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REF: EXE-156-23

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: **HRP PROJECT STATUS REPORT APRIL 2023**

SUMMARY

At the direction of the City Council (C.F. 20-0313-S15), as initiated by Motion (McOsker-Krekorian), the Information Technology Agency (ITA), in collaboration with the Personnel Department, City Administrative Officer (CAO), and the Office of the Controller, has prepared this status report on the Human Resources and Payroll (HRP) Project. Included in this status report is an overview of the lessons learned from the Phase 1 implementation of HRP, the impacts of the HRP Project's implementation on hiring, the status of Phase 2 implementation, and the resources needed to accelerate the timeline to complete the HRP Project.

As detailed in this report, the HRP Project has experienced significant delays from its original delivery date of December 2021, in large part because of staffing and financial hardships resulting from the impacts of the COVID-19 pandemic. The HRP team has made strategic decisions to keep the project moving and has brought forward requests for additional resources to the City Council when warranted. These decisions have set forth a two-phased approach to the HRP Project resulting in the successful implementation of Phase 1 in May 2022. While Phase 1 was successful, there were several challenges with Phase 1 given the new user experience, ongoing updates required as part of changes to employee Memorandums of Understanding (MOUs), and the need to integrate Phase 1 modules with the City's existing legacy system PaySR which HRP Phase 2 is set to replace. In addition to these challenges, the HRP team has reviewed lessons learned that are now being applied to Phase 2 implementation work. Phase 2 is now in End to End Testing with a target date for Go-Live set for December 2023.

Overall Phase 2 is in a state of "Managed Risks" as described by the project's Quality Assurance (QA) team from Gartner. Specifically, "the HRP Project execution or planned trajectory does not meet best practice standards or is not clearly defined, and/or presents a potential material impact to the HRP Project which will become real or get worse if not addressed proactively." Driving this current status are the categories Schedule and Resources which are identified as being at a Critical Risk level. The schedule has dependency on the payroll workload items (i.e. City unique payroll items that may need to be further configured in Workday) which are being reviewed on priority basis. Similarly, there are multiple competing priorities for resources especially for Payroll given multiple same resources both in core team and departments need to do configuration

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reviews as part of Payroll Workload, testing and further operational duties to keep the existing payroll running.

The HRP team and its project managers have been meeting with the QA team weekly, and are well aware of these risks. The team is developing plans and executing them to address these concerns including prioritizing work aimed at mitigating these risks.

There is no question that the HRP Project has proven to be more complicated than originally anticipated and has taken more time, effort, and resources than planned. Nevertheless, the need to replace the City's current system remains an imperative. As such, the HRP team remains committed to fully implementing Phase 2 with a focus on robust communication and organizational change management.

BACKGROUND

The Human Resources and Payroll (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 seeks to:

1. Implement a sustainable, long-term payroll solution
2. Improve the City's ability to recruit, hire, develop, and compensate employees
3. Maximize opportunities to improve human resource (HR) processes, while minimizing disruption

The HRP Project traces back to 2013, when the Information Technology Agency (ITA) escalated the risks and challenges with the current PaySR system. This resulted in further analysis and various meetings between the Steering Committee departments and City of Los Angeles elected officials. In 2016, the Office of the Controller solicited KPMG to perform an in-depth analysis on the sustainability of PaySR. In 2017, KPMG published a comprehensive report that found a large number of high risks and limitations posed by the PaySR system and recommended an immediate replacement of PaySR with one of the customizable off-the-shelf software packages that have become the norm for payroll systems over the last twenty years. The Mayor's Office and City Council began the budgetary and legislative process for PaySR replacement. In preparation for a Request for Proposal (RFP) and to best situate the City in selecting a vendor/system, the HRP project team worked with all City departments to identify 1,700 HRP requirements that would be included in the RFP process. In 2018, the City asked leading HRP vendors to compete for the contract through a Request for Proposal. The seven department HRP Evaluation Team (ITA, Controller (CTR), Personnel (PER), City Administrative Officer (CAO), Department of Transportation (DOT), Police (LAPD), and Recreation and Parks (RAP)) used a comprehensive vetting process that resulted in unanimous selection of Workday in 2019. Workday is a very popular and easy-to-use software used by large governments and private sector companies, such as the cities of Denver, Dallas, Orlando, as well as Walmart and Amazon. The contract and project began in 2020 shortly before the start of the COVID-19 Pandemic.

