

Fiscal Year 2022-23 Information Technology Request

Personnel and Administration Payroll Modernization

SHORT PROJECT DESCRIPTION

The Colorado Department of Personnel and Administration (DPA) is requesting \$17,653,016 in state funds for phase one of a three-phase project to modernize the state's payroll system.

PRIORITY NUMBERS

2023037

<u>Prioritized By</u>	<u>Priority</u>	
OSPB	3 of 6	Recommended for funding.

PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>Future Requests</u>	<u>Total Cost</u>
CCF	\$0	\$17,653,016	\$14,919,336	\$13,587,535	\$46,159,887
Total	\$0	\$17,653,016	\$14,919,336	\$13,587,535	\$46,159,887

PROJECT STATUS

This is a new, never-before-requested project.

HRWorks. DPA and the Governor's Office of Information Technology (OIT) were appropriated a total of \$41.6 million from FY 2014-15 through FY 2019-20 for the Human Resource Information System (HRIS)/HRWorks project, which was intended to replace the state's existing payroll system and to eliminate or consolidate existing agency human resources systems. In December 2019, DPA requested an additional \$12.4 million General Fund to continue working on the project using an agile methodology. However, due to the COVID-19-related budget cuts made by the General Assembly in 2020, DPA did not receive this additional funding for the HRWorks project and the project was terminated. No new systems were implemented with the funding.

According to the department, at the time the project was terminated, the state had \$3.4 million in unspent IT Capital funds remaining. Of this, \$1.78 million that had been appropriated to OIT for the project reached the 3-year capital appropriation term in FY 2020-21 and was reverted to the Capital Construction Fund. DPA had been appropriated \$1.6 million of the \$3.4 million, which the department plans to use on the following work related to this payroll modernization request through the end of FY 2021-22:

- system replacement planning: \$269,640;
- proof of concept: \$800,000; and
- interim system solutions, such as the state's EdSys Human Capital Management System, Kronos, and others: \$500,000.

PROJECT DESCRIPTION

DPA is requesting \$17.7 million for FY 2022-23 for phase one of a three-phase, \$46.2 million project, to modernize the state's payroll system. The department anticipates that this funding will cover the following:

- staffing within DPA and OIT for the Payroll Agile Development Team;
- operating expenses for the new staff;
- an API/integration architect consultant to help with the integration aspects of the project;
- a payroll/human capital management (HCM) consultant to assist with the selection and negotiation of the platform;
- platform usage costs;
- Independent Verification and Validation (IV&V);
- payroll and platform specific training;
- foundational activities, including Project Management Office and Organizational Change Management strategy development

Fiscal Year 2022-23 Information Technology Request

Personnel and Administration Payroll Modernization

and execution, business and procurement alignment, and enabling IT strategies;
- vendor implementation activities, including configuration and deployment of the payroll replacement; and
- 10 percent contingency.

According to the department, the following functions were considered “in-scope” for purposes of developing the cost assumptions for this request:

- Core HR (basic position management, personnel information management, organization management, and personnel actions);
- Workforce management (basic workforce scheduling and leave management);
- Compensation (modernized benefits interface to Benefitsolver);
- Payroll administration (labor distribution, retroactive pay, payroll structure and period maintenance, modernized state workers' compensation interface, earning & deductions, and leave/termination); and
- HR service delivery (employee self-service and manager self-service).

PROJECT JUSTIFICATION

The state's current payroll system, the Colorado Personnel Payroll System (CPPS), is more than 35 years old and is based on COBOL mainframe technology. According to the department, CPPS is used to pay more the more than 33,000 state employees, with a monthly payroll of \$180 million. The system has not been supported by a vendor since 2014 and is unreliable, currently being down approximately 10 percent of working days. Additionally, IT professionals who are able to support the system are increasingly difficult to find and expensive to hire due to the age of the system.

COST-BENEFIT ANALYSIS

The department anticipates that this project will result in direct savings of \$4.5 million from the decommissioning of CPPS, reduce the state's technical debt, and increase efficiencies statewide.

PROJECT COST INFORMATION

The department provided the following cost estimates for this three-phase project:

Agile implementation: \$25,716,725 (includes \$1.65 million for IV&V and \$691,200 for a feasibility study)
New software subscription fees: \$12,250,000
Project management: \$4,149,625
Term-limited operating expenses: \$792,901
Solicitation costs: \$240,000
10% contingency: \$3,010,635

Operating budget. The department has estimated that ongoing licensing and subscription costs for the new system are anticipated to be \$3.5 million annually following system implementation. The department may also seek funding for additional staffing resources needed to implement future functionalities after the new payroll system is complete.

