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November 3, 2023

REF: EXE-323-23

Honorable Members of the City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Attn: Personnel, Audits, and Hiring Committee

SUBJECT: **HUMAN RESOURCES & PAYROLL (HRP) PROJECT - STATUS REPORT NOVEMBER 2023**

SUMMARY

As highlighted in the City Administrative Officer's First Financial Status Report for 2023-24 (C.F. 23-0600-S110), the Human Resources and Payroll (HRP) Project Sponsor Team has requested the delay of the HRP Phase 2 Payroll system until June 2024. The Information Technology Agency (ITA), in collaboration with the Office of the Controller, Personnel Department, and City Administrative Officer (CAO), has prepared this status report on the HRP Project to provide details on why this delay is necessary. Included in this status report is an update on project milestones and accomplishments, a review of the criteria that must be met in order for a successful implementation or "go-live" to occur, and a revised project timeline. In addition, the extension of the project period will require additional funding to reach go-live. As such, this report includes an essential request for $11 million to fund the project extension and in particular the costs associated with the various consultants providing services such as System Integration (Workday), Change Management (Accenture), and Project Management (KPMG).

Implementing a modern comprehensive human resources and payroll program to replace a legacy payroll system supporting over 42 departments and 50,000 employees was never going to be easy, especially with the complexities inherent to government. The City has had to adapt to many challenges over the last three years of implementation, including COVID. Each department faced a shift to remote or hybrid working conditions, new mandates and priorities. Additionally, departments across the City faced the loss of experienced professionals with needed subject matter expertise and continued to navigate high rates of vacancies during the course of implementation and the added extensions. Yet, despite these challenges, the City has made steady progress in implementing the new HRP system, including the implementation of the Phase 1 Human Resources system. The project was working to meet its December 2023 implementation date for Phase 2, but the high level of staff vacancies citywide, the complexities of payroll within each City department, and the inability to reach necessary quality targets has meant that each of the testing phases deadlines throughout this year has slipped. The HRP project is often competing with other department priorities.

AN EQUAL EMPLOYMENT AFFIRMATIVE ACTION EMPLOYER

Most recently, as the project continues its Parallel Testing phase, it has not been able to reach the required 95+% target in time to meet the December 2023 deadline. Despite making great progress over the past few months, parallel testing must continue until the City reaches our quality control goals before launching the new system. If department testers and leadership continue to commit staff time to the project, the June 2024 timeline is very attainable. In addition to parallel testing, necessary integrations and reports remain in various stages of testing. The extension provides essential time for additional department testing and preparation for the new system. We have heard questions and concerns from several departments about their own readiness to process payroll in Workday beginning in December. This extension allows those departments multiple rounds of training, practice labs to build familiarity, and additional opportunities to incorporate the new HRP payroll system into their existing departmental payroll processes.

BACKGROUND

The HRP Project is working to replace the City of Los Angeles' current PaySR system, with Workday. PaySR is a 22 year old system, lacks the functionality needed by the City of Los Angeles, is very difficult to support, and prone to cybersecurity issues. The HRP Project's scope is the successful implementation of Workday as the City's official Human Resource (HR) and Payroll System and the replacement of the PaySR system in the following functional areas:

- Human Capital Management: Position Control, Employee data, Hires, Job Changes
- Compensation: Positions, Compensation plans, allowances, bonuses, MOU requirements
- Absence Management: time away, vacation, sick and leaves
- Benefits: receiving deductions from vendors such as Life Works and applying those to calculate pay
- Time Tracking: allowing for time entry, approvals, and retros
- Payroll: paychecks, deductions, withholdings, and integrations with Financial Management System and necessary 3rd party vendors.

The HRP Project started in March 2020 with a planned implementation date of the end of December 2021. Given staffing shortages and other challenges caused by the Covid Pandemic, in the fall of 2021, the HRP Steering Committee, comprised of representatives from the Office of the Controller, CAO, Personnel and ITA, gained approval through City Council for a phased rollout (a Phase 1 Human Resources launch before a Phase 2 Payroll launch, C.F. 20-0313). The target implementation dates were set for April 2022 and December 2022 for Phase 1 and 2, respectively. Phase 1 of the project went live in May 2022 with hiring and onboarding serving as key features of the Human Capital Management ("HCM") module. However, Phase 2 delivery fell behind schedule and a new target date for implementation of December 2023 was set.

