

Performance Audit
ERP Post-Implementation

August 2006

City Auditor's Office
City of Kansas City, Missouri

August 9, 2006

Honorable Mayor and Members of the City Council:

We conducted this audit of the city's implementation of the new financial and human resources management systems to determine whether PeopleSoft enabled the city to improve its financial and human resource management and to identify any barriers to improvement. The city bought new computer systems to manage financial and human resources in 2003. The systems, using software from PeopleSoft, bring all the information about dollars, hours, projects, and employees together. This can help streamline processes and make information easier to share among departments. Through 2005, the city spent \$21.3 million to implement the new systems and the city plans to invest an additional \$25.7 million for the second phase of the ERP.

Implementing the new financial and HR systems hasn't significantly improved the city's finance and HR functions. City staff lacked knowledge in financial reporting and how to use the new systems to complete the latest annual financial report in a timely manner. We reviewed several functions to see what changes took place. We found:

- Recruiting employees remains cumbersome.
- Controls to ensure correct payroll remain weak.
- Tracking purchases remains difficult.
- Timely and accurate financial information and cost accounting remains a challenge.

The city followed good practices in planning for the systems acquisition, but a lack of leadership on the functional side and weak post-implementation support hurt the city's ability to go beyond simply replacing existing functions. The city did a poor job of supporting users after the new financial and HR systems went live, reducing communications with users and offering no training.

Lack of attention to user needs affected users' satisfaction with the new systems. Only a third of city users were satisfied or very satisfied with the overall performance of the new systems. About a quarter of the users reported they were less confident in the systems in December 2005 than they were six months before.

Successfully implementing financial and HR systems requires knowledge of finance and HR functions as well as IT expertise, but high turnover among department directors left the city without a strong system champion on the functional side. The heads of five major departments, including Finance and HR, have changed in the last few years. The Finance Director's position was held by an interim director for more

than one and a half years. The city needs strong finance and HR departments to use the full capacity of the PeopleSoft financial and HR systems. An IT department doesn't have the financial and HR expertise to push the new system through to continuous improvement.

Strengthening the role of the Finance and Human Resources directors and holding them accountable will help ensure that new systems generate useful and timely financial and management information citywide. Successfully implementing the new systems also depends on user acceptance. If users' attitudes are favorable, they are likely to use the system more frequently and more effectively. The city should offer regular training, communicate with users, and monitor user satisfaction with the new systems.

We sent a draft copy of this report to the City Manager on May 17, 2006. His written response is included as an appendix. The audit team for this project was Mike Eglinski, Joan Pu, Julia Talauliker, and Vivien Zhi.

A handwritten signature in black ink, appearing to read 'Mark Funkhouser', with a long horizontal flourish extending to the right.

Mark Funkhouser
City Auditor

ERP Post-Implementation

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Introduction

Objectives

We conducted this audit of ERP post-implementation under the authority of Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the City Auditor's primary duties.

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making.¹

We conducted this audit because system users and ERP project team members expressed concerns about whether the systems are working as intended. The report is designed to answer the following questions:

- Has implementation of PeopleSoft enabled the city to improve its financial and human resources management?
- If not, what are the barriers to improvement and how can they be addressed?

Scope and Methodology

Professional literature recommends conducting a post-implementation evaluation of the ERP system to determine whether system objectives were achieved and to review system performance after users have utilized them. Our review focused on assessing the adequacy of the implemented financial and human resources (HR) management systems and controls to ensure that the city achieves the intended benefits of its investment in the enterprise resource planning (ERP) system.

Our methods included:

- Reviewing our past work related to the previous financial system and ERP implementation.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office 2003), p. 21.

- Interviewing city staff.
- Reviewing contract documents, procedures, and staff reports.
- Compiling a timeline of major milestones.
- Reviewing relevant literature and guidelines.
- Reviewing selected city functions.
- Surveying users.

We conducted two surveys of system users. We surveyed fiscal officers and human resources liaisons in August of 2005 by asking them questions on system performance, communication, and training. Between November 28 and December 5, 2005 we also surveyed city employees who use the new Financial and Human Resources management systems. We randomly selected 650 employees who have access to the new systems. We received 385 responses, an overall response rate of 59 percent. The survey results have a 95 percent confidence level and a margin of error of up to +/- 4.5 percent. (See Appendix A for survey questions and responses.)

We also reviewed selected city functions to see what changes took place with implementation of the financial and human resources management systems. To provide services for its residents, the city must be able to collect taxes and fees, hire and pay its employees, and procure materials and services. Performing these functions involves various modules in the ERP system. Our goal was to identify how these functions worked in the past and how each is supposed to work or how it works in the new system.

We conducted this audit in accordance with generally accepted government auditing standards. No information was omitted from this report because it was deemed privileged or confidential.

Background

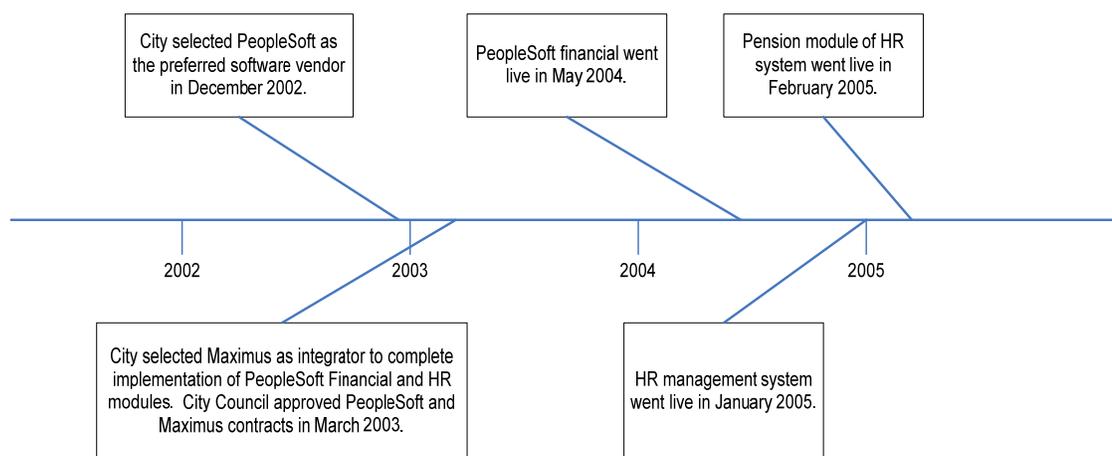
ERP – enterprise resource planning – is an information system that brings all the information about dollars, hours, projects, and employees into one system. The ERP is intended to help streamline processes and make information easier to share among departments.

City Making Substantial Investments in ERP System

The city plans to invest over \$50 million in the ERP system. As of December 31, 2005, the city spent \$21.3 million on implementation of the PeopleSoft financial and human resources (HR) systems. The city estimates that the total cost of implementing both systems will be \$26.7 million. The second wave of the ERP initiatives and implementing a new revenue system is estimated to cost the city an additional \$25.7 million.

In early 2001, the city decided on an ERP solution for the city's Finance and HR systems. Exhibit 1 illustrates key milestones of the ERP implementation.

Exhibit 1. Implementation Timeline of Financial and HR Management Systems



The city is in the process of implementing the second wave of the ERP initiative, which includes an asset management and inventory module, E-Procurement, balanced scorecard, data warehousing, web portal, and implementation of the financial and HR systems at the Police Department. The city also is in the process of implementing a 311 system, which should go live in September 2006, and a new revenue system, with scheduled implementation of February 2007.²

City Auditor's Office Identified Project Risks

The City Auditor's Office released seven memos between July 2001 and March 2002 related to the ERP implementation. The memos addressed project oversight structure, City Council information needs, initial needs

² A 311 system will provide citizens a single point of contact for all city services and information.

assessment, internal communications, business case report, process to release functional requirements, request for proposal and evaluation process, contact management, Police Department data security, and system test and acceptance procedures.

The City Auditor also issued an audit in April 2002 to provide information to the Mayor and Council on the ERP project before the city issued an RFP for software and implementation services. In that audit, we recommended:

- defining clear roles for the oversight team;
- assembling an implementation team based on skills and resources needed;
- automating internal controls to allow for timely monitoring, analysis, and reporting;
- documenting and distributing the executive oversight committee's communications to other project participants;
- implementing a communication plan; and
- identifying a process to revise system requirements.

In April of 2005, we issued a memo to the City Manager that identified the risks related to availability and consistency of program and cost information in the new financial management system. We found that the city lacked controls to ensure that departments record similar transactions consistently. One intended benefit of the ERP is to integrate program and cost data to provide useful and timely management information. We reported that ERP project team members were concerned that inconsistent data entry in different departments, potentially duplicate data fields, and lack of knowledge in how to use the system would prevent the city from realizing this benefit.

We recommended that the City Manager establish an oversight mechanism to address existing and future concerns; continue to reiterate the purpose of the ERP to department heads; and stress how the system could help improve processes and flow of information. We also recommended that the City Manager ensure consistent communication and continued support for system users.

Project Organization

The Executive Oversight Steering Committee (EOSC), consisting of all city department directors, provides support and leadership as the project moved into implementation stage. The committee has the final say in all key decisions regarding system implementation.

