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# MEMORANDUM

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**To:** Joint Legislative Committee on Information Management and Technology

**From:** Robert L. Cummings, Principal Legislative Analyst (IT)  
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**Date:** April 27, 2017

**Subject:** Department of Administrative Services: HB 5002 - POP #100 - Human Resource Information System (HRIS) Project Execution Funding Request  
LFO Analysis and Recommendations

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**Agency Request:** The Department of Administrative Services (DAS) has submitted a request to the Joint Committee on Ways and Means for implementation resources for the Human Resource Information System (HRIS) Project during the 2017-19 biennium. This request includes a proposed \$18,481,131 increase in Other Funds expenditure limitation (paid through DAS assessments to agencies). The agency expects ongoing costs for the new system to be approximately \$2.6 million per year. The request also seeks to establish 27 limited duration and three permanent full-time positions to implement and manage the system (30.00/26.50 FTE's).

The purpose of this request is to provide the implementation resources DAS needs to proceed with the execution phase (post Stage Gate #3) of the HRIS Project which expects to develop, configure, and implement the new software as a service (SaaS) HRIS solution by December 2018.

Specifically, the 3 permanent full-time positions DAS has requested will support the remaining HRIS Project execution phase activities over the next 22 months. As the DAS HRIS Project is considered the first phase of a full legacy systems modernization plan, the three permanent positions will also provide the continuity needed for all future phases of legacy system modernization for the statewide administrative information systems that DAS operates, maintains, and supports for enterprise use. This request also includes the continued procurement of independent quality assurance (QA) services for the HRIS Project that are typically required for all large state information technology (IT) projects.

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 today's industry standard HRIS software products. DAS anticipates that the implementation of these new SaaS-based 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 the 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. An external vendor was hired to develop an updated business case, utilizing an earlier business case that was completed in 2008, just prior to the economic downturn that occurred during that timeframe. 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 related costs. A second RFI was released in 2015 to further inform the HRIS Project team on the implementation options that vendors were 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 the Legislative Fiscal Office (LFO) and the Office of the State Chief Information Officer (OSCIO), in 2015, an external HRIS business expert 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 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 in which each of the numerous legacy systems would be modernized. As mentioned, the external expert developed a high-level roadmap for modernization and the project team gathered lessons learned from across the country. The project team sought out expert advice from industry experts and a detailed business case was completed. DAS conducted internal modernization planning and coordinated closely with agencies to identify their major “pain points” with respect to HR and financial legacy system replacement. This work 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.

In January 2016, Governor Kate Brown, in a memo to Clyde Saiki, the State of Oregon’s Chief Operations Officer (COO) at the time, publicly expressed her support to DAS for moving forward with the HRIS Project. During the 2016 Legislative Session, the HRIS Project team provided the OSCIO and LFO with evidence that it had completed all Stage Gate #1 and #2 artifacts required to allow DAS to ask the Legislature for planning funding to support the development of Stage Gate #3 project management artifacts. The 2016 Legislature provided the HRIS Project with \$7.5M in planning funding (for all elements of DAS ERP modernization), and directed the HRIS team to develop the required Stage Gate #3 documents required to obtain the OSCIO’s Stage Gate #3 endorsement, and

the subsequent LFO Review concurrence, required for moving into post Stage Gate #3 project execution.

During the timeframe from February 2016 through March 2017, the HRIS Project team continued to focus on the development of a wide-range of key project management deliverables (all critical for obtaining Stage Gate #3 endorsement from the OSCIO). The key project management-focused and System Development Lifecycle (SDLC) related documents that were developed included:

1. HRIS Detailed Project Business Case (and amendments);
2. HRIS Project Workplan (a baseline project scope, schedule, budget, and resource plan);
3. Project Charter;
4. Updated Project Requirements;
5. HRIS Project Management Plan (PMP);
6. HRIS Governance, Oversight, & Accountability Plan;
7. HRIS Risk & Issues Mitigation Plan;
8. HRIS Quality Management Plan (QMP);
9. HRIS Procurement & Contract Management Plan;
10. HRIS Communication Plan;
11. HRIS Schedule Management Plan;
12. HRIS Change Scope Management Plan;
13. HRIS Budget Management Plan; and
14. HRIS Business Process Reengineering and Organization Change Management Plan.

In addition to the development of these critical project management related documents, the HRIS Project team also focused on the following additional activities and deliverables in anticipation of obtaining Stage Gate #3 approval from the OSCIO and the LFO during the 2017 Legislative Session:

