

Approved February 20, 1991
Date

MINUTES OF THE House COMMITTEE ON Computers, Communications & Technology

The meeting was called to order by George Dean
Chairperson

7:30 a.m. ~~p.m.~~ on February 14, 1991 in room 529-S of the Capitol

All members were present except:

Committee staff present: Norman Furse, Revisor of Statutes
Julian Efird, Research
Mary Valdivia, Committee Secretary

Conferees appearing before the committee: Arthur Griggs, Acting Secretary,
Department of Administration

Meeting called to order by Chairman Dean.

Chairman Dean introduced Mr. Arthur Griggs, Acting Secretary,
Department of Administration.

Mr. Griggs handed out document entitled, Testimony to House
Committee on Computers, Communication and Technology (Attmt. #1).
Listed below are some highlights of presentation and some of the
discussion that followed.

KIPPS is on hold at the present time.

Project Staffing: Technical skills in this area have been, and
are, still lacking. The state is entering into an area where a
lot of companies have gone into, yet the state does not have the
depth of experience of their technical staff.

Software Modifications: This is the biggest problem right now
in the area of the personnel payroll system. There is lack of
understanding and agreement on modifications. This has been one
of the largest stumbling blocks.

Processing Estimates - KFIS:

STARS: Of the three pieces of software, STARS, the accounting
portion, is running and is the system of record right now. When
comparing processing costs for all three pieces May thru
November of 1989, STARS is using up more than the entire budget.

ADPICS: Purchasing portion of software - The best estimate
available suggests a processing charge of \$600,000 a year.
Department is questioning whether ADPICS should be implemented.
The largest benefits seen are 1) getting more volume purchases and
2) reduction in amount of staff time needed to process purchases
from the requisition stage to the payment stage, and then
entering into the accounting records.

KAHRS: Personnel/Payroll System - Report from Price Waterhouse
on assessment of KAHRS is due March 15, 1991, and will give an
independent view of where we are on this software. Proposals for
purchase of software went out in summer of 1988, all four
divisions, Department of Personnel, DISC, Purchasing, and
Accounts and Reports, reviewed the proposals coming in.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Computers, Communications & Technology
room 529-S, Statehouse, at 7:30 ~~a.m.~~^{p.m.} on February 14, 1991

After Secretary Smith arrived and been here several weeks, all four divisions sat down with the Secretary, each spoke to the merits of what they saw to be components of the system that related to their areas. However, there was no discussion on processing, staffing or pricing. No estimating was ever done. First time spreadsheet was seen which related to staffing, consultant costs, the whole thing, it was dated October 1989, some 11 months after the contract was signed.

Rep. Patrick commented that according to initial KFIS report we have paid Peat Marwick 3.8 million dollars and they say we owe them another \$800,000. If they are the experts we hired to rely on to purchase this equipment, initial reaction is to sue them. He asked whose decision it was to make modifications in STARS, KAHRS, ADPIC, because if a canned program was bought which was supposed to work, supposedly adaptable to Kansas State Government, who made the decision after the fact? What was the role of DISC in this purchase determination?

All four divisions were involved in this decision. As far as actually managing the project it wasn't their role, it was the Project Director's role to forward to Secretary Smith. The Project Director of KFIS was and still is Jerry Merriman.

Discussion followed on how cost analysis is to be made regarding KIPPS and KAHRS in the operation of Regent's personnel payroll. Currently it is not part of KIPPS but it was anticipated that the Regents would be brought in if KAHRS is not implemented. This is a very difficult cost to factor into analysis, but should be done.

Rep. McKechnie asked Mr. Griggs to provide the Committee with chart of time line when decisions were made to purchase software, when contracts were let, how this was developed, etc.

Mr. Griggs was asked to return, next week, possibly with Jerry Merriman and DISC.

Meeting adjourned at 8:35 AM. Next meeting Tuesday, February 19, 1991, 7:30 AM.

Department of Administration
February 14, 1991

Testimony to House Committee on
Computers, Communication and Technology

You requested an overview of the Kansas Financial Information Systems (KFIS) project. I will attempt to provide the background and an analysis of our current status in the time available. My remarks may oversimplify some issues in the interest of brevity. We will, of course, provide any additional information or detail that the Committee desires.

