

MONTEREY COUNTY



COUNTY ADMINISTRATIVE OFFICE

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September 18, 2019

The Honorable Stephanie E. Hulsey
Judge, Superior Court
Monterey County Superior Courts
240 Church Street
Salinas CA 93901

Re: Response to 2018 - 2019 Monterey County Civil Grand Jury Report: "Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort"

Dear Judge Hulsey:

Attached please find the Monterey County Board of Supervisors Response to the **2018 - 2019 Monterey County Civil Grand Jury Report: "Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort"** and the signed Board Order. The Board of Supervisors approved the response on September 17, 2019, which complies with the requirements set forth in Sections 933 and 933.05 of the California Penal Code.

The Board approved response should be deemed and accepted by the Presiding Judge of the Superior Court of Monterey County and the Monterey County Civil Grand Jury as the response of the Board of Supervisors, Assistant County Administrative Officer, and appointed department heads.

Sincerely,

By: Nicholas E. Chiulos
Assistant County Administrative Officer

NEC:mri

cc: Charles McKee, County Administrative Officer
Office of the County Counsel
2019 - 2020 Civil Grand Jury

Attachments: Board of Supervisors Response
September 17, 2019 Signed Board Order



Monterey County Board of Supervisors

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Board Order

A motion was made by Supervisor Chris Lopez, seconded by Supervisor Luis A. Alejo to:

"This item came before the Board on August 27, 2019 and is going back before the Board with a revised final response:

- a. Consider approval of the amended response to the 2018 - 2019 Monterey County Civil Grand Jury Revised Final Report: "Enterprise Resource Planning Costly Lessons from a Decade-Long Systems Enhancement Effort"; and
- b. Direct the County Administrative Officer to file the approved revised final response with the Presiding Judge of the Superior Court, County of Monterey, by September 21, 2019.

PASSED AND ADOPTED on this 17th day of September 2019, by the following vote, to wit:

AYES: Supervisors Alejo, Lopez, Phillips, Parker and Adams
NOES: None
ABSENT: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting September 17, 2019.

Dated: September 18, 2019
File ID: 19-0699
Agenda Item No. 33

Valerie Ralph, Clerk of the Board of Supervisors
County of Monterey, State of California


Julian Lorenzana, Deputy



Monterey County Board of Supervisors

Revised Final Response to the

2018 - 2019 Monterey County Civil Grand Jury

Topic: “Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort”

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REPORT TITLE: 2018 - 2019 Monterey County Civil Grand Jury Final Report –
“Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems
Enhancement Effort”

RESPONSE BY: Monterey County Board of Supervisors

RESPONSE TO: Findings F1, F2, F3, F4, F6, F9, F10, F11, F12, F13, F16, F17 and F18

FINDINGS

- F1. Decisions were made by the BoS and members of the offices of the AC, CAO, and County Counsel that created confusion, delayed the projects, added costs, and created employee dissatisfaction.

Response F-1:
Partially Disagree

The implementation of ERP v3.10 was coordinated with the engagement of all stakeholders including the Office of Auditor Controller, County Administrative Office and County Counsel and reports were made to the Board of Supervisors. The major factors contributing to confusion, increased project costs and delay were lack of proper project management, inadequate documentation of ERP v 3.7 system changes as well as hardware/software implementation issues and limitations of the CGI ERP product.

- F2. Throughout the ERP project, the BoS did not demonstrate adequate responsibility for ensuring the taxpayers’ monies were spent effectively and appropriately.

Response F2:
Partially Disagree

The Board’s Budget Committee and full Board actively engaged on the Project each time reports were presented and when they received notice that the project was off-track, the Boards’ level of engagement increased accordingly. Admittedly reporting could have been more comprehensive, consistent, and timely.

- F3. The BoS assumed an arms-length association with the AC and did not exert sufficient oversight of the ERP project.

Response F3:
Partially Disagree

The Board of Supervisors has a systematic reporting structure for all departments and for the ERP project the Board required reports to the Budget Committee and full Board of Supervisors on an “as needed” basis throughout implementation. The Board’s Budget Committee and full Board actively engaged each time reports were presented and when they received notice that the project was off-track, the Boards’ level of engagement increased accordingly. Admittedly reporting could have been more comprehensive, consistent, and timely.

- F4. The BoS did not create and enforce a policy of comprehensive, consistent, and timely ERP project updates. As a result, they were not adequately informed or kept up to date by the AC's Office regarding project risks, status, and budget and were surprised by changes.

Response F4:

Partially Agree

The Board's Budget Committee and full Board actively engaged to address concerns related to project costs and delays as they were advised of issues with the project. Throughout the project the BOS and Budget Committee indicated their increasing concern with the progress of implementation and continually requested to be kept updated and appraised of the issues. Admittedly reporting could have been more comprehensive, consistent, and timely.

- F6. The offices of the AC and CAO made the decision to knowingly launch v3.7 with OT calculations that were inaccurate in comparison to agreed-upon MOUs.