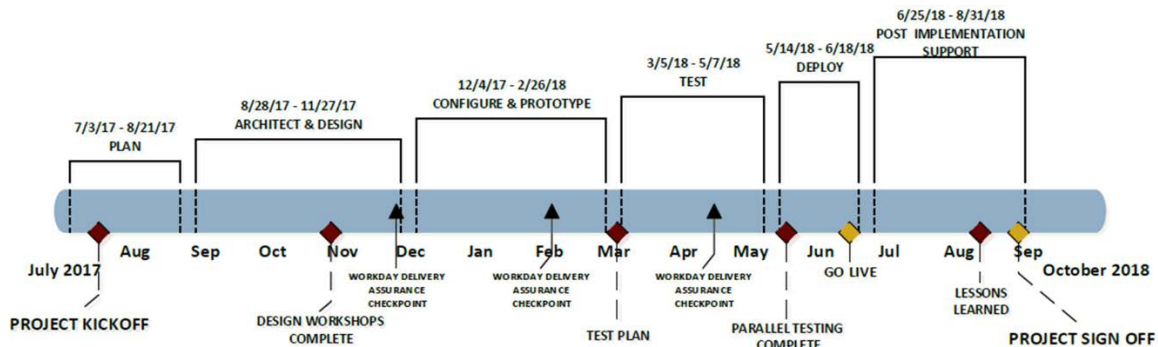
1. Conducted a “lessons learned” review of similar SaaS-based implementations of HRIS solutions to maximize the HRIS Project’s chances of success and to minimize repeating the mistakes of other projects;
2. Development of an RFP and solicitation of bids to identify and provide a SaaS-based HRIS solution for the state of Oregon;
3. Evaluation of vendor bids and materials, and the selection of a final winning vendor to provide the State of Oregon with a robust SaaS-based solution that would meet the state’s current and long-term HRIS needs;
4. Development of a draft contract (based upon a robust requirements fit-gap analysis), statement of work (SOW), and related supporting contractual materials;
5. Acquisition of a highly qualified quality oversight vendor to provide quality assurance (QA), quality control (QC), and independent verification and validation (IV&V) services to the HRIS Project;
6. Completion by an independent vendor of a comprehensive analysis and assessment of the Oracle Agreement for possibly utilizing the PeopleSoft Enterprise Resource Planning (ERP) suite to meet the state’s HRIS needs;
7. In compliance with the DAS Cloud Computing Policy (107-004-150), completion of an OSCIO Cloud Planning and Readiness Assessment Workbook to verify readiness of both the state and the proposed “cloud vendor” to consummate a SaaS business relationship for operating and supporting the new HRIS; and

8. Completion of a robust LFO Readiness and Ability Assessment, in support of the LFO Review process.

In early 2017, the HRIS project team contracted with an external vendor to complete a comprehensive analysis and assessment of the potential use of the Oracle Agreement for utilizing the PeopleSoft Enterprise Resource planning (ERP) suite to meet the state's HRIS needs (in lieu of utilizing the Workday product that was selected by the HRIS Project team during the RFP process in late 2016). In March 2017, after a thorough review of the state's requirements via a fit-gap analysis of the Oracle PeopleSoft product, the external vendor independently recommended that the HRIS Project not utilize the Oracle ERP product and, instead, go-forward with its original selection of the Workday product. On March 28, 2017, the OSCIO concurred with this recommendation.

Subsequent to the finalization, review, and OSCIO approval of the Oracle Agreement assessment and its recommendations, on April 17, 2017 the HRIS Project team received the OSCIO's Stage Gate #3 endorsement, allowing the project to move into project execution phase activities. On April 20, 2017 the LFO completed its final "readiness and ability" review, and concurred with the OSCIO that the HRIS Project was ready to move into post-Stage Gate #3 execution (pending approval of project funding by the 2017 Legislature). A high-level estimated schedule for the HRIS Project through system implementation in 2018 follows:

### HRIS Project Execution Timeline



The LFO's independent oversight review found that the HRIS Project team has diligently followed all the requirements of the Joint OSCIO/LFO Stage Gate Review process (through Stage Gate #3) and that it objectively reviewed all appropriate options for meeting the State of Oregon's HRIS needs. LFO also found that the HRIS project team objectively reviewed options for utilizing the Oracle Agreement for potential cost-savings solutions, and that the team has done due diligence in preparing itself for implementing the WorkDay solution. At a minimum, this solution will 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 25 years old and together maintain a majority of the state's personnel and position data. The timely replacement of these two highly aged systems will go a long-ways in modernizing a significant portion of the state's enterprise resource HRIS-related legacy systems.

## **B. LFO Recommendations**

Based upon the HRIS Project team's due diligence conducted to date, the OSCIO State Gate #3 endorsement, and the LFO readiness and ability assessment for this project, LFO recommends approval of the agency's execution phase 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 DAS undertake the following actions:

1. Provide the OSCIO and LFO with a detailed list of goals, deliverables, and key milestones for the project by the 2018 session. Include a timeline with estimated dates for achieving each goal, deliverable, and milestone;
2. Provide a final quality control (QC) reviewed version of all remaining key project deliverables that may have been modified as a result of the still-remaining final contracting negotiation process (including, but not limited to, the business case, project charter, project requirements, project contracts and SOW's, and baseline scope, schedule, budget, and resource plans);
3. Regularly report project status to the OSCIO and LFO throughout the project's lifecycle;
4. Continue to follow the Joint State CIO/LFO Stage Gate Review Process;
5. Continue to utilize a qualified project manager with experience in planning and managing programs and projects of this type, scope, magnitude, and complexity;
6. Continue to utilize independent quality management services. The contractor shall:
  - Directly report to the OSCIO which will be responsible for final review, approval, and authorization for payment of all quality assurance and quality control review deliverables.
  - Conduct ongoing risk and performance assessments, and respond to the OSCIO, LFO, and DAS feedback.
  - Perform quality control reviews on the key HRIS Project execution phase deliverables.
  - Perform ongoing, independent quality management services as directed by the OSCIO;
7. Provide both the OSCIO and LFO with copies of all QA vendor deliverables;
8. Utilize the Office of the State CIO's Enterprise Project and Portfolio Management (PPM) System for all project review, approval, and project status and QA reporting activities throughout the life of the HRIS Project; and
9. 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 Joint Legislative Committee on Information Management and Technology's recommendations to the General Government Subcommittee of the Joint Committee on Ways and Means.