HRP PROJECT SCOPE

The 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 (right before the COVID-19 Pandemic) with a planned implementation date of the end of December 2021. The project team and our department partners quickly adjusted to online collaboration and were generally effective in the early stages of the project. However, system testing is most efficient and effective when testers are co-located with the project teams to review findings and resolve. The early days of the pandemic prevented this collaboration and system testing was greatly slowed down. In addition, the City of Los Angeles implemented the Separation Incentive Program (SIP) due to COVID-related financial hardships. The resulting loss of department HR and payroll subject matter experts and project staff with a subsequent hiring freeze prevented the ability of departments to replace these key personnel. These personnel were essential to enable proper configuration, testing, and validation of the new system.

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 phased rollout allowed City employees to begin using the portions of HRP that were tested and ready for use while allowing additional time for other functional areas to progress. The team continued through testing with Phase 1 scope which included 10 additional integrations to allow HRP to interface with PaySR. The target for implementation of Phase 1 was April 2022 and Phase 2 in December 2022.

HRP PHASE 1 (HUMAN RESOURCES): 8/15/21 - 5/22/22
Phase 1 went live on May 22, 2022. Following go live, the HRP team focused on providing post-production support also known as Hypercare. This included close monitoring of user activity, reviewing and resolving incidents, providing additional training and face to face support in a lab environment. Hypercare for Phase 1 concluded on July 15, 2022.

The HRP Phase 1 implementation was generally successful.
- In the first 20 days, users submitted 820 tickets for assistance (mostly password resets and organization structure changes). This is far lower than Workday projections for organizations the size of the City of Los Angeles.
- The first payroll run between HRP and PaySR ran on time and was balanced.
- Of the 41,289 employees, there were 81 known employees impacted by transactions not completing on time. All except one 120-day appointment (i.e., retiree returned for a limited project) received a paycheck.
- With a new system of this magnitude, there was understandably much follow-up in the subsequent months with updates to organizational structures and department hiring processes.

Nonetheless, the phased approach has created challenges for system users as well as for the HRP team as it continues to address Phase 1 issues while also focusing on Phase 2 implementation. Some of these challenges include:

1. Resources time is split between providing Phase 1 post-production support and Phase 2 project activities. While the workload on Phase 1 support has reduced since go-live, there is still a need for resources to continue to support both Phase 1 and Phase 2.

2. There is a need to manage and update two systems Workday and PaySR, especially when there are MOU or other regulatory updates. This specifically impacts the core team members in ITA, CAO and Controller's office ability to focus on Phase 2, as they need to be involved in required updates to keep the existing payroll system operational and accurate.

3. Ongoing support needed from all the departments to stay engaged on the project both for Phase 1 and Phase 2. For example, the transition to enforced, real-time position control has proven challenging. Departments now see their position data represented graphically within Workday in the form of Supervisory Organizations, and many have realized that how they previously reported positions and their relationships to one another were not always up to date or represented the actual reporting relationships. Because Workday enforces position control (i.e., you cannot hire an employee if there is not an appropriate position vacant), departments have had to keep up with daily HR transactions, often plugging an employee in the first available position and not always the actual position, while also trying to correct their Supervisory Organizations (reporting structures). Accurate Supervisory Organizations is important to Phase 1 functionality, but becomes much more critical to Phase 2 activities, such as time off requests and time approvals.

4. Workday and PaySR are fundamentally different in terms of when HR and Compensation transactions are permitted. PaySR allows many types of backdated transactions but not future-dated. Workday allows future-dated but backdated transactions typically are not permitted or cause issues. Although the HRP team featured this change prominently in many forums with departments, backdating transactions is a hard habit to break and sometimes unavoidable given other processes outside of the system.

