2017-2018 BUDGET QUESTION
Response to Request for Information

DEPARTMENT: Communications and Technology Management

REQUEST NO.: 55

REQUESTED BY: Alter

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REQUEST: Please provide an analysis of the projected benefits for implementing a Human Capital Management (HCM) system.

RESPONSE:

In 2013, the City contracted with Gartner, a leading IT research firm, to provide a cost benefit analysis of implementing a Human Capital Management (HCM) system. Gartner estimated the direct cost saving range for the City of implementing HCM will fall between $400,000 to $2,700,000 per year. These savings would directly offset the cost of the system.

The direct cost saving may have increased since Gartner submitted its analysis, as the City's workforce and cost-per-employee have both grown since Gartner issued the report. Aside from direct cost savings, Gartner identified three operational (non-financial) benefit classifications that HCM would potentially generate for the City. Although the additional benefit classification would not generate a direct financial impact on the City's overall budget, Gartner provide estimates for the value HCM would provide in each of the categories:

- **Efficiency** (redirected staff) – benefits accrued through the reduction or elimination of tasks currently performed by staff, making that staff available to perform other activities. For example, Gartner anticipated the ability to reduce approximately 200 workdays/year in grievance related personnel file research.
- **Risk Reduction & Compliance** – benefits accrued through improved compliance and the reduction or elimination of risk exposure(s). For example, Gartner noted compliance issues in an I-9 audit that discovered a 50% documentation error rate including missing/misplaced Social Security Cards in personnel files.
- **Quality Improvements** – benefits accrued through quality improvements. For example, Gartner anticipated improvements in internal recruiting (transfers/rehires) and performance management of employees that transfer between City departments and/or positions.

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The table below summarizes the findings of Gartner's report, and provides range of values for each of the identified benefit classifications:

Human Capital Management Benefits
by Classification

Benefit Classification	Range		
	Low	Mid	High
Direct Cost Savings*	400,000	1,550,000	2,700,000
Operational Benefits (<u>non-financial</u>)			
Efficiency (redirected staff)	2,900,000	4,750,000	6,600,000
Risk Reduction & Compliance	6,600,000	12,300,000	18,000,000
Quality Improvements	800,000	2,750,000	4,700,000
Operational Benefits Subtotal	10,300,000	19,800,000	29,300,000

*Financial/budgetary impact

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The following table provides a detailed breakdown of the summary above, outlining weakness and opportunities in the City's current operating environment and potential impact of HCM:

Weakness/Opportunity	Impact	Direct Cost	Efficiency	Risk	Quality
Open enrollment materials are printed and distributed to employees (12,500 employees; 10+ pages/employee; >100K pages); 50% acceptance	Increased printing costs	$100-$500K	<$100K		<$100K
	Environmental impact				
	Time and cost to distribute across different work locations				
Benefits information is paper based and changes need to be keyed into multiple systems (e.g. Banner, ERISA, Benefits database, spreadsheets)	Employee effort required to rekey information and perform additional audits *(120 changes/mo; 15 min/change; 40 hrs/mo.)*	$100-$500K	$100-$500K		$100-$500K
	Potential for errors				
	Additional resources required to answer calls *(Citywide 7 FTEs answering calls – HRD & departmental resources; potential to cut calls by 50%)*				
	Decreased quality of service *(up to 6 weeks to get an ID card, up to 2 weeks to answer questions)*				
The benefits team leverages multiple systems (e.g. benefits databases, ERISA) containing sensitive employee information and have limited security and recovery capabilities from back-up.	Potential for unauthorized individuals to gain access to sensitive employee data			$100-$500K	
	There is no disaster recovery methodology for these databases, which if lost or corrupted would take weeks to rebuild from the source documents				
Due to system limitations, ERISA provides dependent tracking, interfaces with benefit providers and assists with open enrollment	Direct costs (~$400K)	$100-$500K			
The manual PAF process for making changes to personnel record and entering new employees is paper based and requires rekeying and the Banner electronic PAF (ePAF) does not provide data validation at the time of entry (*~600 manual PAFs per pay period; 10 min per PAF; 6000 hrs/yr; 900 total PAFs/pay period*)	Manual effort to rekey and conduct audit functions	<$100K	$100-$500K		<$100K
	Potential for errors				
	Workload spikes since ePAFs can only be entered three days per pay period				
	Environmental Impact				
Personnel records are paper based and stored in multiple locations throughout the City (i.e. a comprehensive employee personnel file is not maintained in a single location)	Manual effort required to perform personnel related research/audits (Example: 2.5 FTEs required for 7 months to complete the I-9 audit)	<$100K	$500K-$1M	$500K-$1M	$100-$500K
	Limited ability to ensure compliance with policy (Example: The I-9 audit discovered a 50% documentation error rare				

