

0220-05727-0001

**TRANSMITTAL**

TO The City Council	DATE 09-03-21	COUNCIL FILE NO. 18-0600-S43
FROM Information Technology Oversight Committee	COUNCIL DISTRICT ALL	

At its meeting held on September 2, 2021, the Information Technology Oversight Committee adopted the recommendations of the attached Information Technology Agency (ITA) report with additional instructions as outlined below, which are hereby transmitted for Council consideration.

- Direct ITA to continue negotiations with Workday to reduce the estimated cost for a change order associated with the Human Resources and Payroll (HRP) system; and,
- Direct City departments involved to prioritize work associated with the HRP project to ensure full staff commitment to the timely completion of the project.

Adoption of the report recommendations would authorize ITA to negotiate an amendment to Contract No. C-135368 with Workday, Inc. for a change order to implement a phased deployment approach of the HRP system and would transfer \$1 million from the Unappropriated Balance to fund anticipated expenditures. The General Fund impact is estimated at \$10.8 million in additional project costs. The ITA will return to Council to request additional funds once negotiations with Workday, Inc. have been completed.



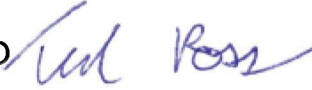
Matthew W. Szabo, City Administrative Officer  
Chair, Information Technology Oversight Committee

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

Date: August 30, 2021

REF: EXE-258-21

To: Information Technology Oversight Committee

From: Ted Ross, General Manager & CIO  
Information Technology AgencySubject: **HUMAN RESOURCE & PAYROLL PROJECT - DEPLOYMENT  
CHANGES & UPDATE****SUMMARY**

This is the second Human Resources and Payroll (HRP) project update since implementation began in April 2020. The HRP project is the comprehensive replacement of the City's existing PaySR payroll system with a modern human resources and payroll system implemented by the vendor Workday, Inc. The original project timeline assumed a 21-month implementation timeline and a go-live date of January 2022. Currently, the HRP project is in the Testing Stage. We have successfully completed over 70% of original deliverables and are in the 4th of 5 stages. However, the testing phases have not completed as quickly as planned, primarily due to the impacts of the COVID-19 Pandemic on the project, as detailed in the subsequent sections of this report. To ensure the overall success of the project, the HRP Steering Committee, comprised of the Personnel Department, Office of the City Controller, Information Technology Agency (ITA), and the City Administrative Officer (CAO) recommend that the City instead implement a phased approach for system go-live. This phased approach would have the primary personnel functions that are included in the Human Capital Management (HCM) module go-live in January 2022, at the originally anticipated system go-live date. Additional modules, including Compensation, Time Keeping, and Absence Management would go-live in April 2022. Finally, the Payroll and Benefits modules are proposed to go-live in December 2022. This phased approach would increase the project cost by \$10.8 million.

The primary cause for the proposed delayed, phased implementation of the HRP project is the COVID-19 Pandemic. The project faced challenges with work conditions with the onset of the COVID-19 pandemic and the Stay-At-Home order. The HRP Project formally started in March 2020 (the same month the COVID-19 pandemic disrupted our nation and City). 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. While the HRP Project completed over 7,000 test steps, this is far short of the necessary testing goals, specifically in the payroll module. As a reference, Workday has never completed a project with 100% telework. Secondly, as the pandemic raged on, the Separation Incentive Program (SIP) was implemented, resulting in substantial loss of department HR and payroll subject matter experts and project staff. The subsequent hiring freeze prevented the ability of departments to replace these key personnel. In addition, staff from the Personnel Department, Office of the Controller, and City Administrative Officer (CAO) were required to shift part-time focus to assisting the administration of SIP, vaccination policies, and other COVID-related matters.

