KING COUNTY AUDITOR'S OFFICE
Capital Projects Oversight

ACCOUNTABLE BUSINESS TRANSFORMATION (ABT) PROGRAM OVERSIGHT REPORT FOR SECOND QUARTER 2011

CURRENT RISK RATING ▼ Overall risks are significant and have been increasing. In order to meet go live dates, attention is needed to meet project milestones, keep project teams fully staffed, and ensure agency readiness.

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

● **Scope**
There have been no changes in scope in this quarter.

▼ **Schedule**
Go live forecasts are unchanged, although the Finance Project has missed critical milestones in the development and testing phases. ABT is taking numerous corrective actions to meet the January 2012 go live date.

System Projects	Council-Approved Go Live Schedule	Current Forecast	Comments
Human Capital Mgmt	9/2/09	3/16/10 (actual)	Go live occurred 6½ months late
PTL Group 1	1/3/11	1/3/12 (all groups)	One-year delay
PTL Groups 2 and 3	Group 2 - 7/3/11		Six-month delay
	Group 3 - 1/1/12		No delay
Finance	1/1/11	1/3/12	One-year delay
Operating/Capital Budget	4/1/12	2/28/12	30-day acceleration
Performance Management	12/31/12	6/2012	Completion of pilot project
		12/2012	Completion of countywide plan

● **Budget**
Forecast costs at completion remain at $84.2 million, leaving $2.5 million in unreleased contingency.

Budget Category	Council-Approved Budget	Expenditures thru June 2011	Expenditures as % of Approved Budget	Forecast Costs at Completion*	Forecast Variance from Approved Budget
Planning	$9,032,857	$8,675,923	96%	$8,675,923	($356,934)
Implementation	64,685,283	38,265,217**	59%**	65,042,217	356,934
Contingency	12,919,007	2,021,918	16%	10,454,247	(2,464,760)
Total	**$86,637,147**	**$48,963,058****	**57%****	**$84,172,387**	**($2,464,760)**

* From ABT 2nd Quarter 2011 Report.

Key Issues and Risks

- The finance system will go live with known problems.
- Success in meeting go live schedules requires performance to project milestone targets.
- Project schedules depend on keeping project teams fully staffed with the required expert functional and technical skills.
- Successful ABT implementation relies heavily on active participation by county agencies in all change management and readiness activities.
- Completion of side system testing is critical for successful implementation of ABT systems and for meeting agency business needs.

October 20, 2011 (**corrected on January 24, 2012)

TABLE OF CONTENTS

INTRODUCTION 1

PROJECT STATUS 1

Projects 1
Schedule 2
Budget 3
Issues and Risks 5

RECOMMENDATIONS 7

ACKNOWLEDGEMENTS 8

DISTRIBUTION 8

ATTACHMENT 9

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) under the year of publication. Copies of reports can also be requested by mail at 516 Third Avenue, Rm. W-1033, Seattle, WA 98104, or by phone at 206-296-1655.

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

INTRODUCTION

This is the eleventh quarterly oversight report prepared for and submitted to the Government Accountability and Oversight Committee by the Capital Projects Oversight (CPO) Program on the status of the scope, schedule, budget, and issues and risks for the Accountable Business Transformation (ABT) Program. Our report comments on the ABT Program's September 2011 report covering the period of second quarter 2011.[1] In addition, more current information available at our publication date was used if available.

We continue to show the overall risk level for the ABT Program as yellow. Three key issues contribute to this rating. First, ABT missed a critical milestone in August, when all work on the finance system was to be completed. Only two and-a-half months remain prior to the January 2012 go live date, and much work remains to complete finance system development, testing, and end-user training. Second, in spite of many months of readiness activities for county agencies, ABT, as well as ABT's quality management consultant, is concerned that agencies are not yet fully prepared for the magnitude of change in their business processes that will be required by the new finance and payroll systems beginning in January. Third, the ABT Program Manager continues to warn agencies that there will be "some defects, problems, and issues and a certain amount of confusion" when new systems go live in January. [2]

Our overall observation is that ABT is taking prudent corrective actions to address these issues by adding resources and prioritizing work efforts. We question whether there is enough time between now and go live dates to complete all of the work that is required to successfully address the issues.