Over the last year, the HRP Team has made significant strides towards the Phase 2 go-live objective. In collaboration with departments, the project has identified 1,149 change champions across the 42 departments, held 8 phase 2 meetings over the last year and three Citywide townhalls. Additionally, "Countdown to go-live" sessions were held for department General Managers, Assistant General Managers, and Payroll Leaders, as well as a specific session for Labor partners supported by the CAO and ITA. These sessions are in addition to monthly one-on-ones and issue specific meetings held with departments. Additionally, using a "lessons learned" document prepared by the independent Gartner Quality Assurance (QA) team from the Phase 1 implementation, the HRP Team revised the project plan, governance, and testing approach. The HRP Team also implemented a new project management tool and confirmed the Phase 2 scope. The Phase 2 scope now includes, Absence Management, Benefits

Administration, Compensation, Time Tracking, Payroll, Reports, Integrations, Training, Prism Reporting use cases, 103 integrations, 230 reports and 2 months of Hypercare after the Phase 2 go-live and additional consultant support for ongoing managed services.

As previously stated, the HRP Project has proven to be more complicated than originally anticipated and has taken more time, effort, and resources than planned. The existing PaysR legacy payroll system is highly customized and variable in how each department processes their payroll. During the last HRP Project update in September 2023, the project was in the Parallel Testing Phase and some of the key project areas were noted by the City's project management vendor ("KPMG") as "at risk to complete" including parallel testing, operational readiness of the key departments and post go-live support. Since then, the project has continued to face delays in completion of required tasks and has yet to meet the desired readiness parameters for go-live to help ensure successful transition to the new system. In addition, in its recent September 2023 Quality Assurance Report from the Project's QA team the project's overall health moved from "managed risk" to "significant risk."

The Project Sponsors, HRP team and its project managers have continued frequent meetings as a group and with the QA team weekly, to escalate and resolve risk areas and develop plans to mitigate risks. On October 24, 2023, the project sponsors met to review the overall go-live readiness including the key indicators like parallel match which has remained below the acceptable level, leading to a severe impact on City's ability to successfully run Parallel Cycle 2 in the remaining timeline. As a result of the review of these readiness criteria, the Project Sponsors unanimously decided to delay the HRP go-live date from December 2023 to June 2024.

The need to replace the City's current aging PaySR system remains an imperative. Furthermore, the HRP Team remains committed to fully implementing Phase 2 with a continued focus on robust communication and organizational change management to support City and Department readiness.

CURRENT STATUS OF HRP PHASE 2 (PAYROLL)

In late July, project sponsors made the decision to close the end-to-end testing phase and move into parallel testing. At that time there were over 8,000 total test steps completed and 96% of items identified as "pay impacting" were deemed to have passed. Testing of remaining Controller specific end-to-end items was completed concurrent to Parallel testing. Additional risk areas discussed at the time of moving into parallel testing included delayed progress on integrations and limited capacity of departments to participate in testing for items specific to their departments. Additional targeted outreach was made to departments with remaining items.

Parallel testing confirms the accuracy of paychecks generated by Workday by running payroll in Workday and PaySR for the same pay period and comparing the results. Variances/differences between the two systems are reviewed by project team members and department staff for further understanding and reconciliation. Given earlier delays in the project timeline, the City had planned for 14 weeks of Parallel testing broken into two cycles. Parallel 1 was expected to be eight weeks and Parallel 2 was expected to be six weeks.

Parallel cycle 1 has experienced delays due to department capacity, data validation, and timeliness of resolving policy or other issues for identified variances. This delay in reaching the desired initial citywide 90% match for net earnings (a combination of gross earnings, deductions and taxes) in cycle 1 put the overall project timeline of December 2023 at risk.

