Summary

The study, conducted by the Human Resource Consulting Group of Price Waterhouse, sought to determine whether the State's payroll system is adequate, effective, and efficient and to recommend an appropriate course of action if improvements are needed.

The state payroll system has existed for over twenty years and its basic procedures and computer application concepts have not changed. While the system continues to prepare payroll for some 50,000 employees, it is burdened with major problems.

Should the State pursue a new system, it will have to establish a goal by deciding whether the system will involve all, or only some, of the basic applications-- payroll, personnel, benefits administration, position control, and applicant tracking. Most departments appear to favor a system that integrates all the human resource functions.

Costs of the action recommended by Price Waterhouse would depend on such factors as consultant efforts, type of hardware, and state personnel involved in implementation. The study made the following estimates: Consulting costs of $266,000 for analyzing the requirements of the system, software costs of between $200,000 and $500,000, and consulting costs of $1,494,000 for implementing the system. Hardware costs will depend upon hardware needs established during the requirements analysis phase.

The State will also have to establish a steering committee that will possess the ability to make quick decisions affecting all aspects of the new system, and must have the authority to enforce its decisions.

FINDINGS

The payroll system is extremely labor intensive, with many manual activities that could be automated. In leave accounting, for example, all records of eligibility, accrued leave, used leave, and forfeitures are kept manually for 50,000 state employees. An automated leave accounting system could perform these, and other critical functions, automatically.

The computer applications of the payroll system are outdated. The new technology of modern payroll systems is far more efficient and flexible. The payroll system does not make use of current software technology, and so the tasks of maintaining and enhancing the automated portion of the system are extremely difficult and time-consuming.

OPTIONS AND RECOMMENDATION

The State could choose to make no change to the system. But if the system is to be changed, there are four alternatives: (1) modify the existing system; (2) develop a new customized system; (3) acquire a customized system from another governmental unit; and (4) purchase a system that is commercially available.

The State should pursue a modern payroll system by purchasing a commercial software package. The evolution of commercial software has led to flexible, proven ways to satisfy human resource requirements; risks are reduced; accurate estimates of time and costs of implementation can be made; and there is a performance record by other public sector units.

Given this choice, the State should develop criteria for its desired system and request proposals from proven vendors.

RESPONSE

The Department of Accounting and General Services and the Department of Personnel Services both agreed that a new payroll system is needed to replace the existing one, and they concurred with the recommendation that the State should pursue a modern system by purchasing a commercial software package. Because of efforts to automate personnel functions, the Department of Personnel Services was concerned whether the payroll system should contain a total human resource system. The department would like to be a member of the steering committee proposed in the report.