PROJECT STATUS

Finance Project – The Finance Project is currently focused on completing development work and testing activities to implement the new Oracle finance system with Ciber, Inc. End-user training is scheduled to occur between October 17 and December 22, with go live as planned in early January 2012.

Payroll, Time and Labor (PTL) Project – The project is focused on completing testing activities to implement the new PeopleSoft payroll/time and labor system with Ciber, Inc. and on preparing county employees currently on a semi-monthly payroll schedule for the change to a biweekly payroll schedule. Testing involves working with county agencies to ensure accurate entry of time and verify accuracy of paychecks. End-user training will begin in late September/early October and continue until mid-December, with go live as planned in early January 2012.

Budget Project – The project is focused on completing end-user testing to implement the new budget system using Hyperion Planning software with Business Technology Resource Group, Inc. (BTRG). Final acceptance of the system is expected at the end of October. Training for high-volume users will begin in November. Go live remains on schedule for February 2012. Training for other users will occur between March and May 2012.

Performance Management Project –In partnership with BTRG, the project is conducting working sessions with county agencies to establish a vision and review requirements for a countywide performance management system. A requirements analysis and preliminary design will be completed in January 2012. A

[1] ABT's report was delivered to the Clerk of the Council by September 1 as mandated.
[2] "Mike's Message," dated September 2011, on ABT intranet site.

pilot project with several county agencies validating the system design will be completed in June 2012. Based on the results of the pilot, a countywide performance management plan, including initial support for countywide implementation, will be completed in December 2012.

Benefits Realization Project –The project continues to conduct ongoing activities to monitor and evaluate achievement of benefits and outcomes. In April, the Human Resources Division (HRD) reported early outcome metrics for the Human Capital Management (HCM) Project, based on one month of data collected during the first month of HCM implementation (March 2010) and one month of data collected one year later (March 2011). As shown in Table 1, the trends are positive.

Some of the metrics were one-time measures that will not be repeated, and others are ongoing measures that the project and HRD will continue to evaluate. In addition, HRD will use the results of a customer survey conducted earlier this year to establish metric goals based on customer expectations and identify other metrics for ongoing measurement.

Table 1. Early Outcome Metrics for HCM Project

Metric	March 2010 Data	March 2011 Data
One-Time Metrics:		
• Availability of contingent worker[3] data for body of work (BOW) review	30 days	365 days
• Time to complete BOW review	1090 hours	927 hours
• Data elements that can be entered automatically into vacancy report	50%	100%
Ongoing Metrics:		
• Page views of self service data	24,626	32,221
• Time to approve new positions	60% less than one week	80% less than one week
• Time to reclassify vacant position	0% less than one week	65% less than one week
• New employees entered into system on first day of hire	6%	34%
• Number of side systems related to HCM	75	56

Schedule

There are no changes in go live dates for the ABT projects, although the Finance Project missed a critical milestone in August, when all work on the finance system was to be completed. Only two-and-a-half months remain prior to the January 2012 go live date, and much work remains to complete finance system development, testing, and end-user training. The quality management consultant's August 2011 report indicates that there is "virtually no slack in the implementation schedule" for the finance system.[4]

Schedule slippage is occurring in three main areas. First, new development work was identified that must be completed prior to pre-production system testing; as a result, pre-production testing has been extended until mid-November. Second, testing of side system interfaces has been extended until mid-November due to problems in running the interface programs. Third, completion of cash management testing has been extended from September to December.