Weakness/Opportunity	Impact	Direct Cost	Efficiency	Risk	Quality
	including missing/misplaced Social Security Cards)				
	Difficult to perform City-wide analysis of data (e.g. defending grievances) (~200 workdays/yr working grievances)				
	Increased storage costs (~4,000 boxes, $50K/yr)				
	Records could be lost in a disaster and significant effort would be required to collect all critical documentation				
	Security for paper documents could result in confidential information being accessed by unauthorized individuals				
	Decreased effectiveness of internal recruiting (transfers/rehires)				
	Difficulty managing low performing employees (employees that transfer between City departments and/or positions)				
	No way to proactively monitor required licenses, certifications				
Disciplinary history is paper based and maintained at the individual department level and unable to view across the organization	No City-wide view of disciplinary actions occurring across all departments	<$100K	$100-$500K	<$100K	
	When employees transfer between departments the disciplinary history is retained in the originating department				
The progressive disciplinary process is typically managed by the individual departments with minimal HRD involvement early in the process	Increased risk of grievances since there is no assurances that the disciplinary action is consistent			$100-$500K	
	Risk of non-compliance with HR policies				
On-boarding/Off-boarding varies by department	Compliance risk with HR and external agencies' policies (Example: One department failed an I-9 audit from an external agency resulting in a significant effort to comply with policies)			$500K-$1M	
	Potential for large fines (i.e. Austin Energy need to meet NERC and FERC requirements)				
A limited number of staff are responsible for providing technical support for Banner and are familiar with the customizations (Three full time employees support Banner)	The City is dependent on key personnel to support the system			$100-$500K	

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Weakness/Opportunity	Impact	Direct Cost	Efficiency	Risk	Quality
Departments are not satisfied with the reporting capabilities of the payroll system, including availability, integrity and timeliness of the data. (4 FTEs currently provide reports from Banner; two weeks to provide payroll data – week one to provide payroll costs, week two to provide indirect costs)	The City's ability to analyze the payroll data is limited	$100-$500K	$100-$500K	$100-$500K	
	Significant effort to answer specific questions (e.g. 160 hours to answer a question about the City's use of temporary workers)				
Extracts from Banner have sensitive information (e.g. Social Security Numbers)	Potential that unauthorized individuals gain access to sensitive information			$100-$500K	
The standard tool for collecting hours worked is a paper time sheet (~10,000 employees complete paper timesheets; 1/week; $.25 printing and distribution costs)	Printing, distribution and collection costs and time	$100-$500K			$100-$500K
	Environmental impact				
	Increases storage costs				
Time entry is difficult to complete due to complex codes (i.e. which are translated into business language); timekeepers must audit entries and follow up on issues with tight timeframes (12,500 timecards per week	Inefficient time entry	>$1M			<$100K
	Potential for data entry errors				
	Downstream errors result in rework (i.e. when entering and/or when data is interface into the accounting system)				
All hours for every employee need to be rekeyed into Banner (12,500 timecards/week; ~1 min per timecard; 5 FTEs)	Manual effort to key data, audit data, and fix errors	$500K-$1M			
	Timekeepers working overtime/weekends and/or taken away from other duties (e.g. administrative assistants cannot answer the phone while entering the timecards)				
To meet the payroll timeline, hours must be anticipated/forecasted and adjustments are performed after payroll is complete (AFD ~ 3,000 adjustments per year)	Frequent adjustments to timecards occur as departments need to forecast hours and only have time to perform audits after payroll is completed				$100-$500K
Departments have different timesheet approval and auditing practices; the majority are manual and have varying levels of effectiveness	Potential of overpayment as departments are unable to perform sufficient review and auditing of time entry information ($175K per year for AFD)	<$100K		$100-$500K	$100-$500K
	Potential for errors, overpayments and/or abuse				
	Approval/accountability for timesheet quality migrated from manger to timekeepers				
	Out of compliance with policy				
Some departments do not have employees complete a paper timesheet (i.e. the employee enters their time into a departmental system):	Potential for non-compliance with policy b/c some systems do not require Employee and/or Supervisor verification of hours			$100-$500K	