The HRP Project began to feel the cumulative effects of these challenges during unit testing at the end of the Configuration Stage, and the impact became irreparably pronounced during End-to-End testing (July and August 2021) in the Testing Stage. COVID prevented co-location and required remote work. This led to reduced collaboration, slowed pace of multiple project activities, and impacted the ability to test at the pace needed to maintain the project timeline. Executive Sponsors, Project Management for both the City and Workday, and project team members made numerous adjustments and course corrections as described below. Nevertheless, the project is not able to meet the original go-live date for all modules and functionalities.

The goal of the HRP project has always been to replace PaySR with a sustainable, modern system and ensure an accurate payroll. Based on the factors listed above, the City of Los Angeles' best path for success is to deploy functionality in a phased approach, with HCM going live as planned on January 1, 2022, Compensation, Absence, and Time Tracking going live in April 2022, and Benefits and Payroll going live late December 2022. With this phased approach, the HRP Project team and departments can mitigate the effects of COVID-19 and SIP to focus on specific Workday functionality with each release to ensure the highest degree of accuracy, fit to City operations, and the best possible City user adoption before deploying and shifting focus to the next area. The phased-in approach will allow employees to receive more dedicated attention and targeted support from the project team when the functionality that impacts them is deployed, ensuring success of this critical project.

## **BACKGROUND**

### **Project Accomplishments**

The HRP project has accomplished a great deal of substantive and impressive work throughout the last seventeen months. Highlights include successfully completing three of the five project stages, Plan, Architect, and Configure & Prototype, disciplined tracking of risks, actions, issues, decisions, and questions wherein over 550 of 700+ items have been closed, configuration at 80% complete across all functional areas, developed over 100 integrations, built three Workday tenants with an average data accuracy rate of 96%, completing nearly 7,000 test steps through Unit Testing and End-to-End Testing, hosting a Citywide Townhall, administering a Citywide change readiness survey, implementing single sign-on for nearly all department testers, completing a training needs assessment, and excellent progress on developing end user training curriculum and materials.

Four accomplishments that are particularly noteworthy and support the City's readiness for the phased deployment include hosting the Department Showcase, improving the testing experience for department testers, a holistic compensation review, and launching the Change Network.

In April, the HRP Team engaged key department HR, Payroll, and IT staff for three days of "Customer Showcase" sessions, where each functional area gave a detailed overview of the configuration for the City's Workday tenant. This represented the first time City project leads performed 100% of the presentation, which included actual use of Workday. This was a significant step toward the knowledge transfer needed for the City to support the system. The sessions were well attended and received excellent feedback from departments, who were left with a deeper understanding of their future system.

Cycle 2 of End-to-End testing was the point at which department HR and payroll staff began participating. This proceeded remotely and in virtual testing rooms with Workday and the project team supporting. However, the tester experience became problematic, due to factors such as, having only one small laptop monitor while working in several tabs at once, the inability for testing support to visually see when someone was stuck and testers not asking for help, as well as the distractions that can happen when working virtually. As a result, 38 testers completed 328 test steps over the course of seven weeks. Project Management made significant adjustments for the next cohort of testers, and pivoted to hosting small groups onsite, with dual monitors at each socially distanced and sanitized station and Workday and project management staff onsite to assist. Excitement about the new system returned and testing throughout increased significantly, wherein 49 testers completed 848 steps in 13 days.

In the spring of this year, the City Administrative Officer's (CAO) Employee Relations Division staff, who are core team members, and the Controller's Office Payroll Operations staff, who lent great assistance, completed the first "holistic" compensation review, which was a big litmus test for the project. This effort entailed reviewing the compensation configuration and employee compensation assignments to compare PaySR to Workday. At the beginning of the project, the Steering Committee made the decision to configure the compensation area of Workday according to the letter of MOUs, the Administrative Code, and other authoritative documents, as opposed to looking only to PaySR. Compensation drives payroll, and by configuring Workday compensation rules to City policy, loading employee compensation assignments as they are in PaySR, and then applying Workday's eligibility rules to see the difference between the two, the team was able to get a preview of how accurate and similar gross pay may be. After the team worked through the toughest part, correcting mapping and frequency errors in the configuration and investigating issues, the final result was very close to perfect, with only 39 employees not matching. This is a testament to the team's configuration in Workday, as well as the City's disciplined use of PaySR.

