MEMORANDUM

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To:	Joint Legislative Committee on Information Management and Technology
From:	Robert L. Cummings, Principal Legislative Analyst (IT) Paul Siebert, Principal Legislative Analyst
Date:	February 12, 2016
Subject:	DAS Human Resource Information System (HRIS) Project Planning Funding Request LFO Analysis and Recommendations

Agency Request: The Department of Administrative Services (DAS) has submitted a request to the Joint Committee on Ways and Means for planning resources for the Human Resource Information System (HRIS) Project for the remainder of the 2015-17 biennium. This request includes a proposed $6,974,412 increase in Other Funds expenditure limitation. The request also seeks to extend six limited-duration (LD) positions (4.29 FTE) in addition to reclassifying one LD position, and converting another LD position to permanent full-time. Finally, this request seeks to establish 20 limited duration and two permanent full-time positions (10.17 FTE).

The purpose of this request is to provide the planning resources DAS needs to complete the detailed planning that is required to demonstrate agency readiness to proceed with the execution phase of the HRIS Project.

Specifically, three requested permanent full-time positions will support the remaining detailed planning and procurement evaluation processes up to the "Intent to Award" stage over the next 18 months. As the DAS HRIS Project is considered the first phase of a full legacy systems modernization plan, the three permanent positions will provide the continuity needed for all future phases of legacy system modernization for the statewide administrative information systems DAS operates, maintains and supports for enterprise use. This request also includes the procurement of independent quality assurance (QA) services required for large state information technology (IT) projects. In addition, this request includes the acquisition of services from a Project Management/Advisory firm with "human resource information system" implementation experience to assist DAS with project management and provide expert advice on technical preparations, cultural and organization change management, and software solution selection processes.

Finally, this request provides DAS with the limited duration and permanent full-time positions needed to supplement current staffing in the Chief Human Resources Office (CHRO) to prepare for the deployment of a modern enterprise-wide HRIS, and the associated re-engineered business processes required to take advantage of the significant capabilities that are provided by many of today's industry standard HRIS software products. DAS anticipates that the implementation of these new HRIS capabilities within Oregon state government will require a comprehensive review and analysis of related state and agency policies, process requirements, and the development of a significant number of new and updated HRIS-related procedures, to ensure the adoption and use of a standard set of policies and business processes across state agencies. DAS research into "lessons learned" in

other states has also identified the need to plan for assisting agencies in preparation for significant cultural and process changes that may be associated with the implementation of any new enterprise-wide HRIS.

A. LFO Analysis

The 2013 legislature gave DAS permission to develop a comprehensive business case for replacing the existing HRIS related legacy application systems. The HRIS business case project was originally chartered and initiated by the "Improving Government Steering Committee," a subcommittee of the DAS Chief Operating Officer's Enterprise Leadership Team. Dye Management Group was hired to write the updated business case, utilizing an earlier business case that was completed in 2008, just prior to the economic downturn that occurred during that period of time. To help solicit more current information on possible solutions and costs, a Request for Information (RFI) was released in May 2014. Twelve vendors responded and provided the state with a look at what they had to offer in HRIS-related solutions and costs. A second RFI was released in 2015 to further inform the HRIS Project team on the implementation options that vendors are currently recommending.

To help support the business case and RFI efforts, DAS established a multi-agency project team of over 40 individuals, including human resources (HR), budget, and information technology (IT) subject matter experts to help clearly define HRIS-related requirements, and to map business processes within and across state agencies. 800+ individual requirements were initially defined and categorized by priority (mandatory, essential, and desirable). In addition, 43 "current/as-is" HR and position control business processes were mapped to "could-be" future processes. To tie everything together, a "requirements traceability matrix" was developed to tie the business processes to the newly-defined requirements. And finally, an inventory and analysis of agency "shadow systems" was conducted to help identify both requirements and business processes that exist "outside" of the standard HRIS business processing environment.

At the urging of Legislative Fiscal Office (LFO) and the Office of the State Chief Information Officer (OSCIO), in 2015, an external HRIS business expert (KPMG) was hired to develop a high-level roadmap for modernizing all of the state's aging enterprise resource planning (ERP) related legacy human resources, financial, and procurement systems. Because all of these legacy systems are so closely tied (with numerous interfaces and interdependencies), the HRIS Project team felt that it was critical that a plan be developed for modernizing all legacy applications, and then prioritizing the sequence that each of the numerous legacy systems would be modernized. The results of the external expert's high-level roadmap analysis, the lessons learned gathered from across the country, expert advice from industry experts, the updated 350+ page detailed business case, DAS's internal modernization planning, and close coordination with agencies to identify their major "pain points" with respect to HR and financial legacy system replacement, all resulted in DAS identifying that HRIS legacy application systems would be the best place to start in modernizing DAS's suite of ERP-related application systems.

At this time HRIS Project management believes that Software as a Service Solution (SaaS) is likely to be the preferred solution option for replacing Oregon's legacy HRIS-related systems. The recently completed HRIS Project detailed business case recommended that the state buy a commercial-off-the-shelf (COTS) application system, either hosted and operated by a vendor, or licensed as Software-as-a-Service. This solution would at a minimum, replace the state's two main Human Resource information technology (IT) systems: the Position and Personnel Database (PPDB) and the Personnel

Inventory Control System (PICS). Both of these systems are more than 22 years old and together maintain a majority of the state's personnel and position data.