The ABT Program Manager is considering the following mitigation strategies to stay on schedule for finance

[3] Contingent workers consist of employees in term-limited temporary, short-term temporary, intern, and contract staff positions.
[4] Pacific Consulting Group, Inc., King County ABT Program Quality Management Status Report, August 2011.

system go live: (1) deferring development work where possible and hiring additional developers; (2) deferring side system tests for side systems that are not critical for go live; and (3) deferring development of finance reports that are not mandatory at go live.

Budget

Forecast Costs
Table 2 shows ABT's forecast costs at completion as of second quarter 2011. The total forecast does not change from ABT's previous forecasts. The total forecast remains at $84.2 million, leaving $2.5 million in unreleased contingency.

Some shifting occurs among the projects, however. The most significant change was to transfer approximately $840,000 from the Project Management Office (PMO) budget to the project budgets. This amount represents estimated costs for vacation payouts and unemployment claims the ABT Program will incur when the projects are completed. These are direct costs attributable to the projects and are more appropriately reflected within each project budget.

Table 2. ABT Forecast Costs at Completion

Council Appropriations	Council-Approved Budget	ABT Reformatted Budget 4th Q 2010*	ABT Program Forecast Costs at Completion			
			1st Q 2011**	2nd Q 2011***	$ Change	% Change
PLANNING	**$ 9,032,857**	**$ 9,032,857**	**$ 8,675,924**	**$ 8,675,923**		
IMPLEMENTATION						
Finance	29,097,703	24,340,191	28,772,369	29,239,171	**466,802**	**2%**
HCM	10,238,471	7,232,823	5,866,247	5,869,943	**3,696**	**0%**
PTL	20,424,577	13,844,941	16,729,874	17,056,491	**326,617**	**2%**
Budget/Perf Mgmt	4,834,286	4,294,097	5,656,184	5,702,383	**46,199**	**1%**
Benefits Rel.	-	-	449,623	450,915	**1,292**	**0%**
PMO/Other	90,246	14,973,231	18,022,166	17,177,561	**(844,605)**	**-5%**
IMPLEMENTATION SUBTOTAL	**64,685,283**	**64,685,283**	**75,496,463**	**75,496,464**	**1**	**0%**
PLANNING AND IMPLEMENTATION TOTAL	**73,718,140**	**73,718,140**	**84,172,387**	**84,172,387**	**1**	**0%**
UNRELEASED CONTINGENCY	12,919,007	12,919,007	2,464,760	2,464,760	**-**	**0%**
GRAND TOTAL APPROPRIATIONS	**$ 86,637,147**	**$ 86,637,147**	**$ 86,637,147**	**$ 86,637,147**	**-**	**0%**

* From ABT 4th Q 2010 Report
**From ABT 1st Quarter 2011 Report
***From ABT 2nd Quarter 2011 Report

Budget Adjustments and Monitoring
As reported previously, we have observed that ABT program management has a rigorous and thoughtful process in place to identify emerging resource needs on a frequent basis and determine how to meet those needs. ABT is carefully documenting and tracking the impact of these changes, and continuously monitors

the total forecast cost at completion, which has consistently remained at $84.2 million. This process has been in place for several months and appears to be a prudent approach to respond promptly to the needs, especially with only a few months remaining before the new finance and payroll systems go live.