On the change management front, the team launched the Change Network, which is composed of employees nominated by their management to serve as Change Champions. There are 438 Change Champions representing all departments. The team holds monthly meetings with the Change Champions to demonstrate system features every employee will use and discuss key changes. Change Champions are the HRP project's force multiplier, and through their efforts of distributing information and demonstrating actions in Workday, many more employees across the City will have increased exposure and awareness of the system and how it impacts them long before they receive training and need to enter their time.

### Progress and Timeline

While years in the making, the HRP Project formally launched at the same time as the start of the COVID-19 pandemic (March 2020). COVID prevented co-location of the Workday, ITA, Controller, Personnel, and CAO Project Team, and required 100% remote work, reducing collaboration in several respects and pace of the project. COVID and related economic impacts diverted project and department staff time from project work.

For example, CAO staff were required to assist with difficult budget and labor negotiations.

Following that, about 1,300 experienced City staff retired in 2020 and 2021 as part of the Separation Incentive Program (SIP) program. Many staff assisting with the project, were no longer working for the City of Los Angeles. This required other staff to pick up the slack and assist with the project. This caused delays in timeliness of work, availability of key resources, and decision making.

Work and progress truly exceeded expectations through the first three stages of the project in the face of unprecedented circumstances. However, the extra effort and ingenuity of the team was not enough to test the large number of scenarios across all functional areas in the time allotted. Testing in the areas of Human Capital Management (HCM), Benefits, and Compensation, generally kept the planned pace. However, Absence, Time Tracking, and Payroll had an extremely large volume of tests, as well as testing teams who were either unavailable or only available on non-payroll weeks, and thus, were unable to meet daily and weekly goals.

Unit testing, which occurred at the end of the Configuration and Prototype Stage and was originally scheduled to run for one month took four months to reach a satisfactory completion rate overall. The Benefits and Compensation areas were complete after five weeks. HCM was complete after six weeks. Absence was completed in seven weeks, Time Tracking in nine, and Payroll in twelve. Also worth noting is that the Personnel team performed the overwhelming majority of tests in the HCM, Benefits, Compensation, and Absence areas, which is indicative of other team members being redirected to COVID and SIP related priorities and the remainder of the team pitching in to keep things going.

End-to-End testing, where multiple functions are tested in sequence, commenced in early May with four cycles planned, each lasting just over three weeks. Cycle 1 progressed as planned, completing 681 steps on schedule, averaging 31 steps per day. Cycle 2 began the following day. However, as Cycle 2 got underway, the need to ensure previously unavailable team members were actively involved in testing became critical, and to confirm that team leads would be in a position to say that configuration is complete and accurate after End-to-End testing, which is the purpose, the group reviewed and revised what would be tested across all four cycles. This resulted in the creation of new test scenarios with associated steps, and over the course of the next month, the number of test steps for Cycle 2 increased from 671 to over 2,000. More time was needed to complete the larger number, especially given the uneven throughput. In the first month of Cycle 2, the average steps completed per day was 28 with some days having single digit production and the highest day producing 101. Cycle 2 ran significantly longer than planned and concluded on August 8, 2021, which was the timeframe parallel testing was intended to commence.