The Steering Committee is chaired by an assistant city manager and is comprised of directors of Finance, Information Technology (IT), Human Resources, Aviation, and Water Services and the head of the fiscal planning division of the Police Department. The committee monitors the status of the project, resolves key issues, approves changes to staff assigned to the project, oversees funding and approves contracts. In post production, the Steering Committee also serves as the Business Process Review Committee.

The Project Executive is the director of IT. The Project Executive is responsible for the leadership of the project under the direction of the Assistant City Manager and the Steering Committee.

The Project Team is comprised of full and part-time individuals from IT and other departments who were assigned to manage the implementation of the new system and to provide for post-implementation support. The project team was directed by the Project Manager, an IT consultant, in all their project related activities.

Findings and Recommendations

Summary

The implementation of the new financial and HR management systems for which the city paid over \$21 million did not significantly improve the city's financial and human resources functions. The city's recruitment process remains cumbersome. Controls to ensure accurate payroll are weak. Tracking city purchases remains difficult and technical issues prevent the city from accurately accounting for procured goods and services. Timely and accurate financial reporting continues to be a challenge. The implementation of the new systems, however, allowed the city to eliminate manual tasks, automate approval of transactions, and provide tools for employees and supervisors to manage information.

Although the city followed good practices in planning for the ERP acquisition, lack of leadership and post-implementation support hampered the city's ability to fully use the capabilities of its new systems. The city did not support users after the new financial and HR management systems went live. The city did not have adequate support staff, stopped communicating with users, and offered no formal training. The city did not update its operating procedures and user manuals to help users to become more proficient with the new technology. In addition, user satisfaction with the systems is low.

Functional knowledge and leadership, as well as IT expertise, are necessary to successfully implement the financial and HR systems. Turnover among department directors, however, left the city without a system champion on the functional side. Both the directors for Finance and HR have changed since implementation began. And the city operated without a permanent Finance Director for more than one and a half years.

The city needs strong Finance and Human Resources Departments to utilize the full capacity of the PeopleSoft financial and HR management systems, using the systems as a tool to fulfill their charter responsibilities. Strengthening the role of the Finance and Human Resources Directors and holding them accountable will help ensure that these new systems generate useful and timely financial and management information citywide. The city's success in implementing the new systems also depends on user acceptance. If users' attitudes are favorable, they are more likely to use the system. To improve the

attitude of users toward the new financial and HR systems, the city should offer regular training, communicate with users, and monitor user satisfaction with the new systems over time.

Implementing New Systems Has Not Significantly Improved Financial and HR Functions

Implementation of the new information systems has not significantly improved the city's financial and human resources functions nor the city's financial reporting. The recruitment process remains cumbersome. Controls to ensure correct payroll are weak. The city has yet to implement controls to improve the procurement process. The city also struggled to prepare its annual financial report for fiscal year 2005 because city staff lacked knowledge in financial reporting and how to use the new financial system.

The success of system implementation depends on user acceptance of the new systems. User satisfaction with the new systems however, is low. Almost half of the respondents to a user survey reported using other systems to supplement PeopleSoft functions. And only one third of respondents were satisfied or very satisfied with the overall performance of the new systems.

While problems remain, implementation of the PeopleSoft financial and HR management systems allowed the city to streamline certain tasks. Recruiting employees is more automated; time reporting and payroll are in one system; and the new system introduced better controls over payment approvals.

Timely and Accurate Financial Information and Cost Accounting Remain a Challenge

The city struggled to prepare timely financial reports for fiscal year 2005 as city staff lacked knowledge in financial reporting and how to use the new financial system. It took almost one year to release the city's annual financial report for fiscal year 2005. The last monthly financial report Finance presented was for December 2004.³ The city is still having issues with allocating payroll costs, including benefits and overhead, to projects.

³ After the fieldwork for this audit was completed, the Director of Finance presented monthly reports for the months of April 2005 through February 2006 at the Finance and Audit Committee meeting of May 3, 2006.

The City Manager made the city's annual financial report a priority.

The city hoped to reduce delays in producing the Comprehensive Annual Financial Report (CAFR) for fiscal year 2005. In June of 2005 the City Manager emphasized that timely completion of the CAFR was a priority.⁴ The City Manager was concerned that delays in releasing the CAFR would not allow the city to fulfill its obligations to present and future bond holders and would not provide city residents information related to the city's financial condition. The failure to receive an audited financial report can result in the withdrawal or loss of a bond rating.⁵

The city struggled with timely fiscal year closing. The City Manager issued a memo to department directors to submit required year end information for the annual financial audit on time. The city hoped to perform fiscal year closing by July 12, 2005; however, the deadlines were pushed back several times. Finance completed final reconciliations in mid-October. The 2005 CAFR became available on the city's website on March 27, 2006; however, it was not presented to the Finance and Audit Committee until May 3, 2006. According to Fitch credit rating agency, a delay in reporting that exceeds six to nine months after the close of a fiscal year is excessive.⁴

City staff lacks knowledge in financial reporting and training in the new financial system. The city's external auditor identified a number of weaknesses that delayed preparation of the financial statements for the city. In its management letter, the external auditor states that city staff lacks knowledge in how to properly account for items for financial reporting.⁶ The city had a number of errors in its accounting records and a number of encumbrances that were no longer needed at the start of the audit. The city did not address these issues until October 2005, five months after the end of the fiscal year. The city did not perform monthly cash reconciliations from May 2004 to January 2005 resulting in \$5 million of unreconciled difference prior to the start of the financial audit. According to the external auditor, the staff performing reconciliations were not adequately trained in how to perform them in the new financial system. The staff's lack of knowledge in using the new system's reporting capabilities delayed preparation of detailed trial balances the auditor needed. The city had to hire a consultant to write the needed reports.

⁴ Memorandum from City Manager Wayne Cauthen to the Department Directors, June 22, 2005.

⁵ "The 12 Habits of Highly Successful Finance Officers, Management's and Disclosure's Impact on Municipal Credit Ratings, Fitch Ratings," November 21, 2002, p. 3.

⁶ *Management Letter for the year ended April 30, 2005*, KPMG, January 27, 2006.

The Director of Finance did not prepare monthly financial reports for more than a year. According to the city charter, the Director of Finance must submit a statement of revenues and expenditures to the City Manager and to the Council not later than twenty days after the close of each month.⁷ The last financial report Finance presented was for December 2004.³ According to Fitch credit rating agency, monthly and quarterly financial reporting has a significant beneficial effect on creditworthiness.

The city cannot efficiently allocate costs to projects. Many city employees work on various projects. Allocating and monitoring project costs can help manage the city's expenditures. Tracking costs for projects receiving federal program funds is essential to assure proper administration of Federal awards. The city has had difficulty with allocating payroll and benefits costs to projects in the new system.

In order to allocate costs to projects, the city has to set up special codes that tie costs to each project activity. These codes, however, were not set up correctly or on time in the new system. As a result, costs recorded in the Project module did not match time records. Staff have been using journal vouchers to correct mistakes in allocating payroll and benefits to projects.

The city still has not developed standards for creating new project coding. The city has set up 73,000 special codes identifying department, fund, project, and related project activities for allocating costs to projects. To date, city departments only used a fraction of these codes. Too many project codes in the system increases the chance of incorrect allocation. The project team is currently working on developing standards for creating project codes in the new system.

Financial and HR Functions Continue to Have Problems

We reviewed selected city functions to see what changes took place with implementation of the new information system. Thus far, the city's processes for hiring and paying city employees and procuring materials and services have seen only minor improvements. The recruitment process remains cumbersome, controls to ensure correct payroll remain weak, and tracking city purchases remains difficult. Improvements to city processes was one of the proposed benefits in implementing the new financial and HR management systems. To maximize its investment in the ERP system, the city should go beyond simply replicating existing processes in the new system.

⁷ City Charter, Section 96.

Recruiting employees remains cumbersome. Users complained that they had problems applying for a city job through the new interface. Many applicants who try to apply online get frustrated and instead submit a paper application. A cumbersome online application process may deter users from filling out online applications, minimizing intended process efficiencies, as HR staff has to spend time entering information from paper applications into the system.

External applicants who apply online still have to fill out a paper application once selected for an interview to provide information on criminal background. The current online application cannot accept text fields for the explanation of any offenses. The HR staff looked at ways of modifying the online application to match with the city's official job application, but told us that the cost of customizing the system was prohibitive.

HR staff also have difficulty in viewing applicants' data in the system. According to the staff, they cannot always tell who applied or what the applicant entered into the system, which delays HR staff in processing eligible applicants.

Controls to ensure accurate payroll remain weak. With implementation of the new financial management system, division heads and department heads no longer sign off on employee payroll reports. Payroll clerks and supervisors have responsibility to enter and approve time for city employees, identify errors, and make corrections. Payroll staff is concerned that not all payroll clerks enter time correctly and not all supervisors have been approving time. Some supervisors do a mass approval or no approval at all. Before payroll is processed, Payroll staff apply mass approval for employees whose time has not been approved. According to Payroll staff, they approve payroll for one third of all city employees. This mass approval creates a significant exposure that an incorrect payment to an employee would not be detected.

Payroll staff provide exception reports to departments. One report identifies employees who reported working more than or less than eighty hours per pay period. Payroll, however, has no way of knowing that an employee got paid incorrectly if departments do not communicate that information to them. Identifying errors is the departments' responsibility. There have been cases where employees were paid an incorrect amount; there have also been cases where the city paid employees who should not have been paid.

