KING COUNTY AUDITOR'S OFFICE
Capital Projects Oversight

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

CURRENT RISK RATING ▽ The new finance and payroll systems will go live on January 3, 2012 unless unforeseen fatal flaws are found during testing next week. The finance system will have defects, and agencies are not fully ready to use the new systems; therefore, confusion is expected. ABT will need to ensure that the remaining budget can adequately fund extensive post-production support of agencies and work necessary to correct system defects post go live.

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

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

● **Schedule**
On December 6, the ABT Management Team made the decision to go live with Finance and Payroll, Time, and Labor (PTL) systems on January 3, 2012, consistent with the current forecast.

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 include use of an additional $2 million of contingency.

Budget Category	Council-Approved Budget	Expenditures thru September 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	44,797,059	69%	65,042,217	356,934
Contingency	12,919,007	2,605,737	20%	12,454,247	(464,760)
Total	**$86,637,147**	**$56,078,719**	**65%**	**$86,172,387**	**($464,760)**

* From ABT 3rd Quarter 2011 Report.

▽ **What to Expect at Go Live**
- There will be confusion at go live. ABT plans enhanced support activities to lessen confusion.
- The finance system has numerous known defects that will not be fixed by January 3. Additional defects may be identified during final testing in late December.
- Not all reports from the finance system will be functional on January 3.
- Despite ABT's focus on agency readiness, not all agencies report that they are adequately prepared to use the new systems.
- The first payroll on January 19 is expected to have a high degree of accuracy. However, the change to biweekly pay is likely to generate a large volume of employee questions.
- Enhanced post-production support will come from additional staff, priority status for assistance from Oracle, select agency payroll support, hotlines, and 24-hour ABT staffing.
- We do not know whether these support activities will keep county and external agencies from experiencing adverse business impacts during the early months using the new systems.

December 22, 2011

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

INTRODUCTION

This is the twelfth quarterly oversight report prepared for and submitted to the Government Accountability and Oversight Committee by the Capital Projects Oversight (CPO) Program. The purpose of this report is to provide the County Council with a timely update on the status of the Accountable Business Transformation (ABT) Program and what to expect when the new finance and payroll systems go live.

On December 6, the ABT Management Team gave direction to go live with the new finance and payroll systems on January 3, 2012 as planned. For the past several months, the ABT program manager has communicated a consistent message to "expect some defects, problems, issues, and a certain amount of confusion" when the new systems go live. This is due in part to the simultaneous go live schedules for two very complex countywide information technology systems, rather than the original phased implementation schedule. Under the original schedule, ABT had planned to mitigate risk by completing the finance system testing and training four months in advance of the Payroll, Time, and Labor (PTL) system, but did not meet their revised schedule milestones.

In addition, the magnitude of business process changes that will be required of King County agencies is extensive. Despite ABT's efforts to prepare county agencies for business process changes, some agencies are still unclear what business processes need to change, and how to change their practices to most effectively use the new systems. To some extent, this may also apply to cities and special districts that rely on the county for treasury and other financial services. In the past quarter, ABT has devoted resources to communicate with and support these external agencies as they prepare for the county's transition to a new finance system.

Today, the message remains the same. At our oversight meeting with ABT on December 8, with less than four weeks remaining before go live, much work remained to be done, including final testing, user training, cutover[1] activities, and planning for support to agencies during the 90-day post-implementation stabilization period. Finance and payroll system challenges are expected to continue during the stabilization period. Agency staff are likely to experience increased work demands related to the new systems, as well as preparing to use the new ABT budget system that is scheduled to go live on February 28.

The new finance and payroll system will go live on January 3 unless unforeseen fatal flaws are discovered in the final testing during the last week in December. ABT will need to ensure that the remaining budget can adequately fund resources for the post-production activities needed to support agencies' use of the new systems to conduct county business and to correct remaining system defects post go live. We, therefore, continue to show the overall risk level for the ABT Program as yellow. Our overall observation is that ABT is taking prudent actions to enhance governance engagement, target and intensify communication, and add more resources. We do not know, however, whether these enhanced support activities will keep county and external agencies from experiencing adverse business impacts.

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[1] "Cutover" refers to switching from an old <u>hardware</u> and/or <u>software</u> system to a new replacement system.

CURRENT STATUS

In anticipation of go live issues, within the past few months, the ABT Program strengthened the coordination with the ABT Management Team. Weekly meetings included comprehensive status briefings on testing results, known finance system defects, agency readiness, and any emerging issues. The ABT Management Team heard from managers within key county departments, including Finance and Business Operations (FBOD) and Human Resources, the business owners of the finance and payroll systems, regarding outstanding agency concerns and ABT's planned support enhancements before approving the decision to go live on January 3. Below are status updates on the most critical activities that ABT is focused on at this time.

