TO

DATE:

The Honorable President & Members
 of the City Council
Room 400, City Hall

March 25, 2008

Attn: Ms. Karen Randle

City Council Bill 08-0018R requests the Director of the Baltimore City Department of Finance, the Director of Human Resources and the Chief, Bureau of Accounting and Payroll Services to report to the Council on the effectiveness and accuracy of the Enterprise eTime Payroll and Human Resources Information System (HRIS), the number and substance of complaints received from payroll processors, the steps taken to address these complaints, and any plans to adapt, revise or replace the Enterprise system.

The mission of the Bureau of Accounting and Payroll Services (BAPS) is to pay every employee and retiree accurately and timely in accordance with the various union contracts and approved administrative policies and procedures. This responsibility is taken very seriously and management has assigned some of its most talented resources to the Central Payroll Division of BAPS. The new Enterprise system provides BAPS the ability to effectively carry out its mission today and into the future. We recognize that there have been problems during the initial months of the new HRIS/Payroll system. We are in a transitional period from a fully paper-driven legacy system to a modern electronic system. This transition can take up to a year to fully complete given the scope of the change implemented. It should be noted that when problems are identified they are corrected in a timely manner in partnership with Automated Data Processing, Inc. (ADP).

Background
In May 2004, the Bureau of Accounting and Payroll Services (BAPS) of the Department of Finance and the Mayor's Office of Information Technology (MOIT), working with ADP embarked on an extensive process to replace the City of Baltimore's 40 year old legacy payroll system. ADP Enterprise eTime and Enterprise HRIS/Payroll were selected as the systems to replace the legacy system. The phases of this project were:

- Enterprise eTime Proof Concept-500 employees at the Library-May-November 2004;
- Enterprise eTime implementation in all agencies with the exception of Fire and Police-11,000 employees-Dec 2004-September 2005;
- Enterprise eTime Fire and Police Departments-5300 employees-Oct 2005-September 2006;
- Enterprise HRIS/Payroll for all employees and retirees—July 27, 2007
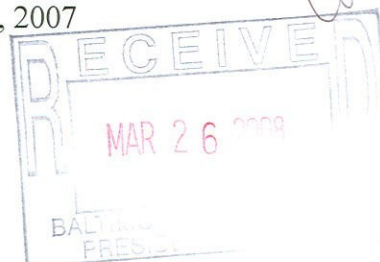
Business Reasons for the Move to New Time and Attendance and HRIS/Payroll System

The decision to move to a new time and attendance and HRIS/Payroll system was long overdue and was based on the reality that the home-grown legacy system would not be effective for any significant period of time in the future. The following was the justification for this effort:

- The legacy payroll system was approximately 40 years old and written in an almost "extinct" computer language, COBOL. Further, the system was purely a custom creation of City of Baltimore employees with specific institutional knowledge about the inner workings of the specific programs. It is extremely difficult to find competent personnel to program, maintain, and support the legacy payroll application. With the retirements of key individuals in both MOIT and BAPS, the City of Baltimore lost significant knowledge that was required to maintain the legacy system. Long term the City would not be able to support the legacy payroll system.

- The legacy payroll system did not have flexibility to serve the needs of the enterprise. A significant example is the inability to add additional automated payroll deductions for various programs, thereby requiring much administrative overhead to achieve the desired end.

- The legacy payroll system had very weak management reporting.

- The legacy payroll system required a large infrastructure (e.g., mainframe computer equipment, significant environmentally controlled floor space, and a large staff of programmers, analysts, and operators).

- It was becoming very difficult for the City of Baltimore to be in compliance with many Fair Labor Standard Act (FLSA) laws and guidelines given the complexities of these regulations and the lack of flexibility of the legacy system.

- The legacy payroll system was not fully compliant with certain laws and regulations of the Internal Revenue Service (IRS). These included the treatment of certain health club payments reimbursed to employees and insurance coverage for domestic partnerships.

- The City of Baltimore did not have an electronic human resources management system and was totally paper bound with the use of paper forms and tickets.

Improvements Realized by the Implementation of the eTime and Integrated HRIS/Payroll Systems

- As of the date of this response the integrated HRIS/Payroll system has been in Operation for seven months. During this time over 500,000 payroll checks have been produced by ADP. The majority of these checks have been processed without any problems.
- The City has mitigated a significant technology and business risk by moving from outdated technology to a provider that has assumed the technology and compliance risk.
- The City is now utilizing technology more effectively and has improved its ability to process employee, hires, changes, promotions, raises, and cutoffs. This should result in fewer off cycle checks in the future.