Payroll has been behind in performing reconciliations that ensure payroll amounts are correctly recorded in the system. The city paymaster acknowledges that they need to do these reconciliations more

consistently. Payroll staff told us that they need another staff person if they are to be accountable for the accuracy of the city's payroll.

Tracking city purchases remains difficult. The city's process for procuring goods and services has not changed. The city still does not track what the city bought over time, as departments continue using blanket purchase orders (POs) for a majority of their transactions. A blanket PO does not specify items purchased, or quantity of those items. City departments also purchase goods and services without using existing contracts or going out for a competitive bid. These so-called "direct payments" circumvent encumbrance controls and should not be used for major purchases. The consultant whom the city hired to look into the purchasing function recommended that Purchasing improve enforcement and do periodic review of direct pay and blanket purchase orders.

Purchasing, receiving, and payment documents are not always matched for all transactions. The current system configuration requires a one to one relationship between a receiving document and an invoice. Sometimes departments get several shipments for one order, which means multiple receiving documents. If staff enter multiple receiving documents into the system, but then a vendor sends a single invoice, the invoice cannot be processed. Such a transaction will not go through the matching process. The department then has to call the receiving room and ask staff to adjust the number of receiving documents to the number of invoices received. Changing the number of receiving documents reduces the effectiveness of the matching control. The matching control helps ensure that payments are made only for items that have been received.

For larger departments, changes to receiving documents in the system happen on a daily basis. For example, about 10 percent of receiving documents at Parks and Recreation need to be re-entered.

Parks and Recreation stopped requiring a security deposit for facility rental because of the new system. In the past, departments used a single vendor code for processing small, one-time payments. City staff can not set up a miscellaneous vendor in the new financial management system. The system requires a separate vendor code for each payment. For example, the Parks and Recreation Department has many one-time payments to refund a security deposit for rental of a Parks and Recreation facility. In the old system, the department used a miscellaneous vendor code to process such refunds. According to department staff, they processed 30 to 50 such refunds per month. The Parks and Recreation Department removed the security deposit

requirement for facility rentals because creating a separate vendor code for each refund takes too much time.

Technical Problems Contributed to Slow Progress

During implementation, project team and system users discovered a number of technical issues. System performance was slow and customizations developed for recruitment did not work. Software bugs prevented timely and accurate accounting for procured goods and services. Currently two modules are not being used due to issues with implementation. Technical problems also increase the risk that an incorrect account code is used for time reporting.

System performance has been slow. Users complained of slow system performance after the city went live with the financial and HR systems. Users communicated their concerns about slow system response to the helpdesk as early as May 2004, when the financial system first went live. In August 2005 the post-implementation team identified slow system performance as one of their top priorities. In September 2005 several departments indicated that system response time continued to be unsatisfactory. Based on the user survey conducted in November 2005, system performance continued to be an issue.

The city's contract with Maximus indicates that the system should respond within two seconds and that no operation should exceed three seconds.⁸ The director of the IT Department (ITD), however, could not tell whether the system was performing according to the specifications of the contract, as staff did not have the data to assess system performance. ITD staff also told us that the response time requirement in the contract is unrealistic. The Director of ITD indicated that the contract is a baseline that sets expectations. In addition, she said that the language in the contract refers to user transactions, not major operating processes like running city payroll, which cannot be completed in three seconds.

ITD staff have not systematically monitored response time post-implementation. They told us that monitoring system performance and identifying the source of the problem required special software. The software installed by the system integrator did not allow monitoring system response effectively. New software was not installed until January of 2006. According to ITD staff, the new software tool should identify what is causing the system to slow down. Although ITD staff told us that system response time is no longer a problem as they did not receive user complaints in the last several months, we recommend that ITD staff continue monitoring user satisfaction with system performance.

⁸ Technical Services Contract between the city and Maximus, Inc., Contract #CO3IT73BH, April, 2003, p. 6.

Customizations developed for recruiting did not work. Staff in Human Resources told us that a customization developed by Maximus for compiling a list of eligible candidates is not working. Staff also indicated that they did not receive enough technical support from ITD or Maximus consultants. Recruiting staff requested additional changes to the application pages in October 2005. As of March 2006, staff was testing the changes that ITD made.

Technical problems increase the risk that an incorrect account code is used for time reporting. Time entry clerks need to enter necessary cost accounting codes so time for city employees can be appropriately allocated to projects.⁹ ITD automated the process for adding these codes into the system; however, while the automated process uploads new codes into the system, codes transfer with an inaccurate effective date. For example, new cost accounting codes created for fiscal year 2007 should be available on May 1, 2006, and not before. However, cost accounting codes become active as soon as they are added in the system. If time is allocated to those codes prior to fiscal year 2007, that allocation is incorrect.

The time keeping system is set up to reflect an employee's regular time schedule. Any change to the schedule, such as using vacation or sick leave, requires the timekeeper to add a new line for entering such time. Currently a timekeeper needs to add a cost accounting code for every additional line of time entry. According to payroll staff, the system is not populating additional entries with the default code, as it should. All entries should have a cost accounting code to complete payroll. If a timekeeper forgets to enter this code for additional lines, Payroll staff runs a process that populates missing fields with a default cost accounting code. The default field, however, might not be correct for the activity performed by the employee and increases the risk of misallocating time to projects.

Software bugs prevented timely and accurate accounting for procured goods and services. City staff have reported various issues with purchase order processing and payments in the new system to the helpdesk and members of the project team. Staff reported payment vouchers not posting correctly and payments for which checks have been issued having "unposted" status. Staff were not able to track change orders or cut checks for certain payments. And certain transactions did not go through the budget control causing the expended amount on the budget side not to equal the total expended amount in the general ledger.

⁹ This cost accounting codes are also known as task profiles. A task profile is set up in the Time and Labor module. The task profile provides coding for costs posted to the Project Costing module.

During meetings with departments, the project team informed users that financial management system software has bugs and assured users that the application of service packs would address the issues. ITD staff applied the service packs at the end of 2005, more than one and a half years after the new financial system went live. In February 2006 the steering committee created a task group to address any problems not resolved by the service packs.

City staff can not use the Fixed Assets and Inventory modules.

Currently departments are not using the Inventory or Fixed Assets modules, as tables of these modules were not set up correctly during implementation. Departments continue using other systems to track their inventory and fixed assets. The city hired a person in March 2006 to oversee the modules.

Users Have Not Noticed Major Improvement

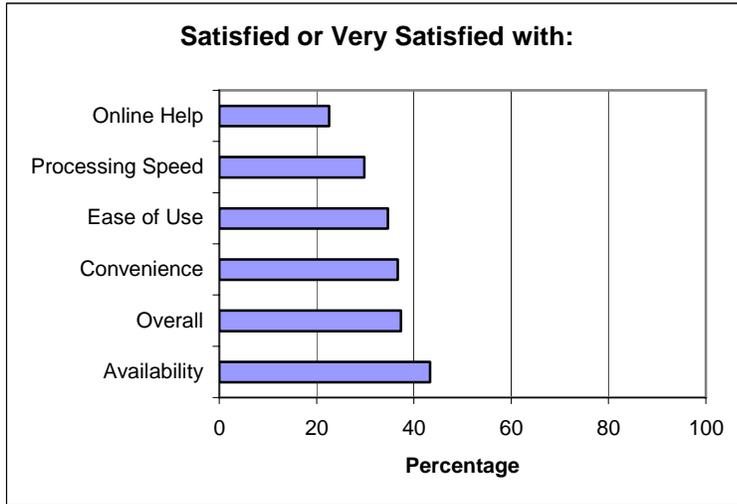
Many city staff who use the new systems have not noticed major improvement and were not satisfied with the systems. One out of four users reported they were less confident about the system in December 2005 than they were six months before. They reported spending more time entering information into the new systems and indicated that troubleshooting errors in the new system was more tedious. Over half of them used at least one other system to supplement the new systems' functions.

Fewer than half of users were satisfied with the new systems.

According to the user survey we conducted, only about a third of city employees who use the systems were satisfied or very satisfied with the overall performance of the new systems, their ease of use, and convenience.¹⁰ (See Exhibit 2.)

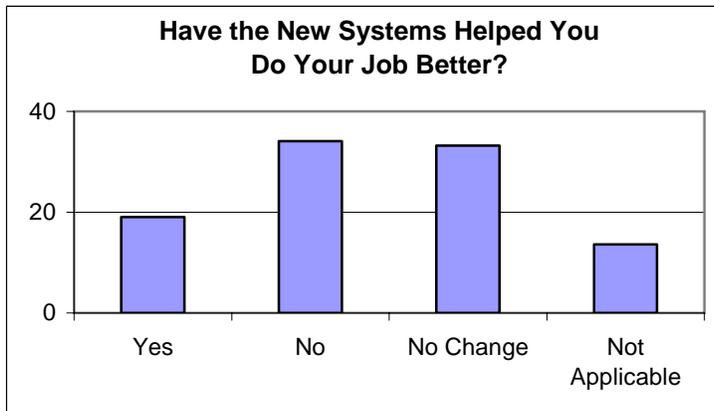
¹⁰ The City Auditor's Office surveyed city employees who used the new Financial and Human Resources management system between November 28 and December 5, 2005. See page 2 for more information.