The project made many adjustments from Unit Testing to the present. HRP's Executive Steering Committee increased their meeting cadence to every other week. Project Management shifted activities in the project plan to suit changing conditions and needs. Virtual testing rooms were created with Workday there to support testers. Daily and weekly goals were set so all testers would be informed. Project Management staff

assisted with Absence and Time Tracking unit testing full-time. All project meetings were shifted to mornings only, leaving afternoons free for testing. Scheduled, real-time testing was implemented for a period. How testing stats and progress was tracked and reported was revised several times. Daily testing stand-up meetings were revamped, twice. Testing stats and eventually daily activities were reported to the Steering Committee daily. In response to testers' frustration with the software that housed test steps and where they entered test results, the testing leads quickly shifted to the use of Google sheets, a tool more familiar to City staff. Workday brought in more resources to assist with test coordination. Hiring freeze exemptions were granted, and the Controller's Office hired two retirees on 120-day contracts. Extra time for the testing stage was built into the contract and project plan. That time was needed and used but was not enough in the light of the unforeseen challenges.

Beyond adjustments, several course corrections were made. Early in Cycle 2 of End-to-End, the team completely revamped how test steps were created. A special deep dive Steering Committee meeting was held that resulted in several interventions. Several in-person, all hands meetings were attempted in order to restore morale and shared vision, but California and the City's delayed reopening thwarted those efforts. To address resource issues, ITA provided leadership in the Personnel Department and the Controller's Office with lists of active employees who had previously worked in their departments for identification of employees who could be temporarily transferred to work on HRP for 120 days pursuant to Charter Section 233. Lists of retirees were also reviewed to identify potential 120-day hires. An onsite testing room was set up for either project team members or department testers. Workday's Organizational Change Management (OCM) team led focused deep dive interviews with each sponsor department and provided targeted support for the needs that surfaced. When the team's need to connect the minute details of testing to the big picture of what business will look like when the City is live with Workday was discovered, project leadership requested that Workday's OCM team step in again to facilitate future state process mapping sessions.

To accomplish the goal of addressing readiness and testing context concerns, OCM reviewed all existing process related information for HCM and payroll, met with functional leads from the City and Workday to define and agree upon the major value streams and processes to be mapped, and then they drafted the future state process documents to be reviewed in the days-long workshop. While the sessions were divided into the two categories of HCM and payroll, those areas also encompassed Compensation, Benefits, Absence, and Time Tracking. Together, OCM and the functional teams from the City and Workday refined the process documents, specifying steps that occur within and outside of Workday, identifying who performs the step, flagging where a step is a change from the current process, and listing outstanding decisions, questions, and actions.

Tangible outputs from the effort include 14 payroll and 9 HCM process documents, a tracking list of 155 prioritized questions, actions, and decisions with assigned owners, and training materials based on the processes. The process documents will also be included in the Change Discussion Guides, one of several change management activities already planned. The future state sessions were very successful, with the team expressing satisfaction and appreciation. Now, the project has a common understanding

of what the City's administration of HR and payroll will look like in the future and a roadmap for how to get there.

The foregoing has culminated in the most substantial course correction, which is shifting to a phased deployment approach.

#### Phased Deployment Approach

Deploying HRP functionality in a phased approach is the best opportunity for success. The Steering Committee, Project Management, and project leads considered several options and multiple configurations for going live. After weighing many factors, such as readiness, user impacts, effort, risk, and cost, the three phases described below represent the path agreed upon by all levels of the HRP project as the best option.

#### **Phase 1A - (January 2022 - On Time)**

Phase 1A will implement Workday's Human Capital Management (HCM) functionality, which includes adding new employees, changes to employee records, job history, organizational assignments, position control, etc. This is the original go live date of January 2022, and for most employees it will consist of low impact functions to help them get used to Workday. A low effort integration to PaySR will prevent duplicate entry by HR staff.

#### **Phase 1B - (April 2022 - 3-month delay)**

Phase 1B will launch Workday's Compensation, Time Tracking, and Absence functions in April 2022. This phase will ensure that all the City's authoritative documents, such as MOUs and the Administrative Code, are translated into Workday correctly and the way employees record their time worked and hours spent away from work is accurate. (DTime is replaced in this phase.) An integration to PaySR effectively results in only payroll and benefits staff continuing to process transactions outside of Workday.

