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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

PRESENTATION BY
Mr. Jonathan Williams, Chief Deputy, Chief Information Officer
Howard Baker, Associate Chief Information Officer

Topic: Los Angeles County Administration Systems (LACAS) Project

July 11, 2002

Vice Chairman Lucente welcomed Mr. Baker and Mr. Williams. Mr. Williams has been a county employee for 33 years, the last 5 years with the CIO office. Vice Chairman Lucente stated that information services is often key in the gathering of information and data that is critical in the operation and management of the county activities and functions that we have been involved with through the years.

Mr. Williams thanked us for being given the opportunity to speak to the Commission. Mr. Williams stated that their office has provided staffing and support for the LACAS project, but the effort in fact encompasses many departments within the county.

Mr. Baker introduced himself as the co-project manager for CIO on this project. Some background information on this issue: the county has over 300 different financial, human resources and IT systems in 39 departments. Most of these systems don't communicate with one another and only take care of just one function. The main county financial system is 20 years old and getting obsolete. We're going to modernize the system to focus on the way corporate America does their financial accounting. The reason for these 300 systems is that the departments have substituted and provided them to meet their own business needs. About 3 years ago, some of the departments were looking at what is known as integrated Enterprise Resource Planning Software Solution (ERP) for their own departmental needs. ERP has been in the market for 15 years and is used by virtually every major corporation in the US and worldwide. Governments are also becoming interested in these products.

In 1999, the county contracted with Deloitte Consulting to conduct a feasibility study to determine whether an integrated enterprise resource planning solution would be viable for the county. The study came out in November and recommended that the county should pursue ERP as a county-wide initiative. A county-wide solution would eliminate the non-integrated legacy programs, eliminate disparate duplicate data entry and improve our ability to handle information across the county. One of the benefits of ERP is to provide standardized automated workflow. Another big advantage is the expertise it brings in best business practices which are built into the system which the County can adopt.

What does ERP look like? It's an integrated collection of all of a business's back end administrative systems, financial, human resources, general ledger, purchasing, grants, projects, work flow, internet, queries, reporting, payroll, benefits, etc. You have one large database so you avoid redundant databases.

After they received the study, the Executive Management Committee wanted more information. In 2000, the EMC put out a Request For Information (RFI) using the Government Financial Offices Association. All of the major players in the industry responded to the County's RFI. They gave us an idea of how their software would fit our business requirements (we had over 3,000 business requirements). The project team developed a business case to support the investment in ERP. Through the RFI, they found that the County will have the ability to have complete project and cost accounting, which is currently extremely difficult. There could also be uniform tracking of contracts and grants (currently no uniformity exists). Processing invoices and payments are a big issue for the county. The county often receives good deals up front, but on the back end we lose money because the deal conditions aren't met. It will also provide inventory and asset management for the county as a whole as well as what-if modeling for the budget and finance people.

Commissioner Hill asked if all the companies and governments that Mr. Baker mentioned had been successful in using this system? Mr. Baker commented that this depends on how one defines success. Commissioner Padilla noted the failures in the State on these types of systems. Mr. Williams commented that, although some efforts have been unsuccessful, the team went to other counties (Sacramento, Alameda, Contra Cost & San Diego counties) currently using ERP and got feedback from them. These counties had already gotten the system up & running successfully. They all shared things they would do differently: 1) the biggest caution was that this is not something you can implement in your spare time, it needs dedicated people, 2) everybody in the organization needs to know what's going on, and 3) keep a high level of senior corporate sponsorship especially for critical decisions.

Commissioner Petak noted that the problems usually appear to be people problems rather than technology problems. Mr. Williams responded affirmatively. The County will be challenged to look at our processes and policies in order to go to a system like this.

Commissioner Petak stated that it depends on power centers within the departments and how it is going to affect their power base. Mr. Williams responded that even within the power centers, there are things that everybody would like to change. Many processes are perceived within departments as being imposed externally, but are in reality imposed from within the department. The County will need to set up mechanisms that are more efficient. This is an opportunity for us to examine all those processes and policies and some will change and some we'll have to figure out how to apply technology support our current policies.

Commissioner Petak noted that what will happen in the county is what has happened in American industry - we will be able to reduce the number of staff needed to do work that is currently done by hand. We would become more efficient and this would be a measure of success. Mr. Williams, while agreeing, commented that given the nature of government services, there are always uncovered services and needs so as we get more efficient, those resources would be freed to expand these kinds of services. We don't expect this to significantly lower the number of people working for the county, but people's jobs will change.