Exhibit 2. Percentage of Users Satisfied with Systems Performance



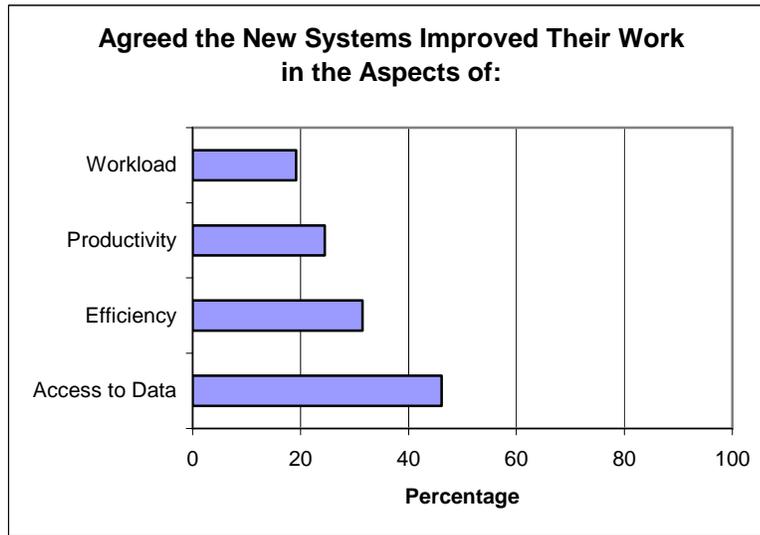
Only 19 percent of the users said the new systems had generally helped them do their job better. Over two thirds of the users said the systems made “no change” or did not help them perform their job better. (See Exhibit 3.)

Exhibit 3. Effect of the New Systems on Users' Jobs



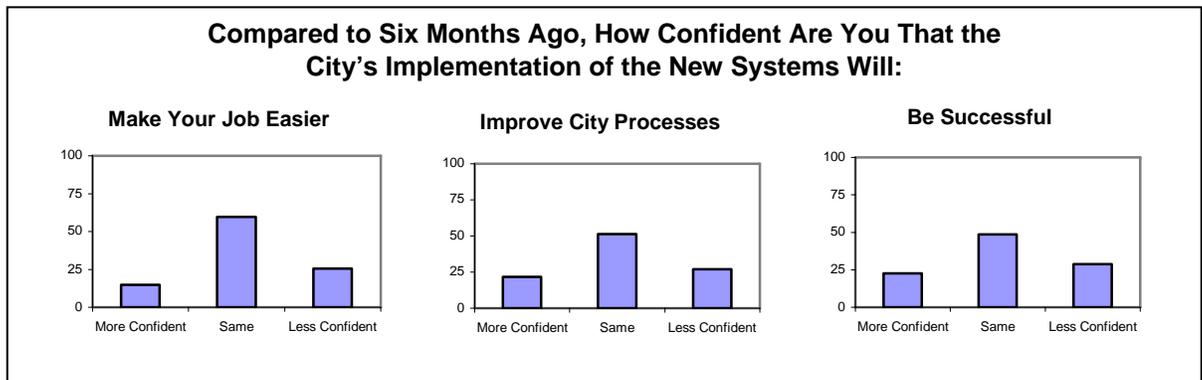
Fewer than half of the users believed the new systems helped improve work in the aspects of workload, productivity, efficiency, and access to data. (See Exhibit 4.)

Exhibit 4. Improvement in Job Performance by Percentage of Users



About a quarter of the users reported they were less confident about the systems in December than they were six months before. Fewer than 25 percent said they were more confident. (See Exhibit 5.)

Exhibit 5. Confidence in the New Systems by Percentage of Users



Users reported spending more time to enter information into the new systems. During interviews, users indicated that entering data and processing transactions in PeopleSoft takes two to three times longer than in the old system. In the old system, the user could enter all information on one screen. In PeopleSoft, the same operation requires going through several screens. Departments have not adjusted staff requirements to balance the load. Staff told us that they are working longer hours trying to catch up; several senior staff were concerned that people will burn out.

Users find identifying and correcting errors in the new system more tedious. According to accounting staff from several departments, error messages do not provide enough detail to easily identify what the problem is. In the old system, custom error messages would point to the problem. The numbering system for transactions in PeopleSoft is also different. In the old system a purchase order would have a different transaction ID from a requisition or a receiving document. Departments also used special numbering systems that incorporated organizational codes into the document number. By having these codes, staff knew who entered the document and what kind of service contract it was. In the new system, each purchasing document has a ten digit number regardless of its type. According to city staff, distinguishing the type of the document by looking at the document number is impossible. As a result, staff now spends more time figuring out what error occurred and how to fix it.

Almost half of the users rely on other systems to supplement PeopleSoft functions. Based on the survey of system users, 43 percent of respondents use at least one system outside PeopleSoft to supplement PeopleSoft functions. About 33 percent reported using Excel. A major factor in the success of implementation is that staff accept the new system and abandon shadow systems.¹¹

According to the survey respondents, common reasons that they use systems outside the new financial and HR management systems included:

- maintaining own records because they are not fully confident with the new systems;
- maintaining database as the module(s) of the new systems did not work or they are not able to fully utilize the module;
- tracking information that they are not able to locate in the new systems;
- keeping notes and other information as the new systems don't allow notes;
- generating reports that the new systems are not able to create; and
- downloading information from the new systems so that they can analyze it or present it in a better format.

¹¹ ERP System Selection Project: Business Case Report, Gartner Consulting, February 2002.

Although Problems Remain, City Made Improvements

While the employee recruitment, payroll, and procurement processes have yet to see significant improvements, implementation of the new PeopleSoft financial and HR management systems allowed the city to streamline certain tasks. The city was able to eliminate manual tasks and duplication of data entry, automate approval of electronic transactions, and provide self-service options for employees to manage their personal information. The city also introduced self-service for supervisors so they can better manage their employees.

Recruiting an employee is less paper intensive and more automated.

Prior to implementing an ERP system, the recruitment process was manual and involved lots of paperwork. The process was cumbersome and inefficient. HR staff entered data into six separate stand-alone systems. Employees had to apply for each job separately. Staff in Human Resources told us they were not able to enter eligible applicants for similar positions as it would require too much data entry.

The new system automates some tasks that HR staff performed manually. Recruitment staff do not have to make multiple copies of job requisitions, application forms, and eligibility lists. Department and recruitment staff in HR can enter and review job requests, generate job descriptions, enter and review applications, generate recruitment lists, and schedule an employee for processing in one system. The new system also allows applicants to apply for multiple jobs by submitting one application.

With improved approval controls, the hiring manager can approve a job request generated by another department representative. The system notifies an HR recruiter via email that a new job request has been created. Once HR recruitment staff compiles a list of eligible candidates, the system sends an email to the hiring manager. When HR staff determines that a candidate is eligible for employment, they approve him or her in the system. This action will automatically notify staff in Payroll and Records to update their records. Also, the availability of employee-self service allows employees to change their personal information in the system. A self-service for supervisors enables them to perform routine tasks necessary to manage employees.

Time reporting and payroll are integrated. Prior to implementing the new HR management system, information needed to complete payroll resided on two different databases. The Payroll staff had to rely on ITD to complete the process and generate reports. The old system did not keep historic payroll data, as it was overwritten every payroll period.

The system could not handle cost allocation to projects. And manual checks that the city issued were not recorded in the payroll system.

Under the new system, information needed to complete payroll resides on one system. Payroll staff no longer depend on IT to complete the process or generate a payroll register. Payroll no longer distributes reports to departments to verify payroll, as each department can generate their own payroll reports from the system. The new system also keeps historic payroll information. Although payroll clerks still enter time based on timesheets provided by employees, supervisors now can electronically approve employee time.

The new system introduced better controls over payment approvals. Prior to implementing the PeopleSoft financial system, the payment approval process was inefficient. All departments manually matched purchase orders to invoice and/or receiving documents before approving a payment. In some cases departments approved invoices without the required documentation. Finance was supposed to check whether departments kept adequate documents before applying final approval, but did not. Based on our 1998 audit of the financial management system, one of every three sampled transactions was missing a receiving report or the report did not match either the payment amount or invoice amount.¹² Despite our recommendations, a three-way match was never implemented in the old system.¹³

The city introduced a three-way match between purchasing, receiving, and payment documents in the new system. If quantity and total cost in all three documents match, the new system generates a payment; if there is a partial match, then there would be a partial payment. As a result, managers no longer need to approve payments for purchase orders in the system. In addition, final approvals for purchase order payments that used to be performed by Finance are eliminated. Also, all city departments, including Aviation and Water, now use one financial management system.

¹² *Finance Management System Controls*, Office of the City Auditor, City of Kansas City, Missouri, December 1998.

¹³ To have a three-way match, the following three documents need to be entered into the system. First the PO is entered, then a receiving report is entered along with the number of items received. Finally an invoice is entered. If all three match, then the system generates a payment. If there is a partial match, then the system generates a partial payment.

