensure that these 10 highest-priority systems are ready for the new January 2012 go live schedule.

Third, and most recently, in response to a recommendation by ABT’s independent quality management consultant and by us, ABT developed a reporting tool for monitoring the status of agency and ABT side system and interface development work. This side system status report is now reviewed weekly by the ABT Management Team, thereby increasing visibility of the issue and enhancing accountability. We will continue to monitor the status of work on agency side systems and their related ABT interfaces.

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<sup>3</sup> “Big bang” in technology system implementations refers to the transfer of an organization from an old system to a new system in an instant changeover.

<sup>4</sup> The ABT External Advisory Committee consists of private sector and non-county public sector members with experience in the implementation of finance, human resource, budget, and other enterprise resource planning systems.

## 2. Governance structure reviews could impact ABT project schedules and costs if decisions are not made in a timely manner.

**Summary:** The governance structure of ABT requires various levels of reviews and approvals by the ABT Management Team and the Project Review Board at key milestones of the program. While such reviews are necessary, they also have the potential of delaying project schedules and increasing costs if decisions are not made when they are needed. The potential for delay is compounded when membership on these bodies changes. Continued strong leadership is required to conduct reviews and make decisions in a timely manner to avoid delays that would in turn affect project schedules.

**Status:** Open. This issue takes on increased significance as the ABT Management Team is now meeting weekly (instead of every two weeks) due to management team's requests for more details and more frequent reporting. The management team is also reviewing new dashboard reports developed to monitor interim milestones— in part due to recommendations by the quality management consultant.

While these steps are intended to improve monitoring of adherence to project plans and interim milestones and to increase accountability, it will take more effort and time on the part of ABT management and staff to keep the management team more informed. Although experience to date indicates that approvals can take longer than expected, work has continued based on conditional approvals while questions and issues raised by the management team are addressed.

The members of the management team have changed significantly in the past year, due to the addition of new members (the deputy county executive and three business owners as non-voting members) and the changes in key positions following the new county executive assuming office in November 2009. Only one member of the previous five-member management team remains. We have observed over time that ABT has been diligent in preparing new members to assume responsibilities of their new governance roles and in communicating in general. Most recently, in November 2010, ABT held a two-day retreat for the management team to review the new project scopes and schedules and potential cost implications.

## 3. Project schedules depend upon keeping project teams fully staffed with the required expert functional and technical skills.

**Summary:** This issue has appeared in our previous reports and takes on even more significance because the project schedules, according to ABT, are achievable but tight. In order to stay on schedule, ABT must take appropriate actions to ensure that new and vacant positions are filled quickly with candidates who have the required experience and skills and to anticipate turnover and possible retention issues to the extent possible.

**Status:** Open. In the past, ABT has effectively employed a mitigation strategy of hiring contractors to fill positions that require special expertise that is difficult to find using standard recruitment processes. Most recently, ABT management created and filled a full-time human resource analyst position to handle recruitment and hiring functions as well as overall human resources issues within ABT. In addition, the new analyst will be seeking a solution to an issue with the loan-in labor from other county agencies; there is a time limit on loan-in labor, and those limits are approaching expiration for several positions. However, new concerns have emerged as key staff have left for the private sector. We will continue to monitor this issue and will be looking in particular for a staffing plan that identifies strategies to keep the project teams fully staffed.

**4. Successful ABT implementation relies heavily on meaningful input and active participation by county agencies during all ABT meetings as well as testing and readiness activities.**

**Summary:** 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 by agencies may impact the quality of ABT systems and delay implementation if agencies have not completed their respective readiness activities. The ABT Program has employed a number of strategies for monitoring and insuring adequate agency involvement, including obtaining formal sign-off by agencies on key planning documents and following up directly with agencies that miss critical meetings.

**Status:** Open. The new schedule and implementation approach, with three major implementations in January and February 2012, places county agencies under even more pressure to participate, especially in light of continuing reductions to agency staffing and budgets. ABT continues to employ mitigation strategies to address this risk. At the December 16 Operations and Change Management Committee meeting, ABT management clearly communicated the timing and level of effort that will be required for participation in the PTL, finance, and budget system projects.

