

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Infor-Lawson ERP Implementation Status Review

Report #18/19-08

August 29, 2019



Memorandum

Memo No: 18/19-07

Date: August 29, 2019

To: Chris Lagerbloom, City Manager

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Infor-Lawson ERP Implementation Status Review

The City Auditor's Office has been observing the implementation of the Infor Lawson ERP (Enterprise Resource Management) software since the inception of the project. Our objective is to review the on-going project status of the ERP system implementation and identify risk areas. To achieve this objective, we have been attending ERP meetings, interviewing project team members, and reviewing project documentation, including weekly status reports and Steering Committee presentations. We examined areas of the project budget, implementation schedule, and functionality.

CONCLUSION:

As of August 29th, 2019, the project is late, incomplete and will likely exceed budget by an unforeseeable amount, based on the original scope of work. The City Auditor's Office observation and review of project documentation determined that the City will not realize the full benefits of an integrated ERP system by October 1, 2019. A full or partial implementation at this time carries a high risk of adversely impacting the core operations of the City, including but not limited to finance, benefits, compensation, and purchasing.

RECOMMENDATION:

The City Auditor's Office recommends that the City Manager's team consider delaying the go-live date of the project, re-evaluate the current project manager, and establish reasonable expectations on deliverables and timelines. We would further recommend a significant and immediate increase in resources dedicated solely to the implementation.

SUMMARY

The Infor Lawson ERP software implementation is a large-scale project. The project had been approved by the City Commission on September 7th, 2016 for \$6.6M to replace the current obsolete Financial Accounting Management Information System (FAMIS) and add interoperability to back-office functions. The City is currently operating with an archaic

patchwork of systems that have led to redundant processes, manual workarounds, inadequate reporting capabilities, lack of intuitive user interfaces, and informational silos. During the first phase of the project, the City selected the new business system software and retained a consultant to help with the implementation. In the second phase the City worked with the software vendor and the consultant to implement the new system. The current go-live date was established as October 1st, 2019 to coincide with the end of the fiscal year.

Overall factors that hurt the City's ability to achieve its goals were inadequate project management by our outside consultant and inconsistent engagement of decision-making staff on the City's side throughout the implementation process. At various times throughout the life of the project, City staff have raised concerns about project governance and project management.

Successfully implementing financial and HR systems requires deep knowledge of those functions as well as IT expertise, but turnover and staffing shortages in those areas left the City without a strong system champion on the functional side. The IT infrastructure was built out but subject matter experts in the operational areas were not always available when needed.

Consequently, as of August 14th, 2019 none of the functional areas, such as payroll, benefits, and inventory, are ready to go live with the new system. While the actual funds spent on the project are about \$5M, the percent of completed deliverables cannot be determined by the project manager or by the functional area teams.

Besides the lack of appropriate project management and ownership, the team faced considerable challenges during the project. For example, the FAMIS system failure, data mapping concerns, access issues, and resource limitations delayed data conversion and testing. In addition, the lack of on-site vendor resources made turnaround times longer than expected.

The FAMIS system failure in early April of 2019 resulted in additional delays. The IT team identified various vendors to replace outdated parts to bring the FAMIS system up, so that data could be available for operations and system conversion. Parts were flown in from abroad and IBM was contracted to install and certify system integrity and provide warranty. A temporary backup-site also had been contracted to handle any further system failures. Subsequently, the ERP project team continuously adjusted timelines and reassigned resources to manage caused setbacks.

In order to meet the established October 1, 2019 go-live date, the project required significant adjustments to resources and timelines. Currently, there are three (3) task orders submitted to the City Manager for approval by Infor. Task orders are associated with additional resources, postponing certain systems functionality implementation to phase 2, and identifying alternatives for a budget module that fits City expectations. Specifically, some Procurement and Human Resources functionalities are delayed to phase 2, and the budget projection tool will not be implemented as originally expected. Procurement includes contract management, supplier portal and strategic sourcing functionality, while Human Resources includes succession planning,

performance management, goal management, employee credentials, development and employee relations.

As an alternative to the originally planned budget planning module, management is working with a potential vendor to provide a solution prior to the next budget cycle, which includes the needed salary projection functionality. Even with these adjustments to scope and additional resources, the remaining parts of project are behind schedule.

Based on our assessment, we identified the following risks:

- We are unable to determine conclusively which functional areas will be ready for go-live with the ERP system on October 1st, 2019.
- The go-live date depends on heavily on several factors: immediately increasing the number of staff dedicated primarily to ERP implementation activities, having limited system downtime, and minimal failures during testing (best case scenario).
- There is no documented comprehensive plan in place to keep operations functioning “as-is” if system implementation is delayed or to handle potential system failures and operational backlogs. Instead, there are ad-hoc contingencies contemplated by individual departments.
- Since the ERP modules are interrelated, placing some modules in operation might not be viable as interfaces will need to be built that is costly, time consuming and defeat the purpose of implementing the system in the first place.
- The Earned Value Calculation (EVC) of the project, which compares project deliverables to actual funds spent, cannot be determined by the project manager. Moreover, functional areas are unable to confirm what percent of deliverables have been completed.
- The compressed implementation timeline could jeopardize proper data validation and testing. Risk is further elevated as limited parallel testing (simultaneous end-to-end testing of processes in the old and new systems) is planned.
- Access controls and security profiles have not been established yet.
- The replacement budget projection tool, a critical component, will be pushed back to phase 2. This might impact next year’s budget planning.
- Currently, the budget variance for completing the full ERP implementation is unknown. Therefore, overall project cost cannot be determined.

In addition to the specific risks to the project identified above, we found that no viable Continuity of Operations Plan (COOP) was in place and tested for critical business applications. As a result, the recovery from the FAMIS systems failure was uncertain and took longer than expected.

Moreover, the City does not appear to have heeded the warnings from its experience with prior City projects. When we installed the Cayenta utility billing system in 2010, the City received a material weakness over internal control which was due in part to inadequate testing of the system prior to going live.

If the project go-live date is delayed, the impact of continuing operations “as-is” should be assessed, including but not limited to the IT environment (e.g., continuing FAMIS operations) and the upcoming benefits open enrollment.

Alternately, if the City Manager’s team accepts the risks and determines that any ERP modules must go live, having a roll-back plan or Plan B to ensure continued operations is critical.

Finally, the ultimate success of the new system relies on user acceptance. If user’s attitudes are favorable, they are more likely to use the system to its full functionality. Therefore more transparent communication, ongoing training and user satisfaction monitoring are key.

Whether the implementation is fully or partially postponed, budget adjustments must be prepared promptly and shared with City Commission and Budget Advisory Board. There will be additional costs for the outside consultant, software vendor and for the potential of keeping the existing systems in place. These are not fully budgeted for in the City Manager’s Proposed 2020 Budget.

cc: Honorable Mayor and Commissioners
Alain Boileau, City Attorney
Jeff Modarelli, City Clerk
Rob Hernandez, Deputy City Manager
Linda Short, Chief Financial Officer
Mike Maier, Director of the Information Technology Services Department