Leadership and Training Problems Hampered Efforts to Implement Financial and HR Systems

The city has struggled to implement the new financial and human resources systems because of high turnover among leadership and no post-implementation support. Strong leadership, transparent decision-making, clear roles and responsibilities, frequent and consistent communication, and ongoing training are necessary to successfully implement new systems.¹⁴ If the new system is to be used effectively, the City Manager should strengthen the roles of the directors of Finance and Human Resources, assign responsibility for training, and provide for better internal communication.

High Turnover in Leadership Weakened Implementation Efforts

High turnover among department directors left the city without a system champion on the functional side. Several department directors, including the directors for Finance and HR have changed since implementation began. And the city operated without a permanent Finance Director for more than a year and a half. As financial and human resources management has not been a priority for the city, having a champion on the functional side is particularly important to ensure successful implementation of the new systems.

Project implementation lacked leadership continuity. The city initially designed a governance structure giving strong roles to the City Manager and directors of Finance, HR, and IT to oversee planning and implementation of the new systems. The project, however, lacked continuity at the oversight level as the city replaced the City Manager and several department directors.

Successful implementation of technology projects depend on senior management's involvement and support throughout the project. As the city's senior management changed, oversight on the functional side has not been consistent. The directors of Finance and HR, who are by charter responsible for the city's financial and human resources systems, changed. The Finance Director's position was not permanently filled for more than one and a half years. The city also changed the City Manager and directors of Public Works, Water Services, and Aviation. While the project executive, the director of IT, remained with the project, the project lacked a functional champion.

¹⁴ *Concurrent Review: ERP Pre-Solicitation*, Office of the City Auditor, City of Kansas City, Missouri, April 2002, p. 7.

Functional expertise and leadership, as well as IT expertise, are necessary to successfully implement a large system. A champion on the functional side can convince skeptical operating departments to take full advantage of the new systems, rather than just replicate the existing processes. An IT Department, however, simply doesn't have the functional expertise to enable the new systems to generate useful and timely financial and management information citywide.

Historically, financial and HR management have not been a priority for the city. Neither Finance nor HR had a system in place to ensure that controls over financial and HR reporting were adequate at the department level. Both departments also have had high vacancies. About 27 percent of authorized positions in Finance and about 20 percent in HR were vacant as of September 2005.

The city's external auditor found problems with the city's financial reporting. In 16 out of the last 18 years, the auditor found reportable conditions; and reported material weaknesses¹⁵ in eight of those years. In FY 2004, the external auditor concluded that financial reporting on an accrual basis, which is required by adopting GASB Statement No. 34, was not a priority for the city.

The city's financial reporting has not been timely. The city has released its Comprehensive Annual Financial Reports (CAFR) late in recent years. The city used to release the CAFR about six months after the end of the fiscal year, but released the last six CAFRs several months later than that. It took almost a year to release the CAFRs for fiscal years 2003, 2004, and 2005.

The City Auditor's Office cited problems with the Human Resources Department in prior audits. For years, the HR Department operated with fragmented computer systems and outdated procedures which diminished the department's effectiveness. The department struggled to measure and monitor human resource practices citywide.¹⁶ The responsibilities for recruitment and retention between HR and departments were not clearly defined, exposing the city to risk through poor hiring decisions. In addition, employee turnover citywide has been high.

¹⁵ "Material weakness" is a technical term that means significant errors could occur in the city's financial records without being quickly identified by city staff.

¹⁶ *Employee Grievances Take Too Long to Resolve*, Office of the City Auditor, City of Kansas City, Missouri, February 2006; and *Citywide Use of Sick Leave*, Office of the City Auditor, City of Kansas City, Missouri, April 2004.

Communication Problems Made Implementation Difficult

The project team used many communication channels during implementation; however, communication with users decreased significantly after the systems went live. Users indicated that communication has been a problem, and that the project team did not understand what their needs were. Users were also dissatisfied with the process to resolve issues.

Communication decreased significantly after the systems went live.

The city used various communication methods during the implementation of the systems, including Intranet, e-mails, newsletters, meetings with users, and official memoranda. Communication from project management to users, however, stopped after the systems went live. Information on the Intranet has not been updated – some of the KC CREW¹⁷ web pages were last updated on August 25, 2004; with the exception of the manager guide for the HR system revised in April 2006, user manuals have not been updated; and the KC CREW hotline recording still has the contractor's information whose contract with the city ended last year. The KC CREW monthly newsletter was issued quarterly after December 2004, and eventually stopped after July 2005. After this audit began, the project team initiated meetings with departments and they were invited to participate in weekly project team meetings.

Communication between project management and system users was not always constructive. Project management overly depended on formal procedures and impersonal communication channels, such as helpdesk tickets, e-mails, and official memoranda to communicate with users. We analyzed two memos between the project management and the city's fiscal officers. The memos illustrate the broken communication between project management and system users.

¹⁷ KC CREW is a name the city gave to the ERP implementation project.

We analyzed two memos (Appendices B and C) between the city's fiscal officers and directors of IT and HR and the then acting Director of Finance. The memos illustrate that communication between the fiscal officers and project management was not constructive. Fiscal officers expressed concerns and frustration with the new systems. Instead of trying to understand the real problems, the directors criticized the fiscal officers for negating the official issue resolution process and implied that their concerns were not valid.

On December 20, 2004, seven months after the new financial system went live, the fiscal officers, frustrated and wanting to be heard, sent a memo to three members of the Steering Committee. The fiscal officers complained that the new financial system did not work as expected and negatively impacted their work.

On December 23, 2004, the three members of the Steering Committee responded to the memo. They stated they regretted that the fiscal officers had "chosen as a group to negate the established issue resolution process." They told fiscal officers to voice their concerns in a "constructive way" by submitting a helpdesk ticket. They also implied that the fiscal officers' concerns were not valid by pointing out that the issues fiscal officers identified were new, were inaccurately stated, did not have enough details, or should have not been the fiscal officers' concern at all.

Some of the city's fiscal officers and human resources liaisons we surveyed indicated that communication was a problem. Some of the respondents said that there was an assumption that all issues were caused by users and that the project team did not understand what fiscal officers needs were. Some communicated that the module leads – individuals from Finance, HR, or another department leading implementation of a particular software segment – did not communicate how problems would be addressed or explain how the entire process works because they only knew their modules.

Users were dissatisfied with the issue resolution process. In 2004, the IT Department developed a process to address all PeopleSoft related issues. The Director of IT sent out an email to city employees stating that employees should call the helpdesk with any issues they had. The helpdesk, however, had trouble responding to tickets in a timely manner because the city did not have a team in place to address the outstanding issues logged through the helpdesk.

Some fiscal officers and human resources liaisons we surveyed expressed concerns that the helpdesk did not address their ticket requests

timely. Some of them indicated that the helpdesk was more interested in closing the tickets and only solved the individual instances instead of addressing the root of the problem. Some stopped reporting their issues to the helpdesk, seeking help from module leads or other staff directly.

Some helpdesk tickets took a long time to resolve. Although many helpdesk tickets were about resetting passwords, resetting user IDs, or other access problems and were resolved the same day, other tickets took much longer. We examined helpdesk tickets between May 1, 2004 and August 31, 2005. It took on average about seven days to resolve the almost 8,000 tickets; however, about 1,180 of the tickets (15%) took eleven days or longer to resolve. The longest time to resolve a ticket was 162 days. By the end of August, there were over 300 outstanding tickets.

By August 2005, the City Manager reassembled the project team and directed them to address the outstanding helpdesk tickets. Over the course of 90 days, the project team was able to resolve almost all of the outstanding tickets plus 2,459 new tickets. The number of unresolved tickets however, has been growing again as team members went back to their duties in early October. As of March 27, 2006, 464 tickets were unresolved.

Failure to Provide Training Hurt City's Ability to Use System

User satisfaction with the city's initial training was mixed. In addition, the city did not provide any training after the systems went live, which hurt the system implementation and contributed to user frustration.

The absence of continuing training hurt users' ability to use the system. In its management letter for fiscal year 2005, the external auditor stated that city employees had not been properly and adequately trained to use the new financial system, and the city was unable to perform required financial functions and generate needed financial reports.¹⁸

The city did not have a training plan for post-implementation of the new systems. Although the need for training was identified in the ERP Support Strategy developed by IT, no decision on training had been made. The IT training coordinator surveyed users to identify training needs in the summer of 2005. In September, the post-implementation team also assessed user training needs, but no training plan was presented. The city did not offer any training for more than one year.

¹⁸ *Management Letter for the Year Ended April 30, 2005*, KPMG, January 27, 2006.

Training is essential for successful implementation of new systems. The 2002 study defining the benefits of the ERP identified training on the use of the new system as essential.¹⁹ Ongoing citywide training will also be necessary to ensure continued success.

Our user survey indicates that users want training. Users expressed their frustration with the systems, partly due to lack of training. Although 80 percent of the frequent users, people who use the systems at least twice a week, took some training classes, only 37 percent of those who use the systems less frequently took training classes. Almost half of the frequent users and 80 percent of the less-frequent users did not have other training such as online tutorials, “Sandbox,” or training from people in their departments. Half of all time approvers in the city have not had official training.

The city also did not offer other support to users. Although some user manuals have been updated during the recent 90-day effort to catch up on unresolved helpdesk tickets, they were not made available to users. The “Manual of Instructions”, which provides information and instructions to city departments about finance operations, still refers to the old financial system. Asking for training and better training were among the most common comments from survey respondents. Users want on-going, consistent, and better training.