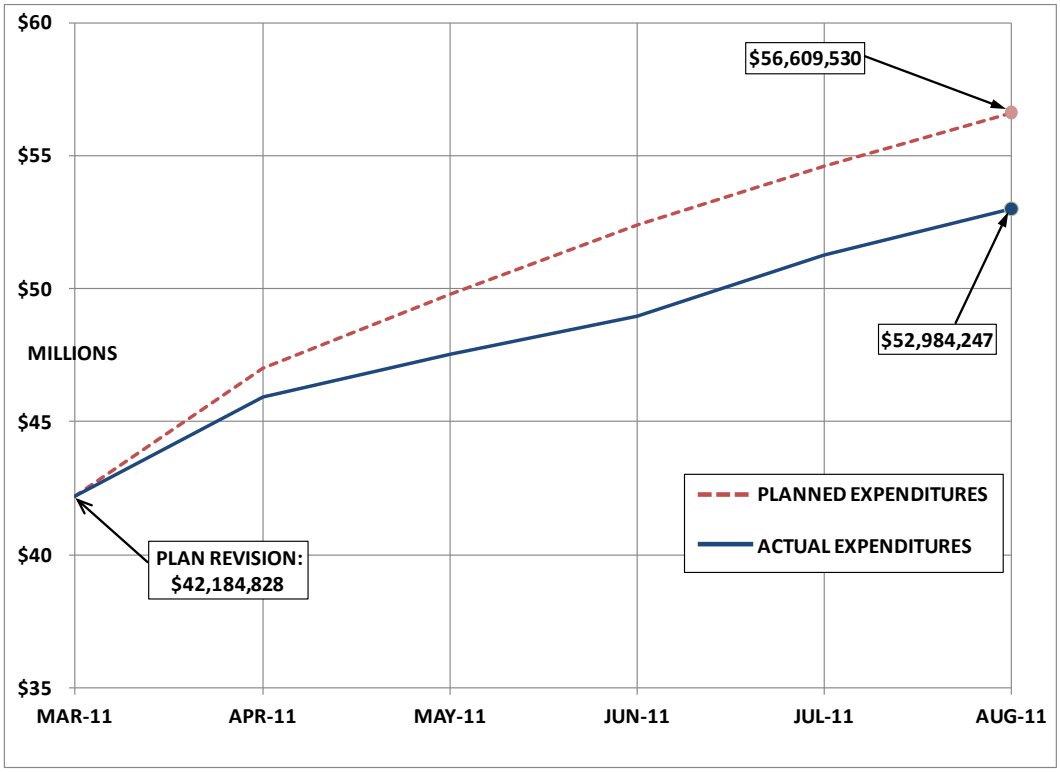
Earlier this year, ABT had identified $1.1 million in flexibility within the ABT budget for emerging needs. In July, ABT drew down that amount by $700,000 to add new resources, cover contract staff costs that were higher than planned, and provide retention incentives to ABT staff in temporary positions as provided for in Ordinance 17170. As of the end of July, about $400,000 in budget flexibility remains.

ABT will continue to draw upon this flexibility within its budget if needed to meet emerging needs. If that source is exhausted, the program may need to draw upon the $2.5 million in unreleased contingency, an action that requires Council notification under Ordinance 16275. The ABT Program Manager has started discussions with the ABT Program Sponsor and the Director of the Office of Performance, Strategy, and Budget (PSB) about adding contract staff before the window of opportunity closes where they can be effective in accomplishing the work needed to meet go live dates. Given this, along with the decline in flexibility with ABT's budget, we believe the likelihood has increased that ABT will need to draw upon additional unreleased contingency.

Expenditures
Average monthly expenditures as reported in IBIS for the second quarter 2011 increased to $2.3 million, an increase of $700,000 (or 46%) over the average during the first quarter. The increase reflects payments to the payroll and budget system implementers for deliverables completed during the second quarter.

Actual expenditures, however, continue to be lower than planned. As shown in Figure 1 below, there has been a gap between planned and actual expenditures since March 2011, when ABT finalized its revised expenditure plan. Through August 2011, actual expenditures are lagging behind planned expenditures by approximately $3.6 million.

Figure 1. Planned vs. Actual ABT Program Expenditures



We have also prepared Attachment A, which shows the same comparison through the end of ABT Program expenditures in 2012. We will update and use this chart to monitor total expenditures compared to the plan.

Issues and Risks

ABT's 2011 annual report notes that "The implementation of enterprise systems across a complicated and diverse organization like King County is extremely difficult and risky." The overall risk for the program remains elevated, indicating that in order to meet go live dates, attention is needed to meet project milestones, keep project teams fully staffed, and ensure agency readiness.

The issues and risks we have identified below take on even more importance in the context of this overall risk profile. They are based on our observations, along with those of ABT management and ABT's quality management consultant. The risks are listed in order of significance.