CASH FUNDS

N/A

PROJECT RESEARCH

The department plans to incorporate and build upon the analysis, documentation, and lessons learned from the HRWorks project. Additionally, the department worked with a contractor to review and develop cost estimates for this project based on a market scan focused on how other states and large, complex municipalities are handling HR and payroll modernization. This market scan was completed in December 2021.

ADDITIONAL PROJECT INFORMATION

Governance. The department created a new HRIS Governance Structure in 2021 consisting of an HRIS Steering Committee, an HRIS Strategy Group, and Statewide Function Leads and User Groups. These groups consist of representations from DPA,

Fiscal Year 2022-23 Information Technology Request

Personnel and Administration Payroll Modernization

OIT, and other agencies and have been assessing the options and determining how to move forward for a new HRIS.

Colorado WINS. The Partnership Agreement signed by the State of Colorado and Colorado Workers for Innovative and New Solutions (Colorado WINS) requires the state to seek full funding for the implementation of a statewide HRIS. (<https://dhr.colorado.gov/about/labor-relations/partnership-agreement>) According to the department, this request represents the first request in a phased modernization of a full-scale HRIS that will eventually replace most, if not all, of the state's more than 80 individual HR systems across agencies.

Budget amendment criteria. Statute requires new or amended IT budget requests submitted by a state agency for the upcoming fiscal year by December 10 to be due to circumstances unknown to, and not reasonably foreseeable by, the state agency. According to the department, they did not receive the vendor's final market scan report until December 2021, resulting in the submission of this request as a budget amendment.

PROJECT SCHEDULE

	Start Date	Completion Date
Planning	July 2021	December 2023
Implementation	July 2023	June 2026
Testing	July 2023	June 2026
Closing	June 2026	June 2026

QUESTIONS

1. How does this request relate to the funding requested by OIT for \$20.5 million to move the CPPS/payroll port application to a server environment?

This DPA CC-IT-01 Payroll Modernization request, if approved, would replace the need for the OIT request of \$20.5 million. The OIT request was submitted as a simplified backup plan, should this CC-IT-01 request not be approved. DPA and OIT collaborated on OIT's response, however, the OIT response did not have the benefit of the Gartner study at the time.

2. How is the department planning to address the biweekly/twice-monthly/monthly pay frequency and pay lag issues that were a major source of discussion during the HRWorks project?

The department's goal is to institute biweekly lag pay as part of the new payroll system, and ensure that the implementation of biweekly pay is part of the COWINS partnership agreement. The department will provide existing employees with far advanced notice of the change and resources to help minimize the negative impacts of the change. The department will also seek to revise Section 24-50-104 (8), C.R.S. for this change.

3. Is the department planning to engage with Colorado Digital Service on this project?

Colorado Digital Service was involved in CORE stakeholder engagement conducted in Spring 2020 and is also a part of Payroll and Financial governance structures. The department plans to continue to leverage CDS throughout the procurement, upgrade, and new module implementation, and in an advisory capacity through governance structure participation.

4. The table on page 12 of the request lists \$25.7 million for "Agile Implementation." Please provide additional information about these cost estimates.

DPA utilized Gartner's cost assumptions for an Agile implementation to develop a roadmap for the department, as opposed to a waterfall approach. The roadmap was developed to minimize implementation risk through a phased deployment method that

Fiscal Year 2022-23 Information Technology Request

Personnel and Administration Payroll Modernization

minimizes demand on resources and replaces payroll first as it is the platform most needing replacement. Gartner also assumed the state will adopt an agile technology architecture that is easily adopted by agencies and structured to allow for future growth and eliminates solution incompatibility. Gartner also utilized the following assumptions:

- 1) The Finance / Payroll solutions for consideration were those currently adopted by US States, as covered in the Statewide Finance / Payroll Market Scan.
- 2) \$150,000 was assumed for each internal, or state FTE.
- 3) The estimate assumed the Payroll implementation will be using a bi-modal payroll frequency (Bi-Weekly, Monthly Current).
- 4) The roadmap assumes the development of separate Business Analytics Reporting Capability that combines data from multiple disparate systems for reporting.
- 5) Roadmap does not include activities related to the procurement or implementation of fit-for-purpose applications, or federated configuration of Payroll / Financial administration.
- 6) This estimate is based on in-scope Payroll and Finance business capabilities, as defined in prior deliverables.
- 7) The state will continue to operate in a decentralized manner and aligned with centrally defined standards.
- 8) The state will leverage leading edge solutions, including cloud-based applications and SaaS technology, in every instance when functional and technical requirements can be achieved.
- 9) Business processes will be centrally directed, but locally executed, in order to build consistency across agencies.
- 10) Standard processes within a solution will be the priority over customization, unless required to support an agency's differentiating need, and will align to industry best practices.