User satisfaction with training offered several months before the systems went live was mixed. The city offered training classes several months before the systems went live. The user training for the financial system was conducted in March 2004 before the system went live in May 2004. The training for the human resources system was offered in August 2004 before the system went live in January 2005. Some users received some informal or small-scale training after the systems went live.

Some of the fiscal officers and HR liaisons, however, expressed dissatisfaction with training. They indicated that the time between the training and systems going-live was too long, and that many features were changed or updated after the systems went live. They also indicated that they needed additional training and that the city needed more knowledgeable trainers.

¹⁹ ERP System Selection Project: Business Case Report, Gartner Consulting, February 2002.

Stronger Roles for Finance and HR, Training, and Better Communication Needed

The City Manager should support the directors of Finance and Human Resources in improving controls over financial and HR management. PeopleSoft should be a tool for the directors of Finance and HR to carry out their charter responsibilities. Giving support and holding Finance and HR accountable will help ensure that the new systems generate useful and timely financial and management information. Frequent and consistent communication along with strong leadership and training can help improve employees' attitude toward the new financial and HR systems. User acceptance is essential if the new systems are to be used effectively.

Stronger Finance and HR would help the city to perform charter responsibilities. Although implementation of the PeopleSoft financial and HR management systems has been led by IT, the functions are under the control of the Finance and HR departments. According to the city charter, the director of finance is responsible for administering the financial affairs of the city, including installing, maintaining, and supervising all accounts and financial records.²⁰ The Director of HR is responsible for making, promulgating, and amending rules relating to all positions in all departments, and should maintain the position register and other records to comply with provisions of the city charter.²¹

The City Manager should make financial and HR management a priority for the city. The City Manager should give authority and support to the directors of Finance and HR in improving controls over financial and HR reporting. The City Manager should hold operating departments accountable for complying with directives of the Finance or HR departments.

The Finance and HR departments should have control over the PeopleSoft financial and HR management systems using it as a tool to carry out their charter responsibilities. Giving control and holding Finance and HR accountable will help ensure that the new systems generate useful and timely financial and management information citywide. The IT Department should play a supporting role in managing and maintaining the system performance. The Finance and HR departments should define what level of technical support ITD should provide.

²⁰ Charter of Kansas City, Missouri, Article IV.

²¹ Charter of Kansas City, Missouri, Article V.

The city should provide training on a regular basis. Continued training of users is essential if the new systems are to be used effectively. If users do not know how to obtain information from the systems, productivity suffers and they avoid using the systems. The impact could mean reduced usability because users do not find the systems effective; wrong decisions made due to incorrect use; and IT resources spending too much time resolving errors caused by unskilled users. To avoid these risks, the city should manage users' skills and provide training on a regular basis to employees, incorporating training on any changes in the systems. The City Manager should assign training responsibility for the new systems and ensure that a comprehensive training curricula and a method for monitoring training effectiveness is in place.

The city should provide for better internal communication going forward. The city should communicate frequently and consistently through multiple channels as a part of an ongoing user support mechanism. Organizations should manage the communication quality between end users and providers of services whether it is IT or another operating department.²² If users' attitudes are favorable, they are likely to use the system more frequently and more effectively. Regular and consistent communication among users, IT staff, and Finance and HR departments along with strong leadership and training can help improve employees' attitude toward the new financial and HR systems.

To realize full benefits the city should continue monitoring system performance. The city should measure system performance through the life of the system to ensure that business benefits continue to be obtained.²³ Performance measures should focus on business outcomes such as service levels, performance targets, and customer satisfaction. Assessing customer satisfaction by conducting user surveys should be one such measure.

²² *Auditing IT Service Management*, International Organization of Supreme Audit Institutions (INTOSAI) Standing Committee on IT Audit, 2001, p. 62, <http://www.intosaiitaudit.org/pubindex4.html>.

²³ *Auditing IT Service Management*, p. 31.

Recommendations

1. The City Manager should designate the directors of Finance and Human Resources responsible for the financial and human resources management systems and hold them accountable for ensuring the systems generate useful and timely financial and human resources management information citywide.
2. The City Manager should support the directors of Finance and Human Resources in improving controls over financial and HR management and hold operating departments accountable for complying with Finance's and Human Resources' directives.
3. The City Manager should assign training responsibility for the new system and ensure that the city develops a comprehensive training curriculum, organizes and delivers continued training to users, and monitors training effectiveness.
4. The City Manager should ensure that frequent, consistent communication through multiple channels is a part of ongoing user support for the ERP system.
5. The City Manager should ensure that the city monitors system performance through the life of the system to ensure that business benefits continue to be obtained. The city should also regularly measure user satisfaction with the systems by surveying users.

Appendix A

Survey Results

ERP System User Survey Results – Percentage

*A figure in bold indicates a significant difference between the responses for frequent users and less frequent users.

	Frequent Users (Twice a week or more frequent) (N=202)	Less Frequent Users (Weekly or less frequent) (N=148)	All Responses (N=350)
Which department/office are you in?			
Aviation	4.5	3.4	4.0
CIMO	3.0	2.7	2.9
City Clerk	0.0	0.0	0.0
City Council	0.0	1.4	0.6
City Manager	5.0	2.7	4.0
City Planning	3.5	12.2	7.1
Convention & Entertainment Centers	1.5	0.7	1.1
Finance	15.8	6.8	12.0
Fire	3.0	6.8	4.6
Health	5.4	4.7	5.1
HR	5.0	0.0	2.9
Human Relations	1.0	1.4	1.1
ITD	6.4	5.4	6.0
Law	0.0	4.7	2.0
Mayor	0.5	0.0	0.3
Municipal Court	1.0	1.4	1.1
NCSO	5.0	7.4	6.0
Parks & Recreation	8.4	6.1	7.4
Public Works	10.4	9.5	10.0
Water Services	19.8	21.6	20.6
Other	1.0	1.4	1.1
How often do you log on to and use PeopleSoft?			
Daily	59.4		34.3
Twice a week	40.6		23.4
Once a week		43.9	18.6
Once a month		17.6	7.4
Several times a year		38.5	16.3
Which installed PeopleSoft components do you use? (Select all that apply.)			
Employee self service	89.1	81.8	86.0
Manager self service	60.4	21.6	44.0
Assets Management	2.5	0.0	1.4
Accounts Payable	31.7	5.4	20.6
Accounts Receivable	15.8	2.7	10.3
Cash Management	7.4	0.0	4.3
Contracts	8.4	0.7	5.1
General Ledger	17.3	2.0	10.9
Grants Administration	1.0	0.7	0.9
Inventory	1.0	0.0	0.6
Projects	6.9	4.1	5.7
Purchasing	27.7	2.0	16.9

	Frequent Users (Twice a week or more frequent) (N=202)	Less Frequent Users (Weekly or less frequent) (N=148)	All Responses (N=350)
(Continued – Which installed PeopleSoft components do you use? Select all that apply.)			
Benefits	34.2	31.8	33.1
Human Resources	57.4	27.7	44.9
Payroll	42.1	26.4	35.4
Pension	8.4	6.8	7.7
Recruitment	36.1	12.2	26.0
Time and Labor	44.1	16.2	32.3
Not sure	0.5	2.0	1.1
Other	7.4	2.0	5.1
What other systems outside PeopleSoft do you use to supplement PeopleSoft functions?			
Excel	44.1	18.2	33.1
MS Word	33.2	21.6	28.3
MS Access	8.9	6.1	7.7
Other	11.9	6.8	9.7
None	36.6	52.0	43.1
Do you retrieve information (e.g., running queries or producing reports) from PeopleSoft?			
Yes	55.4	16.2	38.9
No	44.6	83.8	61.1
How satisfied are you with the PeopleSoft system?			
Overall			
Very Satisfied	4.5	3.4	4.1
Satisfied	34.8	31.0	33.2
Neutral	31.3	39.3	34.7
Dissatisfied	18.2	14.5	16.6
Very Dissatisfied	11.1	10.3	10.8
NA	0.0	1.4	0.6
Ease of Use			
Very Satisfied	4.6	2.8	3.9
Satisfied	34.0	26.2	30.7
Neutral	26.3	33.3	29.3
Dissatisfied	24.2	19.1	22.1
Very Dissatisfied	10.8	17.7	13.7
NA	0.0	0.7	0.3
Online Help			
Very Satisfied	2.7	1.5	2.2
Satisfied	25.7	13.2	20.4
Neutral	39.0	47.8	42.7
Dissatisfied	17.1	14.7	16.1
Very Dissatisfied	6.4	11.0	8.4
NA	9.1	11.8	10.2

