Memorandum

DATE December 10, 2004

TO Honorable Mayor and Members of the City Council

SUBJECT Follow-up report of the March 7, 2003, *Audit of the Procurement and Implementation Phases of the Human Resource Information System (HRIS)*

We conducted this follow-up report of the *Audit of the Procurement and Implementation Phases of the Human Resource Information System (HRIS)* under the authority of Chapter IX of the City Charter.

We conducted our review in accordance with applicable Government Auditing Standards and, accordingly, included such tests of records and review of program guidelines and procedures, as we considered necessary in the circumstances. Our objective was to determine whether management has implemented our recommendations or taken other acceptable actions to remedy the identified weaknesses. To determine whether those recommendations had been implemented, we made inquiries and reviews that we considered necessary.

The original report contained seven findings with 14 recommendations. The following is a breakdown of the findings, recommendations, and status of implementation.

Attached to this report is a copy of management's responses and actions regarding the HRIS system.

1. **There was a lack of appropriate reviews for the HRIS system.**

   A. The labor distribution system functional requirements were not adequately assessed.

   B. Project tracking features are not addressing all departmental requirements in the current system.

   C. The HRIS project team negotiated an SLA with terms that are not in the best interests of the City.

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   D. CIS Security was not involved in developing contract specifications.

We recommend that the City Manager:

   A. Develop a long-term solution to address the labor distribution functionality.
      (IMPLEMENTED)

   B. Review departmental requirements in regard to project tracking and make
      recommendations on implementing a Citywide solution. **(PARTIAL
      IMPLEMENTATION)**

   C. Coordinate with departments and identify the limitations of the existing SLA
      and make recommendations on how those limitations will be addressed in
      the negotiations with Deloitte Touche. **(PARTIAL IMPLEMENTATION)**

   D. Coordinate with CIS to develop a HRIS security and telecommunications
      plan. **(PARTIAL IMPLEMENTATION)**

2. **There was not a sufficient level of control in developing the HRIS project.**

   A. HRIS project information was not communicated to the ITEC until late into
      the development cycle of the HRIS system.

   B. CIS and more specifically CIS Security had very limited participation in the
      project, until after the successful vendor was notified in August 2001.

   C. The HRIS project team did not adhere to standard CIS project management
      methodology.

We recommend that the City Manager require all department directors and
project sponsors to implement procedures ensuring that administrative directives
and system development procedures are followed. **(IMPLEMENTED)**

3. **There was a lack of full financial disclosure of HRIS costs to the City
   Council.**

   A. Project costs, as presented to the City Council, did not include an additional
      $450,000 to cover unanticipated costs.

   B. Unidentified expenditures drove up the cost of the system.

We recommend that the City Manager institute procedures requiring all projects
submitted for City Council approval to include all project costs, capital as well as
non-capital costs, so that the City Council may accurately weigh the benefits
versus the total financial costs of a project. **(IMPLEMENTED)**

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4. **Data accuracy and completeness is in question due to payroll processing errors.**

   We recommend that the City Manager:

   - Require the identification of HRIS errors encountered and the course of resolution for those errors. **(IMPLEMENTED)**

   - Require the departments to review and correct the HRIS payroll processing data for any of the enumerated errors. **(IMPLEMENTED)**

   - Require ongoing training and education for the departments on the use of the HRIS system. **(IMPLEMENTED)**

5. **Equipment procurement was not adequately controlled or researched.**

   A. The number of time clocks procured was far in excess of the actual clocks deployed.

   B. Deloitte Touche did not notify the City of the availability of the newer technology clocks prior to installation of the older clocks.

   We recommend that the City Manager:

   A. Provide the deployment plan, with associated costs, that identifies the remaining employees needing time clock access and the number of time clocks needed for support of those employees. **(IMPLEMENTED)**

   B. Develop a technology solution for the City to be able to manage our existing and future time clock deployments on the network. **(IMPLEMENTED)**

6. **The application service provider hosting the HRIS system was switched to a new vendor without a security or financial due diligence assessment of that vendor being performed.**

   We recommend that CIS:

   - Have a financial due diligence review performed on USinternetworking. **(IMPLEMENTED)**

   - Perform a cost/benefit study comparing the existing hosting solution to using City employees and resources. Based upon the results of the study, the City should either perform these services in-house or determine whether to use an outsourced service provider. **(IMPLEMENTED)**

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7. Projected cost savings as reported to the Finance and Audit Committee in October 2001 will not be realized in FY 03.

A. Projected cost savings will not be met for FY 03.

B. Staff reductions as reported to the City Council are not based on actual personnel reductions.

C. The methodology used to determine HRIS cost savings was inappropriate.

We recommend that the City Manager prepare total project cost to total project savings schedule, identifying the actual number of staff reduced because of the cost savings. **(IMPLEMENTED)**

Auditor Follow-up Comments:

The response to our request for additional information to support management's claim that the recommendation (1D), to coordinate with CIS to develop a HRIS security and telecommunications plan, had been implemented indicated that little to no safeguards have been instituted to protect HRIS data while in transit or residing on the City's network. The potential exists that sensitive personnel and payroll information could be compromised if an unauthorized access of the City's HRIS data was to occur.