At the same meeting, the budget office indicated that it would work with ABT to make funds available from the ABT side system contingency budget if agencies could clearly demonstrate a need for additional resources to help meet critical ABT milestones. While we believe this is a wise mitigation strategy, we have pointed out to ABT management that the use of these funds was justified to council for more narrow purposes - assistance to agencies with their side system work. We have suggested to ABT management that the council needs to be informed of their plan to broaden the availability of project funds to agencies.

**5. Success in meeting new go live schedules will require adherence to new project plans. (NEW)**

**Summary:** As noted earlier, ABT project schedules are tight with little room for slippage, and missing interim milestones might put project go live dates at risk. Therefore, effective monitoring and prompt corrective action are necessary to address any milestones that are not met.

**Status:** More frequent and detailed monitoring efforts and new dashboard reporting for interim project milestones by the ABT Management Team are underway. These are prudent strategies that address schedule risk. We will be looking for prompt corrective actions when project progress toward milestones is found to be lagging behind schedule.

**RECOMMENDATIONS**

Below are status updates on recommendations contained in our previous quarterly reports, along with two new recommendations.

1. The ABT Program should compile agency interface costs and report them in its 2010 annual report, along with a status report on side systems and agency progress in meeting schedule deadlines for side system interface readiness. (First appeared - April 2, 2009, modified October 14, 2009)

**Status:** This information was not included in ABT's 2009 annual report. Information on agency costs, however, was included in ABT's September 2010 quarterly report. At that time, ABT had awarded four agencies a total of \$198,156 for side system work, and no other awards have been made since that time. Both agency and ABT side system readiness is now reported in a side system interface report and reviewed by the ABT Management Team weekly and available online. Now that



this reporting tool has been developed, we expect to see regular reports on side system readiness in ABT's quarterly reports.

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. (First appeared - October 14, 2009). In addition, ABT should augment its staffing plan to include strategies for recruitment and retention to help ensure that project teams remain fully staffed and can be augmented as needed to address unplanned emerging resource needs. (NEW)

**Status:** ABT has reviewed their past experiences and found that filling vacant positions requiring specific functional or technical expertise were the most troublesome. ABT has initiated mitigation efforts for these types of positions, including: (1) using 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.

This recommendation takes on added significance because of the need to meet tighter project schedules and a recent increase in staff turnover. Therefore, we have expanded this recommendation as noted above to include identification of recruitment and retention strategies as an additional mitigation effort. We believe such a plan would place ABT in a more proactive position to keep project teams fully staffed and to identify and address any retention issues or resource needs that should be addressed.

3. The ABT Program should move as quickly as possible to execute necessary contract amendments with CIBER, to reflect the changes in scope and schedule for the Finance Project. (NEW)

**Summary:** As mentioned above, the changes in scope and schedule require amendments to the contract with CIBER. Only one of three needed amendments have been executed. Two other amendments have not. These are critical amendments making adjustments to PTL and finance project scopes and schedules and establishing new contract costs. While CIBER's work is underway, we are concerned that the work is proceeding without proper accountability mechanisms that are achieved through an executed contract. The amendments are also needed to have a level of confidence in ABT's new cost estimates.

### **ACKNOWLEDGEMENTS**

We conduct our oversight through monthly meetings with a working group of staff from the ABT Program, county auditor, council, Office of Performance, Strategy and Budget (PSB), and through other meetings as needed. We also review and conduct independent analysis where appropriate on formal reports issued by the ABT Program. In addition, we coordinate our oversight efforts by reviewing the reports of the Project Review Board and Pacific Consulting Group, Inc. the quality management consultant who reports directly to the ABT Program Sponsor.

We appreciate the collaborative efforts of the staff from the ABT Program, PSB, and the council for their input to effective oversight of the ABT Program consistent with council intent. We also appreciate the assistance from Pacific Consulting Group, Inc. and the staff of the Project Review Board towards coordinated oversight of this important countywide program. This report was prepared by Ron Perry, Tina Rogers, 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.

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