Inter-Departmental Communication

DATE: April 18, 2005

TO: Wayne Cauthen, City Manager

FROM: Mark Funkhouser, City Auditor

SUBJECT: PeopleSoft Implementation: Access to information and its
               consistency

We interviewed decision makers and ERP project team members and reviewed
related documents to answer the following questions:

- Is PeopleSoft set up to provide an easier way to access program and cost
  information?
- How will the city ensure that information is entered consistently across
  departments and functional units and over time?

Summary

The city lacks controls to ensure that departments record similar transactions
consistently. While the PeopleSoft system provides an easy to use interface and
improved access to data, its value to the city will be reduced if departments do not use
the system consistently. The city invested significant money and staff time to
implement PeopleSoft. One intended benefit is to integrate program and cost data to
provide useful and timely management information. However, ERP project team
members are concerned that inconsistent data entry in different departments,
potentially duplicate data fields, and lack of knowledge in how to use the system will
prevent the city from realizing this benefit.

We recommend that the City Manager establish an oversight mechanism to address
existing and future concerns. We also recommend that the City Manager continue to
reiterate the purpose of the ERP to department heads and stress how the system can
help in improving processes and flow of information. The City Manager should
ensure that consistent communication and support for system users continue.

Issues and Observations

**Departments must enter data consistently and completely to realize the benefits
of the PeopleSoft system.**   The city invested significant money and staff time to
implement PeopleSoft. One of the intended benefits is access to information that is
consistent throughout the organization. The system allows users to enter data and
report on costs for specific projects, locations, or cost centers. Users can access and

consolidate information in various ways to report on program and cost information. The system allows breaking down information beyond the appropriation unit level and can calculate unit cost or other statistical information.

The interface is easier to use and many employees can access information from their desks. The ERP project team however, cannot assure the accuracy and completeness of the information that city staff enter into the system. Staff need to understand the system to preserve the benefits acquired by implementing the PeopleSoft system.

Departments are not yet using the system consistently. According to several members of the ERP project team, departments have issues with using certain features. Departments resisted conversion to standardized forms on the HR side. Parks and Recreation has been using the project module on a very basic level. Parks and Recreation staff said they will consider using more features once the city decides how to track and report projects costs. Public Works and Aviation have made more progress in using the PeopleSoft project module than other departments.

Inconsistent data entry reduces the value of the system for the city and limits the ability to monitor and report on service delivery to city residents. Council members expressed an interest in unit cost data for allocating resources and in performance data for monitoring activities. Council members also expressed an interest in focusing on outcomes. If all departments do not enter data consistently and completely, then management may not be able to inform the Council of emerging issues, program performance, and risks.

The City Manager should strengthen oversight and establish controls over data entry and reporting. Management has not identified a mechanism to take over the responsibilities of the ERP project team. As implementation nears the end, many project team members returned to their duties or have been reassigned. No one ensures that departments enter enough information to generate meaningful reports citywide. Several ERP project team members we interviewed have concerns:

- Staff may enter many duplicate account codes, making reporting more difficult
- Meaningful reports might not be available since the City Manager did not require departments to transfer all of their data to PeopleSoft
- Many employees are not up to speed in knowing the system and do not know what is required of them
- The city has not yet scheduled additional training for Financials module

To address these and other concerns the City Manager should establish an oversight mechanism to ensure that the city continues to realize benefits of the PeopleSoft system. The City Manager should designate a team consisting of representatives from Finance, Human Resources, the City Manager's Office, and Information Technology to be responsible for core functions of the ERP. The team should work with departments to develop ways to help employees understand the system and its benefits. The team members should meet regularly and report on progress to the City

Manager or his designee. The team should be prepared to resolve issues, set controls, and communicate the decisions back to operating departments.