Project team and sponsors have met frequently over the course of Parallel testing to monitor results, identify mitigation strategies and consider risk to go-live. Phase 2 readiness criteria were developed to allow Sponsors and the Project team to evaluate the project's overall readiness on key criteria in advance of a December 2023 go-live.

These readiness criteria also align with many of the key recommendations provided in the independent Gartner Monthly QA Report. That report summarizes the project status, observations, key risks, and trending indicators. The following status update is based on these reports. These reports are transmitted to the Council each month by the CAO. Of the 21 measured categories, in September 2023 the lowest project scores were highlighted by Gartner in three areas: Schedule, Testing, Training & Knowledge Transfer and Support.

Go-Live Readiness Criteria

Phase 2 readiness criteria were developed to allow Sponsors and the Project team to evaluate the project's overall readiness on key criteria in advance of a December 2023 go-live. An explanation of the key readiness criteria is included below

Parallel Testing: The City has planned for two cycles of parallel testing, with increasing "match" accuracy expected in each cycle and any remaining differences to be explainable. Although great progress has been made so far in parallel testing, additional parallel testing is needed over the next few months to ensure a smooth transition to Workday. This time is also needed to ensure that there is sufficient time to engage in any necessary conversations with Labor regarding known variances/differences or impacts on employee groups that may be identified as part of the Parallel review process.

Integrations: Integrations are technical interfaces that allow data and information to flow from external systems into Workday. Integrations are needed for coordination with FMS, department data and other union vendors. Integrations require collaboration across technical and business teams.

Reporting: Reports provide end users with real-time, accurate data to assist with the completion of business processes and data analysis. There are Custom Reports for Functional Area within Workday that are configured based on specific needs and business processes. These reports require development by the technical teams and testing by functional business users.

Data Readiness: Data readiness activities include a number of efforts to ensure that all necessary data has been synced between PaySR and Workday. Because the City is currently using both Workday and PaySR for varying functions, these systems must be kept in sync as changes are made and confirmed prior to go-live

Department Readiness: Department Report Cards have been utilized to assess readiness in key areas. Recent report cards indicated a decreased department response of 40%. Additionally, there are several large department partners with complex needs that may require specific solutioning or discovery. The focus in this criterion is to ensure that solutions are confirmed and departments have a clean understanding of how their specific needs have been, or will be addressed.

Cutover Planning: Cutover is the process of transitioning from the current system (PaySR) to a new one (Workday). Cutover planning outlines all of the steps necessary to successfully transition and the responsible parties.

Hypercare and Post-go live support: The City has contracted with Workday to provide extended hypercare beyond the industry standard four weeks, to provide eight weeks of post-go-live hypercare support. Additionally, the City has contracted with Accenture to provide immediate managed service support to the City. The City has developed a working draft of a support model which aims to clarify the roles and responsibilities of Sponsor departments and citywide department staff upon go-live.