Background

KFIS began in FY 1988 with an RFP for automated purchasing software and a subsequent contract with Peat Marwick and Main (PMM) to provide three individual, but integrated, software systems. The contract called for three distinct pieces:

(1) Replacement of the State's central accounting system software with a Peat Marwick developed product called STARS (State Accounting and Reporting System) and with FAACS, a fixed accounting software.

(2) Another PMM product called ADPICS (Advanced Purchasing and Inventory Control System) was intended to support the Division of Purchases.

(3) Finally, Peat Marwick was to help modify and install a new personnel/payroll software package that was purchased from Intregal Systems Incorporated (ISI) to replace the current system. The Department refers to the latter system as KAHRIS (Kansas Automated Human Resource System).

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Attempt # 1
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In November 1989, another contract was added. The Department engaged Business Information Technology (BIT) for specialized programming work relating to modifications, testing and conversion of the ISI software.

Purpose of the Three KFIS Systems

Each Division had its own reasons for wanting these packages. The Division of Accounts and Reports pointed to greater overall functionality, better service to agencies and the need for new software as the first step toward State compliance with generally accepted accounting principles.

The Division of Personnel Services was interested in replacing a personnel system that it judged deficient in several respects. It was felt that the new software would increase the availability of information, overcome design problems in the current system that were considered a potential risk to an accurate and timely payroll, and generally provide a more reliable system that would be easier to maintain.

The Division of Purchases has not used mainframe processing in the past, other than to keep a file of vendors for mailing purposes. The goals of this Division were to automate transactions between the Division and other agencies, to improve competition through better tracking of vendors wanting to do business with the State, and to identify commodities that should be grouped in the bidding process for volume purchasing discounts.

Funding for the Project

When this project was undertaken, and even a year ago, the Administration believed that the new systems could be installed without an increase in appropriations. The reasoning was that current staff, with consultant assistance, could install these new software packages and that as the obligations for paying for the Unisys computer center hardware and software declined, this would allow the Department to implement the new systems within existing resources.

The events of the last year have proven that these were not realistic expectations. A number of erroneous assumptions were made in the assessment of this project at its outset and additional problems surfaced in the course of its implementation:

1) Project staffing - the new software packages required technical skills and abilities that Departmental staff did not have, a fact that was not properly accounted for at the outset of the project. There were under-estimations of the needed skill levels of technical staff and an over-estimation of how much existing staffs would be able to assist on the project while still keeping current operations going.

2) Software modifications - the degree of modification that these packages required exceeded initial expectations. In the payroll area, there are still unresolved issues as to the degree of modifications necessary.

3) Processing estimates - the computer processing power required to operate the software is beyond original cost projections. This is an area where I will be focusing substantial attention.

4) Project timeframe - cost projections were based on a schedule the Department has been unable to meet. The failure to migrate from the KIPPS system within the planned timeframe means added overhead as the Department in effect, pays for two payroll personnel systems.

Current Project Status

The current status of the three parts of this project may be summarized as follows:

1) STARS - The new accounting system was operational as of April 2, 1990, although it still requires work to achieve all of the hoped for benefits. Of particular concern is the cost of processing, which I view as excessive. Directions have been given to make efficiency measures a high priority and I think progress is being made. The results of these efforts should appear within the next two billing cycles, at which point it may be possible to more adequately assess the overall success of these cost-cutting measures.

In the meantime, work has been suspended on a component of the STARS system, called FAACS. FAACS is a fixed asset accounting Peat Marwick software product. The original license fee to the State of Kansas was to be \$30,000; payment has been waived. The allocated development hours were moved to support STARS completion. FAACS will provide to the State of Kansas GAAP compliance capabilities for inventory of fixed assets. Further development of this software is currently on hold.

- 2) ADPICS - This PMM product, for the Division of Purchases, is still under development by the Division of Purchases staff. Current estimates of processing costs for this system are of great concern. I have instructed the Division to pursue any and all alternatives that would enable the Division to reap the benefits they seek in a less expensive manner. Progress on ADPICS will depend on the outcome of that investigation.
- 3) KAHRS - The personnel/payroll system has become the largest and most complex of the Department's central systems. It poses a dilemma about which I am not yet prepared to make a recommendation. Our current personnel/payroll system is called KIPPS (Kansas Integrated Personnel/Payroll System). KIPPS has been characterized in the past as a potentially unreliable system due to the aging hardware and software upon

which it runs, an unwieldy original design, lack of documentation about how it works, and the difficulty in hiring and maintaining experienced programmers. Those concerns must now be balanced against the cost of a new system which may or may not mitigate all of these problems. On the other hand, substantial amounts of effort and dollars have already been expended on the new system.