City faces post-implementation challenges. We identified additional risks that could inhibit the city from fully utilizing the PeopleSoft system:

- No uniform way to allocate overhead
- Departments' decisions could limit citywide reporting
- Too many codes in the chart of accounts, which could be unnecessary

The city does not have a uniform way to allocate overhead. Assessing the true cost of programs has been difficult due to lack of information on overhead costs. Although PeopleSoft is capable of cost allocation, identifying and analyzing overhead without clear guidelines would continue to be a problem. We have recommended in the past and continue to recommend that the City Manager develop and implement a plan for allocating overhead costs.[1]

To be able to generate citywide financial information, including allocation of overhead, the city should set up a more formal control over what fields are mandatory. With implementation of PeopleSoft the city has eight chartfields to identify financial transactions. Currently only fund and department fields are mandatory for all departments. The city also requires a project field for major departments with project activities.[2] Other fields are optional. Departments decide on their own whether or not to use additional fields. If departments do not enter additional information, the city has no way of identifying citywide costs or revenues associated with various activities. The City Manager should establish a process to identify what chartfields should be mandatory. The city manager should also make sure that individuals setting up account codes have clear guidelines as staff in various departments are responsible for setting up account codes.

The city should inactivate codes in the chart of accounts that have become unnecessary. The new system offers more flexibility to record transactions. Additional chartfields are available to record locations, operational activities, and projects. In the old chart of accounts the city used one account code to record not only programs but also locations, operational activities, and projects. The ERP project team transferred all of the existing account codes into the new system. As a result, a transaction for a specific location could be recorded using the old code or by adding a new account code. Adding new account codes without removing the older ones could lead to inconsistency in data entry, making reporting difficult. Although staff told us they plan to inactivate certain account codes, the oversight team should ensure the effort is carried out consistently. The team should also communicate the changes to

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[1] *User Fee Survey*, Office of the City Auditor, Kansas City, Missouri, February 1998. *Capital Improvements Management Office,* Office of the City Auditor, Kansas City, Missouri, January 2005, p. 12, 18.
[2] Health, Health & Medical Care, Human Relations, Housing & Community Development, Neighborhood & Community Services, Aviation, Convention & Entertainment Center, City Development, Convention & Tourism, Parks & Recreation, Water Services, and Public Works.

fiscal officers and provide assistance in identifying how to record common transactions.

Successful implementation of the Enterprise Performance Management module depends on quality information. Implementation of a performance management module – a collection of key performance indicators from various systems to monitor compliance with city strategic objectives – depends on the availability of financial and performance information. The project team should ensure that departments understand how and what information should be entered into PeopleSoft and other applications to generate meaningful performance indicators.

Also, the City Manager should set guidelines for departments to follow in collecting performance information. We recommended in the past that guidelines should promote data integrity by encouraging departments to: [3]

- Define quality of data by establishing an appropriate balance between cost and desired reliability of data;
- Designate who is accountable for performance data;
- Have active management participation in obtaining good quality performance data;
- Implement a set of predetermined checks covering collection, review, and verification of data; and
- Establish methods to demonstrate that the data are of acceptable quality.

Strong leadership and frequent, consistent communication should continue. The City Manager should continue to reiterate the purpose of the ERP to department heads and stress how the system can help in improving processes and flow of information. Strong leadership is needed to overcome skepticism among departments and among staff who have seen previous technology efforts stall or fail. A clear decision-making process is a characteristic of strong leadership. The City Manager should encourage open discussion and deliberation to ensure departments' buy in. Consistent communication and support for system users should continue to ensure that users fully understand and become comfortable with the system.

Recommendations

1. The City Manager should set up an oversight mechanism to establish controls over data entry and reporting.

2. The City Manager should develop and implement an overhead cost allocation plan.

3. The City Manager should establish a process to identify what chartfields are mandatory.

4. The City Manager should ensure that unnecessary chartfield values are inactivated.

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[3] *Trash Collection Cost Data*, Office of the City Auditor, Kansas City, Missouri, November 2003, p. 7.

5. The City Manager should set guidelines for departments to follow in collecting performance information.

6. The Enterprise Performance Management project team should ensure that departments understand what data is required for calculating key performance indicators they identified.

7. The City Manager should continue to reiterate the purpose of the ERP to department heads and stress how the system can help in improving processes and flow of information.

cc: Gail Roper, Chief Information Officer