Finance Project. The Finance Project will implement the Oracle E-Business Suite for the county's financial activities, including accounting, cash management, accounts payable and receivable, and procurement. The schedule for completion of finance system testing had been August 2011, but system development, side system interface testing, and final testing activities have taken longer than planned, even with night, weekend, and holiday work by ABT management, staff, and contractors.

According to the ABT program manager, the finance system is "the highest risk area of the ABT Program." As of December 8, some development work still needed to be completed and tested. Important side-systems had yet to be re-tested with final versions of system interfaces. Defects are being discovered, and are likely to continue to be discovered up to and after go live. The manager characterizes this as normal for implementations of this complexity, noting most defects are technical in nature and not noticeable to users. The manager further notes that a few defects, such as a side-system interface for processing requisitions, are critical to county business needs and must be fixed before go live. ABT has been prioritizing and fixing critical defects, while deferring non-critical items until after go live and providing agencies with instructions for manual "workarounds" to be used until the defects can be corrected. ABT plans for all side systems to be functional at go live. They have deferred work to fix lower priority defects and some reports that use finance system data.

Payroll, Time, and Labor Project. The new PeopleSoft payroll system will implement countywide timekeeping processes for all county employees and migrate the portion of the county (approximately two-thirds) that is currently paid on a semi-monthly pay cycle to a biweekly pay cycle. The exceptions are King County Sheriff's Office (KCSO) employees and paramedics, who will migrate to PeopleSoft but retain a semi-monthly pay cycle. The KCSO will move to a biweekly pay cycle in conjunction with their new scheduling system.[2]

As of December 8, payroll system design and development were complete, and testing of the accuracy of payroll calculations was nearing completion with ABT reporting good results. The testing has taken place in three phases over the past few months. Pay calculation for more than 90 percent of county employees was included in the second test, with results showing a small percentage (4 to 5 percent) of paychecks with minor pay differences that were not expected as a result of the new pay cycle. ABT reports that all exceptions that are not explained and acceptable have been or will be resolved before go live. In addition, detailed payroll calculations (deductions, tax calculations, etc.) were found to be accurate. The third and final validation is complete with ABT reporting similar results, although two agencies continue to have concerns about PTL implementation.

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[2] KCSO last reported to the Project Review Board in January 2011 that their new electronic scheduling system is planned to be implemented in April 2013.

Agency Readiness. Our previous reports have noted the importance of county agencies actively participating in readiness activities to ensure that agency staff not only understand the functionalities of the new systems, but also have modified their business processes to allow full use of the systems. County agencies, ABT's quality management consultant, Pacific Consulting Group (PCG), and ABT management continue to cite agency readiness as a concern. Such concern at this late date raises questions about the effectiveness and timeliness of ABT's change management, training, and other readiness activities as well as the level of effort agencies have devoted to their preparation activities.

PCG conducted interviews with several county agencies in October and November to assess readiness. PCG concluded in its October report that "we remain concerned that agencies are unprepared for the significant business process changes they will encounter as a result of the ABT implementation." Their November report included that same concern and noted that "serious readiness issues" related primarily to PTL implementation remain for two agencies – King County Sheriff's Office and the Department of Adult and Juvenile Detention. ABT acknowledged agency readiness as an issue in its December quarterly report, indicating that "given the magnitude of the business process and technical changes being introduced by the ABT Program, agencies are reporting they have not received the information required to complete readiness activities," adding that it is reasonable for agencies to be expressing "uncertainty and anxiety." ABT will continue to assist agencies up to go live and during the stabilization period, but has indicated that agencies are responsible for aligning their internal business processes to the new central processes resulting from the implementation of the new systems.

WHAT TO EXPECT AT GO LIVE AND BEYOND

Known Issues. The "confusion" the ABT program manager has been predicting following go live will come in many forms. Even though key agency staff have been trained in the new finance system, there will still be questions about how to fully use the system and the "workarounds" that are needed due to known defects that will not be immediately fixed. There are also unknown issues. It is likely that new defects will be discovered, both during testing in late December and after go live, which will require additional communication with agencies. Cities and special districts may have questions about new requirements for submitting financial data to King County for use with the new system.

Although ABT has been preparing employees for the new PeopleSoft paystubs by meeting with employee groups and distributing written information about what to expect, employees are very likely to have questions on January 19 when the first pay period is processed by the new system. Agency payroll clerks may not be prepared to answer all employee questions or handle the volume of inquiries. Problems may also occur with individual desktop configurations and access to the finance system, and employee self time entry, involving new project and task codes.