Response F6:

Disagree

CGI ERP v3.7 was launched with configuration generally consistent with written MOU provisions as determined by the Project Manager. Subsequently, it was revealed that some historic pay practices were not consistent with the precise MOU provisions, and hence output of the newly programmed v3.7 software.

Basic HR documentation was among key challenges during early development of v3.7. Subsequently, during implementation of v3.10, key challenges increasing project costs and delay were related to lack of adequate documentation of changes and modifications to v3.7 by ERP Project Management as well as hardware/software implementation issues with the CGI product.

- F9. Numerous changes in project managers caused delays and resulted in inefficiencies and added costs for v3.10.

Response F9:

Agree

- F10. Both versions of the ERP systems were implemented in crisis mode, resulting in greater focus on immediate execution rather than strategic planning.

Response F10:

Partially Disagree

During early implementation of v3.7, a comprehensive planning charter and well-thought-out implementation plan was developed. During implementation of v3.10, key issues increasing project costs and delay were attributed to lack of adequate documentation of changes and modifications to v3.7 as well as hardware/software implementation issues associated with the CGI product. Most importantly, the lack of documentation made upgrade programming from v3.7 to v3.10 overly complex and costly.

- F11. There is an overall lack of consistency in reported ERP project costs between the offices of the AC and CAO.

Response F11:

Partially disagree

After a period of investigating and compiling project costs accounted by each department, the Administrative Office and Auditor-Controller agreed upon final project costs. The accounting categorization as presented by the Auditor Controller presented a complexity to those not trained in financial accounting that may seem inconsistent with costs presented by the Administrative Office. However, difference between the accounting of cost by the CAO and Auditor is one of timing, resource allocations (COWCAP), and access to financial liquidity. Ultimately, the Administrative Office, with BOS approval, provided financing of costs and the Auditor-Controller provided the accounting treatment of those project capital and non-capital costs.

- F12. The implementation of both the v3. 7 and v3.10 versions of the ERP lacked effective management from the offices of the AC, CAO and ITD.

Response F12:

Partially Agree

During implementation of v3.7 and subsequent use, ERP Project Management staff made v3.7 system modifications without adequate documentation and diligence. In absence of this documentation, implementation of the upgrade to v3.10 was significantly more complex and costly.

- F13. The lack of communication and trust between departments and between departments and the BoS had a negative impact on the County's ability to effectively and efficiently launch both ERP versions.

Response F13:
Partially Disagree

Changes in project managers, and lack of change documentation as noted above, were the primary drivers of project delays and cost increases. During implementation, the departments maintained a professional relationship and communicated frequently, but held different perspectives on the project status and methods of project management. Ultimately the Project was transferred to the Information Technology Department which successfully completed the implementation.

- F16. The AC was not the appropriate owner of the ERP because the position is not responsible for the strategic and administrative management of the County and is not accountable to the BOS.

Response F16:
Agree

The ERP is “owned” by the County, and not a particular department., The County Administrative Office is best positioned for overall strategic and administrative management. The County Administrative Office may elect to assign certain departments as ERP project manager. The key issue is the skillset of the designated team to manage the project and functions within the project, and appropriate management of the effort.

Success depends on many factors including knowledge, skills, planning, resourcing, established procedures, active engagement of all stakeholders, periodic and timely status update/reporting, among others.

- F17 As the County prepares for the next ERP, there was ambiguity among County employees and leadership about whether there should be one business owner and if so, who it should be.

Response F17:
Partially Disagree

As noted in F16, above, selection of a department to be the project and operations manager requires an assessment of the skillsets available in a particular department and the core functions and responsibilities. The County is the “owner” of the system for countywide business purposes, and the optimal placement for both ongoing operations and replacement or upgrade projects will be based on a complete understanding of skills, abilities, and competencies as determined by the Board of Supervisors.

F18. The County should not plan on a low-cost off-the-shelf implementation for the next ERP iteration due to the high level of customization required by the payroll system.

Response F18:

Agree

REPORT TITLE: 2018 - 2019 Monterey County Civil Grand Jury Final Report –
“Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems
Enhancement Effort”

RESPONSE BY: Monterey County Board of Supervisors

RESPONSE TO: Recommendations R1, R2, R3, R4, R7, R8, R14, R15, R16, R17, R18, R19,
R20, R21, R22, and R23

RECOMMENDATIONS

- R1. By September 1, 2019, the current ERP Program Manager, in conjunction with all department heads, should perform a post v3.10 implementation review to evaluate: were the project requirements delivered; are there outstanding issues that need resolution in the future; was the project delivered with quality, on time, within budget; was the process efficient; and, efforts that worked well and those that didn't.

Response R1:

Partially Agree

This recommendation has been partially implemented. ITD, serving as the ERP Project Manager has been tracking all contractual deliverables which have been shared on a monthly basis with all key stake holders. Both the CAO and the Auditor Controller have presented financial reports that illustrate the costs of the ERP system. The ERP Project Manager will prepare a final report that illustrates the state of all project requirements; any outstanding issues that need resolution; project quality and timeliness, budget and process efficiency; and, efforts that worked well and those that didn't. A draft will be presented to the ERP Steering Committee, which is comprised of CAO, ACO, Human Resources, and ITD leadership by in September 2019.