We continue to acknowledge ABT's rapid response to these and other emerging issues and risks. We consider the issues and risk to be in "open" status while work is underway to address them. It is unknown at this time whether ABT's activities are sufficient or will be fully effective at mitigating them with less than three months before planned go live for the finance and payroll systems. We have observed, however, a firm commitment on the part of the ABT Management Team and ABT Program management to resolve issues and mitigate risks in order to meet go live dates.

1. **The finance system will go live with known problems that will not be fixed until after go live.**

   Summary: Last quarter ABT began sending a message at meetings with agencies and in other venues that the finance system will go live with "known problems that will not be fixed" until after January 2012. The problems, while not fatal flaws, will require ABT to develop work-arounds and train agency staff how to use the work-arounds prior to go live.

   Status: ABT continues to communicate to agencies to expect "some defects, problems, and issues and a certain amount of confusion" when the new finance and payroll systems go live in early January. ABT recently added a staff person to develop a post-implementation support plan to deal with this confusion and provide support to agencies during the three-month stabilization period following go live.

   The post-implementation plan is in draft form, and calls for ABT, Ciber, and Business Resource Center[5] (BRC) staff to form blended teams to provide support to agencies for the new systems, along with the county's existing help desk. The elements of the support plan are summarized on the ABT website and consist of, for example: (1) monitoring system defects on a daily basis; (2) prioritizing defects and assigning resources for fixes; (3) forwarding calls from the county's help desk to payroll and finance system experts as needed; (4) providing a separate phone number to handle paycheck questions; and (5) providing on-site support to agencies for some critical activities, such as cash management and employee self-service time entry.

   ABT recently created a direct line of communication to the ABT Management Team for those county agencies that believe they have a critical issue that must be fixed before go live. It was made clear that agencies are responsible for identifying these issues and proposing possible solutions to the management team.

[5] The Business Resource Center is the new entity within the Department of Executive Services that will be responsible for ongoing maintenance and support for ABT systems following ABT's 90-day post-production period.

2. **Success in meeting go live schedules will require performance to project milestone targets.**

   Summary: ABT project schedules are tight with little or no 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: Open. ABT has instituted a new system in the form of a "go/no go" review checklist to monitor critical readiness milestones that must be met before go live. The checklist contains readiness criteria for county and external agencies, internal communications, system functionality and integration, and post-production support. The criteria for "readiness" includes such things as whether agencies are prepared for go live with no outstanding critical issues and whether the highest priority side systems have been successfully tested with no critical issues remaining. We have seen the checklist in an early draft form and provided feedback to make sure both readiness criteria and responsibilities for tasks are clear in the final checklist.

   The "go/no go" checklist will be used at three reviews with ABT Management Team in October, November, and December to assess progress and go live readiness for the finance and payroll systems. According to the ABT Manager, the bar for a "no go" decision will be set extremely high because missing finance or payroll go live dates would be more problematic than going live with defects and problems that can be managed.

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 as major system implementations quickly approach. 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 and mitigate turnover and possible retention issues to the extent possible.

   Status: Open. In September, Ciber filled its vacant ABT Program Director position, which had been filled on a temporary basis for the past few months. This vacancy had been a major concern that the ABT Program Sponsor had escalated to Ciber management. Concerns continue about losing ABT staff in the final stages of finance and payroll system implementation as they seek other employment prior to the expiration of their jobs. The lead trainer for the finance project recently resigned. In September, the County Council approved the Executive's proposed mitigation strategy to provide incentives to county employees to stay through implementation. Contract staff is also at risk of leaving. ABT is exploring ways to provide incentives for contract staff to stay with the program.

   We will continue to monitor the effectiveness of ABT's efforts to address staffing challenges. As noted in the ABT's annual report, "The ABT Program is at a critical point and cannot afford to lose key employees."