We commend management for their work in resolving issues related to the 14 recommendations.

Paul T. Garner
Assistant City Auditor

Enclosure: as

c: Mary K. Suhm, Interim City Manager
Charles W. Daniels, ACM
Margaret Wright, Interim Director, Human Resources

Memorandum

DATE November 17, 2004

TO Paul Garner
Interim City Auditor

SUBJECT Management Responses for HRIS Follow-up Audit

The requested additional information to the previous management response to the HRIS Follow-up Audit is provided below.

Were all City departments evaluated to determine their needs for labor distribution? If so, how have those needs been addressed?
The HRIS was implemented to integrate human resources and payroll data and process payroll; however, the system can capture and report the hours an employee works on a particular job or assignment through the use of Activity codes. To that end, with respect to labor distribution, the system functions as it was designed and implemented. Additional functionality would entail the purchase and implementation of either Lawson's financial module or a separate project management system.

During implementation, departments were surveyed and asked to provide information concerning their labor distribution needs. This was followed by a meeting between the appropriate Project Team members and departmental staff. Departments that determined a need for labor distribution were informed of Activity codes and provided assistance to set-up the necessary codes to capture their labor distribution data.

Please provide all needs assessments that were done for City departments during pre-implementation that required project tracking.
Project tracking was not included in the HRIS implementation; therefore, project tracking assessments were not conducted, and the Lawson's module that provides this functionality was not purchased.

Has the Committee been formed? If so, what is the status of this Committee and SLA negotiations?
Currently, the Committee is comprised of the Interim Human Resources Director, Chief Financial Officer and the Chief Information Officer. At this time, the committee is evaluating the need to have additional staff with expertise and experience in SLA negotiations to participate on the Committee.

This recommendation does not address the disaster recovery plan. Has a security and telecommunications plan been developed to protect HRIS data while in transit or residing on the City's network?

A disaster recovery plan is developed. HRIS application upgrades are planned for early spring next year. Once these upgrades have been completed, tested and uploaded, staff will coordinate with Deloitte and USi to schedule testing of the disaster recovery plan and formally adopt the document.

Please provide procedures showing both departments' responsibilities for the correction of payroll processing errors.

The Human Resource Assistants (HRAs) payroll staff is responsible for the front end corrections of payroll errors and/or changes. An employee or department notifies their HRA of a payroll error via email and the submission of a Check Request /Payroll Adjustments form. This form documents the requested action. The HRA reviews the form, making sure the request is in compliance with applicable personnel policies and payroll rules. The HRA then enters the changes into the HRIS and submits the forms to the City Controllers' Office (CCO) payroll staff.

CCO staff reviews the documents, again ensuring compliance with applicable policies, and "authorizes" the HRA's entry into the HRIS, enabling the change or correction to take place.

The time clock deployment was for 62 additional time clocks, making the total deployed 108. What is the plan for the remaining time clocks?

We will continue to monitor and assess departmental needs for opportunities to place additional time clocks.

Please provide a copy of the cost benefit analysis performed for USI Networking and NetASPX.

A cost benefits analysis was conducted to determine the fiscal impact of hosting and maintaining services in-house vs. the outsourcing solution; however, no cost impact analyses were performed on USi Networking and NetASPX. Deloitte, as the primary contractor, is responsible for the performance of HRIS and the hosting services (related costs) provided by their partner, USi Networking. NetASPx has no association with any of the city's HRIS contracts or vendors. Our opinion is that singling out NetASPx or any vendor for special consideration of any kind falls outside the legal requirements regarding the competitive bid process.

In addition to re-negotiating the SLA, we will continue to evaluate other options for hosting and maintaining the HRIS, including further analysis on the feasibility of providing the services in-house.

Please provide a list of FTEs in Human Resources and the Controllers Office before and after payroll staff consolidation for the HRIS implementation.
The attached worksheet (Attachment   ) reflects both the budgeted and actual FTEs for the departments of Human Resources and Office of Financial Services (OFS) for the periods requested. Please note that the FTEs for the Office of Financial Services include the City Controller's Office.

FTE changes for both Human Resources and the Office of Financial Services occurred, in part, as a result of the city's consolidated payroll initiatives. Overall, the payroll consolidation reduced the city's FTE expenditures by $1,568,802 in FY02-03 and by $422,705 in FY03-04.

David Cook
Chief Financial Officer

Margaret Wright
Interim Director of Human Resources

Brian Anderson
Director/Chief Information Officer

c: Mary Suhm, Interim City Manager
       Charles W. Daniels, Assistant City Manager
       Ramon Miguez, Assistant City Manager

FTE Information
Human Resources and Office of Financial Services
November 17, 2004

	Budgeted		
	FY01-02	FY02-03	FY03-04
Human Resources	84.8	76	77
Office of Financial Services	94.4	90.6	91.9
	Actual		
	FY 2001-02	FY 2002-03	FY 2003-04
Human Resources	76.9	79.7	73.5
Office of Financial Services	81.6	87.8	82.2

Attachment