MONTEREY COUNTY

AUDITOR - CONTROLLER
(831) 755-5040 • FAX (831) 755-5098 • P.O. BOX 390 • SALINAS, CALIFORNIA 93902

RUPA SHAH, CPA
AUDITOR - CONTROLLER

The Honorable Stephanie E. Hulsey   July 26, 2019
Judge of the Superior Court
County of Monterey
240 Church Street
Salinas, CA 93901

Dear Judge Hulsey:

Pursuant to Penal Code section 933.05(f), please consider this letter as the formal response from the Monterey County Auditor-Controller to the 2018-19 Monterey County Civil Grand Jury Final Report entitled "Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort," transmitted on June 6, 2019.

I thank the Civil Grand Jury for their efforts and the opportunity to respond to their findings and recommendations.

Sincerely,

Rupa Shah, CPA
Auditor-Controller

CC: Monterey County Board of Supervisors

Office of the Auditor-Controller

Response to the 2018 - 2019
Monterey County Civil Grand Jury

"Enterprise Resource Planning, Costly Lessons from a
Decade-Long Systems Enhancement Effort"

TABLE OF CONTENTS

2018 - 2019 Monterey County Civil Grand Jury Final Report –
Topic: **"Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort"**
Rupa Shah, Auditor Controller

FINDINGS

RESPONSE TO: Findings F1, F3, F4, F6, F7, F8, F9, F10, F11, F12, F13, F14, F15, F16, F17 and F18

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:
Agree

    As the newly elected Auditor-Controller, having taken Office in January 2019, and based on this report, I am made aware of the issues surrounding this and other findings in this report related to ERP Implementation work.

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

    Response F3:
Agree

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:
Agree

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:
Agree

F7.   The number of unique pay practices and compensation requirements that must be programmed create significant complexity and therefore cost to the County's ERP system.

Response F7:
Agree

F8.   The lack of documentation in departments, including HR and ITD, was one of the most significant hurdles for developing and launching the ERP system.

Response F8:
Agree

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:
Agree

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

Response F11:
Agree

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:
Agree

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:
Agree

F14. The County was unprepared and unable to write RFPs for either ERP version.

Response F14:
Agree

F15. With new ITD leadership and the new skills being developed in the department, the County will be much better positioned to provide adequate project management for the next ERP iteration.

Response F15:
Agree

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:
Disagree

Though AC is not responsible for administrative management of the County, leading the ERP implementation efforts is not categorized as administrative management work. The role consists of collaborating between external and internal stakeholders to implement a system that supports the County's business processes.

While AC is not directly accountable to the BOS, as an elected body it assists the BOS in achieving effective governance.

From a practical standpoint, as one of the key business owners of the County, the AC could lead the ERP implementation project. There are examples of Counties, where the elected Auditor-Controller has played a lead role successfully as ERP Implementation Owner.

As outlined in this Grand Jury report, the success of such a project depends on many factors to include 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:
Agree

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

High level of customization was necessary due to lack of some capabilities and flexibility in CGI Software to meet the County Human Resource Management/Payroll business need. Customization could be minimized with enhanced capabilities and flexibilities in the software that may come with higher cost, though could prove cost-effective in long run.

2018 - 2019 Monterey County Civil Grand Jury Final Report –
Topic: **"Enterprise Resource Planning, Costly Lessons from a Decade-Long Systems Enhancement Effort"**
Rupa Shah, Auditor Controller

RECOMMENDATIONS

RESPONSE TO: Recommendations R1, R2, R4, R12, R13, R14, R15, R16, R17, R18, R19, R20, R21, R22, and R23

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:__
Agree

The BOS assigned ERP Program Management role to ITD as of February 2018. This report recommends that the BOS assign CAO as the 'ERP Owner' to lead the next ERP implementation project. As one of the primary ERP stakeholders/business owners, the Auditor-Controller's Office (ACO) will participate in the recommended post 3.10 implementation review/evaluation.

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

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:__
Agree

R12.   By March 1, 2020, the next ERP Program Manager should gather input from all County stakeholders to define the County's short-term and long-term ERP needs.

__Response R12:__
Agree

R13. By September 2020, the next ERP Program Manager should write a comprehensive scope document prior to distributing an RFP to potential vendors.

Response R13:
Partially Agree

Agree on the need for comprehensive scope document. The timeline of writing the scope for an RFP and the next iteration of ERP should be determined based on the outcome of the 'needs assessment' to be conducted by the County as recommended in R12.

Allowing for proper balance between risk to business continuity due to the current software's limited lifespan; and criteria for successful implementation such as adequate planning, expertise, resources, stakeholders active engagement, funding, execution strategy; should be carefully considered in determining the timeline.

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:
Partially Agree

Agree on RFP requirement. The timeline of the RFP and the next iteration of ERP should be determined based on the outcome of the 'needs assessment' to be conducted by the County as recommended in R12.

Allowing for proper balance between risk to business continuity due to the current software's limited lifespan; and criteria for successful implementation such as adequate planning, expertise, resources, stakeholders active engagement, funding, execution strategy; should be carefully considered in determining the timeline.

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:
Agree

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

Response R16:
Agree

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

Response R17:
Agree

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

Going forward, the County should refrain from allowing new special pay to help achieve the goal of standardization/fewer customization.
The County is currently in MOU negotiations to achieve potential three-year agreements with several bargaining units. To the extent possible, the recommended standardization and customization reduction opportunity should be explored during the current negotiation process.

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

The County is currently in MOU negotiations to achieve potential three-year agreements with several bargaining units. To the extent possible, standardization opportunity (finding common pay practices) should be explored in the current process as the next opportunity may not arise for three more years.
The County should refrain from allowing new special pay to help achieve the goal of standardization/fewer customization during this and future negotiations.

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

Though, if any critical unresolved issues or software defects are identified upon implementation of the next ERP, the BOS should be notified and efforts to bring resolution should take precedence to post-implementation review work.

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:
Agree

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:
Disagree

Since ACO was the lead/owner of the prior ERP implementation process for most of its duration, the ACO should not be responsible for conducting or contracting with an external party to conduct an audit of its own work. To maintain independence and integrity in fact and appearance of the audit, the BOS should directly engage with an external consultant to perform the audit.