	Frequent Users (Twice a week or more frequent) (N=202)	Less Frequent Users (Weekly or less frequent) (N=148)	All Responses (N=350)
Processing Speed			
Very Satisfied	2.6	4.3	3.3
Satisfied	24.7	29.0	26.5
Neutral	34.0	46.4	39.2
Dissatisfied	23.7	11.6	18.7
Very Dissatisfied	14.4	5.8	10.8
NA	0.5	2.9	1.5
Convenience			
Very Satisfied	4.7	5.1	4.8
Satisfied	34.4	28.3	31.8
Neutral	28.6	37.7	32.4
Dissatisfied	19.3	15.9	17.9
Very Dissatisfied	12.5	12.3	12.4
NA	0.5	0.7	0.6
Availability			
Very Satisfied	5.7	5.8	5.8
Satisfied	40.9	32.8	37.6
Neutral	30.1	42.3	35.2
Dissatisfied	14.0	8.8	11.8
Very Dissatisfied	8.8	8.8	8.8
NA	0.5	1.5	0.9
Have you taken any PeopleSoft training classes?			
Yes	79.7	36.5	61.4
No	20.3	63.5	38.6
If YES, how satisfied are you with the training classes?			
Very Satisfied	5.6	3.7	5.1
Satisfied	39.4	35.2	38.3
Neutral	31.9	35.2	32.7
Dissatisfied	15.6	20.4	16.8
Very Dissatisfied	7.5	5.6	7.0
Have you had any other training (e.g., on-line tutorial, the “Sand Box,” training from personnel in your department)?			
Yes	55.4	21.6	41.1
No	44.6	78.4	58.9
If YES, how satisfied are you with the training?			
Very Satisfied	6.4	9.7	7.1
Satisfied	49.1	48.4	48.9
Neutral	31.8	32.3	31.9
Dissatisfied	11.8	9.7	11.3
Very Dissatisfied	0.9	0.0	0.7

	Frequent Users (Twice a week or more frequent) (N=202)	Less Frequent Users (Weekly or less frequent) (N=148)	All Responses (N=350)
From whom do you get help for your PeopleSoft questions?			
ITD Help Desk	67.3	51.4	60.6
Module leads	13.4	3.4	9.1
Other people in my department	68.3	64.9	66.9
Other people in other departments	23.8	10.8	18.3
No one	4.0	9.5	6.3
Other	6.4	1.4	4.3
If you used the ITD Help Desk, how satisfied are you with the support you received?			
Very Satisfied	15.7	33.8	22.1
Satisfied	51.5	45.9	49.5
Neutral	20.9	10.8	17.3
Dissatisfied	6.0	6.8	6.3
Very Dissatisfied	4.5	1.4	3.4
NA	1.5	1.4	1.4
Generally, has the PeopleSoft system helped you do your job better?			
Yes	25.5	9.9	19.0
No	37.8	29.1	34.1
No Change	29.1	39.0	33.2
Not Applicable	7.7	22.0	13.6
Productivity			
Significant Improvement	9.4	1.5	6.1
Little Improvement	25.7	8.1	18.3
No Effect	39.8	76.5	55.0
Little Worse	18.8	8.1	14.4
Significant Worse	6.3	5.9	6.1
Workload			
Significant Improvement	6.9	1.5	4.6
Little Improvement	19.7	7.4	14.6
No Effect	40.4	79.3	56.7
Little Worse	27.7	6.7	18.9
Significant Worse	5.3	5.2	5.3
Access to Data			
Significant Improvement	24.2	11.1	18.8
Little Improvement	29.5	24.4	27.4
No Effect	23.7	51.9	35.4
Little Worse	14.7	5.9	11.1
Significant Worse	7.9	6.7	7.4

	Frequent Users (Twice a week or more frequent) (N=202)	Less Frequent Users (Weekly or less frequent) (N=148)	All Responses (N=350)
Efficiency			
Significant Improvement	12.4	5.9	9.7
Little Improvement	26.9	14.8	21.8
No Effect	33.9	66.7	47.7
Little Worse	19.4	5.9	13.7
Significant Worse	7.5	6.7	7.2
Make your job easier			
More Confident	21.5	5.2	14.9
Same	50.8	72.4	59.6
Less Confident	27.7	22.4	25.5
Improve city processes			
More Confident	25.8	16.1	21.8
Same	45.4	59.9	51.4
Less Confident	28.9	24.1	26.9
Be successful			
More Confident	28.4	14.6	22.7
Same	41.8	58.4	48.6
Less Confident	29.9	27.0	28.7

Appendix B

Memo of December 20, 2004, from Fiscal Officers Group



Inter-departmental Communication

DATE: December 20, 2004

TO: Wanda Gunter, Acting Director of Finance; Gary O'Bannon, Director of Human Resources; Gail Roper, Chief Information Officer

FROM: Fiscal Officers Group

SUBJECT: PeopleSoft Concerns

We are writing to express our concerns with the PeopleSoft Financials system. We are not asking that PeopleSoft be scrapped or that we return to old systems. We understand that the City has invested a great deal of time, effort and money in this project, and many of us have devoted countless hours, evenings and weekends to making PeopleSoft work. However, PeopleSoft does not perform like we were promised that it would, and it has negatively impacted our ability to do our work in an efficient, timely manner.

This system was expected to produce twice the results in half the time. Since we have gone live with Financials, Fiscal Officers have had to do twice the work for half of the results. In some cases, Fiscal Officers are spending 8+ hours per day just to get vendors paid, at the expense of completing other responsibilities. Many problems remain with the PeopleSoft Financials system. We are 4 ½ months away from fiscal year end and, as a result, we do not have confidence in our ability to close the books at fiscal year end (we have not been able to retroactively fix errors/issues), or to even reasonably calculate budget surpluses/deficits. Our ability to do our work in an efficient and timely manner directly affects the City's ability to close the books at fiscal year end and to reasonably calculate budget surplus/deficits. Below are some of the many issues that currently exist that negatively impact the City's ability to handle its financial transactions.

- Purchase Orders are not liquidating when invoices are paid against them. Appropriations show that the encumbrance still exists, thereby reducing available appropriations, even though they have been liquidated. This means that we cannot tell what our budget balances are and our encumbrances are overstated.
- The Accounts Receivable module is not working correctly. Departments are either using Excel or have purchased personal copies of QuickBooks to record and maintain their receivables.
- The Projects module is not posting to construction in progress. Departments are using Excel spreadsheets to maintain project costs.
- The Asset module is not working correctly. The assets that have been brought over from AP are incorrect. Multiple assets have come over as one, single assets have come over as multiple assets, and assets have come over more than once. Departments are using Excel spreadsheets to maintain assets. As a result of these issues and others, depreciation has never been run.
- Those departments that are using the Inventory module have found that it is not posting expenditures to divisions or recording revenues generated by storerooms. Other departments are waiting for the links to their existing bar coding systems.

The HRMS module is to begin conversion in five (5) days. This concerns us as we still do not have answers to how simple timekeeping procedures will work; HRMS cannot allocate fringe benefits to projects, which

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will require manual intervention; and payroll audit controls are not in place. We have not seen any payroll cost accounting from the system. The HRMS system is not integrating properly with the Financial system, which may result in the manual data entry of 14,000 lines each payday because the attempt to post is locking up the system. Departments who rely on payroll costs hitting the General Ledger will not be able to invoice granting agencies. In addition, there is still an issue with printing payroll checks from HRMS. While we **want** to pay our vendors on time, we **have** to pay our employees on time. If we cannot pay an employee on Friday then we doubt if we can get that same employee to come in on Saturday to plow snow or to answer to citizen emergencies.

As we stated, we do not expect - nor desire - that we return to old systems. We want you to be aware of the difficulties and frustrations we are experiencing with Financials, the effects on our budgets, the inability to obtain valid reporting, the problems we anticipate with the implementation of HRMS, and how this is impacting City operations.

COPY: John Franklin, Assistant City Manager;
Troy Schulte, Budget Office;
Bob Hodge, PeopleSoft Project Manager;
Department Directors

Appendix C

Response to Memo from Fiscal Officers Group



Inter-departmental Communication

DATE: December 23, 2004

TO: Fiscal Officers Group

FROM: Wanda Gunter, Acting Director of Finance; Gary O'Bannon, Director of Human Resources; Gail Roper, Chief Information Officer

SUBJECT: PeopleSoft Concerns

We are writing in response to your December 20, 2004, memo regarding your PeopleSoft concerns. We appreciate you communicating your concerns to us and we would like to offer some responses and clarifications.

Issue Resolution Process

Since we went live with PeopleSoft Financials last May, much has been accomplished. We have processed 32,359 payments and related purchase orders to 8,324 vendors for \$602,699,776.19. While we have had our share of issues, as is normal of such a significant deployment, we have resolved the majority of issues promptly. You have been part of this process from the beginning. We understand that such a drastic change may be frustrating at times, but the project team has spared no effort to meet with you, communicate changes, deploy job aids and help resolve the issues brought to our attention. The project team conducted individual department meetings, weekly conference calls and face-to-face meetings to identify and resolve your issues.

We do not wish to dismiss the fact that we have issues which have not been resolved yet. As you know, we have a Help Desk for the specific purpose of recording and tracking the resolution of issues. Several of you have used this tool in the past to report issues. When some issues have not been resolved in a timely manner, we have personally intervened to expedite resolution. Some of the issues identified below are new to the Project Team. Some of these issues are inaccurate or not stated with sufficient detail to allow the Project Team to research and resolve them.

We regret that you have chosen as a group to negate the established issue resolution process. We regret that you have not given your colleagues who have worked very hard on the deployment of PeopleSoft Financials the courtesy of attempting first to respond to your issues, as they have done in the past. We would appreciate it, if in the future, you would return to using the established issue resolution process.