5. The previous two challenges had the greatest impact on the LAFD (significantly more than other departments). Prior to Workday, LAFD did not maintain position control data in PaySR and had a regular practice of moving sworn employees into what they termed "phantom" positions in order to maintain their constant staffing requirements in the field. This resulted in an extraordinary amount of effort to build LAFD's Supervisory Organization from scratch. Additionally, LAFD has always had a large percentage of HR transactions that were entered after the effective date, due in significant part to the LAFD's "pre-processing" of HR transactions wherein several key sworn members request employment changes for all sworn members using an internal system. That internal system allows for use of any effective date, even if that date has long since passed. Together the transition to position control and the regular practice of backdating transactions led to a large backlog. In late 2022 and early 2023, the LAFD took special steps to reduce the backlog, and that effort has led to many lessons learned as well as short and long-term action items for how to prevent it from recurring.

LESSONS LEARNED FROM HRP PROJECT PHASE 1

The following HRP Project Phase 1 Lessons Learned are summarized from the Gartner QA report specific to this topic.

Governance	Toward the end of Phase 1, the HRP Project began implementing Steering Committee and Project Management Office (PMO) best practices which have been continued into Phase 2. Improvement was needed between the PMO's internal coordination of, and communication with, the Sponsor Departments and broader Project Team. • *A new project charter and PMO structure was established for Phase 2 to support project governance and improve coordination between city stakeholders, vendors and Sponsor Departments.*
Quality Assurance/Benefits Realization	As challenged during Phase 1 testing, the HRP Phase 2 should focus on rigorous approaches to testing and data conversion, ensuring that the new Workday system meets the expected quality levels and achieves project objectives. • *New testing planning, communications, and escalation has been included for Phase 2.*
Project Management	Phase 2 requires strong, consistent project management approaches, a clearly defined scope, better forecasting of required and available resources, establishment of a realistic, agreed-upon schedule, and actively managed risks and issues. • *The PMO team structure was updated to focus on the confirmation of Phase 2 scope, refining the project plan timeline and risk and issue management. In addition, new Project Management resources from KPMG were selected to assist in this area.*
Change Management	Changes to design and configuration should be identified, assessed for impact, and documented throughout the project, paving the way for timely updates to training and knowledge transfer materials. • *The HRP Project has established a new configuration prioritization and management approach using the City's ServiceNow system. This is being incorporated into the training curriculum.*
User Readiness and Support	Phase 2 requires a continuation of the robust communication and organizational change management (OCM) activities established in Phase 1, and scaling up of those activities for the higher number of users and larger set of disciplines to be implemented. • *The HRP Project will continue the robust communication and change management activities led by Accenture into the Phase 2 Project.*

In addition, an important overall lesson learned was that a project of this scope and scale needs greater overall coordination. The original structure of having four different departments (ITA, CAO, Personnel and Controller jointly overseeing the project, with ITA as the lead sponsor) can be challenged with delays in decision-making and unresolved interdepartmental tensions. The engagement of KPMG by ITA to assist as project managers has significantly improved coordination and helped get the project back on schedule, while still maintaining the four sponsoring departments in meaningful oversight and project direction.

PHASE I IMPACT ON CITY OF LOS ANGELES HIRING

Per request of this Council Motion, feedback regarding hiring impacts was collected from department HR representatives by HRP project staff from the Personnel Department. The primary impact of the HRP system on the hiring process occurs in the onboarding of an employee. After being cleared for appointment, a candidate is entered into HRP to establish their employment record and ensure they are paid.

Benefits:
- The HRP system allows HR to begin processing new hires in advance of their first day. Departments are able to gather necessary information and establish a new employee's email account and other system access on day one.
- During onboarding, employees can enter and update their own personal and emergency contacts directly. This reduces the need for HR staff to enter this information on an employee's behalf, which saves time and reduces the opportunity for clerical error.
- HRP significantly reduces paper-based processes that have been long associated with department hiring and onboarding. Onboarding information is gathered and stored electronically; which eliminates the need to create a hardcopy personnel folder for each employee.

Challenges:
- Department HR representatives reported significant staff challenges in performing required HRP system tasks during onboarding due to:
  - Confusion regarding roles and responsibilities, particularly for department managers.
  - Access issues such as logistics (e.g., proximity to computer), procedural challenges, as well as various degrees of resistance to accessing a new platform.
  - New hires have reported the process is "not user-friendly."
- Departments experience challenges stemming from the accuracy of their positions or reporting structure in Workday:
  - The Workday system requires a budgeted position to be specified by the department when hiring a full-time employee.
  - In addition, positions are intended to be stored in Workday based on the department's reporting structure.
  - CAO has been working with departments to ensure their positions align with what is authorized. ITA has also been working with departments to address issues with their reporting structure. However, the HRP team is also continuing to evaluate means to address some of the City's more nuanced position scenarios within the system, such as how substitute authorities are used.