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Weakness/Opportunity	Impact	Direct Cost	Efficiency	Risk	Quality
EMS and Austin Energy use their scheduling systems					
AFD uses Excel and Battalion Chief Database to collect employees hourly information	No City-wide view of detailed timesheets for all employees; timesheets maintained in different systems, physical locations and formats				
Administrative Leave (ADL) credits and/or balances are not tracked by a system; employees are required to submit hard-copy certificates and limited controls are in place (~90,000 hrs/yr); ADL is granted for various reasons across departments and is not systematically tracked	Potential for fraud and non-compliance with policy	<$100K		$100-$500K	
	Potential for increased payroll costs (i.e. paying additional or unauthorized ADL)				
FMLA is not consistently administered and paper documentation is used extensively (e.g. each department calculates leave; inconsistent use of rolling 12 months or calendar year to calculate eligibility) (~1,500 people using FMLA this year)	Manual effort required to calculate eligibility and ensuring policy/leave is administered according to policy	<$100K	$100-$500K	$100-$500K	<$100K
	Risk of calculation errors				
	Environmental impact				
Scheduling practices are not standardized across the various departments since each organization has different scheduling requirements	No corporate view of scheduling resulting in inefficiencies, costs, and compliance issues	$100-$500K		$100-$500K	
Employee performance reviews are maintained at the department level and are paper based records	No electronic, centralized history of employee performance, which decreases the ability of the organization to manage the workforce	<$100K	<$100K	$100-$500K	$100-$500K
	Potential for additional grievances				
	Printing and environmental impact (12,500 performance evaluations/yr, 10 pages per evaluation, $.1 per page)				
	No City-wide visibility into departmental compliance with performance review policies				
Employee development plans and/or succession plans are not produced	Reduces development of and limits of career growth opportunities for employees			$100-$500K	<$100K
	Inability to find qualified personnel within the City to fill key positions				
Cannot easily track when employees do not attend mandatory electronic training (e.g. ethics training)	Potential non-compliance with policies		<$100K	$500K-$1M	
Performance reviews are not consistently administered and	Risk of additional grievances and cost of defending grievances			$100-$500K	

Weakness/Opportunity	Impact	Direct Cost	Efficiency	Risk	Quality
the quality varies by individual department	Potential risk of non-compliance with policy (e.g. supervisors not conducting performance reviews)				
Applicants must proactively monitor the website for new postings (e.g. an applicant must submit an application for each new posting) and the system is not user-friendly	Reduces the visibility of job opportunities (i.e. candidates are not automatically notified when a job matches their skill set) to qualified candidates				$100-$500K
	Reduces the number of qualified candidates applying for positions due to frustration and level of effort required				
The recruitment process takes a long time, and there is minimal communication with candidates from the time of application to the candidate interview process	Candidates drop out of the process (2-3 of the top ten candidates drop out of the process due to length of process)				$100-$500K
After the candidates apply, the recruitment process (e.g. interviews, scoring) is paper based, is managed manually and requires rekeying of application information (eCareer is not integrated with other HCM applications)	Department HR effort is required to manage the process (~80 hours of HR effort per requisition; 1000 requisitions/yr)	$500K-$1M			
	Information from job application is never included in the Employee's record history				
Hiring managers do not have easy access to the work history for internal candidates or previous employees (e.g. disciplinary action, performance reviews) without physically reviewing departmental paper files (~25% of all hires are transfers)	Effort to perform research (4 hours to visit and review files; ~250 transfers/yr)	<$100K	$500K-$1M	<$100K	
	Risk of hiring/transferring problem employees				
The recruiting process is not consistently followed by all departments (e.g. standard interview questions are not always used across each recruitment)	Out of compliance with HR policy	<$100K	$500K-$1M		
	Risk of additional grievances				
There were 41 systems identified supporting HCM processes	Complex environment with multiple points of failure; multiple systems providing similar functionality		$500K-$1M		
There is no single source of employee information	25 applications were reported as a system of record; users of 17 of these systems reported they have data synchronization issues		$500K-$1M		
Personal Identifiable Information (PII) is stored in multiple systems	22 applications reported storing PII, although controls have been put in place, this still poses a security risk		$500K-$1M		
Applications are aging	Five of the applications are greater than 10 years old and security concerns were reported on the older applications		$500K-$1M		

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Many critical business processes are dependent on Access databases	15 applications are developed using Access and many respondents expressed concern regarding the database limitations			$100-$500K	
Many of the systems reported having small support teams	16 applications have two or fewer people providing support, which poses a support risk if the key individuals are no longer available to provide support (e.g. they retire)			$500K-$1M	
IT is involved in supporting all but 2 of the applications reported; external vendors are involved in supporting 6 applications	Low direct costs for providing support	<$100K		$100-$500K	
Anticipated Annual Benefit Range		**$400k-$2.7M**	**$2.9M-$6.6M**	**$6.6M-$18M**	**$800k-$4.7M**