- R2. Beginning immediately, the BoS should assign ownership for the next ERP implementation to the CAO who reports to the BoS as the County begins to prepare for the next iteration.

Response R2:

Agree

While the County owns the system, we concur with the Civil Grand Jury that the CAO is best suited to be lead agency in future implementations and overseeing ongoing operations from a management position. The CAO, with Board approval, may assign/delegate certain roles and responsibilities to departments based on the skills, abilities, and competency required.

- R3. Beginning immediately, the CAO should assign responsibility for project management and execution to the Director of ITD.

Response R3:
Agree

- R4. Effective immediately, the HR and CAO directors should not make any changes to programmed pay and/or benefits resulting in differences without documented approval in advance by the corresponding union(s).

Response R4:
Partially Agree

Pay and benefits are negotiated between the County and respective unions and are documented in a legal Memorandum of Understanding and any subsequent side letters to that MOU. Further changes to pay and benefits may be necessitated by changes in tax or other laws as well as changes for non-represented employees. The ERP programming reflects the agreed upon legal documents, rules, regulations and any other required changes. Subsequent approval is not necessary or indicated.

- R7. Beginning September 2019, the Director of ITD should provide quarterly reports to the CAO on the different technology and vendors for ERP hardware and software.

Response R7:
Partially Agree

Frequency and level of reporting should be determined by critical path of the project which takes into consideration timelines, levels of decisions required, and adherence to established project goals/benchmarks. Reports should be provided within a logical and meaningful framework as to efficiently utilize resources and not develop a reporting focus over a project management focus.

- R8. Beginning September 2019, the CAO should provide quarterly reports to the BoS regarding evaluations and recommendations of new ERP hardware and software.

Response R8:
Partially Agree

The process for replacement and/or upgrade of the existing v3.10 is currently scheduled to begin in July or August 2020. For that process, the frequency and level of reporting should be determined by critical path of the project which takes into consideration timelines, levels of decisions required and adherence to established project goals/benchmarks. Reports should be provided within a logical and meaningful framework as to efficiently utilize resources and not develop a reporting focus over a project management focus.

- R14. By November of 2020, the BoS should require an RFP for the next iteration of an ERP that meets the project needs identified in the scope document.

Response R14:

Agree

- R15. Once the next project scope and budget are approved by the BoS, the Bos should immediately mandate quarterly updates from the CAO (project owner) to the BoS, Budget Committee, and Capital Improvement Committee of the overall ERP project clearly highlighting and describing changes to scope and total budget.

Response R15:

Partially Agree

Concur that the designated Project Manager, as determined by the BOS, should make update reports to the Budget and Capital Committees, however the frequency of updates to the BOS should be based on project progress and role of each committee.

- R16. Beginning in July 2019, the CAO should ensure plans for the next ERP are forecasted in the capital projects budget

Response R16:

Agree

The CAO has begun the process to include the ERP upgrade in the FY20-21 CIP.

- R17. Beginning in July 2019, the CAO should identify a method for and begin accrual of costs for the next ERP.

Response R17:

Agree

Based on the timeline provided by ITD, the CAO proposed during the FY19-20 budget development to build a \$20million reserve over the next five fiscal years to align with the cut over to the new/upgraded system. The County will use it's resource planning internal service fund (ISF) to accumulate \$4million annually over the next five fiscal years.

- R18. By January 2020, the BoS should mandate a standardized ERP project reporting template from the CAO (project owner) for regular reporting to the Budget Committee, the Capital Improvement Committee, and the BoS that includes costs, risks, and status.

Response R18:

Agree

- R19. By December 2019, the CAO, HR Director, and AC should analyze all special pay practices that require ERP program customization and make recommendations for areas of reductions in customizations including any related fiscal impact to the County.

Response R19:

Agree

- R20. Beginning with the next MOU negotiations, the CAO and HR Director should identify ways to reduce the number of customizations in payroll by negotiating common pay practices with unions while ensuring FLSA compliance.

Response R20:

Agree

- R21. Within three months of completion of the next ERP project, the CAO and Director of IT should require the ERP Program Manager, in conjunction with all department heads, to perform a post-implementation review and present it to the BoS.

Response R21:

Agree

- R22. By December 2019 and periodically thereafter, the CAO should develop and implement a program to address and improve communication and trust among County elected and appointed department heads to ensure respect and alignment of goals.

Response R22:

Partially Disagree

The current County Department Head team, including elected and appointed officials, is a collaborative and effective team serving the constituents of the County. For the purposes of ERP implementation, effective team building will be required for the members of the designated ERP implementation team.

- R23. By December 2019, the AC should conduct and/or complete the external audit of the previous ERP processes (including costs) as requested by the BoS at the February 6, 2018 board meeting and report the results to the public.

Response R23:

Partially Disagree

The Board of Supervisors Budget and Audit Committee oversees funding and prioritization of internal and external audits. They will take the CJG's recommendation R23 under consideration