5. The table on page 12 of the request lists \$12.25 million for "New Software Subscription Fees." Please provide additional information about these cost estimates.

Gartner estimated the new payroll system will be implemented with a vendor or cloud hosted solution that the State will procure via Software-as-a-Service (SaaS), based on subscription pricing. The subscription fees estimated by Gartner are approximately \$3.5 million per calendar year, and includes a prorated rate fee due when the implementation begins. For example, the first fiscal year estimate for subscription fees includes the \$3.5 million annual cost plus an additional 6 months prorated fee of \$1.75 million for a total first year cost of \$5.25 million.

6. What is the estimated completion date for the project? Additionally, is there a list of specific project objectives for the first fiscal year?

The payroll modernization implementation is anticipated to span up to four years. The activities planned for FY 2021-22 and FY 2022-23 are outlined below:

FY 2021-22

- 1) Obtain executive support for payroll replacement system
- 2) Establish/confirm enterprise architecture program
- 3) Conduct infrastructure readiness assessment
- 4) Develop payroll funding strategy
- 5) Establish/confirm enterprise governance council and program management office
- 6) Develop payroll requirements & use cases
- 7) Develop logical solution architecture
- 8) Define payroll procurement strategy
- 9) Develop data migration strategy

FY 2022-23

- 1) Finalize Fit-for-Purpose applications strategy
- 2) Define payroll system procurement strategy
- 3) Develop organizational change management strategy
- 4) Develop master data management governance strategy
- 5) Develop payroll system software solicitation
- 6) Perform organizational readiness assessment
- 7) Data cleansing
- 8) Develop integration platform strategy

Fiscal Year 2022-23 Information Technology Request

Personnel and Administration Payroll Modernization

- 9) Evaluate and select payroll modernization software partner
- 10) Develop resource plan
- 11) Develop business analytics strategy
- 12) Develop document/reporting/records management strategy
- 13) Develop payroll system system integrator solicitation
- 14) Evaluate and select payroll system system integrator
- 15) Master data management selection and implementation
- 16) Business analytics implementation
- 17) Integration platform extension
- 18) Business process re-design
- 19) Payroll implementation fit analysis
- 20) Payroll implementation (standardized functionality)
- 21) Data migration implementation
- 22) Ongoing portfolio, project, and program management
- 23) Ongoing quality assurance
- 24) Ongoing organizational change management (including training)

7. How are any interfaces between CORE and CPPS being considered with the department's CORE Upgrade request?

The CORE upgrade will provide a modernized platform with which to integrate the payroll system. The Gartner costs associated with the payroll system modernization were predicated upon the assumption that CORE would be upgraded. If the COP and funding for the CORE upgrade are not approved, this will likely result in additional costs to the State during implementation to interface with dated technology.

The new payroll system will also interface with other systems. Currently, there are approximately 188 interfaces in and out of CPPS. The project team will conduct an analysis of these interfaces and determine which interfaces can be streamlined with the implementation of the new payroll system, so it is estimated that there will be fewer interfaces needed.

8. Page 3 of the request document lists the EDSYS (HCM) system. Please explain what this system does, which agencies use the system, and provide a summary of its criticality in the state HRIS priorities.

EdSsys is a homegrown legacy software application used for personnel actions such as new position creation, hiring, separation, promotions, demotions, and transfers. These EdSys functions will be replaced with the new payroll system. Currently, the following departments are utilizing EdSys: Labor & Employment, Natural Resources, and Personnel & Administration.

9. Please explain more about the "localized model" discussed on page 10 of the request document and what that entails.

Gartner provided two localized and centralized models in the initial rough order of magnitude estimate. Gartner's definition of both centralized and localized models are provided below.

Centralized – is when all departments' / agencies' requirements for a particular capability can be enabled utilizing the same configuration and business process flow; Every department utilizes the same configuration/process flow. Example: every department utilizes the same process flow for Leave Request and Accrual Management.

Localized – is when the Centralized Configuration and/or process flows cannot enable a department/agency capability and it must be extended, within the same single tenant, to fully enable a Department's/Agency's unique business capability. The centralized configuration is added for that specific department/agency to meet their unique needs. Example: an agency uses different business rules to calculate gross pay based on unique union agreements. The agency in this example uses the Centralized rules + the Localized rules to meet their complete needs.