Since the implementation of HRP Phase 1, City of Los Angeles departments have hired 4888[1] employees into the City workforce using the Workday system.

CURRENT STATUS OF HRP PHASE 2 (PAYROLL): JULY 2022 - DECEMBER 2023

Shortly after Hypercare (post-implementation support) for Phase 1 concluded, a majority of the project staff team shifted to Phase 2 tasks with a new target date for implementation of December 2023. The independent Gartner QA team prepared "lessons learned" from the Phase 1 implementation. Based on those lessons learned, new efforts were taken to revise the project plan, governance, testing approach, implement a new project management tool, and confirm Phase 2 scope. The Phase 2 scope now includes, Absence Management, Benefits Administration, Compensation, Time Tracking, Payroll, Reports, Integrations, Training, Prism Reporting use cases, 107 integrations, 230 reports and 2 months of Hypercare after the Phase 2 go-live.

As with any large software project, every month hundreds of project activities and tasks are performed by the HRP Project Team, City departments, and our vendor partners. To summarize all of these activities and assess the health of the project, the HRP Project Steering Committee uses a few tools and assessments. One of the most valuable for this purpose is the independent Gartner Monthly QA Report. This forty to fifty page 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.

The overall HRP project status is "Yellow" (as of March 2023). According to Gartner, "Yellow" indicates "Managed Risk". Of the 21 measured categories, the lowest project scores are highlighted by Gartner in three areas: Schedule, Resources, and Development & Configuration categories.

Schedule Risk:
For Schedule, the project has little room for additional delays to meet the December 2023 timeline. Currently, the project is completing End-to-End testing which focuses on confirming the system has been configured to meet the City's requirements. End to End Testing is planned for 4.5 months, the stage is used to confirm full end to end transactions. For example, entering time details, taking time off, approval of time, running pay inputs and deductions then generating net pay. As part of the End to End testing, integrations are run to send data to non-HRP systems so that the needed data will be tested and confirmed by the receiving systems which includes both internal City systems as well as 3rd party providers. As in phase 1, testing in phase 2 has experienced challenges in coordination and department participation which has required adjustments to the testing timeline, though has not yet resulted in a change to the overall timeline. In addition, the most significant risk to the schedule (highlighted by Gartner) is the Payroll module workload (Development & Configuration section below). While the approach to addressing the workload is known and agreed to, completing next steps for some of these topics have been deprioritized as the Payroll Workstream focuses on E2E planning and testing activities. In response, the HRP Project is establishing a new series of meetings to confirm and finalize "payroll solutioning" items and processes (referenced in Development & Configuration section below). Resources Risk:

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[1] Number of new hires into the City from Workday Go-Live, 5/22/2022, to 4/07/2023. This includes all full time, half time, and intermittent hires newly hired into the City; and excludes "non-city" hires such as Hiring Hall and Stipend employees.

For Resources, the HRP Project includes a team of 58 assigned Sponsor Department employees (Controller's Office, Personnel, ITA, and CAO) including 12 staff devoting 32 or more hours per week, 47 contractors, and non-dedicated Sponsor Department and other City Department staff (e.g. 250 department testers are participating in the End-to-End Testing phase). Department leadership to solicit testers has increased for phase 2. Due to a low participation rate and per the request of some department testers, testing has now moved from virtual testing put in place due to Covid-19 to in-person on-premise testing at City Hall East. On premise testing has shown initial promise by allowing City staff to work in a more focused, collaborative and efficient manner and to receive on-site hands-on technical and programmatic support. Of course, these resources are taxed by existing payroll commitments, retirements, vacations, and other department priorities (e.g. the maintenance of PaySR processes to complete current payrolls).