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 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. Of particular concern to ABT at this point is that agencies do not appear to fully understand, and therefore may not be fully prepared for, the magnitude of change in their business process that will be required when new finance and payroll systems go live in early January, in spite of the readiness activities that have taken place over the last year. In response, ABT's change management staff is working on consolidating into one place on the ABT website all of the information that has been developed over the past 18 months about 15 key business process changes so it is easy for agencies to access when they have questions.

5. **Completion of side system testing is critical for successful implementation of ABT systems and for meeting agency business needs**.

   Summary: Twelve county agencies need to modify their side systems to interface with the new PTL and finance systems, so they can send data to and receive data from the new systems. The effort involves work by both agencies and ABT. The agencies need to make modifications to their 76 side systems and develop interfaces to ABT systems. ABT needs to construct 24 interfaces to accept the side systems and ensure they function properly with the PeopleSoft and Oracle systems. Testing of side system interfaces must be successfully completed prior to go live dates to ensure that agency business needs are met.

   Status: Open. As noted above, testing of side system interfaces for the finance system has been extended until mid-November due to problems in running side system interface. The ABT Manager had thought it might be necessary to defer the testing of non-critical side systems, but believes enough progress has been made recently so that deferrals may not be necessary.

6. **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. Our concern about this issue continues to decline as we observe that ABT is efficiently and appropriately using the governance structure at all levels to communicate issues and obtain buy-in on approaches to resolve problems. ABT Management Team is now meeting weekly instead of biweekly to ensure that decisions are made in a timely manner. ABT began another round of meetings on October 4 to brief the governance structure on the status of payroll and finance system implementations.

RECOMMENDATIONS

Since the initiation of our oversight, ABT has complied with four of the five recommendations we have made in our prior reports. Below is a status update on the one recommendation that is outstanding.

1. The ABT Program should provide agencies with specific information on the finance system problems that are anticipated at go live so that agencies can plan for any business impacts. In addition, the ABT Program should clarify what its role will be in prioritizing funding and accomplishing finance system fixes during the 90-day post-production period after go live.

Status: We continue to encourage ABT to provide specific information to agencies. In July, ABT posted a communication to the ABT website explaining that while all finance system functionality would be available at go live, system defects were being uncovered that would not be fixed after go live if they were considered to be non-critical. As of that communication in July, 20 non-critical items had been identified. More items have been uncovered as system testing and end-user training take place. We will be looking for an update to this communication and for ABT's plans to train agencies to use the "work-arounds" that will be developed.

With regard to ABT's role in accomplishing fixes after go live, ABT is working on a post-production support plan that will define tasks, roles, and responsibilities for Ciber staff, ABT staff, BRC staff, and county Help Desk staff during the 90-day period. We will review the plan with particular attention to whether the roles and responsibilities are clearly defined.