Commissioner Petak returned to the question about performance, the measures that we set up to assess if there will be a payoff that will quantify if we are more effective in terms of moving people into more productive activities for services we provide. Mr. Williams thought that this would be able to be monitored with ERP. They'll also be defining metrics to evaluate the return on investment.

Mr. Baker continued in that one question we're asking is what does this provide for us? This money will be spent on our business needs one way or another, but will we end up with more disparate systems. 3 years ago, CIO identified \$50M that departments were requesting in their IT budgets to provide backend systems. Departments are tired of the lack of cohesion and the project team has gotten virtually no resistance and a tremendous amount of support for the idea of an enterprise solution.

Commissioner Padilla asked about the difference between an RFP and RFI? Mr. Baker responded that an

RFI is requesting information with no commitment and a look at business requirements. Commissioner Tortorice noted that this is a way for the vendor to influence how the requirements are written. Then, when the RFP comes along, the vendor will be more prepared to respond. Mr. Baker commented that it is a way to get the best input from a variety of vendors that are likely candidates and will give a much more targeted set of requirements for the RFP. You learn early on what's reasonable and what's not. The RFI showed that the total package cost would be \$150-200M.

The Executive Committee decided to reassess their strategy and request just the financial package. In February of this year, the team issued an RFP. On February 15 the RFP was issued and on April 15 they got back 3 acceptable responses. Two proposals were chosen for presentation: the two organizations being considered were Acceptance with PeopleSoft and IBM with SAP. What they wanted was: strong integration across modules, web based, meet our business requirements to minimize need for customization, have extensive reporting and querying capabilities for the departments, workflow, training and change management. They expect to present these candidates to the Executive Management Committee who will then ask the Board for permission to go forward with contract negotiations. This project is so important to the future of the county that we must have executive sponsorship to move forward. If approved, design implementation will start in January of 2003 with full financials up in July, 2004.

Commissioner Simmons asked if the project manager will have full responsibility? Mr. Baker commented that he had been appointed already.

Commissioner Simmons asked if there were to be phases for testing to make sure that everything goes smoothly? Mr. Baker responded that there is a testing period for all of the three phases. The phases are: core financials, extended financials and individual departmental financials.

Commissioner Padilla asked if it isn't a political question from the Board's point of view that if this is a debacle at the cost of \$150-200M, what will happen? Mr. Baker responded that it wouldn't be that high, that was for the whole package, we'll be getting only the financial package which will cost \$50-75M. Does that cost include training, hardware, everything? Commissioner Tortorice felt that the bulk would be in implementation & consulting.

Commissioner Hill asked what mechanisms are in place to track implementation to insure that the money isn't spent without product? Mr. Baker responded that all payments will be based on deliverables. The software has to be purchased up front but the maintenance fees are paid on a yearly basis. There will be an acceptance process by a governance committee. There will also be system and vendor performance requirements.

Commissioner Hill continued asking how is the current county climate going to impact this system being supported by the Board at this time? Mr. Williams noted that the Board recognizes that better tools are required to do effective management and we are going to the Board so they can assess the project in light of the climate and make a judgment so we can go ahead with the negotiations. The CIO will have to return to the Commission to discuss some of the cost effectiveness provisions that will be considered at the end of August.

Commissioner Tortorice asked who will be doing the quality assurance? Mr. Williams responded that the County has talked with GFOA to try to establish another contract for them to help manage this contract.

Commissioner Tortorice asked if the County had found any comparable confederated public sector organization that has successfully implemented this system? Mr. Baker responded State of Pennsylvania, State of Arkansas, USA, Cal State University System, State of Georgia, Riverside, San Diego, Cook (Chicago) and Sacramento counties.

Mr. Williams acknowledged that this process has had an aggressive timetable, but each deadline has been met. Commissioner Fuhrman asked how can the Commission help this project to succeed? Mr. Williams responded that executive sponsorship and ongoing support for the project is critical. Support change in business processes. Also emphasize the need for resources throughout the life of the project. Commissioner

Petak suggest that this Commission could send a summary memo to the Board to demonstrate that this project is an important effort to improve productivity and effectiveness based on a number of the reports the Commission has completed in the past and the recommendations for a system like this.

Vice Chairman Lucente thanked Mr. Williams and Mr. Baker for their valuable and informative presentation.

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