- The off-cycle payroll check process has been improved and allows the City to print corrected checks in the Central Payroll office and therefore get these checks in the hands of our employees sooner than in the legacy world.
- Pay raises and associated retroactive adjustments for MAPS, Fire and Police were implemented between September and December 2007 using new ADP electronic processes.
- Cost of living increases were implemented for retirees, CUB and AFSCME employees effective January 1, 2008.
- The retirement systems were provided a more effective mechanism to manage and pay their members utilizing enhancements to the base ADP system.
- Enterprise eTime was effectively configured and changed to support the Police Department's 4-Day 10-Hour Shift Pilot program. ADP was able to implement this change is a very short period of time and with no apparent resulting systems or pay problems.
- Paper tickets and associated manual processes in the Department of Human Resources (DHR) and the Central Payroll Division have been eliminated, making employment processing more efficient and granting more process control to agencies.
- The HRIS database contains detailed information on employees that can be queried to assist City management in staffing, succession planning and agency administration.
- Routine time-sensitive salary level and longevity increases have been automated.

ADP System

ADP has a proven track record of providing human resources and payroll services in a variety of industries. They generate nearly $9 billion in revenues and have a worldwide client base of more than 500,000. They have a large presence in the public sector with over 3,500 clients. ADP is one of the largest payroll processing organizations in the world. They have been in business for over 50 years and constantly work to improve their products and serve their wide range of clients.

ADP has significant experience in large complex organizations both in the private and public sectors. Many ADP client organizations, like the City of Baltimore, are under union representation by multiple unions and have complex pay rules. Some of ADP's key government clients include:

Howard County, Maryland
Anne Arundel County, Maryland
City of Camden, New Jersey
Houston, Texas
Seattle, Washington
Maricopa County, Arizona
City of Detroit, Michigan
City of East Orange, NJ
City of Green Bay, WI
City of Toledo, OH
City of Portland, OR
City of Springfield, MA

City of Trenton, NJ
County of Cumberland, PA
County of Herndon, PA
County of Santa Barbara, CA
County of Riverside, CA
Dekalb County, GA
Fort Bend County , TX
King County, WA
McHenry County, IL
DC Public Schools
State of Michigan
State Of New Hampshire

City of Baltimore Implementation

Given the magnitude and nature of the transition from a 40-year old system to a state of the art system the overall implementation was a success. The implementation of new systems is never painless to an organization, as significant change is forced to occur. People in general are resistant to change. The City had additional challenges in that we were converting from a forty year old paper-driven system to one that relied heavily on electronic processes and skills. Most organizations do not wait forty years to change their systems and have gone through at least one interim change before moving to the current technology. Past practices and interpretations of union contracts and other pay policies may have not been totally accurate or efficient but they appeared to work. These factors resulted in a longer learning curve than would be expected and are the reason why the City continues to experience growing pains with these new systems.

One of the complicating factors in the transition from legacy to ADP was the fact that in recent years subject matter expertise in the payroll arena was significantly reduced through retirements. This was the case in both the Central Payroll Division of BAPS and in MOIT. Much of the detailed understanding of union contracts, City of Baltimore payroll policies and practices, past practices, and technical legacy system expertise left the City through retirement of key employees responsible for these processes. In addition, many of these practices were not documented and there were many inconsistencies in agencies applying the same provisions of union contracts. In the Fire and Police departments there was no accountability for leave usage and accruals as this was done using other software, spreadsheets or other agency developed tools.

One of the most significant changes that occurred with the City's implementation of the integrated Enterprise systems was the focus on accurate data entry at all points in the HRIS/Payroll process. In the legacy process an incorrect entry on a paper ticket or timesheet was often corrected by someone in DHR or Central Payroll prior to having any impact on an employee's pay check. With the integrated HRIS/Payroll system an incorrect entry into the system at any point in the process, from establishing an employee in HRIS, making a change to an employee record in HRIS to time and attendance data entry through to payroll processing will cause an incorrect paycheck to be produced.

If one were to ask ADP, or for that matter any system implementer, about the degree of success the City of Baltimore experienced during this implementation, the answer would be a very high level of success. This is not to downplay the problems that have been experienced. It is a simple fact that whenever a new system is implemented there will be problems. ADP has been a great partner throughout the process and has responded to problems immediately when communicated to them. They provided invaluable support to the City of Baltimore, providing onsite support and daily payroll department management during the during the first ninety days subsequent to the system going live.

Implementation Enterprise HRIS/Payroll:

The HRIS/Payroll project was managed by a Steering Committee with the following members:
- Director of Human Resources, Gladys Gaskins-Executive Sponsor, Human Resources
- Chief, Bureau of Accounting and Payroll Services, Michael Broache; Executive Sponsor, Payroll
- CIO, Elliott Schlanger then Acting CIO, Michael Barocca;
- Executive Director of the Fire and Police Retirement Systems, Tom Taneyhill;
- Payroll Project Manager, Patricia Young;
- Human Resources Project Manager, Mary Brandenburg;

- ADP Project Manager and executives.
- Robert McCarty, City Auditor, was a nonvoting member of the committee.

The project team conducted two months of detailed systems and integration testing followed by three full cycles of parallel testing prior to requesting approval from the steering committee to "go live." Informational meetings with the Labor Commissioner and union representatives occurred in May 2007 and again in late July 2007 prior to the actual implementation. After reviewing the results of the third parallel run, where there were no significant outstanding problems, the steering committee agreed to move forward with a July 27, 2007 systems go live date with first checks being distributed to employees on August 3, 2007.