#### **Phase 2 - (December 2022 - 11-month delay)**

Phase 2, the last phase, will launch Payroll processing and Benefits in December 2022. Most employees will not notice the difference during this phase's go live. However, this is the phase when we will engage payroll and benefits staff to help us fully replace PaySR with Workday.

Crucial change management activities like stakeholder interviews and new assessments for each department to assess impacts of the new phased structure will happen prior to each phase, along with resulting recommended actions and engagements to address needs. Each phase will be preceded by high-level training on future state processes, in addition to the system specific training.

With this phased approach, the HRP Project team can focus on specific Workday functionality with each release to make sure it is right before deploying and shifting focus to the next area. This means employees will receive more dedicated attention and targeted support from the project team when the functionality that impacts them is deployed.

### Risks

While the phased approach is the City's best opportunity for success and mitigates many risks, there are still other potential risks the project is tracking. The delay of payroll processing by a full year requires the City to rely on PaySR for longer than planned. PaySR is a twenty-year-old system that runs on end-of-life hardware, wherein complex changes often depend on the abilities and availability of one contractor. Additionally, one ITA team will be supporting two systems at once - PaySR and Work0day. To mitigate, ITA plans to direct the PaySR contractor (Hess & Associates) to add two programmers until several months after Workday payroll launches.

The phased approach also requires building new integrations from Workday to PaySR, some of which involve complex reverse mapping and extensive testing, particularly for Phase 1B. To ensure substantive testing, the plan is to have all Phase 1B integrations built by November, leaving several months to test. HCM training materials will need to be revised, and of course, end users need to be ready. As mentioned above, with the whole team focusing on fewer functional areas and targeted change management activities before each phase, this has the potential to be an improved process.

Not to be disregarded, the COVID-19 pandemic remains a risk to the project, as new restrictions or unforeseen impacts could arise that may impede critical project activities.

In terms of overall risk mitigation, the substantive completion of project activities and milestones translates to a significant decrease in unknown variables. Couple that with the project team's increased knowledge and use of the system and the Steering Committee's commitment to the new approach, and the project is confident about meeting the revised timeline.

### Budget

At present, the HRP project is funded and expenditures have been within budgeted amounts, including some use of contingency funds. The HRP project received \$14,193,095.00 for Fiscal Year 2021-2022 and another \$1,000,000 is available from the Unappropriated Balance upon request and approval. Expenditures for the same period are projected to be approximately \$13.55M, and this is inclusive of approved and anticipated minor change orders and anticipated expenses related to improving testing capacity.

The known change orders and expenses beyond planned implementation costs include a change order for a new Prism use case, subscription fees for a new functional area critical to go live, testing software, and a new test environment for the Financial Management System (FMS) to support HRP/FMS integration. The new Prism use case is to perform Civil Service Exam Seniority calculations, and by adding this function to the system that holds all the necessary data, Personnel can retire their Candidate Applicant Processing System. This will cost \$126K. Subscription to Workday's Time Tracking Hub (separate from Time Tracking) is necessary to replace LAPD's overtime system that was effectively part of PaySR and will cost \$26,814. Other options were explored but did not meet the department's requirements.

The other two known expenditures are for improving the City's testing capabilities. Kainos, a testing software built exclusively for use with Workday, will be essential for the remainder of implementation and especially useful when the City is live with Workday, running what-if scenarios for labor negotiations and preparing for Workday's biannual releases, as well as testing continuous enhancements made by ITA on behalf of City operations. The estimated cost is approximately \$500K and includes one-time onboarding and training, as well as the software subscription for unlimited users. Ongoing annual cost would be \$281K. Finally, the City's FMS is a system that is currently in production (i.e., live and operating), and the existing testing environments are used regularly in the normal course of business. There are 30 integrations between the payroll system and the financial system, and they are crucial. Having an environment dedicated to the Workday integrations will improve the quality and speed of testing. A final amount is yet to be determined, but HRP will contribute some portion of the \$93K cost.