Training: At the time of Sponsor review, training had commenced as planned. Participant feedback is being gathered from departments, so that future training can address open questions or areas of further concern.
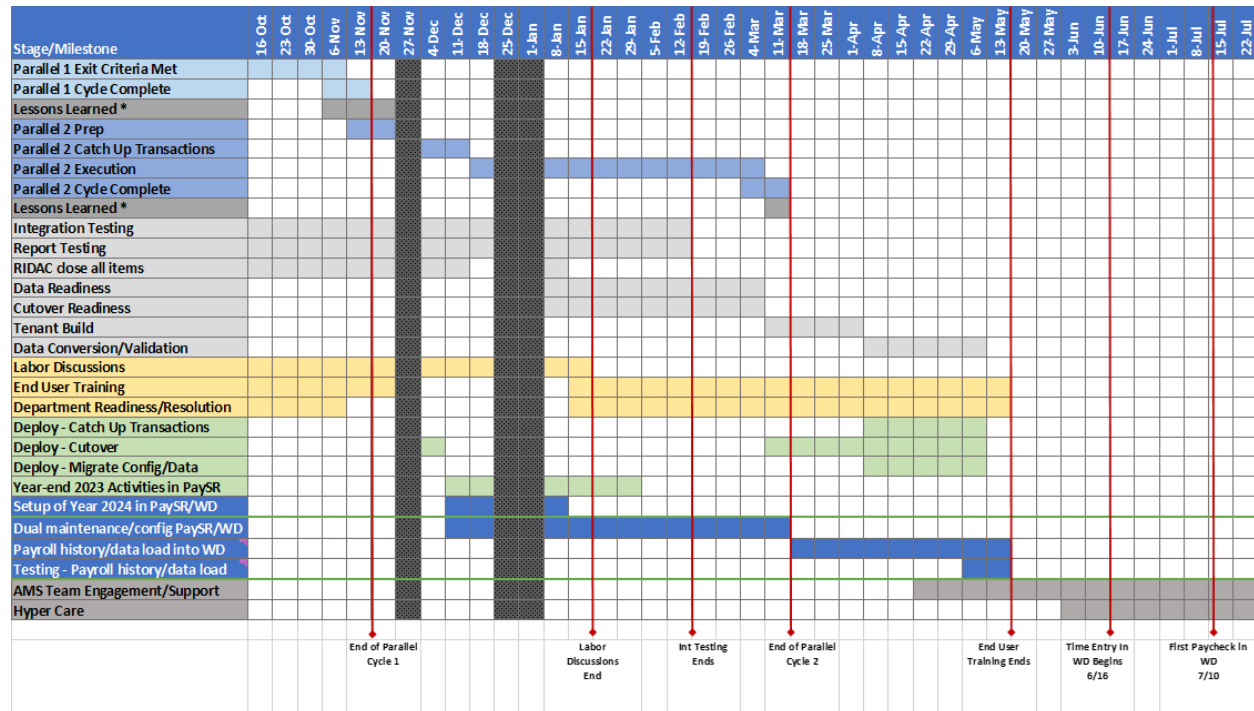
Criteria	Desired Metric	Oct' 2023 Status	Key Actions to improve
Parallel	Cycle 1 - 90% Net Cycle 2- 95% Net Explainable remaining known variances	Cycle 1 Match Gross: 92% Deductions 81% Net 77%	Dedicated 1-2 people support by Large Departments. Continued Parallel Support. Increased communication between Project Team, CAO ERD and Labor Unions.
Integrations	100% inbound and outbound integrations are fully tested before cutover	Integrations Developed: 100% (103) Fully passed by ITA and Business: 12% (13) Pending business testing: 73 Pending ITA testing: 30	Dedicated additional support to lead integrations and reports workstream to drive cross functional activity, as needed. Increased 2 FTE CTR skilled staff to complete integration testwork for 16 weeks (53 integrations with CTR). Increased 1 FTE ITA skilled staff to complete integration testing and defect resolution. Dedicated and facilitated test sessions with Departments and Vendors.
Reporting	At least 80% of Priority 1 reports are fully tested	Reports Developed: 87% (208) Reports passed by ITA and Business: 12% (27)	Dedicated additional support to lead reports workstream to drive cross functional activity, as needed. Extend the ITA developer contracts to complete development. Increased 3 FTE CTR skilled staff to complete report testwork for 16 weeks (165 reports with CTR for testing). Dedicated and facilitated test sessions with Department testers.
Data Readiness	Sync between Workday and PaySR (Configurations since tenant set-up) Data Cleanup (SUP organizations, Drivel License, Social Security Numbers) are complete	Sync ongoing Data cleanup behind plan despite multiple departmental escalations	Dedicated cutover lead to drive cross functional activity, as needed. Clear ownership and plan to sync the systems - Activities have been identified- needs ownership assignment.