PeopleSoft Financial Issues

Purchase orders are not liquidating when invoices are paid against them. Appropriations show that the encumbrance still exists when departments have taken steps to liquidate. Departments cannot determine their budget balances. This is not applicable to all encumbrances. Of the purchase orders related to the 32,359 vendor payments processed to-date, the Project Team is only aware of four such cases. Only four tickets related to this issue have been logged at the help desk. Both Maximus and PeopleSoft are working on a resolution. If you have a purchase order with this issue, please contact the Help Desk and identify the specific situation.

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The accounts receivable module is not working correctly. The module lead has worked with two departments (Aviation and Health) that have voiced concerns previously. Unless there are new concerns, the module is working correctly. One issue for the Health Department is that the State of Missouri is sending grant revenue to the wrong bank. Accounts receivables should flow through US Bank. Cash Operations is working with the State to fix this problem. In the meantime, the Health Department has been provided a work around. The Aviation Department issues have to do with training and proficiency (not the module) and the module lead has several times assisted the Aviation Department staff in resolving their issues. The Project Team is not aware of any other issues which could lead one to conclude that the module is not working.

The projects module is not posting to construction in progress. We are researching the solution in the Fixed Assets module. We recognized the need to refocus the support of the Fixed Asset and Inventory modules. A new staff member is joining the Finance Department on December 27, 2004 to focus on the Fixed Asset and Inventory modules. This was communicated in the last Steering Committee meeting.

The assets module is not working correctly. The assets that have been brought over from AP are incorrect. Multiple assets have come over as one, single asset have come over as multiple assets, and assets have come over more than once. As a result of these issues and others, depreciation has never been run. This issue will be assigned to a staff member hired to Fixed Assets and Inventory, who starts December 27, 2004.

Those departments that are using the inventory module have found that it is not posting expenditures to divisions or recording revenues generated by storerooms. Those departments that have existing bar coding systems are waiting on links to their system. We would appreciate it if one of you would log a specific ticket in the Help Desk. We need more specifics as the issues with inventory have not been reported previously. This issue will be assigned to a staff member hired to cover Fixed Assets and Inventory, who starts December 27, 2004. Determining a strategy on bar coding has been deferred until after completion of the HRMS deployment.

PeopleSoft HRMS Deployment

You make several assertions regarding the HRMS deployment. Our Project Team has learned from the issues encountered during the deployment of Financials. The Project Steering Committee and the EOSC have been extensively informed of our lessons learned and the steps we have taken to mitigate similar risks in the deployment of HRMS.

We would like you to know that the Project Team just completed a detailed readiness assessment on December 20, 2004. Each City lead rated the readiness of their module or technical area for deployment. These results were presented the following day to the three of us for review and decision. While your memo identifies some of the outstanding issues, we wish you had asked for an update.

Timekeeping Procedures: Procedures were covered in the training classes and in the training refresher classes. They are also included in the training manual. The Project Team is in the process of scheduling a meeting with all timekeepers and HR Liaisons to review these procedures (as well as our deployment and post go-live support plans). Finally, these procedures were used during the parallel testing process. If after all these efforts individual users still have issues, our Help Desk is prepared to help after go-live.

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Fringe Benefit Allocation: This issue is being researched. Please note however, that until an automated solution is developed, you will not be asked to do any more than is now the practice, because this allocation is manually done today.

Payroll Audit Controls: The timekeeper procedure, including required controls is in development and will be issued before go-live.

Payroll Cost Accounting: The project team is just now finishing their validations on the parallel payroll test based on the dual data entry. At the conclusion of that process, they are planning to provide you with reports on the entries in Financials resulting from this testing.

HRMS Financials Integration: The final steps of any HRMS implementation are the testing of the HRMS Financials Integration. The Project Team is actively working on this issue and we expect all significant issues to be resolved before go-live.

Invoicing Granting Agencies: It is our plan to automate this process in PeopleSoft, but this functionality is not ready yet. In the meantime, we will continue to bill granting agencies as we have done since the deployment of PeopleSoft Financials in May. While the solution may not be elegant, it is functional and has been used for the last six months.

Payroll Check Printing: The final payroll templates are being tested this week and are expected to be in place prior to the HRMS go-live. Our payroll team on the project and the payroll personnel in the Finance Department believe this is not an issue with which anyone should be concerned.

The Steering Committee and the three of us in particular do take our obligation to produce accurate payroll very seriously. As a result, the deployment of the HRMS deployment was delayed several times until acceptable parallel testing results could be demonstrated. It is the recommendation of all City leads, including the City Payroll Lead and the Paymaster, that the HRMS is ready for deployment. We have taken all reasonable measures to insure as smooth a transition as possible. Should the improbable happen, we have contingency plans to pay City employees accurately and on time. The Steering Committee also retained PeopleSoft Consulting to conduct an independent review of the City's HRMS deployment plans. PeopleSoft Consulting recommended several changes, which have been implemented by the team.

Projects such as this one are complex and deployment is always difficult. Kansas City has been extremely diligent in its PeopleSoft deployment. Our PeopleSoft deployment will have cost no more, three years later, than original estimated and budgeted. In the process, we have had to balance several competing interests in deciding how to rollout several enhanced controls. We realize that this change causes additional work in the transition period. We remain willing to explore ways to lessen your burden, but we need your issues properly communicated to us.

We understand that we have the same goal. We would appreciate it if you voiced your concerns in ways, which are constructive and to those first who have given so much to get us to this point. We encourage you to report

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all unresolved issues to the Help Desk. Also feel free to report any unaddressed concerns to your director or to any of us.

COPY: Wayne Cauthen, City Manager
John Franklin, Assistant City Manager
Troy Schulte, Budget Office
Bob Hodge, PeopleSoft Project Manager
Department Directors

Appendix D

City Manager's Response



Office of the City Manager

29th Floor, City Hall
414 East 12th Street
Kansas City, Missouri 64106

(816) 513-1408
Fax: (816) 513-1363

DATE: July 18, 2006
TO: Mark Funkhouser, City Auditor
FROM: Wayne A. Cauthen, City Manager ^{W.A.C.}
RE: Performance Audit – ERP Post Implementation



I am in receipt of the ERP Post Implementation Audit. Thank you for allowing extra time for the City Manager's Office to coordinate with all effected departments to read, analyze and digest the information included in the audit.

The report yielded five recommendations to the City Manager. Please find my response below.

Recommendation #1: The City Manager should designate the directors of Finance and Human Resources responsible for the financial and human resources management systems and hold them accountable for ensuring the systems generate useful and timely financial and human resources management information citywide..

Response: Agree. This activity has already been achieved; the Finance and Human Resource Departments are responsible for their modules of the PeopleSoft system; their staffs understand the importance of properly utilizing the system, and how it integrates into their daily business processes. PeopleSoft is used to generate reports, and information is extracted from it by departments for their own internal use, as well as to provide information to the City Manager's Office.

Recommendation #2: The City Manager support the directors of Finance and Human Resources in improving controls over financial and HR management and hold operating departments accountable for complying with Finance's and Human Resources' directives.

Response: Agree. Both Finance and Human Resources have primary responsibility for the full implementation of their modules. As their internal operating sections and divisions of those departments fold the new software applications into their daily business practices, so will they develop new internal policies and procedures. Those policies and procedures will be communicated to all city departments, and support for complying with

those expectations will be provided by working directly with the staffs that created those procedures.

Recommendation #3: The City Manager should assign training responsibility for the new systems and ensure that the city develops a comprehensive training curriculum, organizes and delivers continued training to users, and monitors training effectiveness.

Response: Agree. The training component is an important component to any new system initiative. One major challenge in the first wave of training was that it was severely under-funded. This issue has been addressed and corrected. The Information Technology Department designed and assembled training courses that are still available today. Classes have been conducted since November, 2004. Also, Human Resources offers courses related to their specific modules, and conduct them for all city employees. Once the Controller position is filled in the Finance Department, I anticipate that the same activities will occur. As of the date of this audit response, 32 classes have been conducted.

Recommendation #4: The City Manager should ensure that frequent, consistent communication through multiple channels is a part of ongoing user support for the ERP system.

Response: Agree. As part of the user interaction strategy, the PeopleSoft Client Support team works directly through a Tier I channel that includes the City help desk for general issues, HRIS for HR specific issues, and the FMS Support Team for financial issues. If not resolved via those teams, issues are then escalated by one of those teams to the Tier II PeopleSoft Client Support Team. In addition, helpdesk notices are sent out on a regular basis, and a representative from the payroll department sends out tips and updates to payroll officers on a regular basis.

Recommendation #5: The City Manager should ensure that the city monitors system performance through the life of the system to ensure that business benefits continue to be obtained. The city should also regularly measure user satisfaction with the systems by surveying users.

Response: Agree. We currently engage in this activity; it is a standard operating procedure for any software system implemented at the City of Kansas City. Users are engaged on a regular basis throughout this process; after each training course is completed, a survey is conducted. The Executive Steering Team also discusses issues with end users and department liaisons and directors on a regular basis, and makes systems adjustments as necessary. It is vital to reinvest the revenues produced from cost savings for these technological enhancements, so that we are able to utilize all dimensions of the software, especially as it relates to regular reporting, and trendsetting.