Future Direction

The costs of KFIS are alarming, particularly in light of the fact that little confidence exists with respect to the processing projections for KAHRS and ADPICS. In an attempt to assess the best course, I have taken two measures:

- 1) Benchmark on KAHRS - through an RFP employment of Price Waterhouse to undertake an independent assessment of the current status of KAHRS. It is hoped this will provide a benchmark by which we can judge the amount of work completed and remaining for completion of KAHRS. At this point, KAHRS is on hold.
- 2) Cost Analysis - a request for information regarding costs involved with updating and/or upgrading the Unisys hardware and software on which KIPPS runs has been received from Unisys Corporation. This cost information is essential in deciding whether to maintain the current personnel/payroll system.

At this point, the Department has expended \$5,142,813 for consultant expense (See page 2, Attachment C of "Initial KFIS Briefing Report.") Of this amount, \$2,404,310 was financed, the rest was paid outright. Division officials agree that additional consultant costs will be required to implement KAHRS, however, I have put a hold on any additional contractual costs until the above two items are completed and thoroughly reviewed and discussed.

I can assure you that the Department is trying to learn from its mistakes. Estimating costs on a project of this size will never be precise, but the process can be improved and I am making that a priority. More attention to detail is needed at the outset of large development projects. For example, certain requirements for software should be defined prior to software acquisition. Also, a detailed investigation of other sites using or developing a proposed software product should occur prior to acquisition. I find no evidence that this Department devoted the time or resources to the careful cost estimating that the project deserved. The State needs to do a better job of identifying what resources will be needed - hardware, software, people - before a project is undertaken.

Summary

The following is a summary of the direction I am taking as a result of the experiences of the KFIS project:

1) Independent Assistance: The City of Topeka has just completed installation of a new accounting and personal payroll system. Their computer director, Steve Tallen, has been providing assistance in analyzing the proper future course for the various components of the KFIS project. He brings an independent view as well as solid technical and practical experience.

Jean Turner, the former data processing manager in the State Treasurer's office joined my office staff in the Special Assistant to the Secretary of Administration position. Her duties have been full time on KFIS issues and will allow my office to have added resources on the project.

2) STARS - Accounting Software: Processing efficiency measures will continue as the highest priority.

3) ADPICS - Purchasing Software: With an estimated \$600,000 per year estimated processing cost when the system is operational in the format originally planned, I am not convinced of the cost/benefit of the original plan. We are analyzing the expected costs and reviewing the feasibility of alternatives that will allow the benefits of an automated procurement system at a lesser annual cost.

4) KIPPS KAHRS - Personnel/Payroll Software: In my thinking the two policy choices are whether to upgrade the KIPPS system or finish up the KAHRS system. The Price Waterhouse study and an analysis of upgrade costs should facilitate a decision on these choices.

5) Better Planning - Large Application Software Project:

Drawing on the experiences of the KFIS project, I want other state agencies to learn from these mistakes. We will be developing planning tools and processes that will hopefully assist agencies in avoiding shortcomings experienced on the KFIS project.

It is recognized that a project of this scope cannot be adequately capsulized in only today's hearing. Please let me know specific areas of interest that I might provide this Committee additional information.

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GLOSSARY OF TERMS

KFIS

Kansas Financial Information Systems

ADPICS

Advanced Purchasing and Inventory Control System
(automated procurement system)

FAACS

Fixed Asset Accounting Control System
(fixed asset accounting system)

KAHRS

Kansas Automated Human Resource System
(personnel and payroll system)

STARS

Statewide Accounting and Reporting System
(central accounting system)

GAAP

General Accepted Accounting Priniples

CMSO Fund

Central Management Information Systems and Computing
Operations
(The KFIS project is funded by the CMSO fund, a State
General Fund Appropriation.)

CASK

Central Accounting System for Kansas
(STARS central accounting system has replaced CASK.)

KIPPS

Kansas Integrated Personnel and Payroll System
(Personnel and payroll system currently in use.)