			Continued escalation to departments with potential outreach by sponsors.
Dept Readiness • Report Card • FLSA • OLOTS • Smoothing • Schedule (PORT) • Retro process	Readiness Survey Results are complete and have a score above 75% with no department or group below 70%. Change champion readiness survey score above 75% using google form.	The score recently dropped in the last survey results. Multiple departments escalating concerns for their readiness through one-on-one calls.	Continued departmental outreach with dedicated meetings for LAFD, Harbor and LAPD. Ongoing demos and solution meetings for large departments.
Cutover Planning	Cutover plan is socialized and understood by all workstreams and WD, and roles / responsibilities are clearly defined. There is an assigned City cutover lead.	Cutover plan has been socialized. The task ownership and assignment are in-progress. The City needs to identify a City cutover lead.	Dedicated cutover lead to drive cross functional activity, as needed.
Hyper care / Post go-live support	Post go-live model finalized; Relevant resources named and trained. AMS team identified and activated. Ticketing system ready. Process for payroll fixes and emergency checks is defined and documented; including availability of governance support and emergency funding, as needed.	Sustainment model documented. Ongoing training for resources. Named resources being confirmed. Ongoing proposal reviews for AMS team.	Confirm named resources for support across CTR, ITA and PER teams. Focus on required Workday training. Additional communication between Project Team, CAO ERD and Labor Unions. Establish and approve governance model for emergency checks and funding for emergency payments. Conduct a dry run.
Training	Over 90% attendance for City Payroll Staff. Over 70% for employees, managers, timekeeping, and HR webinar 80% departmental participation.	Training began 10/2, set to continue until 12/1	Ongoing push for departmental participation in training.

Following a review of the criteria, and considerations of potential go-live options, the Sponsor group determined that a June 2024 go-live would allow for completion of risk mitigation and remaining project tasks.

DRAFT Revised High-Level Timeline
The following high-level timeline summarizes the remaining milestones for Phase 2. This timeline is under review by project staff and Sponsors and will be supported by an updated project plan.

Stage/Milestone (columns: 16-Oct, 23-Oct, 30-Oct, 6-Nov, 13-Nov, 20-Nov, 27-Nov, 4-Dec, 11-Dec, 18-Dec, 25-Dec, 1-Jan, 8-Jan, 15-Jan, 22-Jan, 29-Jan, 5-Feb, 12-Feb, 19-Feb, 26-Feb, 4-Mar, 11-Mar, 18-Mar, 25-Mar, 1-Apr, 8-Apr, 15-Apr, 22-Apr, 29-Apr, 6-May, 13-May, 20-May, 27-May, 3-Jun, 10-Jun, 17-Jun, 24-Jun, 1-Jul, 8-Jul, 15-Jul, 22-Jul)

- Parallel 1 Exit Criteria Met
- Parallel 1 Cycle Complete
- Lessons Learned *
- Parallel 2 Prep
- Parallel 2 Catch Up Transactions
- Parallel 2 Execution
- Parallel 2 Cycle Complete
- Lessons Learned *
- Integration Testing
- Report Testing
- RIDAC close all items
- Data Readiness
- Cutover Readiness
- Tenant Build
- Data Conversion/Validation
- Labor Discussions
- End User Training
- Department Readiness/Resolution
- Deploy - Catch Up Transactions
- Deploy - Cutover
- Deploy - Migrate Config/Data
- Year-end 2023 Activities in PaySR
- Setup of Year 2024 in PaySR/WD
- Dual maintenance/config PaySR/WD
- Payroll history/data load into WD
- Testing - Payroll history/data load
- AMS Team Engagement/Support
- Hyper Care

Milestone callouts:
- End of Parallel Cycle 1
- Labor Discussions End
- Int Testing Ends
- End of Parallel Cycle 2
- End User Training Ends
- Time Entry in WD Begins 6/16
- First Paycheck in WD 7/10

- <u>Parallel Testing</u> – Parallel testing will continue as a primary focus for the project team. Continued department participation is needed to ensure the timely validation and decisioning is completed.