As noted by Gartner, Workday will be providing additional resources to support the CAO's Compensation Workstream with a variety of project activities. The Controller's Office is also in the process of acquiring additional resources from Accenture to support HRP testing activities. Resources from the Central Payroll team have also been added to the Project to support testing for the Payroll and Time Tracking Workstreams. Involvement from the Central Payroll Team during testing is expected to help with knowledge transfer and support of the system post go-live. However, the Central Payroll Team will have minimal participation in the Project during payroll weeks due to their ongoing payroll operations responsibilities. As noted by Gartner, the additional resources referenced above are a positive change for the project and are expected to yield the noted benefits in future reporting periods. However, because those benefits have yet begun to be realized, Gartner maintains the high Resources risk level in this risk category.

For Development & Configuration, as Gartner noted, the Project Management Team and the Controller's Office aligned on the categorization of the remaining workload for the Payroll Workstream and determined next steps accordingly. The remaining workload consists of 152 topics that have been categorized into these high-level categories: 1) items that are configured and ready for E2E testing, 2) items pending design decisions by the City (i.e., configuration not complete), and 3) items that require City operational processes to be defined (i.e., business process mapping). Items in Category 1 and deemed ready for E2E testing have been assigned E2E test scenarios and incorporated into the overall E2E testing scope. The remaining Categories 2 & 3 above (~55 items) are being prioritized for meetings and closure in the next few weeks. With the Project now in E2E testing, it will be critical to ensure appropriate time is allocated to the remaining topics in Categories 2 & 3, particularly those that have a direct impact on the Project's ability to configure and test payroll requirements. This will require offloading any non-priority workload from the necessary Payroll Workstream resources so these discussions are prioritized.

REMAINING MILESTONES TO HRP PHASE 2 (PAYROLL) GO-LIVE IN DECEMBER 2023

The following high-level timeline summarizes the remaining milestones for Phase 2:

Stage/Milestone	2022			2023												2024	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
C&P - Solutioning/BP/Config																	
C&P - Unit Test																	
C&P - End to End Tenant Build																	
Test - Plan End to End Testing																	
Test - Execute End to End Testing																	
Test - Kainos Implementation																	
Test - Plan Parallel																	
Test - Execute Parallel																	
Test - Training Delivery																	
Deploy - Cutover																	
Post Production Support																	

- Parallel Testing - The next testing stage, planned to begin in August 2023 with an objective of running several full pay cycles in both PaySR and Workday then comparing the detailed results.
  - o Includes pay inputs, bonuses, overtime, deductions and net pay.
  - o During Parallel Testing the team will conduct User Acceptance Testing which allows Tier 1 departments to participate with the HRP team to run key transactions in the system to additionally confirm their departments' requirements are being met one last time.
- Training - Roughly 10 weeks prior to the December go live date dedicated City-wide training will begin. This includes instructor led training, hands-on exercises, and recorded videos (for future employees).
  - o City employees will be trained on entering time, time away, and an understanding of how to access and read their paychecks.
  - o The training will be conducted in a live copy of the system to allow for hands-on exposure.
  - o 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.

- Cutover - 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.

- Post Go-Live User Support - After go-live on December 18, 2023, 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 2/23/2024, with continued support from assigned HRP Controller, Personnel, and ITA staff, with support of Workday.

Bearing these significant risks in mind, it is critical that the project be adequately resourced in the next fiscal year. Recognizing the constraints on both existing staffing and spending levels as well as limited capacity for augmenting them, successful on-time implementation requires additional resources and interdepartmental commitment. It is critical to avoid the challenges that have occurred with other public payroll systems in the United States that produced high levels of inaccuracies, negative newspaper headlines, labor relations concerns, finger-pointing, lawsuits and plunging staff morale. With any new large software system, some hiccups are inevitable – but diligent and adequately supported management of this project is vital to avoiding these risks.

RESOURCES NEEDED TO ACCELERATE THE TIMELINE TO COMPLETE THIS PROJECT
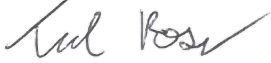- Dedicated staffing resources to support completion of project implementation and preparation for future state.
- Continued Department participation and support is needed throughout the remaining nine months of the project particularly during end to end and parallel testing, to ensure that the configurations meet the city's needs and outlined requirements and to support user adoption in advance of go-live.
- As with any large projects and as learned from Phase 1 go-live, there may be initial hiccups and challenges upon go live which will require support and collaboration with labor unions. Having open and transparent communication with them from now on, will allow for better collaboration post go live

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

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