Additional Resources Available. In order to prepare for issues that will occur after go live, ABT is keeping some staff longer than planned and adding new staff. Some Ciber technical support and functional analysts will stay on longer than planned to help address system defects after go live. ABT project coordinators will stay longer to continue their support to agency staff in their use of the new systems. ABT recently negotiated a contract with Oracle to provide high-priority status on-call assistance to help ABT troubleshoot and solve any software related problems that may arise. As of December 1, the ABT program sponsor delegated her non-ABT duties to her deputy and is located temporarily within the ABT offices to be available and provide enhanced support to the ABT Program team.

ABT continues to diligently monitor expenditures and forecast final cost at completion to ensure that they have sufficient appropriation to fund additional, unplanned resources. Attachment A shows that actual expenditures continue to fall below planned expenditures. Average monthly expenditures in the third quarter were approximately $2.4 million, which is 5 percent higher than last quarter. In October, ABT notified the County Council of planned use of an additional $2 million of contingency funds, anticipating leaving $464,700 of contingency unspent at the end of the project. Continued monitoring will be needed to ensure that the additional resources are adequate to finish the work and if not, that the project budget can support further enhancements. At this time, ABT does not anticipate needing additional appropriation for the project.

Post Implementation Support. For the past few months, ABT has been working on a post-implementation support plan to deal with potential issues and to provide support to agencies during the three-month stabilization period following go live. The post-implementation plan calls for ABT, Ciber, and Business Resource Center[3] staff to form blended teams to provide support to agencies for the new systems, along with the county's existing information technology help desk.

The elements of the post-implementation support plan are summarized on the ABT website and consist of, for example: (1) monitoring system operation on a 24-hour basis; (2) prioritizing defects and assigning resources for fixes; (3) establishing a "Hotline" to take calls and forward them to payroll and finance system experts as needed; (4) a coordinated strategy to answer employee payroll questions, starting with agency payroll clerks, then elevating error resolution or system problems to ABT staff; and (5) providing on-site support to agencies for some critical activities, such as cash management and employee self-service time entry. The ABT website will continue to be an important resource and will change to a design created for ongoing customer service to support user needs.

CONCLUSION

In the final weeks before the finance and payroll system go live date in January, the ABT Management Team is attempting to complete testing, fix problems, prioritize resources, and generally improve the readiness of systems and agencies. Concurrently similar activities are underway associated with the new budget system, which is planned to go live in February. While ABT management acknowledges that there will be problems after the go live dates, they also are discussing mitigation strategies in their post implementation plan for how to deal with known and unforeseen issues.

Looking past go live, ABT will need to continue to finalize development work, fix new problems as they emerge, and support county and external agencies as they use the new systems. Because the demands on the ABT program and agencies will continue after go live, it is unclear whether the enhanced resources and post-implementation support activities will be adequate to keep county and external agencies from experiencing impacts to their business during the early months of using the new systems.

ACKNOWLEDGEMENTS

We conduct our oversight through monthly meetings with a working group of staff from the ABT Program, County Auditor, Council, and 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 and other documentation provided by the ABT Program. In addition, we coordinate our oversight

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[3] 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.

efforts by reviewing the reports of the Project Review Board and PCG, the quality management consultant that reports directly to the ABT program sponsor.

We appreciate the collaborative efforts of the staff from the ABT Program and PSB for their input to effective oversight of the ABT Program and their responsiveness despite the many demands on their resources as go live dates approach. 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

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ATTACHMENT

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

Attachment A

PLANNED vs. ACTUAL ABT PROGRAM EXPENDITURES BY MONTH

TOTAL PLAN: $84,172,387*

*Does not include recent $2,000,000 increase in planned contingency use

OCT ACTUAL: $59,493,686

SEPT ACTUAL: $56,078,719

OCT PLAN: $63,029,000

SEPT PLAN: $59,312,807

PLAN REVISION: $42,184,828

PLANNED EXPENDITURES (MARCH 2011 REVISION)

ACTUAL EXPENDITURES (IBIS THROUGH CLOSED MONTH)

Millions

$90 $80 $70 $60 $50 $40 $30

DEC-10 JAN-11 FEB-11 MAR-11 APR-11 MAY-11 JUN-11 JUL-11 AUG-11 SEPT-11 OCT-11 NOV-11 DEC-11 JAN-12 FEB-12 MAR-12 APR-12 MAY-12 JUN-12 JUL-12 AUG-12 SEP-12 OCT-12 NOV-12 DEC-12