Little Hoover Commission
Information Technology Progress Update
August 25, 2011
Project Overview Report

Project Name: 21st Century Project (Statewide Payroll and Personnel System, MyCalPAYS)	
Department/Agency Sponsor: State Controller's Office	
Total Project Cost: $305,023,042	
Amount Spent vs. Anticipated To Date: $189,108,214 actual vs. $191,367,458 anticipated	
Timeline (# of Fiscal Years to Complete): 2003/2004 through 2012/2013 8.7y	
Total Percent Complete: 51%	
Months Ahead/Behind Schedule: 6 -12 months	
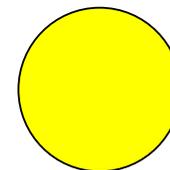
Progress Indicator:
Yellow

Business Need: The 21st Century Project will improve the State's human resources/payroll business process to move away from its reliance on aging technologies and provide an adaptable system fully capable of taking advantage of existing technologies and best practices in human resources management. The Project will provide a proven, commercial-off-the-shelf software package for a Human Resources Management System (HRMS)/Payroll System to replace the existing legacy systems. Although the platform will change, the primary objective never changes – *State employees' payroll and benefits must remain accurate and on time.*

Key Vendors: SAP is providing system integration services. SAP is also the provider of the Enterprise Resource Planning software (ERP) that is the foundation of MyCalPAYS. The Project also uses targeted contracts to augment State staff in the areas of organizational change management, training, project management, testing, and SAP expertise/strategy.

Current Status and Project Phase: The project has completed the first two of five phases of SAP's Accelerated methodology (ASAP), Project Preparation (planning) and Blueprint (design). It is progressing through the third phase, Realization (build and test), which is running behind schedule. The next phase, Final Preparation, precedes the final phase, Cutover to production operations for the Pilot department(s). The remaining departments will be implemented in four waves.

Milestones and Accomplishments:
• Identification of business requirements and design of the MyCalPAYS system
• Configuration and customization of the SAP system to accommodate California's complex environment
• Documentation of payroll and personnel procedures
• Completion of the technical infrastructure to support the MyCalPAYS application at OTech
• Identification of security access needs for users
• Development of training curriculum and courses
• Currently in process of rigorous testing of the entire application
• Completion of two cycles of data conversion testing. The second converted a 22,000 employee sample
• Participation in DPA Labor meetings and analysis of changes resulting from six new union contracts
• Presentation of 20+ Road Shows at multiple departments and a system demonstration at the SEIU Tech Fair
• Communication with liaisons at 100+ departments, through regular meetings, brochures, and web sites
• Completion of the design for the new SCO Customer Contact Center to support the MyCalPAYS application

Major Changes:
Background: Initiated in 2003, project activities started in earnest in April 2005 when the SAP software was selected as the commercial out of the box solution for MyCalPAYS. In June 2006, a contract was awarded to BearingPoint to provide system integration services. Work on requirements and design commenced for the next 2.5 years. In January 2009, the State terminated the contract with BearingPoint for failure to meet contractual commitments. The State was successful in recouping $2.7 million in performance bond money provided in the contract. The project immediately embarked on a re-procurement, which was the first in the State to be conducted in a two-stage approach.   SAP entered into contract with the State on February 2, 2010.

Current Situation: After successfully completing the system build (configuration, business process, and development activities) the project has completed significant unit, integration and interface testing of the system using a 22,000 employee sample that was converted from the legacy system. Other project tasks, such as department outreach and readiness, security role mapping, training material development, technical platform implementation, and disaster recovery testing activities are also making good progress.

Data conversion, which takes the employee data from the legacy systems and moves it into MyCalPAYS, is a critically important task. Early in 2011, it became clear that the existing conversion methodology to extract, transform and load the employee population was significantly more complex and labor intensive than originally anticipated, and would not be feasible for the larger waves of ~85,000+ employees. As a result, the deployment schedule, starting with a September 1, 2011 Pilot, could not be met.

In an effort to mitigate risks identified with the larger deployment waves, the Project evaluated two specialized data migration vendors to help resolve challenges with the data conversion approach. The selected vendor, BackOffice Associates, is now on site and the Project is in process of incorporating the BackOffice methodology into our implementation plan and assessing the overall schedule impact. We are anticipating a six to twelve month delay to the overall implementation schedule, in order to deliver the system without sacrificing quality. All efforts are being made to complete this re-planning effort as quickly as possible. Re-planning provides opportunities for the Project to mitigate risk in several areas that pose challenges to the project including data conversion, managing concurrent legacy and MyCalPAYS operations, complex business requirements and external impacts from the six bargaining unit contracts, departmental reorganizations and the executive order limiting in-state travel.

Staffing Issues: The Project has consistently been fully staffed on both the State and SAP teams. John Hiber, SCO Chief Operating Officer, serves as Project Director; Laurye Gage, Project Manager; Jim Lombard, SCO's Chief Administrative Officer, Project Sponsor; and Lisa Crowe, Payroll and Personnel Services Division Chief, Project Business Owner.

Other Challenges to Complete:
• The SAP system brings consistency and best practices that allow the State to re-examine its human resources and payroll processes. Working closely with departments and key stakeholders so they can make modifications to impacted systems and processes in advance of implementation is critical.
• SAP is a newer technology and a much different system than what the 3,000+ core end-users (HR/Payroll practitioners) are accustomed. The Project is working to reduce risk for HR departments, special business partners/control agencies, and SCO business operations by establishing Transition Centers for focused support, developing comprehensive training materials and on-line help, and implementing a centralized Customer Contact Center to provide a timely and high-quality response to its customers.

Lessons Learned:
Positives to retain for future projects:
• Steering Committee with broad representation from Control Agencies and key stakeholders.
• Quarterly updates with the Joint Legislative Budget Committee (JLBC) and legislative staff, as well as monthly updates with the Legislative Analyst's Office (LAO).
• The two-stage procurement approach was helpful in driving a fuller understanding of business requirements and helped to complete the entire procurement process in one year.
• Co-locating the State and Contractor team, with counterparts jointly reporting status, combined with leadership example, has helped to forge a positive, results-oriented team culture.
• Proactive Organizational Change Management approach, with continuous communications, including Road Shows, meetings, demos, print, web and conference calls have helped to keep departments informed and committed.
• Strong project management processes, including schedule, risk, issue, deliverables, scope, project-wide metrics and a web-secure based repository of information for the project team and department liaisons.

Learnings:
• Focus on data management from the start. A robust data conversion tool, processes and personnel experienced in very large employee conversions is required for a project of this size and complexity.
• Involve stakeholders early. It was believed SCO business operations would not be significantly impacted until after the final deployment; however, as these key stakeholders became more involved in the project, they identified complex interactions between legacy and MyCalPAYS processes.
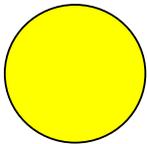
Progress Indicator: Yellow	**Justification:** Although the schedule is delayed, many other components of the project have been completed. The re-planning process currently under way will lay out the new deployment schedule.