The phased approach comes with a substantial cost that is not currently funded. Workday has planned deliverables and milestones for the change and estimated the cost to be \$11,279,444. The City and Workday are currently planning the timing of those deliverables, which will clarify the funding needs by Fiscal Year. The final terms of this phased approach will require a contract amendment to our existing contract with Workday, Inc. (C-135368).

The two additional PaySR contractors mentioned above will also support the testing of Phase 1A & Phase 1B integrations and perform any coding that may be necessary. This will cost \$688K.

During the month of July 2021, the HRP project team addressed business owner concerns relative to the unknown future business processes needed to support the Workday system once it goes live. This phase of the project was not envisioned in the existing project plan but was a necessary evolution in order to fully understand the difference between the City's legacy system, PaySR, and the new functionality that will be included in Workday.

The HRP OCM Team led the effort to map the business processes for the Controller (payroll and time tracking), CAO (compensation and absence) and Personnel (HCM and benefits). The results of these meetings identified a number of high-level business processes that need to be mapped and understood in order to have a successful go live and sustainable system for the long term.

The HRP Team identified 69 detailed tasks that the Controller's team must complete in order to map to the new functionality in Workday. As an example, one of the 69 tasks is the development of the business process needed to confirm that overtime is being identified appropriately and accurately from multiple sources across the City.

While necessary, the additional workload has challenged the Controller's existing staff, as they continue to deliver the bi-weekly City payroll to City employees and contribute on a daily basis to many other aspects of the HRP implementation. Therefore, the Controller's Office proposes drawing from one of the prequalified Bench Firms, most of which have strong technology experience and skills, to assist the payroll team in the completion of the 69 detailed tasks.

The Controller's Office wishes to move forward with the issuance of a Task Order soliciting proposals from the Bench Firms with specific experience implementing the Workday payroll system in a large organization. The consultants would take ownership of specific projects and gather information, meet with stakeholders, follow up on deadlines, develop solutions, document processes, and make sure those processes are understood and feasible.

Based on initial research, this work should not exceed \$450,000, of which the majority of the costs would be incurred in the current fiscal year.

**RECOMMENDATIONS:**

1. Authorize the General Manager of ITA to negotiate an amendment to the contract between the City of Los Angeles and Workday, Inc., C-135368, for a change order to implement a phased deployment approach of the Human Resources and Payroll system.
2. Transfer appropriations in the amount of \$1,000,000 from the Unappropriated Balance Fund No. 100/58, Account No. 580329, Human Resources and Payroll System Replacement, to the Information Technology Agency Fund No. 100/32, Account No. 003040, Contractual Services to fund anticipated expenditures.

**FISCAL IMPACT STATEMENT**

The estimated General Fund impact of the proposed phased implementation is \$10.8 million. This impact includes increased costs totaling \$12.3 million (\$11.2 million for Workday, Inc., \$688,000 for the PaySR contractors including Hess & Associates, and \$450,000 for additional consulting support requested by the Controller's Office) offset by overall savings and available contingency funding in the HRP project budget of \$1.5 million. It is requested that \$1 million in available Unappropriated Balance contingency funding be transferred to the Information Technology Agency to fund a portion of 2021-22 estimated costs for the project delay. For the \$10.8 million in additional project costs, it is currently unknown at this time how much of these funds will be required in 2021-22 and which costs will be incurred in 2022-23 as the City is still in the process of negotiating a contract amendment with Workday, Inc to implement the phased go-live approach. The Information Technology Agency will submit an interim 2021-22 funding request and a 2022-23 budget request for these funds once the cost breakdown per Fiscal Year has been finalized.

**FINANCIAL POLICIES STATEMENT**

Approval of the recommendations of this report is in compliance with the City's Financial Policies as the underlying contracts (with Workday, Inc. and Hess & Associates) and procurement of software licenses is subject to the appropriation of funds in the City Budget.

If you have any further questions, please contact me or Joyce Edson, Executive Officer, at (213) 978-3311.

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