ACKNOWLEDGEMENTS

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

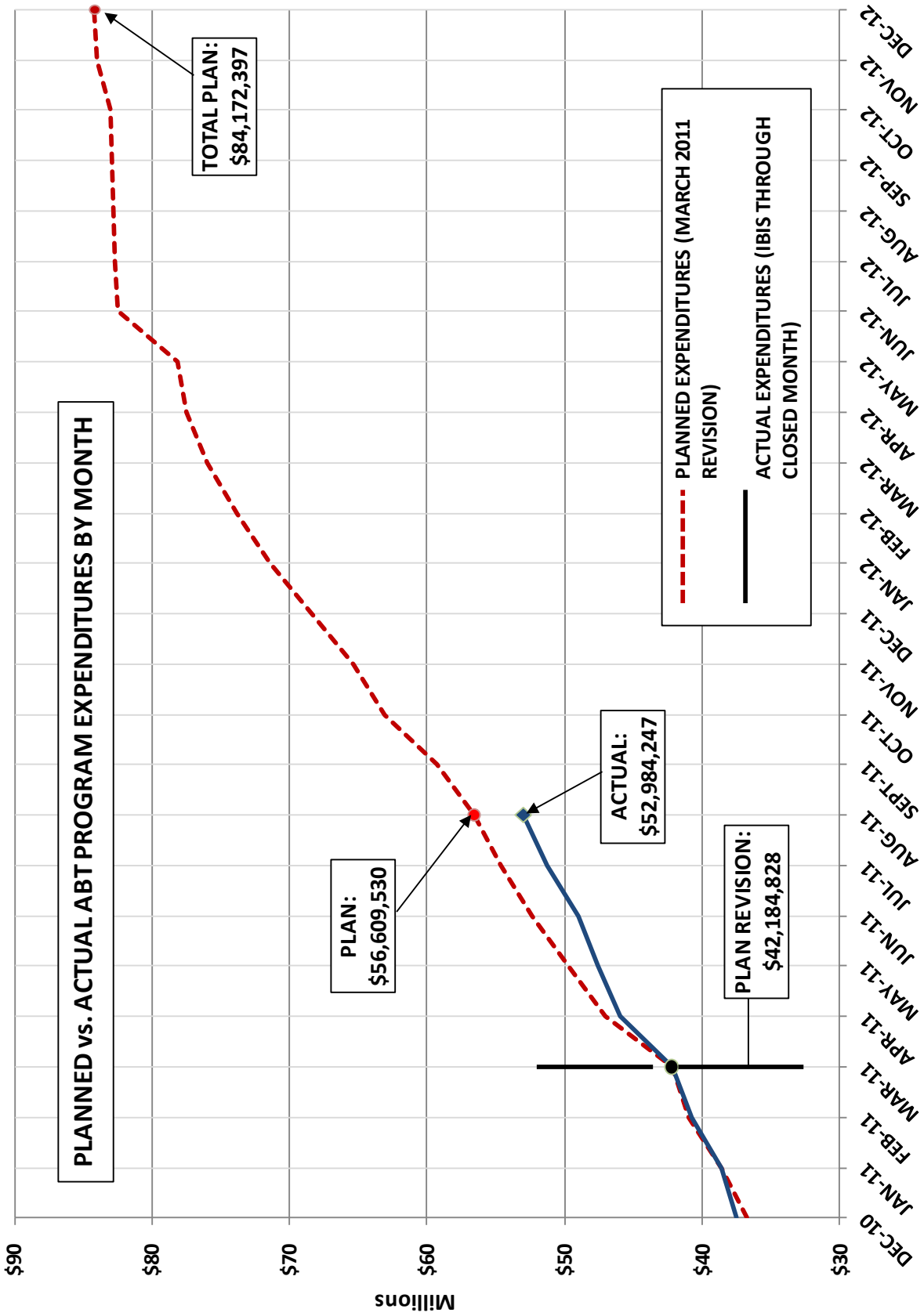
We appreciate the collaborative efforts of the staff from the ABT Program, PSB, and the Council for their input to effective oversight of the ABT Program consistent with Council intent. We also appreciate the assistance from PCG and the staff of the Project Review Board towards coordinated oversight 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.

DISTRIBUTION

King County Government Accountability and Oversight Committee

cc: Metropolitan King County Councilmembers
Dow Constantine, County Executive, King County Executive Office (KCEO)
Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)
Rhonda Berry, Assistant County Executive, KCEO
Bill Kehoe, County Chief Information Officer, Office of Information Resource Management, KCEO
Dwight Dively, Director, Office of Performance, Strategy and Budget, KCEO
Gwen Clemens, ABT Program Deputy Sponsor, DES
Mike Herrin, ABT Program Manager, DES
Jennifer Giambattista, Policy Staff, MKCC
Pat Hamacher, Policy Staff, MKCC
Zlata Kauzlaric, IT Governance Manager, Office of Information Resource Management, KCEO
Robert Fuller, Senior Associate, Pacific Consulting Group, Inc.

ATTACHMENT

Attachment A – Planned vs. Actual ABT Program Expenditures by Month

Attachment A