- <u>Training</u> – Departments were eager for further training and exposure to the Workday system. The Project team made a decision to move forward with training as scheduled, even as a delay was being considered, so that departments could continue receiving support. The timeline will be updated to allow for additional training opportunities and more focused efforts in the spring roughly 10 weeks prior to the June go live date This includes instructor led training, hands-on exercises, and recorded videos (for future employees).
  - City employees will be trained on entering time, time away, and an understanding of how to access and read their paychecks.
  - The training will be conducted in a live copy of the system to allow for hands-on exposure.
  - Employees will also be provided Job Aids which can be referenced to support what was learned in training and serve as a reference guide in the early days of using the system.

- <u>Cutover</u> - This is the phase immediately before and during go-live. It includes deadlines for entering information into PaySR so it will migrate into Workday, data conversion, making the new "live" Workday system accessible to users, etc.

- <u>Post Go-Live User Support</u> - After go-live on June 16, 2024, the project team shifts into post go-live support (aka Hypercare). This is a high touch support structure where the entire HRP project team is monitoring system activity, reviewing and resolving incidents, providing phone and video conference help sessions as well as offering additional lab based support. Hypercare is planned to end on August 10, 2024, with continued support from assigned HRP Controller, Personnel, and ITA staff, with the support of Accenture.

The City has identified an ongoing support need and plans to release an RFP for additional managed service support outside of the first year of implementation.

IMPACT OF EXTENSION:

Additional costs: The HRP project is supported by a number of consultant vendors providing services such as System Integration (Workday), Change Management (Accenture), Project Management (KPMG). The additional project time will result in additional contractual costs, the largest of which being the services provided by Workday and Accenture. A breakdown of costs is included below.

PaySR Platform Risks: As noted in prior reporting and communication to PAH, the PaySR platform is in need of replacement and requires a great deal of customization and fixes to ensure it meets current City needs. Due to the project splitting into multiple phases, the technical teams are already tasked with providing support, maintenance and synchronization across the Workday and PaySR systems. Extending that for an additional six months increases security and technical risks.

Resource Capacity: The project continues to rely on the diligent efforts of project team members, many of whom have been supporting implementation for the duration of the three year effort. The extension risks project staff transitioning into new roles internal or external to the City of Los Angeles. Additionally, the City at large continues to navigate a high vacancy rate across departments, limiting the availability of department staff to participate in project activities, particularly those with Payroll expertise. Even with this added time, it is imperative that departments continue to make their staff available to assist the HRP Project Team in working through department-specific payroll issues. Their participation now is the best way to ensure that employees are paid accurately when we go-live next year

RECOMMENDATIONS

The HRP Steering Committee and the Information Technology Agency (ITA), as designated HRP City Project Manager, respectfully request the City Council to approve the following recommendations:

1. Authorize the ITA to negotiate and execute an amendment to the HRP Workday contract (C-135368), to revise the Statement of Work and increase the contract compensation, in order to incorporate the changes needed to complete Phase 2 implementation;

2. Authorize the ITA to negotiate and execute an amendment to the Hess and Associates contract (C-105458), to increase the contract compensation, extend the contract term, and revise the Statement of Work to incorporate changes in order to complete the HRP project and retire the old PaySR legacy system;

3. Authorize the ITA to negotiate and execute an amendment to the KPMG Task Order engaged through the Controller's Office contract (C-138949) to extend their engagement as project managers of the HRP Project to incorporate the changes needed to complete HRP Phase 2 implementation;

4. Transfer $11,000,000 from the Reserve Fund No. 101, Department No. 62 to the General Fund No. 100, Unappropriated Balance No. 58, Account No. 580329 Human Resources and Payroll System Contingency; and,

5. Authorize the City Administrative Officer to draft Controller's Instructions and technical corrections to transfer appropriations up to $11,000,000 from the Unappropriated Balance No. 58, Account No. 580329 Human Resources and Payroll System Contingency to HRP Project sponsor departments within the General Fund No. 100 for contractual services including Quality Assurance, hardware, and software costs required to complete Phase 2 implementation, and authorize the Controller to implement those instructions.

Respectfully Submitted on behalf of the HRP Steering Committee (Office of the Controller, City Administrative Officer, Personnel, and Information Technology Agency),

Ted Ross
General Manager

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