Specifically, DAS has received Stage Gate #1 and #2 endorsements from the State CIO and has taken the following steps to get to the point where it believes it is ready to ask for detailed planning funding for completing all Stage Gate #3 requirements between now and the 2017 session:

1. Original HRIS business case - 2013-14
2. Initial Request for Information (RFI) - 2014
3. ERP industry and lessons-learned research - 2014-15
4. Requirements documentation - 2014-15
5. Traceability matrix development - 2014-15
6. Organizational and cultural change planning - 2014-15
7. Business process modeling and re-engineering - 2014-15
8. Business sponsorship, support, and involvement effort - 2014-15
9. Shadow system inventory - 2014-15
10. Second Request for Information (RFI) - 2015
11. Business system strategy lab - 2015
12. Detailed business case update - 2015
13. Responses to LFO concerns and clarifications - 2015
14. Legacy system upgrade plan (LSUP) including prioritization roadmap - 2015-16
15. OSCIO Stage Gate #1 and #2 Endorsement - January 15, 2016.

LFO has been closely involved with DAS's ERP-related efforts since 2013. Beginning with the initial discussions, LFO expressed concerns related to the lack of an overall plan for modernizing all of the state's ERP-related legacy application systems (HR and financial) and expressed concerns about not having a holistic approach for replacing all the existing legacy HR and financial application systems over time. LFO also had concerns about starting with HRIS, as industry experience has historically shown that this has not always been the best place to start in ERP legacy replacement. The HRIS Project team was highly responsive to LFO concerns, and throughout 2014-15 did considerable industry-wide research of best practices and "lessons learned" from other states. The results of their research was a long list of "lessons learned" and a roadmap that addressed a vast majority of LFO's concerns. The HRIS Project team also showed LFO that they had an overall plan to address all of DAS's ERP-related application systems (HR, financial, procurement, etc.), and that they could begin with HRIS, and still provide an effective long-term plan and roadmap for replacing the remaining legacy systems. In addition, they provided LFO with a clearly defined strategy for dealing with the state's many "shadow systems," and for gaining the support of key state agencies in the universal use of the newly proposed statewide HRIS System.

The HRIS Project team has strong executive and business sponsorship, and a governance model with enterprise leaders actively contributing and providing direction. The team has also been highly responsive to LFO questions and concerns related to its updated, detailed business case, and has spent considerable effort addressing OSCIO, LFO, and stakeholder questions and concerns.

B. LFO Recommendations

Based upon LFO's analysis and review of the HRIS Project's strategic planning actions taken to date, the successful receipt of the OSCIO Stage Gate #1 and #2 endorsements, and the team's ongoing responsiveness to OSCIO, LFO, and stakeholder needs, questions, and concerns, LFO recommends approval of the agency's planning resource request assuming the funding, spending authority and personnel resources are made available to the agency by the Joint Committee on Ways and Means. LFO further recommends that the DAS undertake the following actions:

- Work with OSCIO and LFO to finalize a list of all Stage Gate #3 foundational project management documents that will be developed and quality control reviewed by the independent QA contractor.
- Provide OSCIO and LFO with a detailed list of goals, deliverables, and key milestones that will be provided by the 2017 session. Include a timeline with estimated dates for achieving each goal and completing each key planning deliverable and milestone.
- Regularly report project status to OSCIO and LFO throughout the project's lifecycle.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
- Utilize a qualified project manager with experience in planning and managing programs and projects of this type, scope, and magnitude.
- Work with OSCIO to obtain independent quality management services. The contractor shall:
  - Directly report to the OSCIO which will be responsible for the review, approval, and payment for all quality assurance and quality review deliverables.
  - Conduct an initial risk assessment and respond to OSCIO, LFO and DAS feedback.
  - Perform quality control reviews on the key HRIS Project deliverables including the business case, individual cost benefit/alternatives analysis documents, and foundational project management documents as appropriate.
  - Perform ongoing, independent quality management services as directed by OSCIO.
- Provide both OSCIO and LFO with copies of all QA vendor deliverables.
- Submit the updated detailed business case, all project management documents, initial risk assessment, and quality control reviews to the OSCIO and LFO for stage gate review.
- Work with OSCIO and LFO to conduct a formal readiness/ability assessment at Stage Gate #3 to validate readiness and ability to proceed to the execution phase of the HRIS Project. Legislative approval to proceed with the HRIS Project will be dependent upon OSCIO and LFO concurrence that DAS is both ready and able to initiate HRIS project execution activities.
- Utilize the Office of the State CIO's Enterprise Project and Portfolio Management (PPM) System as it is deployed for all project review, approval, and project status and QA reporting activities throughout the life of the HRIS Project.
- Complete a formal "project close out" report upon completion of all project phases.

   - Motion on the LFO recommendations

C. Final IT Subcommittee Action

Transmit the JLCIMT recommendations to the General Government Subcommittee of the Joint Committee on Ways and Means.