After the first ADP pay run, but prior to pay day, for each pay cycle BAPS and DHR met with agency payroll and human resources representatives. During these meetings the implementation was discussed and each agency representative was given a report showing the detailed paycheck results for their employees for the upcoming pay day.

Challenges With the HRIS/Payroll Implementation

Upon implementation of the new HRIS/Payroll system on July 27, 2007 a formal communications process was established for reporting all problems and issues that employees experienced. These procedures were communicated to all unions the week prior to going live in a meeting held at the Labor Commissioner's Office. In addition, as noted above, these procedures were also shared with all agency timekeepers and human resources representatives in meetings prior to the first payday each processing group. All agencies were assigned a separate phone line in the Central Payroll Division of BAPS and employees were instructed to forward all issues to their timekeepers and agency representatives who would place the phone call to Central Payroll. Additionally, a Payroll.Isssues@baltimorecity.gov, mailbox was established to handle email inquiries. Designated individuals in Central Payroll were assigned to monitor and respond to questions and issues reported via this email box.

Regarding the implementations, the number of issues reported to Central Payroll during this implementation were very manageable and not unusual for an implementation of the magnitude of HRIS/Payroll at the City of Baltimore. Many of the issues reported were not flaws in the system but related to errors in data entry and supervisory approval. Payroll errors also occurred as the result of agency human resources representatives' failure to enter employee data into HRIS accurately and timely. The system was processing the data that was entered. As mentioned earlier, with the integration of HRIS and Payroll an improper entry anywhere from establishing an employee in HRIS, making a change to an employee record in HRIS, to time and attendance data entry through to payroll processing will cause an incorrect paycheck to be produced.

Many of the problems were identified prior to pay day by analysis done in Central Payroll during and after payroll processing. Since payroll is run on Tuesdays and payday is not until Friday, there is time to correct errors identified prior to payday thus allowing time to get employees corrected checks. Payroll has always issued corrections to employee checks as the result of timekeeper errors or failure of an agency to get paperwork in correctly and timely. In the legacy world the ability to identify and correct pay issues prior to pay day was not available and as a result the employee often had to wait until the next pay day for corrected pay.

It should also be noted that a high percentage of the problems reported to Central Payroll during the implementations of eTime and HRIS/Payroll stem from the ease of the approval process for time

and attendance data in eTime. We have noted that many errors in individual timesheets should have been identified by the various approvers in the agencies and the agency payroll manager. A simple check of the summary page to ensure that all employees have the requisite number of hours reported would have alleviated many of the problems that have occurred. We are working with managers and supervisors throughout the City of Baltimore to put more effort and focus on the approval of time that is reported for their employees. The individuals who authorize the payment of time worked are the only people that know what time their employees actually worked.

Actions Taken to Improve Communications, Training and the HRIS/Payroll Systems

- Beginning in December 2007 the Departments of Finance and Human Resources and the Office of the Labor Commissioner have conducted monthly meetings with union representatives to discuss issues and concerns that their members may be experiencing;
- Starting on January 23, 2008 the Departments of Finance and Human Resources have conducted and scheduled routine meetings with agency timekeepers and human resources representatives to share information about eTime and the HRIS/Payroll systems, provide training topics and answer agency questions about the new processes and systems.
- ADP provided a payroll resource, at no cost to the City of Baltimore, to the Central Payroll Division to provide additional support and training during yearend processing and the transition of the new Payroll Manager. During this time weekly staff training sessions were held and a special onsite report writing training session was conducted for the payroll staff by an ADP trainer.
- The project core team continues to meet to discuss and prioritize changes for the system.
- ADP has made a number of recommendations to the Director of Finance to continue to improve the City of Baltimore's ability to utilize and support the Enterprise systems. These include more coordination between the Department of Human Resources and the Bureau of Accounting and Payroll Services, additional payroll monitoring reports, formal process documentation and additional cross functional training on the eTime and HRIS/Payroll systems.

Conclusion

The transition to the new ADP eTime and HRIS/Payroll systems was very successful. While we recognize that there were problems it should be noted that the majority of the problems were resolved prior to payday or shortly thereafter.

The majority of issues arising from this implementation were not flaws in the system. Most issues centered on change management and need for the City to adapt its internal processes to the new technology. The systems learning curve was very steep throughout the City. Any system selected by the City would have encountered similar issues. The software worked as it was programmed based upon a very detailed analysis of City of Baltimore policies, procedures and practices.

ADP has been a very good partner throughout this implementation and has risen to the occasion to resolve issues when identified. During the implementation they provided close to 3000 hours of service free of charge, came to the table with talented resources to manage the payroll organization during the rollout and provided yearend and transitional support at no cost to the City. They understand the importance of the City of Baltimore as a true partner and have worked hard to address our issues.

We hope that this response answers the majority of the Council's questions related to the new system.

C: Mike Broache
Angela Gibson